

Consumer Pulse Study

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

Philippines Q4 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 a fast pace, posting a YoY GDP growth rate of 7.6% in the third quarter. The unemployment rate decreased to 5% in September 2022, the lowest in more than two years.¹ However, rising interest rates and high inflation represent headwinds facing consumer spending.



Underpinned by strong economic growth, household finances remained stable as more respondents reported same or increased income and same or better financial situations. Improving economy and employment also bolstered consumer outlook – with increased number of respondents anticipating future income growth and ability to pay loans and bills.



Consumer sentiment improved in the favorable economic environment, evidenced by a higher percentage of respondents being optimistic about the future of their household finances. However, consumers did plan to cut back some future spending to cope with rising inflation.



Surging inflation may have given rise to increased demand for new credit: The percentage of consumers seeking new credit has risen for four consecutive quarters. Among those wanting new credit, an increased percentage of respondents expressed interests in personal loans and lines of credit instead of credit cards. However, rising interest rates were indicated as a key factor affecting their decisions regarding whether or not to apply for new credit.

¹ Reuters: <https://www.reuters.com/markets/asia/philippines-unemployment-hits-new-low-since-start-pandemic-2022-11-08/>

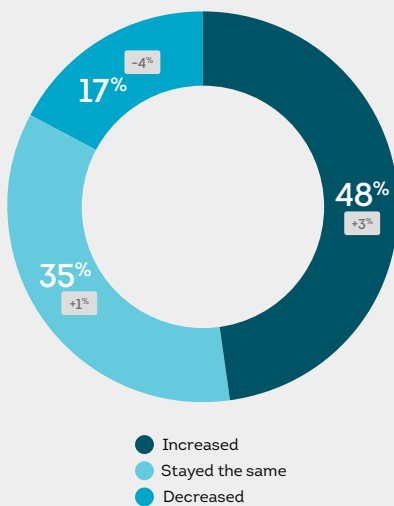
Household income (HHI), spending and bill payment impact

Household finances were stable: 75% of respondents reported household finances as planned or better than planned in Q4, up slightly from 74% in Q3. While the percentage of consumers who reported income as unchanged remained at 35%, a higher percentage (48% in Q4 vs. 44% in Q3) of respondents reported increased incomes in the last three months.

The majority (80%) of respondents anticipated higher incomes in the next 12 months, up from 78% in the last survey period. In addition, the percentage of respondents who reported the ability to repay their loans and bills increased to 57% from 55% in Q3. Their strong financial situations lifted consumer sentiment in the most recent quarter; 83% of respondents were optimistic about their household finances in the next 12 months, higher than 81% in the last quarter.

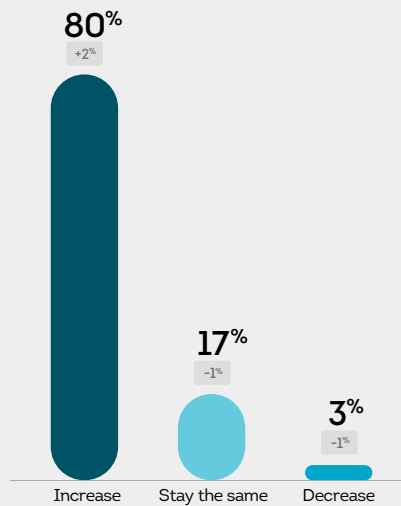
Inflation remained the top concern for the fourth consecutive quarter. In Q4, 82% of respondents expressed they were “very or extremely concerned” about the rate of inflation, higher than 79% in Q3. In response to inflation, consumers reported being cautious about their future spending, reflected by anticipated reduction in discretionary spending, digital subscriptions, and medical care/services in the next three months.

Figure 1. Household income change last three months



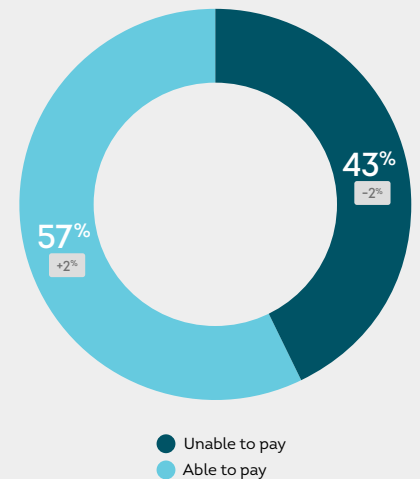
X% Percentage point change from Q3 2022

Figure 2. Expected household income change next 12 months



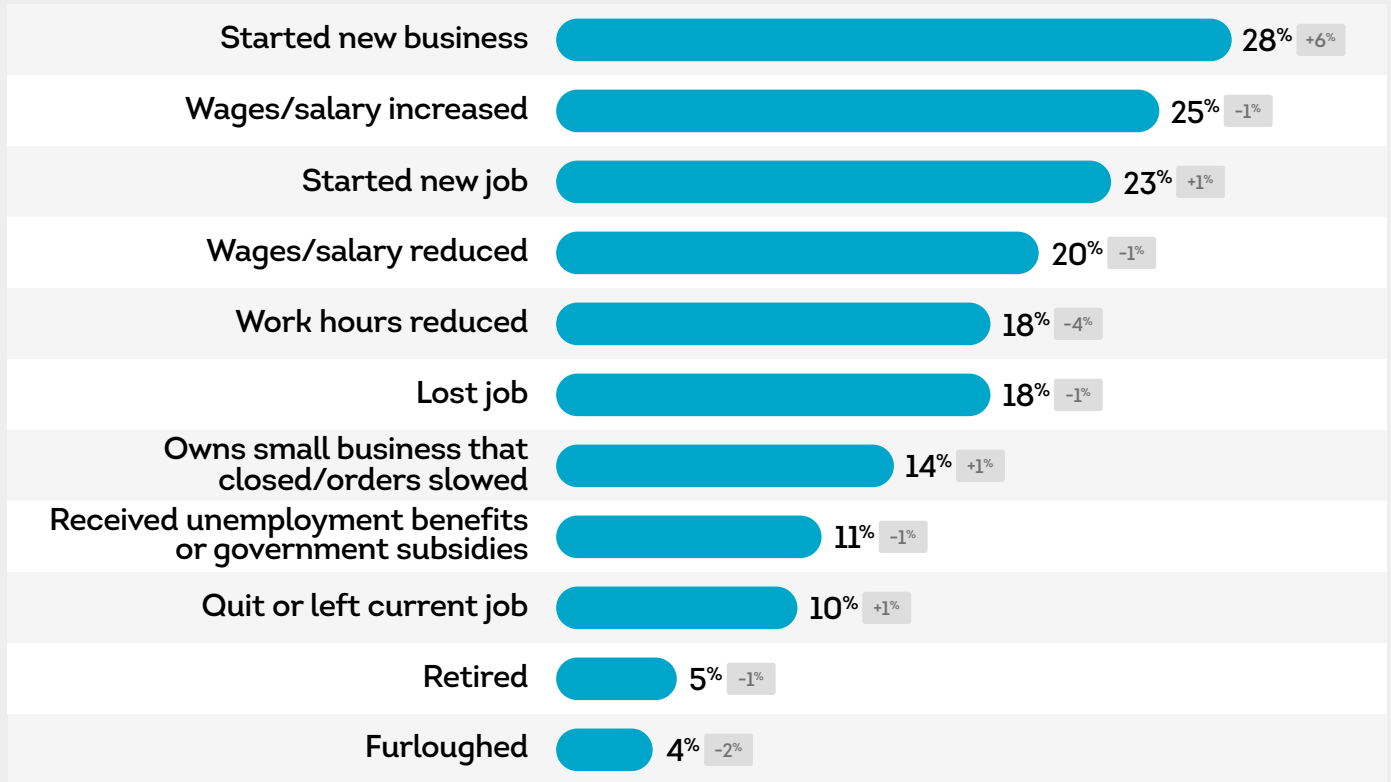
X% Percentage point change from Q3 2022

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



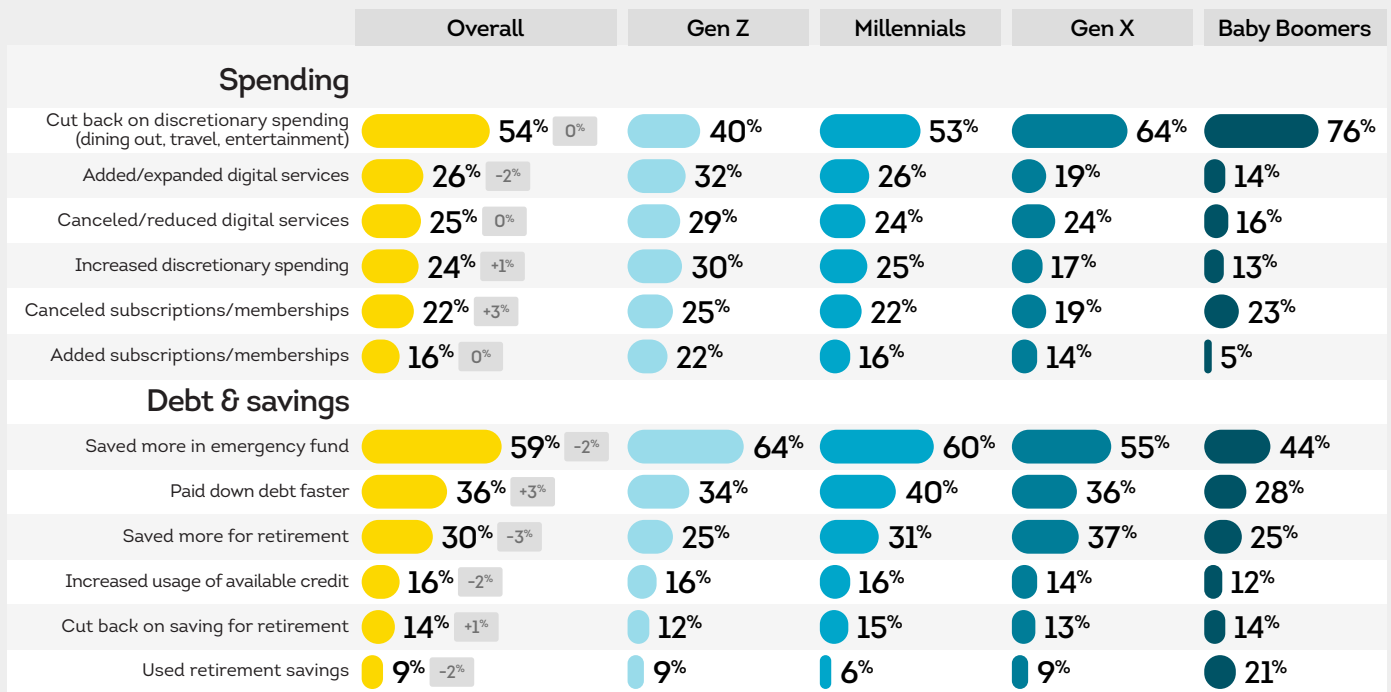
X% Percentage point change from Q3 2022

Figure 4. Reasons for change in current household income



X* Percentage point change from Q3 2022

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



X* Percentage point change from Q3 2022

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

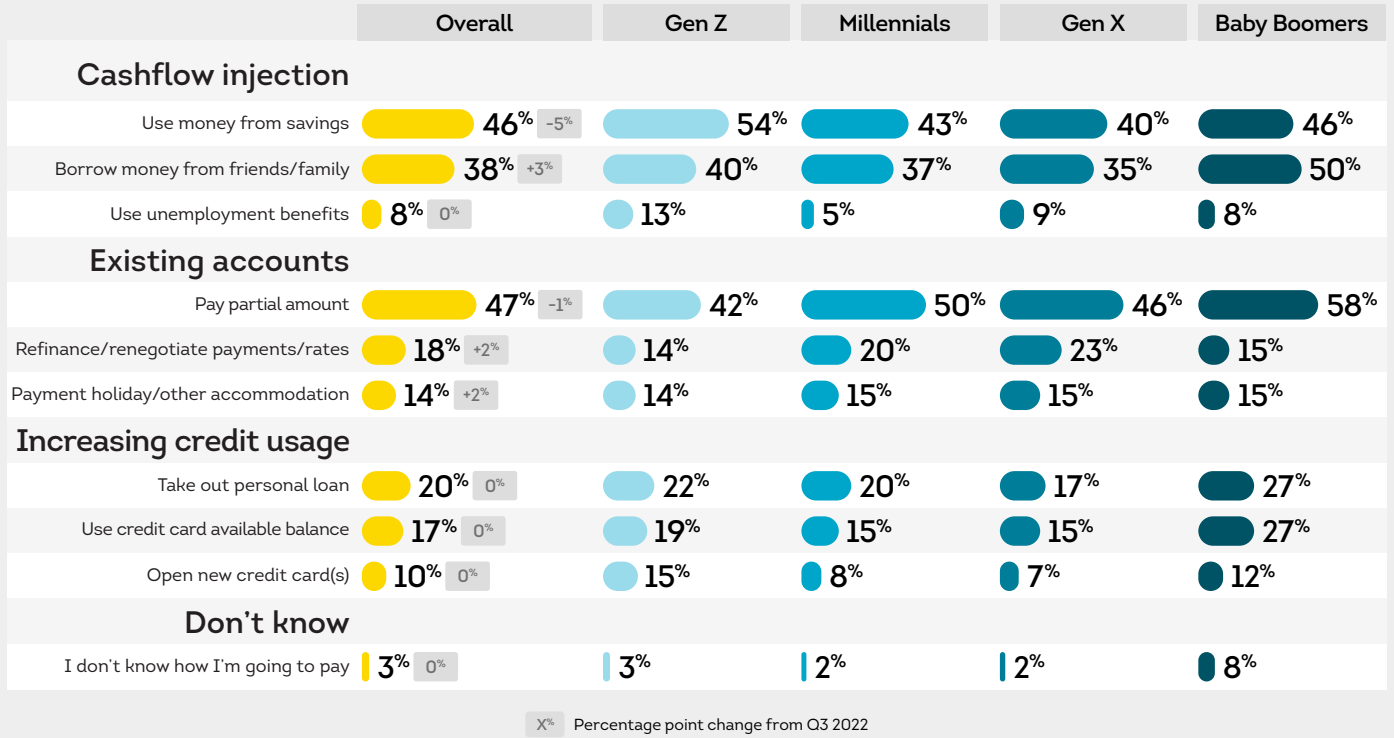
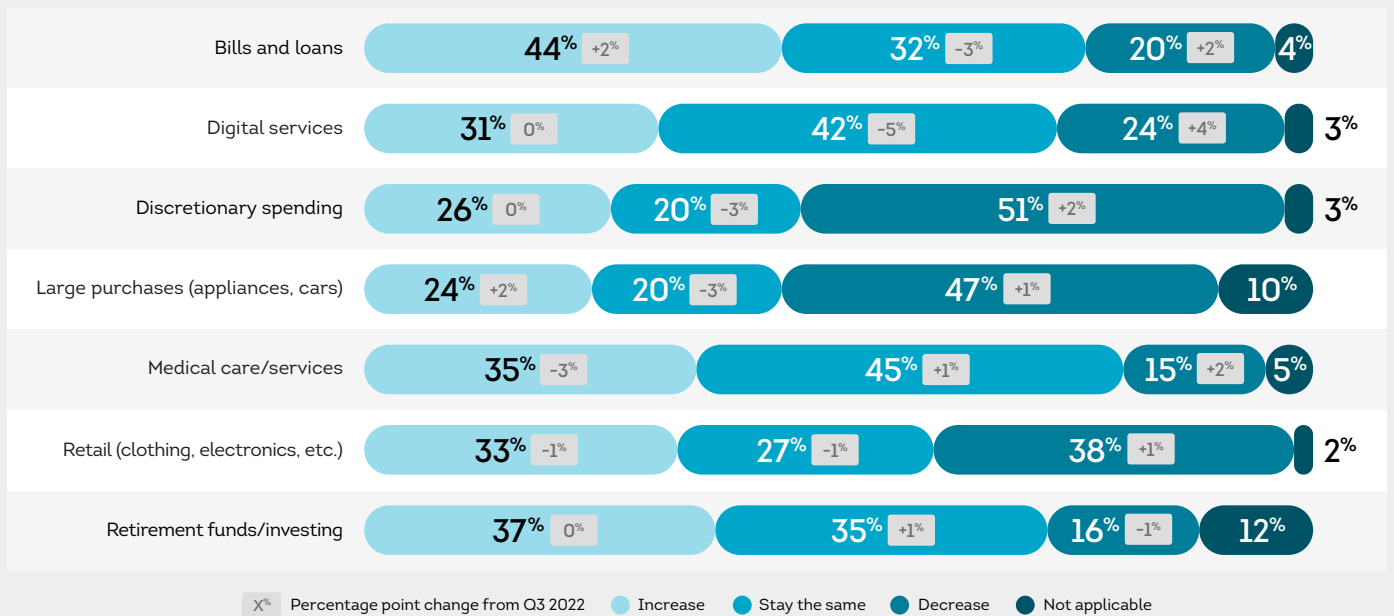


Figure 7. Expected change to household spending over next three months



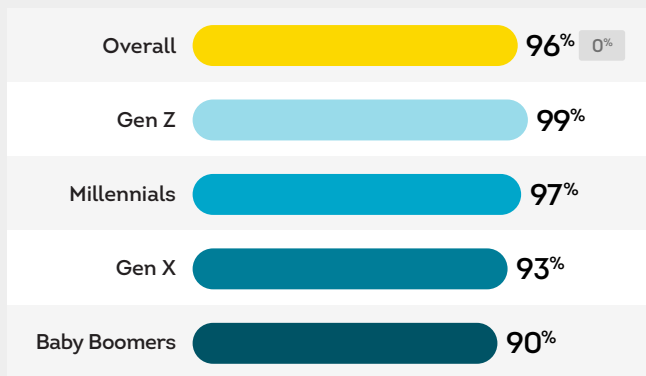
Attitudes and plans for economic participation

Money lenders appeared to be an important lending source: close to one-third (29%) of respondents reported using a money lender in the past year, up from 27% the previous quarter. While percentage of Millennial consumers borrowing from money lenders remained stable at 33%, the percentage of Gen Z consumers who used money lenders increased three consecutive quarters to 27% in Q3.

The percentage of consumers who planned to apply for new credit next year increased steadily for four quarters in a row, reaching 57% in Q4, up from 46% at the beginning of 2022. While applying for new personal lines and lines of credit topped consumer credit plans in the next 12 months, interest in refinancing personal loans increased the most in Q4, rising 15 percentage points (p.p.) to 28% of consumers.

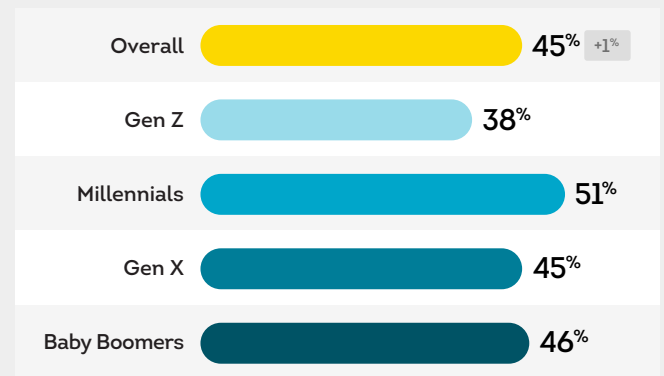
Rising interest rates affected consumers' decisions on applying for new credit in the next year. In Q4, 46% of respondents indicated rising interest rates highly impacted whether or not they would apply for new credit, up four p.p. from last quarter. In terms of generations, Gen Z consumers felt the impact most; the percentage who said interest rates had a high impact jumped from 33% in Q3 to 46% in the most recent quarter.

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



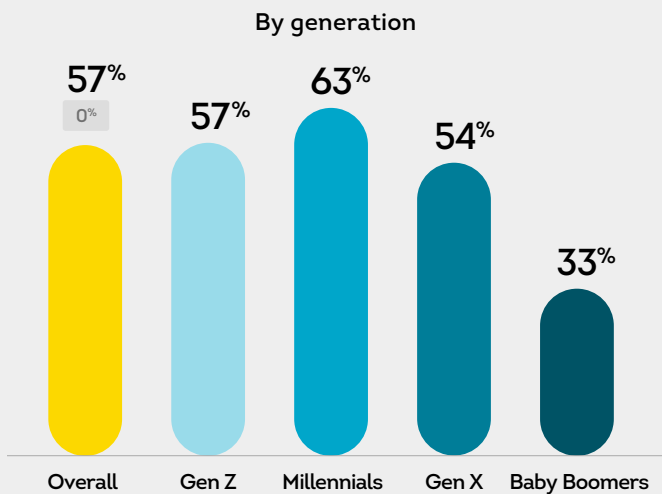
X* Percentage point change from Q3 2022

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

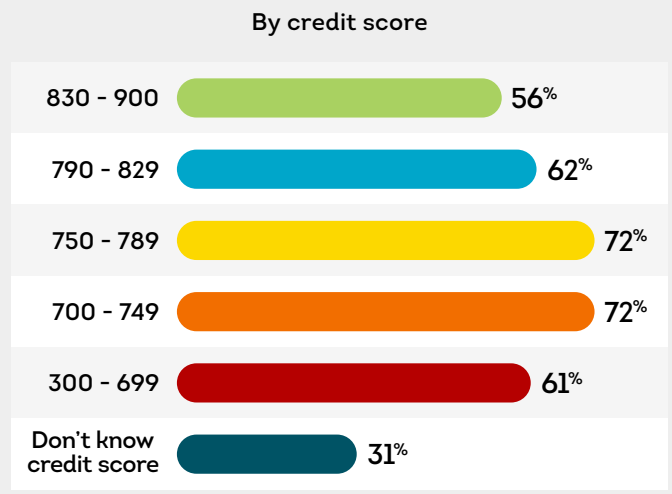


X* Percentage point change from Q3 2022

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

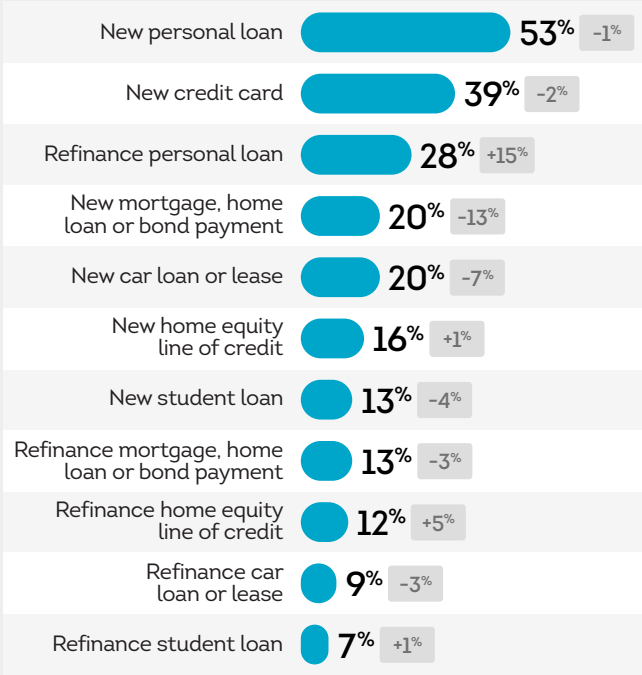


X* Percentage point change from Q3 2022



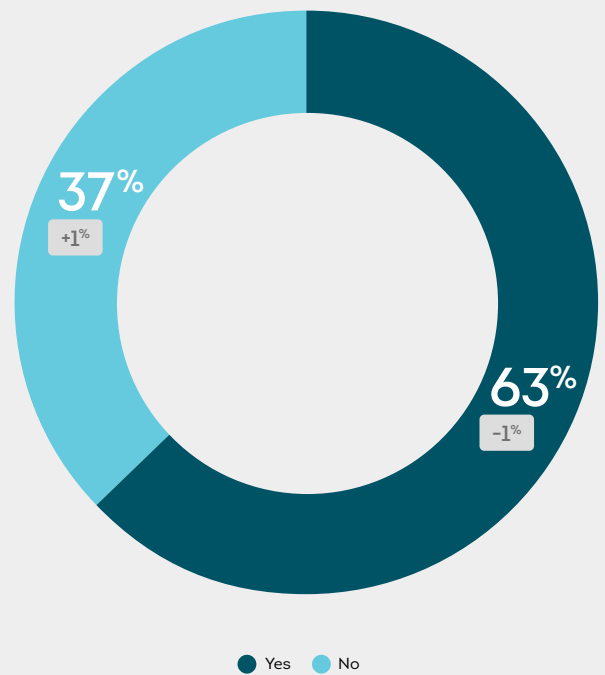
Self-reported credit score ranges

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)



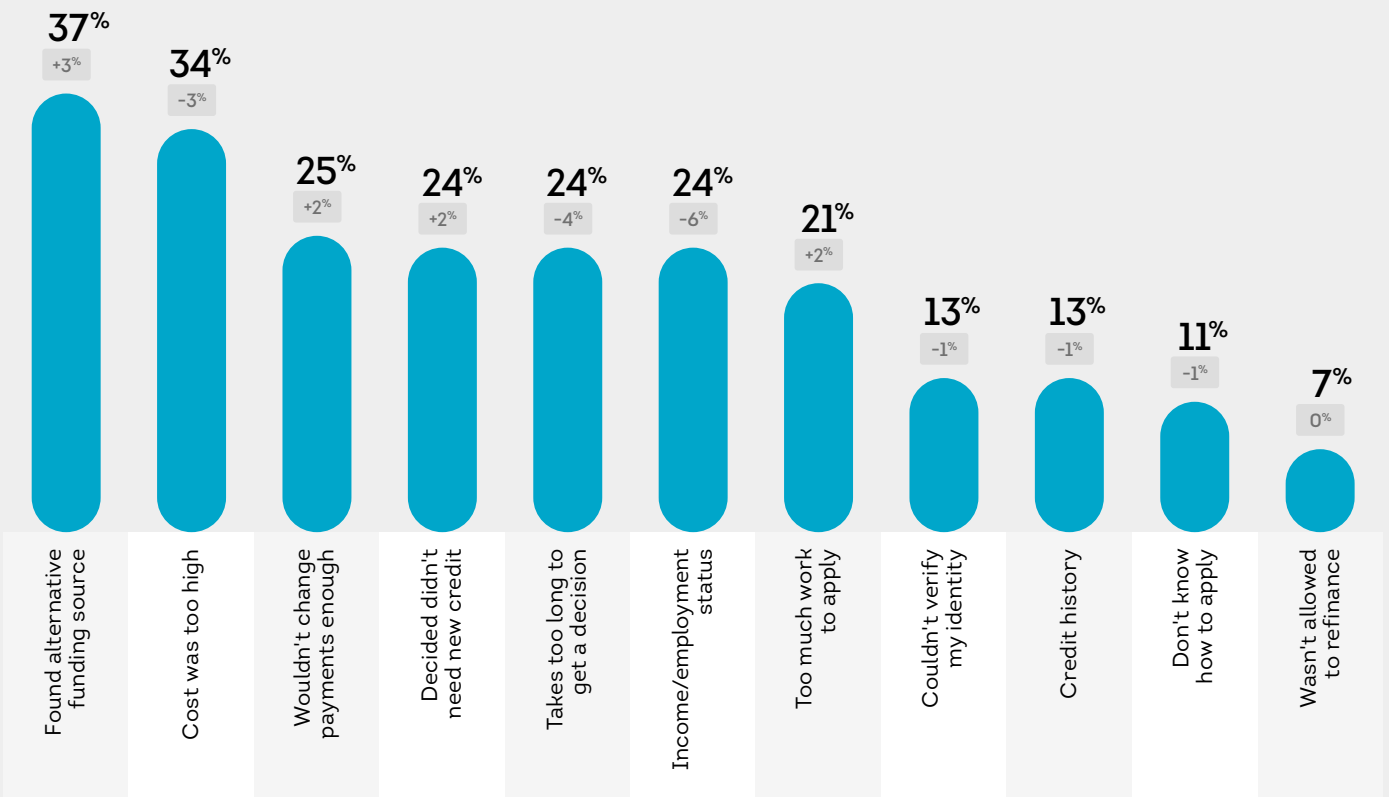
X* Percentage point change from Q3 2022

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



X* Percentage point change from Q3 2022

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



X* Percentage point change from Q3 2022

CONSUMER EMPOWERMENT

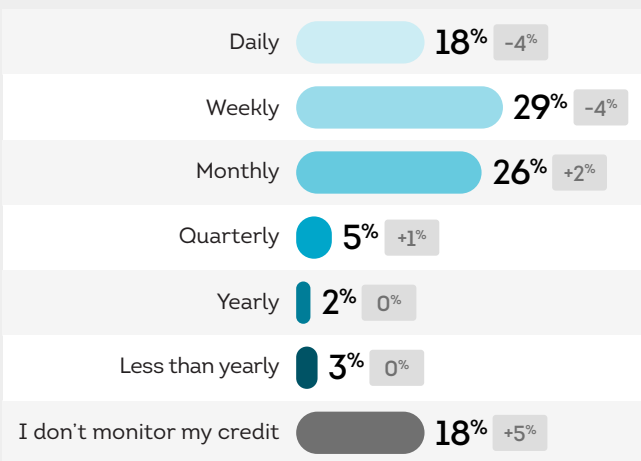
Attitudes and behavior to manage financial choices

Most (91%) respondents believed monitoring their credit is at least moderately important, down slightly from 93% in the last quarter. Report accuracy (67%) and fraud prevention (57%) were the top two reasons why respondents checked their reports. In Q4, 73% of Filipinos reported checking their credit reports at least monthly.

An increasing number of respondents reported they performed online transactions; 92% of consumers reported at least some digital transactions in Q4, up from 89% in Q1 2022. Digital literacy appeared to be well entrenched with Filipino consumers as a majority of every generation reported at least 25% of their transactions occurred online in Q4.

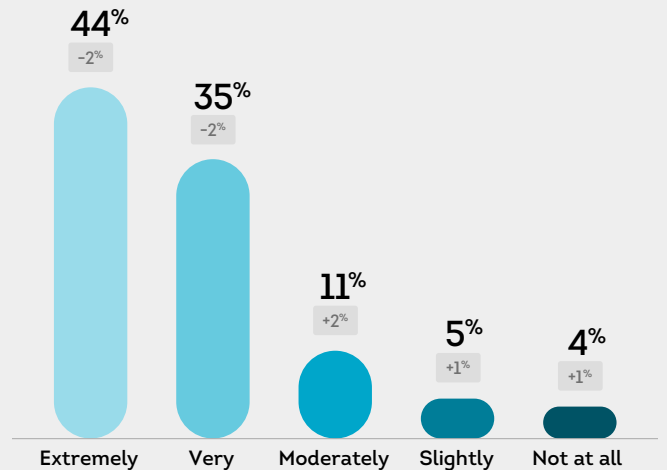
BNPL usage increased among consumers; 60% of respondents reported they used the service at least once in the past year, up from 56% in Q3. The majority (73%) of those who used BNPL said the service was used on their mobile devices. Not surprisingly, Millennial consumers had the highest percentage (69%) of those using the service followed by Gen Z (58%).

Figure 14. Credit monitoring frequency



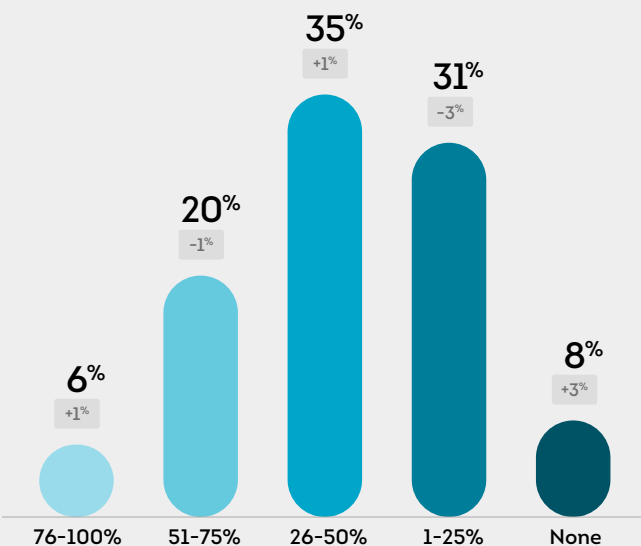
X% Percentage point change from Q3 2022

Figure 15. Believe monitoring credit is important



X% Percentage point change from Q3 2022

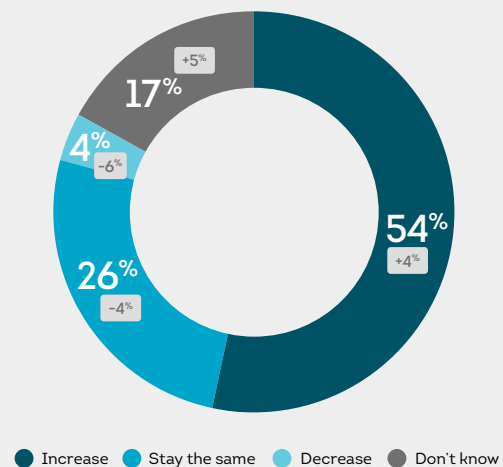
Figure 16. Percentage of transactions done online



X% Percentage point change from Q3 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 Q3 2022

Identity risks and usage

Fraud attacks continued to increase as more respondents reported being targeted by a fraud scheme in the last three months; 61% in Q4 2022 compared to 55% in Q3. The number of consumers who fell victim to fraud rose from 6% in Q3 to 8% in Q4. Phishing remained the number one reported fraud scheme; the percentage of respondents targeted increased for three consecutive quarters to 51% in Q4.

Most (89%) respondents were concerned about sharing their personal information online. When asked the reasons for concern about sharing, 83% respondents cited invasion of privacy and 75% indicated risk of identity theft. Both percentages were higher than the last survey period.

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

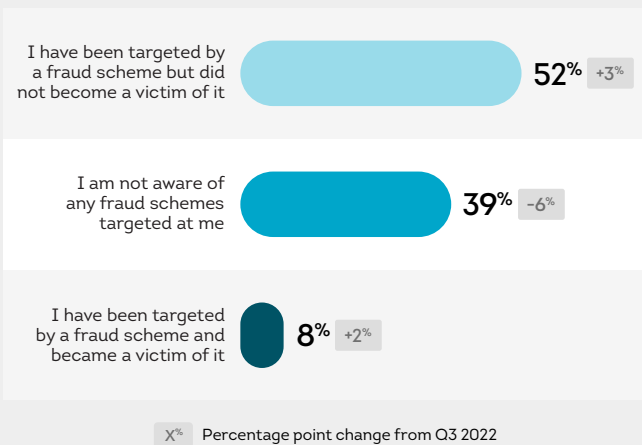


Figure 19. Most frequent fraud schemes targeting consumers (among those targeted with digital fraud)

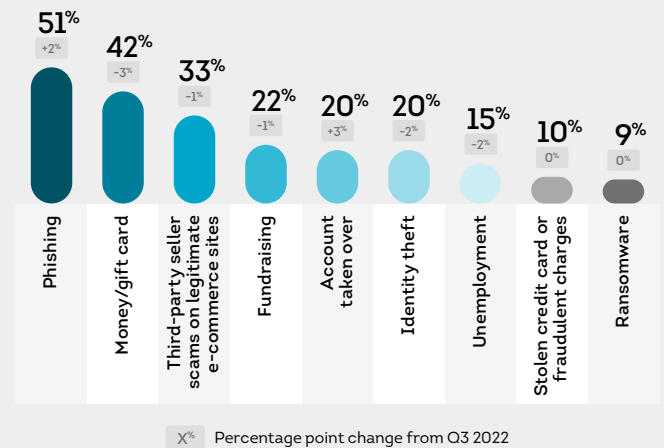


Figure 20. Concern with sharing personal information

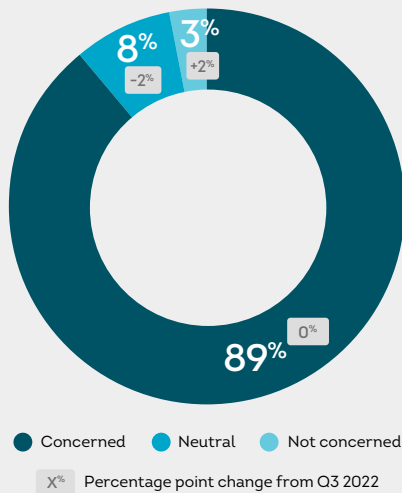
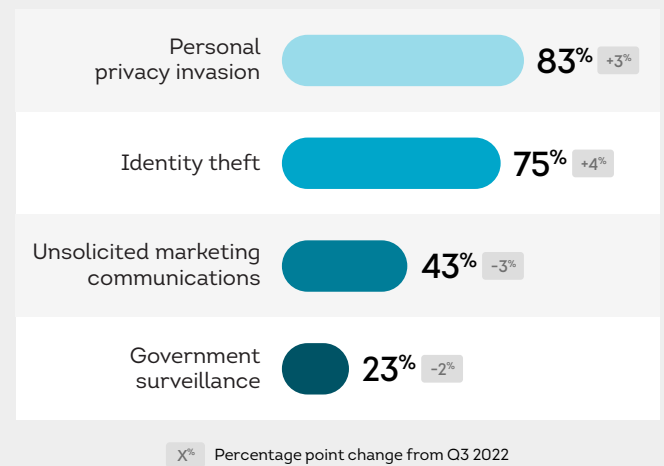


Figure 21. Reasons concerned about sharing personal information



Research Methodology

TransUnion's Consumer Pulse survey of 1,005 adults was conducted 3-15 Nov. 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 ± 3.09 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.

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



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