

PRESS RELEASE

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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

The Institute for Health Policy (IHP) released today the first public results from its new Consumer Confidence Survey, which is being trialled as part of its Sri Lanka Opinion Tracker Survey (SLOTS) that was launched to assess public opinion as the country recovers from COVID-19.

The survey shows that the ending of lockdown in October 2021 failed to lift consumer confidence substantially or deliver a sustained improvement in consumer confidence. Consumer confidence remained low from late-October through to January 2022.

The main measure of sentiment—the Index of Consumer Sentiment (ICS)—fluctuated in the range of 30 to 45 during this time, indicating that consumer optimism was extremely low by both global and Sri Lankan historical standards. This reflects a huge reversal in public optimism, with 71% of Sri Lankans expecting the country’s economy to be worse in a year’s time compared with 53% just prior to the 2019 Presidential Election who expected the country’s economy to be better the following year.

Some Sri Lankans did manage to retain some optimism about the future, with the Index of Consumer Expectations (ICE) fluctuating at somewhat less pessimistic levels, but from February all indicators of consumer sentiment have deteriorated with any remaining optimism about the future vanishing. All three indices tracked fell below 20 by late March, indicating widespread economic gloom in the country and

exceptionally low levels of pessimism compared to other countries at this stage in the COVID-19 pandemic.

Consumer confidence has effectively decoupled from changes in COVID-19 infections with anxiety about COVID-19 largely resistant to recent new waves. The main driver of gloom now appears to be the experience of most Sri Lankans of declining work incomes, with almost two thirds identifying reduced customer demand and supply and transportation disruptions as being major reasons for their loss in income during the previous month.

Adapting standard questions used globally to track consumer sentiment, SLOTS has been tracking consumer sentiment daily since September 2021. Three separate indices are currently tracked on a weekly and daily basis, covering views about current conditions, expectations about future conditions, and views about buying major household items. Data are obtained from phone interviews of a national sample of respondents, with the results adjusted to ensure they are representative of the Sri Lankan population in all provinces and at all income levels.

Dr Ravi Rannan-Eliya, lead investigator for the survey, comments that although COVID-19 is no longer directly impacting consumer confidence, it cannot be separated from the economic crisis and exceptional and widespread economic gloom. The worsening foreign exchange crisis and the fiscal crisis linked to insufficient taxes to cover government spending, which underlie the economic disruptions affecting families, were undoubtedly made worse by the failure to effectively control the virus during 2021 and the consequent impact this had on local production and exports. He also noted that the other contributory factor was the decision to cut taxes substantially in 2019 which has made the fiscal crisis even worse.

Full reports available from ihp.lk

Institute for Health Policy, March 2022, "SLOTS Consumer Confidence Survey: Methodology for tracking consumer sentiment in Sri Lanka", SLOTS Report #2022-01.

Institute for Health Policy, March 2022, "Consumer Confidence Collapses despite Waning Omicron Wave as Economic Disruption Hits", SLOTS Report #2022-02.

About IHP

IHP is an independent, non-partisan research centre based in Colombo, Sri Lanka. The SLOTS lead investigator is Dr Ravi Rannan-Eliya of IHP, who trained in public opinion polling at Harvard University, and who has conducted numerous surveys over three decades.

Methodology

SLOTS combines data from a national sample of adults (ages 18 and over) reached by random digit dialling of mobile numbers, and others coming from a national panel of respondents who were previously recruited through random selection. The SLOTS is made possible by funding support from the Neelan Tiruchelvam Trust, The Asia Foundation in Sri Lanka, and others, but the sponsors play no role in the study design, and analysis and interpretation of findings. Interested parties can contact IHP for more detailed data and results.