# Impact of the COVID-19 crisis on household incomes and savings: results after one year in the light of the consumer survey

Most of the data analysed in this article can be found on NBB.Stat.

## Introduction

**Since April 2020, the monthly consumer survey has contained two additional questions to monitor the impact of the health crisis on the financial situation of households. Every month, this survey polls a representative sample of 1 850 consumers.**

In April 2020, the National Bank of Belgium decided that its monthly survey of households aimed at establishing the consumer confidence indicator should include two specific questions on how the health crisis was affecting the financial situation of households. These two special questions on "COVID-19" were added for the purpose of monitoring the economic and financial situation, a task entrusted to the ERMG[1]. This did not affect the establishment of the confidence indicator since the existing methodology remains unchanged and is not influenced by these two extra questions.

One year into the health crisis, this article reports on the movement in the household confidence indicator and the results recorded for the two specific questions on "COVID-19".

## Consumer confidence indicator

**The sudden decline in consumer confidence in March-April 2020 was even faster and steeper than at the time of the 2008-2009 financial crisis.**

Every month, a survey comprising about twenty questions is addressed to a different representative sample of 1 850 people[2] in order to ascertain their view of the economic situation in Belgium.

The consumer confidence indicator is based on the results obtained for a fixed selection of four questions, which are all prospective. Two of those questions ask the survey respondents about their expectations regarding the macroeconomic situation (the general economic situation and unemployment in Belgium over the next twelve months), while the other two questions concern their expected personal or microeconomic situation (particularly their financial situation and whether they expect to save over the next twelve months).The indicator is not specifically designed to measure the consequences of any particular phenomenon. Nevertheless, by asking general questions

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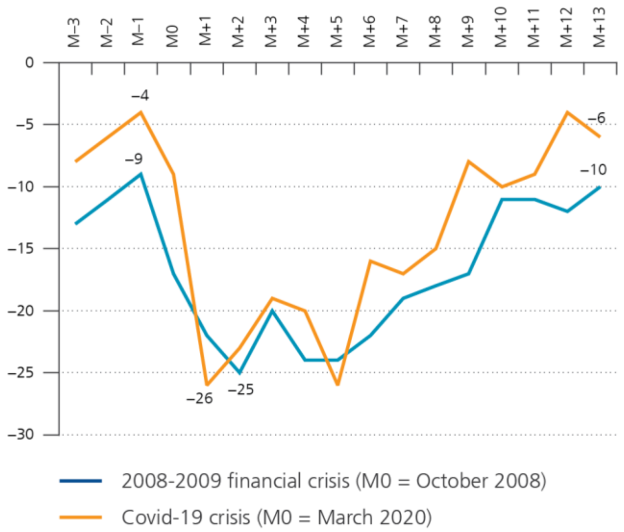
[1] The Economic Risk Management Group (ERMG) was set up in order to analyse and combat the economic consequences of the COVID-19 crisis. This working group is co-chaired by the governor of the National Bank of Belgium.
[2] Except for the student population, which is little represented in the survey.

it reflects the loss or gain of confidence among the respondents, using a methodology which remains stable over the years.

CHART 1

**CONSUMER CONFIDENCE INDICATOR: COMPARISON BETWEEN THE COVID-19 CRISIS AND THE 2008-2009 FINANCIAL CRISIS**




Source: NBB.

COVID-19 represents an exceptional crisis which has clearly affected the confidence indicator. In order to assess its impact, it is possible to make a comparison with what happened at the time of the previous major crisis, namely the financial and economic crisis of 2008-2009.

It is thus apparent that the confidence indicator dropped sharply in March, and especially in April 2020. The fall of more than 22 points over two months was more pronounced, and a little more abrupt, than on the outbreak of the 2008-2009 financial crisis (down 16 points over three months). The indicator then tended to recover, with occasional blips due to health measures and data on infection rates or the advent of vaccines. In the end, it seems that confidence recovered at a very similar rate in the two crises. In April 2021, the shock of the loss of confidence recorded in 2020 has been almost entirely absorbed since the indicator settled at -6 points, compared to -4 points in February 2020.

## Loss of income

- **Although some categories of people, especially the self-employed, have been hard hit by the crisis, around eight in ten households have incurred no loss of income or losses amounting to 10% maximum. Some sections of the population – pensioners and benefit claimants – in fact receive a guaranteed income.**
- **As the crisis unfolded, the heavy losses incurred by self-employed workers tended to diminish, but that remains the socio-occupational category most seriously affected.**

The first of the two questions added to the survey to assess the impact of the COVID-19 crisis on the financial situation of households concerns the loss of income. The question asked: ***"Has your household suffered any loss of income because of this crisis?"***

The results for **the population as a whole** show that, on average, over the period from April to June 2020 (corresponding to the first three months in which the information was collected), 69 % of participants replied that they had not suffered any loss of income. More recently, in the last three months of the survey – i.e. from February to April 2021 – the average came to 79 %. The proportion of households suffering losses in excess of 10 % has fallen from 24 % at the start of the crisis to 15% more recently. We can therefore state that, for the population as a whole, there has been some reduction in the proportion of households reporting a loss of income, and that around seven to eight out of ten households have not seen their income suffer as a result of the crisis. Obviously, that cannot conceal the fact that some sections of the population may have been seriously affected.

TABLE 1

**LOSS OF INCOME: COMPARISON BETWEEN THE RECENT SITUATION AND THE SITUATION AT THE START OF THE CRISIS**

(all respondents)

| | Average April-June 2020 | Average February-April 2021 |
|---|---|---|
| No loss of income | 69 % | 79 % |
| Loss of less than 10 % | 7 % | 7 % |
| Loss of between 10 and 30 % | 13 % | 8 % |
| Loss of between 30 and 50 % | 6 % | 3 % |
| Loss of over 50 % | 5 % | 3% |

Source: NBB.

An analysis can also be conducted according to the **socio-occupational category** of the survey participants. The loss of income varies greatly according to this differentiating criterion. Clearly, it is the working population that has paid the heaviest price, the exposure to loss of income being greatest among the self-employed, as reflected in the survey results.

The self-employed are in fact the most seriously affected since they had to suspend their activities during the lockdowns, which varied in severity. However, as the months went by the situation tended to improve: in May 2020, almost one in two self-employed workers reported a loss of income of at least 30%. More recently, only 19% of self-employed workers were in that position according to the March 2021 survey, and according to the April 2021 survey that figure has actually fallen to 9%[3]. The proportion of hardest hit self-employed workers – losing more than 50% of their income – has declined from 25 % in May 2020 to 11% in March 2021, and was down to just 4 % in April 2021. Conversely, while at the start of the crisis barely 31% of self-employed workers reported no loss of income, the figure was 67 % in April 2021 (against 48 % a month earlier).

Salaried workers also incurred a loss of income as a result of temporary lay-offs. These occurred mainly at the very start of the crisis. In the opinion of the respondents, the situation then improved to some extent and became relatively stable, with between eight and nine out of ten employees reporting no loss of income attributable to the crisis or losses amounting to 10% maximum.

As the crisis unfolded, phases when the lockdown was eased made it possible to limit the losses incurred, and the compensatory measures (temporary lay-offs and bridging allowance) also helped to lessen the shock. Moreover, some businesses and self-employed workers also adapted to the situation by introducing a health protocol permitting the resumption of activities or by developing new forms of activities which enabled them to maintain part of their income.

Of course, the best protected in terms of income are pensioners, who receive a guaranteed income. They may also receive other types of income, such as payment for supplementary activities and income from movable or immovable property. The perceived loss of income in those respects (suspension of secondary activities, initial fall in share prices, lower dividends paid out, etc.) may explain the survey results. Moreover, the socio-occupational status recorded in the survey is that of the respondent. That does not give the full picture about the co-existence of persons of different status within the household: for example, a pensioner responding to the survey may report a loss of income because his spouse, who is still working, has been temporarily laid off. However, an analysis of "mixed" households has shown that this causes only minimal distortion.

[3] The marked improvement in the situation indicated by the April survey will need to be validated on the basis of the results for subsequent months.

Finally, the other inactive categories (notably the unemployed, disabled and long-term sick) are in an intermediate position between pensioners and salaried workers. Here, too, the suspension or reduction of any supplementary paid activities, or household members with differing socio-occupational status, may help to explain the reported loss of income.

CHART 2

**LOSS OF INCOME ACCORDING TO THE RESPONDENT'S SOCIO-OCCUPATIONAL CATEGORY**

(in %)


Source: NBB.
(*) Unemployed, disabled, long-term sick, male or female homemakers, students.

Regardless of socio-occupational status, a household's income level is a decisive factor in its ability to withstand a loss of income. The survey shows that the lowest income households suffered more from the crisis, even if their loss of income was small. These households are also potentially the ones to have suffered the most from the indirect effects of the crisis, such as higher food prices combined with the disappearance of special offers in the shops, particularly prevalent at the start of the crisis.

The survey results therefore reveal that a broad section of the population – pensioners and benefit claimants – has been spared any loss of income. In the working population, perceived loss of income has diminished somewhat. As time went by, some businesses and self-employed workers demonstrated adaptability in restarting some or all of their activities as far as possible, with due regard for the health rules. The phases when the lockdown was eased also limited the losses while the compensatory measures introduced by the government have so far helped to absorb part of the shock in a structural way.

## Savings buffer

- **More than one household in two has a savings buffer sufficient to cover more than six months.**
- **Conversely, one household in ten has very meagre savings, only sufficient to cover one month's current expenditure. In the event of a loss of income, households in this category are particularly vulnerable and can very quickly get into difficulties.**
- **This risk of hardship linked to low financial reserves is most acute in the case of persons who are not economically active (except for pensioners).**

Loss of income is that much easier to bear if the household has a substantial savings buffer to absorb the shock.

That is why, since April 2020, survey participants have also been asked about the savings available to them to cover their current monthly consumption expenditure. The question asks: ***"How long will your household's savings buffer cover your necessary subsistence expenditure (rent, shopping, etc.)?"***

At the level of the **total population surveyed**, more than one in two respondents reported that they had a savings buffer in excess of six months' current expenditure. Since November 2020, almost 60% of respondents state that this applies to them. During the whole period of the crisis, there has been a slight upward trend in households with sufficient savings to cover more than six months' current expenditure: that appears to tally with the fact that, during the crisis, part of the population managed to increase their savings since it was not possible to spend money in the usual way. It is also most likely that the additional savings built up during the crisis concerned households which already had savings (well) in excess of six months' current expenditure.

Conversely, the survey shows that one household in ten is in a much more precarious position, having savings to cover less than one month's current expenditure. This section of the population is particularly vulnerable in the face of the crisis, since the slightest loss of income is then very detrimental and could rapidly lead to hardship for these households.

TABLE 2

**SAVINGS BUFFER: COMPARISON BETWEEN THE RECENT SITUATION AND THE SITUATION AT THE START OF THE CRISIS**

(all respondents)

| | Average May-June 2020 | Average February-April 2021 |
|---|---|---|
| Less than 1 month | 10 % | 11 % |
| From 1 to 3 months | 19 % | 13 % |
| From 3 to 6 months | 17 % | 17 % |
| More than 6 months | 54 % | 59 % |

Source: NBB.

On the basis of the respondents' **socio-occupational status**, the survey results show that there is no fundamental difference between the savings buffer of self-employed persons and that of salaried workers. Over the recent period, almost 60% of both salaried workers and self-employed persons state that they have a savings buffer covering more than six months of current expenditure. For these two categories of workers, since the start of the crisis there has been a slight upward trend in households with savings covering more than six months' current expenditure, although the proportion of households claiming to be in that position is a little more volatile among the self-employed.

In the case of pensioners, the proportion with savings covering more than six months' current expenditure is almost 70 % (although the figure was down to 62 % in the latest April survey), while it is considerably lower among other inactive persons, at just over 40 % in the most recent survey months.

These findings must not conceal the substantial section of the population whose savings are much smaller: at present, around one in five workers (one in three at the start of the crisis), whether self-employed or salaried, have sufficient savings to cover three months' current expenditure; that is also the case for one in five pensioners and almost one in two inactive persons.

Inactive persons, excluding pensioners, are also the category with the largest proportion of persons with extremely meagre savings (covering less than one month's current expenditure): in the latest survey months, that was the situation of around one in four inactive persons.

CHART 3

**SAVINGS BUFFER BY RESPONDENT'S SOCIO-OCCUPATIONAL CATEGORY**

(in %)


Source: NBB.
(*) Unemployed, disabled, long-term sick, male or female homemakers, students.

## Cross-referencing loss of income and savings buffers

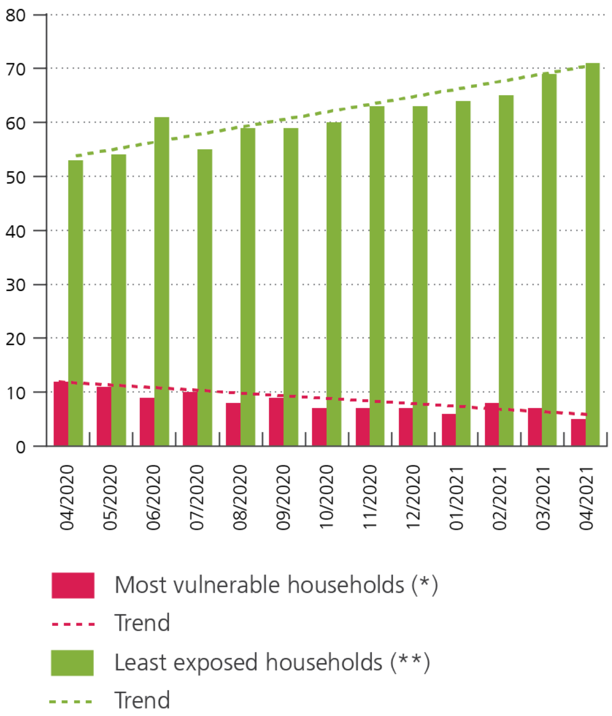
- **At the start of the crisis, one household in ten was in a particularly vulnerable position (income loss amounting to at least 10% combined with savings covering less than three months' current expenditure). According to the latest surveys, that proportion is now down to one in fifteen households.**
- **Among the population losing more than 10% of their income, the savings buffer is being used up, especially in the case of households which already had only limited savings at the start of the crisis.**

In order to assess the proportion of particularly vulnerable households during this crisis and the proportion in a more secure position, the answers to the two questions were cross-referenced. Households suffering a significant loss of income while at the same time having limited savings are clearly the most exposed.

CHART 4

**THE MOST VULNERABLE HOUSEHOLDS AND THE LEAST EXPOSED**

(in % of the total population)




Source: NBB.
(*) Households incurring a loss of income of at least 10 % while having a savings buffer of three months maximum.
(**) Households incurring a loss of income of maximum 10 % while having a savings buffer of three months minimum.

It thus seems that, at the start of the crisis, one in ten households faced losing more than 10% of their income while having only enough savings to cover at most three months of current expenditure. As the months went by, the situation tended to improve since, on average, that situation applied to one in fifteen households at the time of the last three monthly surveys (February to April 2021).

Conversely, at the start of the crisis just over one in two households was in a relatively secure position – suffering a loss of income of less than 10% and having savings to cover at least three months' current expenditure – but that is now the case for around 70 % of households.

Nonetheless, the apparent improvement in the situation emerging from these findings needs to be qualified in the case of the population losing more than 10% of their income, as shown by chart 5.

The population affected by a loss of income of more than 10% can be broken down according to the size of their savings buffer.

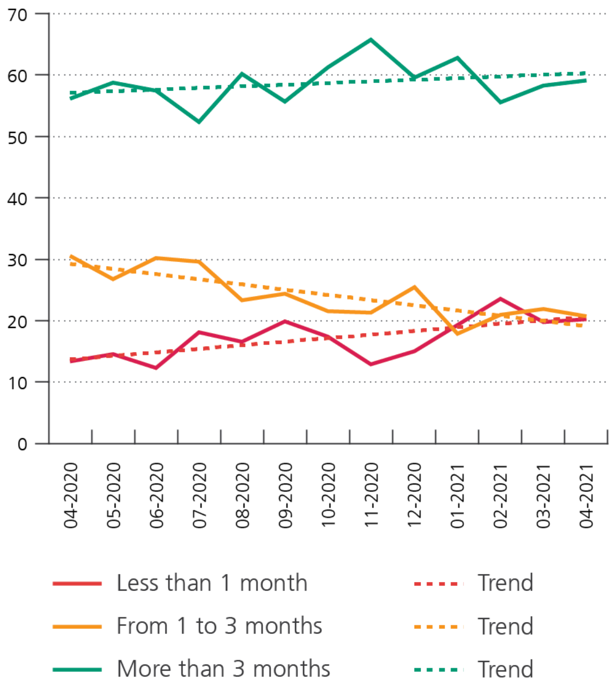
At the start of the crisis, just over 55 % of that population had savings covering more than three months' current expenditure. That percentage has tended to remain stable throughout the analysis period.

30 % of that same population had sufficient savings to cover between one and three months' current expenditure, and around 15% could cover that expenditure for less than one month. These figures have tended to converge at around 20% in recent surveys, suggesting that households incurring a significant loss of income are using up their savings. For this section of the population the risk of hardship therefore increases the longer the crisis persists.

CHART 5

**BREAKDOWN OF HOUSEHOLDS INCURRING A LOSS OF INCOME OF MORE THAN 10%, BY SIZE OF THEIR SAVINGS BUFFER**

(in %)




Source: NBB.