



Spending Habits

A REPORT ON PRE & POST CORONA EFFECT

By Chinmay Sathe

Introduction

What if you knew that a virus is going to hit the world soon and everybody would be forced to live inside their house. What is the first thing you think you would have done then? Well, for majority of us, we would have gone on a shopping spree. But the major difference between shopping pre and post COVID-19 phase is of realization that most of the stuff we think are essential for our living, actually are not.

I generally do most of the grocery shopping for my family and I prefer going to the same mart that I've been going to for 4 years now. In pre-corona era, I used to find the mart half empty by the evening, and most of the stuff being sold out were non-essentials like Loofahs, while racks were still oozing with edible stuff. Then, in the post-corona era, the mart gets emptied even before mid-day starts and this time even the edible stuffs are gone.

How has corona changed the market and how have people reacted to the need, we shall see in this report.

Earnings and Savings

Most of my friends are working from home and they are saving commute expenses, which are a major portion of their spending, since all of them live in metropolitan cities like Mumbai, Kolkata etc. Other than that, they are saving money from not being able to purchase booze, eating at a fast food franchise and watching movies in theatres. So, overall, their earning is still intact while their spending has reduced drastically.

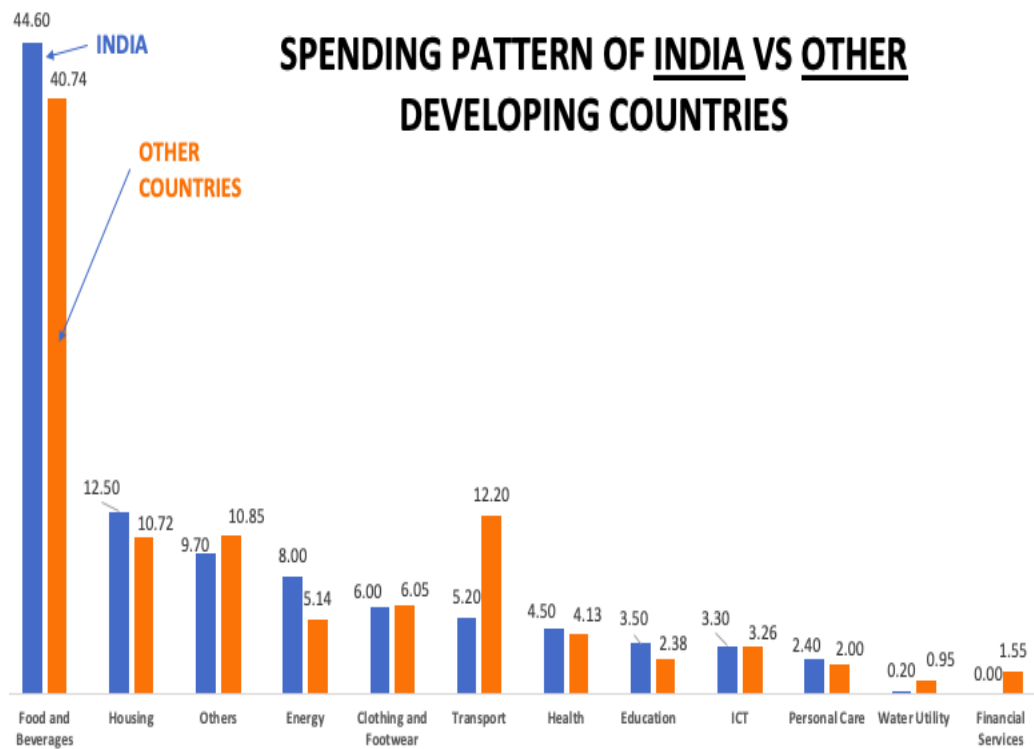
But, once this horrible virus gets a vaccine, and people are allowed to go out again, what will happen then? Will the movie buffs still avoid multiplexes? Will the dinning out addicted people stop eating out? One thing is for sure, the party loving people will be back at drinking booze and social gatherings as soon as conditions are stable again.

When we take a look at millennials and their spending habits in USA alone, we observe the following points:

- ✚ Millennials account for 83.1 million of US population [Source: US Census Bureau] and of those 88% live in metropolitan areas.
- ✚ Their avg. yearly expenditures total around \$47,112 and together they spend \$600 billion in the US each year. While their avg. yearly income is around \$56,099 before taxes.

But this is was about USA, let's see how things are in India:

- ✚ Around half of all Indians spend ₹500 to ₹2,500 on clothes each month.
- ✚ 75% of Indians with a household income of ₹15 lakhs or more spend ₹1,500 or more per month on clothes
- ✚ 46% of full-time workers spend over ₹1,500 per month on clothes, for part-time workers this is 18%.
- ✚ 21% of Indian women spend more than ₹3,000 per year on new footwear compared to 16% of Indian men.
- ✚ 35% of unqualified Indians can't afford to eat out. 10% of Master graduates have the same issues.
- ✚ 38% of divorced Indians spend over ₹3,000 on a date. Only 10% of single Indians spend this amount.

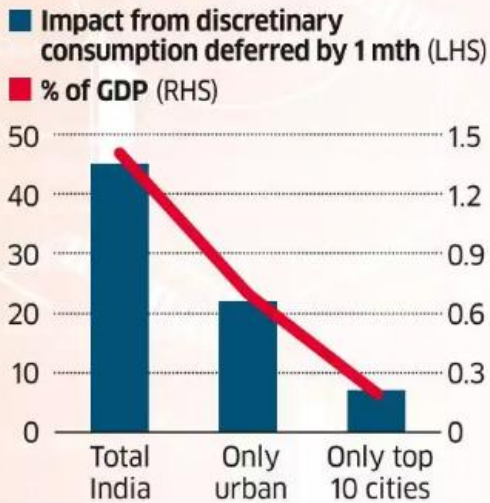


A comparison of India vs other countries based on spending pattern

So, has this pandemic and thus lockdowns changed all this? Most definitely YES!

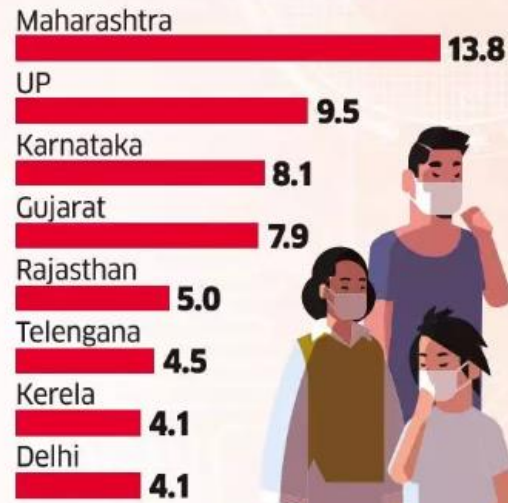
“Discretionary spending in India may take a hit of \$45 billion (₹3.3 lakh crore) per month due to Covid-19 outbreak, according to a research by Axis Capital. This is equivalent to 1.4% of GDP. On average, an Indian consumer spends about \$80 or nearly ₹5,700 per month on discretionary items of which two-third is from urban regions and the balance from rural areas. It includes expenditure on clothing, footwear, household equipment, and recreation. “One month of lockdown could potentially defer discretionary consumption of \$45 billion on a pan-India basis, while if lockdown remains concentrated on urban areas it would have the impact of \$22 billion,” said Prithviraj Srinivas, economist, Axis Capital.” – THE ECONOMIC TIMES.

Impact from deferred discretionary consumption



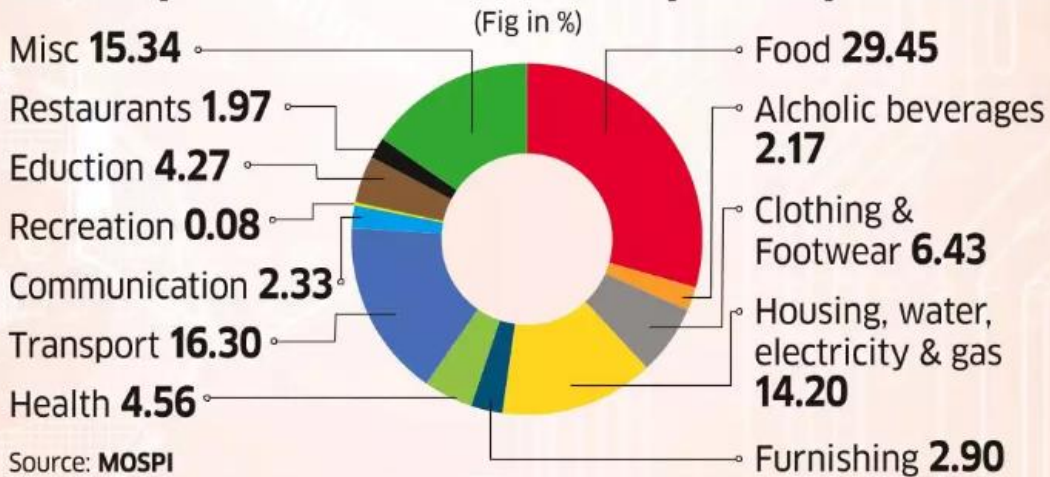
Source: Axis capital

States with most Covid-19 cases: % of India's GDP



Source: Nomura

Break-up of Personal Final Consumption Expenditure



Source: MOSPI

A look at financial status of a common man

Online Shopping

This was around 2007-08 when e-commerce giant of then, EBAY, sold all its business of India to Flipkart. And then came the online shopping revolution which Indians were waiting for since the internet was introduced to us.

People were shopaholics from within, but all they needed was a source to exploit their need to shop and Flipkart and then later Amazon.in provided them with that.

As of March 2017, Flipkart held a 39.5% market share of India's e-commerce industry. Flipkart is significantly dominant in the sale of apparel (a position that was bolstered by its acquisitions of Myntra and Jabong.com), and was described as being "neck and neck" with Amazon in the sale of electronics and mobile phones. Flipkart also owns PhonePe, a mobile payments service based on the Unified Payments Interface (UPI). - Wikipedia

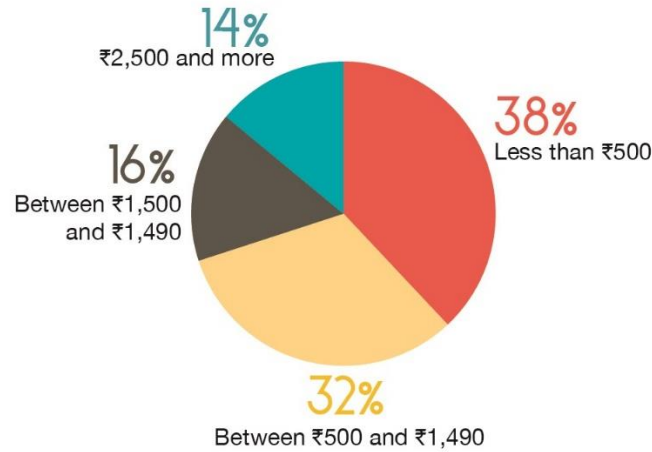
Later in August 2018, Walmart acquired a 77% controlling stake in Flipkart for US\$16 billion, valuing it at \$20 billion.

So, what made a few KB of files into an e-commerce company with revenue around ₹43,615 crore (USD 6.1 Billion) as of 2019? The answer lies with the online shopping habits of us, Indians.

Clothing & footwear grew 10% on average annually from 2013-14 to 2017-18, and its 7.1% of total per person spending today is equal to its share in 2013-2014.

Indians and Fashion Shopping

How much do Indians spend on new clothes per month?



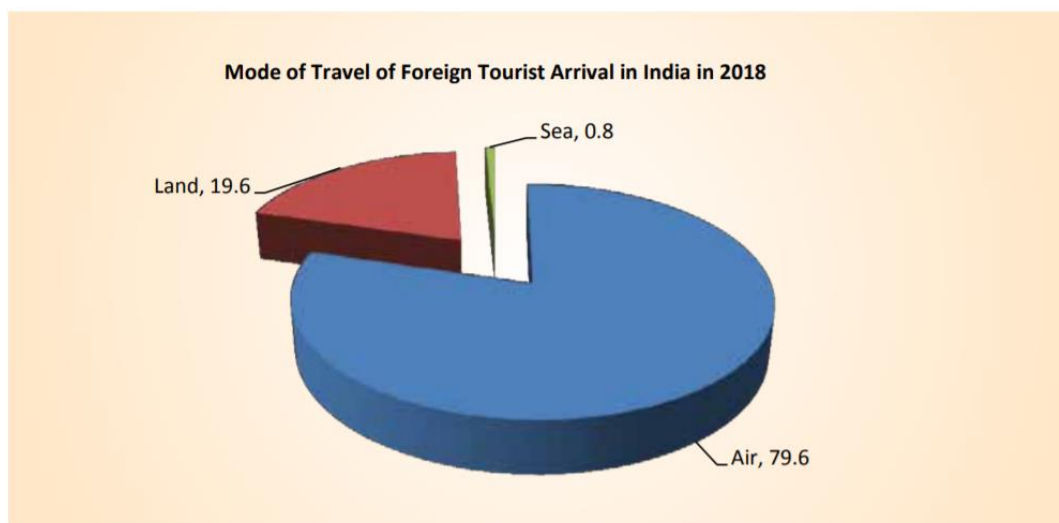
Data collected from various shopping website showing spending by Indians on clothes

So, based on the above data provided by dealsunny.com, we observe that 32% i.e., nearly 30 crore people spend between INR 500-1490 monthly, just on clothes which is 8% of all items available online.

All this will be affecting India's GDP post COVID-19. Assuming that 20% of the daily GDP is impacted due to lockdown, it may reduce the GDP by \$1.5 billion (₹10,500 crore) every day. With nearly second fortnight of March is affected due to lockdown, the CSO forecast of 4.7% GDP growth for the current fiscal now looks ambitious.

Travel

- Over 10 million foreign tourists arrived in India in 2017 compared to 8.89 million in 2016, representing a growth of 15.6%. Domestic tourist visits to all states and union territories numbered 1,036.35 million in 2012, an increase of 16.5% from 2011.
- 12.9% of total spending of BRICS nations goes into managing transportation expenses. Items included in this category are purchase of car, bikes, bicycles, maintenance, fuel, cost of parking, cost of public transportation etc.



Mode of travel in India during year 2018

- Air travel has been the most preferred mode of travel for the FTAs over the years, accounting for above 79% share each year during this period, though a clear decreasing trend is visible. During 2018 the percentage of FTAs travelling to India by air remained same to 79.6%. The share of arrivals through land check-post has been above 10% during 2001 to 2008 and 2014 to 2018. Arrivals through sea routes have remained less than 1% from 2001 to 2018, except 2009, when the same was 1%.

All flights were halted immediately after 23rd march, and since then Indian Airlines have faced a loss in crores in money as well as jobs. Indian airlines may suffer \$11.2 billion revenue loss, 2.9 million jobs at risk according to IATA.

Now talking about land travel, mainly railways. Since, the lock down has been imposed, Indian Railways' Western Zone has incurred a loss of ₹ 716.59 crore in total, this includes the money from cancellation and refund of tickets which equals to whopping ₹ 237.64 crore out of which Mumbai division alone, refunded an amount of ₹ 114.85 crore.

This is just the stats of one zone. It is estimated that Indian Railways is set to lose around ₹25000 crore till the pandemic gets over.

The shipping/transport sector is going to face a loss of around ₹ 50000 crore and is in dire need of a relief package.

END NOTE:

With more days of lockdown to be seen by the world, the GDP of every country is definitely going to dive deeper than ever. What's more in store is that now China is predicting few more such viruses to be hitting the world soon within a year or so. The economy is doomed for next few years and people are going to lose jobs. But this is not the first-time world has seen such a pandemic and this will certainly not be the last. We will recover from these loses but it will take a whole lot of generations to forget that a pandemic like this ever hit us.

Summary

Spending habits of people before and after lockdown has seen drastic changes. People who used to go on a shopping spree just for fun, stopping going out even for buying essentials. This has been the impact of COVID-19 on our lives. People even realized the need for donations. An emergency relief fund was created by Indian government which received ₹6500 crore donation within a week of its installation. This was just Indian citizens showing their will to help. The virus and its consequences on the economy are known to everybody. But the changes it has brought in general public's mind. The way they have started valuing humanity over money is something positive that can be brought out of this pandemic.

People must realize that once this gets over and people are allowed to go out again. The surge in the prices will be like anything the world has ever seen. So, they have to save their money now because things are going to get messy later.

The online shopping sector is going to see a rise in the beginning and later when people have stored essentials it is going to see a heavy fall in the sales. This is something every e-commerce will have to deal with.

Travelling will be the only sector which will see not much of rise and not much of a fall. This sector will cover up its losses faster than any other field. People stranded on places and wanting to reach their native places are definitely going to travel later and when things go back to normal, people will not be only working from their homes. The only relief for the governments is that this sector is going to cover loses as well as it will lead to technological advancements in mode of transport.

Data Source & References

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