

Global Economic Insights

December 1, 2021

CEMEA recovery through the consumer lens, part 2

The pandemic has led to a rapid digitization of payments. In a recent consumer survey by the Visa Business and Economic Insights team, CEMEA consumers reported avoiding cash and increasing their use of other payment methods, perceiving cards and digital payment as more hygienic, faster, frictionless and seamless.¹ Consumers reported that COVID-19 had led to an increase in their use of credit cards, debit cards, prepaid cards, mobile payment, digital wallets, and contactless cards, which surged dramatically over the past 20 months.

Some of the key findings of the survey were published in our October 2021 issue. We continue our analysis in this issue with additional findings highlighting the impact of the pandemic on ‘first-time’ online shoppers in CEMEA, consumers’ payment preferences, behaviors and attitudes, and some of the critical issues for consumers.

Highlights:

Cash replacement accelerates in CEMEA

COVID-19 unlocked the door for first-time online shoppers in CEMEA

Resumption of some of the pre-pandemic consumer habits

Small business support critical for CEMEA consumers

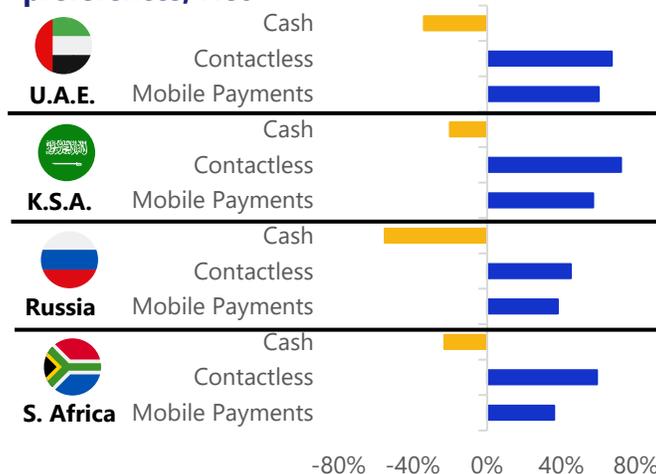
Digital spending on the rise: Cash is king no more

Since this consumer survey was initiated in May last year and across the four waves of the study—the latest being in August 2021—consumers consistently reported strong preference and increased usage of more digitized forms of payments for various categories, including grocery, fuel, dining, entertainment and international travel.

Cash managed to claw back some of its losses in August of this year as a small share of consumers reported increasing their cash usage relative to May and June of last year at the height of the pandemic and the peak cash-avoidance period.

However, preference for digital payments remains quite strong, widespread and sticky.

Fig. 1: Impact of COVID-19 on payment preferences, Net²



Source: Visa CEMEA COVID-19 Impact Tracker, August 2021.

COVID-19 unlocked the door for 'first-time' online shoppers

The pandemic created a great opportunity for e-commerce, accelerating the digital transformation across CEMEA markets and adding a significant number of 'first-timer' shoppers as more consumers joined the online world and more merchants built a digital presence to cope with restrictions on physical commerce. More than 20 months since the onset of the COVID-19 shock, online shopping for various categories remains quite strong and most CEMEA consumers claim that they will continue to shop online even once the crisis is fully over, especially for grocery, food delivery, pharmacy and fashion.

Even categories of spend that are not typical of online shopping, such as high-value luxury stores—where consumers often prefer to physically inspect the product before splurging—are gaining notable traction in CEMEA. By August of this year, one in two consumers in the U.A.E., Saudi and South Africa said they started shopping online for luxury stores, while in Russia, it was slightly over one in four consumers.

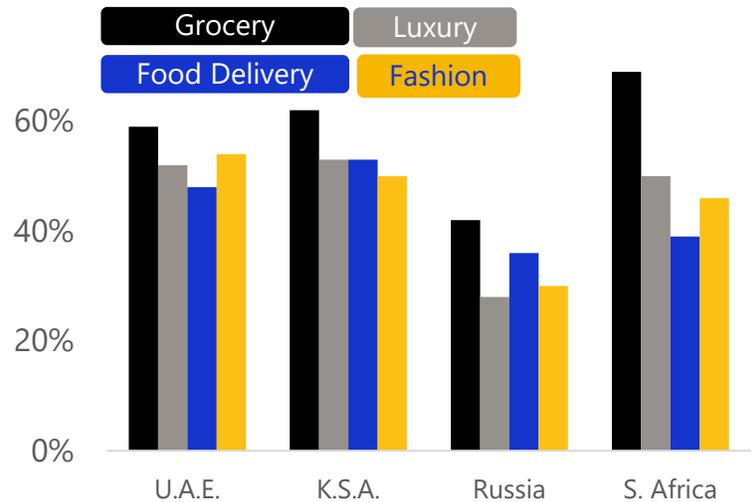
However, a minority of CEMEA consumers surveyed claimed they would go back to brick and mortar shops rather than continue to shop online, highlighting some of the continuing challenges in certain CEMEA markets. Consumers had concerns about the reliability and security of the e-commerce websites/apps, high shipping costs, lengthy delivery times, product quality when not inspecting in-person, and the refund process.

Consumer behavior and attitudes: Old habits die hard

During the height of the pandemic and economic uncertainty in June last year, consumers in CEMEA largely changed their shopping behavior and attitudes, with many reporting closely watching their spending by avoiding impulsive purchases, shopping only for necessities and buying in bulk to minimize the number of trips to the supermarket. By August this year, however, these shopping behaviors had largely dissipated. In addition, an increasing number of consumers were shopping online for groceries, including 64 percent in the U.A.E., 61 percent in Saudi and 42 percent in S. Africa.

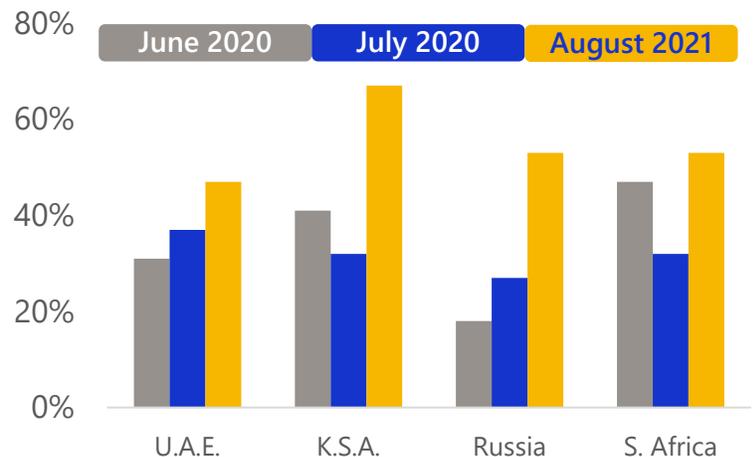
Another behavior that proved transitory for CEMEA consumers was the strong spike in preference for home-cooked meals during the height of the pandemic, as opposed to dining out or ordering online, in order to minimize unnecessary contact and the risk of exposure to the virus. By August this year, while many consumers still preferred home-cooked meals, preference waned as consumers largely resumed their pre-Covid eating habits.

Fig. 2: Started shopping online for the first time due to COVID



Source: Visa CEMEA COVID-19 Impact Tracker, August 2021

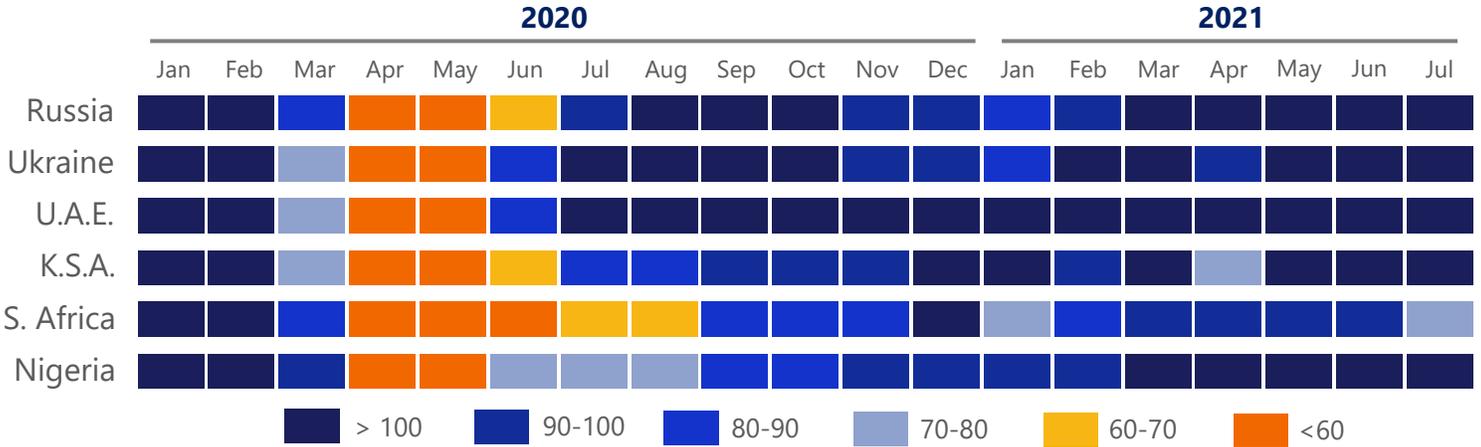
Fig. 3: Percent of consumers who say they will continue online grocery shopping once COVID is fully over



Source: Visa CEMEA COVID-19 Impact Tracker, All Waves

For consumers opting for outside food, an increasing number prefer online delivery. Dining out has largely resumed as well, though consumers remain cautious, preferring restaurants that visibly enforce precautionary measures. Our VisaNet data shows restaurant transactions per consumer have exceeded their pre-pandemic levels in Russia, U.A.E. and Saudi as consumers gain confidence in resuming more social forms of spending.

Fig. 4: Restaurant transactions per consumer in CEMEA (indexed, 2019=100)



Source: Visa Business and Economic Insights, analysis of VisaNet data

Household finances: Ready to spend, mindfully

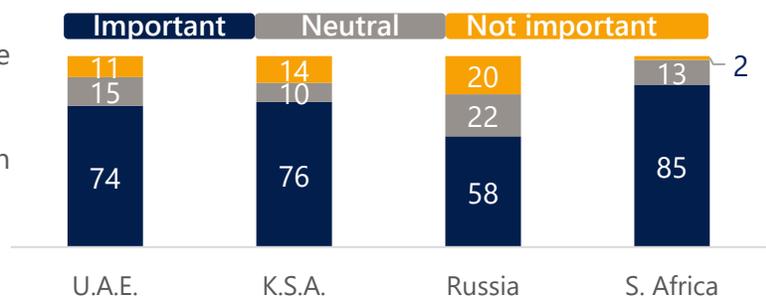
Consumers in CEMEA continue to adopt new strategies to manage their finances. The urgency of saving, budgeting and closely monitoring household spending that was reported in June last year has significantly weakened as the economic recovery has taken hold and financial conditions have improved and rebounded from the initial shock. Forty-seven percent of consumers in the U.A.E. say their savings either improved or remained the same since the pandemic started, compared with 48 percent in Saudi, 53 percent in Russia and 32 percent in South Africa.

As such, consumers in CEMEA are placing less importance on 'saving and budgeting' and reportedly using credit cards more often compared to June last year, when they appeared to avoid credit cards and any additional unnecessary debt due to the financial uncertainty. Forty-nine percent of consumers in the U.A.E. say they are using credit cards more often, compared with 47 percent in Saudi, 30 percent in Russia and 27 percent in South Africa. Moreover, at least one in three consumers in the U.A.E., Saudi, Russia and South Africa plans to increase their spending over the next six months, reflecting a growing comfort level and confidence in their financial situation.

Support for small businesses still important to CEMEA consumers

Throughout the pandemic and since the start of the survey in May last year, CEMEA consumers have reported support for small and medium-sized enterprises (SMEs) by buying local, shopping at neighborhood stores, and spreading the word about local small businesses with friends and family. Eighty-five percent of consumers in South Africa, 76 percent in Saudi, 74 percent in the U.A.E. and 58 percent in Russia say supporting SMEs during and after the crisis is important. After all, SMEs make up over 90 percent of firms, employ up to 80 percent of the global workforce and constitute up to 70 percent of GDP in some economies.³

Fig. 5: Consumer support for SMEs remains strong (Percent)



Source: Visa CEMEA COVID-19 Impact Tracker, August 2021

Accessibility Notes

Fig. 1 Bar chart showing the change in consumers' preference for cash, contactless payments and mobile payments in August 2021. In the United Arab Emirates, cash declined 34% while contactless grew 67% and mobile payments grew 60%. In Saudi Arabia, cash declined 20% while contactless grew 72% and mobile payments grew 57%. In Russia, cash declined 55%, while contactless grew 45% and mobile payments grew 38%. In S. Africa, cash declined 23%, while contactless increased 59% and mobile payments grew 36%.

Fig. 2 Bar chart showing the percent of consumers who started shopping online for groceries, luxury items, food delivery and fashion across four countries in CEMEA. Grocery was the strongest category, at 59% in the U.A.E, followed by luxury at 52%, food delivery at 48%, and fashion at 54%. In K.S.A., grocery was at 62%, followed by luxury and food delivery at 53%, and fashion at 50%. In Russia, grocery was at 42%, followed by food delivery at 36%, fashion at 30%, and luxury at 28%. In S. Africa, grocery was at 69% followed by luxury items at 50%, fashion at 46%, and food delivery at 39%.

Fig. 3 Bar chart showing the percent of surveyed consumers who said they would continue to shop for groceries online once COVID is fully over in August 2021 compared to July 2020 and June 2020. In the U.A.E., the share of consumers was 47% compared to 37% and 31% respectively. In K.S.A. the share of consumers was 67% compared to 32% and 41% respectively. In Russia, the share of consumers was 53% compared to 27% and 18% respectively. In S. Africa, the share of consumers was 53% compared to 32% and 47% respectively.

Fig. 4: Color coded chart showing restaurant transactions per consumer across Russia, Ukraine, U.A.E., Saudi Arabia, Nigeria and South Africa, indexed to 100 in 2019. All countries were black (signifying >100) in early 2020, but by March 2020 they were all either dark blue (90-100), blue (80-90) or light blue (70-80) and all plunged to dark orange (<60) in April/May 2020. Each country recovered differently, with the U.A.E recovering the fastest, returning to black by July 2020, followed by Russia, Ukraine and Nigeria, which have fluctuated in the upper ranges and were at black in July of this year, K.S.A., which dipped to light blue in April 2021 but returned to black by July, and S. Africa, which has recovered the slowest, maintaining mostly blues and declining to light blue in July of this year.

Fig. 5: Stacked bar chart showing the percent of consumers who said it was important to support small businesses, relative to those who were neutral or said it was not important. In the U.A.E., 74% said it was important, compared to 15% and 11% respectively. In K.S.A., 76% said it was important, compared to 10% and 14% respectively. In Russia., 58% said it was important, compared to 22% and 20% respectively. In S. Africa, 85% said it was important, compared to 13% and 2% respectively.

Notes

1. Visa CEMEA COVID-19 Impact Tracker. Total of 5,027 consumer interviews conducted targeting the banked population in four CEMEA markets: the U.A.E., K.S.A., Russia and South Africa. Interviews were conducted online across four waves: 8-25 August 2021.
2. Visa CEMEA COVID-19 Impact Tracker. Net calculated by subtracting percent of respondents stating they decreased their use of a payment method from the percent stating they increased their usage.
3. International Labor Organization: <https://www.ilo.org/infostories/en-GB/Stories/Employment/SMEs#engines>

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Visa Business and Economic Insights

Wayne Best, Chief Economist

Bruce Cundiff, Vice President, Insights
Michael Brown, Principal U.S. Economist Adolfo
Laurenti, Principal European Economist Richard
Lung, Principal Global Economist Glenn Maguire,
Principal Asia Pacific Economist Mohamed
Bardastani, Senior CEMEA Economist Jennifer
Doettling, Director, Content and Editorial

Michael Nevski, Director, Consumer Insights
Dulguun Batbold, Global Economist
Angelina Pascual, European Economist
Travis Clark, U.S. Economist
Mariamawit Tadesse, Global Economist Woon
Chian Ng, Assoc. Asia Pacific Economist
Juliana Tang, Executive Assistant

For more information

Please visit us at
www.visa.com/EconomicInsights

OR

Contact us at
VisaEconomicInsights@visa.com