TransUnion

Consumer Pulse Study

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

US 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

Consumer optimism held despite worsening household finances: In Q4 2022, just over half (52%) of Americans reported being optimistic about their household finances in the next 12 months, flat with Q3 2022 at 53%. About a quarter (26%) of Americans said they were pessimistic about their household finances in the next 12 months, with 21% being neutral. The optimistic majority contrasted with the 46% of consumers who said their household finances were worse than planned; 16 percentage points higher than in Q1 2022. Only 23% said their household finances were better than planned and 31% as planned.

Not surprisingly, optimistic Americans were in better financial shape overall; 38% of optimists said their household finances were better than planned compared to just 5% of pessimists. In addition, 71% of optimists said they anticipated increased income in the next 12 months compared to just 28% for pessimists.

Inflation causing 'personal recession' for consumers: While only 35% of consumers reported the US economy was currently in a recession, the majority of Americans could be experiencing a 'personal recession'; 54% reported their incomes were not keeping up with inflation. Furthermore, the majority of all surveyed consumers said their incomes remained unchanged in the last three months.

In regards to inflation, 46% of Americans reported it as their top financial concern in the next six months, and 83% said it was in their top three. The feeling of losing ground impacted budgets and will drive spending behavior changes in the future. Of those for whom inflation was a top three concern, 71% planned to cut spending to prepare for a possible recession vs. 55% of all others.

Consumers continue to turn to credit cards: About one in four (26%) consumers reported plans to seek new credit or refinance in the next year. Of those, 53% planned to apply for a credit card – more than double all other credit types: car loan/lease (23%), personal loan (22%), mortgage (17%), new HELOC (14%), and refinance mortgage (14%). Consumers who planned to apply for credit cards were more optimistic about their finances in the next year; 66% vs. 52% overall.

FINANCIAL HEALTH

Household income (HHI), spending and bill payment impact

The majority of Americans in Q4 2022 reported their incomes were essentially flat; 51% of respondents indicated no change. Nearly equal proportions of respondents indicated an increase (24%) compared to a decrease (25%). Despite a majority (52%) of Americans having an optimistic outlook regarding household finances in the next year, even more (54%) reported their incomes were not keeping up with inflation. In fact, as incomes remained static in Q4, rising inflation could mean more than half of Americans are experiencing a 'personal recession.' Consequently, two distinct patterns of future spending behavior appeared in Q4: optimists who were better positioned financially and those most concerned about inflation who were not keeping pace.

Optimistic Americans plan more spending

Americans most optimistic about their household finances in the next year will behave very differently than those who reported being pessimistic. During Q4, 38% of optimists reported household finances better than planned vs. 5% of pessimists. Inflation appeared to be the culprit as 41% of optimists said their household incomes were keeping up with inflation compared to just 5% of pessimists. While consumers in general reported cutting spending, fewer optimists said they cut discretionary spending like dining out, travel and entertainment during the past few months than pessimists (51% vs. 75% respectively). In addition, more optimists planned on increasing spending in the next three months compared to pessimists: discretionary spending 20% vs. 7%; large purchases 19% vs. 8%; and retirement funding/investing 24% vs. 5%.

Younger consumers tended to be more financially optimistic in Q4. Among generations, 64% of Millennials, 61% of Gen Z, 48% of Gen X, and 43% of Baby Boomers reported being optimistic about their household finances in the next year. Optimism was heavily weighted toward the highest income band; 55% of those having a reported income of at least $100,000 annually said they're optimistic, the highest among any income level.

Those concerned with inflation experienced a 'personal recession'

Eighty-three percent of Americans who reported inflation in their top three financial concerns were struggling more – as 49% indicated their household finances were worse than planned compared to 33% of all others. These consumers were more likely experiencing a 'personal recession' given 59% of them reported their incomes were not keeping up with inflation compared to just 32% for all others. They were also less optimistic about their future finances; 49% optimistic vs. 70% of all others.

Consequently, those most concerned about inflation were more likely to cut spending and less likely to seek new financing in the future. Nearly three-quarters (71%) of those who reported inflation in their top three financial concerns planned to cut spending to prepare for a possible recession compared to 55% of all others. The biggest areas of reduced planned spending for inflation concerned were discretionary spending (58% vs. 42% for all others) and retail (46% vs. 31% for all others). Furthermore, 23% of those who reported inflation in their top three financial concerns said they're going to apply for new or refinance existing credit in the next year compared to 37% of all others.

Inflation concerned consumers were more likely to be older; 86% of Gen X and 87% of Baby Boomers cited inflation in their top three household financial concerns compared to 77% of Gen Z and 78% of Millennials. As far as income, 85% of those who reported middle incomes ($50,000 to $99,999) said inflation was in their top three household financial concerns, the highest among income levels. Among credit scores, those with the best reported scores (781–850) had the highest inflation concern at 86%.

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Figure 1. Household income change last three months

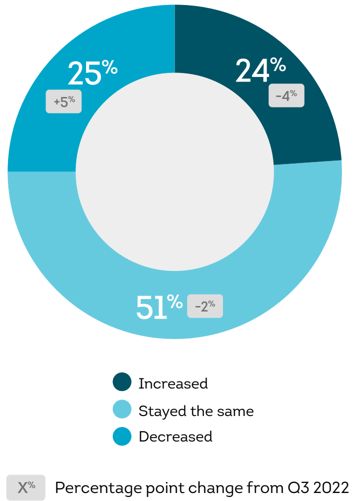

Figure 2. Expected household income change next 12 months

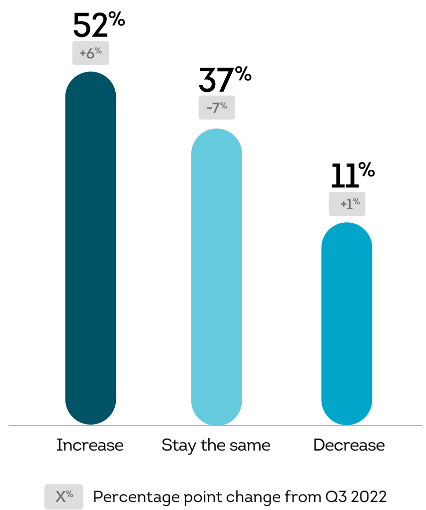

Figure 3. Expect to be unable to pay at least one of their current bills and loans in full

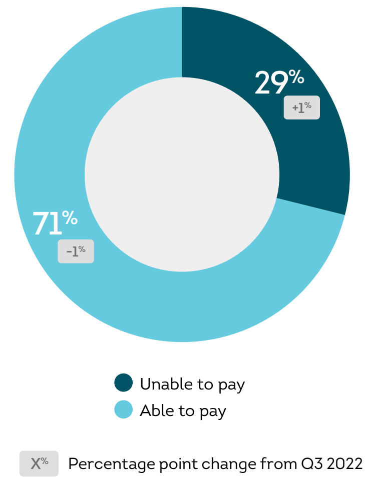

Figure 4. Reasons for change in current household income

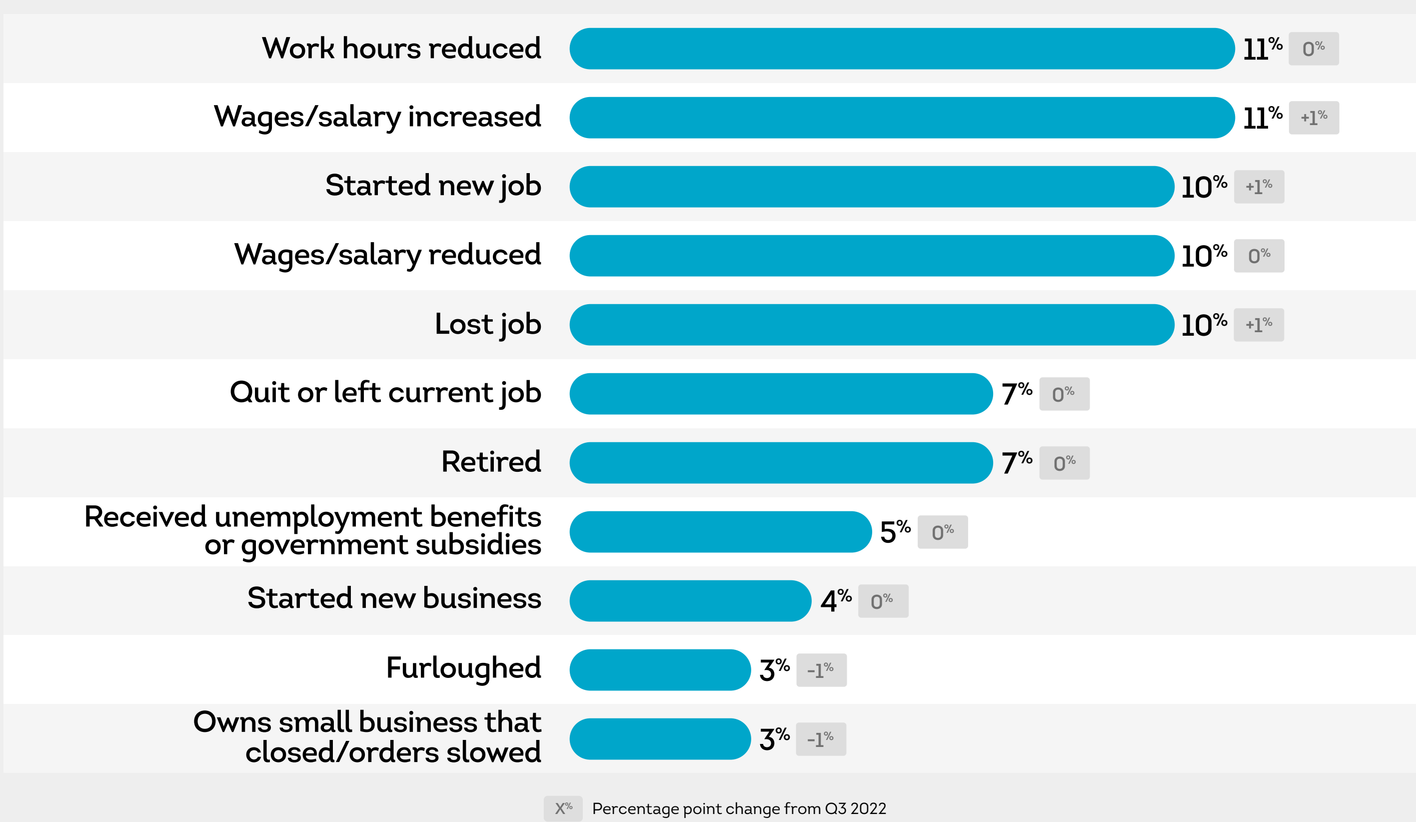

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Figure 5. Changes to household budget in the last three months

	Overall	Change	Gen Z	Millennials	Gen X	Baby Boomers
Spending						
Cut back on discretionary spending (dining out, travel, entertainment)	58%	+5%	53%	61%	64%	54%
Canceled subscriptions/memberships	32%	+6%	40%	38%	36%	21%
Canceled/reduced digital services	21%	+2%	24%	26%	25%	12%
Increased discretionary spending	11%	-2%	13%	17%	11%	7%
Added subscriptions/memberships	9%	0%	17%	16%	7%	3%
Added/expanded digital services	8%	-2%	15%	14%	5%	3%
Debt & savings						
Saved more in emergency fund	24%	-1%	33%	28%	23%	17%
Paid down debt faster	23%	+1%	26%	28%	22%	19%
Increased usage of available credit	17%	+1%	18%	25%	20%	10%
Cut back on saving for retirement	15%	0%	13%	18%	18%	11%
Saved more for retirement	12%	-2%	13%	16%	11%	9%
Used retirement savings	11%	0%	9%	10%	11%	14%

X% Percentage point change from Q3 2022

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

	Overall	Change	Gen Z	Millennials	Gen X	Baby Boomers
Cashflow injection						
Use money from savings	24%	0%	33%	22%	20%	23%
Borrow money from friends/family	24%	0%	34%	28%	19%	14%
Use my stimulus check from the federal relief package	10%	-2%	15%	13%	5%	8%
Use unemployment benefits	4%	-3%	10%	5%	1%	0%
Existing accounts						
Pay partial amount	40%	+2%	42%	39%	40%	38%
Refinance/renegotiate payments/rates	11%	-2%	8%	13%	12%	8%
Payment holiday/other accommodation	8%	-4%	10%	13%	5%	2%
Increasing credit usage						
Use credit card available balance	13%	0%	16%	14%	12%	10%
Take out personal loan	12%	-1%	14%	17%	9%	3%
Open new credit card(s)	8%	-3%	10%	9%	8%	6%
Don't know						
I don't know how I'm going to pay	17%	0%	12%	15%	22%	19%

X% Percentage point change from Q3 2022

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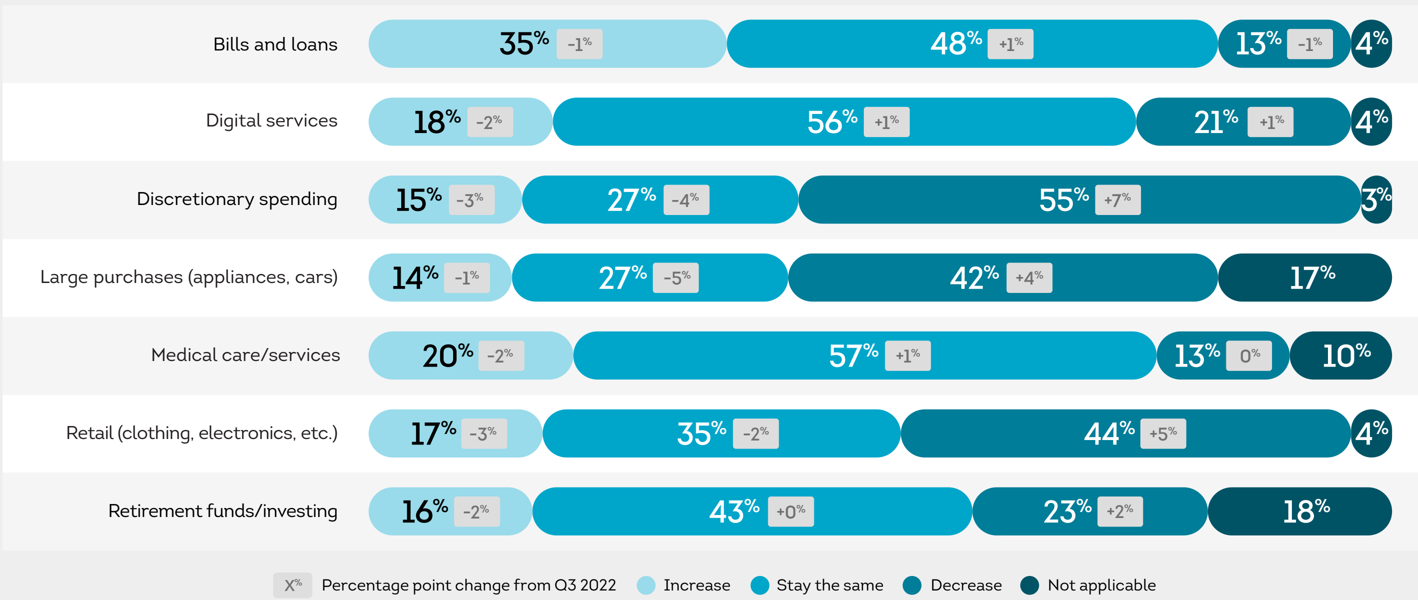
Figure 7. Expected change to household spending over next three months



Attitudes and plans for economic participation

Rising interest rates resulting from US monetary policy to bring down high inflation appeared to have an impact on consumer plans for credit in the coming year. While 88% of Americans said access to credit was at least slightly important to achieve their financial goals in Q4, only 26% planned to apply for new credit in the next 12 months, down three percentage points from Q3 and 12 percentage points from Q1 2022.

Given the high cost and limited inventory of housing and autos coupled with higher interest rates, it's not surprising consumers in Q4 said they planned to apply for fewer mortgages and auto loans or leases in the next year than in Q3. Plans to apply for a new mortgage in the coming year dropped 11 percentage points, and refinancing a mortgage dipped eight percentage points from Q3. Also, future plans to refinance an auto loan/lease dropped seven percentage points. Contrary to these trends, of the 26% who planned to apply for new credit in the next 12 months, 53% planned to apply for a new credit card (the same as Q3 2022).

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

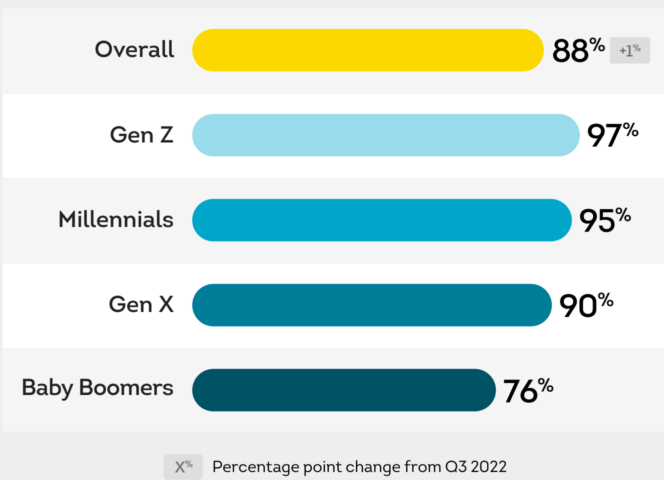


Figure 9. Believe have sufficient access to credit and lending products

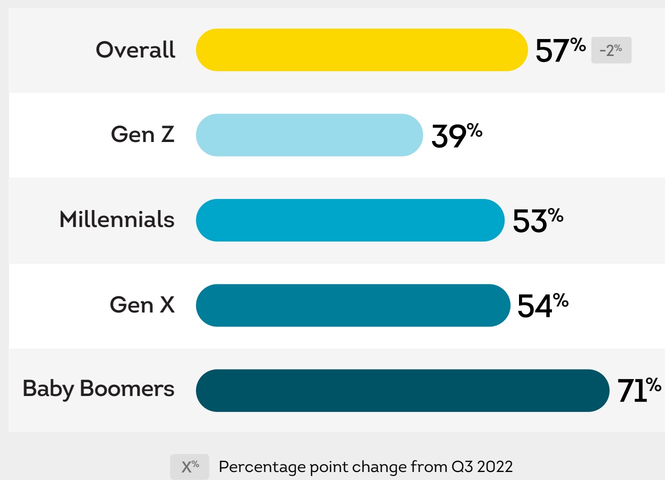


Figure 10. Plan to apply for new credit or refinance existing credit within the next year

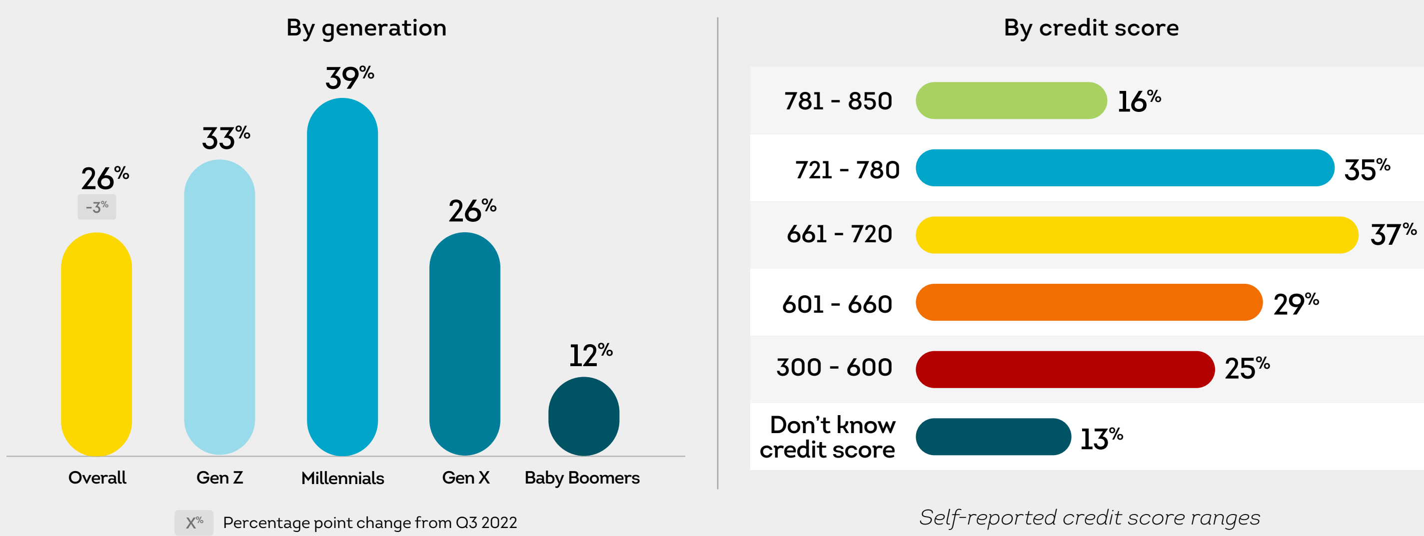


Figure 11. Type of new credit and loan activity planned in next 12 months
(among those who plan to apply for new or refinance existing credit)

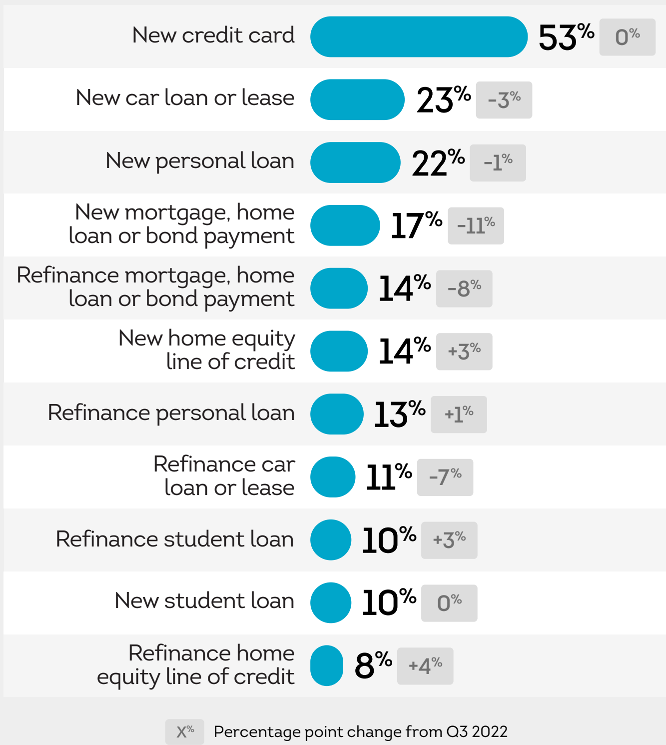


Figure 12. Abandoned plan to apply for new credit or refinance

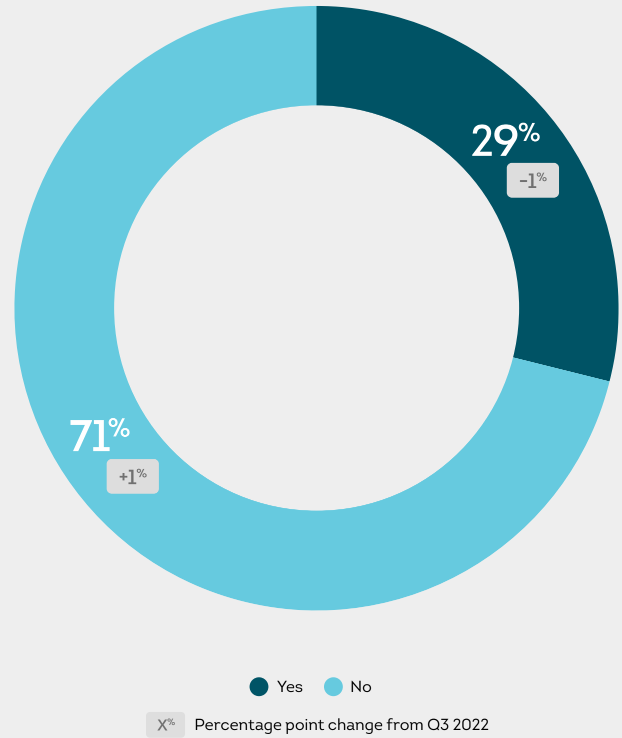
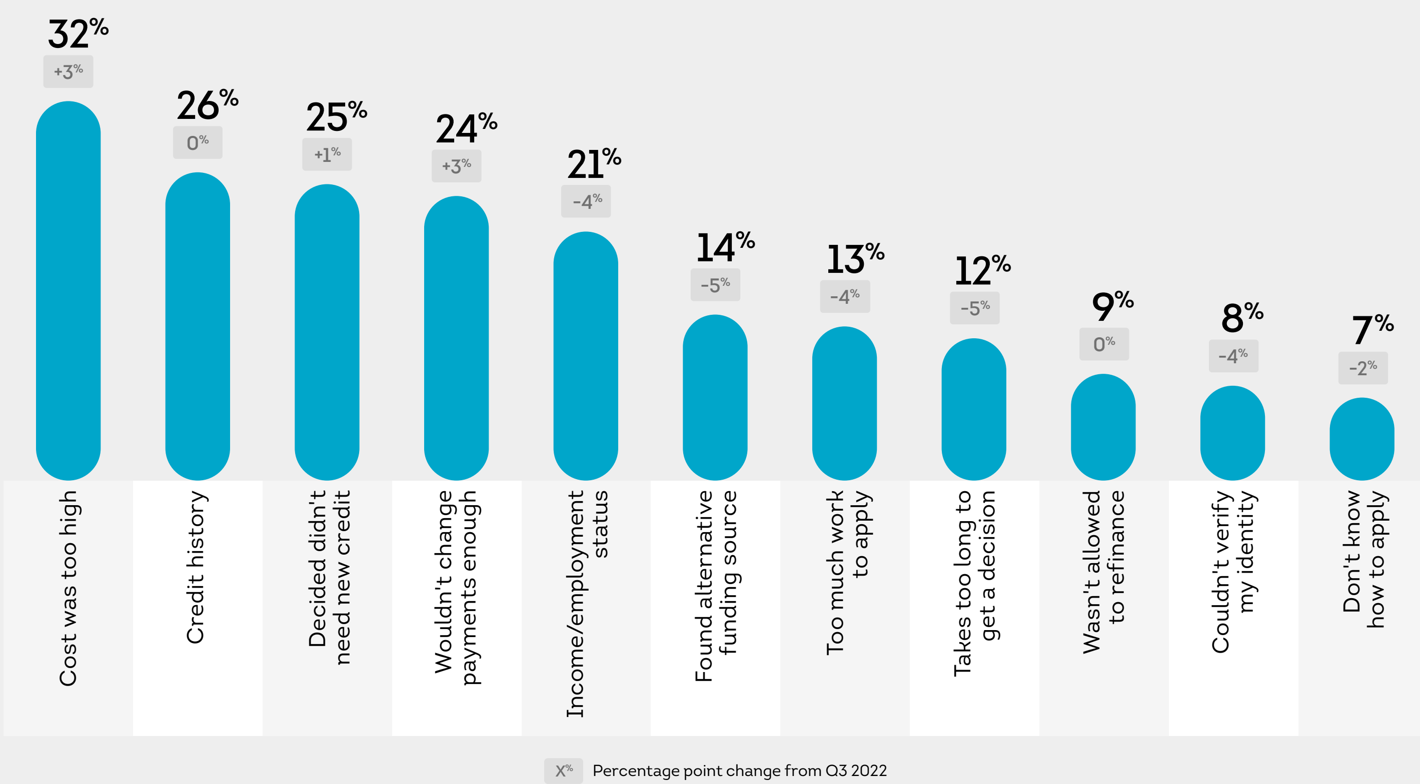


Figure 13. Reasons for abandoning application for new credit or refinance



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CONSUMER EMPOWERMENT

Attitudes and behavior to manage financial choices

Nearly all (93%) consumers believed monitoring credit is at least slightly important, and half reported monitoring their credit at least monthly. Millennials tended to be more focused on credit; 96% believed monitoring credit is at least slightly important, and 61% reported monitoring their credit at least monthly – both of which were the highest among all generations.

Nearly four in five (78%) of all respondents believed their credit scores would increase or stay the same if businesses used information not found on a standard credit report, such as rental payments and buy now, pay later loans. This metric jumped to 83% with Millennials, the highest among any generation.

Nearly 2 in 5 (39%) consumers reported most of their transactions are done online. Gen X and Millennials said they conducted the majority of their transactions online (45% and 42% respectively), while only 29% of Gen Z reported doing so.

Figure 14. Credit monitoring frequency

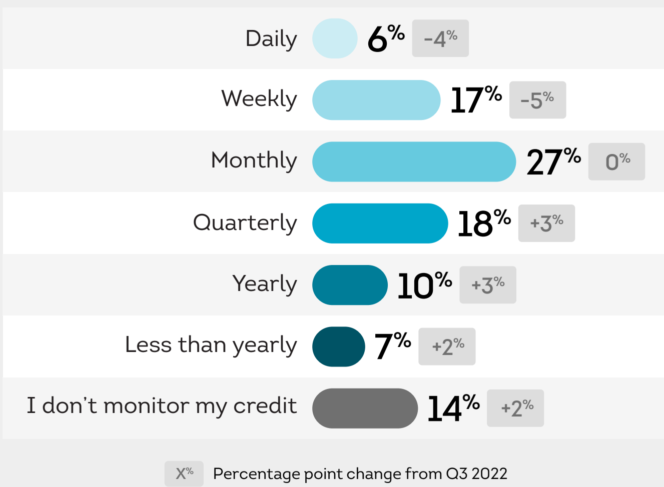


Figure 15. Believe monitoring credit is important

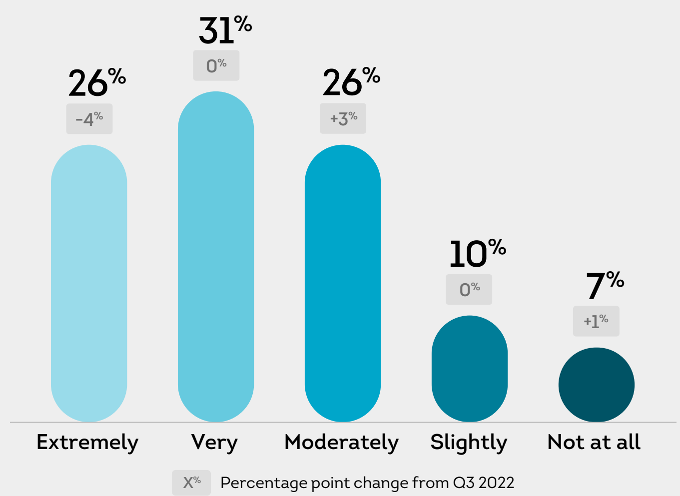


Figure 16. Percentage of transactions done online

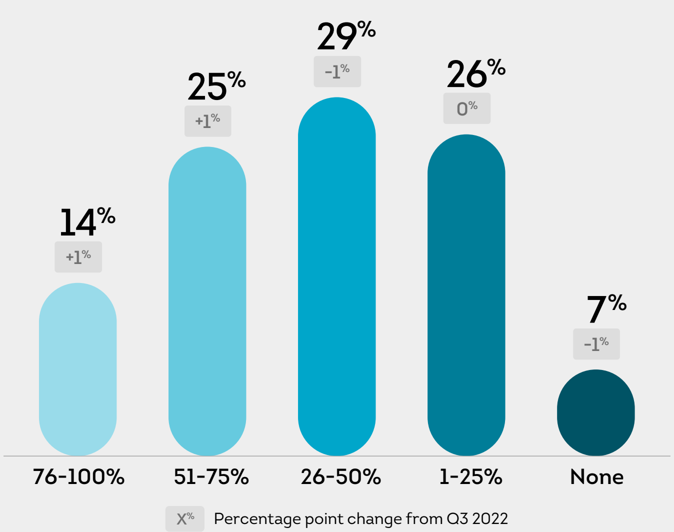
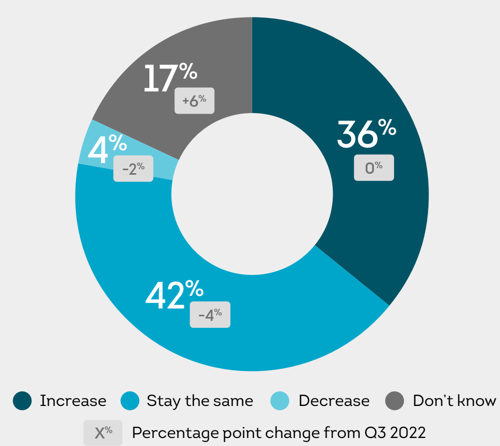


Figure 17. How believe credit score would change if businesses used information not on standard credit report

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



IDENTITY PROTECTION

Identity risks and usage

The number of people who said they experienced digital fraud attempts over the last three months was 31%. Of those who said they experienced digital fraud, 8% claimed they fell victim. Consumers who said they were targeted reported the top fraud schemes they experienced were: phishing (34%), stolen credit card or fraudulent charges (29%), money/gift card (25%), account takeover (21%), and identity theft and third-party seller schemes (19% each).

Consumers were concerned about being exposed to cybercrime. Nearly two-thirds (62%) were most concerned about having their identities stolen in a cyberattack, a 10-percentage point increase from Q3. Over half (55%) of consumers reported being most concerned about having their credit cards/payment cards compromised, and 42% were most concerned about having a financial account compromised in a cyberattack. The top actions consumers said they took in the last 60 days in response to cybersecurity concerns were changed passwords (48%) and checked credit reports (38%). However, 33% said they hadn't taken any action, and among those, 50% did nothing because they were unsure of what actions to take.

Consumer use of online applications was significantly affected by the type of personal information being requested. When it came to completing an online application for a financial services or credit product, Americans reported they'd stop filling out their information if asked to provide their full Social Security number (81%), driver's license number (53%), phone number (22%) and email address (17%).

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

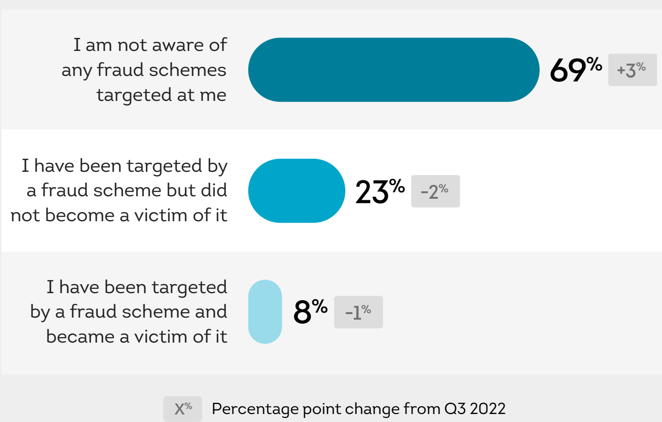


Figure 19. Most frequent fraud schemes targeting consumers
(among those targeted with digital fraud)

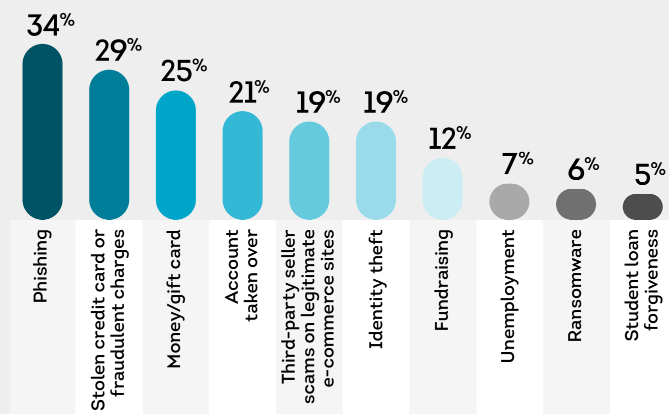


Figure 20. Concern with sharing personal information

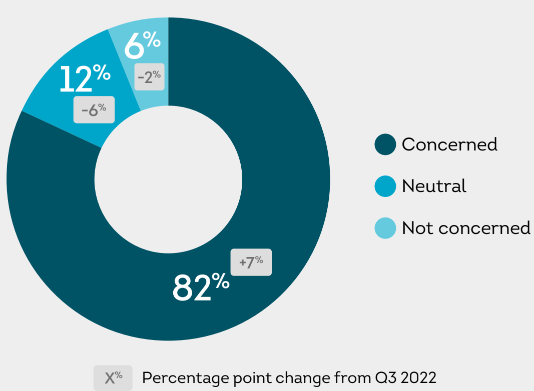
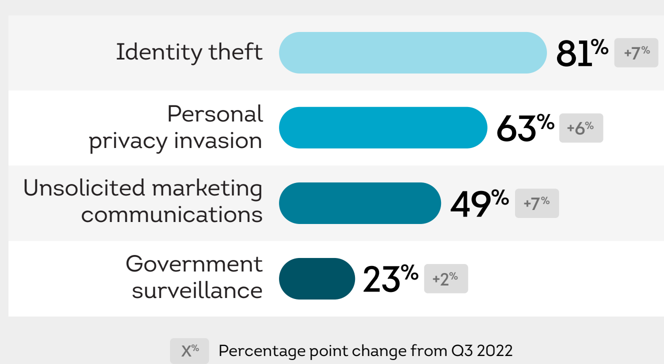


Figure 21. Reasons concerned about sharing personal information



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Research Methodology

This online survey of 2,835 adults was conducted Nov. 1–9, 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 ±1.84 percentage points based on 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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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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