Consumer Pulse Study

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

US 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

Generational divide emerges in financial outlook: Optimism about household finances in the next 12 months fell two percentage points to 53% in Q3 2022, representing three straight quarters of waning optimism. However, two-thirds of Gen Z (66%) and Millennials (65%) reported optimism about their financial futures, while less than half of Gen X (49%) and Baby Boomers (40%) reported optimism. This split between younger and older generations showed up consistently throughout this quarter's report in both past and planned behavior.

Rising incomes drives inflation resilience in younger generations: Overall, Americans reported up to this point in 2022, their household finances were worse than planned (40%) compared to better than planned (28%). However, there was a stark generational divergence as more Gen Zers reported better household finances than planned (39% better and 30% worse), as did Millennials (41% better and 33% worse). This was compared to those who reported household finances worse than planned; Gen X (24% better and 47% worse) and Baby Boomers (13% better and 45% worse).

Inflation was the top financial concern in the next six months; 79% reported it in their top three, an increase of three percentage points from Q2 2022. Of the consumers who said their finances were worse than planned, 76% indicated their incomes were not keeping up with inflation. However, the impact of inflation appears closely related to income growth. Younger generations reported much higher income growth in the past three months; 44% of Gen Z and 41% of Millennials cited growth compared to just 24% for Gen X and 11% for Baby Boomers.

Americans prepare for imminent recession: Nearly two-thirds (60%) believed the US economy is already in a recession or will enter a recession by the end of the year. It was the second most reported financial concern among Americans; 55% reported it as a top three concern in Q3. Overall, 64% of consumers indicated they plan to reduce spending in preparation of a recession. While a majority among each generation planned to reduce spending, Baby Boomers said they'll cut back the most (71%) compared to Gen Z (56%).

Household income (HHI), spending and bill payment impact

More Americans (28%) said their incomes increased in the last three months than the 19% who indicated a decrease. While that represents a four-percentage point drop from Q2 2022, 46% of respondents indicated they expected their income to increase in the next 12 months, while only 10% expected their income to drop.

Despite an overall positive income outlook, household finances were trending worse due to income not keeping pace with inflation. For the first time since we began tracking, significantly more consumers had worse than planned household finances – an 11-percentage point increase from Q2. At this point in the year, two in five consumers said they're facing a worse than planned household financial situation.

However, the impact of inflation and income appears to be closely tied to age. Younger generations said their incomes increased compared to decreased in the past three months (Gen Z +24%; Millennials +23%), but older generations indicated income stagnated (Gen X +1%; Baby Boomers -6%). This pattern is expected to continue as the current, strong job market resulted in a significantly higher proportion of Gen Z (59%) and Millennials (61%) who expected their incomes to increase within the next year compared to Gen X (42%) and Baby Boomers (30%).

Overall, 49% of consumers planned to cut discretionary spending (e.g., dining out, travel, entertainment) in the next three months; 39% retail spending (e.g., clothing, electronics, durable goods) and 38% large purchases (e.g., appliances, cars). Older generations planned to cut back discretionary spending more; 57% of Gen X and 53% of Baby Boomers compared to 42% of Gen Z and 40% of Millennials. With budgets stretched, more consumers (37% in Q3 vs. 34% in Q2) who said they'll be unable to pay their current bills and loans in full also indicated they planned to only pay partial balances on current bills. Baby Boomers (41%) led all generations of those who planned to make partial payments.

In this quarter, 62% of US consumers said they were extremely or very concerned about inflation; 96% being at least slightly concerned. As a result, 69% of all consumers said they planned to change their spending because of inflation. Gen X reported the highest pullback because of inflation (76%) followed by Millennials (74%), Gen Z (63%) and Baby Boomers (62%). Overall, more than half (53%) reported cutting discretionary spending in the last three months, a nine-percentage point increase from Q2. In addition to concern about inflation, 60% of Americans believed the US economy is already in a recession or will enter one by the end of the year. Nearly two in three (64%) overall, and the majority within all generations, indicated plans to reduce spending in preparation for a recession. While older generations appeared to be limited to just cutting spending, households of younger generations appeared to be using more options to combat recession. Younger generations also planned to increase savings to ride out a recession; 54% of Gen Z and 50% of Millennials reported doing so, while just 39% of Gen X and 34% of Baby Boomers were employing this strategy.

Figure 1. Household income change last three months

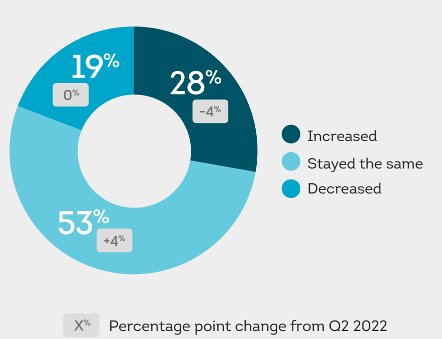


Figure 2. Expected household income change next 12 months

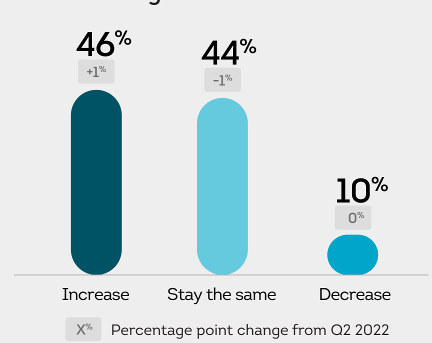


Figure 3. Expect to be unable to pay at least one of their current bills and loans in full

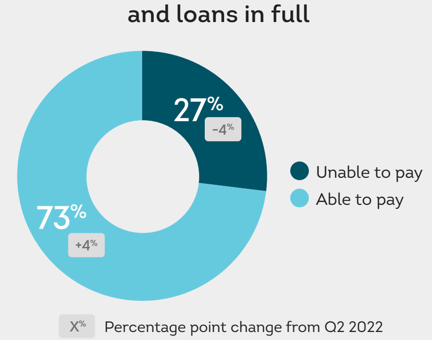


Figure 4. Reasons for change in current household income

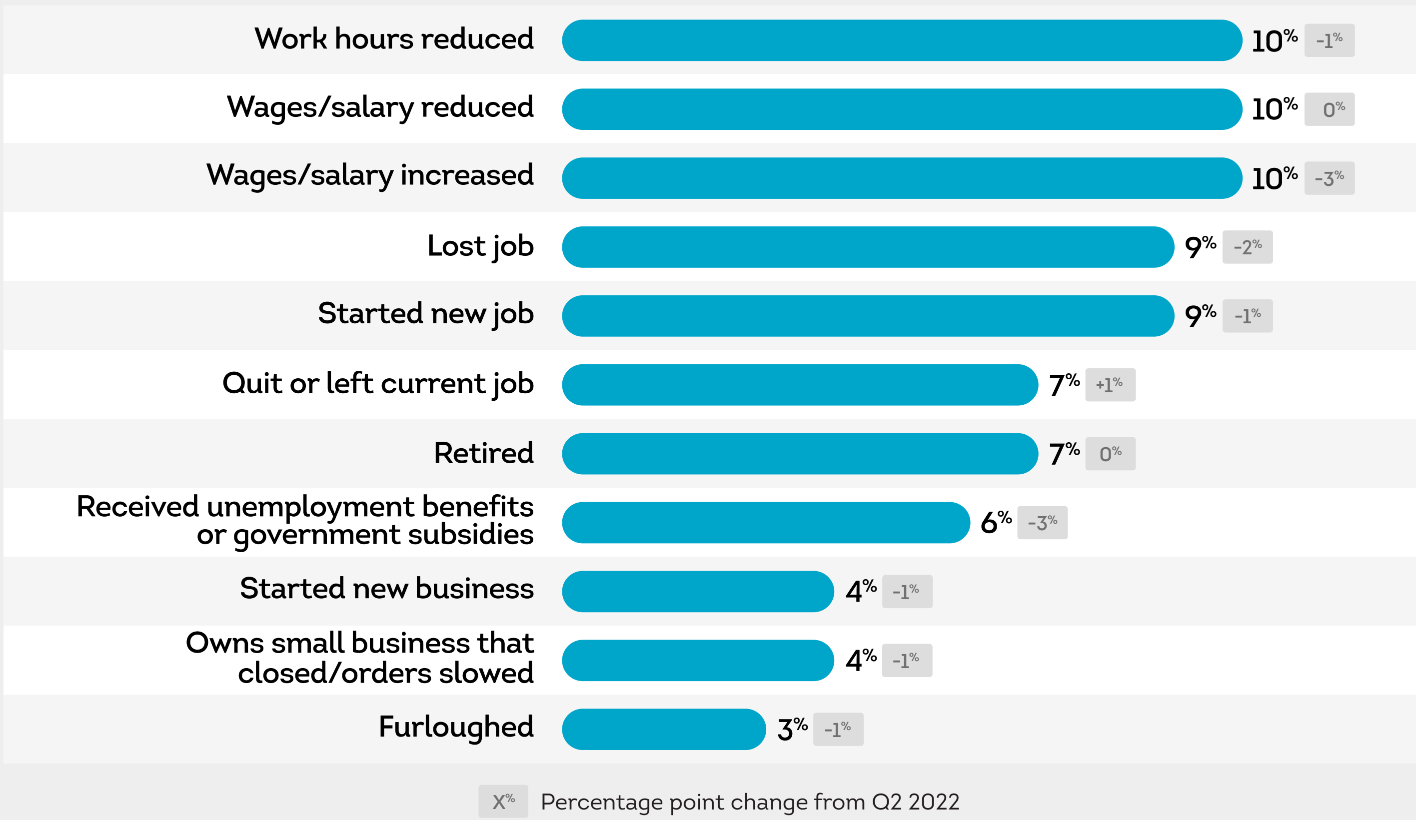


Figure 5. Changes to household budget in the last three months

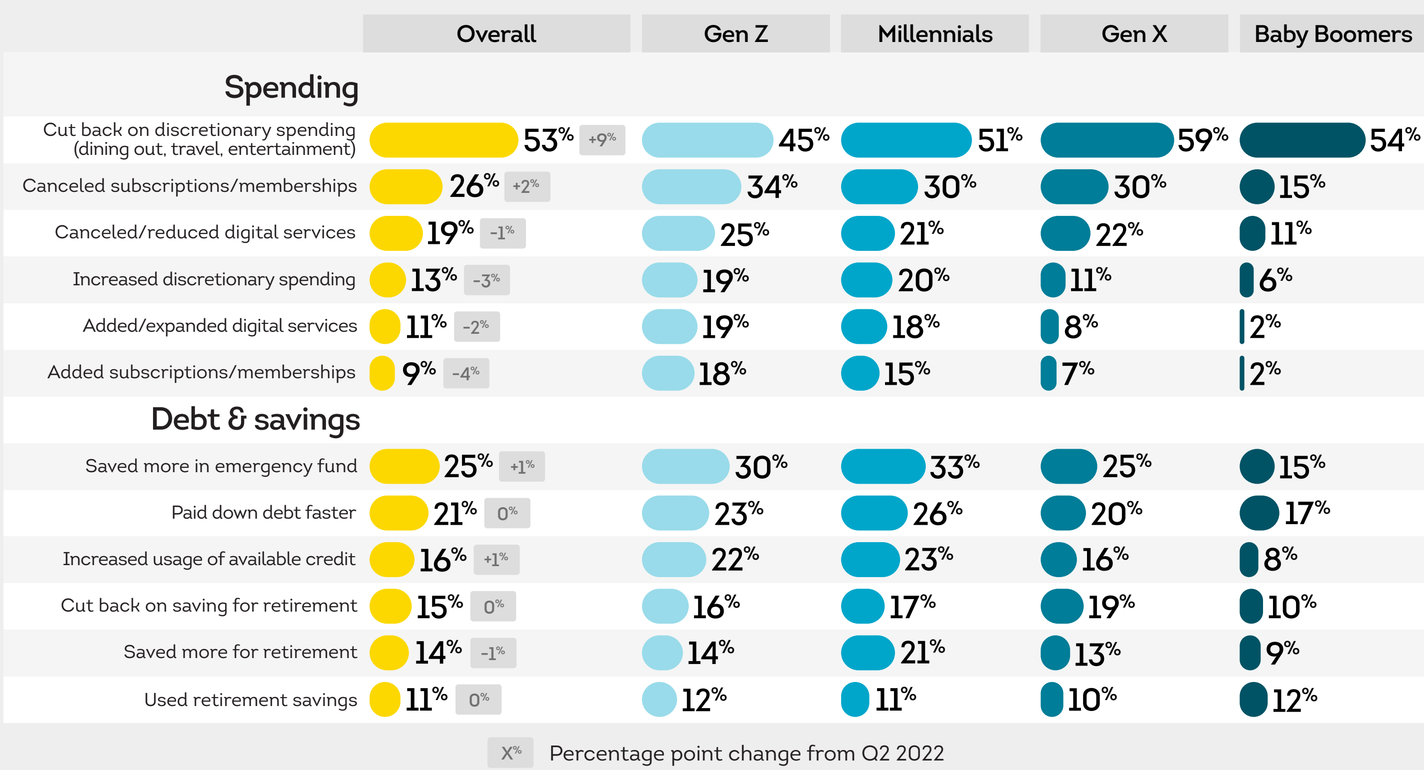


Figure 6. Plans to pay current bills or loans (among those unable to pay bills/loans)

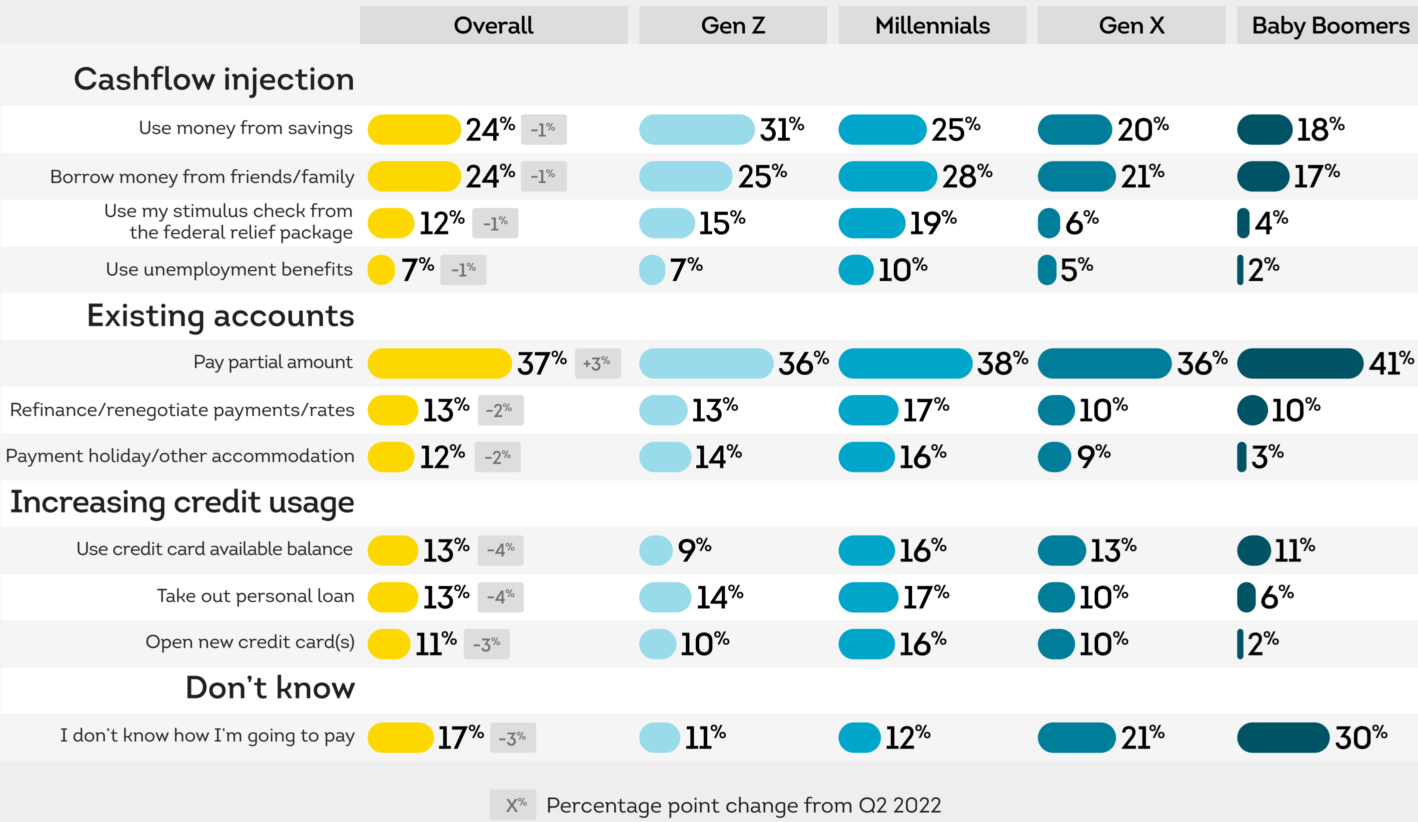
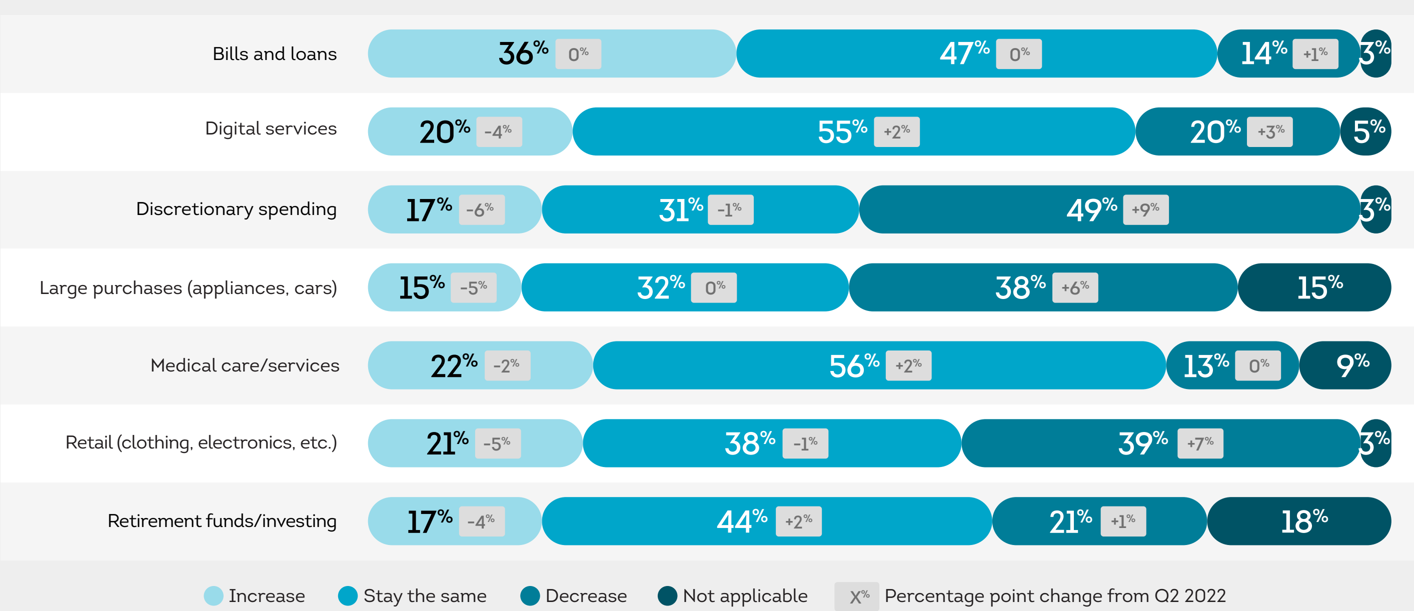


Figure 7. Expected change to household spending over next three months



Attitudes and plans for economic participation

Credit was seen as important to achieve financial goals by 87% of respondents; 46% said it's extremely or very important. Overall, 59% agreed they have sufficient access to credit and lending products. Only 41% of Gen Z, which is still relatively new to credit, reported having sufficient access compared to 71% of Baby Boomers.

Consumers' top three financial concerns were inflation of everyday goods (79%), fears of recession (55%) and high home prices (39%), all higher than new COVID-19 variants, jobs or rising interest rates. Perhaps to keep up with inflation and a possible recession, of those who planned to apply for new credit, more than half (53%) said they'll apply for a new credit card, an eight-percentage point jump from last quarter. While high home prices, rising mortgage rates and limited vehicle inventory may be constraining large purchases, 28% of respondents who planned to apply for credit said they'll seek a new mortgage, and 25% a new auto loan or lease.

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

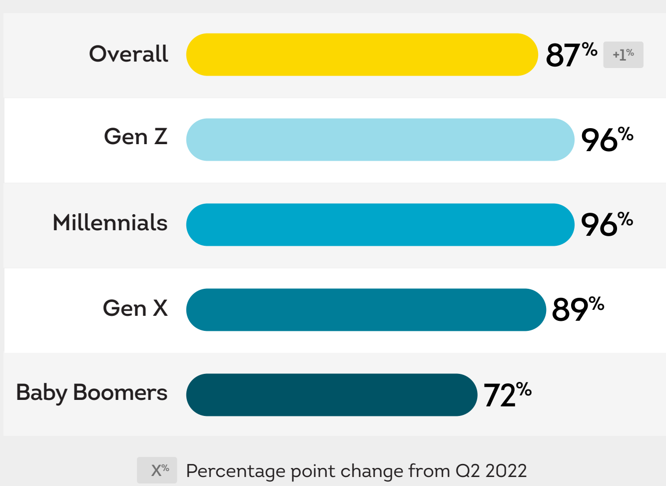


Figure 9. Believe have sufficient access to credit and lending products

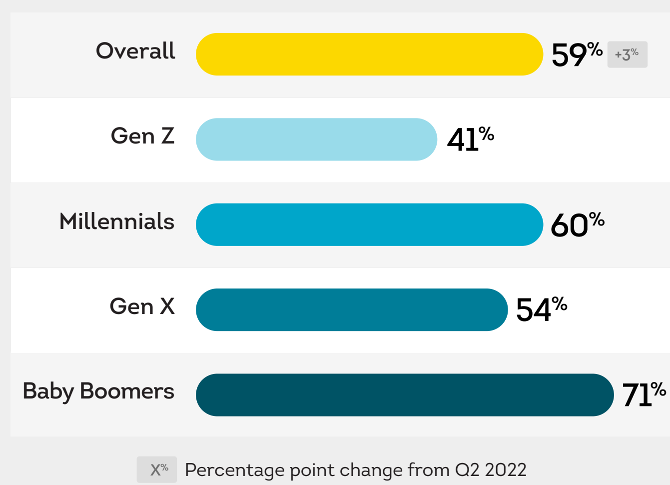


Figure 10. Plan to apply for new credit or refinance existing credit within the next year

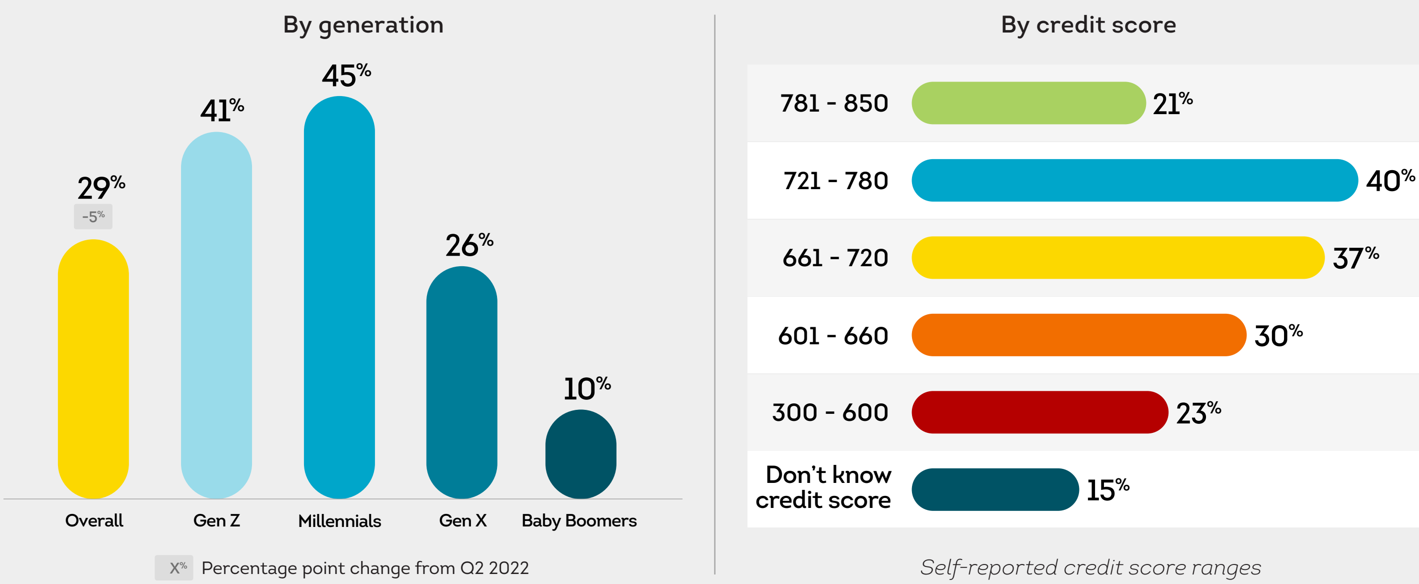


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Figure 11. Type of new credit and loan activity planned in next 12 months
(among those who plan to apply for new or refinance existing credit)

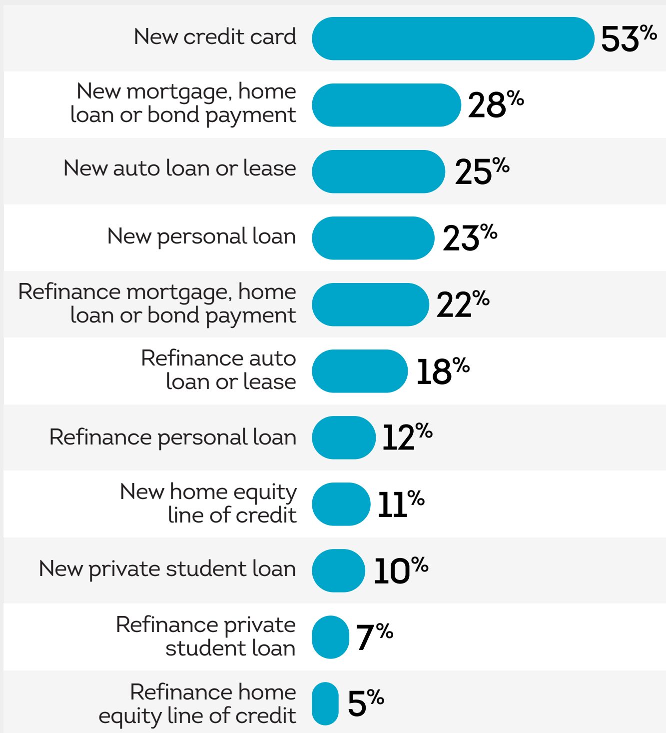


Figure 12. Abandoned plan to apply for new credit or refinance

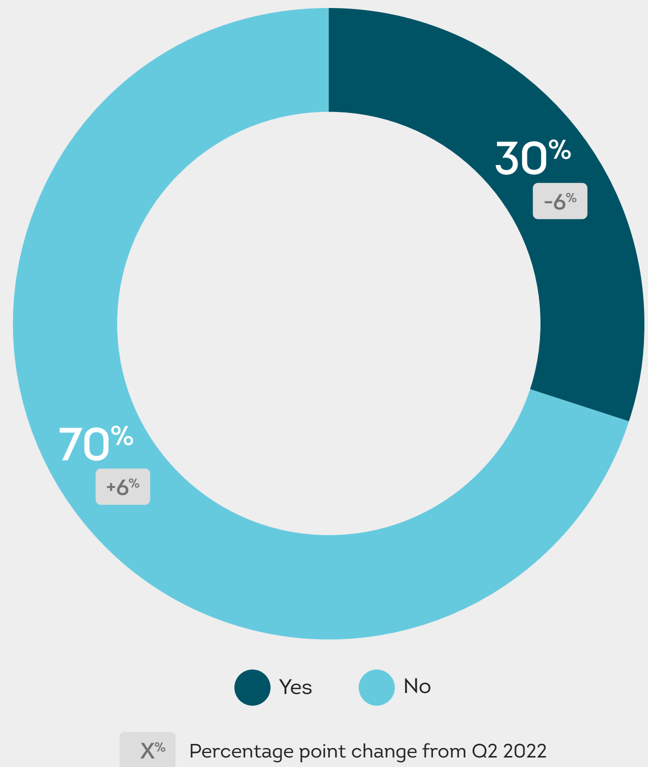
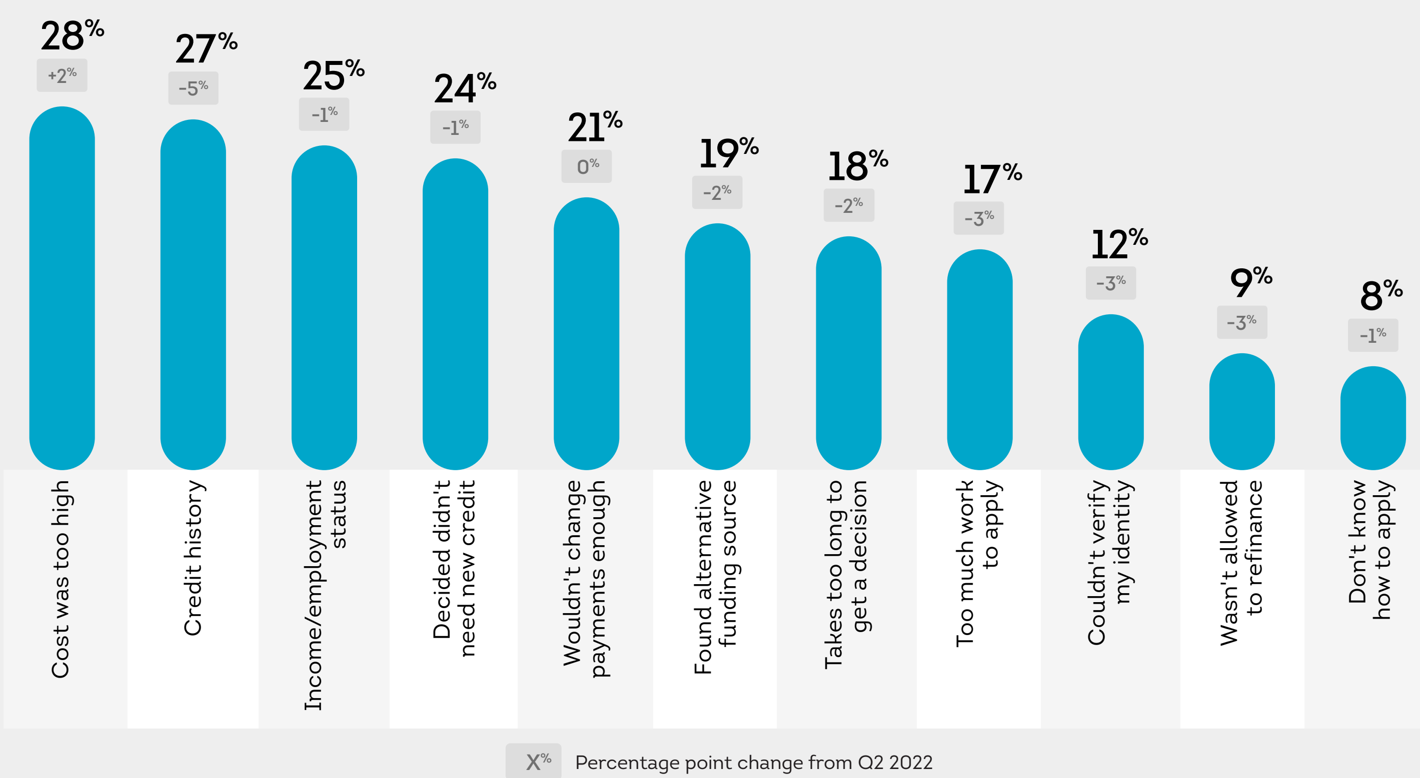


Figure 13. Reasons for abandoning application for new credit or refinance



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Attitudes and behavior to manage financial choices

Consumers appeared to recognize the value of monitoring their credit report. Nearly all (93%) believed monitoring credit was at least slightly important, and 61% reported monitoring their credit at least monthly.

More than a third (36%) believed their credit score would increase if businesses used information not found on a standard credit report, such as rental payments and buy now, pay later loans. However, this metric jumped to 48% with Millennials and 46% among Gen Z – much higher than older generations.

More than one in three (37%) of all consumers reported the majority of their transactions were done online. Interestingly, Millennials and Gen X were most likely to say they conduct most of their transactions online – 41% and 39%, respectively. Surprisingly, only 29% of Gen Z reported using online channels for the majority of their transactions, the least of all generations.

Figure 14. Credit monitoring frequency

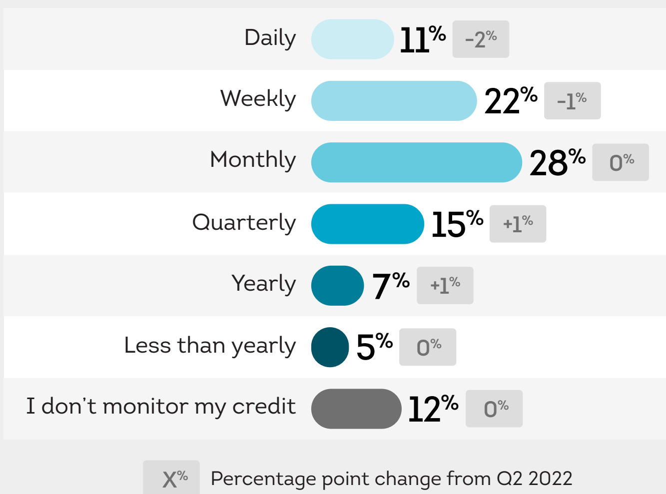


Figure 15. Believe monitoring credit is important

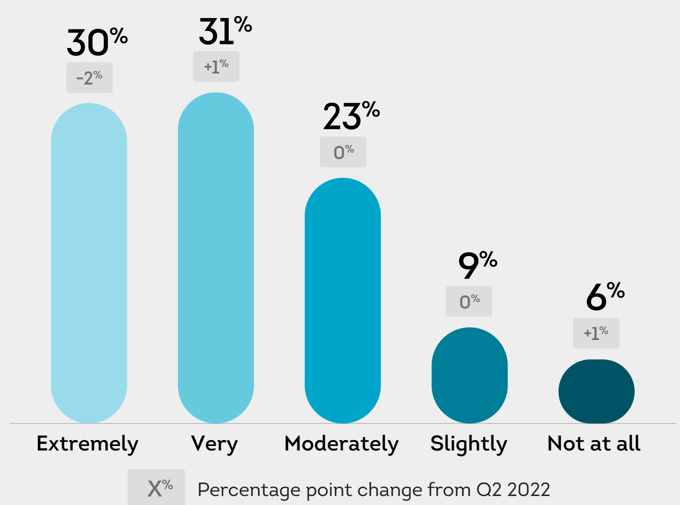


Figure 16. Percentage of transactions done online

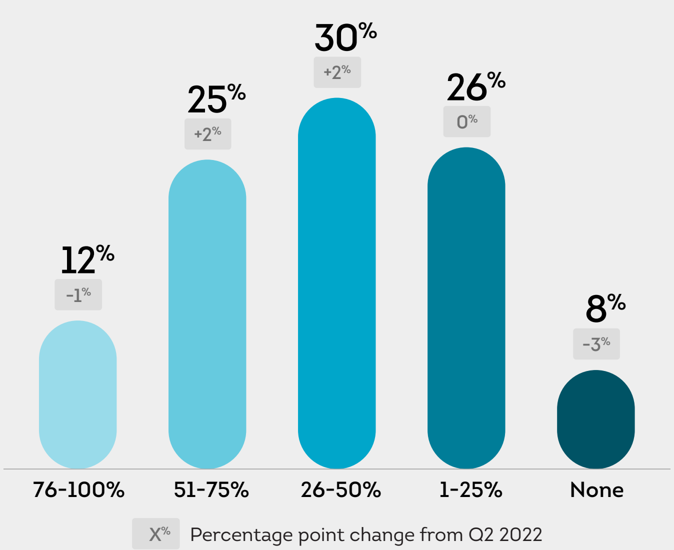
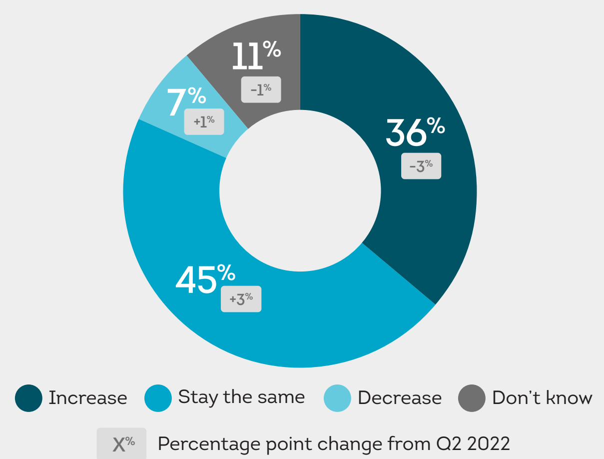


Figure 17. How believe credit score would change if businesses used information not on standard credit report

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



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IDENTITY PROTECTION

Identity risks and usage

The number of people who reported experiencing digital fraud attempts and falling victim to them was 34% and 9%, respectively – statistically flat from Q2 2022. Consumers who said they were targeted reported the top fraud schemes as phishing (30%), stolen credit cards or fraudulent charges (26%), money or gift card scams (24%) and identity theft (23%). Given about a third reported being targeted by digital fraud, consumers are very aware of fraud sources. Over half (57%) of consumers reported being most concerned about having their personal information exposed in a data breach; 54% about viruses or malware; and 35% with email phishing.

Since fraud schemes represent some use of personal information, it's not surprising consumers are protective of their identities. Most consumers (75%) were concerned with sharing personal information; one-third reported they're very concerned. When asked why they're concerned with sharing personal information, nearly three-quarters said they didn't want their identities stolen.

Consumer use of online applications was significantly affected by the type of personal information being requested. When it comes to completing an online application for a financial service or credit product, 67% of Americans reported they would abandon the application if asked to provide their Social Security number, 47% their driver's license number, 21% their phone number and 19% their email address.

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

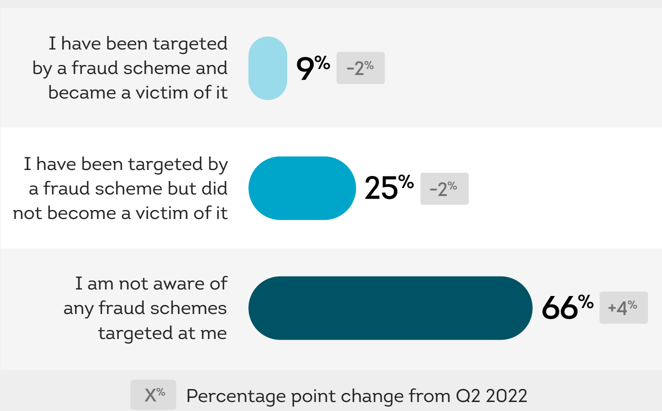


Figure 19. Most frequent fraud schemes targeting consumers
(among those targeted with digital fraud)

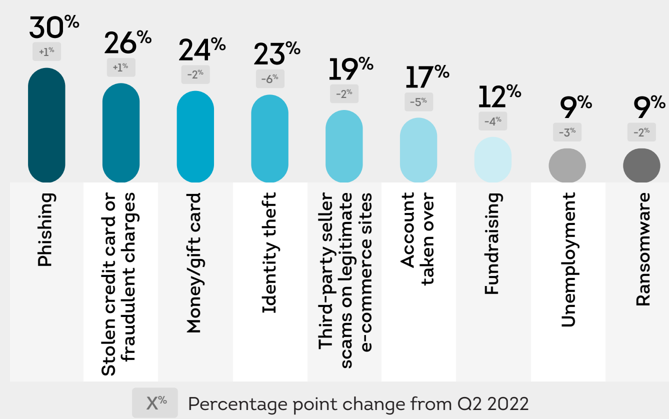


Figure 20. Concern with sharing personal information

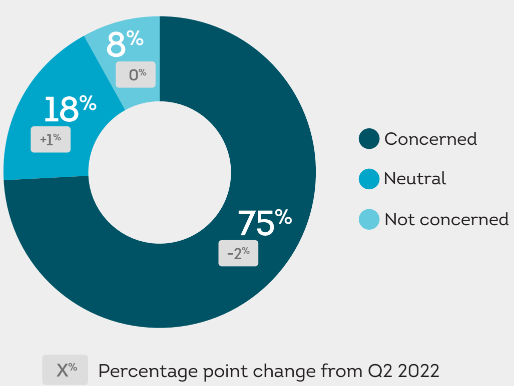
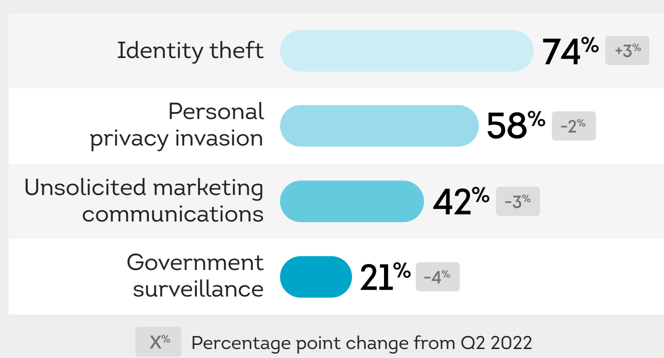


Figure 21. Reasons concerned about sharing personal information



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Research Methodology

This online survey of 3,000 adults was conducted Aug. 11–18, 2022 by TransUnion in partnership with third-party research provider, Dynata. Adults 18 years of age and older residing in the United States were surveyed using an online research panel method across a combination of desktop, mobile and tablet devices. Survey questions were administered in English. All states are represented in the study survey responses. To ensure general population sample representativeness across United States resident demographics, the survey included quotas to balance responses to the census statistics on the dimensions of age, gender, household income, race 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 ±1.79 percentage points based on calculated error margin.

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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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