



The COVID-19 Pandemic's Financial Impact on US Consumers: Consumer Pulse

Formerly Financial Hardship Report

One year after the World Health Organization declared COVID-19 a global pandemic on March 11, 2020, the economic impact continues. TransUnion is surveying consumers regarding their behavior and attitude changes based on how the crisis affected them financially. We're providing results to all to inform understanding and decision-making during this time of uncertainty.

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WAVE 16 REPORT

Data collected **Feb. 26 - March 1, 2021**

KEY TAKEAWAYS

A brighter path forward: 38% of US consumers said their household income remains negatively impacted due to the COVID-19 pandemic; 28% fewer than our first report in March 2020. While 5% of the population has thrived during the pandemic – reporting no income drop and better than planned finances – another 3% are devastated by reduced income and don't think they'll ever recover.

For those whose income has been reduced, 8% are resilient saying their finances have fully recovered, and another 27% are hopeful saying their finances will recover. Thirty-five percent of all consumers report their financial situation is stable.

Concern for those on the margin: 22% of individuals are in limbo because they're unsure or slightly doubtful their finances will recover. Only 7% started a new job or revenue generating activity compared to 16% of hopeful and 24% of resilient individuals. Half (51%) of those in limbo are low income (<\$50,000) and 59% are women.

Individuals in limbo are less likely to seek relief from bills. Only 22% said they have a financial accommodation compared to 53% for resilient and 38% for hopeful consumers. They're also the least prepared for the end of accommodation. While 60% of resilient and 33% of hopeful said they're fully prepared, only 8% of in limbo claim that. In fact, 31% said they're not at all prepared.

Vaccinations signal hope for recovery: Early signs indicate the COVID-19 vaccine is having a positive impact on consumer outlook. Of those who said they'd been fully vaccinated, 77% stated they're optimistic about the future compared to just 59% of those who had not been vaccinated.

FINANCIAL IMPACT

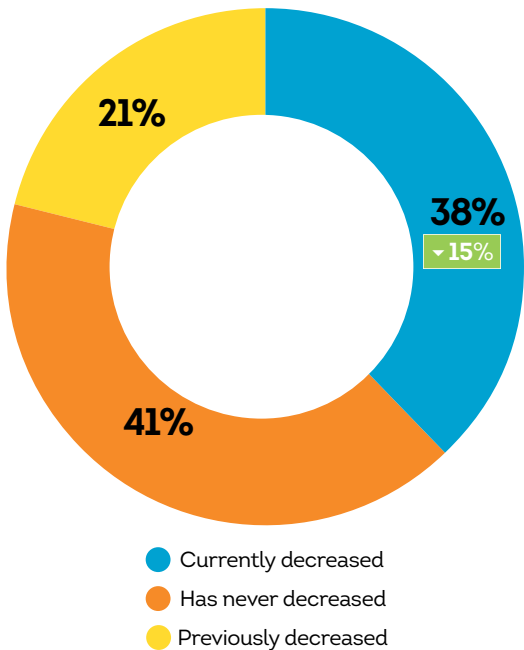
WHAT IS THE SCALE AND TYPE OF IMPACT?

Thirty-eight percent of consumers currently report a decrease in household income due to COVID-19, a 15-point decrease since March 2020. Reduced work hours and job loss continue to be the primary drivers. While financial hardship has been broadly felt, women have been significantly affected compared to men.

Women whose income is currently decreased are more likely to say their finances are worse than planned (58% vs. 34% of men). They're less likely to say their finances have recovered (6% vs. 18% of men), and are not saving more for retirement (12% vs. 25% of men) or paying down debt faster (20% vs. 29% of men).

Impacted women are also seeing fewer opportunities for generating income compared to men – with only 11% starting a new, full-time job vs. 23% of men; 12% working more hours vs. 23% of men; and 12% doing gig work vs. 20% of men.

Figure 1. Household income decreases due to pandemic



Percent changes from March 2020

Figure 2. Say finances have fully recovered
(among income currently decreased)

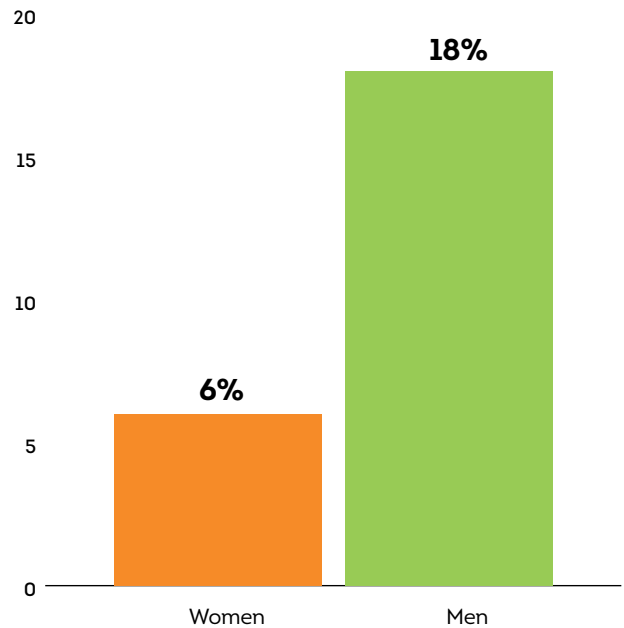
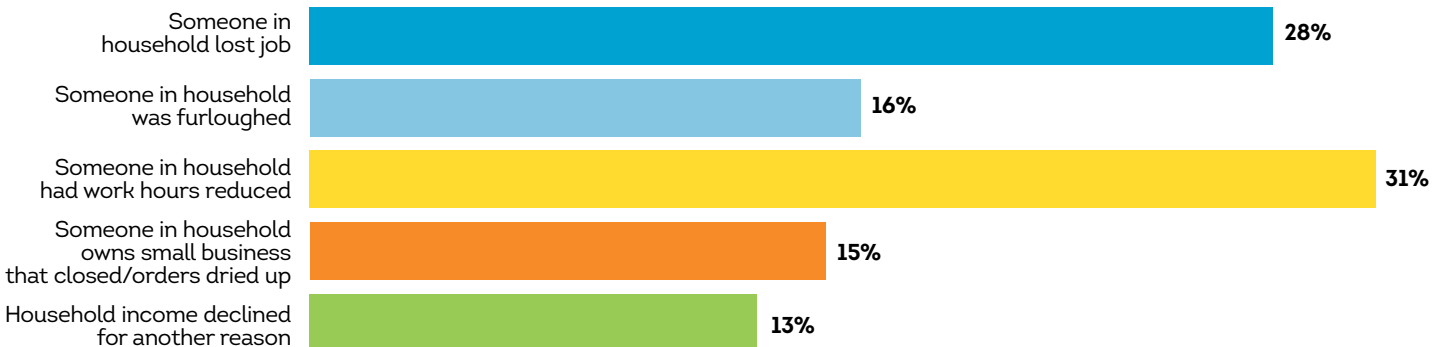


Figure 3. How income currently decreased



MANAGING THE HOUSEHOLD BUDGET

HOW ARE CONSUMERS CHANGING THEIR HOUSEHOLD BUDGET IN RESPONSE TO THE PANDEMIC?

Concern about the ability to pay bills and loans among consumers who stated their income is negatively impacted has remained consistently high (73% in March 2020 and 74% presently). More than a third (39%) of all middle and low-income consumers plan to use stimulus checks to pay their current bills or loans.

Consumers who are in limbo have taken more aggressive steps to reduce budgetary pressures. Comparing in limbo individuals to the total population, 62% of in limbo individuals cut back on discretionary spending vs. 45% overall; 38% cancelled subscriptions/memberships vs. 24% overall; and 19% cut back on savings for retirement vs. 13% overall. The uncertain future of those in limbo is leading them to curb future spending: 54% expect to decrease discretionary spending vs. 37% overall. Further, 47% expect to decrease in-store or online retail shopping vs. 28% overall, and 48% expect to decrease spending on large purchases vs. 32% overall.

Figure 4. Average time until unable to pay bills or loans
(among income currently decreased/unable to pay)



4.1 weeks

84% feel it's extremely or very important to have savings for unexpected events or financial setbacks
(among income currently decreased)

74% said having savings has become more important since the onset of the COVID-19 pandemic
(among income currently decreased)

Figure 5. Concerned paying bills (among income currently decreased)

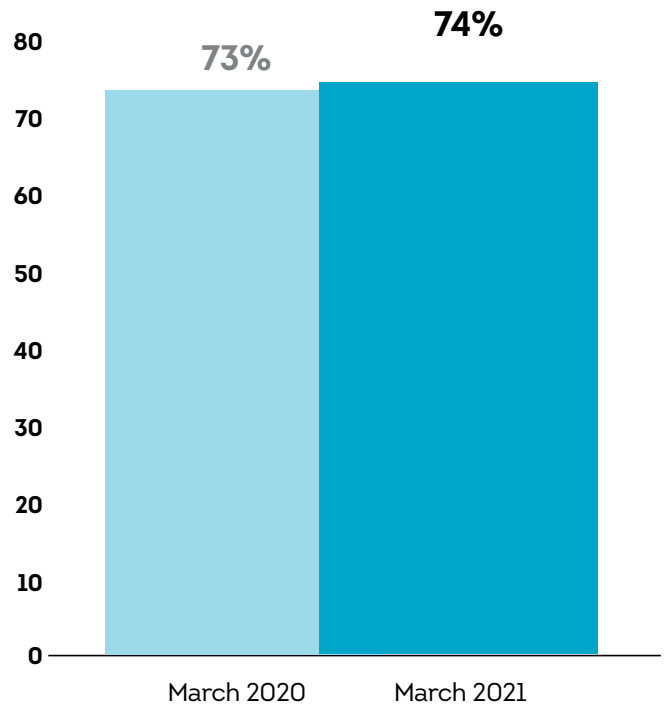
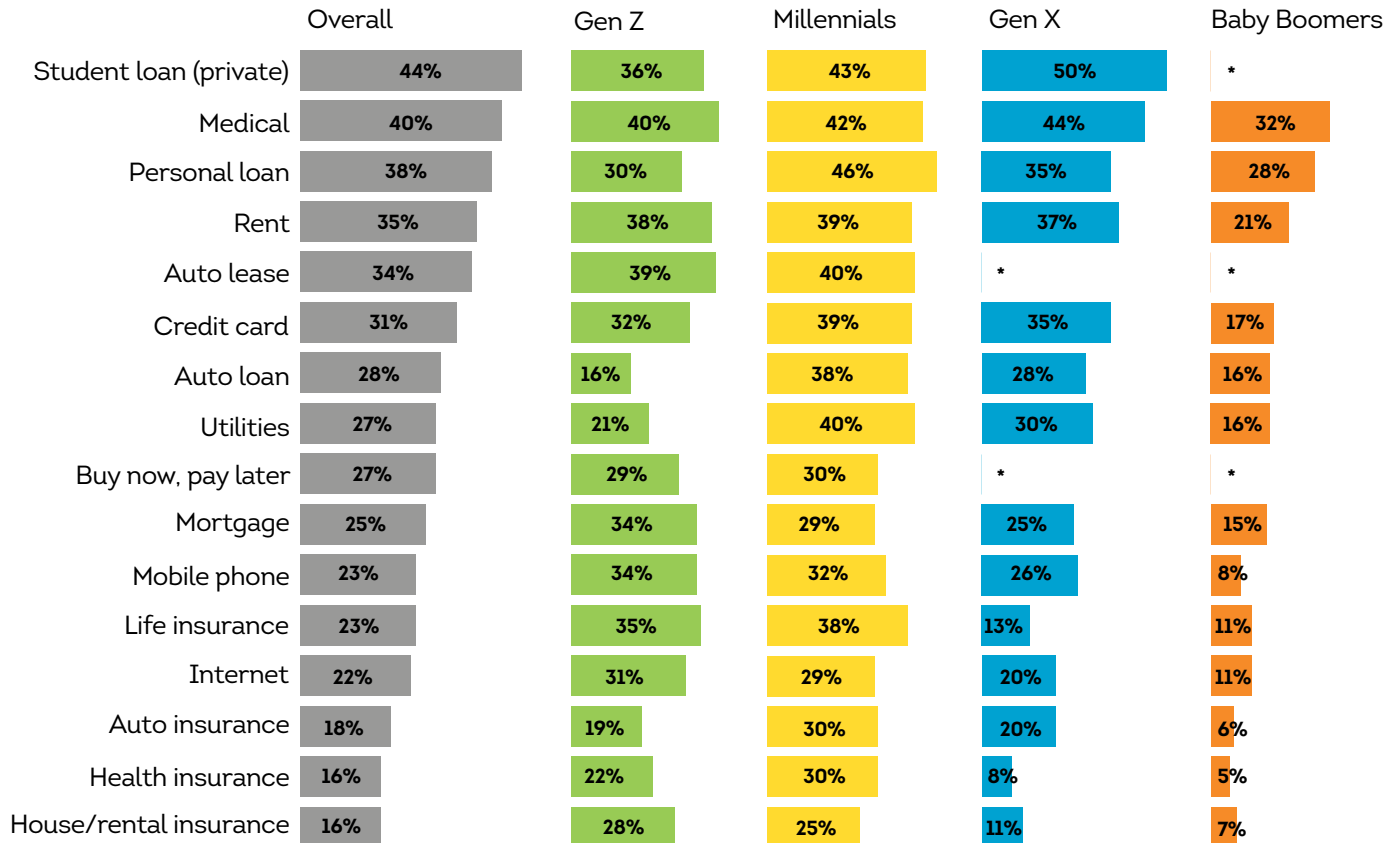
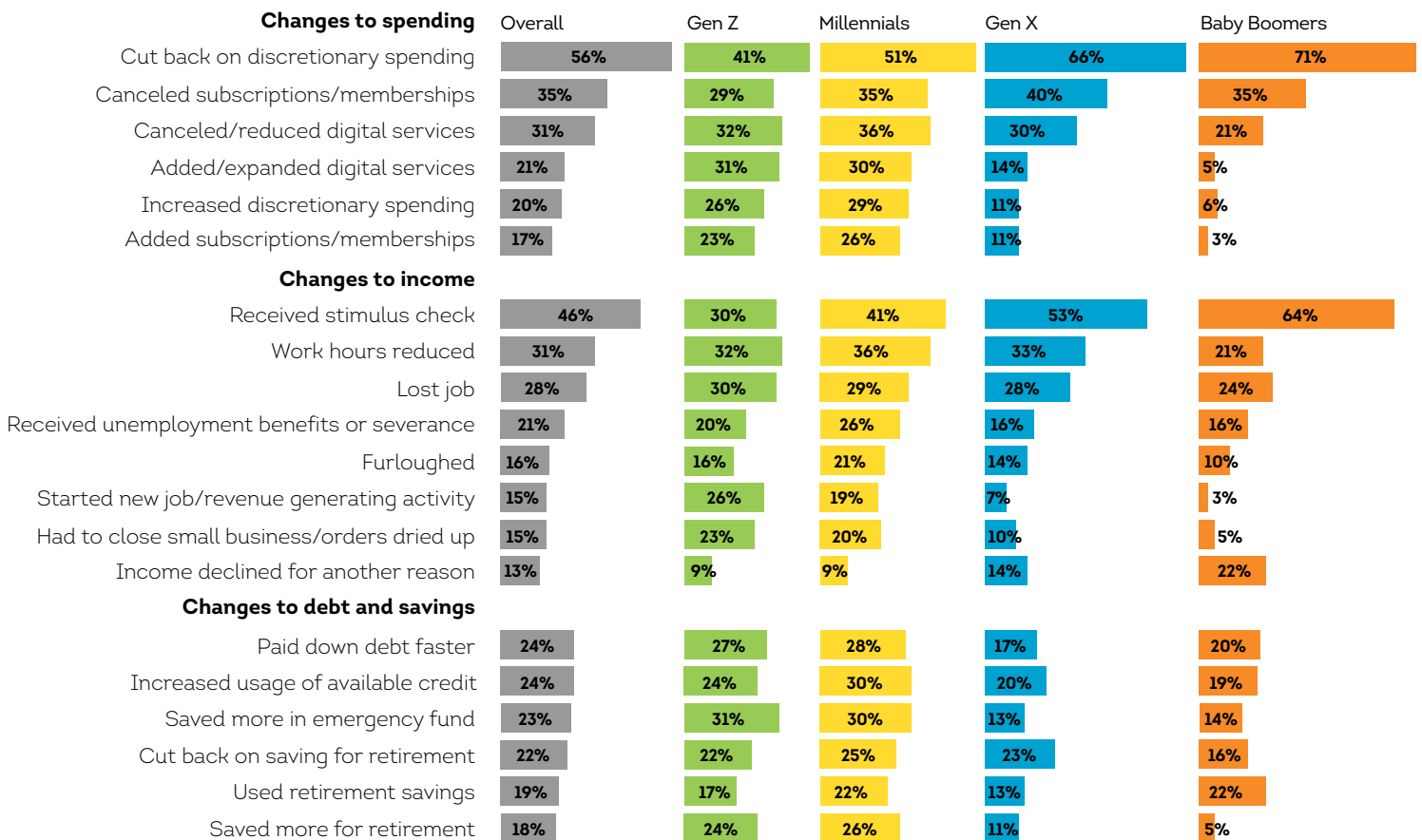


Figure 6. Which bills and loans will you not be able to pay? (among income currently decreased with these bills/loans)



* Response size too small

Figure 7. What has changed in your household budget? (among income currently decreased)



RECOVERY PLANS

WHAT DO CONSUMERS HAVE PLANNED FOR THEIR PATH FORWARD?

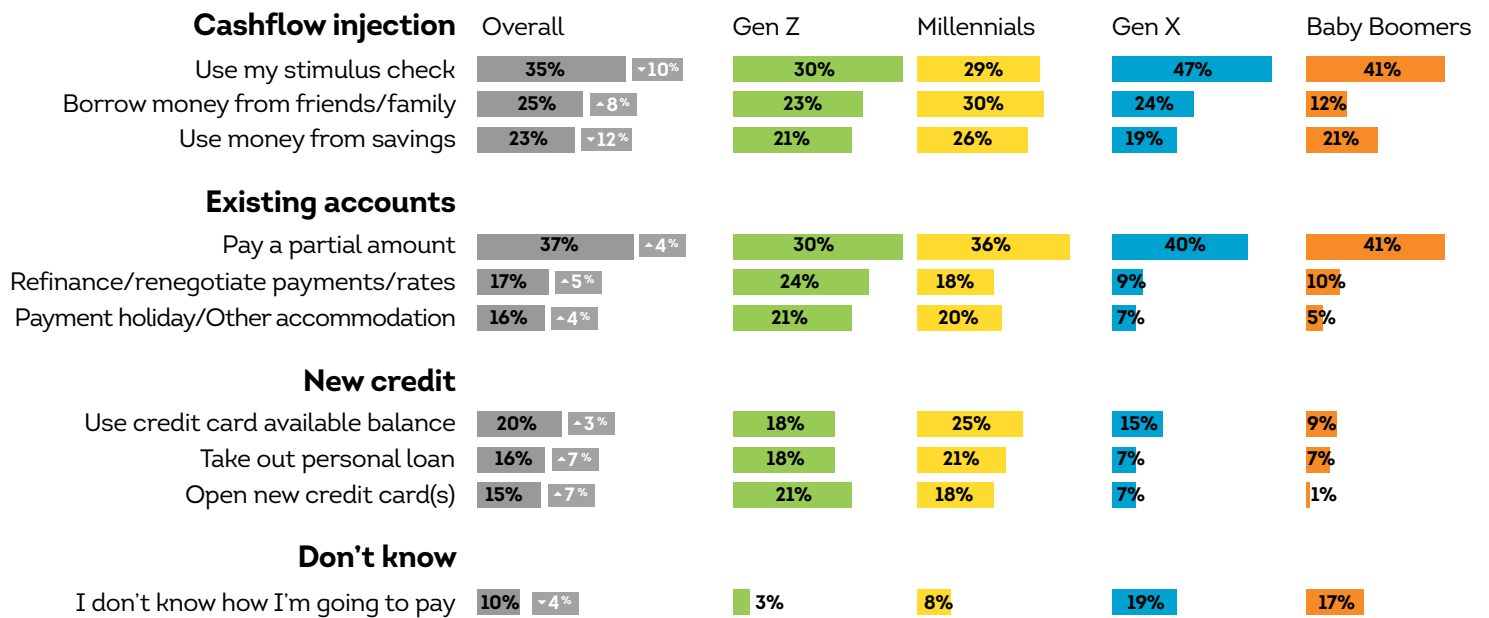
The 22% of consumers who say they enrolled in financial accommodation arrangements in the past year appear to be well prepared financially when they end. Among those consumers, 89% said they're at least somewhat prepared and 32% completely prepared. Only 11% say they're not prepared at all to exit financial accommodation. Accommodations include payment deferral, bill forbearance, payment holiday or eviction prevention.

Nearly a third of thriving and hopeful consumers expect to increase discretionary spending, 27% and 29%, respectively. Interestingly, resilient consumers, who were negatively impacted but have fully recovered, are the mostly likely to increase spending. More than half (54%) expect to increase retail spending; 53% expect to increase discretionary spending; 45% expect to increase medical care/services; and 49% expect to increase money toward their retirement funds and investing.

Compared to the beginning of the pandemic, fewer negatively impacted consumers are using their savings to pay their bills/loans. Only 23% of those in impacted households say they'll be able to use savings to pay their bills compared to April 2020 when 35% said they would, and 26% in November 2020.

More consumers with negatively impacted income are opting to borrow cash (25% vs. 17% in April 2020), take out personal loans (16% vs. 9% in April 2020) or open a new credit card (15% vs. 8% in April 2020) to cover their daily expenses. Interestingly, women who think they might not be able to pay their bills/loans in full are less likely to use credit options. To pay bills/loans, only 12% of women plan to use their credit card vs. 28% of men; 10% plan to take out a personal loan vs. 21% of men; and 9% plan to open a new credit card vs. 20% of men.

Figure 8. What is your plan to help pay your current bill(s) or loans? (among income currently decreased)



Percent changes from April 2020

Figure 9. Loans/bills enrolled in financial accommodation
(among those with that bill/loan)

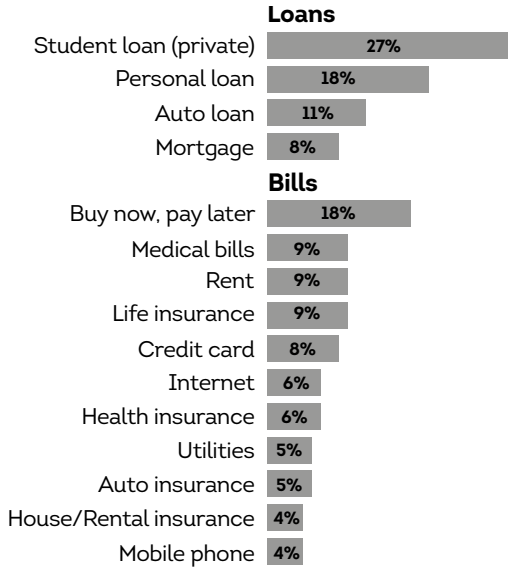


Figure 10. How prepared are you financially for when your accommodation ends? (among those with accommodation)

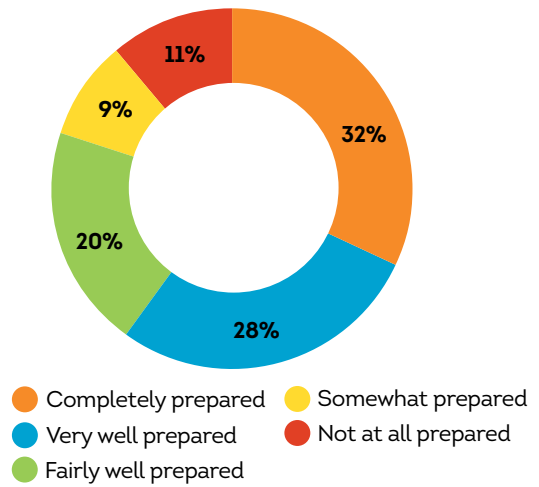


Figure 11. Accommodation repayment preference
(among those with accommodation for bill/loan)

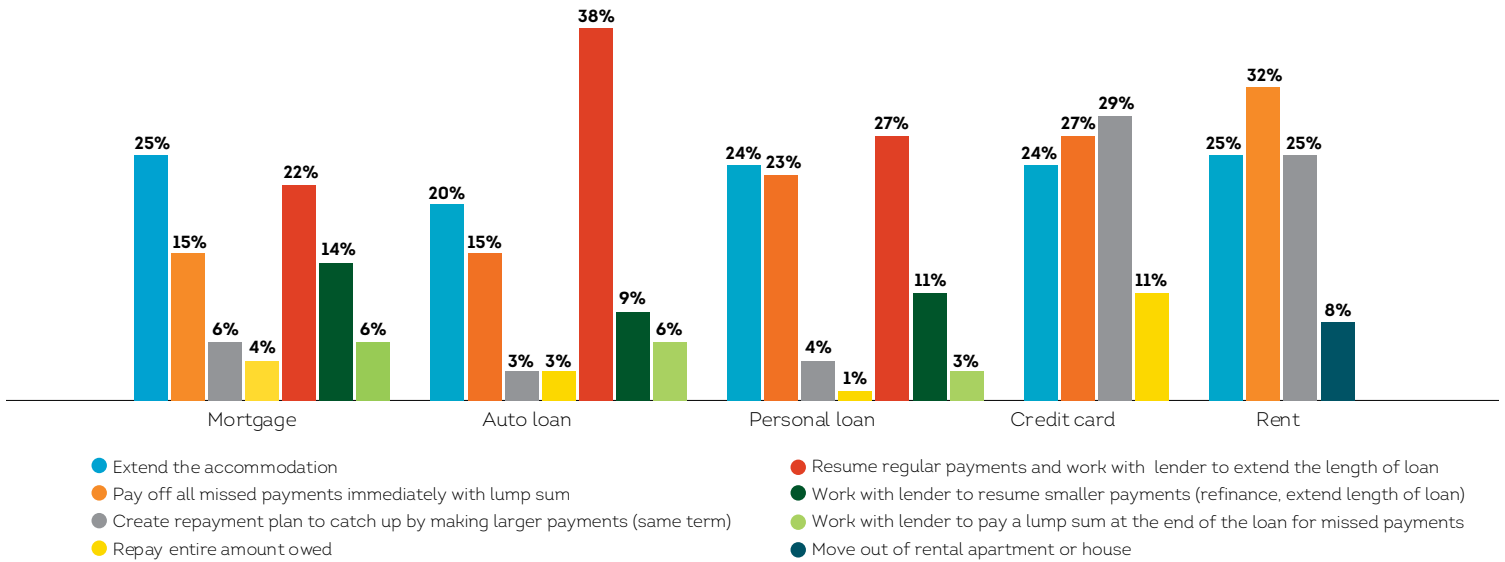
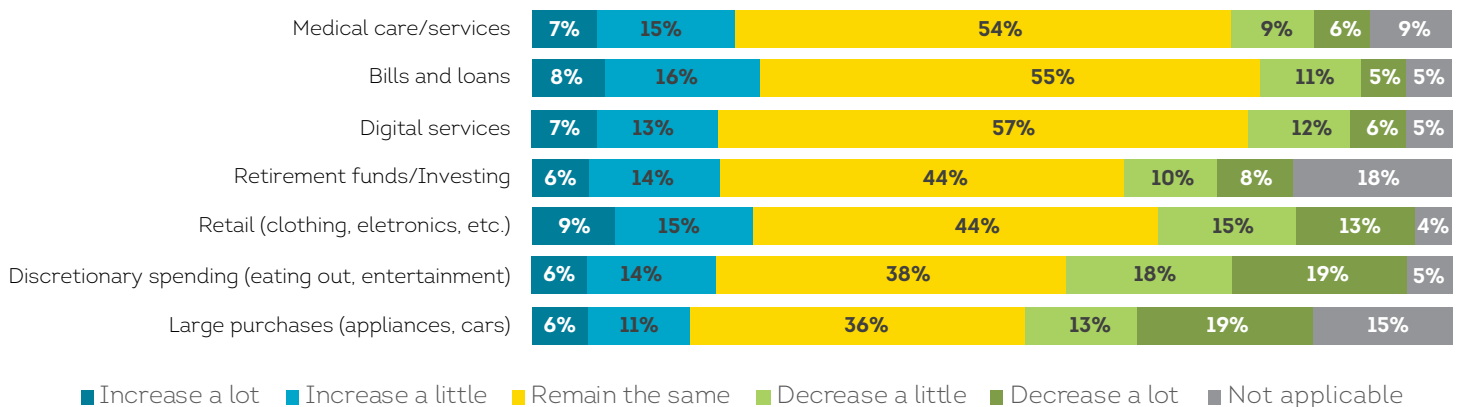


Figure 12. Expected change in household spending over next three months (among total population)



TAKING CARE OF YOURSELF

DIGITAL FRAUD AND CREDIT MONITORING

Digital fraud jumped dramatically in the past year with 38% (+73% since March 2020) of consumers stating they've been targeted by digital fraud schemes related to COVID-19. COVID-19-related digital fraud impacted Gen Z the most with 53% of them being targeted – which includes those who did and did not fall victim. Phishing has been a particularly popular tactic among fraudsters, continuing to be the top COVID-19-related digital fraud scheme reported in our survey. There's been a 38% increase in reported phishing attacks among consumers targeted with COVID-19-related digital fraud (from 26% in December 2020 to 36% recently).

A significant number of consumers (three in five) continue to report they check their credit at least monthly, and 64% say it's extremely or very important to monitor their credit. Only 6% say it's not at all important to monitor their credit. Higher-income consumers are most likely to check their credit at least monthly (69%) compared to 57% for middle-income and 46% for lower-income consumers. Men check their credit more often: 62% say they check at least monthly compared to 50% of women. Consumers in limbo are less likely to check their credit score (49%) compared to those who are resilient or hopeful at 70% and 67%, respectively.

Figure 13. Which statement best describes your personal experience with digital fraud attempts related to COVID-19 (among total population)

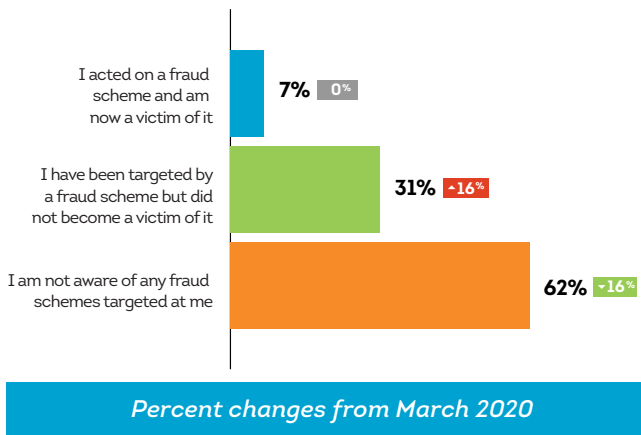


Figure 14. Fraud experience by generation (among total population)

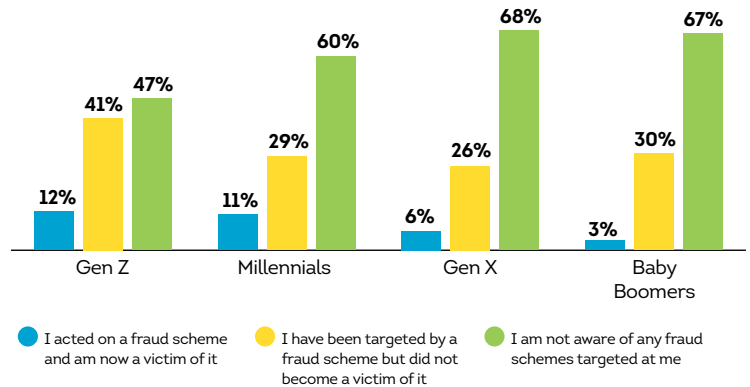


Figure 15. Frequency of checking credit (among total population)

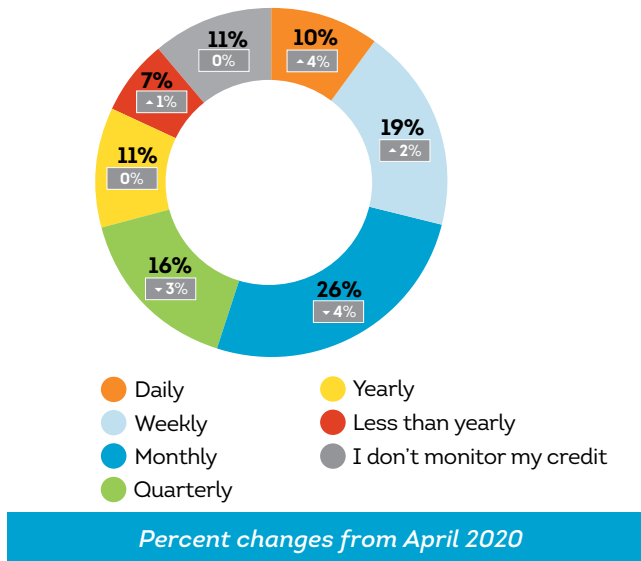
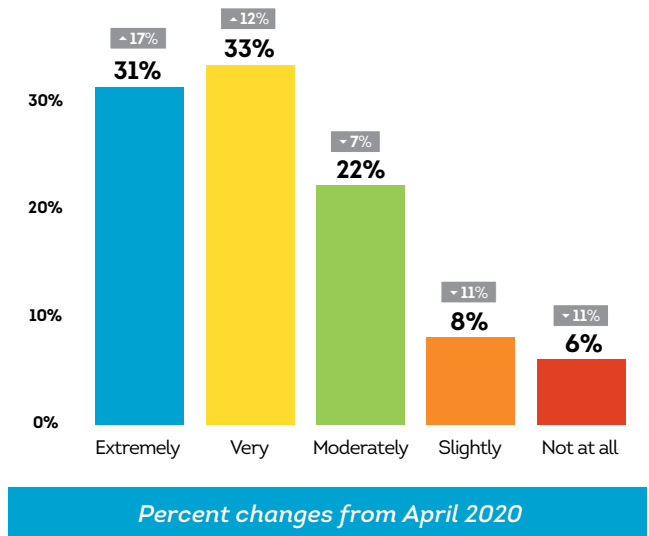


Figure 16. Importance of monitoring credit (among total population)



RESEARCH METHODOLOGY

This online survey of 2,995 adults was conducted Feb. 26–March 1, 2021 by TransUnion in partnership with third-party research provider, Qualtrics® Research-Services. The current wave data is compared to previous waves which were conducted in March 2020 (including 1,068 adults) and April 2020 (including 3,035 adults). 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 1995–2002; 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.

LEARN MORE

FOR CONSUMERS

TransUnion is committed to continuing to provide consumers the updates, tools and resources needed to stay in control of their credit health. We've created a COVID-19 support center for consumers who are concerned about their ability to pay bills and loans.

FOR BUSINESSES

If you'd like more information about this report, or a better understanding of how TransUnion can help your business meet the changing needs of your customers, please contact your TransUnion representative or complete the Contact Us form at transunion.com/business.

FOR MEDIA INQUIRES

If you're a member of the media and would like to learn more, please contact:

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