

## Consumer Pulse Study

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

## South Africa Q4 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



#### Growing Economic Pressure

South African consumers continued to weather the ongoing economic crisis. Since the beginning of 2022, consumers have seen inflation soar from 5.7% to 7.6% in October, peaking at 7.8% (a 13-year high) in July. Non-durable goods price inflation accelerated from 9.8% to 14.4% in Q2 2022.<sup>1</sup> Sharp fuel and food price increases primarily contributed to consumer goods inflation. Prices for diesel and inland 95-octane petrol increased to R 25.4/litre and R 26.74/litre in July. By the beginning of November, diesel (R 25.49) was 48% higher than the corresponding month in 2021 (R 17.19). Petrol was 17% higher for the same comparative period.<sup>2</sup>

The significant rise in fuel prices led to notable increases in food product prices. Meat prices increased 9.4% year-over-year (YoY); bread and cereals up 13.7%; and oils and fats up 36.2%.<sup>3</sup> Oil and fats price increases were related to the conflict in Ukraine as the country was previously a dominant exporter of oil seeds.



#### Cutbacks to Discretionary Spending

With the economic headwinds putting pressure on household disposable income, two out of three (67%) consumers surveyed indicated they reduced discretionary spending (i.e., dining out, travel and entertainment) over the past three months. Further cutbacks can be expected on discretionary expenditures, retail shopping and large purchases. These sentiments will have significant implications for the South African retail sector – which was already feeling the strain at the end of Q3, declining by 1.9% in sales volume.<sup>4</sup> Retailers were hopeful for a resurgence in consumer spending during the festive season. However, with the cost of goods increasing dramatically, affordability will be top of mind for consumers.



#### Signs of Financial Stress Emerging

Even with cutbacks in discretionary spending, at least 1 in 3 consumers were unable to pay any of their bills and loans in full. At the same time, household income levels remained stagnant. A continued high inflationary environment coupled with future interest rate hikes will likely tip more consumers into default.

<sup>1</sup> StatsSA, [Consumer Price Index, October 2022](#)

<sup>2</sup> Automobile Association of South Africa [Fuel Pricing](#)

<sup>3</sup> South African Reserve Bank, [Full Quarterly Bulletin – No 305 – September 2022](#)

<sup>4</sup> StatsSA, [Retail Trade Sales \(Preliminary\) September 2022](#)

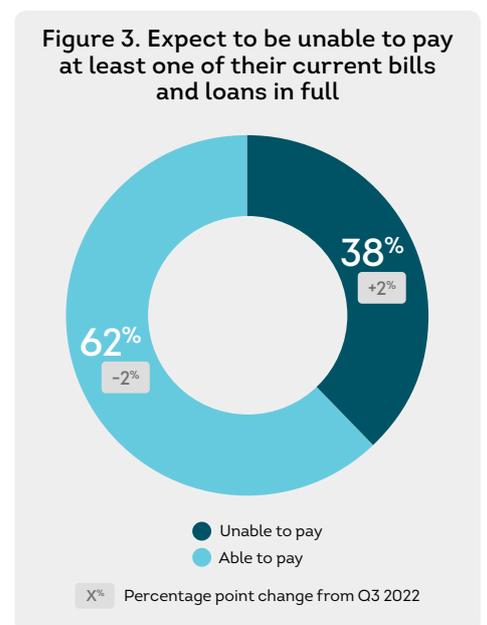
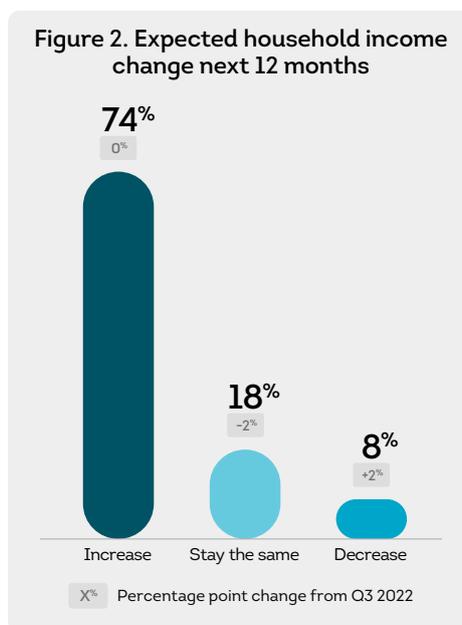
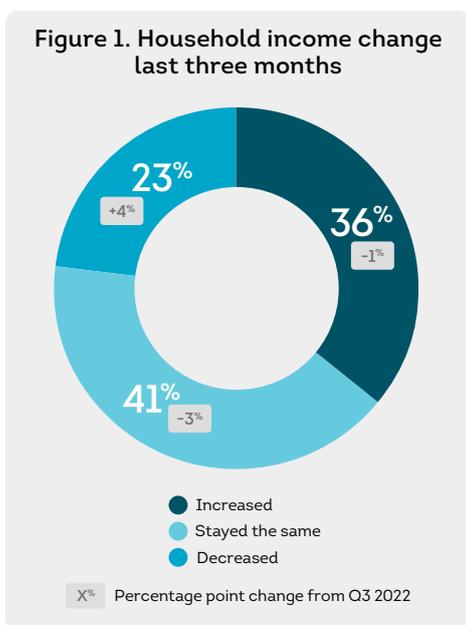
## Household income (HHI), spending and bill payment impact

Despite a reduction in unemployment, household income improvements were relatively muted in Q4 2022. The percentage of consumers reporting an increase in household income (36%) remained essentially unchanged from the previous quarter. Households reporting an improvement in income cited starting a new business (19%) as the primary factor. Households reporting a decrease in income (23%) increased by four percentage points (p.p.), citing job losses (23%) and reduction in salary and wages (20%) as primary factors. Despite stagnant incomes, consumers remained optimistic; 74% expected income to increase over the next 12 months. Gen Z and Millennials were more confident at 85% and 78%, respectively.

Signs of distress were evident amongst Gen X consumers. Despite improvements in credit delinquency rates in Q3 2022, one in three people expected to be unable to repay their current debts in Q4. For Gen X, 51% stated their inability to service current obligations fully in Q4 2022. Consumers who cannot fully service their debts do plan on paying partial amounts (41%). This behaviour was evident among older consumers; 58% of Baby Boomers and 49% of Gen X consumers echoing these sentiments. A further 37% of consumers also leveraged savings to service their debts; 42% of Gen Z consumers reported doing this. What was evident across age groups is the importance of addressing outstanding debt.

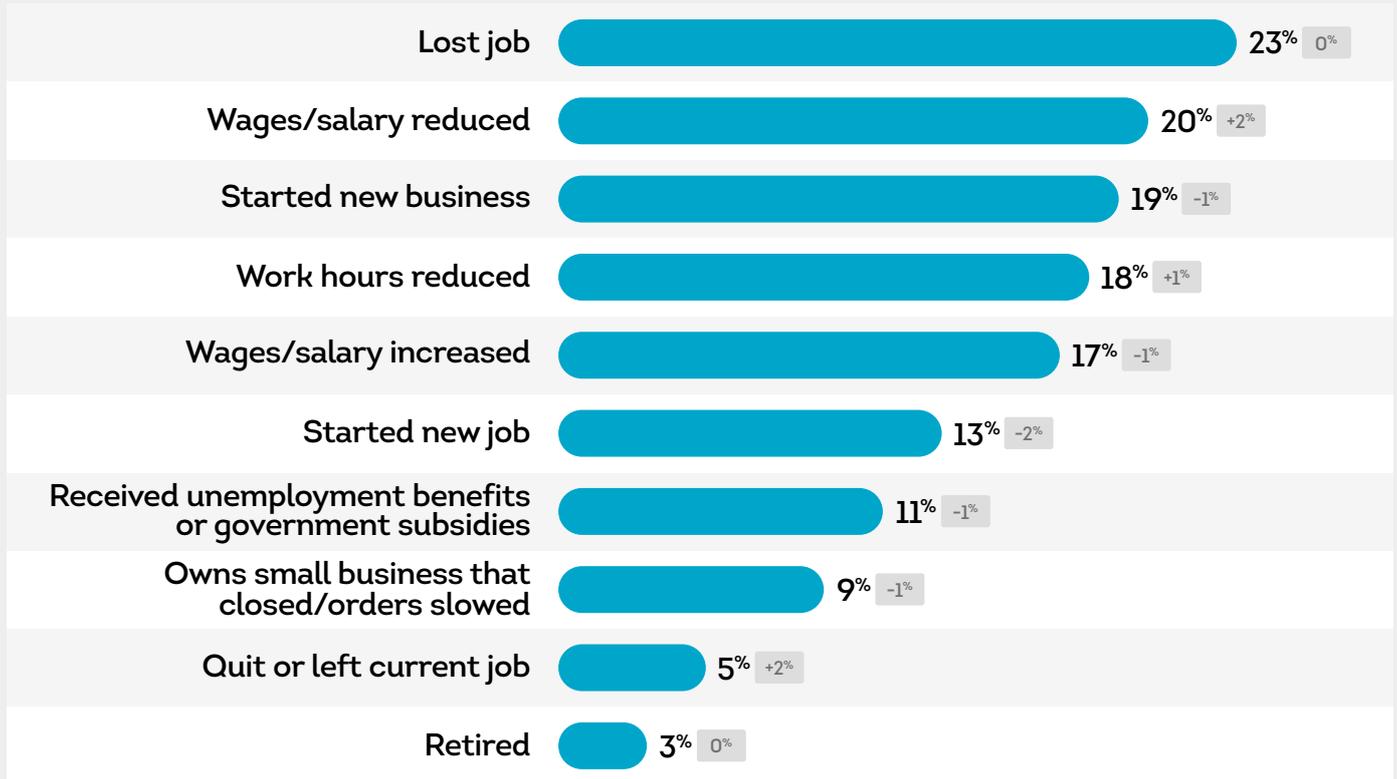
Paying down debt faster remained a priority for more than a third (37%) of South Africans surveyed as interest rates continued to rise. The most recent rate increase (which was the cycle's eighth) reflects a total of 350 basis points since Nov. 2021.<sup>5</sup> If rate hikes continue into 2023, consumers may feel added pressure on their wallets. The significant increase in monthly repayment values on home loans and vehicle finance facilities will likely inhibit consumers' abilities to service other forms of debt as they often prioritise secured lending products. A third of respondents said they're saving more in emergency funds in preparation for unforeseen payment shocks, an increase of four percentage points from the prior year.

Consumers were expecting continued cutbacks toward spending in the next three months. Approximately 45% of consumers expected to decrease their retail shopping activities. Fifty-eight percent expected to cut back on discretionary spending (i.e., eating out and travel); and 46% expected a decrease in large purchase like appliances and cars.



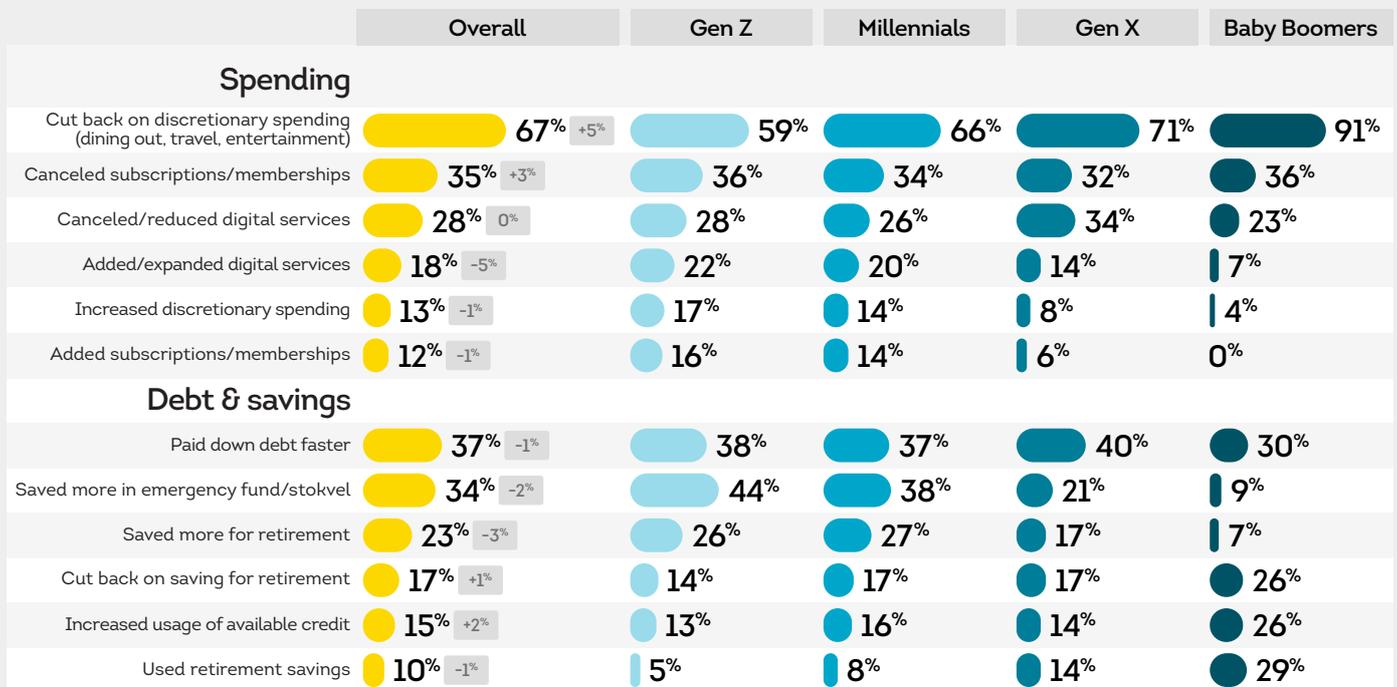
<sup>5</sup> South African Reserve Bank Current Market Rates: <https://www.resbank.co.za/en/home/what-we-do/statistics/key-statistics/current-market-rates>

Figure 4. Reasons for change in current household income



X\* Percentage point change from Q3 2022

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



X\* Percentage point change from Q3 2022

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

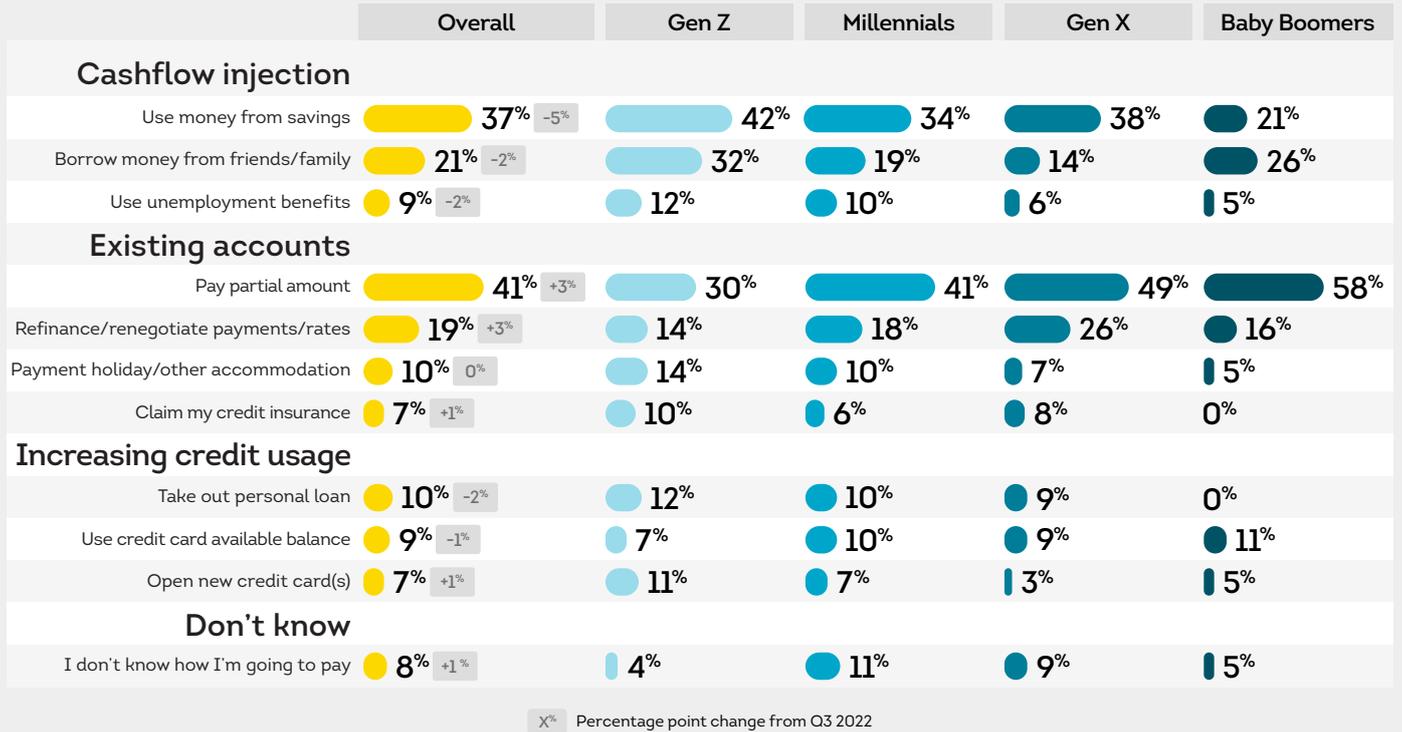
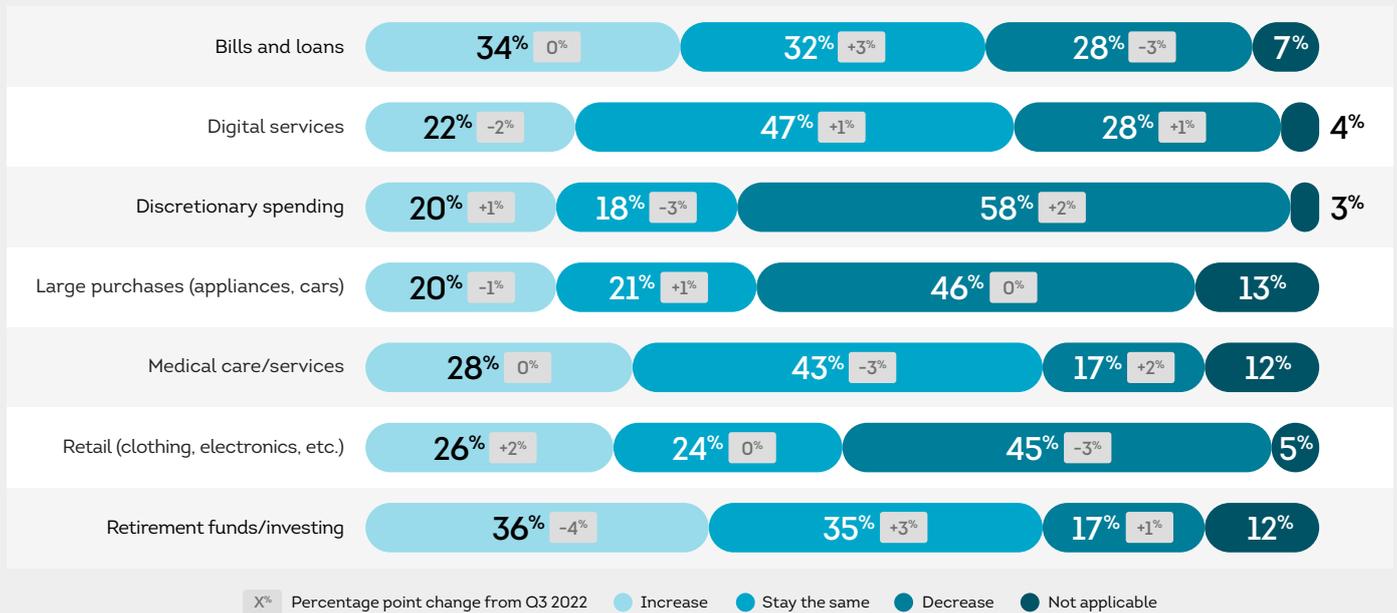


Figure 7. Expected change to household spending over next three months



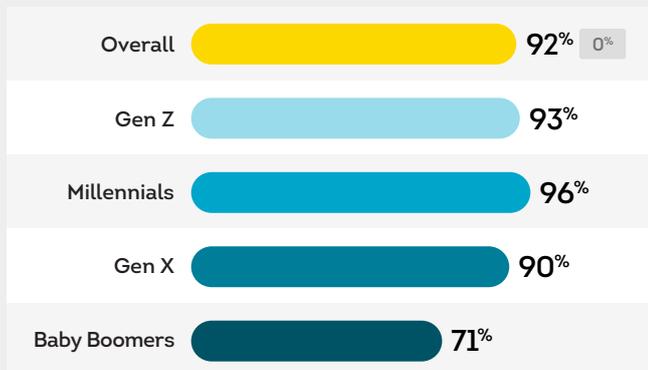
## Attitudes and plans for economic participation

Most consumers (92%) believed access to credit is essential. Yet, only 42% of respondents believed they have enough access and 32% said they don't. Nearly all (95%) Gen Z consumers considered access to credit important, but only 62% believed they needed more access.

Credit demand amongst those surveyed appeared lower. Thirty-six percent said they planned to apply for new credit or refinance existing credit in the next year. The most significant demand for new credit came from Gen Z (42%) and Millennials (40%) – only 20% of Baby Boomers intended to apply for new credit.

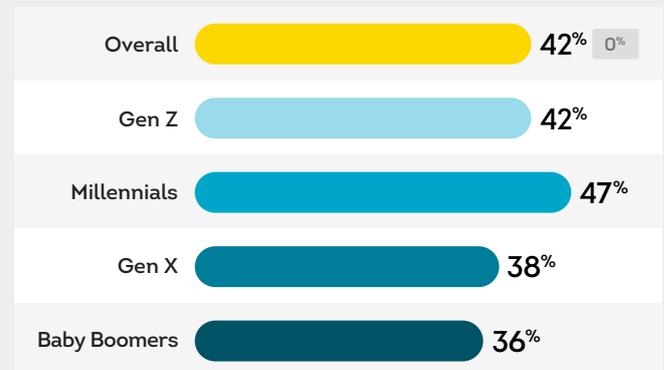
For consumers seeking new credit, 37% intended to apply for a new credit card, up one percentage point from the prior year, and 31% wanted to apply for a new personal loan. Yet, the follow-through rate on applications could be higher as 51% of consumers who intended to apply for credit did not take up the product. The primary reason for consumers abandoning their applications for new credit was the cost of credit being too high (36%). The latest increase to the repo rate of 75 basis points brought the prime lending rate to 10.5%, a significant shift from 7.25% in January.<sup>6</sup>

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



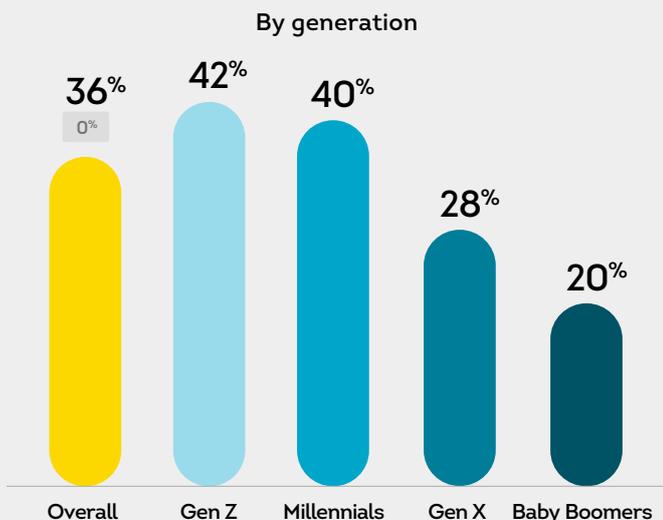
X% Percentage point change from Q3 2022

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



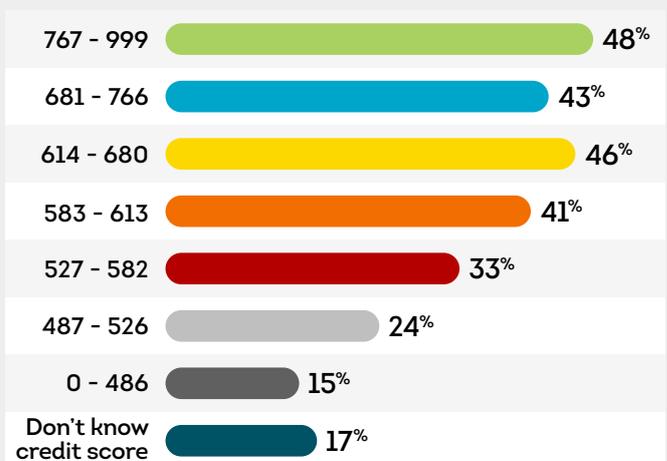
X% Percentage point change from Q3 2022

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



X% Percentage point change from Q3 2022

**By credit score**

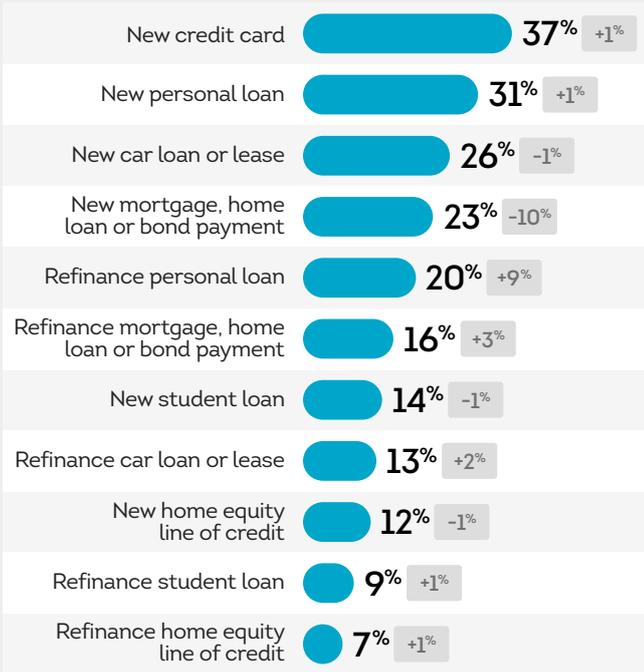


Self-reported credit score ranges

<sup>6</sup> South African Reserve Bank Current Market Rates, <https://www.resbank.co.za/en/home/what-we-do/statistics/key-statistics/current-market-rates>

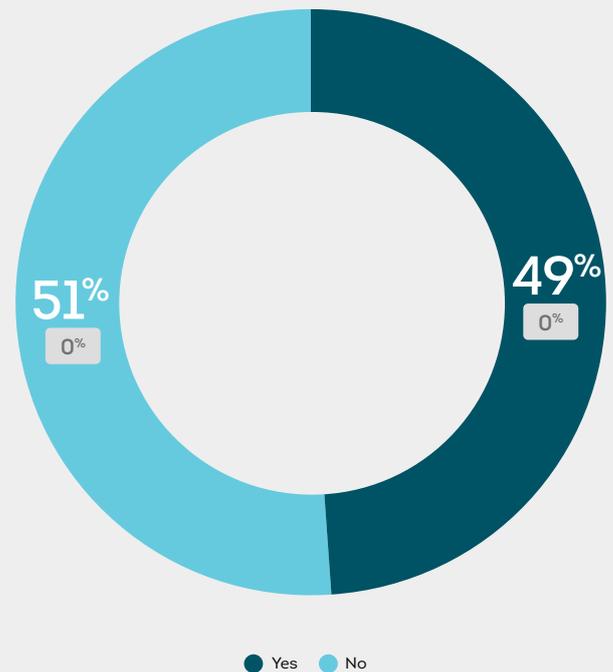
**Figure 11. Type of new credit and loan activity planned in next 12 months**

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



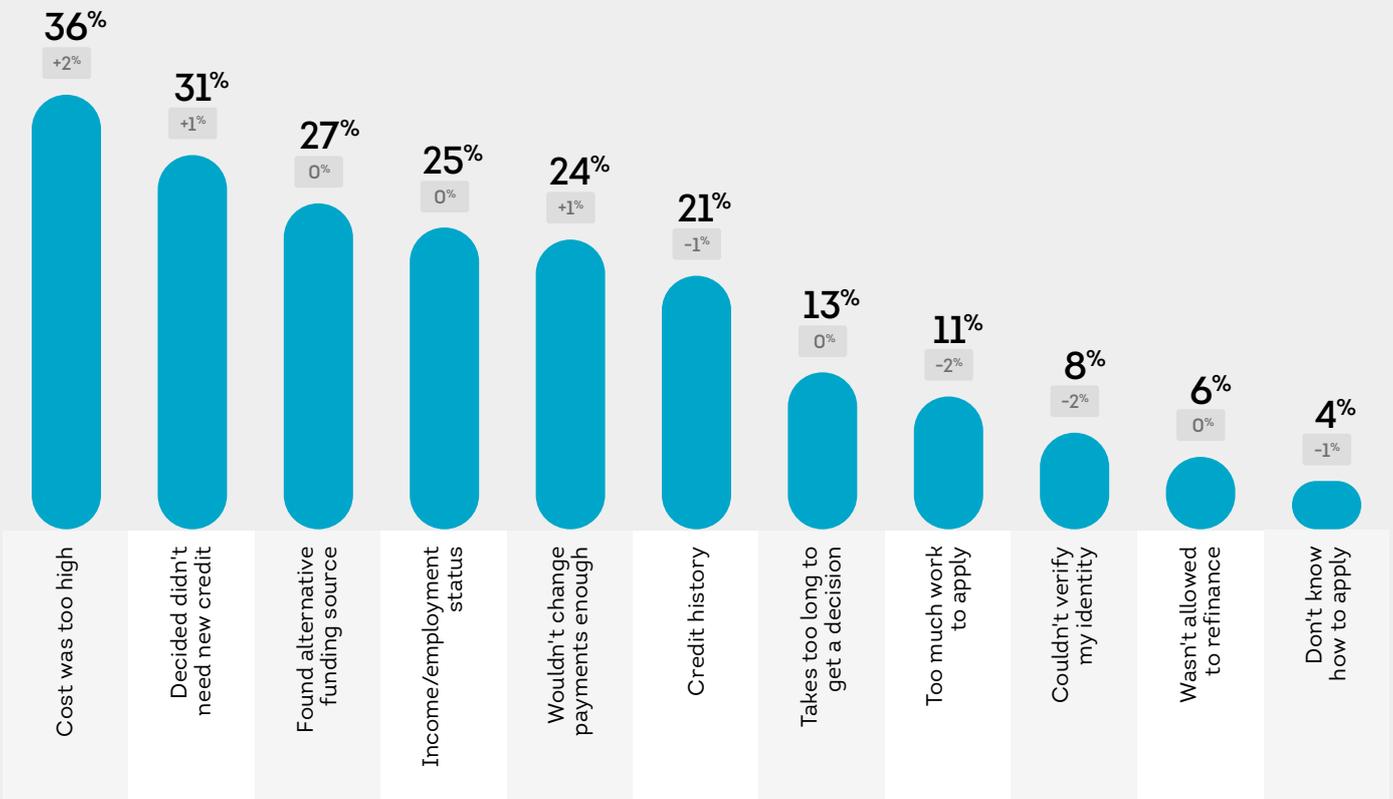
X\* Percentage point change from Q3 2022

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



X\* Percentage point change from Q3 2022

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



X\* Percentage point change from Q3 2022

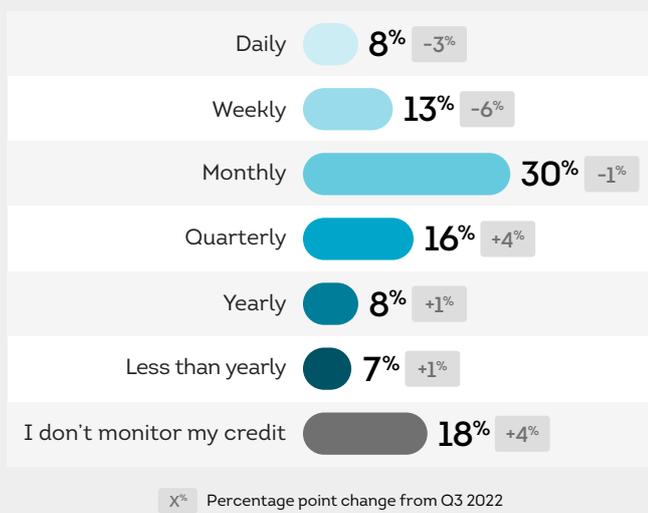
## Attitudes and behaviour to manage financial choices

Consumers agreed monitoring their credit reports is very important (31%), if not extremely important (36%). Sixty-seven percent said they check their credit reports at least every quarter. The frequency was higher for younger consumers (Gen Z and Millennials at 73%) as reports are more digitally accessible.

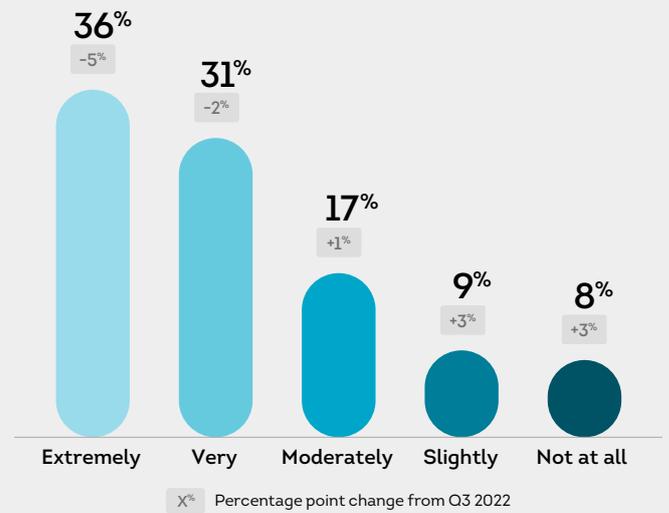
As digital platforms continue to evolve, online transactions have become the norm. Sixty-four percent of consumers conducted at least a quarter (25%) of their transactions online, consistent with prior quarters. From a generational perspective, only Baby Boomers conducted less than 60% of their transactions online.

Over half (54%) of consumers believed their credit scores would change if alternative data was included in a credit report. Gen Z (58%) and Millennial (57%) consumers felt using alternative data would increase their credit scores.

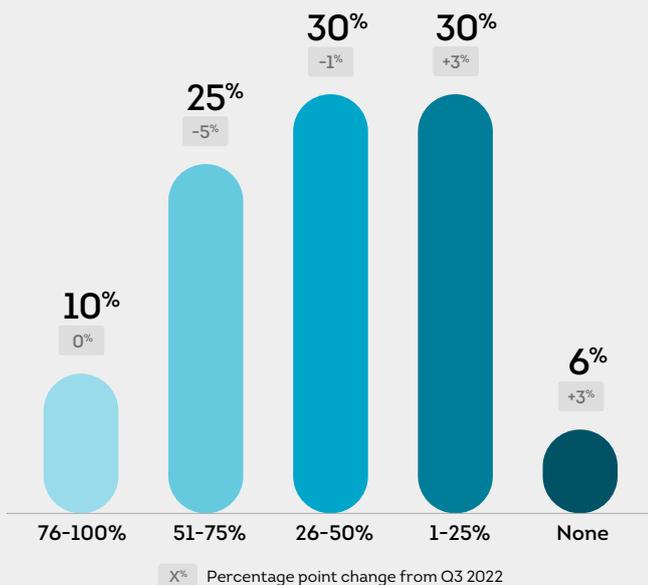
**Figure 14. Credit monitoring frequency**



**Figure 15. Believe monitoring credit is important**

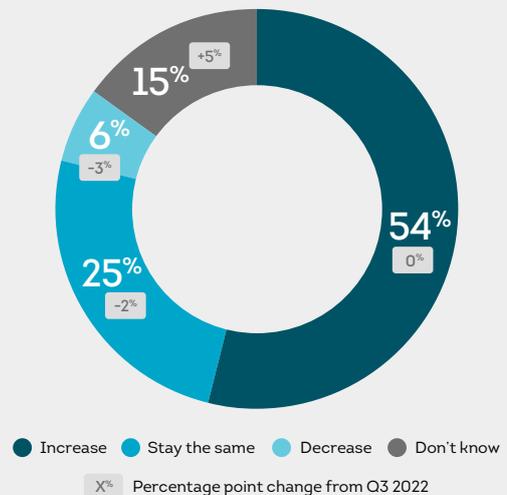


**Figure 16. Percentage of transactions done online**



**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



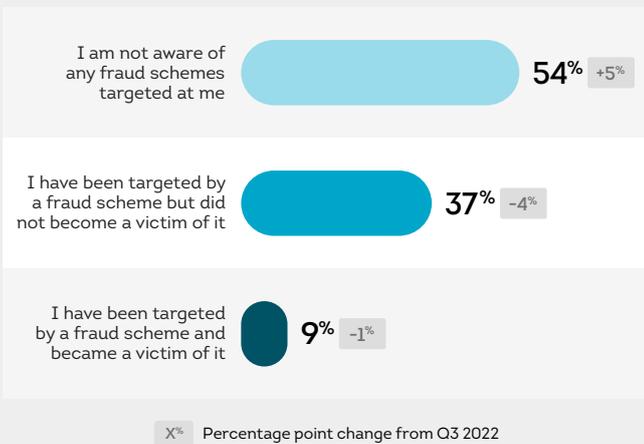
## Identity risks and usage

The lack of awareness toward fraudulent schemes was a significant concern in the South Africa market. Of those surveyed, 54% of consumers were unaware of any fraud schemes targeted at them. This was an increase of five percentage points from the previous quarter. The highest amongst generations, 40% of Gen Z respondents said a fraud scheme had targeted them.

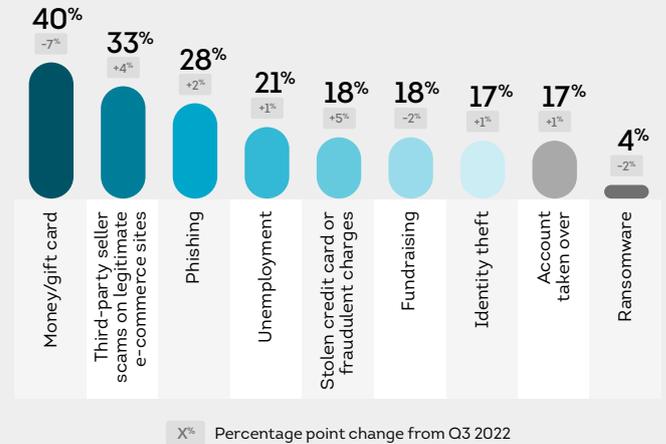
Money and gift card schemes remained the top fraudulent scheme (40%) among those who said they were targeted in the last three months. This was followed by third-party seller scams (33% up four p.p. from the prior quarter).

Eighty-nine percent of consumers surveyed were concerned about sharing personal information. Amongst these consumers, 78% were worried about having their identities stolen; 73% feared invasion of privacy; and 43% didn't want to receive unsolicited marketing communications.

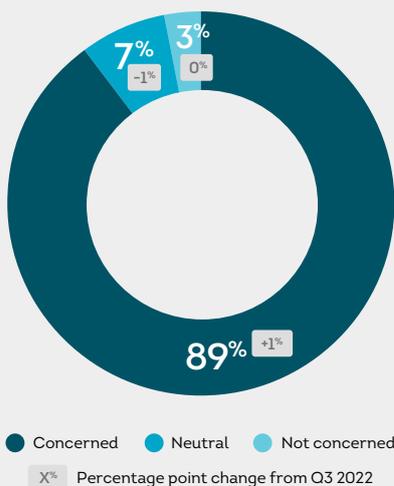
**Figure 18. Personal experience with digital fraud attempts in last three months**



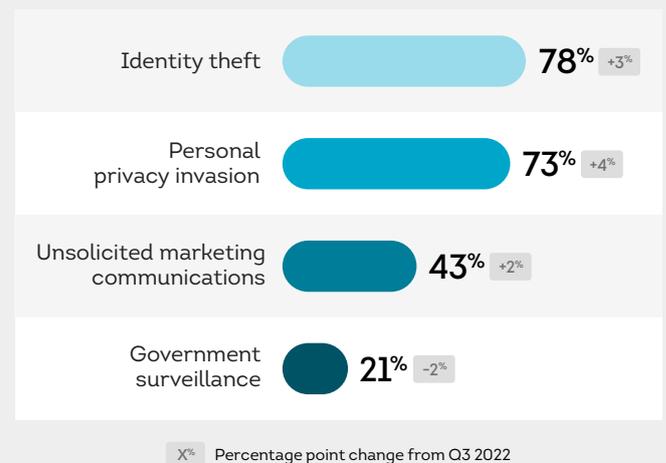
**Figure 19. Most frequent fraud schemes targeting consumers (among those targeted with digital fraud)**



**Figure 20. Concern with sharing personal information**



**Figure 21. Reasons concerned about sharing personal information**



## Research Methodology

TransUnion's Consumer Pulse survey of 1,003 adults was conducted 3-15 Nov., 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  $\pm 3.09$  percentage points based on a calculated error margin. Please note some chart percentages may not add up to 100% due to rounding or multiple answers being accepted.

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