

The Pakistan Credit Rating Agency Limited

SECTORWATCH | CORONAVIRUS | RETAIL

Since the start of 2020, the novel coronavirus (COVID-19) outbreak has quickly spread across the world and caused disruptions in economies worldwide. Starting in China – itself a global manufacturing hub – and moving to more than 200 countries and territories, virtually all major economies and markets have been adversely impacted. The full impact of such an outbreak on Pakistan's economy is difficult to ascertain at present and will depend on the severity and duration of the outbreak as well as Government's response. However, it is clear that credit conditions are under stress and this will impact credit quality of many entities and sectors. In this context, PACRA aims to provide analysis on how the ongoing outbreak of COVID-19 may impact various sectors in Pakistan.

SECTOR	SUB-SECTOR
RETAIL	MULTIPURPOSE MALLS
SIZE	- Retail Sector – sub-sector of trading – has ~17% share in Pakistan's GDP (includes small and medium traders through shops and bazaars)
Number of Players	 Mega Malls, an emerging phenomenon in major cities Numerous mid-sized malls in major and second tier cities
PACRA PENETRATION	 PACRA rates 1 entity in the business of Malls Retail space of PACRA client ~1.2mln sq.ft in Mega Mall segment
IMPACT	 Lockdown of malls and retail outlets directly impacting footfall as majority of shops remain closed. Only grocery stores (usually anchor stores operating as hypermarkets) and pharmacies in malls are open Inability of tenants to pay rent. Vacant places and lower rents expected in short term. Already rents waived off or reduced for a few months Malls have leveraged financial structure. Cash flow constraints may lead to inability to meet financial obligations. SBP initiatives will ease out debt repayment in shape of deferment/restructuring Lower rents and occupancies will lead to revenue decline resulting in lower profitability. Normal operations may not resume for a while

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