

Sri Lanka Opinion Tracker Survey

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Consumer Confidence Collapses despite Waning Omicron Wave as Economic Disruption Hits

Despite declining COVID-19 cases and high levels of COVID vaccination, mounting economic disruption is driving consumer confidence and optimism to historic lows

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About the IHP Sri Lanka Opinion Tracker

The IHP Sri Lanka Opinion Tracker Survey (SLOTS) was launched to track public experience and opinion during the recovery from COVID-19. It is run by the Institute for Health Policy (IHP), which is an independent, non-partisan research centre based in Colombo, Sri Lanka. The SLOTS lead investigator is Dr Ravi Rannan-Eliya of IHP, who was trained in public opinion polling at Harvard University, and who has conducted numerous opinion surveys over three decades.

SLOTS interviews representative samples of Sri Lankan adults each month by telephone to gather their current views and situation. All interviews include a core set of common questions, with additional rotating sets of other questions that examine issues of topical importance. The survey is made possible by the generous funding support of the Neelan Tiruchelvam Trust, The Asia Foundation, and others. The survey has an omnibus design, and the Institute welcomes sponsorship to continue the survey, to add new questions, or to undertake tailored analyses of the data. Potential sponsors should contact the Institute for further details.

SLOTS respondents consist of a mix of respondents reached by random digit dialling of mobile numbers, and others coming from a national panel of respondents who have agreed to be re-interviewed, and who were previously recruited using random selection. As with any survey, bias can arise from the sampling design and non-response, which means that respondents are not representative of the underlying population. To adjust for this, unless otherwise noted, all reported estimates and analyses use data that have been weighted to ensure that they are representative of the national adult population. This weighting process uses propensity weighting and iterative proportional fitting (raking) to match the national population according to gender, age, ethnicity, religion, socioeconomic ranking, education, sector, and geographical location.

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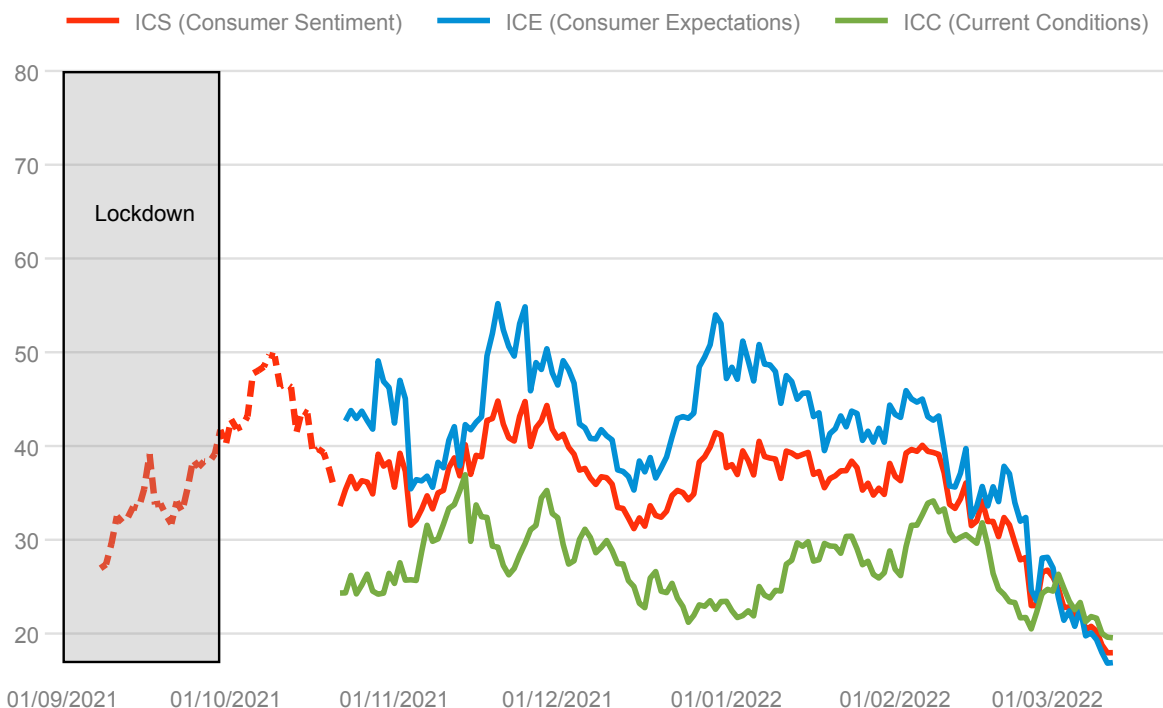
Consumer Confidence Collapses despite Waning Omicron Wave as Economic Disruption Hits

The ending of lockdown in October 2021 failed to deliver a sustained improvement in consumer confidence

The ending of the August–September 2021 lockdown and the end of the COVID-19 Delta wave brought little sustained lift to the confidence of Sri Lankan consumers. The last month of the lockdown saw a decline in pessimism, which could have been driven by a mix of declining COVID-19 infections, increasing vaccination rates, and an implicit erosion in movement restrictions. But the improving trend lasted less than a month. The IHP daily Index of Consumer Sentiment (ICS), which combines perceptions about current conditions with future expectations, improved from 27 to 40 by the end of September and peaked in the high 40s by early October, but this still left consumer confidence at low levels. Subsequently, all three IHP consumer sentiment indices (ICS, ICE, ICC) fluctuated, but showed no net improvement from November to January.^{1 2}

Consumer confidence has remained low despite ending of lockdown, and has plummeted since early February 2022

SLOTS Sri Lanka Consumer Confidence Indices



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Index values based on responses to five questions, of which only three were asked during Sept.–Oct. 2021. The dashed red line represents an imputed estimate of the ICS trend based on responses to the available questions. All index values range from 0 (situation worse off than before/future will be worse than now) to 200 (situation better/future will be better), with values below 100 indicating net pessimism. Survey of 4,091 adults during Sept. 1, 2021–Mar. 20, 2022, with sample sizes varying between indices depending on which respondents were randomized to specific questions and response rates.

Confidence is very low by global and historic standards

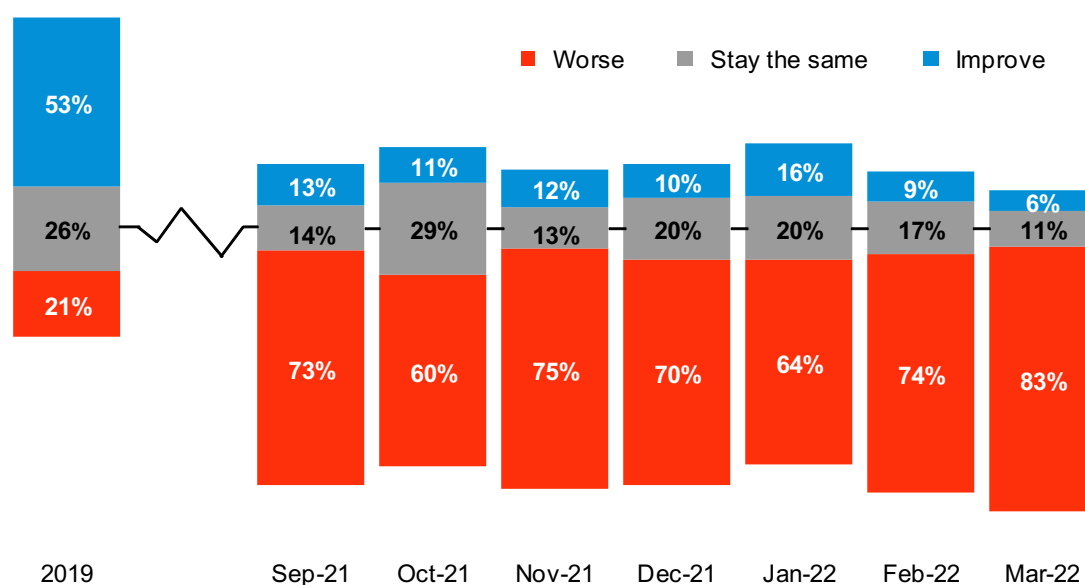
All three IHP consumer sentiment indices have scores ranging from zero to 200, with scores below 100 indicating net pessimism about current conditions or future expectations. Values of below 50 are very pessimistic by any comparison. To put into context, in none of the countries tracked by Morning Consult, a US survey firm that asks similar questions, has their comparable ICS index ever dropped below 40 since the start of the COVID-19 pandemic in early 2020. This includes Russia where the current Ukraine conflict has led to a collapse in consumer confidence with the Morning Consult Russia ICS falling to levels of 90–100. Relevantly, NielsenIQ, which has tracked Sri Lankan consumer confidence for many years, reported in January 2022 that its index was at an all-time low.

Sri Lankans retained some optimism about the future through January, but no longer

Overall consumer sentiment, reflected in the ICS, remained pessimistic and in a narrow range of 30–45 during October to January. Despite this, some Sri Lankans did retain some optimism about the longer-term future, with the Index of Consumer Expectations (ICE), which reflects future expectations about household and country conditions, fluctuating in a higher range of 35–55, albeit still negative overall. But since early February, all aspects of confidence have deteriorated rapidly, with all three indices declining below 20 by the third week of March. Most remarkable was the collapse in the ICE and its convergence with the ICS and ICC (Index of Current Conditions), which track perceptions of current conditions, indicating that the public is rapidly giving up any optimism that the current difficulties are temporary and better times ahead.

Stark reversal in Sri Lankans' optimism about the country's future since 2019

Percentage of Sri Lankans expecting country to be worse or better off in 12-months' time in 2019 and September 2021–March 2022 (%)



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Estimates for 2019 based on data collected by the Sri Lanka Health and Ageing Survey (SLHAS) from a nationally representative sample of adult Sri Lankans. Estimates for September 2021 to March 2022 based on data collected by the IHP SLOP Survey. Interviews conducted Sept. 1, 2021–Mar. 20, 2022, with responses in each month weighted to be nationally representative.

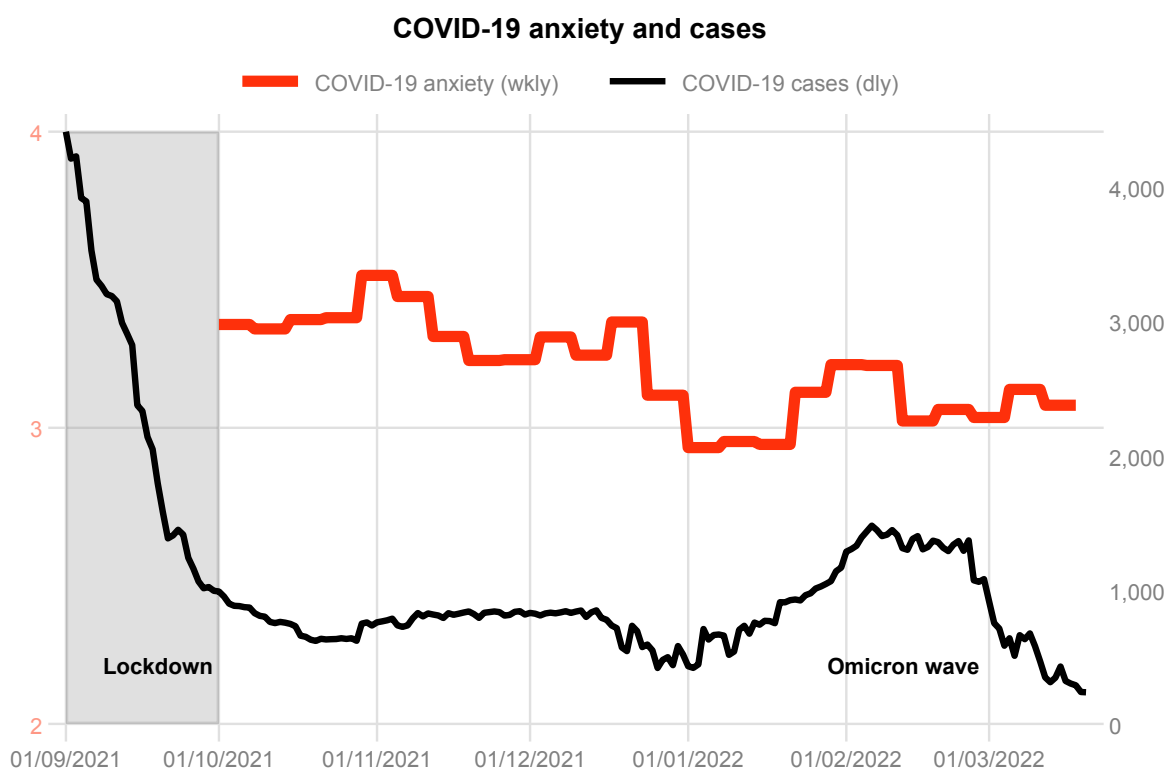
The current high levels of public pessimism about future economic conditions are a stark turnaround from the optimism felt by most Sri Lankans prior to the Presidential Election 2019. During 2019, 53% of Sri Lankans expected the country’s economy to be better in a year’s time.³ But since the SLOTS started collecting data in September 2021, the percentage of Sri Lankans expecting the country’s situation to be worse in a year’s time has averaged 71%, and the percentage expecting the country’s situation to be better in a year’s time has never been more than 16% in any month.

Concerns about COVID-19 no longer driving sentiment

The failure of consumer confidence to substantially improve after November was despite declines in COVID-19 infection rates following the end of the Delta wave and most adults being vaccinated. Further, the uptick in COVID-19 cases with the start of the Omicron wave in December 2021 did not negatively impact consumer sentiment. Changes in public fears about COVID-19 explain why. Since the end of the Delta wave in October 2021, public anxiety about COVID-19 has largely decoupled from case numbers with anxiety levels shifting little from December through early March. As in many other countries, consumer sentiment has become more resilient to new surges in COVID-19 cases.

Sri Lankans’ anxiety about COVID-19 increasingly decoupled from actual cases following end of Delta wave

Changes in public anxiety about COVID-19 and daily COVID-19 cases officially reported



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COVID-19 anxiety based on responses to question that asked if respondents agreed or disagreed with a statement that they were worried about COVID-19. Responses were coded from 1 to 5, with 1 indicating complete disagreement and 5 indicating complete agreement. Interviews of 3,624 adults conducted Sept. 1, 2021–Mar. 20, 2022, with responses in each time interval weighted to be nationally representative.

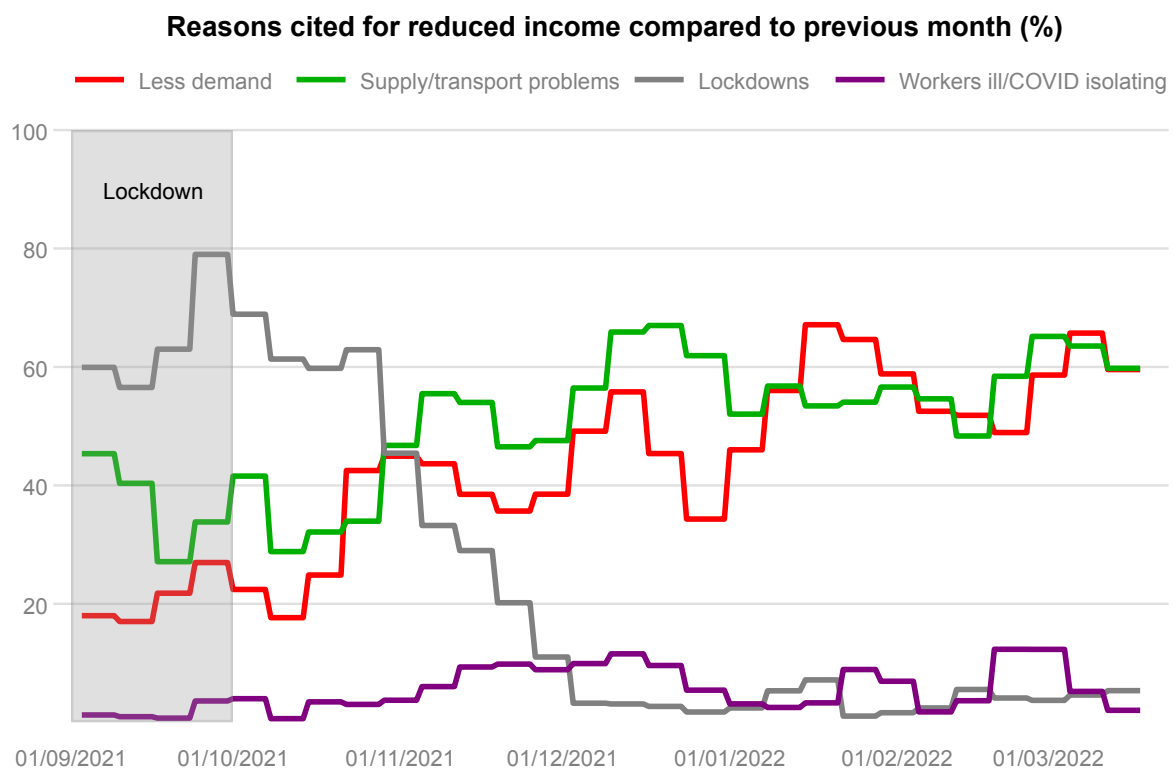
Falling incomes and economic disruptions main drivers of falling consumer confidence

The major immediate factors behind the low levels of consumer optimism appear to be falling incomes and growing economic disruption. Since the SLOTS started in September 2021, 40–50% of working Sri Lankans every month⁴ have reported that their work-related income was less than in the previous month.

When asked why incomes have fallen, the direct impacts of COVID-19 or of the public health control measures have become unimportant. Since November, lockdowns are no longer cited as an explanation, with the direct impact of COVID-19 only apparent in 5–10% of respondents every month citing COVID-19 illness or absences from work due to isolation as being a factor. In contrast, respondents increasingly cite reduced customer demand, and disruptions in the supply of inputs and transportation as being responsible for income losses. By March 2022, almost two thirds of adults experiencing declining work income were citing these latter factors as being responsible.

Contracting customer demand and economic disruptions have replaced the direct impact of COVID-19 in driving consumer pessimism

Percentages of Sri Lankans who experienced falls in work income compared to the previous month citing different factors as explanation (%)



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Respondents who reported they were in work were asked if their work income was less, more or the same as in previous month. Lines indicate the percentages of respondents who reported less work income ($N=940$) who cited specific reasons, with smoothing of the daily values. Interviews conducted Sept. 1, 2021–Mar. 20, 2022, with responses in each time interval weighted to be nationally representative.

Whilst COVID-19 is no longer directly impacting consumer confidence, it cannot be separated from the current economic crisis and economic gloom

The country continues to suffer from exceptional and worsening levels of public gloom about current economic conditions with most Sri Lankans now giving up any optimism about the longer-term future. The direct effects of the COVID-19 pandemic have receded as drivers, but they have been displaced by the impact of recent economic disruptions, which have affected the supply of many goods and services, disrupted transportation, and diminished consumers purchasing power.

At one level, these economic difficulties can all be explained by the worsening foreign exchange crisis and the fiscal crisis linked to insufficient taxes to cover government spending, which has led to increasing shortages and inflation. However, ultimately these economic shocks are also substantially the consequence of high levels of COVID-19 transmission during 2021 which directly hit local economic production including key export industries, as well as government policies that cut taxes before the pandemic struck. The pandemic hit consumer confidence badly in all countries around the world during the last two years, but the negative impact in Sri Lanka has clearly been worse and longer lasting than in most, making it impossible to describe the current economic pessimism as unrelated to the pandemic and the national response to it.

Technical notes

- ¹ Further details including of methodology used to generate the IHP SLOTS Consumer Confidence indices given in SLOTS Report No. 2022-01.
- ² Monthly values of each index given in Appendix tables.
- ³ Findings from the Sri Lanka Health and Ageing Study (SLHAS) Wave 1 survey in 2019.
- ⁴ Weighted monthly estimates adjusting to match national population.

Appendix: Monthly ICS, ICE and ICC values, September 2021 to 20 March 2022

	Index of Consumer Sentiment (ICS)	Index of Consumer Expectations (ICE)	Index of Current Conditions (ICC)
SEP 2021	34	40	25
OCT 2021	41	49	29
NOV 2021	39	45	30
DEC 2021	36	43	26
JAN 2021	38	45	27
FEB 2021	34	37	28
MAR 2021	22	21	23

Note: Indices are based on responses to five questions. Not all five questions were asked during Sept.–Oct. 2021, so indices estimated by model imputation from the available data for those dates. Values range from 0 (situation worse off/negative expectations) to 200 (situation better/positive expectations), with values below 100 indicating net pessimism. Monthly values are the average for each month of the daily index values. The March 2022 estimates are for the period ending 20 March 2022. Daily index values are generated after weighting to ensure that samples match the national population according to age, sex, ethnicity, sector of residence, geographical location, and socioeconomic status, with smoothing of values over 15 days.