THE IMPACT OF COVID-19 ON THE CONSUMERS' BEHAVIOUR: THE CASE OF REPUBLIC OF KOSOVO ECONOMY

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Abstract

The main aim of this paper is to analyze the impact of the COVID-19 pandemic on personal consumption expenditures (PCE) in the case of Kosovo. Labor factor has been considered as the holder of the economic activity, however, manpower, namely its broader term population is at the same time the user of the product and the services, i.e., the result of the economic activity (Škuflić & Šokčević, 2010) Taking into consideration that COVID-19 is harming the labor market and in economic activity in general, we also consider that this situation is affecting the personal consumption expenditures in case of Kosovo, domestic demand, supported by low-interest rates and strong employment growth, will remain the main driver of growth (OECD, 2018). To analyze the importance of personal consumption expenditure in the case of Kosovo during the COVID-19 pandemic we used secondary data from World Bank documents and primary data collected via an online questionnaire that was randomly distributed using social media with a sample of 233 respondents. The data analysis concludes descriptive statistics, frequency tables and charts, Pearson correlation, Cronbach's alpha, and Chi-square test. To conduct the results, the SPSS program is used. The study concludes that the COVID-19 pandemic has impacted personal consumption expenditures and shifted the consumption from luxury to essential products. The study also concludes that citizens will realize the pre-planned expenditures as soon as the anti-COVID-19 measures will be released.

Keywords: COVID-19 Pandemic, Personal Consumption Expenditures, Republic of Kosovo, Economic Growth

Authors' individual contribution: Conceptualization — B.Z., D.R., and R.G.; Methodology — B.Z., D.R., and R.G.; Data Curation — B.Z., D.R., and R.G.; Writing — Original Draft — B.Z., D.R., and R.G.; Writing — Review & Editing — B.Z., D.R., and R.G.

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1. INTRODUCTION

The COVID-19 pandemic — known as a *coronavirus* — caused a profound health crisis that was accompanied by great economic and social consequences. Coronavirus is unknown for the causes of occurrence, consequences, and for overcoming issues it suppressed every sphere of social life.

World Health Organization experts after the outbreak of the pandemic alerted to take immediate measures to protect society and prevent the spread of the virus. The immediate measures taken according to the suggestions of the World Health Organization include closing schools, restaurants, shopping malls, restricting the movement of citizens, etc. Because of the risk of

the coronavirus spreading, governments were forced to take immediate actions suggested by the World Health Organization and local experts. The COVID-19 pandemic impacted the health sector in general, thus each country in relative to the capacities of the health sector adapted the restrictive measures for citizens and suspended all social and economic activities.

People began to freeze their savings by suspending any planned investment and orienting their spending on essentials products, such as food, hygiene products, and medicines. Expenditures increased mostly for hygienic products under the pretext of protecting the family from the virus. Such a suspension of economic activities followed by the suspension of private investment and the reduction of consumption expenditures by citizens are undoubtedly the key basis for reducing economic growth in Western Balkan countries with special emphasis on, in our case, Kosovo.

The main purpose of this study is to analyze the personal consumption expenditures (PCE) or otherwise the household's expenditures by taking into account the perception of citizens and their personal experience in dealing with the coronavirus. Considering that Kosovo is a young post-war state, with a young population where over 60 percent are young, the risk of the virus was also claimed to be lower compared to European countries which have an aged population. Kosovo's economy is mainly based on consumption and capital investment. Where a significant part of Kosovo's GDP consists of remittances. For this reason, some researches started by organizations, institutions, scientific researchers aroused the interest to analyze and discover the causes of the pandemic but also to come up with suggestions and concrete measures to manage the situation caused by the COVID-19 pandemic.

The COVID-19 pandemic is affecting every sphere of social life starting with living conditions, income, education, in a word has changed the way of life by imposing new conditions which cause panic and fear among citizens. The most affected areas are, undoubtedly, the health and the economic sector as a result of restrictive measures taken by governments to prevent the spread of the SARS-CoV-2 virus, known worldwide as the coronavirus.

The measures taken include the closure of a large number of economic activities including businesses, restaurants, schools, free movement of citizens where some countries have been more stringent in others more relieved depending on the risk detected for the spread of the virus. The virus was an alarm for every individual in every society. It raised the interest of researchers, academics, institutions worldwide in exploring the consequences and possibilities of overcoming the situation.

Kosovo, as a country in Southeast Europe, is, undoubtedly, a country with a consumption-based economy. Consequently, if private consumption is reduced first in the macroeconomic prism, it will certainly result in a decrease in GDP, which is why the topic raised in this study is essential because it addresses the basis of the individual experience of Kosovo citizens on their consumption expenditures.

The importance of consumption expenditures on economic growth in the case of Kosovo as a developing country also is analyzed by World Bank. Related Word Bank report for Kosovo is stated that Kosovo grew at an average of 4.1 percent over the last 5 years. Despite this strong performance, only 30 percent of the working-age population had a job and 18 percent of the population was living with less than US$5.5 per person per day (in 2011 purchasing power parity — PPP) in 2019. Kosovo's growth model is largely consumption-based, with a significant reliance on diaspora financing (World Bank, 2020d). In regard to preventing the economy of the recession on March 30, 2020, the Government of Kosovo has approved the Decision on the Emergency Fiscal Measures to financially support taxpayers, employees, and businesses during the COVID-19 situation in Kosovo with a detailed plan of measures by approving a total amount of financial support of €180 million aiming to neutralize the adverse effects in the economy during the COVID-19 emergency situation (KPMG, 2020). Also, the Assembly of Kosovo approved the additional fiscal stimulus of €200 million (or around 3% of GDP) for the Economic Recovery Programme in early December 2020 including measures designed to facilitate loan access for businesses and farms, provide targeted tax relief, and rental subsidies for firms, stimulate employment by subsidizing worker salaries and incentivizing capital investments (OECD, 2020).

The importance of PCE plays a crucial role in economic growth in developing countries in general. Thus, the main aim of this study is to analyze the impact of the COVID-19 pandemic on personal consumption expenditure from the perspective of citizens in the case of Kosovo.

The research questions in this study include:

RQ1: How does the COVID-19 pandemic impact the personal consumption expenditure in Kosovo?

RQ2: Does the economy of Kosovo will overcome the economic crisis caused by the COVID-19 pandemic due to Kosovo's citizens' perceptions?

The hypotheses of this study are:

H1: The COVID-19 pandemic has impacted the private consumption expenditure in the case of citizens of Kosovo.

H2: The suspended household expenditures during the COVID-19 pandemic will be released after the release of anti-COVID measures and the improvement of the epidemiological situation in general, thus preventing the economy of Kosovo from recession.

H3: The citizens of Kosovo believe that Kosovo has the ability to overcome the crisis of the COVID-19 pandemic.

The hypotheses testing is done using Chi-square tests of independence.

The structure of this paper is as follows. Section 2 reviews the relevant literature. Section 3 analyses the methodology that has been used to conduct empirical research on the impact of the COVID-19 pandemic in PCE using primary and secondary data. Section 4 presents the data and results. Section 5 presents the discussions, and Section 6 presents the conclusion of the study.

2. LITERATURE REVIEW

PCE, otherwise known as household expenditures, represent a very important pillar with a high impact on economic growth. Due to the World Bank Indicators (World Bank, 2020b) household final consumption expenditure (private consumption) is the market value of all goods and services, including durable products (such as cars, washing machines, and home computers), purchased by households. It excludes purchases of dwellings but includes imputed rent for owner-occupied dwellings. It also includes payments and fees to governments to obtain permits and licenses. Here, household consumption expenditure includes the expenditures of non-profit institutions serving households, even when reported separately by the country. In broadly literature is disused the importance and the impact of consumer spending in economic growth. Consumer spending, also known as PCE, increased 40.6% in the third quarter (Q3) of 2020, according to the third-quarter gross domestic product the second estimate thus follows a significant drop in PCE for the second quarter (-33.2%) due to the economic repercussions of the COVID-19 pandemic also is stated that spending on durable goods increased by 82.9% during this time. (Amadeo & Rasure, 2020).

An empirical study by Handriyani, Sahyar, and Arwansyah (2018) has used two-stage least square regression (2SLS) and found that household consumption has a significant and positive impact on the economic growth of the Asian Economic Community. Another study from the European Central Bank found that private consumption can also be split into necessities (e.g., food, health care, and rent) and non-necessities (e.g., electrical appliances, holidays, and restaurant visits), which each make up roughly 50% of the total euro area private consumption so when households absorb a negative income shock, they mainly adjust their consumption of non-necessities (Dossche, Forsells, Rossi, & Stoevsky, 2020).

For this reason, a large number of researchers try to analyze the change in consumer behavior during the time of the pandemic, their expenses, private investments, and others. Households are normally faced with many challenges during the pandemic. If we take into consideration low income countries, the consequences of the pandemic are unfortunately higher. However, many studies have tried to elaborate on the impact of pandemics in various economic, social, and health fields from different perspectives.

Considering that our focus is on the experience and behavior of citizens during the pandemic, to be specifically acquainted with the approach of citizens and their consumption expenditures, it is worth noting that both expected and PCE differ from state to state due to economic development and also between citizens or families within a state. Specifically, countries rich in high levels of social welfare face the pandemic consequences more easily both socially and economically, while on the other hand, poor countries with developing economies face great difficulties due to the impossibility of health facilities, recovery, and businesses, per capita income, etc. However large differences arise even in the context of within a state.

If we are talking about rich families who have a high rate of savings, it is clear that the pandemic will have very little effect on their consumption expenditure, but if it is a question of low-income families, who have been deported due to the measures close to the business or leave the workplace, then purchases will be suspended, costs will be oriented towards basic products. In the continuation of this study, we will present concrete data on the situation of Kosovo citizens towards private consumption expenditures. In the case of Kosovo, regarding the Central Bank of Kosovo's report, it is stated that consumer prices marked a slower growth of 0.6 percent by June 2020, mainly as a result of the decline of transport prices, recreation, clothing, but also the slowdown in rising food prices (CBK, 2020).

A study finds out few differences across individuals with differing political beliefs, but households with children or low levels of liquidity saw the largest declines in spending during the latter part of March (Baker, Farrokhnia, Meyer, Pagel, & Yannelis, 2020). Also, a column presents evidence based on bank account transaction data from Denmark, showing that total card spending was reduced by 25% during the early phase of the crisis. The drop was mostly concentrated on goods and services whose supply is directly restricted by government interventions, suggesting a limited role for spillovers to non-restricted sectors through demand in the short term (Andersen, Hansen, Johannesen, & Sheridan, 2020).

Regarding Ambrocio (2020), one of the key channels through which the ongoing global health pandemic affects economic conditions is through household expectations. Undoubtedly, people's decisions are influenced by their expectations. The sentiment reflects average views on the expected state of the economy and the households' financial situations (the first moment of beliefs), disagreement reflects how views in the cross-section of households differ from each other, and, finally, uncertainty reflects the fraction of the population who are uncertain about future changes in the economy and their own (financial) situation.

As the number of cases grew, households began to radically alter their typical spending across several major categories. Initially spending increased sharply, particularly in retail, credit card spending, and food items. This was followed by a sharp decrease in overall spending (Baker et al., 2020). In the next 12–24 months, consumers are going to be left with less money in their pocket. Many people will be left unemployed and will have less to spend. This will reinforce the trend for staying at home.

We could also see some down trading as consumers settle for more affordable options, though for now, we have seen consumers buying big brands and choosing household names overvalue or private label products (Pannuti, 2020). Equally, the economic consequences of the coronavirus pandemic have meant consumers are less inclined to spend more, with many expecting their household income to continue to fall in the coming months (Jones, 2020). Although the pandemic's impact has varied across regions, five themes have become evident among consumers across the globe (McKinsey, 2020):

- shift to value and essentials;
- flight to digital and omnichannel;
- shock to loyalty;
- health and "caring" economy;
- homebody economy.

Consumption categories affected by social distancing are driving this recession. And they will be slow to recover to pre-pandemic levels, as many consumers remain reluctant to spend on them (Levanon, 2020). A study by Chronopoulos, Lukas, and Wilson (2020), in order to assess the impact of the COVID-19 pandemic on consumer spending, collecting data from Money Dashboard. Money Dashboard is a popular personal finance application, which aggregates all transactions from linked bank accounts and credit or debit cards for users located throughout Great Britain.

The sample contains 23 million transactions carried out by 101,059 individuals over the period January 1st, 2020 to June 18, 2020. They find out that consumer spending responses also vary by location (across nations and regions) and demographic characteristics (age, gender, and income level). These findings suggest that the COVID-19 and public health interventions instituted by the UK government (and devolved administrations) are having significant impacts on the level and composition of consumer spending patterns across Great Britain.

COVID-19 and containment measures will halt poverty reduction and welfare improvements in the Western Balkans, with the crisis likely to affect household welfare, mainly through fewer jobs and loss of labor income in the most affected sectors, as well as lower international remittances (World Bank, 2020c). In 2021, growth is expected to bounce back to pre-COVID-19 levels except in Albania, where it may spike to 8.8%, and Kosovo, rising to 5.2%. It is expected that both consumer and investor confidence will be restored and private consumption and investments will rise. The recovery in investment and activity in vital sectors like services, tourism, construction, and energy, will support job creation. Also, a study by Rexha, Bexheti, and Berisha (2021), suggests a positive and significant effect of indirect taxes on real GDP in Kosovo.

Western Balkan countries rely heavily on the steady inflow of remittances, financing domestic demand, and investment. In Kosovo, for instance, remittances account for 15% of the overall GDP. In addition to the high volumes, the remittances are also quite concentrated in terms of source countries — Germany, Italy, Austria — further exacerbating the Western Balkan economies' vulnerability to the crisis' impact in these economies (OECD, 2020). Remittances are likely to diminish due to travel restrictions and increased unemployment, linked to the anticipated economic contraction in the EU. Also, it will be a challenge for job creation after a pandemic period. Alper (2015) studied the relationship of economic growth with consumption, investment, unemployment, portfolio investments, and saving rates in Brazil, Russia, India, South Africa, and Turkey using panel data for the period of 2005–2016 and conclude that saving rates have the most impact on economic growth.

Another study by Habanabakize and Muzindutsi (2015) concludes that there is a long-run relationship between aggregate expenditure and job creation with government and investment expenditure being the key determinants of job creation.

3. METHODOLOGY

This scientific research is based on theoretical analysis on the impact of the COVID-19 pandemic on the economy in general and on consumption and investment in particular. The reviewed literature is of international level from numerous indexed platforms. To analyze the impact of the COVID-19 pandemic in PCE in the case of citizens of Kosovo, we have used the questionnaire as a tool for conducting the primary data. The questionnaire was created in Google Forms. The questionnaire is designed in two sections, where in the first section, the general demographic questions are included, and in the second section, the questions that are related to the scope of the study. The questions used are structured, semi-structured, and open questions. Also, the Likert scale is used from five statements including "totally agree", "agree", "neutral", "do not agree", and "do not agree at all". The questionnaire was randomly distributed using social media — Facebook. The period covered to collect the data includes 4 months. To have more detailed data regarding PCE, secondary data is also used in this study. The secondary data are obtained from World Bank Indicators.

Based on the thematic scope, the goal was a sample of 500 respondents, but only 233 questionnaires were provided, specifically, the number of respondents in this research is 233. The data is processed using the IBM SPSS Statistics program including frequencies, Pearson correlation, Chi-square tests of independence. All the results are presented using tables and graphs in the following section.

Also, there are a huge number of empirical methods that can be used to analyze the impact of consumer spending over longer periods including fixed and random effects, and Hausman-Taylor as a pretest estimator. But these econometric models are more suitable for panel data. On the other hand, this study, as survey research in its scope, is specific due to the period under consideration.

However, in our terms of analysis, which is specific for the sake of the conditions imposed by the COVID-19 pandemic that is currently occurring, our study is survey research and is a good basis for forecasting the economic conditions in the period post-COVID.

4. DATA ANALYSIS AND RESULTS

In section fourth, we go through data analysis, interpretation of the results using tables and figures. In this section of the study, the secondary data obtained from World Bank Indicators and the results from the survey and hypothesis testing are presented.

Table 1. Macroeconomics indicators in the case of Kosovo (2017–2022)

	2017	*2018*	*2019*	*2020 e*	*2021 f*	*2022 f*
Real GDP growth, at constant market prices	4.2	3.8	4.2	-8.8	3.7	4.9
Private consumption	1.8	4.8	2.1	-3.9	3.0	5.0
Government consumption	-0.6	8.9	3.6	5.0	-2.1	-0.3
Gross fixed capital investment	5.7	6.1	4.6	-16.3	5.0	3.8
Exports, goods and services	16.8	3.8	10.5	-30.0	16.5	17.1
Imports, goods and services	5.4	9.0	4.6	-12.1	6.3	8.3
Inflation (consumer price index)	1.5	1.1	2.7	0.5	0.6	1.2
Current account balance (% of GDP)	-5.4	-7.6	-5.5	-7.2	-5.8	-5.3
Net foreign direct investment (% of GDP)	3.3	3.4	2.8	3.7	4.6	4.6
Fiscal balance (% of GDP)	-1.2	-2.8	-2.9	-9.5	-6.7	-4.6
Debt (% of GDP)	15.5	16.3	17.0	22.6	27.3	29.6
Primary balance (% of GDP)	-0.9	-2.5	-2.5	-9.0	-6.1	-3.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a]		19.7	17.9	22.9		

Source: World Bank (2020a).
Notes: e = estimate, f = forecast. Calculations based on ECAPOV harmonization, using 2017-HBS. Data adjusted with original 2011 PPP factor. Actual data: 2017. Nowcast: 2018–2019. Forecast are from 2020 to 2022.

In Table 1, we present the main macroeconomic indicators for Kosovo using secondary data from World Bank. As we can see, the Kosovo GDP remark a decrease at 8.8 level in the time of COVID-19 pandemic, following also by private consumption at 3.9 point. The data present in table one show us a decreasing trend for the main macroeconomic indicators in some cases even though negative during the pandemic year. Thus, in the following part of this section, we will interpret the Kosovo citizen's consumption expenditure due to their own experience during the COVID-19 pandemic.

The results from the survey are presented using figures and tables and include descriptive statistics of the demographic variables, frequencies of the variable, Pearson correlation matrix, and the test of the reliability, Cronbach's alpha, and t-test for hypothesis testing.

Table 2. Descriptive statistics of demographic variables

Conceptual variables		*Gender*	*Age*	*The level of education*	*Occupation*	*Employment status*
N	Valid	233	233	233	233	233
	Missing	0	0	0	0	0
Mean		1,44	1,96	2,69	6,03	1,22
Median		1,00	2,00	3,00	8,00	1,00
Std. deviation		0,498	0,953	0,973	3,325	0,417
Variance		0,248	0,908	0,947	11,055	0,174
Minimum		1	1	1	1	1
Maximum		2	5	5	9	2

In Table 2, we present the descriptive statistics of demographic variables including the gender of the respondents, age, and level of education, occupation, and employment status. As we can notice, the total number of the respondents is 233 and we do not have missing values.

Figure 1. The age of the respondents

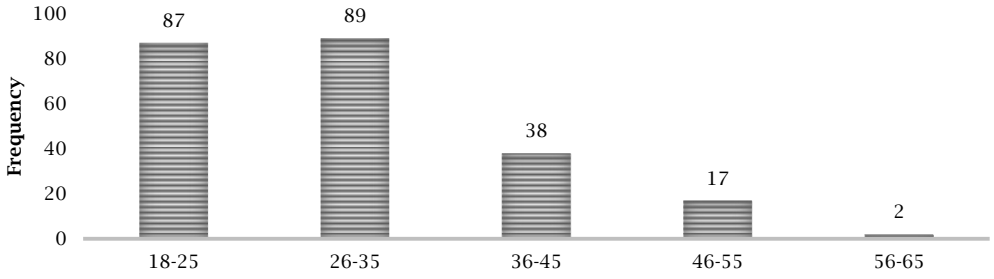
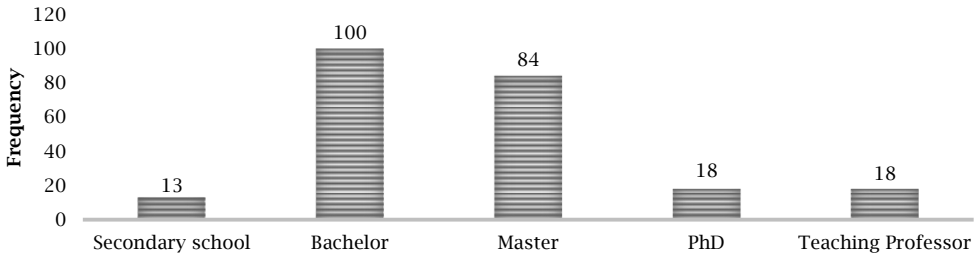


Figure 2. The respondent's level of education

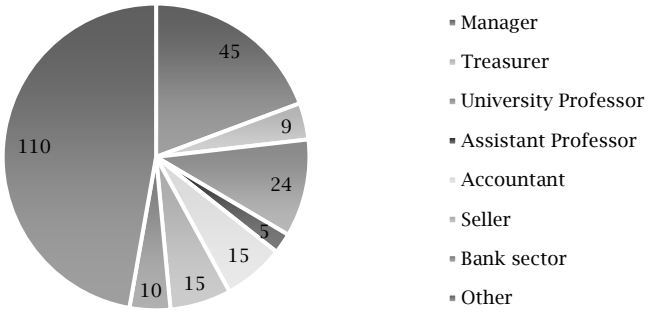


In Figure 1, we have the age of the respondents. As we can see, 89 of the respondents are aged 26–35, 87 of them are 18–25, 38 of the respondents are 36–45, 17 are at age 46–55, and 2 are at age 56–65.

In Figure 2 we represent the level of education of the respondents. 13 of the total number of the respondents are with secondary school, 100 of them are with Bachelor, 84 of them have a master degree, 18 doctoral, and 18 of them are teaching professors.

In Figure 3 we present the number of respondents related to their occupation. As we can see from the graph, 110 of the whole respondents have chosen the option "Other", 45 of them are managers, 24 University professors, 15 accountants, and 15 sellers, 10 bank sector, 9 treasures, and 5 assistant professors.

Figure 3. The respondent's occupation



Source: Authors' calculations.

In Figure 4 we have the data about the respondent's salary in euro. From the total number of the respondents, 74 of them have a salary of 150–300 euro, 46 of them have a salary of 301–450 euro, 37 of the respondents have a salary of 451–650 euro, 37 of the respondents have a salary between 651–1000 euro and 39 of the respondents have a salary more than 1000 euro.

Figure 4. The respondent's salary

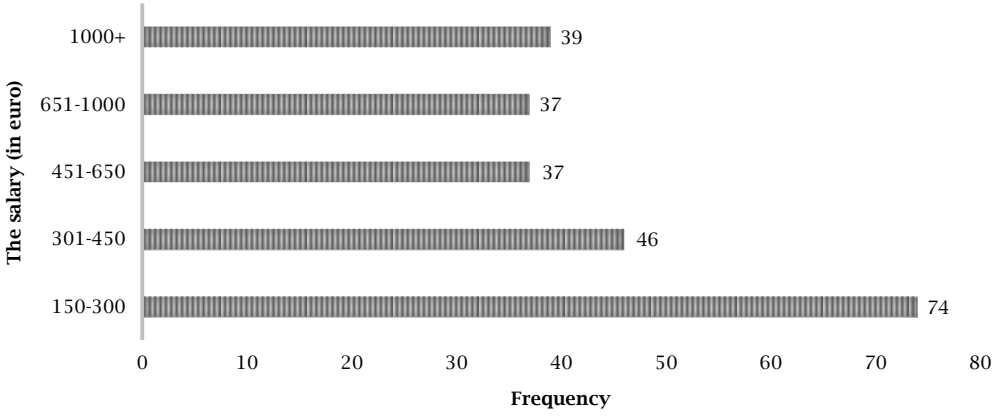
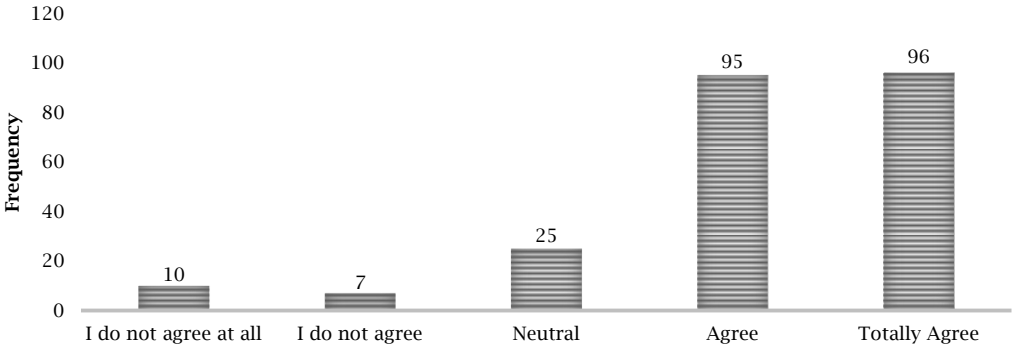
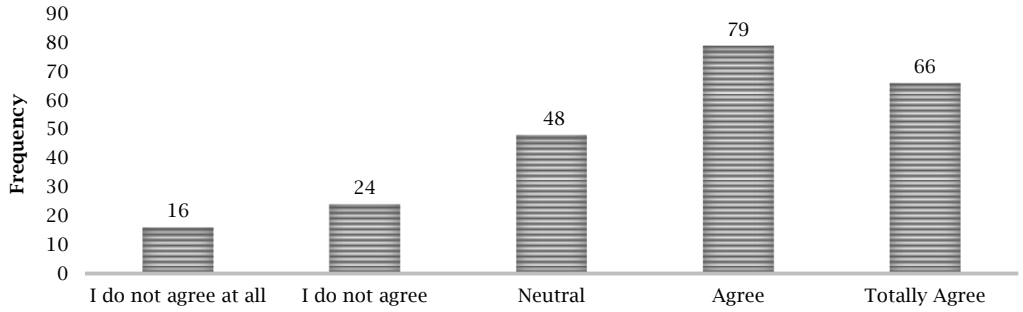


Figure 5. The COVID-19 pandemic has spread fear and panic



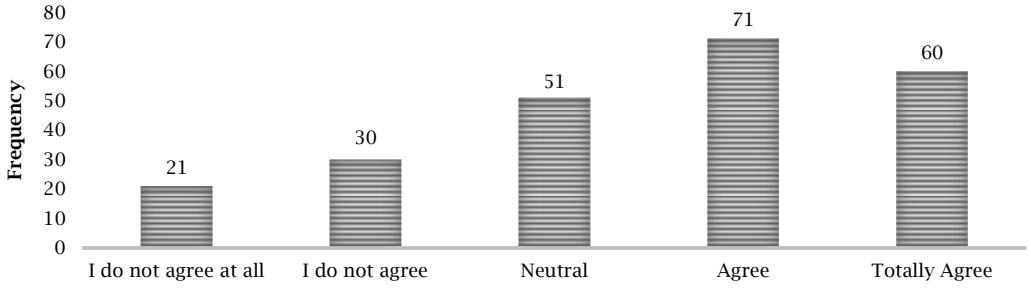
In Figure 5 we can see the results of the statement *"The COVID-19 pandemic has spread fear and panic among us as citizens"*. From the results we can see that 96 of the whole respondents totally agree with the statement, 95 of them agree, 25 are neutral, 7 of the respondents do not agree that the COVID-19 pandemic has spread fear and panic, and 10 of the respondents answer that they do not agree at all.

Figure 6. The COVID-19 pandemic has caused us to save our money from fear of what might happen next



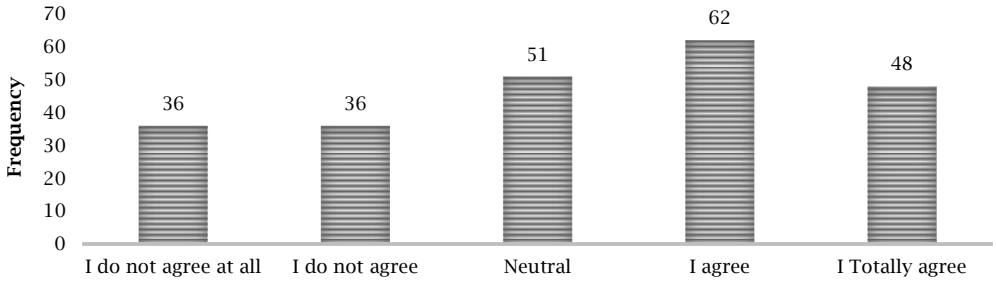
In Figure 6 we have the answers of the respondents about the statement: *"The COVID-19 pandemic has caused us to save our money from fear of what might happen next"* when the respondents have the opportunity to choose between "I do not agree at all" and "totally agree". As we can see, a large number of respondents, 79 of them, respond that agree with the statement, 66 of them totally agree, 48 are neutral, 24 do not agree and 16 of them do not agree at all.

Figure 7. We are afraid to spend money because we feel insecure related to our jobs



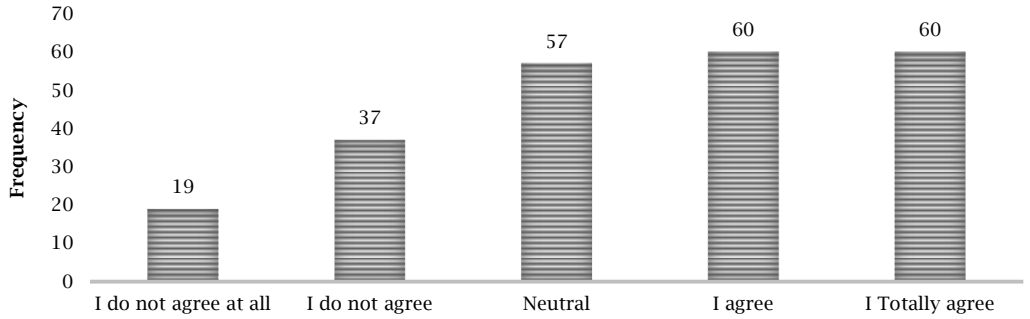
In Figure 7 we have the responses to the statement: *"We are afraid to spend money because we feel insecure related to our jobs"*. As we can see from the above graph, 71 of the respondents agree, 60 of them totally agree, 51 of them are neutral, 30 do not agree, 21 of the total number of the respondents do not agree at all — that means they are not afraid to spend money because they do not feel insecure in relation to their jobs.

Figure 8. We do not know if we will continue to work in our workplace after the COVID-19 pandemic



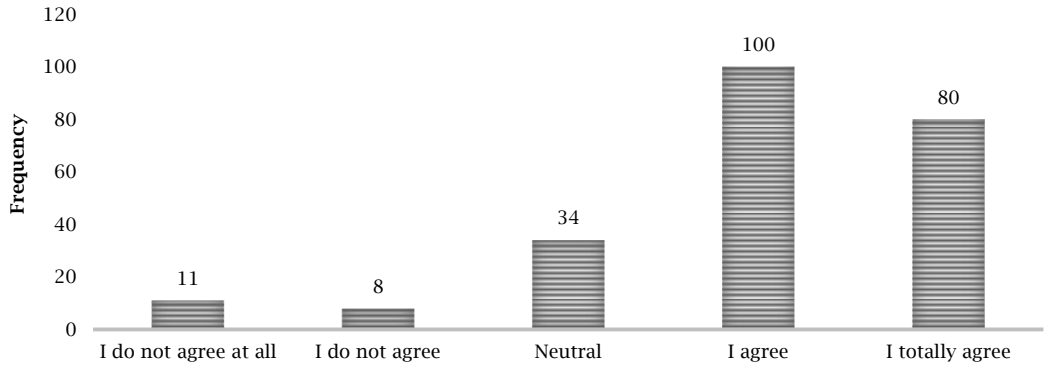
In Figure 8 we have the responses to the statement: *"We do not know if we will continue to work in our workplace after the COVID-19 pandemic"*. As we can see from the graph, 62 of the respondents agree, 48 of them totally agree, 51 are neutral, 36 of them do not agree and 36 do not agree at all.

Figure 9. We have reduced to zero our spending on luxury products



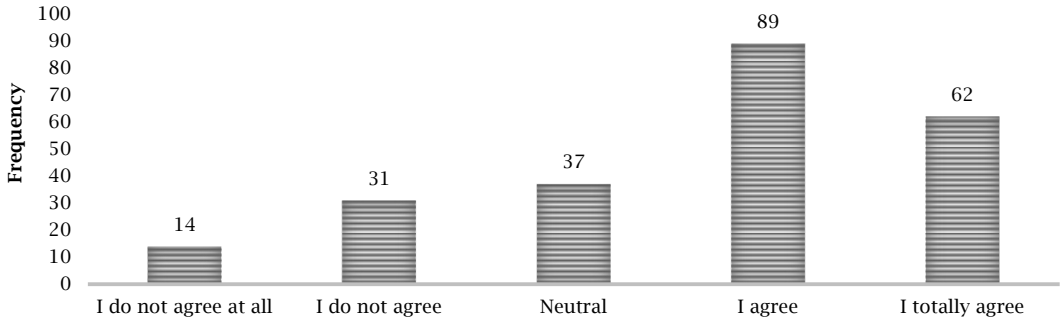
In Figure 9 we can see that 60 of the respondents totally agree with the statement that they have reduced to zero their spending on luxury products in a time of pandemic. 60 of them agree, 57 of them are neutral, 37 do not agree, and 19 of the respondents do not agree at all which means that they do not reduce to zero their sensing in luxury products in this time of the COVID-19 pandemic.

Figure 10. We have spent on hygiene products to take care of our health



In Figure 10 we have the results about the statement: *"We have spent on hygiene products to take care of our health"*. As we can see, 100 of the respondents agree, 80 of them totally agree, 34 are neutral, 8 of them do not agree, and 11 do not agree at all.

Figure 11. We have spent to provide medical drugs for any eventuality



In Figure 11 we have the responses related to the statement: *"We have spent to provide medicines for any eventuality"*. From the total number of the respondents, 89 of them agree, 62 of them totally agree that they spent money to provide medical drugs for any eventuality, 37 of them are neutral, 31 of them do not agree, and 14 of them do not agree at all.

In Figure 12 we present the responses related to the statement: *"The COVID-19 pandemic has caused us to spend more of our money on basic food products for fear of what might happen next"*. As we can see from the graph, 91 of the respondents agree, 80 of them totally agree, 39 are neutral, 12 do not agree, and 10 do not agree at all with the statement that means for few people the COVID-19 pandemic has not caused to spend more money on basic food products, they do not have fear for the future; maybe this is related to their wages or feeling secure about their jobs.

Figure 12. The COVID-19 pandemic has caused us to spend more of our money on basic food products for fear of what might happen next

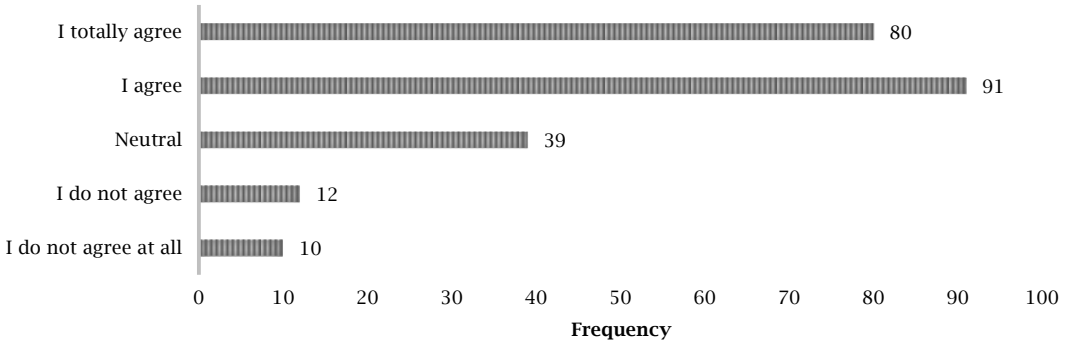
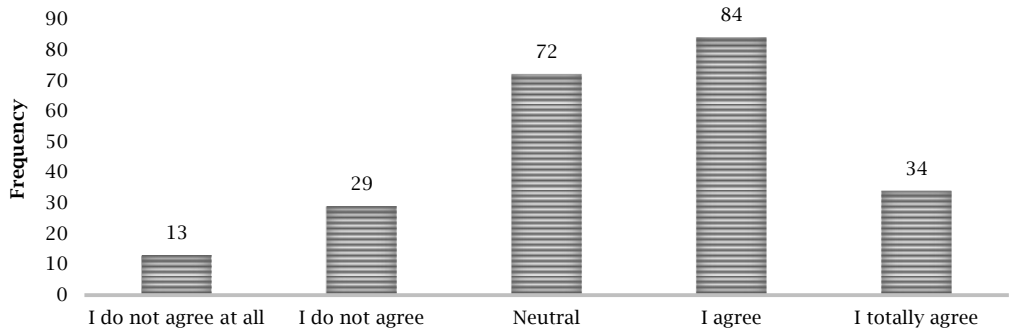


Figure 13. Realizing the pre-planned expenses (before the pandemic)

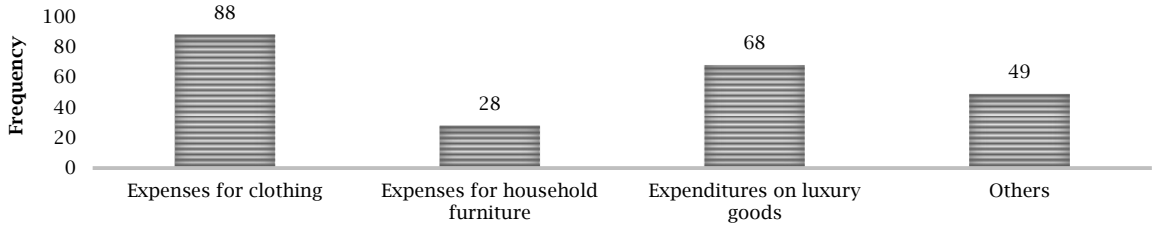


Source: Authors' calculations.

In Figure 13 we present the responses about the statement: *"After the release of the measures imposed by the government to prevent the spread of the COVID-19 pandemic, you will start to realize the pre-planned expenses (before the pandemic)"*.

As we can see from the above figure, 84 of the respondents agree, 34 totally agree, 72 are neutral, 29 do not agree, and 13 do not agree at all. As we can see from the graph, most of the respondents will realize the pre-planned expenses and this is a good indicator to increase consumption and investment.

Figure 14. Expenses suspended by the respondents due to the COVID-19 pandemic



Source: Authors' calculations.

In Figure 14 we have the response about the statement: *"What expenses have you suspended but will you realize the same again after the release of the measures?"*. As we can see from the graph, 88 of the respondents choose expenses for clothing, 68 — expenditures on luxury goods, 49 — others, and 28 of the respondents' expenses are for household furniture.

In Figure 15 we have the responses about the most debated issue worldwide concerning how countries will overcome the crisis caused by the COVID-19 pandemic. Thus, we add a question in our survey: *"Do you think that the economies of our countries will be able to overcome the crisis of the COVID-19 pandemic?"*. From the total number of the respondents, 105 think "yes", 46 think "no", and 82 have no comment.

Figure 15. Do you think that the economies of our countries will be able to overcome the crisis of the COVID-19 pandemic?

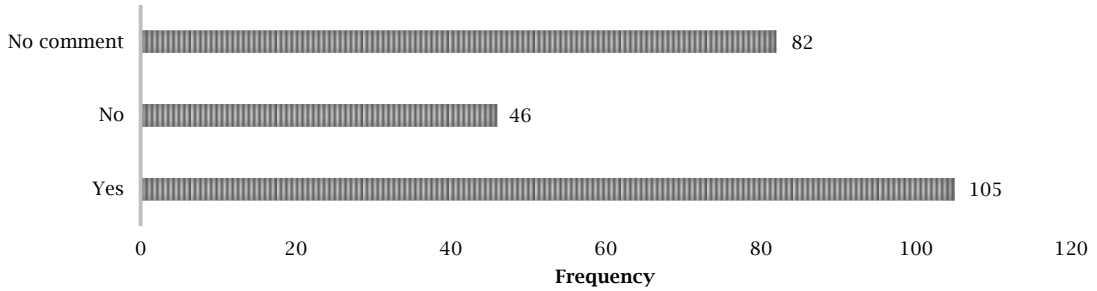


Table 2. Pearson correlation

		VAR 1	*VAR 2*	*VAR 3*	*VAR 4*	*VAR 5*	*VAR 6*	*VAR 7*	*VAR 8*
VAR 1	Pe. C.	1							
VAR 2	Pe. C.	-0,323**	1						
VAR 3	Pe. C.	-0,365**	0,570**	1					
VAR 4	Pe. C.	-0,043	0,010	-0,095	1				
VAR 5	Pe. C.	0,075	-0,079	-0,146*	0,407**	1			
VAR 6	Pe. C.	-0,010	-0,168*	-0,082	0,319**	0,483**	1		
VAR 7	Pe. C.	-0,005	-0,038	-0,159*	0,459**	0,397**	0,389**	1	
VAR 8	Pe. C.	-0,006	-0,028	-0,160*	0,396**	0,404**	0,316**	0,598**	1

Source: Primary data, authors' calculations.
*Note: *, ** are negatively correlated.*

Conceptual variables of the Pearson correlation (Pe. C.) include:

VAR 1 = The profession of the respondents;

VAR 2 = The level of education;

VAR 3 = The salary (in euro);

VAR 4 = "The COVID-19 pandemic has spread fear and panic among us as citizens";

VAR 5 = "We are afraid to spend money because we feel insecure related to our jobs";

VAR 6 = "We have reduced to zero our spending on luxury products";

VAR 7 = "We spend mostly on hygiene products to take care of our health";

VAR 8 = "We have not spared in terms of buying medicines".

From the results of Pearson correlation which evaluates the strength of the relationship between two variables by taking the values from -1 for a negative relationship to +1 for a perfect positive relationship between the two variables, we can see that the variable the profession of the respondents is negatively correlated with the variable The level of education (*VAR 2*) in the value of the Pearson coefficient (0.323), it is also negatively correlated with the variable The salary (*VAR 3*), also is in a negative relationship with the variable "The COVID-19 pandemic has spread fear and panic among us as citizens" (*VAR 4*). This means that the profession of the respondents is not related to the fear of the COVID-19 pandemic. We can see a positive relationship between the variable Profession of the respondents (*VAR 1*) and the variable "We are afraid to spend money because we feel insecure related to our jobs" (*VAR 5*) at the Pearson coefficient 0.075, instead of the weak relationship, however, the relationship is positive. Thus, despite the profession, the COVID-19 pandemic has created concerns among citizens because of their insecurity about their jobs.

The variable Profession of the respondents (*VAR 1*) is also negatively correlated with the variables "We have reduced to zero our spending on luxury products" (*VAR 6),* "We spend on hygiene products to take care of health" *(VAR 7),* and "We have spent to provide medical drugs for the eventuality" (*VAR 8*).

The second variable in the Pearson correlation matrix is The level of education (*VAR 2*). As we can see from the Pearson coefficient 0.570, The level of education is positively correlated with the variable The salary of the respondents (*VAR 3*). In a weak but positive relationship, it is with the variable "The COVID-19 pandemic has spread fear and panic among us as citizens" (*VAR 4*) at the level of the coefficient 0.010 and is negatively correlated with the variables: "We are afraid to spend money because we feel insecure related to our jobs" *(VAR 5),* "We have reduced to zero our spending on luxury products" *(VAR 6),* variable seven (*VAR 7*) and also with the eighth variable (*VAR 8*).

The third variable is The salary (*VAR 3*) which is negatively correlated with all variables in the Pearson correlation matrix.

The fourth variable, "The COVID-19 pandemic has spread fear and panic among us as citizens" *(VAR 4),* is in a positive relationship with the whole variables including "We are afraid to spend money because we feel insecure related with our jobs" *(VAR 5),* "We have reduced to zero our spending on luxury products" *(VAR 6),* "We spend mostly on hygiene products to take care of our" (*VAR 7),* "We have not spared in terms of buying medicines" *(VAR 8).*

The fifth variable is "We are afraid to spend money because we feel insecure related to our jobs" (*VAR 5*) and it is positively correlated with the variables "We have reduced to zero our spending on luxury products" *(VAR 6),* "We spend mostly on hygiene products to take care of our health" *(VAR 7),* "We have not spared in terms of buying medicines" *(VAR 8).*

VAR 6 is positively correlated with *VAR 7*, i.e., we spend on hygiene products to take care of our health at the level of the Pearson coefficient 0.389 and also with the variable "We have not spared in terms of buying medicines" (*VAR 8*) at the level of the coefficient 0.316.

Variable seven in the Pearson correlation matrix is "We spend on hygiene products to take care of health" (*VAR 7*) and it is positively correlated with the variable "We have not spared in terms of buying medicines" (*VAR 8*) at the level of the coefficient 0.598.

In our analysis (Table 3), we can see that Cronbach's alpha is 0.847, which expresses a high level of internal consistency of the variables.

Table 3. Reliability statistics

Cronbach's alpha	*Cronbach's alpha based on standardized items*	*No. of items*
0,847	0,848	10

Table 4. Item-total statistics

Conceptual variables	*Scale mean if item deleted*	*Scale variance if item deleted*	*Corrected item-total correlation*	*Squared multiple correlation*	*Cronbach's alpha if item deleted*
The COVID-19 pandemic has spread fear and panic among citizens.	31,49	48,961	0,548	0,364	0,833
The COVID-19 pandemic has imposed the need to freeze our savings from the uncertainty of the future.	31,95	47,313	0,551	0,397	0,832
We are afraid to spend money because we are insecure about our jobs.	32,10	44,725	0,683	0,613	0,819
We do not know if our jobs will be saved after the COVID-19 pandemic.	32,40	44,994	0,603	0,580	0,827
We have reduced to zero our spending on luxury products.	32,16	46,622	0,557	0,347	0,832
We have spent mainly on essential food products.	32,93	47,995	0,453	0,287	0,842
We spend mostly on hygiene products to take care of our health.	31,63	48,183	0,595	0,509	0,829
We have not spared in terms of buying medical drugs.	31,95	46,634	0,603	0,483	0,827
The COVID-19 pandemic has made us more reluctant to spend on clothing in this time period.	31,66	47,324	0,641	0,513	0,825
After the release of the measures imposed by the government to prevent the spread of the COVID-19 pandemic (return to normal), you will start to realize the consumption expenditures as you planned to spend before the COVID-19 pandemic.	32,19	52,804	0,246	0,211	0,857

The above table presents the value of Cronbach's alpha if a particular item will be deleted from the analysis. We can conclude that if we remove any question, excluding question 10, would derive a lower Cronbach's alpha. The removal of question 10 would cause to improvement in Cronbach's alpha, and we can also see that in the column of corrected item-total correlation value for question 10 is low (0.246). As we need question 10, we do not delete it from the analysis.

Table 5. Inter-item correlation matrix

	VAR 1	*VAR 2*	*VAR 3*	*VAR 4*	*VAR 5*	*VAR 6*	*VAR 7*	*VAR 8*	*VAR 9*	*VAR 10*
VAR 1	1									
VAR 2	0,459	1								
VAR 3	0,409	0,57	1							
VAR 4	0,351	0,447	0,7	1						
VAR 5	0,321	0,34	0,48	0,447	1					
VAR 6	0,199	0,304	0,416	0,448	0,339	1				
VAR 7	0,461	0,307	0,394	0,234	0,386	0,333	1			
VAR 8	0,398	0,355	0,4	0,378	0,312	0,337	0,596	1		
VAR 9	0,429	0,341	0,406	0,414	0,445	0,242	0,523	0,571	1	
VAR 10	0,237	0,093	0,088	0,027	0,188	0,03	0,308	0,233	0,404	1

VAR 1 = "The COVID-19 pandemic has spread fear and panic among citizens";

VAR 2 = "The COVID-19 pandemic has imposed the need to freeze our savings from the uncertainty of the future";

VAR 3 = "We are afraid to spend money because we are insecure about our jobs";

VAR 4 = "We do not know if our jobs will be saved after the COVID-19 pandemic";

VAR 5 = "We have reduced to zero our spending on luxury products";

VAR 6 = "We have spent mainly on essential food products";

VAR 7 = "We spend mostly on hygiene products to take care of our health";

VAR 8 = "We have not spared in terms of buying medicines";

VAR 9 = "The COVID-19 pandemic has made us more reluctant to spend on clothing in this time period";

VAR 10 = "After the release of the measures imposed by the government to prevent the spread of

the COVID-19 pandemic (return to normal), you will start to realize the consumption expenditures as you planned to spend before the COVID-19 pandemic". Following this section, we present the hypothesis testing and discussions. The hypotheses are tested using Chi-square tests of independence. In regard to the results obtained from Chi-square tests, we will accept or reject the hypothesis.

Table 6. Chi-square tests (*H1*)

Chi-square tests	*Value*	*Df*	*Asymptotic sig. (2-sided)*	*Exact sig. (2-sided)*	*Exact sig. (1-sided)*
Pearson Chi-square	6,746[a]	1	0,009		
Continuity correction[b]	5,510	1	0,019		
Likelihood ratio	5,920	1	0,015		
Fisher's exact test				0,021	0,013
Linear-by-linear association	6,717	1	0,010		
No. of valid cases	233				

Notes: a. 0 cells (0,0%) have an expected count of less than 5. The minimum expected count is 5,80; b. Computed only for a 2x2 table.

The hypothesis that the COVID-19 pandemic has impacted the personal consumption expenditures in the case of citizens of Kosovo (*H1*) is accepted due to the Chi-square tests. As we can see from the above table, the Asymptotic significance (2-sided) in our case of analysis is 0.009 thus, the alpha level condition smaller or equal to 0.005 is met. We can conclude that in the case of Kosovo, the COVID-19 pandemic not only impacted the personal consumption expenditure but also has caused a shift from luxury to clothes, food, and medicine consumption expenditures during this time of the pandemic.

The second hypothesis *(H2)* states that the suspended household expenditures during the COVID-19 pandemic will be released after the release of anti-COVID measures and the improvement of the epidemiological situation in general thus will prevent the economy of Kosovo from recession.

Table 7. Chi-square tests (*H2*)

Chi-square tests	*Value*	*Df*	*Asymptotic sig. (2-sided)*
Pearson Chi-square	9,026[a]	3	0,029
Likelihood ratio	9,033	3	0,029
Linear-by-linear association	2,611	1	0,106
No. of valid cases	233		

Note: a. 0 cells (0,0%) have an expected count of less than 5. The minimum expected count is 12,38.

Based on the Chi-square test, we can accept the *H2* that the suspended household expenditures during the COVID-19 pandemic will be released after the release of anti-COVID measures and the improvement of the epidemiological situation in general, due to the results of asymptotic significance (2-sided of Pearson Chi-square which is 0.029 below the condition of an alpha level less or equal to 0.05). This finding is a great indicator for the future of the economic growth of Kosovo. In line with economic theory, in general, private consumption or household consumption have a positive impact on economic growth, thus we can indicate that in our case of analysis if people will release the pre-planned expenses after the release of anti-COVID measures and the improvement of the epidemiological situation, in general, this can prevent the economy from the recession.

The third hypothesis (*H3*) in this study states that the citizens of Kosovo believe that Kosovo has the ability to overcome the crisis of the COVID-19 pandemic.

Table 8. Cross tabulation table

		Do you think that the economies of our countries will be able to overcome the crisis of the COVID-19 pandemic?			*Total*
		Yes	*No*	*No comment*	
The level of education	Secondary school	4	2	7	13
	Bachelor	39	23	38	100
	Master	39	14	31	84
	Ph.D.	11	4	3	18
	Teaching professor	12	3	3	18
Total		105	46	82	233

As we can see from Table 8, of the Chi-square test of independence in the total number of 233 respondents, regarding the level of education and about do they think that the economies of our countries will be able to overcome the crisis of the COVID-19 pandemic, with the secondary school we have in total 13 responds, among them 4 answers — "yes", 2 — "no", and 7 have no comment.

With a bachelor's degree, we have 100 respondents, 39 of them answer "yes", 23 of them answer "no", and 38 have no comment. With a master's degree, we have in total 84 respondents and from them, 39 choose the option "yes", 14 answer "no", and 31 have no comment.

With a Ph.D. level, we have in total of 18 respondents and 11 of them answer "yes", 4 of them answer "no", and 3 have no comment. We have 18 teaching professors, 12 of them answer "yes", 3 of them answer "no", and 3 others have no comment. As we can see from the above table,

A huge number of our respondents is with a bachelor degree (in total 100 respondents) and also almost all of them answer "no comment" about that the economies of our countries will be able to overcome the crisis caused by the COVID-19 pandemic.

As we can notice, despite the number of respondents with Ph.D. and teaching professors is small, in comparison with bachelor's and master's degrees, we can see that they are more optimistic about the situation.

Table 9. Chi-square tests (*H3*)

Chi-square tests	*Value*	*Df*	*Asymptotic sig. (2-sided)*
Pearson Chi-square	10,630[a]	8	0,224
Likelihood ratio	11,077	8	0,197
Linear-by-linear association	8,299	1	0,004
No. of valid cases	233		

Note: 4 cells (26,7%) have an expected count of less than 5. The minimum expected count is 2,57.

In Table 9 we have the results from the Chi-square tests of independence. We have the value of Asymptotic significance (2-sided) 0.224 that means greater than the Alfa level ($\alpha = 0.05$), this means that there is no association between the level of education of the respondents and their opinion related the ability that our countries have to overcome the crisis of the COVID-19 pandemic, thus in our case, we reject the *H3*.

5. DISCUSSION

This study is of great interest to academics, researchers, and policymakers due to its nature of the research. Via this study, we analyze a key indicator such as private consumption expenditures which is crucial for economic stability and growth for developing countries in general with special emphasis on Kosovo. As Kosovo is a consumption-based economy, the COVID-19 pandemic has impacted personal consumption expenditures in general. We find out that the COVID-19 pandemic has impacted the personal consumption expenditures in the case of Kosovo and also has shifted the personal expenditures from luxury goods to food, clothes, and medicines. In line with our findings, there is also a study from Baquer (2021) concluding that there were changes in consumption patterns before the state of alarm was declared. The study also concludes that spending by residents rallied in the first half of March due to higher consumption of essential products, as we shall see later on, whereas spending by foreigners began to fall due to the fear of the pandemic, the expectation of the oncoming lockdown and the cancellation of major events.

The most important finding in this study, among others, is that the suspended household expenditures during the COVID-19 pandemic will be issued after the release of anti-COVID measures and the improvement of the epidemiological situation in general. This is a great indicator that can contribute to preventing the economy of Kosovo from recession. In opposite of our findings, there is a study from Mishra and Dhanerwal (2020), revealed that consumer demand is expected to decline significantly for both discretionary items as well as planned items during this financial year, in this regard, is that despite lockdown easing, consumer expectations have been altered in a manner that demand for all sectors considered in the study (albeit at varying degrees) is expected to be low even after the economy is allowed to operate per usual.

6. CONCLUSION

The COVID-19 pandemic is impacting negatively the health and economic sector and also the social welfare. Thus, in developing countries, such as Kosovo, the COVID-19 pandemic has increased the stress of people, especially those people that are employed in the private sector regarding their insecurity for their job and also for their wages. Since the future is still uncertain, normally people, in general, become much more responsible for money spending. Household consumption expenditure in Kosovo during the COVID-19 pandemic has shifted from luxury goods to essential goods such as food, hygienic products, and medicine. Regarding ensures taking form governance to prevent the spread of the virus a lot of economic activities are hampered, thus, private consumption, in general, is oriented toward essential products. A great indicator from the obtained data and results is that people are waiting for the release of the measures to be able to realize their pre-planned consumption expenditures, this finding is of great interest, and also it is a good base for further recommendations. It is necessary to promote the labor market stability for the citizens to be able to realize their pre-planned consumption expenditures. As the COVID-19 has blocked almost every economic activity, it has consequently impacted private consumption expenditures. Policymakers should promote fiscal policies that increase domestic products, support employers and employees, to be able to spend their money as they have planned before the pandemic because personal consumption is a key indicator to prevent the economy from recession. The government should direct the public expenditures on the production industry towards productive sectors that will contribute to improving the standard of living by contributing to the employment rate and economic growth.

The study analyses the private consumption expenditures in general as considering that the private consumption expenditure is a pillar toward economic growth for Kosovo as a developing country and comes to the conclusion that if people realize the costs of their consumption, which have been suspended during the pandemic, at a time when the pandemic will pass then this will protect the economy from recession and is a good indicator of economic recovery. The main limitation of this study is the small number of respondents and also this study separates neither the sectors nor the products. Thus, in further studies, there can be used more specified data covering the period during the COVID-19 pandemic and post COVID-19 pandemic consider both primary and secondary data.

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