Economic Note: Exiting the COVID-19 Pandemic Amid New Uncertainties

Compiled by The Office of Dr. Joseph Muscat and Sagalytics[1]

March 2022

1. Executive Summary

This Economic Note summarises the main findings of a telephone-based, scientific survey conducted by Dr Vincent Marmara and Sagalytics during February 2022 and is supplemented by an economic analysis carried out by The Office of Dr Joseph Muscat. It therefore updates the assessment that was carried out in July 2021.

The findings of this latest survey confirm that although the vast majority of the Maltese population has received 3 doses of the COVID-19 vaccine, there is however **no support for mandatory vaccination**. Respondents are also quite unsure whether they would opt to receive annual COVID-19 vaccine, with only half of the population responding positively, mirroring the actual take-up rates for the influenza vaccine. This suggests that **the Maltese population is increasingly viewing the COVID-19 pandemic as a normal annual recurrent infection**.

Despite the high vaccination rates among the Maltese population, respondents are **sceptical of a swift return to pre-pandemic normality** although the youngest cohort consistently showing the largest levels of optimism. Nevertheless, there is a general increase in the proportion of households that intend to spend their summer holidays abroad.

There is no clear consensus on whether quarantine rules for positive cases ought to be relaxed. However results show that there is a majority that believes that quarantine rules should be relaxed for contacts of COVID-19 cases but at the same time does not advocate for positive discrimination with regards to quarantine rule relaxation to fully vaccinated individuals.

Results again point at **online shopping as a development that is most likely here to stay even after the pandemic**. This is especially the case for take away foods, groceries and daily needs. Still the willingness to continue using online platforms for shopping seems to have waned out slightly when compared to the latest study published in July 2021.

The most striking result that emerges from this survey is the reversal in the positive trends in consumption expectations. Respondents have indicated that their consumption frequency is still much lower than pre-pandemic levels and is even lower to their

[1] Restricted circulation. Not for re-distribution or reproduction without prior consent. This Economic Note was researched on the basis of a full survey carried out by Sagalytics and on information available as at 9th April 2022, and reflects the state of knowledge on the extent and duration of the COVID-19 pandemic prevalent up to that date. Given the fluidity of the situation, it is important to note that conclusions made here may differ significantly from those which would be made using the same methodology using more updated information.

consumption patterns in July of last year. More importantly, consumption levels are lower across all categories when compared to the expectations that households held back in 2020 and 2021. While this result might be driven by factors which might not be strictly COVID-19 related, it does point to an important element of long-run scarring left by the pandemic.

These results have two important policy implications. First, **one can observe an important element of long-run scarring left by the pandemic**, which is best displayed in the long run drops in consumption levels across all population categories which are predicted to persist even after the current vaccination programme is complete. While the policies enacted up till now by Government were quite successful in propping up consumption in the short run, new tools are required to effectively tackle the underlying issues causing drops in economic activity. This might be especially important if lower consumption levels are driven by a precautionary savings motive. In this respect, **improving consumer confidence is crucial in reducing the increase in the average propensity to save** that is evident in the data.

Secondly, there seems to be limited support amongst the Maltese population for periodic vaccinations against COVID-19, and even less when it comes to making it a legal obligation to get vaccinated against. **This could complicate the response that health authorities could adopt in the event of an emergence of new and potentially more severe variants** which might require a fast vaccination programme to curb the potential of a renewed public health emergency.

2. Methodology

The methodology is consistent with the previous surveys undertaken back in May and September of 2020 as well as that of July 2021. The sample of the survey is made up of 600 respondents which were randomly selected out of Malta's population aged 16 and over. The survey is stratified across the age, gender, and regional district dimensions, and can be considered to be representative of the general population, with a margin of error of +/- 4.

The questionnaire was jointly designed by Sagalytics and The Office of Dr Joseph Muscat. The survey seeks to capture changes in the consumer behaviour of Malta's population across a spectrum of goods and services demanded following the onset of the COVID-19 pandemic. This survey also tries to elicit information on the effectiveness or otherwise of measures that have been undertaken by the public sector in order to attenuate the economic impact of COVID-19, and whether further measures might be needed in the near future.

A set of survey questions are designed in line with those featuring in previous surveys. We therefore ask respondents two questions:

"How many times did you go to or used the following services before the COVID-19 pandemic?"

"How many times are you currently using the following services taking in consideration that the vast majority of the population is fully vaccinated"?

These questions are asked with regards to the following services:

- Coffee shops

- Clothes and footwear shops
- Other retail (furniture, home appliances)
- Break in a local hotel
- Break in a farmhouse in Malta / Gozo
- Holiday abroad
- Public transport

Similar to the previous survey, this study tries to understand whether the Maltese population has reassessed their belief that a "new normalcy" will be achieved once the vaccination process is complete. The study compares the projections of household consumption by sector as reported by respondents in the first three surveys, with actual realised consumption behaviour as reported in the latest survey. This comparison is important in understanding whether actual Maltese households' consumption patterns have been in line with their expectations disclosed in previous studies. Given the current stage of the vaccination process, this question will also allow us to understand whether some sectors are likely to be affected by a degree of permanent scarring. Moreover, respondents were asked whether they believe that their life will ever return back to normality now that most of the population is vaccinated, again helping us understand whether the Maltese population has reassessed their idea of a new normal brought about by the discovery of the vaccine.

The new study encompasses new questions designed to shed light on the population's opinion on compulsory vaccination and the requirement of periodic boosters, with a special emphasis also played on the provision of COVID-19 vaccinations to children. This study also tries to elicit new information on whether the high vaccination rates currently enjoyed by the Maltese island should warrant a suspension or a modification of current quarantine rules.

3. The "Influenzation" of COVID-19

In line with official statistics, survey data has shown that around 88% of the respondents are fully vaccinated with three shots against COVID-19, while 97% of the population has at least two vaccine shots. Apart from underlining the efforts by the health authorities to ramp up the vaccination rate in Malta, these statistics show that the vast majority of the Maltese population is willing to get vaccinated against the virus. **However, despite the high vaccination rates and exceptionally high efficacy rates of the vaccines on offer, the vast majority of respondents (68%) believe that there should be no legal obligation for getting vaccinated.** These figures are mainly driven by the 25-34 cohort, with 92% of respondents believing that everyone should be free to choose whether to get vaccinated. This cohort together with the 16-24 age group, is also categorised by the highest proportion of respondents who have not taken at least two vaccine shots, standing at around 8% of the respective age group, more than double that of the rest of the Maltese population.

The Maltese population seems to be significantly less in favour of a prospect characterised by periodic COVID-19 vaccinations. **The proportion of respondents who are willing to get vaccinated against COVID-19 every year stands at 50%, while slightly less than a third of the Maltese population states that will certainly not opt to receive periodic vaccinations.** Estimates also show that there is a high proportion (22%) of respondents who are still unsure whether they will periodically receive COVID-19 vaccinations. It is interesting to note that these figures are roughly in line with the proportion of the Maltese population that receives an annual influenza vaccine. Indeed, Marmara et al. (2021) report that around 43% of the Maltese population receive the influenza vaccine in a particular year. Moreover, one can also find similarities in the demographic composition of results, with the youngest cohorts (those aged between 16-45) being the least likely to get vaccinated against COVID-19 every year, mirroring the results found in Marmara et al (2021) with regards to the influenza vaccine.

The survey also outlines an interesting contrast when it comes to the willingness of respondents to vaccinate their children. On the one hand, Maltese parents are predominantly in favour of vaccinating children between the ages of 6 and 11, with 66% of respondents answering positively when asked whether their children have either been vaccinated or are about to get vaccinated against COVID-19. This contrasts sharply with the responses to the question concerning the willingness of parents to vaccinate children aged between 0 and 5. Indeed, in this case only 32% of respondents declare that they would consider vaccinating their children.

These figures have a number of interesting implications. **First, the similarity in the periodic COVID-19 and influenza vaccine take-ups suggests that the Maltese population is increasingly viewing the pandemic as a normal annual recurrent infection.** This might be driven by the emergence of the recent omicron variant which while being very transmissible, has been widely regarded as carrying a considerably lower mortality rate than the original strains. It further suggests that the fast take-up of Covid-19 vaccines that have characterised the first three vaccination programs might not be replicated in the future, especially in the younger cohorts which have been significantly less at risk of developing complications arising from COVID-19 infection that their older peers. **This has important implications especially in the event of the emergence of new and potentially more severe variants which might require a fast vaccination programme to curb the potential of a renewed public health emergency.**

4. Return to Life but no to Normal

Despite the high vaccination rates and exceptionally high efficacy rates of the vaccines on offer, **less than half of the respondents believe that their life will return to a pre-pandemic normal**. There is however a considerable degree of uncertainty in these figures since around 20% of respondents are still unable to determine whether normalcy will ever be achieved even after vaccination. Table 1 shows that these figures are practically unchanged when compared to the results of the previous survey conducted in July 2021, implying that there have not been major changes to the Maltese population's perception to a return to normality. As reported in the previous study, this figure is considerably low when compared to results of international surveys. A recent survey compiled by HealthCare Insider[2] shows that around 70% of the US population believe that life will return to normal in the next 24 months or so. Only 30% of the US population believe that their life will never return to its pre-pandemic normal.

[2] https://healthcareinsider.com/covid-attitudes-survey-2022#full

Table 1: Change in perception of return to normalcy

% of respondents

	Jul-21	Mar-22
Yes	48.2	48.5
No	29.9	31.1
Don't Know	21.9	20.4

Results for Malta are robust across both genders and exhibit considerable age and geographical heterogeneity. Chart 1 shows that the youngest cohort under consideration is by far the most optimistic with around 60% believing that after vaccination, life will return to the pre-pandemic normal. The least optimistic are respondents within the 26-35 cohort with only 4 in 10 respondents believing that life will not return to normal after vaccination. Looking at heterogeneity by district, respondents residing in the Southern Harbour region are the most optimistic, with 60% believing that life will return to normal after the vaccination stage is completed. On the other hand, only 40% of South Eastern residents believe in a full return to normalcy. All-in-all, results by gender, age cohort and residential district are fairly in line with the results published in our last study. However, it is interesting to note that the latest results exhibit a lower variation across categories, showing that these is a general convergence across all categories to the national average.

Table 2: Quarantine Rules

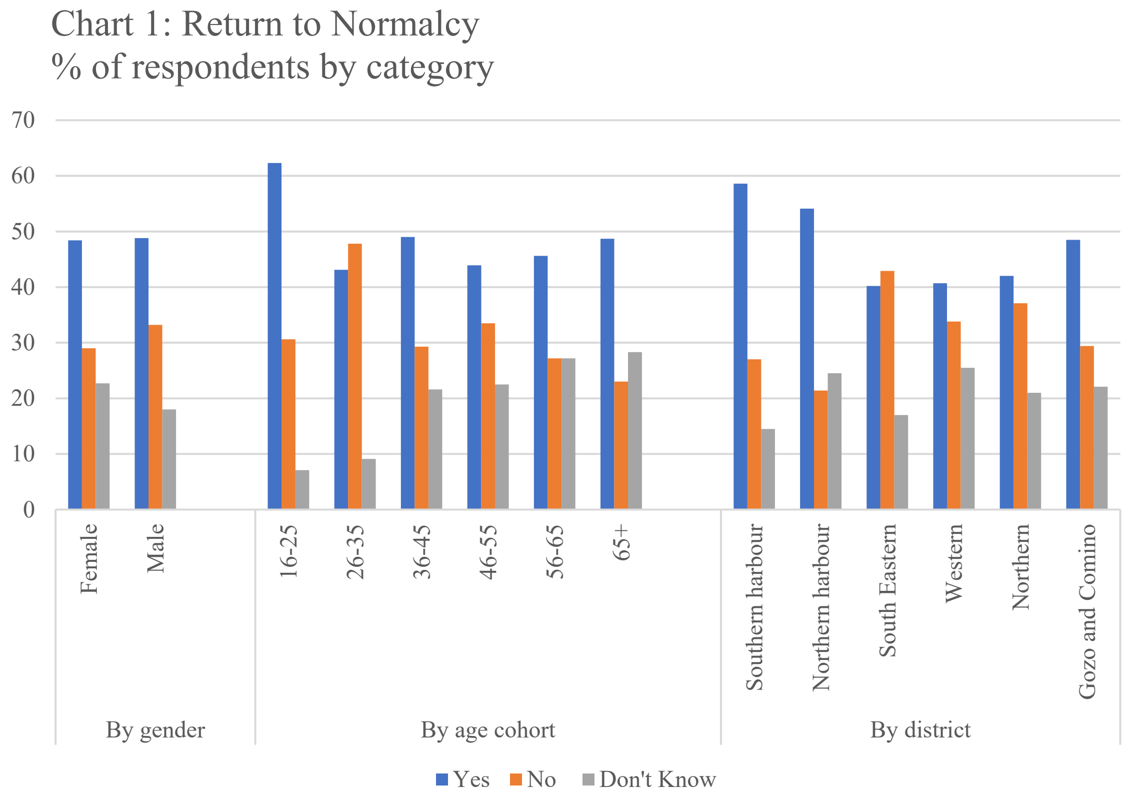
% of respondents

	Obligatory quarantine for positive cases	**Obligatory quarantine for contacts**
Remain the same	31.7	26.3
Shortened for persons with booster	33.1	30.8
Shortened for everyone	35.1	42.8

Throughout the pandemic, quarantine rules have been used consistently by both national and international health authorities to reduce the transmission of the virus. Despite being instrumental to control the transmission rates of COVID-19, these rules have been consistently disrupting the normal life of citizens. In this light, it is quite interesting to learn whether the Maltese population believes that such rules, which have served us well during the height of the pandemic, should be modified in order to help us regain a more normal way of life. When asked about obligatory quarantine for positive cases, respondents were almost evenly divided in their opinion. **This suggests that the Maltese population has still not formed a clear consensus on how we should treat future positive cases.** Despite the high vaccination rates, shown in both official data and this study, respondents do not seem to favour rules that discriminate in favour of those who are fully vaccinated with three doses.

When it comes to quarantine rules for contacts of positive cases, there seems to be a weak agreement that quarantine should be shortened for everyone. **Again, results suggest that the**

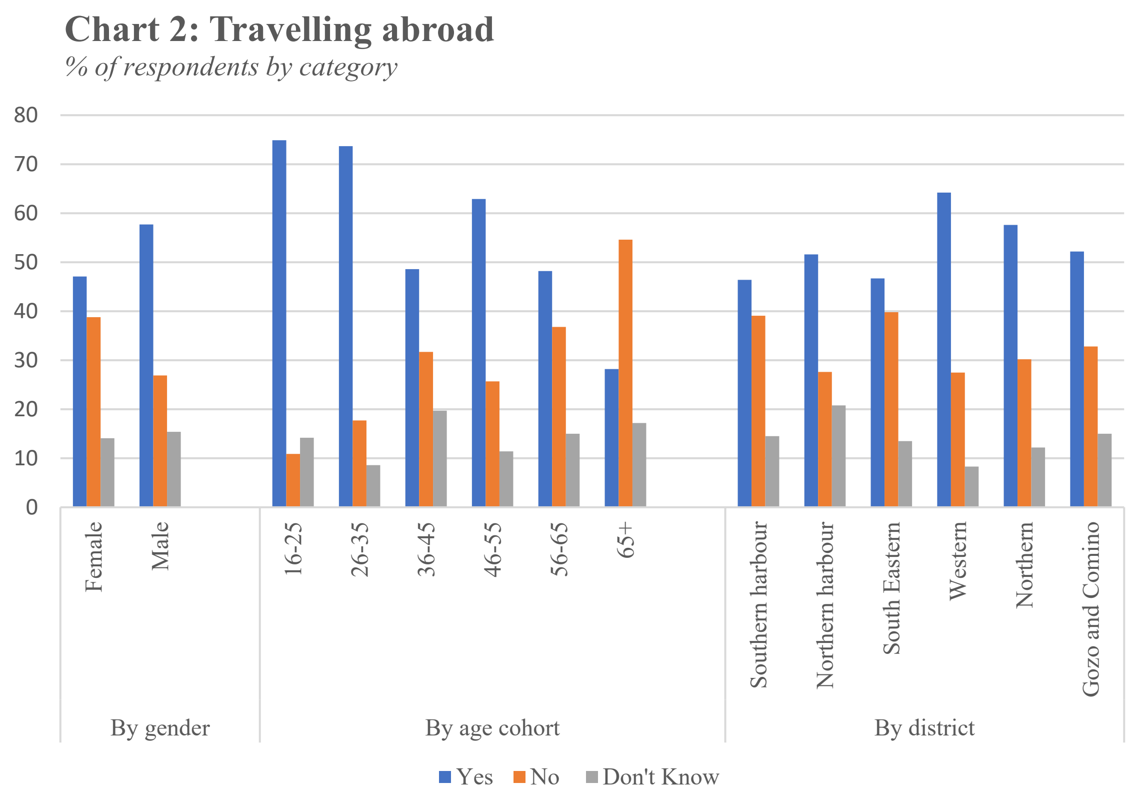
population does not favour a modification of the rules that positively discriminates in favour of those with three vaccine doses.



Against the backdrop of a continued sense of uncertainty surrounding the return or otherwise towards a normal way of living, **it is interesting to note the considerable optimism held by Maltese respondents when it comes to their willingness to go abroad this summer**.

As shown in Chart 2, 52% of respondents have reported that they are willing to go on holiday abroad this summer, with 33% answering that they are not planning to holiday in a foreign country for this year. This result contrasts sharply with the one that published in the latest survey, where only 21% responded positively when asked if they were planning to go on holiday. As we will discuss later on in this report, this result also contrasts sharply with the overall economic sentiment that stems from this latest survey. Indeed, this is the only result which points at an improvement in consumer behaviour when compared to the previous two surveys. **Thus, despite the continuous uncertainty surrounding their return to a normal way of living together with the considerable insecurity regarding the possibility of long-term scarring on their economic situation, the Maltese population seems to have considerably re-evaluate the possibility to go on holiday in foreign territories.**

Contrary to the results portrayed in our previous survey, which have highlighted the homogeneity in the results across gender, age and district categories, the latest result show that there is a significant relation between the different age groups and the decision to holiday abroad. Indeed, for younger age groups (16-35), the proportion of respondents intending to spend their holidays in a foreign country reaches almost 80%. This goes down markedly for the 36-45 age cohort and continues to decline considerably with the oldest two cohorts. In fact, the older cohort is the only age group which is on average still markedly against travelling abroad for holidays. Thus, one can see that the extent of the upward revisions in the intention to travel abroad when compared to July 2021 is considerably negatively related with age. This in turn suggests, that upward revisions in the intention to holiday abroad are mainly driven by a **re-assessment of the health risks associated with travelling which has been undertaken by the age categories that are least at risk of developing complications arising from COVID-19 infections**.



5. Eat Out or Take Out?

During the pandemic, the global retail and food services sectors have had to adapt promptly to a range of government measures which have, at the best of times, forced most establishments to operate at reduced capacity. At the height of the pandemic, these establishments were also forced for a number of times to close their doors to customers. Even when government restrictions and mitigation measures were slowly lifted, food services and retail establishments were still severely affected by a level of insecurity as most customers felt unsafe when either purchasing or eating indoors. In this light, shop owners have had to adapt quickly and diversify their retail model away from in-person purchases, also to service a new take-away dining socialization unrelated to social distancing issues. This was facilitated by the significant and recent technological advances which allowed both retail and food services establishments to quickly shift their operations online.

Table 3: Online Shopping

% change to pre-Covid levels	Jul-21		Mar-22
	During vaccination	**After vaccination**	**After vaccination**
Clothes and footwear	12.1	0.0	-22.2
Groceries and daily needs	58.9	26.8	8.0
Take away food	30.9	17.3	9.7

Table 3 shows that even as shop closures have become less frequent and risks of COVID-19 infections have been mitigated considerably through the high vaccination rates amongst the Maltese population, consumers are still opting for online shopping. **This is especially the case for shopping for groceries and daily needs as well as for take-away food, with both categories exhibiting increases of around 9% in online shopping when compared to pre-pandemic levels.** This table however also shows that the actual use of online shopping is somewhat lower than what has been projected in the July 2021 survey. Indeed, in July of last year, respondents had projected that after the completion of the vaccination programme, they would still be using online shopping more than pre-pandemic levels by around 27% and 17% for groceries and take away foods respectively.

Another thing to note is the drop for clothing and footwear online shopping. **In part this may reflect a lower disposition to spend on clothing, due to a reduced propensity to consume in general.** In fact, National Accounts data shows that spending on clothing is still 15% below pre-pandemic levels. On the other hand, in an environment of rising food prices, it is unlikely that consumers could expect spending less on food. Therefore, one needs to interpret some results in light of broader trends that have emerged in recent months, mostly those relating to the inflationary pressures created by the war in Ukraine.

Results also show that there are marked differences in the willingness to continue using online shopping solutions especially amongst age cohorts. As expected, and in stark contrast to the aggregate results, consumers in the age cohort 16-25 are likely to keep making considerable use of online shopping for clothes and footwear even after the vaccination programme is complete, reaching levels up to 40% higher than pre-pandemic levels. On the other hand, increases in online shopping for groceries and daily needs as well as for take away foods are mainly driven by the age cohorts 26 and older. This is mainly the driven by the fact that consumers in the youngest age cohort (16-25), have been already making active use of online shopping platforms even before the start of the COVID-19 pandemic. [3]

6. A Less Positive Economic Outlook and the Pandemic-Ukraine Effect

In line with the two previous Economic Notes produced in 2020 and 2021, respondents have been asked about the frequency of their consumption of a number of services. In particular, respondents were asked how will their consumption pattern change (when compared to pre-pandemic levels) given that the vaccination programme is ongoing. The extent of the

[3] https://nso.gov.mt/en/News_Releases/Documents/2020/02/News2020_026.pdf

revisions seen between the answers given to the same question in the previous survey and those given to the current survey will help us understand whether there has been a shift in economic expectations.

Chart 3 compares the drops in consumption frequency during COVID-19 vaccination by service type as reported in the June 2021 and March 2022 surveys. **Results show that there has been a considerable negative revision in the consumption patterns that respondents were expecting to maintain during the period in which the vaccination programme was underway.** The largest negative revisions were registered in the restaurants, coffee shops and clothes and footwear categories, all of which exhibit revisions of 20 percentage points when compared to the previous survey.

Chart 3: Actual consumption during vaccination - across time

% change from pre-Covid baseline

Our previous studies, have also shown estimates of the long run changes in consumption levels that households were expecting after the whole population was inoculated against COVID-19. Given that at the current juncture, the absolute majority of the Maltese population is fully vaccinated with three doses, the question asked in this survey can also be compared with the post-vaccine consumption patterns that households were projecting back in May and September 2020 and July 2021.[4]

Results of the first three surveys have consistently shown that once vaccinated, respondents intended to significantly boost consumption of all activities when compared to levels maintained before or during vaccination. The strongest revisions were projected to occur in consumption of restaurants and coffee shops services, where consumption levels after

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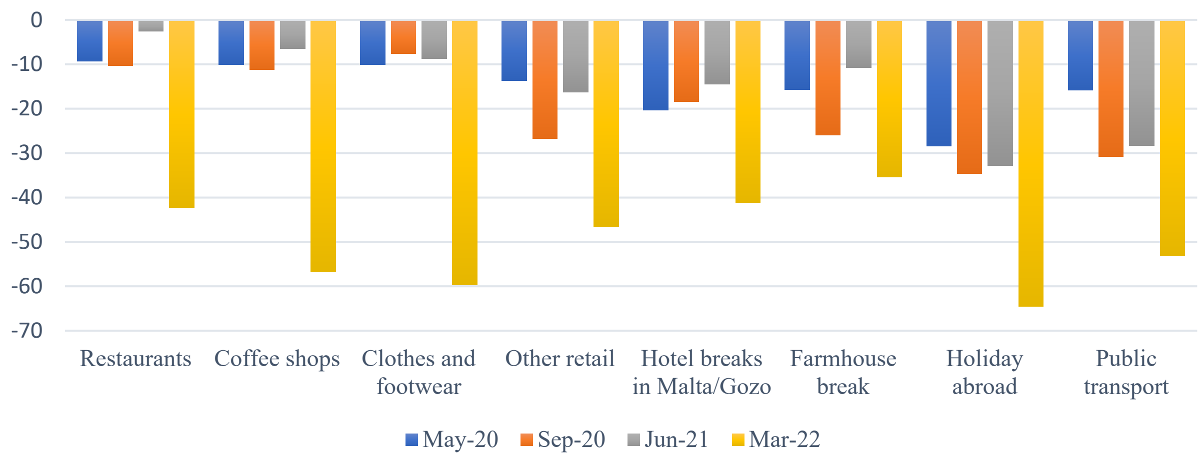
[4] In the latest survey, respondents have been asked of their present consumption pattern. While the vaccination program is not technically concluded (as medical authorities are still studying the possibility of a second booster dose), the high vaccination rates and the apparent unwillingness of the vast of the population to continue receiving periodic boosters, suggest that respondents are implicitly not expecting significantly higher protection from additional doses of the vaccine. In this light, the answers to the questions posed in the current survey can therefore be compared with answers to questions posed in previous surveys asking for frequency of consumption both during and after vaccination programs.

vaccination were expected to return very close to pre-pandemic levels. Significant improvements in consumption were also envisaged in the retail sector and in internal tourism. After vaccination, expenditure in clothes, footwear, and other retail establishments as well as hotel and farmhouse breaks are expected to reach around 85%-90% of the pre-pandemic levels. Less robust improvements were seen in services that require transportation. Despite these reported improvements, all surveys had pointed at significant long-run effects on consumption.

Nevertheless, Chart 4 shows that despite the considerably high vaccination rates, **current consumption levels are still considerably lower than pre-pandemic levels and more importantly, significantly below the projections previously maintained by households** in the first three surveys. These results are especially striking considering that the latest survey (July 2021) had featured an improvement in post-vaccination consumption levels across almost all consumption types when compared with the previous two surveys. The results of the current survey show a strong reversal in the trends on economic outlook that were consistently shown in the previous studies, and could also be attributable to non-pandemic related issues, such as the war in Ukraine.

Chart 4: Post-Covid consumption forecasts across time vs actual March 2022

% change from pre-Covid baseline



Note: Responses for the March 2022 survey are strictly to a question asking for current consumption patterns, whereas older responses are to a question dealing asking for consumption pattern after the vaccination program is completed. The two can be compared in light of the fact that the current vaccination program can be considered to be complete.

7. Households Facing Increased Uncertainty

In order to understand what this survey results imply on Gross Domestic Product aggregates, we have undertaken a grossing up exercise, similar to the ones undertaken in previous studies. The services and activities included in the survey have been mapped to the final consumption expenditure of households disaggregated by Classification of Individual Consumption by Purpose (COICOP at 3-digit level as at 2019). We have then used the weights corresponding to each COICOP sub-category to gross-up the figures that have emerged from this survey.

This mapping exercise indicates that the services and activities considered in this survey cover around 43%, that is a considerable proportion, of all activities that fall under household consumption. Moreover, the proportion of aggregate household consumption that is not captured by this survey includes consumption activities that are less discretionary in nature than those included. These include consumption on food and beverages, water and electricity consumption, health, education, and communication. In order to come up with a conservative estimate of the change in aggregate consumption, we assume that these consumption sub-categories remain constant at their baseline level, that is, that they are not affected by the pandemic.

Table 4: Actual effects on aggregate consumption and GDP

% deviation from pre-Covid levels

	June 2021 Survey		March 2022 Survey	
	Aggregate consumption	**Gross Domestic Product**	**Aggregate consumption**	**Gross Domestic Product**
During vaccination	-10.4	-3.4	-19.2	-6.3

In Table 4, we compare the actual drops in consumption from pre-pandemic trends as reported by households in the July 2021 and March 2022 surveys. In line with the results above, the current survey shows a considerable worsening in the aggregate consumption drop when compared to the pre-pandemic trends. **When taking in consideration the import content of consumption, the figures consistent with the latest survey suggest that economic activity is currently 6% lower than the levels that would have been achieved if there was a complete return to pre-pandemic economic behaviour.**

These results are mirrored by actual National Accounts data which indicate that despite overall economic activity has managed to exceed pre-pandemic levels, private consumption is still around 5% lower than the pre-crisis levels. This supports the notion that **private households are facing an increased level of uncertainty, leading to an increase the average propensity to save as a means to bolster precautionary savings**. This precautionary motive to save might be a driver of a long-run scarring effect which might lead to higher long run savings and lower aggregate consumption in the near future.

These results need to be interpreted against the backdrop of two important qualifications. First, back in July of last year, expectations were centred around a two-dose vaccine programme that would offer high and long-lasting immunity from infection. The requirement of a booster dose, and even more recently, the possibility of a fourth dose might have hampered the positive expectations maintained by the Maltese population. Similarly, renewed COVID-19 spikes at the end of last year and the more recent spike during March and April 2022 might have reduced the positive economic expectations surrounding the vaccine rollout. Thus, one might argue that while the unprecedented global vaccination programme has been a crucial development that has concretely reduced the risks associated with COVID-19 infections, it has up till now not been successful in boosting consumer confidence, and thus consumption, to its pre-pandemic trends.

Table 5: Actual National Accounts Data
% deviation from 2019 levels

GDP	0.3
Private Consumption	-4.7
Food and non-alcoholic beverages	-4.4
Alcoholic beverages, tobacco	-5.3
Clothing and footwear	-14.7
Housing, water, electricity, gas and other fuels	7.5
Furnishings, HH equipment and routine maintenance	7.6
Health	2.6
Transport	-18.2
Communication	1.3
Recreation and culture	-23.8
Education	-18.3
Restaurants and hotels	-49.8
Miscellaneous goods and services	7.2

Moreover, as already outlined, it is important to note that the downward revisions in consumption levels consistent with the latest survey might not necessarily be solely related to the COVID-19 situation. Indeed, when compared to nine months ago, there have been profound changes in global economic and political scenarios which might be negatively impacting the latest revealed consumption levels. These last nine months have been characterised by (at times) severe supply shortages and a rise in international commodity prices that has been slowly translating into higher consumer prices which has reduced the purchasing power of consumers. Moreover, the Russian invasion of Ukraine in February of this year has also brought about a renewed sense of uncertainty that might have been reflected in downward revisions to current consumption, irrespective of the expectations surrounding the COVID-19 situation.

8. Conclusion

This study has reiterated a general sense on uncertainty when it comes to the Maltese population's expectations to return to a new normal. Moreover, while enjoying a high vaccination rate, respondents seem to view future periodic vaccinations with more scepticism, even more so if authorities decide to make any future COVID-19 vaccinations a legal requirement.

The study has also outlined an important reversal in the trends in consumer sentiment when compared to previous surveys. While still showing an element of long-run scarring in consumption, previous surveys had shown a general improvement in consumer confidence across time that was leading to periodic upward revisions in projected post-pandemic consumption levels. On the one hand, this survey has seen a sharp fall in consumer confidence despite the high vaccination rates enjoyed across the Maltese population. This points to an important element of long-run scarring in consumer confidence that is driving up the average propensity to save. Drops in consumption are expected to persist across all sectors considered but are mostly evident in services such as holidays abroad, farmhouse and hotel breaks, and use of public transport.

The findings outlined in this survey have two important policy implications.

Firstly, the general unwillingness amongst the Maltese population to either make COVID-19 vaccination compulsory by law or to receive further boosters in the form of periodic vaccinations, could complicate the response of the health authorities in the event of the emergence of new contagious strains of the virus or in the case of a waning long-run immunity that the current three doses recommended by health authorities provide.

Secondly, what worked during the pandemic need not necessarily work now that we are exiting the pandemic. Previous studies indicated that government vouchers were especially successful in boosting consumption in Malta by temporarily increasing liquidity of households and more importantly by boosting consumer confidence in the safety of the establishments that were most hit by the crisis. However, such policies are by their very design temporary in nature as they are specifically designed to address drops in consumption only in the short run. On the other hand, the long-run falls in consumptions predicted in the current survey, point to underlying issues which are of a more long run nature. **These issues might stem from a revision in the marginal propensity to save, due to a heightened precautionary motive.**

The renewed spikes in local COVID-19 cases together with the uncertainty surrounding the efficacy of vaccines in preventing infections in the long-run may have made consumers reassess the pandemic not as a one-off shock but as something that could occur again and which they need to make provisions against. This may also have been reinforced by the shock in inflation that has occurred recently and the unexpected Russia-Ukraine conflict.

These may have dampened respondents' expectations about the future, fuelling a precautionary motive to save more.

Against this backdrop, **Government needs to identify and better study alternatives other than short run liquidity boosters in order to counter the drops in long run consumption foreseen in this study**. This might be furthered hampered by any move to increase interest rates internationally as a way to curb inflation.