

Consumer Pulse Study

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

UK Q2 2023

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



Consumers appear optimistic

There's no doubt pressures of the cost of living crisis are being felt by consumers across the board. Despite this, a large portion of the population appears optimistic as evidenced by findings from our latest Consumer Pulse Study. In fact, 75% of consumers felt they would have no trouble paying their current bills and loans in full.

Wages also saw some positive movement with 33% having said their incomes increased in the last three months, up from 20% in Q1 2023. A further 31% of respondents were expecting to see increases in the next 12 months.

Gen Z respondents were also notably optimistic regarding spend; 63% planned to take no action to cut back discretionary spend (e.g., dining out, travel, entertainment), and 26% said they'll increase their in-store or online retail shopping (e.g., clothing, electronics, durable goods) spend over the next three months.



Growing wealth divide

Pressures of the cost of living crisis made it increasingly clear there's a growing divide between those reporting high incomes (£80k or more) and low incomes (less than £30k). Among high earners, 87% reported better than or as planned household finances. In comparison, the majority (55%) of low earners reported worse than planned household finances.

In terms of consumer spend, 67% of high earners were planning to maintain or increase their discretionary spend in the next three months compared to the 50% of low earners planning to cut their discretionary spend further in that time period. When it came to preparing for a possible recession, 54% of high earners said they're building up savings compared to just 32% of low earners.

With the massive spike in home rental prices, we can see the impact will land squarely on those reporting low incomes since 40% said they currently are paying rent compared to just 15% of high earners.



Shifting credit demand

Consumers are turning to credit cards and there's been a notable drop in personal loan demand. Of consumers who said they're planning to apply for new or refinance existing credit in the next year, the proportion planning to apply for a personal loan dropped drastically to 19% from 36% in Q2'22. As seen in prior quarters, credit cards were the most in-demand product; 42% of respondents planned to apply, while buy now, pay later (BNPL) was now the number two most in-demand credit product with 22% planning to apply. Interestingly, the greatest BNPL usage came from high earners; 44% reported they've ever used BNPL for online shopping compared to 33% of low earners.

Household income (HHI), spending and bill payment impact

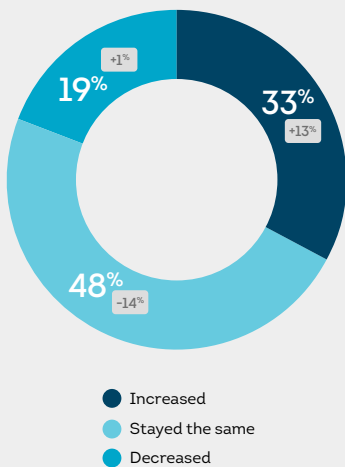
Many British consumers reported reducing spend and tightening finances. Even with those measures, some consumers were already experiencing financial distress, especially acute amongst low-income brackets; 28% of low-income respondents expected to be unable to pay their current bills and loans in full compared to 22% for medium and 21% for high.

With the cost of living crisis putting pressure on household disposable incomes, 58% of all surveyed indicated they'd already significantly reduced discretionary expenditures in the past few months and intended to reduce it further in the next three months (48%). In addition, 39% planned to reduce large purchases (e.g., appliances, cars) or in-store or online retail purchases (37%) in the next three months. Besides reducing spend, some were using savings to pay their bills. Among those who said they expect to be unable to pay at least one of their current bills and loans in full, 24% indicated they're using savings to pay some of them.

Signs of distress were even clearer amongst generations; 43% of Gen Z and 38% of Millennial respondents expected to be unable to pay their current bills and loans in full – as opposed to just 10% of Baby Boomers and 20% of Gen X.

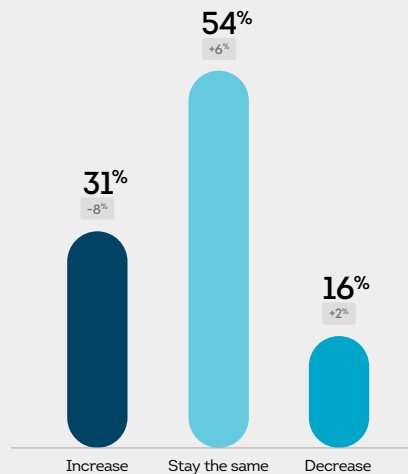
Consumer concerns surrounding high inflation were tempered by unemployment rates remaining low and relatively flat at 3.9% in Q1 2023.¹ This corresponded with the low proportion of respondents who reported losing their jobs (6%, down from 11% in Q4'21). However, we've seen an increase in those receiving unemployment benefits (11%, up from 6% in Q4'22). Gen Z respondents, again, seemed to be the most affected by the current economic environment; 16% reported reduced work hours over the last month, the most among generations (with Millennials coming in second at 11%).

Figure 1. Household income change last three months



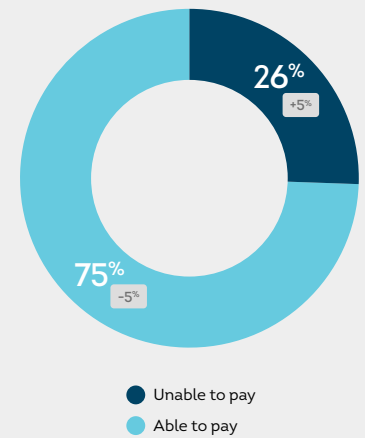
X% Percentage point change from Q1 2023

Figure 2. Expected household income change next 12 months



X% Percentage point change from Q1 2023

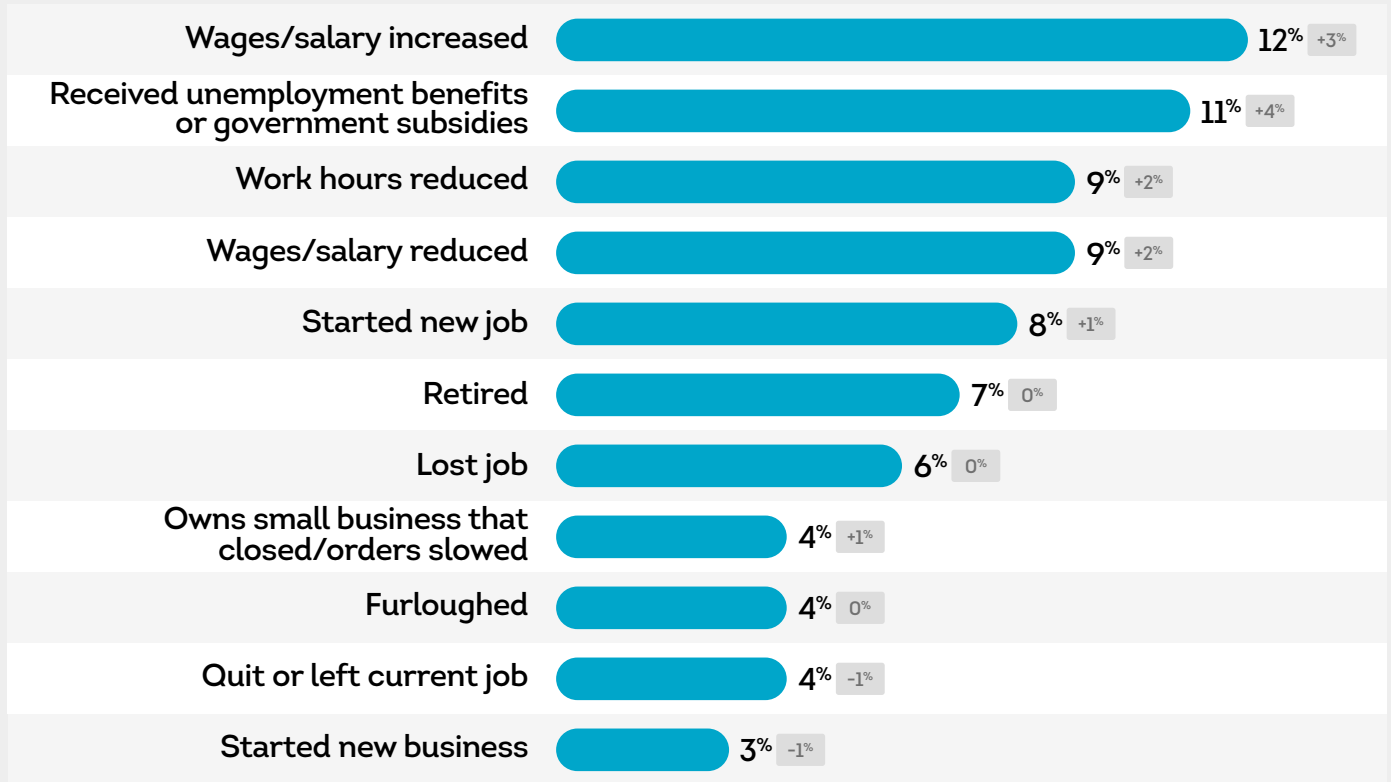
Figure 3. Expect to be unable to pay at least one of their current bills and loans in full



X% Percentage point change from Q1 2023

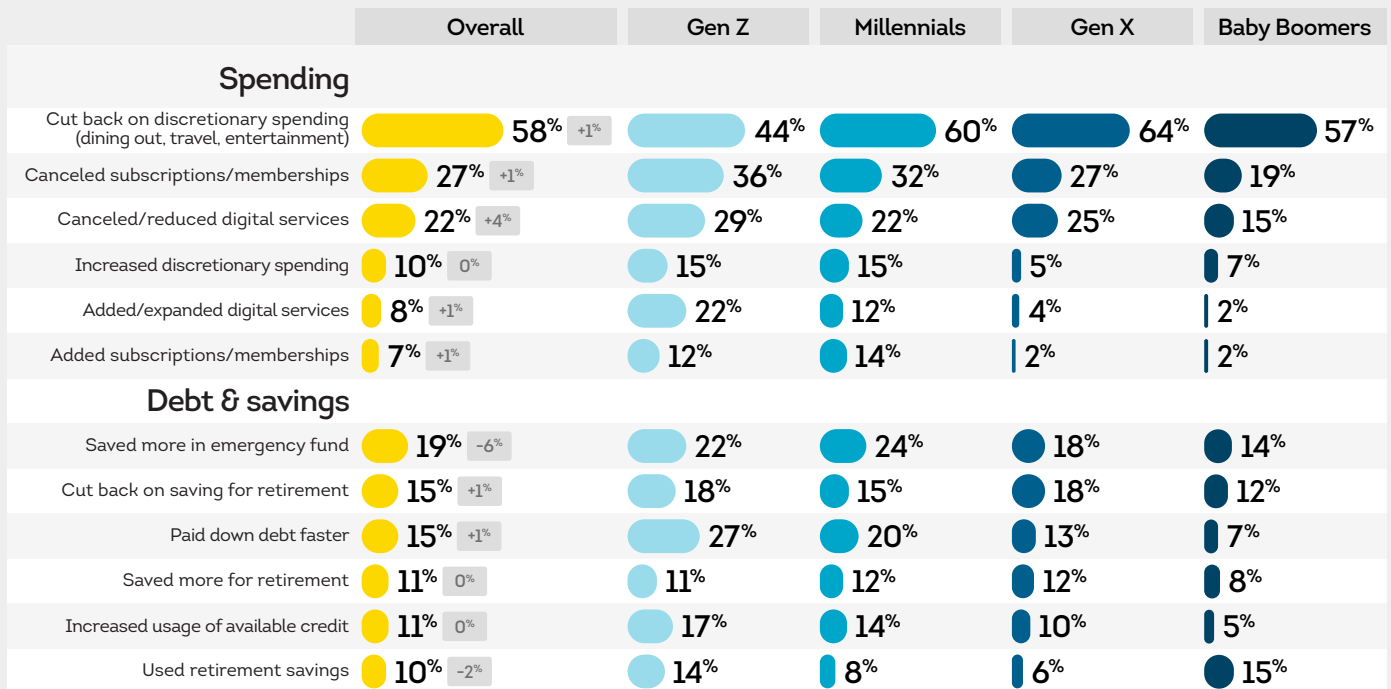
¹ <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/mgsx/lms>

Figure 4. Reasons for change in current household income in past month



X* Percentage point change from Q1 2023

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



X* Percentage point change from Q1 2023

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

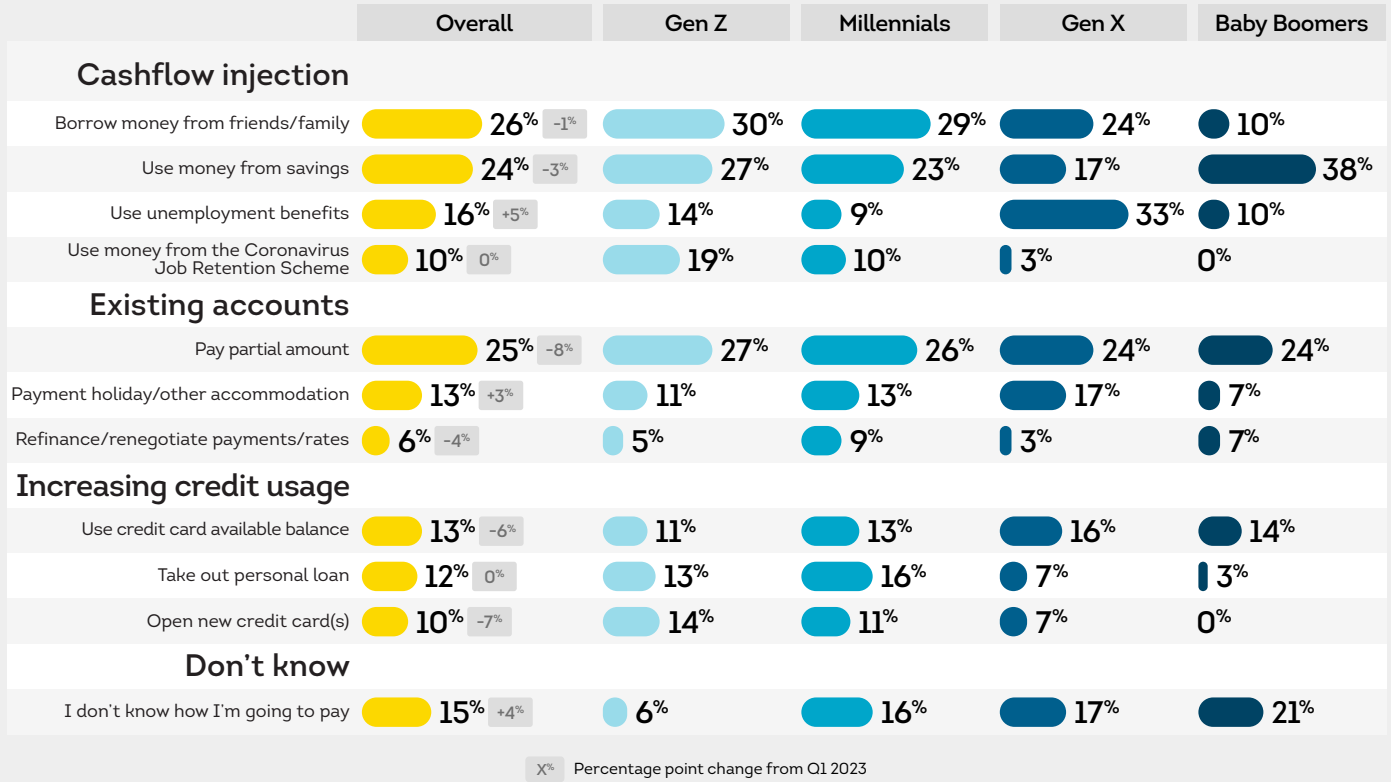
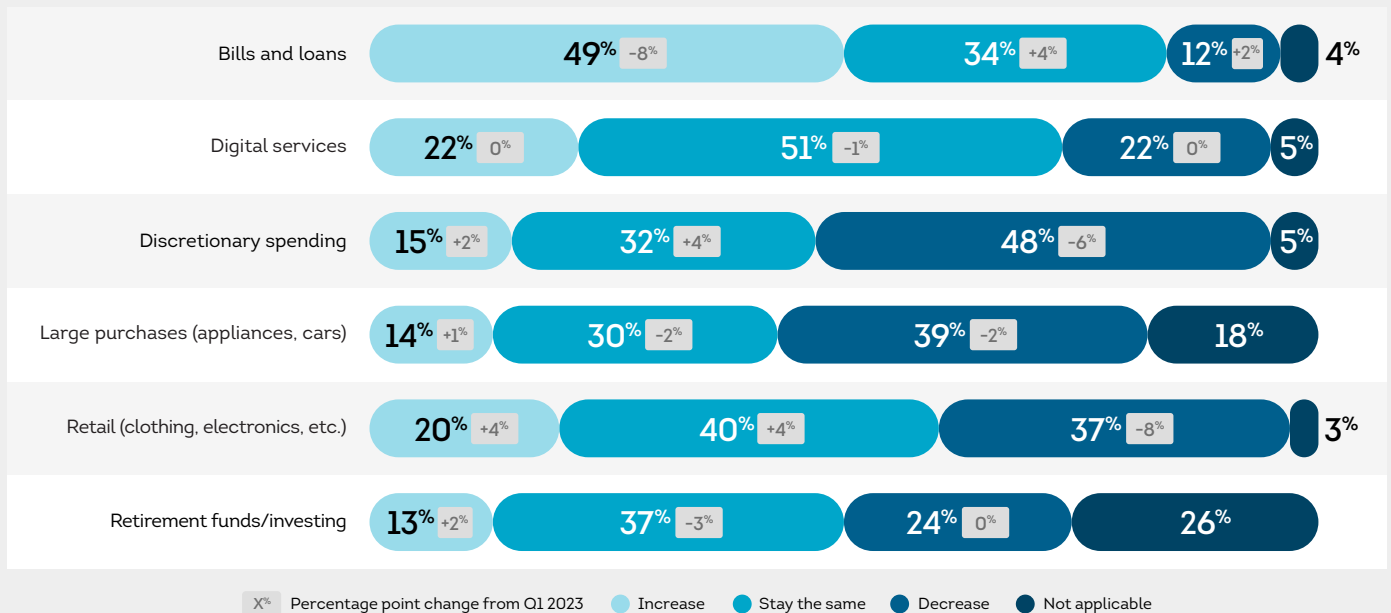


Figure 7. Expected change to household spending over next three months



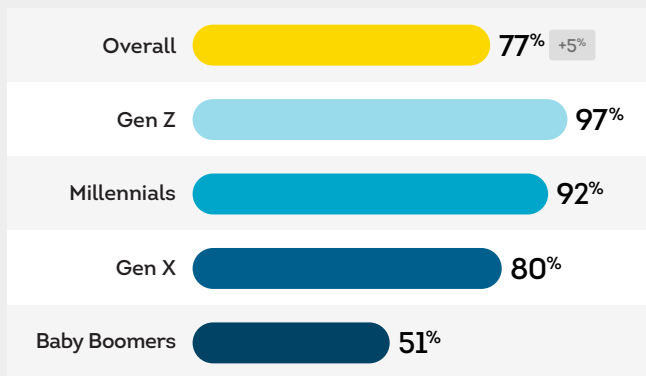
Attitudes and plans for economic participation

Rising interest rates resulting from the Bank of England's attempts to bring down high inflation naturally impacted consumer plans for credit. Specifically, we saw a drop off in perceived access to credit. Most (77%) consumers believed access to credit and lending products is important; however, only 47% believed they have sufficient access, down significantly from 57% in Q2'22. Amongst Gen Z, 97% considered access to credit at least moderately important, but only 32% felt they had sufficient access.

Credit demand amongst respondents appeared stable with 26% planning to apply for new or refinance existing credit, up from 24% last quarter. Unsurprisingly, the greatest demand for new credit came from Gen Z (48%) and Millennials (41%), with Baby Boomers at just 6%.

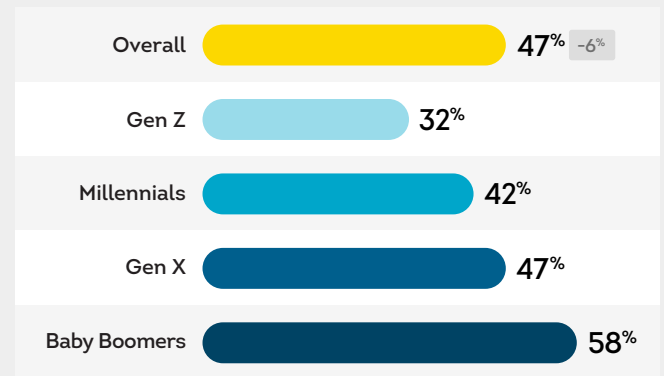
Of those consumers seeking new credit, the proportion who planned to apply for a personal loan dropped drastically to 19% from 36% in Q2'22. As seen in prior quarters, credit cards were the most in-demand product; 42% planned to apply. BNPL is now the number two most in-demand credit product; 22% planned to apply. The greatest demand for BNPL among generations came from Millennials; 26% indicated a plan to seek BNPL credit versus 15% of Gen Z.

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



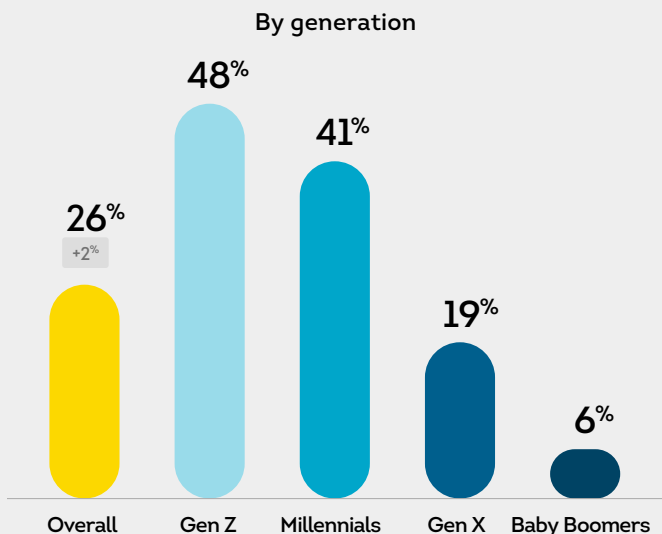
X* Percentage point change from Q1 2023

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



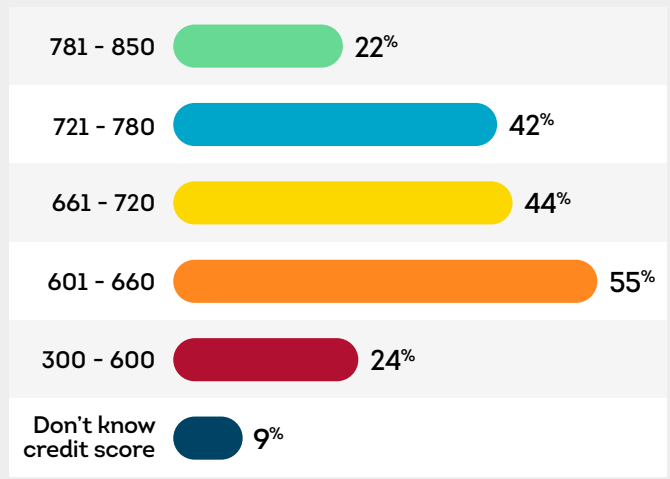
X* Percentage point change from Q1 2023

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



X* Percentage point change from Q1 2023

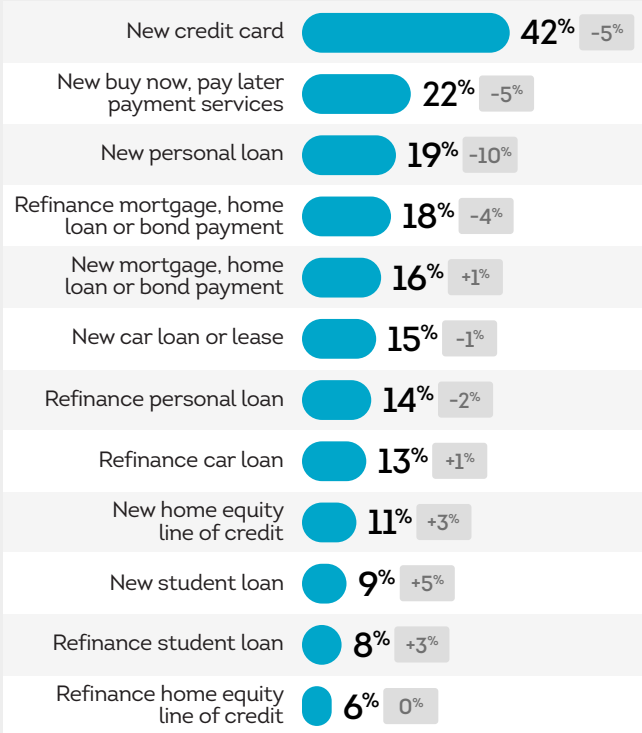
By credit score



Self-reported credit score ranges

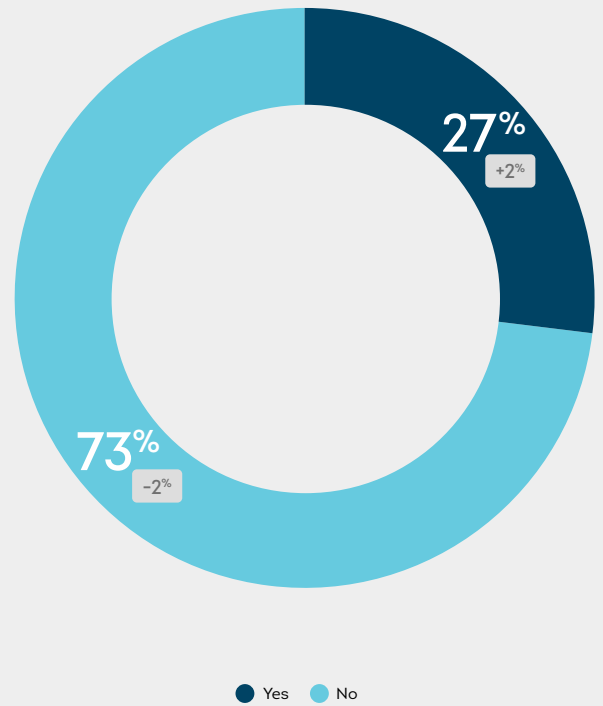
Figure 11. Type of new credit and loan activity planned in next 12 months

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



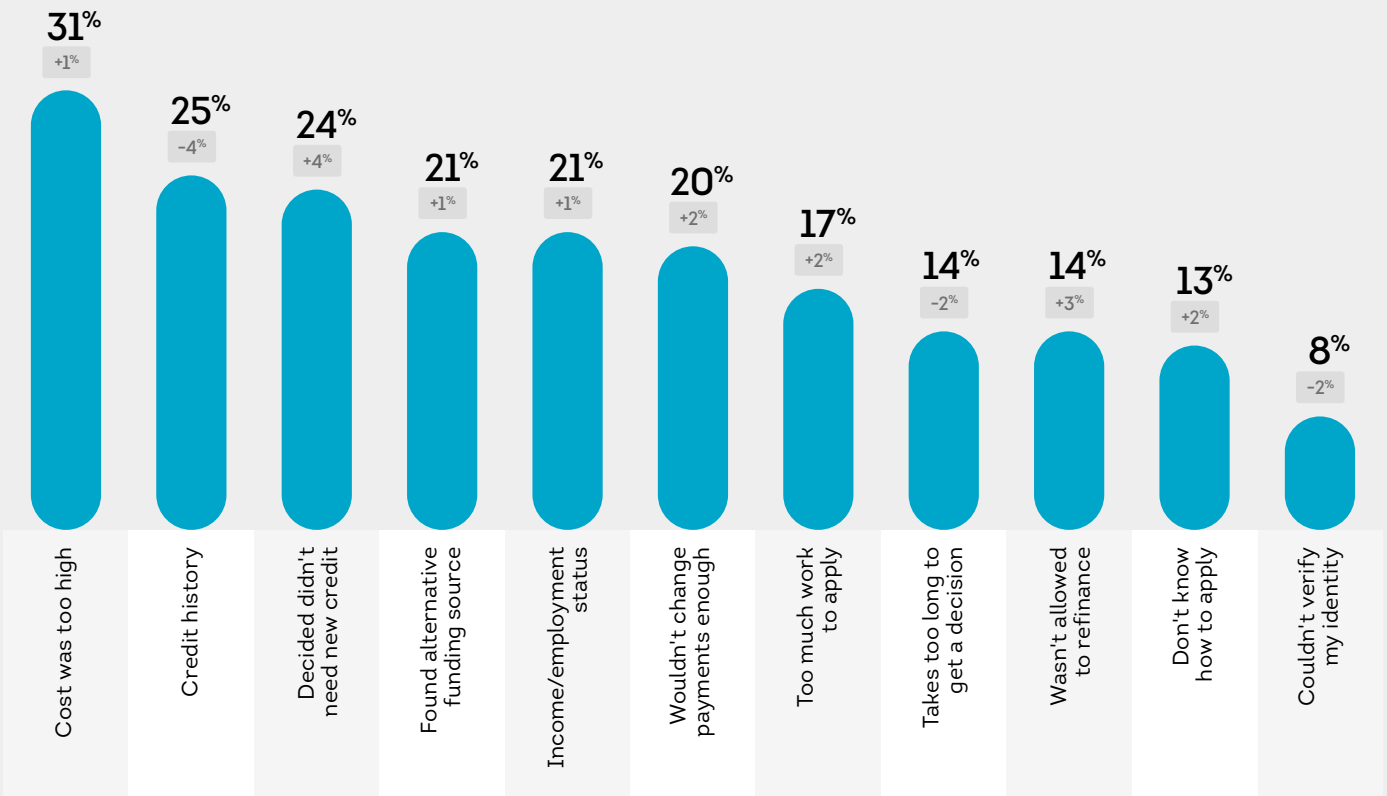
X* Percentage point change from Q1 2023

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



X* Percentage point change from Q1 2023

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



X* Percentage point change from Q1 2023

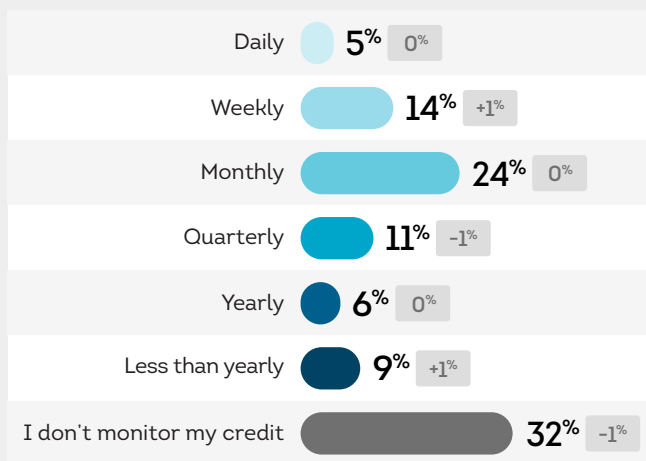
Attitudes and behaviour to manage financial choices

Most (76%) consumers agreed monitoring their credit report is important; 54% monitored it at least quarterly. Notably, the effect of consumer credit education was most visible in Gen Z respondents; 91% believed credit report monitoring is important, and 65% reported they check their credit reports at least monthly – both the highest among generations.

Unsurprisingly, a significant proportion of all purchases and transactions took place online; 42% of respondents said they completed over half of their transactions online. As far as age groups, 74% from each generation completed more than a quarter of their transactions online except for Baby Boomers at 61%.

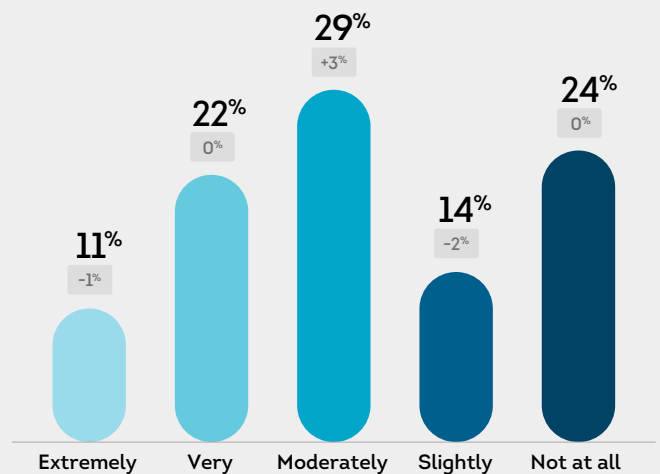
With alternative data, 30% of respondents believed their credit scores would change if businesses leveraged information not on a standard credit report, such as rental payments and BNPL, and 24% believed their scores would increase. Confidence in a positive score change was greater amongst younger generations; 41% of Gen Z and 40% of Millennials believed their scores would increase, and 10% and 11%, respectively believed they'd increase significantly. This sentiment is not new, and the recent introduction of BNPL data to credit reports reflects that effort to bring more information to the fore.

Figure 14. Credit report monitoring frequency



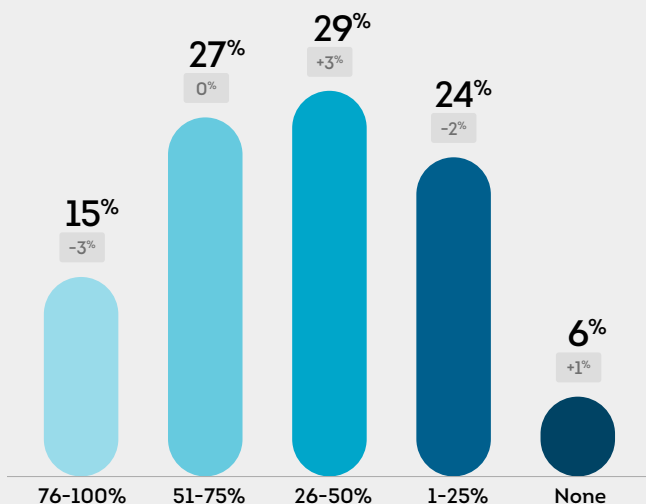
X% Percentage point change from Q1 2023

Figure 15. Believe monitoring credit report is important



X% Percentage point change from Q1 2023

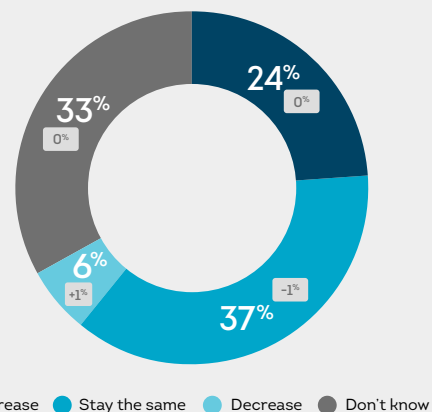
Figure 16. Percentage of transactions done online



X% Percentage point change from Q1 2023

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 Q1 2023

IDENTITY PROTECTION

Identity risks and usage

Fraud activity continued to be a major area of concern in the UK with a significant percentage reporting being targeted. Of those surveyed, 40% said they've been targeted by online, email, phone call or text messaging fraud in the last three months alone – with 4% falling victim. The targeting appeared to be fairly evenly spread across generations.

Of those who reported being targeted, 46% cited exposure to phishing attacks, the most common of the schemes reported. Smishing (fraudulent text messages meant to trick you into revealing data) and vishing (fraudulent phone calls meant to trick you into revealing data) also represented a large portion of fraud activity identified; 40% and 34% of those reported being targeted cited exposure to these attacks.

Interestingly, some respondents reported being solicited to transfer or move illegally acquired money on behalf of someone else. Money mule activity can be quite tempting for those in low-income households, especially with the increasing cost of living pressures on everyday expenditures.

When it came to the sharing of personal information, 70% said they're concerned doing so, and the top reasons cited were identity theft (73%), invasion of privacy (59%) and unsolicited marketing communications (44%).

With the rise of fraud activity and increasing consumer awareness, we're seeing an equally increasing concern for identity and personal data. When asked which cyber threats are you most concerned may personally affect you, 52% cited identity theft closely followed by credit card fraud. This is understandable as 14% said in the last three months, they've been notified that details about their identities and/or online accounts have been stolen in a data breach.

Figure 18. Personal experience with online, email, phone call or text message fraud attempts in last three months

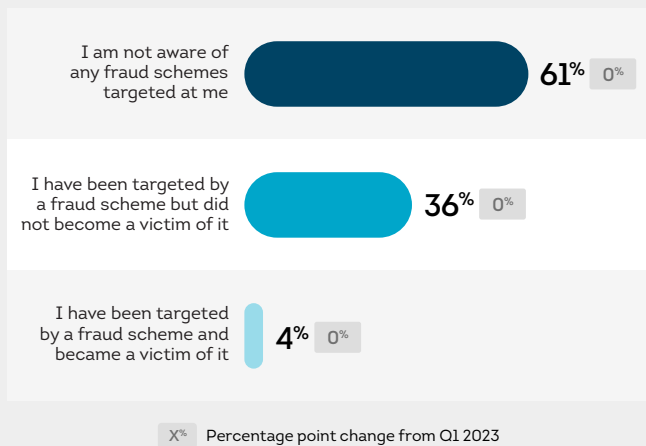


Figure 19. Most frequent fraud schemes targeting consumers
(among those targeted with online, email, phone call or text message fraud)

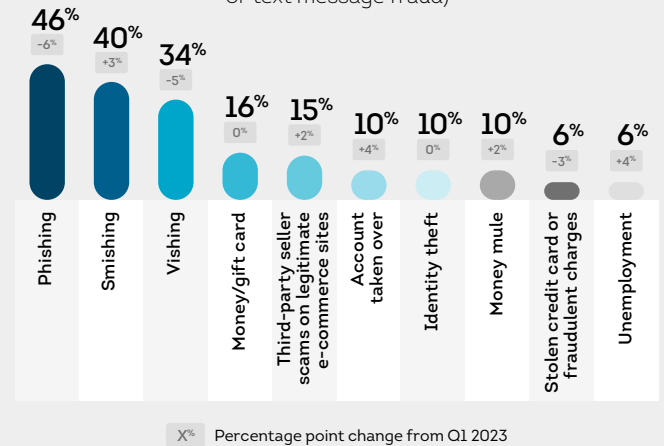


Figure 20. Concern with sharing personal information

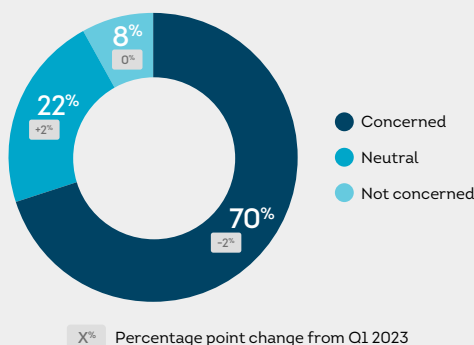
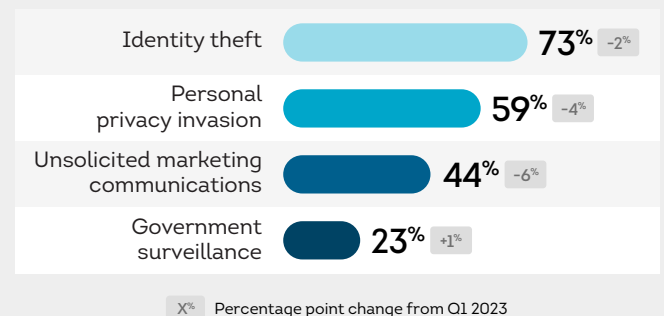


Figure 21. Reasons concerned about sharing personal information



Research Methodology

TransUnion's Consumer Pulse survey of 1,000 adults was conducted 4–9 May 2023 by TransUnion in partnership with third-party research provider, Dynata. Adults 18 years of age and older residing in the UK 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 1995–2005; 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 ± 3.1 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.

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



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