Consumer Pulse Study

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

UK Q3 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 Growing
Consumers are weathering yet another economic crisis. Since the start of 2022, consumers have seen inflation soar (expected to reach 13% by Q4 2022)[1], reportedly driven by the war in Ukraine, ongoing global logistics shortages and low unemployment. Low-income consumers especially felt the deepening impacts of April's 54% Energy Price Cap hike[2]; many already in financial distress and unlikely to weather the expected October hike. These pressures are behind the Bank of England's rate rises to 1.75%, subsequently increasing not only the price of everyday goods but also the cost of credit for the average consumer.

Discretionary Spend Decreasing; Bills and Loans Increasing
With the cost of living crisis putting pressure on household disposable incomes, close to 60% of consumers surveyed indicated they'd already significantly reduced discretionary spend (e.g., dining out, travel, entertainment) in the past few months and intended to reduce it further in the next three months. Whilst all spend categories were impacted, respondents indicated intent to significantly decrease discretionary and retail (e.g., clothing, electronics, durable goods) spend activities. This has far-reaching implications for the retail sector, as well as consumer quality of life as a large proportion of consumers anticipated significant increases in their bills and loans (e.g., housing utilities, insurance, credit cards) over the next three months.

Financial Distress Signs Emerging
Even with spend reductions and tightening of belts, a sizeable portion of consumers were already experiencing financial distress, especially those anticipating higher utility costs over the next three months (26% of respondents expected to be unable to pay their bills and loans in full). Thanks to consumer belt tightening, the credit market has yet to experience the expected increase in arrears events, but there did appear to be an observable uptick in demand for unsecured credit – possibly driven by demand from vulnerable populations. All the early warning signs are there; consumer sentiment is plummeting, and the buffer allowed by savings and expenditure reductions appears to be cracking.

Most Financially Stable
Within the uncertainty of the cost of living crisis, it's worth keeping sight of the large portion of the population that remained financially stable. Seventy-four percent of responding consumers felt they'd be able to pay all their upcoming bills and loans in full. In the last three months, 17% said they received a raise and 29% expected an increase within the next year.

[1] https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2022/august-2022
[2] https://www.ofgem.gov.uk/publications/price-cap-increase-ps693-april

FINANCIAL HEALTH

Household income (HHI), spending and bill payment impact

Despite high inflation and a hot job market, most (83%) respondents saw their household incomes remain unchanged or decrease over the last three months; only 29% expected to see an increase in the next 12 months. This perceived wage stagnation further exacerbated the stress of high inflation on consumers and could inevitably lead to an increasing number of them tightening their belts or falling into financial distress. We did, however, see a more positive sentiment amongst Gen Z and Millennial populations; 53% and 36%, respectively, expected to see an increase in the next 12 months.

Whilst UK delinquency rates remained low by historical standards, 26% of all 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 younger, working-age populations; 36% of Millennials and 42% of Gen Z respondents expected to be unable to meet their obligations in full, showing the growing divergence between certain population segments amid the cost of living crisis.

On a more positive note, consumer concerns surrounding high inflation were tempered by the job market. The latest statistics indicated a significant drop in respondents losing their jobs (5%; down from 10% in Q4 '21); receiving unemployment benefits (9%; down from 12% in Q4 '21); or having their work hours reduced over the last month (6%; down from 13% in Q3 '21).

Consumers continued to tighten their belts; 58% of households claimed to have reduced discretionary spend over the last three months. The same percentage planned to further decrease discretionary spending; 48% to decrease fashion and other retail purchases; and 43% to reduce large purchases in the next three months. Consumers planned to shift their spend toward bills and loans (62%) in the next three months, while only 9% expected to divert their spend into retirement funds and investing.

We did, however, observe a divergence in spend behaviour amongst Gen Z respondents; 57% stated they would not cut back discretionary spend, and 30% intended to increase fashion and other retail spend over the next three months. This provided interesting context into the cash flow management behaviour of Gen Z; a significant proportion (51%) expected increases in bills and loans, and 25% expected reductions in retirement funds and investing spend.

Whilst spend behaviours shifted rapidly in response to the cost of living crisis, consumers were starting to show shifts in their debt or savings intentions. Of those initial signs of stress among those who said they'll be unable to pay current bills and loans in full, 26% planned to make only partial payments on bills and loans, down from 29% in Q3 '21. This could be through the slight increase (14% from 9% in Q3 '21) of respondents who started looking for payment holiday options or other accommodations provided by bill and loan providers.

Figure 1. Household income change last three months

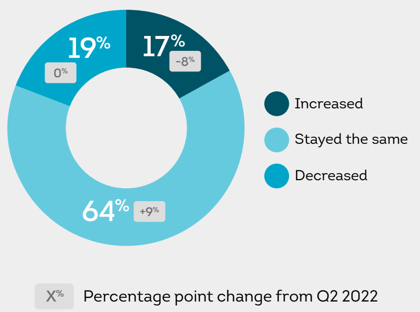


Figure 2. Expected household income change next 12 months

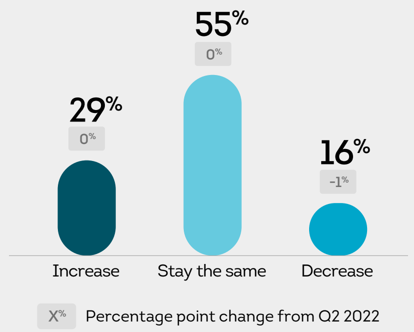


Figure 3. Expect to be unable to pay at least one of their current bills and loans in full

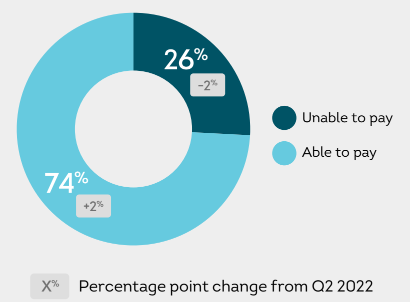


Figure 4. Reasons for change in current household income

Reason	Share	Percentage point change from Q2 2022
Received unemployment benefits or government subsidies	9%	0%
Wages/salary reduced	8%	0%
Retired	7%	0%
Wages/salary increased	6%	-2%
Work hours reduced	6%	-1%
Started new job	6%	0%
Lost job	5%	+1%
Quit or left current job	5%	0%
Furloughed	4%	-1%
Started new business	3%	-1%
Owns small business that closed/orders slowed	3%	-1%

X% Percentage point change from Q2 2022

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)	58%	+5%	45%	65%	63%	53%
Canceled subscriptions/memberships	26%	+2%	34%	33%	30%	16%
Canceled/reduced digital services	19%	+1%	27%	24%	18%	12%
Increased discretionary spending	8%	0%	19%	12%	6%	4%
Added/expanded digital services	6%	-3%	17%	10%	3%	1%
Added subscriptions/memberships	5%	-2%	15%	7%	2%	2%
Debt & savings						
Saved more in emergency fund	25%	+2%	45%	29%	20%	19%
Cut back on saving for retirement	14%	0%	15%	17%	17%	10%
Paid down debt faster	14%	-1%	17%	22%	11%	9%
Increased usage of available credit	11%	-1%	14%	19%	8%	6%
Used retirement savings	10%	-2%	11%	9%	6%	14%
Saved more for retirement	8%	-2%	14%	11%	5%	5%

X% Percentage point change from Q2 2022

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

	Overall	Gen Z	Millennials	Gen X	Baby Boomers
Cashflow injection					
Use money from savings	26% (-1%)	31%	26%	22%	25%
Borrow money from friends/family	24% (+2%)	33%	35%	14%	9%
Use unemployment benefits	15% (-1%)	21%	14%	18%	2%
Use money from the Coronavirus Job Retention Scheme	4% (-2%)	10%	7%	0%	0%
Existing accounts					
Pay partial amount	26% (-5%)	25%	25%	25%	32%
Payment holiday/other accommodation	14% (+5%)	19%	18%	8%	9%
Refinance/renegotiate payments/rates	10% (-2%)	10%	11%	13%	2%
Increasing credit usage					
Use credit card available balance	11% (-5%)	13%	11%	11%	11%
Open new credit card(s)	11% (0%)	23%	13%	8%	0%
Take out personal loan	10% (+2%)	21%	10%	8%	5%
Don't know					
I don't know how I'm going to pay	20% (+4%)	2%	11%	33%	34%

X% Percentage point change from Q2 2022

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

	Increase	Stay the same	Decrease	Not applicable
Bills and loans	62% (-2%)	26% (+2%)	8% (-1%)	3%
Digital services	18% (-6%)	53% (+3%)	24% (+2%)	5%
Discretionary spending	12% (-3%)	25% (-4%)	58% (+6%)	5%
Large purchases (appliances, cars)	10% (-3%)	29% (-2%)	43% (+3%)	18%
Retail (clothing, electronics, etc.)	17% (-4%)	31% (-5%)	48% (+7%)	4%
Retirement funds/investing	9% (-3%)	38% (-2%)	24% (0%)	28%

X% Percentage point change from Q2 2022 · Increase · Stay the same · Decrease · Not applicable

Attitudes and plans for economic participation

Most consumers (71%) believed access to credit is important. However, only 49% of respondents thought they had sufficient access and 18% indicated they don't. Much higher than all of those surveyed, 92% of Gen Z considered access to credit important. However, less than half (36%) felt they had sufficient access.

Credit demand amongst respondents appeared lower; 20% said they plan to apply for new credit or refinance existing credit in the next year compared to 27% in Q2 '22. The greatest demand for new credit came from Gen Z (40%) and Millennials (31%), with Baby Boomers sitting at just 6%.

Of those consumers who sought new credit, an increasing number (48%) sought credit cards; the greatest demand coming from Millennials (54%). The second most in-demand credit product was personal loans at 25%; Gen Zers and Millennials (both at 28%) said they'll take advantage the most among all generations.

In terms of understanding those who sought credit but chose not to apply, 32% felt the cost was too high (up eight percentage points from the start of the year), likely driven by the increasing Bank of England base rate. Consumers who found alternative funding decreased to 14% from 24% last quarter.

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

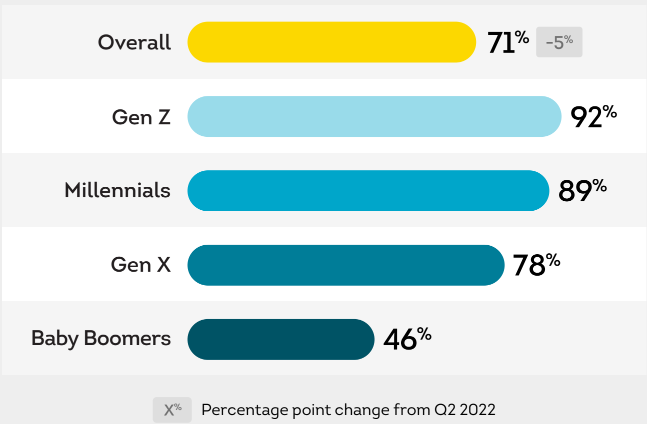


Figure 9. Believe have sufficient access to credit and lending products

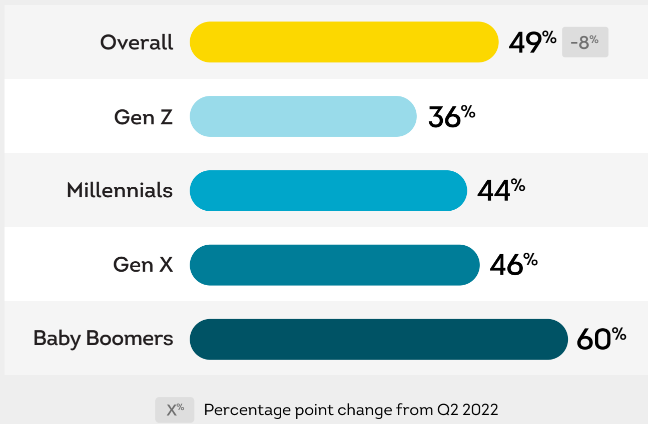


Figure 10. Plan to apply for new credit or refinance existing credit within the next year

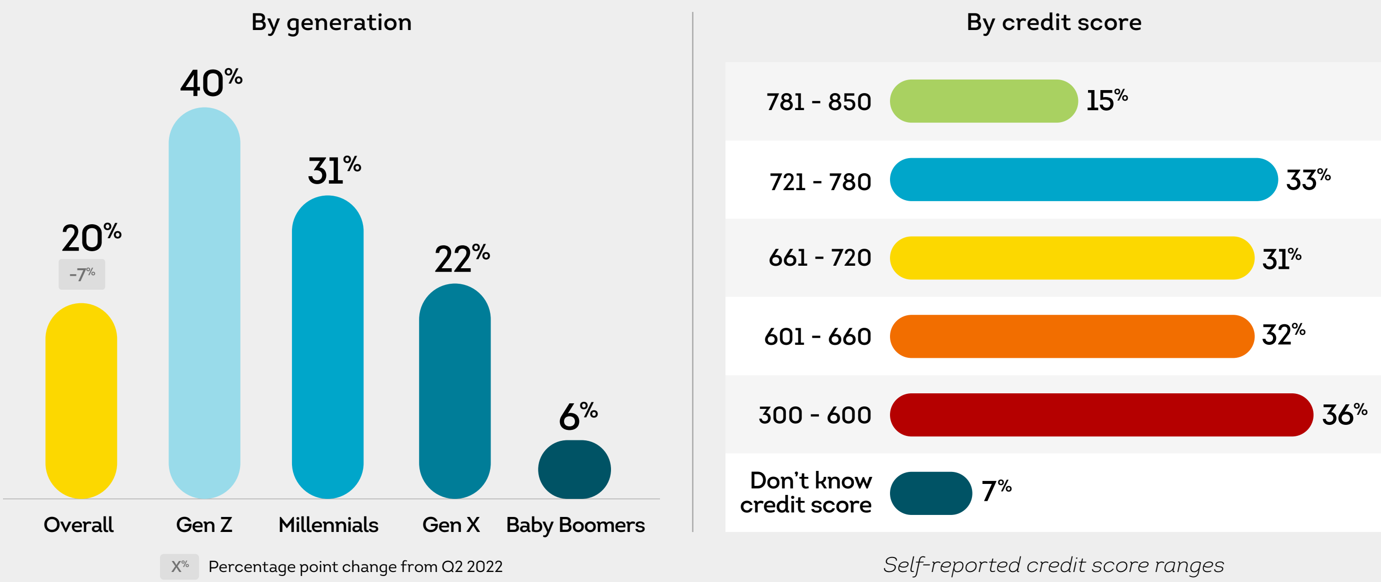


Figure 11. Type of new credit and loan activity planned in next 12 months

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

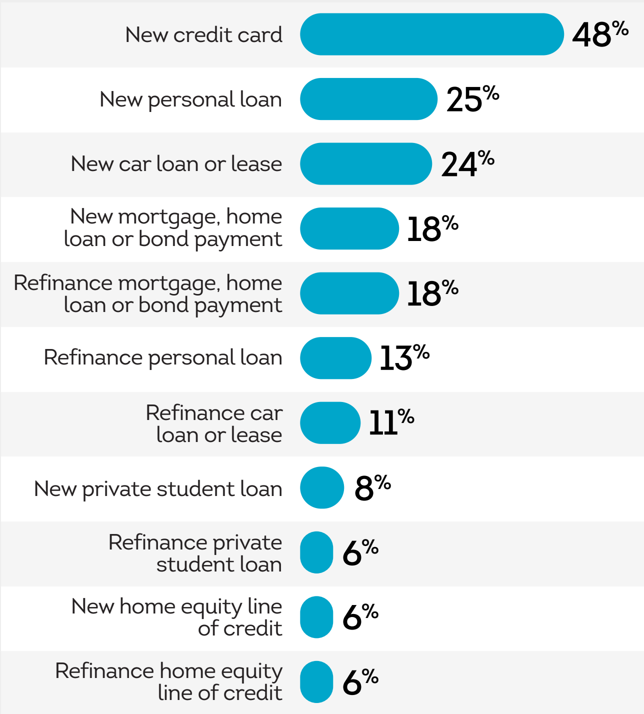


Figure 12. Abandoned plan to apply for new credit or refinance

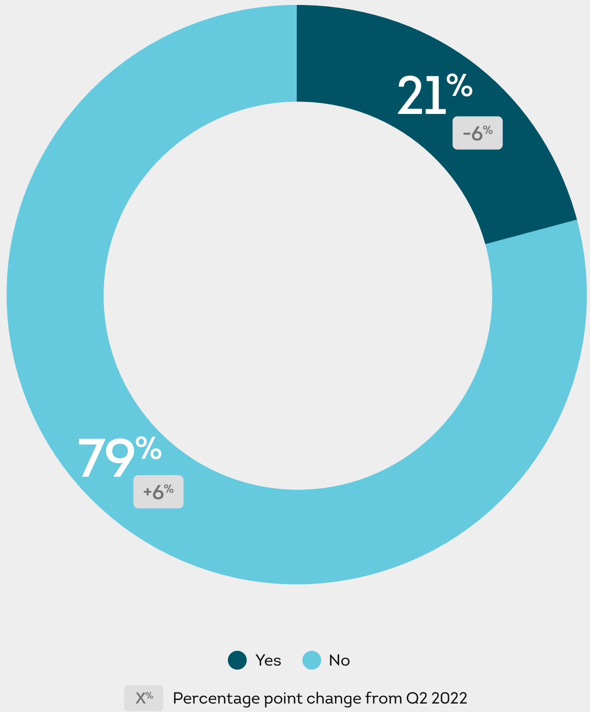
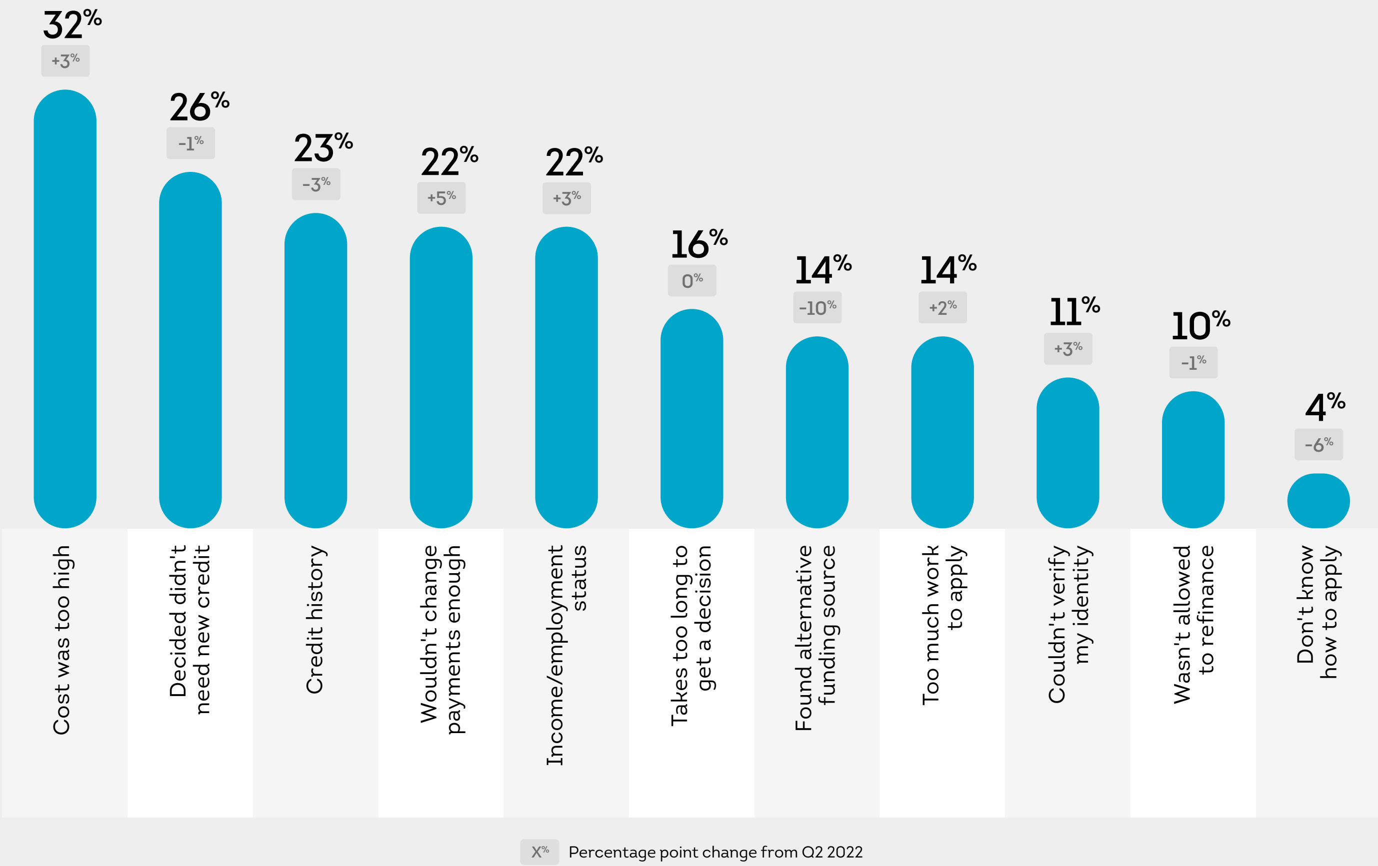


Figure 13. Reasons for abandoning application for new credit or refinance



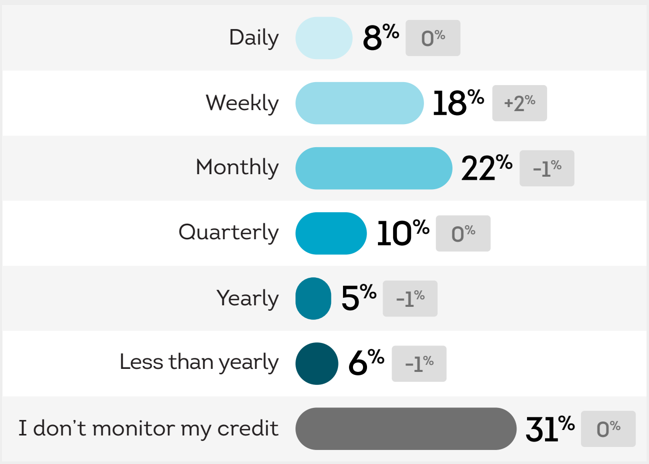
Attitudes and behaviour to manage financial choices

Most (77%) consumers agreed monitoring their credit is important; 58% said they monitor their credit at least quarterly. The effect of consumer credit education was visible particularly in Gen Z respondents; 94% believed credit monitoring to be important, and 79% said they did so at least monthly.

Unsurprisingly, a growing proportion of all purchases and transactions appeared to be taking place online; 42% of respondents said they conduct the majority of their transactions online, up from 40% last quarter. Notably, there appeared to be very little generational divide; at least 60% of respondents from each generation said they conduct 25% or more of their transactions online.

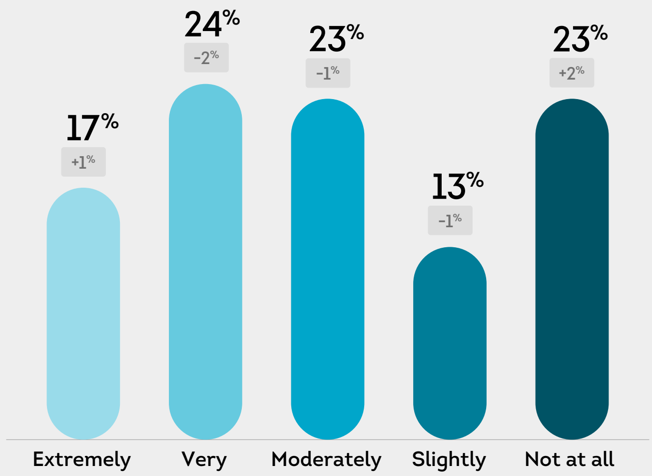
When it comes to alternative data, 27% of respondents believed their credit scores would change with the inclusion of information not on a standard credit report; 20% of whom believed their scores would increase. Confidence in a positive score change was greater amongst younger generations; 49% of Gen Z believed their scores would increase and 11% believed it would increase significantly.

Figure 14. Credit monitoring frequency



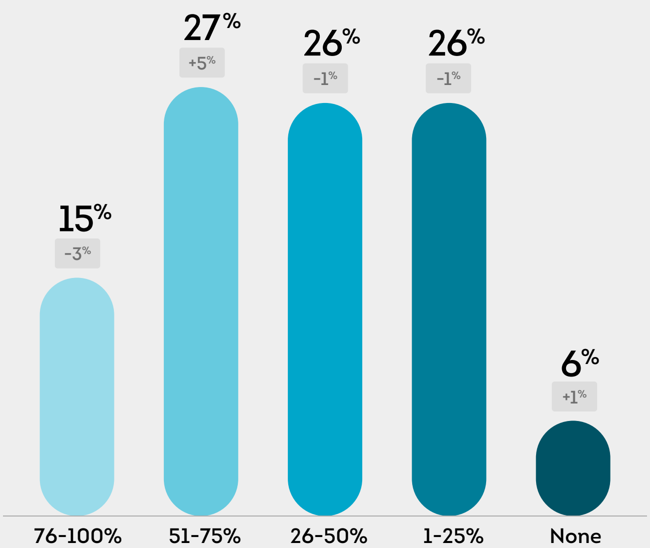
X% Percentage point change from Q2 2022

Figure 15. Believe monitoring credit is important



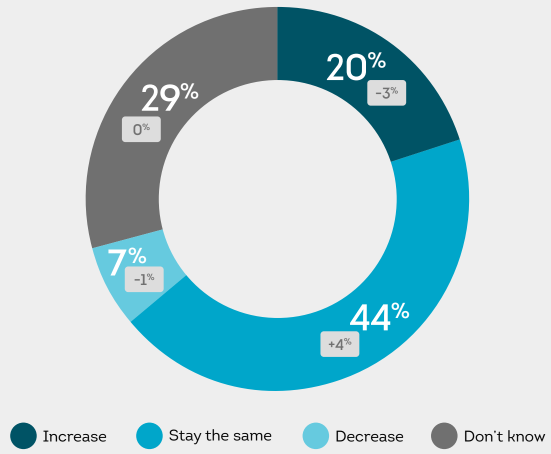
X% Percentage point change from Q2 2022

Figure 16. Percentage of transactions done online



X% Percentage point change from Q2 2022

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 Q2 2022

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Identity risks and usage

Fraud activity continued to be a major area of concern in the UK. Of those surveyed, 28% said they were targeted by digital fraud in the last three months alone – with 4% subsequently becoming a victim. The highest among all age groups, nearly half (48%) of Gen Z respondents said they were targeted in the last three months. This is especially concerning since this age group overwhelmingly had the highest percentage among generations who said they'd make more in-store or online retail purchases over the next three months.

Phishing remained the top digital fraud scheme (45%) among those who said they were targeted in the last three months. This was followed by money or gift card scams (21%; down two percentage points since last quarter), and third-party seller scams (20%; up three percentage points since last quarter). Long-established, fraudulent activities continued to capture victims; 12% of respondents said they were targeted by card theft or fraudulent charges and 13% by identity theft.

Sharing of personal information remained a key consumer concern; 68% were worried about sharing it. Among those, 81% were concerned due to identity theft, 60% invasion of privacy, and 48% fear of receiving unsolicited marketing communications (48%).

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

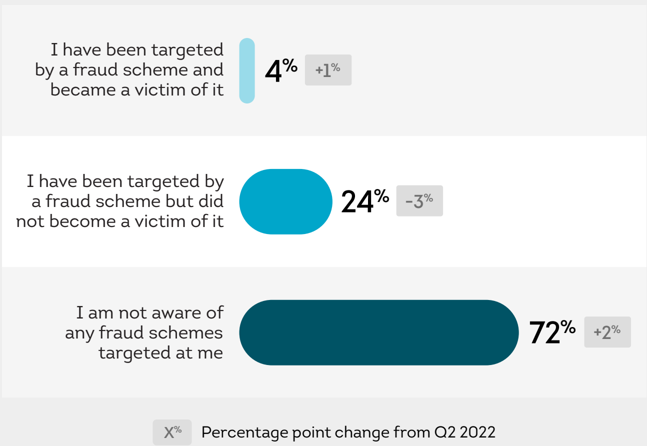


Figure 19. Most frequent fraud schemes targeting consumers
(among those targeted with digital fraud)

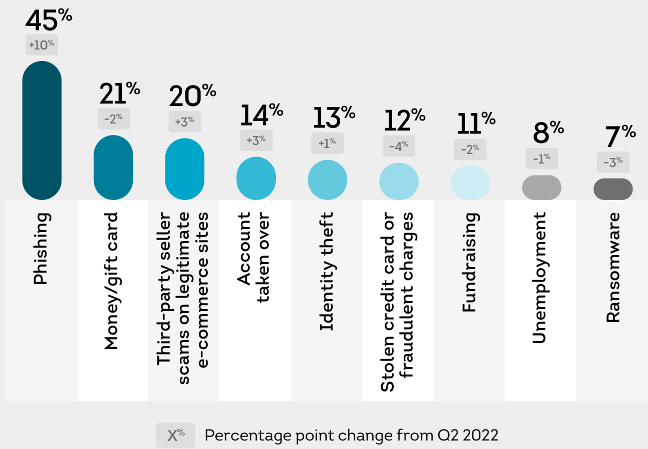


Figure 20. Concern with sharing personal information

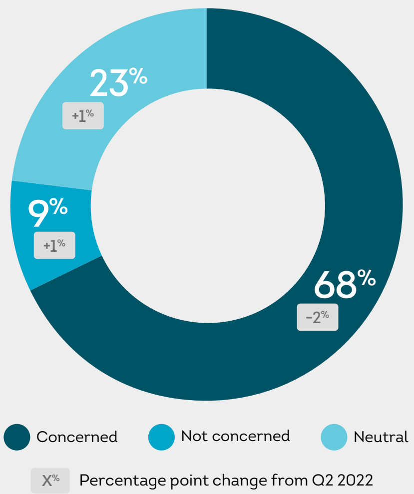
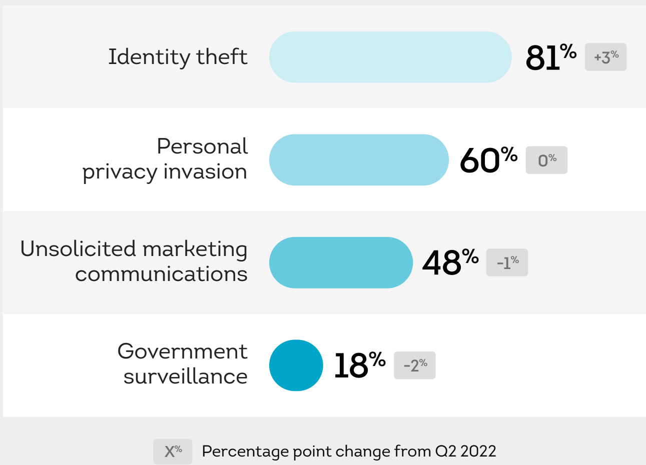


Figure 21. Reasons concerned about sharing personal information



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Research Methodology

TransUnion's Consumer Pulse survey of 1,005 adults was conducted 19 Aug.–29 Aug., 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 ±3.1 percentage points based on a calculated error margin.

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

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About TransUnion (NYSE: TRU)

TransUnion is a global information and insights company that makes trust possible in the modern economy. We do this by providing an actionable picture of each person so they can be reliably represented in the marketplace. As a result, businesses and consumers can transact with confidence and achieve great things. We call this Information for Good®.

A leading presence in more than 30 countries across five continents, TransUnion provides solutions that help create economic opportunity, great experiences and personal empowerment for hundreds of millions of people.

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