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EUROSISTEMA

Consumption and saving behaviour of Italian households during the Covid-19 crisis

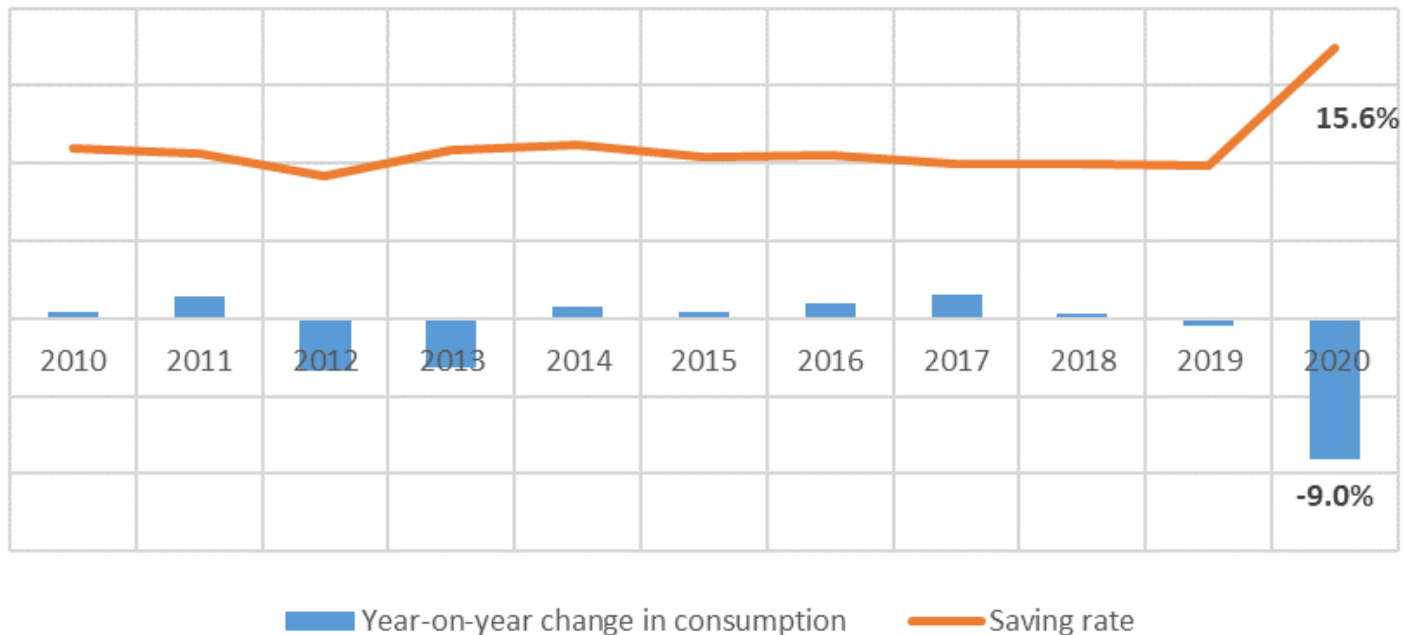
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Seventh Conference on Household Finance and Consumption

17 December 2021

Evidence from national accounts

Household sector: consumption-expenditure and saving rate



Annual sector accounts: <http://dati.istat.it/?lang=en&SubSessionId=c4ae5bfc-6bb3-46c3-8b03-e012af072183#>

Some empirical evidence

- Dossche et al. (2021):
 1. restrictions and fear of infection;
 2. increase in savings driven by high-income households.
- Ercolani, Guglielminetti and Rondinelli (2021): precautionary motives
- Rondinelli and Zanichelli (2020, 2021): main results of a new corona survey
- Guglielminetti and Rondinelli (2021):
 1. fear of infection;
 2. precautionary motives.
- Immodino et al. (2021): fear of infection
- Neri and Tullio (2021): minimal role of sentiments and expectations;
main reasons: restrictions and fear of contagion

Special Survey of Italian Households

- 6 waves across 2020 and 2021;
- About 2,000 households per wave;
- Remote interviews;
- Direct questions on saving and consumption behaviour:

Question 1: Compared to before the pandemic, how often have you done these activities in the past month? (1= I stopped doing this activity or did it much less often; 2= a little less often; 3= with the same frequency, 4= a little more often, 5= with much greater frequency)

- shopping in food and other essential goods stores
- shopping at clothing stores, shoe stores, etc.
- going to the hairdresser/barber, beautician and other personal services
- go out to shop for furniture, appliances etc.
- going to hotels/bars/restaurants

Question 2: Since the beginning of the pandemic, has your family been able to save any money? • Yes • No

Question 3: (If "Yes" to question 2) Since the beginning of the pandemic, has your household...

- saved more than it would have in a "normal" period
- saved as much as it would have in a "normal" period
- have saved less than it would have in a "normal" period

Households consumption

- A large majority of households consistently reported to have reduced the frequency of their purchases

Clothes or furniture shops, bars, hotels and restaurants

- In 2021 some 70-80% of households **decreased the frequency of their purchases** in the preceding month, compared to normal times;

Summer holidays

- During summer 2020 some **70%** of households **did not go on holidays**;

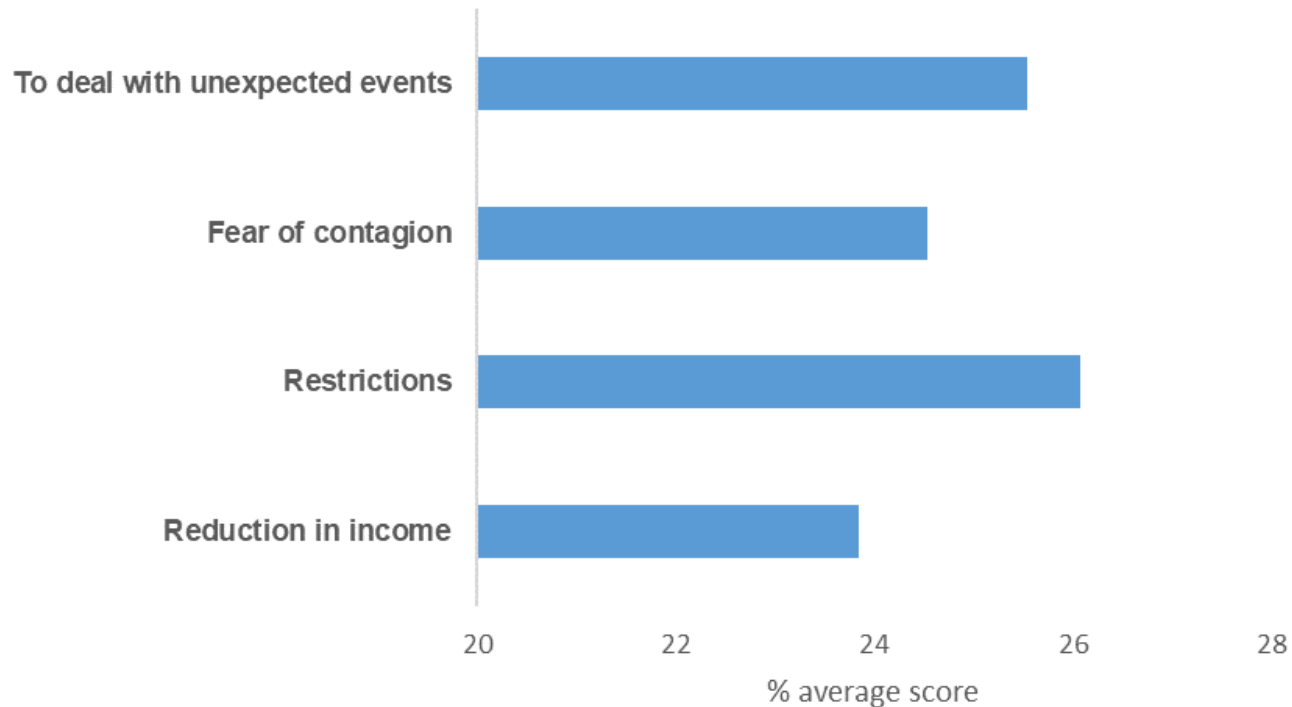
Expectations on non-durable consumption

- In 2021 some **25%** of households **expect to further decrease their spending** over the next 3 months (consistent across waves)

Households consumption

For what reasons did you reduce purchase frequency in the last month?

(wave: sept. 2021)



Respondents were asked to distribute 100 points among the four possible reasons. Results are weighted for estimated household consumption.

Households consumption

Regression analysis on the probability of reducing purchase frequency:

- No effect of demographics (age, education, geographical area, occupation);
- No effect of income class or financial wealth;
- Income shock has some effect;
- No effect of expectations / sentiments;
- precautionary motives and fear of contagion play a role.

Households consumption and fear of contagion

Compared to normal times, how often would you do the following activities were the daily number of new Covid-19 cases in your region:

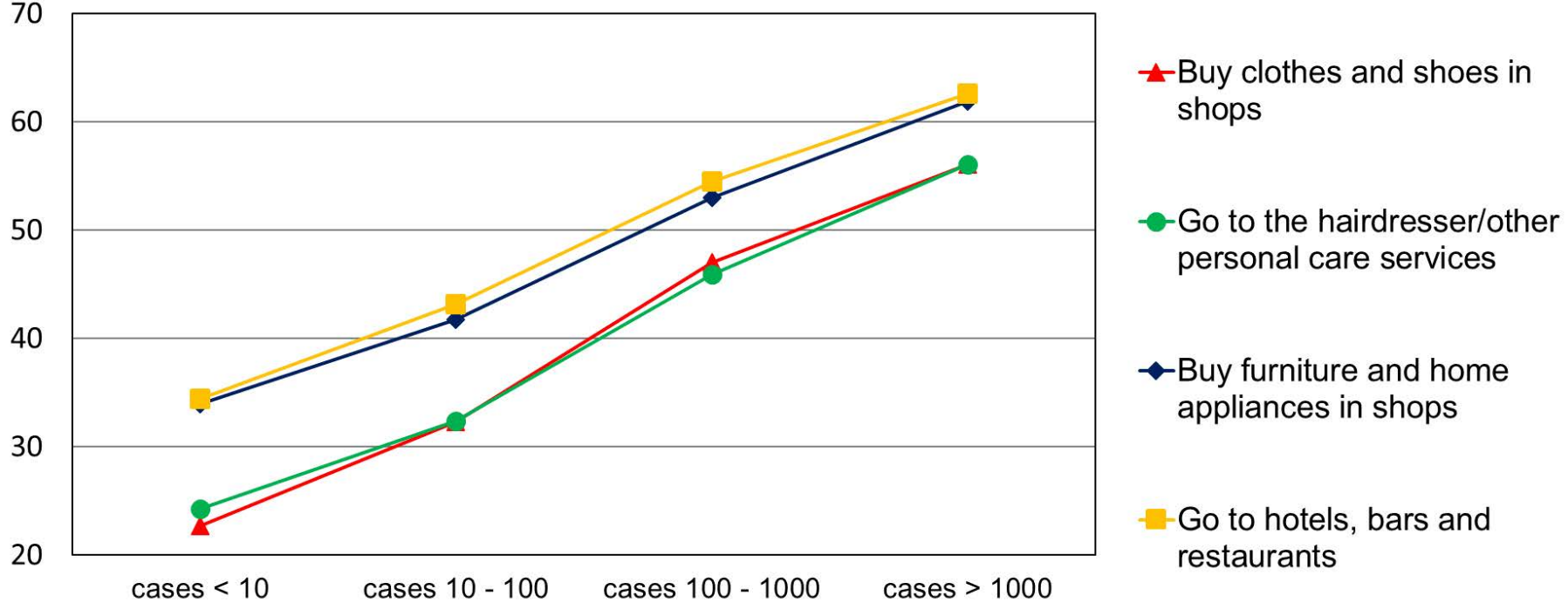
<10, between 10 and 100, between 100 and 1000, > 1000?

- 1= I would **stop** doing this activity or I would do it **much less often**
- 2= I would do it **a bit less often**
- 3= I would do it **as often as in normal times**
- 4= I would do it **a bit more often**
- 5= I would do it **much more often**

	Number of daily cases in the region			
	< 10	10-100	100-1000	> 1000
Buy food and other essential goods in shops				
Buy clothes and shoes in shops				
Go to the hairdresser/other personal care services				
Buy furniture and home appliances in shops				
Go to hotels, bars and restaurants				

Households consumption and fear of contagion

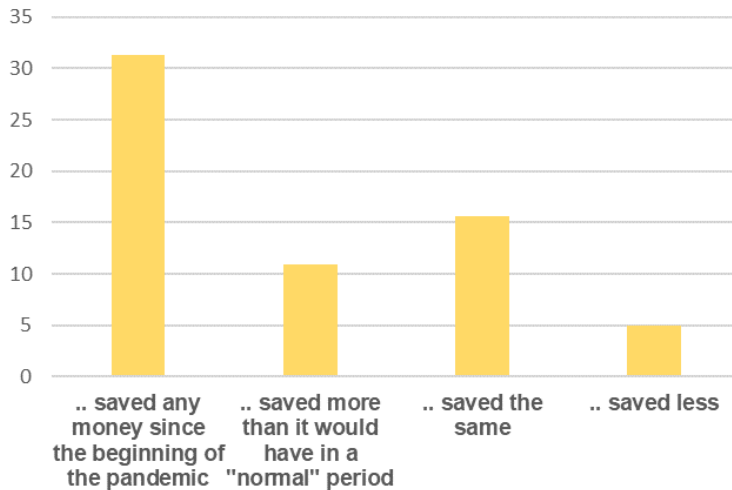
Households that would stop buying or would buy much less often non essential goods or services in shops



60% of households would stop buying non-essential goods and services in shops in the event of a strong increase in Covid-19 cases.

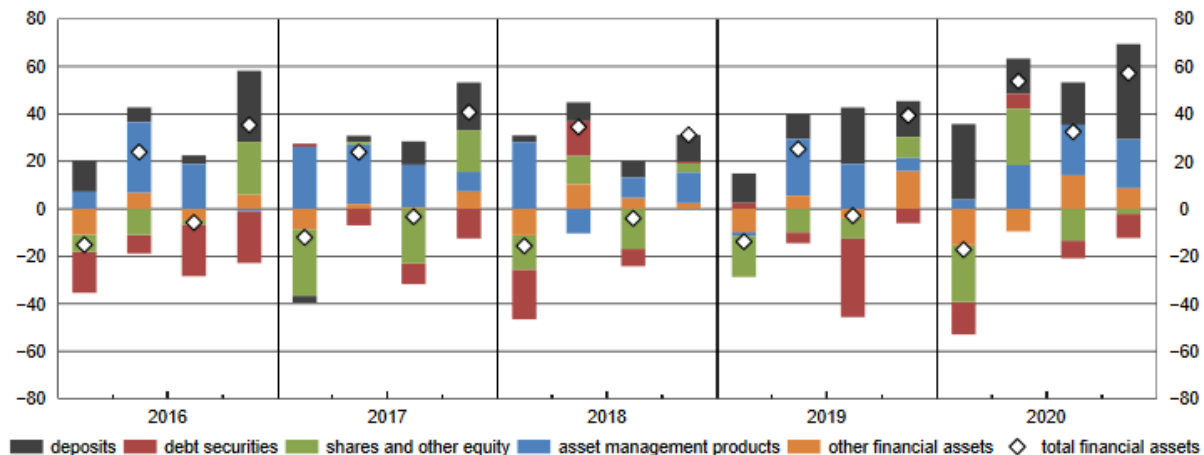
Saving behaviour: some evidence

Percentage of households who have:...



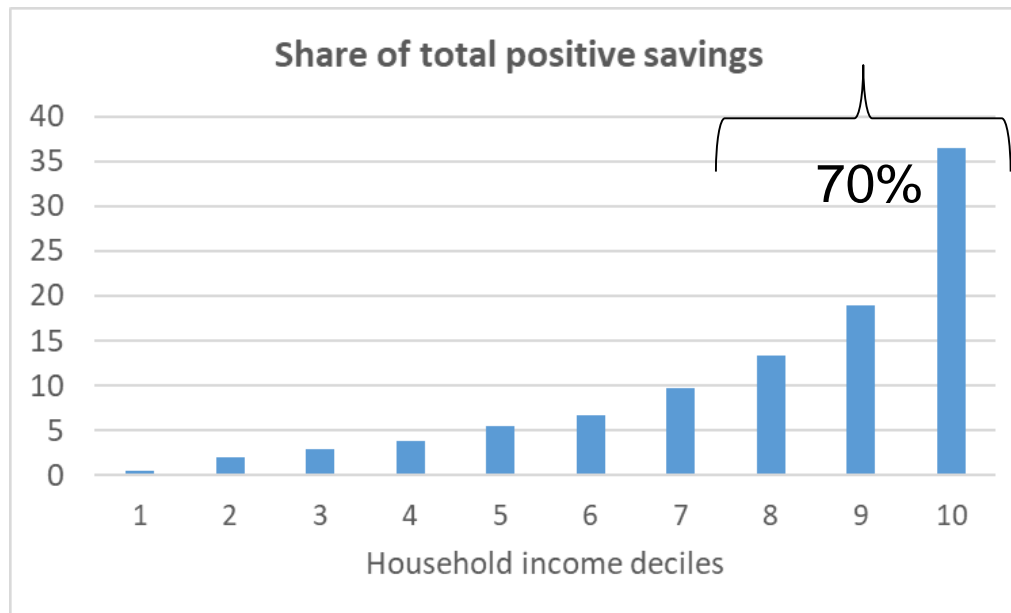
- 32 % households declare to have been able to save any money
- 11% to have saved more than a normal period
- A large part of the increase in savings has been held in liquid assets

Households' financial assets
(flows, billions of euros)



Savings and higher-income households

The accumulation of savings during the pandemic has been concentrated among higher-income households



Source: SHIW 2016

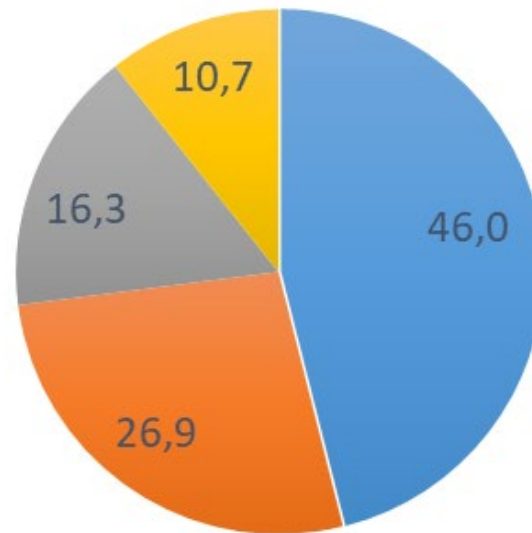
Survey evidence (regression analysis):

1. Households in top income quartile have a higher prob. to save (16-44 pps);
2. No direct effect of expectations/sentiments.

Savings

For what reasons did you save more money than in a "normal" period?

Distribute 100 points among the following alternatives:



■ Restrictions

■ To deal with unexpected events

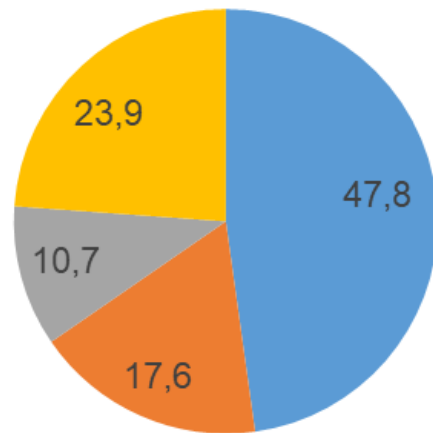
■ Increase in income

■ Other reasons

Savings

Made 100 the amount of savings set aside during the pandemic, how do you think you will distribute it among the following uses over the next 3 months?

Distribute 100 points among the following alternatives:



■ Liquid assets

■ Repay debt

■ Other financial instr.

■ Consumption

Conclusions

- The drop in consumption is mainly driven by restrictions measures, fear of contagion and precautionary motives;
- Increase in savings is related to the same drivers affecting consumption;
- The accumulation of savings during the pandemic has been concentrated among higher-income households;
- The extent to which these additional savings will be turned into consumption over the next months could be relatively low.



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Thank you!

