

HONG KONG RESIDENTS ARE TRYING TO PUT THE PANDEMIC BEHIND THEM

Gradual resumption of past
behaviours and spending again

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GAME CHANGERS





Ipsos has been following Hong Kong residents' reactions to the pandemic since March 2020[#]. Through our *New Normal* survey we have observed the ups and downs of the people in the territory and analysed the implications

for businesses and brand owners. This paper outlines the situation based on the latest data, which were collected in May, and provides some food for thought for marketers.

KEY TAKE-OUT

Overall, there is greater optimism, people feeling relatively more upbeat – more residents think the threat of COVID-19 will be over within a year (by Q.2 2023) and are ready to put the pandemic behind them.

Linked to this optimism is a readiness to return to pre-COVID-19 behaviours, with more people in Hong Kong resuming activities that declined during the Fifth Wave.

However, not all product categories are benefiting from this renewed consumer confidence. Unsurprisingly, among the winners are categories promising hygiene and health benefits; categories facing lower consumer spend are those not necessarily seen as being 'good for you'.

Incomes shape how Hong Kong consumers are moving forward, those who have seen their incomes decline as a result of the pandemic showing less readiness to move on.

All the above is important for brands, which must welcome these developments while being mindful of the wider affordability gap induced by the pandemic.

A MORE POSITIVE MINDSET, MONEY BUYING (SOME) HAPPINESS

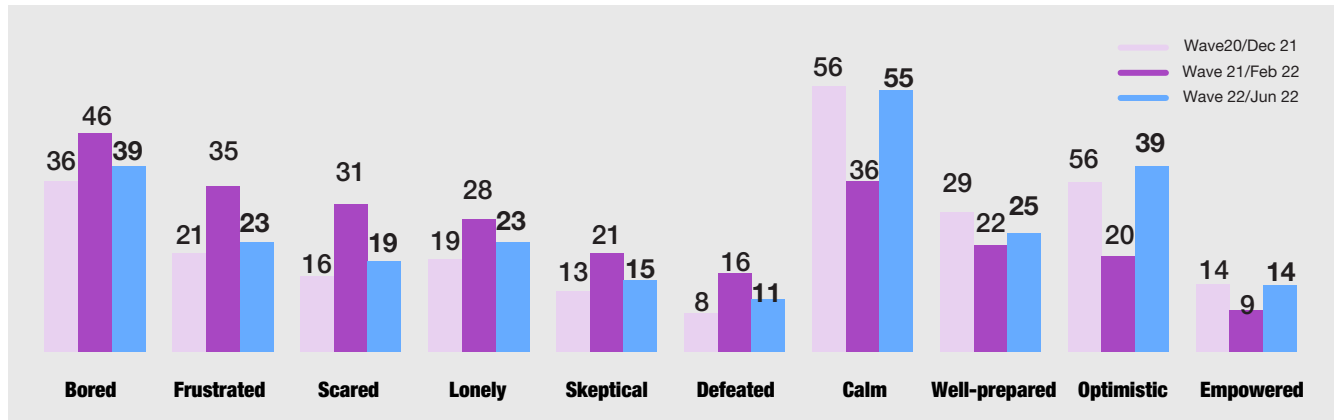
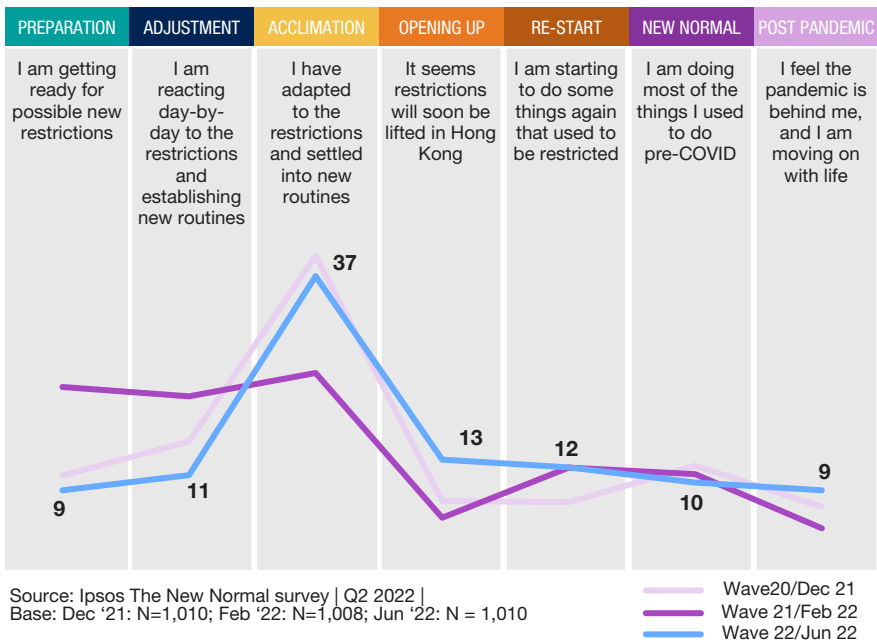
Back in February this year, just when Hong Kong residents were acclimatizing to COVID-19 rules, the Fifth Wave pushed them back into protective mode.

At the time, the proportion of people who were getting ready for new restrictions or reacting day-to-day to the restrictions that had already been imposed upon them surged from 26% to 43%.

Conversely, the proportion who felt they had adapted to the restrictions and settled into new routines nearly halved, dropping from 40% to 24%.

As a result, the sense of calm that prevailed in the past has returned along with more positive emotions.

After the initial setback from the 5th Wave, Hong Kong residents have adapted to the new restrictions and settled back into their routines.



Three months later, our New Normal data paint a more positive picture. The proportion of Hong Kong residents who claim to have adapted to the new restrictions and settled into new routines jumped to 37%, close to the level seen back in December

last year (40%).

This adaptation has resulted in an overall happier existence for many, negative feelings of boredom, frustration and fear being replaced with a more positive state of mind, returning to a

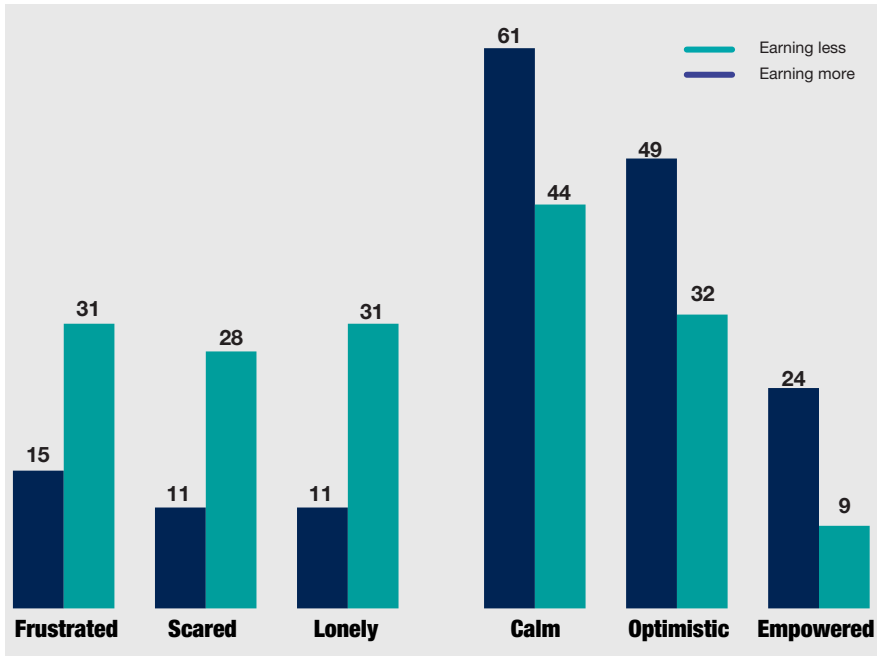
sense of calm not seen since December last year. In fact, more people than before (42% in May vs. 35% in February) believe COVID-19 will be behind them sometime between the end of this year and mid-2023.

Hong Kong residents are trying to put the pandemic behind them

The pandemic has not affected everyone in the same way, though, some people seeing their livelihoods more severely affected than others. This impact on people's financial security has in turn shaped their mental state.

Hong Kong residents who have seen their incomes decline because of COVID-19 hold a more negative outlook than those who have seen their incomes increase: the latter feel much more optimistic and empowered than their less fortunate counterparts.

Who said money doesn't buy happiness?



The pandemic has heightened inequalities. While COVID-19 has been a universal tragedy, it has impacted some people much more negatively than others and the effects will be long lasting. Ill mental health is likely to be more evident among those who have seen their incomes reduced by the virus-induced restrictions.



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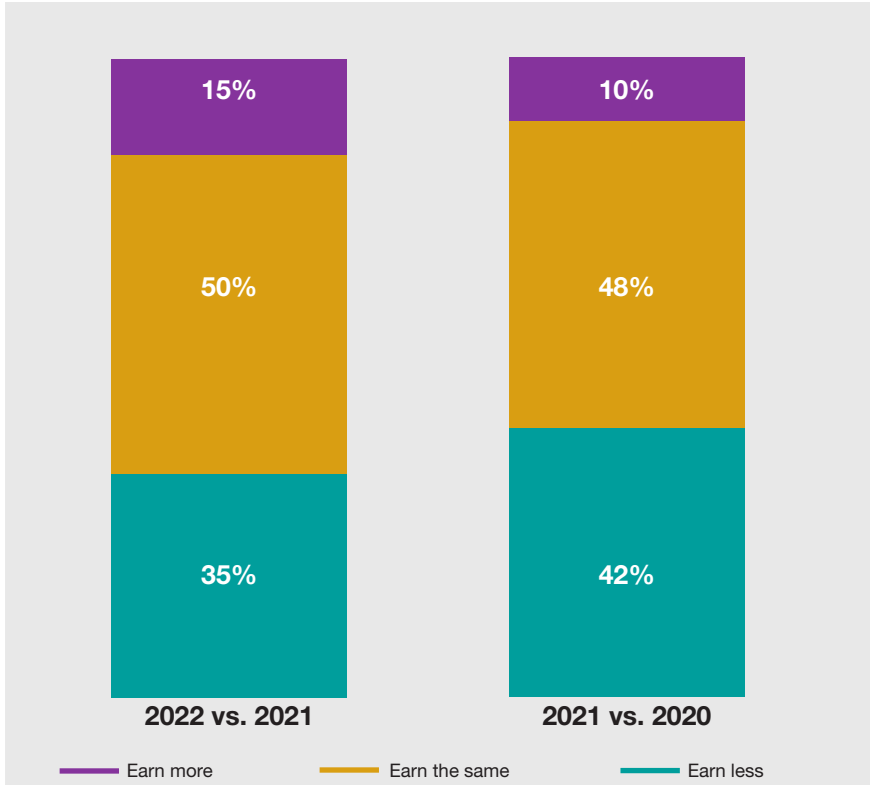


GREATER CONSUMER CONFIDENCE IS INDUCING SPEND AGAIN

The above said, the pandemic currently seems to be having a relatively less detrimental impact on the finances of Hong Kong’s residents than it did previously. Data from our New Normal survey show that the proportion of people who saw their incomes decline as a result of the pandemic dropped from 42% in May last year to 35% in May this year. At the same time, the proportion of Hong Kong residents reporting an increase in income went from 10% to 15% over the same period.

This along with the overall more positive state of mind reported above translates in greater consumer confidence. While nearly two-thirds (64%) of Hong Kong consumers are spending the same as they used to across a number of daily product categories, the proportion of those claiming to be spending more is double that of those claiming to be spending less (24% vs. 12%, respectively).

Comparing your income of 2022 (Jan to May) to that of 2021, is there any financial impact on your income under the 5th wave of Covid-19 outbreak?



Source: Ipsos The New Normal survey | Q2 2022 |
Base: Dec '21: N=1,010; Feb '22: N=1,008; Jun '22: N = 1,010

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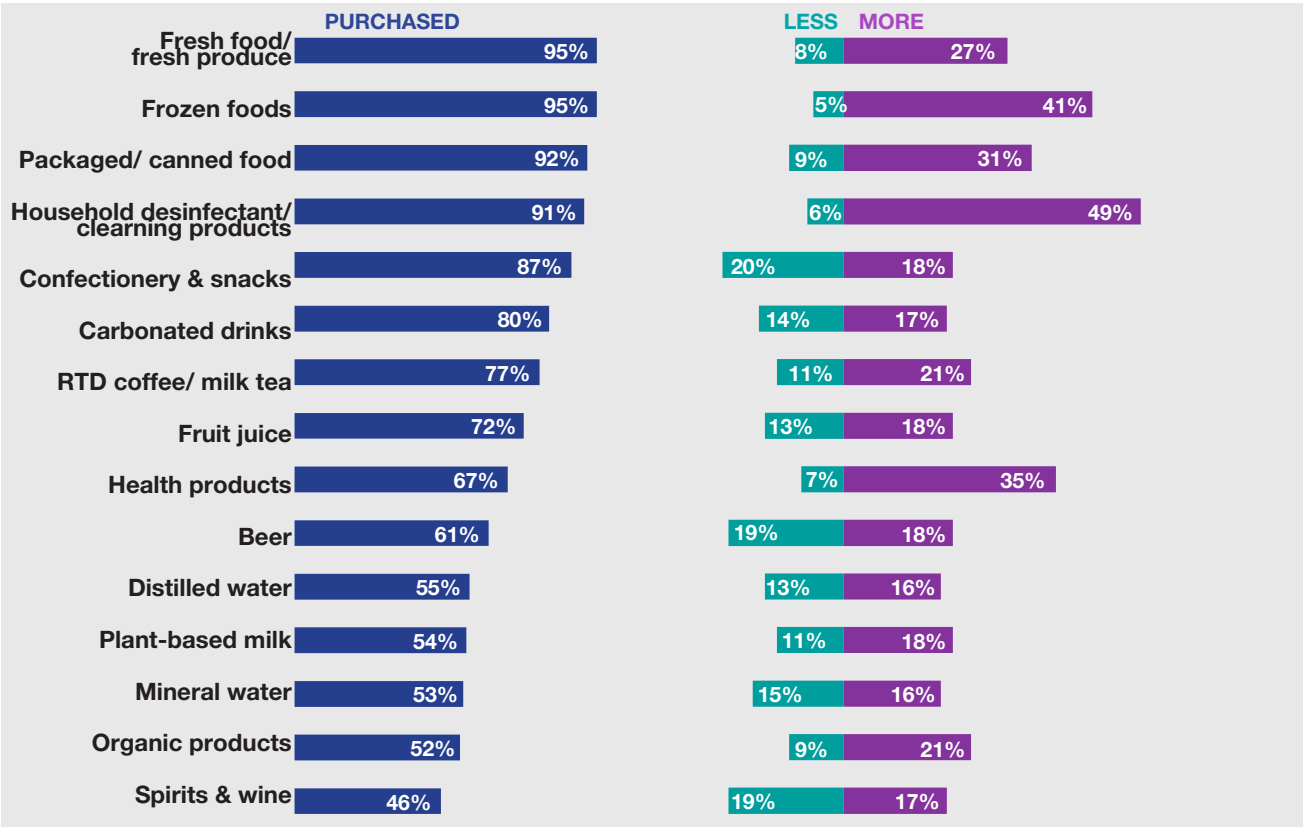
Alcoholic beverages are a category where consumption has been below average in the three months to May. This is also a category where consumers are spending less than before, probably because of the restrictions imposed on dining out during the Fifth Wave of COVID-19.

Heightened health consciousness induced by the pandemic may also contribute to this decline in spend in alcoholic drinks, as people think more carefully about what they drink and eat. While nearly 9 in 10 Hong Kong consumers had bought confectionery

and snacks in the previous three months, 20% of such consumers claimed to have spent less on such products than they did before.

On the other hand, frozen and packaged/ canned food has enjoyed greater consumer spending, probably because this category has longer shelf life and therefore allows consumers to stock up without having to worry about expiry dates. Unsurprisingly, disinfectant and cleaning products as well as health products also saw a notable increase in consumer spend.

Did you spend more, about the same, or less on selected product categories in past 3 months?



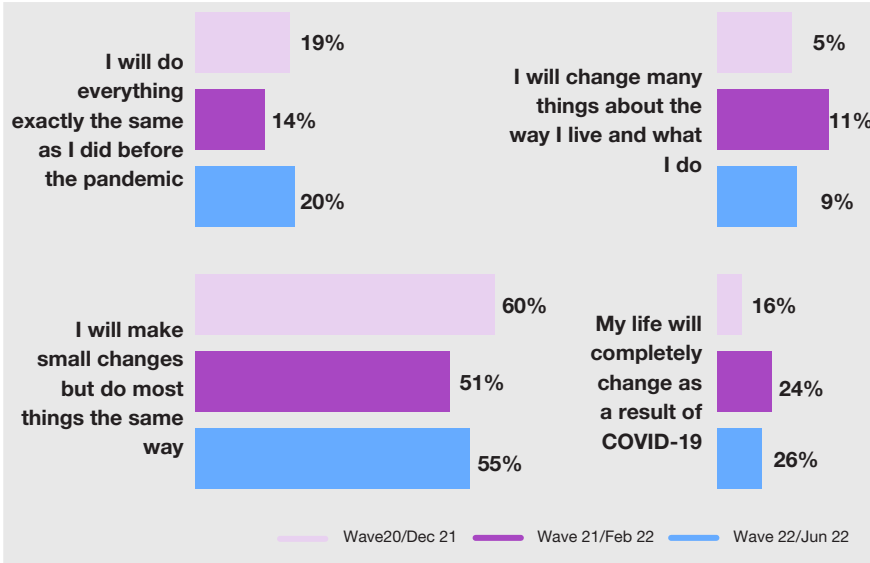
Source: Ipsos The New Normal survey | Q2 2022 |
Base: Dec '21: N=1,010; Feb '22: N=1,008; Jun '22: N = 1,010

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A RESUMPTION OF PREVIOUS HABITS, BUT NOT FOR EVERYONE

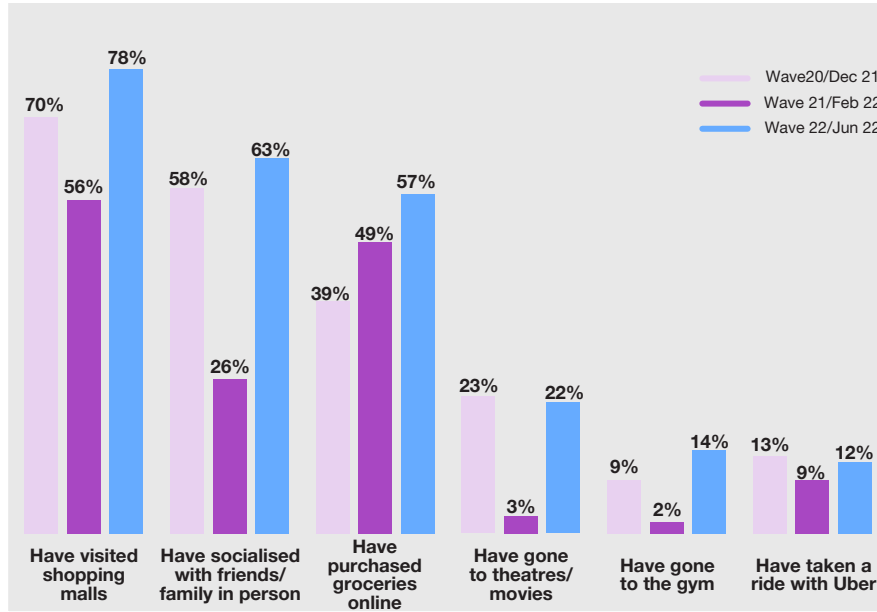
With nearly 1 in 2 (46%) Hong Kong residents readying themselves to move on from the pandemic and what it entails, our New Normal data also show evidence of a gradual return to past behaviours: More than half (55%) of those surveyed claim to be doing the same things as they did before the pandemic, albeit with very minor changes; a further 20% intend to revert to exactly the same behaviours.

Over time, people will resume regular activities. Thinking long-term, which of these statements best applies to you?



Source: Ipsos The New Normal survey | Q2 2022 |
Base: Dec '21: N=1,010; Feb '22: N=1,008; Jun '22: N = 1,010

Have you done any of the following activities over the past four weeks? Please select all that apply.



Source: Ipsos The New Normal survey | Q2 2022 |
Base: Dec '21: N=1,010; Feb '22: N=1,008; Jun '22: N = 1,010

This readiness to return to some normality is likely to be induced by the overall more positive sentiment and a growing number of people feeling the threat of COVID-19 will be over sometime between the end of this year and Q.2 2023. The behaviours our survey respondents engaged in over the previous four weeks show they are walking the talk, quite literally, with the proportion of people having visited shopping malls, socializing in person, or having gone to shows returning to the levels seen in December before the Fifth Wave.

This general determination to move on from the pandemic and revert to previous behaviours is being shaped by age and, once again, mostly by how COVID-19 has impacted people’s incomes. Hong Kong residents who have seen their incomes decline as a result of the pandemic are relatively more reluctant to move on. For example, only 1 in 4 survey respondents claimed to be changing their lives in many ways or completely as a result of COVID-19, but this proportion increases to 1 in 3 among those who now earn less.

CONCLUSIONS

The resilience that characterizes Hong Kongers has helped them go through the worst of the pandemic, most feeling more positive today than they did at the beginning of the year. However, COVID-19 has not affected everyone to the same extent, particularly in relation to their livelihoods. As those individuals and households who have seen their incomes drop try to go through the pandemic the best they can, brands have a role to play by offering value-for-money choices without making them feel lesser people.

A more positive outlook and perceptions of lower risk associated with COVID-19 among Hong Kong consumers is making them more willing to spend again. However, not all product categories are benefiting to the same extent. Products delivering benefits relevant to the pandemic, such as protection and health, are the main beneficiaries of consumers’ renewed confidence. This said, it remains to be seen what impact inflation and the rising cost of living might have on consumer spending.

The resumption of previous behaviours should also be a welcomed development. Yet again, those less fortunate who have seen their incomes drop as a result of the pandemic are still in a self-protective mode. This is an important message for brands, which should welcome a resumption of previous habits while also taking into account the wider gap in affordability levels induced by COVID-19. This is the time for brands to be empathetic, inclusive and supportive.

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#IPSOS HONG KONG NEW NORMAL TRACKER

This tracking programme monitors changes in consumer sentiment and behaviour in response to the COVID-19 pandemic. Data were collected monthly between April 2020 and June 2021, and quarterly thereafter. Additional markets/ questions available upon request.



Market coverage

The survey is administered in Hong Kong



Timing

Fieldwork conducted quarterly



Sample size

1,000+ interviews, general adult population



Pricing & additional data

Available on request