

Consumer Pulse Study

Consumer behaviours and attitudes about current and future household budgets, spending and debt

South Africa Q3 2022

TransUnion's quarterly survey explores how consumers' personal finances have changed and what changes they expect in the future. The study measures shifting consumer attitudes and behaviours based on the dynamics of income, debt and identity theft. The analyses and insights give consumers a voice and inform businesses' decision-making as they seek to create economic opportunity for consumers.

KEY TAKEAWAYS



The annual inflation rate in South Africa accelerated to a 13-year high of 7.8% in July of 2022 (from 7.4% in June), well above the upper limit of the South African Reserve Bank's target range of 3%–6%. Fuel was the most significant contributor to inflationary pressure for the period, up 56.2% vs. 45.3% in June 2022. The annual core inflation, which excludes food prices, non-alcoholic beverages, fuel and energy, rose to 4.4% in July 2022. That's the highest since October 2017. With continued inflationary pressure, consumers may further cut spending in the coming months.¹



South African consumers were aware of the importance of credit and lending products; 92% of consumers surveyed indicated they believe access to credit and lending products are important to achieve their financial goals. However, consumer appetites for new credit or refinancing of existing credit were limited. A little more than one in three consumers said they'll apply for new or refinance existing credit in the next year.



Although 96% of consumers believed credit monitoring is important, only 60% monitor their credit monthly. With 70% of consumers acknowledging at least a quarter of their transactions are conducted online, it's more pertinent than ever they become more active at monitoring their credit to keep track of obligations and protect themselves against potential fraud.

¹ <https://www.statssa.gov.za/publications/P0141/P0141July2022.pdf>

Household income (HHI), spending and bill payment impact

A positive financial sign emerged in Q3 2022: 37% of South Africans said their incomes increased in the last three months, a 6-percentage point increase from the prior quarter and 11-percentage point increase from the beginning of this year. The reduction in the unemployment rate to 33.9% in Q2 2022 from 34.5% in Q1² may have contributed to the improvement of household income. In the past month, 15% of consumers stated they started a new job and 20% opened a new business.

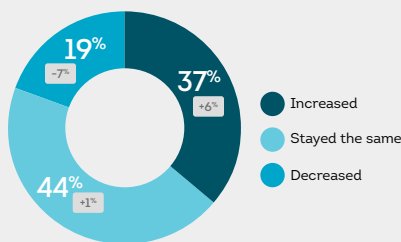
Among age groups, Gen Z (individuals born 1995–2004) reported the largest increase (41%) in household income in the last three months. Some of the more positive reasons for why Gen Z household incomes changed in the last month were: started a new business (21%), salary increase (20%) and started a new job (17%). These are encouraging signs considering the high South Africa youth unemployment rate of 61.4% in Q2 2022.³

South Africans remained optimistic concerning their income prospects in the coming months; 74% of consumers expected their incomes to increase in the next year. That's a 4% increase from Q2 of 2022.

A majority (64%) of South African consumers expected to be able to pay any of their current bills and loans in full – despite macroeconomic headwinds. This reflects the prioritisation consumers placed on their credit obligations. The sentiment was relatively similar across generations and markedly improved at 7% both from the prior quarter and beginning of the year. Consumers who expected to be unable to pay their current bills and loans in full cited using money from savings (42%) or paying a partial amount (39%) as the two most probable ways they'll address their debts.

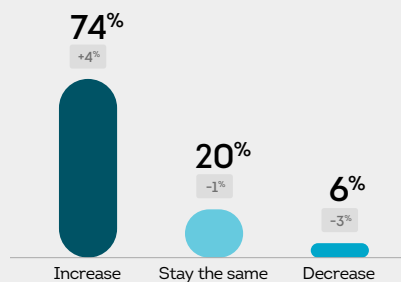
Q3 2022 started with the annual inflation rate in South Africa accelerating to a 13-year high of 7.8% in July of 2022 (from 7.4% in June Q2), well above the upper limit of the South African Reserve Bank's target range of 3%–6%. Despite an improvement in household income and ability to service debt, the rise in inflationary pressure resulted in consumers cutting back on discretionary spending. Fuel was the most significant contributor to inflationary pressure for the period, up 56.2% vs. 45.3% in June 2022. In Q3, 62% of surveyed consumers said they cut back on discretionary spending over the past three months, and 32% cancelled subscriptions or memberships. This sentiment will likely continue in the coming months as 56% expected to make further discretionary spending cuts in the next three months.

Figure 1. Household income change last three months



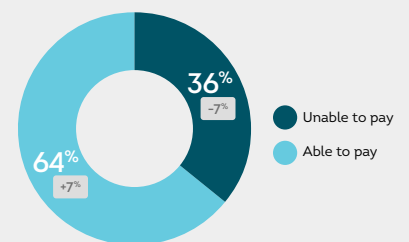
X% Percentage point change from Q2 2022

Figure 2. Expected household income change next 12 months



X% Percentage point change from Q2 2022

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

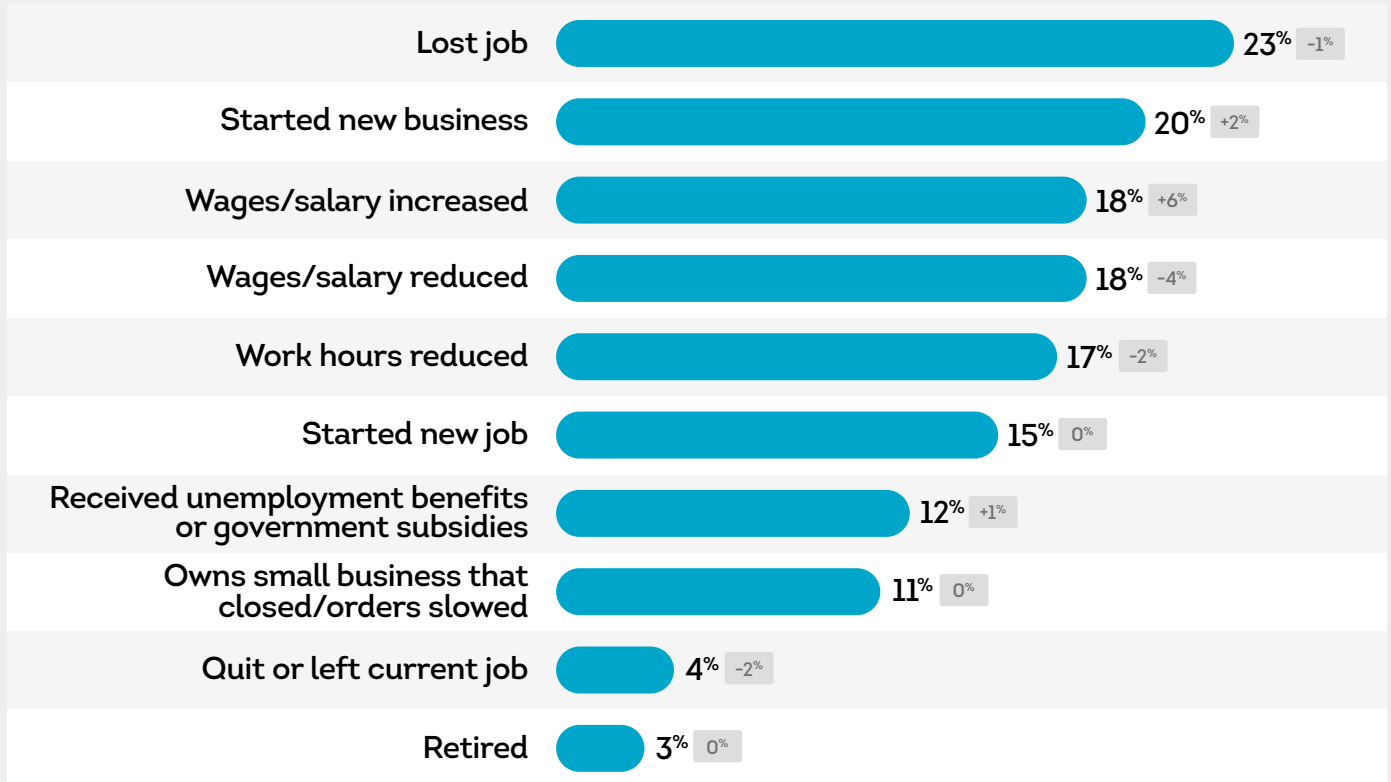


X% Percentage point change from Q2 2022

²South Africa Unemployment Rate - 2022 Data - 2023 Forecast - 2000-2021 Historical (tradingeconomics.com)

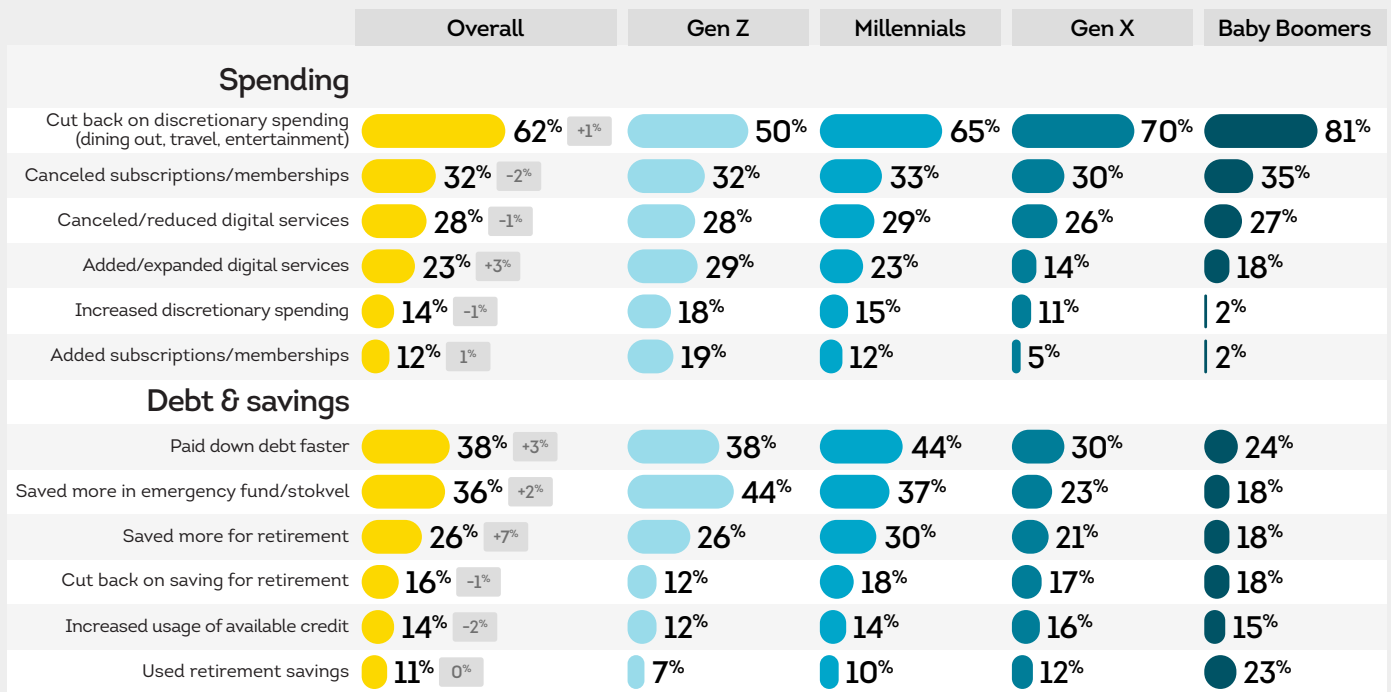
³South Africa Unemployment Rate - 2022 Data - 2023 Forecast - 2000-2021 Historical (tradingeconomics.com)

Figure 4. Reasons for change in current household income



X* Percentage point change from Q2 2022

Figure 5. Changes to household budget in the last three months



X* Percentage point change from Q2 2022

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

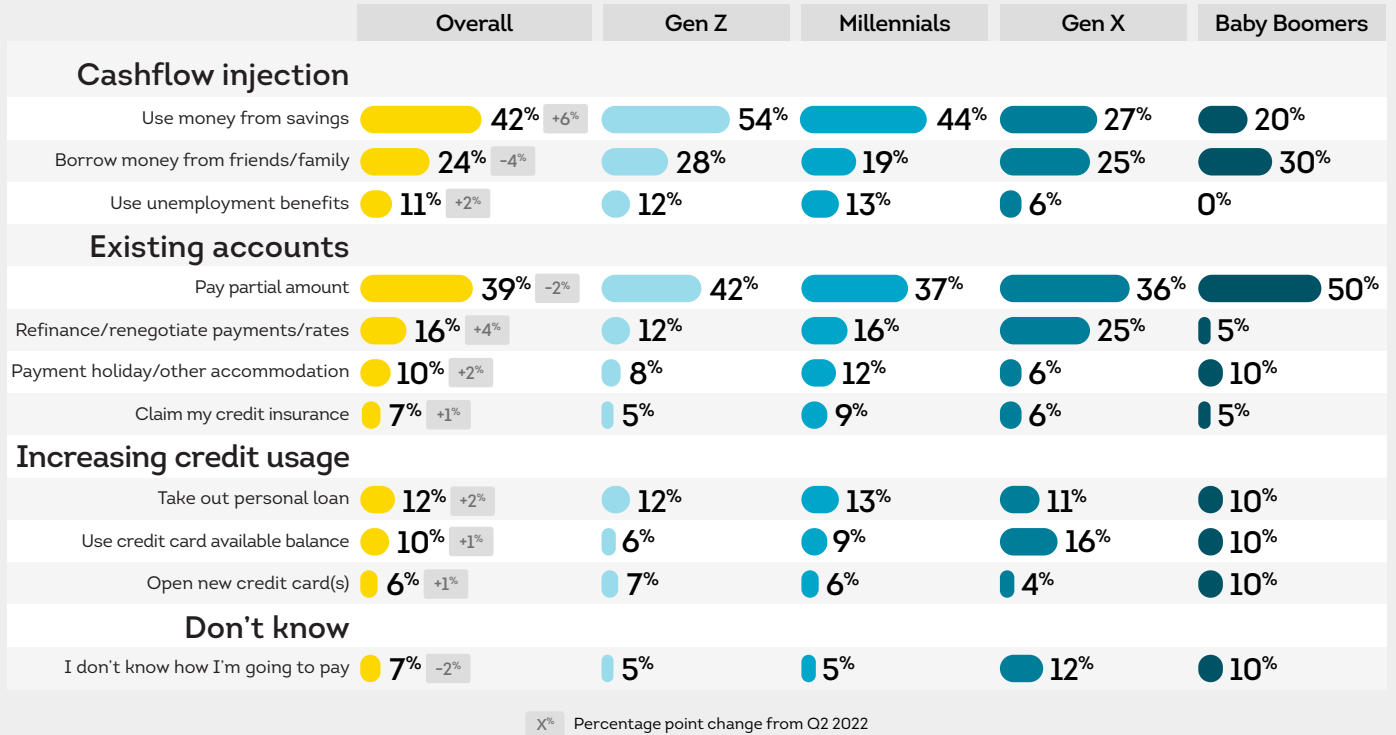
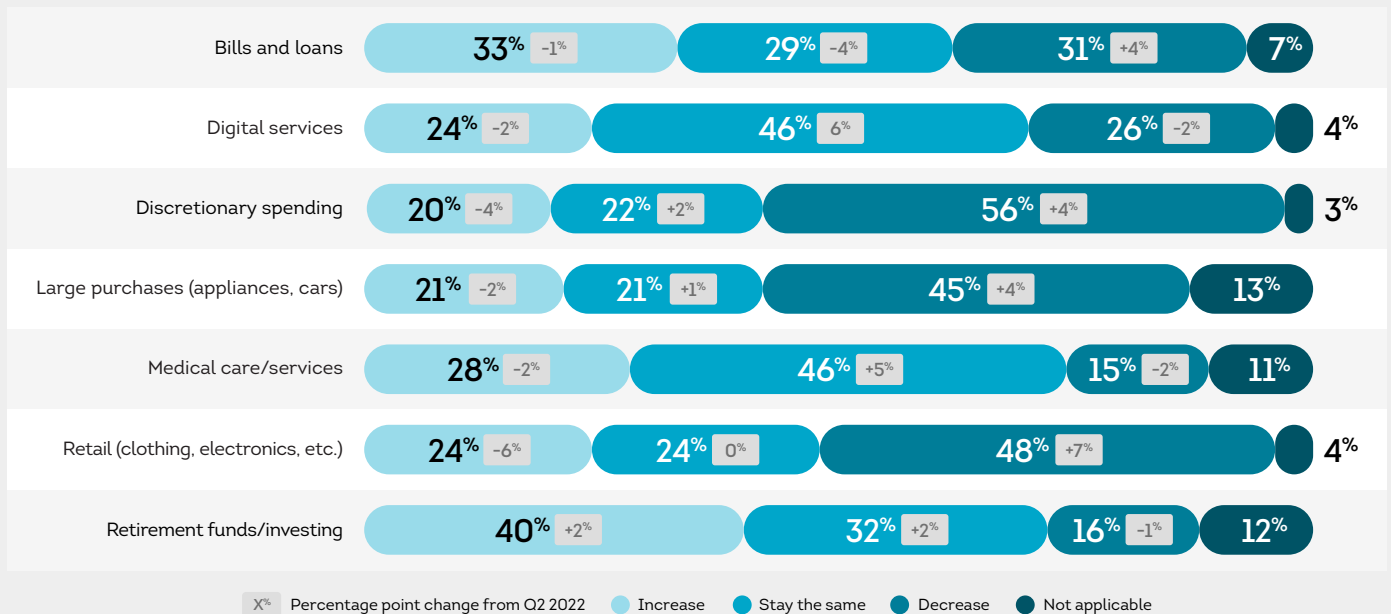


Figure 7. Expected change to household spending over next three months



Attitudes and plans for economic participation

Ninety-two percent of surveyed consumers considered access to credit important to achieve their financial goals. The sentiment decreases with a consumer's age: 86% of Gen X and 74% of Baby Boomers shared the same viewpoint. This may be due to older consumers' experience in the credit market over their lifetimes and the decreasing need for credit, particularly for Baby Boomers as more of them have possibly achieved their financial goals.

Forty-two percent of South African consumers believed they had sufficient access to credit and lending products. This reflects a moderate increase from a year ago when only one in three consumers believed they had sufficient access.

Despite the stated importance of credit, 64% said they do not intend to apply for new or refinance existing credit in the next year.

Of consumers who still intend to apply for credit in the next year, 36% intend to apply for a new credit card, 33% a new home loan and 30% a personal loan. However, the intent to apply for credit doesn't always translate to applying. Fifty percent of consumers who considered applying for or refinancing existing credit eventually decided against doing so; the cost of credit being too high (34%) and ultimately deciding they no longer needed it (29%) were cited as primary reasons for not applying.

Figure 8. Believe important to have access to credit and lending products to achieve financial goals

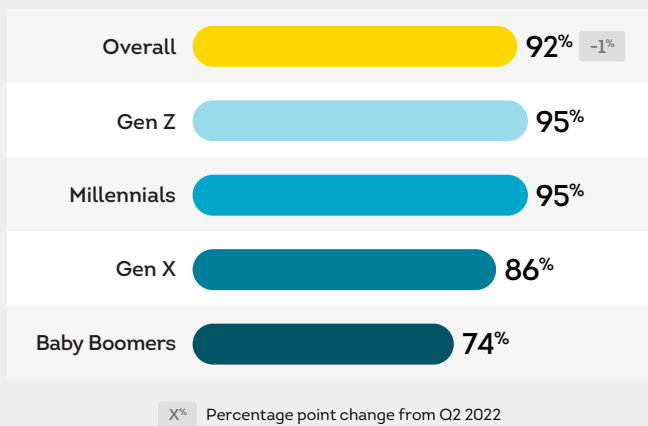


Figure 9. Believe have sufficient access to credit and lending products

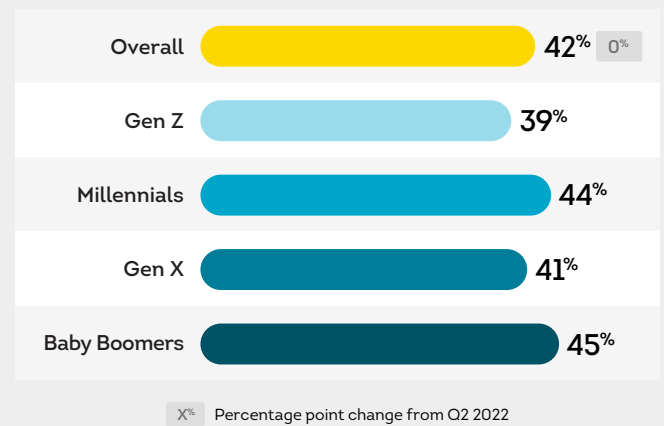
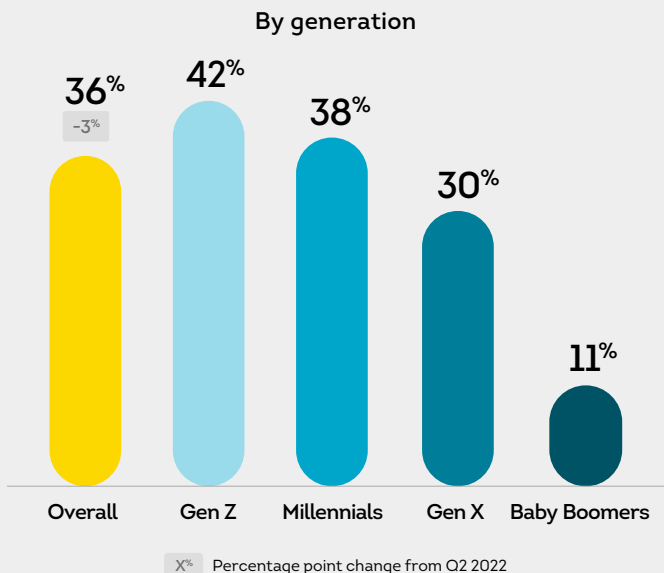
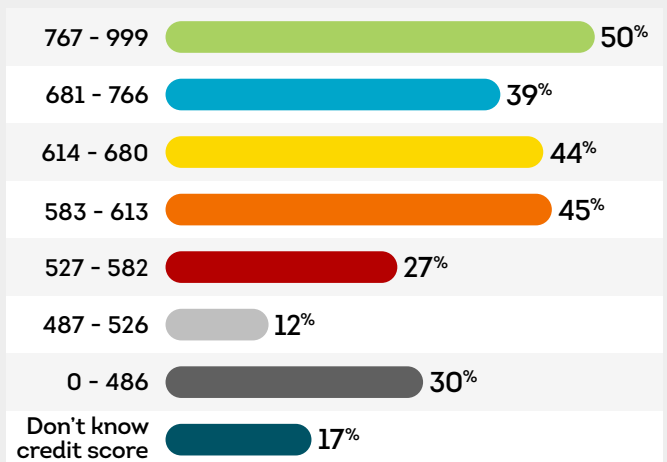


Figure 10. Plan to apply for new credit or refinance existing credit within the next year



By credit score



Self-reported credit score ranges

Figure 11. Type of new credit and loan activity planned in next 12 months

(among those who plan to apply for new or refinance existing credit)

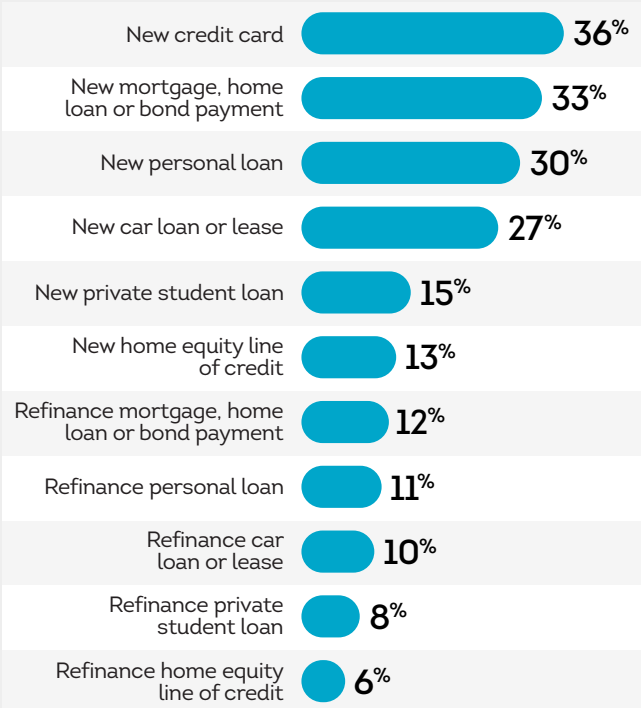


Figure 12. Abandoned plan to apply for new credit or refinance

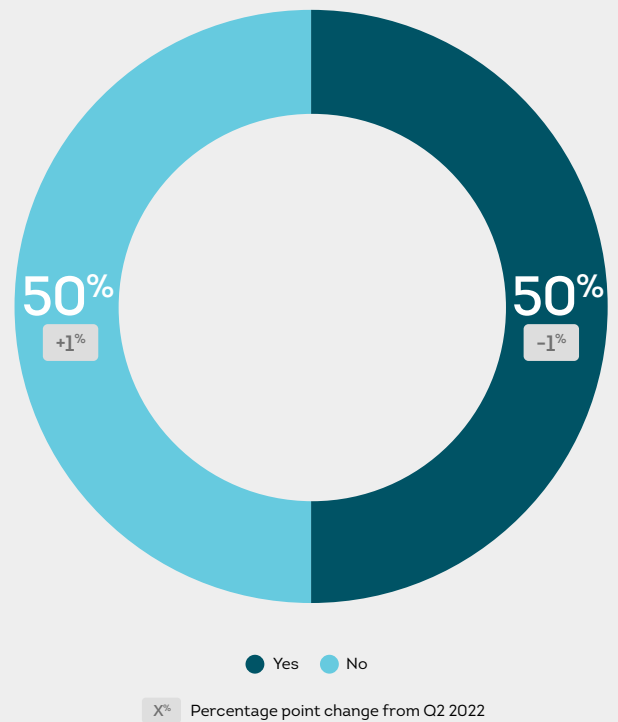
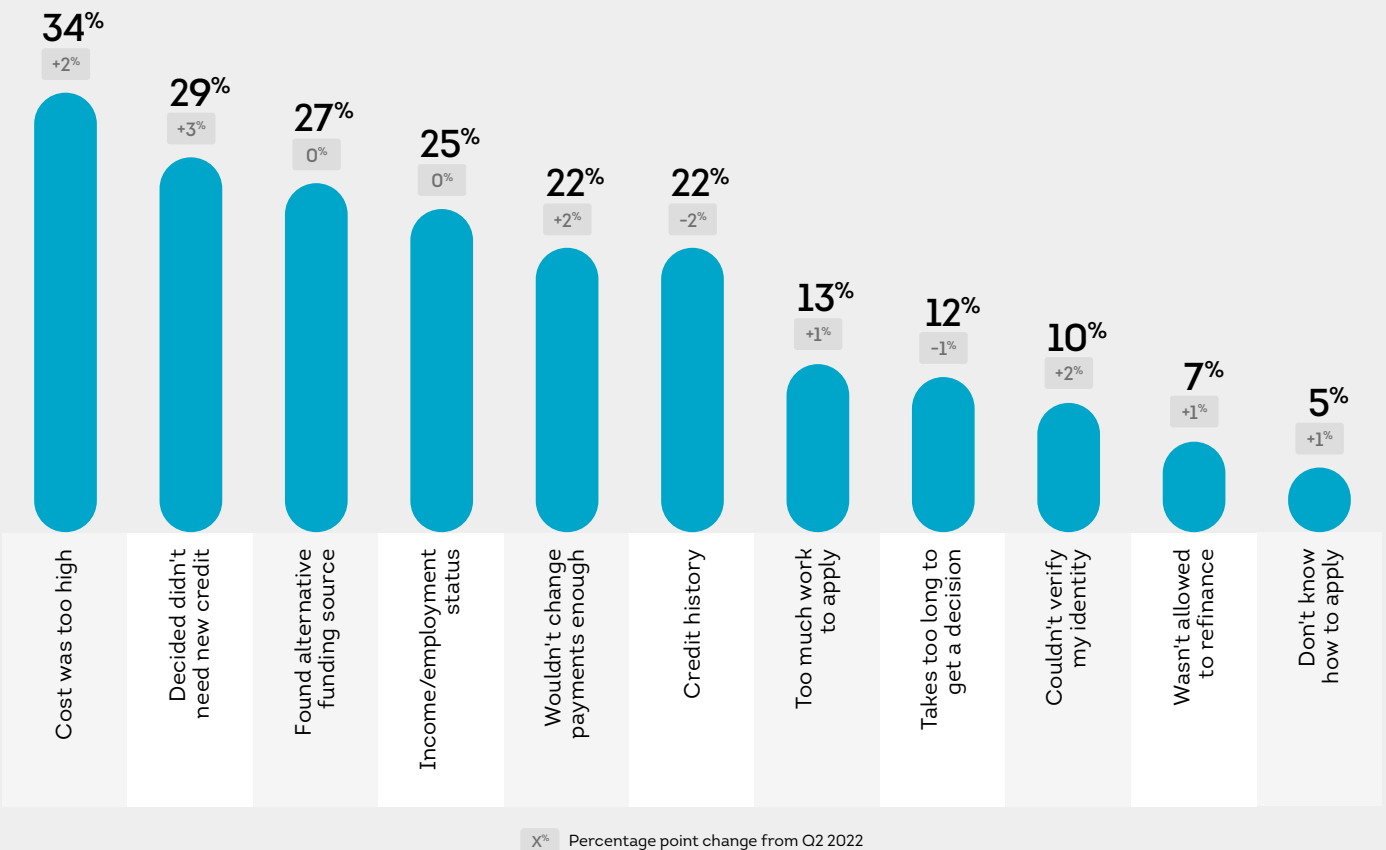


Figure 13. Reasons for abandoning application for new credit or refinance



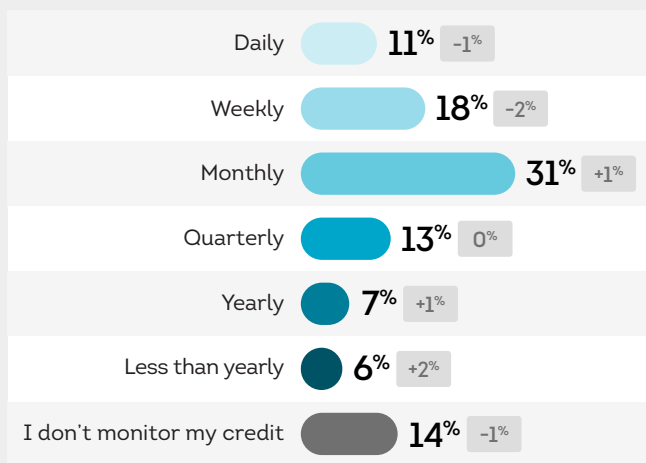
Attitudes and behaviour to manage financial choices

Despite the 96% of surveyed consumers who believed monitoring credit is important, only 60% said they check their credit at least monthly. That's a two-percentage point decrease from the prior quarter but five percentage points higher than Q3 2021. Consumers should check their credit more frequently to keep up to date with financial obligations and be aware of potential fraudulent activity on their accounts.

Seventy percent said they conduct at least a quarter of their transactions online, a six-percentage point increase from the beginning of the year. As younger consumers come of age, the frequency of digital transactions may increase further.

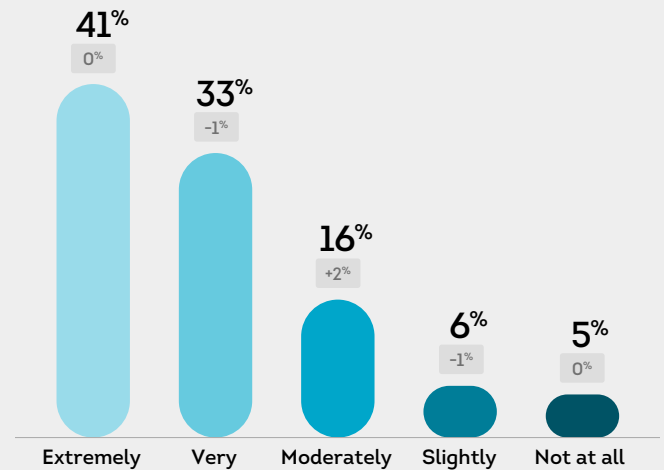
More than half of surveyed consumers believed their credit score would increase if businesses leveraged information not on a standard credit report. Information like rental and gym membership payments, short-term loans, or buy now, pay later are examples of alternative data points provided to survey respondents.

Figure 14. Credit monitoring frequency



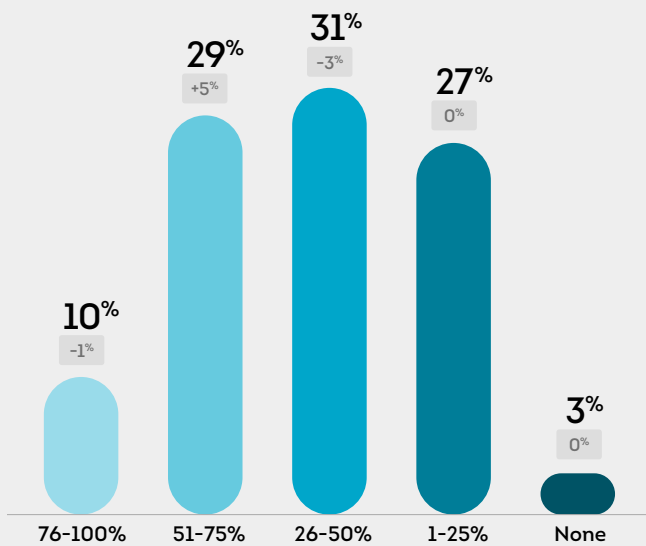
X% Percentage point change from Q2 2022

Figure 15. Believe monitoring credit is important



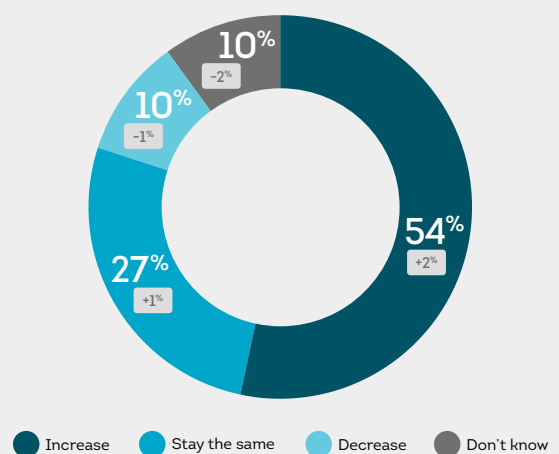
X% Percentage point change from Q2 2022

Figure 16. Percentage of transactions done online



X% Percentage point change from Q2 2022

Figure 17. How believe credit score would change if businesses used information not on standard credit report



Examples provided of non-standard information include: rental payments, short-term loan history and buy now, pay later loans

X% Percentage point change from Q2 2022

Identity risks and usage

Half of the consumers surveyed were unaware of digital fraud schemes targeting them in the last three months. This lack of awareness is concerning since the assumption is these consumers may have been targeted but were unaware of any attempts – which may have resulted in them falling victim to schemes without knowing it. Consumers should leverage their credit reports to identify potentially fraudulent activity that may have occurred within their portfolio; for example, the opening of new accounts they may not be aware of or credit enquiries made without their knowledge.

For consumers aware of digital fraud targeting them, 46% said in the last three months they were targeted by money/gift card scams – an increase of four percentage points from the prior quarter – followed by third-party seller scams on legitimate online retail websites (29%).

Eighty-nine percent of consumers were concerned about sharing personal information, and a high percentage across generations answered the same way. The fear of having their identities stolen (76%) and personal invasion of privacy (69%) were the most common reasons consumers cited concern about sharing their information.

Figure 18. Personal experience with digital fraud attempts in last three months

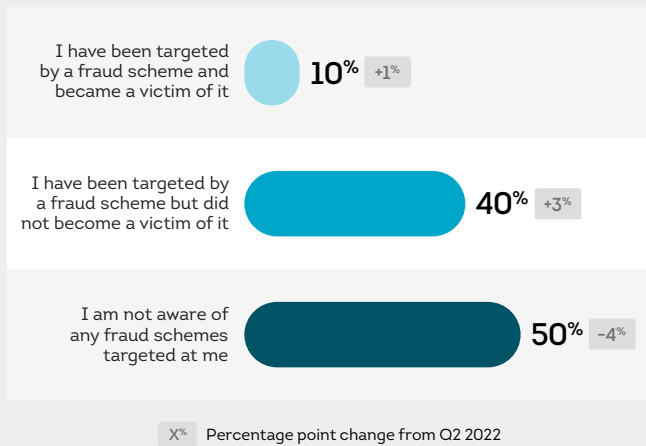


Figure 19. Most frequent fraud schemes targeting consumers (among those targeted with digital fraud)

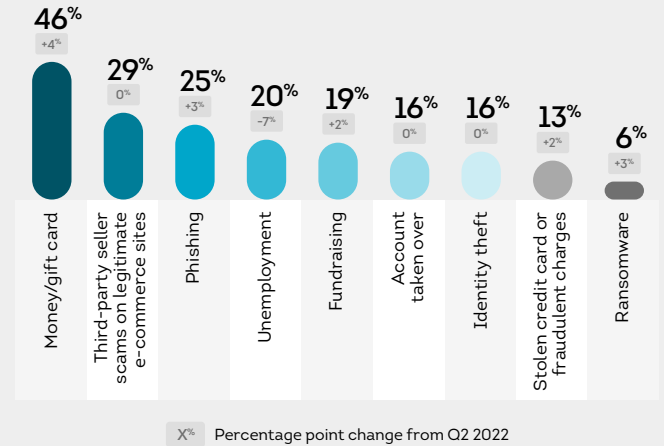


Figure 20. Concern with sharing personal information

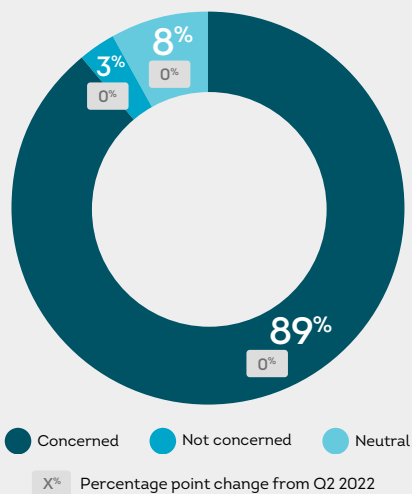
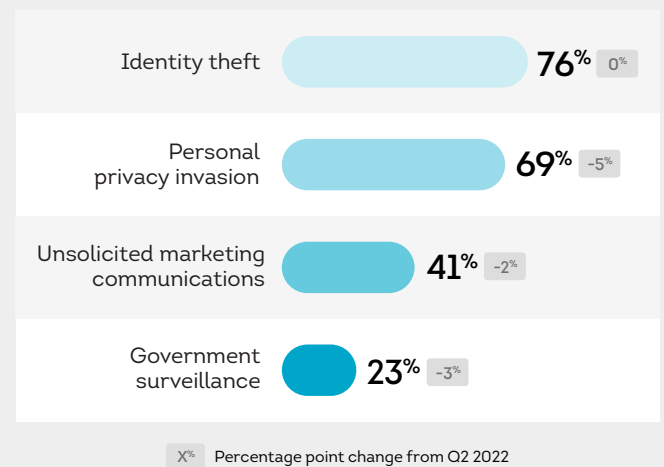


Figure 21. Reasons concerned about sharing personal information



Research Methodology

TransUnion's Consumer Pulse survey of 1,047 adults was conducted 19-26 Aug., 2022 by TransUnion in partnership with third-party research provider, Dynata. Adults 18 years of age and older residing in South Africa were surveyed using an online research panel method across a combination of desktop, mobile and tablet devices. Survey questions were administered in English. To increase representativeness across resident demographics, the survey included quotas to balance responses to the census statistics dimensions of age, gender, household income and region. Generations are defined as follows: Gen Z, born 1995-2004; 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 ± 3.0 percentage points based on a calculated error margin.

For previous Consumer Pulse Studies, visit
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