The impact of the Covid-19 pandemic on the financial situation of households in Germany
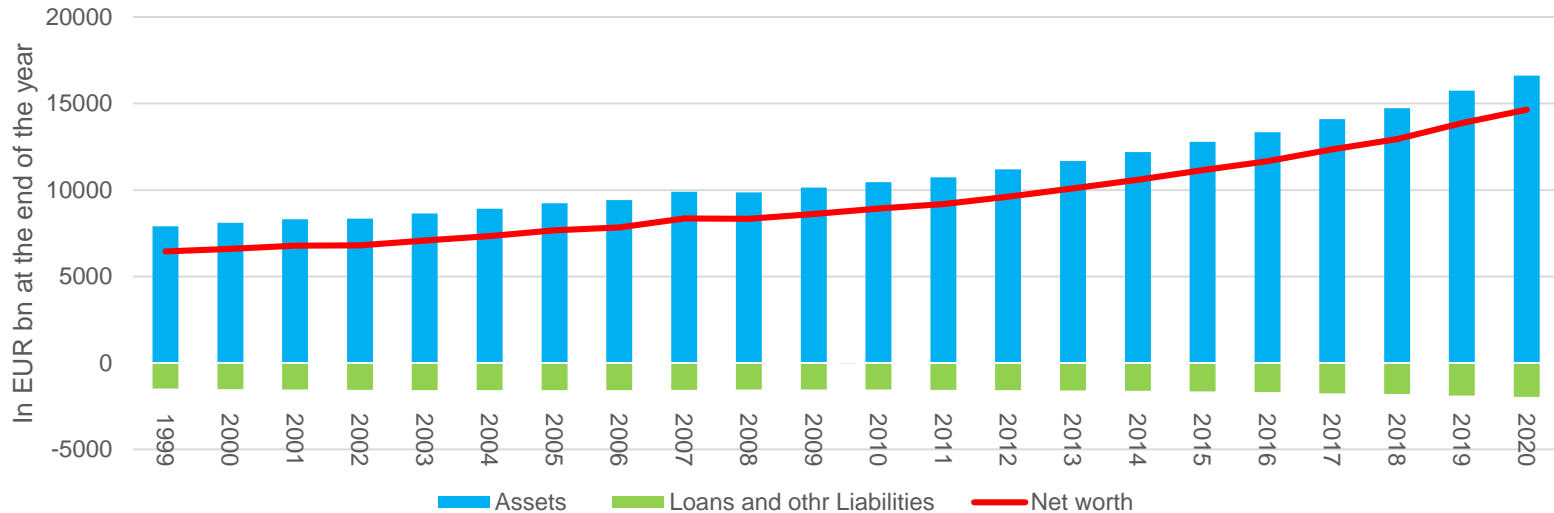
Tobias Schmidt – Deutsche Bundesbank – Research Centre

with Alexander Erler (DFA) and Geghetsik Afunts, Misina Cato, Susanne Helmschrott (all BOP-HH)

Balance sheet statistics: household sector net wealth increased in 2020

Assets, Liabilities and New Worth of private households and non-profit institutions serving private households
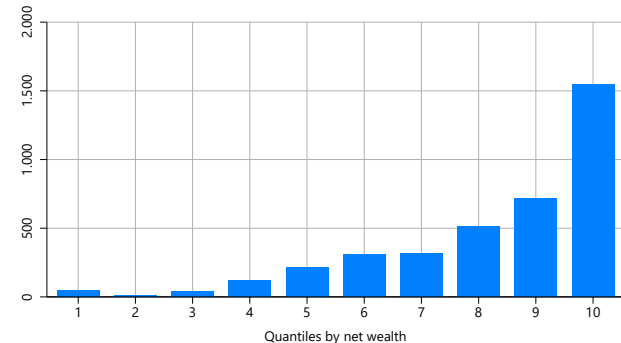

Deutsche Bundesbank and Destatis (2021) - Balance Sheets for institutional sectors and the total economy 1999-2020, https://www.bundesbank.de/en/statistics/macroeconomic-accounting-systems/balance-sheets/balance-sheets-792980

Increase of liquid asset holdings across the wealth distribution

Change in liquid asset holdings of households
In % of pre-pandemic total assets (yellow) and in EUR/month (blue)

Quantiles by net wealth
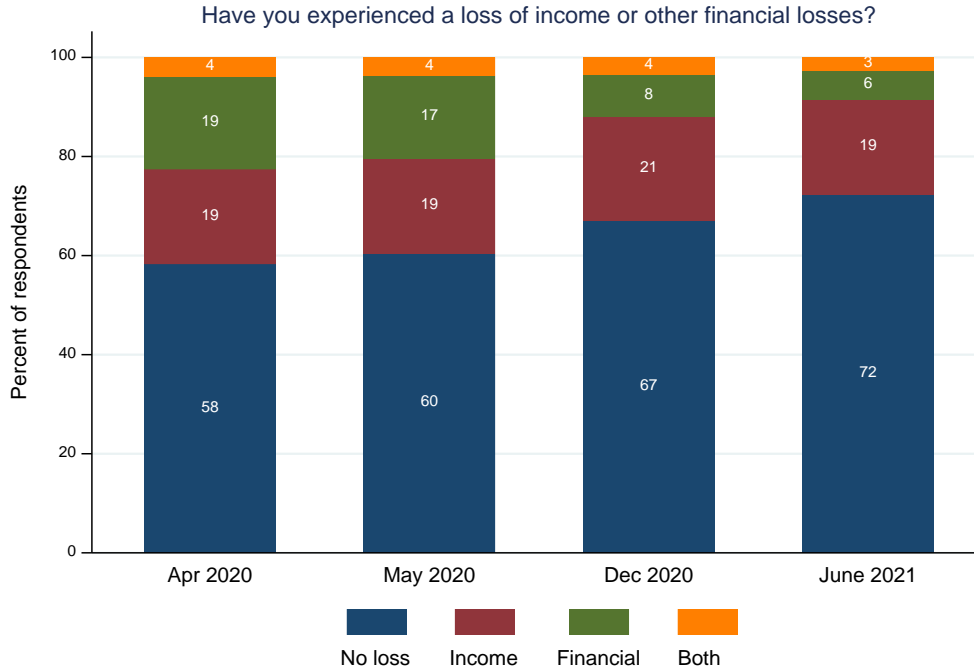

Quantiles by net wealth

Source: Experimental DWA. Change in deposit holdings between Q1 2020 und Q1 2021.

- − **Rise in savings** through a **direct pandemic effects**.

- − The bulk of the savings of households went into **liquid assets** (deposits, equities and investment funds).

- − **Experimental** Distributional Financial Accounts show that …

  - • … low-wealth households increased deposits relatively strongly compared to pre-pandemic levels, …

  - • … but the **increase in absolute terms is largely driven by high-wealth households.**

Survey Evidence – Bundesbank Online Panel Households (BOP-HH)

− Monthly online panel of individuals 16+ in Germany

− **Direct questions** on (perceived) effects of Corona on households' finances:

- *April 20, May 20, Dec 20, Jun 21:* Have <u>you </u>experienced a loss of income or other financial losses (e.g. price losses, etc.) in connection with the coronavirus pandemic?

- *Nov 20*: Why has <u>your household's </u>wage or salary income declined?

- *Nov 20:* What would you say: Overall, how strongly has <u>your household </u>been affected financially by the coronavirus pandemic so far? (0-10)

- *April 20, May 20:* Do **you** have or do you anticipate difficulties in covering your current expenditure in the near future due to the coronavirus pandemic?
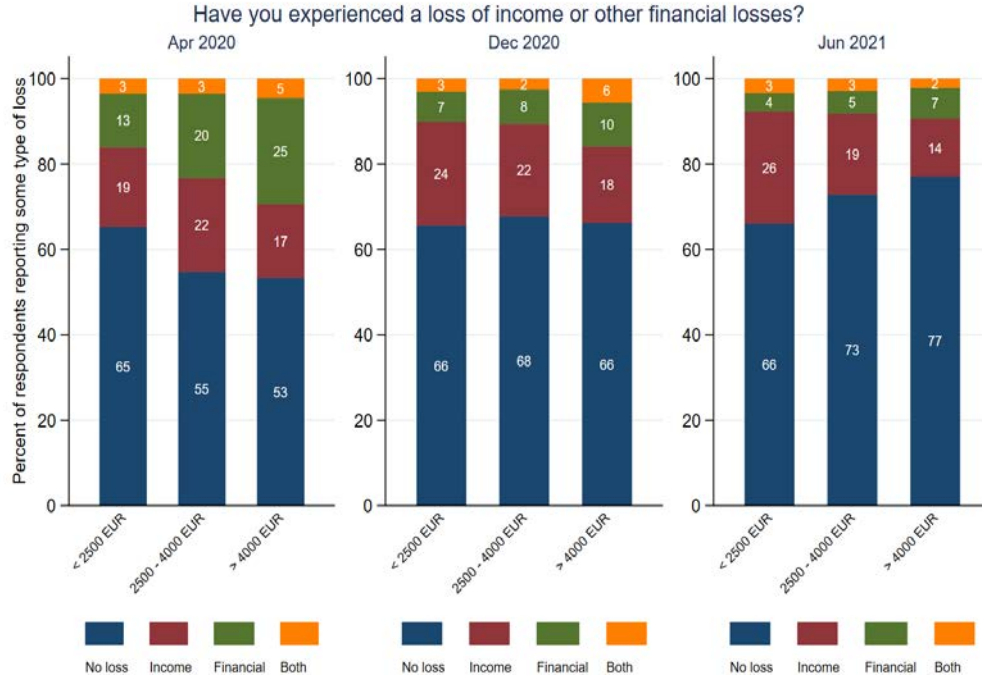
Some individuals experienced losses due to the pandemic

Have you experienced a loss of income or other financial losses?

Source: Bundesbank Online Panel Households (BOP-HH), several waves.

- At the **onset of the pandemic** in April 2020, about **42% of individuals** reported experiencing some kind of **income or financial losses**
- The share **decreased to about 28%** in **June 2021**:
  - While the share of individuals reporting income losses was stable …
  - … the share of those reporting financial losses declined

Particularly individuals from low income hhs are hit by income losses

Have you experienced a loss of income or other financial losses?

Source: Bundesbank Online Panel Households (BOP-HH), several waves.
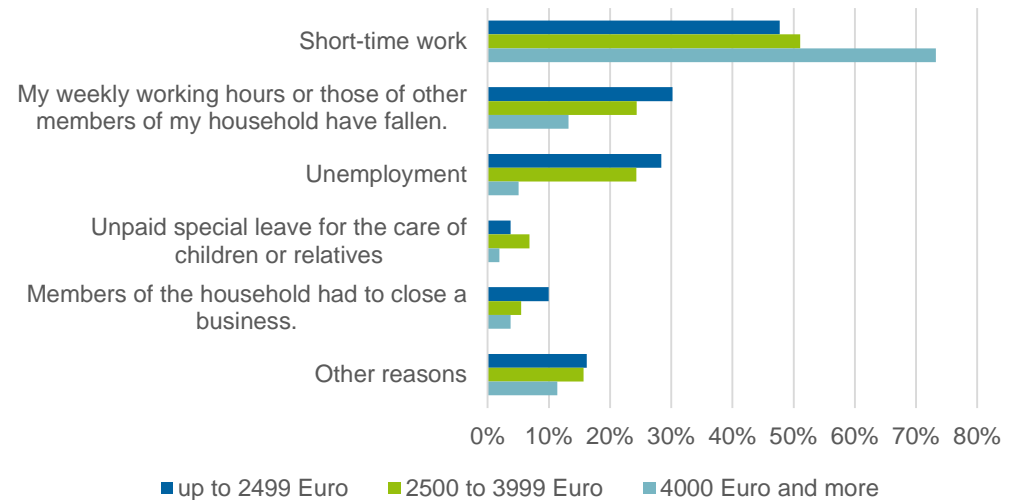
A break-down by income groups indicates:

a. that **income losses** were particularly **concentrated within low income households** and accumulated over the crisis (April 2020: 19%; June 2021: 26%).

b. that **high income households have recovered some** of the initial financial **losses** (April 2020: 25%; June 2021: 7%), e.g. because the stock market recovered.

Why did <u>households</u> experience income losses as a result of the Corona pandemic?
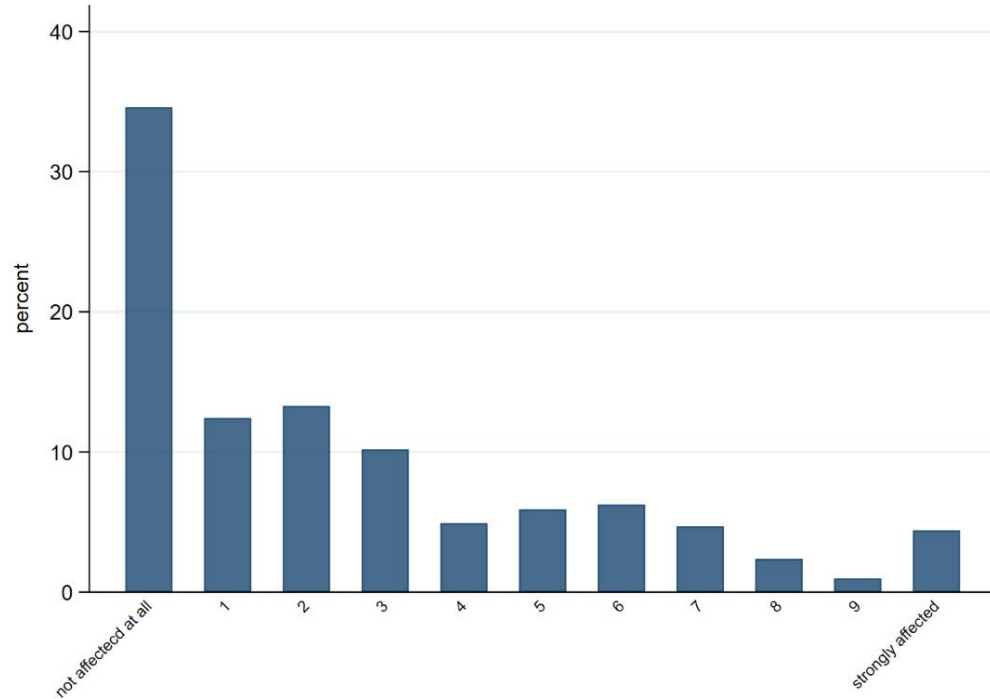
- In **November 2020** about **28%** of households reported any loss due to Corona (low income: 28% middle: 29%, high: 26%)

- About **28%** of **low income** households with income losses, report losing income due to becoming **unemployed** (only 7% of high income households).

- Income losses of **most high income households** attributable to **„Kurzarbeit"** and other reductions in working hours.

Why has your household's wage or salary income declined?

Short-time work

My weekly working hours or those of other members of my household have fallen.

Unemployment

Unpaid special leave for the care of children or relatives

Members of the household had to close a business.

Other reasons

0% 10% 20% 30% 40% 50% 60% 70% 80%

■ up to 2499 Euro ■ 2500 to 3999 Euro ■ 4000 Euro and more

Source: Bundesbank Online Panel Households (BOP-HH), November 2020. Only collected from households with income losses. Multiple answers possible.

Financial impact of pandemic perceived as limited in 2020 by most hhs

percent

(chart axis labels: not affectecd at all, 1, 2, 3, 4, 5, 6, 7, 8, 9, strongly affected)

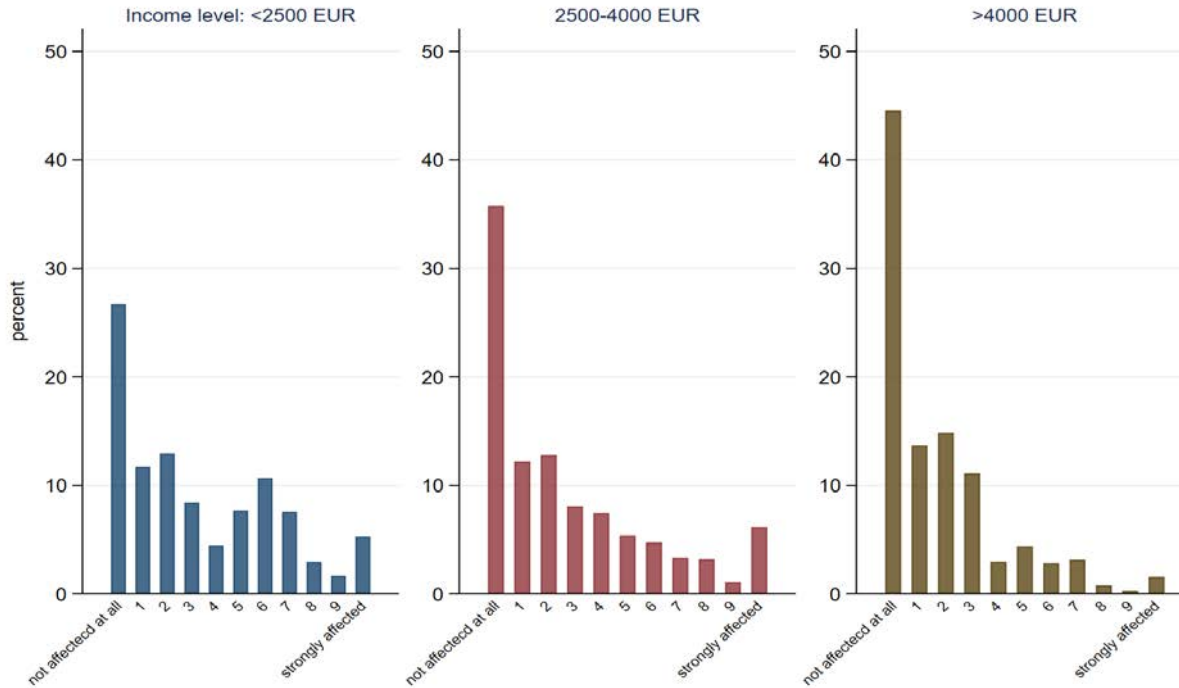Source: Bundesbank Online Panel Households (BOP-HH), November 2020.

What would you say: Overall, how strongly has your household been affected financially by the coronavirus pandemic so far? (0-10)

- **35%** of all households report **no impact at all**

- **40%** report a small impact (1 to 4)

- **4%** very **severe impact** (10)

Financial impact differs by income level

Source: Bundesbank Online Panel Households (BOP-HH), November 2020.
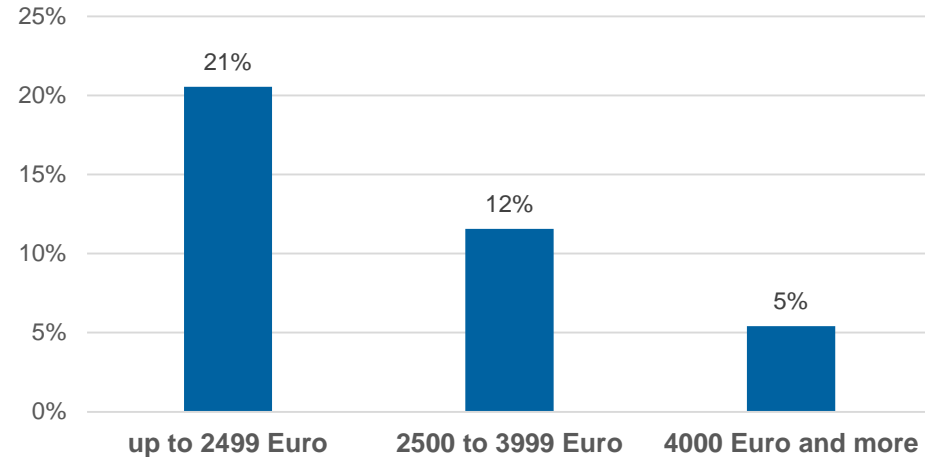
A break-down by income groups indicates:

a. A **larger share** of **high income** households reports **no impact** at all (45% vs 27%).

b. The share of households that state to have been **strongly affected** by corona is **larger** in the **low and medium income groups**.

On impact in April and May 2020: 13% expect problems to cover their expenses in the next three months

Do you have or do you anticipate difficulties in covering your current expenditure in the near future due to the coronavirus pandemic?

− Only **13%** of all households **expecting problems** to cover expenses

− **Share decreases with income**.

Share of individuals, anticipating difficulties in covering current expenditure of the next three months, April/May 2020

Source: Bundesbank Online Panel Households (BOP-HH), April and May 2020, pooled.

Summary and Conclusions

− **Wealth** and savings of households have **overall increased during the pandemic**, despite income and financial losses experienced by some households.

− The overall **effect of the pandemic on inequality is still unclear**, but we see **differential effects on households** with low and high income:

  - Wealthy households accumulated extra savings during the pandemic

  - High income households less affected by income losses than low income households

  - Income losses attributed to unemployment for low income households, and to "Kurzarbeit" for high income households

− With rising corona numbers and new "lockdown" measures it is unclear how these structures will evolve.

Thank you for your attention !