TransUnion

Consumer Pulse Study

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

Philippines Q2 2023

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

Following strong economic recovery in 2022, Philippines' GDP continued to expand at 6.4% in Q1 2023 (with a full year forecast of 6%). Meanwhile, inflation continued to ease; down to 6.6% in April from 8.6% earlier in the year.[1]

Persistently high inflation made a dent in consumers' financial situations. While the percent of respondents who reported the same or less income in the past three months remained unchanged, more respondents claimed their household finances were "worse than planned" (27% in Q2 vs. 25% in Q1).

On the other hand, improvement in economic conditions has gradually lifted consumer sentiment: Although the same percentage of respondents expected their incomes to remain the same or increase in the next 12 months, more (84%) respondents were optimistic in Q2 than in Q1 (81%).

In addition, the most recent survey saw a meaningful increase of respondents who expected to be able to pay their bills and loans in full (59% in Q2 vs. 54% in Q1).

Volatility in the global economy remained a headwind for Filipino consumers. While inflation remained Filipino's primary concern regarding household finances in the next six months, more consumers ranked jobs and recession as top concerns in Q2 than in the previous survey period.

[1] Aljazzera: https://www.rappler.com/business/gross-domestic-product-philippines-q1-2023/

Household income (HHI), spending and bill payment impact

Household finances did not keep pace with the economic recovery as the percentage of respondents who reported worse than planned financial situations increased to 27% in Q2 from 25% in Q1. The percentage of consumers who earned higher incomes in the past three months dropped by three percentage points from 45% in Q1 to 41% in Q2, while those who earned the same amount increased three percentage points. Furthermore, the percentage of consumers who expected their incomes to stay the same or increase in the next year remained unchanged at 95%.

Despite slightly worse household finances, an improving economy served as tailwinds to consumer sentiment, reflected by an increase in the percentage of consumers who reported being optimistic about their household finances in the next 12 months (84% in Q2 vs. 81% in Q1).

Improvement in the economy and consumer confidence allowed consumers to better meet their debt obligations. Overall, 59% respondents answered 'no' when asked if they expected to be unable to pay bills and loans in full, an increase of four percentage points from the Q1 survey period.

Better consumer sentiment helped consumer spending as well; 31% planned to increase discretionary spending in the next three months, higher than 29% in the previous survey period. Likewise, the percentage of consumers who planned same or increased in-store or online purchases increased to 61% in Q2 from 59% in Q1.

Figure 1. Household income change last three months

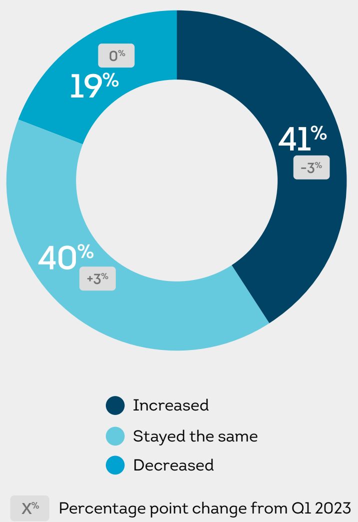

Figure 2. Expected household income change next 12 months

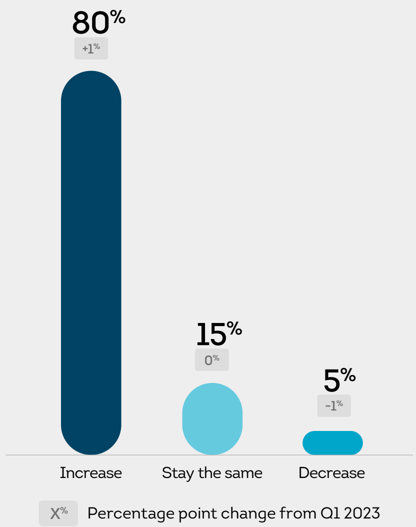

Figure 3. Expect to be unable to pay at least one of their current bills and loans in full

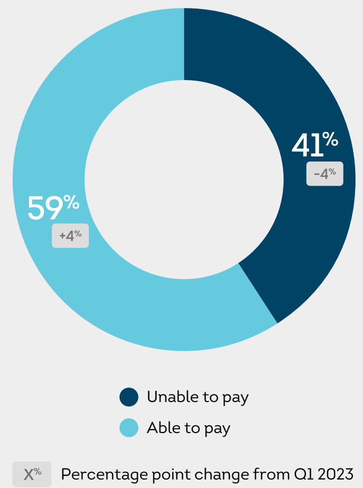

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Figure 4. Reasons for change in current household income in past month

Reason	%	Change from Q1 2023
Wages/salary increased	23%	-2%
Started new business	22%	-1%
Lost job	21%	+3%
Started new job	21%	-2%
Wages/salary reduced	20%	+1%
Work hours reduced	17%	+2%
Owns small business that closed/orders slowed	14%	+1%
Quit or left current job	11%	+1%
Received unemployment benefits or government subsidies	10%	-2%
Retired	8%	+1%
Furloughed	4%	-1%

X% Percentage point change from Q1 2023

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)	54% (+1%)	46%	50%	61%	75%
Canceled/reduced digital services	26% (+2%)	28%	28%	24%	22%
Increased discretionary spending	23% (+1%)	28%	24%	20%	17%
Added/expanded digital services	23% (-2%)	27%	25%	23%	9%
Canceled subscriptions/memberships	22% (+3%)	23%	26%	16%	18%
Added subscriptions/memberships	14% (-2%)	20%	16%	9%	0%
Debt & savings					
Saved more in emergency fund	51% (-3%)	55%	52%	48%	42%
Paid down debt faster	34% (-3%)	33%	38%	33%	20%
Saved more for retirement	27% (-2%)	26%	24%	29%	35%
Increased usage of available credit	15% (-2%)	16%	15%	13%	13%
Cut back on saving for retirement	12% (0%)	7%	13%	12%	22%
Used retirement savings	9% (-1%)	6%	10%	9%	18%

X% Percentage point change from Q1 2023

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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	47% (+4%)	55%	47%	43%	40%
Borrow money from friends/family	40% (+6%)	39%	44%	37%	37%
Use unemployment benefits	8% (-1%)	9%	8%	6%	10%
Existing accounts					
Pay partial amount	49% (+3%)	39%	49%	52%	67%
Refinance/renegotiate payments/rates	14% (-4%)	11%	13%	14%	30%
Payment holiday/other accommodation	10% (-3%)	9%	9%	10%	23%
Increasing credit usage					
Take out personal loan	18% (+1%)	16%	19%	18%	17%
Use credit card available balance	14% (0%)	18%	15%	8%	10%
Open new credit card(s)	7% (-5%)	6%	10%	5%	0%
Don't know					
I don't know how I'm going to pay	2% (-1%)	2%	3%	1%	3%

X% Percentage point change from Q1 2023

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

	Increase	Stay the same	Decrease	Not applicable
Bills and loans	45% (+3%)	31% (0%)	19% (-3%)	4%
Digital services	28% (-4%)	45% (+3%)	23% (+2%)	3%
Discretionary spending	31% (+2%)	22% (0%)	44% (-2%)	3%
Large purchases (appliances, cars)	25% (-1%)	21% (+2%)	41% (-2%)	13%
Medical care/services	37% (-3%)	42% (+4%)	13% (-2%)	8%
Retail (clothing, electronics, etc.)	33% (-2%)	29% (+4%)	36% (-2%)	3%
Retirement funds/investing	35% (-4%)	36% (+4%)	15% (0%)	15%

X% Percentage point change from Q1 2023 · Increase · Stay the same · Decrease · Not applicable

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Attitudes and plans for economic participation

While the percentage of consumers who planned to apply for a new credit card remained unchanged, there was a large decrease in consumers who planned to apply for a personal loan (46% in Q2 vs. 52% in Q1).

However, rising interest rates had some impact on consumers' decisions to apply for new credit in the next year. Overall, 47% of consumers reported rising interest rates had a moderate impact in Q2, up significantly from 37% in Q1.

Despite the negative impact of rising interest rates, Gen Z consumers demonstrated a strong appetite for new credit; 52% planned to apply for credit in the next year, more than any other generation. Of Gen Z who planned to apply for credit, 44% planned to apply for a new card, 41% a new personal loan, and 28% a new BNPL product.

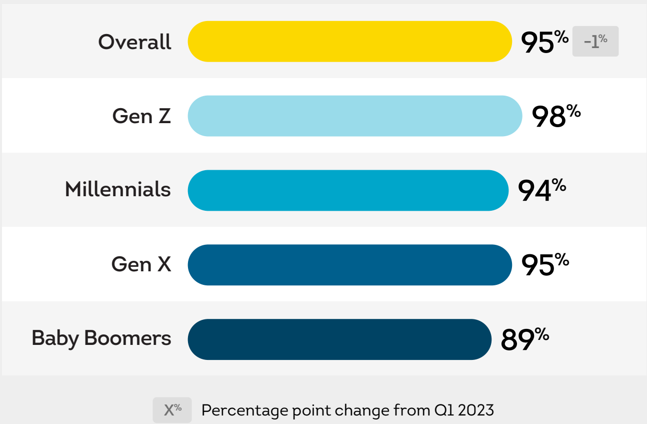


Figure 8. Believe important to have access to credit and lending products to achieve financial goals

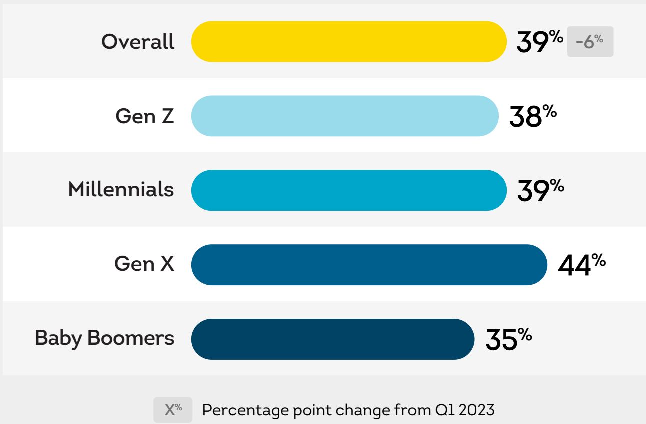


Figure 9. Believe have sufficient access to credit and lending products

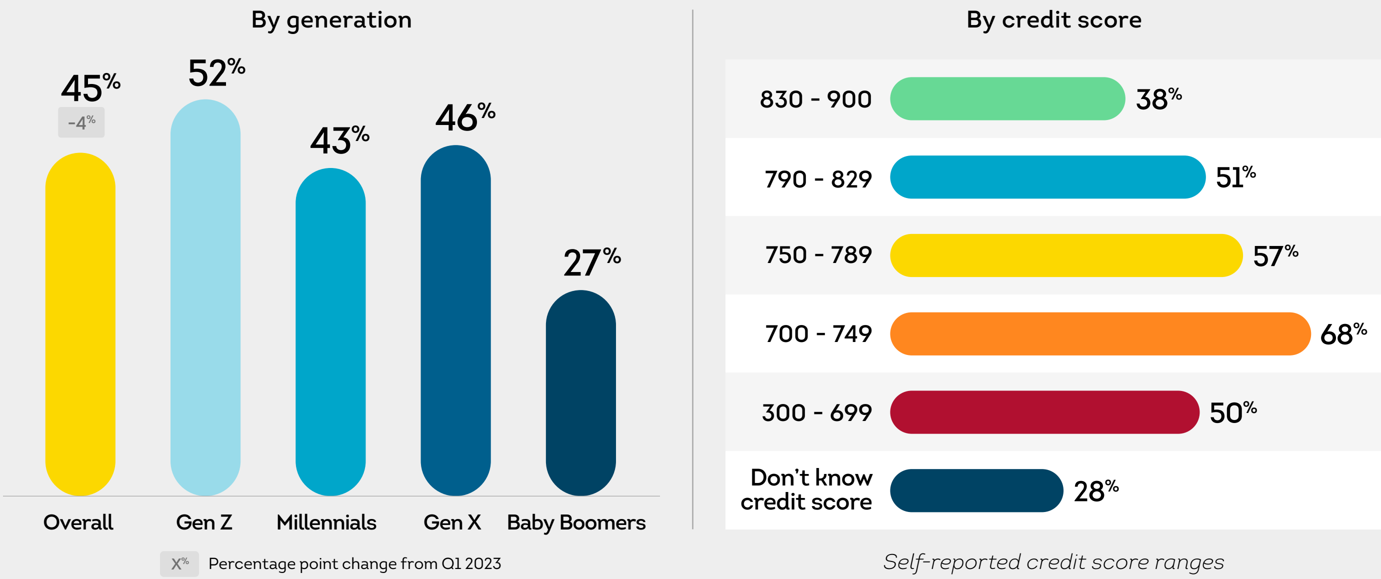


Figure 10. Plan to apply for new credit or refinance existing credit within the next year

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)

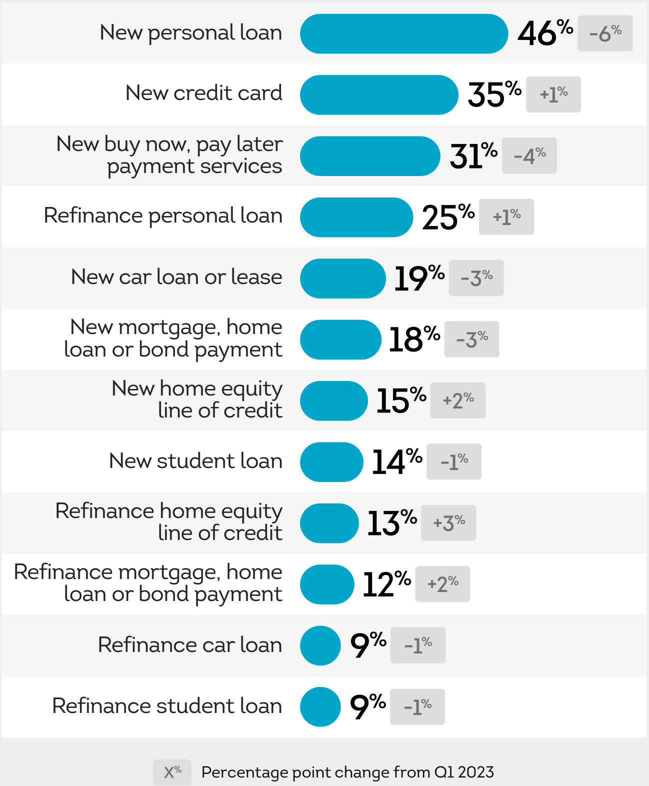


Figure 12. Abandoned plan to apply for new credit or refinance

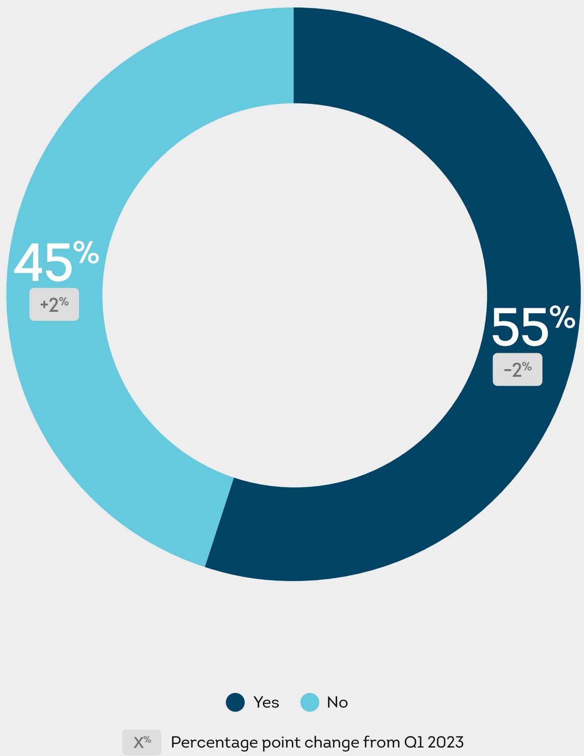
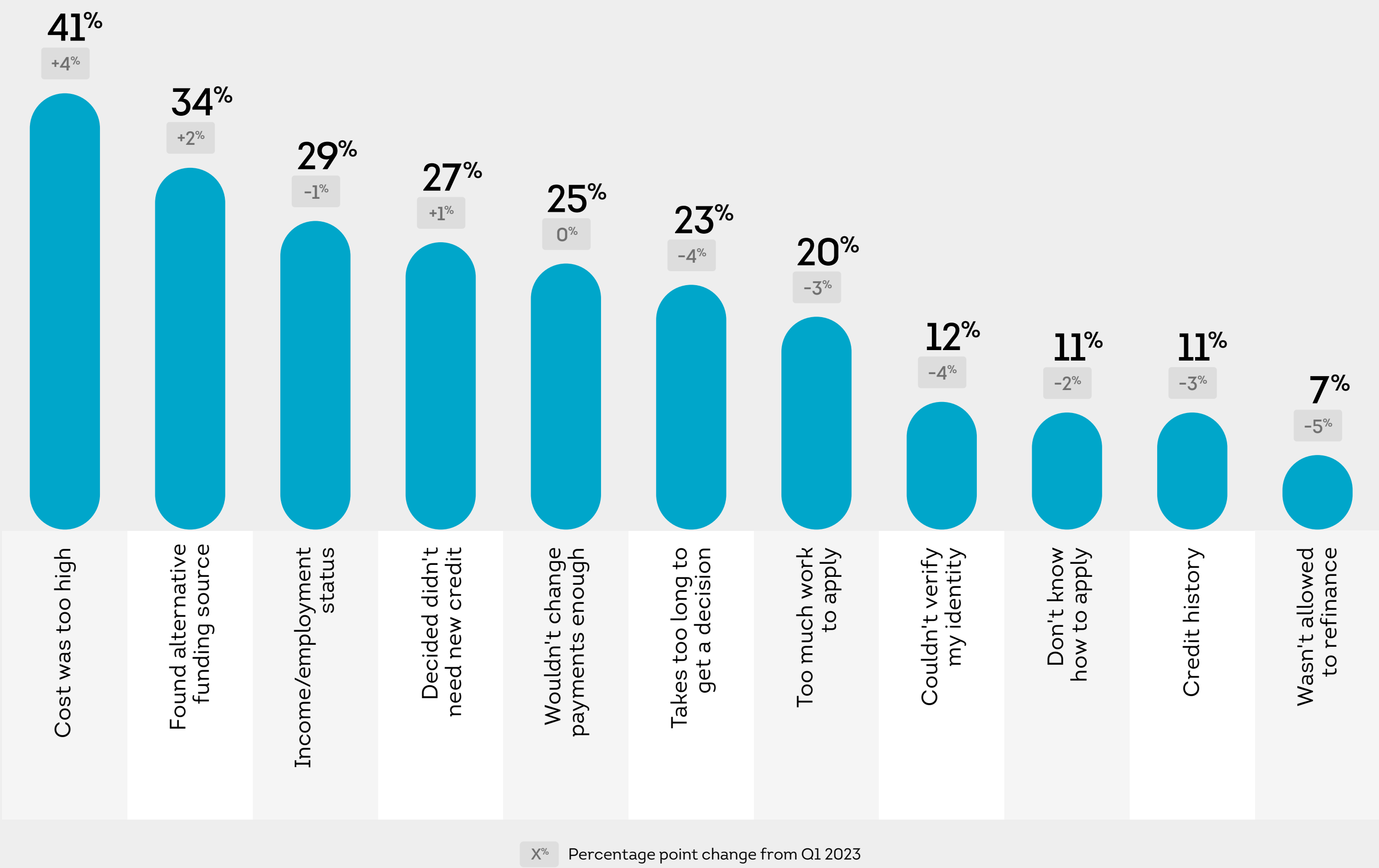


Figure 13. Reasons for abandoning application for new credit or refinance



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Attitudes and behavior to manage financial choices

More consumers realized the importance of monitoring their credit reports; 41% of respondents rated it as "very important," representing a six percentage point increase from Q1. "Report accuracy" was the top reason why respondents checked their reports, with a nine percentage point increase from Q1.

Increased importance rating was driven by Gen Z and Millennials; a much higher percentage of them realized it was "very important" to monitor their credit reports in Q2 than in Q1.

Consumer awareness in BNPL services continued to increase; 21% of respondents reported using this service at least once in the past 12 months, up from 18% in the previous survey period. When asked why they chose this service, 22% of respondents indicated "It was easy to apply," much higher than the 15% in the previous survey.

Figure 14. Credit monitoring frequency

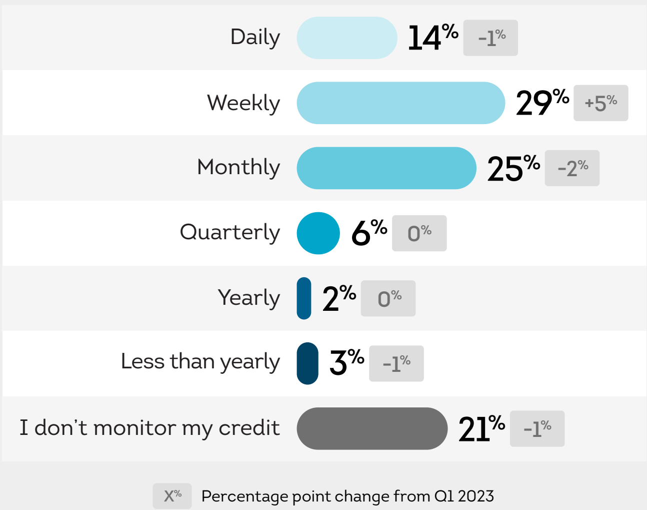


Figure 15. Believe monitoring credit is important

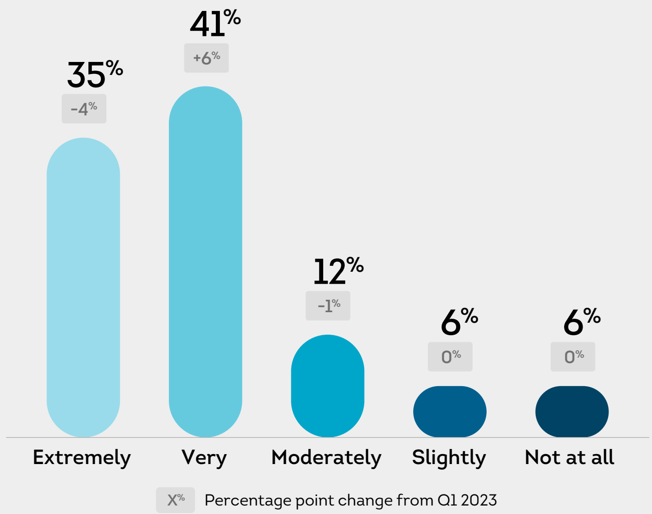


Figure 16. Percentage of transactions done online

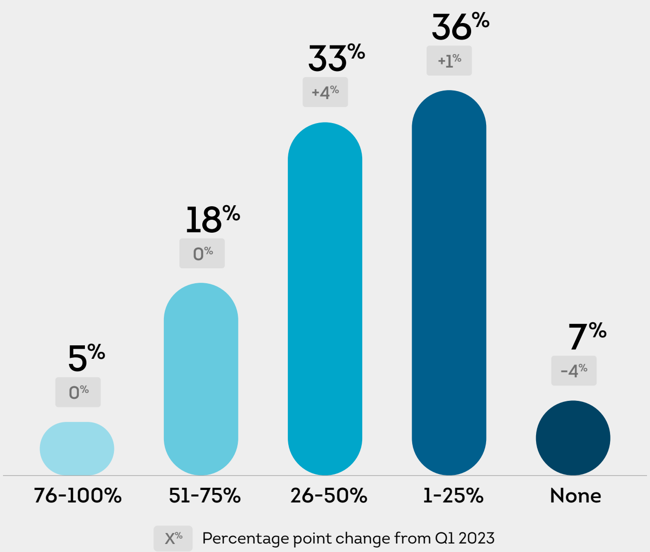
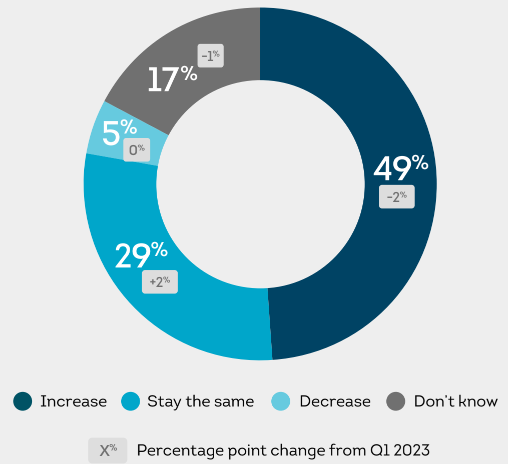


Figure 17. How believe credit score would change if businesses used information not on standard credit report

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



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Identity risks and usage

Fraud attacks continued to be a major threat to consumers as an increasing percentage (69% in Q2, up from 66% in Q1) were targeted by a fraud scheme. While 60% respondents were targeted but remained intact, 9% became a victim of a fraud scheme.

Most (88%) respondents were concerned about sharing their personal information. When asked why, 80% of respondents cited invasion of privacy, unchanged from the previous survey period. However, 76% indicated risk of identity theft when asked the same question, representing a five percentage point increase from Q1.

Figure 18. Personal experience with online, email, phone call or text message fraud attempts in last three months

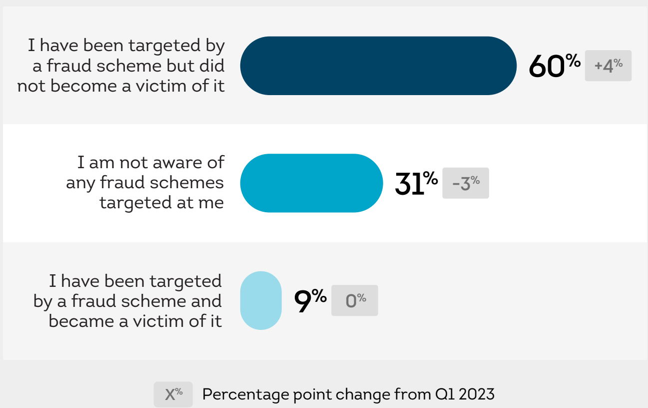


Figure 19. Most frequent fraud schemes targeting consumers
(among those targeted with online, email, phone call or text message fraud)

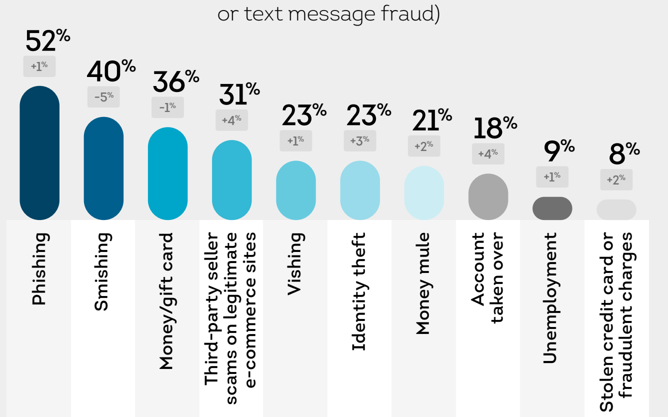


Figure 20. Concern with sharing personal information

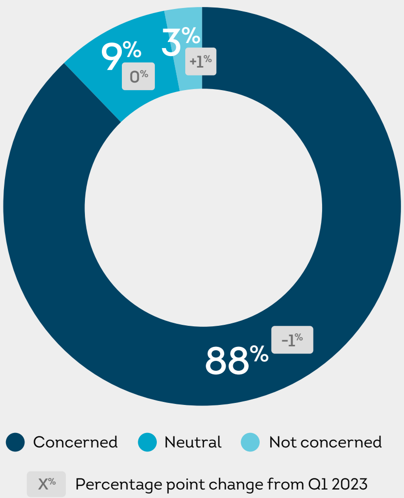
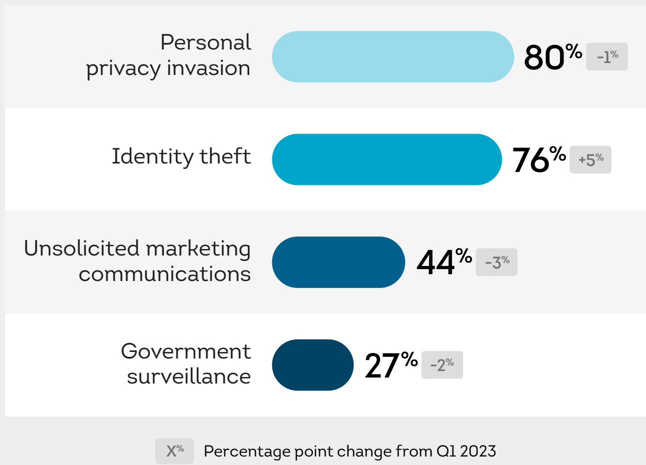


Figure 21. Reasons concerned about sharing personal information



Research Methodology

TransUnion's Consumer Pulse survey of 907 adults was conducted 4–19 May 2023 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 ±3.26 percentage points based on a calculated error margin. Please note some chart percentages may not add up to 100% due to rounding or multiple answers being accepted.

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