

The impact of COVID-19 on household expenditure

Nationwide survey to analyse the impact of the pandemic on Maltese consumption expenditure

April 2020



Foreword

The economic implications and repercussions of the COVID-19 global pandemic are deep and far-reaching, affecting the economy of virtually every nation on earth. The virus has had a significant impact on the demand and supply sides of numerous sectors; not only by reducing disposable income and breaking supply chains, but also by changing the channels through which products and services are bought and sold.

Malta is no exception. We have seen a significant shift to online purchases, home deliveries and the remote offering of services, among others. This requires Maltese businesses, Government and other stakeholders to adjust. Through the findings reported in this publication, we hope to enable all players to make informed decisions by providing timely information that presents a true picture of the impact that COVID-19 has had on the consumption expenditure of persons residing in Malta.

This survey was thus launched with one goal in mind – to measure changes in the pattern of spending of Maltese citizens during the COVID-19 pandemic in relation to three main economic areas:

- general consumption
- travel
- real estate

The analysis presented in this report is the result of a survey that was conducted between Monday 13th April and Friday 24th April, during which 517 valid responses were collected.



Yours faithfully,

George Vella

Partner – Head of Advisory





Summary of key findings



84% of respondents expect Malta to suffer economically for **12 months or less...**

...20% or more respondents were **able** to shift their spending on communication services and take-aways **to online purchasing...**



...groceries and communication services were the categories with the largest recorded increase in spending during the pandemic...

...75% of respondents ceased all spending on **retail clothing and footwear...**



... 39% of Maltese people said that they would **reduce the frequency** of their **travels** once airports and ports re-open

... 54% of Maltese property holders reported **reducing rent rates** for tenants or **waiving payments** altogether



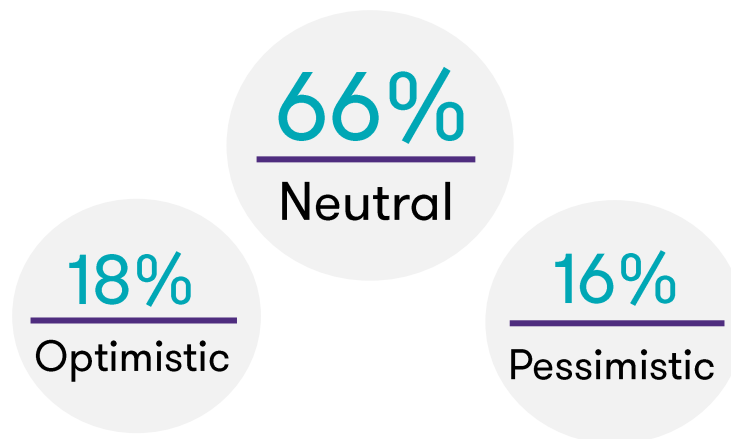


Perception of economic outlook

In order to gauge the level of confidence that Maltese consumers hold for the local economy's future, respondents were asked to indicate which of the below perceptions aligned the most with their own:

- **Optimistic:** The economy will rebound within 2-3 months and grow just as strong or stronger than before COVID-19
- **Neutral:** The economy will be impacted for 6-12 months and will stagnate or experience slow growth thereafter
- **Pessimistic:** The economy will be impacted negatively for longer than 12 months and will fall into a lengthy recession

Figure 1: Confidence in Malta's future economic conditions



It is clear that the majority (66%) of Maltese residents are neither optimistic nor pessimistic about Malta's economic future, believing that our economy will suffer for a period of 6-12 months, after which slow growth will ensue before eventually undergoing economic recovery.

Thus, despite the disruption, Maltese residents believe that the Maltese economy is based on strong underlying fundamentals which will allow it to bounce back once conditions return to normal.

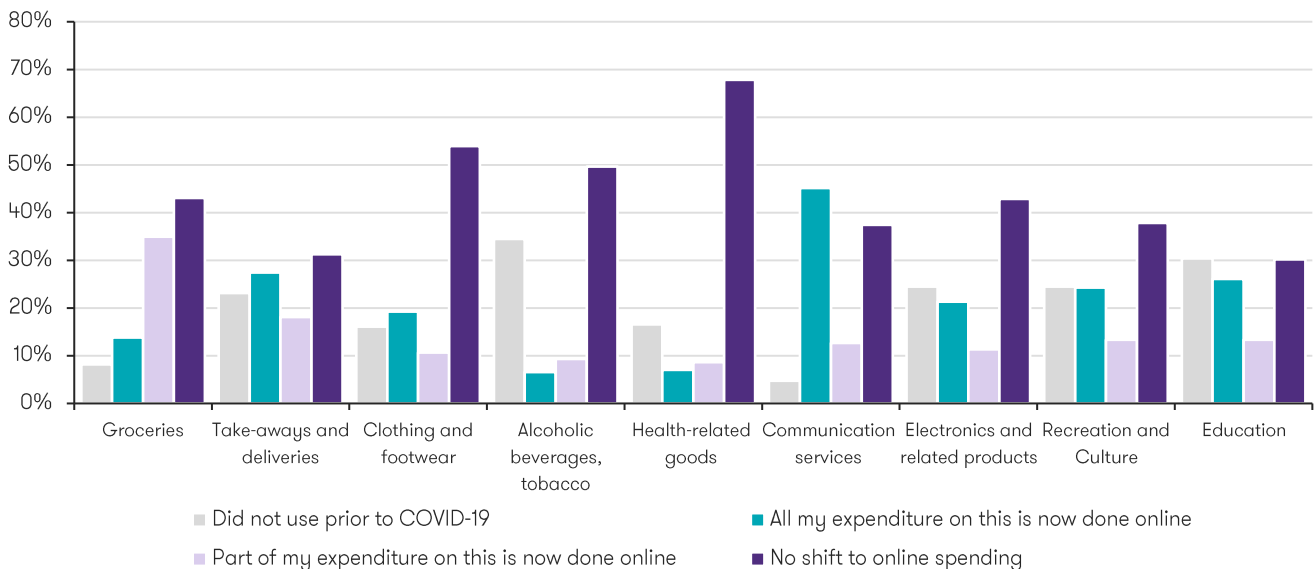


Consumption expenditure

Respondents were also provided with a list of goods and services (sorted by category) for which they were asked if over the previous 5 weeks their expenditure had changed and whether that expenditure had shifted to online sources. Below is a list of the categories:

Groceries	Clothing and footwear
Take-aways and deliveries	Alcoholic beverages, tobacco
Health-related goods (e.g. non-prescription medicine, prescription medicine, vaccinations)	Healthcare services (e.g. GP visits, specialists, etc.)
Communication services (e.g. internet services, mobile services)	Electronics and related products (e.g. computers, game consoles, other electronic products)
Hobbies and recreation (e.g. musical instruments, leisure reading materials, etc.)	Transport (both public and/or private)
Education (e.g. online courses, tuition, etc.)	

Figure 2: Shifting expenditure online



The above graph reveals those categories for which Maltese consumers reported shifting their expenditure online during the weeks that lockdown measures were in place, whereas before they would visit the stores physically. Close to 70% of respondents were unable or unwilling to shift any of their spending on health-related goods online, with many having to visit pharmacies.

On the other hand, 45% of Maltese consumers avoided physical visits to communication services outlets and instead opted to purchase them online. Around 20%-25% of respondents shifted all expenditure on restaurant take-aways, education, electronic goods and recreational goods online.

A number of salient points emerged from respondents' spending habits:



52%

increased their spending on **groceries**



24%

increased their spending on **educational goods and services**



29%

increased their spending on goods related to **hobbies & recreation**



40%

increased their spending on **communications services**, **22%** of which increased drastically



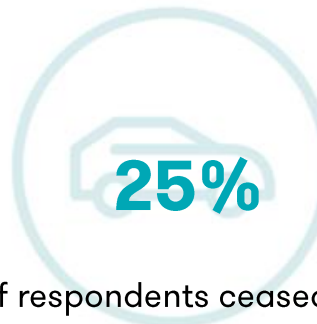
stopped all expenditure on **clothing and footwear**



of spending on **health-related** goods remained unchanged



stopped purchasing **take-aways and deliveries** altogether



of respondents ceased all **transport-related** spending

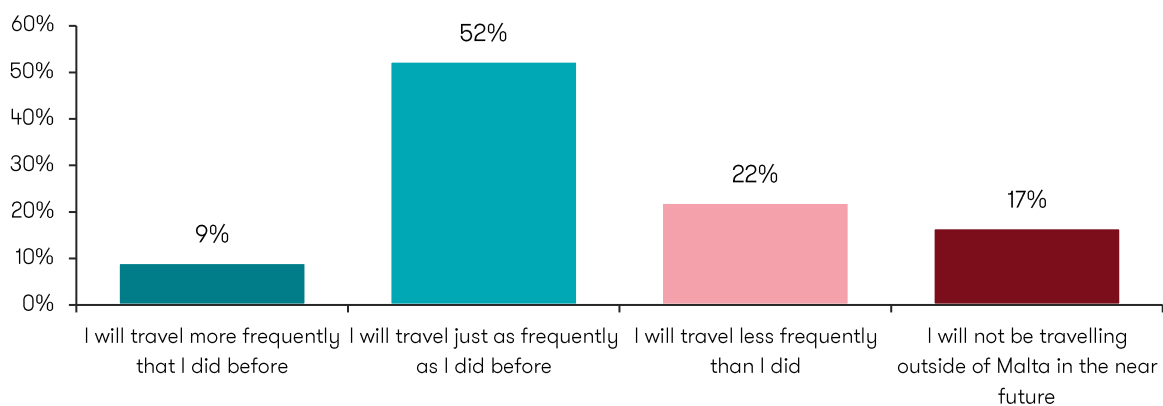
**see Appendix I for all responses*

Despite the above results, **70%** of respondents stated that they plan to adjust their expenditure back to normal levels (pre-COVID levels) for all categories of expenditure listed.

Travel

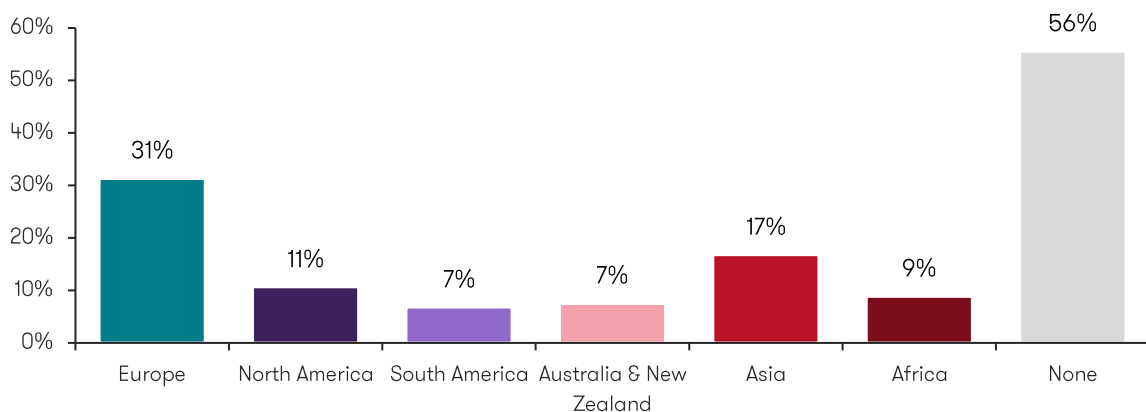
Respondents were also asked questions regarding their intentions for future travel and whether the COVID-19 pandemic has caused any change in their attitude and outlook toward travelling. While 52% said that they will not change their travelling habits, and a further 9% stated that they will actually increase their frequency of travels abroad, 17% expressed their reluctance to travel outside of Malta altogether in the near future. The remaining 22% indicated that they would be travelling less frequently once airports and ports re-open.

Figure 3: Change in frequency of travel post-COVID



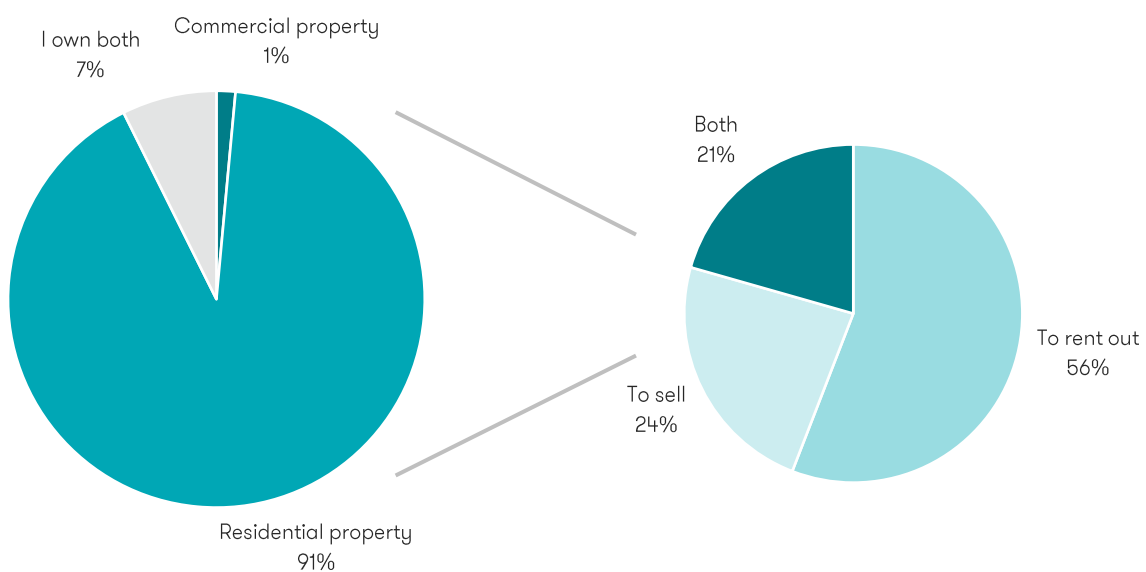
Besides frequency of travel, we were also interested in whether Maltese people had changed their opinion about certain regions of the world as being viable holiday destinations. Surprisingly, 31% of respondents chose Europe as a destination that they were willing to travel to before the pandemic, but no longer would visit. It is likely that respondents were referring to a select few European nations that were severely affected by the virus, such as Italy, Spain and the UK. More than half (56%) said that the pandemic has not changed their choice of travel destinations. Despite Asia being the source of the virus, only 17% of respondents were dissuaded from visiting the region once conditions normalized.

Figure 4: Continents no longer desirable for travel



The real estate market has in recent years become one of the most crucial sectors for Malta's economy, making up 7.5% of local GDP in 2018. We therefore sought to gauge how the real estate sector was impacted by the COVID-19 pandemic. From our sample of 517 persons, 25% indicated that they were **property holders**, i.e. they currently hold a property/properties which they are trying to sell and/or rent out. The following was extrapolated from their responses:

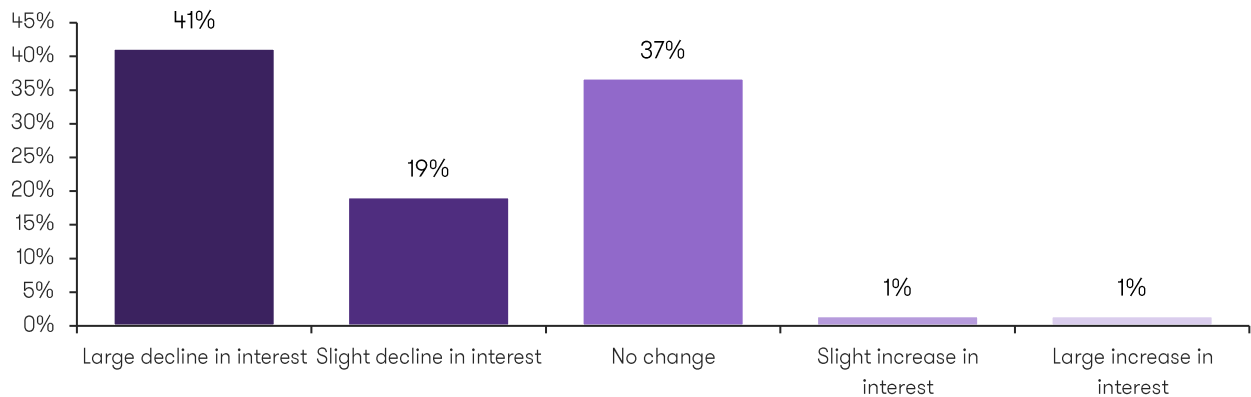
Figure 5: Type of property held – rent or sell



The majority (66%) of property holders stated that they stopped allowing property inspections and viewings by potential clients altogether during the preceding 5 weeks. This could be due to both a fear of contracting the virus from potential clients as well as a decline in interest by the clients themselves as they grew more cautious about the possibility of infection.

Figure 6 below shows the perception of property holders when asked about whether they noticed a change in the level of interest in their properties during this same period, and if so, to what extent. Just under half of respondents reported a significant decline in interest in their properties from potential clients, while a further 20% reported only a slight decline.

Figure 6: Change in level of interest in property



30% of property holders reduced their asking prices for both rent and sales to try to generate interest...

↳ **20%** of which claimed it was successful.

Of those property holders who at the time of the survey, had properties occupied by tenants:

54%

reduced rates and/or waived rent payment by tenants

46%

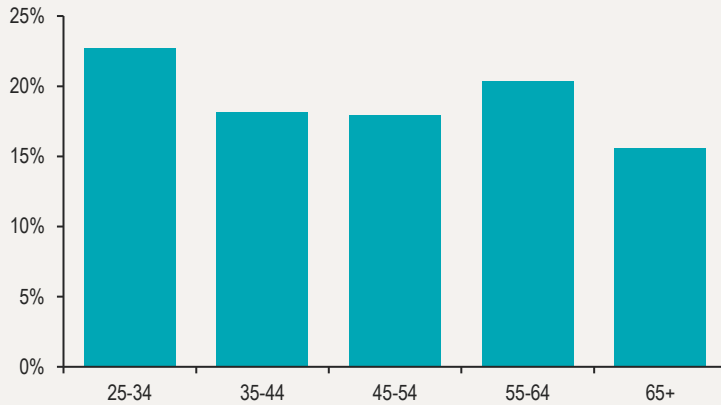
did not reduce rent rates and tenants paid on time



Demographics of respondents

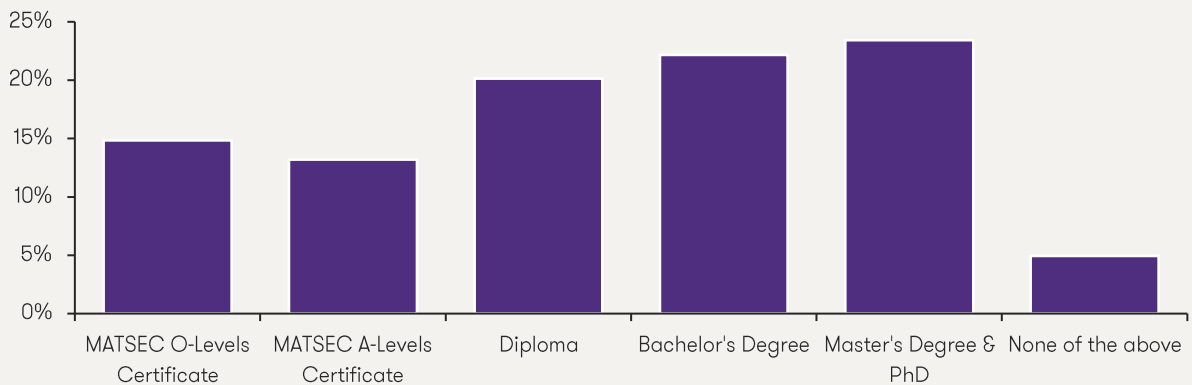
Our survey was targeted at Maltese residents, primarily above the age of 25. We had 517 complete responses that are evenly distributed across all age groups, as can be seen in the below graph.

Figure 7: Age of respondents



The adjacent graph shows that we collected responses somewhat equally across those age groups from 25 years and upward (between 15%-20% for each group).

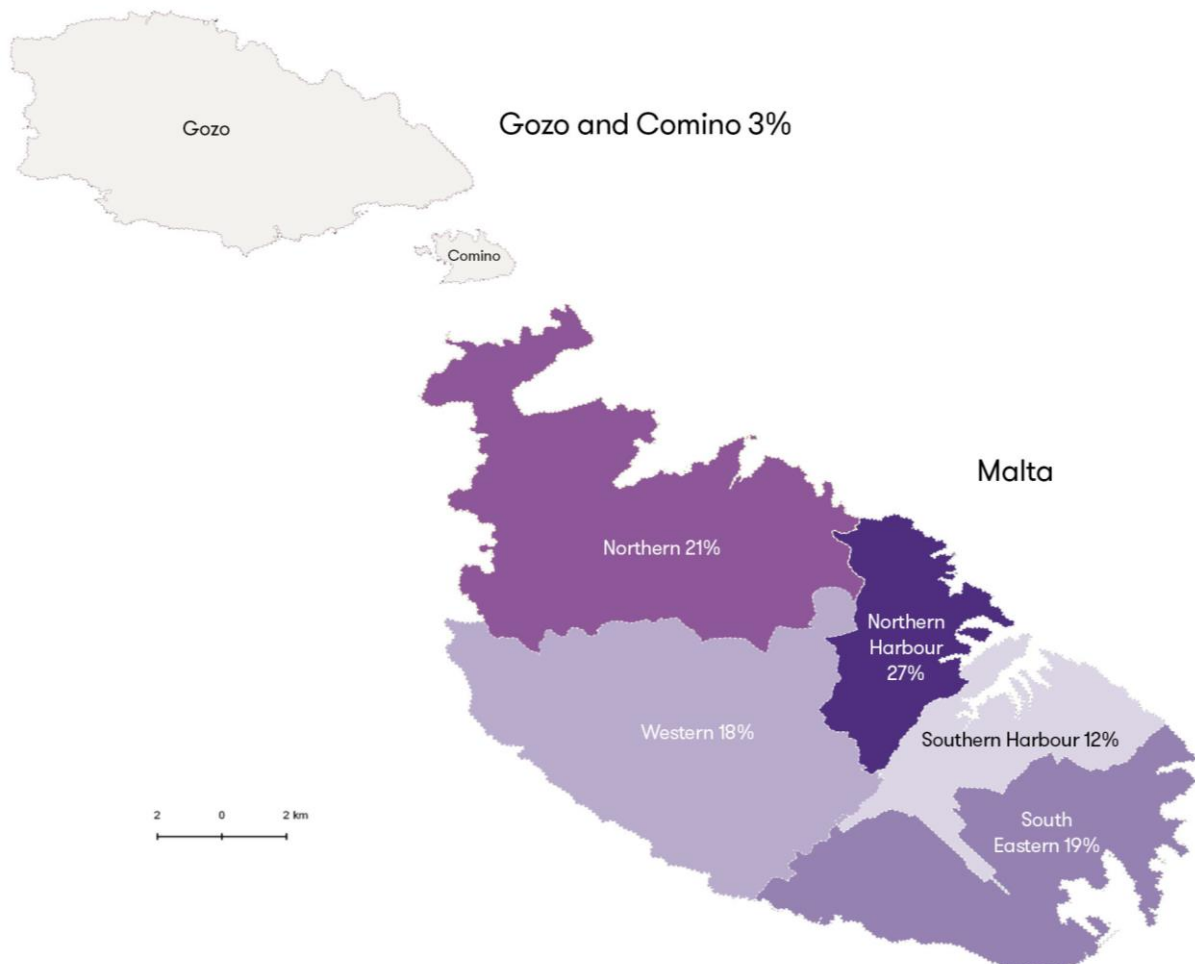
Figure 8: Education of respondents



The above graph illustrates the highest educational achievement of our respondents, thus showing that our sample is made up of people coming from various educational backgrounds – further confirming the reliability of our data.

The below image is a heat map of Malta, divided into regions in accordance with the European Union's NUTS classification, which is a hierarchical classification dividing the economic territory of the EU for the purpose of producing regional statistics.

Figure 9: Residence of respondents

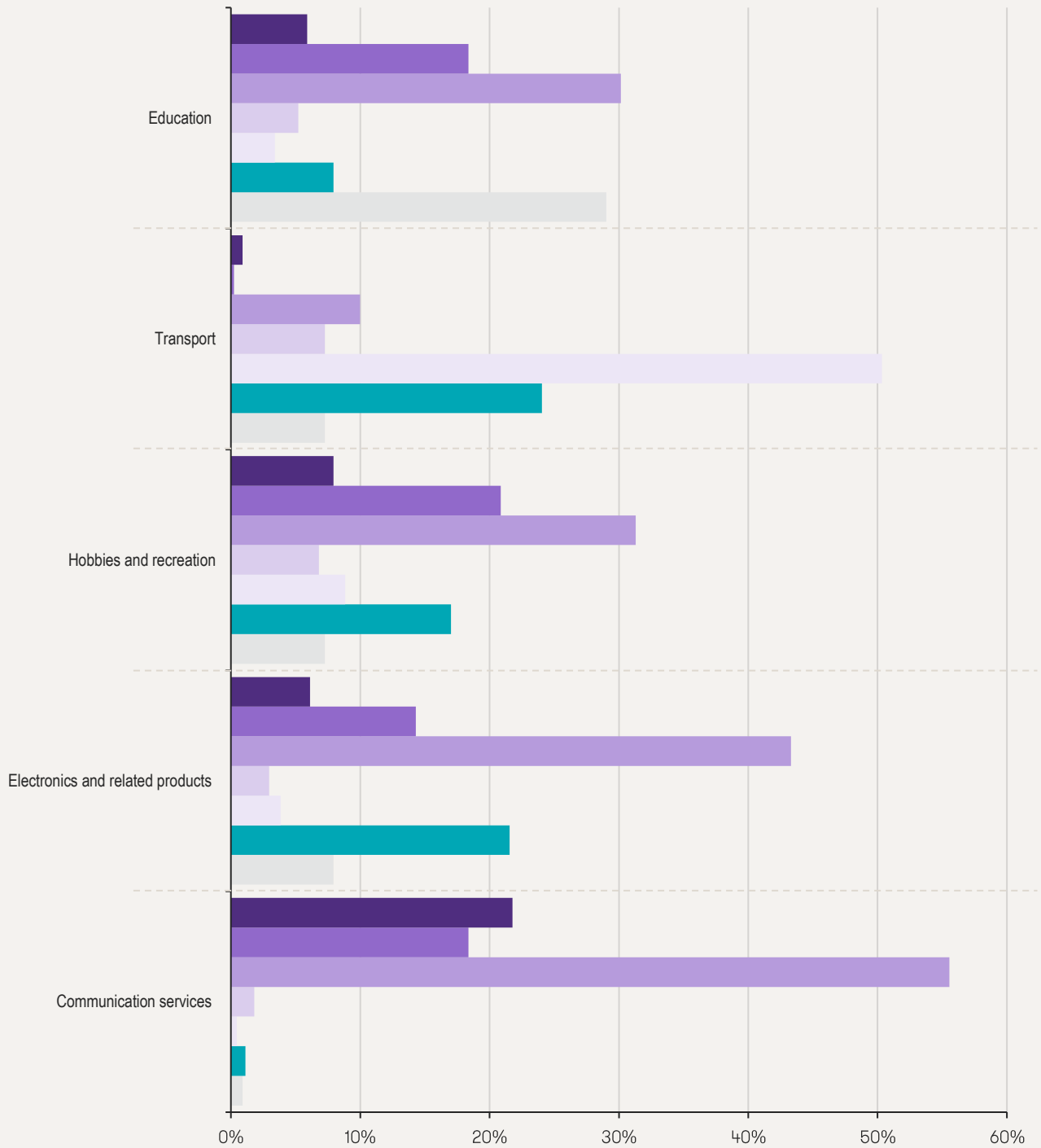


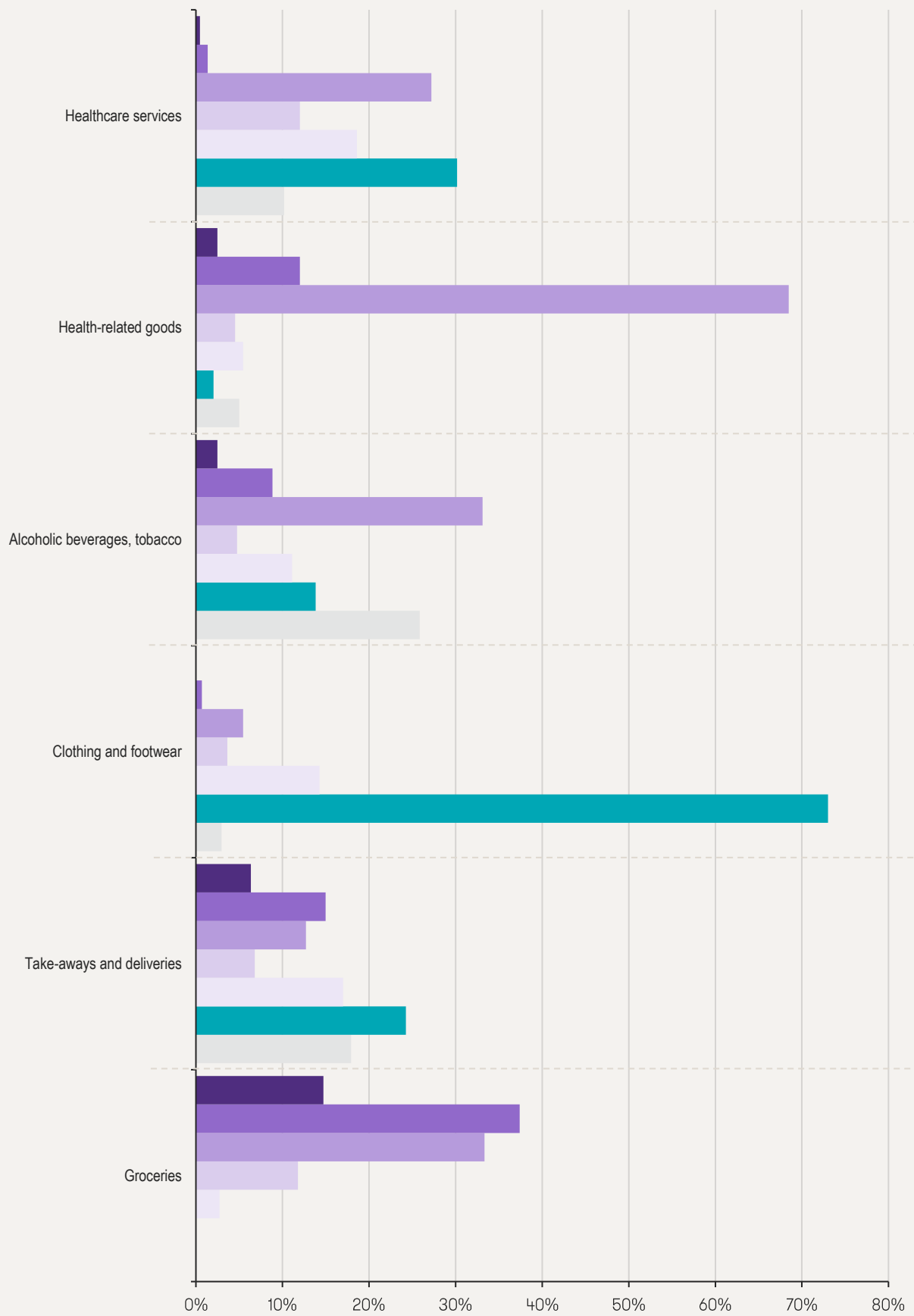
The below table shows a comparison of the actual population distribution per region as per NSO's 2019 publication on Regional statistics with the regional distribution of our survey respondents. It is clear that our sample is highly representative, with just a +/- 5% variation.

	Gozo & Comino	Northern	Western	South Eastern	SH area	NH area
NSO	7%	17%	13%	15%	17%	32%
GT Survey	3%	21%	18%	19%	12%	28%
Variance	-4%	5%	5%	4%	-5%	-4%

Appendix I: Changes in consumption

- A lot more
- Slightly more
- Remained the same
- Slightly less
- A lot less
- Stopped buying completely
- N/A - Did not use prior to COVID-19





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