

Consumer Pulse Study

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

Philippines Q3 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



Negative financial impact persists due to COVID-19

The percentage of consumers reporting their household income is currently being negatively impacted by COVID-19 reached 64% in Q3 2021. While many hoped a faster vaccine rollout would drive economic recovery, the majority of consumers believed their household income will be negatively impacted by the pandemic in the future (54%).



Cutting back discretionary spending and increasing savings

Most consumers (82%) were worried about their ability to pay current loans and bills in full. Possibly in anticipation of economic turbulence and negative effects of pandemic relief policies on price inflation, half of them (51%, increased 4 percentage points from Q2 2021) cut back on discretionary spending in the past three months and diverted income into savings and debt payments. Specifically, in the last three months, 55% of consumers said they saved more in an emergency fund (up from 45% in Q2 2021), and 27% said they paid down debt faster (up from 19% in Q2).



Customers seek alternative lending

The traditional concept of lending is broadening. The majority of consumers have heard of Buy Now Pay Later (BNPL) with Millennials (74%) and Gen X (78%) reporting the most awareness.

Millennials (40%) and Gen Z (38%) are the generations most wanting to try BNPL, while Gen X (34%) was most likely to make larger purchases with the service. Baby Boomers (60%) most believed the service could spread payments over time. More than 30% of each generation surveyed agreed it was easy to apply for BNPL.

FINANCIAL HARDSHIP

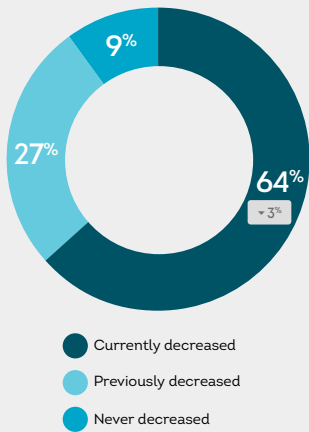
Household income (HHI) and bill payment impact

In Q3 2021, 64% of households reported incomes were currently negatively impacted by the pandemic, and 54% believed the trend would continue in the near future. Baby Boomers current income decreased the most: 64% reported household income currently decreased, up from 58% in Q2 2021. Medium (P21,914 to P131,484) and high-income (P131,483 or more) groups showed improvements with the percentage of households reporting a current negative income impact at 54% (decreasing 2 percentage points from Q2 2021) and 41% (decreased 18 percentage points from Q2), respectively.

About half of all surveyed consumers (48%) were concerned about paying their bills or loans in full. Over a third (37%, decreased 2 percentage points from Q2 2021) reported missing at least one bill or loan payment in the past three months and in order to settle the balance, 47% said they'll use money from savings, while 41% said they'll pay a partial amount. The top bills and loans consumers said they won't be able to pay among those with these bills/loans were auto lease (36%), personal loan (35%) and auto loan (35%).

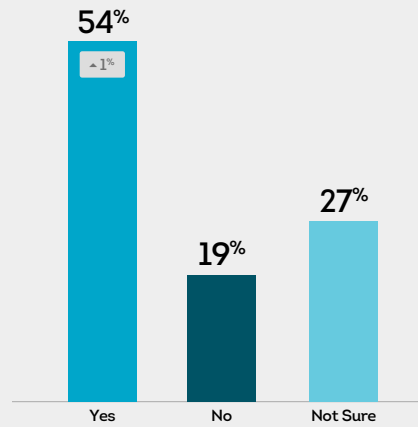
Twenty-one percent of consumers said they received a financial accommodation, such as a deferral, forbearance, payment holiday or eviction prevention in the past year. Mortgage (20%), private student loan (19%), auto loan (16%) and personal loan (16%) were the top bills and loans enrolled in financial accommodation in the past year among consumers with that bill/loan. More consumers who received a financial accommodation (39%, increased 13 percentage points from Q2 2021) chose to pay down debt.

Figure 1. Household income decreased due to pandemic



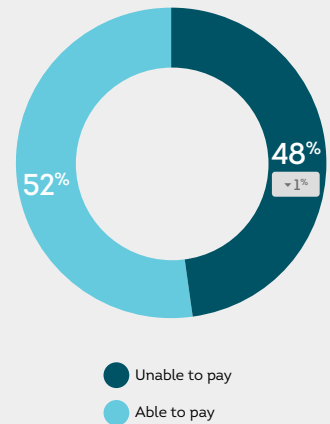
Percentage point change from Q2 2021

Figure 2. Expect household income to decrease in the future due to pandemic



Percentage point change from Q2 2021

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



Percentage point change from Q2 2021

Figure 4. Consumer financial situation due to pandemic

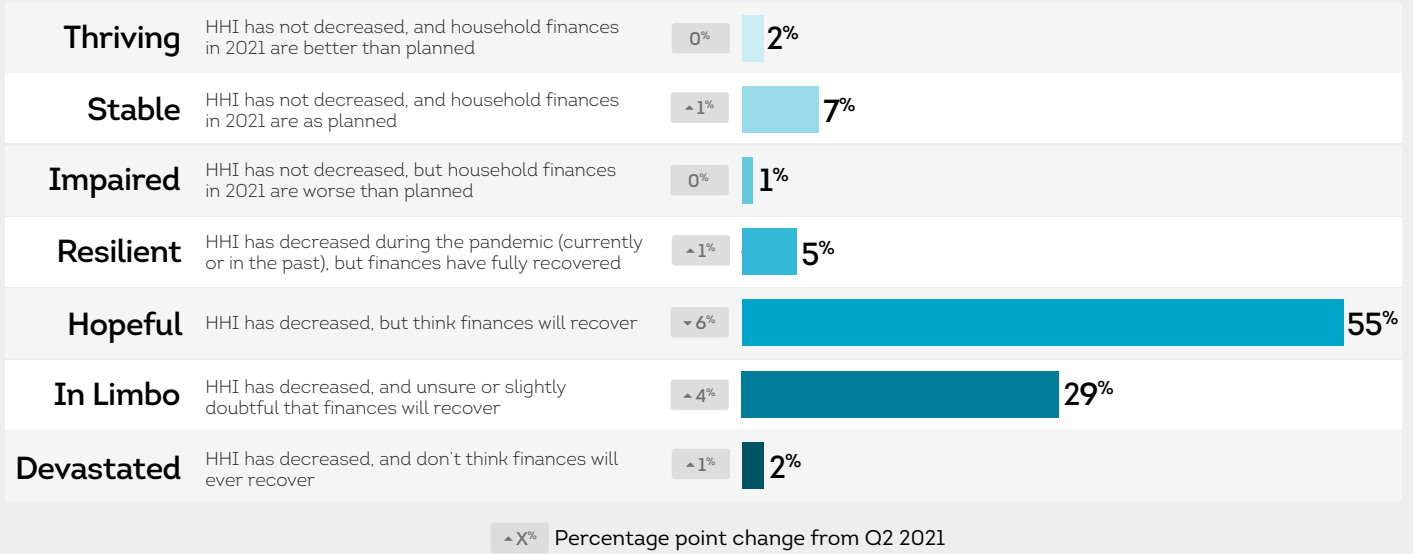


Figure 5. Bills and loans unable to pay (among those with these bills/loans)

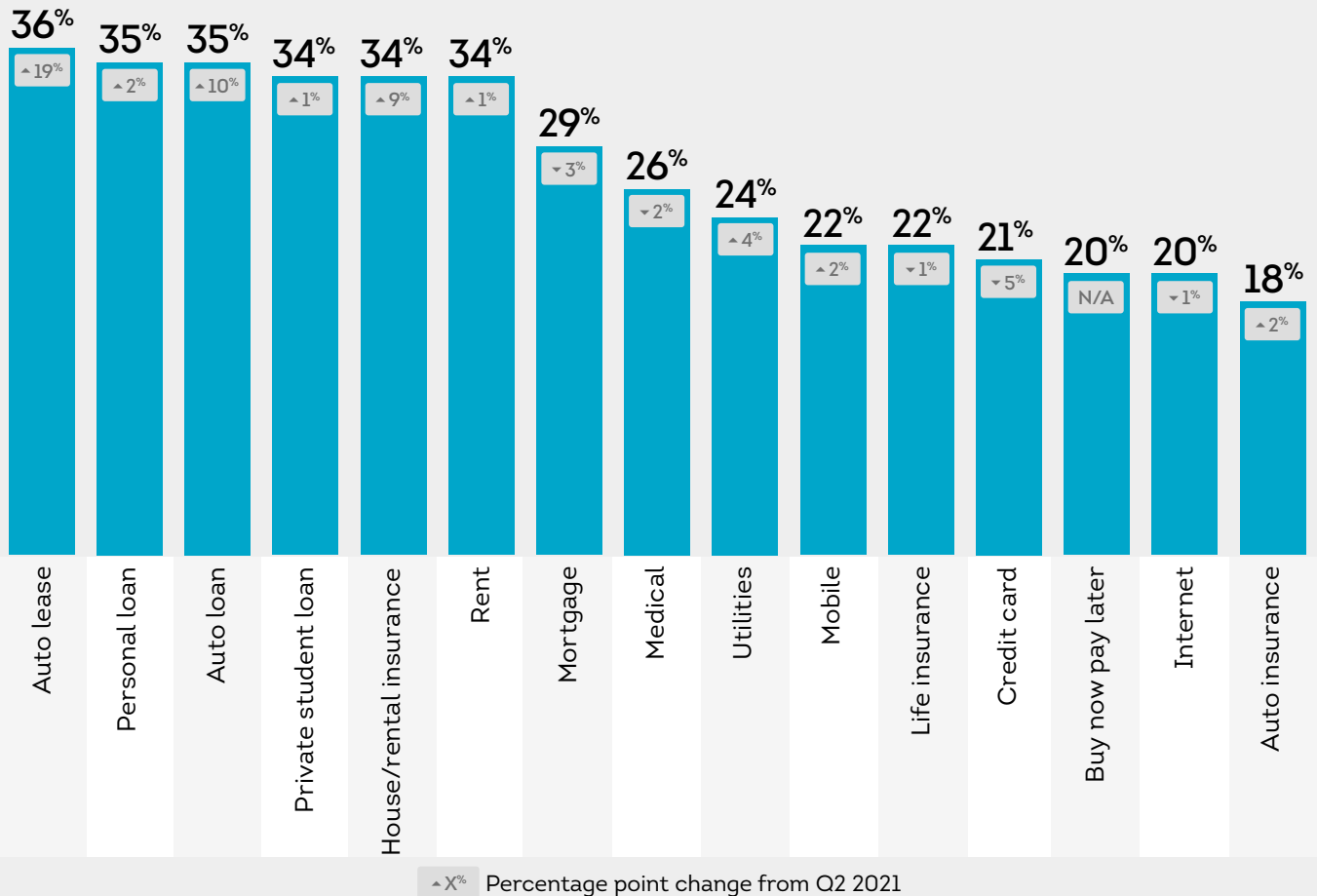


Figure 6. Plans to pay current bills or loans (among those unable to pay bills/loans)

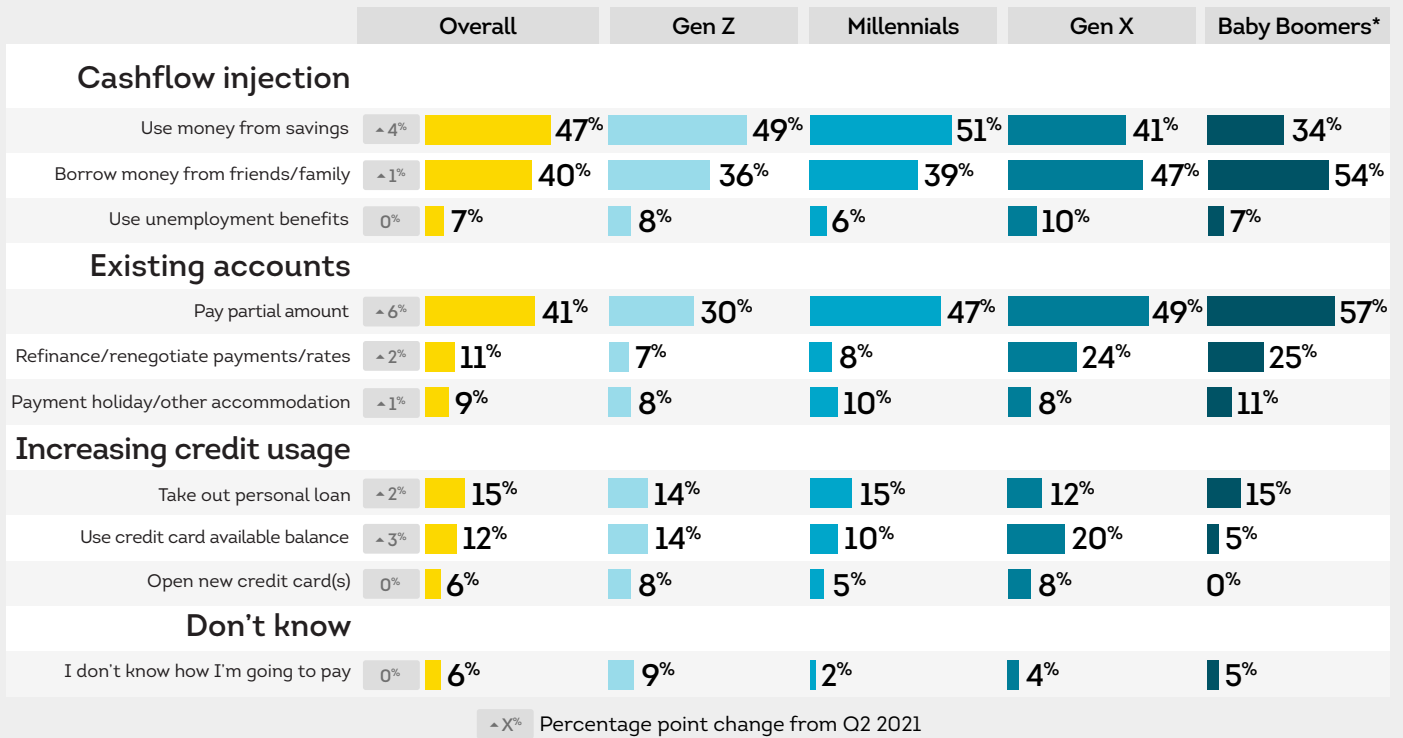
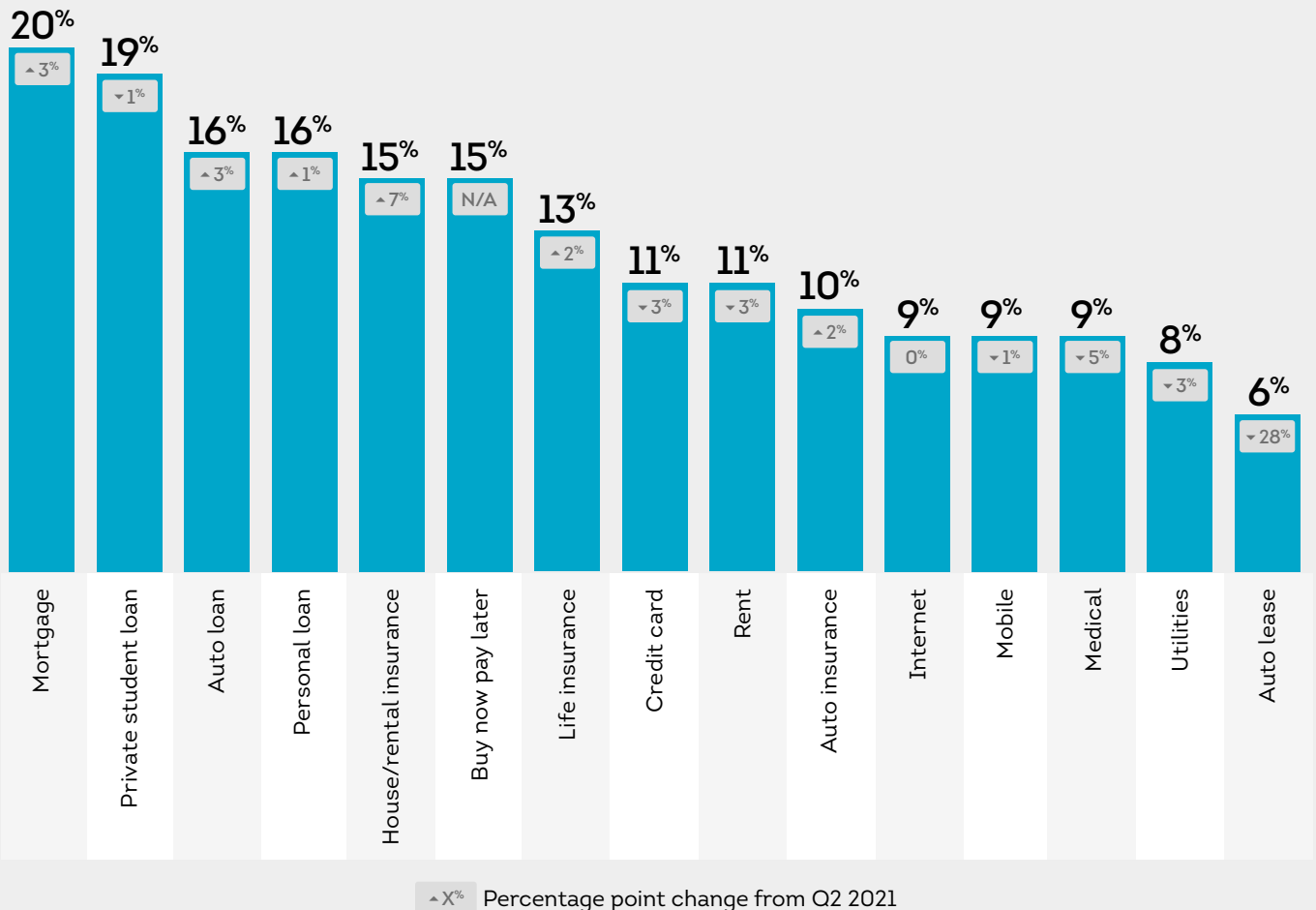


Figure 7. Types of bills or loans enrolled in financial accommodation in past year (among those with that bill/loan)



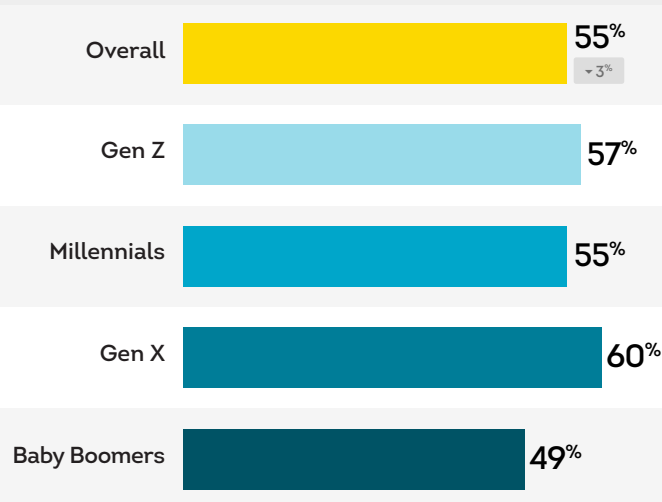
Attitudes and plans for economic participation

Fifty-five percent of respondents believed access to credit is important for financial goals, but only 36% (increased 4 percentage points from Q2 2021) said they have sufficient access to lending.

Nearly half (46%) of respondents said they plan to apply for new or refinance existing credit in the next year. Gen Z (41%) and Baby Boomers (35%) had the lowest percentage of respondents that plan to apply for credit in the next year, while Gen X (55%) had the highest. Over 90% of respondents believed monitoring credit is important or moderately important, and roughly 70% said they check their credit at least once a month.

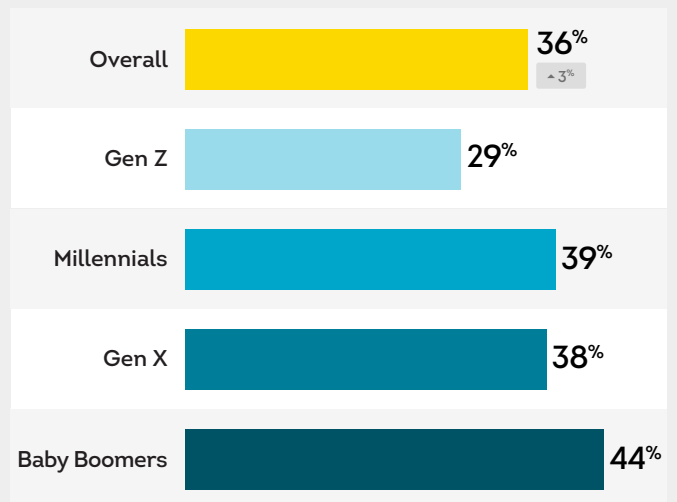
Just over half of respondents (51%) said they'll cut back on discretionary spending in the next three months, whereas an increasing proportion of consumers (55%, increased 10 percentage points from Q2 2021) said they saved more in an emergency fund in the previous three months. Online transactions remain stable: 51% of respondents said they expect their number of online transactions to remain the same or increase a little in the next three months. Despite the stability, digital transactions still have plenty room for growth with 24% saying they'll increase online transactions.

Figure 8. Believe important to have access to credit to achieve financial goals (extremely or very important)



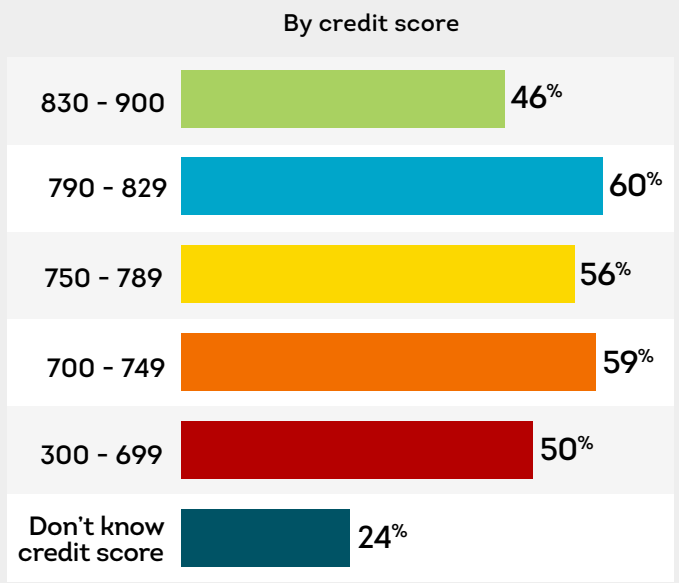
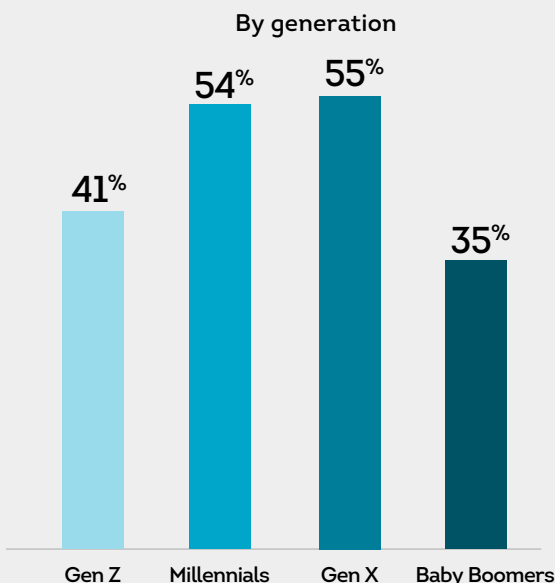
+X% Percentage point change from Q2 2021

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



+X% Percentage point change from 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

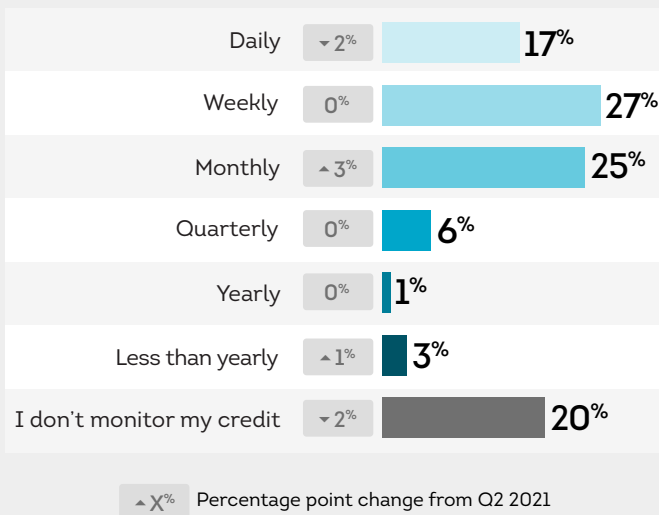


Figure 12. Believe monitoring credit is important

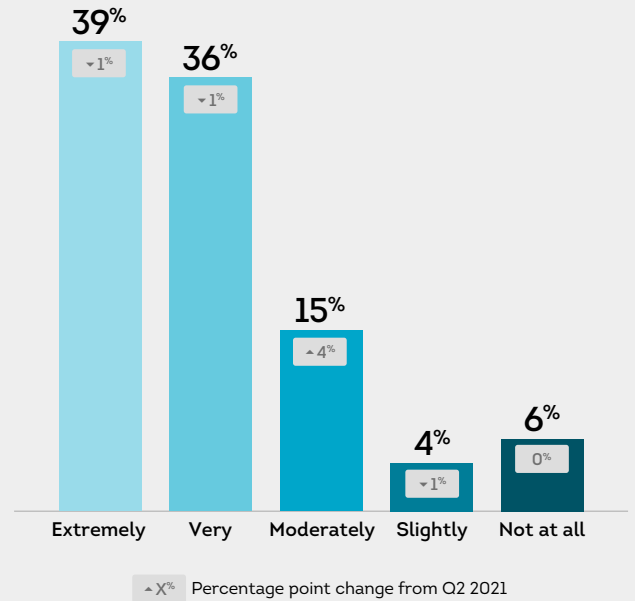


Figure 13. Changes to household budget in the last three months

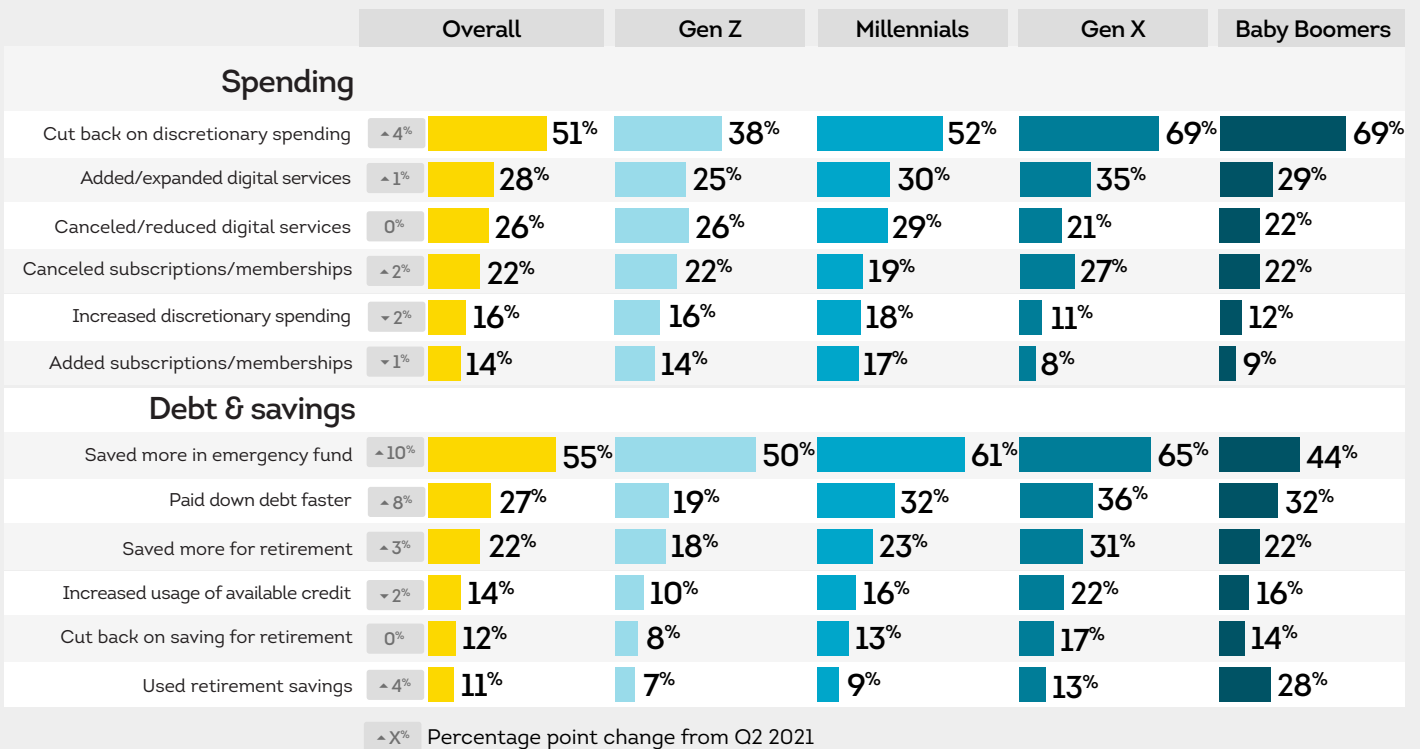


Figure 14. Expected change to household spending over next three months

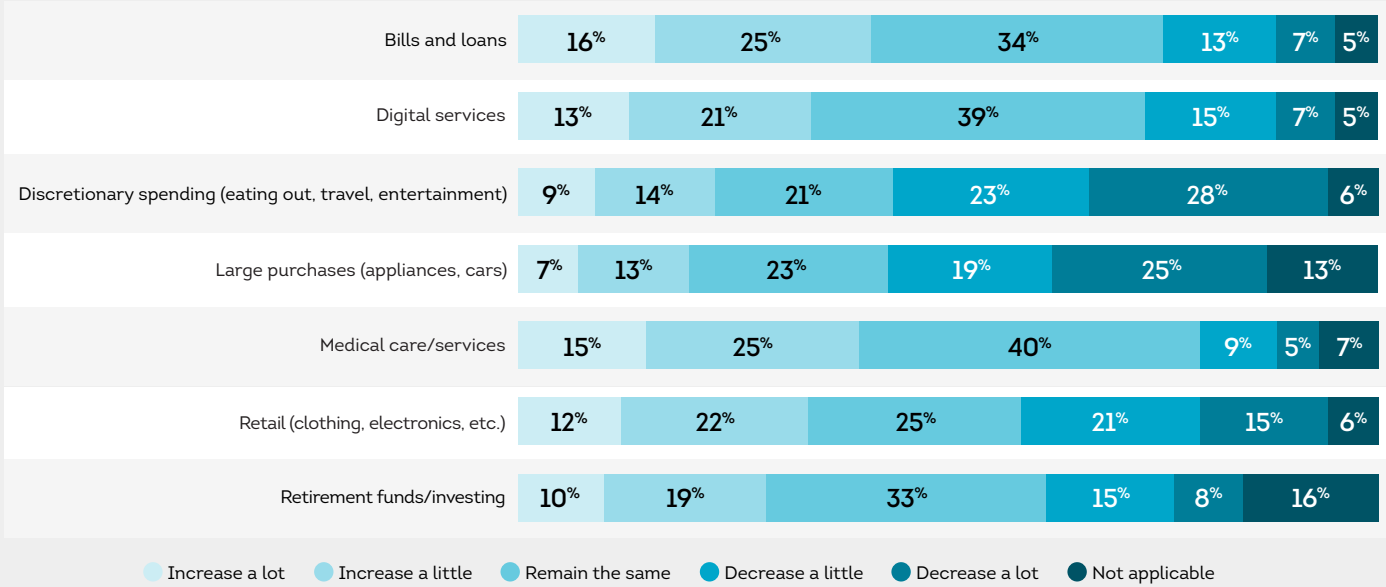
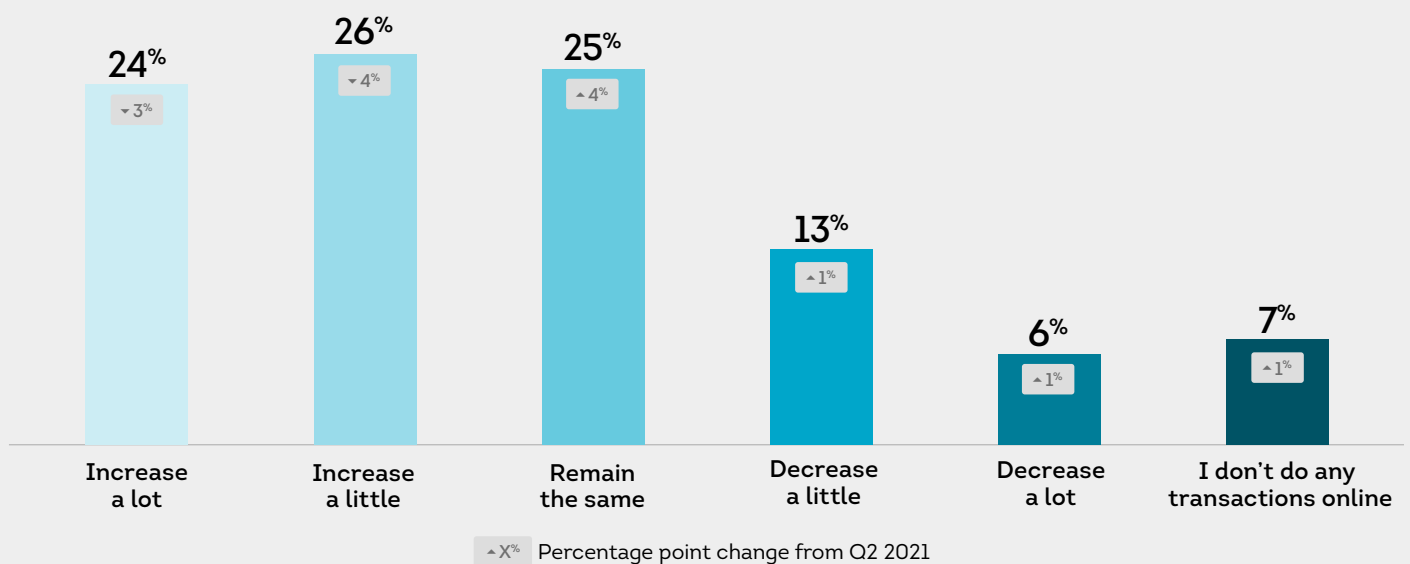


Figure 15. Expected change in number of online transactions over the next three months



FOCUS ON FRAUD

Experience with digital fraud

Fraudsters appear to be trying to capitalize on the increase in online transactions: 48% of respondents said they've been targeted by a digital fraud attempt in the last three months. Among generations, Millennials were the most targeted (52%), while Gen Z was the least at 43%.

Phishing (44%) and third-party seller scams on legitimate online retail websites (43%) were the two most common tactics used for digital fraud schemes against those targeted with online fraud. When breaking down those targeted with digital fraud by generation, Baby Boomers and Gen X reported being most likely to be targeted with phishing at 49% and 48%, respectively.

Figure 16. Personal experience with digital fraud attempts in last three months

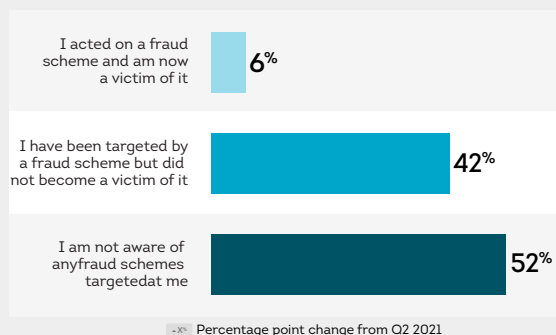


Figure 17. Digital fraud by generation

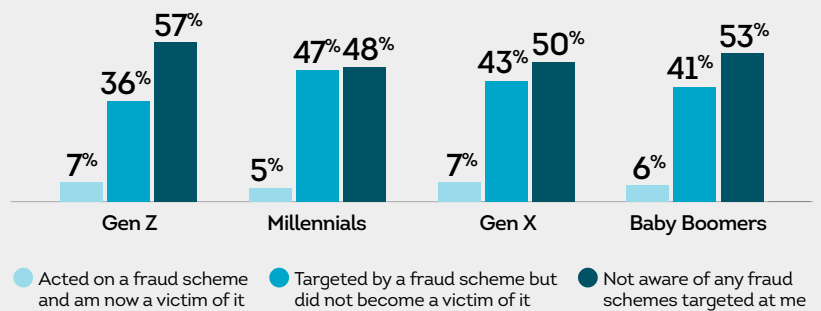
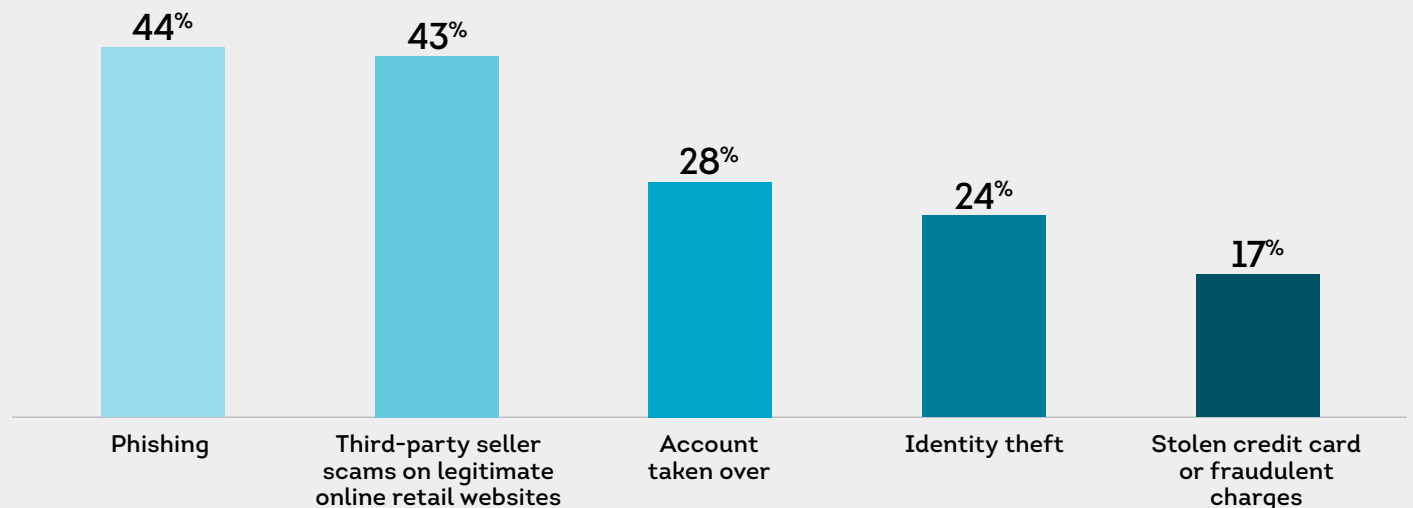


Figure 18. Most frequent fraud schemes targeting consumers (among those targeted with digital fraud)



Methodology

This online survey of 1,100 adults in the Philippines was conducted Aug. 11-17, 2021 by TransUnion in partnership with third-party research provider, Qualtrics® Research-Services. Adults 18 years of age and older residing in the Philippines were surveyed using an online research panel method across a combination of computer, mobile and tablet devices. Survey questions were administered in English. To ensure the general population sample representativeness across Philippine resident demographics, the survey included quotas to balance responses to the population statistics on the dimensions of age, gender, household income and region. Generations are defined as follows: Gen Z, born 1995-2003; 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 ±2.96 percentage points based on a calculated error margin.

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