

COVID-19 IMPACT:

**A new savings
environment
beyond the
pandemic**



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cicero/amo
strategic advisors

Introduction

Across Europe, the tireless work carried out by public health bodies to roll out COVID-19 vaccination programmes during the winter and spring months is coming to fruition. Vaccines are extending a blanket of protection over national populations, and the link between infections and hospitalisations appears to be weakening.

From the darkness of wintertime lockdowns, the summer months in Europe offer a sense of optimism as major economies across the continent remove social restrictions in what many hope will be a ticket back to our previous freedoms.

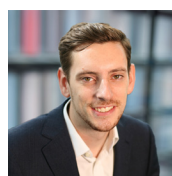
However, while the tide has been turned on the public health crisis, there is much work to be done to rebuild from the economic crisis that ensued from COVID-19. Given the severe GDP contractions seen across advanced and emerging economies in 2020, forecasts for 2021 are far more positive. The OECD estimates that UK GDP will increase by 7% in 2021. But the OECD also warns that more permanent scarring will remain as we move past the crisis.

Central to any recovery is a return of consumer and business confidence. For the expectant business community, particularly those in the hospitality sector, there is hope for a summer spending spree as freedoms are restored. But the pandemic has markedly disrupted household spending and savings behaviour. Many aspects of everyday life have been changed by the pandemic, and while some changes will be temporary, others may become permanent. This report gives light to what the legacy of the pandemic may mean for the future of spending and saving among households.

Our latest research is a continuation of the Cicero/amo 'COVID-19 Impact' series which sets out to further understand the effect the disease is having on households.

At the outbreak of the pandemic, our first research report revealed the financial hardship faced by many households as financial resilience was tested in the initial weeks of the pandemic. Following this, we assessed the impact of the pandemic on the mental health of individuals dealing with the anxieties of this unforeseen event and most recently, we looked at the impact the pandemic was having on people's attitudes and behaviours as European societies learned to embrace the new realities of social distancing. In this fourth report, we look beyond the pandemic to assess how spending and savings habits may permanently change.

To help business leaders and policymakers understand how European households are responding we conducted research on those living in Europe's 'big four' economies. The results are based on responses from 4,006 people living in France, Germany, Italy and the UK. This represents a combined population of 275 million people. The consumer findings were conducted by Norstat using an online survey between the 8th and 12th July. The analysis and report were produced by Cicero/amo.



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Unparalleled disruption to household spending and savings behaviour

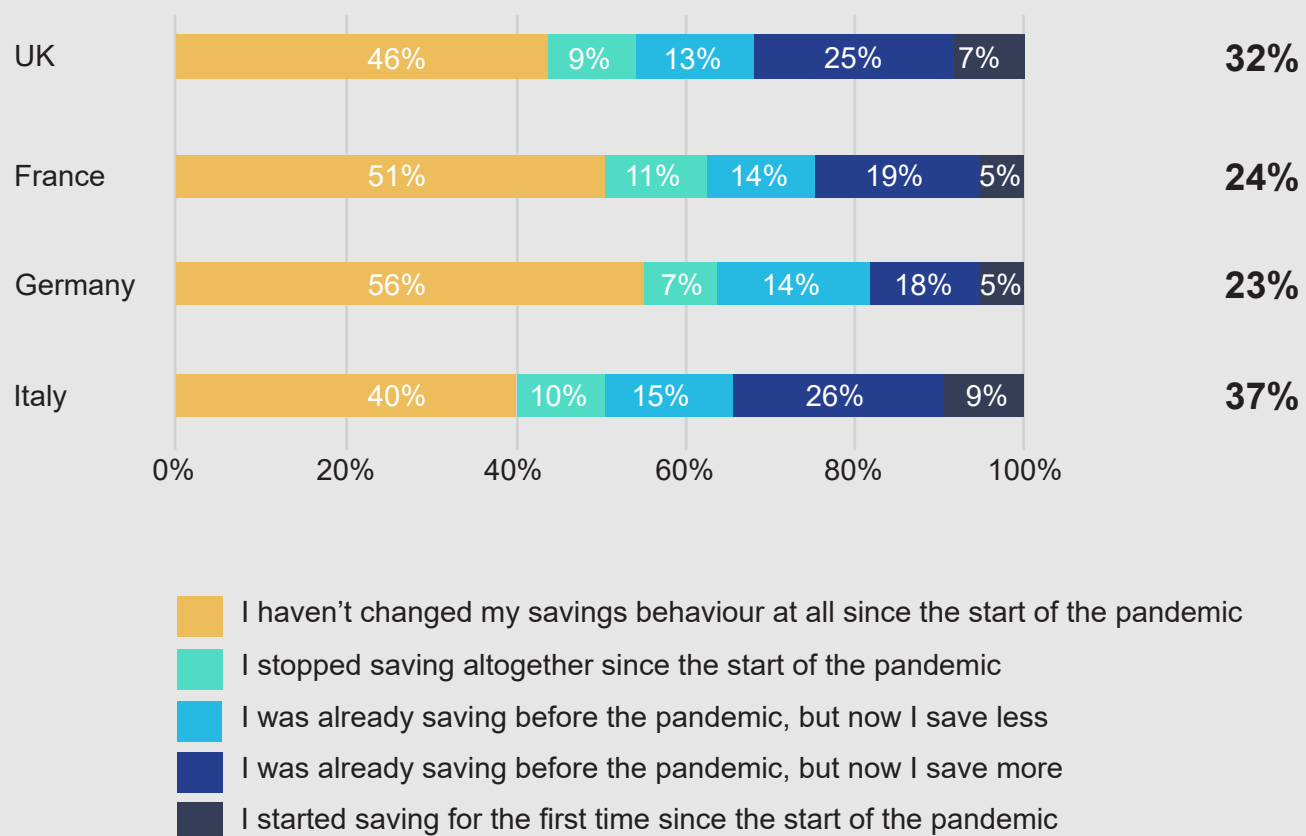


Social restrictions over the last year and a half have caused substantial disruption to household spending and savings behaviour. In economic terms, it has truly been a tale of two pandemics. For some, the pandemic has provided a great, albeit unexpected, opportunity to save. For others, it has been a time to tighten belts and keep a keen eye on household outgoings.

- 32% of UK households have either started saving for the first time or are now saving more as a result of the pandemic, with a comparable number seen in Italy (35%).
- In France (24%) and Germany (23%), around a quarter either started saving for the first time or are now saving more as a result of the pandemic.

Across the four big markets three-in-ten have started saving, or are saving more, since the start of the pandemic

Started saving OR
now saving more
due to pandemic



Q: In which of the following ways has the global pandemic impacted on your savings behaviour? (ALL RESPONDENTS)

In many cases, one of the defining drivers of newfound savings habits has been increased home working. In the UK an estimated 36% of workers carried out some work at home in 2020¹, while a greater number worked from home across France (50%), Germany (41%) and Italy (45%)². Those fortunate enough to work from home during the pandemic have enjoyed the benefit of reduced or non-existent commuting costs, coupled with the reduction of so called 'invisible' spending, on items such as coffees, shop bought lunches and after work drinks. Invisible spending has been estimated to cost the average worker the best part of £1,000 per year³. This, alongside obvious restrictions on social spending, has contributed to the phenomenon of accidental saving.

¹ Office for National Statistics (ONS), [Homeworking hours, rewards and opportunities in the UK: 2011 to 2020](#), April 2021

² Eurofound, [Living, working and COVID-19 dataset](#), July 2021

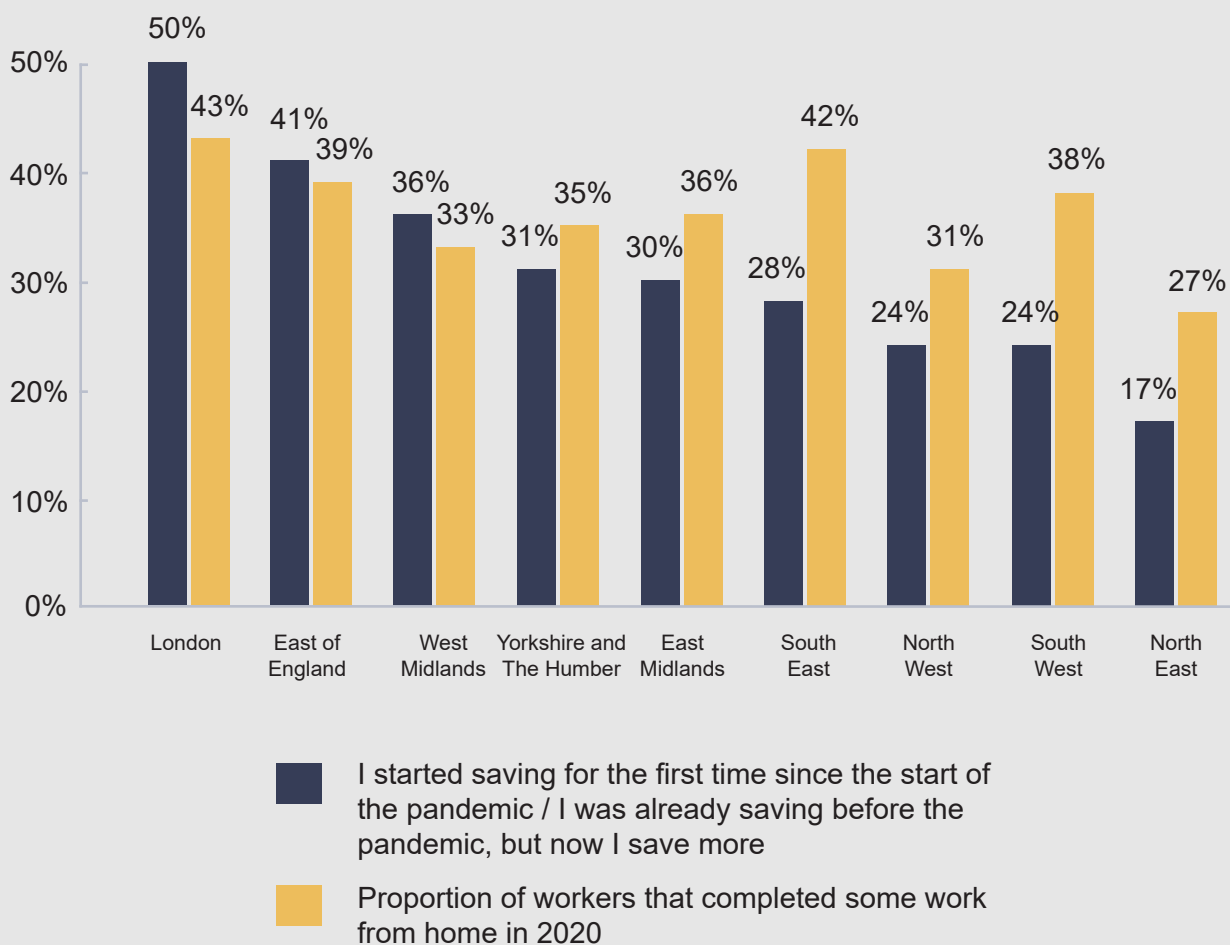
³ Aviva, UK: ['Invisible spending' costs the nation £48 billion per year](#), October 2015

The English North-South divide – Home working has driven regional disparities

The link between working from home and the ability to save more has exacerbated regional divides within some countries over the last 18 months. In England, London has enjoyed the greatest number of new saving or increased saving households (50%) and the highest proportion of workers who worked remotely in 2020 (43%). In contrast, those in the North West and North East saw far fewer new or increased saving households, alongside a much lower proportion of remote workers.

This trend suggests that COVID-19 has exacerbated the North-South divide in England. London's specialisms in professional, scientific and technical services; finance and insurance; and information and communication have resulted in many Londoners being able swiftly and easily transfer to home working and build financial resilience over the course of the pandemic as a result.

In England, savings habits are most likely to have improved in London, where home working has been most prominent



Savings behaviour data based on - Q: In which of the following ways has the global pandemic impacted on your savings behaviour? (ALL RESPONDENTS by English regions)

Home working data based on – ONS, Proportion of workers that completed some work from home, broken down by NUTS1 region, UK, 2020, April 2021

What comes next after the great 'unlocking'?

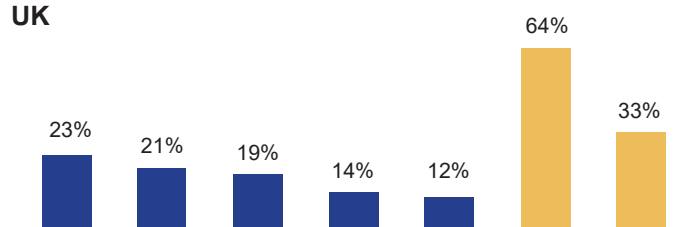


Across our 'big four' European markets, progress towards the removal of all social restrictions has been varied. Within the UK, the landmark of 'Freedom Day', was passed in England on July 19th, whereas equivalent removal of all restrictions is likely to be confirmed later in the summer in Italy, France and Germany. Nonetheless, as we move forward, two key questions remain unanswered:

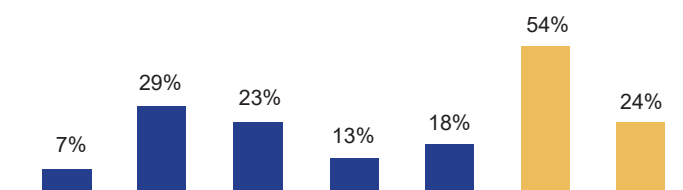
- Will accumulated savings be unleashed as society reopens to give a much-needed economic boost?
- And will these 'accidental savings' habits translate into higher levels of household saving in the future?

Across Europe additional savings are expected to be held on to by households rather than splurged on a post-lockdown spending spree

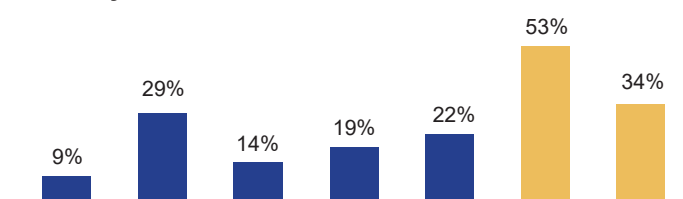
UK



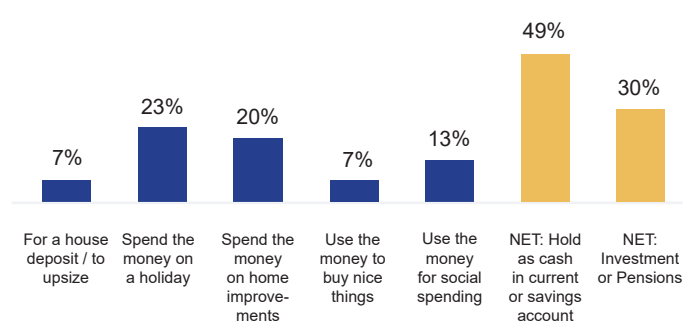
France



Germany



Italy



Q: What do you plan to do with the additional savings you have accumulated since the start of the pandemic? (Those who have saved more/ started saving since the start of the pandemic)



UK

Among the households who have started saving for the first time or are now saving more because of the pandemic, 64% plan to keep hold of additional savings either in cash deposits or fixed interest savings accounts. In contrast, just 12% intend to use the bumper savings for social spending or buying goods such as clothes, electrical goods, or luxury items (14%).



FR

Those in France who have saved more during the pandemic are joint most likely to spend the money on a holiday (29%), but like other households in the 'big four', those in France are far more likely to hold extra savings accumulated in cash (54%) rather than investing the money (24%).



GER

Households who have accumulated extra savings in Germany are the most likely of all four markets to envisage using the money towards social spending (22%) as social restrictions are lifted. German households are also the most likely of the 'big four' to plan to direct the money towards investments or pension funds.



IT

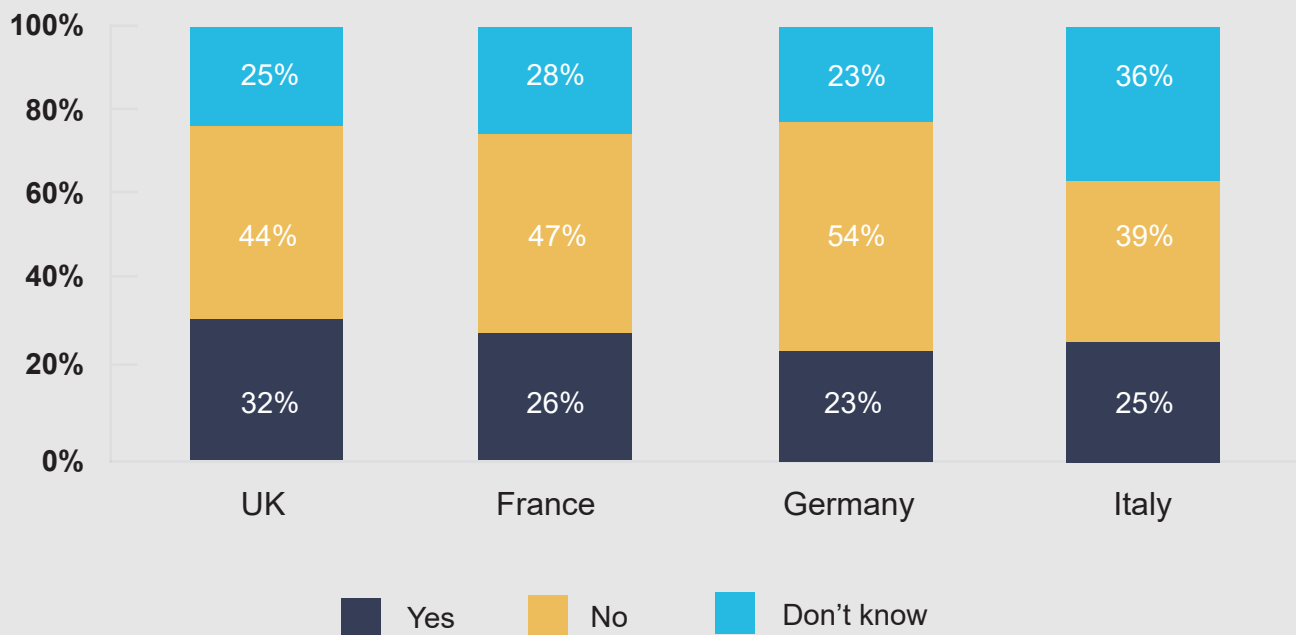
In Italy, households that have saved more during the pandemic are least likely of the surveyed markets to spend the money on goods or products (7%). Instead, similar to other countries half (49%) expect to hold extra savings as cash in current or savings accounts.

Savings behaviours that stick



As we look ahead, there is a sizable minority that expect to save more in the future due to changes in working patterns and increased remote working. Almost a third (32%) of people in the UK and roughly a quarter across France (26%), Germany (23%) and Italy (25%) expect to save more in the future.

Across Europe, a sizeable minority expect newfound savings behaviours to stick beyond the pandemic

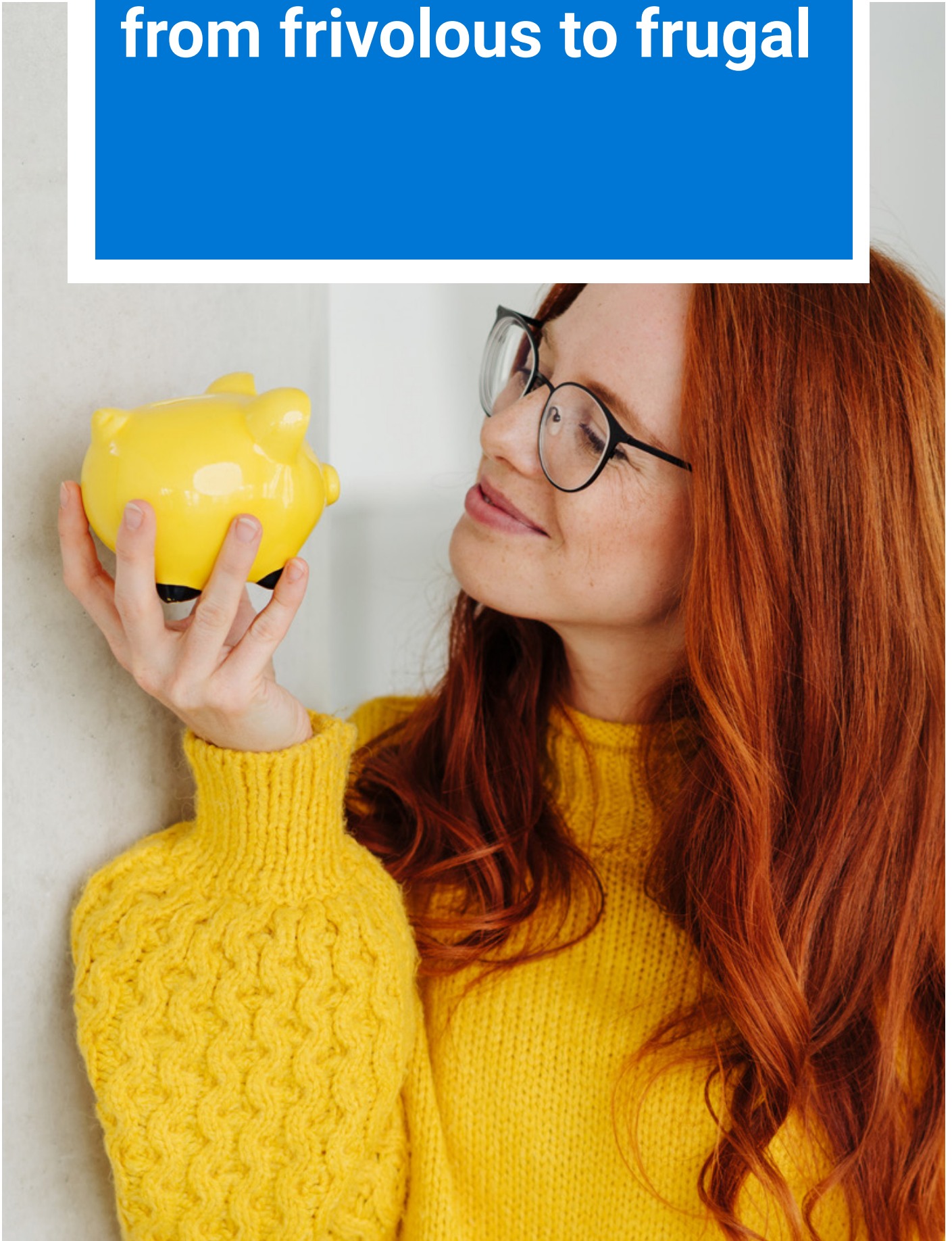


Q: Looking to the future, as social restrictions are lifted, do you expect to save more on a regular basis due to changes in work patterns e.g., increased remote working? (ALL RESPONDENTS)

There is widespread agreement that home working during the pandemic has produced a better-than-expected experience. Prior to the pandemic, there were expectations of lower productivity and poorer collaboration between workers. But the lived experience of 2020 and 2021 has, for many, dispelled those views and diminished the stigma associated with working remotely. This, coupled with the fact that many employers have financially invested in their employees working from home, strongly suggests these working patterns will stick, and as they do, so will related savings behaviour.

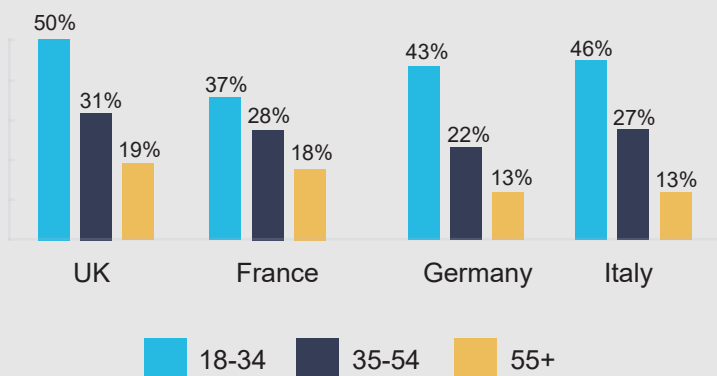
While much of the saving observed during periods of lockdown can be classified as accidental saving, the pandemic has also pressed many people to think more carefully about monthly outgoings, and as a result developed budgeting skills and behaviours that will bode well for the future. The pandemic has fuelled a desire for many households to build financial resilience, which will be secured through saving and a newfound focus on working towards longer-term financial goals.

Young savers: a shift from frivolous to frugal



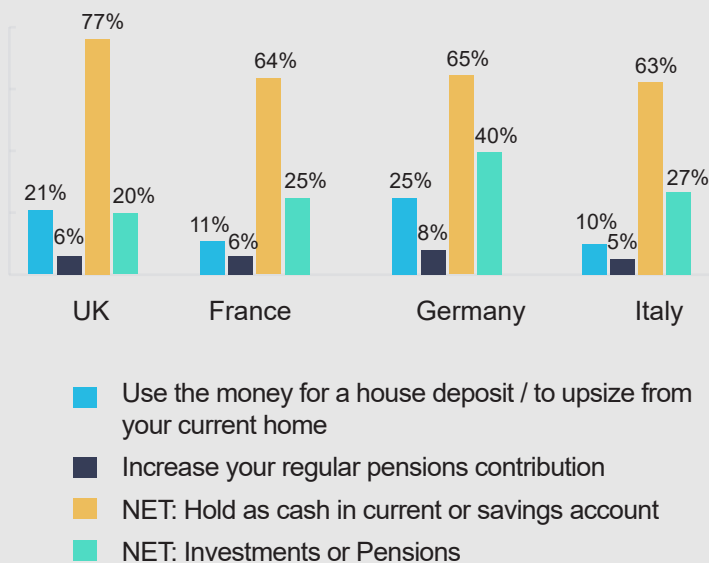
Many young people expect to save more due to changes in working patterns

% stating expect to save more in future



Q: Looking to the future, as social restrictions are lifted, do you expect to save more on a regular basis due to changes in work patterns e.g., increased remote working? (ALL RESPONDENTS by age)

18-34-year-olds who expect to save more in the future envisage holding the money in cash, far fewer will look to invest or place money in a pension



Q: You stated that you expect to save more on a regular basis in the future due to a change in working patterns. What do you expect to do with the additional savings you anticipate on saving? (18-34s who expect to save more on a regular basis in the future to a change in working patterns)

Millennials and Generation Z have been characterised as the 'have it now' generations, motivated by experiences and a desire to live for the moment rather than taking financially responsible decisions. However, our research suggests it is younger generations, aged 18-34, who have the greatest plans to save more on a regular basis in the future.

Half (50%) of 18-34 year-olds in the UK, 37% in France, 43% in Germany and 46% in Italy expect to save more because of changes in work patterns such as increased remote working.

Education is needed to get money working for a new generation of savers

However, it is clear that this younger generation, with newfound saving intentions, will need guidance to get their money working for them. Our research reveals that many expectant young savers will gravitate towards holding cash. In the current low interest environment and against the backdrop of rising inflation, this places young savers at risk of losing money in real terms.

Indeed, young people are best placed to reap the rewards of the compounding effects on investment growth over time. A tendency to envisage holding funds in cash is perhaps understandable given many young people will be making unfamiliar financial decisions, which could make them vulnerable to poor decision making. The challenge for industry and government bodies to engage and educate this new cohort of savers to deliver more optimal outcomes which help young people reach their financial goals.

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About Cicero/amo

Cicero/amo, part of the Havas Group, designs and implements national, regional and global public affairs and communications campaigns for some of the world's largest listed businesses, new entrant challengers and technology disruptors.

We provide clear and original thinking to help organisations craft their message, cut through the noise and lead by example.

We help our clients create meaningful change.

Research design and creative by Cicero/amo

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About Norstat

We are Norstat. In everything we do, we have the respondents' experience in mind. This is the reason why we are so effective in engaging with them.

No matter which method of data collection, we know the wishes and expectations of research participants. This allows us to approach respondents in an optimal way and achieve a superior data quality. As an intermediary between you and the research participants, we aim to make this connection beneficial for both sides.

We maintain a fair and trustful relationship with our respondents, because we expect nothing less than getting authentic and relevant feedback. This is the reason why you can demand the best from us.

Fieldwork powered by Norstat


norstat