Impact of COVID-19 on Consumers in Pakistan

Key insights on consumer sentiments, concerns and changing behaviors amid the COVID-19 outbreak in Pakistan

03rd July, 2020

AGENDA

INTRODUCTION

D&B Pakistan and Gallup Pakistan have collaborated to publish their report on 'Impact of COVID-19 on Consumers in Pakistan'

Introduction

COVID-19 has fundamentally changed the way people live their life. This report outlines the impact of COVID-19 on consumer sentiments in Pakistan. We will analyze in detail consumer sentiments about impact on economy, employment, expectations about a recovery, spending patters, and digital adoption.

D&B Pakistan and Gallup Pakistan have collaborated to jointly publish this report, incorporating the views of 1,291 residents via telephonic surveys conducted from June 04 to June 16, 2020.

Consumers are concerned about the impact of COVID-19 on their health and economic situation. Most consumers are worried, as most of them have never witnessed such a crisis and are reacting differently to the situation, which is leading to a change in buying behaviors.

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Introduction

The lockdown and other measures undertaken by the government to curb the spread of the virus, have led to a slowdown in the economic activity due to which several businesses had to shut down, and thus several lost their jobs. This report outlines how the working class have been affected by the pandemic.

We envisage this report to be useful for policy makers, institutions, and the small and large private sector companies in Pakistan, especially for industries directly or indirectly serving consumers.

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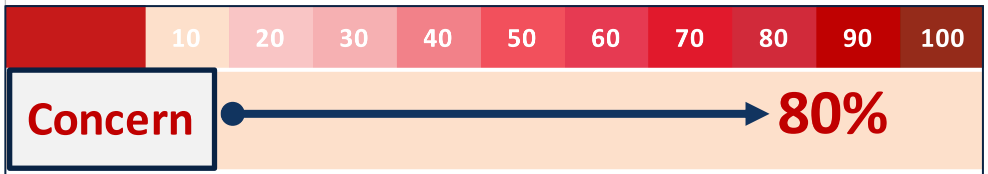
EXECUTIVE SUMMARY

80% of the respondents are concerned about the spread of the virus, only 1 in 4 are pessimistic and envisage a lasting impact on the economy



80% of the respondents are worried about the spread of COVID-19 as it continues to affect their daily lives

41%

Respondents expect situation to normalize within the next six months

Despite the impact on economic activity, 2 in 5 respondents are hopeful and believe Pakistan will manage to sail through this crisis.

25%
Optimistic
Recovery within 4 months

25%
Neutral
Economy will be impacted for 6-12 months

26%
Pessimistic
Lasting impact on the economy

24%
Not Sure
Can not answer due to uncertainty

Only 1 in 4 (26%)

respondents are pessimistic and envisage a lasting impact on the economy

Despite the minimal economic activity in the country, only 26% respondents believe that COVID-19 will have a lasting negative impact on the economy and may lead it into a recession.

94% respondents are concerned about their family's health; 9 in 10 respondents are concerned about managing their personal finances

9 in 10 respondents are concerned about managing their personal finances

Since people have lost their jobs and businesses are being closed down, 91% respondents are concerned about managing their personal finances.

87% of the respondents report that their savings have been impacted

94% of the respondents are concerned about securing their family's health as the number of COVID-19 cases increase rapidly in the country

94%

18% of the respondents have already lost their jobs due to COVID-19

59% of the respondents are afraid of losing their employment

Millions of jobs were lost in Pakistan as businesses were not allowed to operate during lockdown. Some employees were laid-off while others sent on paid or unpaid leaves; creating panic amongst the working class.

Despite the closure of brick and mortar stores, only 15% consumers have moved to digital payments. One-third of the consumers have reported an increase in expenditure on groceries during the month of June, 2020.

15%

Consumers adopted digital payments for the first time

Due to the lockdown, non-essential physical stores have been forced to close. Businesses have introduced online channels to compensate for the drop in sales from their traditional brick and mortar stores.

Consequently, consumers are shifting towards online shopping to follow social distancing norms. However, only 15% of the consumers have made digital payments for the first time during the pandemic.

39% consumers have decreased their expenses on apparel and footwear during the month of June

Consumer spending has reduced across multiple categories, as consumers have seen an impact on their household incomes. This effect is further magnified, as lockdown measures have restricted economic activity.

33%

of the consumers have increased their grocery expenditure

During June, 2020, some consumers have resorted to panic buying in anticipation of extended periods of lockdown and uncertainty.

32%

increased their expenditure on household cleaning

During the month of June, 2020 consumers are buying products like sanitizers and disinfectants to keep themselves and their families safe from the virus.

32%

have increased their expenditure on medicines

Consumers are spending more on medicines during June, 2020.

CONSUMER CONCERNS & EXPECTATIONS

80% of the respondents in rural as well as urban areas are concerned about the spread of COVID-19 as it continues to affect their daily life

Overall Consumer Concerns

80%
Respondents are CONCERNED about the spread of virus

15%
Respondents are NOT CONCERNED

Remaining 5% account for 'Not Sure' responses

80% of respondents are concerned by the spread of virus

National Command and Operation Center (NCOC) has estimated that nationwide cases of COVID-19 infections may reach up to 1.2 Mn by the end of July. Since the number of COVID-19 cases and deaths due to the virus are increasing, people are worried about their health and future.

There is no significant difference in concern levels across rural or urban areas and across different age groups.

Concern levels are high in urban & rural areas

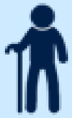
Urban population
81%
Concerned about the spread of virus

Rural population
79%
Concerned about the spread of virus

High level of concern across all age groups

Under 30 yrs.
79%
Concerned

30-49 yrs.
80%
Concerned



50 yrs. & above
83%
Concerned

Q: How concerned are you about the spread of the virus?

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Respondents in Pakistan are most concerned about their family's health (94%), personal finances (91%) and impact on savings (87%) amid the COVID-19 outbreak

Specific Consumer Concerns, Since the Outbreak

Concern amongst Consumers	Strongly agree / agree	Strongly disagree / disagree	*Net Impact
SECURING FAMILY HEALTH	94%	03%	91%
MANAGING PERSONAL FINANCES	91%	04%	87%
IMPACT ON SAVINGS	87%	06%	81%
REDUCED SPENDING POWER	87%	09%	78%
MAKE ENDS MEET	84%	10%	74%
WORK PRODUCTIVITY	71%	17%	54%
DELAY IN PURCHASES / INVESTMENT	65%	14%	51%
LOSING EMPOYMENT	59%	15%	44%

Strongly agree / agree | Neutral / Not Applicable | Strongly disagree / disagree

Family health tops the list of concerns as Covid-19 cases continue to rise

91% of the respondents are facing difficulties in managing their finances

84% of the respondents indicated that they were struggling to make ends meet.

The net impact is greater than 50% for most of the listed concerns, indicating that majority of the respondents are facing these issues.

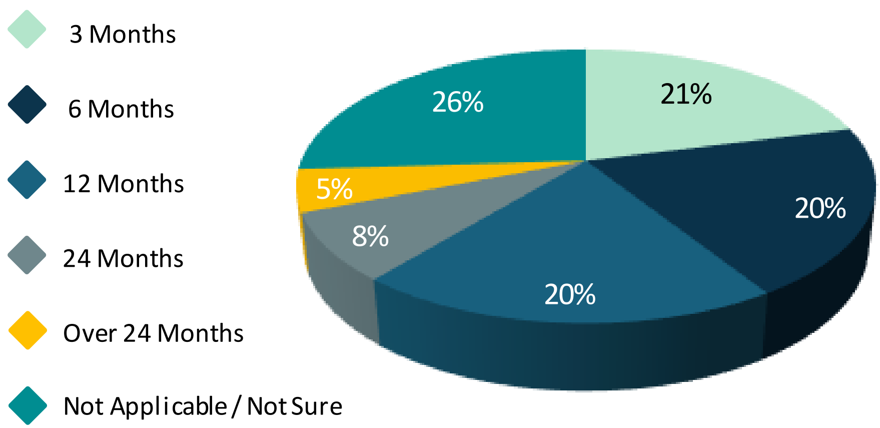
Q: Please indicate how strongly you agree or disagree with each of the following statements.

Note: Net Impact = % strongly agree + % agree - % disagree - % strongly disagree

** A positive Net Impact in this scenario indicates negative sentiments and vice versa*

Despite being concerned about the spread of the virus, 41% respondents expect the situation to normalize within the next six months

Anticipation of Overall Recovery from COVID-19



Only 13% of the respondents believe that the impact of the virus will last 2 years or more

~41% of the respondents anticipate the effect of virus to diminish within the next 6 months. However, one-fourth of the respondents are not sure about the time duration for the situation to get back to normal due to the prevailing uncertainty.

Youth are more optimistic

Under 30

43%

Optimistic regarding recovery in 6 months

30-49

41%

Optimistic regarding recovery in 6 months

50 & above

34%

Optimistic regarding recovery in 6 months

Respondents in Urban areas more optimistic

Urban population

45%

Optimistic regarding recovery in 6 months

Rural population

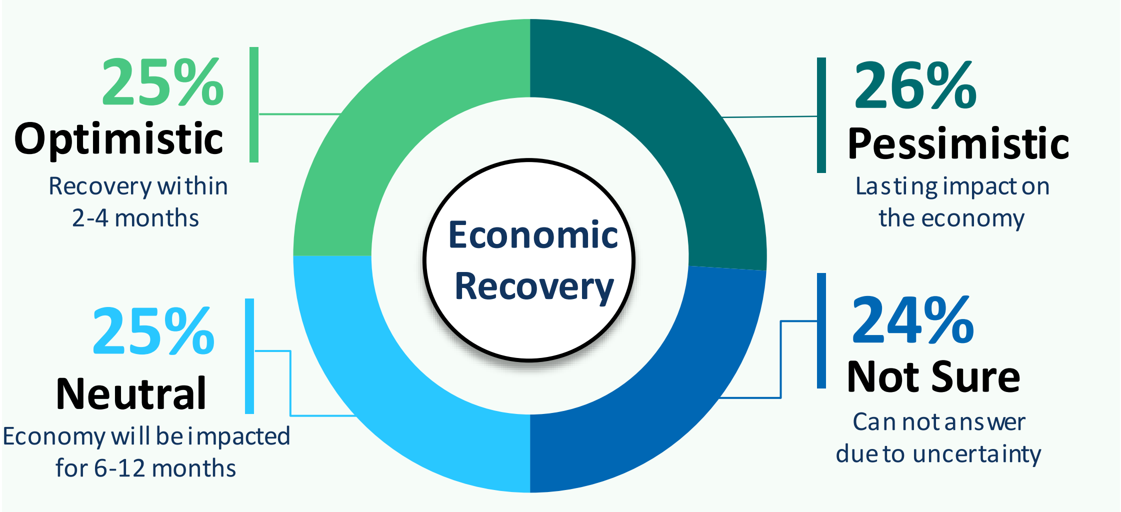
39%

Optimistic regarding recovery in 6 months

Q: How long do you anticipate the impact of the virus to last, and situation to return to normal?

25% respondents are optimistic about an economic recovery within 3-4 months, while 26% envisage a lasting impact on the economy

Confidence in Pakistan's Economic Recovery After COVID-19



A quarter of the respondents believe Pakistan's economy will recover within 3-4 months

Optimistic: The economy will rebound within 3-4 months and grow just as strong as or stronger than before COVID-19

Neutral: The economy will be impacted for 6-12 months or longer and will stagnate or show slower growth thereafter

Pessimistic: The economy will have lasting impact on the economy and show regression/fall into lengthy regression

Not Sure: Can't anticipate

Similar levels of optimism and pessimism regarding the economic recovery

- Due to lockdown and decreased economic activity, a quarter of the respondents are pessimistic regarding the recovery of Pakistan's economy.
- After shrinking economic activity since March, the World Bank (WB) revised the initial projected GDP growth in Pakistan from 2.4% to negative 2.6% for the FY 20.[1]
- Uncertainty seems to prevail in the population as 24% of the respondents are doubtful and are unable to predict anything.

Q: How would you rate your confidence in Pakistan's economic recovery after COVID-19?

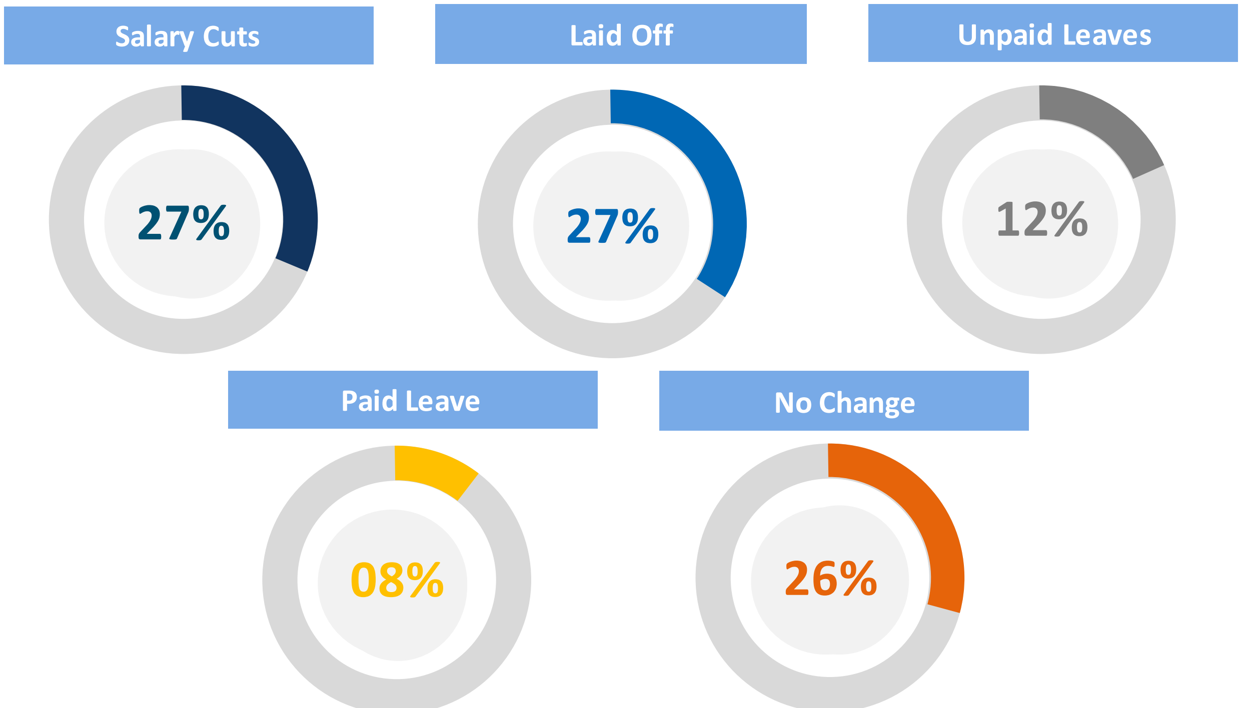
Source: [1] The World Bank [Link]

IMPACT ON EMPLOYMENT

54% of the salaried respondents are either working with reduced salaries or have been laid off by their employers

Impact on the Working Class (Employees), Since the Outbreak

Impact of Covid-19 on Employees



Impact by Income Class (on Lay-Offs)

LOW INCOME — 1 in 3 (32%) employees have been laid off

MIDDLE INCOME — 1 in 5 (20%) employees have been laid off

HIGH INCOME — 1 in 10 (9%) employees have been laid off

Note: Income classification has not been requested directly from respondents in this survey. It is based on proxies, as mentioned in the approach & methodology section of this report

1 in 2 employees have either been laid off or are facing salary reduction

74% of the respondents were either laid off, given salary cuts or were asked to take forced leaves. This can be attributed to an attempt by businesses to reduce operational costs. High income employees have been least affected and 32% of the low-income respondents have lost their jobs. 26% of the employees responded with no change in their employment status.

Q. How has the COVID-19 situation impacted your income?

32% of the salaried individuals in Punjab claim to have lost their jobs. The incidence of job loss is more in the case of male employees above the age of 50 years living in rural areas.

Impact of COVID-19 on Employees (Job Reductions), Since the Outbreak

Individuals aged above 50 have the highest incidence of being laid-off (one-third)

UNDER 30	27%
30 - 50	28%
ABOVE 50	33%

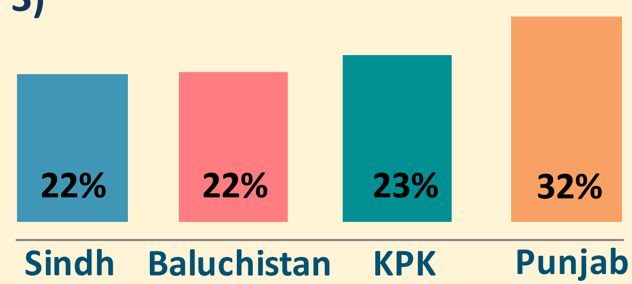
~1 in 3 male employees have been laid off compared to 1 in 4 female employees

Male	30%
Female	25%

1 in 5 urban employees have been laid off compared to 1 in 3 of rural employees

Urban	Rural
21%	31%

Punjab, being the most populated province, has the highest proportion of employees laid off (1 in every 3)



Q. How has the COVID-19 situation impacted your income?

CHANGE IN SPENDING PATTERNS

During the month of June, consumer spending on Entertainment and Education declined severely, while consumer spending on Medicines and Household Cleaning items increased

Impact on Consumer Spending during June 2020

Statement by Respondents (% respondents)	Increase	Decrease	*Net Impact
Entertainment out of home	7%	32%	-25%
Education	13%	37%	-24%
Entertainment at home	10%	31%	-21%
Travel	16%	36%	-20%
Apparel & Footwear	22%	39%	-17%
Skin care & makeup	11%	25%	-14%
Furnishing & Appliances	8%	20%	-12%
Snacks	21%	32%	-11%
Vehicle	7%	14%	-07%
Food take-out/deliveries	11%	17%	-06%

Statement by Respondents (% respondents)	Increase	Decrease	*Net Impact
Tobacco Products	10%	15%	-05%
Groceries	33%	36%	-03%
Consumer Electronics	19%	21%	-02%
Telephone/ Mobile	29%	30%	-01%
House rent	11%	10%	01%
Personal Care Products	27%	26%	01%
Laundry	27%	23%	04%
Household Cleaning items	32%	25%	07%
Medicines	32%	18%	14%

Increase | No Change | Decrease

Consumer expenditure on several segments has been severely dented as the Net Impact is primarily Negative

Q. Please indicate how your spending has changed with regards to the following due to COVID-19 pandemic

***Note:** Net Impact = % Increase - % Decrease* dun & bradstreet | GALLUP PAKISTAN — Affiliated with Gallup International — Pakistan's Foremost Social Research Lab

High-income consumers show sharp decline in expenditure on luxury items like Travel (53%), Apparel & Footwear (51%) and Entertainment out of Home (49%) as they tend to spend higher on these segments

Impact on Consumer Spending during June 2020 (High-income Consumers)

Statement by Respondents (% respondents)	Increase	Decrease	*Net Impact
Entertainment out of home	8%	49%	-41%
Education	9%	39%	-30%
Entertainment at home	13%	41%	-28%
Travel	13%	53%	-40%
Apparel & Footwear	13%	51%	-38%
Skin care & makeup	8%	38%	-30%
Furnishing & Appliances	9%	33%	-24%
Snacks	14%	36%	-22%
Vehicle	8%	25%	-17%
Food take-out/deliveries	17%	37%	-20%
Tobacco Products	6%	19%	-13%
Groceries	23%	30%	-07%
Consumer Electronics	23%	27%	-04%
Telephone/ Mobile	40%	16%	24%
House rent	9%	10%	-01%
Personal Care Products	30%	31%	-01%
Laundry	23%	21%	02%
Household Cleaning items	42%	21%	21%
Medicines	25%	21%	04%

Increase | No Change | Decrease

Expenditure on out-of-home entertainment, travel and apparel & footwear has been severely dented for the rich

Q. Please indicate how your spending has changed with regards to the following due to COVID-19 pandemic

***Note:** Net Impact = % Increase - % Decrease*

In case of continued economic downturn and reduced income, consumers are likely to cut expenditure for non-essential items such as Apparel & Footwear, Skincare & Makeup

Segments that will be Majorly Affected in Case of Continued Economic Downturn, and Reduced Income

% consumers who would reduce their expenses in the future for the specific category

Apparel & Footwear	37%
Skincare & Makeup	31%
Groceries	27%
Tobacco Products	24%
Entertainment out of Home	19%

Other categories included household cleaning items, snacks, household cleaning products, laundry, consumer electronics, personal care products, telephone bill, medicine, education, house rent etc.

Apparel & footwear (primarily branded) and skincare & makeup fall outside the ambit of need based items; hence, consumers expect to decrease expenditure in these categories.

27% consumers claim to reduce expenditure on groceries in case of continued economic downturn and reduced income

19% of the consumers are likely to give up entertainment out of home

Consumers are investing in entertainment at home due to lockdown and for the safety of themselves and their family. Thus, 1 in 5 consumers feel they can cut their expenses on out-of-home entertainment.

Q. In case of continued economic downturn, and reduced income, if you had to lower expenses, what are you most likely to reduce?

***Note:** Respondents were asked to list their top 3 expenditures that they are most likely to cut (top of mind recall) in case of continued economic downturn and reduced incomes.*

DIGITAL ADOPTION

Even though movement of population is restricted due to the outbreak, citizens are hesitant to use digital payment options

First Time Usage of Digital Payments During COVID-19

Only 15% consumers have used digital payments for the first time

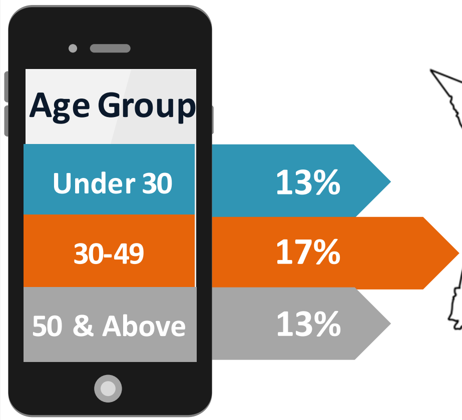
Consumers have been hesitant to adopt digital payment systems as Pakistan is primarily a cash-based economy. According to the data provided by State Bank of Pakistan (SBP), digital payments account for only 0.2% of Pakistan's 100 billion transactions annually.

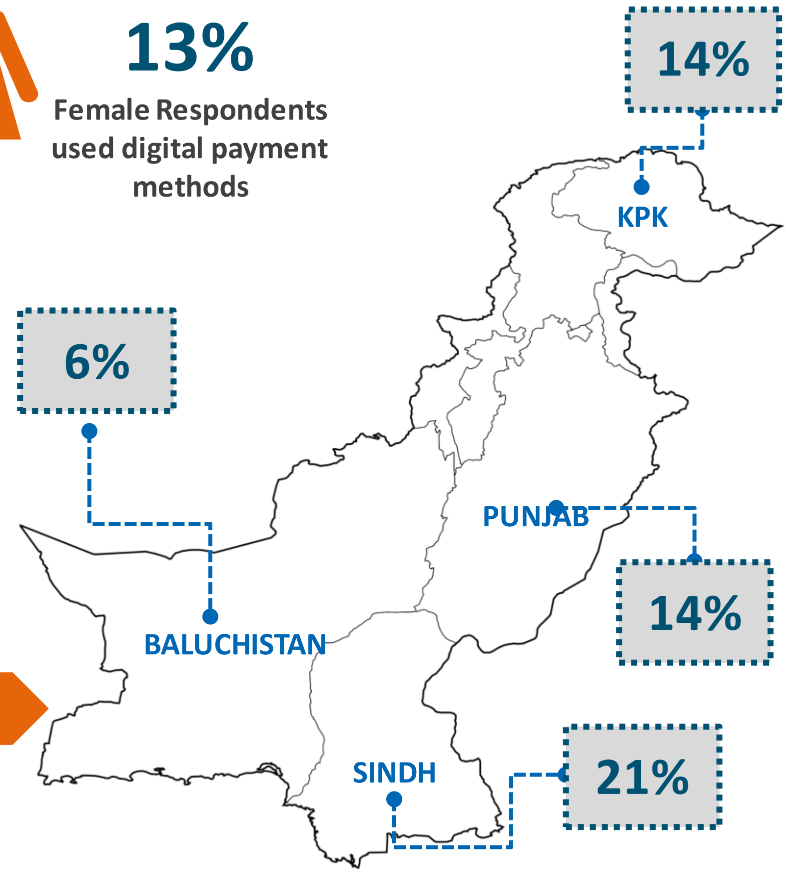
Sindh has been quick to adopt digital payments as 21% respondents are first time users during COVID-19

Around 1 in 5 respondents in Sindh have used digital payments for the first time. According to the May 2020 estimates, Pakistan has 166 Mn cellular subscribers with 80 Mn having 3G or 4G services. The broadband penetration in Pakistan was around 39% in May 2020, this indicates that despite having the resources, respondents did not use digital payments.

17% Male Respondents used digital payment methods

13% Female Respondents used digital payment methods





Q: Have you paid electronically for any product/food/service for the first time since lockdown started?

Consumers are hesitant to use online services. More than 80% respondents are still not using online mediums to order, learn or communicate.

	Online Streaming	Video Conferencing	Video Chat	Self Remote Learning	Remote Learning for Children	Online Fitness	Telemedicine
Using more	07%	08%	08%	04%	05%	03%	04%
Using Same	05%	05%	10%	05%	03%	05%	04%
Started using	02%	02%	03%	03%	03%	02%	01%
Using less	05%	06%	09%	06%	04%	04%	04%
Not Using	81%	79%	70%	82%	85%	86%	87%

	Online Grocery	Restaurant Delivery	Online Games	Cooking	Social Media	Online News	Television
Using more	03%	04%	06%	10%	20%	15%	33%
Using Same	01%	03%	05%	18%	10%	08%	22%
Started using	04%	02%	02%	02%	03%	03%	05%
Using less	05%	06%	06%	08%	06%	05%	13%
Not Using	87%	85%	81%	62%	61%	69%	27%

Q: Have you used any of the following during COVID-19 pandemic?

METHODOLOGY

The telephonic survey of 1,291 respondents was conducted by a team of trained professionals with an attempt to closely match the demographic spread of Pakistan

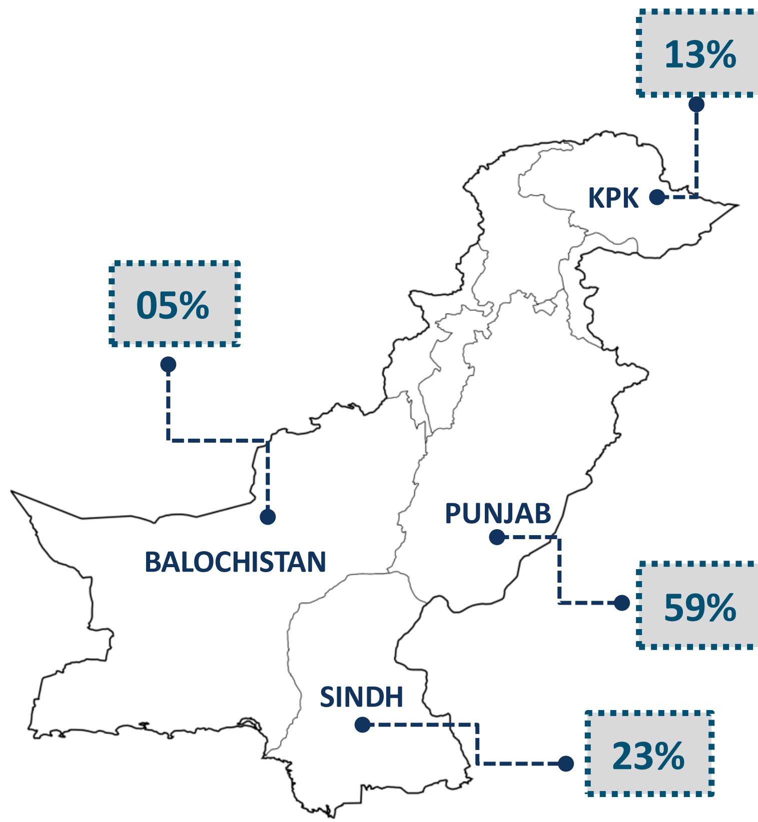
Sample Specifics

Sample size: 1,291

3% Error Margin at 95% Confidence level

Data Collection Period
4th – 16th June, 2020

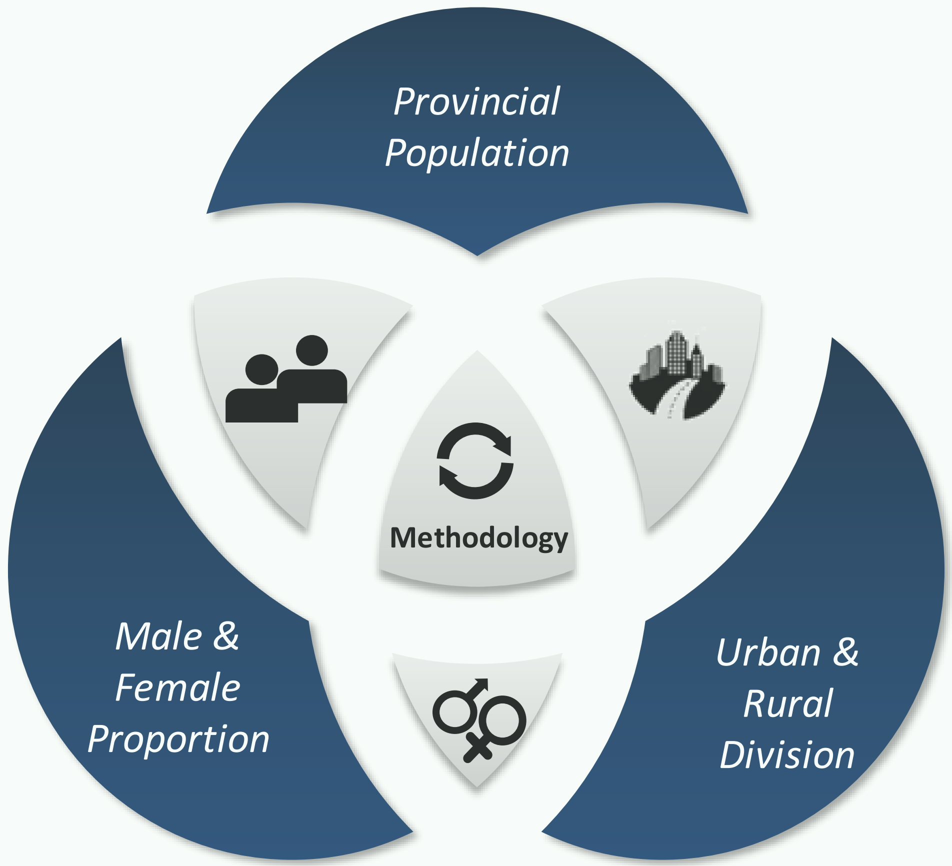
Urban	35%
Rural	65%
Male	52%
Female	48%
Under 30	41%
30 - 50	50%
Above 50	09%



***Note**: Since respondents are not comfortable sharing their income over telephonic survey, income levels are assessed based on certain proxies. Income classes are divided using the following criteria: **Upper:** owns car +lives in Urban +education level: has a bachelor degree or above; **Middle**: owns car OR education level: 12th grade + lives in urban area; **Low**: All except Upper and Middle*

This survey has been weighted using post stratification weights

Methodology



The sample weights have been adjusted to sum to the population sizes within each post stratum. Poststratification weights in this report are derived using following variables:

- Provinces share in Pakistan's population
- Urban and rural division in Pakistan and within each province
- Male and female proportion in urban and rural areas within each province

This means that the weights are adjusted so that the weighted totals within mutually exclusive cells equal the known population totals.

For the allocation of weights, National census 2017 figures have been used where available.

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