

# Research Brief

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## Individuals in Germany have suffered financial losses during the pandemic

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A Bundesbank survey shows that individuals living in Germany suffered different types of financial losses during the pandemic. Primarily individuals with lower incomes reported losses in wages and salaries which persisted much longer than other financial losses, such as falling securities prices. The latter were frequently reported at the start of the pandemic, but were subsequently offset at least partly, according to the respondents. It was mainly the more persistent wage and salary losses that changed households' consumption and saving decisions. Altered saving and consumption behaviour can, in turn, affect the transmission of monetary policy measures.

During the coronavirus pandemic, households in Germany experienced prolonged periods of financial difficulties. These difficulties varied in severity depending on the income situation, employment status or educational background of individuals and changed considerably during the different stages of the pandemic. A Bundesbank survey conducted as part of the Bundesbank Online Panel Households (BOP-HH) examines the type of financial losses that households in Germany experienced during the pandemic, how they developed over time and which individuals were most affected.

### More than 40% of households suffered financial losses at the start of the pandemic

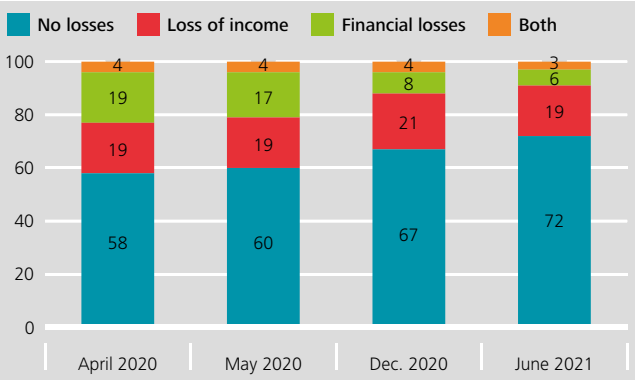
In the survey, participants had the option of reporting lost income (i.e. losses in income from wages and salaries or from rents and leases) as well as other financial losses (e.g. from the drop in prices of stocks, bonds or other securities) separately. Figure 1 shows the types of financial losses experienced

by respondents between the start of the pandemic in April 2020 and June 2021 and how they evolved over time. In the early stages of the pandemic, more than 40% of all respondents in Germany aged 16 or over reported that they had suffered some form of financial loss. Around 19% of all individuals stated that they faced only a decline in wages or salaries, while another 19% reported solely other financial losses (such as falling securities prices), and 4% bore losses in both categories. The financial situation of households recovered as the pandemic progressed, with the share of individuals reporting a decline in wages or salaries or other financial losses during the pandemic dropping from 42% (April 2020) to 28% (June 2021).

This was mainly due to a reduction in the percentage of individuals reporting financial losses other than income losses. The share of individuals reporting a drop in income remained virtually constant throughout the entire pandemic, however.

**Have you experienced a loss of income or other financial losses?\*** Figure 1

Percentage of respondents



Source: Bundesbank Online Panel Households (BOP-HH). \* Available responses varied slightly from month to month. April/May 2020: loss of income, other financial losses, neither loss of income nor financial losses. December 2020/June 2021: additionally "Yes, other lost income, e.g. from rents and leases". As only 2% of respondents reported having suffered such losses, this category was combined with category 1 "loss of income".  
Deutsche Bundesbank

**Low-income households suffered more frequent wage and salary losses**

At the beginning of the pandemic, individuals from households with high net incomes tended to report losses on financial assets rather than a decline in wages and salaries. By comparison, individuals from low-income households tended to report wage and salary losses (see Figure 2). The share of individuals from lower-income households who, by their own account, were affected by losses of wage and salary income has risen steadily during the pandemic. Other financial

losses were most frequently reported by high-income households at the start of the pandemic. However, by June 2021, these households were also most able to absorb these losses, which is probably mainly due to the stock market recovery.

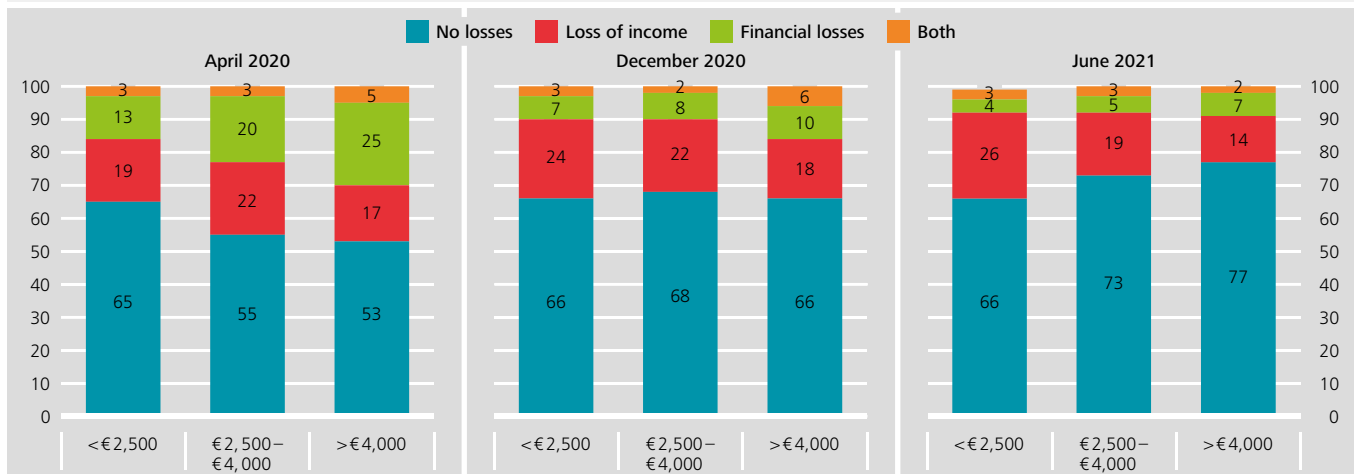
**Those who suffered financial losses adjusted their consumption plans**

Income losses during the pandemic have an impact on income expectations for the near future. According to the survey results, whether households expect their net income to increase or fall over the next 12 months, depends on the extent to which they suffered financial losses during the pandemic. On average, people who did not experience any financial losses during the pandemic expect that their income will tend to rise. The most pessimistic expectations were held by those who had already suffered losses of income and/or other financial losses during the pandemic.

The survey results show that both actual and expected income losses lead to lower consumption. Consumption behaviour also depends on whether or not it was possible to recoup the losses suffered. Individuals who faced wage and salary losses and were unable to recoup them often restricted their spending on major purchases and saved less. In January 2022, around 60% of those expecting further income losses reported that they aim to spend less on major purchases, and 45% planned to spend less on everyday consumer goods. In addition, 70% of the respondents in this group intend to save the same amount or more in the future in order to be prepared for further losses.

**Have you experienced a loss of income or other financial losses?\*** Figure 2

Percentage of respondents



Source: Bundesbank Online Panel Households (BOP-HH). \* Available responses varied slightly from month to month. April/May 2020: loss of income, other financial losses, neither loss of income nor financial losses. December 2020/June 2021: additionally "Yes, other lost income, e.g. from rents and leases". As only 2% of respondents reported having suffered such losses, this category was combined with category 1 "loss of income".  
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## Conclusion

The analyses indicate that the experience of individuals during the pandemic has a bearing on their future consumption and saving plans. Equally, households in Germany had quite different experiences during the pandemic, depending on their income situation, employment status or educational background. These results could have important implications for the long-term impact of the coronavirus pandemic on households' consumption and saving decisions, and thus influence the transmission of monetary policy measures. While the analyses here are confined to effects during the pandemic, a number of studies (Malmendier and Shen, 2018; Malmendier and Nagel, 2011) show that unexpected events which individuals experience during a recession can have an impact on their consumption and investment behaviour far into the future.

## References

Malmendier, U. and S. Nagel (2011), Depression babies: do macroeconomic experiences affect risk taking? *The Quarterly Journal of Economics*, Vol. 126(1), pp. 373-416.

Malmendier, U. and L. S. Shen (2018), Scarred consumption, Working Paper 24696, National Bureau of Economic Research.



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## News from the Research Centre

### Publications

„Markups and Financial Shocks“ by Philipp Meinen (Deutsche Bundesbank) and Ana Christina Soares (Banco de Portugal) will be published in the *Economic Journal*.

„Backtesting Macroprudential Stress Tests“ by Daniel Fricke (Deutsche Bundesbank), Fabio Caccioli (University of London) and Amanah Ramadhiah (University of London) will be published in the *Journal of Economic Dynamics and Control*.

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