



The COVID-19 Pandemic's Financial Impact on South African Consumers

The COVID-19 pandemic is creating a new reality as its impact has stretched to consumers of all generations and income levels.

TransUnion is tracking consumer behavior changes and providing results to all to inform understanding and decision-making during this time of uncertainty.

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WAVE 9 REPORT

Data collected week of 1 November 2020

BACKGROUND

The current global COVID-19 pandemic is creating major economic and financial distress for consumers across the globe. Many jobs in the South African economy are already being impacted or at risk due to drastic demand shifts. We've conducted research to better understand consumers' perceptions and expectations for how this rapidly evolving situation is affecting their financial situation and subsequent ability to pay their bills. The insights in this report aim to help you make informed decisions at a time when information on consumer impact is still emerging. We are providing this report and additional resources to all so we can come together to support people during this trying time.

Key Takeaways

- Despite further relaxing of lockdown level 1 restrictions, 79% of South Africans continue to be financially impacted by COVID-19. This is up 2 percentage points from October but lower than the highest level (84%) experienced in June.
- Only 11% of consumers indicate that their household finances are going as planned through 2020, while 65% say their finances are worse than planned.
- Concern among impacted consumers about their ability to pay bills and loans remains high at 85%, with 29% expecting to run into a shortfall within one month (+3 pp).
- South Africans are still cashing out investments and retirement savings to maintain cash flow through the crisis, with 42% of respondents indicating this is how they will pay current bills and loans.
- However, South Africans do remain positive about the future. When asked about their expectations going forward, 69% of impacted consumers indicate they are optimistic, 14% neither optimistic nor pessimistic, and 17% pessimistic about the future.

RESEARCH METHODOLOGY

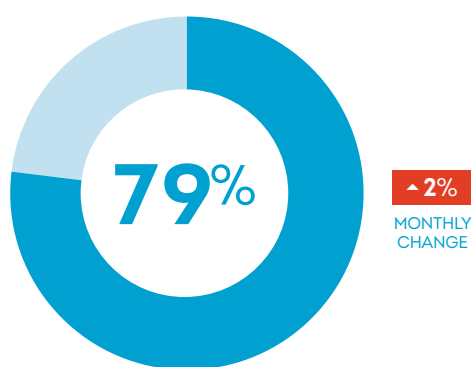
This online survey of 1,100 adults in South Africa was conducted 1-3 November by TransUnion in partnership with third-party research provider Qualtrics® Research-Services. Adults 18 years of age and older residing in South Africa were surveyed using an online research panel method across a combination of computer, mobile and tablet devices. Survey questions were administered in English. All regions are represented in the study survey responses. To ensure general population sample representativeness across South African resident demographics, the survey included quotas to balance responses to the census statistics on the dimensions of age, gender, household income and region. These research results are unweighted and statistically significant at a 95% confidence level within ±2.95 percentage points based on calculated error margin.

FINANCIAL IMPACT

WHAT IS THE SCALE AND TYPE OF IMPACT?

- Despite further relaxing of lockdown level 1 restrictions, 79% of South Africans continue to be financially impacted by COVID-19. This is up 2 percentage points from October but lower than the highest level (84%) experienced in June.
- Gen X (81%) is still impacted at a higher level than other generations, but Gen Z reports the largest increase in financial impact (77%), up 5 percentage points from October.
- Thirty-five percent of impacted consumers have had their work hours reduced, and the percentage who report job loss has increased by 2 percentage points from last month to 19%. This is substantially higher than in April (10%), as businesses continue to feel the strain of previous lockdown restrictions.
- Only 11% of consumers indicate that their household finances are going as planned through 2020, while 65% say their finances are worse than planned.

Figure 1. Perceived impact.



Percentage of consumers who indicated their household income has been impacted.

Figure 2. Are you expecting to be impacted in the future?

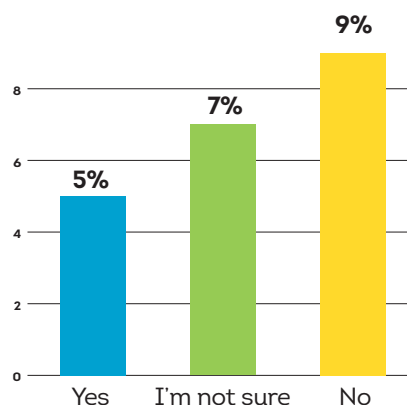
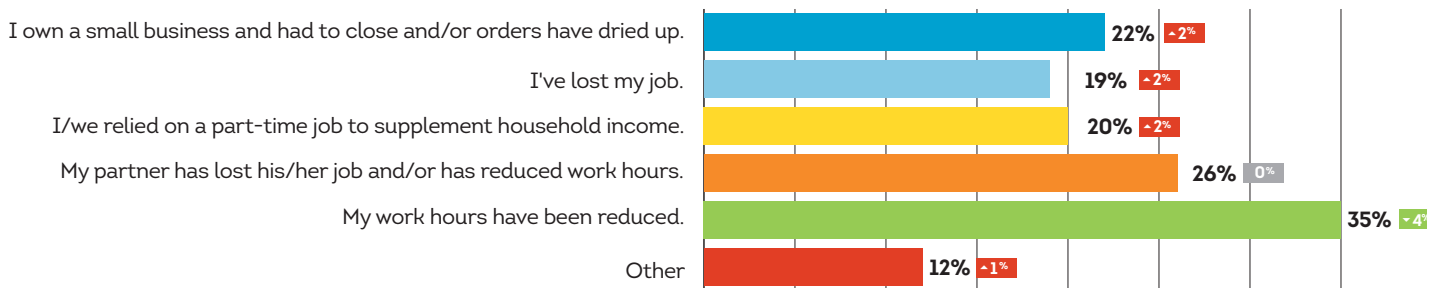


Figure 3. How is your current household income being impacted?



MANAGING THE HOUSEHOLD BUDGET

HOW ARE CONSUMERS CHANGING THEIR HOUSEHOLD BUDGET IN RESPONSE TO THE PANDEMIC?

- Concern among impacted consumers about their ability to pay bills and loans remains high at 85%, with 29% expecting to run into a shortfall within one month (+3 pp). However, over a quarter (28%) expect to be able to pay their obligations for longer than three months.
- The average amount that respondents expect to be short when paying bills and loans increased by 1% to R7,425 in November from R7,354 in October. This is only 2% lower than the highest amount reported in May during hard lockdown.
- Credit products are the bills consumers are most likely to be unable to pay. Personal loans (39%) and retail/clothing store account (37%) ranked in the top two, followed by utilities (29%) and internet bills (29%).
- Consumers have altered their lifestyle since the beginning of the pandemic to better cope with decreases in their household income. In November, 57% of impacted consumers indicate they have cut back on discretionary spending, 43% have canceled subscriptions or memberships (+7 pp), and 35% have canceled or reduced digital services.

Figure 4. How much is your budget shortfall?

On average, amount consumers who were impacted expect they will be short when paying bills or loans.



How soon will you not be able to pay?

Consumers who were impacted expect they will not be able to pay their bills or loans in **8.4 weeks.**

Figure 5. Are you concerned about your ability to pay your current bills and loans?

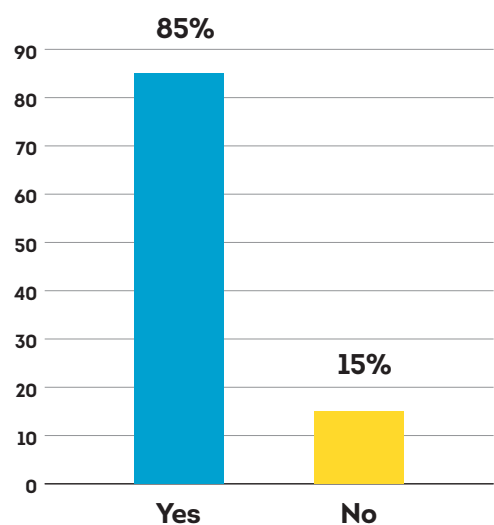


Figure 6. Regional concern over ability to pay bills/loans.

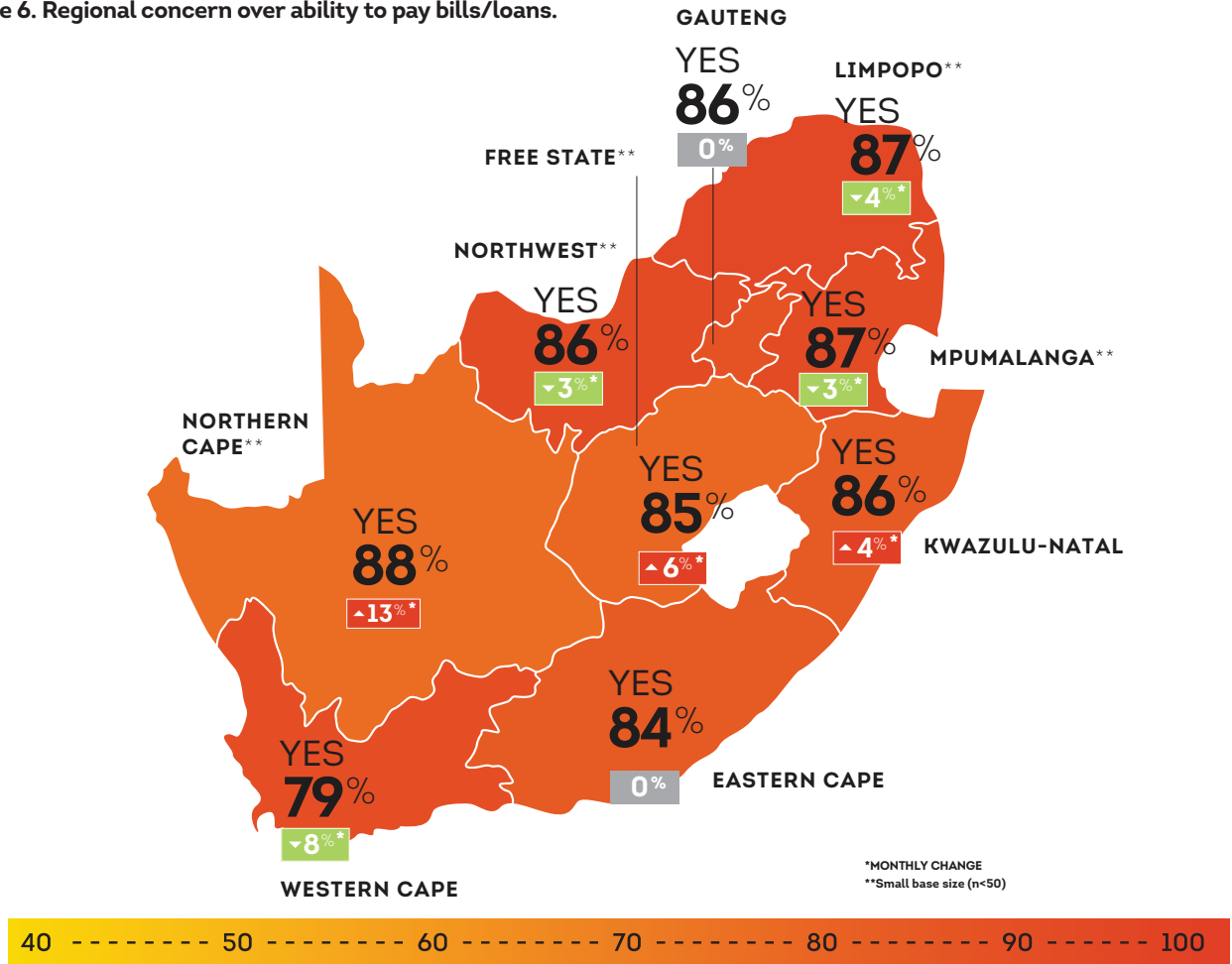


Figure 7. What bills and loans are you concerned about your ability to pay?

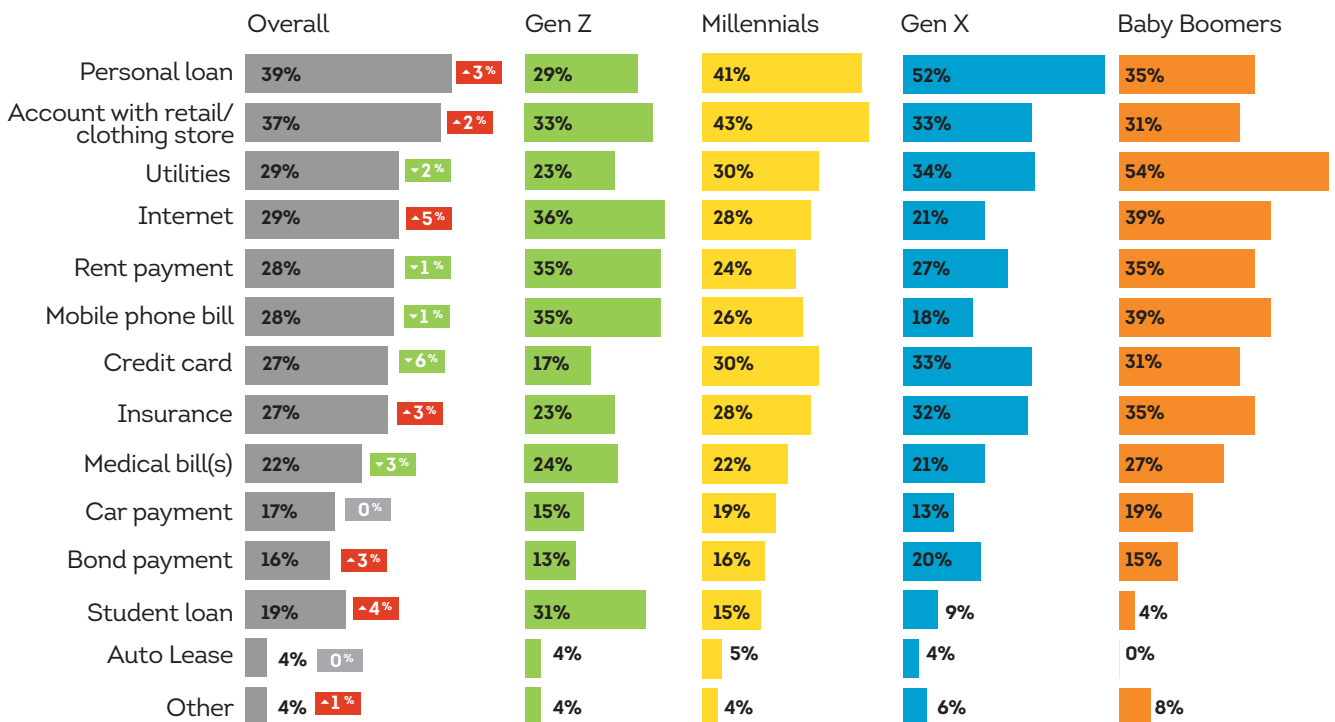
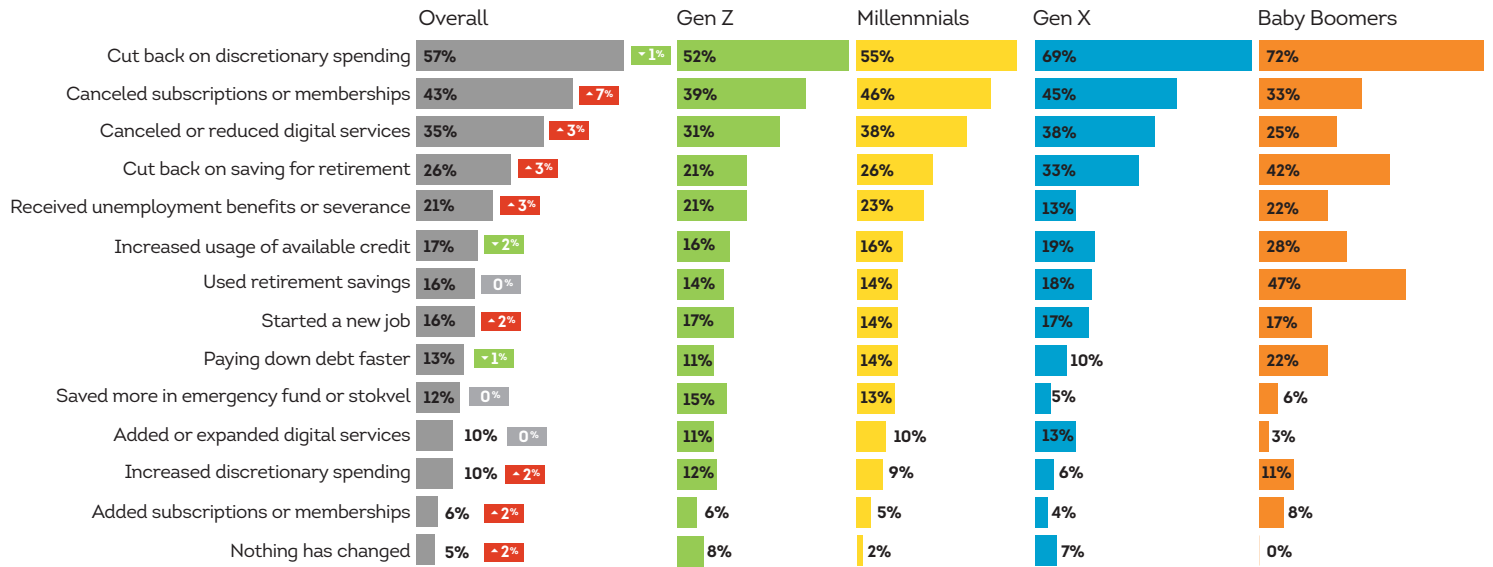


Figure 8. What has changed in your household budget during the COVID-19 pandemic?



RECOVERY PLANS

WHAT IS YOUR GAME PLAN?

- South Africans are still cashing out investments and retirement savings to maintain cash flow through the crisis, with 42% of respondents indicating this is how they will pay current bills and loans.
- Where possible, consumers are actively paying down balances, with 40% indicating they intend to pay at least a partial amount of their bills.
- Eleven percent of surveyed consumers indicated that they are receiving a payment holiday. Auto leases (31%), auto loans (21%) and mortgages (20%) remain the products consumers are most likely to have any type of accommodation for.
- Consumers that have received accommodations during the crisis are getting back to making full payments. Sixty-one percent indicate they are making full payments on their mortgage loan and 56% say they are making full payments on their auto loans.
- With summer holidays on the horizon, consumers continue to delay holiday plans at highest levels to date (57%) despite easing of local travel restrictions and opening up of the tourism industry. Delaying home improvements also reached its peak, as 43% of consumers state they are putting this on hold as a result of the pandemic.
- Looking forward three months, 64% of consumers expect to spend less on dining out, travel and entertainment purchases. The retail sector may come under pressure as 54% indicate they will spend less on retail purchases, which may affect the economy as we approach the holiday season.
- However, South Africans do remain positive about the future. When asked about their expectations going forward, 69% of impacted consumers indicate they are optimistic, 14% neither optimistic nor pessimistic, and 17% pessimistic about the future.

Figure 9. What is your plan to help pay your current bill(s) or loans?

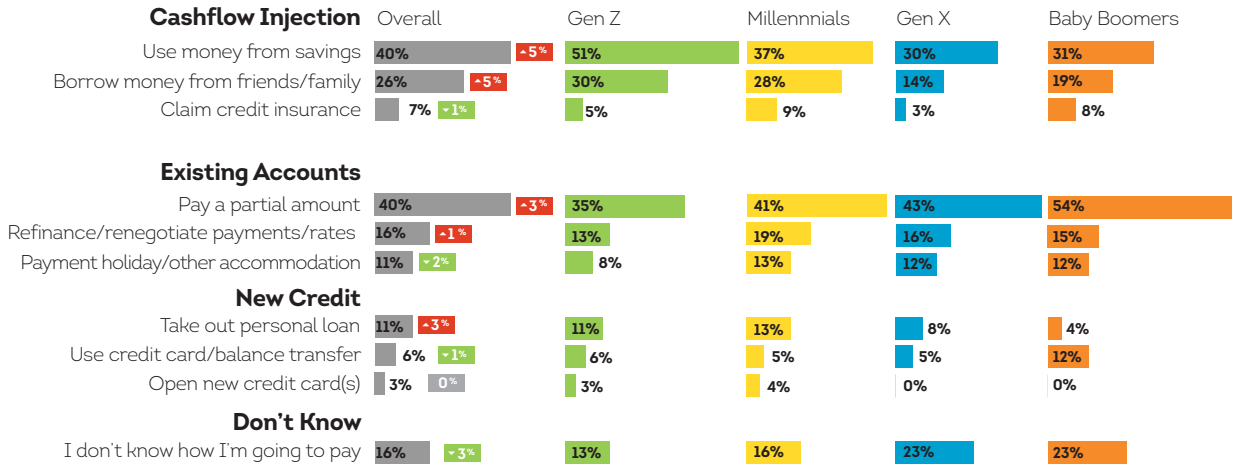


Figure 10. Have you reached out to companies you have accounts with to discuss payment options?

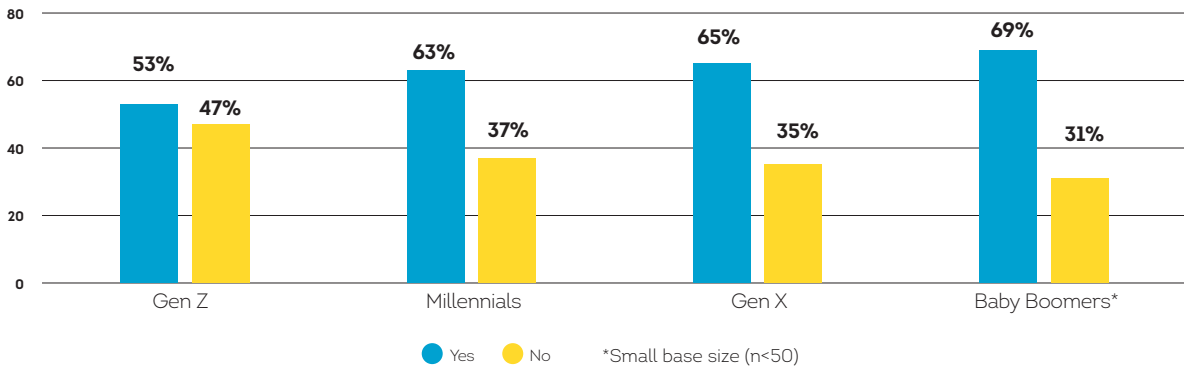


Figure 11. Loans/bills enrolled in financial accommodation (among those with financial product).

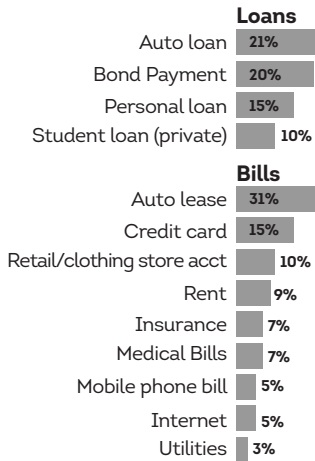


Figure 12. Repayment preference when financial accommodation period ends (Top 3 options).

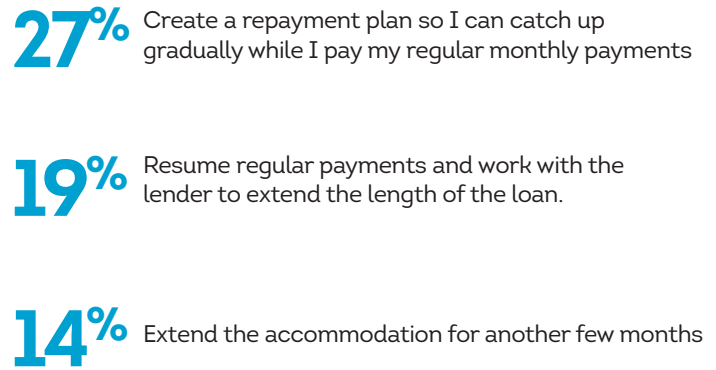
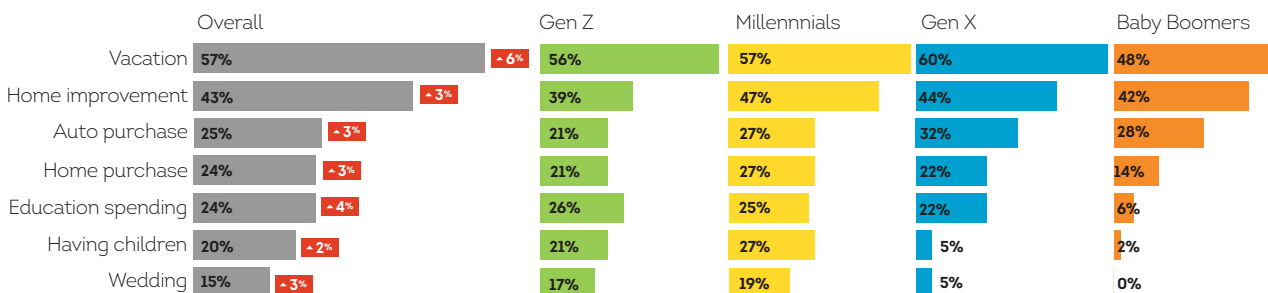


Figure 13. Are you delaying any of the following major purchases or events?

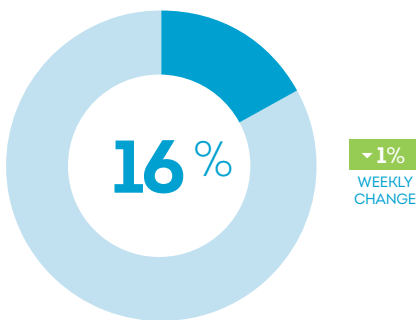


TAKING CARE OF YOURSELF

HEALTHCARE, FRAUD, AND CREDIT MONITORING

- The percentage of households that indicate they are checking their credit score at least weekly (26%) has risen significantly since June (9%). Additionally, 56% of consumers now say that monitoring their credit is very or extremely important, up from 43% in June.
- Just over 2 in 5 South African consumers (41%) report they have been targeted by digital fraud related to COVID-19 (+16 pp from April). Unemployment related scams remain the most common scheme (32%, +4 pp).

Figure 14a. Delayed medical procedures.



Percentage of consumers who have had an elective surgery, medical appointment or procedure delayed or canceled due to COVID-19.

Figure 14b. How urgently do you plan to reschedule your elective surgery, medical appointment or procedure?

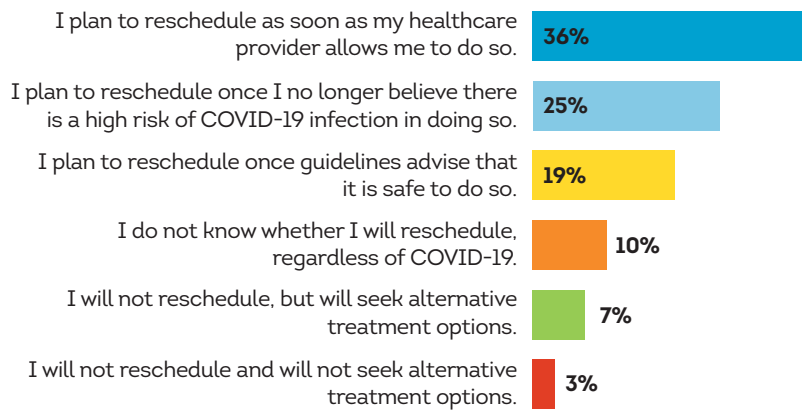


Figure 15. Which statement best describes your personal experience with any digital fraud attempts related to COVID-19?

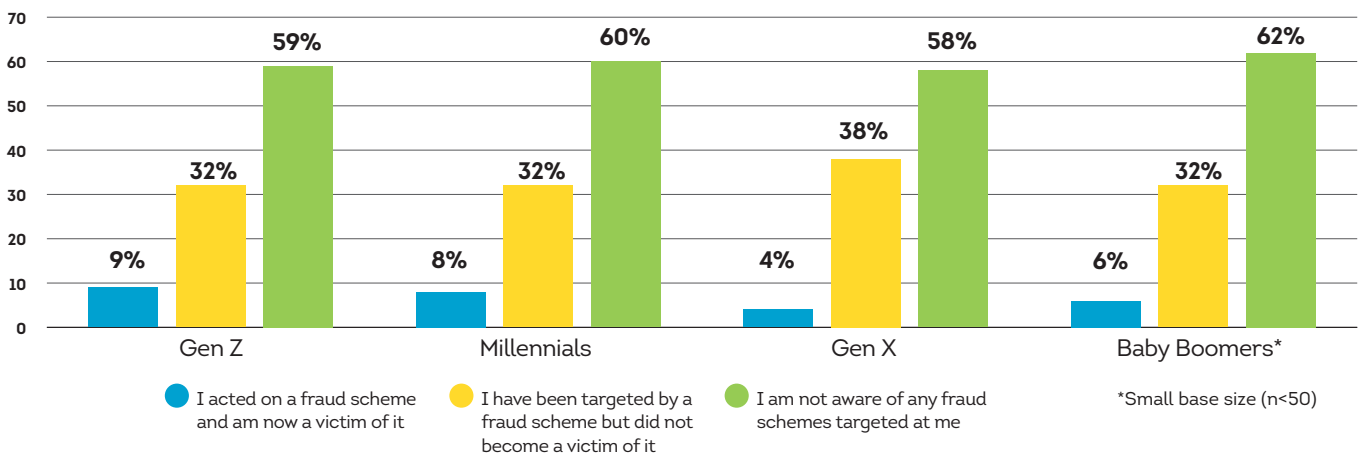


Figure 16. Frequency of checking credit.

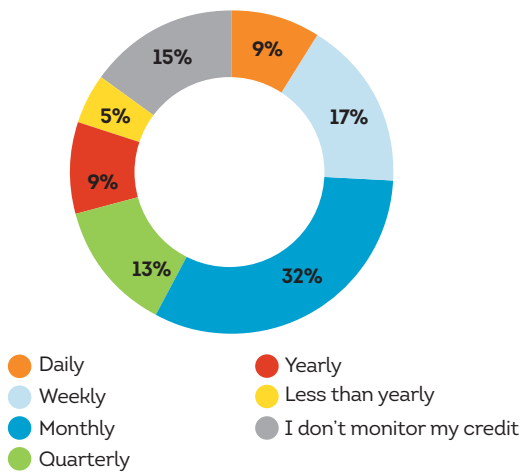
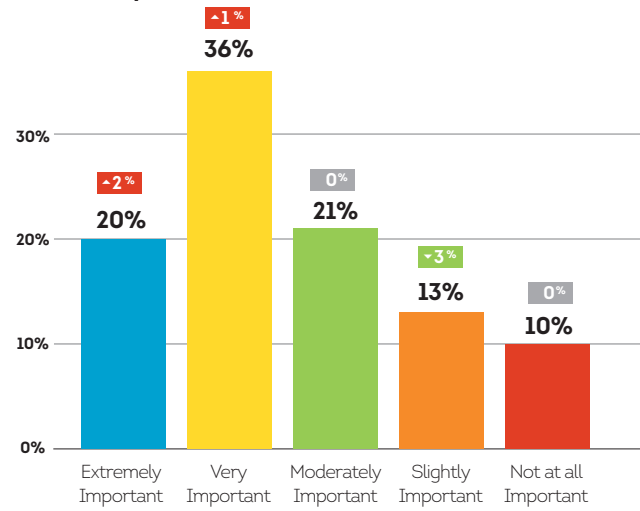


Figure 17. Importance of monitoring credit during COVID-19 pandemic.



CALL TO ACTION

If you found this information useful and would like to learn more, please come back for next month's report and visit our [South Africa Consumer Financial Hardship Study website](#). We at TransUnion are committed to continuing to provide you the updates, tools and resources you need to understand this evolving situation.

If you are a member of the media and would like to learn more, please contact:

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