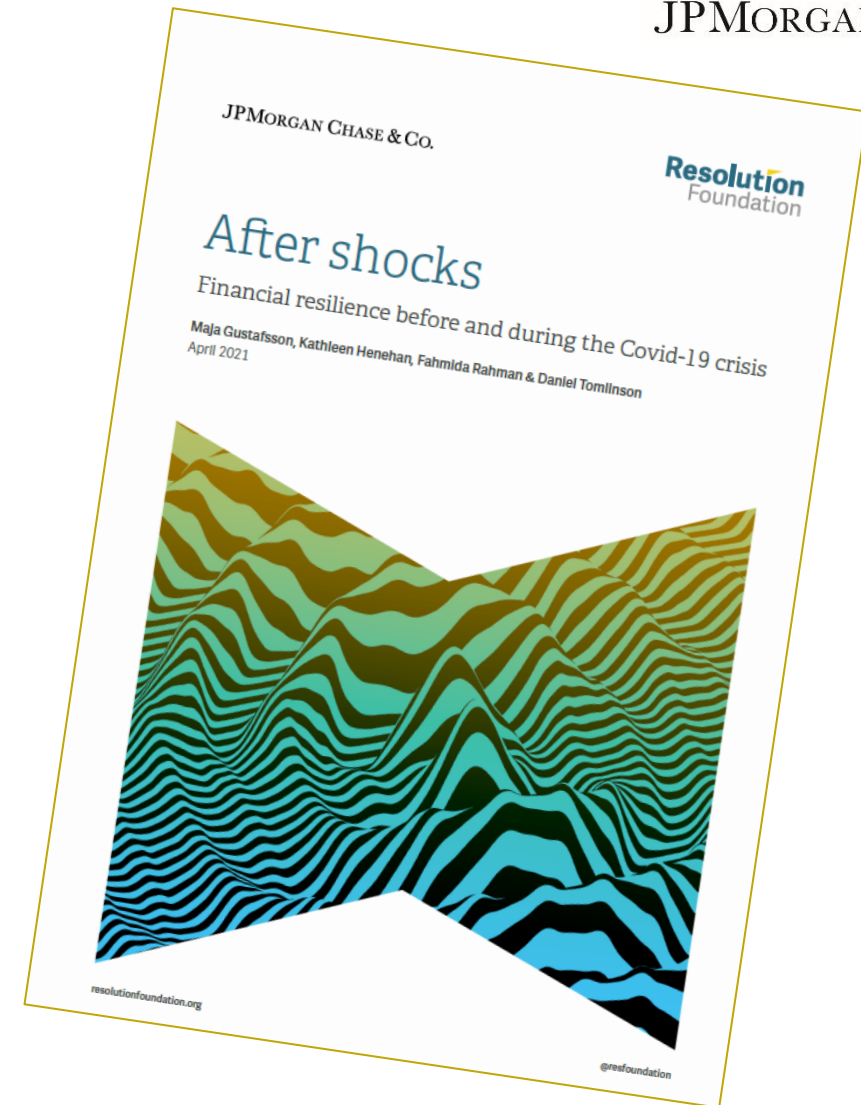


After shocks

How household finances have been hit across the UK, France and Germany

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Our approach

Definition of financial resilience:

The capacity of households to withstand financial shocks

Understanding financial resilience:

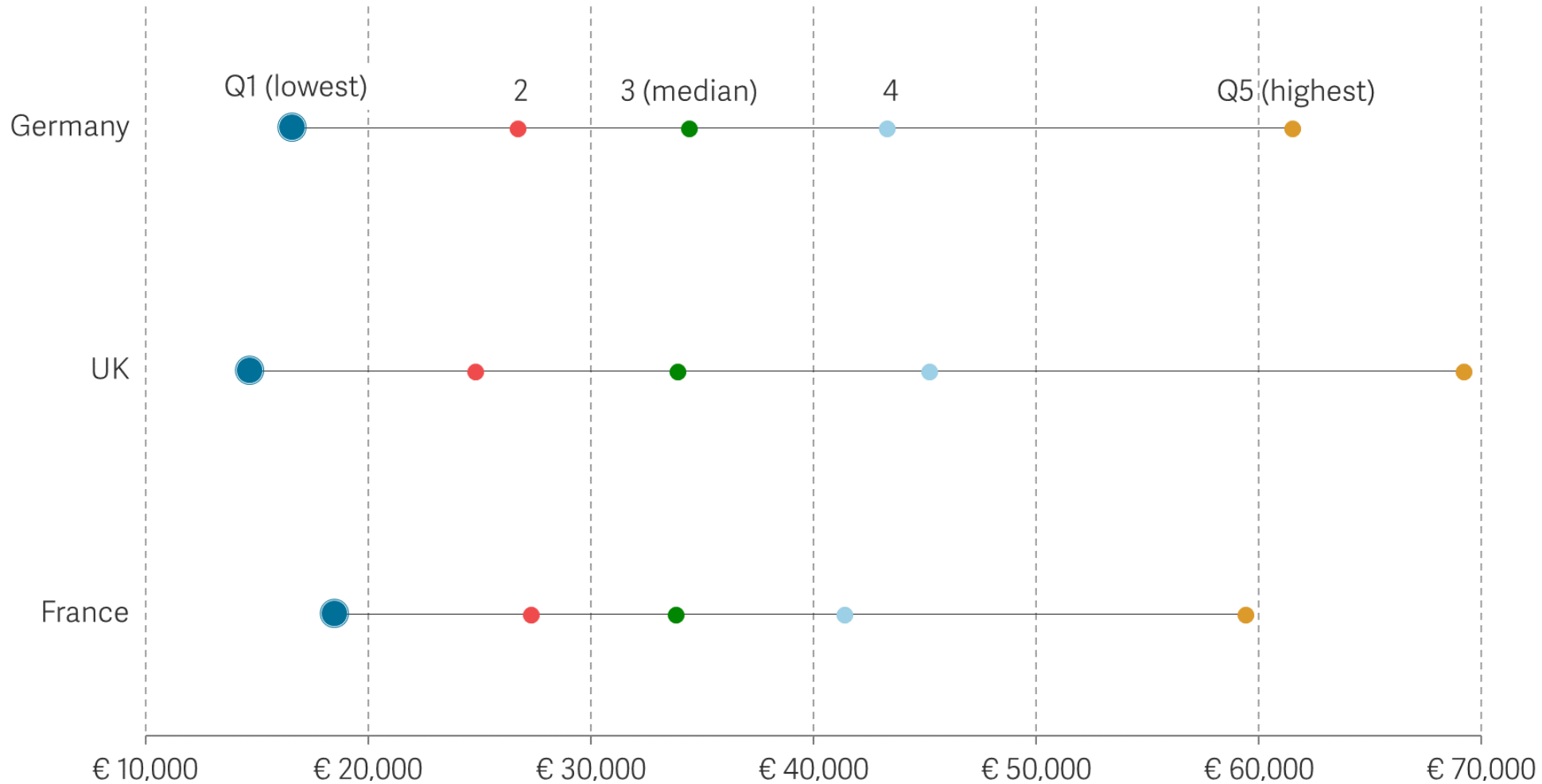
An audit of the key living standards-related factors that determine financial resilience:

- Incomes: labour market and welfare as drivers;
- Expenditure: particularly housing costs;
- Balance sheets: savings and debts.

Financial resilience on the eve of the pandemic

Inequality matters: similar medians, different distributions

Median equivalised net working-age household income (before housing costs), by country and working-age household income quintile: 2018



Notes: Working-age households are defined in this report (unless otherwise stated) as those in which the household reference person is aged 16-64. Equivalised using scale where a couple with no children has a weight of 1. Compared in euro exchange rate terms, 2018 refers to the EU-SILC survey year (in line with the statistics published by Eurostat online). The 'income reference period' which this covers is the preceding calendar year for all countries except the UK, where it is the current year. Results in this Figure have been rounded to the nearest €100.
Source: RF analysis of EU-SILC.

UK households had the lowest resilience pre-Covid-19

Low savings

Two-thirds of low-income households in Great Britain have savings equivalent to less than one month's disposable income, compared to 56 per cent of households in France and Germany.

More likely to have debt

Two-thirds of middle-income households have non-mortgage financial debts in the UK, but only 40 per cent in France and 43 per cent in Germany.

Although, wealth differences are very large

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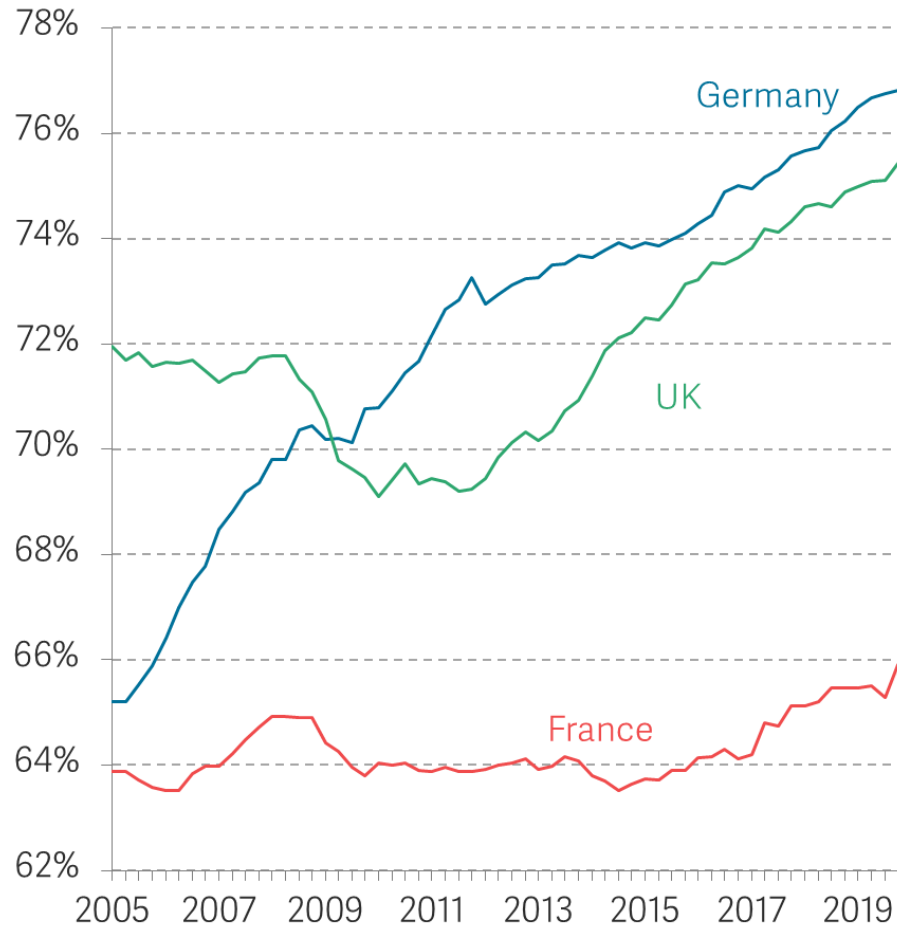
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YET: high housing wealth

Households in Great Britain have significantly higher housing wealth (€180,000, on average) compared to households in France and Germany (both €90,000).

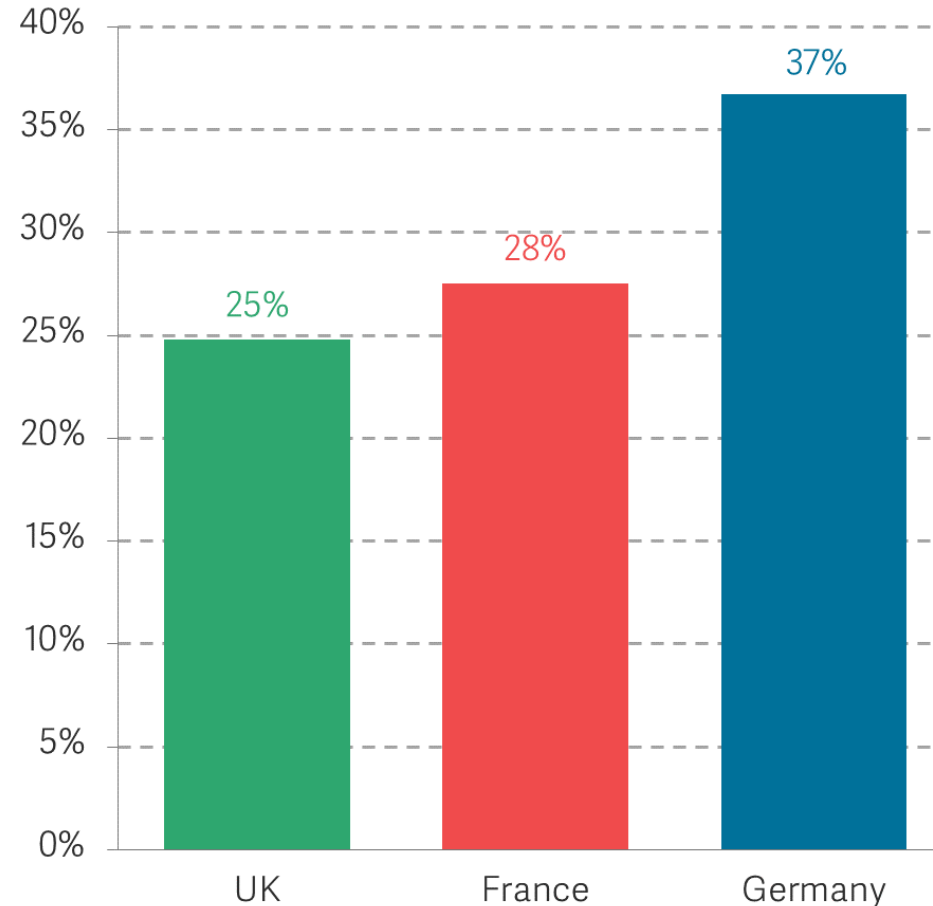
Employment is low in France Worklessness is high for low-income households in Germany

Employment rate, ages 15-64: 2005 Q1 to 2019 Q4



Source: RF analysis of OECD, Labour market statistics.

Proportion of lowest-income non-pensioner adults in workless households, by country : 2018

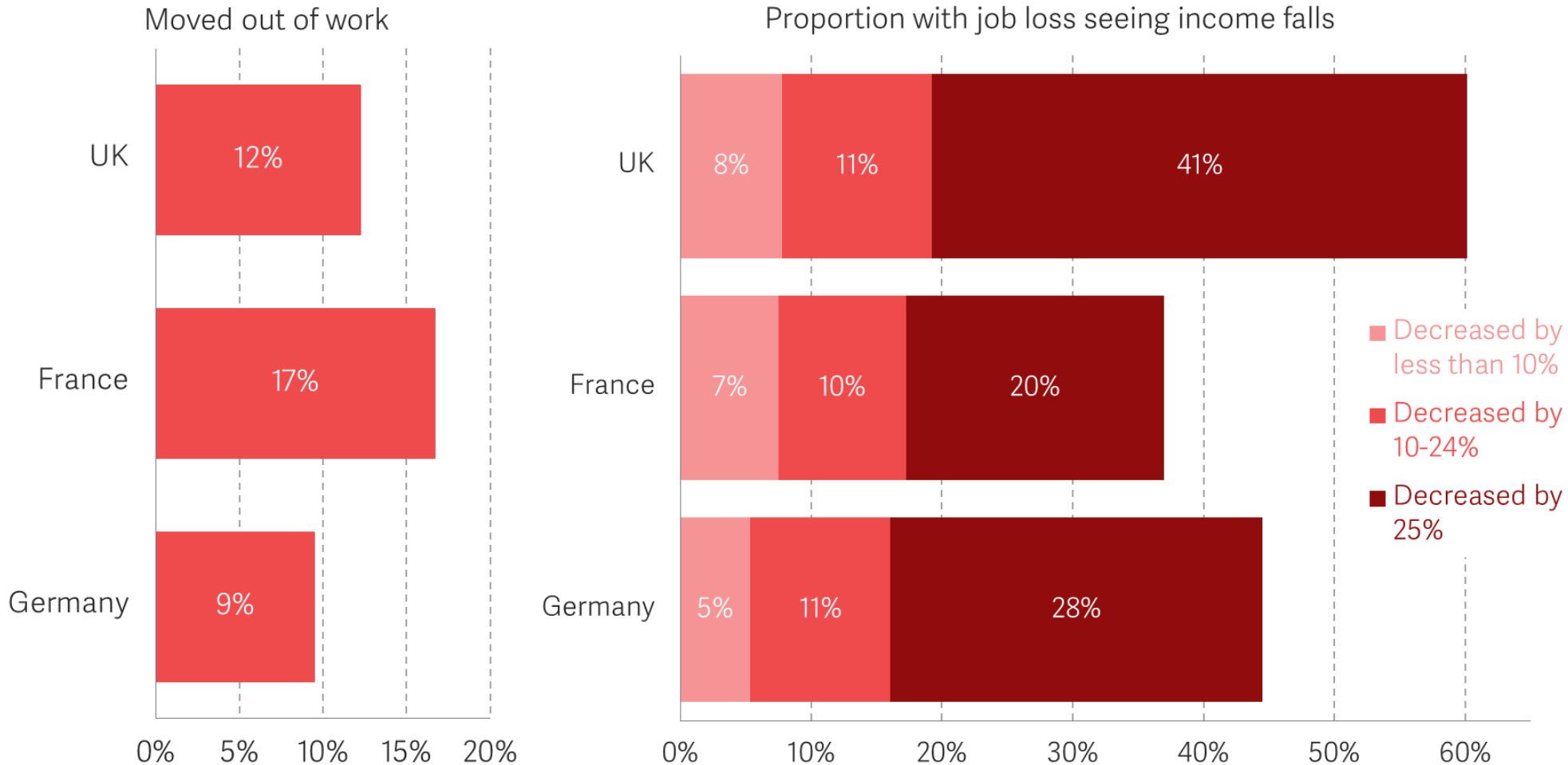


Notes: Compared in euro exchange rate terms.
Source: RF analysis of EU-SILC.

The economic fallout of the crisis

More households experienced job loss in France

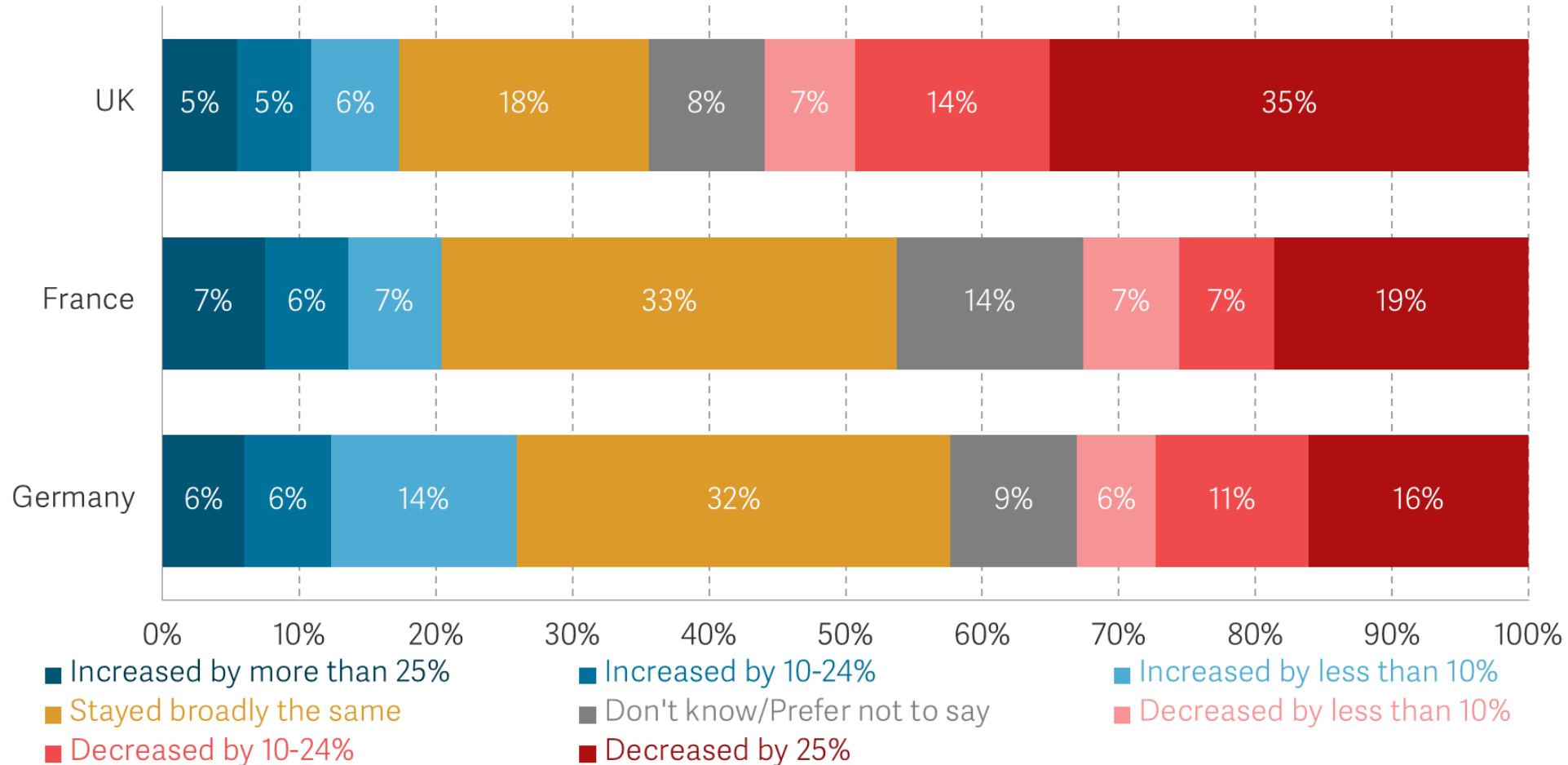
Proportion of households where someone has moved out of work and reporting lower levels of income, by country: UK, France and Germany, data collected 18 January to 4 February 2021



Notes: 'Still working' refers to households in which at least one partner worked in both February 2020 and January 2021. 'Still not working' refers to households in which no one worked in either of these periods. 'Moved out of work' refers to where at least one partner in the household moved from being in work during February 2020 to being out of work in January 2021. 'Lower pay period' refers to households in which at least one partner experienced a period of lower-than-usual pay between February 2020 and January 2021
 Source: RF analysis of YouGov, Covid-19 Financial Resilience Cross-Country Survey.

Income falls reflect the level of unemployment support

Household income changes among respondents who newly claimed unemployment insurance or other benefits after February 2020: UK, France and Germany, data collected 18 January to 4 February 2021

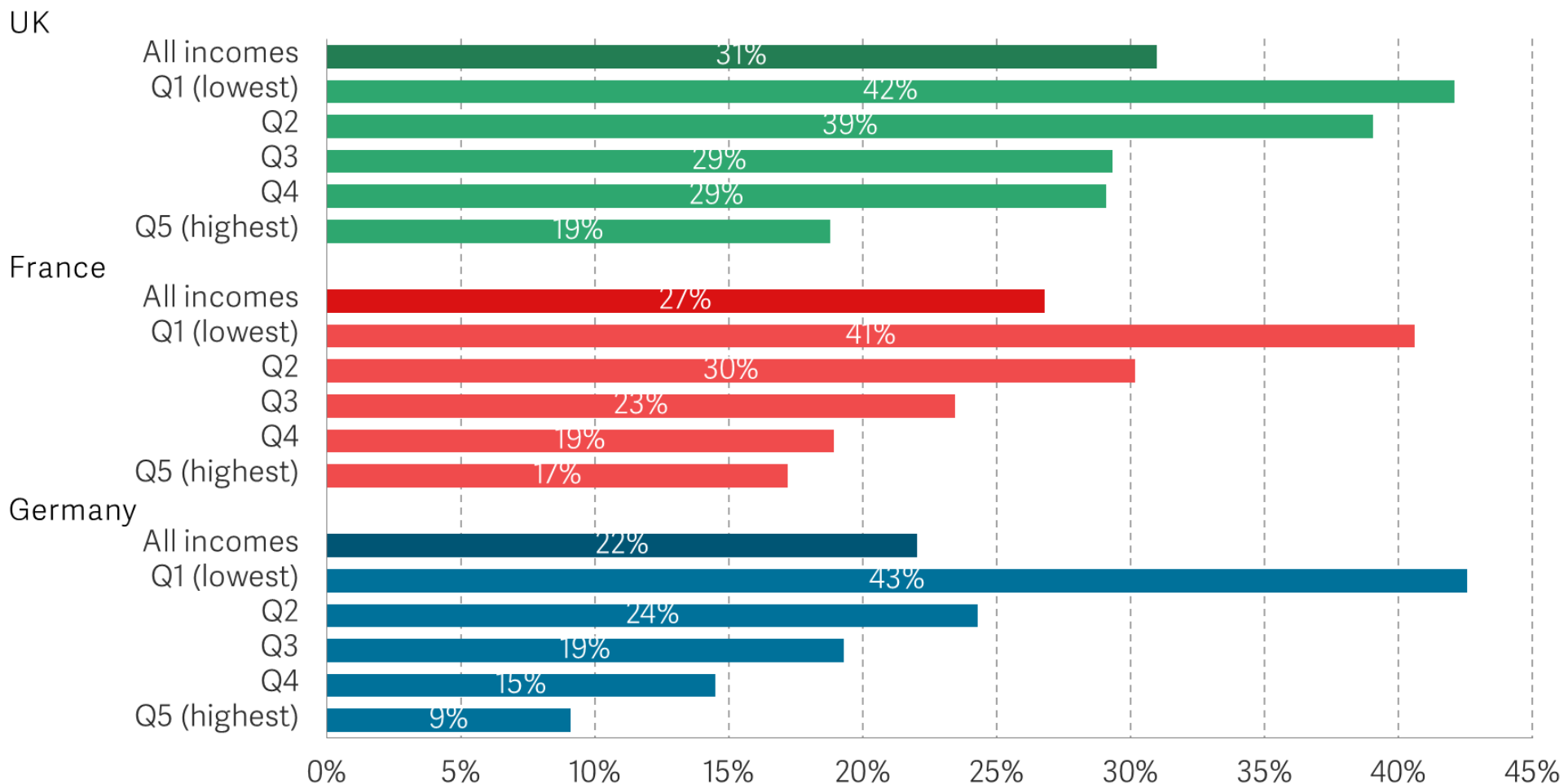


Notes: The overall base is all respondents age 16 to 64 who reported that they 'applied for and received any government benefit or unemployment insurance', or 'received any other coronavirus-related cash payment from the government' since February 2020 and with non-missing observations for household income changes that occurred between February 2020 and January 2021. All figures have been analysed independently by the Resolution Foundation.
Source: RF analysis of YouGov, Covid-19 Financial Resilience Cross-Country Survey.

Many households have made adjustments to meet housing costs

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Proportion of respondents who have taken any action to meet housing costs since February 2020, by income quintile: UK, France and Germany, data collected 18 January to 4 February 2021



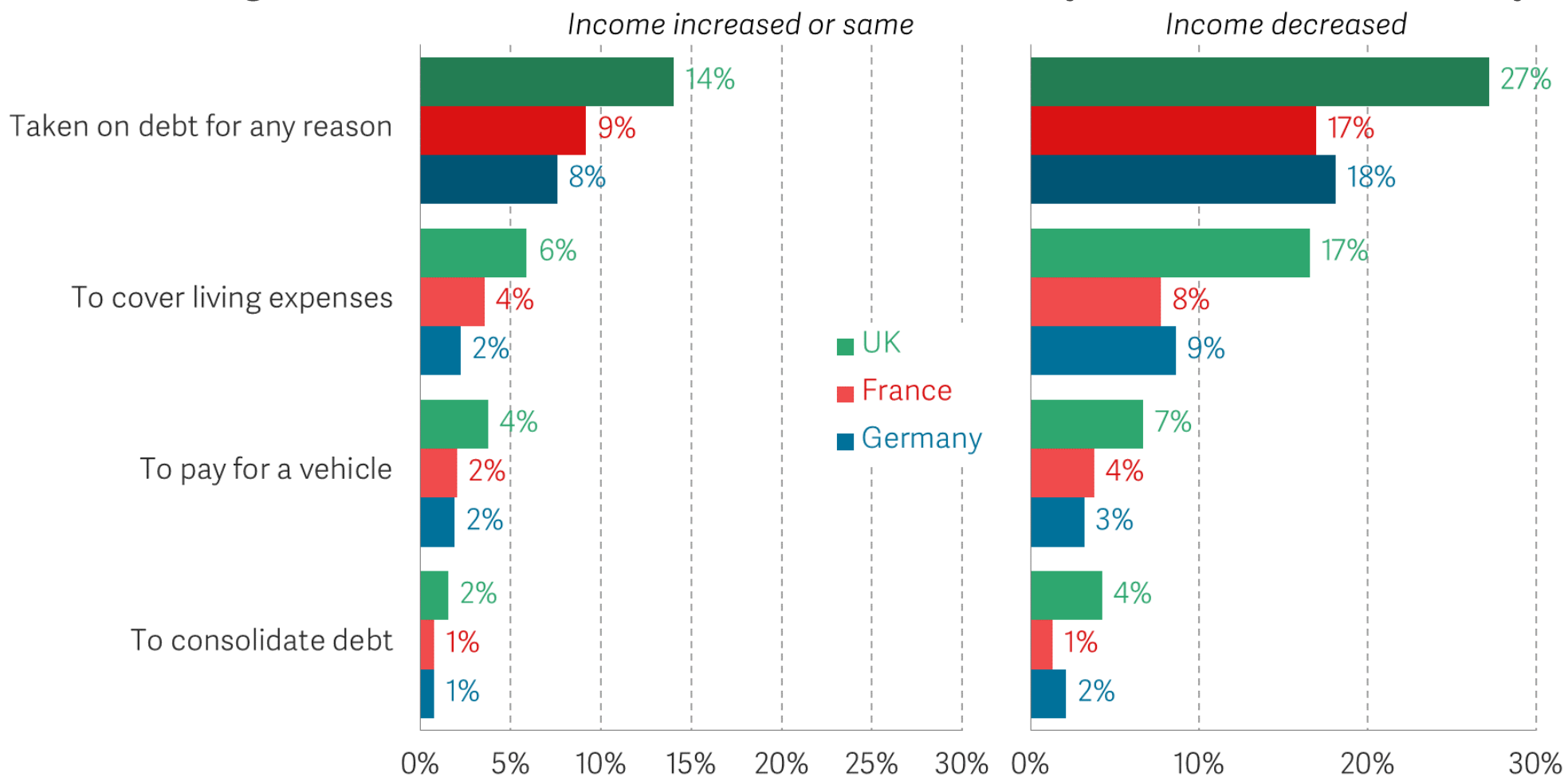
- Including:
- Reducing spending
 - Using savings
 - Borrowing money

Notes: Quintiles constructed using gross equivalised household income at the point of data collection. All figures have been analysed independently by the Resolution Foundation.

Source: RF analysis of YouGov, Covid-19 Financial Resilience Cross-Country Survey.

UK households more likely to have taken out more debt

Proportion of respondent households that have taken on more debt since the outbreak of the pandemic, by income change and reasons for debt: UK, France and Germany, data collected 18 January to 4 February 2021



Notes: All figures have been analysed independently by the Resolution Foundation.
Source: RF analysis of YouGov, Covid-19 Financial Resilience Cross-Country Survey.

Conclusions

- Pre-crisis vulnerabilities were big, especially in the UK and at the bottom in Germany. In both cases that contributed to difficulties over the past year.
- In all countries the impact of the crisis will last via its effects on savings and debt.
- Policy makers task is to respond to the specific impacts of the crisis, without losing sight of the longer term trends and problems that needed action long before the pandemic.