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

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Based on:


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)
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