

Consumer Pulse Study

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

Philippines 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 behaviors 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



The Philippine economy grew at 7.4% in Q2, the slowest in the recent three quarters. The slower pace of the economic recovery was a result of rising inflation, weaker global demand, and supply chain disruptions.¹



The Philippines continued to experience rising prices of goods and services; the inflation rate sat at 6.3% in August. This elevated inflation rate may serve as a trigger for the central bank to hike rates even further, pushing up borrowing costs for businesses and consumers. In addition, amid uncertainty about inflation, consumers started cutting back on discretionary spending and increasing savings.



Facing economic headwinds, consumers grew less positive; fewer respondents expected income growth in the next year and felt optimistic about their household finances. However, Millennials appeared to remain relatively confident; more respondents expected their incomes to stay the same and fewer expected a decrease. In addition, the percentage of Millennials who felt optimistic about their finances in the next 12 months increased in Q3 to rank the highest among all generations.

¹ Socioeconomic Planning Secretary Arsenio Balisacan
<https://www.rappler.com/business/gross-domestic-product-philippines-q2-2022/>

Household income (HHI), spending and bill payment impact

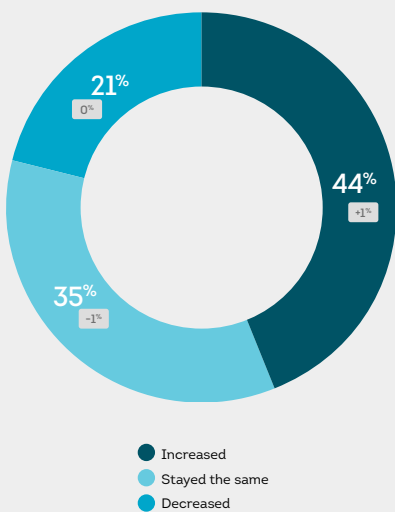
Consumers' sentiments changed in Q3, reflecting worries over inflation and the slowing economy. The percentage of consumers whose income stayed the same or increased remained unchanged (79%), while fewer consumers expected their incomes to go up in the next 12 months (78% in Q3 vs. 81% in Q2). Eighty-one percent of consumers overall remained optimistic about their finances in the next 12 months, down from 83% in Q2.

Consumers were anticipating a potential recession in the near future. The majority of respondents (76%) agreed the economy is either already in a recession or will enter a recession (at some point) by the end of 2023. Besides recession, inflation was the biggest concern to consumers; more respondents (44% in Q3) cited inflation as their #1 concern, up from 35% in Q2.

As a precautionary measure, consumers took actions in response to a potential recession: 66% of respondents built up savings, while 69% of respondents reduced spending and 33% payed down debt. When asked how they were paying down debt, more respondents chose to tap into their savings (51% in Q3, up from 46% in Q2) or pay a partial amount (47% in Q3, up from 42% in Q2).

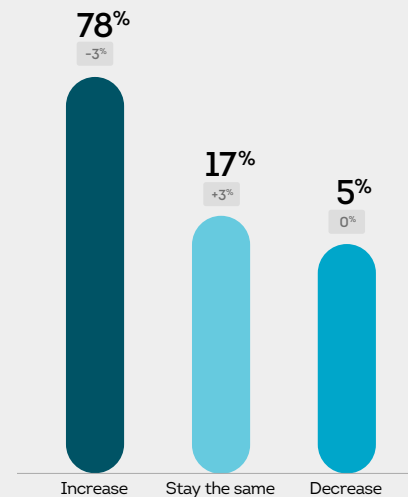
Furthermore, the change in sentiment had a negative impact on consumers recent household spending; over half (54%) of all respondents cut back on dining, travel and entertainment in the last three months.

Figure 1. Household income change last three months



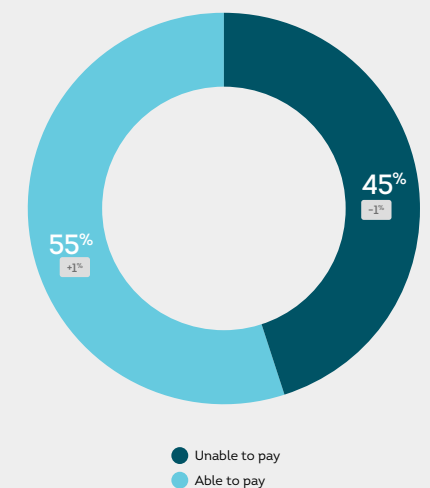
X% Percentage point change from Q2 2022

Figure 2. Expected household income change next 12 months



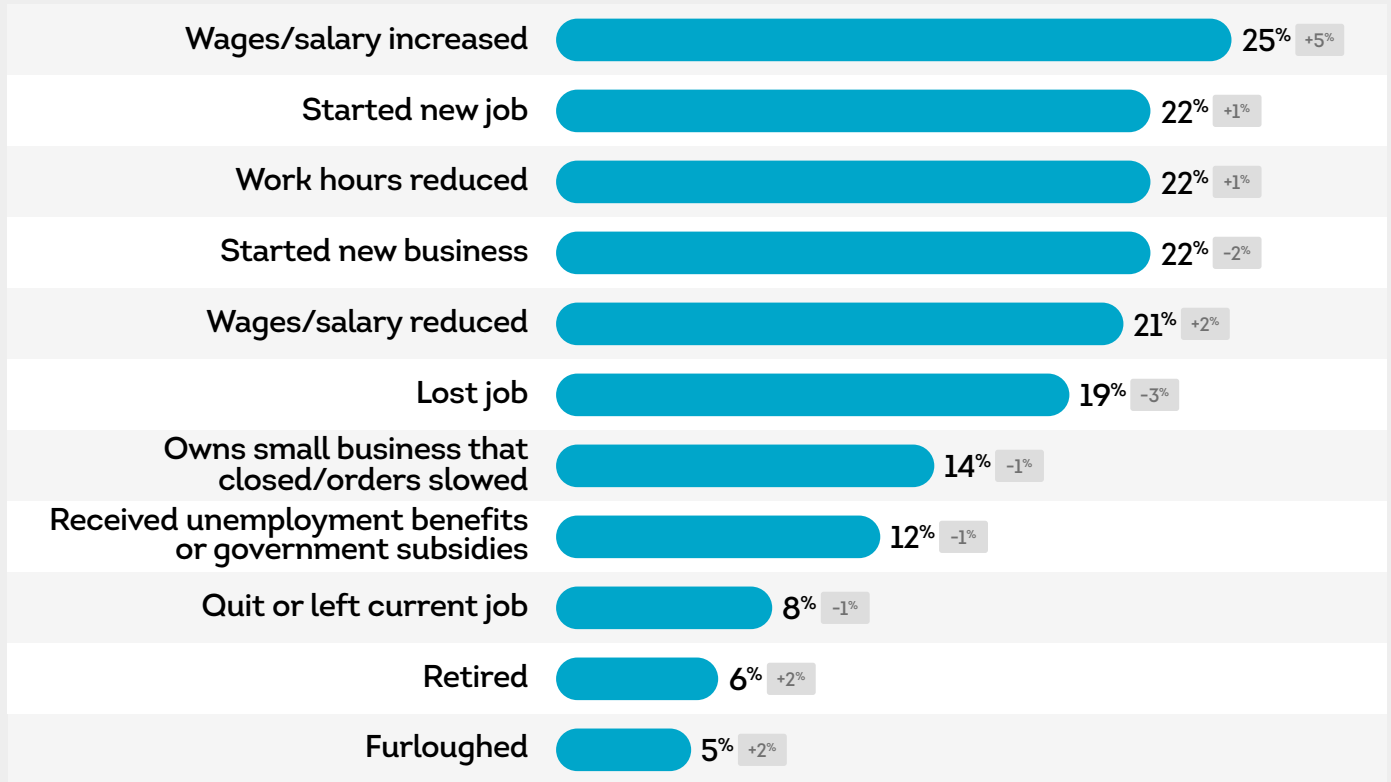
X% Percentage point change from Q2 2022

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



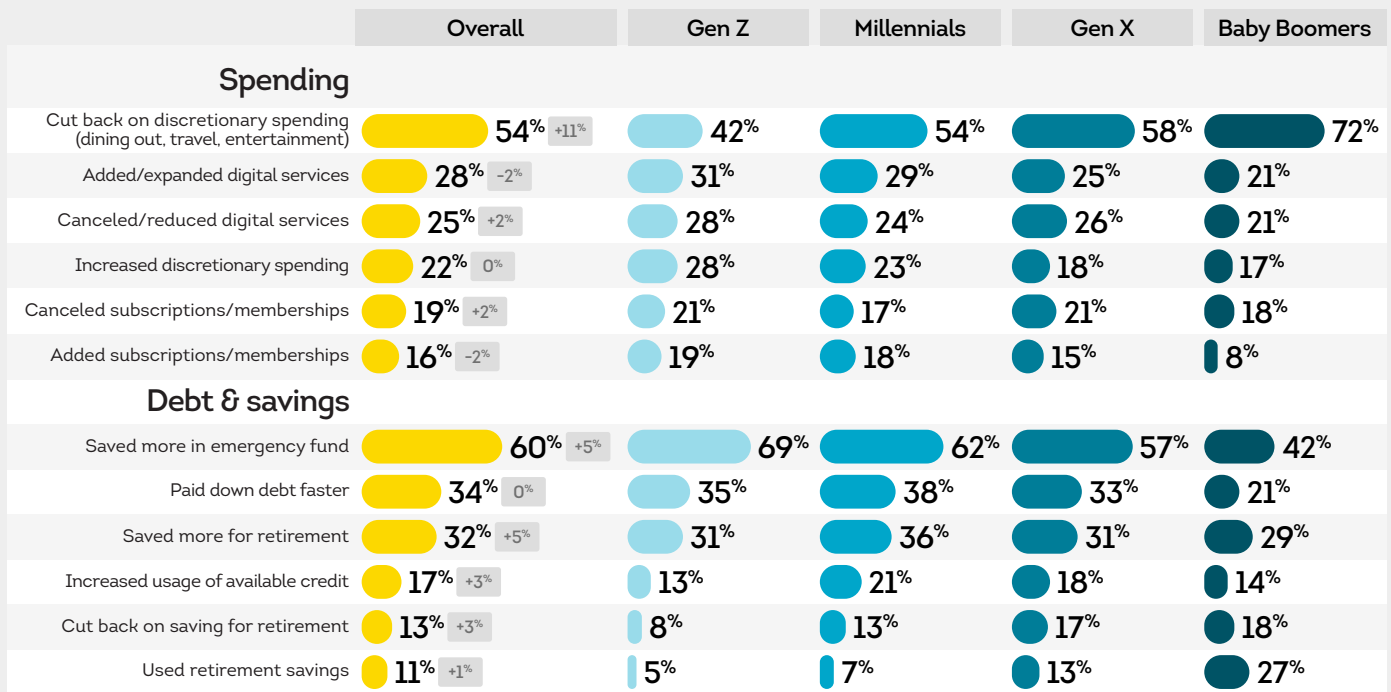
X% Percentage point change from Q2 2022

Figure 4. Reasons for change in current household income



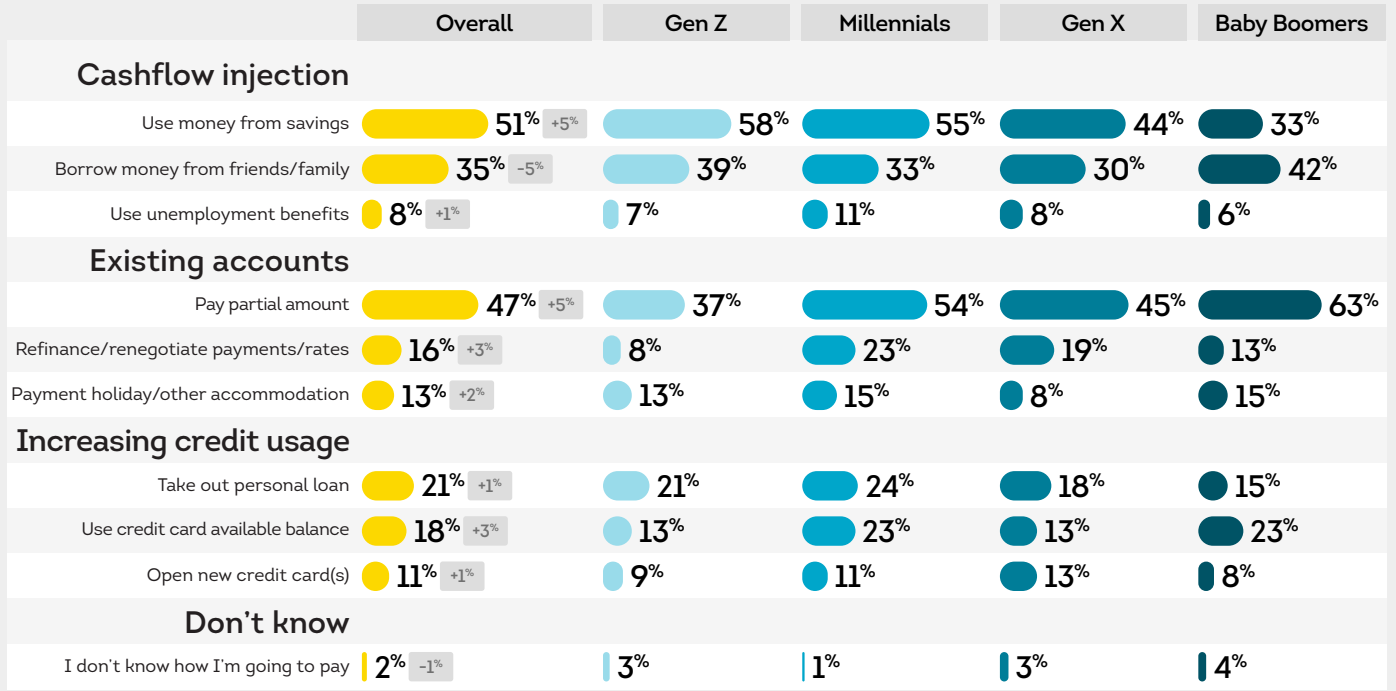
X* Percentage point change from Q2 2022

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



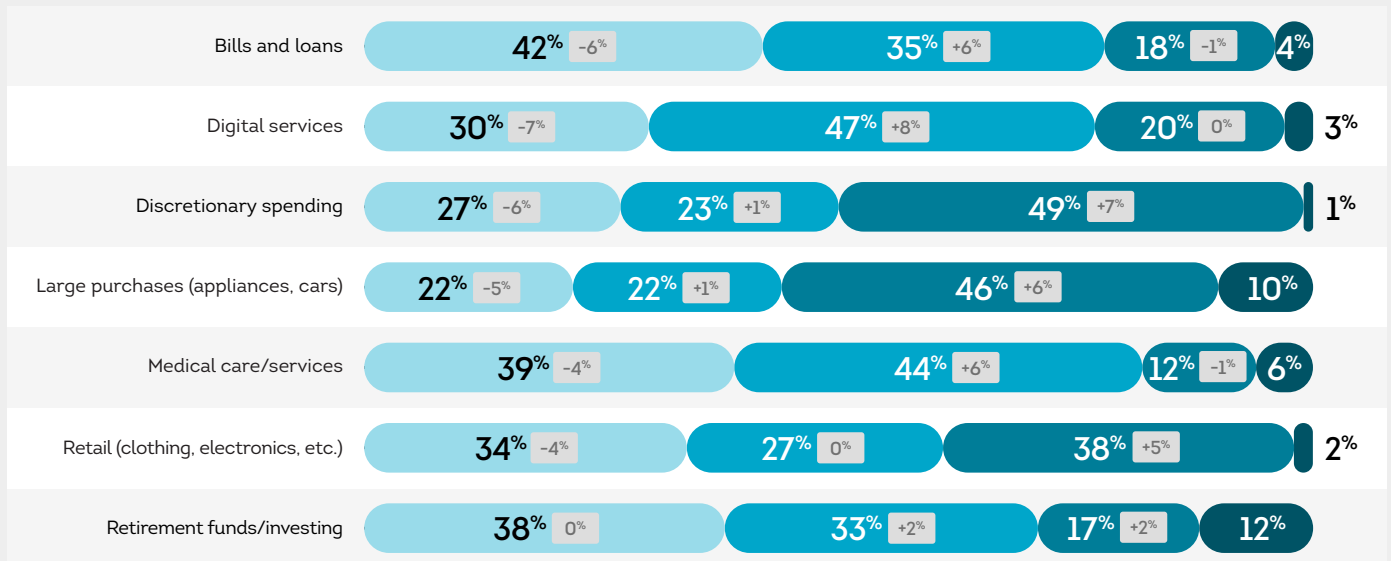
X* Percentage point change from Q2 2022

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



X% Percentage point change from Q2 2022

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



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

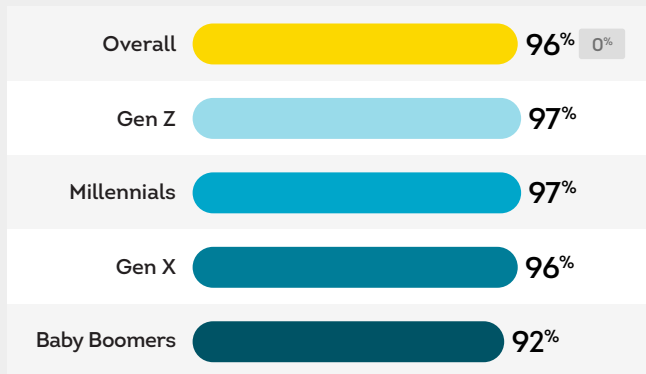
Attitudes and plans for economic participation

More consumers borrowed financial products to potentially cope with inflationary pressure. In Q3, 18% of respondents indicated they used a payday loan in the past 12 months compared to 14% in Q2. Twenty-seven percent of respondents indicated they borrowed from a money lender, up from 22% in the previous quarter. Respondents who used digital financial services went up from 73% in Q2 to 77% in Q3.

Of respondents who said they plan to apply for new credit or refinance existing credit within the next year, about half (54%, increased one percentage point from Q2) were planning to apply for a new personal loan (the highest of any credit or refinance type) within the next year. This is followed by credit card (41%). The need for transport is back as the country is on track to return to full normalcy, evidenced by an increase of respondents who planned to apply for auto loan for two quarters in a row. There appeared to be a rush to refinance mortgages and home loans before the anticipated interest rate hike, as the percentage of respondents who planned to do so jumped by 5% from Q2.

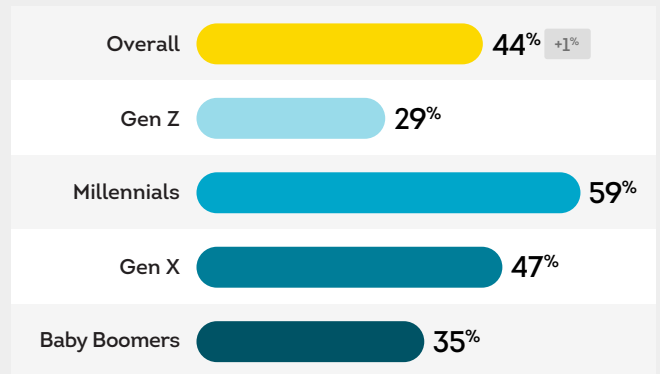
Product preference varied by generations as they're at different life stages: More Gen Zers planned to apply for a personal loan (50% in Q3 vs. 47% in Q2), and/or a new private student loan (22% in Q3 vs. 19% in Q2). More Millennials wanted to either get a new credit card or refinance their auto loans or mortgages.

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



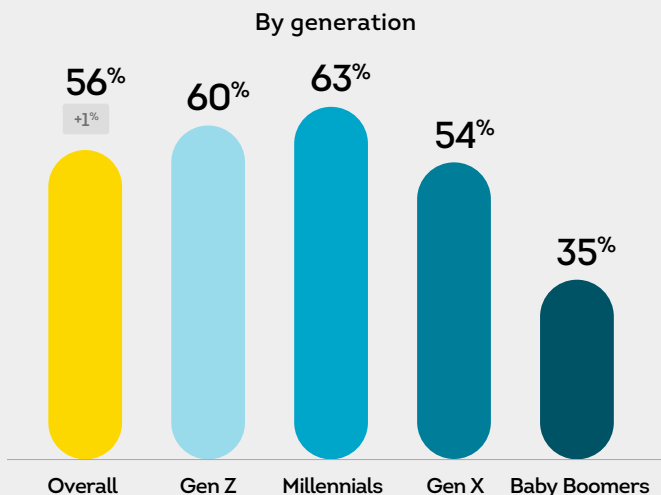
X% Percentage point change from Q2 2022

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



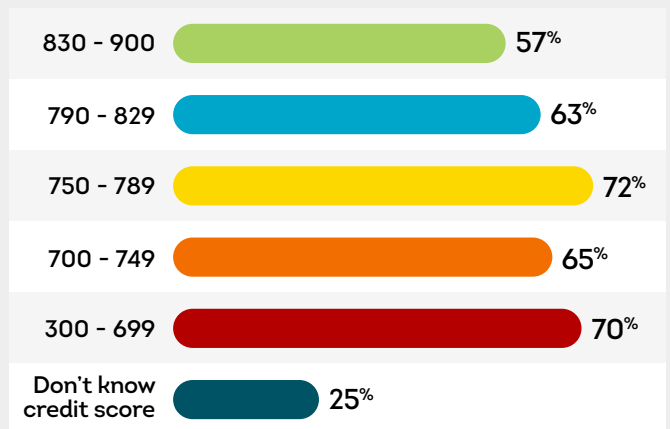
X% Percentage point change from Q2 2022

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



X% Percentage point change from Q2 2022

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)

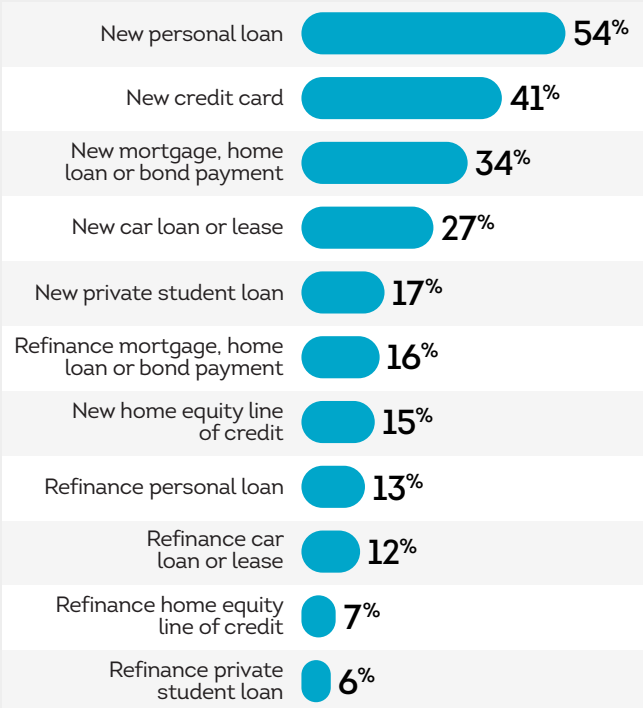


Figure 12. Abandoned plan to apply for new credit or refinance

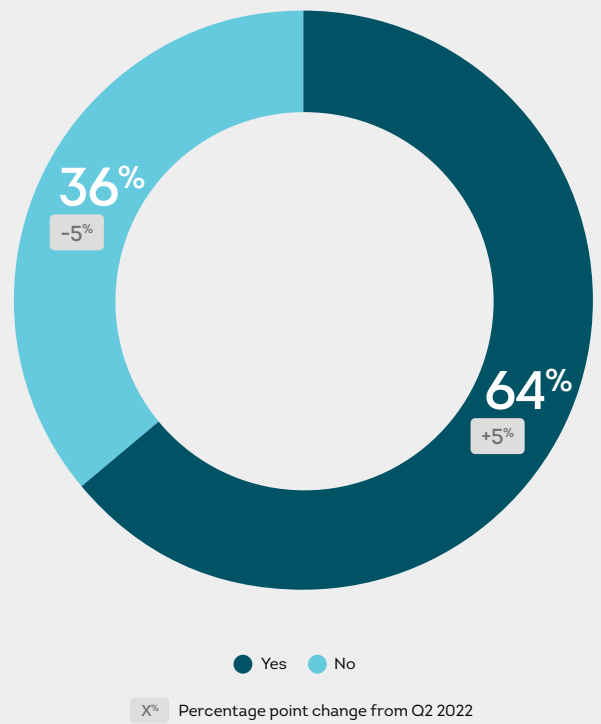
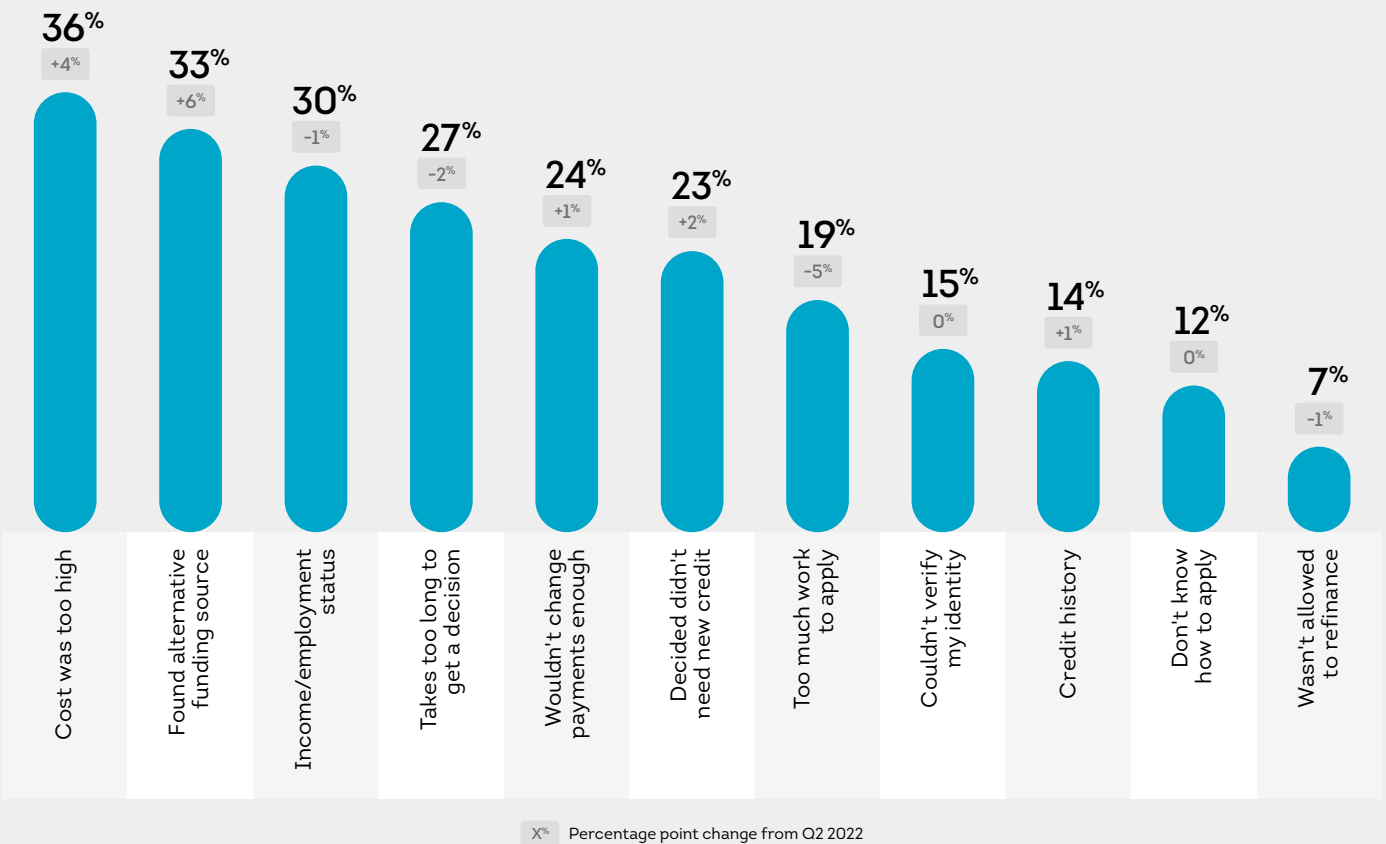


Figure 13. Reasons for abandoning application for new credit or refinance



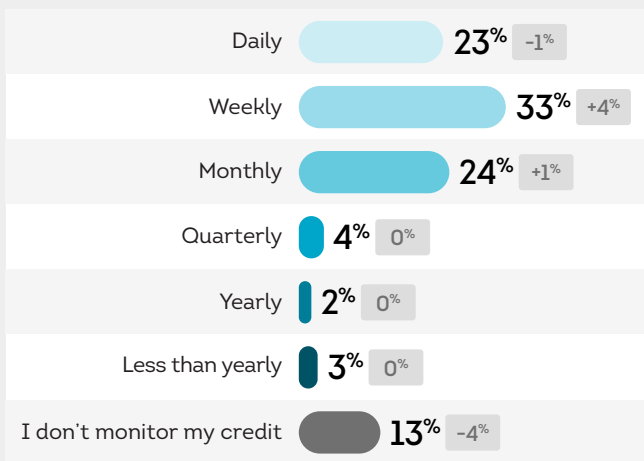
CONSUMER EMPOWERMENT

Attitudes and behavior to manage financial choices

More respondents (83%) believed monitoring their credit is extremely or very important, up from 80% in the previous quarter. Report accuracy and fraud prevention were the top two reasons why respondents checked their reports. Consumers increasingly recognized the importance of monitoring for accuracy in Q3 (57%) than in Q2 (51%).

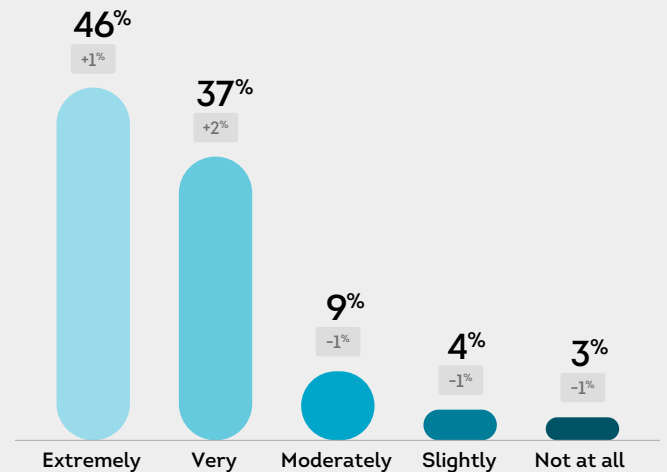
An increasing number of consumers were more inclined to conduct transactions digitally, reflected by more respondents electing to go online. Millennials had the highest rate of digital transaction usage overall; only 2% indicated none of their transactions were done online.

Figure 14. Credit monitoring frequency



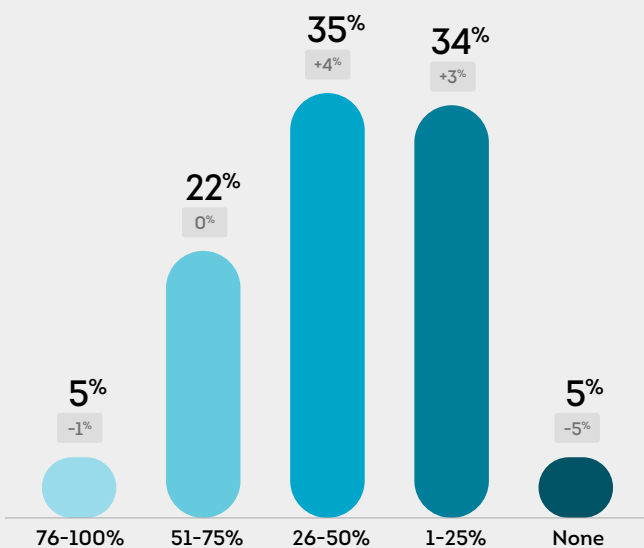
X* Percentage point change from Q2 2022

Figure 15. Believe monitoring credit is important



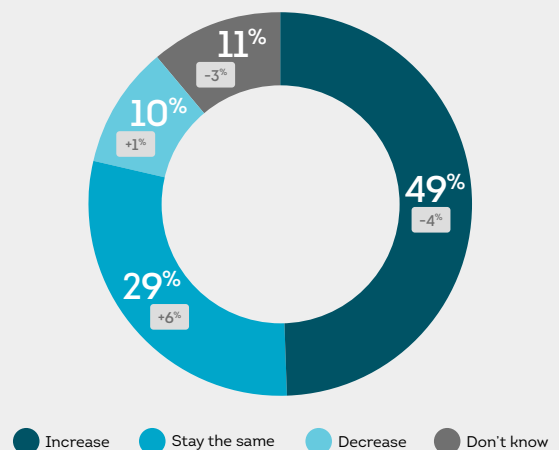
X* Percentage point change from Q2 2022

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

IDENTITY PROTECTION

Identity risks and usage

More consumers in Q3 (compared to the prior quarter) reported they were targeted by a digital fraud scheme in the last three months but did not become a victim of it. They also knew the right actions to take when encountering cyber fraud; the majority changed passwords or checked their accounts for unauthorized activity. These types of actions taken were across all generations.

The vast majority (89%) of consumers remained concerned about sharing their personal information. However, an increasing number of respondents said they're willing to share their personal information when getting a BNPL product (31% in Q3 vs. 25% in Q2), personal loan (41% in Q3 vs. 36% in Q2), credit card (38% in Q3 vs. 32% in Q2) or insurance products. This trend reflects the need for financial products to cope with the uncertainties ahead.

Millennials were more willing to share personal info for BNPL and personal loans compared to other generations.

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

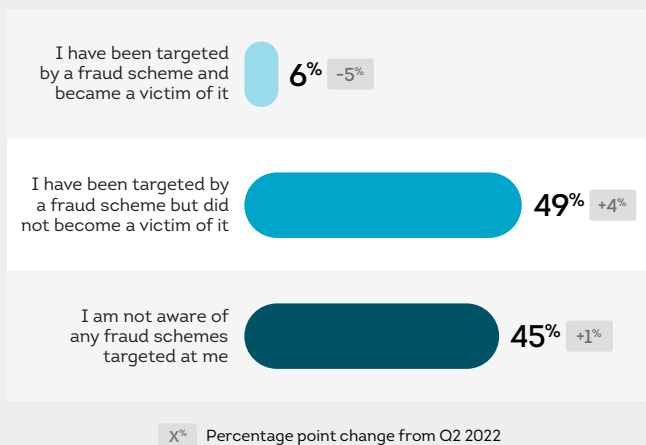


Figure 19. Most frequent fraud schemes targeting consumers (among those targeted with digital fraud)

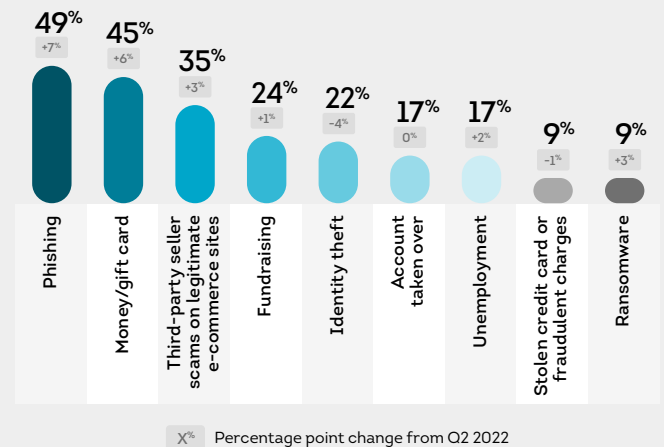


Figure 20. Concern with sharing personal information

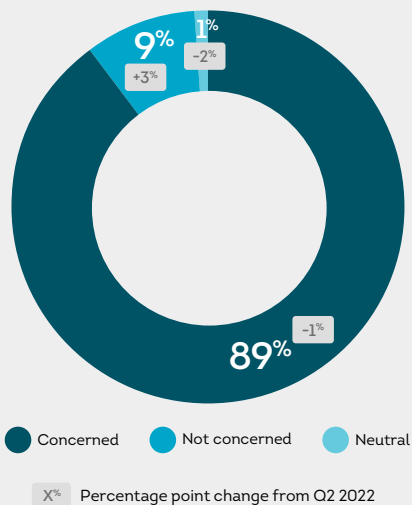
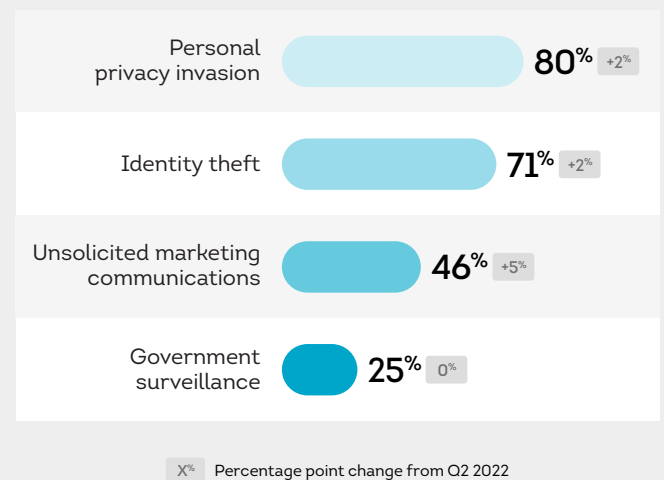


Figure 21. Reasons concerned about sharing personal information



Research Methodology

TransUnion's Consumer Pulse survey of 1,013 adults was conducted 19 Aug. – 1 Sept., 2022 by TransUnion in partnership with third-party research provider, Dynata. Adults 18 years of age and older residing in the Philippines 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 ± 3.08 percentage points based on a calculated error margin.

For previous Consumer Pulse Studies, visit
transunion.ph/consumer-pulse-study.



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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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