



Coronavirus: saving differently, not equally

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# Corona: saving feels different but experiences vary

Europeans are managing money differently during coronavirus: a third (30%) feel they are now saving more, while almost half (44%) are spending less. But the portion of households without savings remains steady. Financial effects are skewed. For some, decreased spending will reflect necessity, for others, simply a change in routine.

In the face of uncertainty imposed by coronavirus, people across Europe are being careful with their money. Many self-report actively changing their daily spending and saving activities.

This report investigates financial attitudes and behaviours during coronavirus. The findings come from combining two ING International Surveys, conducted both before the lockdown (Dec'19) and during (May'20). Just under 26,000 people across 13 European countries answered questions about their savings, providing insight into how thinking about money has shifted.

## Day-to-day spending reacts to coronavirus

Half (52%) of Europeans say they are paying with card more often due to coronavirus and 44% are spending more online. Spending practices have adjusted.

In addition, many say the amount they spend and save has changed. Just under half (44%) are spending less overall. Thirty percent say they are now saving more.

These changes will have been driven by both necessity and choice. While some are no longer working and so actively limiting their daily spending due to reduced earnings, others are finding they have more left over at the end of each week simply because they don't have the opportunity to go out and spend.

## No dent to perceptions of savings comfort

Despite views of changing spending and saving activity, confidence in saving comfort has not shifted dramatically. We have seen a slight increase, indicated by a reduction in the number of Europeans who say they would need more savings to feel financially comfortable (73% to 68%). It was those aged 45-54, and those who were working, so therefore also earning, who were most likely to experience this shift in financial comfort.

This small movement may be a reflection of the short-term spending and saving changes that will be salient for many. But it also may be temporary.

## Individual experience will vary

Even with perceived day-to-day shifts, there have been no significant changes in average self-reported household saving levels. The number who report having no savings, has remained stable (26% in May'20 compared to 28% in Dec'19). We have asked this question annually for the past eight years and it consistently fluctuates between 25% and 35%.

This may be due to timing, the financial impact of coronavirus having not materialised in self-reported responses yet.

Yet aggregate values also cover important disparity across individual experiences. For example, it is the quarter (26%) of households with no reported savings, and the third (36%) of those who do have savings, but which have less than the recommended three months' worth of take-home pay, who are now more likely to say they are saving less due to coronavirus. This group is vulnerable to adverse financial shocks.

Respondents to the two surveys compared in this report say they are spending less and saving more. However, comparing all responses indicates that many individuals and households across Europe remain in a position of financial fragility. There has been no noticeable change in the consistently large share of Europeans who have either no or little savings.

Jessica Exton, Behavioural Scientist



# Day-to-day spending is different during Corona

*Most people in Europe say they are spending less or the same amount, using card over cash and have moved online to shop in the wake of coronavirus.*

## Swapping spending for saving and instore for online

There is no question about it: the coronavirus pandemic and accompanying lockdowns have changed people's attitudes when it comes to money. Respondents to our survey self-report spending less, saving a bit more and using card over cash to make payments. However, between Dec'19 and May'20, the number of households who say they have savings, compared to not having any at all hasn't shifted significantly - 66% in Dec'19 compared to 64% in May'20.

Among our survey respondents, 44% say they were now spending less than before the virus swept across the world. Much of this will have been due to lack of options -- restaurants, bars, retail shops, cinemas and other spending opportunities have been closed.

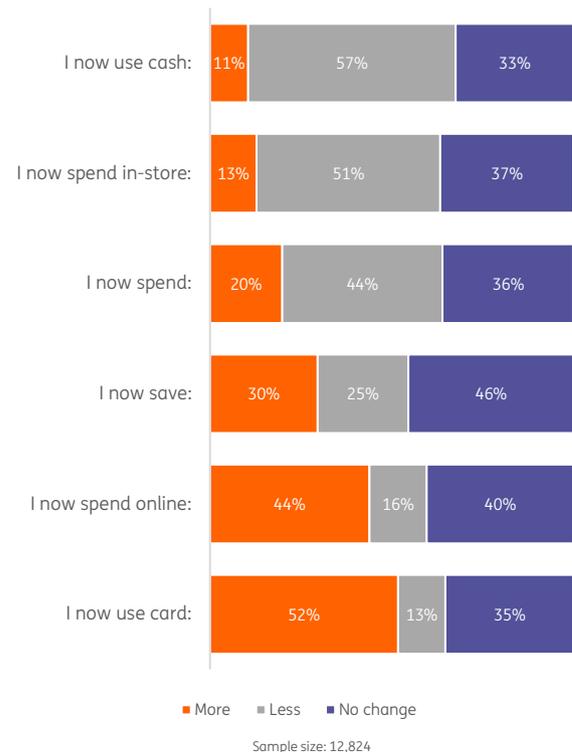
But some will have also suffered a sharp decrease in income and/or the threat of such a loss. In a worse-case scenario, consultants McKinsey<sup>1</sup> have predicted up to 59 million European jobs could be at risk of temporary or permanent financial impact. A survey of Americans by Bankrate found that of the 52% who said they had cut their expenditures, 43% had not done so intentionally<sup>2</sup>.

Both conditions help to explain why many said they were saving a bit more -- putting something by for an uncertain future. Three quarters (76%) of Europeans said they were either saving more or the same as before the pandemic hit.

"I'm spending less now. I'm buying cheaper brands of food and I avoid walking through the shops so I'm not tempted to buy things. I'm trying to save money as my contract was postponed so I'm not earning."

Female, Belgium

## Has coronavirus changed the way you spend and/or save:



Asked to everyone. Survey date: May'20.

1 <https://www.mckinsey.com/industries/public-sector/our-insights/safeguarding-europes-livelihoods-mitigating-the-employment-impact-of-covid-19>  
 2 <https://www.bankrate.com/surveys/spending-investing-during-coronavirus/>

# Overall many Europeans say they are saving more

*Europeans are more likely to say they are saving rather than spending due to coronavirus. Part of this will be not having the option to go out and spend, others will be consciously saving just in case.*

## Erring on the side of caution during uncertainty

Coronavirus has disrupted many aspects of our daily routines. And money is no exception. Across Europe, 44% say they are now spending less due to Coronavirus, while 20% say they are spending more – a difference of 24% towards spending less. Meanwhile 30% say they are saving more and 25% less, giving a difference of 5% towards saving more.

The graph opposite shows the percentages in each country who said they are now spending less, and who said they are now saving more. The largest groups who now feel they are saving more are in Luxembourg (41%), Turkey (35%), the UK (33%), Italy (33%) and Spain (33%). Luxembourg (55%), Italy (55%) and the UK (51%) also had relatively large groups who said they were now spending less.

These responses are reflected in market activity. During the start of lockdown, the Netherlands saw a 24% year-on-year decrease in the number of debit card transactions as people reduced spending<sup>1</sup>. This naturally occurred in some categories such as recreational activities and transport, more than others.

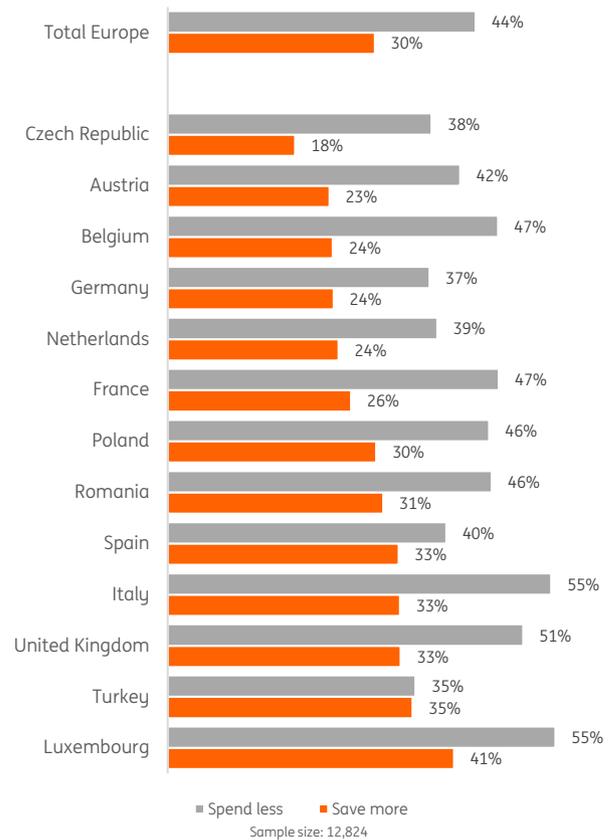
“I am saving more now as I am spending less on going out, shopping and seeing friends. I want to keep trying to save money after coronavirus.”

Male, Belgium

“No one knows how long the virus will last so people may be keeping some money aside and saving for the future.”

Male, Germany

## Has coronavirus changed the way you spend and/or save?



Asked to everyone. Survey date: May'20.

1 <https://think.ing.com/articles/dutch-debit-card-transactions-decline-sharply-due-to-covid19/>

# But coronavirus is having an unequal impact

*Perceived changes to day-to-day saving activities differ based on household savings levels, those either without savings, or smaller amounts, are more likely to say they are saving less due to corona.*

## Coronaviruses impacts differ across saving levels

Many, on average, say they the amount they spend and save on a day-to-day basis has changed due to coronavirus. Just under half (44%) of Europeans are spending less and a third (30%) are saving more. But the aggregate level covers some disparity in experiences.

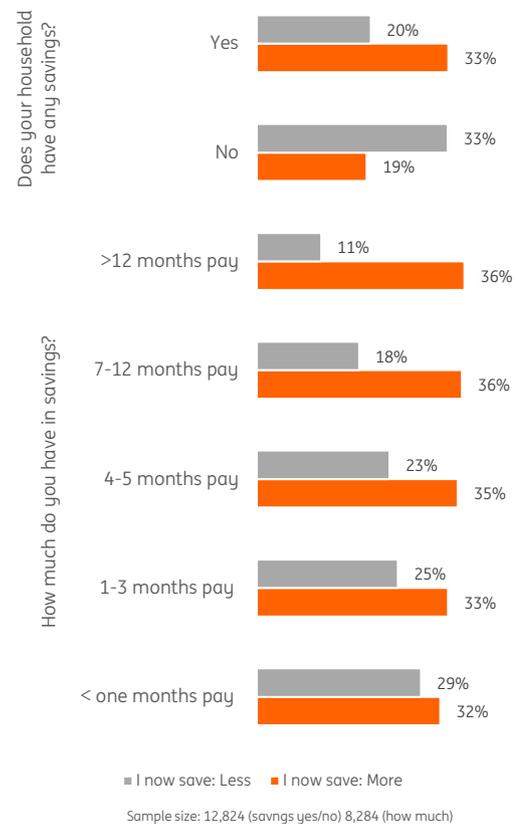
The survey revealed that coronavirus is likely to be having quite different impacts based on whether households do, or do not have any savings. A third (33%) of those who have savings put aside are likely to consider themselves to be saving more due to coronavirus, but the same proportion (33%) of households without any savings are now able to save less. Of those households that do have savings, those who are now saving less are more likely to be those who have a smaller amount put aside.

These findings suggest that the impacts of coronavirus will be unequally distributed. Those who are already in a relatively stable financial position are more likely to be saving more, compared to those households who are experiencing some level of financial fragility.

Having savings put aside supports financial flexibility, which is critical when facing relative uncertainty such as is associated with the current spread of coronavirus.

Interestingly, responses indicating whether people felt they were saving more, less or the same amount due to coronavirus were relatively stable across perceived levels of savings comfort.

## Has coronavirus changed the way you spend and/or save?



Asked to everyone. Survey date: May'20.

# While perceived savings comfort remains stable...

*European attitudes towards savings needs appear to have shifted only minimally since the impact of coronavirus, with slightly fewer people now saying they would need more savings to feel comfortable.*

## The prospect of disaster hasn't destroyed confidence

The self-reported changes in saving and spending may have led some to feel more comfortable with their level of savings. Our questioning comparing attitudes before and during the coronavirus pandemic showed a slight decrease in the percentage of Europeans who say they would need either much, or a little more in savings to feel they were in a comfortable position (73% to 68%).

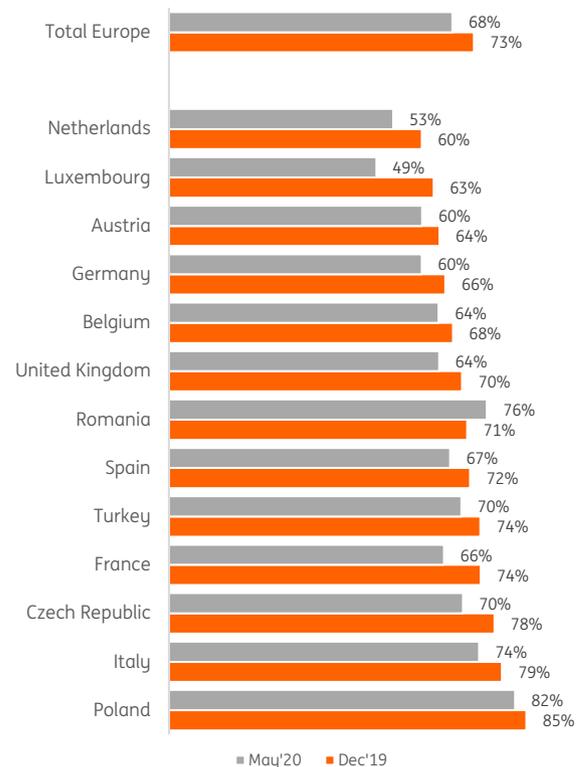
The shift was largest among the middle aged and those currently working, and therefore also earning. The portion of those aged 45-54 who said they would need much more in savings to feel comfortable decreased by 11% between Dec'19 and May'20. Similar trends were seen among the self-employed (-10%), and those working part-time (-11%) and full-time (-7%).

This small shift in savings comfort may be temporary. Lockdown seems to have reduced the ability of people to spend. Those who have been able to remain employed may feel they are saving more. However, it's worth noting that we ask about perceptions rather than actual saving values.

“The economic crisis of the coronavirus is of exceptional magnitude, far more so than the financial crisis of 2008. We estimate, for example, that the contraction of GDP in the euro zone will be around 8% in 2020, and that the recovery will last for years. In this context, it is likely that the response of Europeans to this question will evolve in the coming months. As the economic crisis makes itself felt among households, they are likely to feel they need more savings, whether because of a drop in income or an increase in mistrust for the future that would lead them to plan for a larger savings mattress.”

– Charlotte de Montpellier, ING Economist

## What best describes you? Respondents who said 'I would need much more' or 'a little more in savings to feel I was in a comfortable financial position'



Sample size: 12,713(Dec'19) 12,824(May'20)

Asked to everyone. Only responses of 'much more' and 'a little more' shown. Alternative responses included 'I am in a comfortable position', 'a little less' and 'much less'.

# People in every country still have no savings...

*While day-to-day saving activity feels like it has shifted due to coronavirus, the number of households who say they don't have any savings at all, has not changed.*

## No sign of increase in savings

Although many people consider themselves to be saving more during lockdown, there is little evidence in self-reported savings figures that the share of respondents who have and who do not have savings has changed noticeably.

Since 2012, this survey has asked people whether they have any savings at all. For this question, savings are defined as funds that can be accessed easily. The question explicitly excludes long term savings such as pension funds and life insurance products that will pay out in the future. A high percentage answering that they have no savings is an indication of financial fragility.

There have been few variations over the eight years this question has been asked with typically around 25% to 35% saying they have no savings.

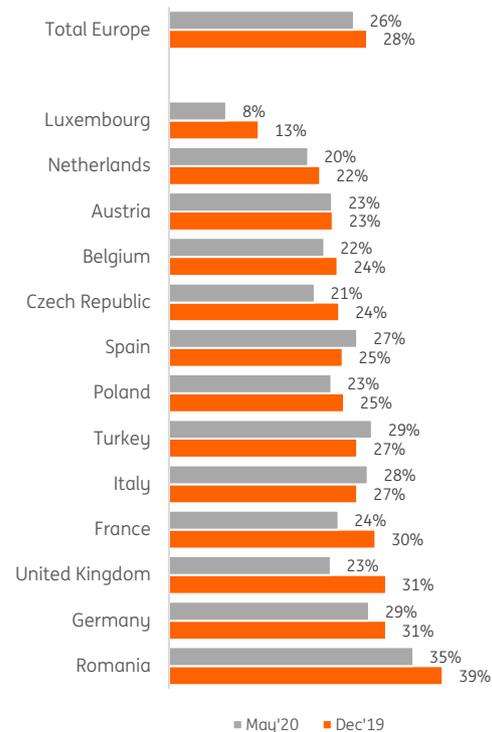
The graph opposite shows the responses to this question in Dec'19 before coronavirus restrictions began to be implemented and again in May'20, when restrictions have been in place for many people across Europe.

Although there is some variation for Europe as a whole and for individual countries, there does not seem to be any substantial difference between the pre and post-coronavirus periods or from figures over the past eight years.

These figures are consistent with Eurostat figures<sup>1</sup> indicating one in three people were unable to face unexpected financial expenses (32%) in 2019. The ability to meet unexpected experiences will be critical for many during the uncertainty imposed by coronavirus.

Financial fragility appears still to be common across Europe and in individual countries.

## Does your household have any savings? – Those who said 'No'



Sample size: 12,713(Dec'19) 12,824(May'20)

Asked to everyone. Only 'No' responses shown. Alternative responses included 'Yes' and 'Prefer not to say'.

<sup>1</sup> <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20200505-1?inheritRedirect=true>

# And savings remain unequally distributed

*Of those who hold savings, a third have less than three months' worth of take-home pay saved up. This is generally accepted as enough to cover unexpected expenses, but many people don't have it.*

## Emergency funds are distributed unevenly

It is a generally accepted rule of thumb in personal finance that it is prudent to build up an emergency fund equivalent to three months of take-home pay readily available as savings. The idea is that most unexpected expenses could be met without causing financial problems.

It has already been noted that just under three in ten have no savings at all. And even for those who have savings, they may not have enough to meet emergency expenses.

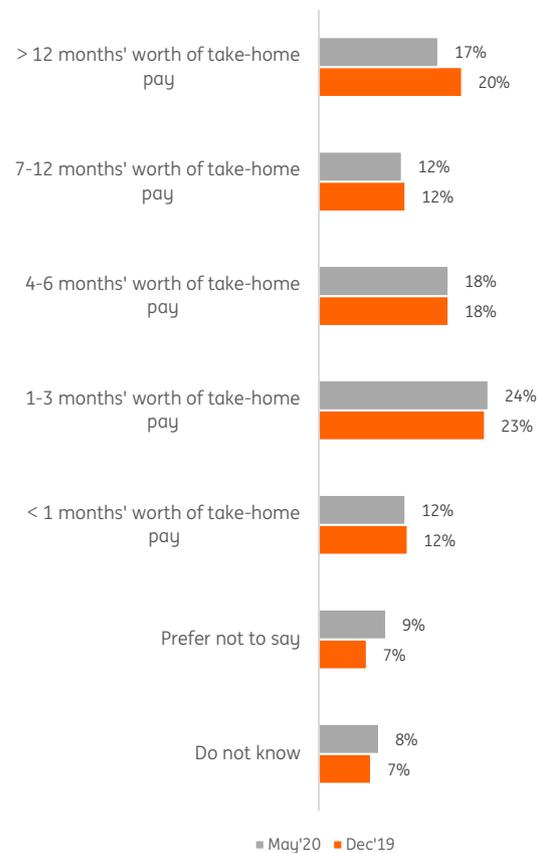
The chart opposite gives an indication of the amount of savings those who have set money aside have both before and after the coronavirus disruption.

Around three to four in ten report having the equivalent of three months or less of their monthly take home pay available. Further, just under one in ten say they do not know how much they have in savings when asked this question. Responses have not changed noticeably.

Around four or five in ten report a healthy savings position with funds above three months of take-home pay. Those who are older (above 65 years), retired and living without children appear to characterise this group.

The distribution of savings amongst those who have them appears to be uneven, with many having a limited savings buffer. Financial behaviour around coronavirus has not changed this.

## What is the total sum of your household savings?



Asked only to those who stated they had savings.

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## About the ING International Survey

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Countries are compared in this report per survey

The ING International Survey promotes a better understanding of how people around the globe spend, save, invest and feel about money. It is conducted several times a year, with reports hosted at <https://think.ing.com/consumer/ing-international-survey/>.

Two online surveys were carried out by Ipsos for this report: 27<sup>th</sup> Nov to 16<sup>th</sup> Dec 2019 and 15<sup>th</sup> to 27<sup>th</sup> May 2020.

Sampling reflects gender ratios and age distribution, selecting from pools of possible respondents furnished by panel providers in each country. European consumer figures are an average, weighted to take country population into account.

1,000

Respondents on average were surveyed in each country (500 in Luxembourg) per survey



12,713

Is the total sample size of the Dec'19 survey

12,824

Is the total sample size of the May'20 survey

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