

# Market COVID-19 Situation Report

KUWAIT – WEEK 2 - MARCH 2020



[info@globalmarkets.com.kw](mailto:info@globalmarkets.com.kw)

<http://globalmarkets.com.kw/>

## Global COVID-19 Update

The infection rate has been skyrocketing globally while the rate in China has been subsiding. The number of cases in China has been growing at an average of 0.14% in the first 15 days of March compared to 17.5% growth rate for the rest of the world. While China continues to loosen its measures by closing all the temporary hospitals, the rest of the world is witnessing social and market disruptions. The political system in China enabled the country to contain the spread and manage it efficiently more than what is being witnessed now in Europe and North America. Global crisis management and governments' ability to manage and control the spread of the virus impacts the single consumer seeking

to buy a meal for lunch. The positive news in China were not able to develop a positive market sentiment due to two factors. By the time China was able to control the pandemic by the end of February, the rest of the world started registering a sharp rise in their infection rate. The global economy was witnessing shortages in January that affected the supply chain due to the inactive factories in China which also affected the oil market. Once the Chinese pandemic started easing, the spread of the virus started to take over the world. The factories that were shut in China were operating again but consumers around the globe could not spend due to their government's lockdown and fear of infection.

Daily Infections in China vs The World

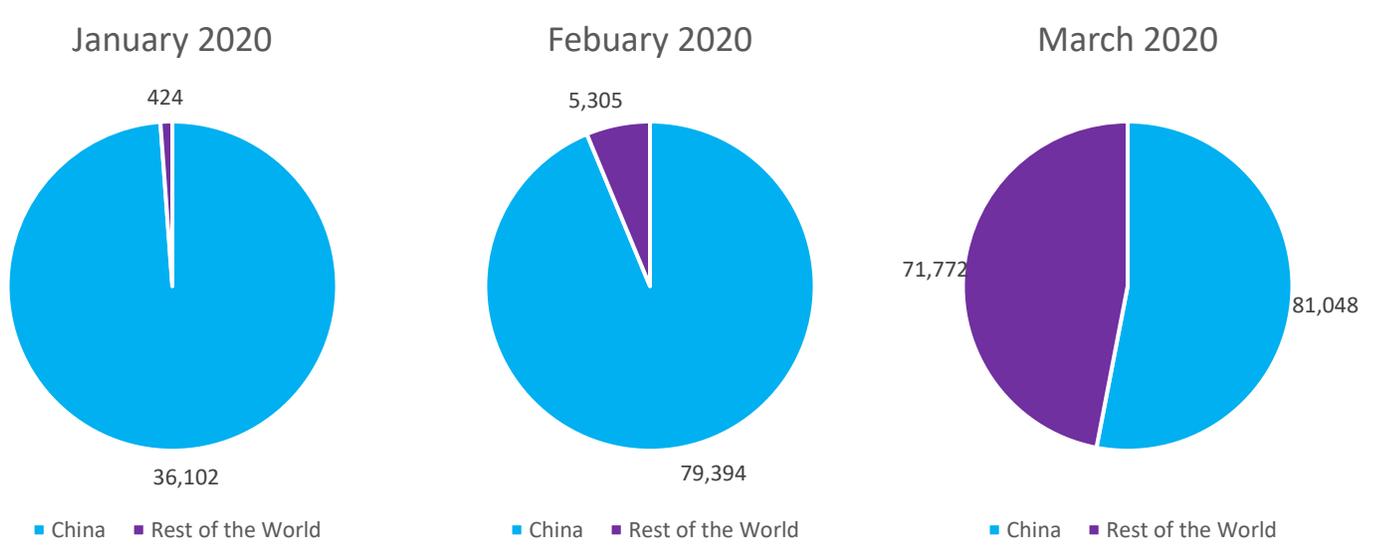
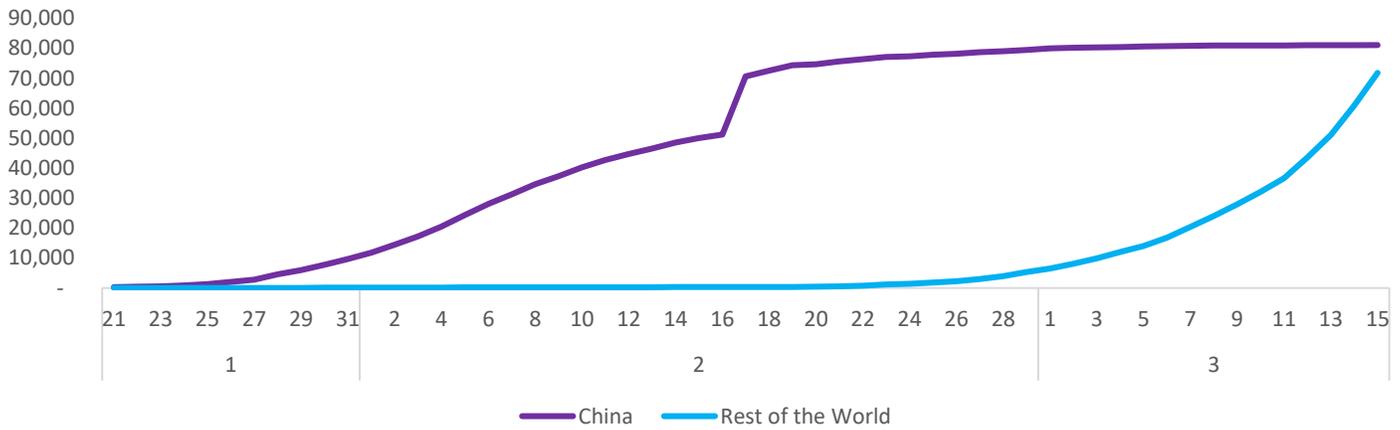


Figure 1: China vs The World Infection Count - World Health Organization Daily Situation Report  
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The Chinese and South Korean models have proven to be effective in their home countries due to their unique cultural and political systems. Other countries however (mainly in Europe) have been late to recognize the severity of the virus spread and along with the public panic which by itself affected consumer confidence and shook financial markets to lows never witnessed in this generation. The ability of Europe and North America to overcome the virus related financial impact in a similar timeframe in China is crucial to reduce the global short and long term impact of COVID-19.

### Daily Infections by Continent Excluding China

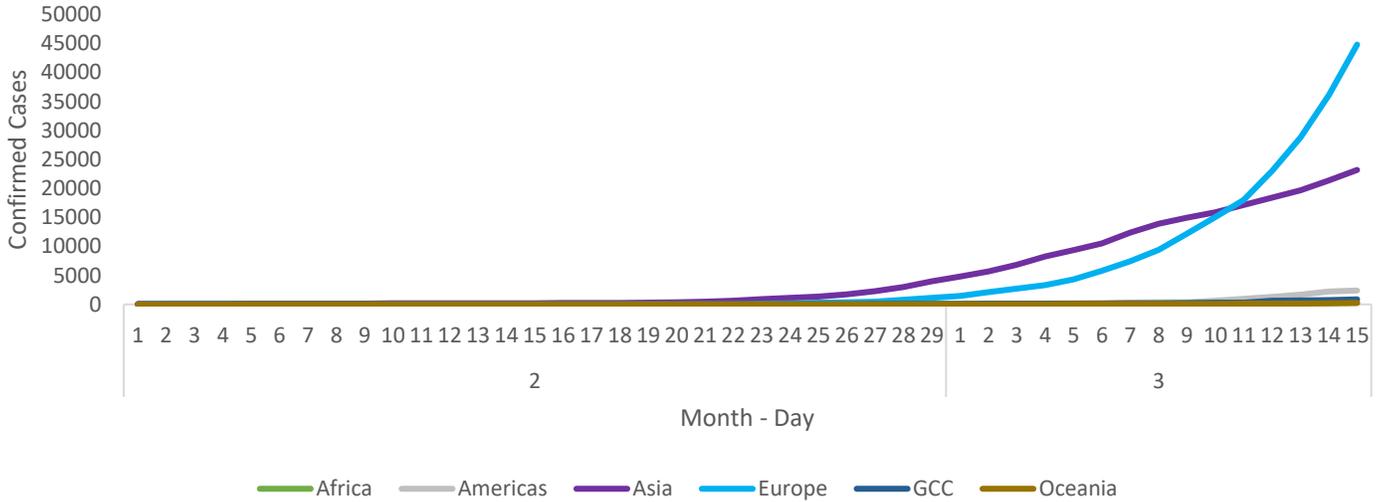


Figure 2: Daily Infections by Continent Excluding China - World Health Organization Daily Situation Report

### Regional COVID-19 Update

The GCC countries have been taking drastic measures to counter the spread of the virus ahead of other countries in Europe and the North America. Kuwait namely is at the forefront of the disease counter efforts since the announcement of the outbreak in Iran in the last week of February. The country has since taken drastic yet important actions to quarantine the virus and slowly cure those infected (mainly travel related cases).

### GCC Countries Daily Infections

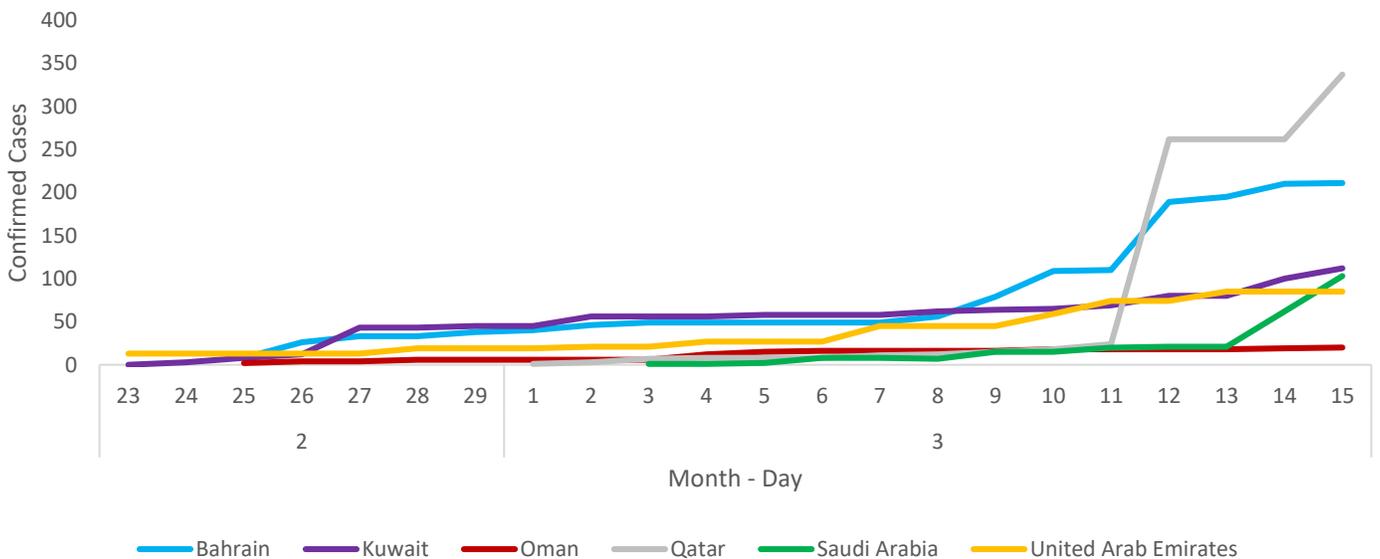


Figure 3: GCC Countries Daily Infections - World Health Organization Daily Situation Report

## Market Performance Update

The market showed little recovery in the first few days in March where consumers built up confidence in the drastic yet important government measures. Such confidence reduced the severe drop in the foodservice, fashion, and entertainment industry. That short-lived growth was shattered with new governmental measures and public announcements of the importance of social distancing. The performance was severely witnessed in the Family Entertainment and Cinema industry with a 90% decline by the fourth of March which declined further to 100% due to the new laws imposed by the government on the 9<sup>th</sup> of March. The fashion industry and foodservice dine in were also hit hard reaching -70% decline in performances compared to the same period last year. The foodservice delivery was the only category that maintained the lowest market decline with 30% decline in performance compared to the same period last year. The foodservice dine-in started crashing even further once the government started imposing new

restrictions such as the sheesha ban on the 4<sup>th</sup> of March and then prohibiting dine in and shutting malls on the 14<sup>th</sup> of March. The foodservice dine in is at its lowest in Kuwait's history with dine-in only counting for takeaway orders from restaurants that are not located in retail malls.

*The foodservice delivery was the only category that maintained the lowest market decline with 30% decline in performance compared to the same period last year.*

The fashion industry was also hit drastically with the same measures and it is also at its lowest nearing a 100% decline in history since the retail malls shut down. There are still some fashion outlets operating in cooperatives and retail strips but are avoided due to consumer's shifting their interests to more immediate and necessary goods.

### Daily Infections Impact Tracker

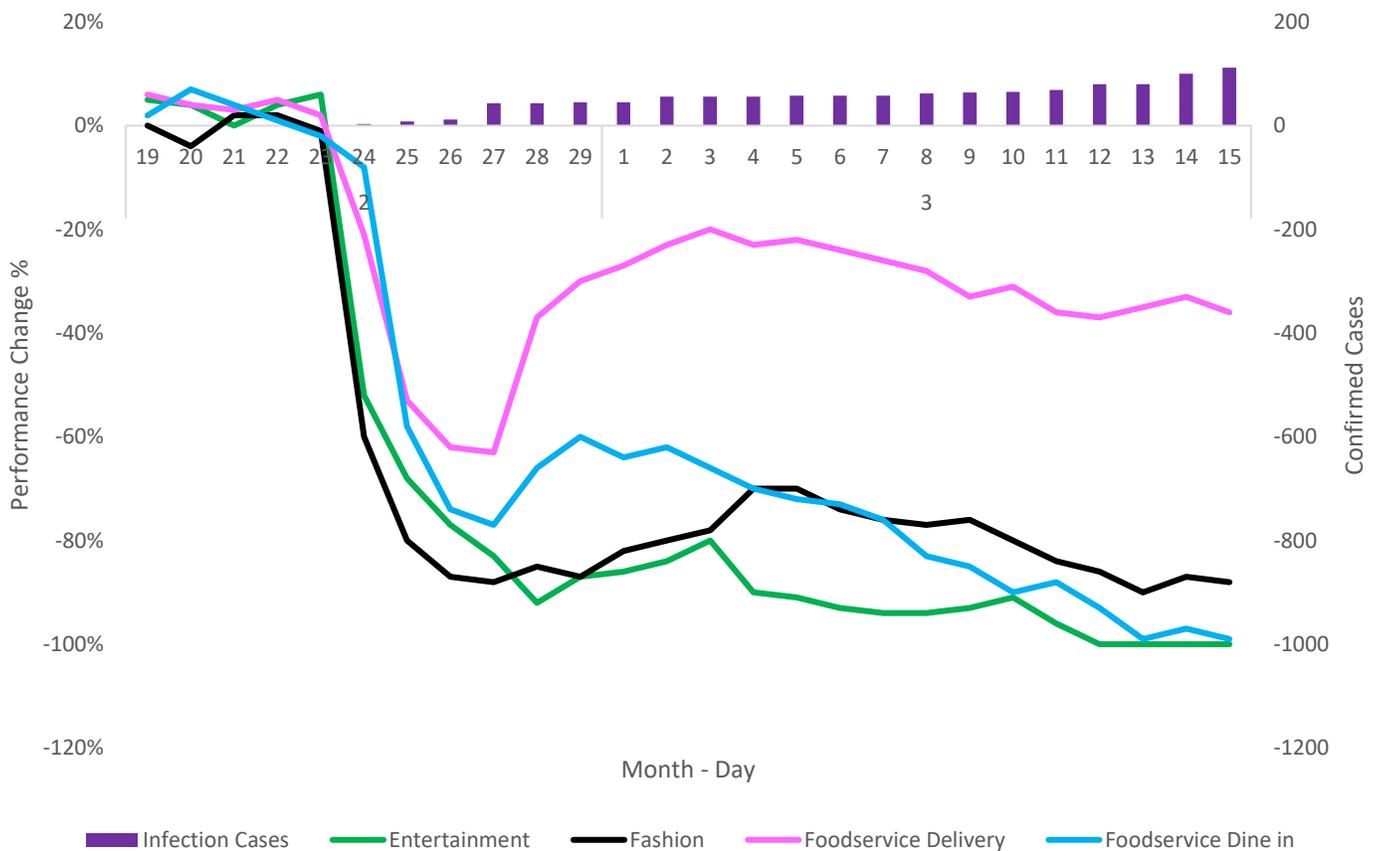


Figure 4: Daily Infections Impact Tracker - WHO + Global Markets

At this rate, the fashion, entertainment, and foodservice industries are changing in ways that were never possible before locally. Despite the different rental discounts that have been announced by the major malls in Kuwait, players of different sizes are expected to exit the market sooner than during normal market conditions. Companies and brands that relied on lower margins that made minimum financial viability will be forced out due to many financial pressures occurring all at ones such as higher human resources costs and compensations, loses in cost of goods sold, and expensive real estate cost. Locals in Kuwait have been immune to global economic fluctuations due to the strong government backing of their income which is expected to continue during this crisis. Such income continuity will hit the private sector unless the government steps in and rescues/stimulate the sector. The continual government salaries during the crisis means that consumers are only spending on necessary fast-moving consumer goods and some foodservice deliveries. Disposable income is pilling up with spending which is expected to generate a rebound in the fashion, entertainment, and foodservice markets once restrictions are lifted/eased.

#### WHAT IS NEXT?

The changes happening in the fashion, entertainment, and foodservice industries are forcing new consumer habits that are expected to be permanent. The foodservice industry revenue generated from dine in is expected to decline even after the COVID-19 crisis in favor of more foodservice deliveries and fast-moving consumer goods. Online fashion retail revenues are expected to increase, and consumers are expected to adopt to online shopping more than the pre-COVID-19 era. Family Entertainment Centers (FEC) and movie theaters are expected to suffer the most due to the social interaction nature with strangers in such venues. FECs and Cinemas need to implement expensive hygienic measures and new consumer experiences to attract consumers. The delivery of goods business that was able to sustain fierce competition and consolidation in 2020 is expected to witness growth pressure in the short to long term in terms of expanding the product delivery variety and geographical coverage. Online

businesses that relied on conducting physical shopping tasks such as Tons, Drops, and Tawseel which registered slow growth due to weak consumer adoption are expected to significantly grow and maintain their growth as a result of this consumer habit change.

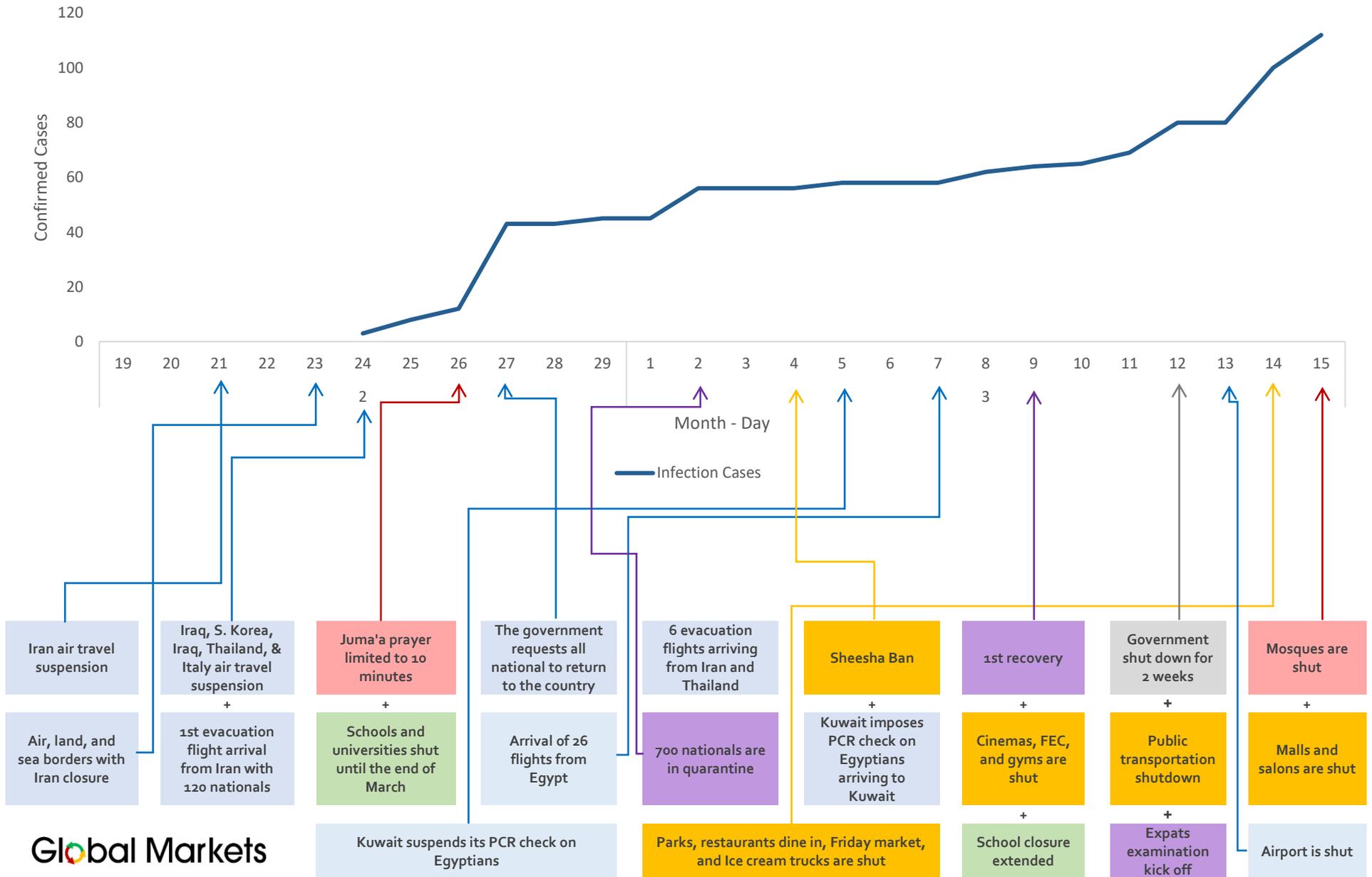
## *Takeaway Notes*

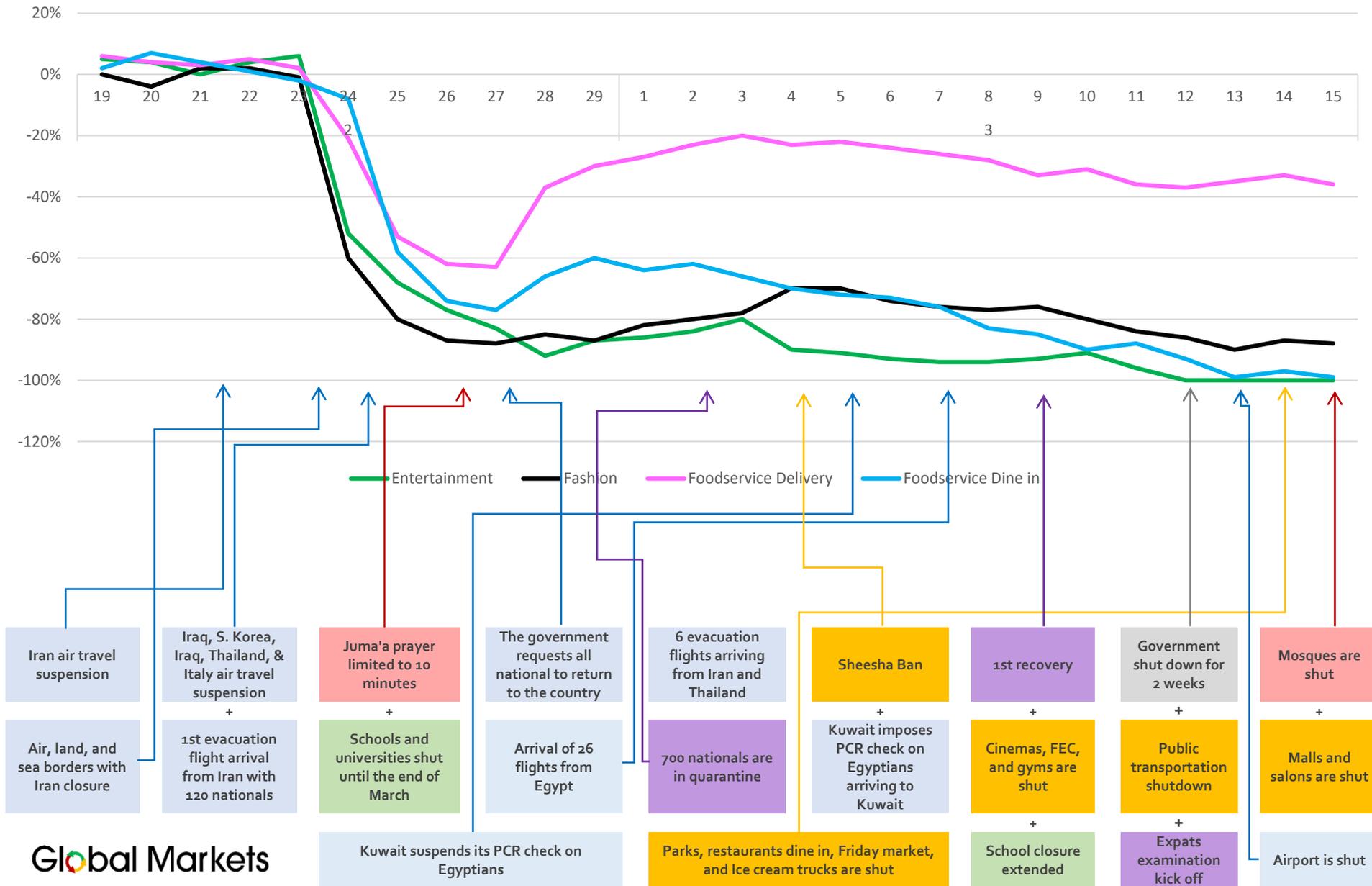
The ability of Europe and North America to overcome the virus related financial impact in a similar timeframe in China is crucial to reduce the global short and long term impact of COVID-19.

Companies and brands that relied on lower margins that made minimum financial viability will be forced out due to many financial pressures occurring all at ones

New consumer habits are expected to emerge after the COVID-19 era which would change the revenue dynamics of fashion, foodservice, and entertainment industries

Daily Infections vs. News Tracker





## About Global Markets

### The Company

Global Markets is a specialized consultancy firm in market research and business intelligence services covering the GCC markets since 2010. Global Markets' research methodology depends on covering 100% of businesses that have a physical market presence. The detailed and micro study of businesses and brands is the key differentiator factor for Global Markets' business model. The company's strength in linking information from business owners to their operating branches is valuable to reach and better understand market conditions.

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[info@globalmarkets.com.kw](mailto:info@globalmarkets.com.kw)

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### Methodology

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### The Author

Ali Boshehry

Managing Director

Global Markets

E: [ali@globalmarkets.com.kw](mailto:ali@globalmarkets.com.kw)



Ali has over 10 years of consulting and business intelligence experience dealing with international and regional enterprises. Currently, Ali leads the data and market intelligence coverage of the GCC market by conducting intensive primary market size and share research. Ali has been leading the primary research team in Global Markets since the company's inception in 2010. Ali's has research experience in the real estate, hospitality, foodservice, fashion, healthcare, and retail industries.

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