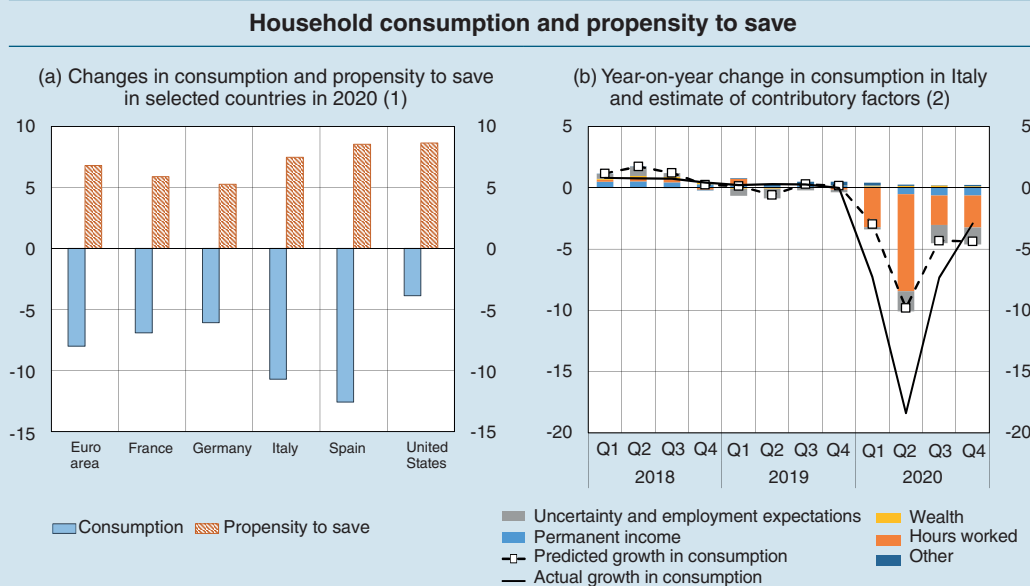


## CONSUMPTION AND SAVING BEHAVIOUR DURING THE PANDEMIC

The recession induced by the COVID-19 pandemic has led to a fall in consumption and an increase in the saving rate of households in all the main economies, particularly so in Italy (see panel (a) of Figure A).

Figure A



Sources: Based on data from Eurostat, FRED (Federal Reserve Economic Data), Istat, ECB, and the Bank of Italy.

(1) For consumption, changes are calculated as the percentage difference in household consumption between 2019 and 2020. Propensity to save is the difference, in percentage points, between the average saving rate for all households in 2019 and in 2020. – (2) Changes in consumption are calculated in relation to the year-earlier period; contributions are calculated based on an econometric estimate of household consumption. The difference between the dashed black line and the unbroken line indicates the unexplained component of the model.

An empirical analysis<sup>1</sup> at macro- and micro-economic level studied the consumption and saving behaviour of Italian households during the pandemic. The fall in aggregate consumption in 2020 was much greater than had been forecast on the basis of trends in the traditional drivers,<sup>2</sup> such as permanent income, hours worked, wealth, financing conditions and labour market expectations (see panel (b) of Figure A). The fall can be attributed to the measures adopted to contain the virus and to the fear of contagion, in addition to greater uncertainty about the future. These factors are particularly relevant in the case of spending more directly affected by the restrictive measures and where the risk of contagion is perceived to be higher (hotels, restaurants and bars, and sporting, recreational and cultural activities). Conversely, spending on food items does not seem to have been affected.

The macroeconomic estimates mask the uneven behaviour of households according to their different economic conditions. Using data from the third wave of

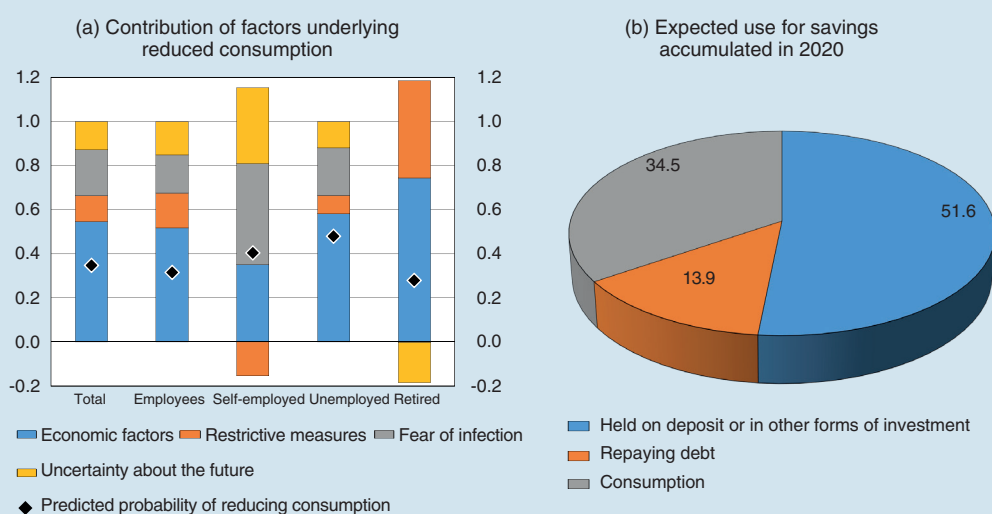
<sup>1</sup> E. Guglielminetti and C. Rondinelli, 'Consumption and saving patterns in Italy during COVID-19', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), forthcoming.

<sup>2</sup> R. De Bonis, D. Liberati, J. Muellbauer and C. Rondinelli, 'Consumption and wealth: new evidence from Italy', Banca d'Italia, Temi di Discussione (Working Papers), 1304, 2020.

the Special Survey of Italian Households, carried out by the Bank of Italy at the end of November 2020, indicators can be constructed, at individual level, of the different determinants of expenditure: economic factors linked to income and employment, uncertainty about the future, fear of infection, and the restrictive measures.<sup>3</sup> For households as a whole, economic factors explain just over half of the estimated probability of a drop in expected consumption; fear of infection and uncertainty about the future also play a significant role. Economic reasons predominate for households whose head is unemployed or retired, while the other two factors are more important for the self-employed (see panel (a) of Figure B).

**Figure B**

**Factors underlying consumption and saving behaviour**  
(per cent)



Sources: Based on data from the Bank of Italy, Special Survey of Italian Households (SSIH), 3rd and 4th waves.

In the fourth wave of the survey,<sup>4</sup> about 40 per cent of households reported they had accumulated savings in 2020<sup>5</sup> and of these, almost one third said they had saved more than in 2019. The increase in savings is concentrated among households indicating that they met their monthly expenses with little or no difficulty. Based on household expectations, one third of the savings accumulated are likely to be spent

<sup>3</sup> Since April 2020, the Bank of Italy has conducted its Special Survey of Italian Households (SSIH) every three months. The survey gathers information on developments in the financial situation of households and their expectations. The main results of the third wave, conducted at the end of November 2020, are described in the box 'Italian households during the epidemic: the Bank of Italy's survey', in *Economic Bulletin*, 1, 2021, and in C. Rondinelli and F. Zanichelli, 'The main results of the third wave of the special survey of Italian households in 2020', Banca d'Italia, *Note Covid-19*, 30 March 2021 ([only in Italian](#)).

<sup>4</sup> The main results of the fourth wave of the survey, conducted in late February and early March 2021, are described in the box 'Italian households during the epidemic: the Bank of Italy's survey', *Economic Bulletin*, 2, 2021.

<sup>5</sup> The share was one third in 2016, which is the most recent year for which data are available prior to the outbreak of the pandemic; see 'Survey on Household Income and Wealth', Banca d'Italia, Statistics Series, 12 March 2018.

in 2021 (see panel (b) of Figure B), while just over half will be kept on deposit or in some other kind of investment.

A further study<sup>6</sup> based on data from this survey confirms that holding savings appears, on the one hand, to be curbed by the financial difficulties of some households but, on the other, it may be driven by precautionary motives, linked not only to employment uncertainty but also to the belief that the end of the health emergency may not be close at hand and that a new pandemic may arise in the next few years. Even when the current emergency comes to an end, households could therefore still have a more prudent attitude, keeping higher levels of accumulated savings than before the pandemic.

---

<sup>6</sup> V. Ercolani, E. Guglielminetti and C. Rondinelli, 'Fears for the future: saving dynamics after the Covid-19 outbreak', Banca d'Italia, *Note Covid-19*, forthcoming.