



PURCHASING POWER  
FLUCTUATIONS

**AMID  
COVID-19  
OUTBREAK**

BY **DINA EL BEHIRY & AYA RADY**

POWERED BY

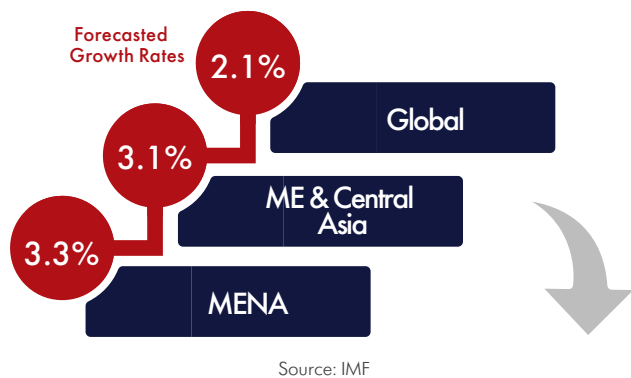
**INVESTIGATE**  
RESEARCH & ANALYSIS

# PURCHASING POWER FLUCTUATIONS AMID COVID-19 OUTBREAK

BY **DINA EL BEHIRY & AYA RADY**

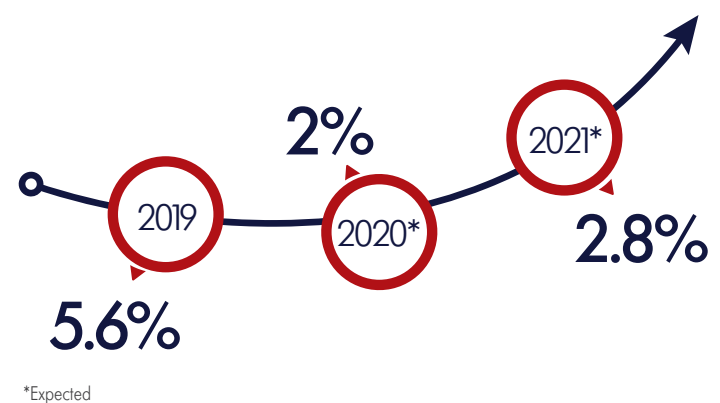
As of late 2019, the pandemic Coronavirus conquered our world, triggering many setbacks. From an economic perspective, the virus outbreak has caused a worldwide economic catastrophe. Accordingly, the International Monetary Fund (IMF) and the World Bank (WB) have dropped their expectations concerning the global economic growth rate to 2.1% in 2020. In other words, the global economy is anticipated to lose around USD 6 trn because of the pandemic. Moreover, the economic growth rate of the Middle East and the Central Asia region is expected to drop by 3.1%, and the Middle East and North Africa (MENA) region by 3.3%, leaving many worldwide countries suffering from serious economic deterioration, especially US, China, UK, Italy, and France.

## IMPACT OF CORONAVIRUS OUTBREAK ON GLOBAL ECONOMY IN 2020

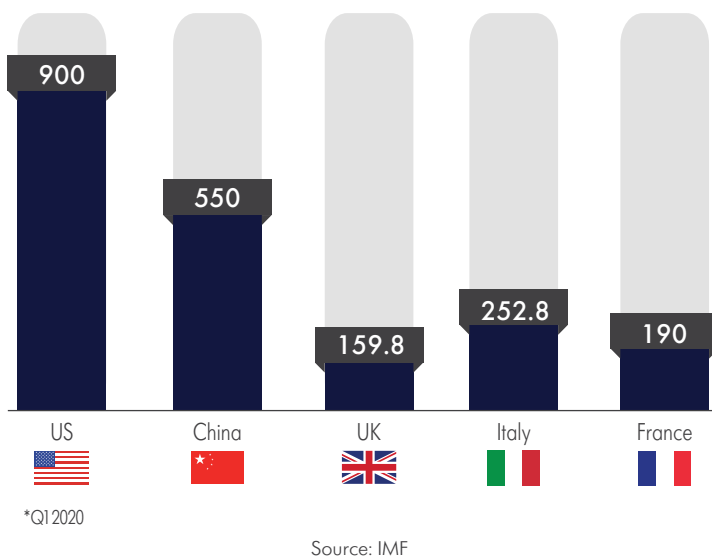


in 2019. On a fiscal year basis, the Ministry of Planning and Economic Development announced achieving a growth rate of 5.6% in H1 2019. Under the current circumstances, the ministry has dropped its economic growth rate expectations by 25% in Q3 2019 whereas Q4 will witness the least growth rate.

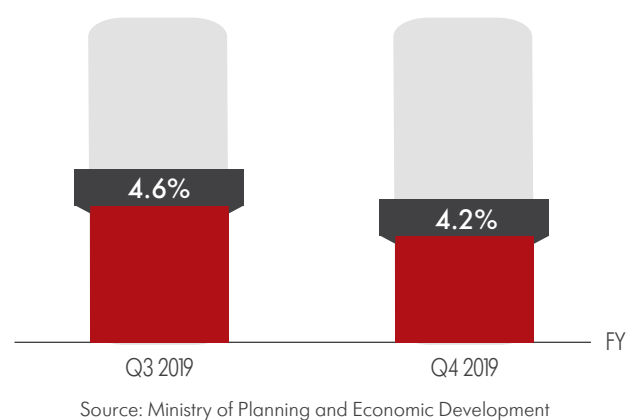
## IMPACT OF CORONAVIRUS OUTBREAK ON EGYPT'S GDP GROWTH RATE



## TOP 5 ECONOMIC LOSSES BECAUSE OF CORONAVIRUS OUTBREAK (USD BN)



## FORECASTED GDP GROWTH RATE IN EGYPT



On the flip side, the Egyptian economic situation is considered a steady one amid the virus outbreak. According to the IMF report, the economic growth rate in Egypt is anticipated to drop to 2% in 2020, and 2.8% in 2021, in comparison with 5.6%

With an eye on the economy's various sectors, this pandemic and its ramifications hitting the world will affect the property market as well in a way or another. Consequently, the consumers' decision about investing in the real estate market or not might also change.

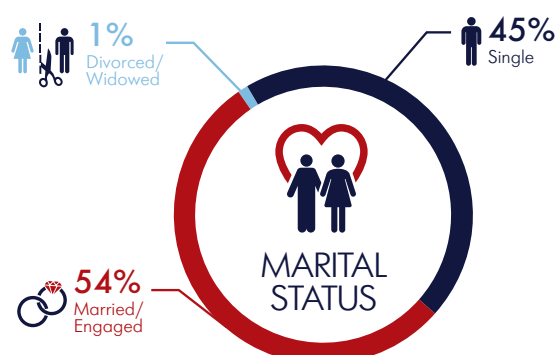
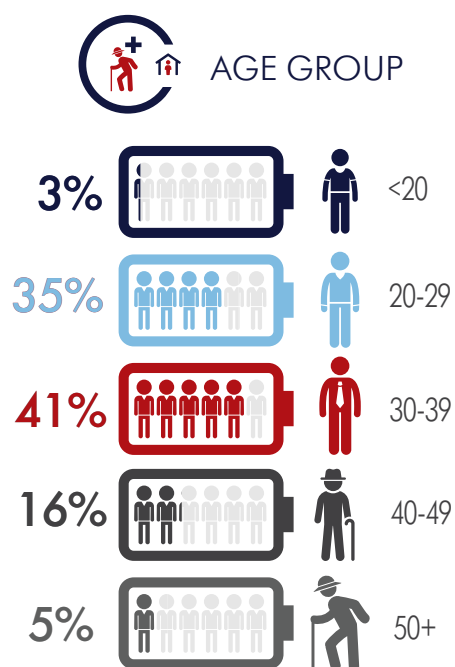
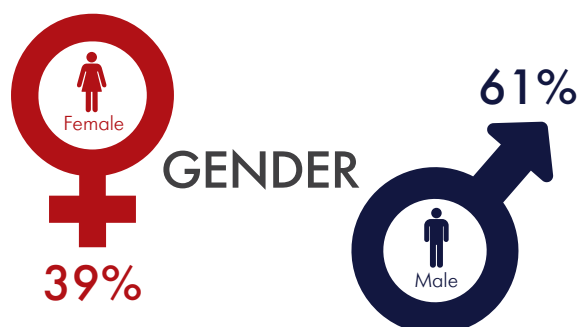
# Impact on Consumers Preferences

The Coronavirus outbreak will take a toll on the consumers' demand in the housing market. This influence will be mainly because of experiencing social distance, curfews, halting many businesses, or working with a half capacity which have increased the expected unemployment rates, in addition to the fluctuations of the economic situation. Thus, the Invest-Gate R&A team digs deep into the current status of Egyptians' purchasing power amid the current dilemma.

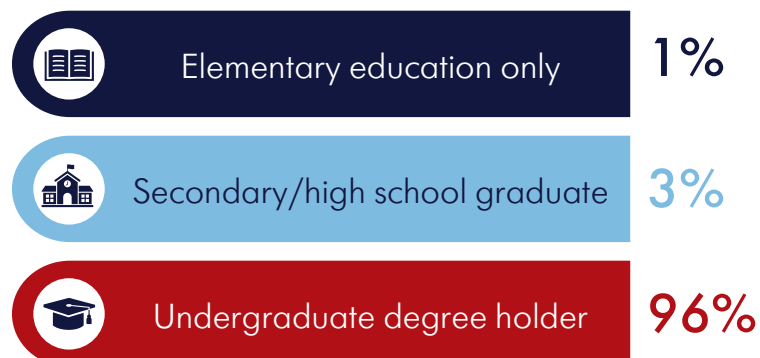
## Consumers Demographics

Invest-Gate R&A team carried out a survey measuring the impact of COVID-19 outbreak on the consumers' demand in the housing market and managed to collect data from roughly 80 respondents. According to our data, 61% of the respondents are males, and the majority of those respondents are within the age category of 30-39 years old.

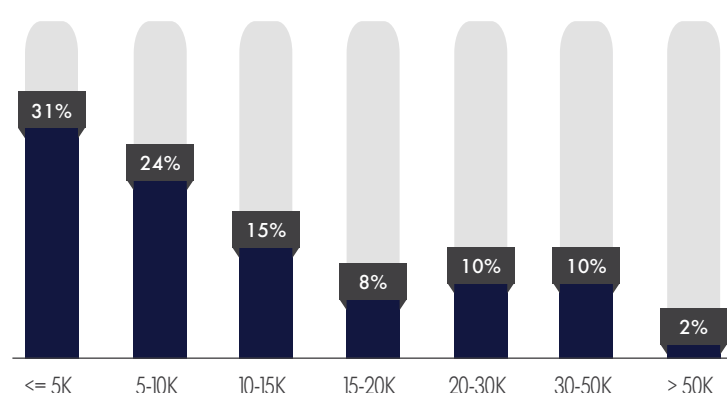
Around 96% of the respondents are undergraduate degree holders, with 54% are either married or engaged. Additionally, 31% of our surveyed sample have a monthly income of less than or equal EGP 5,000.



## EDUCATION LEVEL



## AVERAGE MONTHLY INCOME (EGP)



## Consumers Behavior

### Events Postponement

In the wake of the Coronavirus outbreak, many major events and conferences related to the property market were canceled or postponed; one of those is Cityscape Egypt, which was supposed to be held in March. Cityscape gives many consumers an opportunity to figure out the offers of almost all major real estate companies to purchase their property needs. According to our survey, 36% of the respondents were planning to attend this year's edition of Cityscape Egypt, yet they canceled their plans due to the virus concerns.



## CONSUMERS PLANS TO ATTEND CITYSCAPE BEFORE CORONAVIRUS OUTBREAK

64%  
No

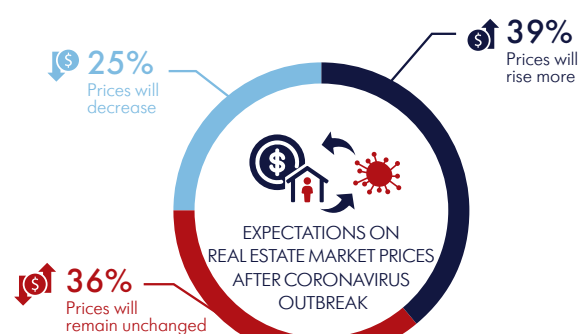
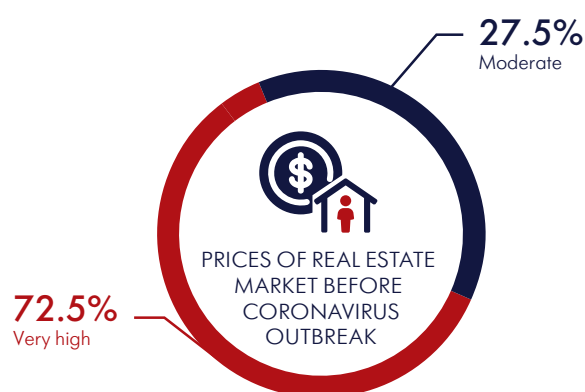


36%  
Yes

Source: Invest-Gate R&A

### Property Market Prices

It is worth mentioning that 72.5% of our respondents believe that units' prices in the property market are very high, even before the virus tumult. In addition to that, 39% of our surveyed sample anticipate that the prices will rise even more after the COVID-19 crisis.



Source: Invest-Gate R&A



### CONSUMERS INVESTMENT DECISIONS AFTER CUTTING INTEREST RATES

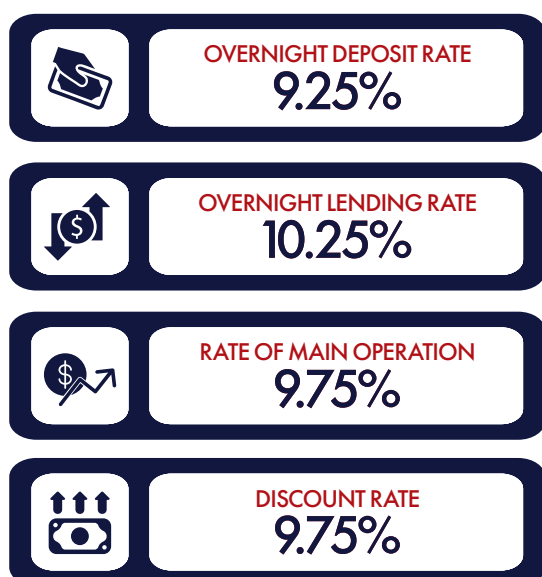


Source: Invest-Gate R&A

### Impact of Interest Rates Cut on Property Market

The government applied many procedures to levitate investments in all sectors not only the real estate one. One of the major steps taken was cutting the interest rates by 300 basis points on an unscheduled meeting during March, leaving it stationary during the Central Bank of Egypt's (CBE) subsequent meeting.

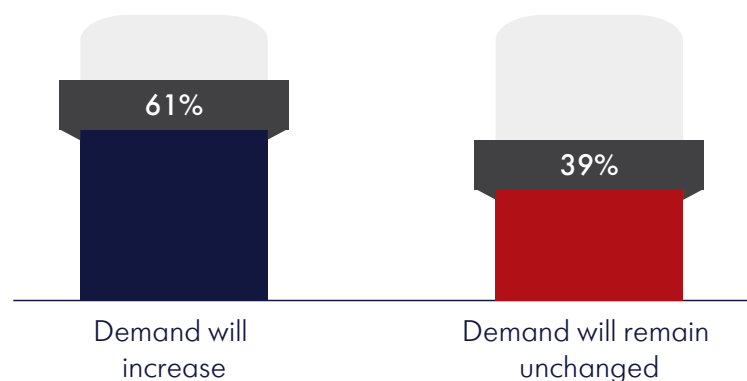
#### MONETARY POLICY COMMITTEE CUTS INTEREST RATES



Source: CBE



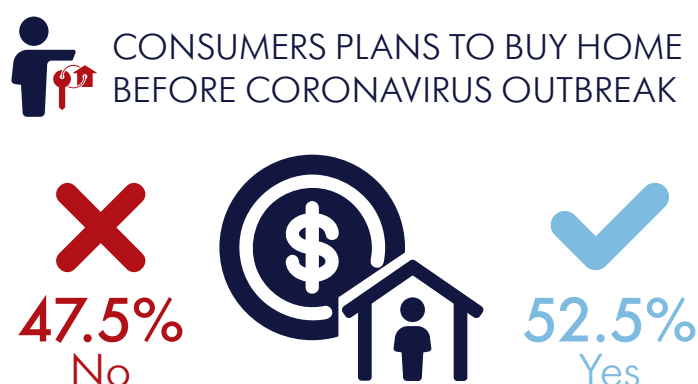
### IMPACT OF CUTTING INTEREST RATES ON MORTGAGE FINANCE DEMAND



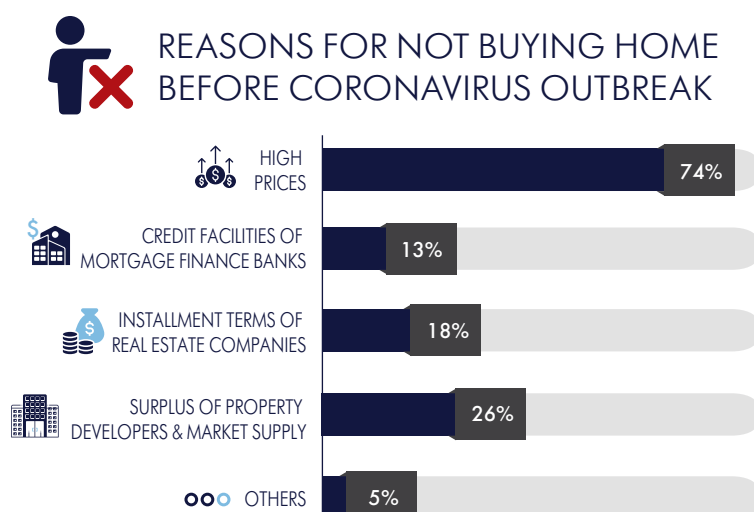
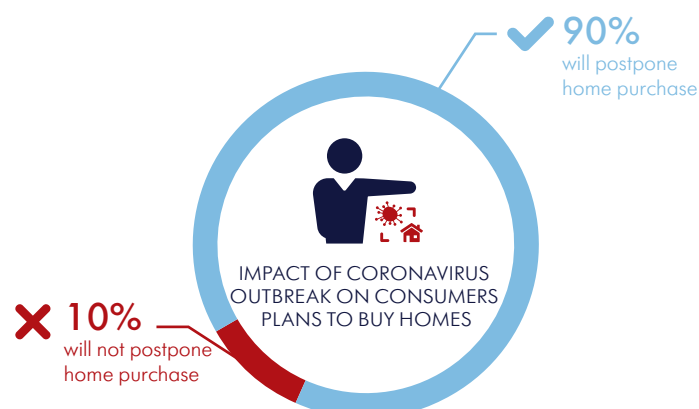
Source: Invest-Gate R&A

## Consumer Preferences

The Coronavirus outbreak has a deep impact on changing the consumers' decision whether to invest in purchasing new residential units or not. Before the pandemic, we investigated the intentions of our surveyed sample on buying a new residential unit. We found out that 47.5% did not have any plans to buy a new home, whilst another 74% believe real estate prices are already too high.

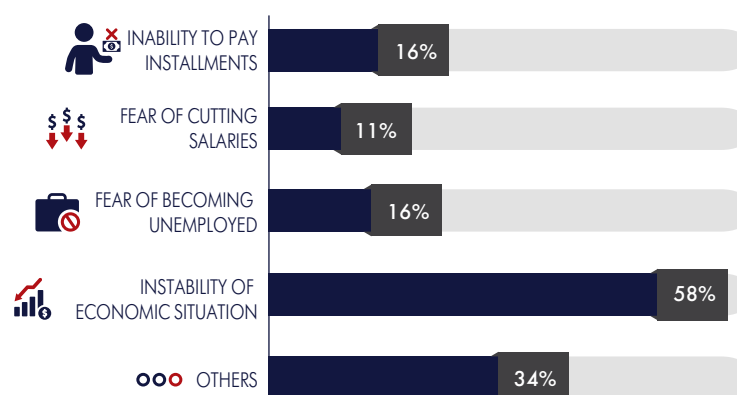


On the other hand, 52.5% of our sample planned to buy a new home before the virus pandemic. Nevertheless, 90% of them postponed this step because of the virus concerns. Not only that but 58% of them also believe that the instability of the economic sphere due to the outbreak is one of the major reasons to postpone their investment plans.



Source: Invest-Gate R&A

## REASONS FOR POSTPONING HOME PURCHASE AMID CORONAVIRUS OUTBREAK



## Policy Recommendations

All the ongoing economic procedures and strategies implemented by the Egyptian government are considered the shield to our economy against the pandemic consequences. Accordingly, the Ministry of Planning and Economic Development revealed that the government has prepared three scenarios to deal with the impact of the current dilemma. The first one, with a 20% probability, is based on containing the virus by Q2 June. The second one assumes combating the outbreak by the end of September, and it has a probability of 50%. The remaining quota represents the third scenario of containing the virus by year-end. Furthermore, in conjunction with the current situation, the government has revised its target GDP growth rate for FY 2020/21 to 3.5%, down from 4.5%.

Not only that but also Egypt's economic situation and all procedures implemented have gained the support of different international institutions, which see Egypt's economic situation a stable one amid this chaos. Moody's have kept Egypt's sovereign credit rating at B2, besides anticipating that the impact of COVID-19 outbreak on the economy to appear in FY 2020/21, dropping its growth rate to 2.7%.

Moreover, the WB plans to release USD 7.9 mn in emergency funds to Egypt to help fight the Coronavirus pandemic. This comes as part of USD 14 bn immediate funds the bank is disbursing to strengthen the COVID-19 response in developing countries.

With an eye on the real estate sector, many procedures are taken to protect it. When it comes to the sector's main developers, they have been reviewing their plans, projects, and strategies to deal with the current situation.

Consequently, based on the above-mentioned information, it is obvious that Coronavirus has affected the purchasing power in the property market as the majority of our surveyed sample has postponed their plans until things become clearer and better. Another reason for the postponement is the disruptions in the economic situation. Thus, all economic procedures implemented by the Egyptian government will have a direct and indirect impact on adjusting the consumers' demand and investment plans.



The background of the entire page is a light blue, semi-transparent image of a coronavirus particle. The particle is spherical with a textured surface and several prominent, rounded protrusions (spikes) extending from its surface. It is positioned on the left side of the page, with its right edge overlapping the central text area.

# INVESTIGATE

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RESEARCH & ANALYSIS

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