Household spending down

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WITH the coronavirus (Covid-19) pandemic spreading across the globe, people are purchasing items based on their needs amid worries about an economic fallout that will leave many jobless.

The priorities when purchasing items are food and beverage products, medication, entertainment-related products and connectivity, as people remain on lockdown mode.

In Malaysia, household consumption levels have more than halved since the movement control order (MCO). The latest statistics released by the Department of Statistics show that average monthly household expenditure has fallen by more than half from RM6,317 to RM2,817.

Total household expenditure, excluding non-consumption expenses such as loan repayments, savings, deductions for income tax, the Employees Provident Fund (EPF), Socso, household transfers, etc, is down by 48% to RM2,110 from RM4,033.

Non-consumption expenses made up 36% of total household expenditure prior to the MCO, and that suggests that measures such as the loan moratorium and temporary EPF deduction cuts have significantly reduced the pressure on household cash flows, according to the report.

The biggest gainers are food and non-alcoholic beverages, up 27%, while communication and education remain unchanged. The biggest declines in consumption expenditure are for clothing and footwear (-95%), transport (-89%) and restaurants and hotels (-86%).

Private consumption expenditure may be down 8%-10% in the first quarter of 2020, says Maybank Investment Bank in a report.

Will consumption rise after the MCO period? CGS-CIMB Research, in a report, says that anecdotal evidence from China has emerged from the lockdown suggesting that the normalisation of consumer behaviour may be gradual, as precautionary social distancing practices continue. This underscores its concerns surrounding the outlook for Malaysia's private consumption, which makes up 59% of the gross domestic product (GDP).

Cumulative stimulus measures totaling RM260bil only partially offset the drag on private consumption in the near-term, but protect household balance sheets to enable a quicker recovery after the Covid-19-driven restrictions abate. As such, it has reiterated its GDP forecast of -2.3% for the year, says CGS-CIMB.

The Statistics Department, in another survey, says that 50% of the self-employed have lost their jobs, while 90% are still working, but with lower-than-usual salaries.

Average household expenditure before and during the MCO

	Amount	Share (%)
Total expenditure	RM6,317 / -55% / RM2,813	100 / 100
Consumption expenditure	RM4,033 / -48% / RM2,110	64 / 75
Non-consumption expenditure	RM2,284 / -69% / RM703	36 / 25

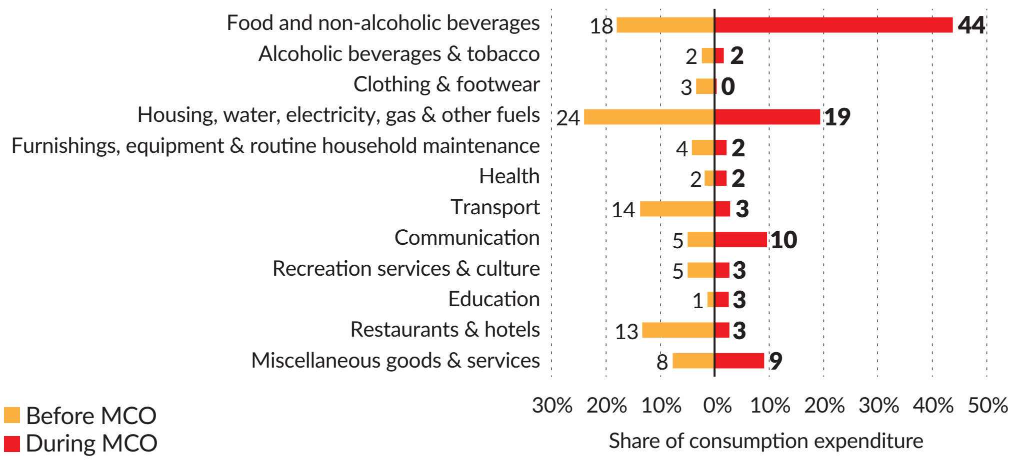
Consumption expenditure (CPI weight)

	Before MCO		During MCO
Food & non-alcoholic beverages (29.5%)	RM726	27%	RM924
Alcoholic beverages & tobacco (2.4%)	RM98	-64%	RM35
Clothing & footwear (3.2%)	RM136	-95%	RM7
Housing, water, electricity, gas & other fuels (23.8%)	RM969	-58%	RM410
Recreational services & culture (4.8%)	RM200	-71%	RM58
Education (1.3%)	RM54	0%	RM54
Furnishings, household & routine household maintenance (4.1%)	RM168	-72%	RM47
Health (1.9%)	RM75	-37%	RM47
Transport (14.6%)	RM553	-89%	RM61
Communication (4.8%)	RM203	0%	RM203
Restaurant & hotels (2.9%)	RM540	-88%	RM73
Miscellaneous goods & services (6.7%)	RM312	-38%	RM192

■ Before MCO
■ During MCO

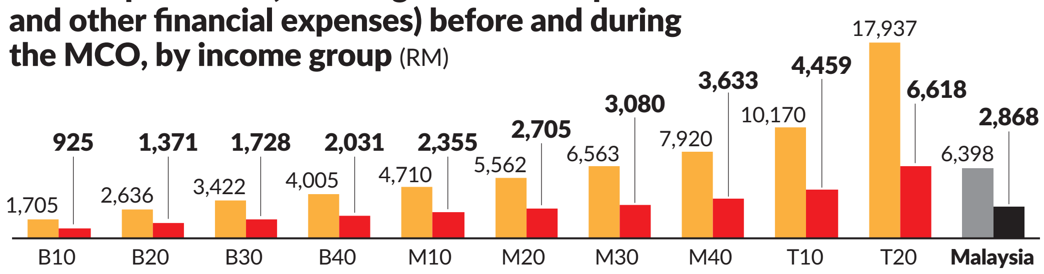
Consumption expenditure includes all expenditure, whether it's on cash or credit terms, on goods and services for personal usage, received for free or through a concession, goods for own expenditure, as well as net rental value of the house occupied by its owner.

Share of consumption expenditure before and during the MCO

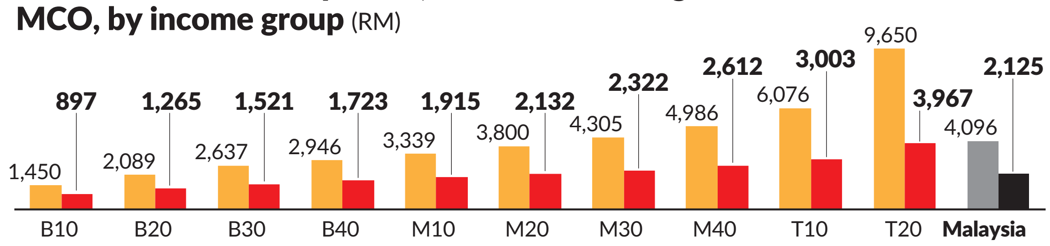


■ Before MCO
■ During MCO

Total expenditure (including non-consumption and other financial expenses) before and during the MCO, by income group (RM)



Consumption expenditure (excluding non-consumption and other financial expenses) before and during the MCO, by income group (RM)



■ Average household expenditure before MCO ■ Average household expenditure during MCO

Source: Department Of Statistics, CGS-CIMB research