

HOW DID COVID-19 CHANGE FAMILY'S FINANCES IN THE EU?

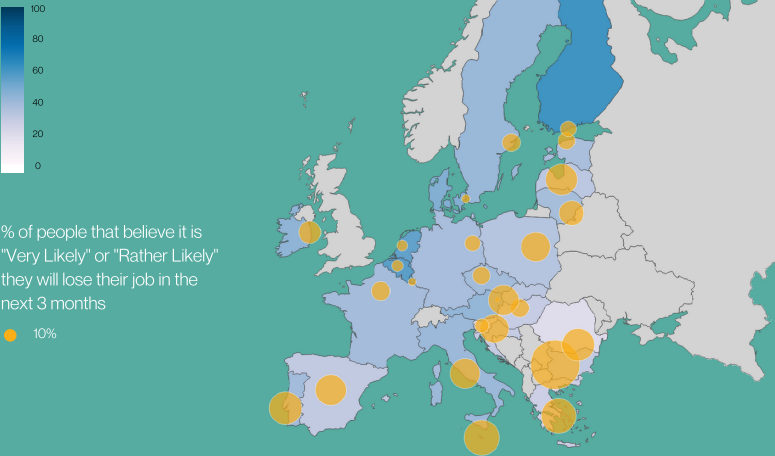


As of March 2020, the COVID-19 outbreak has changed how we earn money and how we manage it. With the physical stores' closure, there was a boom in the e-commerce landscape. However, this also had an impact on jobs and on the reduction of working hours. Families had to adapt to this new system and for some, to the spread of telework. Lives changed, and the way we manage our money did so too.



TELEWORKING AND JOB VOLATILITY

% of people that started to work from home as a result of the COVID-19 pandemic



% of people that believe it is "Very Likely" or "Rather Likely" they will lose their job in the next 3 months

10%

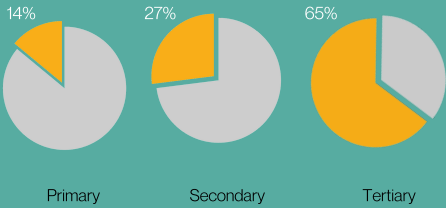
% of people Teleworking and % Afraid to Lose Their Jobs (April/May 2020)

Source: Eurofound (2020). Living, working and COVID-19 dataset. <http://eurofoundlink/covid5kdata>

In almost all EU countries, there was a huge increase in the percentage of the population teleworking, most likely due to the various restrictions imposed by various countries. Finland leading the way with 60.5%.

Some countries also had a relatively high percentage of the population fearful of their future employment, Bulgaria being the most extreme with 33.3%. When analysing these variables, there is a correlation of -0.61 between them, showing that in countries where telework became more common the population was also more secure that they wouldn't lose their job.

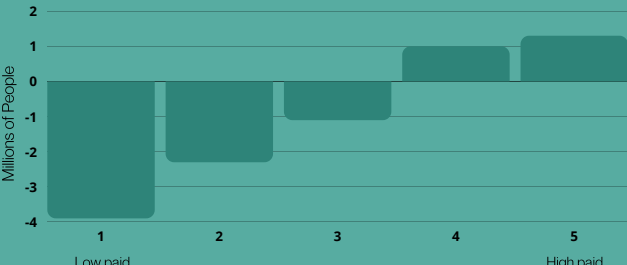
Correlation does not imply causality, but one can think that if someone is able to work from home then they probably never had to stop. Meanwhile, people with an impossible to fulfil at home job, probably were unable to work or had a lot of restrictions, making them uneasy about their employment.



% of people teleworking by education level (April /May2020)

Source: Eurofound (2020). COVID-19 Implications for employment and working life.

Analyzing EU's global behavior on teleworking transition, by education sector, there is an increase the higher the education level is. The employees with a higher education level have a percentage almost five times higher than the lower education level ones.



Employment Variation by job-wage quintile (2nd Quarter 2019 - 2nd Quarter 2020)

Source: Eurofound (2020). COVID-19 Implications for employment and working life.

Examining the job variation by wage quintile, we can see that the job loss felt in Europe didn't impact higher and lower level incomes in the same way. Lower-waged jobs had a huge decrease when compared to the two highest quintiles, in which we see the opposite effect.



THE CHANGE ON MONEY MANAGEMENT

In 2020, there was a decrease of 4.8% in EU's household's income. According to Eurostat, the main causes were the reduction of worked hours and absences from work. How did this affect the way people managed their finances?

Savings

+50.7%¹

For those who discovered the wonders of telework, staying at home meant not spending money on **commuting, eating out, buying clothes**, etc. Although it has many downsides, including the increase of domestic expenses, telework has allowed most people to save more money.

The saving rate of households jumped from 13% to 20% of the net disposable income.

This result can be attributed to the economic crisis felt by most people. Coupled with the aforementioned market closure, saving was the path taken by most of the population to ensure financial stability



2% of Household Income

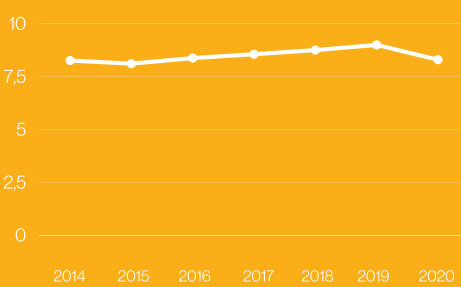
Investment

-5.30%¹

The European investor behavior was certainly affected by the pandemic, breaking the constant slight increase seen from year to year since 2015.

One of the reasons for this may be the increased **volatility of the market**. On average, Europeans spent 0.5% less of their income on investment in 2020, compared to the year prior.

Investment Rate of EU's Households and NGO's (% of income)

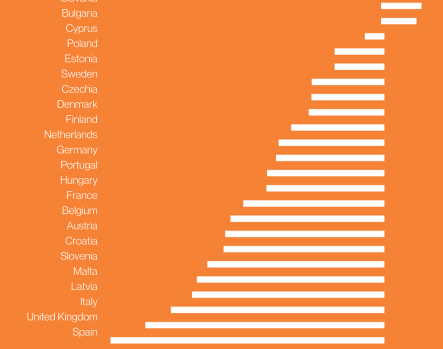


Consumption

-5.69%¹

Consumption in the EU **decreased by 5.69%** in 2020, when compared to the year prior. Some countries had different needs, but in most of them, spendings were cut and so, just like the investment rate, consumption's variation rate also decreased, having values as low as -13.4% (Spain).

Variation Rate of Household Consumption by Country (2019 - 2020)



¹ Variation rate comparing the 1st 3 quarters of 2019 with 2020's

Source: Impact of Covid-19 crisis on non-financial corporation and household accounts—Statistics Explained (n.d.). Retrieved 15 March 2021, from https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Impact_of_Covid-19_crisis_on_non-financial_corporation_and_household_accounts

To conclude, not everybody was able to work from home and so, in countries with higher difficulties in implementing it, high uncertainty about future employment was felt. Meanwhile, the ones having a higher education level found it easy to adapt, contrastingly lower educated and lower-income employees not so much. All of these changes were accompanied by a huge increase in the savings rate of European households and a decrease in both the investment and consumption rate.