

The dilemma of lower demand

LAHORE: Pakistani entrepreneurs are facing the dilemma of lower demand in most sectors with textiles leading the decline along with automobiles, electronics, petroleum products, hotels and restaurants, mainly due to restricted socialising.

The revival of the economy depends on the ability of the consumers to resume their normal purchases of different products and services. Almost four months after the pandemic the economic activities have yet not moved in full gear.

There are certain industrial sectors that have the ability to move into full gear if the demand accelerates, but there are many sectors where the sponsors require some capital to initiate production. Another problem is that where the sponsors do not have problems of funds, the demand in the market for their goods is low.

This includes automobiles and cement sector. In the textile sector, larger groups are not facing liquidity problem, but their disposal of goods is slow both in domestic and export markets.

In the electronics sector, the manufacturers are sitting on large unsold stocks and have not been paid by their dealers for the stocks that were supplied to them months back.

Every other service and manufacturing sector is facing similar problems that are impeding the productivity at all levels.

The industrial sector would be able to assess the demand after the crises peaks out. They would also have to assess the change in consumer behaviour as a result of the pandemic.

Women for instance (at from least middle and rich families) used to buy dresses for almost all outings where they expected to meet large number of families, be it dinner party or picnic outing, marriage functions or going on trip outstation for recreation.

After COVID-19 the movements have been largely limited and the need for new dresses has also declined. Men and women working from home also do their work in home clothes instead of changing trousers and shirts daily; ironing them and polishing their shoes.

Textile retail outlets remained closed for over a month. These outlets attracted consumers for a week or so but find sporadic consumers coming their way. The consumers are very cautious and do not enter any outlet where they see few customers inside.

The habits are changing very fast. We do see crowds in small markets catering to the lower segments of the society, but there are few buyers for clothing. The textile sector has been struggling in the export markets for the last six years.

Many mills increased their reach in domestic market appreciably and their share in domestic market increased to compensate the stagnancy in the export market. COVID-19 has dealt a blow to the sector as it seems that it will take over a year to come back to a normal level in the domestic market and much longer in export markets.

Electronics include television, air-conditioners and refrigerators. Households are afraid to let the repair persons or installers enter their house.

New purchases have also gone down as families have put on hold their plans to buy new gadgets. The production of refrigerators declined 92 percent in April, and 24 percent during July-April.

The production of air-conditioners also declined 92 percent in April, and 42 percent during July-April. Production of TV sets declined 68 percent in April, and by over 16 percent in July-April.

The plight of the auto sector is well known. Sales are not going to rebound to even last years' level in the next three years.

Prices of cars have almost doubled, and the buying power of most of the prospective buyers has declined. This will have grave impact on new sales even through bank loans, because even the price of 660cc smallest car is double than the price of 800cc fully loaded car it replaced. In automobiles, the sales of two wheelers might pick up as the price increase in this segment is low.

Consumption of petroleum products has also declined 50 percent in April and 21 percent in July-April. The consumption suffered because of restriction in movements due to COVID-19.

Hotels and restaurants are closed. Tourist spots have recently been opened, but the car owning families are not going out as they do not trust the hotels at these spots to be free of disease.

Public transport is still not fully operative, and would not be in full swing until the transporters are allowed to operate with full passenger load.