



The NBB's Consumer Confidence Indicator as a Tool to Monitor the Impact of the COVID-19 Crisis on Households



Catherine Rigo¹
Senior Expert Statistics Department
National Bank of Belgium

ABSTRACT

The National Bank of Belgium has been conducting a monthly consumer survey for many years now. This survey, with its general scope, has proved very useful in the context of the current crisis, as the movement in the confidence indicator closely mirrors the different phases of the COVID-19 crisis. From April, the Bank also took advantage of the survey to ask consumers two additional questions: one on the loss of income due to the crisis and the other on the savings buffer available to get through the crisis. This article focuses on these two questions, highlighting how different population groups may vary in their exposure to the crisis.

¹ The opinions expressed are strictly those of the author and do not necessarily reflect the views of the National Bank of Belgium.



Each month, the National Bank of Belgium publishes the Belgian consumer confidence indicator as part of a harmonised European programme. By March, the COVID-19 crisis had already left its mark, with the indicator plunging by 5 points. This was only the start, since the survey was conducted in the first half of March when the pandemic was still in its early stages in Europe. In April, the loss of confidence was dramatic with a 17-point drop, the biggest decline ever recorded in a single month. By way of comparison, during the financial crisis of 2008, a drop of 16 points had been observed in the space of 3 months (see chart 1). This clearly shows the abrupt impact of the COVID-19 crisis on household confidence. In May, as the gradual measures to ease the lockdown came into effect, consumers became somewhat less pessimistic, with the indicator edging upwards by 3 points. Time will tell whether this already heralds the start of a more sustainable recovery.

The movement in the confidence indicator closely mirrors the phases of the COVID-19 crisis

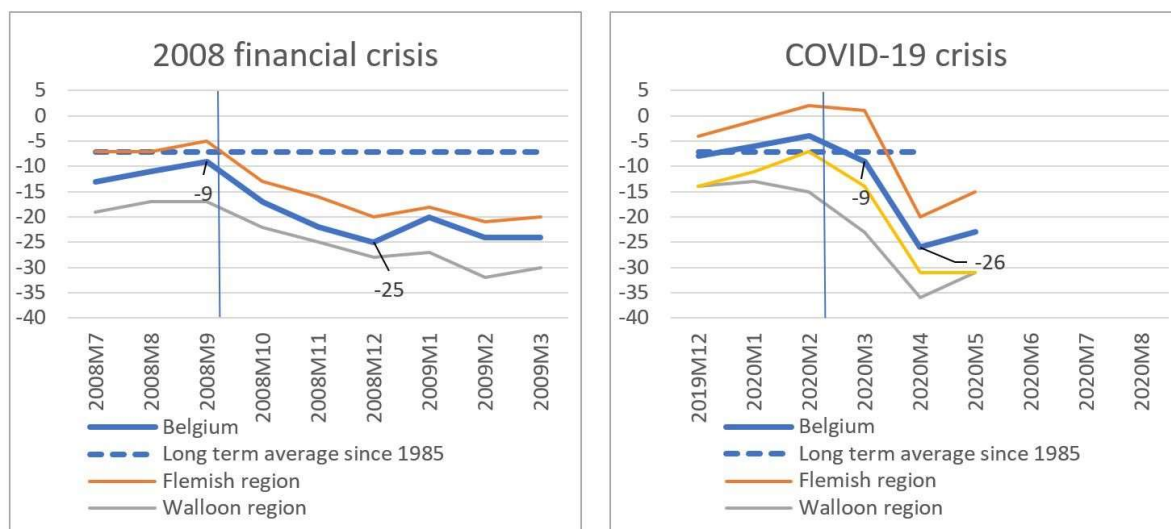
Each month, a different, representative sample of 1,850 people is interviewed. Seventeen questions are asked on various economic themes². Responses to a fixed selection of four questions about the future are combined to form the consumer confidence indicator. Two questions refer to consumers' perception of the macroeconomic situation (i.e. the general economic situation and unemployment in Belgium) while the others relate to the personal (or microeconomic) situation of the household, in particular its financial situation and its savings capacity. This is a general indicator which is obviously not specifically designed to measure the consequences of any particular phenomenon. Nevertheless, through generalist questions, it did quickly reflect the loss of confidence of individuals in the three regions of the country during the current crisis. The confidence indicator, because it looks to the future, is in fact particularly well suited to reflect events such as the COVID-19 crisis, which will certainly affect our way of life and the economic situation over a long period of time.

The indicator seems to accurately reflect the context of the COVID-19 crisis: confidence plunged sharply when the lockdown came into effect and recovered somewhat when the easing of the lockdown was announced. In the May survey, consumers probably felt that the worst was behind them, and that resulted in a rebound which mainly concerned their perception of macroeconomic developments in the country over the next twelve months.

²Description of the consumer confidence indicator: https://www.nbb.be/doc/dg/e_method/m_survey_consumer_en.pdf

On the other hand, they remained very gloomy about unemployment, as consumers most likely consider that the full impact of the crisis on employment will be felt later.

Graph 1 – Consumer confidence indicator



Source: NBB.

Additional "COVID-19" questions were included in the survey from April onwards

The work of the Economic Risk Management Group (ERMG)³, co-chaired by the Governor of the National Bank of Belgium, quickly highlighted the need to gather information on the financial situation of households. It was therefore decided to take advantage of the monthly consumer survey and to enrich it, from April onwards, with two additional questions specifically focusing on the impact of the COVID-19 crisis on individuals. **These two additional questions were not included in the calculation of the monthly confidence indicator and therefore did not disrupt its usual calculation method.**

The advantage of collecting additional information through the traditional consumer survey channel is that it offers the benefit of a representative sample of the population. It appears that the sample used for the consumer survey gives a faithful picture of the Belgian population in terms of a number of criteria, such as gender, age, education level or

³ To analyse and combat the economic consequences of the COVID-19 crisis, the government decided on 19 March 2020 to create the Economic Risk Management Group (ERMG), which brings together various players from the public, employer, and trade union sectors.

occupational status⁴. Moreover, the answers to the additional questions can also be analysed in relation to the usual questions and the various socio-professional and demographic characteristics of the survey participants.

The first question relates to the potential loss of income due to the crisis, while the second relates to the size of the savings buffer available to consumers to ensure their subsistence. The Bank announced the main findings in press releases on 21 April and 20 May 2020.

Table 1 – “Has your household suffered any loss of income because of this crisis?”⁵

	Survey April 2020	Survey May 2020
No loss	67 %	68 %
Less than 10 %	6 %	6 %
Between 10 and 30 %	14 %	13 %
Between 30 and 50 %	6 %	7 %
More than 50 %	7 %	5 %

Source: NBB.

There was little change in responses between April and May. In May, 68 % of households reported no loss of income and 6 % reported a maximum 10 % loss. It can therefore be said that almost three-quarters of the households surveyed are totally or almost totally protected from the crisis from the point of view of their income. This high figure is explained by the large proportion of the population receiving “guaranteed” incomes such as pensions and social benefits, as we will see below.

A quarter of households will be harder hit with income losses of more than 10 %. For half of them, the losses will exceed 30 %.

A majority of the Belgian population is protected from loss of income, but some are severely affected

Income losses vary greatly according to the respondents' socio-professional categories (graph 2). The self-employed are the hardest hit, as many of them have had to shut down their activities almost completely for 2 months and more. According to the May 2020

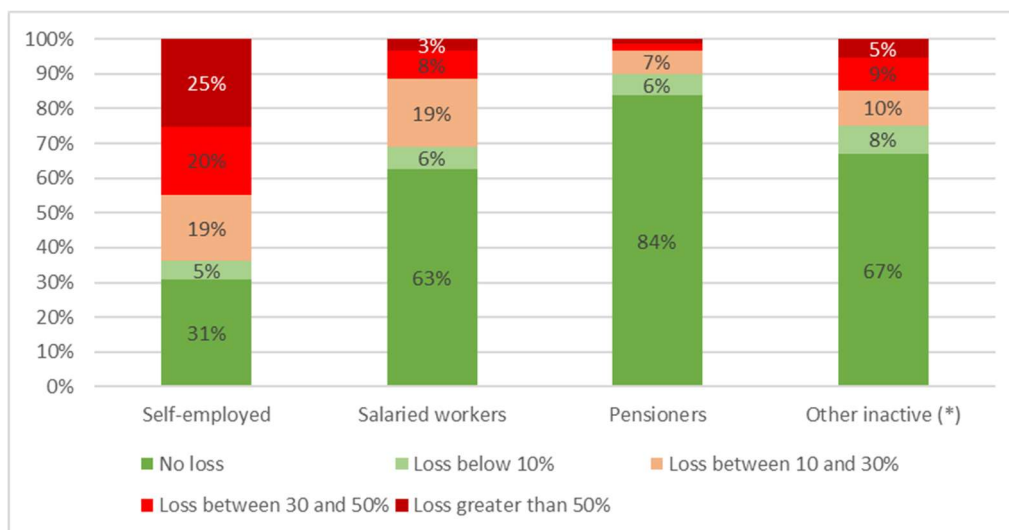
⁴ The student population is under-represented in the consumer survey. A parallel survey was conducted in May by the Bank to collect spontaneous responses via its website. Its aim was to gain a better understanding of certain target groups, such as students or temporarily unemployed people, bearing in mind that the representativeness of the total population is not guaranteed by such a method of collecting information. The results presented here are strictly limited to those of the monthly consumer survey.

⁵ All types of income: labour income, property income, social benefits etc.

survey, almost 1 in 2 self-employed people has suffered a loss of income of more than 30 % as a result of the crisis; in this group, more than half have actually suffered a loss of more than 50 %. Salaried workers, who are partly affected by temporary unemployment measures, are in a less precarious situation, with 12 % of them losing at least 30 % of their income.

The most protected, in terms of their income, are pensioners and other categories of inactive persons (unemployed, disabled, long-term sick) who receive "guaranteed" incomes. The latter can, of course, be supplemented by other types of revenue, such as income from complementary work in the case of pensioners, income from movable or immovable property, or income generated by undeclared work. Survey participants may also have suffered a loss of income of that kind. In addition, the socio-economic status reported in the survey is that of the survey respondent. In a limited number of cases, the status of the partner may explain the loss of income: for example, a disabled person who responds to the survey might report a loss of income at the household level if his/her partner is temporarily unemployed due to the crisis.

Graph 2 – Loss of income according to the respondent’s socio-professional category



(*) People who are unemployed, on invalidity or long-term leave, housewives/househusbands, students.

Source: NBB.

The distribution of income losses according to income level is clearly an important element in determining whether or not the loss is sustainable, regardless of a person's socio-professional status. Obviously low-income households suffer more from the crisis when they face even a small loss of income. It should also be noted that financial stress may

result from other crisis-induced effects such as higher consumer prices, fewer discounts in supermarkets etc. to which "low incomes" are particularly sensitive.

The loss of income is more manageable if there is a savings buffer to absorb the shock. Consumers were therefore also asked about the level of their savings.

Around 50 % of households have savings sufficient for more than 6 months; 1 household in 10 has extremely low savings sufficient for less than one month

Table 2 – “How long will your household’s savings buffer cover your necessary subsistence expenditure (rent, shopping, etc.)?”

	Survey April 2020	Survey May 2020
Less than 1 month	11 %	11 %
From 1 to 3 months	20 %	20 %
From 1 to 3 months	} 69 % ⁶	16 %
More than 6 months		53 %

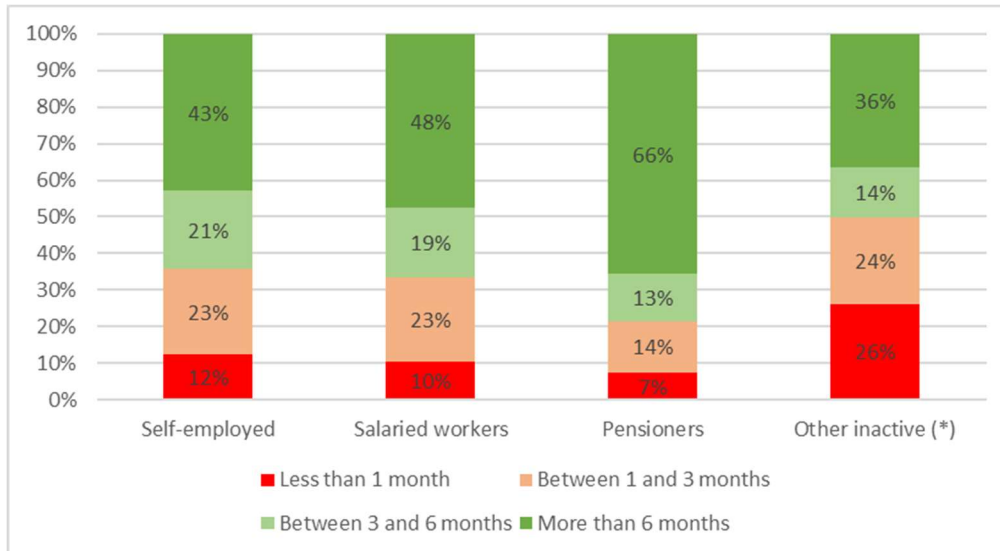
Source: NBB.

The survey shows that one in ten households has very low savings, enabling it to cover its current expenses for less than a month. This segment of the population is therefore highly vulnerable, and financial difficulties have quickly emerged and will become even more acute as the economic consequences of the crisis persist. 20 % of households have enough savings to cover between 1 and 3 months of necessary expenses, and about 70 % of households surveyed have savings sufficient for more than 3 months. The May survey also made it possible to assess the proportion of households with savings sufficient for more than 6 months: this is the case for slightly more than one in two households surveyed.

From a socio-demographic and socio-professional point of view, the survey findings are as expected: older respondents, pensioners, people with higher incomes and highly educated people have larger savings buffers. Workers and pensioners can rely on their savings to a much greater degree than the inactive (unemployed, disabled, chronically ill, etc.) for whom the situation will become more and more difficult if the crisis persists (graph 3). In any case, a significant proportion of the population can only count on relatively low savings: 1 in 3 workers, whether self-employed or salaried, only have sufficient savings to meet their living expenses for 3 months; this is also the case for 1 in 5 pensioners and 1 in 2 inactive persons.

⁶ The April survey did not distinguish between these two categories. The distinction was added to the May survey.

Graph 3 – Savings buffer according to the respondent’s socio-professional category



(*) People who are unemployed, on invalidity or long-term leave, housewives/househusbands, students.

Source: NBB.

1 in 10 households is particularly vulnerable

In order to assess the percentage of most vulnerable households and the percentage least exposed to the crisis, the results of these two questions were cross-referenced. People who face a significant loss of income and who have limited savings are clearly the most vulnerable. Thus, it appears that 11 % of the participants in the May survey are in this situation (against 12 % in April): their loss of income is greater than 10 % and their savings buffer will only cover their living expenses for a maximum of 3 months. Conversely, 54 % of the households surveyed in May (this figure was 53 % in April) are in a much more secure situation, expecting to lose no more than 10 % of their income while having a savings buffer sufficient to cover at least 3 months of expenditure.

Table 3 - Putting revenue losses and the size of the savings buffer in perspective (May 2020 survey)

Loss of income	Savings buffer				Total
	Less than 1 month	From 1 to 3 months	From 3 to 6 months	More than 6 months	
No loss	7 %	12 %	9 %	40 %	68 %
Less than 10 %	1 %	1 %	1 %	3 %	6 %
Between 10 and 30 %	2 %	4 %	3 %	5 %	13 %
Between 30 and 50 %	1 %	2 %	2 %	3 %	7 %
More than 50 %	1 %	1 %	1 %	2 %	5 %
Total	11 %	20 %	16 %	53 %	100 %

Most vulnerable households

Least exposed households

Source: NBB.



Conclusions

The National Bank of Belgium's consumer survey is one of a range of tools for monitoring the consequences of the COVID-19 crisis on the financial situation of households. From a general point of view, the indicator has seemed to reflect the impact of the COVID-19 crisis fairly closely: the fall that began in March turned into a dizzying decline in the indicator in April when the lockdown was at its maximum; a slight rebound was recorded in May at the same time as the measures to ease the lockdown were gradually being phased in. Despite this slight rebound, the confidence indicator remains at a particularly low level, reflecting people's fears about the longer-term economic and financial consequences of the crisis.

Through two additional questions added to the survey in April (without affecting the usual calculation of the confidence indicator), some information was collected and put into perspective with the socio-professional characteristics of the participants. The sample of 1,850 persons interviewed has the advantage of providing a fairly accurate picture of the entire Belgian population.

Pensioners constitute a relatively protected population group: as they receive a guaranteed replacement income, their loss of income is small, and is probably linked to the disappearance of certain paid complementary activities or to a drop-in property income. Moreover, pensioners are the population group with the most comfortable savings buffer. However, this twofold observation should not obscure the fact that the income level is also an important variable: a loss of income, even if relatively small, is more difficult to bear if the income level is low. This is the case for some pensions; it is also the case for social welfare recipients. The latter are also relatively less exposed in terms of loss of income but have a more precarious standard of living. Moreover, recipients of social benefits have a relatively small savings buffer which is insufficient to absorb the shock of the crisis for an extended period. By contrast, the loss of income is a harsh reality for some of the salaried workers temporarily laid off due to the crisis and, even more so, for some of the self-employed for whom the losses can be substantial, as the survey reveals. If the income losses were to continue, it is clear that many households would soon find themselves in a difficult situation: 1 in 3 workers, whether self-employed or salaried, only have sufficient savings to meet their living expenses for up to 3 months; this is also the case for 1 in 5 pensioners and 1 in 2 inactive persons.