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Article

Covid-19 disrupts savings, spending and summer holidays in Europe

The coronavirus has fundamentally altered consumer behaviour around the world. It's caused a lasting plunge in savings for most households, disrupted spending patterns across categories and forced people to change their summer holidays plans. These are the main findings from our recent survey of 5,000 people across five European countries



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It's no surprise that Covid-19 has changed nearly every aspect of our daily lives. The pandemic has not only affected crucial factors that determine our spending habits – such as income, consumer confidence or mobility – it has also altered how and where people choose to spend or save their money. During the second and third weeks of May, we conducted a short survey across five European countries (Germany, Romania, Poland, Spain, and Turkey) to learn more about this.

Most households are seeing their savings reduced

We asked consumers in the five countries whether they were already seeing or anticipating any change in their savings in the next three months. Clearly, the pandemic has not impacted everyone equally. We found:

- About a third of consumers (34%) seem to be unaffected
- 46% of people say the amount of money saved is falling
- Remarkably, 20% of consumers are still growing their nest egg.

If we calculate the net impact, that is the percentage of respondents seeing a decrease in their savings minus the percentage of respondents seeing an increase, we arrive at a discouraging result (-25%) suggesting that for the majority of people the amount of savings is decreasing due to the pandemic.

Change in consumer savings due to Covid-19

	TOTAL	GERMANY	POLAND	ROMANIA	SPAIN	TURKEY
No change in savings	34%	49%	32%	21%	33%	33%
Decrease in savings	46%	28%	52%	60%	44%	47%
Increase in savings	20%	23%	16%	19%	23%	20%
Net impact on savings	-26%	-5%	-36%	-42%	-22%	-27%

The question asked was 'Because of Covid-19, are you seeing or anticipating in the next 3 months an increase or decrease in your total savings? Net impact is calculated subtracting the percentage of respondents seeing a decrease in their savings from the percentage of respondents seeing an increase in their savings.

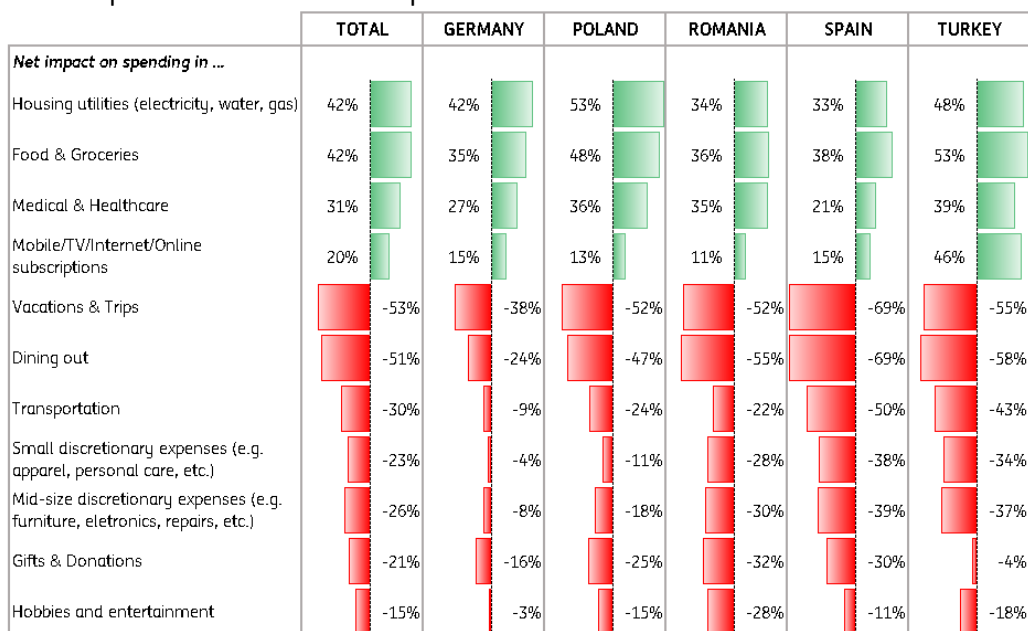
Although we see a negative impact on savings in all countries, Romanian and Polish households have suffered the most, with approximately 40% of respondents also reporting that they have lost or are at risk of losing, on average, a quarter of their income. Almost 60% of consumers in these two countries, and in Turkey, also stated that they already had a rainy day fund, which they'll need to use because of the coronavirus crisis. The situation is less strained in Germany and Spain, where only 23% and 38%, respectively, said they would need to tap into their savings. One optimistic sign for future consumer behaviour is that almost half of our respondents said the pandemic had made them aware of the importance of savings and that they would try to do more to build on an emergency fund.

Consumers are spending more on essentials and pulling back on discretionary expenses

Consumers' purchasing priorities have been utterly disrupted by Covid-19. The intent to spend more on essentials has gained momentum relative to pre-pandemic levels, while expenses on more discretionary items have become less of a priority.

It's no surprise to see that consumers prioritise necessities such as housing utilities and food and groceries. It's not surprising either that they are also looking for ways to amuse themselves and their families, with a higher proportion of households budgets earmarked for digital consumption, driven mostly by online subscriptions and at-home entertainment.

Net impact on consumer expenditure due to Covid-19



Net impact per category is calculated subtracting the percentage of respondents seeing a decrease in spending from the percentage of respondents seeing an increase in spending. The questions asked was 'Because of Covid-19, are you seeing or anticipating in the next 3 months an increase or decrease in your expenditures in the following categories? Answers options were: Decrease - No change - Increase.

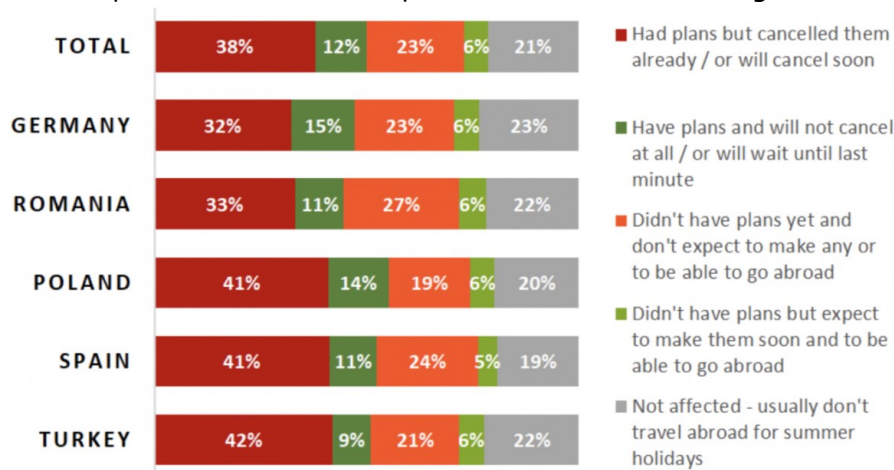
As incomes have declined and mobility is still far from what it used to be, most categories across countries still show net reduced expenditures. However, as expected, the industries with the sharpest declines are those related to travel and eating out. Consumers aren't showing a lot of optimism just yet about returning to restaurants, travelling or vacations. We look at this more closely in the next section.

Now, while it's key to explore how spending behaviour has adjusted throughout this period, the really intriguing question is how long-lasting the impact on shopping habits will be. What will stay and what will go? This is acutely relevant in the shift we've seen towards online shopping, which could be the force accelerating e-commerce innovation across multiple industries. In our survey, we find a striking 48% of consumers reporting to be shopping online more than before the pandemic, especially in Poland, Turkey and Spain. Unsurprisingly, 51% say they spend less in-store, Turkey being the country facing the biggest drop of 65%. We'll be exploring the trends in online consumption patterns in depth in our next survey.

Summer holidays and travelling abroad seem out of the picture

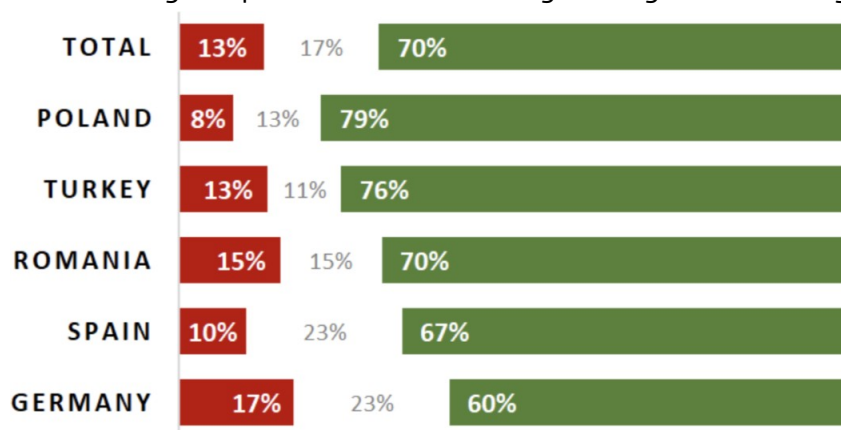
The inevitable decline in the travel and tourism industries has been the obvious result of mass social isolation and tightening travel restrictions. Consumers were quick to adjust their expectations and summer holiday plans for this year. The results of our survey suggest that most people are still feeling quite pessimistic about travelling abroad. They are either cancelling plans made before Covid-19 or are simply not making any new plans due to the uncertainty. This has been more pronounced among females, married and cohabitating couples, and those self-employed or unemployed. Yet the opportunity arising from this holiday-abroad-gloom is that consumers in general are becoming more open to spending summer holidays in their home country and are exploring new alternative plans.

Covid-19 impact on consumers' plans for summer holidays abroad



The question asked was 'Because of Covid-19, have you changed or do you expect to change any summer holidays plans abroad? The first two splits in the figure combine two related answer options distinguished with a slash sign (/).

I'm more likely to spend summer holidays in my own country



This statement was answered in a 5-point Likert scale.

Our survey reveals that only a 12% of respondents who had made plans for a summer holiday abroad before the pandemic, still remain hopeful about it. A very small percentage (6%) of optimistic consumers are ready to start planning their summer time outside the country. But the majority (61%) is far more pessimistic: almost 40% of our respondents told us they had arranged a summer vacation abroad but opted to cancel their plans as a result of the pandemic while another 23% say they didn't have holiday plans outside the country and don't expect to make any, as travel abroad seems very unlikely. The upside to all this is that most consumers (70%) still wish to enjoy a summer holiday in their own country, while 17% of people are still undecided.

As travel restrictions within Europe start to lift, we expect tourism to bounce back. We'll be covering holiday intentions and consumer changes in attitudes for the coming summer period in our next survey as well. Stay tuned.

Maria Ferreira Sequeda
 Senior Economist
 +31(0)611236753
maria.ferreira.sequeda@ing.com

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