

Consumer Pulse Study

COVID-19's current and future impact on household budgets, spending and debt

SOUTH AFRICA Q2 2021

TransUnion's quarterly survey helps to understand how consumers' personal finances have been impacted by the COVID-19 pandemic. The study measures changing consumer attitudes and behaviour based on the dynamics of income, debt and identity theft. The analyses and insights inform decision-making to empower consumers and help businesses create economic opportunity for consumers.

KEY TAKEAWAYS



Financial impact and concern regarding ability to pay loans remain high

Ahead of the beginning of the third COVID-19 wave, 61% of South Africans reported they're currently being negatively financially impacted as a result of the pandemic. Incomes have primarily been impacted by job losses, and reduced salary and work hours. Consumers remained highly concerned about their ability to pay their bills and loans, with credit obligations topping the list of bills they said they won't be able to pay.

Just over two in five consumers (43%) reported they've been in arrears for a bill or loan in the past three months, indicating a substantial proportion of South Africans are still struggling to make their payments. Of consumers who missed payments in the last three months, 31% have missed a payment on one account, 33% on two accounts, and 17% on three accounts.



Opportunities for credit growth

Consumers do however, express the need and appetite for credit – 85% of households consider access to credit extremely, very or moderately important, but only 27% believe they currently have sufficient access to credit. A third (33%) plan to apply for new credit or refinance existing credit within the next year. Channels of preference when acquiring new credit include in-person at a branch (33%), online via a computer (19%), and online via a website on a mobile phone (18%).



South Africans remain hopeful and resilient

South Africans remain upbeat and positive – 75% are optimistic about the future, with 52% confident their household finances will fully recover in the next 12 months. To weather the pandemic storm, consumers have made budgetary adjustments by cutting back on discretionary spending, and reducing digital services, subscriptions and memberships. Nineteen percent said they moved to a cheaper home, and to supplement income, 18% of consumers said they started doing gig work (freelance work), 17% started a small business, and 17% began selling goods informally.

FINANCIAL HARDSHIP

Household income (HHI) and bill payment impact

At the beginning of June, just a few weeks before the onset of the third wave of the pandemic in South Africa, 61% of respondents indicated their household income is currently being negatively impacted due to COVID-19. This is similar to March 2021 (62%) but significantly lower than the all-time high of 84% a year ago (survey 28 May to 1 June, 2020).

The youngest generation surveyed, Gen Z, appear to be the generation whose income is least negatively impacted, with 49% saying their income is currently decreased due to pandemic compared to 67% for Millennials, 65% for Gen X and 67% for Baby Boomers. The main reasons consumers reported their household income decreased was as a result of job loss, and reduced salary and work hours. In particular, 40% of all surveyed consumers said someone in their household lost their job, while 38% and 28% indicated someone in their household had their salary and work hours reduced, respectively. Forty-five percent of lower-income consumers (households earning less than R50,000 per year) indicated someone in their household lost their job in the past month.

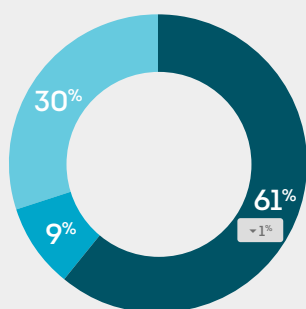
Consumers whose income is currently decreased remain highly concerned about their ability to pay their bills and loans (88%, up by one percentage point from March 2021 and four percentage points from Dec. 2020). Credit obligations remain the top concern with 44% of all consumers with Mashonisa loans reporting they're unable to pay that bill, 37% of personal loan holders, and 30% of retail account and credit card holders.

Forty-three percent of all consumers surveyed reported they've been in arrears for a bill or loan in the past three months, indicating just under half of consumers are still struggling to make payments.

Only 4% of surveyed households indicated their finances have fully recovered since being impacted by the pandemic. Just under half (48%) said they have not recovered. However, South Africans remain upbeat – 75% are optimistic about the future, with 52% confident their household finances will fully recover in the next 12 months.

To supplement income, 18% of consumers said they started doing gig work (freelance work), 17% started a small business, and 17% began selling goods informally.

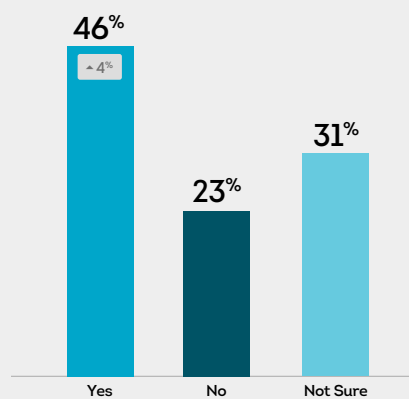
Figure 1. Household income decreased due to pandemic



● Currently decreased
● Never decreased
● Previously decreased

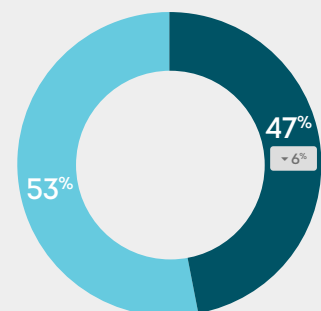
-X% Percentage point change from Q1 2021

Figure 2. Expect household income to decrease in the future



-X% Percentage point change from Q1 2021

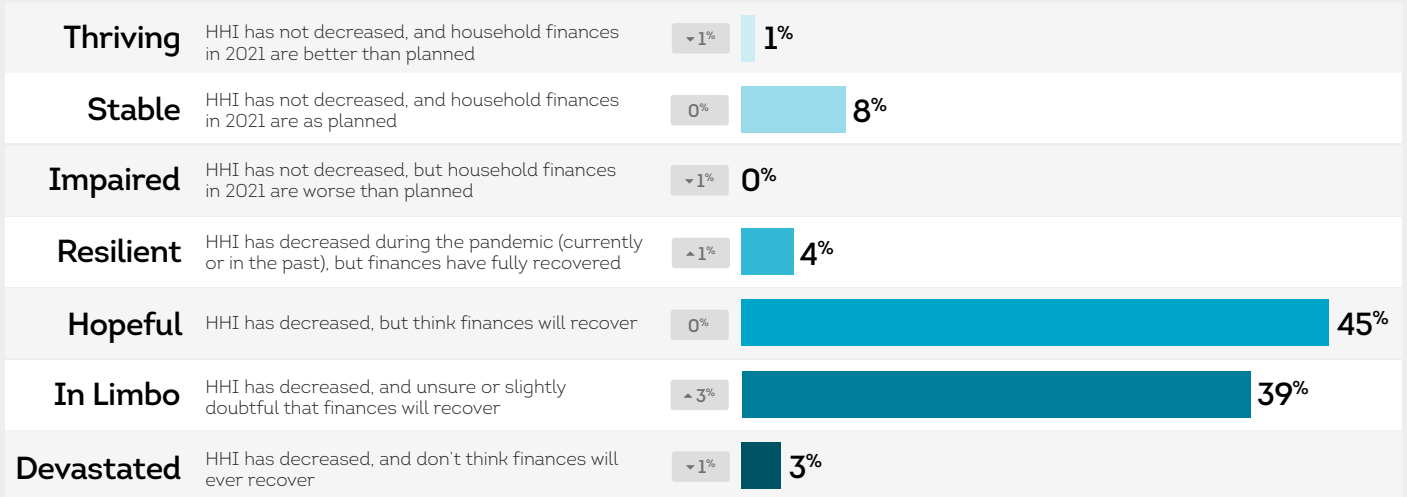
Figure 3. Expect to be unable to pay at least one of their current bills and loans in full



● Unable to pay
● Able to pay

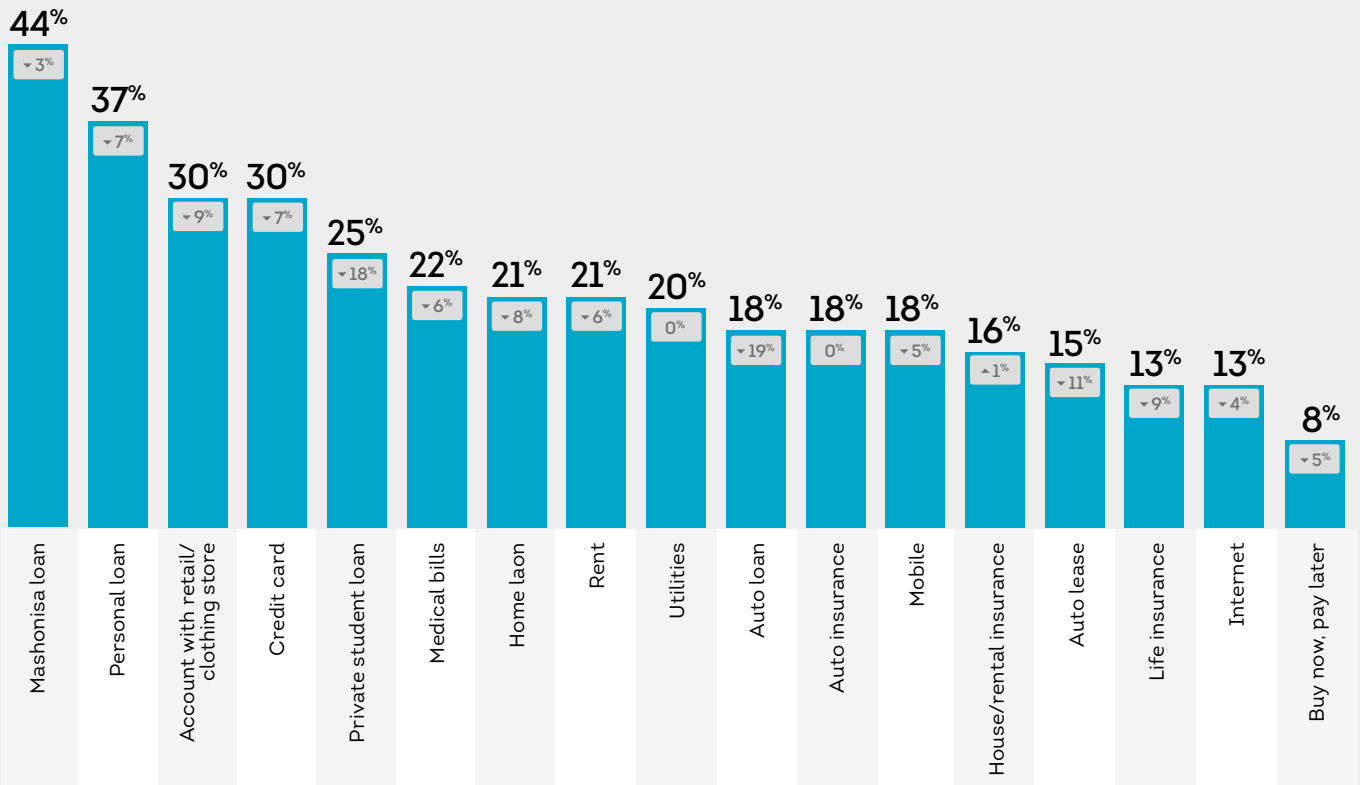
-X% Percentage point change from Q1 2021

Figure 4. Consumer financial situation due to pandemic



▲ X% Percentage point change from Q1 2021

Figure 5. Bills and loans unable to pay (among those with these bills/loans)



▲ X% Percentage point change from Q1 2021

Figure 6. Plans to pay current bills or loans (among those unable to pay bills/loans)

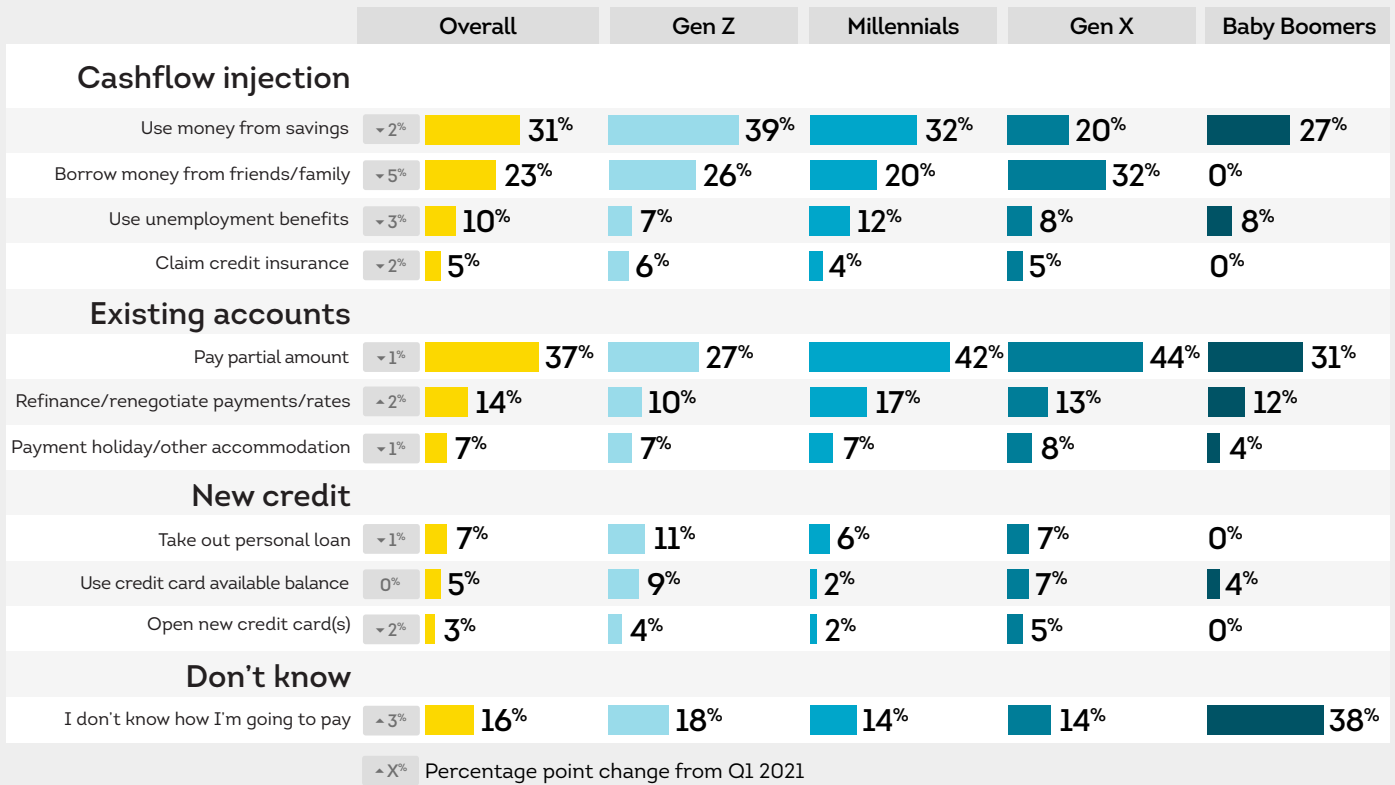
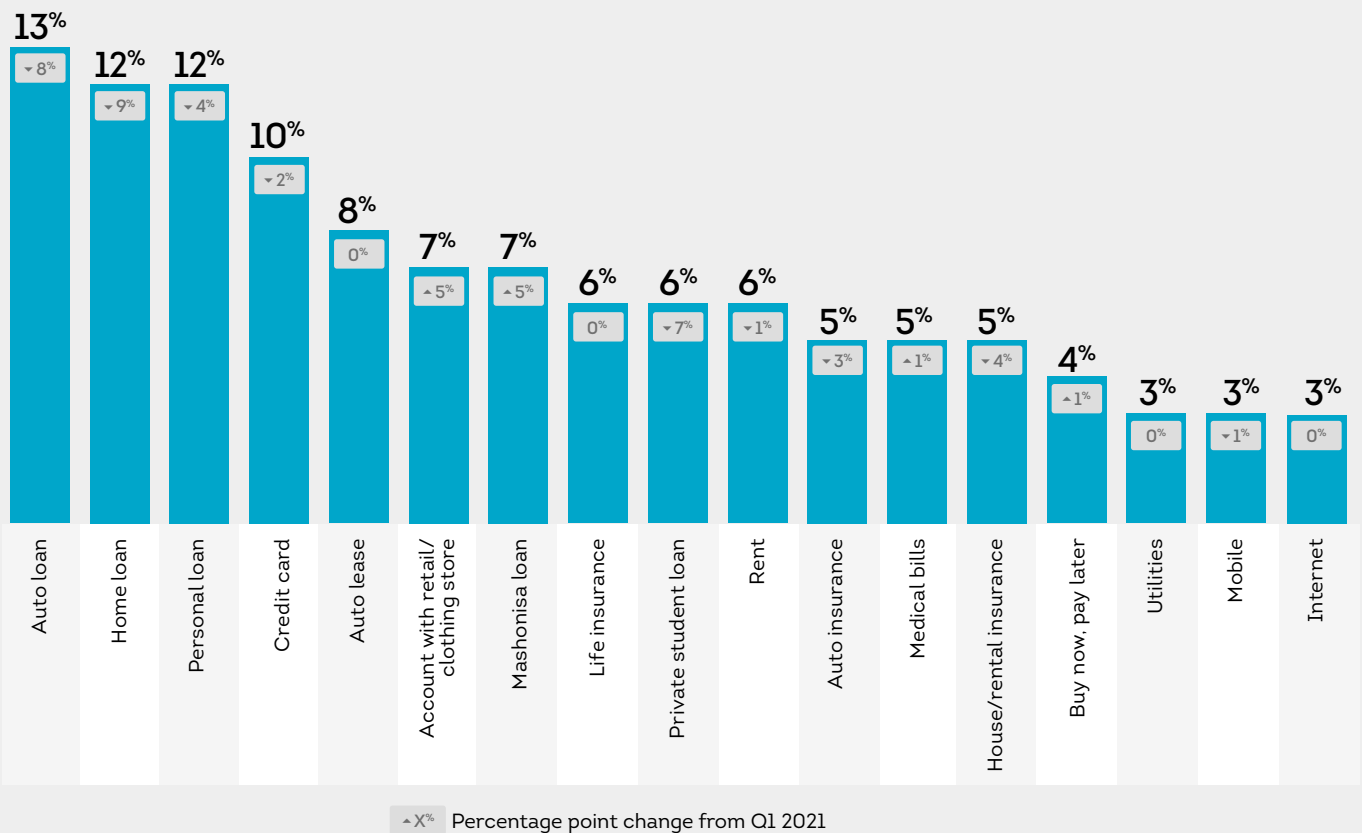


Figure 7. Types of bills or loans enrolled in financial accommodation in past year (among those with that bill/loan)



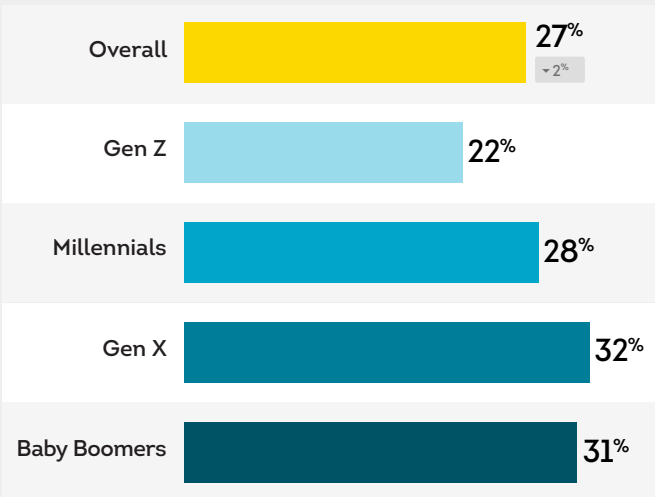
Attitudes and plans for economic participation

While 85% of households consider access to credit extremely, very or moderately important (with 30% considering it extremely important), only 27% believe they currently have sufficient access to credit.

Forty-five percent of surveyed consumers considered applying for new credit or refinancing existing credit but ultimately decided not to – 34% believed their application would be rejected due to their income/employment status; 30% felt the cost of new credit or refinancing was too high, and 26% thought they'd be rejected due to their credit history.

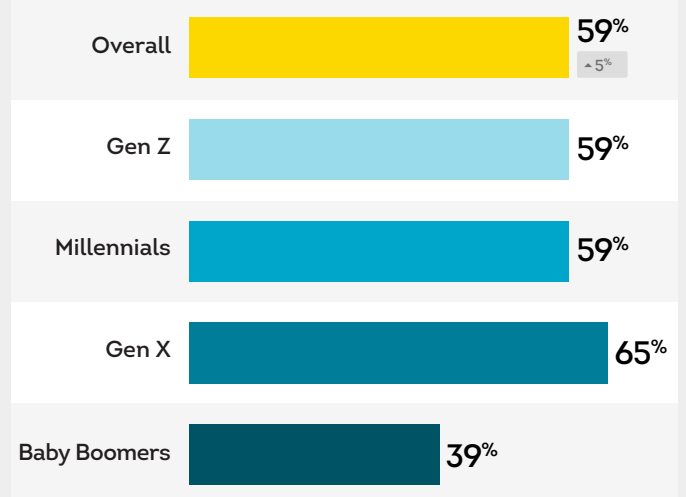
Consumers do express appetite for credit with a third (33%) saying they plan to apply for new credit or refinance existing credit within the next year. The top types of new or refinanced credit they plan to apply for are: a new personal loan (39%), credit card (33%) and home loan or bond payment (30%).

Figure 8. Believe have sufficient access to credit and lending products



-X% Percentage point change from Q1 2021

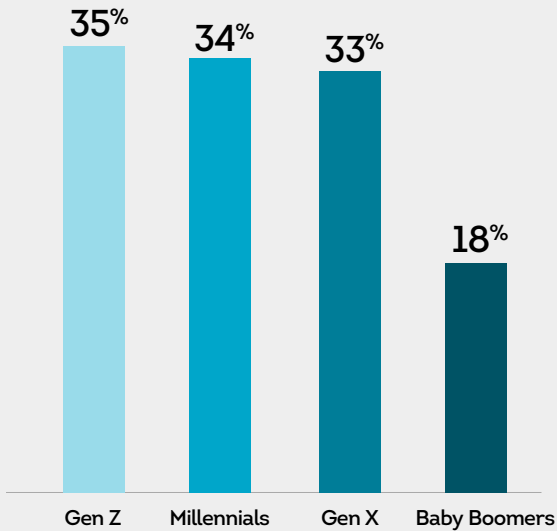
Figure 9. Believe important to have access to credit to achieve financial goals (extremely or very important)



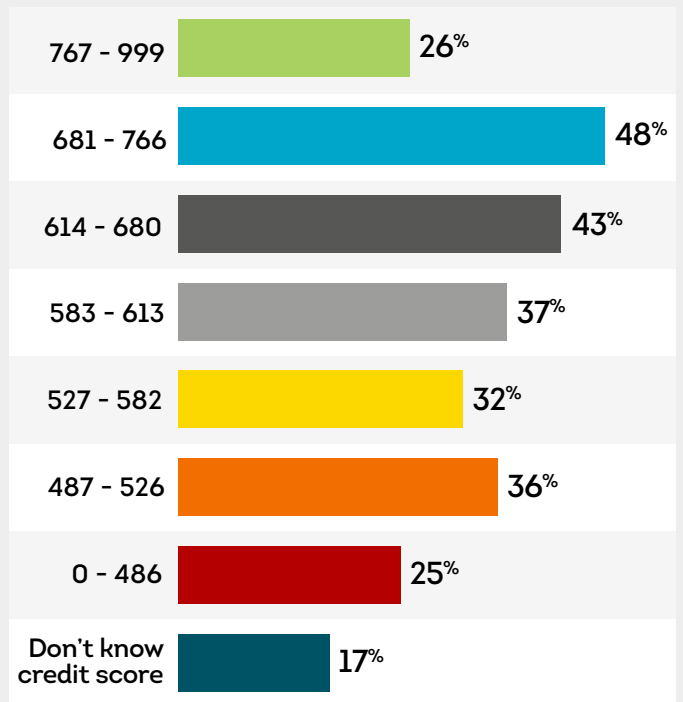
-X% Percentage point change from Q1 2021

Figure 10. Plan to apply for new credit or refinance existing credit within the next year

By generation

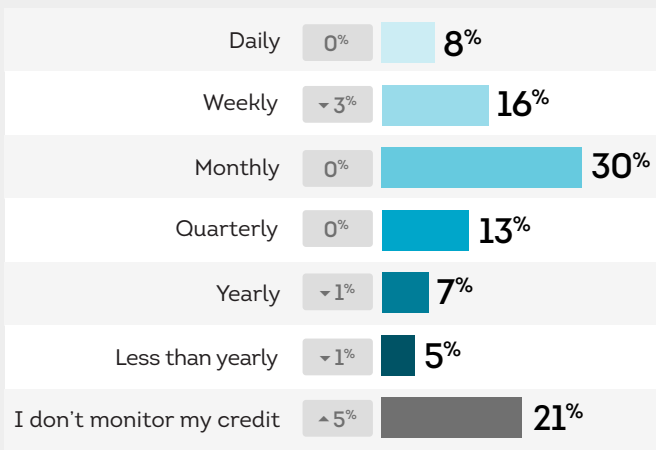


By credit score



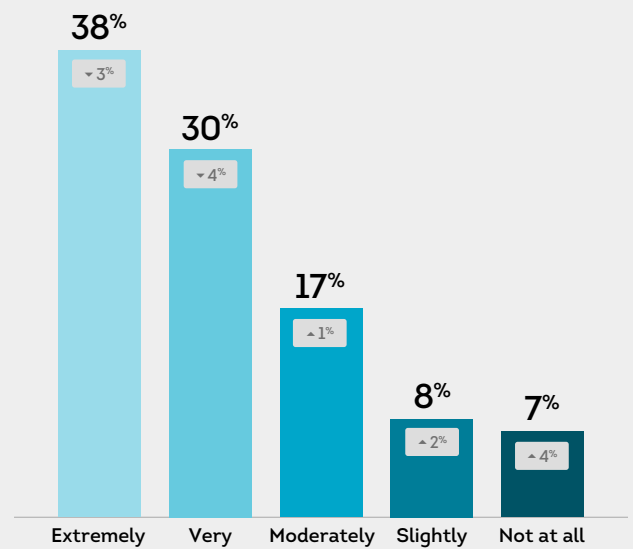
Self-reported credit score ranges

Figure 11. Credit monitoring frequency



▲ X% Percentage point change from Q1 2021

Figure 12. Believe monitoring credit is important



▲ X% Percentage point change from Q1 2021

Figure 13. Changes to household budget in the last three months

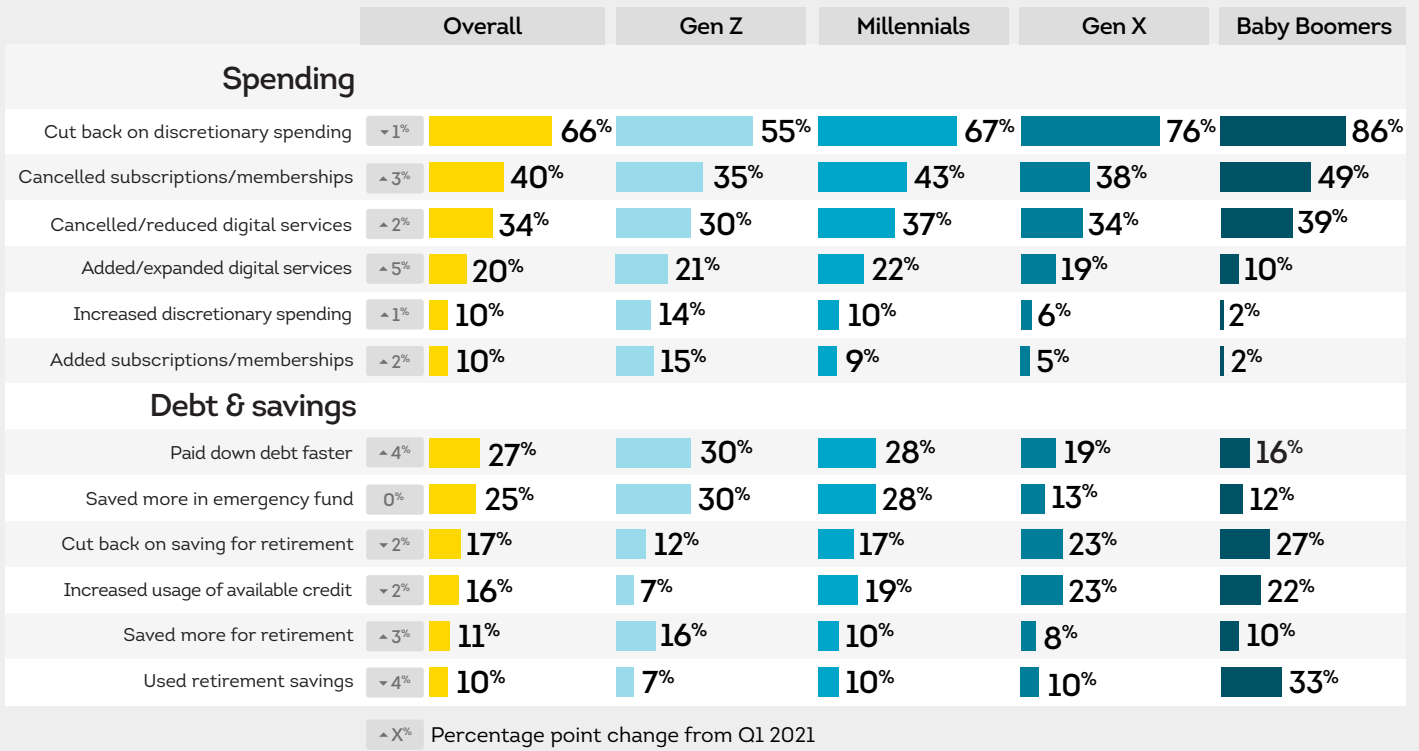


Figure 14. Expected change to household spending over next three months

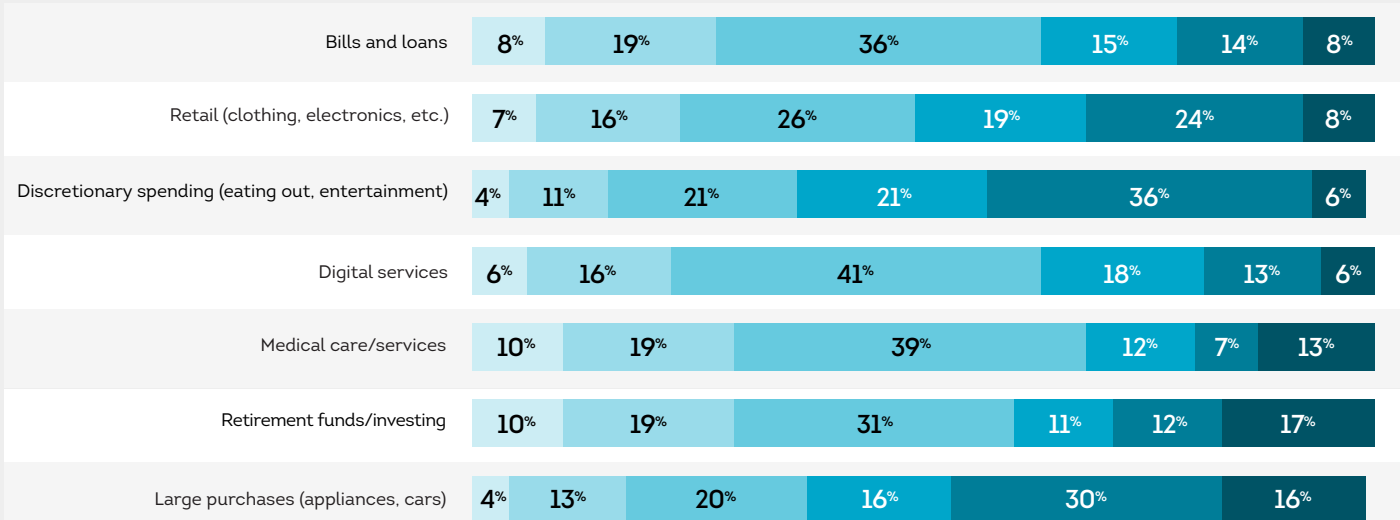
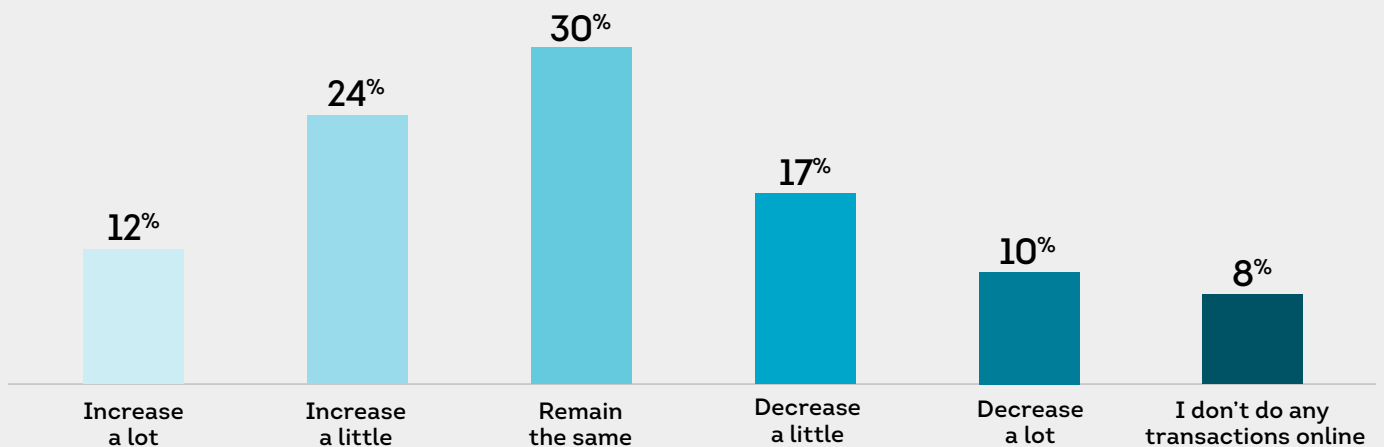


Figure 15. Expected change in number of online transactions over the next three months



FOCUS ON FRAUD

COVID-19 related digital fraud

Around two in five consumers (41%) reported they're personally aware of a COVID-19-related digital fraud attempt targeted at them in the last three months, and 7% are now a victim of the attempt.

The top type and fastest rising COVID-19-related digital scam is fake insurance, followed by unemployment and third-party seller scams. Among those who said they were hit by COVID-19-related digital fraud in the last three months, 27% said they were targeted with an insurance scam, up 10 percentage points.

Figure 16. Personal experience with digital fraud attempts related to COVID-19

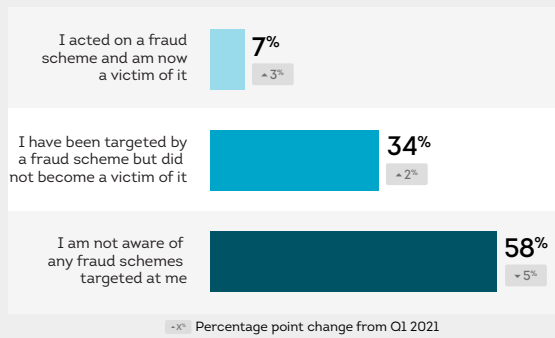


Figure 17. Digital fraud related to COVID-19 by generation

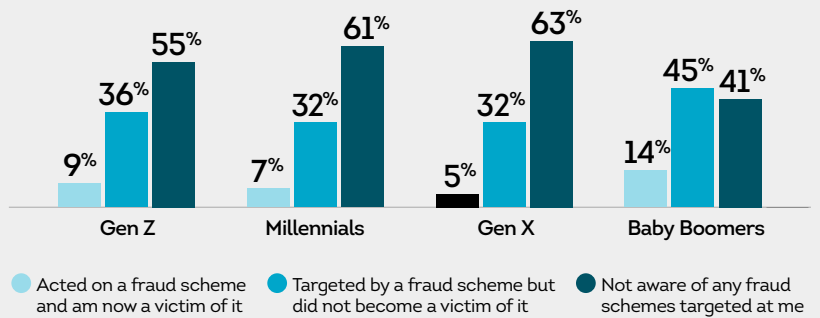
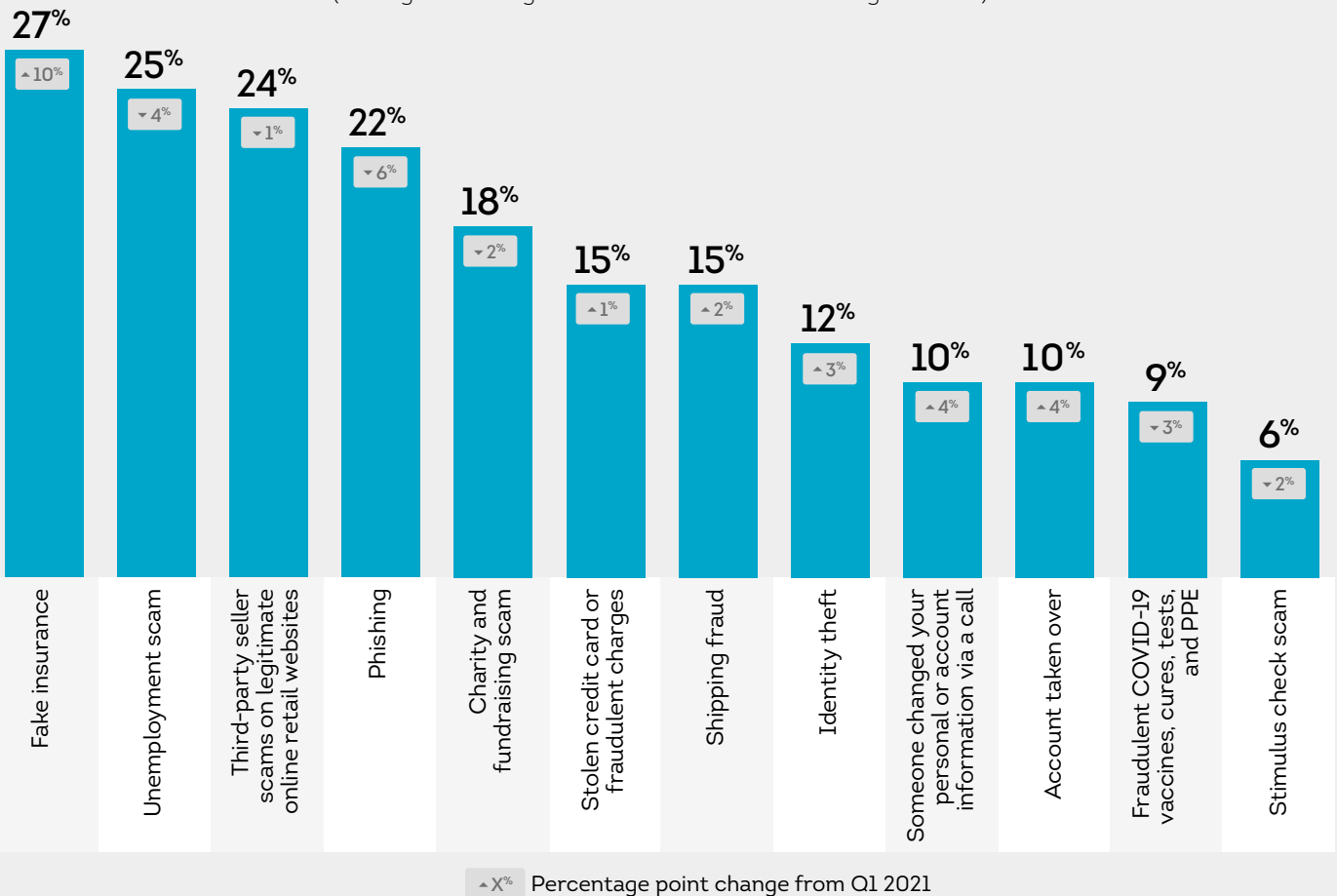


Figure 18. Most frequent fraud schemes targeting consumers (among those targeted with COVID-19 related digital fraud)



Methodology

This online survey of 934 adults in South Africa was conducted 28 May–8 June 2021 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. To increase representativeness across South Africa resident demographics, the survey included quotas to balance responses to the census statistics on the dimensions of age, gender, household income, race and region. Generations are defined as follows: Gen Z, born 1995–2003; Millennials, born 1980–1994; Gen X, born 1965–1979; and Baby Boomers, born 1944–1964. These research results are unweighted and statistically significant at a 95% confidence level within ±3.21% percentage points based on a calculated error margin.

For previous Consumer Pulse Studies, visit
transunion.co.za/consumer-pulse-study.



About TransUnion (NYSE: TRU)

TransUnion is a global information and insights company that makes trust possible in the modern economy. We do this by providing a comprehensive picture of each person so they can be reliably and safely represented in the marketplace. As a result, businesses and consumers can transact with confidence and achieve great things. We call this Information for Good®.

A leading presence in more than 30 countries across five continents, TransUnion provides solutions that help create economic opportunity, great experiences and personal empowerment for hundreds of millions of people.

transunion.co.za