



EUROPEAN CENTRAL BANK

EUROSYSTEM

Household savings during the pandemic

SUERF Workshop Panel

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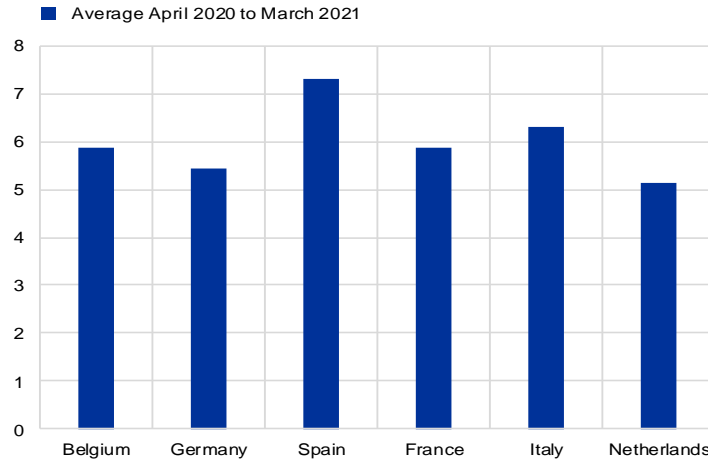
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1. Very substantial heterogeneity in the pandemic's financial impact across households

Households' financial concern due to COVID-19 across countries

(x-axis: survey country and month, y-axis: average concern score)



Heterogeneity in financial concerns due to Covid-19 across demographic groups

	Mean		Mean
Age		Income	
18-34 years	6.23	Quartile 1	6.52
35-49 years	6.32	Quartile 2	6.20
50-64 years	6.02	Quartile 3	5.89
65+ years	5.43	Quartile 4	5.49
Gender		Liquidity Constrained	
Women	6.26	No	5.61
Men	5.81	Yes	7.13

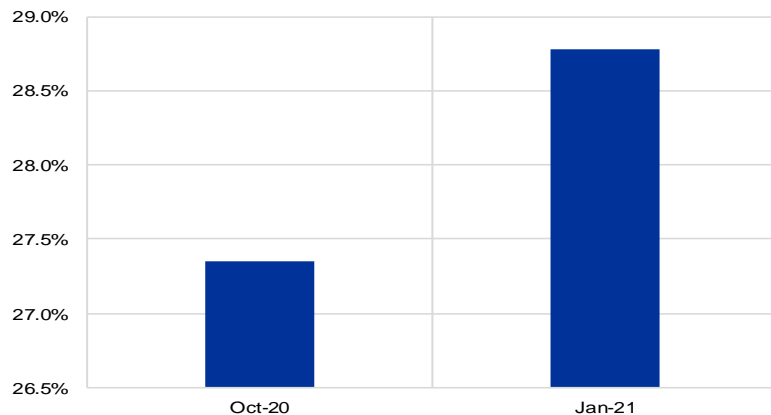
Source: ECB Pilot Consumer Expectations Survey. Using weighted data. Individual-level concerns about the households situation are elicited monthly since April by asking: *How concerned are you about the impact of Coronavirus (Covid-19) with respect to the financial situation of your household?* with an 11-step response scale ranging from 0 (*Not at all concerned*) to 10 (*Extremely concerned*). Liquidity constraints are inferred from the ability of a household to come up with an unexpected payment equal to one month of household income.

- **Christelis, Georgarakos, Jappelli and Kenny (2020) demonstrate that such pandemic-induced financial concerns can explain the observed weakness in euro area consumption**

2. Precautionary savings **also** relevant and linked to aggregate or “macro” uncertainty

Precautionary savings motive

(x-axis: mean % of annual net household income, y-axis: survey month)



Source: ECB Pilot Consumer Expectations Survey. Using weighted data. The data for the precautionary savings motive are winsorized at the 2nd and 98th percentile. Precautionary savings motive is elicited by asking respondents about their household's savings needed to *deal with unexpected events* such as job loss, big repairs, or illness.

Impact of Uncertainty on Consumption: Evidence from a Euro Area Randomised Controlled Trial

	One month after treatment	Four months after treatment
	(1)	(2)
Posterior: mean	-0.82	-0.26
	(0.52)	(0.49)
Posterior: uncertainty	-4.61**	-4.51**
	(2.23)	(2.25)
Observations	4,572	4,113
R-squared	0.19	0.17

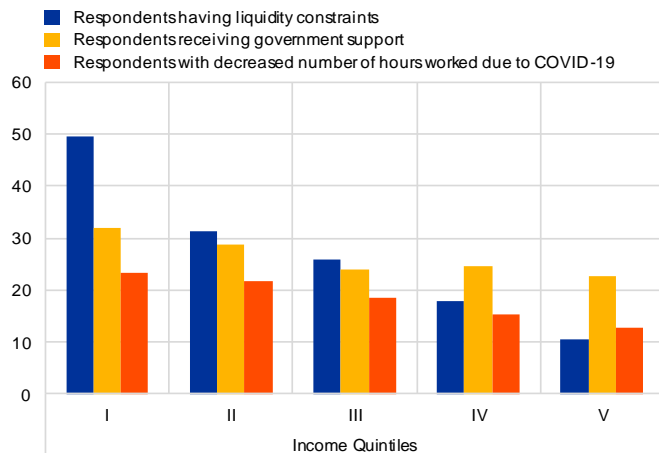
Source: Coibion, Georgarakos, Gorodnichenko, Kenny and Weber (2021).

- **Coibion et al. (2021) estimate causal effects of macro uncertainty on consumer spending that are economically large, persistent and driven by households working in sectors most impacted by the pandemic**

3. Targeted policies can deliver the strongest stabilisation benefits and support for the recovery

Liquidity constraints, government support and reductions in hours worked

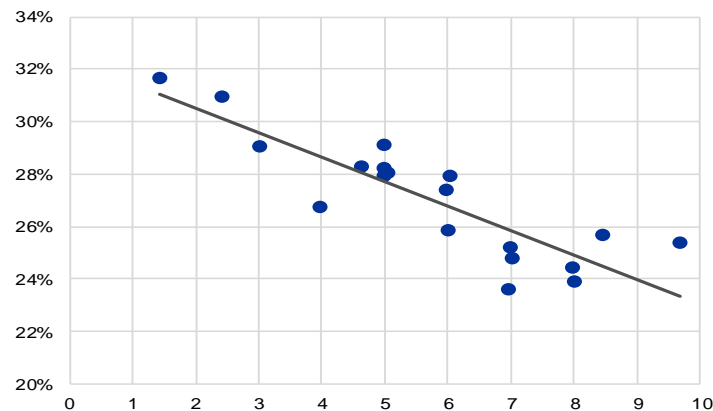
(x-axis: net household income quintiles, y-axis: percentage of respondents)



Source: ECB Pilot Consumer Expectations Survey. Using weighted December data. Liquidity constraints are inferred from the ability of a household to come up with an unexpected payment equal to one month of household income. In December, respondents are asked to report whether they received any government support in each of ten categories (multiple response options) such as financial compensation, loans, and rent support. Changes in hours worked due to the Covid-19 pandemic refer to changes in December compared to November 2020.

Precautionary savings and adequacy of fiscal measures

(x-axis: perceived adequacy, y-axis: average % of annual net household income)



Source: ECB Pilot Consumer Expectations Survey. See also Lagarde (2020). Using pooled and weighted data from July 2020 to January 2021. The data for the precautionary savings motive are winsorized at the 2nd and 98th percentile. Individual-level perceived adequacy of government measures is elicited on an 11 point scale from 0 (*very poor*) to 10 (*very good*).

References

Christelis D., D. Georgarakos, T. Jappelli, and G. Kenny (2020) “The COVID-19 Crisis and Consumption: Survey Evidence from Six EU Countries.” ECB Working Paper 2507.

Coibion, O., D. Georgarakos, Y. Gorodnichenko, G. Kenny, and M. Weber (2021). “The Effect of Macroeconomic Uncertainty on Household Spending.” NBER Working paper No.28625, April.

Lagarde, C. (2020), Monetary policy in a pandemic environment, Speech at the ECB Forum on Central banking, 11 November 2020.