

Insights that assists businesses to better understand the needs of their customers

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Intelligence and actionable insight are essential to business success in a data-driven market. Obtaining as much relevant information as possible to drive more effective decision-making is critical to developing and maintaining a competitive edge, thus fostering customer satisfaction and more. The TransUnion Consumer Credit Index (CCI) is one such example of intelligence that can be leveraged to improve business decision-making.



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Consumer credit health

The CCI is released on a quarterly basis and provides multidimensional information about consumer spending, credit health and macroeconomic trends that affect these factors. The report brings together data on loans, loan repayments and the number of accounts in arrears, as well as consumer credit facilities, household cash flow, inflation, borrowing costs and the cost of servicing outstanding debt, amongst others. This information is compiled into a numeric score that gives an indication of consumer credit health - a number below 50 indicates this health is deteriorating, and a number above 50 indicates improvement.

The index is compiled by the TransUnion Credit Bureau, with technical support from market intelligence firm ETM Analytics. This data is obtained from the extensive TransUnion credit database, with key publically available macroeconomic variables that impact household finances. By marrying data about actual consumer borrowing and repayment behaviour, the CCI provides objective insight into the current state of the consumer market, including whether it is improving or declining compared to previous quarters.

Currently, the CCI shows that delinquencies (payments that are more than 90 days in arrears) have levelled out. One of the main reasons for this is that lenders have tightened their credit policies. In addition, the current index shows that credit card debt is levelling off or increasing at a slower rate than previously. This improves the CCI score but also indicates that obtaining credit is now more difficult for consumers.

Economic data such as meaningful inflation, which relates to what consumers are paying for everyday nondiscretionary items such as groceries, petrol and school fees, shows moderation from last year, so consumers are having a slightly easier time making ends meet. However, household income is not increasing as there has been no job or wage growth. Ultimately, this indicates that consumers are still stressed, and will continue to be for some time.

The macroeconomic view

While financial institutions and lending facilities can leverage obvious insight from this report with regard to credit policies, the report is also highly relevant in the business space. Consumer retail enterprises in particular can derive significant insight from the findings of the CCI, as it gives an excellent general sense of the consumer spending market.

For example, as household income is not growing, the majority of consumers do not have extra money for luxuries or items that are not of a vital nature. Premium retailers thus may see decreased consumer spend, while budget retailers will see increases. The insights and trends of the index can help businesses to better understand the market and their own sales, and can thus be used as a basis to adjust business strategy.

Furthermore, this broad macroeconomic view can also be combined with more customised views and data, including competitor comparison, sales performance and other granular information that can provide greater depth of understanding. The more relevant, accurate and insightful information businesses have access to in today's highly competitive market, the faster they will be able to make sound decisions that can enhance business strategy, performance and profitability.

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