

# Households' financial vulnerability and the unequal inequality impact of COVID-19

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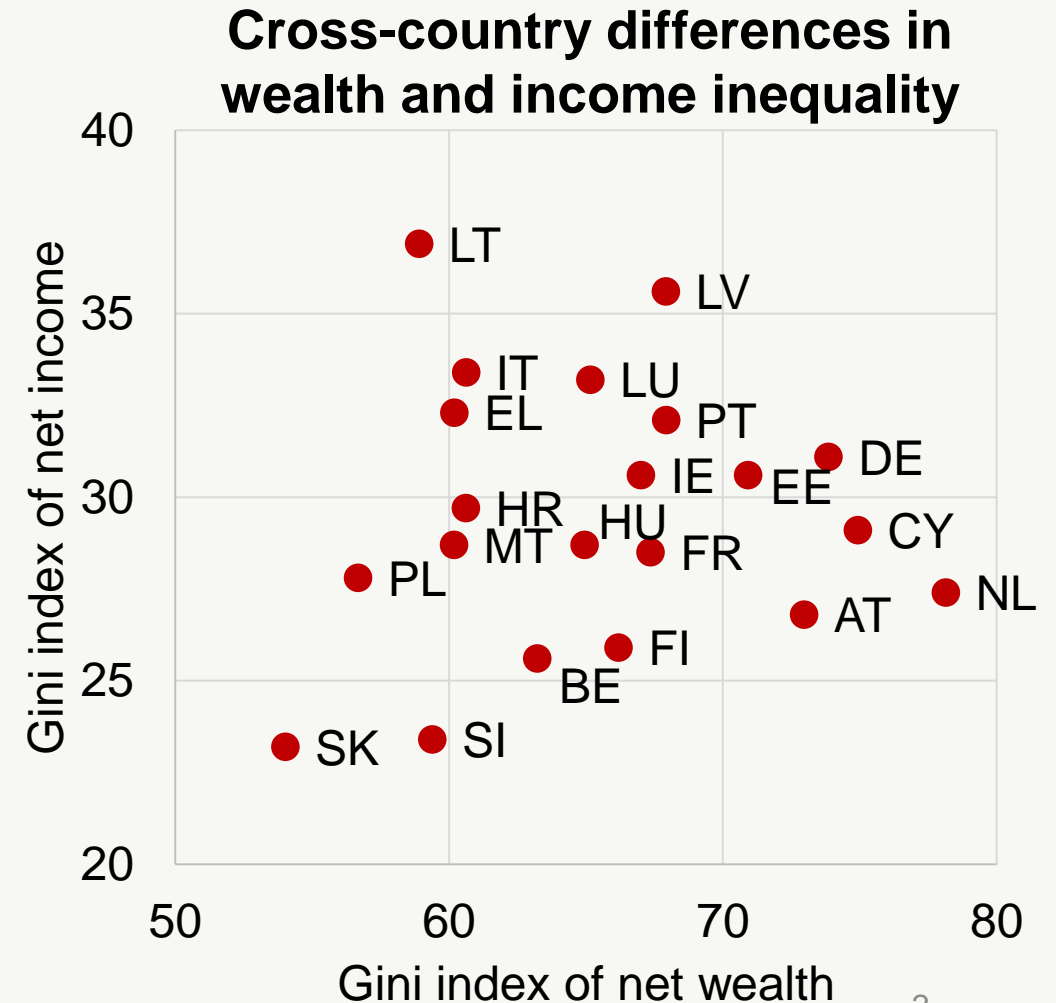
Based on:

*Darvas and Midões (2021) 'Wealth distribution and social mobility',*  
<https://www.eurofound.europa.eu/publications/report/2021/wealth-distribution-and-social-mobility>

*Darvas (2021) 'The unequal inequality impact of the COVID-19 pandemic',*  
<https://www.bruegel.org/2021/03/the-unequal-inequality-impact-of-the-covid-19-pandemic/>

# 1. Income and wealth are distributed differently

- There are major differences in the distribution of income and wealth, both:
  - at the **individual level** (the personal ranking in income and wealth distributions can differ substantially) and
  - at the **country level** (there is no cross-country correlation between wealth and income inequality indicators – see chart)



## 2. Households with negative net wealth (4.5% of EU citizens in 2017)

- In most countries, negative net wealth is **not related to property ownership** (the key exception is the Netherlands), as, on average across 21 countries, 80% of negative net wealth households are made up of renters without other properties
- Negative net wealth households have **private loans** and reliance on **credit lines** is widespread
- Negative net wealth households are **asset-poor**
- The **income** of most negative net wealth households is **lower** than the income of positive net wealth households, and their income is closer to their monthly expenses threshold
- Negative net wealth households are **younger** and more likely to have an **unemployed** person in the household than positive net wealth households

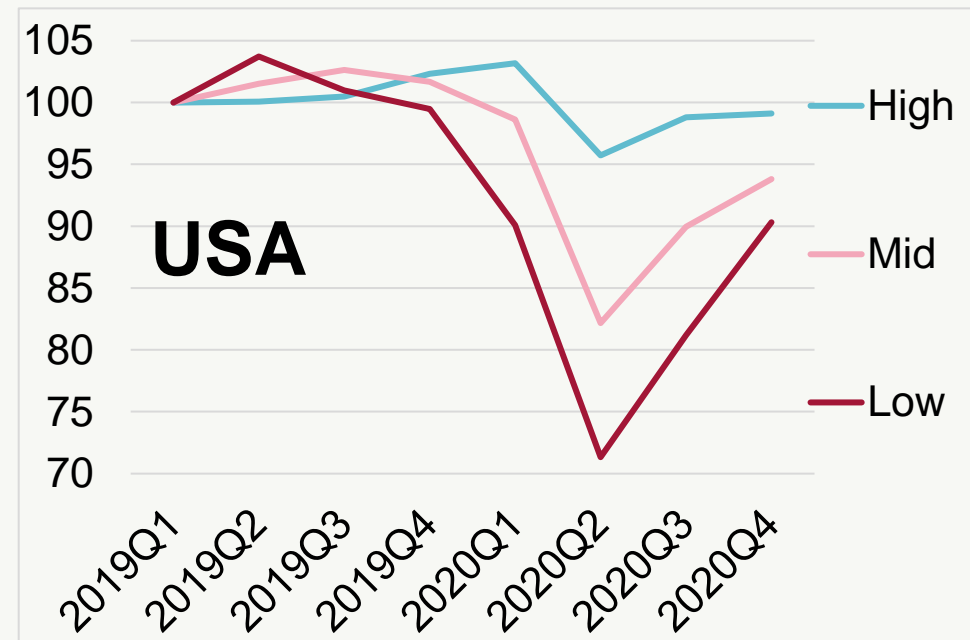
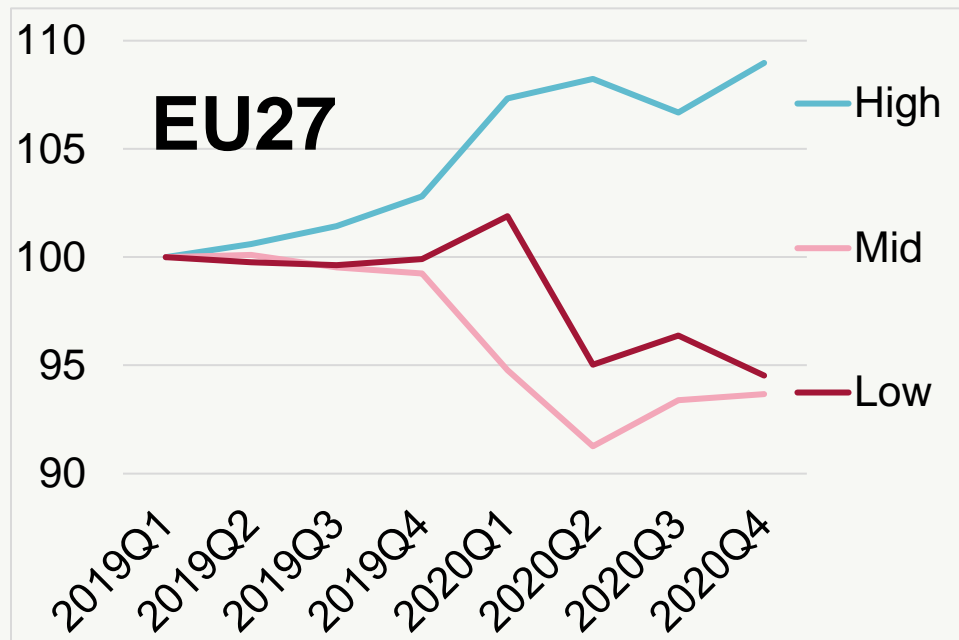
# 3. Financial vulnerability in the EU

- How many EU citizens **cannot afford to pay for their basic expenses for two months** from their financial savings and **halved** privately-earned income?
- Considering only utilities and food: 1.6% of total population
- Considering utilities, food and rent: 2.9%
- Considering utilities, food, rent and mortgage: 3.3%

# 4. Inequality impact of COVID-19

- COVID-19 **exacerbated various existing inequalities**, such as income, wealth, health, education, gender

## Employment by educational attainment level in the EU and the USA, 2019Q1-2020Q4 (2019Q1=100)



# 5. The unequal inequality impact of COVID-19

- Income inequality likely increased more in economically-harder hit countries in 2020
- Harsher impact in advanced than in developing countries
- Major differences within-EU
- Consequence: it is quite likely there was a significant increase in EU income inequality in 2020

