TransUnion

Consumer Pulse Study

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

UK Q2 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

Economic Pressures

As 2022 crests the halfway point, consumers are weathering yet another economic crisis. Over the course of the last six months, consumers saw inflation soar (possibly reaching over 10%[1]), largely driven by the war in Ukraine, ongoing global logistics shortages, and a tight jobs market. Low-income consumers (many already in financial distress) especially felt the deepening impacts of April's 54% Energy Price Cap hike, and may find the expected October hike hard to handle. These pressures have caused the Bank of England's rate rises, subsequently increasing not only the price of everyday goods but also the cost of credit for the average consumer.

Consumer Spend

With the cost of living crisis putting pressure on household disposable incomes, over 50% of the consumers surveyed indicated they'd already significantly reduced their expenditures, and intend to reduce them further as the year progresses. Whilst all spend categories were impacted, respondents indicated intent to significantly decrease discretionary and retail spend activities. This will have far-reaching implications for the retail sector and consumers' quality of life. Where spend reduction doesn't suffice, a good proportion of consumers indicated they'd dig into savings.

Consumer Debt and Vulnerable Populations

Even with spend reductions, a sizeable portion of consumers were already experiencing financial distress – especially acute amongst low-income brackets where over a quarter (27%) of respondents expected to be unable to pay their bills and credit commitments in full. Thanks to consumer belt-tightening, the credit market hasn't experienced the expected increases in arrears events, but there appeared to be an observable uptick in demand for unsecured credit, possibly driven by demand from vulnerable populations. Early warning signs were there; consumer sentiment plummeted, and the buffer allowed by savings and expenditure reduction appeared to be cracking.

The Cushioned Population

Within the doom and gloom of this cost of living crisis, it's worth keeping sight of the large portion of the population who remained financially stable and more than able to weather the storm. Seventy-three percent of consumers responding felt they would be able to pay all their upcoming bills and credit commitments in full; 25% reported increases in income in the last three months; and 29% expected to see an increase within in the next year.

[1] https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2022/june-2022

Household income (HHI), spending and bill payment impact

Amid high inflation and a tight jobs market, the majority (75%) of respondents reported their household incomes remained unchanged or decreased over the last three months, with only 29% expecting to see an increase in the next 12 months. This perceived wage stagnation further exacerbated the stress of high inflation on consumers, and will inevitably see an increasing number tightening their belts or falling into financial distress. However, we did see more positive sentiment amongst Gen Z and Millennial populations; 39% expected to see an increase in the next 12 months.

Whilst UK delinquency rates remained low by historical standards, over 27% of respondents expected to be unable to pay their current bills and loans in full, up from 18% in Q3 2021. Signs of distress were even clearer amongst the working age populations; over 37% of Gen X, Millennials and Gen Z respondents expected to be unable to meet their obligations in full, revealing the growing divergence between certain segments of the population in this cost of living crisis.

On a more positive note, consumer concerns surrounding high inflation were tempered by the ever tightening job market. The latest statistics indicated a significant drop in respondents losing their jobs (5%, down from 10% Q4'21); receiving unemployment benefits (8%, down from 12% Q4'21); or reducing work hours over the last month (7% down from 11% Q4'21). Unfortunately, in a rather frustrating twist for vulnerable consumers, high employment further exacerbated the inflation problem, putting greater stress on lower-income brackets.

Spend Behaviour

Consumers were tightening their belts; 52% of households claimed they reduced discretionary spend over the last three months. Over half (52%) of respondents planned to further decrease discretionary spending; 40% to reduce large purchases; and 40% to decrease fashion and other retail purchases.

We did observe a divergence in spend behaviour amongst Gen Z respondents; 63% planned to take no action to cut back discretionary spend, and 27% planned to increase fashion and other retail spend over the next three months. This may be driven by the already lower discretionary income amongst the demographic or lower impact of energy price hikes amongst those living at home. Either way, it highlighted a section of the population that appeared to be responding very differently to the crisis.

Savings and Handling Debt

Whilst spend behaviours shifted rapidly in response to the cost of living crisis, consumers have yet to show significant shifts in their debt or savings intentions. Of those initial signs of stress, 31% of respondents were planning to make only partial payments on bills and loans, up from 25% last year. There was only a small increase in respondents who planned to use credit cards for payment of bills and other credit obligations (16%, up from 14% last year).

Figure 1. Household income change last three months

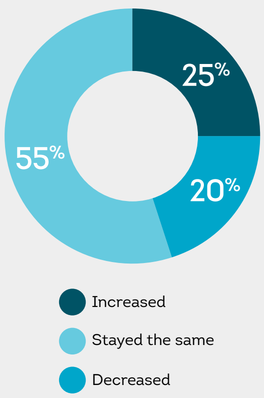


Figure 2. Expected household income change next 12 months

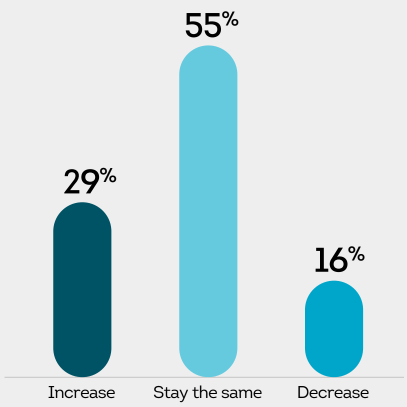


Figure 3. Expect to be unable to pay at least one of their current bills and loans in full

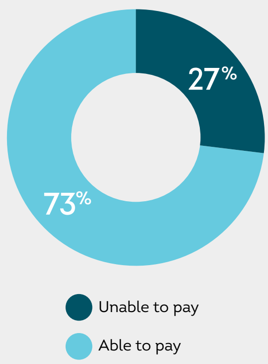


Figure 4. Reasons for change in current household income

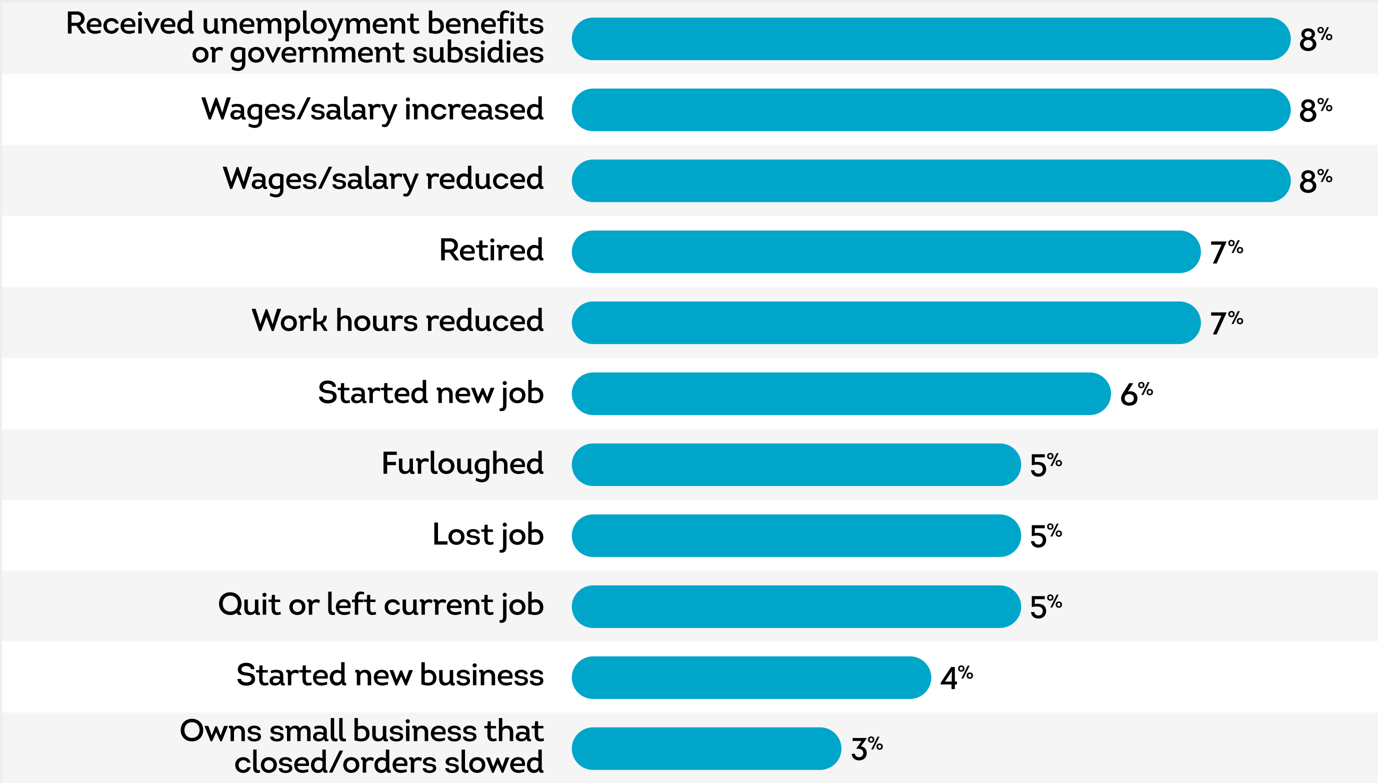


Figure 5. Changes to household budget in the last three months

	Overall	Gen Z	Millennials	Gen X	Baby Boomers
Spending					
Cut back on discretionary spending (dining out, travel, entertainment)	52%	45%	55%	60%	47%
Canceled subscriptions/memberships	24%	31%	32%	24%	16%
Canceled/reduced digital services	18%	27%	22%	19%	11%
Added/expanded digital services	9%	22%	17%	4%	2%
Increased discretionary spending	8%	14%	14%	7%	4%
Added subscriptions/memberships	7%	18%	15%	4%	0%
Debt & savings					
Saved more in emergency fund	23%	35%	34%	19%	15%
Paid down debt faster	15%	23%	20%	13%	10%
Cut back on saving for retirement	14%	20%	15%	17%	10%
Used retirement savings	12%	16%	8%	6%	19%
Increased usage of available credit	11%	16%	15%	14%	6%
Saved more for retirement	10%	16%	15%	7%	6%

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

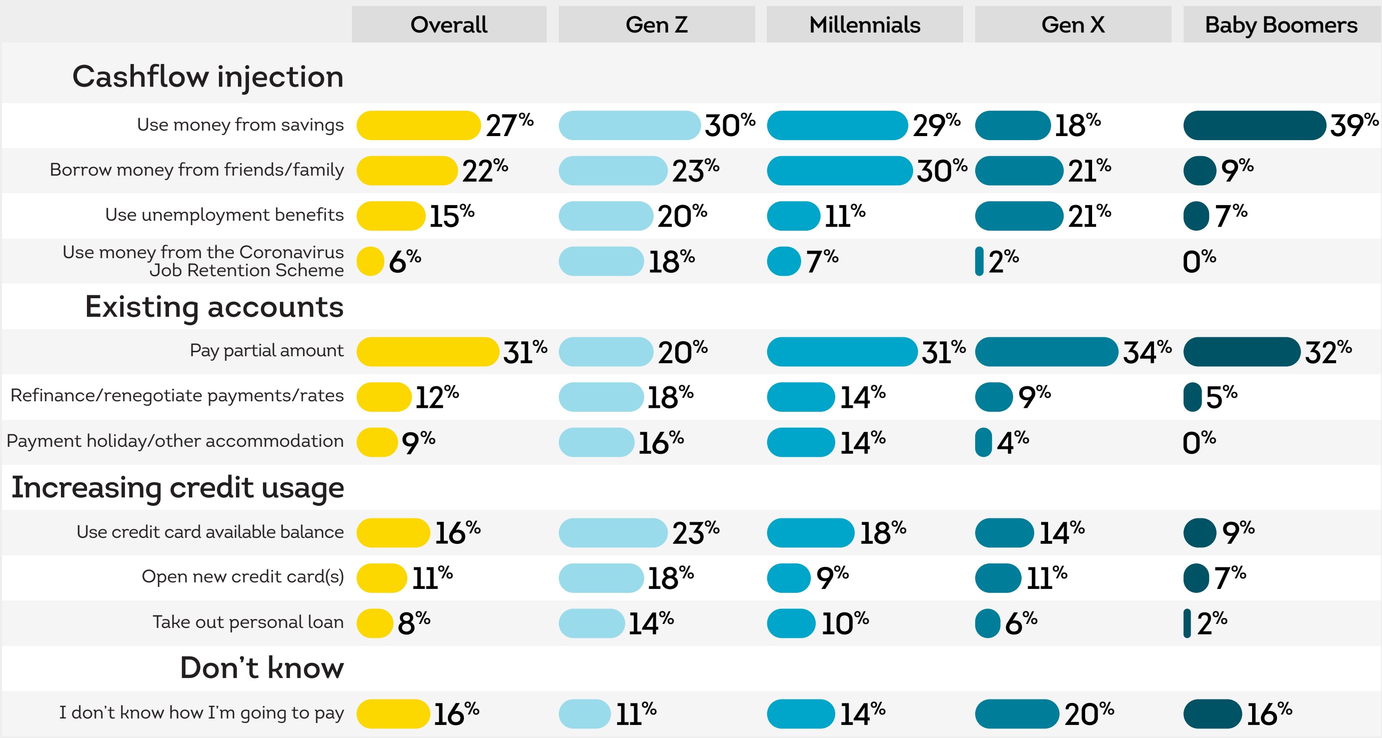
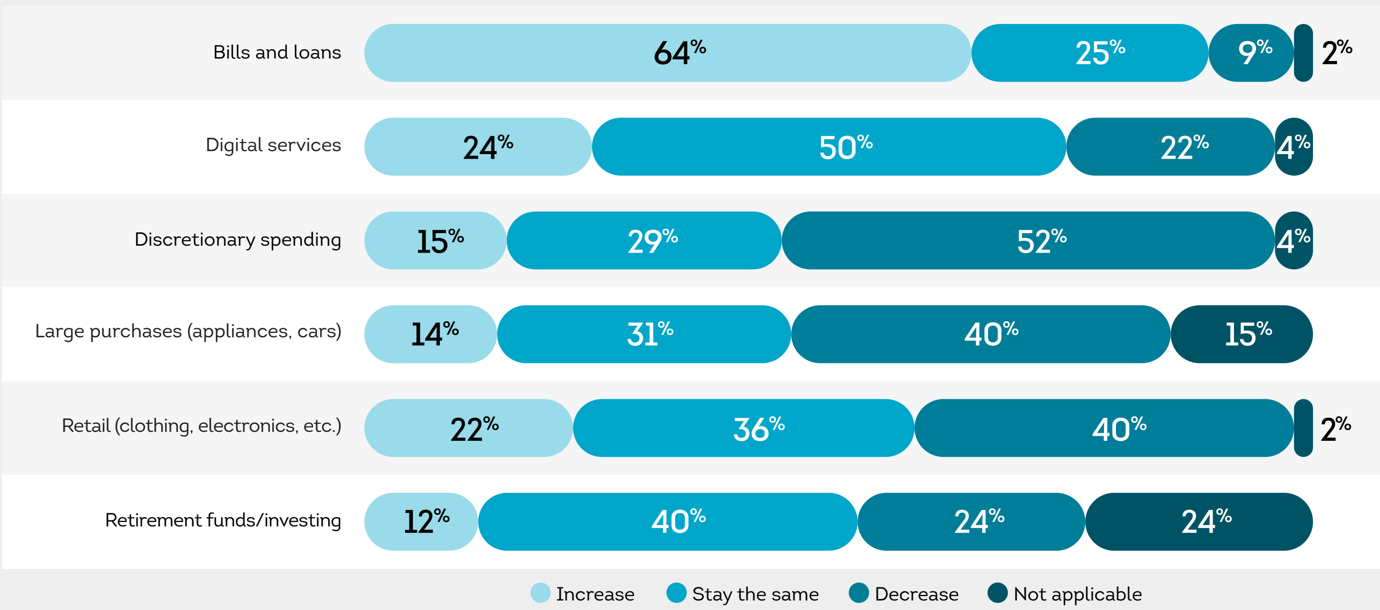


Figure 7. Expected change to household spending over next three months



Attitudes and plans for economic participation

Most consumers (76%) believed access to credit is important; though only 57% of respondents believed they had sufficient access, and approximately 17% consistently indicated they don't. Amongst Gen Z, over 83% considered access to credit at least moderately important, but less than half (46%) felt they had sufficient access.

Credit demand amongst respondents appeared stable at 27%. Unsurprisingly, the greatest demand for new credit came from Gen Z (54%) and Millennials (45%), with Baby Boomers sitting at just 8%.

Of consumers who sought new credit, an increasing number considered personal loans (36%, up from 28% Q1'22), with the greatest demand coming from Millennials closely followed by Gen Z.

In terms of understanding those who sought credit but chose not to apply, 30% felt the cost of credit was too high (up six percentage points from last quarter), likely driven by the increasing BoE base rate. There was also an increase in consumers who found alternative funding sources (24%, up from 17% last year).

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

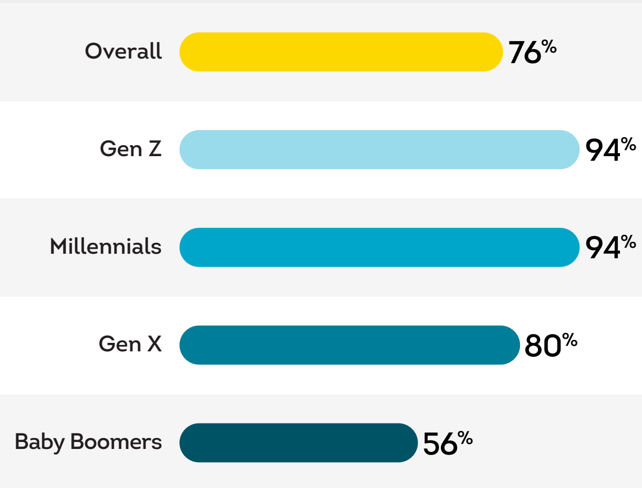


Figure 9. Believe have sufficient access to credit and lending products

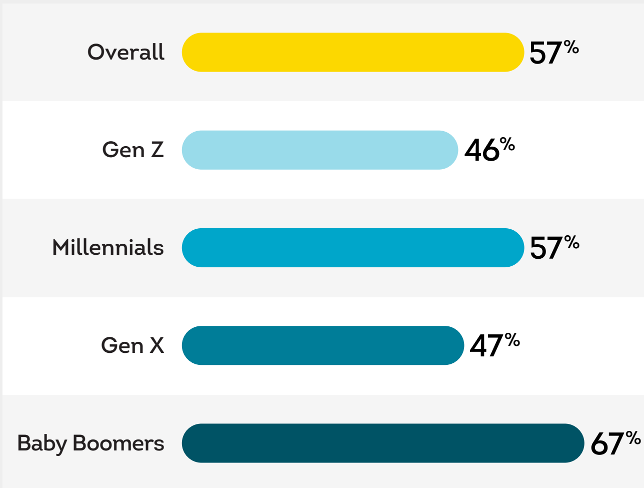


Figure 10. Plan to apply for new credit or refinance existing credit within the next year

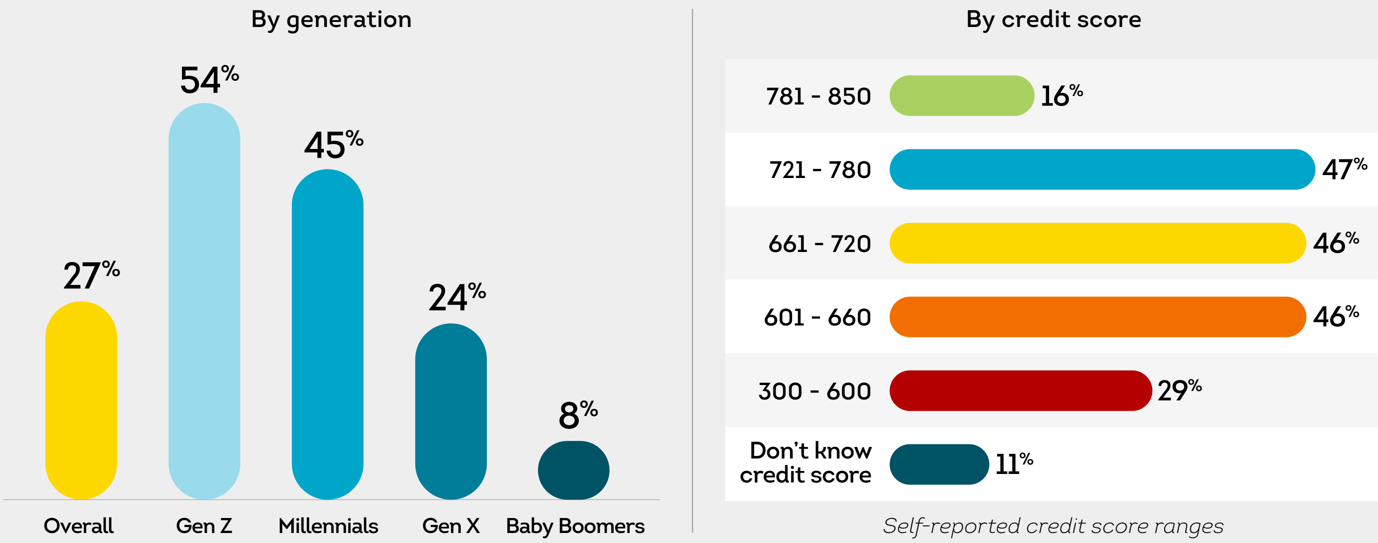


Figure 11. Type of new credit and loan activity planned in next 12 months
(among those who plan to apply for new or refinance existing credit)

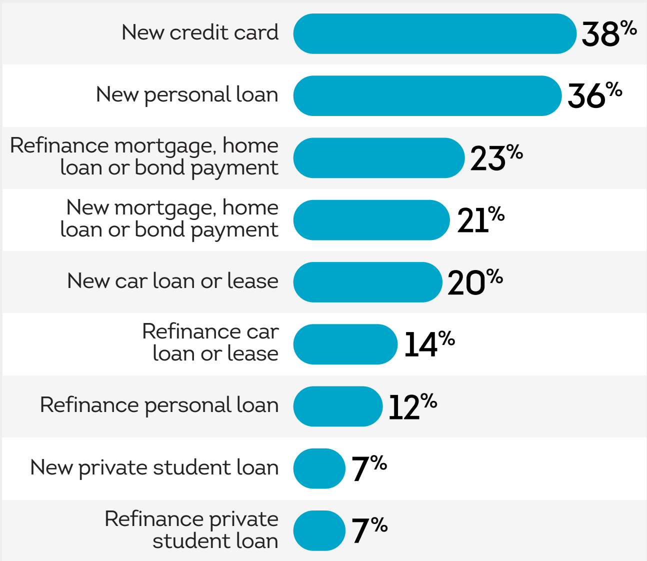


Figure 12. Abandoned plan to apply for new credit or refinance

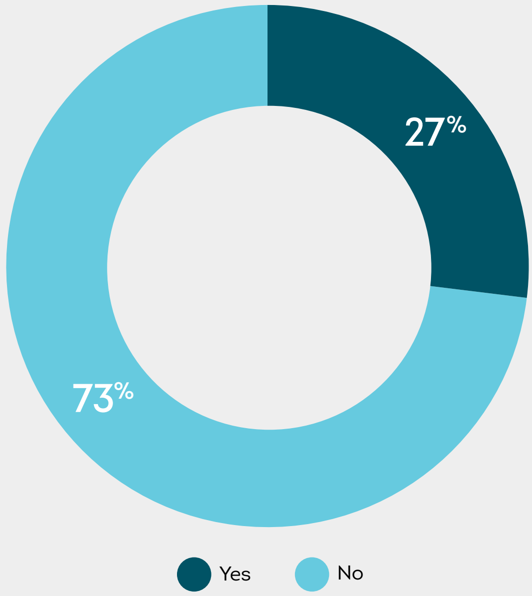
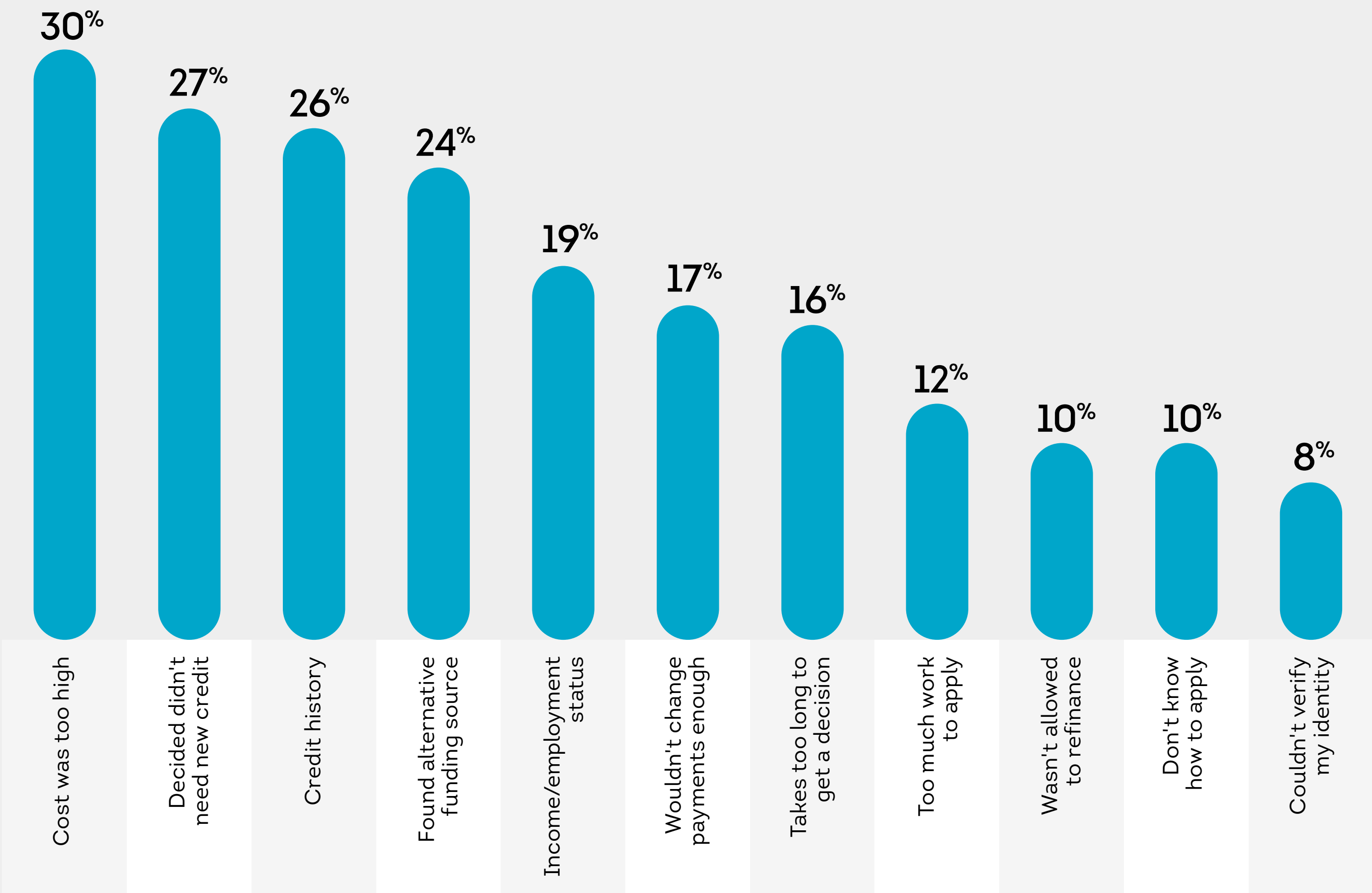


Figure 13. Reasons for abandoning application for new credit or refinance



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Attitudes and behaviour to manage financial choices

Most consumers (79%) agreed monitoring their credit is important: 57% of respondents monitor their credit at least quarterly. Though notably, the effect of market-wide consumer credit education was visible in Gen Z respondents (96% believed credit monitoring is important and 74% doing so at least monthly).

Unsurprisingly, a growing proportion of all purchases and transactions took place online: 18% of respondents completed over 75% of their transactions online, up from 16% last quarter. Notably, there appeared to be very little generational divide – with the exception of Baby Boomers. At least 60% of respondents from each generation completed 25% or more of their transactions online.

Thirty-one percent of respondents believed their credit score would change with the inclusion of alternative data; 23% of whom believed their score would increase. Confidence in a positive score change was greater amongst younger generations: 37% of Millennials believed their score would increase, and 14% believed it would increase significantly.

Figure 14. Credit monitoring frequency

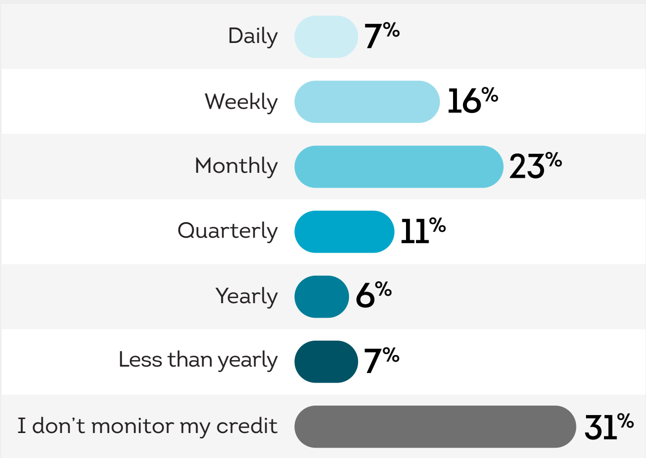


Figure 15. Believe monitoring credit is important

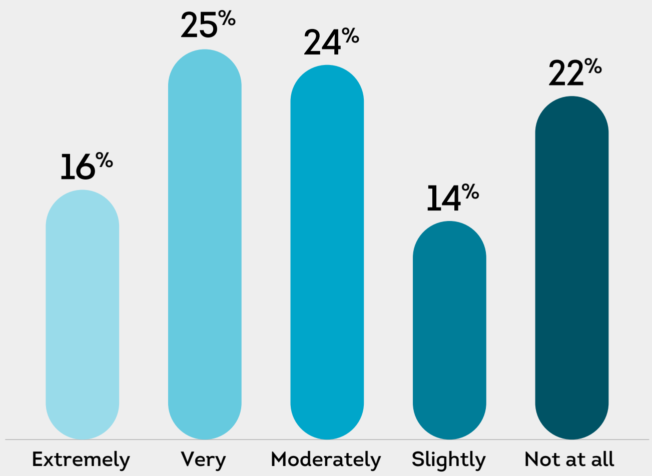


Figure 16. Percentage of transactions done online

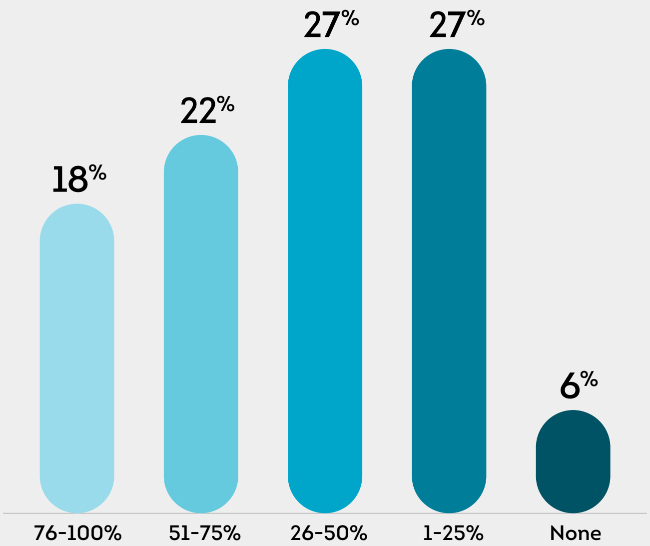
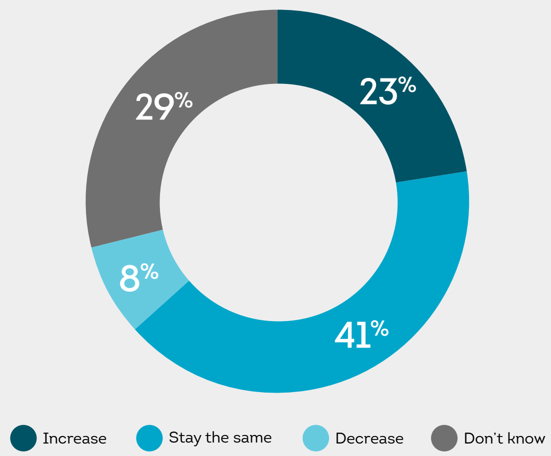


Figure 17. How believe credit score would change if businesses used information not on standard credit report



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

Identity risks and usage

Fraud activity continued to be a major area of concern in the UK with consumers increasingly falling prey to sophisticated attacks. Of those surveyed, over 30% were targeted by fraud schemes in the last three months alone; 3% having subsequently become a victim of fraud. Disturbingly, more than half (51%) of Gen Z respondents were targeted in the last three months, demonstrating just how rampant schemes can be.

Phishing (36%) remained the top fraud scheme in the last three months followed by money or gift card scams (23%, up 3% since last quarter), and third-party seller scams (17%). Though long-established fraudulent activities continued to capture victims as well; 15% of respondents were targeted by card theft or fraudulent charges, and 12% by attempted identity theft.

Seventy percent of respondents agreed sharing personal information remains a key consumer concern: 78% primarily worried about identity theft; 59% invasion of privacy; and 48% unsolicited marketing.

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

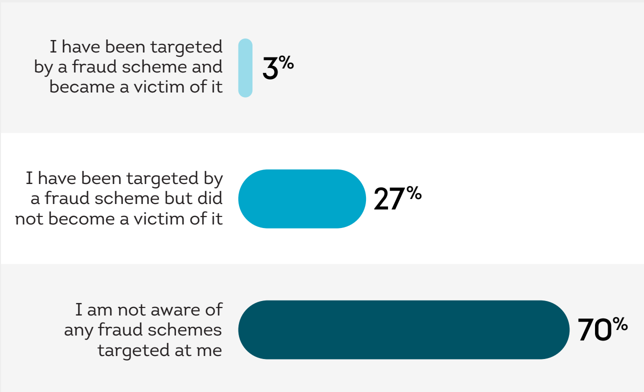


Figure 19. Most frequent fraud schemes targeting consumers
(among those targeted with digital fraud)

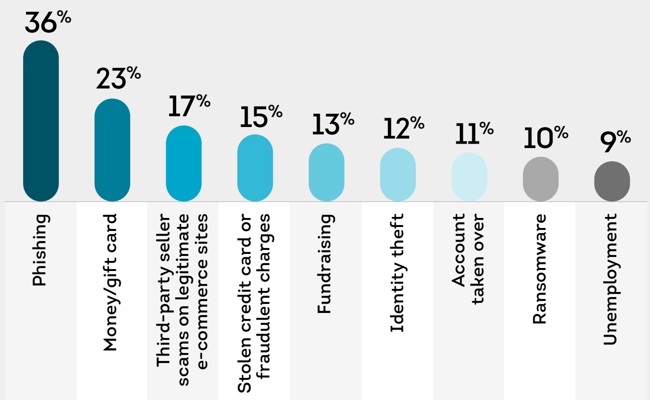


Figure 20. Concern with sharing personal information

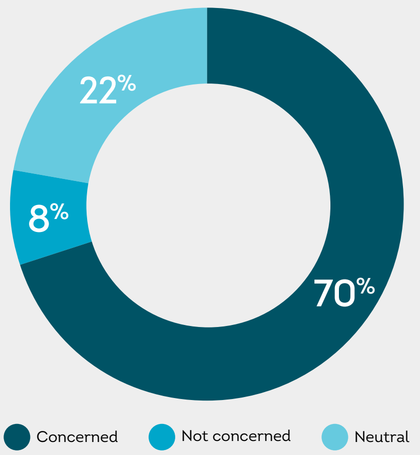
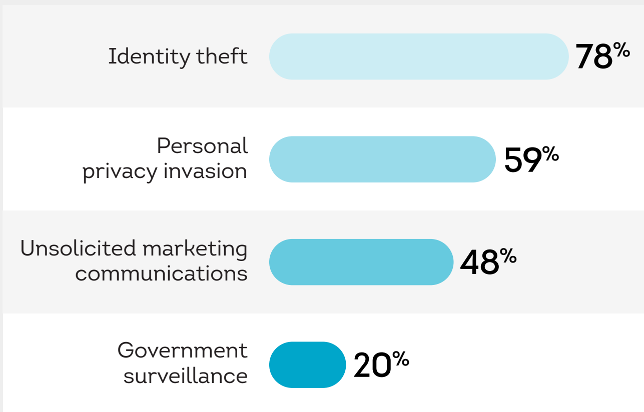


Figure 21. Reasons concerned about sharing personal information



Research Methodology

TransUnion's Consumer Pulse survey of 1,004 adults was conducted 20 May–1 June, 2022 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 1995–2004; 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 ±3.09 percentage points based on a calculated error margin.

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

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