

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

1 Introduction

2 Executive Summary

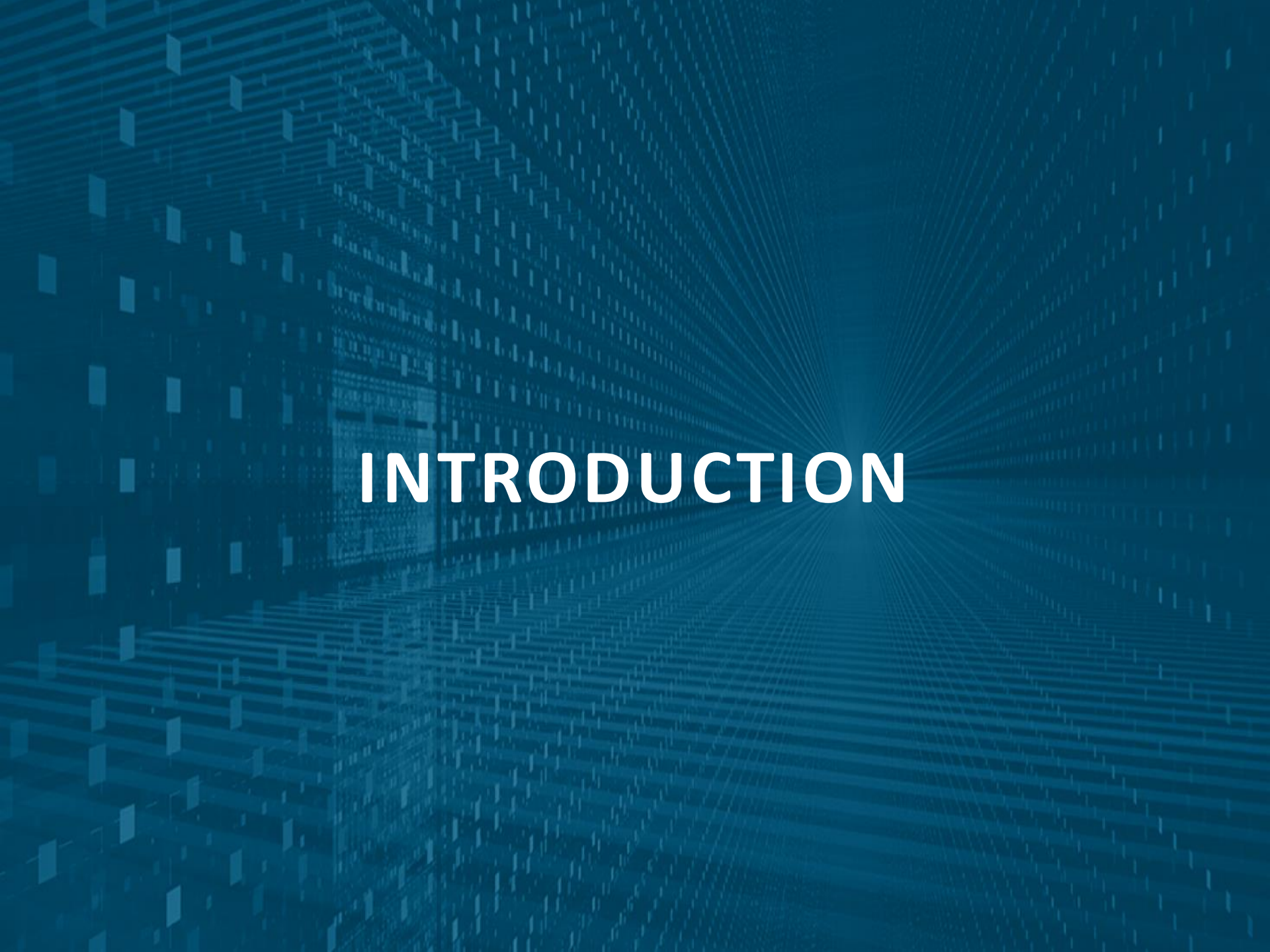
3 Consumer Concerns & Expectations

4 Impact on Employment

5 Change in Spending Patterns

6 Digital Adoption

7 Methodology



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 patterns, 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.

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

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.



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



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.



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.

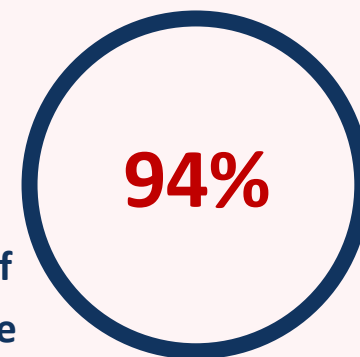
94% respondents are concerned about their family's health; 9 in 10 respondents are concerned about managing their personal finances

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



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



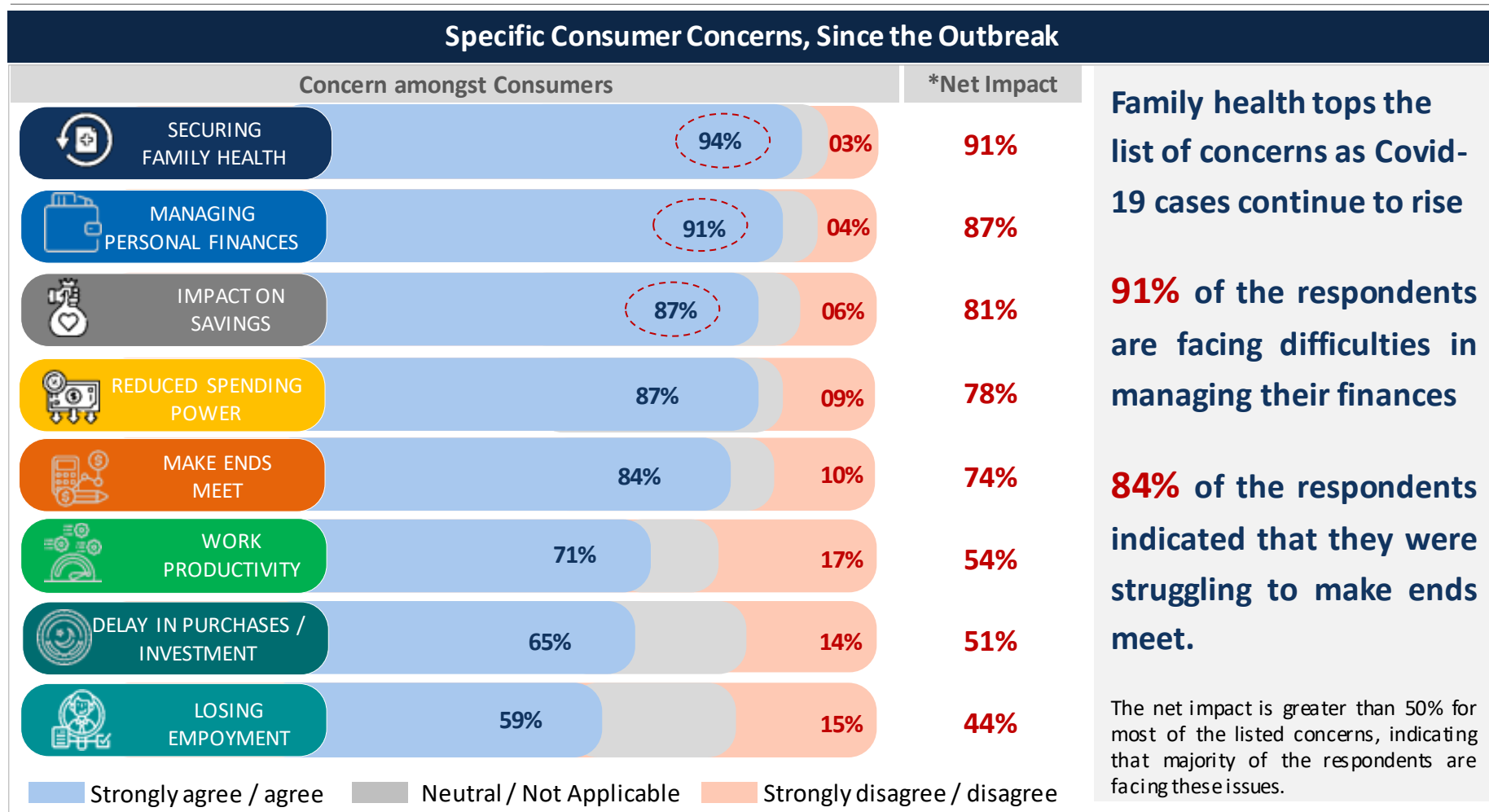
50 yrs. & above

83%

Concerned

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

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

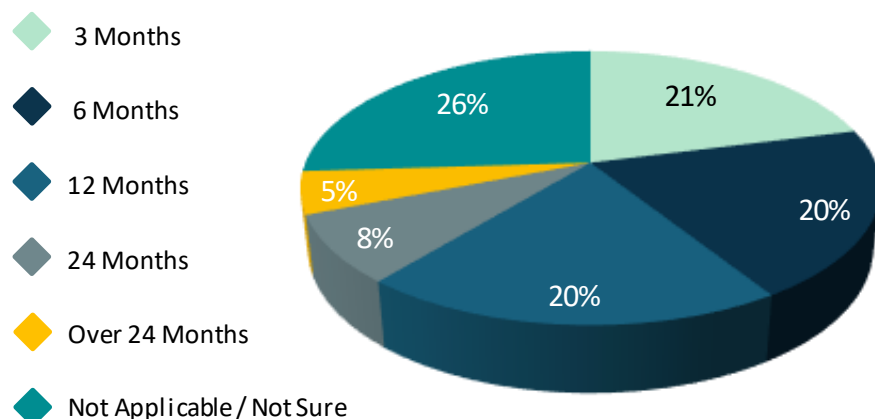


Q: Please indicate how strongly you agree or disagree with each of the following statements.

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 [\[Link\]](#)

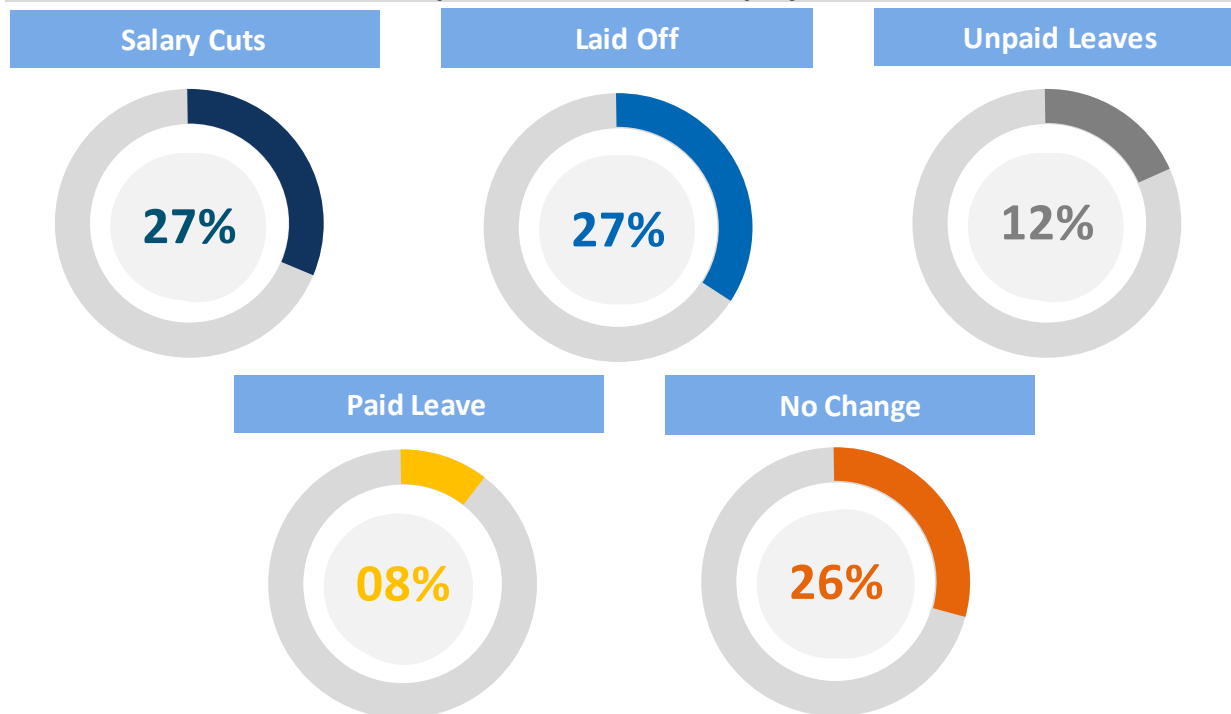
The background is a solid blue color with a complex, abstract pattern. It features a series of lines that converge towards a vanishing point in the center, creating a sense of depth and perspective. Overlaid on this are numerous small, light blue squares arranged in a grid-like fashion, which also recede into the distance. The overall effect is a futuristic, digital, or architectural aesthetic.

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

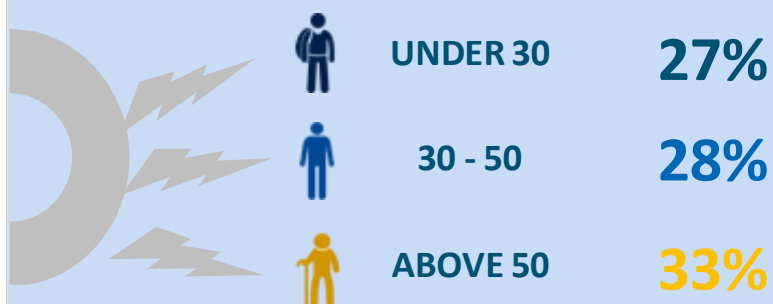
74% of the respondents were either laid off, given salary cuts or were asked to take forced leaves. This can be attributed to an attempt by businesses to reduce operational costs. High income employees have been least affected and 32% of the low-income respondents have lost their jobs. 26% of the employees 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

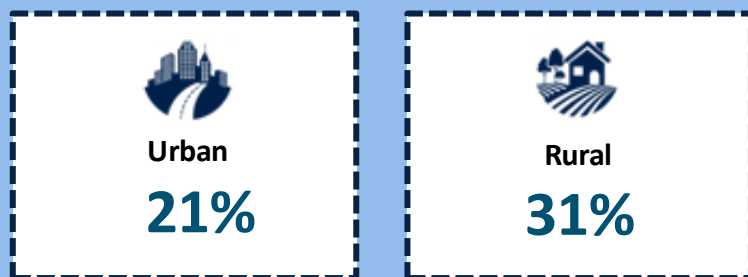
Individuals aged above 50 have the highest incidence of being laid-off (one-third)



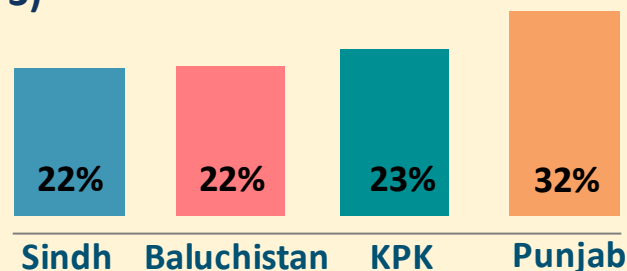
~1 in 3 male employees have been laid off compared to 1 in 4 female employees



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



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

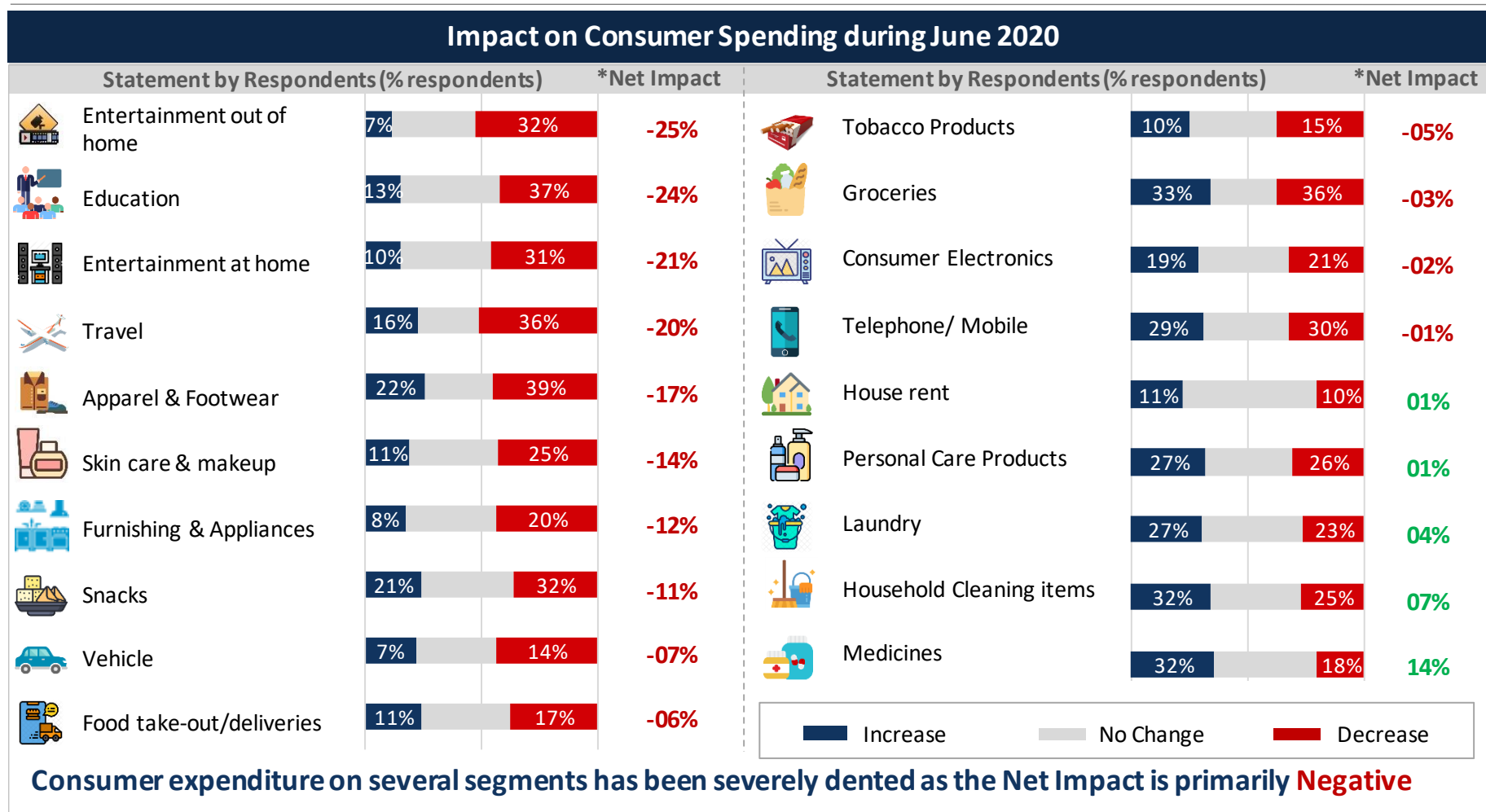


Q. How has the COVID-19 situation impacted your income?

The background is a solid blue color with a complex, abstract pattern. It features a series of lines that converge towards a central point on the right side, creating a strong sense of perspective and depth. Overlaid on this are numerous small, light-blue squares arranged in a grid-like fashion, which adds to the digital or architectural feel of the image.

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

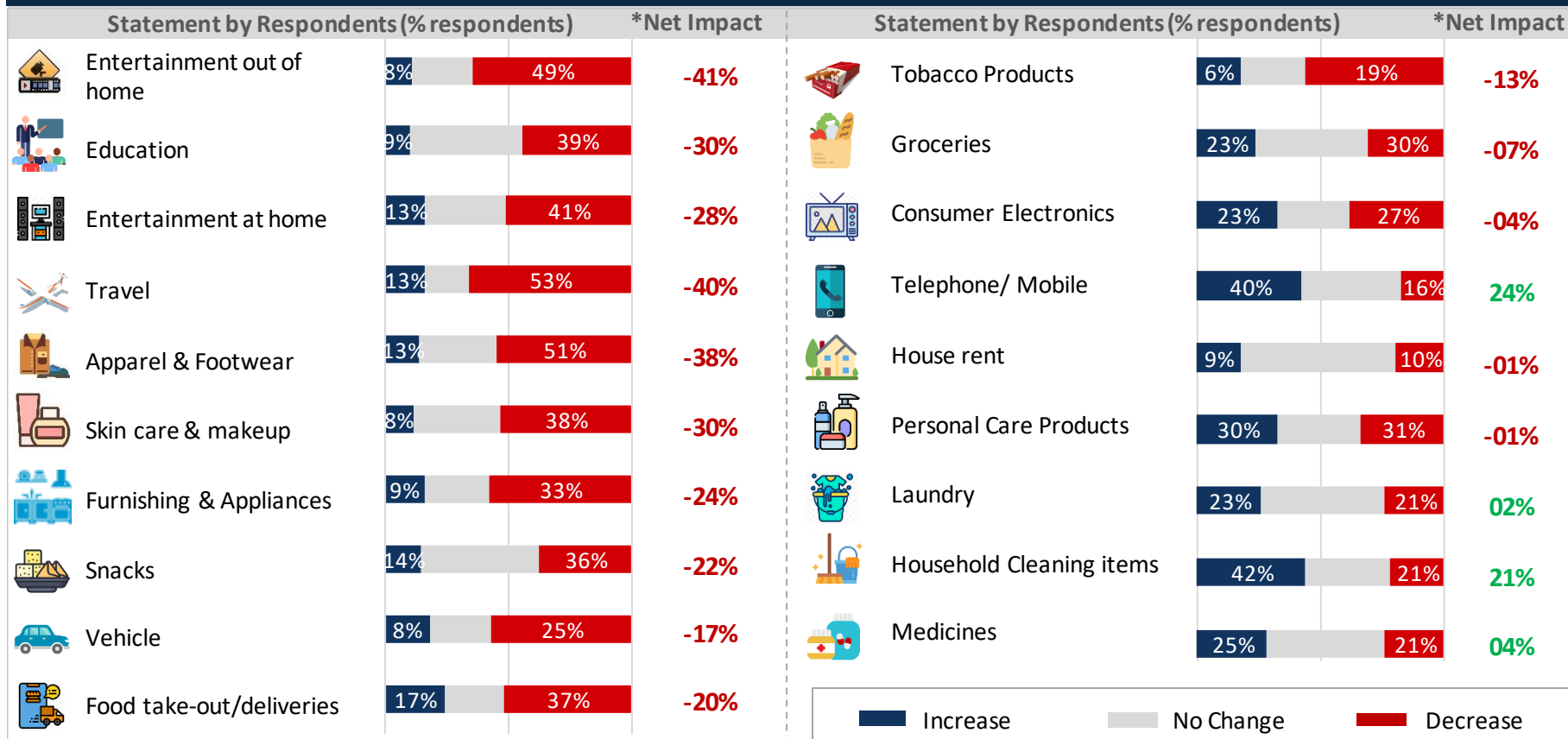


Q. Please indicate how your spending has changed with regards to the following due to COVID-19 pandemic

Note: Net Impact = % Increase - % Decrease

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)



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%

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



Skincare & Makeup

31%

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



Groceries

27%



Tobacco Products

24%

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



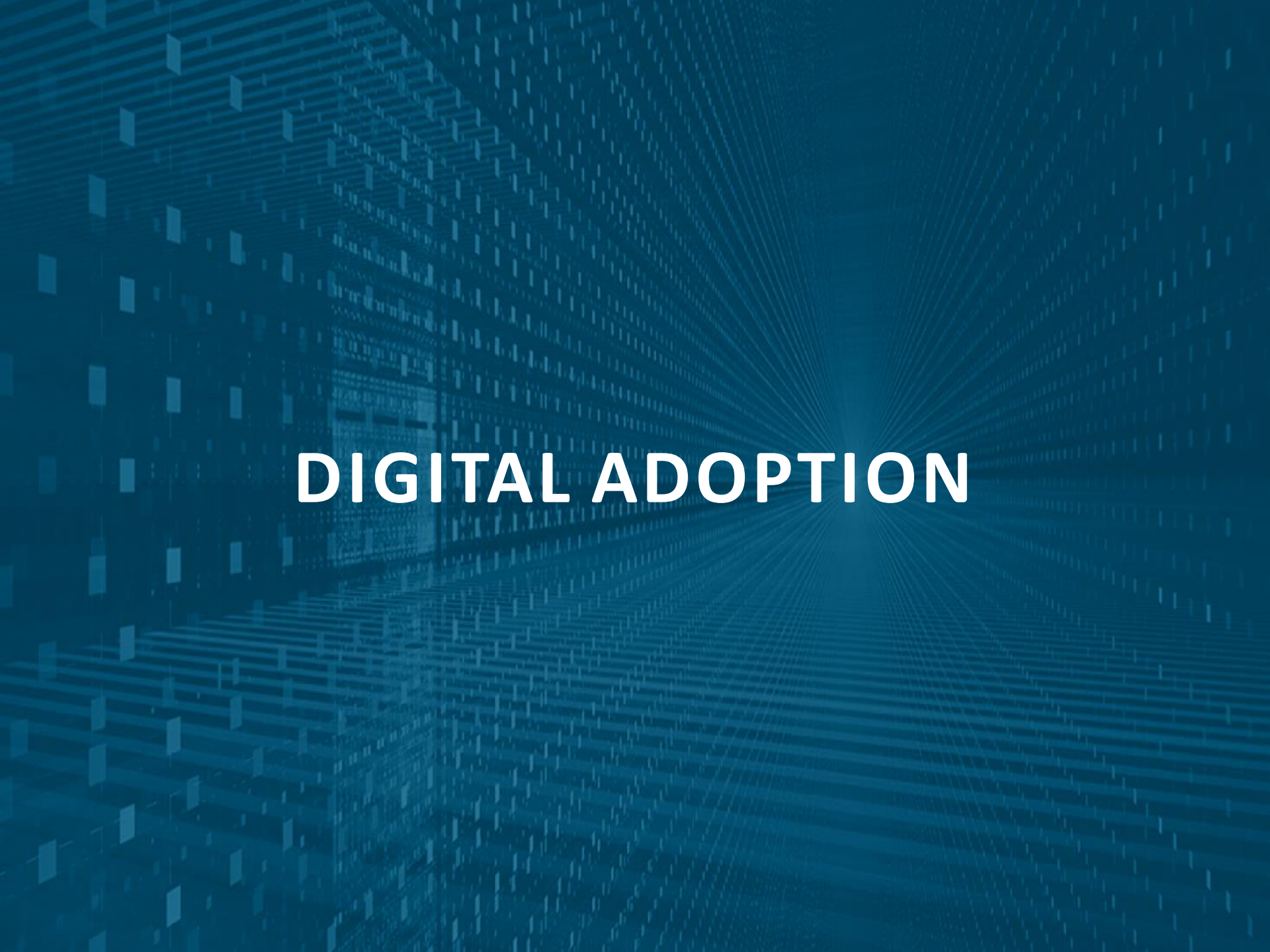
Entertainment out of Home

19%

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.

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

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.

The background is a solid blue color with a complex, abstract pattern. It features a series of lines that converge towards a central point on the right side, creating a strong sense of perspective and depth. Overlaid on this are numerous small, light-blue squares arranged in a grid-like fashion, which adds to the digital and technological feel of the image.

DIGITAL ADOPTION

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

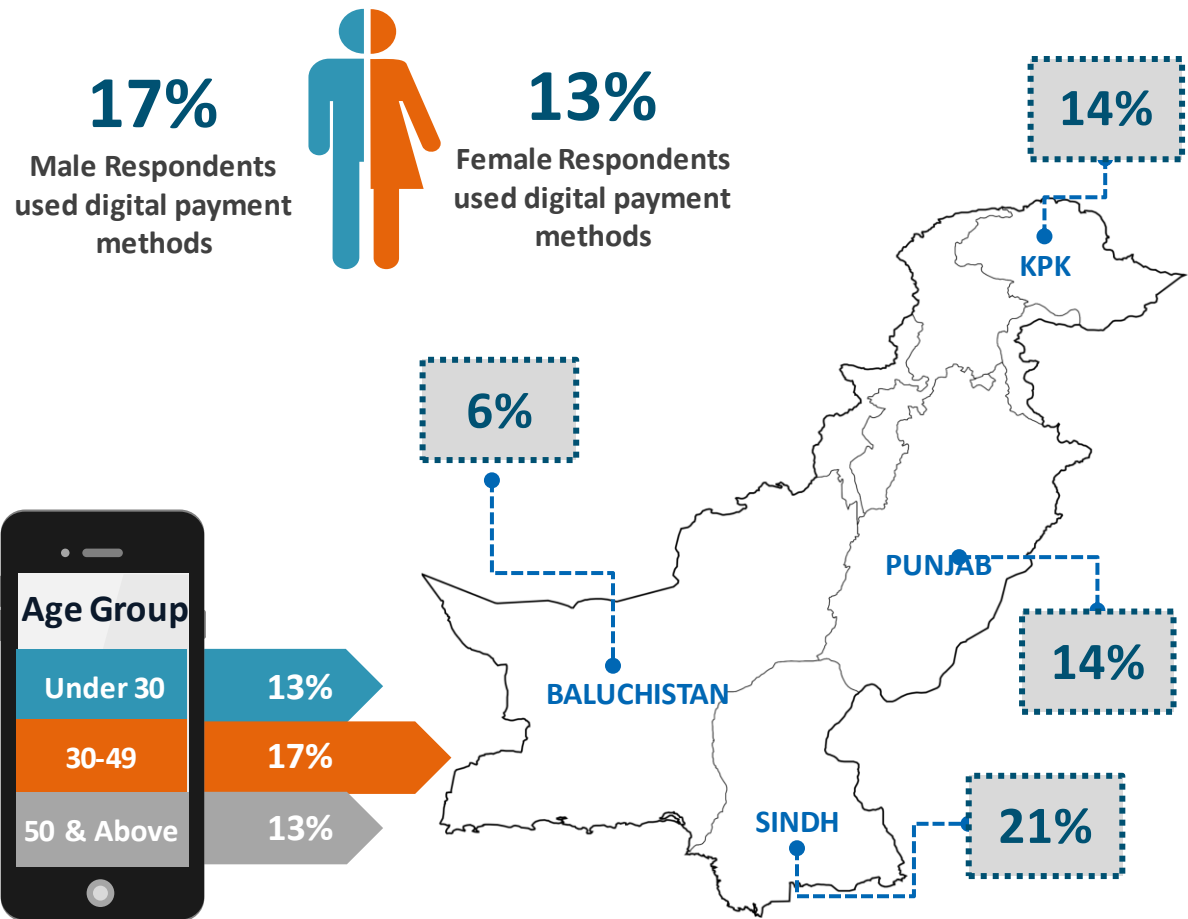
First Time Usage of Digital Payments During COVID-19

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.

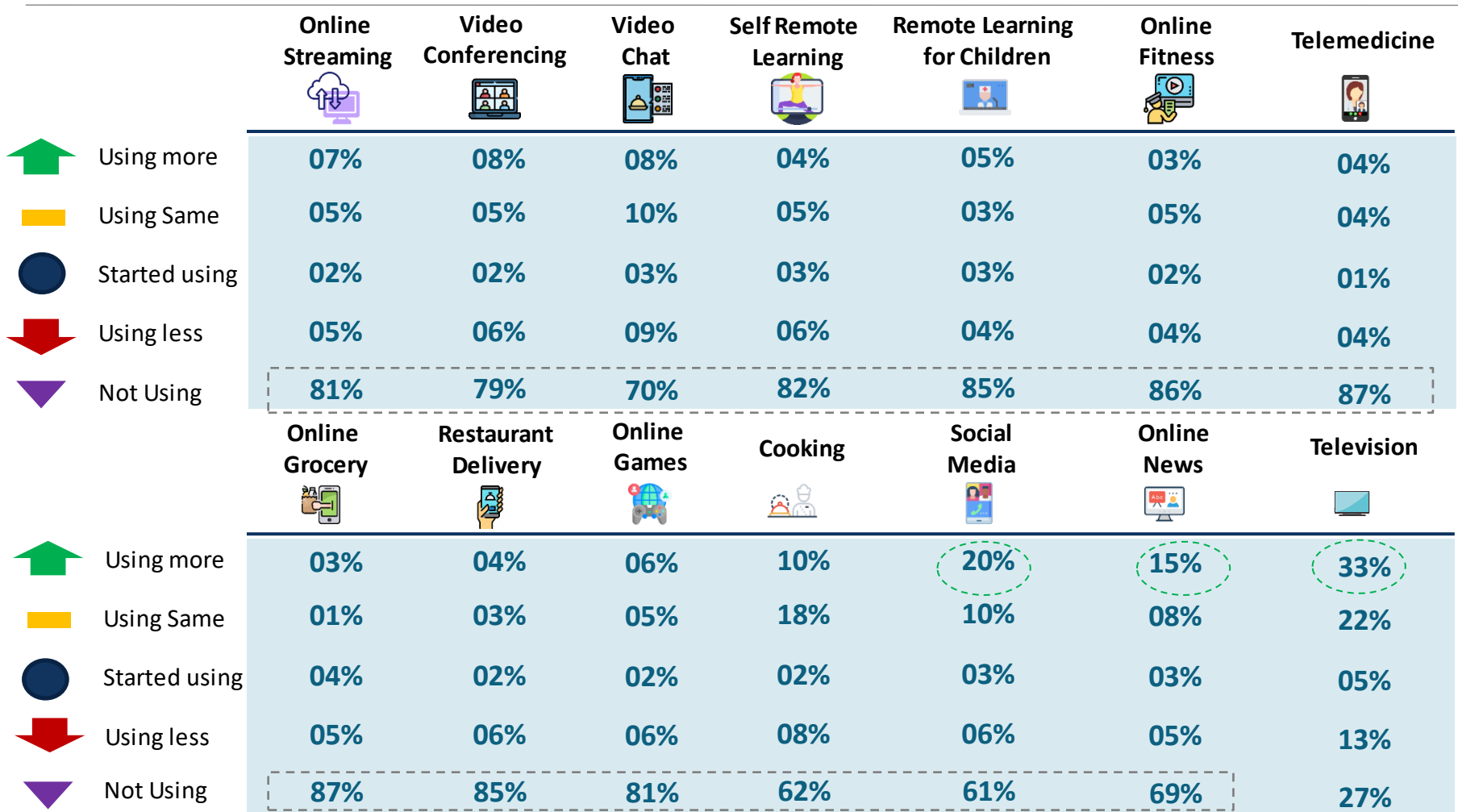
Sindh has been quick to adopt digital payments as 21% respondents are first time users during COVID-19

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.



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.



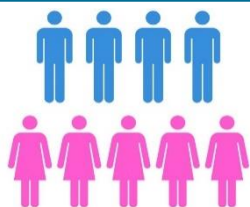
Q: Have you used any of the following during COVID-19 pandemic?



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

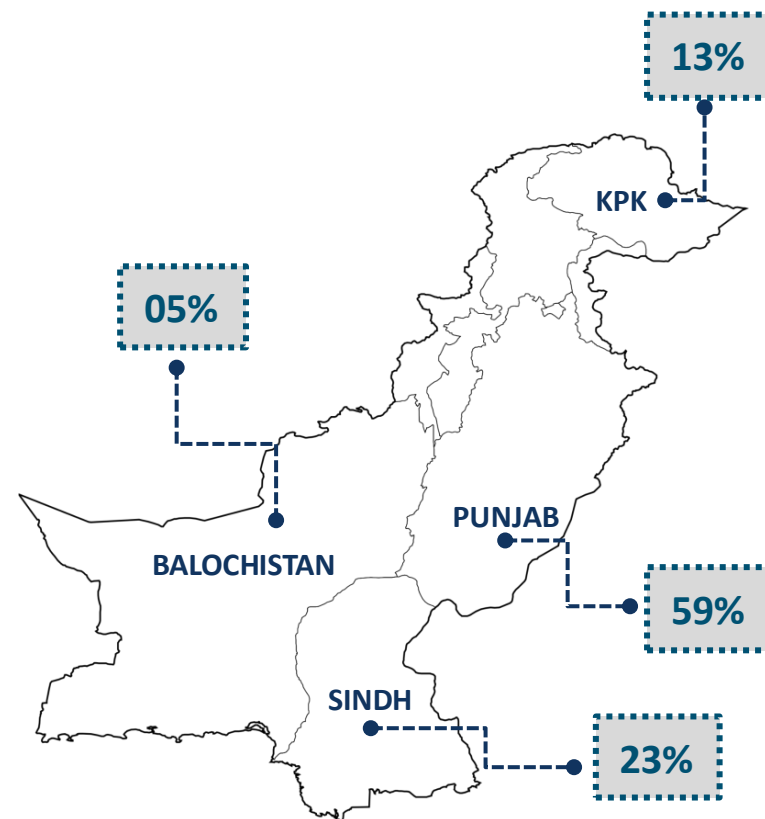


50%

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.

Disclaimer

This material is confidential and proprietary to Dun & Bradstreet Pakistan (Private) Limited (referred to as 'D&B') and Gallup Pakistan Limited (referred to as 'Gallup'). The material may not be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any such purpose, in whole or in part, in any form or any manner or by any means whatsoever, by any person without express authorization of D&B and/or Gallup.

All information contained herein is obtained through surveys conducted from respondents. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind and D&B and Gallup, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion by respondents and D&B and Gallup shall not be liable for any loss incurred by users from any use of this report or its contents.