

FEELING THE PRESSURE:

Understanding Consumers during Inflationary Times

November 2022

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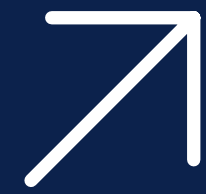


AT A GLANCE



61%

think the number of unemployed people in their country will rise over the next year. Up from 56% in June.



51%

say workers demanding pay rises is contributing to inflation. Up from 45% in June.



69%

expect the rate of inflation to rise over the next year. Down from 75% in June.



61%

say the Covid-19 pandemic is contributing to rising prices. Down from 69% in June.



12%

think they will get a pay rise at or above the rate of inflation in their country.



KEY LEARNINGS

Inflation: top global concern, but outlook varies by country

Inflation has risen from being a second order concern to the central issue in a matter of months, but people's outlook differs a lot across countries, with Europe particularly pessimistic about their standard of living falling in the next year, compared to Asia and Latin America.

Consumers expect prices to continue to rise in 2023

People don't believe rising prices are going to end any time, with more than seven in ten expecting to pay more for their utilities and shopping in 2023, and only 12% expecting an at/above inflation pay rise next year. The number of people who think unemployment will play a bigger role in 2023 is growing.

We are living in unprecedented times of the polycrisis

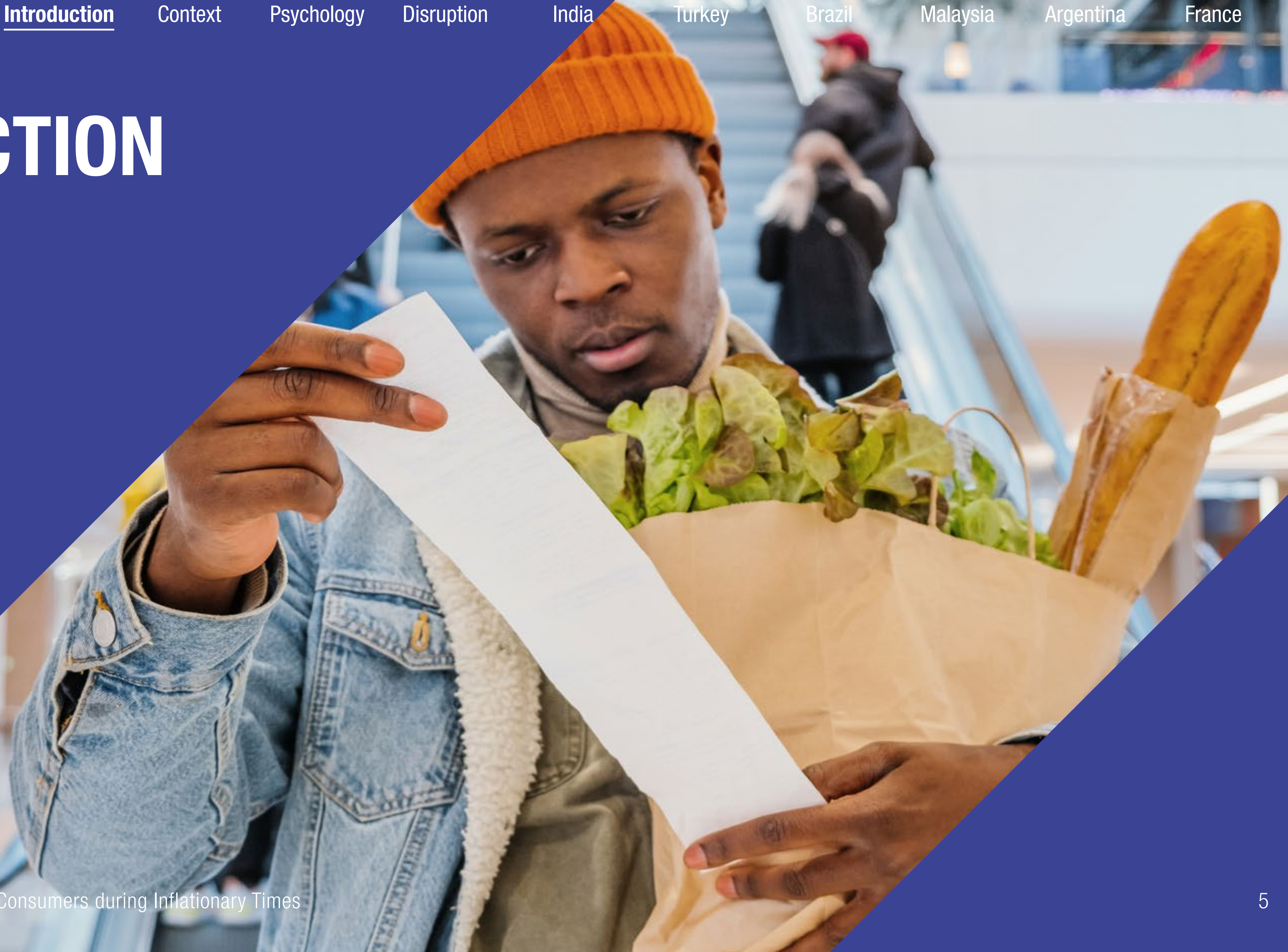
While we are living through a cost-of-living crisis, this isn't the only crisis we're dealing with. The *polycrisis* – interacting crises that result in harms greater than in isolation – has meant people are in a constant state of change and can no longer rely on the beliefs of our more certain past.

Side hustles and second jobs helping some maintain spending

Consumers are not all responding in the same way, with new behaviours varying across and within markets. While many are cutting back, some are looking to side hustles and second jobs to maintain purchasing power.



INTRODUCTION





Sometimes it feels like we are moving from unprecedented crisis to unprecedented crisis.

In 2022, we shifted from a once-in-a-century global pandemic to a cost-of-living crisis, as war returned to Europe and the devastating effects of climate change became ever more apparent.

During the pandemic, we got used to new words like lockdown and social distancing. Now we're adjusting to the *polycrisis*, a series of concurrent crises with the potential to cause harm greater than they would offer in isolation.

During this period of rapid change, we have been trying to stay close to how people are feeling. Our new 36-country study focuses on people's perceptions of their own situation as well as looking ahead to where they think things are going.



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Looking across the globe it's hard to get one overall narrative, with different contexts bringing a different local dimension to the global problem of rising inflation. For this reason, we asked our experts on the ground in India, France, Turkey, Argentina, Brazil, and Malaysia, to write about how the current crisis is unique in their market.

Against the backdrop of so much change, we looked at what behavioural science can tell us about consumer psychology during the *polycrisis*. Coming on the back of the pandemic we have been looking to ground ourselves in the broader context. Our Ipsos Disruption Barometer provides a panorama of the broader dynamics of our current situations.

This report aims to help brands and decision-makers understand how people are trying to navigate these global crises and how this differs across the world.





CONTEXT





CONTEXT

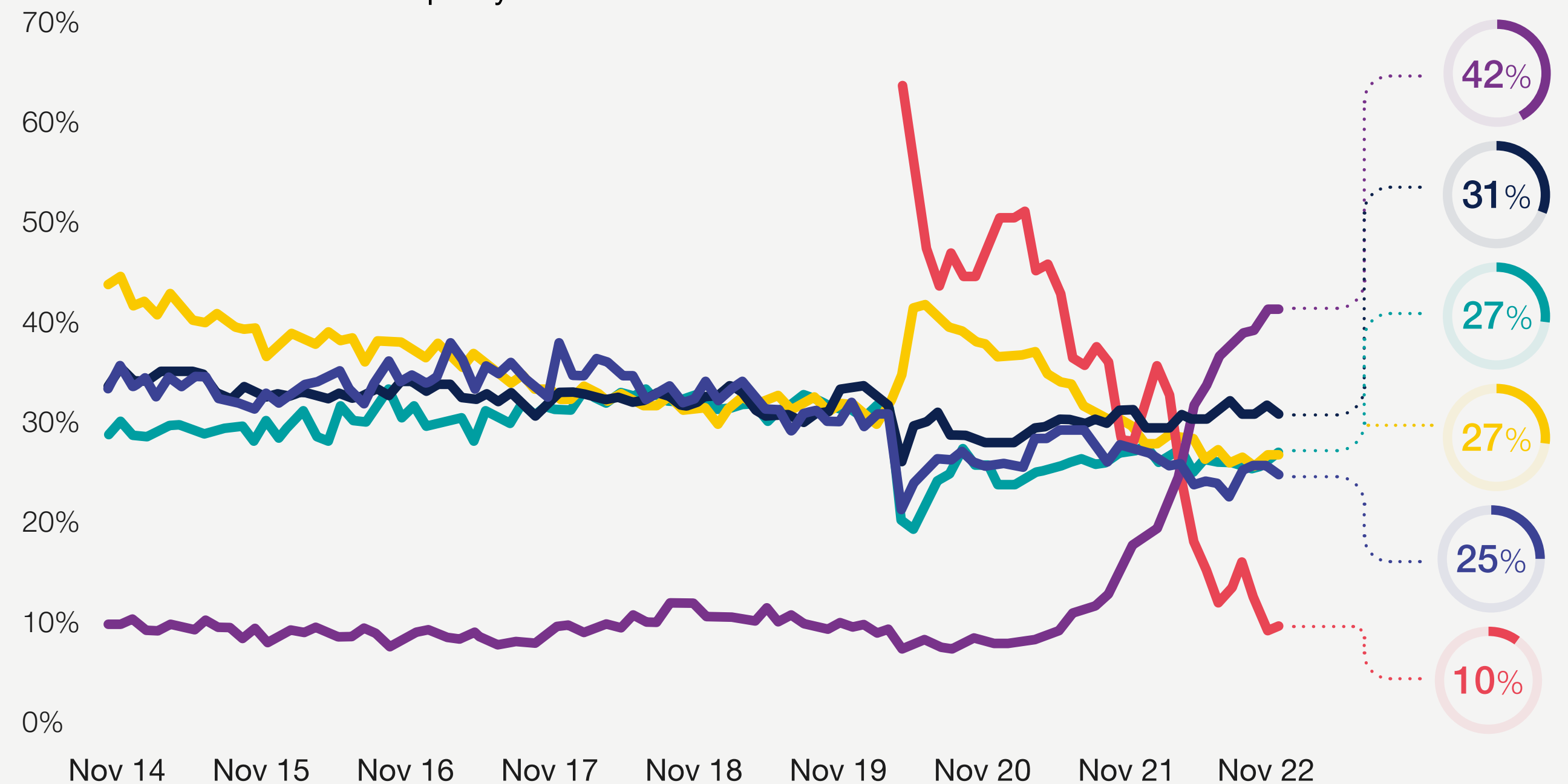
As we began 2022, the pandemic was the number one concern in our What Worries the World survey, with inflation down in seventh spot. Although concern had been ticking up steadily, the proportion saying it was one of the big issues stood at just one in five. Today, inflation has now been the top worry for the last eight months, with 42% saying it is one of the most worrying issues in their country. Meanwhile, coronavirus ranks 12th in our list of 18 worries, above moral decline, with only one in ten choosing it as a concern.

Today in eight countries more than one in two choose rising prices as worry and 13 countries have it as their number one concern (Argentina, Australia, Belgium, Canada, France, Germany, Great Britain, Netherlands, Poland, Saudi Arabia, South Korea, the US and Turkey).

Q: Which three of the following topics do you find the most worrying in your country?

Global country average

- Inflation
- Poverty & social inequality
- Crime & violence
- Unemployment
- Corruption
- Coronavirus

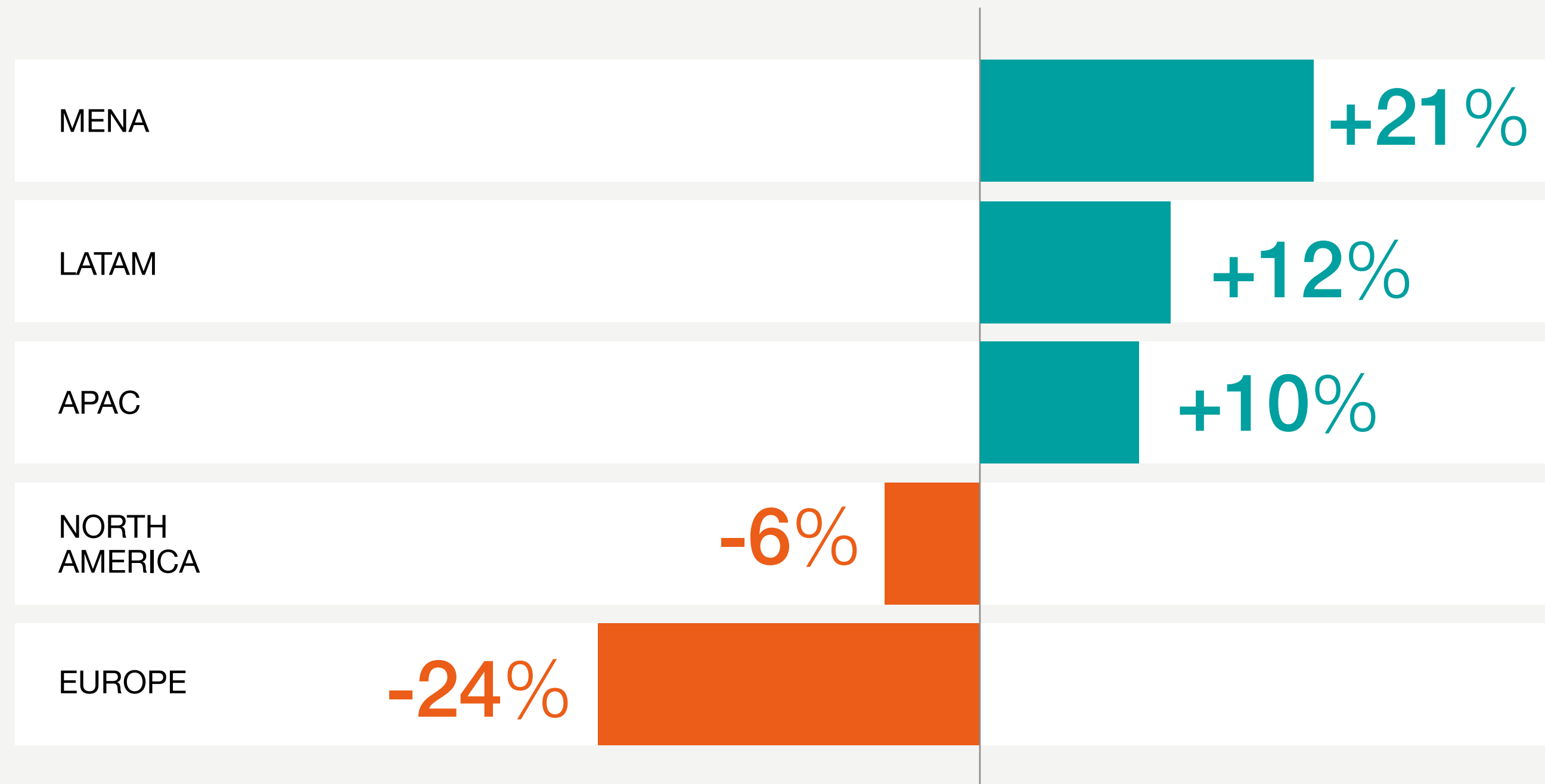


Base: Representative sample of 20,466 adults aged 16-74 in 28 participating countries, 2014-2022. Source: Ipsos What Worries the World.



Q: Over the next year, do you think your standard of living will rise, decline, or stay at about the same level?

Your own standard of living net "rise"



Source: Ipsos Global Inflation Monitor, November 2022

This worry about the cost of goods is reflected in how people how are feeling. One in four (26%) say they are finding it difficult, with people in LATAM countries struggling most (Argentina 56%, Peru 50%, Colombia 46%).

In Europe, fewer define themselves as struggling, but many feel they are "just getting by". While one in three globally feel this way, this rises to over four in ten in Belgium (43%), Spain (44%), and Italy (42%), and more than one in two in Poland (51%). Europe is also more negative about the future, being the region most likely to think their standard of living will decline over the next year (see left). One in two in Turkey (52%), Hungary (50%), and Poland (48%) think their standard of living will fall in the next year, the highest out of 36 countries. To understand how people in Turkey are coping with hyperinflation, our [chapter on that goes into more detail](#).



There is a significant difference when we turn to the UAE and India and find more than one in two expect their standard of living to go up. In India our research has found consumers are less focused on cutting back on consumption and more focused on growing their income to cover rising prices through second jobs and side hustles.

The differences in outlook between Europe and other regions could in part be to down to the low level of inflation Europe has experienced in recent decades. For example, [the UK's rate of inflation of 11.1% in October is its highest for 41 years](#), while [in Italy it is the highest in 39 years at 11.9%](#). In India, the current rate of around 7% is nothing new for consumers, who have dealt with double-digit inflation in the last decade. Learn more about how Indians are dealing with inflation in [our chapter on India later in this report](#).

Emergence of the polycrisis

At the beginning of this year, government policy-makers, business and individuals had, broadly speaking, one main problem to deal with: coronavirus. Now, while inflation is the number one concern globally, there are a number of additional crises facing us. Instability has reigned supreme in 2022, with the Russian invasion of Ukraine, the hottest ever temperatures in Europe and destructive flooding in Pakistan making the effects of climate change more visible. In the US the overturning of Roe vs Wade highlights that the freedoms we take for granted cannot always be relied upon. What's more all of this comes on the back of two years of precariousness, disruption and "unprecedented times". To describe this phenomenon some have used the term the *polycrisis*, interacting crises that result in harms greater than the sum that the crises would produce in isolation. Two articles in this report highlight this time of instability: [the first looks at human psychology](#) within the *polycrisis* we're now faced with, and [the second focusing on disruption](#).



41 years

The UK's rate of inflation of 11.1% in October is its highest for 41 years.



39 years

Italy's rate of inflation of 11.9% is its highest in 39 years.



The inflation crisis is itself perceived as the fault of many factors. Consumers accept that this is a worldwide problem, with three in four (74%) blaming the state of the global economy and seven in ten (70%) the Russian invasion of Ukraine for rising prices.

While global forces are playing a role, consumers feel that policies within their country are contributing. Seven in ten choose interest rates and the policies of my national government as contributing to inflation (both 69%). Blaming government is highest in Great Britain (84%), South Korea (82%), and Thailand (81%). In Britain this figure is up from 74% in July and is, according to Brits, the biggest contributor to inflation.

Brands are also facing higher costs, with many passing these on to consumers. Businesses making excessive profits is also seen a big contributor to the rising cost of living, with the same number of people blaming brands (62%) as blame the pandemic (61%). This is particularly high in Thailand (78%) and Brazil (75%). In this report, one of Ipsos' pricing experts in Brazil, Luis Fernando Freixedas

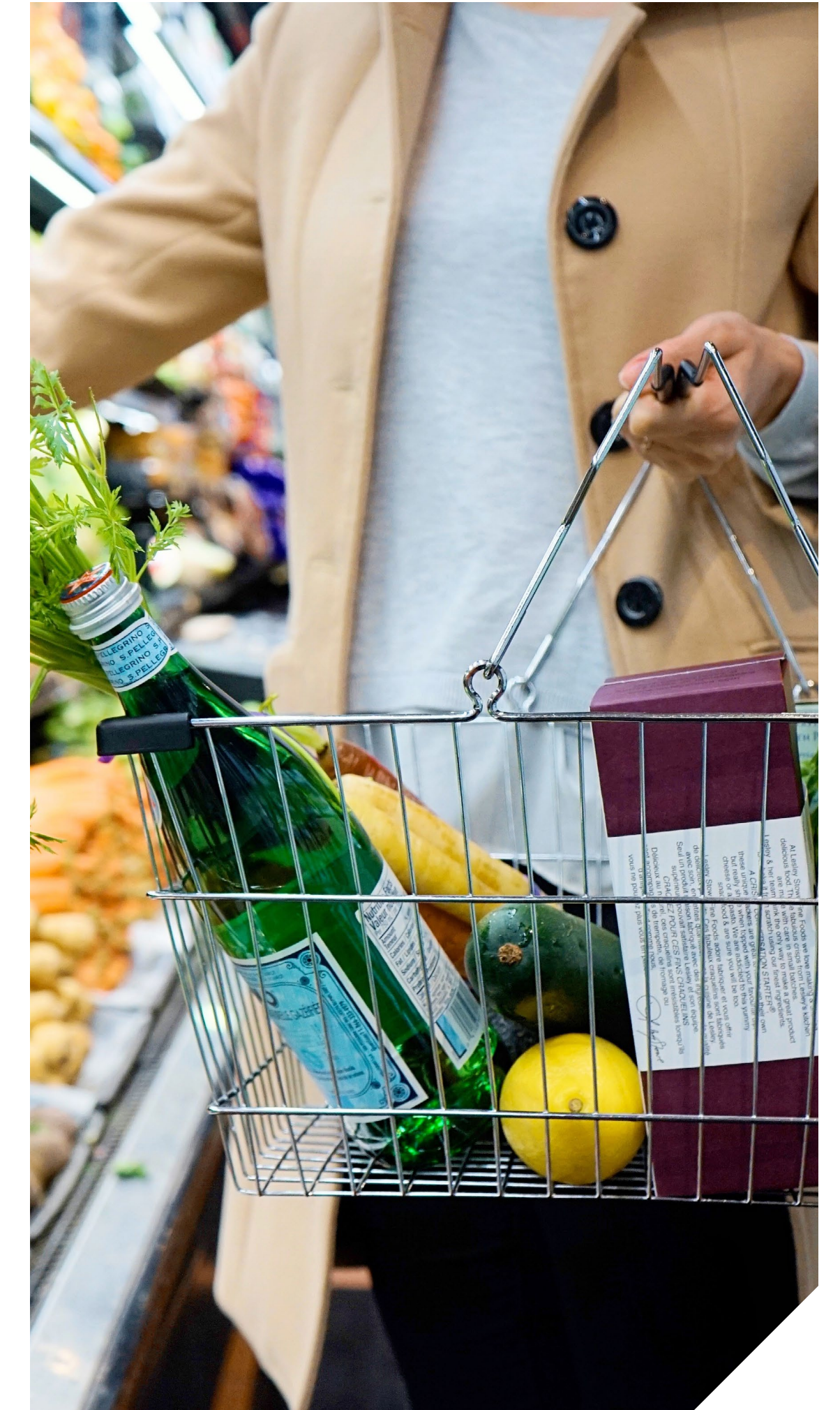
Abimerhy, explores [how brands can navigate rising costs and sets out the options open to businesses.](#)

Our research has highlighted that empathy and transparency are key for brands while people are dealing with this multitude of crises. One of our community members in the US summed this up: “(I want) more compassion and showing care for their customers and employees, rather than pushing a product.”

Where next?

As we look to what lies ahead, few anticipate prices to stop increasing. Almost three in four (73%) expect to be paying more for their utilities in the next six months. Seven in ten expect their food shopping (72%) and other household shopping (70%) to rise.

Many are already changing the way they shop, whether that's going to different stores, buying more private labels, or shopping around.





Jerron, 49

Financial consultant,
Washington, US

“We’re changing the way (we shop). We definitely buy a lot more off brand label stuff than we did before. But then there’s sometimes here like with Dave’s bread and Dave’s bagels, it’s a little bit more expensive than most of the stuff we buy. And so we figure, let’s eat the stuff that’s at least got more fibre and is a little bit better for you and still tastes good.”



Terri, 62

Temporary employee,
Wisconsin, US

“We’ve shopped at one of the cheapest places around for groceries... Our bill has definitely gone up, probably 30% for the same items. There’s some things you know you can’t do without and you have to get those, but when thinking about making a meal, I almost just, you know, go without.”

For those that are already doing this, if prices continue to rise, buying less may be only option.

Looking at the US, there are big differences in how people are coping. 31% say they are doing alright and 17% say they’re living comfortably. However, more than one in five (22%) are finding it difficult with half of these already finding it very difficult. Our ethnographic tracker [America in Flux](#) highlights how Americans are changing their shopping behaviour with one participant (Terri) showing the anxiety and difficult decisions many are facing to put food on the table (see quotes left).

In 2023, one word which we will likely be discussing more is *recession*. Central bankers around the world are worried about wage-price spirals, lengthening this period of inflation. While 45% are expecting a pay rise in the next 12 months, very few (12%) feel it will be at or above the rate of inflation. 37% are expecting their disposable income to decline in 2023. Fears of a wage-price spiral in Europe were allayed somewhat in November with Germany’s biggest union IG Metall, accepting a pay rise for its members well below the country’s current rate of inflation.

Source: [Ipsos America in Flux](#)



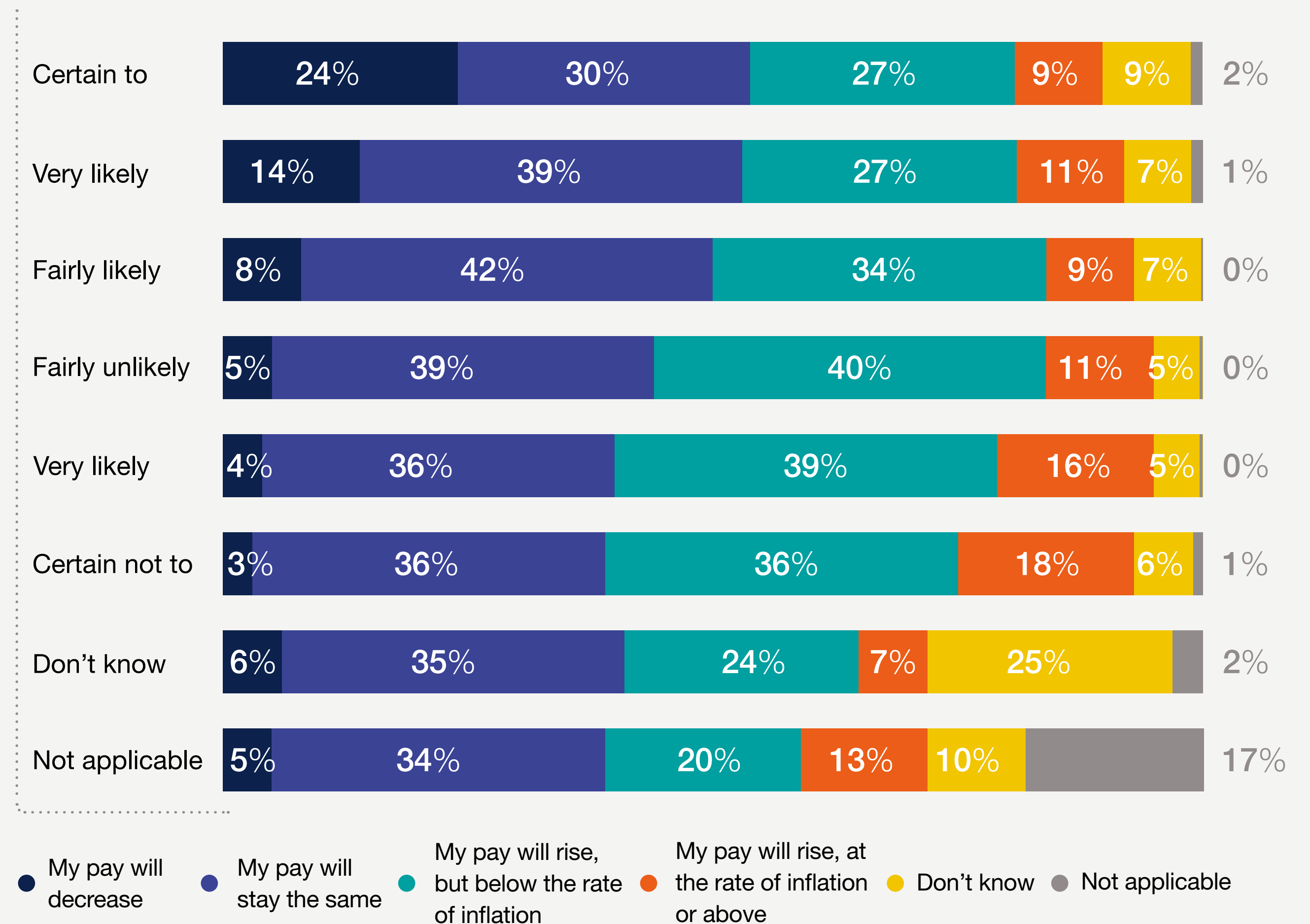
There is a belief that unemployment will be a bigger issue next year than it was in 2022. Six in ten (61%) say that unemployment in their country is going to rise, this is up from 56% back in July.

Over four in ten (43%) workers globally say they are certain/likely to look for a job with a new employer in the next 12 months. Likelihood to look for new work is lowest in Europe with Romania (42%) the highest figure in the region. Moving back to a global picture, more than one in two of those likely to look for a new job are expecting a reduction in their pay or their salary to stay the same. Of those fairly or very unlikely to look for a new employer, four in ten say in 2023 they will get a pay rise but below the rate of rising prices.

What is clear is in 2023 the problems we've faced recently are not going away, including the increasing difficulty of retaining employees, but the dynamic of the next 12 months is going to be different.

The relationship between looking for a job and expecting a pay rise

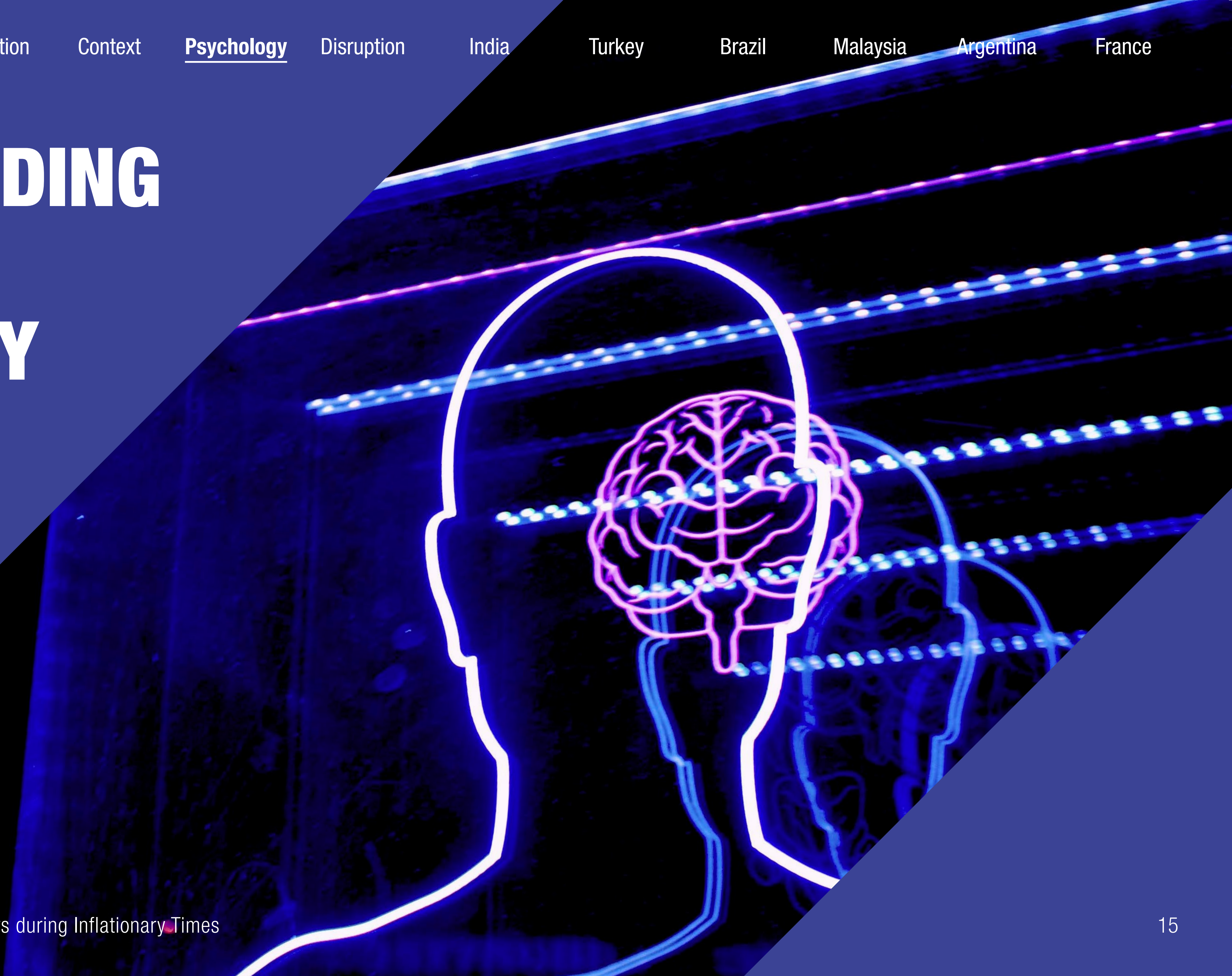
Over the next year, how likely, if at all, are you to look for a new job with a different employer



Source: Ipsos Global Inflation Monitor, November 2022



UNDERSTANDING HUMAN PSYCHOLOGY DURING THE POLYCRISIS





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UNDERSTANDING HUMAN PSYCHOLOGY DURING THE POLYCRISIS

We live in a world where we are being buffeted by multiple crises: we are facing a cost of living crisis which has no precedent in living memory; climate change has gone from something conceptual to a series of horrifying experiences for people; Covid-19 has shown to us just how vulnerable we are to invisible threats; AI and technology disruption are not only set to claim our livelihoods but are causing us to question the nature of what being human really involves. A term that is gaining ground as a means to describe this is the *polycrisis*: interacting crises that result in harms greater than the sum that the crises would produce in isolation.

While the economic and political implications of this have been much discussed, there is less focus on the way in which this impacts people and how we think, feel and behave. The challenge is that we have little, if any precedents that we can draw on. All this points to the way we are having to get used to living in a very new way, one that has been described as ‘Liquid Times’, where thinking, planning, and acting are no longer helping us in the way they did in the past.

Our environment is in a constant state of change, we are operating without fixed, solid patterns. We can no longer rely on the beliefs that were a feature of our relatively stable and more certain past (compared to where we find ourselves today, at least for recent generations). Instead, we need to learn to live a life of ‘walking on quicksand’, adapting constantly to rapid change.



How this follows through into our psychology is something that we have been seeking to understand at Ipsos, identifying a number of key themes, and drawing on the work of social scientists to inform our thinking:

Existential Fear:

In ancient Rome, the phrase Memento Mori was whispered by slaves who accompanied army generals on victory parades so they could be reminded of their own mortality, and prevent them from being taken over by hubris.

The environment we are in has meant that we no longer need to be reminded of our mortality: Terror Management Theory is the principle that awareness of the inevitability of death gives rise to an existential terror.

We seek to avoid or at least reduce this terror through a 'buffering system' of beliefs that provide us with answers to the big questions about life beyond the everyday.

This means that people are increasingly looking for an understanding and explanations that are not readily supplied by science alone.

Our nature of being, our place in the world, our connection with our ancestors but also with those that come after us shapes the way we live in this world, these are things that occupy us. The meaning of life is a question much more likely to be on our minds which is then shaping what we do – is this job really how I want my life to be about? We see this manifesting itself through themes such as 'The Great Resignation' and 'quiet quitting'.

Protection:

This sense of fear is central to ways in which we can see people are seeking safety through protection. This might be improved welfare, worker representation for secure employment and social support mechanisms to assist those that are victims of the *polycrisis* environment.



Whereas the overarching focus for many people in the last three decades has been how to grow and optimise, it is now about safety and protection. For people to live well they want security in the face of dangers to the natural environment, viral risks, food supply, energy availability and healthcare access.

Throughout history, protection of the communities we live in has come from a sense of fear that comes with risks to our safe habitat. We saw the way this sprang up with the pandemic where there was a resurfacing of a sense of public duty and solidarity, meaning the vast majority of the population was willing to comply with restrictive public health safeguards to protect ourselves and others in the face of existential risks. At its peak 78% of people in Great Britain said they were completely or nearly following the government coronavirus rules all the time.

Place:

While the polycrises that are buffeting us are often global, the political bodies and mechanisms that will actually protect us are frequently local. This has potential to create a new-found respect for local and national identities and to the local mechanisms that offer us this protection. We have seen a resurgence of interest in the way local communities, with strong attachments to place and tradition, are self-organising to not only provide support but also a political voice to those that have arguably not had their voices heard. This suggests that the way we think of place and how the psychology of our social identities are woven into this is something that both ends of the political spectrum will be increasingly engaged in.





Control:

The impact of the global polycrises on our lives means that those suffering most will struggle with self-regulation and self-belief in their potential to control events.

Historically it is often marginalised groups where this takes place, leading to them being demonised by attributing these challenges to personal failure and psychological impairment. As a much greater proportion of the population is affected it will become clearer that these are in fact adaptive responses to having little actual control over one's future and the need to take opportunities for pleasure now as they may not be there in the future.

As the cost-of-living crisis hits many more people in the population there is naturally an attempt to regain some form of control and push back on these challenges.

People are looking for leadership to help them recover some power over their lives and overcome the feelings of powerlessness and hopelessness. How people understand what control means varies of course: as we saw with the Brexit vote in the UK, for some it is a conversation about immigration, independence from global bodies and individual freedoms.

But we can also see the way there is a burgeoning level of public sentiment relating control to the state's ability to mitigate wider economic impacts (such as windfall taxes on energy companies), provision of economic safety nets for those impacted, along with a desire for greater economic protectionism and demands to allow for greater participation in democratic decision-making.



72%

globally expect the cost of food shopping to rise in the next year.



37%

globally expect their disposable income to fall in the next year.



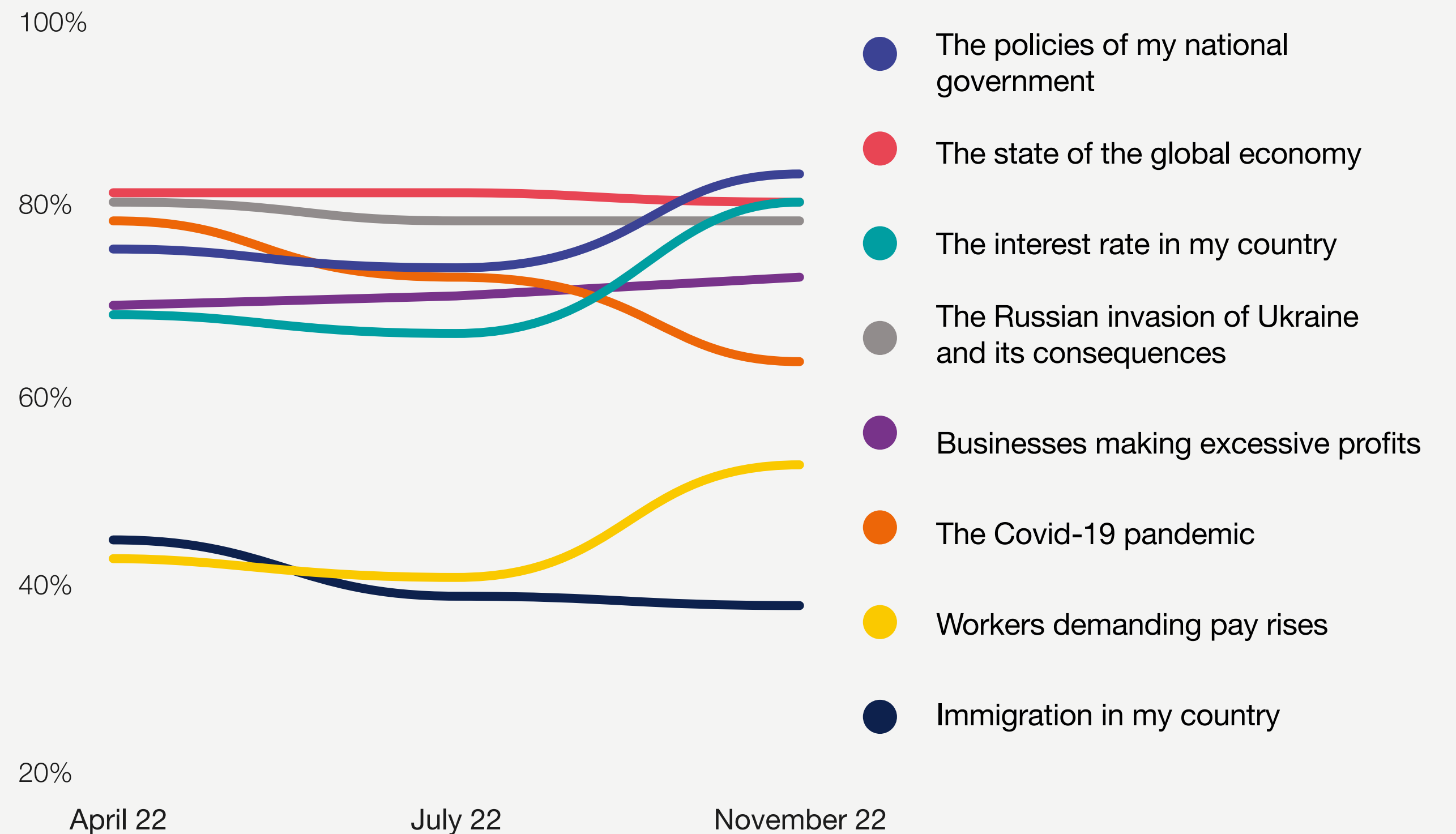
Fluid cognition:

One of the wider implications of the *polycrisis* environment is that the principles we have used to categorise and understand the world are appearing much less effective in explaining this liquid environment. Historian Mary Poovey suggests this challenges our notion of ‘facts’ with an unlinking of our specific observations from “deeper” principles that explain them. In a complex *polycrisis* environment we are arguably seeing the world as something where we can only speculate about the underlying causes rather than assert explanations from wider principles.

This subtle shift in our collective cognition can help to explain the rise of fake news, misinformation and conspiracy theories as people become more willing to offer alternative explanations that might sit outside conventional knowledge. This clearly comes with challenges, but we can also see the way that greater pluralism also brings with it some possibilities for new thinking of how to navigate these turbulent times.

How much, if at all, do you think each of the following are contributing to the rising cost of living in Great Britain today?

% a great deal/a fair amount



Source: Ipsos Global Inflation Monitor, November 2022



Navigating our complex world

These significant shifts might suggest that we are in the midst of potentially revolutionary times. Not necessarily in the way we might necessarily expect from the way this term is often deployed, people in the streets overthrowing the authorities, but how we think, feel and behave and indeed see ourselves as humans. We are moving to a place where what we believe about ourselves is a version that is more pluralistic and collective than we might have expected. But also we can see ourselves more clearly as beings that are embedded in a complex world no longer holding quite the position of primacy we thought we were entitled to.

Sources

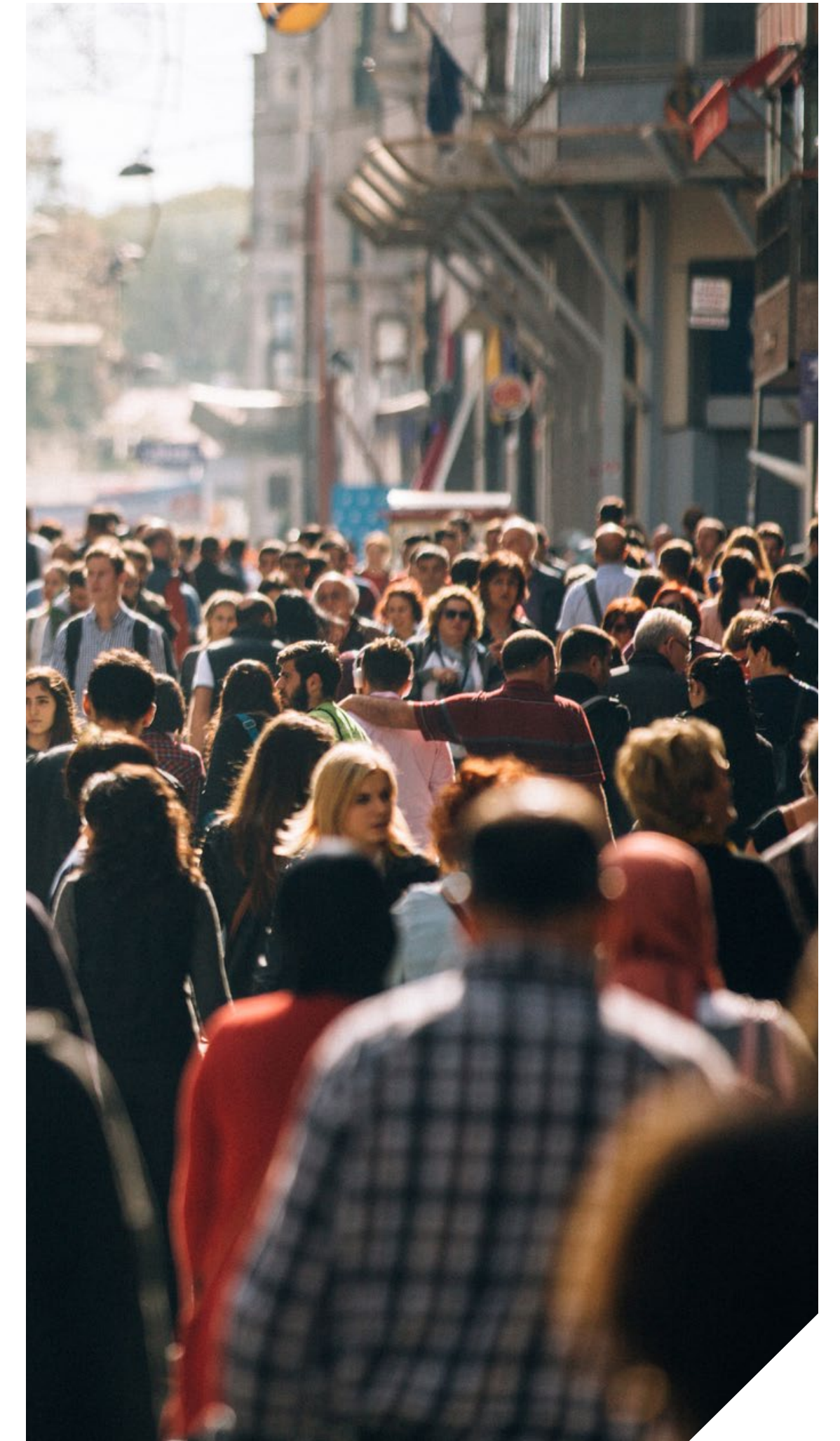
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HAS DISRUPTION BECOME THE NEW NORMAL?





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HAS DISRUPTION BECOME THE NEW NORMAL?

On March 11, 2020, the WHO declared the novel coronavirus (COVID-19) outbreak a global pandemic.

Almost immediately, the pandemic rose to the top global concern in Ipsos' What Worries the World poll.

It remained the top issue for 17 months as the search for a vaccine got underway, health systems were overwhelmed and governments around the world took measures to stop the spread including mask mandates, restricting mobility, tightening borders, alongside closing schools and all but the most essential businesses.

With the pandemic came rising physical and mental health concerns as well as personal financial worries for many. This increased anxiety coupled with a fear of the unknown led to a decline in citizen and consumer sentiment (the Ipsos Disruption Barometer) in four of the G-7 countries (from December 19 to December 20). Great Britain, Germany and Italy bucked this trend. **The G-7 shift in overall sentiment was -4%**

Fast forward a year later to the end of 2021, with vaccine distribution well under way and economic worries waning, thanks in part to record government spending and supports, sentiment became more positive in six of the seven countries. **The G-7 shift in overall sentiment was +14%**. Government approval ratings rose as the pandemic seemed to be moving into the rear-view mirror. Businesses were largely seen to have acted responsibly by empathetically communicating with their clients and stakeholders to help them manage through the crisis.

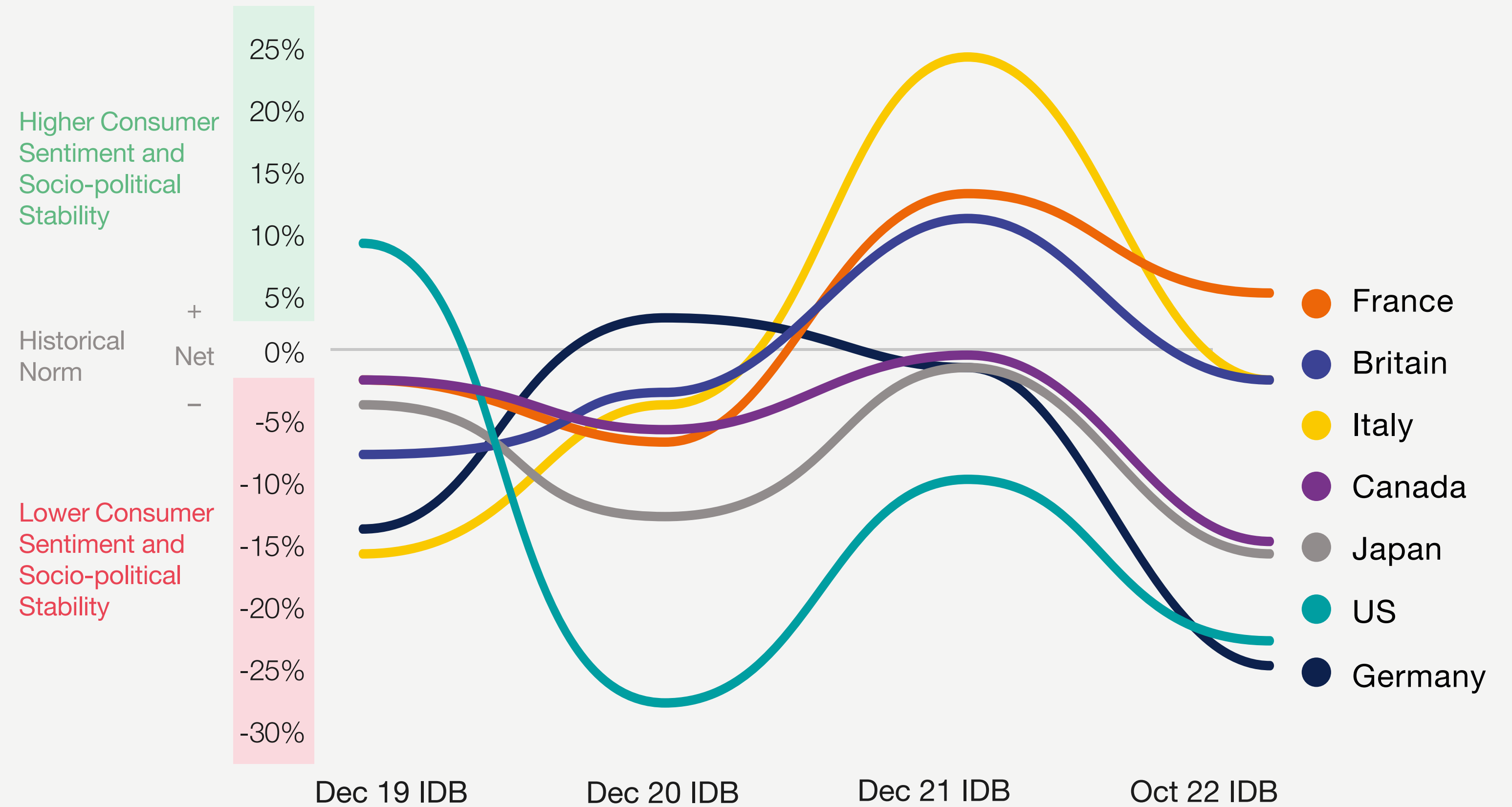


Today, the Ipsos Disruption Barometer has declined in all seven of the G-7 countries. The G-7 shift in overall sentiment is -17%. Why?



The Ipsos Disruption Barometer measures citizen and consumer sentiment monthly across 27 countries. It was developed prior to the pandemic in recognition of the emergence of a new socio-economic reality – a convergence of the citizen and the consumer in economic and purchase behaviours and related socio-political stability. What happens in our social and economic environment shifts citizen and consumer sentiment, changes our wants, needs and expectations of the organisations that serve us/sell to us.

Ipsos Disruption Barometer (Recalibrated against five-year norm for each country)



Source: Ipsos Disruption Barometer



In 2020, the pandemic was an overwhelmingly unifying issue. It gave governments, businesses, and citizens a common focus and a reason to work together. By 2021, people across the G-7 saw that progress on the economy and in the areas of health and public safety could be made and made fast. In short, the pandemic reaffirmed the saying “if there is a will, there is a way.” At the time, the progress and the success were seen by some as a blueprint that would finally lead to progress on other critical issues such as climate change.

But 2022 did not go according to plan.

Today’s issue set is far more varied across countries and across generations. We have war in Ukraine, rising inflation, and increased concern over climate change all entering into the social/political conversation that prior to 2022 was largely dominated by coronavirus. As a result, there is no one issue at the heart of this year’s decline in sentiment. But there are many possible answers.



Maybe the pandemic has left us all fatigued and unable to cope with today’s pressures?

Maybe the pandemic response set the bar for progress too high and our expectations for a quick resolution to today’s challenges are unrealistic?

Maybe the systemic issues that were paused in our collective psyches to focus on the pandemic have become more pressing with the addition of inflation?

Maybe Maslow’s hierarchy is coming into play? If we can’t buy food or pay for shelter at the end of the week, little else matters.

Maybe governments and businesses have forgotten the pandemic lessons of communicating with empathy and focusing on social outcomes?

Whatever the reason(s), 2022 has seen a marked decline in sentiment and changed the tone of the conversation that businesses and governments are having with their stakeholders. Leaders may look back to 2020 as a year when things were relatively easy to manage.



+14%

In 2021, The G-7 shift in overall sentiment was +14%.



-4%

In 2020, the G-7 shift in overall sentiment was -4%.



THE INDIAN CONSUMER'S RESPONSE TO INFLATION





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THE INDIAN CONSUMER'S RESPONSE TO INFLATION

The present phase of inflation is making consumers the world over – particularly those in mature markets – anxious. Unease is growing as there are signs now that this will be an extended phase of inflation. The response of consumers in economies like India, characterized by persistent inflation, offers a contrast to and interesting insights for other markets.

A familiar challenge

Inflation is not new to India, where consumers have perennially endured high inflation, going up to double digits in the last decade. The present phase of around 7% inflation is moderate by contrast. Indians, though aware of the problems posed by inflation, are less worried when compared to their western counterparts. Ipsos Essentials

finds inflation features among the top three worries for 45% of Britons, way ahead of issues like the Covid-19 pandemic and the war in Ukraine. In comparison, it is among top three worries for 35% of Indians - on par with the Covid pandemic. Less affluent consumers and those with family responsibilities in India are understandably more worried.

Living with inflation

Decades of persistent inflation has provided Indian consumers with a good understanding of the phenomenon. Consumers talk of a hike in fuel prices being an indicator of a high inflationary period, aware that this causes a cascading effect with prices increasing all round. They are also aware that beyond a price hike there are other ways in which inflation becomes evident in branded products e.g. shrinkflation - when pack sizes are brought down to maintain price points - or when the quality of products declines. The impact beyond expenditure is also spoken of, with consumers reporting a shift in their



“During lockdown our hospital expenses shot up. We had to pay ₹25000 and take a 7500 loan to be able to pay. Now lockdown is gone but the milk, petrol, vegetable and grocery prices have gone up. Our salary is also the same as before. Because of this our savings have gone down.”

Female, 31–45 years
Mumbai



investment patterns in response to inflation – moving funds away from bank deposits due to dropping real interest rates to assets like gold and real estate – believed to be counter-inflationary. The extended experience with inflation also means that the typical Indian deploys a multi-pronged approach to managing expenditure – from cutbacks, postponement, downtrading and bargain hunting – depending on the category of product or service.

Impact of the pandemic

But this is also not just a routine phase of inflation for India. For the middle- and lower-income households, this phase of inflation coming soon after the devastating waves of pandemic has added to the challenge of dealing with it. The erosion of savings and loss of income in the recent years has not only depleted the economic security of households, but it has also made the need for savings and economic security more salient than ever before.



Strong aspirations

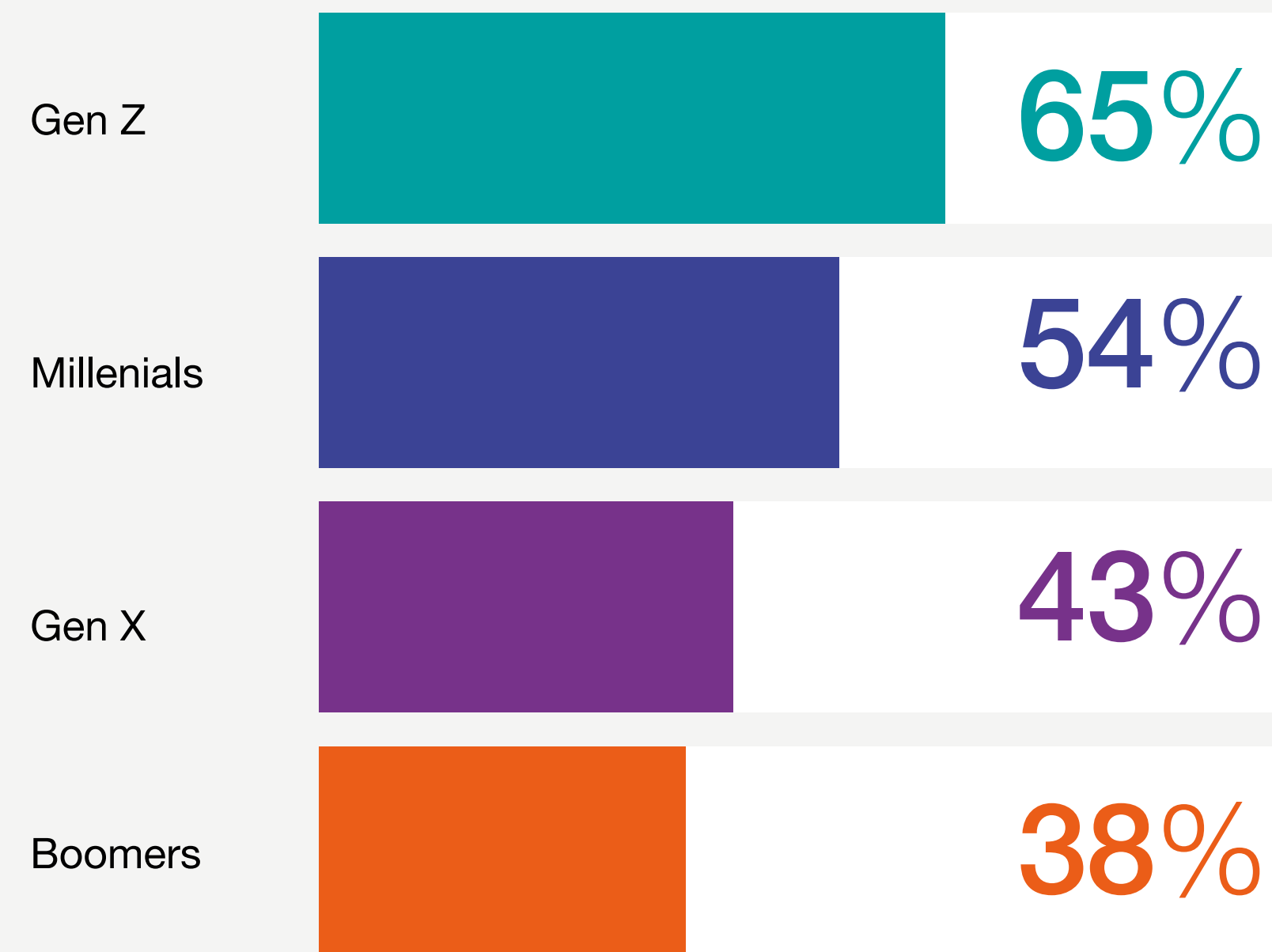
India has experienced high rates of economic growth in recent decades despite high and persistent inflation. This is shaping the attitudes of consumers who no longer look at living within their means as an effective strategy for dealing with inflation. Indian consumers have strong aspirations for improving their economic situation – and are interested in getting ahead of inflation rather than just coping with it. Cutting back and optimising within available income is seen as regressive and, in some ways, unacceptable.

The quest is for enhancing income through finding newer streams of income – second job, side-hacks, multiple working members of the family or higher stream of income - upskilling and better investment. Thus, despite higher economic challenges, a confidence in the future and strong aspirations sustained by recent decades of economic growth is helping Indians adopt a more positive response to the present inflationary period.

Side hustles (other ways of making money), by generation

Among those employed

Q. (Aside from your main job,) do you also make money in any of the following ways?



50%

of all those employed globally have another means of making money.

Source: Ipsos Essentials. Sept 8 – 12, 2022. Base: Total: 6908, Gen Z (1997-2012): 921, Millennials (1981-1996): 2909, Gen X (1965-1980): 2318, Boomers (1946-1964): 760 in 15 countries (Australia, Brazil, Canada, China, France, Germany, Italy, Spain, India, Japan, Mexico, South Africa, South Korea, and the United Kingdom, and the United States).



TURKEY: RE-DESIGNING ADAPTATION IN THE SHADOW OF HYPERINFLATION





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REDESIGNING ADAPTATION IN THE SHADOW OF HYPERINFLATION

Under the pressure of hyperinflation

Inflation is not a new term in Turkey. Looking at the history of inflation; the annual rate for the last 50 years is around 40%. However, in recent years, we were getting used to living without inflation. For the first time in Turkey's economic history, inflation remain below 10% for most of the years between 2004 and 2017.

However, it has now returned and returned in a big way. Since 2018 inflation has been growing and reached a new record of 83.5% in September 2022. There are different reasons for this, both local and global, but most importantly, Turkish society must quickly adapt to our new reality to survive.

How daily life is changing

In the last year, the most dominant emotion in Turkey has been exhaustion (see overleaf). This is reflected in our [2022 Global Happiness Report](#), where only 42% in Turkey said they were very/relatively happy, the lowest out of 30 countries. This figure is down 17 percentage points on the previous year and is a long way from 2011 when 89% in Turkey described themselves as very/relatively happy.

Despite all the negativity, life is a stage and the show must go on. Almost half (47%) think the current period of economic disruption will continue for the next three years. This expectation shows that changes in daily life do not involve just giving up as a solution; we are trying to shape our daily habits within these unstable conditions. The following section looks at the changes we're seeing.



Sidar Gedik

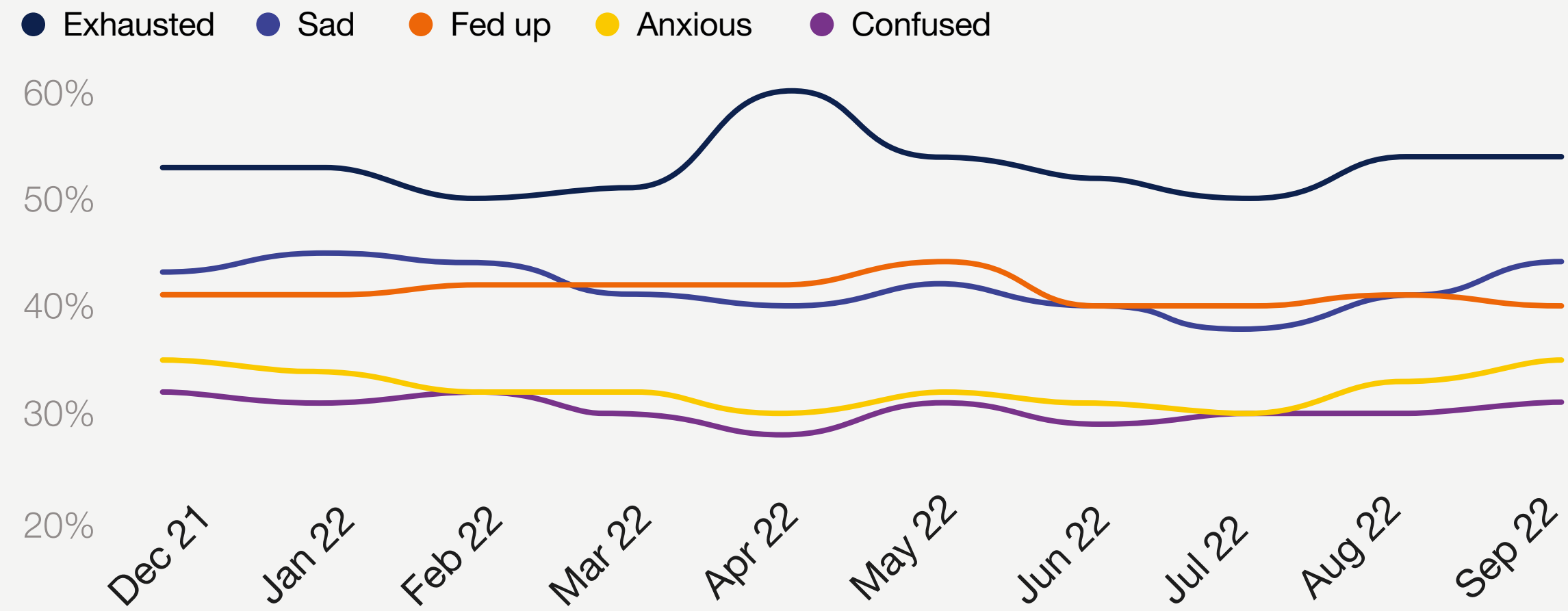
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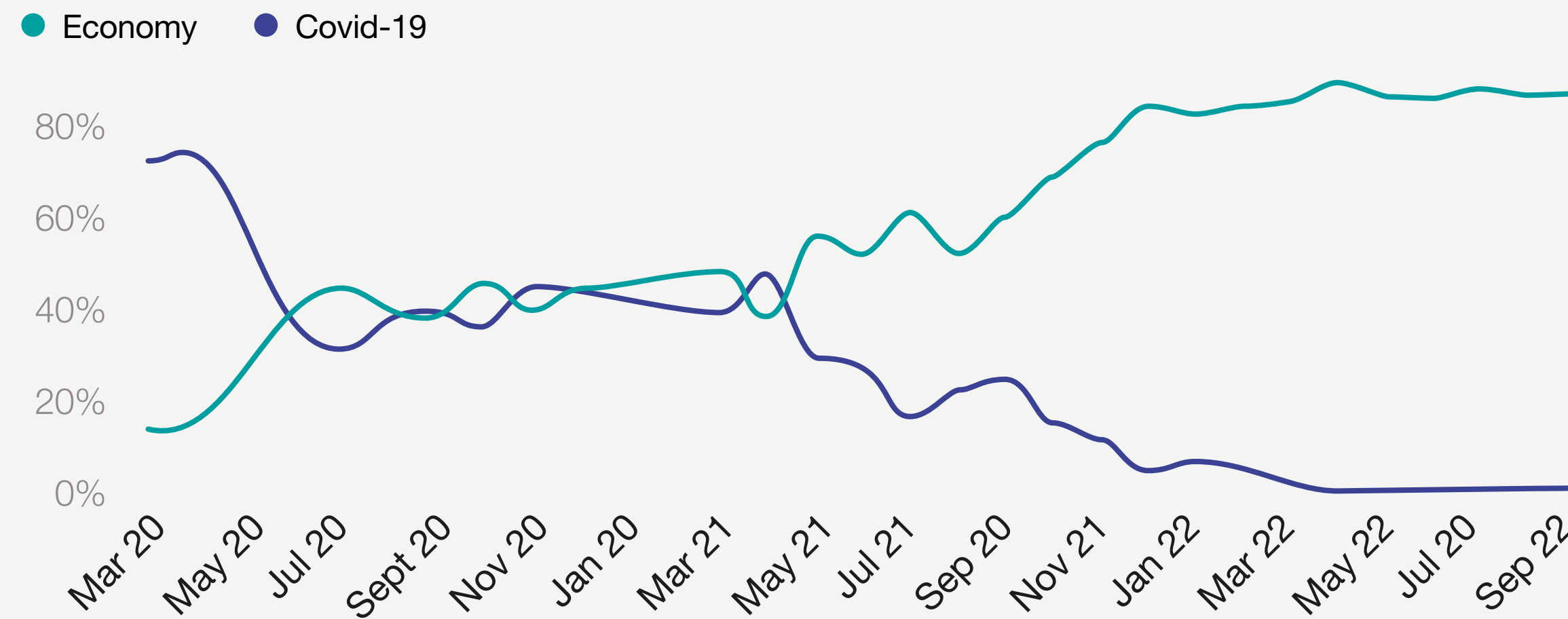


Q: How have you been feeling lately? (Top five answers)



Source: Anti-Crisis Report, September 2022, Ipsos

Q: The most important problem in Turkey is:



Source: Covid-19 & Society, Anti-Crisis Reports, September 2022, Ipsos



45%

expect the current economic crisis to continue for more than the next three years.



64%

say they are dissatisfied with their own standard of living in September 2022, up from 58% in December 2021.



47%

expect to go into debt in the coming period, up from 37% in December 2021.



72%

say they couldn't save money in the last 12 months, up from 52% in December 2021.

Source: Anti-Crisis Report, September 2022, Ipsos



Changes to shopping habits

- Price increases in items such as food and transport - which have a big impact on our daily lives - are higher than the overall inflation rate. The effect of this on daily life is therefore much deeper and negative.
- The rise in minimum wage to protect a significant part of those in work took place after the spike in inflation began, so there is a lag between price increases and wage adjustment.
- Because of all this, there is competition not only between the brands on the same shelf, but also across sectors.
- The fashion industry has been one of the most negatively affected industries, with the choice to minimize spending on clothing becoming a top action consumers are taking against rising prices.
- Second-hand shopping is rising as a means to manage household budgets. According to our Anti-Crisis Report, more than one in three (35%) computer purchases in July were of second-hand products.
- The attractiveness of second-hand products is not just limited to durables. Demand is becoming a trend in different sectors, from clothing to baby products.
- Discounters are getting stronger and are the fastest growing channel, with value growth up 80% on last year.



51%

say they are wandering around different markets to find the cheapest option.



10pp

increase in number of different stores visited for FMCG shopping.



“ I used to order coffee from a chain on the way to the office but now it’s too expensive. Now I make my filter coffee at home, I put it in this chain brand thermos. It feels good to me as if my habit hasn’t changed. ”

Female, 25–35 years
Istanbul



The increase in Household FMCG spending compared to the previous year is below the rate of inflation.

This is because:

1

AB consumer spending is growing less than other groups. (AB up 57%, others 68%).

2

Consumers are visiting more market stores to find the cheapest option, while shopping frequency has decreased.

For managing a limited budget against price increases, the second biggest action taken by consumers is “wandering around different markets to find the cheapest option”, with 51% saying they are doing this.

As a result of this action, according to our household panel findings, the number of different stores visited for FMCG shopping has increased by around 10 percentage points this year. However, the frequency of shopping is decreasing even compared to the pandemic.



Change in FMCG share of spending

2021-2022

Value Share %	MAT 21	MAT 22	Value Change %
FMCG	100	100	66
Food & Beverage	83.0	84.3	69
General Food	12.7	13.8	80
Meat & Meat Products	14.1	13.3	57
Fats & Oils	7.8	8.5	82
Dairy Products	16.2	16.9	74
Snacking	14.0	13.5	60
Beverages	12.3	12.3	67
Other Food	6.0	5.9	66
Personal Care	9.5	8.6	51
Paper Products	4.6	4.5	63
Hair Care Products	1.7	1.5	46
Body Care Products	3.2	2.6	36
Home Care	6.9	6.5	57
Laundry & Dishwash	4.8	4.7	60
Home Cleaning Products	2.1	1.9	52

Source: Household Panel in Turkey, Ipsos, September 2022

Purchases are falling in some non-essential categories

The value increase of each category is at a different level and there are different stories in the background.

- General food increases is closer to the rate of inflation and its ratio as a proportion of FMCG spending is getting higher.
- Meat and meat products are consumed less frequently and by fewer households as a result of high price increases, and therefore their growth is more limited.
- When it comes to snacking, more expensive products such as solid chocolate have been adversely affected, but it's important to note that products with hunger management benefits such as crackers, cereals, cakes continue to grow in volume.
- The most negatively affected category is body care products, which are seen as more dispensable by consumers. Growth in this category is well below inflation.



How life at home is changing

Cleaning is very important to Turkish people, but it has now become an area to cut back on. 47% say they are using their iron and washing machine less in order to conserve electricity.

During the pandemic there was a surge in people getting food takeaways and deliveries, but now 44% say they don't order food in order to be able to balance their budget. For many it is just not affordable to order food or go out to dinner on a regular basis and this is leading to new simple home-cooked solutions. The common feature of these recipes are fewer ingredients, reasonable price points and fewer dirty dishes.

However, one thing Turkey can't give up is Netflix. The viewing rate is at the same level as last year: 22%.



Tortilla pizza in pan



One pan pasta



Starbucks at home



47%

say they are using their iron and washing machine less to conserve electricity.



44%

say they don't order food in order to balance their budget.



22%

watch Netflix.



Where next?

2023 will be an interesting year for the world as a whole, but with an election coming in Turkey, understanding how people are feeling will be more important than ever. Here are four points to consider in the coming year:

1. Spot the signals

Society adapts rapidly to changing conditions with new routines. Spotting the signals from early adopters and adapting to business action plans will be more important than ever. At this point, curating social media data and leveraging insights will be key for companies.

2. The Era of Foresight

We should strengthen to design different but realistic predictions about the future and should be prepared for different scenarios. Understanding today is critical for creating learnings but foresight will shape the future.

3. Don't put up barriers

During this period, we have focused on the barriers to success in every sector and the ways that could be a solution.

- Competition is getting more rigid, consider interactions across sectors.
- Channel management and visibility is more essential than ever.
- Focus on single, clear and relevant messages via all communication tools (Pack, ATL, BTL, PR...).
- Test and learn across every stage during the innovation process.

4. Invest in the future generation

The younger generations are feeling the pressure most coming out of a pandemic and into a hyperinflation crisis at a significant time in their life. When more stable conditions arrive, brands will want to accompany them as they return to “normal” levels of spending. For this reason, they need to invest in this relationship now.



BRAZIL: DOWNSIZING VS PRICE RISES - MAKING THE RIGHT CHOICE





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Downsizing vs Price Increases: How Brands Can Make the Right Choice

There is a certain degree of economic pessimism in Brazil at the moment. Almost three in four (72%) call the country's financial status bad or very bad, with "poverty and social inequality" being the biggest concern (42%).

Inflation and the loss of purchasing power will significantly impact the finances of Brazilians and change consumer habits. As brands anticipate these changes in behaviour, we see cases of "downsizing" (reducing packaging sizes), a common strategy during a financial crisis, as a way of avoiding increasing prices.

This strategy is already seeing some success in Brazil, but occasionally it only works in the short-term. There are risks in the medium and long-term that must be considered going forward.

The biggest factors that could directly affect consumer behaviour are:

- Reduction in the purchasing cycle. With smaller pack sizes it is possible that consumers will have to make more frequent purchases, especially in essential categories. As each purchasing opportunity is to some extent independent of the previous purchase, there is always a risk of the consumer choosing a different brand the following time.
- Reduction in volume purchased monthly. In less essential categories, it is common to see lower income consumers letting the product run out and then, instead of buying again immediately (as in the previous case), maintaining their normal purchasing cycle. This therefore reduces monthly consumption, producing in the medium and long-term a fall in annual consumption.



“ Differentiation is a key driver in uptake of new products, tending to make them less elastic, which is particularly important in times of crisis. ”



The risk of increasing prices

Another alternative to price rises is a change in the product formula (replacement with cheaper materials) so that the price of production can be decreased or maintained and consequently the same price is kept for the end consumer, without denting profit margins.

This alternative is great if it doesn't cause (or as long as the consumer doesn't notice that it has caused) a decrease in product quality. One direct risk is a possible loss of the main asset of a brand: their current consumer.

But in the case of both downsizing and changing the formula, brands are exposed to an even greater risk: reputation. If consumers do not support a change, this may affect brand trust.

The better known the brand is and the closer a relationship it has with the consumer, the bigger the risk. Additionally, even when made by well-known brands, these decisions can often confuse consumers.



Innovating during inflation

Ipsos studies on innovations and their price elasticity have looked at creating an inflation-resilient portfolio. In our paper [Innovation in Inflationary Times](#) we highlighted that differentiation is the most important factor in a price rise.

Differentiation is a key driver in uptake of new products, tending to make them less elastic, which is particularly important in times of crisis. This is obvious to some extent - the more unique the product, the more difficult it is for the consumer to change it for a competitor's product.

We also know that even in times of crisis, innovating is a requirement for brands and while there is a lot of space for innovation there is very little margin for error.

How brands should respond

There is no “one size fits all” answer. Some common solutions for times of crisis, such as a simple downsizing or a change of formula may be an unnecessary risk for certain brands. We must assess risks not only in the short-term but also in the medium and long-term.

Brazilian consumers are more aware and more demanding. We need to understand or predict what the perception will be of any potential change, whether it will be noticed and whether it will be accepted. One risk or one breach in brand trust can end up being worse than simply choosing to increase prices.

With the *polycrisis* we face today, consumers may be sensitive to prices, but their attitude may change if the situation improves in the future. In which case, perception of the brand's real identity and the way it behaves now may end up coming back to haunt it.



75%

in Brazil say businesses making excessive profits is contributing to the rising cost of living.



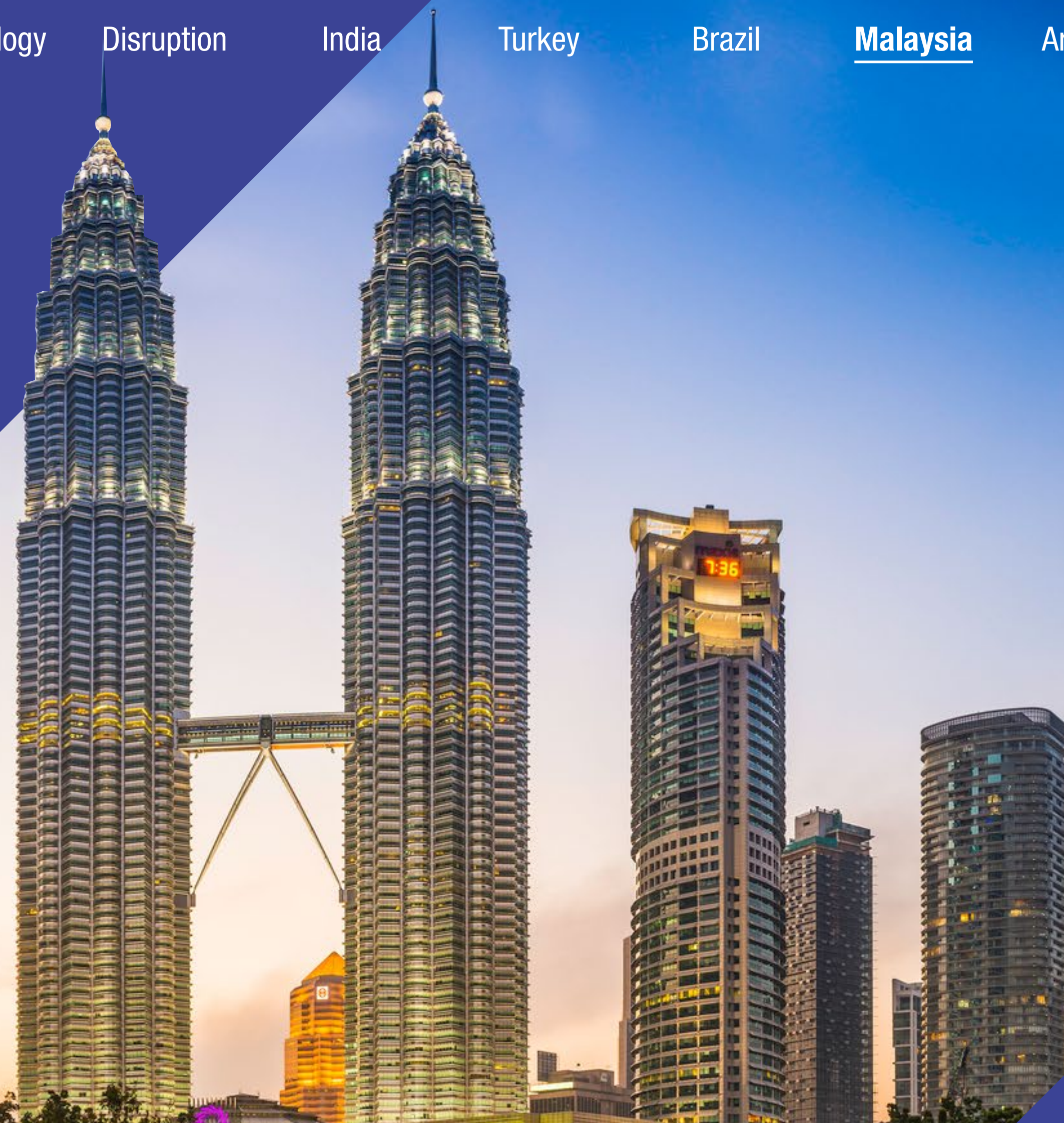
A less well-worn path may be, for example, to study alternatives that combine a price action (increase or downsizing) with other actions that can help the brand differentiate from its competition and break away from price-focused competition. The less of a “commodity” that a product is, the more it can justify its price by the unique benefits or results it offers in the category, and the more wiggle room consumers will give it to charge more than its competitors.

Brands that innovate will benefit as well as those that maintain their identity, and are transparent with their customers through this period.

“The less of a “commodity” that a product is, the more it can justify its price by the unique benefits or results it offers in the category.”



MALAYSIA: BETWEEN MONEY WELL SPENT AND A LIFE WELL LIVED





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BETWEEN MONEY WELL SPENT AND A LIFE WELL LIVED

In Malaysia, the factors for inflation are multi-dimensional. Malaysia has managed to keep inflation at a relatively low level (4.5% in September 2022) compared to its regional peers. Subsidies and price controls have kept inflation in check to a large degree. If these direct interventions were not there, the current inflation rate of Malaysia could be twice as high.

As with other countries, Malaysia's inflation rate is calculated as the change in Consumer Price Index (CPI) from one year to the next. However, working-class Malaysians feel that the CPI index value is out of sync with the steep rises they are faced with, especially in food prices. They are frustrated that the rate of CPI does

not reflect reality on the ground, and therefore needs changing. As such, the Statistics Department has started to review the calculation of CPI for a better picture of inflation.

Most Malaysians are anxious about rising prices, and it is strongly felt in daily life, especially when buying essentials or dining out. Two-thirds (67%) in Malaysia expect the price of their food shopping to go up in the next year. They are turning to social media to vent frustration about prices, particularly towards restaurants and supermarkets. Despite this, it's interesting that the services sector in Malaysia hasn't displayed the typical signs of an inflationary-driven slowdown. From what we can see, there doesn't appear to be much slackening or consumer belt-tightening.

On the contrary, shopping malls and restaurants are thriving, and highways are busy during holidays. In the country's urban regions, you won't get a sense the country is experiencing inflationary pressures. If anything, the



% who think workers demanding pay increases is contributing to rising prices:



Source: Ipsos Global Inflation Monitor, November 2022. Global Country Average 51%





“The pandemic and the uncertainties, anxiety and hardship it brought appears to have caused a shift in societal psyche, where leisure and some indulgence is given precedence over more prudent spending.”

long restaurant queues and large crowds in shopping malls, cinemas, and holiday destinations indicate robust consumer spending.

Malaysians' appetite for fulfillment has increased, and they do not seem to be holding back on leisure despite rising prices. The current spending behaviour indicates more Malaysians are focusing on shared experiences and leisure. They are diverting expenditure away from big-ticket purchases towards more quality of life and sensory experiences. A come-what-may attitude seems to have surfaced in the wake of the pandemic and the growing anxiety about uncertain futures. The uncertainties, anxiety, and hardship that the pandemic brought appear to have

caused a shift in the societal psyche, where leisure and some indulgences are given precedence over more prudent spending.

Even so, many Malaysians have maintained prudent spending compared to the younger generations entering the workforce. The depth of concern about inflation appears to slide with age. The younger generation tends to emphasise leisure and short-term gratification over savings. With more millennials and Gen-Z entering the Malaysian workforce and earning money, there has been a proportionate rise in spending in restaurants, cafes, bars, and holiday destinations. Popular establishments, even on weekdays, are packed to the brim.



Unfortunately, the rising costs highlight the increasing disparity in the quality of life and wealth gap across the social classes in Malaysia and even in other nations. This disparity is even more glaring as depicted in social media, where people share stories and compare lifestyles. People are also increasingly engaging online with social and political opinions. As Malaysia reflects on its recent general election result, what is clear is that the focus on any new government should be on limiting the impact of inflation. In the meantime, Malaysians are exercising prudence in their spending but not holding back on things that give them joy. Borrowing from Marie Kondo's principle, "buy only those things that speak to your heart."





UNDERSTANDING ARGENTINA





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UNDERSTANDING ARGENTINA



What is inflation like in Argentina?

This year's annual inflation rate is 95-100%. At the beginning of the year, we expected a rate between 50 to 65%. In other countries inflation may change one or two percentage points, while in Argentina it might change 30 or 40 percentage points. So, if you ask me how people are living with rising prices today, inflation is certainly a big worry.

However, Argentinians are accustomed to living with it. This year inflation was almost 100%, last year it was 50%, the year before that it was 45%. The issue here is not only inflation but salaries. At the end of the day, if you are an

entrepreneur, you can put your prices up, but if you are an employee, you have to wait for a salary increase. In the past we used to have one salary increase per year, last year it was two and this year there will be four. With inflation what we face is a gradual decline of purchasing power, then suddenly when you get a pay rise you recover at least some of that purchasing power.



How are Argentinians responding to this?

We are everyday a little bit poorer than the day before, but we are accustomed to adapt our expenses to the current situation. At the end of the day, it's very common for us. We are used to doing this and it's part of our day-to-day life. People suffer but adapt to do what they have to do. They buy in-bulk to anticipate an increase in prices, but those on a lower income they have to reduce the quantity and quality of the products they buy, as well as eliminating some spending.



Under inflation this high it's very difficult to save money. Argentinians are used to buying US dollars as a means of protection from the devaluation of the currency that is a natural consequence of high inflation.

 **This report is focused on consumer psychology, how are people feeling in Argentina?**

There's very much an inflationary mindset. People have very much adapted to this way of life. From the other side of things, brands are completely adapted and react quickly to external factors. We in Argentina have three main things to consider: the increase of prices, the devaluation of the currency and the salary increases. If we have an exceptional devaluation people know how to respond the

following day. For us it's absolutely a normal reaction. If you have a devaluation of 10% in other countries, consumers may respond slowly, but people in Argentina respond immediately.

Why? Because we survived two periods of hyperinflation. In the 90s, the inflation rate was 100% per month. What we did was when we received money we tried to buy dollars if we could, or went to the shops and purchased what we could as the day after it could be 10 or 15% more expensive. People always adapt to the environment and in Argentina inflation is part of the environment.



80%

of Argentinians expect the rate of inflation to rise over the next year.



? Does this affect consumers' perception of how much something is worth?

Absolutely yes! One of the consequences of high inflation is you lose the perception of the prices. Another consequence is that the price relationship between different products is completely lost. At the end of the day, we have no notion of what is expensive or cheap.

Let me tell you a recent example of something that happened to me. Last week I went with my daughter to the supermarket and when we collected all the things we wanted to buy, my daughter asked me how much it would be. I said it could be 30,000 pesos. When I had to pay, the cashier said 18,000, I thought they said 80,000 and I was happy to pay that. This is because there are no relative prices, you lose the idea of the cost of goods. I don't know if 80,000 is expensive or cheap for shopping in the supermarket.

It is common to find the same item with a price difference of 70%-100% between different stores. It is dramatic, but it is what happens when inflation is so high.

? For businesses to be successful, do they need to react quickly?

Yes. Companies change their prices permanently and there are many promotions to show people that they are saving ("buy three, pay for two", "50% discount on the second unit", etc.). Brands are permanently required to manage the very short term.

The real challenge for companies is how to maintain a balance between the extreme need to manage the very short-term and the positioning of brands in the medium and long-term. As we said an inflationary process is a process





of gradual impoverishment, therefore brands must adapt to this feeling of negativity people have and accompany consumers in their experience, show them that they understand them, that they empathise with them.

During the storm you need to adapt your strategies, but you also need to think about what is going to happen when the storm stops.



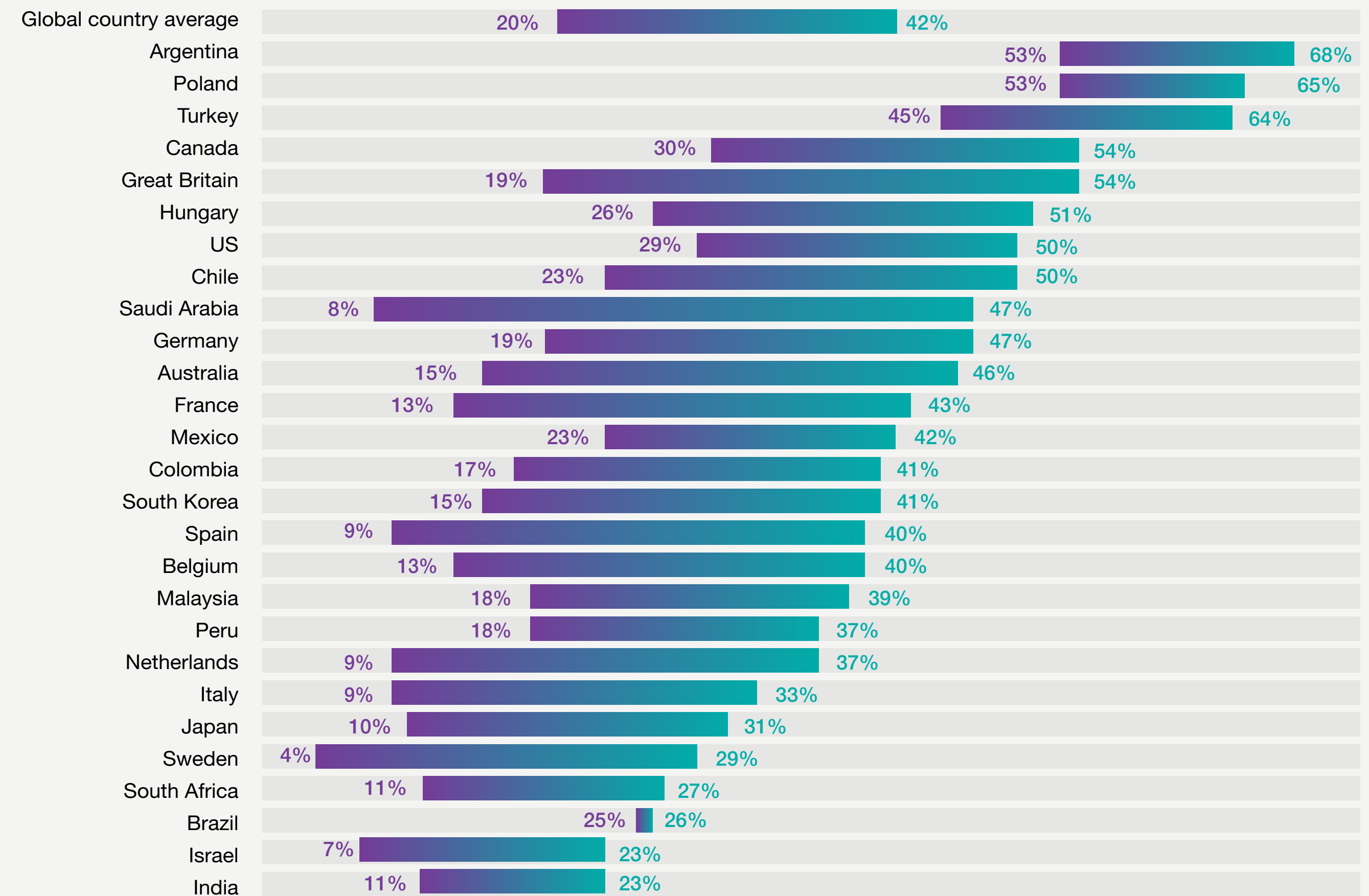
Looking ahead to 2023, what lies ahead in the new year?

As we said before, we live in the very short term. It is not possible to have serious forecasts about what may happen in 2023. That's how we live in Argentina, the long term is the next three months.

Changes in concern for inflation in 2022

Q. Which three of the following topics do you find the most worrying in your country?

(% mentioned in January 2022 and November 2022)



Base: Representative sample of 19,524 adults aged 16-74 in 27 participating countries

Source: Ipsos What Worries the World



FRANCE: THE END OF RECKLESSNESS?



Yves Bardon

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THE END OF RECKLESSNESS?

Almost nine in ten (86%) in France are concerned about inflation, ahead of worry about the war in Ukraine (64%) and climate change (58%).

What we are seeing is three macro trends growing – the return of war to Europe, the effects of climate change, and wage increases in Asia – with simultaneous consequences:

1. The increase in energy prices as a result of Russia's invasion of Ukraine.
2. The shortage of resources and raw materials (geopolitical trade-offs, poor harvests, priority given to local populations vs. exports).

3. The rise in the income of workers in the manufacturing sector in China has multiplied by ten in the last decade. The median monthly wage in Shanghai is higher than that of European countries such as Croatia, Latvia or Lithuania.

At end of the supply chain, consumers are feeling the impact of these price rises, which has brought double-digit inflation to many countries (it was 6.2% in France in October 2022).

Added to our complicated economic situation is the impact of climate change and the measures taken to slow it down. For example, the introduction of Low Emission Zones in more than 40 cities, banning high polluting vehicles.

Already in place in 11 French cities including Paris, Montpellier, Toulouse, Rouen, this ban will affect – by the second half of 2024 – 40% of current drivers.



“ I don’t understand when people say that we can’t do anything, that’s how the prices go up... well, let’s wait for it to double and half of the French people can no longer go to work or go shopping. ”

Source: Ipsos Synthesio



6.2%

inflation in October, in France.

Our analysis of the French online Ipsos community (ConnectLive) reveals four profiles of French public opinion: the *Volunteers*, the *Followers*, the *Sad*, the *Appalled*.

For the *Volunteers*, price increases and environmental restrictions represent an opportunity to change our view of our behaviours; they share the idea that “the days of affluence are over” for economic reasons, and perhaps above all ideological ones. It has shown its limits (for instance excessive exploitation of natural resources, globalisation and search for maximum profit, waste).

The current situation makes it possible to accelerate the transition towards a virtuous model which deserves to sacrifice a certain number of the characteristics of the

lifestyle of the rich countries to favour local, sustainable agriculture. We are not surprised to see that the *Volunteers* are more likely to live in urban areas. They are also people who have embraced the importance of transforming their habits to preserve the planet such as cutting back spending, and recycling.

The *Appalled* consider that “it is always the same people who must make an effort” and we feel engulfed in restrictions. For example, taxes – Yellow Vests (2018/2019), anti-Covid 19 restrictions (2020/2021), price increases (2022). They are not necessarily climate sceptics, but people who feel tired of having to navigate between avoiding punishments (fines, penalties) and obtaining rewards (bonuses, access to EPZs). They are to be found in small and medium-sized towns, and



are typically younger. This audience should be closely followed, especially when environmental policies will be more concrete and if inflation takes hold over time, with these two limits (environmental and economic) creating frustration.

As their name suggests, the *Followers* adapt their behaviour and their consumption because the pressure of inflation is more and more real for them and feel they “have no choice” when it comes to environmental regulations. They also say they are more sensitive and more ready to change their habits, given the seriousness of climate change.

The *Sad* form a very interesting segment because it appears for the first time in an explicit way: “Progress allows us to have more and more leisure, entertainment, food choices, but we don’t have the means to profit from it, it is a pity”. Their sadness arises from the tension between what is possible and what is allowed.

What is possible is a “carefree” life, having fun without automatically thinking about the environmental or ethical consequences of a trip or a purchase, not being punished or frowned upon for this. Having only financial limits, in other words, “taking advantage” of everything allowed by the consumer society as it has developed.

What is allowed is what we can afford from an economic point of view in a context where price increases imply lower sales (purchases in large retailers are starting to drop in volume).

They have the feeling of entering a world of “tiny pleasures” whereas previous generations will have known capital pleasures, which they themselves could have accessed if economic pressure on the one hand and environmental constraints weren’t leaving them squashed in the middle.



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