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# Has consumption changed forever?

## Post COVID-19: What's stuck?

COVID-19 lockdowns restricted the consumption of some 'stuff' while sparking a boom for many durable goods...

...as well as totally transforming our daily lives, shifting behaviours, habits and values

Now, more than three years later, has the pandemic left a permanent mark on consumption patterns?

*This is an abridged, free to view version of a report by the same title published on 18-May-23.  
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# Consumption post COVID-19

- ◆ Consumption collapsed as the world grappled with COVID-19...
- ◆ ...and although it has widely recovered, consumer spending remains below pre-pandemic trend in much of the world
- ◆ Amid cost of living pressures, the outlook for global consumption lies vulnerable

## The big picture

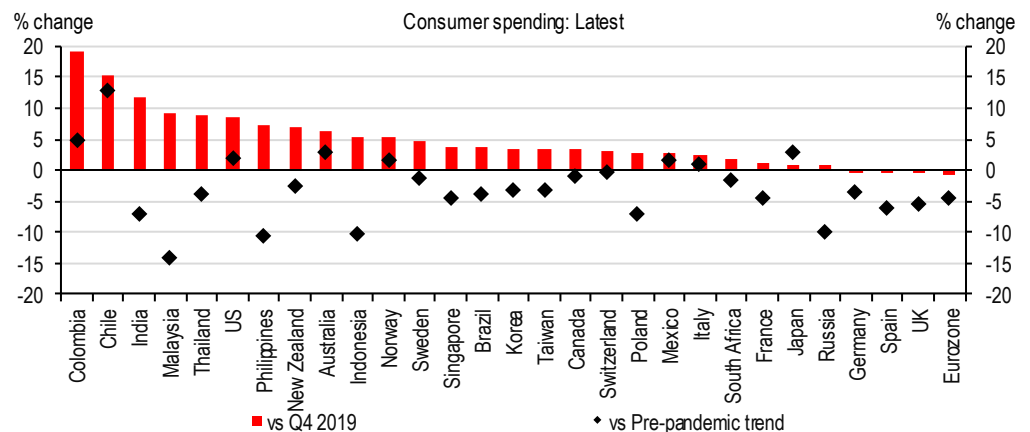
**Global consumption collapsed amid COVID-19 restrictions**

### Three years on, let's take stock

The pandemic hit consumption hard. According to our calculations, in 2020 global consumer spending fell 4.8% as the world grappled with containment measures that curtailed economic activity, particularly within the in-person service sector, and induced an overwhelming wave of uncertainty. Unemployment rates rose in some economies around the world, hitting household incomes, and, with everything closed, despite the help from an influx of government support schemes, global consumption nevertheless collapsed, particularly in Q2 and Q3 2020.

Now, over three years on, has consumption recovered? As depicted by chart 1, broadly, yes: consumption exceeds Q4 2019 levels in the majority of economies, boosted by pent-up demand and a rundown of savings accumulated during the pandemic. In particular, the recovery has been stronger in some economies, especially among parts of emerging world and in the US, while much of Europe lags behind, with consumption in the eurozone and UK still below pre-pandemic levels (chart 1), let alone pre-pandemic trends.

### 1. Consumer spending has widely rebounded to 2019 levels, but remains down on pre-pandemic trends in much of the world



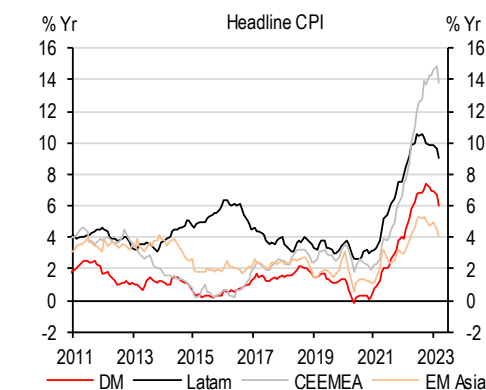
Source: Refinitiv Datastream, HSBC calculations. Note: Pre-pandemic trend is calculated using 2018/19 annual growth rates deannualised.

**Widely, real consumption is still below pre-pandemic trend**

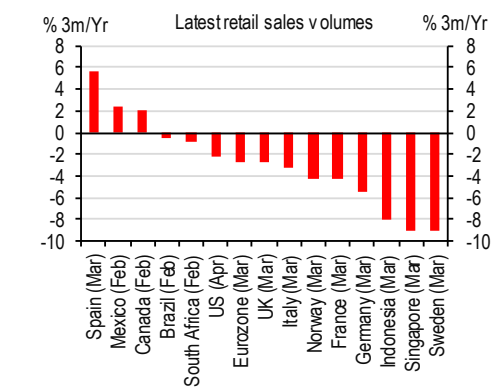
However, despite consumer spending widely recovering back to 2019 levels, real consumption sits well below the pre-pandemic trend – that is, where we might have expected it to be, if it had continued to grow at a similar rate as in 2018/19 – in the majority of economies. Parts of Asia that had been growing at much faster rates compared to the rest of the world prior to the pandemic lie the furthest below trend, while consumer spending for a minority, including the US and some LatAm economies, has surpassed trend growth (chart 1).

Notably, the pandemic hasn't been the only factor leaving its mark on the pace and pattern of consumer spending in the past few years. As inflation rates soared globally throughout 2021 and 2022 (chart 2), real disposable incomes have been squeezed, forcing some households to cut back (chart 3). Despite appearing to have peaked as energy prices come down, inflation remains elevated, with core inflation proving stickier. Interest rates are up, as central banks embarked on aggressive tightening cycles to attack mounting price pressures, lifting borrowing costs for households – a further weight on consumption. And, as the impact of monetary policy feeds through with variable lags, not least because of differing compositions of fixed and variable rate mortgages across economies, the full effect is yet to be felt.

**2. Elevated inflation has squeezed real disposable incomes...**



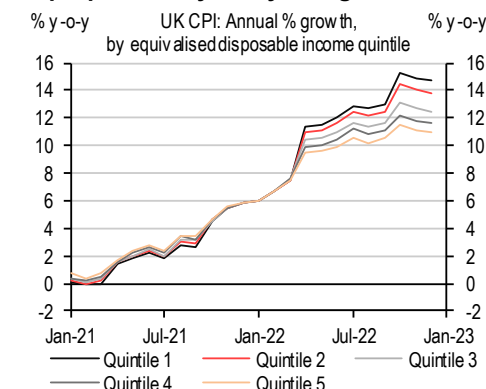
**3. ...driving some people to cut back**



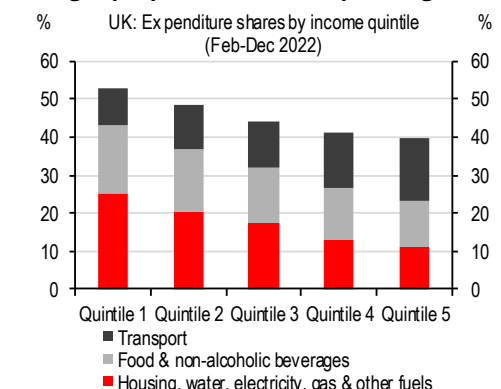
**The cost of living crisis has impacted households unevenly**

It's also worth pointing out that the impact of the cost of living crisis has been uneven. Lower-income households have been disproportionately hit as food, housing and utilities make up a larger proportion of their spending (chart 5), while spending growth has held up better for higher earners. Taking the UK, for example, according to the ONS, at the end of 2022 consumers in the lowest income quintile contended with an annual inflation rate of roughly 15%, whereas the top earners faced nearer 11% (chart 4).

**4. Low income households have been disproportionately hit by rising inflation...**



**5. ...as food, housing and utilities make up a larger proportion of their spending**



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**Not all consumers have cut  
back on spending**

Survey data, too, highlights how some consumers have been hit harder than others. A UK survey conducted by YouGov<sup>1</sup> during mid-February 2023 found that 64% of households had already made spending cuts, while 30% had so far been able to maintain their usual consumption levels.

The survey also noted a divide in spending intentions. Of those that said they had already cut back, roughly 73% expressed that they would need to further reduce their spending, while 27% anticipated the need for no additional cuts. Of the 30% that stated that they were yet to change their consumption levels, 60% expected to have to make cuts soon, while 40% suspected that they would be able to continue spending at their usual levels going forward. Against this backdrop, the outlook for global consumption lies vulnerable.

The full note takes a deeper look at what is happening to consumption under the surface. We explore the rotation from goods to services and assess whether COVID-19 has had a lasting impact on the way in which we spend. We examine whether demand is still there for the 'stuff' we wanted loads of during the pandemic and whether demand has returned for the things lockdowns prevented us from doing. For this, we mostly use US data due to the granular breakdown of real personal expenditure data that is available. However, similar conclusions and trends can be applied elsewhere.

We also take a look at the behaviour and attitudes of a post-pandemic world. The pandemic induced a huge lifestyle shock, shifting behaviours, habits and values. But has there been any lasting impact on how we act and what we deem important? Have there been any lasting changes to habits, values and priorities? What has the impact been on our views on savings? On exercise and socializing? What about our attitude towards technology? This and much more can be found in the full note.

## Conclusion

To conclude, there is no doubt, COVID-19 induced a huge lifestyle shock. As well as what we bought, the way in which we went about our daily lives during the pandemic changed dramatically, too. As we have touched on in this report, some of these shifts are just pandemic shake-outs, while others appear to be more sustained. With structural implications for the economy, the nature of consumer spending will be key to track in the coming quarters to shed further clarity on whether the pandemic has indeed left any permanent marks on consumption patterns and behaviours.

Would you like to find out more? Please contact your HSBC representative or email [AskResearch@hsbc.com](mailto:AskResearch@hsbc.com) for more information

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<sup>1</sup> YouGov Eurotrack GB Cost of Living Survey, 14-15 February 2023

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