TransUnion

Consumer Pulse Study

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

Kenya 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 behaviours 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

Household financial outlook reflects a mixed bag: In Q2 2023, Kenyan households faced a mixed financial outlook. While 79% of consumers expected incomes to increase over the next year, a significant 41% reported decreased incomes over the past three months. Baby Boomers and Gen X were most affected by this decrease. Furthermore, 42% of consumers anticipated being unable to pay their bills and loans in full, a six-percentage point increase from Q3 2022. This concern was shared across all age demographics, indicating a broad-based financial worry. Job losses and wage or salary reductions were the major factors contributing to decreased household incomes.

Access to credit indicates declining confidence and intentions: Only a third of consumers felt they had adequate access to credit, a 12-percentage point drop from the previous year, with Gen X consumers showing the sharpest decline in confidence. Furthermore, credit application intention decreased; 55% of consumers intended to apply for new credit or refinance within the next year, a five-percentage point decrease from the previous year. Despite this, mobile loans and 'buy now, pay later' services gained popularity among prospective borrowers.

Digital transaction popularity marred by security concerns: Digital platforms continued to be popular for transactions, but concerns over security rose. A notable 73% of respondents reported being targeted by fraud schemes in the past three months, while 94% of consumers expressed worry about sharing personal information, a 6% increase from the previous year. The primary concerns cited were invasion of privacy and fear of identity theft. These findings highlight a strong need for improved security measures and consumer education about data protection in the digital space.

FINANCIAL HEALTH

Household income (HHI), spending and bill payment impact

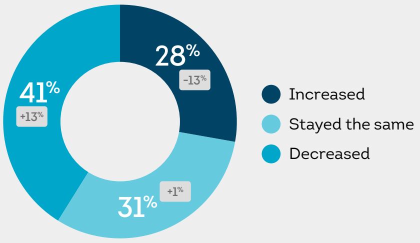
The second quarter of 2023 brought mixed results for Kenyan consumers. A significant 41% of households reported decreased incomes over the last three months, while only 28% saw increases. This indicates a shift from the Q3 2022 trend which saw a more balanced distribution: 41% of consumers reported an increase, 30% experienced no change, and 28% saw a decrease. However, it's important to note Baby Boomers and Gen X consumers were most affected by this decrease. Kenyan consumers remained optimistic about the future. Overall, 79% expected their incomes to increase over the next 12 months, representing a slight decrease from 80% in Q3 2022. This optimism was especially pronounced among younger generations; 86% of Gen Z consumers and 82% of Millennials expected increases in income.

A notable 42% of consumers anticipated being unable to pay their bills and loans in full, an increase of six percentage points from the previous year. This sentiment was shared across all age demographics, pointing to a broad-based concern about financial obligations. However, this optimism was somewhat tempered by a realistic understanding of the current economic situation, as reflected in their expectations regarding bills and loan repayments. One of the significant factors contributing to decreased household incomes was job loss; 30% of consumers reported someone in their household lost a job over the past month. This was an eight-percentage point increase from the previous year. Other factors impacted income, including wage or salary reductions and declining small business revenue. Many consumers were forced to adjust their household budgets in response to these challenges. Overall, 62% reported cutting back on discretionary spending over the past three months – Gen X consumers were most active in this area.

Looking ahead, consumers braced for further financial strain. For those consumers who couldn't pay their bills and loans in full, a majority (52%) expressed their intent to pay partial amounts that are affordable, while one-third planned to dip into their savings to cover their obligations. A significant 39% of consumers expected increased spending for bills and loans in the next three months. At the same time, 44% expected their in-store and online shopping to decrease. In addition, 55% of consumers planned to make further cuts to discretionary spending, and 47% expected to decrease large purchases like appliances and cars.

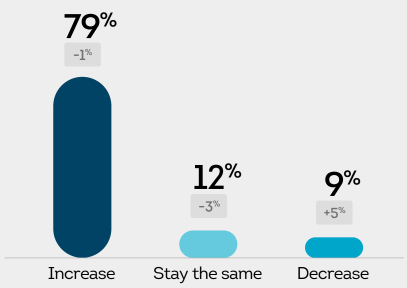
These findings should be understood in the context of the broader economic situation in Kenya. Inflation was at 7.9% in April 2023 (coming down from 9.2% in March), lowering some costs for consumers, particularly food prices. The Kenyan economy is expected to grow by 5.8% in 2023. This is down from the previously forecasted 6.1%, primarily due to lower growth in the agricultural sector as the country recovers from its worst drought in four decades. Meanwhile, the Central Bank's recent moves to revive the interbank foreign exchange market and increase its benchmark lending rate indicated a focus on stabilising the economy and curbing inflation.[1]

Figure 1. Household income change last three months



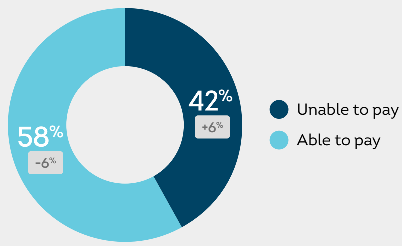
X% Percentage point change from Q3 2022

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

[1] Reuters, Kenya central bank trims 2023 GDP growth forecast to 5.8%

Figure 4. Reasons for change in current household income

Reason	%	Percentage point change from Q3 2022
Lost job	30%	+8%
Wages/salary reduced	26%	-3%
Started new business	26%	0%
Owns small business that closed/orders slowed	25%	+2%
Started new job	17%	0%
Work hours reduced	14%	-2%
Wages/salary increased	12%	-7%
Quit or left current job	9%	+2%
Received unemployment benefits or government subsidies	7%	0%
Furloughed	3%	-4%
Retired	2%	-1%

X% Percentage point change from Q3 2022

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

	Overall	Change from Q3 2022	Gen Z	Millennials	Gen X	Baby Boomers
Spending						
Cut back on discretionary spending (dining out, travel, entertainment)	62%	+6%	48%	67%	80%	64%
Canceled/reduced digital services	41%	+2%	38%	39%	46%	52%
Canceled subscriptions/memberships	34%	+6%	26%	39%	42%	24%
Added/expanded digital services	21%	-4%	30%	16%	12%	24%
Increased discretionary spending	18%	-5%	23%	16%	12%	24%
Added subscriptions/memberships	12%	-4%	16%	11%	5%	12%
Debt & savings						
Paid down debt faster	32%	-6%	36%	34%	23%	32%
Saved more in emergency fund	30%	-10%	37%	31%	19%	12%
Increased usage of available credit	24%	-4%	23%	24%	27%	24%
Cut back on saving for retirement	22%	+2%	14%	29%	27%	12%
Saved more for retirement	16%	-9%	11%	18%	22%	12%
Used retirement savings	11%	+1%	5%	10%	12%	48%

X% Percentage point change from Q3 2022

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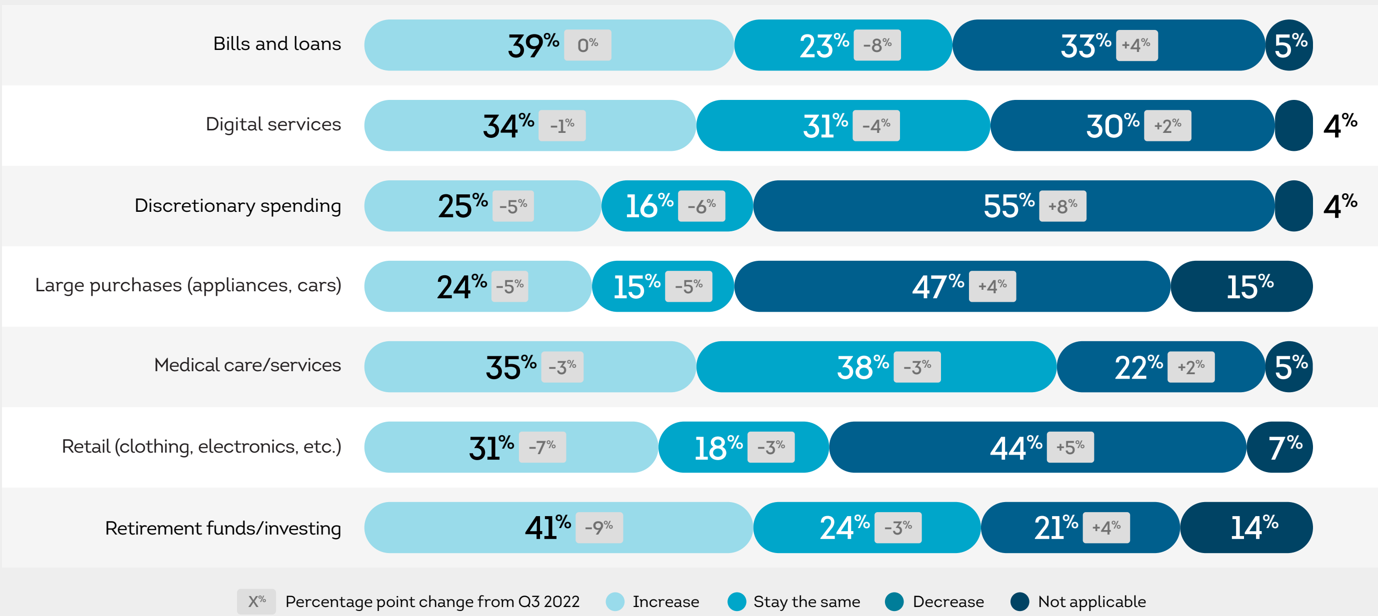
Figure 6. Plans to pay current bills or loans (among those unable to pay bills/loans)

	Overall	Gen Z	Millennials	Gen X	Baby Boomers
Cashflow injection					
Borrow money from friends/family	33% (-8%)	30%	29%	42%	33%
Use money from savings	33% (-8%)	38%	37%	19%	33%
Use unemployment benefits	6% (-3%)	3%	6%	2%	42%
Existing accounts					
Pay partial amount	52% (+7%)	52%	52%	58%	33%
Refinance/renegotiate payments/rates	20% (+2%)	15%	20%	23%	33%
Payment holiday/other accommodation	7% (-7%)	8%	2%	8%	25%
Increasing credit usage					
Take out personal loan	14% (-9%)	13%	14%	10%	42%
Use credit card available balance	5% (-7%)	3%	6%	6%	8%
Open new credit card(s)	4% (-7%)	5%	5%	0%	8%
Don't know					
I don't know how I'm going to pay	10% (+10%)	10%	9%	10%	17%

X% Percentage point change from Q3 2022

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



Attitudes and plans for economic participation

Nearly all (98%) consumers believed access to credit is crucial. However, only 33% felt they had adequate access, 12-percentage points lower than last year. This dip was sharpest among Gen X consumers with only 34% feeling confident about their credit access in Q3 2023, down from 61% last year.

Regarding future plans, 55% of consumers intended to apply for new credit or refinance within the next year, a five-percentage point decrease from the previous year. Millennials were particularly cautious; only 49% intended to take on new credit, down from 60% last year.

Consumers who preferred mobile loans made up 43% of prospective borrowers, while 47% considered new personal loans. 'Buy now, pay later' services gained traction with 28% of consumers planning to explore this option.

Despite these intentions, not all consumers followed through. About 58% of those who intended to take out new credit decided against it, an 11-percentage point improvement from last year. Among those who abandon their plans, 40% cited the high cost of credit as the primary deterrent.

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

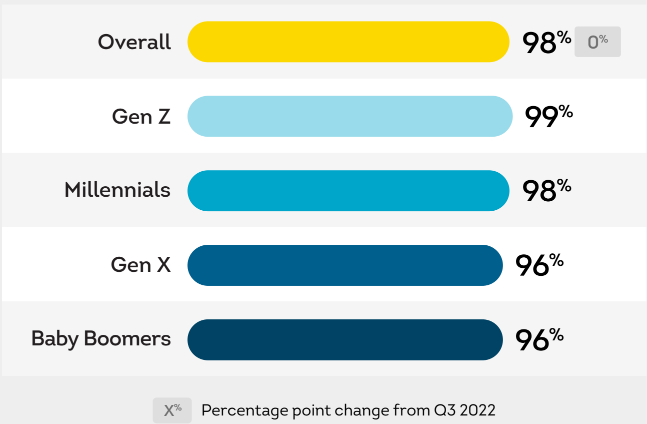


Figure 9. Believe have sufficient access to credit and lending products

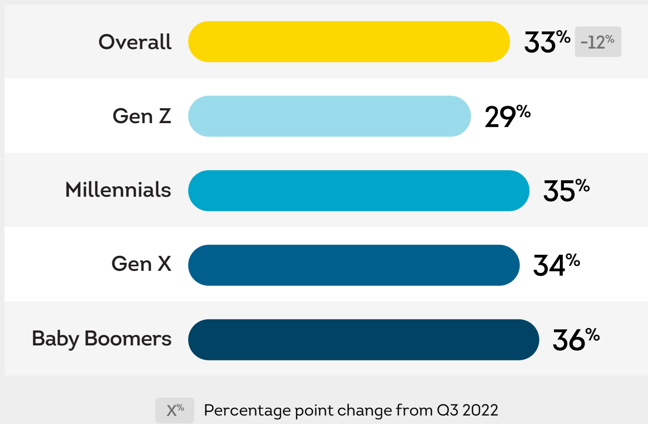


Figure 10. Plan to apply for new credit or refinance existing credit within the next year

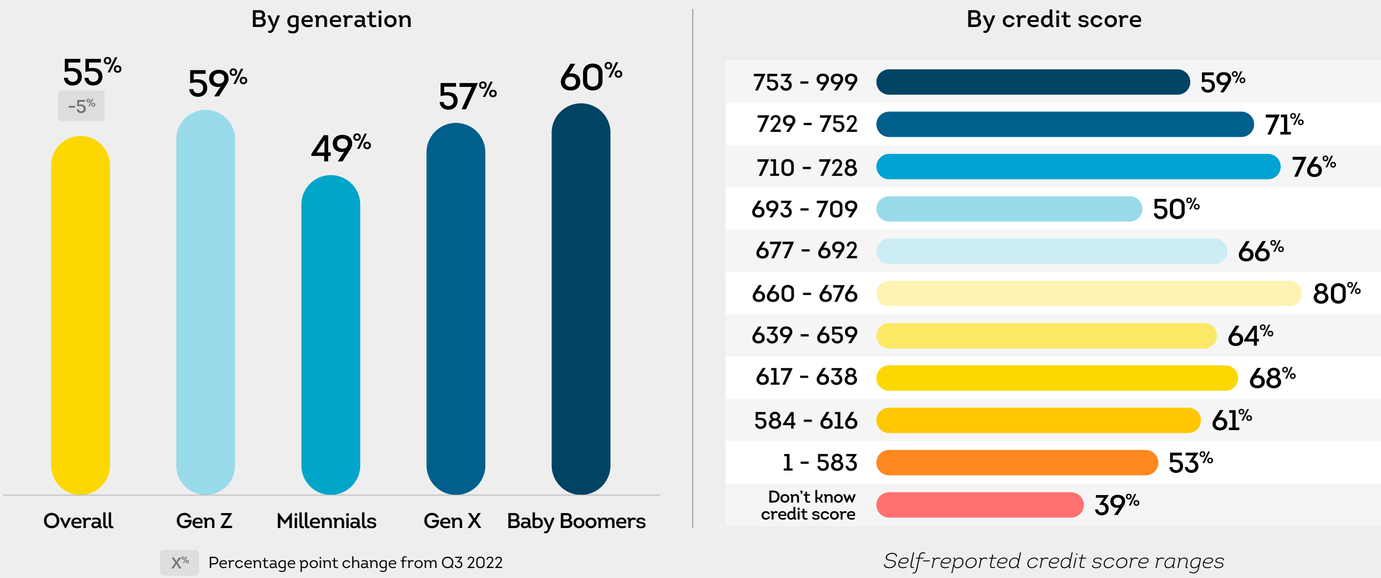


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Figure 11. Type of new credit and loan activity planned in next 12 months
(among those who plan to apply for new or refinance existing credit)

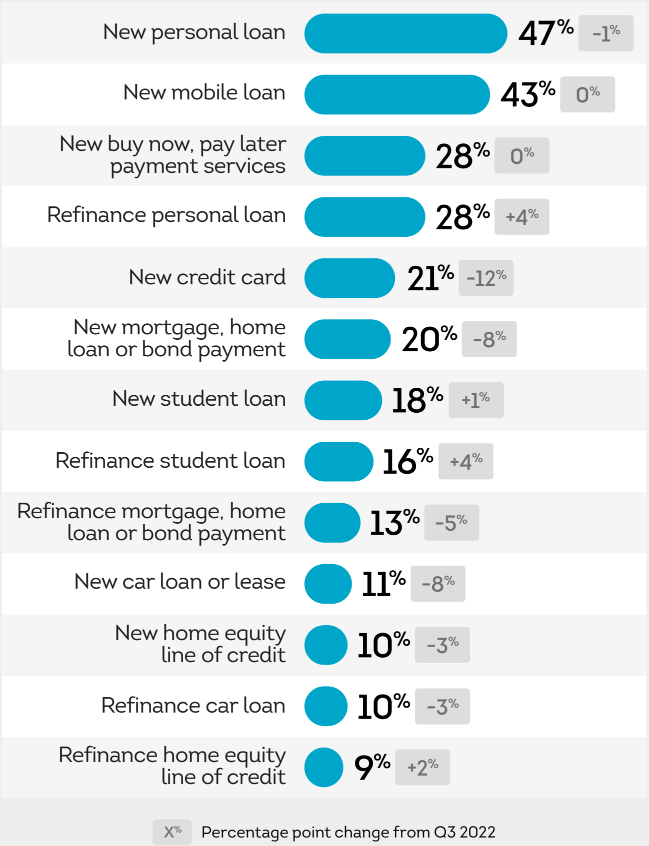


Figure 12. Abandoned plan to apply for new credit or refinance

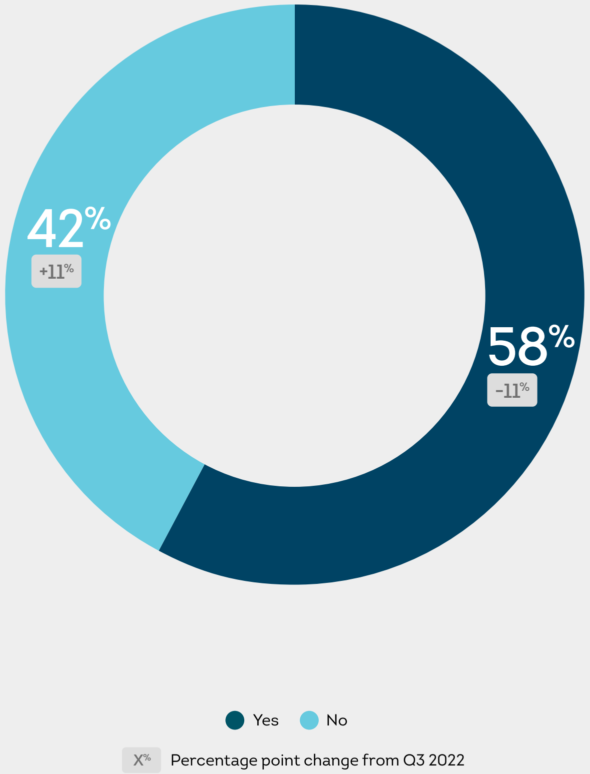
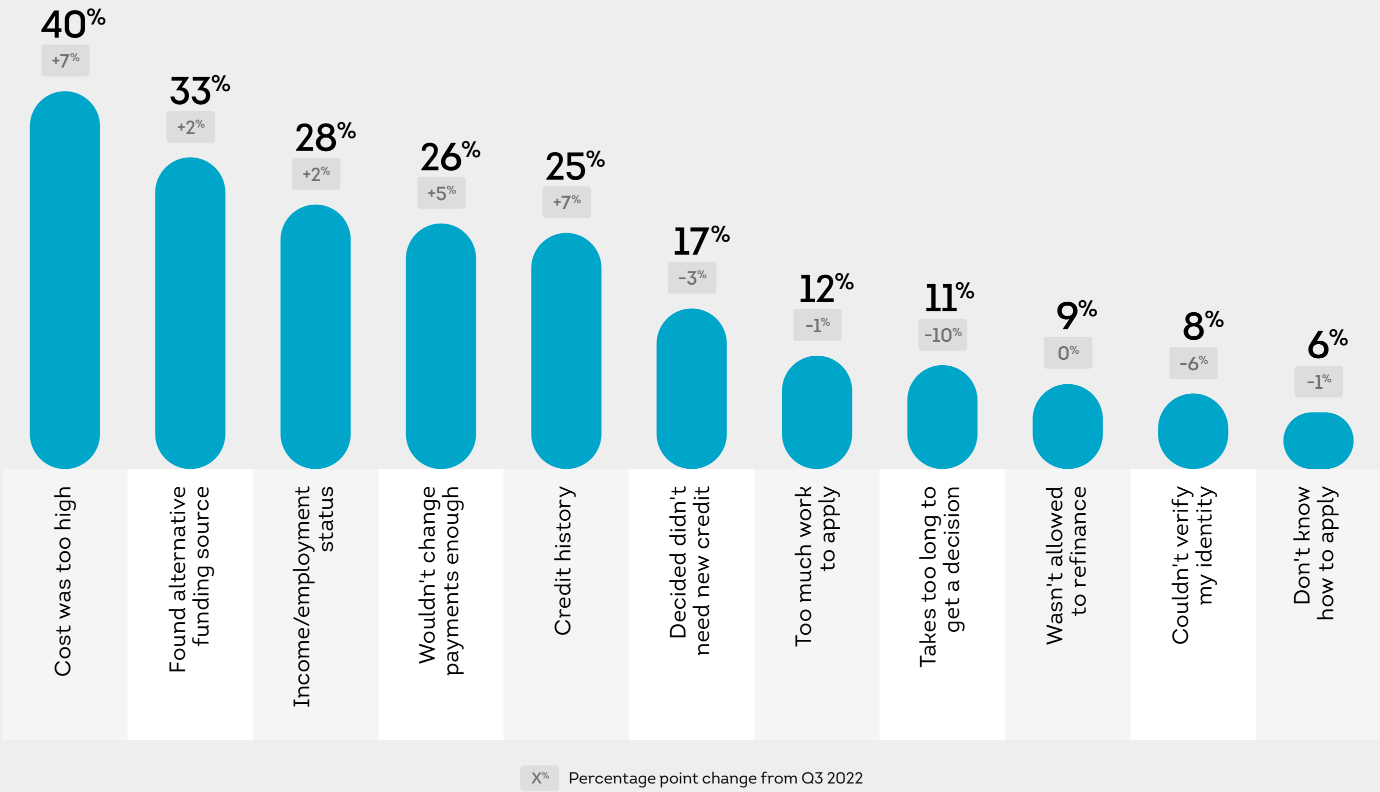


Figure 13. Reasons for abandoning application for new credit or refinance



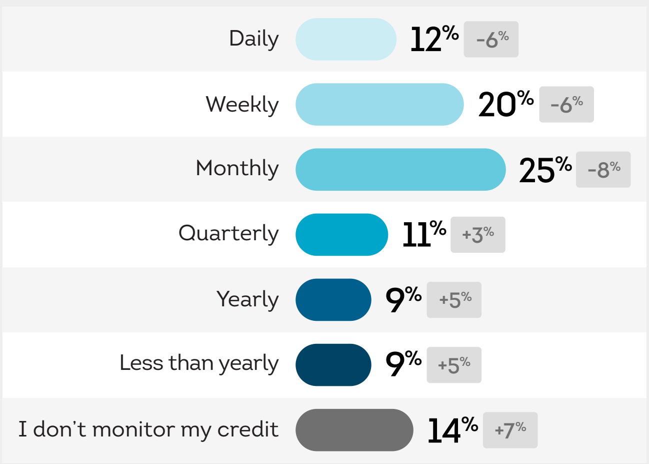
Attitudes and behaviour to manage financial choices

Over the past year, the frequency with which consumers monitored their credit reports declined. Only 57% of those surveyed checked their reports at least monthly compared to 77% the previous year. Despite this decrease, 75% of consumers recognised the importance of keeping a close watch on their credit status, affirming the need to understand and maximise the benefits of credit health.

In terms of transaction habits, consumers continued to embrace digital platforms. Approximately 32% of respondents reported at least half of their transactions were conducted online, a figure that aligned closely with the previous year.

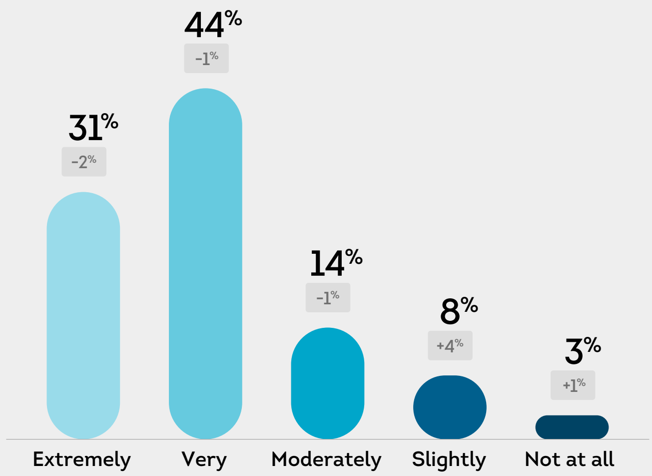
There was also interest among consumers in the potential inclusion of non-traditional factors in the calculation of credit scores. A majority (57%) of respondents believed their scores would improve if obligations like rental payments, gym membership dues and short-term loan histories were taken into account – notwithstanding the slight decrease from the previous year's sentiment of 65%.

Figure 14. Credit monitoring frequency



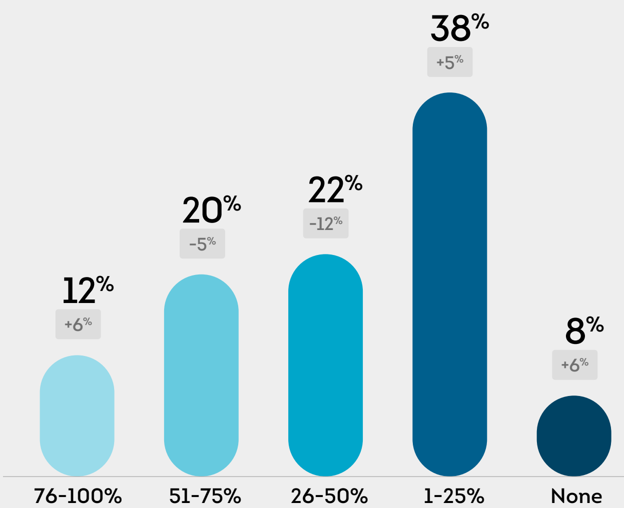
X% Percentage point change from Q3 2022

Figure 15. Believe monitoring credit is important



X% Percentage point change from Q3 2022

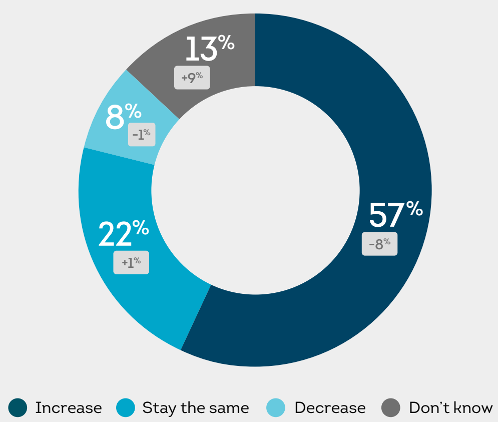
Figure 16. Percentage of transactions done online



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

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IDENTITY PROTECTION

Identity risks and usage

A significant majority (73%) of respondents reported being the target of fraud schemes in the past three months, although they managed to avoid falling victim. This reflects a high level of fraudulent activity in the Kenyan market. The most common scams were money or gift card scams (44%), vishing: fraudulent phone calls designed to trick you into revealing personal data (40%), and smishing: fraudulent text messages with the same aim (40%).

Concerns about sharing personal information rose; 94% of consumers expressed worry, a seven-percentage point increase from the previous year. The primary concern cited was invasion of privacy (81%) followed by fear of identity theft (68%). These findings underscore the need for stringent security measures and consumer education about data protection to maintain trust in digital platforms.

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

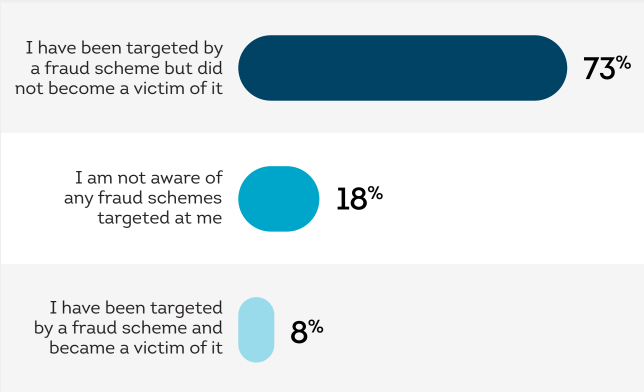


Figure 19. Most frequent fraud schemes targeting consumers
(among those targeted with online, email, phone call or text message fraud)

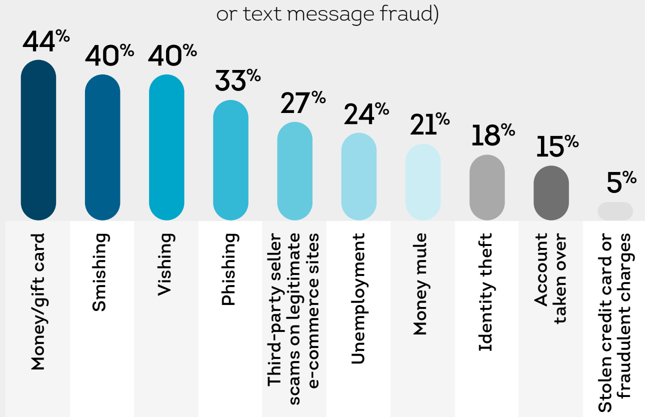


Figure 20. Concern with sharing personal information

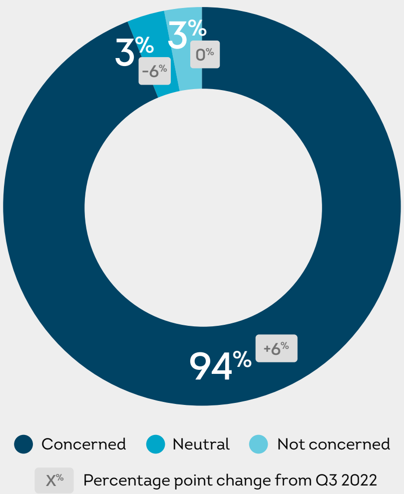
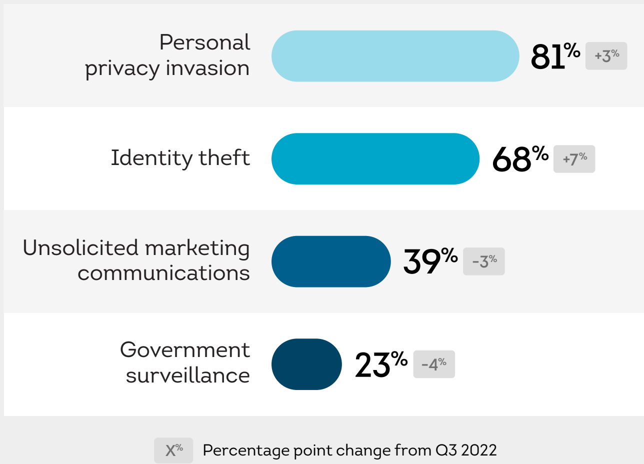


Figure 21. Reasons concerned about sharing personal information



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Research Methodology

TransUnion's Consumer Pulse Survey of 485 adults was conducted 2–12 May 2023 by TransUnion in partnership with third-party research provider, Dynata. Adults 18 years of age and older residing in Kenya 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 ±4.5 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.

If you'd like more information about this report, please contact **Weihan.Sun@transunion.com**.

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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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