

Consumer Pulse Study

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

UK Q4 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



Economic Snapshot

Amongst the cost of living crisis, there were increasing signs of hope from a consumer perspective. Unemployment remained low in the tight jobs market,¹ driving higher wage growth in 2023 and outstripping inflation in recent months.² At the same time, energy prices stabilised well below the crisis peak, and inflation growth rates fell to 4.7% in October 2023, down from 6.3% in September.^{3,4} Most importantly from a consumer perspective, inflation rates are expected to continue following a downward trajectory in coming months, allowing the Bank of England to keep policy rates steady at 5.25%.⁵



Growing personal optimism

Personal consumer sentiment was overwhelmingly more positive than this time last year with 37% feeling optimistic about their household finances, up from just 28% in Q4 '22. The generation that showed the greatest optimism was Gen Z at 53%, up from 45% YoY.

That optimism divide can possibly be explained by the notable divergence in income growth. Forty percent of Gen Z consumers stated their household incomes are keeping up with the rate of inflation, the highest among generations. Conversely only 17% of Gen X said their incomes are keeping up with inflation, the lowest among age groups.



Consumers still displaying recessionary behaviours

Despite optimism and significantly improved economic fundamentals, a generally negative sentiment remained amongst consumers regarding the state of the economy. There's a majority (60%) perception amongst consumers we're in a recession or will be in one by the end of this year, and while that's improved from 72% in Q3 '23, it's still potentially a primary driver of consumer financial behaviour, especially as we head into the holiday season.

Among those who said we're currently in a recession or heading for one by the end of this year, 68% were preparing by reducing spending, building up savings (39%) and paying down debt (22%). This consumer response to the economic climate naturally affects retail and economic performance and will likely translate to a slower holiday spend period.

¹ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/october2023>

² <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/october2023>

³ Consumer Prices Index including owner occupiers' housing costs (CPIH)

⁴ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/october2023>

⁵ <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/november-2023>

Household income (HHI), spending and bill payment impact

The income divide

Pressures of the cost of living crisis have made it increasingly clear there's a growing divide between those reporting high incomes (£80k or more per year or more) and low incomes (less than £30k a year). Among high-income earners, 74% reported their household finances being better or as planned at this point in 2023. Conversely, the majority (51%) of low-income earners reported their financial positions as worse than planned.

In terms of consumer spend, 58% of high earners were planning to maintain or increase their discretionary spend (e.g., dining out, travel, entertainment) in the next three months compared to the 50% of low earners who planned to cut spend further. Sixty-five percent of high earners also said they were building up savings in preparation for a possible recession compared to just 34% of low earners.

With the massive spike in rental prices, the impact will land squarely on low earners; our survey found 40% of them said they were currently paying rent compared to just 14% of high earners. This dynamic has particular implications for stressed consumers in lower affluence brackets because homeownership allows for access to secured credit in an emergency – an option not available to long-term renters.

Consumer spend

Even with the increased household optimism, many were maintaining their already tightened belts when it came to spending heading into the holidays. Among all surveyed, 54% indicated they'd cut back on discretionary spending in the last three months. Nearly half (49%) of respondents planned to further decrease discretionary spending, and almost two-fifths said they'll reduce large purchases like appliances and cars (39%) or retail buys like clothing, electronics or durable goods (39%) in the next three months. This will have far-reaching implications for the retail sector.

Savings are also at risk in the current economy. Among those who said they'll be unable to pay at least one of their current bills and loans, 28% planned to pay bills by digging into savings.

Signs of spend and debt pressures were clear on a generational level. At 35%, Gen Z was the cohort that most said they'll be unable to pay at least one of their bills and loans compared to 9% of Baby Boomers (which was the least).

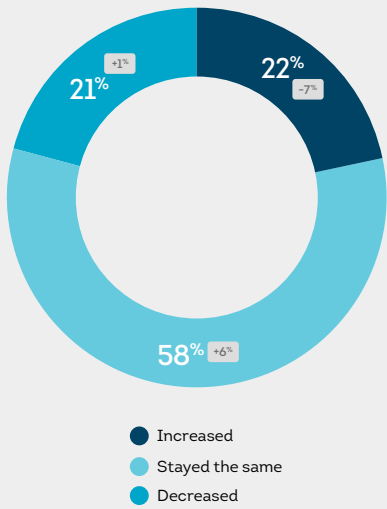
BNPL as a spend driver

Despite pressures on consumer spend, the usage of buy now, pay later (BNPL) increased; 32% said they used BNPL for online purchases 4 or more times in the last 12 months (up from 28% last quarter). The total spent was also on a steady growth trajectory with 49% reporting spending £500 or more using BNPL online in the last 12 months, up from 43% last quarter and the first time we began tracking it at 39% in Q1 '23.

Interestingly, 35% of consumers shared if BNPL wasn't available, they would have used their debit cards to complete their purchases, while 16% wouldn't have made the purchase at all in the absence of BNPL as an option.

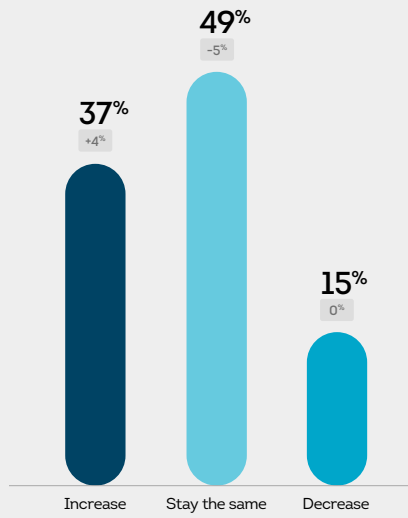
Of those who said they've never used BNPL for an online purchase, the highest percentage (41%) said they didn't because there was no need. This was followed by 35% who indicated they were avoiding debt.

Figure 1. Household income change last three months



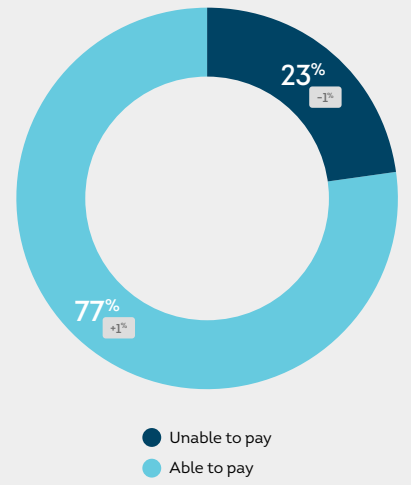
X* Percentage point change from Q3 2023

Figure 2. Expected household income change next 12 months



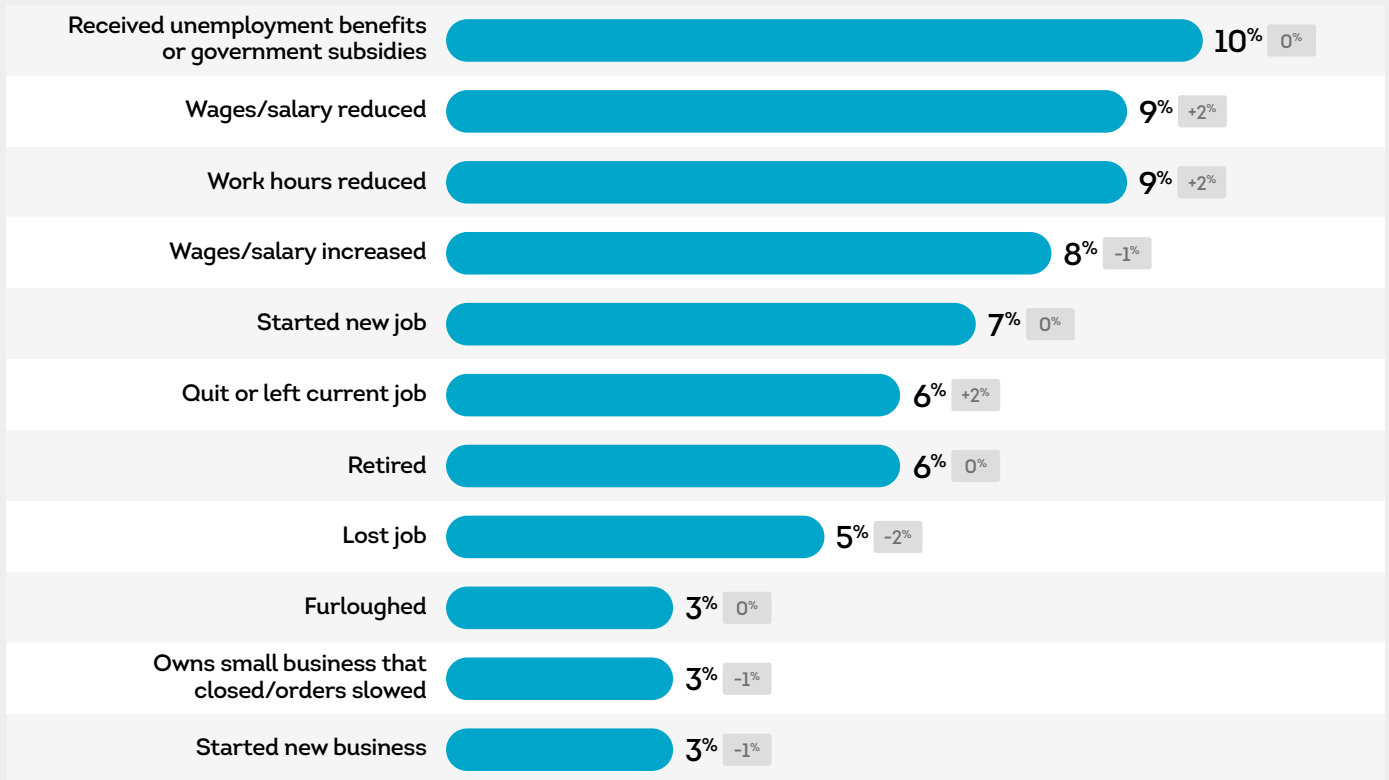
X* Percentage point change from Q3 2023

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



X* Percentage point change from Q3 2023

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



X* Percentage point change from Q3 2023

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

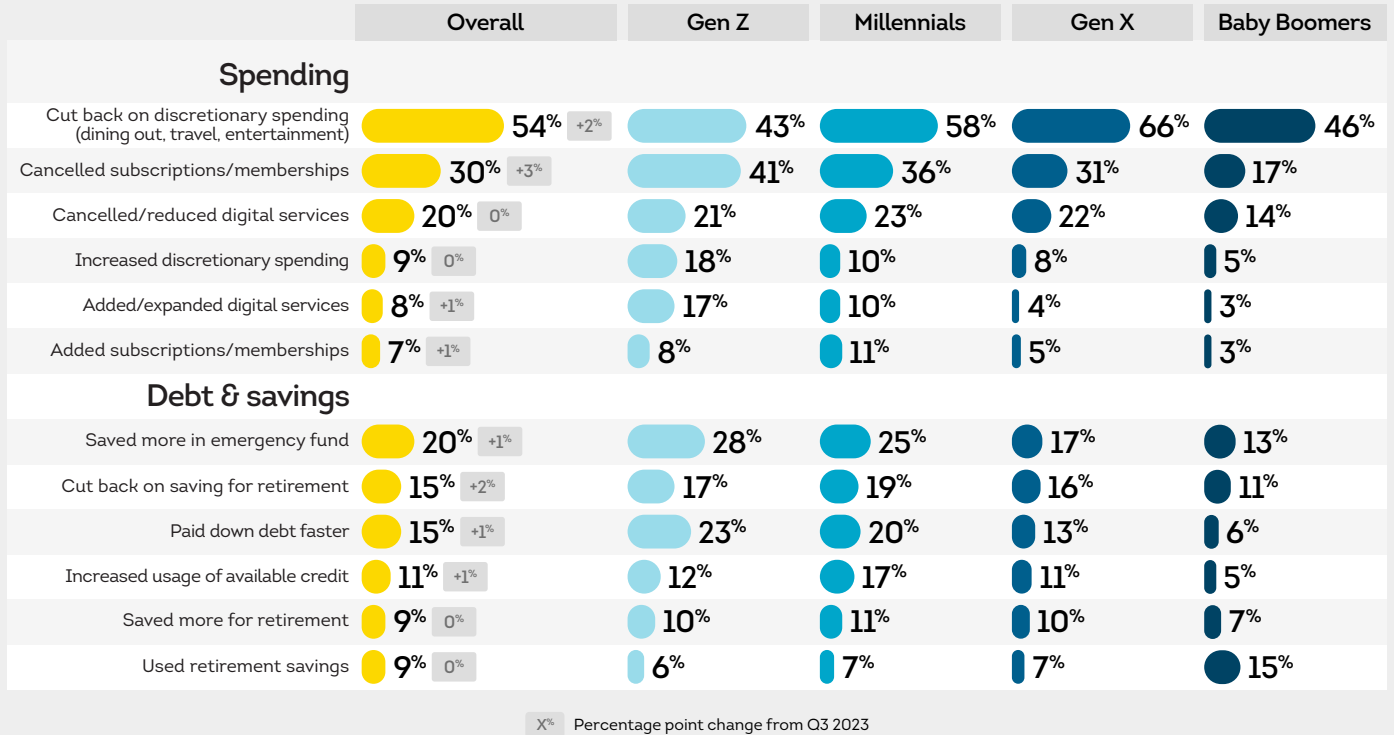


Figure 6. Plans to pay current bills or loans (among those unable to pay bills/loans)

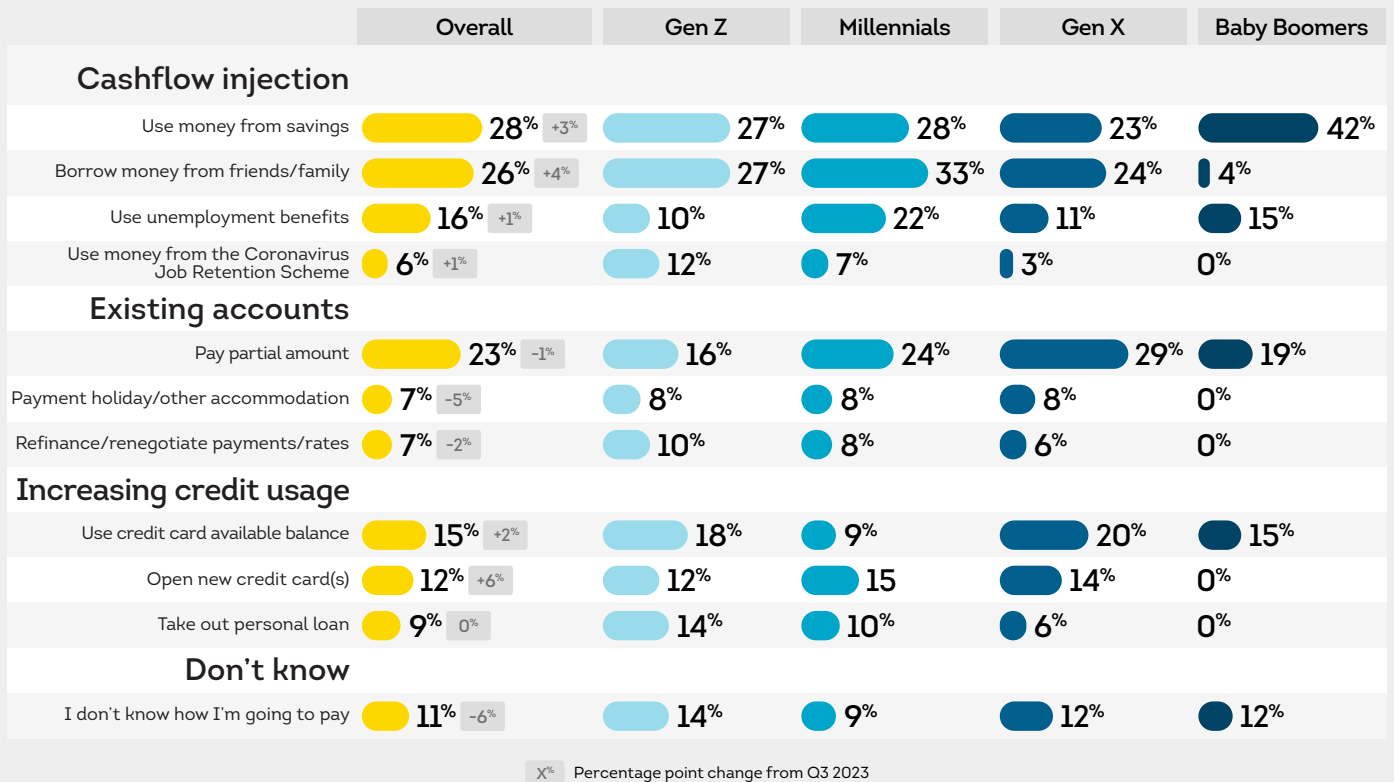
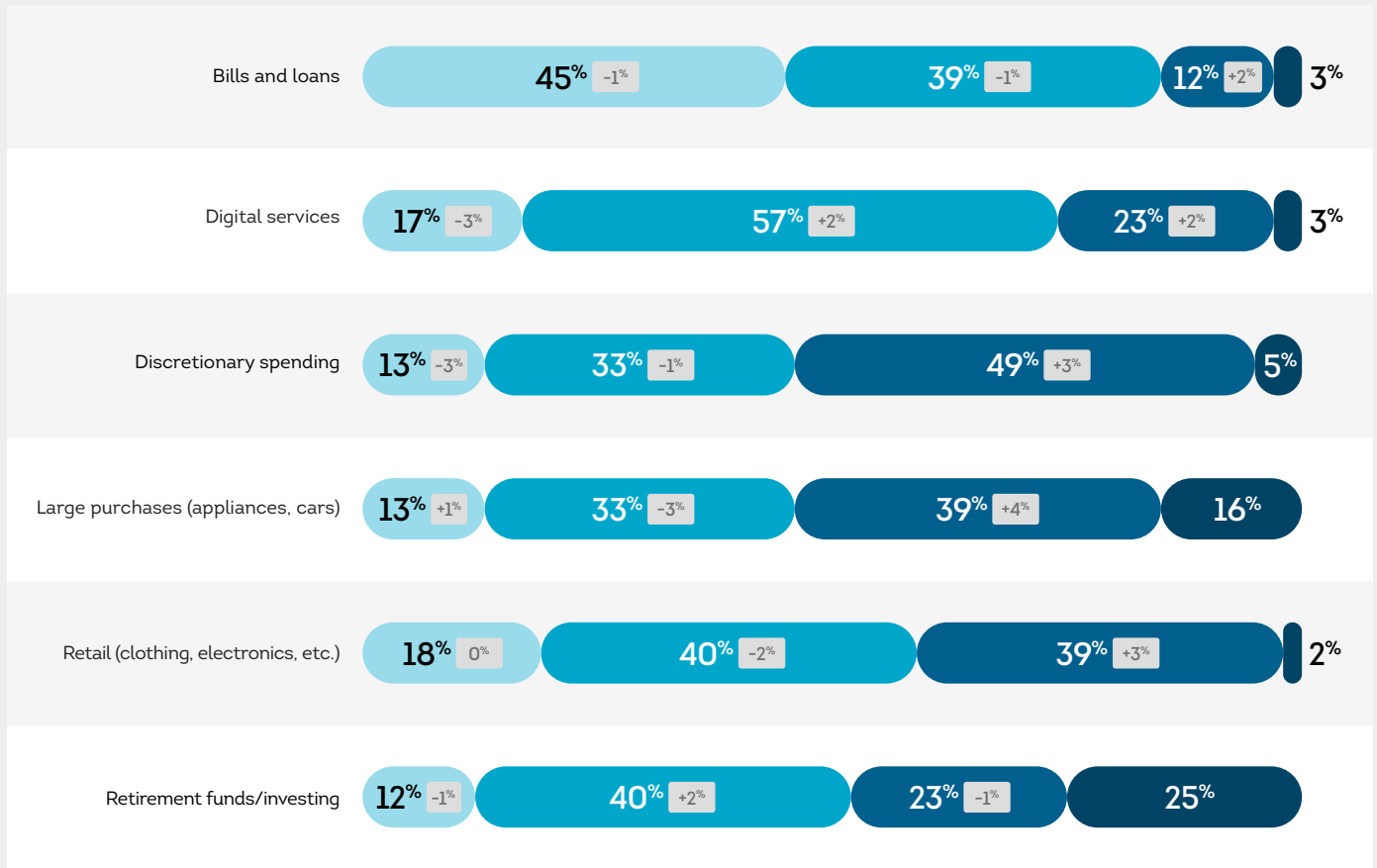


Figure 7. Expected change to household spending over next three months



X% Percentage point change from Q3 2023 ● Increase ● Stay the same ● Decrease ● Not applicable

Attitudes and plans for economic participation

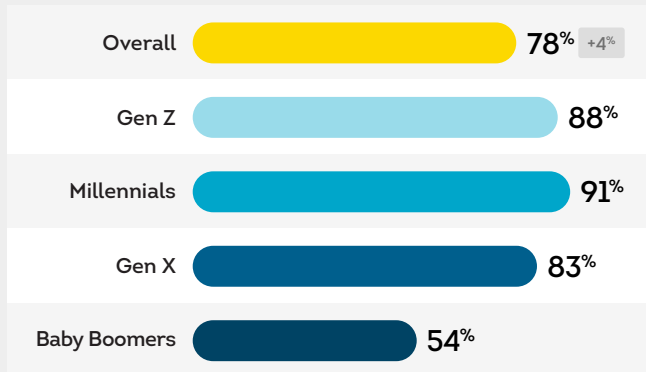
The continued high interest rates had a natural dampening effect on consumer plans for credit. Specifically, we saw a drop-off in perceived access to credit. While 78% of consumers believed access to credit and lending products is important to achieve their financial goals, only 48% thought they had sufficient access, down significantly from 57% in Q2 '22. Amongst Gen Z, 88% considered access to credit and lending products as important, but only 38% felt they had sufficient access, the lowest among generations.

Overall, credit demand amongst the respondents appeared stable with 26% planning to apply for new or refinance existing credit in the next year, up from 22% last quarter. The greatest demand for new credit came from Gen Z (46%).

Of those consumers who said they'll apply for new or refinance existing credit, those planning to apply for a personal loan recovered. Demand dropped from 36% in Q2 of last year to 19% by Q2 and Q3 of this year, but rebounded to 27% this quarter. As the largest of the unsecured credit types, personal loans are naturally more sensitive to market prices and sentiment. The volatility we've observed can be attributed to both shifting rates and fluctuating consumer optimism.

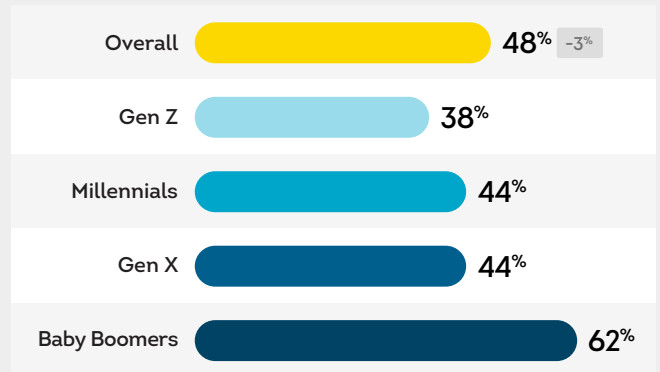
As observed in prior quarters, new credit cards were the most in-demand credit product of those planning to apply for new or refinance existing credit in the next year; 48% planned to apply for one in that timeframe.

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



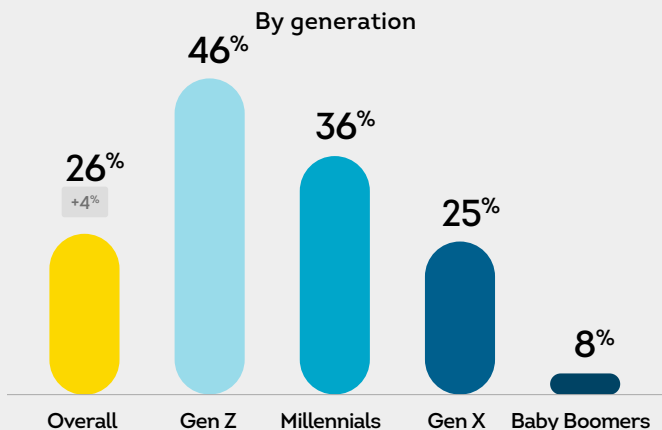
X% Percentage point change from Q3 2023

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



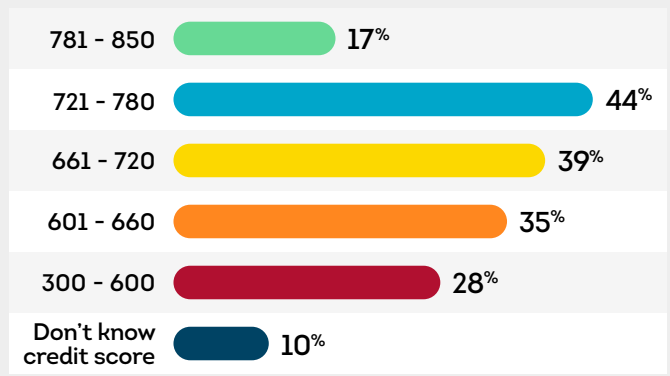
X% Percentage point change from Q3 2023

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



X% Percentage point change from Q3 2023

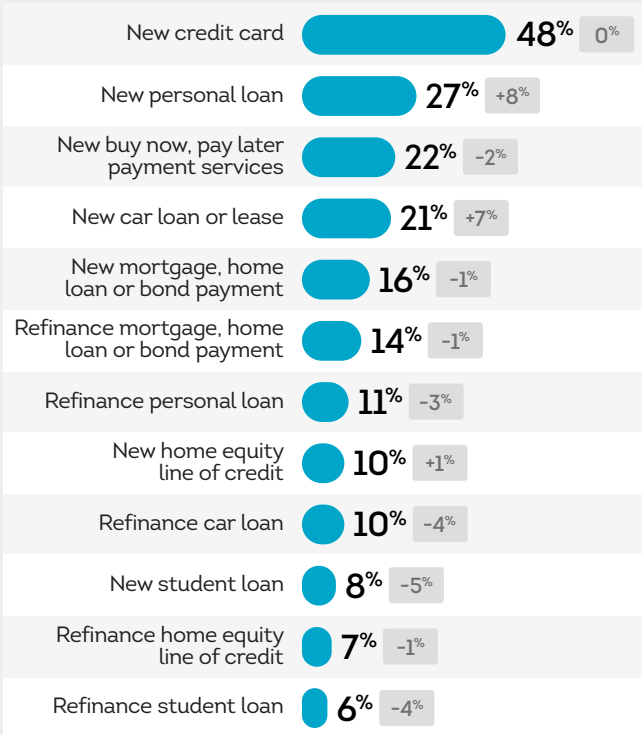
By credit score



Self-reported credit score ranges

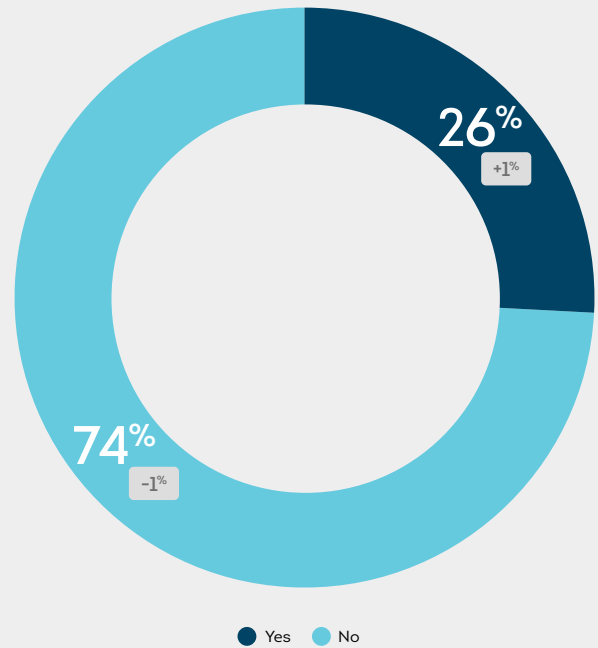
Figure 11. Type of new credit and loan activity planned in next 12 months

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



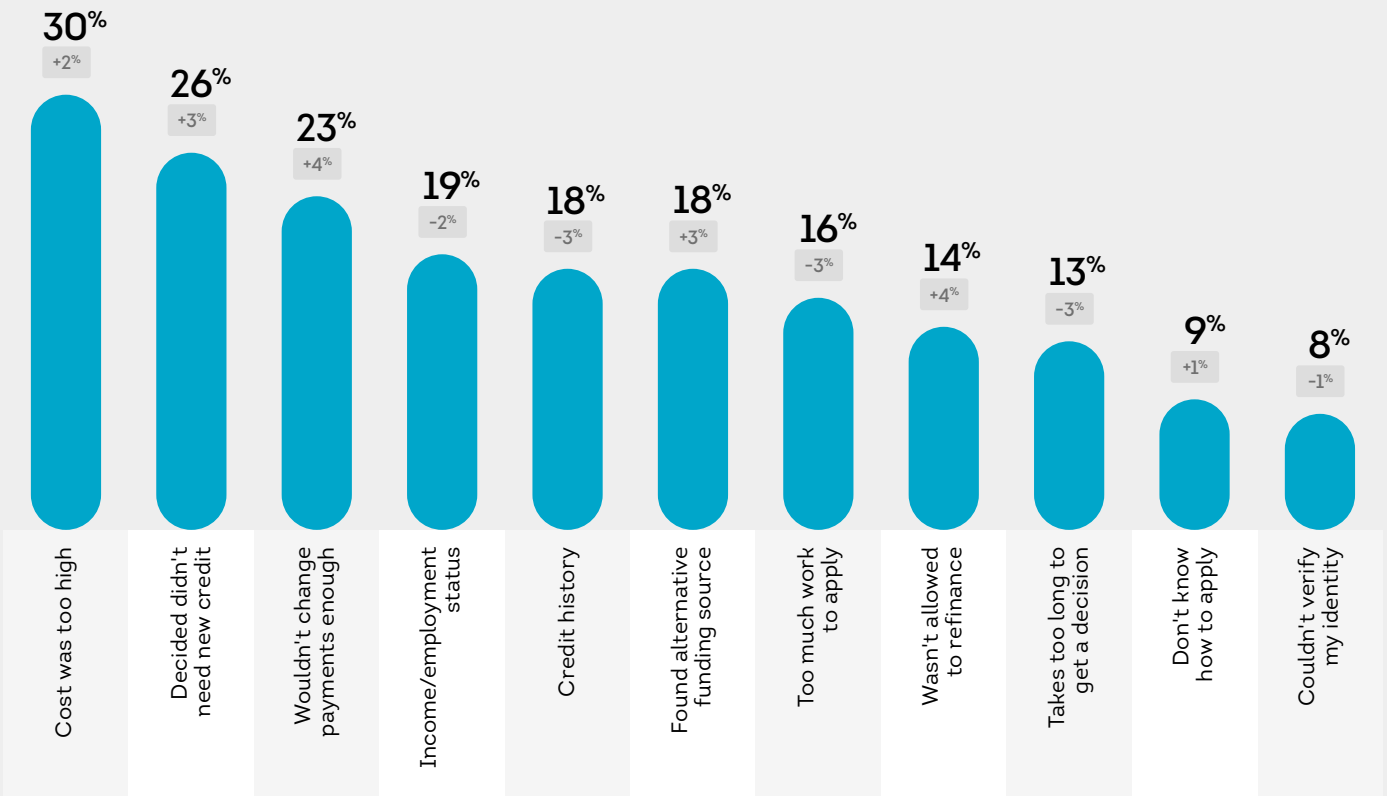
X* Percentage point change from Q3 2023

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



X* Percentage point change from Q3 2023

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



X* Percentage point change from Q3 2023

CONSUMER EMPOWERMENT

Attitudes and behaviour to manage financial choices

Most (80%) consumers agreed monitoring their credit report is important, and 55% said they monitor it at least quarterly. The impact of consumer credit education was most visible with Gen Z respondents; 92% believed credit monitoring is important (the highest among generations), and 66% checked their credit reports at least quarterly (tied for the highest with Millennials).

When asked why they monitor their credit reports among all respondents, consumers cited: because it's free (50%), trying to improve their credit scores (33%), monitoring it for accuracy (31%), protecting against fraud (25%) and to learn about credit offers (20%).

With all that said, regular credit report monitoring was more of a recent development thanks to the increased ease enabled by app access. Only 48% reported starting monitoring in the last two years.

Figure 14. Credit report monitoring frequency

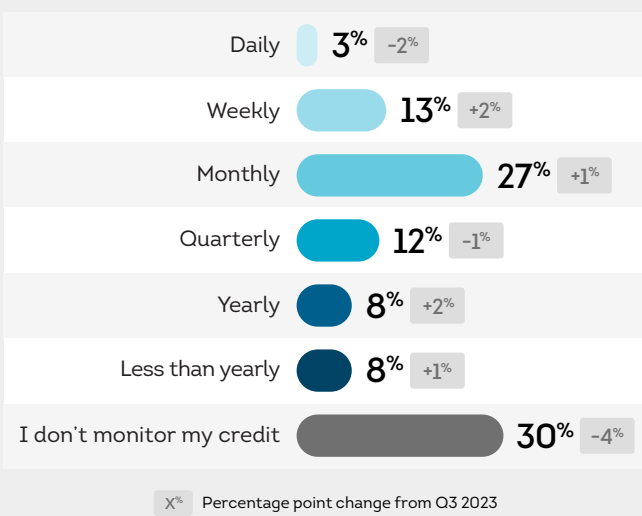


Figure 15. Believe monitoring credit report is important

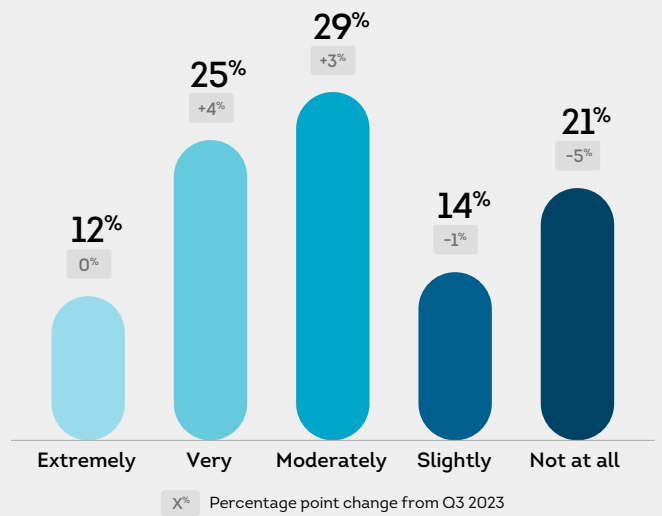


Figure 16. Percentage of transactions done online

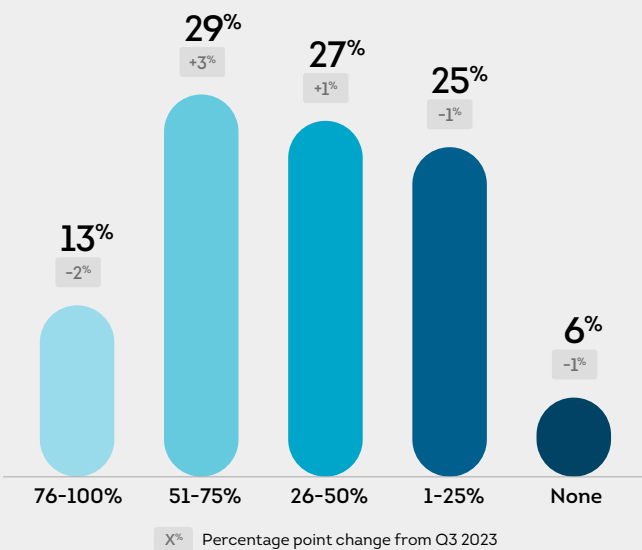
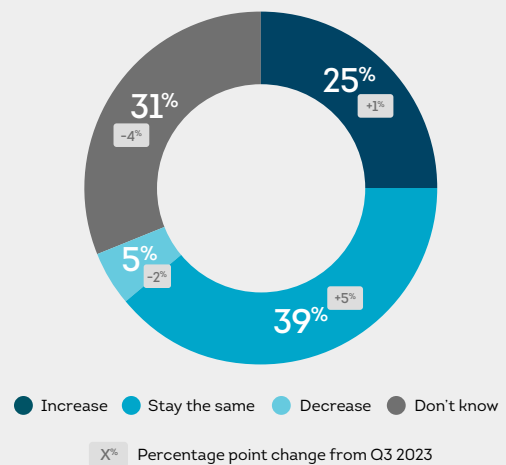


Figure 17. How believe credit score would change if businesses used information not on standard credit report

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



IDENTITY PROTECTION

Identity risks and usage

Fraud activity continued to be a major area of concern in the UK with consumers increasingly reporting falling prey to attacks. Of those surveyed, 44% were targeted by online, email, phone call or text message fraud in the last three months alone, with 7% having subsequently become a victim.

Among generations, the youngest (Gen Z) reported being targeted the most at 54%.

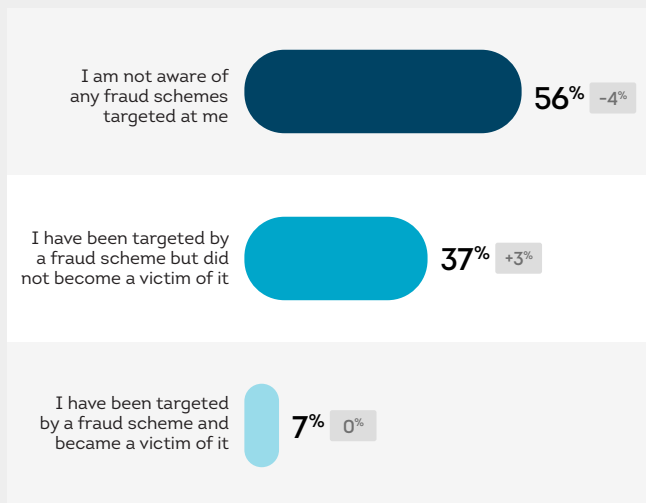
That generational divide was also apparent in the types of fraud reported. Over half of Gen X and Baby Boomers who said they were targeted reported the number one type of attack as phishing attempts (fraudulent emails, websites, social posts, QR codes, etc. meant to steal data). For Gen Z, the top type of reported fraud was vishing (fraudulent phone calls meant to trick you into revealing data). Millennials also reported phishing as the top type of fraud but at a much lower percentage (37%) closely followed by smishing (fraudulent text messages meant to trick you into revealing data).

Interestingly, over the last year more than 140 of our respondents were approached to move money on behalf of a third party. 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, 68% said they're concerned doing so, and the top reasons cited were identity theft (78%), invasion of privacy (61%) and unsolicited marketing communications (44%).

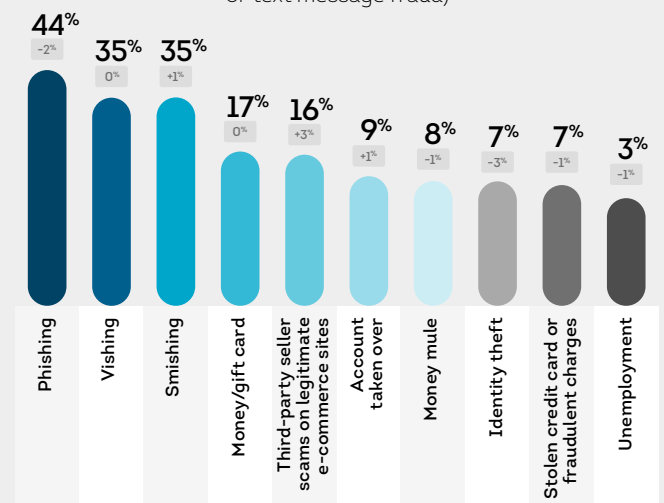
With the rise of fraud activity, we've seen an equally increasing concern for identity and personal data. More than half (55.4%) of all respondents highlighted identity theft as the cyber threat they're most concerned about closely followed by credit card fraud (55.2%). This is understandable as 14% said they were already notified about their identity data being stolen in a known data breach in the last three months. On a more positive note, consumers are becoming increasingly proactive in protecting their identities. Specifically, 23% reported they checked their credit reports in the last 60 days in response to cybersecurity concerns (up from 19% a year ago).

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



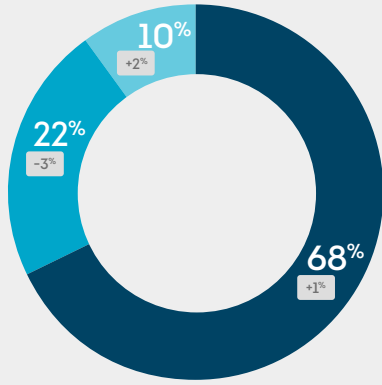
X% Percentage point change from Q3 2023

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



X% Percentage point change from Q3 2023

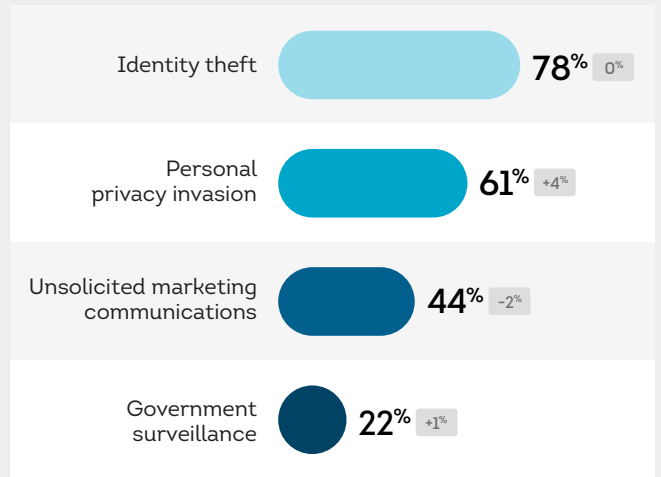
Figure 20. Concern with sharing personal information



- Concerned
- Neutral
- Not concerned

X% Percentage point change from Q3 2023

Figure 21. Reasons concerned about sharing personal information



X% Percentage point change from Q3 2023

Research Methodology

TransUnion's Consumer Pulse survey of 998 adults was conducted 25 Sept.–3 Oct. 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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