

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

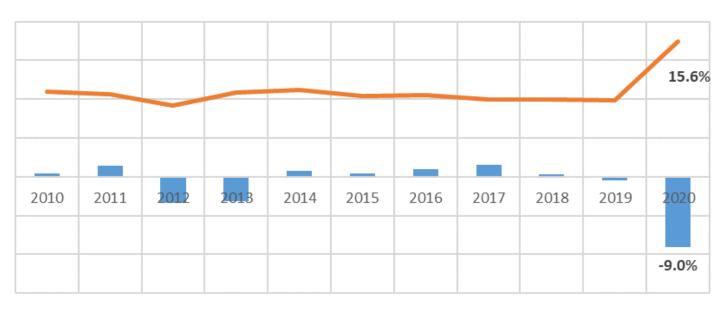
#### Andrea Neri

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#### Evidence from national accounts

## Household sector: consumption-expenditure and saving rate



Year-on-year change in consumption ——Saving rate

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

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#### 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.
- <u>Immodino et al. (2021):</u> 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;

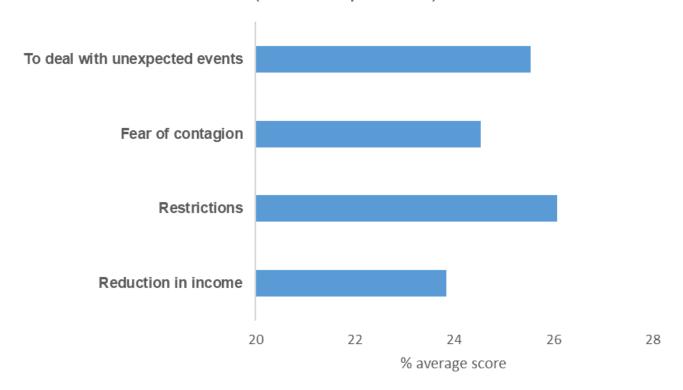
Expectations on non-durable consumption

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** 

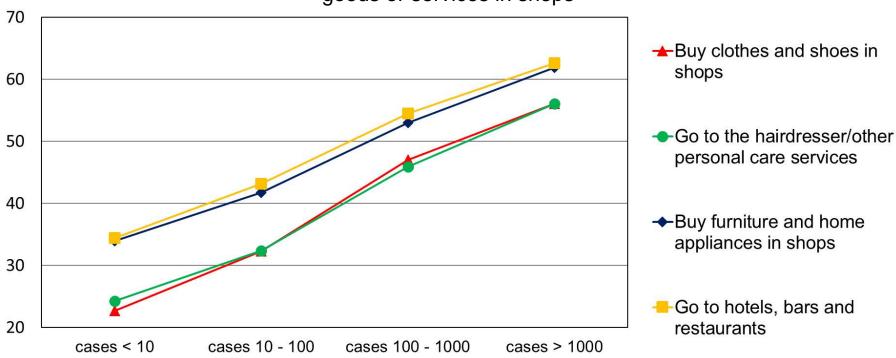
**5**= I would do it **much more often** 

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

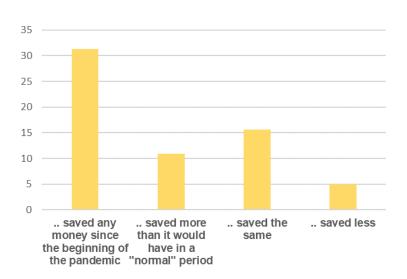
Households that would stop buying or would buy much less often non essential goods or services in shops



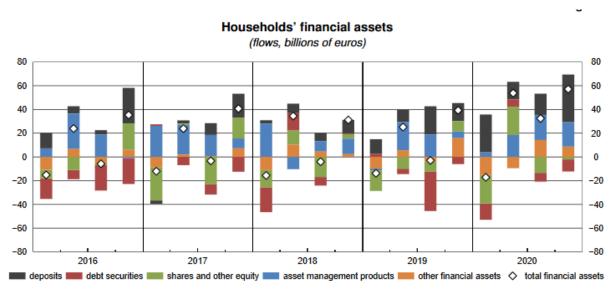
60% of households would stop buying non-essential goods and services in shops in the event of a strong increase in Covid-19 cases.

#### Saving behaviour: some evidence

Percentage of households who have:...



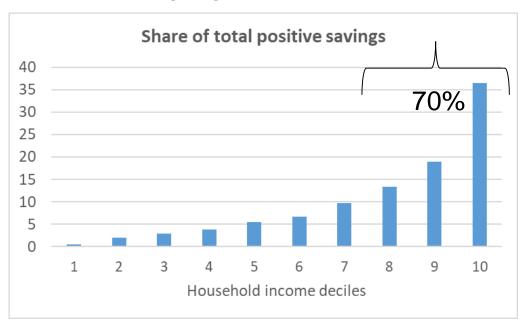
- 32 % households declare to have been able to save any money
- 11% to have saved more than a normal period
- A large part of the increase in savings has been held in liquid assets



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#### Savings and higher-income households

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



Source: SHIW 2016

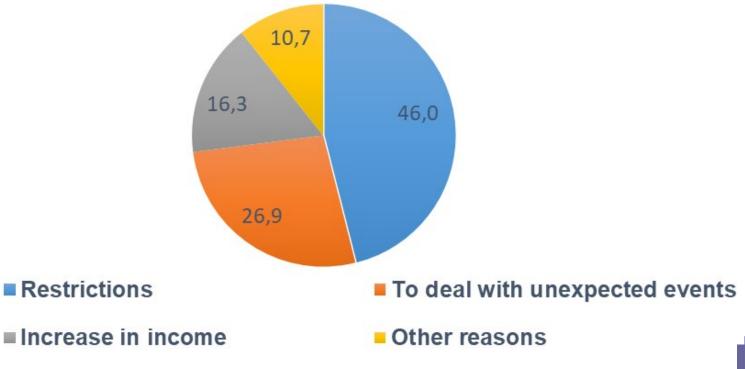
Survey evidence (regression analysis):

- 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:

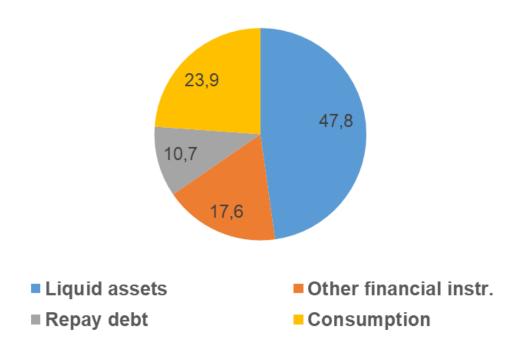




#### **Savings**

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:





#### **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.



## Thank you!

