

PalArch's Journal of Archaeology  
of Egypt / Egyptology

## HOUSEHOLD CONSUMPTION PATTERN UNDER THE CONTEMPORARY OF CRISIS COVID-19

Haider Kadhim Mahdi  
University of Al-Qadisiyah  
College of Administration and Economics  
Department of Economics  
[header.mihde@qu.edu.iq](mailto:header.mihde@qu.edu.iq)

Haider Kadhim Mahdi, Household consumption pattern under the contemporary of crisis covid-19-Palarch's Journal Of Archaeology Of Egypt/Egyptology 17(9), ISSN 1567-214x

### Summary:

The research is concerned with presenting the concepts related to the consumption process, including household consumption patterns. The most important factors affecting these patterns were also explained, which were divided into internal (subjective) factors, and external factors, also between the study of consumption patterns in Iraqi families in the presence of the volume of spending on necessary and luxury consumer goods.

As the research revealed an increase in the volume of household consumption spending equivalent to (60%) of the gross domestic product. The research also showed the potential effects of the current crisis on household consumption patterns in the presence of a decrease in the incomes of working individuals as a result of the suspension of most economic activities, in addition to the most important possible means through which the effects of the current crisis can be mitigated.

### Introduction:

The current epidemic crisis has created a new economic situation in various countries of the world ,Especially with regard to the household consumption pattern, as home quarantine has led to many workers in economic activities losing their jobs This situation has negatively affected their personal incomes and also affected their consumption pattern, as in normal situations the demand of individuals is distributed between necessary and luxury goods, the more income the individual increases, the more his demand for luxury or luxury goods; and vice versa in the event of a decrease in income. In this abnormal circumstance caused by the Corona pandemic, since Iraq is one of these countries affected by the current crisis, through economic reports; A change in household consumption patterns has been observed through a decrease in the demand for luxury goods, and its confinement to only the necessary commodities, which expresses the increase in consumers' awareness of purchases Where the consumer maintains the level of spending, confining

his purchases to only necessities of goods and consumables. Here, the opportunity must be seized and the culture of rationalization entrenched even after the crisis. Changing the consequences of globalization; stopping the obsession with unnecessary buying; Directing savings towards investment projects and the advancement of economic reality in all sectors, especially if we know that the trade exchange data of Iraq with the outside world indicate that most of the luxury goods are imported foreign products, and thus the decrease in demand for them will improve the balance of trade. These factors change from time to time according to certain circumstances, which leads to changes in consumption patterns. The research was divided into several paragraphs that included the nature of consumer behavior and patterns and the factors affecting demand, in addition to the most important possible solutions to alleviate the suffering of poor families in the presence of the current crisis.

**research importance:**

The importance of the research shows that the study of consumption patterns helps in personality and monitoring the tendencies and desires of members of society and the ability to direct the consumption habits of families, and to develop economic plans that include the distribution and redistribution of income.

**Research problem:** The research problem includes the question (what are the most important factors related to the impact on household consumption patterns?, And how these patterns will be affected by what the current crisis caused in terms of the decrease in the individual incomes of individuals. ).

**Research hypothesis:** Consumption is affected by a set of factors that determine the shape of household consumption patterns according to the quality of consumed goods, between luxury goods (ostentatious) and essential commodities, and thus through a quantitative study and the direction of spending, the shape of the consumption pattern can be determined.

**FIRST: concept of consumption:**

The concept of consumption is one of the most complex concepts in the social sciences, because consumption is a collective process linked to its important social aspects. Most of what an individual consumes is an automatic result of what others consume. Economically speaking, the concept of consumption refers to the final use of goods and services that are produced in or outside society.

Usually associated with this concept is what is known as (consumer culture), which refers to the total behavior associated with the consumption process, starting from the crystallization of the desire to consume through to actual consumption, and ending with what is after consumption.

, It can be said that the two concepts of culture and thus consumption follow two separate paths, and if they represent human behavior in the end, the first refers to a symbolic aspect of behavior while the second indicates a material side, and the convergence of the two concepts came in the concept of (consumer culture) as the outcome of economic and social changes that made behavior Consumerism is an expression of connotations and behaviors that go

beyond mere use of a good or service.<sup>(1)</sup> The previous concepts move us to another concept, which is consumption patterns

Which indicates how spending is distributed on various goods and services; This represents the method that each family adopts in choosing the quality and quantity of goods and services that satisfy its needs and desires, and families differ in their consumption patterns due to the difference in their personal incomes and the quality of the goods they buy in addition to economic and social factors. But sometimes there is a convergence of a group of families, whose economic and social conditions are similar in their pattern of consumption, so that they can be classified into families with similar consumption patterns. The consumption pattern can also be defined as a general trend of consumption in a society that is determined according to objective and subjective factors during a specific period of time.<sup>(2)</sup>

Benefited from the study of consumption patterns in:

- 1- Defining the foreign trade policy in a way that guarantees the provision of citizens' requirements of essential goods and limiting luxury goods
- 2- Achieving the requirements of economic plans in the area of income distribution and redistribution.
- 3- Determining the nature of local production and setting the policies related to it.
- 4- Monitoring the tendencies and desires of members of society and the ability to direct the consumption habits of the family.<sup>(3)</sup>

### **Second: Factors affecting the consumption pattern:**

Consumer behavior towards goods and services is determined by a set of internal (subjective) factors, and external factors that affect the consumer, and the individual's consumption pattern is determined according to those factors, the most prominent of which are:

- 1- Internal factors, which include psychological factors (such as need, motives, perception, education) and personal factors (age, economic status, social status, personality) as the purchasing decision is affected by those factors that play an important role in the the final behavior of the consumer.<sup>(4)</sup>

2 - External factors, which are considered among the variables that affect the consumption pattern and direct the consumer's purchasing behavior, and include cultural factors that are the group of knowledge and beliefs that prevail in society and that affect consumer behavior, as well as social factors , as the social relations of the individual with neighbors or friends affect his behavior in a manner In general, and for his purchasing behavior in particular, the individual takes these groups, especially celebrities, athletes, and artists as a model or frame of reference for making his purchasing decisions.<sup>(5)</sup>

3 - Economic factors, as the purchasing decision of the individual is affected by the prevailing economic factors in society, in the case of economic recovery and the rise in the purchasing power of the individual, the purchase of goods and services increases with it

vice versa, in the case of economic crises, such as deflation and recession, which affect the real incomes of individual consumers, thus reducing the demand for goods and services.<sup>(6)</sup>

4- Marketing factors are one of the most important factors affecting consumer behavior. This effect can be determined by determining the effect of each element of the marketing mix on consumer behavior, as a good price that is commensurate with the quality of the product increases the desire to buy and acquire the commodity, and the quality of the product It greatly affects consumer behavior, in addition to the style of promotion and the role it plays, represented by the extent to which customers buy goods and services through the means of advertising.<sup>(7)</sup>

5- Situational factors, the circumstantial factors (spatial and temporal) surrounding the buying position play an influential role in consumer behavior, the physical environment surrounding the buying process, such as the cleanliness of the store and sales services, gives a good impression to customers, in addition to the fact that the individual's buying options are affected by the social conditions surrounding the buying process. It refers to the presence or absence of people during the shopping process, in addition to the mood of the individual during the purchase that affects his decisions made.<sup>(8)</sup>

### **Third: The evolution of household consumption spending**

Household consumption spending witnessed a remarkable development after the year 2003 despite structural imbalances in the economic sectors, as after years of international sanctions, the markets witnessed the entry of various commodities from various countries of the world, accompanied by an increase in the incomes of workers, whether in the government or private sector, this situation increased the tendency to consumption Of imported goods, and the entry of luxury and secondary goods that were not of the goods consumed by individuals, because of the imitation of what Western societies consume, it was possible to benefit from this increase in consumer spending in support of the national economy if there was a strong production structure that meets local demand

It should be noted that Iraq and the rest of the developing countries have a high marginal propensity to consume, which has a negative impact on saving and then on investment. Through Table No. (1), we note the extent of the high volume of consumption compared to GDP:

**Table No.(1): Evolution of the size of household expenditure in Iraq for the period (2010-2018)****Values: trillion dinars**

| Year | volume of expenditure | GDP of(%)ratio |
|------|-----------------------|----------------|
| 2010 | 72,03                 | 0,44           |
| 2011 | 77,41                 | 0,35           |
| 2012 | 101,00                | 0,39           |
| 2013 | 132,70                | 0,48           |
| 2014 | 141,72                | 0,53           |
| 2015 | 121,48                | 0,62           |
| 2016 | 133,41                | 0,67           |
| 2017 | 136,38                | 0,61           |
| 2018 | 153,36                | 0,60           |

**Source: The world bank, national account data,2010-2018** We note from the previous table, that since 2010-2014 the volume of consumption has increased to about (141.72) trillion dinars, at a rate of (53%) of the gross domestic product, with the decline in oil prices and the government's austerity plans

Household consumption spending decreased to about (121.48) trillion dinars in 2015, but the improvement in oil prices and the accompanying increase in government spending led to a rise in household consumption spending. It has increased from (72.03) trillion dinars \_ (153.36) trillion dinars in 2018, at a rate of (60%) of the gross domestic product, a very large percentage that reflects the extent of the overwhelming consumer character of the Iraqi economy, compared to the size of production.

As for the evolution of individuals' spending on the main commodities, which represents the relative importance of each commodity group from the consumer's point of view, comparing spending ratios on consumption aggregates from one period to another gives us the possibility to determine the general trend of change in the nature or pattern of consumption, through Table No. 2) We see that the relative composition of per capita spending on the main groups of goods and services and for the whole of Iraq for the year 2014 depends on diagnosing the nature of the change in the pattern of spending, This is because relying on the index of average individual or household spending on goods and services may not give a clear picture of the actual level of consumption, due to the discrepancy in prices:

**Table No.(2): The relative importance of household expenditure in Iraq on commodity groups for different years**

| commodity groups                     | 1993 | 2007 | 2014  |
|--------------------------------------|------|------|-------|
| Food                                 | 61.1 | 35.6 | 29    |
| clothes and shoes                    | 10   | 6.7  | 7.27  |
| Household items                      | 4    | 6.2  | 6.5   |
| Housing and fuel                     | 13   | 29   | 23.45 |
| health                               | 1.1  | 2.1  | 4.5   |
| Transport and communication          | 5    | 12.9 | 19.4  |
| tobacco                              | 3.6  | 0.7  | 0.6   |
| Entertainment, education and culture | 0.4  | 2.2  | 2.7   |
| Various goods and services           | 1.2  | 4.5  | 6.3   |
| Total                                | 100  | 100  | 100   |

Source:

- Republic of Iraq, Ministry of Planning, Directorate of Living Conditions Statistics, Social and Economic Survey, 2014, p. 131.
- Mahdi Mohsen Al-Alaq and Najla Ali Murad, Changing Trends in Family Consumption Pattern in Iraq, Central Statistical Organization, 2007, p. 131.

We notice from the previous table that spending on foodstuffs decreased to (29%) in 2014, compared to (35.6%) in 2007, and (61.1%) in 1993, as spending on food constituted a large percentage of total per capita spending in 1993. Because of the international sanctions and the low income of individuals, most of which are devoted to providing food, in 2007 and 2014, the percentage decreased, indicating an increase in the standard of living, and the shift of part of per capita spending to other commodity groups. As for fabrics, clothes and shoes, spending on them witnessed a decline, reaching about (6.7%) in 2007 and by (7.2%) in 2014 after it was occupying (10%) in 1993. The reason for this is that the individual began directing his spending to commodities. And services that were not available before 2003, communications, transportation, recreation and entertainment, which indicates

an increase in income and the provision of alternatives in non-food commodity groups that led to a change in the pattern and nature of per capita spending on goods and services that were not previously available.

As for spending on housing, fuel and energy, it rose to (23.4%) in 2014, at a rate less than in 2007 by (29%) of total per capita spending, after the proportion of spending on these goods was (13%) in 1993. This is due to the increase in household spending. These commodities are subject to a set of factors, including high rental rates, high fuel prices after the 2005 removal of subsidies on this article, and the great shortage of electricity supplies, which forced families to allocate large sums of money to provide these services.

The relative composition of the spending indicates an increase in the proportion of spending on household appliances and furniture, which amounted to about (6.2%) and (6.5%) for the years 2007 and 2014 respectively, compared to the year 1993 amounting to (4%) due to the decrease in the proportion of spending on the aggregates of goods and non-food services as a result of International sanctions in the nineties of the last century, As the allocation for foodstuffs was about (61%) of the total household spending. However, the rise in wages and salaries after the year 2003 contributed to changing the pattern of household spending and heading to luxury goods such as furniture and household appliances.

As for the percentage of spending provided by the state to the health sector, with the aim of providing medical services to citizens, through health institutions at nominal prices. Despite the decrease in this percentage, it increased in 2007 to (2.1%) and increased to double in 2014, reaching about (4.5%), after it was (1.1%) in 1993, which is considered low compared to other countries, the reason for this is due to a decline Health services and poor medical consultations and treatment requirements in public hospitals, forcing citizens to turn to hospitals and private doctors' clinics to receive treatment. The percentage of spending on transport and communication services reached (19.4%) in 2014, which was higher than in 2007, which amounted to (12.9%), and about (5%) in 1993, due to the increasing demand by citizens to buy modern cars and own phones after 2003. Which contributed to changing the consumption pattern of the individual and the family, in addition to the improvement of the living conditions of the citizens. All this led to an increase in the rate of spending on the commodity group of communications and transportation.

Despite the low rate of spending on education, promotion, entertainment and culture, compared to other groups, due to government support through free education for all levels of education, However, the rate of spending on it (2.7%) in 2014 is high compared to the year 1993, when it reached about (0.4%). This is due to the high spending on education, especially with the increase in the number of private schools, as well as the high demand for educational supplies, in addition to the increased demand for The purchase of receivers (satellite), entertainment games and children's toys, in light of the

transformation that took place in living standards after the year 2003 and the availability of such goods in the market, which prompted the citizen to desire to satisfy needs that were not available to him previously.

**Fourth: the consumption pattern and the effects of the crisis:**

The Corona pandemic has created severe disturbances on all world economies, including the Iraqi economy, as its dependence on oil export revenues has made the impact of the current crisis on it clearly visible,

The weak global demand for crude oil as a result of the closure of most of the global factories and the stopping of transportation and transportation between countries has led to a drop in oil prices to about (20) dollars / barrel, which is a real disaster for the Iraqi economy, since oil revenues are the main resource for the state's general budget. Undoubtedly, the current crisis will lead to a drop in GDP, given that most of the productive sectors have stopped due to home quarantine, and the crisis will affect the level of employment and increase the already high unemployment rates, which amounted to about (12%) of the total workforce in 2018.<sup>(9)</sup>

As the suspension of small and medium enterprises and commercial stores, it will increase the number of unemployed and affect large numbers of families with limited incomes. The impact of the crisis on the consumption pattern is its impact on the different types of commodities that families consume, and as is known, the commodities can be divided in terms of their relationship to the level of the individual's income into essential commodities that satisfy the individual's biological needs necessary for the continuation of his life, as the individual must consume a certain amount Some of them, even if his income is low . and luxury goods, which are referred to as a luxury and usually high-priced commodity that is directly proportional to the individual's income, so the higher the individual's income, the greater the demand for it and vice versa in the event of a lower income. The current crisis has created a new consumption pattern represented by focusing on providing the necessary commodities and sacrificing luxury goods, as the decrease in individuals' incomes and the decline in purchasing power have made the satisfaction of basic needs the primary goal of most families.

Faced with this situation, Iraq must undertake real reforms and correct the structural imbalance in the state's economy, so it can rely on its natural and human resources according to sound scientific foundations capable of creating great economic development capable of advancing the industrial, agricultural and service sectors and leading to the advancement of the living reality of the members of society, and the elimination of The unemployment . Officials must also rationalize spending and employ oil revenues towards the necessary obligations of the country, and work hard to eliminate administrative and financial corruption.

In the current circumstance . It must provide facilities, tax exemptions, soft loans and real support to the private sector, encourage internal and external Iraqi capital to invest inside the country and protect it from extortion and



corruption, and create a security and economic environment suitable for its financial and technical capabilities and successful experiences.

Therefore, Iraq needs a bold decision based on clear and thoughtful plans that are capable of adopting strategies developed, such as the National Industrial Strategy 2030 and the National Development Plan 2018-2022, which are all plans capable of advancing the reality of Iraq economically if they are applied correctly and effectively.

#### **Conclusions:**

- 1- An increase in the volume of household consumption spending equivalent to (60%) of the gross domestic product, this increase will be at the expense of saving that can be directed towards capital formation and the increase of production and employment.
- 2- The patterns of household consumption change according to the economic situation. In periods of prosperity the demand for luxury goods increases, in addition to the necessary goods, but in economic crises the demand for luxuries decreases, and only for necessities.
- 3- One of the benefits of studying consumption patterns is to determine the requirements of economic plans in the area of income distribution and redistribution.
- 4- The increase in consumerism and the imitation of Western consumer patterns lead to the doubling of human needs and exceeding the available capacity to meet them, which means more price increases.
- 5- The degrees of apparent consumption patterns rise in urban areas compared to villages and rural areas, for reasons related to low incomes first, and not being affected by western consumption patterns due to the weak influence of the means of advertising on them.

#### **Sources and references:**

- 1- Rasha Mostafa Awad, Toward Rooting a Cultural System Supporting Development Efforts, The Academic Library, Egypt, 2009, p.16.
- 2- Jaafar Baqer Mahmoud and Iman Kazem Abbas, consumption patterns in the Iraqi economy and analysis of consumption functions using the joint integration methodology, Al-Kut Journal of Economic Sciences, Volume (1), Issue (11), 2013.
- 3- Mahdi Muhsin Al-Alaq and Najla Ali Murad, Changing Trends in Household Consumption Pattern in Iraq, Central Statistical Organization, 2007, p. 3.
- 4- Adam Nalepka and Anna Ujwary-Gil, Business and Non-profit Organizations Facing Increased Competition and Growing Customers' Demands, cognition, Poland,2018,p563.
- 5- DI ZHU ,Consumption Patterns Of The Middle Class In Contemporary China ,world scientific,London,2013,p2.
- 6- Jim Blythe, Consumer Behaviour,2edition SAGE,London,2013,PP188-91.
- 7- Upinder Dhar et al, New Age Marketing: Emerging Realities Excel Books ,New Delhi,2008,pp634-635.

8- Panwar , Upendra singh et al, Handbook of Research on Promotional Strategies and Consumer Influence in the Service Sector, Business science principles, United State,2016,pp5-6.

9- International Labour Organization, ILOSTAT database, 2020..