

Consumer Pulse Study

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

UK 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



Consumers continue to show increased optimism as lockdown measures are eased and the economy opens up, with 61% stating they're somewhat, very or extremely optimistic about the future. This compares favourably to Q1, 2021 when 54% said the same. In parallel to the economy slowly reopening, the vaccine rollout could be a key driver of this improved optimism.



Strong improvement in optimism, however, is somewhat lagged by perceptions about current household finances which remain relatively stable. There's a slight increase from 40% to 43% by those who report their finances are as planned from Q1, 2021 to the current survey. Those who report finances are better than planned rose slightly from 29% in Q1, 2021 to 30% in Q2, 2021.



From a credit perspective, the types of new credit and loans consumers say they are most likely to apply for are: credit card (11%), personal loan (8%) and new car loan or lease (8%).

FINANCIAL HARDSHIP

Household income (HHI) and bill payment impact

There continues to be improvement in the perceived impact on household income, with 32% of consumers stating they're currently negatively impacted, down from 38% in Q1, 2021.

Younger consumers' household incomes remain disproportionately impacted, with 40% of Millennials and 43% of Gen Z reporting a current negative impact versus 19% of Baby Boomers and 32% for Gen X. Despite this, younger consumers have a brighter outlook with 22% of impacted Gen Z saying their household finances have not yet recovered but believe they'll definitely fully recover in the next 12 months versus only 7% of Baby Boomers.

Notwithstanding improving optimism, nervousness remains with a jump in negatively impacted consumers concerned with their ability to pay current commitments – rising from 64% in Q1, 2021 to 68% in the latest survey. These concerns are amplified in younger consumers. For example, 76% of impacted Millennials are concerned about paying bills, while only 43% of impacted Baby Boomers share that concern. For impacted consumers with these bills or loans, the most common types they say they'll not be able to pay include: personal loans (27%), car leases (26%), credit cards (19%) and utilities (19%).

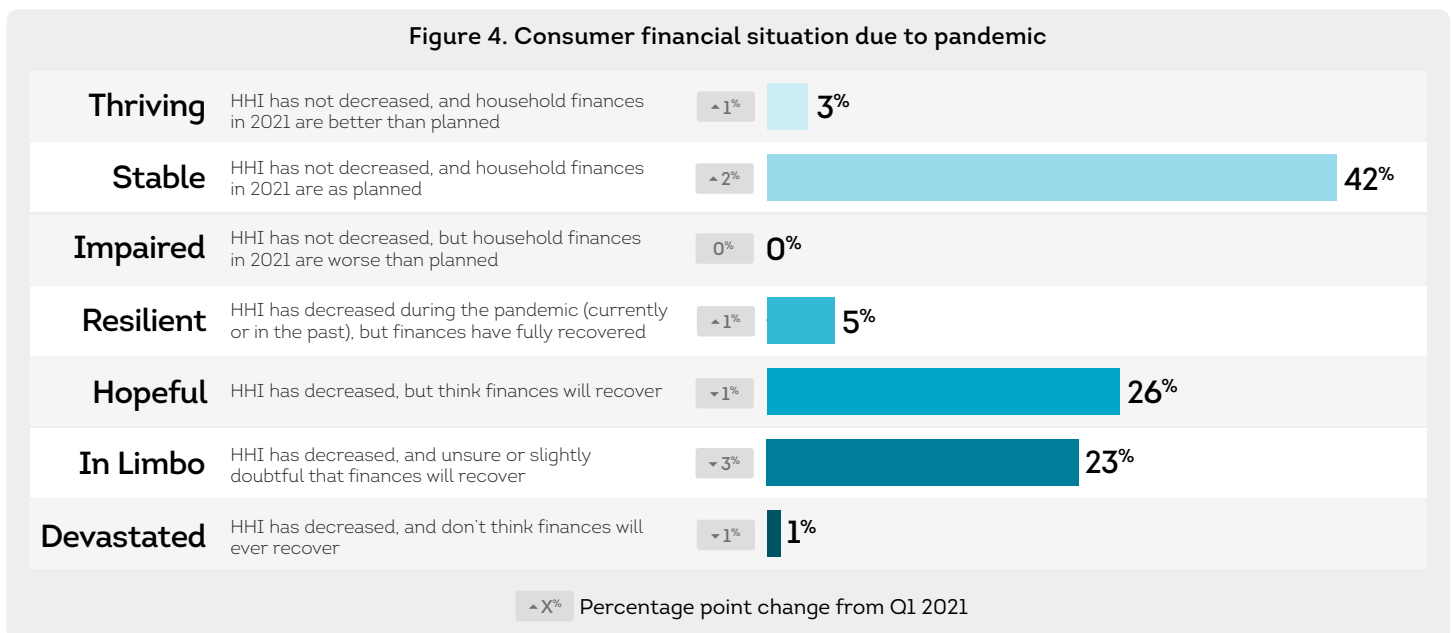
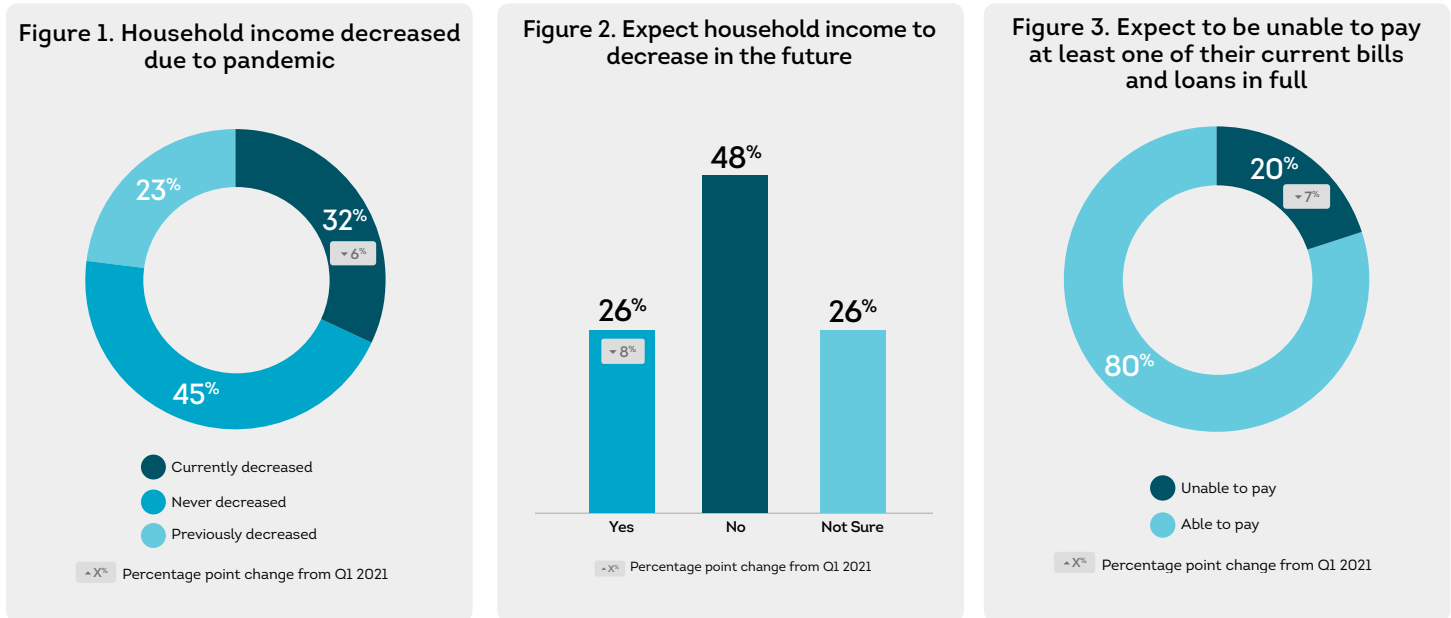


Figure 5. Bills and loans unable to pay (among those with these bills/loans)

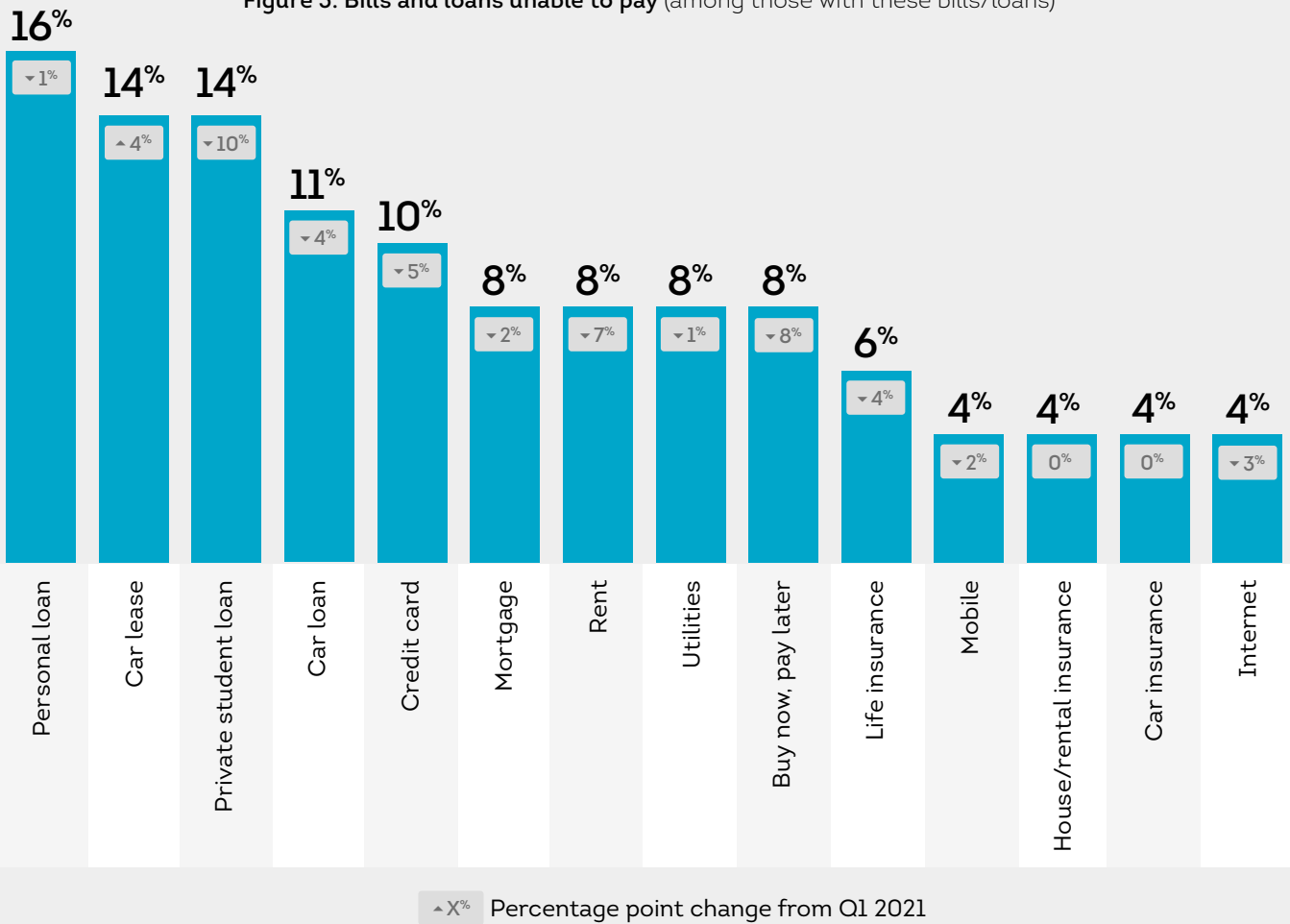


Figure 6. Plans to pay current bills or loans (among those unable to pay bills/loans)

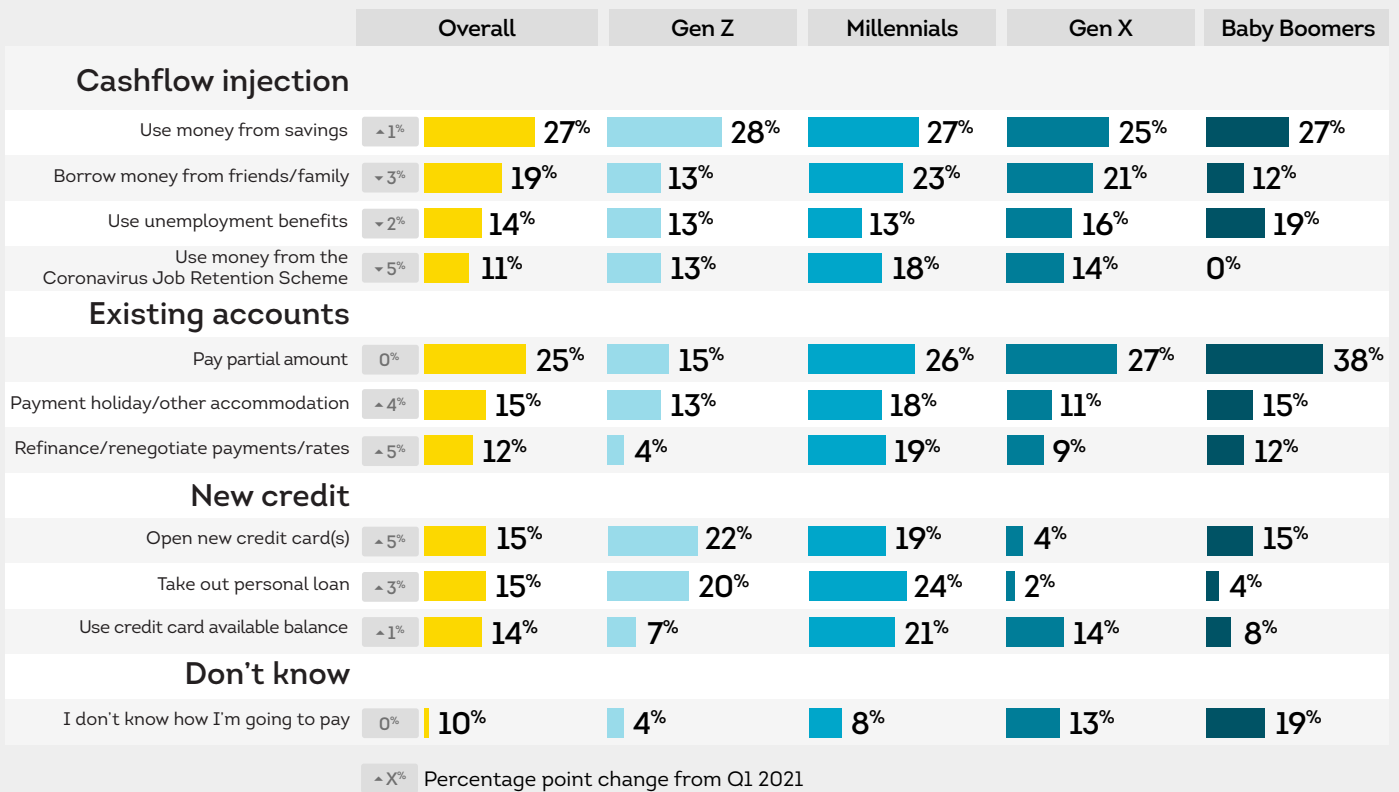
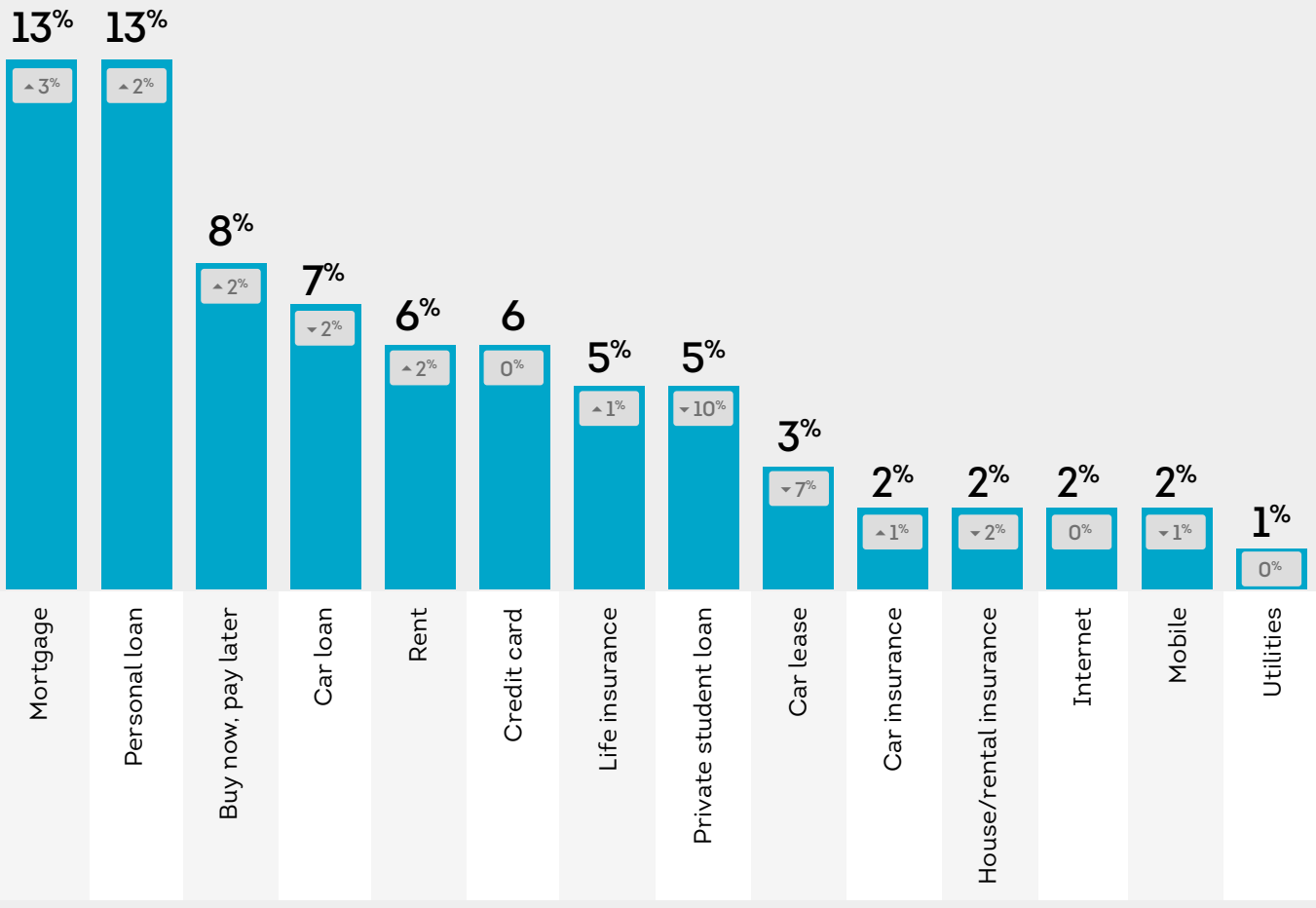


Figure 7. Types of bills or loans enrolled in financial accommodation in past year (among those with that bill/loan)



▲X% Percentage point change from Q1 2021

Attitudes and plans for economic participation

Access to credit remains a hot topic, with 18% of consumers stating they don't have access – rising to 21% for Millennials and 28% for Gen Z.

The majority of respondents said access to credit is perceived as critical to achieving financial goals; with only 11% of consumers stating it was slightly important and 16% not at all. However, the older population perceive access to credit as less important (35% of Baby Boomers said access was not at all important). Affirming the opportunity for lenders to appropriately target younger segments, only 4% of Millennials and 3% of Gen Z indicated access to credit was not important at all.

Generally, confidence is returning with discretionary spending cuts reducing from 45% in Q1, 2021 to 39% in Q2, 2021 across all surveyed.

Increased optimism, however, may be creating a potential false sense of security as consumers (between Q1 and Q2, 2021) reduced their daily (9% to 6%) or weekly (18% to 16%) monitoring of credit to monthly (23% to 27%). We also observed a reduction in consumers believing it's at least moderately important to monitor credit – from 73% in Q1, 2021 to 66% in Q2, 2021.

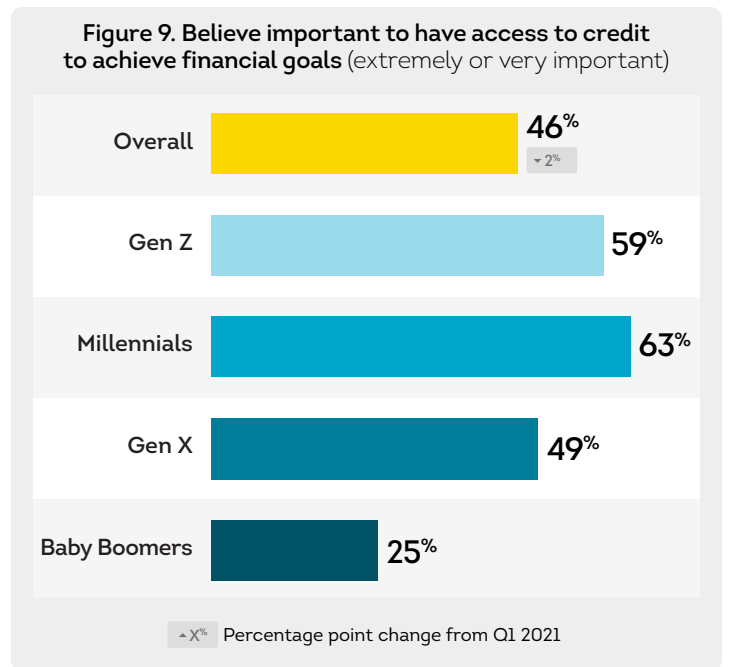
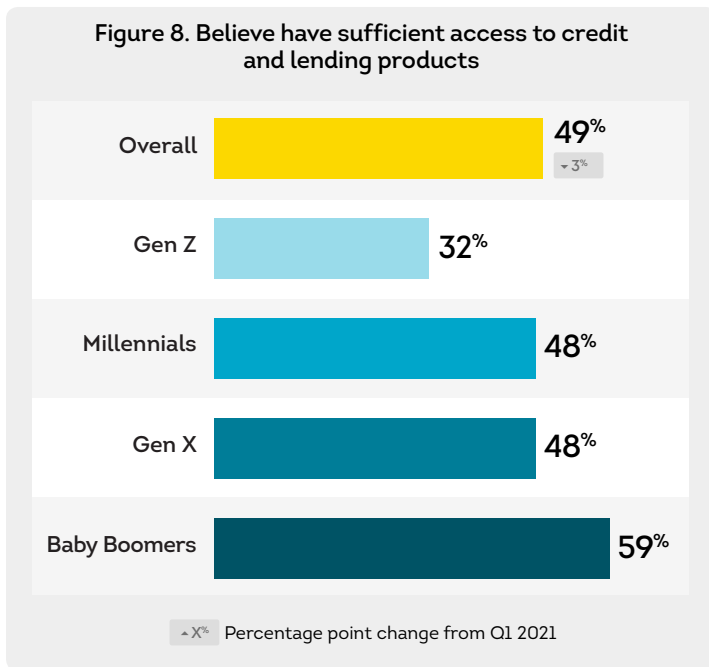
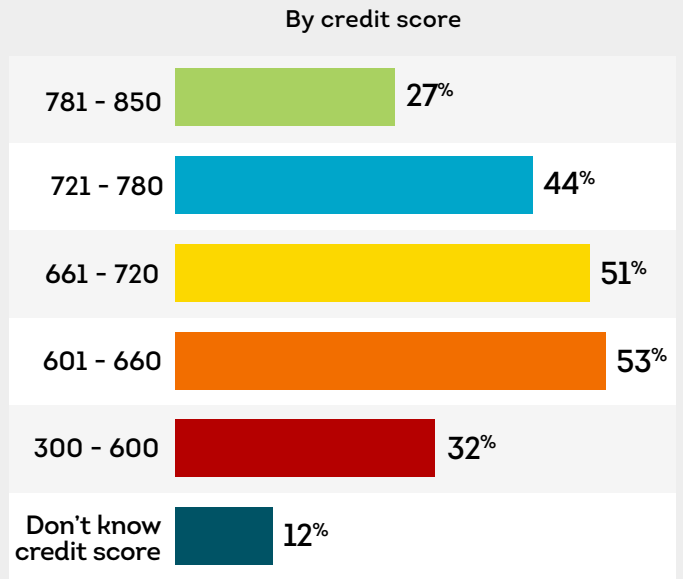
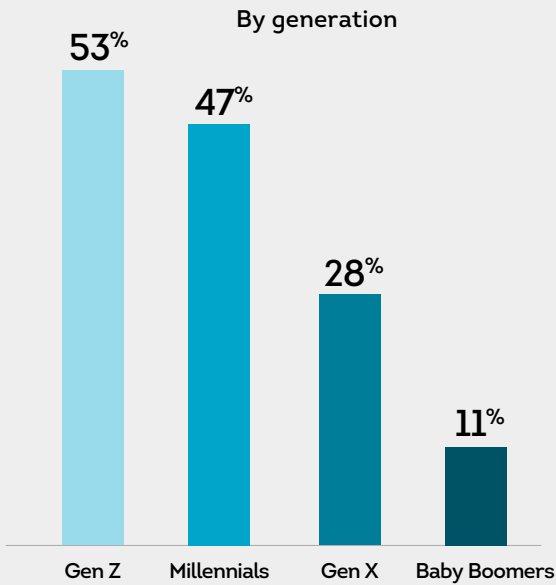
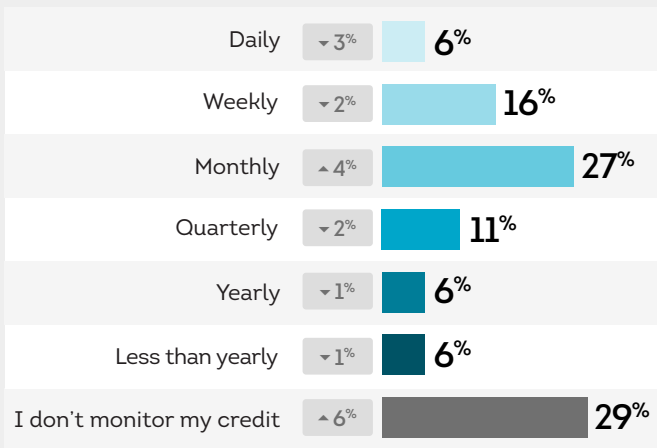


Figure 10. Plan to apply for new credit or refinance existing credit within the next year



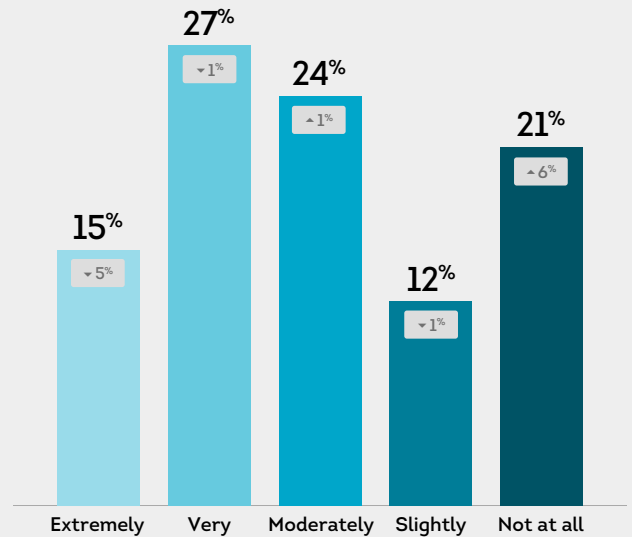
Self-reported credit score ranges

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

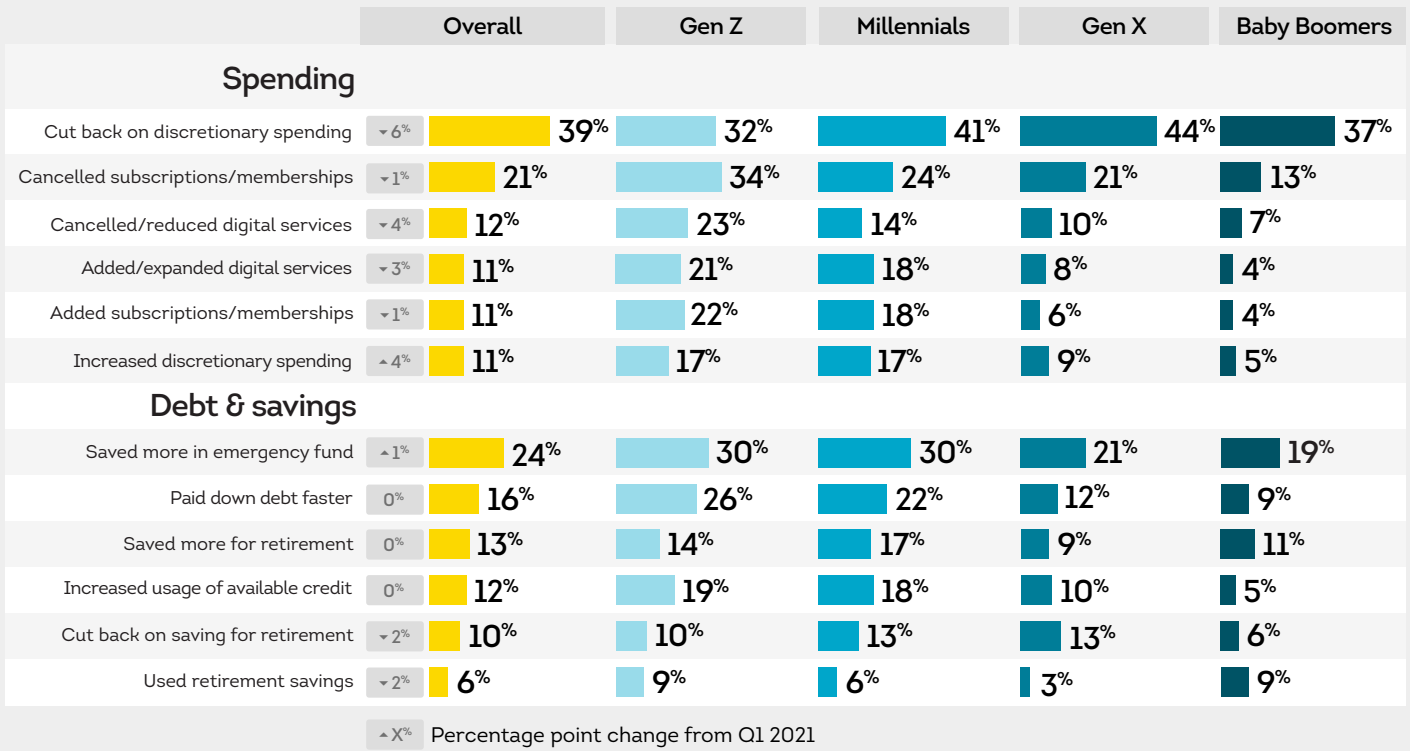


Figure 14. Expected change to household spending over next three months

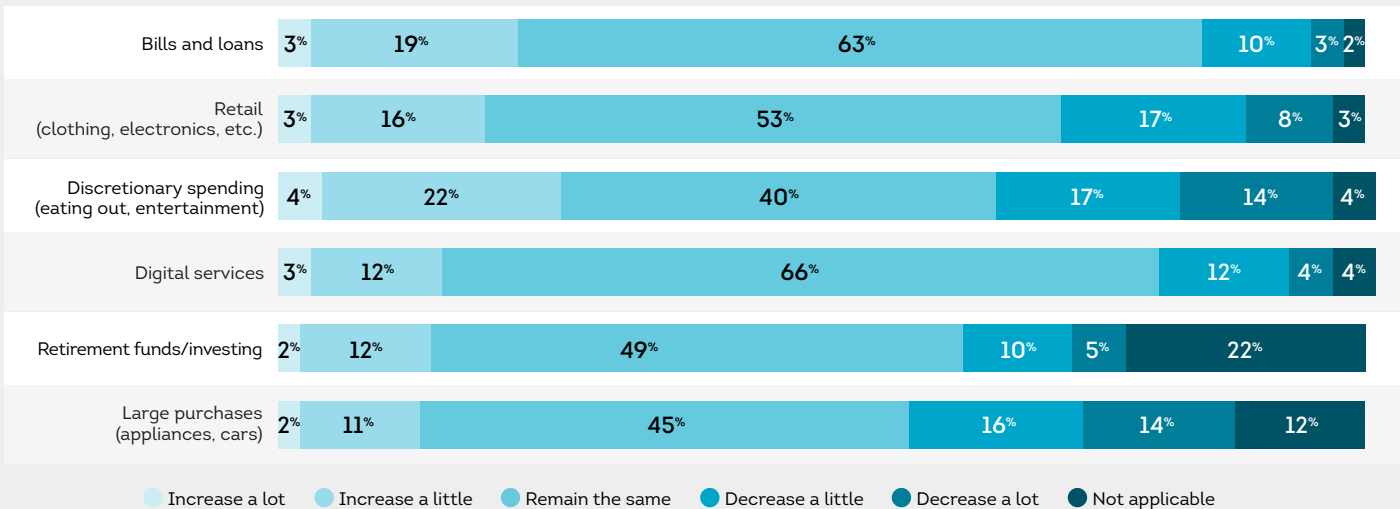
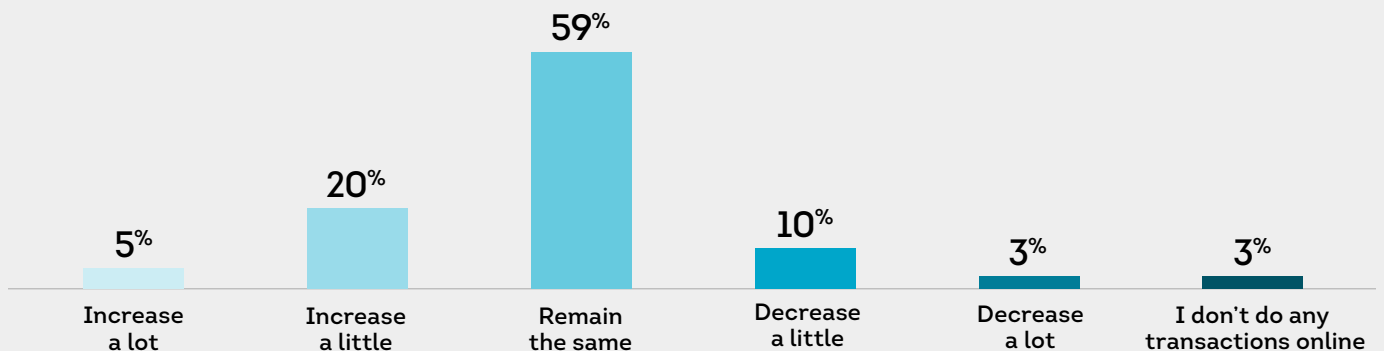


Figure 15. Expected change in number of online transactions over the next three months



COVID-19 related digital fraud

Digital fraud attempts related to COVID-19 continue to be common: More than one in three consumers say they are aware of a digital fraud attempt related to COVID-19 targeting them, rising to one in two for Gen Z. This, however, reduces to less than 30% for Baby Boomers, possibly indicating less awareness in identifying potential scams. Phishing scams – recorded by 39% of targeted consumers – remain the most reported digital fraud activity related to COVID-19. While this is down from 48% in Q1, 2021, it may indicate an increase in sophistication of techniques rather than actual reduction in fraud activity.

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

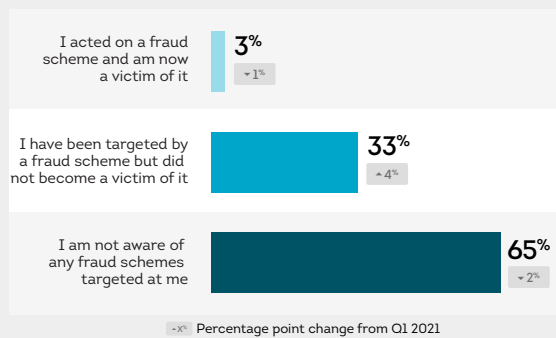


Figure 17. Digital fraud related to COVID-19 by generation

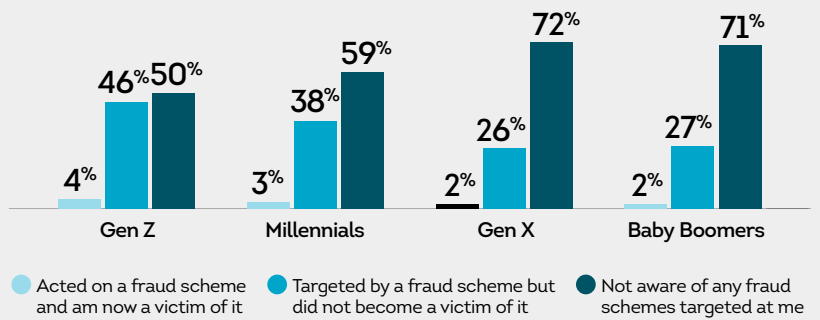
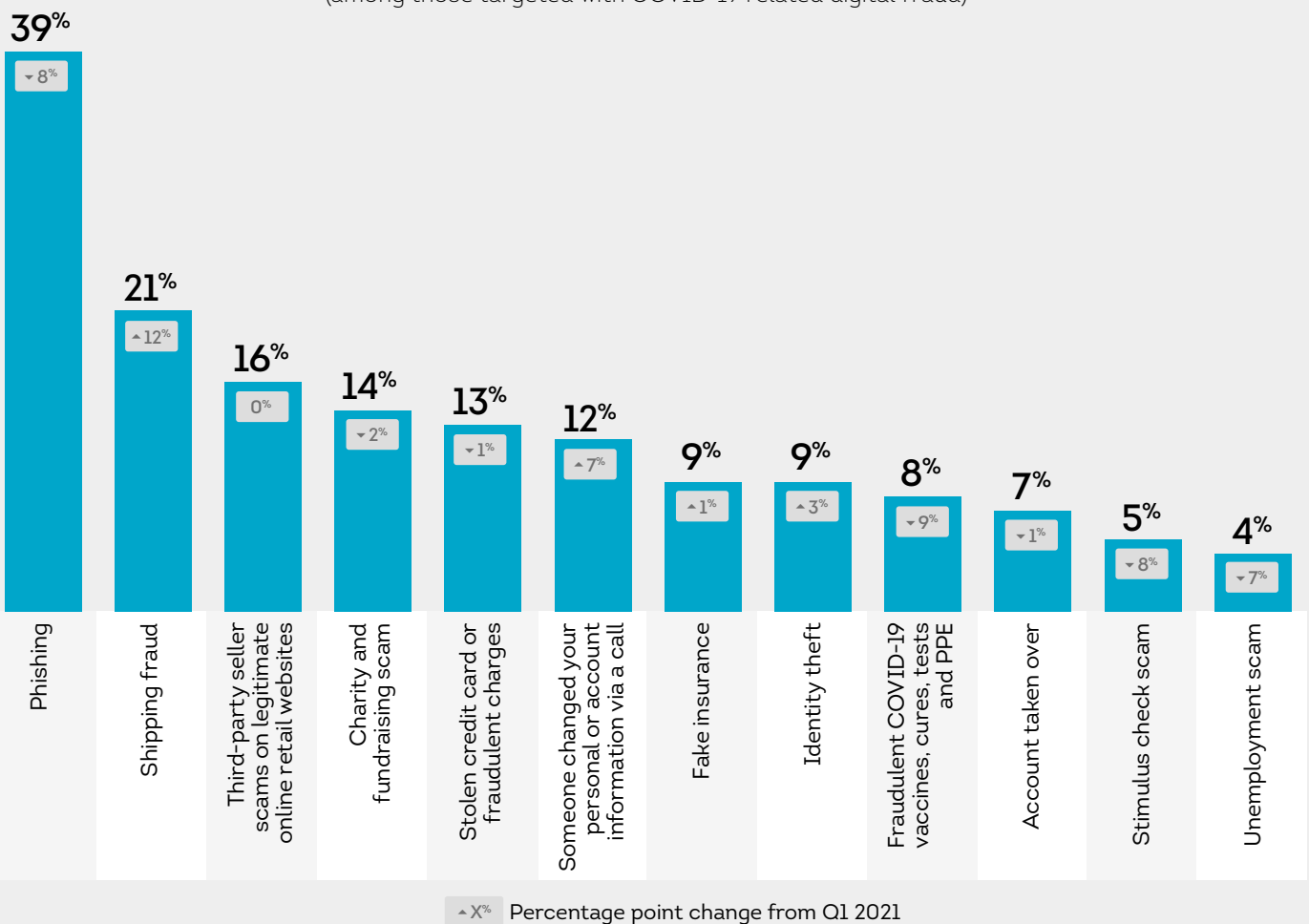


Figure 18. Most frequent fraud schemes targeting consumers (among those targeted with COVID-19 related digital fraud)



Methodology

This online survey of 1,027 adults in the UK was conducted on 2-3 June 2021 by TransUnion in partnership with third-party research provider Qualtrics® Research-Services. Adults 18 years of age and older residing in the UK were surveyed using an online research panel method across a combination of computer, mobile and tablet devices. Survey questions were administered in English. All regions are represented in the study survey responses. To increase representativeness across UK resident demographics, the survey included quotas to balance responses to the census statistics dimensions of age, gender, household income and region. These research results are unweighted and statistically significant at a 95% confidence level within $\pm 3.058\%$ percentage points based on calculated error margin.

For previous Consumer Pulse Studies, visit
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