

Box 5

IMPACT ON RECENT AND EXPECTED CONSUMPTION PATTERNS OF THE SAVINGS ACCUMULATED BY HOUSEHOLDS DURING THE PANDEMIC

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During the most acute stages of the COVID-19 pandemic, Spanish households accumulated a significant volume of savings, mainly as a consequence of the difficulties – in view of the relatively severe health restrictions in place – to consume some of the goods and, especially, services that formed part of their regular consumption basket. Thus, for example, according to [Cuenca et al. \(2021\)](#), between January and September 2020 Spanish households' savings amounted to almost 4 percentage points (pp) of GDP more than average savings in the first three quarters of the previous five years.

Since then, determining to what extent and at what pace Spanish households would draw on these accumulated savings to sustain or drive their spending has been one of the main sources of uncertainty when assessing the possible future momentum of aggregate consumption in Spain. All this, against an extraordinarily complex and changing backdrop in which other developments – such as the war in Ukraine and the consequent increase in uncertainty, soaring inflation and higher interest rates – have had a significant impact on households' saving and spending decisions.

In this setting, this box aims to address two relatively specific questions: first, to what extent the savings accumulated during the initial stages of the pandemic have driven consumption in Spain in recent quarters; and second, how these savings are likely to be used in the coming months. For this purpose, the information contained in the monthly Consumer Expectations Survey (CES)¹ published by the European Central Bank (ECB) is used. This survey includes questions on households' decisions and expectations as to their consumption and savings since early 2020.

In response to the first question, according to the CES, among Spanish households that were able to save during the initial stages of the pandemic (between January 2020 and March 2021), only a relatively small number report having used those savings to finance their spending

recently (between July 2021 and July 2022). Specifically, only 15% of the households that increased their savings during the health crisis have subsequently drawn on those savings. Indeed, recently, this use of accumulated savings appears to have enabled these households to maintain more dynamic consumption patterns than other households (see Chart 1).² Nevertheless, given the small size of this group of households, this does not appear to have driven up aggregate spending levels very significantly.

As regards the second question, the September 2022 CES shows that the households that had saved during the pandemic did not expect their consumption to gain more momentum over a one-year horizon than households that had not been able to save (see Chart 2). Thus, on this evidence, the excess savings accumulated during the pandemic, whose value in real terms will have decreased notably in recent months owing to rising prices, are not expected to provide a very significant boost to aggregate household consumption in the coming quarters.

Other factors also point in this direction. First, the excess savings accumulated during the pandemic are largely concentrated among high-income households, whose marginal propensity to consume is lower (see Chart 3).³ Second, the considerable uncertainty clouding the current geopolitical and macro-financial situation appears to have led to an increase in precautionary saving, at least in the short term. In addition, the significant rise in the cost of debt observed in recent months might also encourage households to spend some of their accumulated savings on loan repayments rather than on consumption.

In short, the evidence presented in this box suggests that, so far, the use of the stock of savings built up by Spanish households at the start of the pandemic appears to have had a relatively modest impact on aggregate consumption patterns. Moreover, various factors suggest that, in the

1 For more details, see, for example, K. Bańkowska et al. (2021), "ECB Consumer Expectations Survey: an overview and first evaluation", *ECB Occasional Paper* No 287, and D. Georganakos and G. Kenny (2022), "Household spending and fiscal support during the COVID-19 pandemic: Insights from a new consumer survey", *Journal of Monetary Economics*, Vol. 129.

2 After controlling for different household characteristics, the average consumption growth of households that have recently drawn on their savings is found to be around 2 pp higher than that of other households that were able to save during the pandemic but have not subsequently used those savings, and their probability of holiday spending is estimated to be 5 pp higher.

3 According to the Spanish Living Conditions Survey (ECV, by its Spanish abbreviation), high-income households accounted for 59% of all households that had saved in a typical month in 2020.

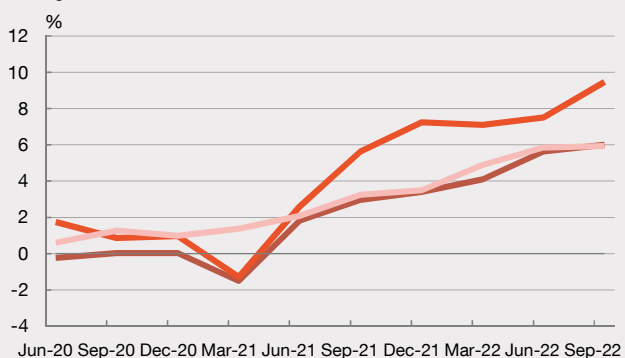
Box 5

IMPACT ON RECENT AND EXPECTED CONSUMPTION PATTERNS OF THE SAVINGS ACCUMULATED BY HOUSEHOLDS DURING THE PANDEMIC (cont'd)

coming quarters, those accumulated savings should not be expected to significantly drive up household spending in Spain. In any event, in light of the relatively small size of

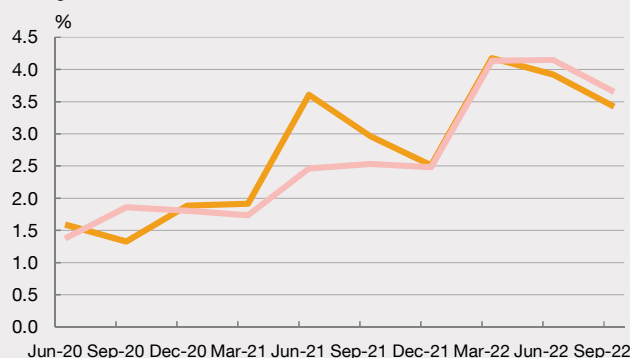
the sample used in this analysis and the various issues relating to its representativeness,⁴ the evidence presented here should be treated with due caution.

Chart 1
Nominal consumption growth compared with 12 months earlier. Quarterly average



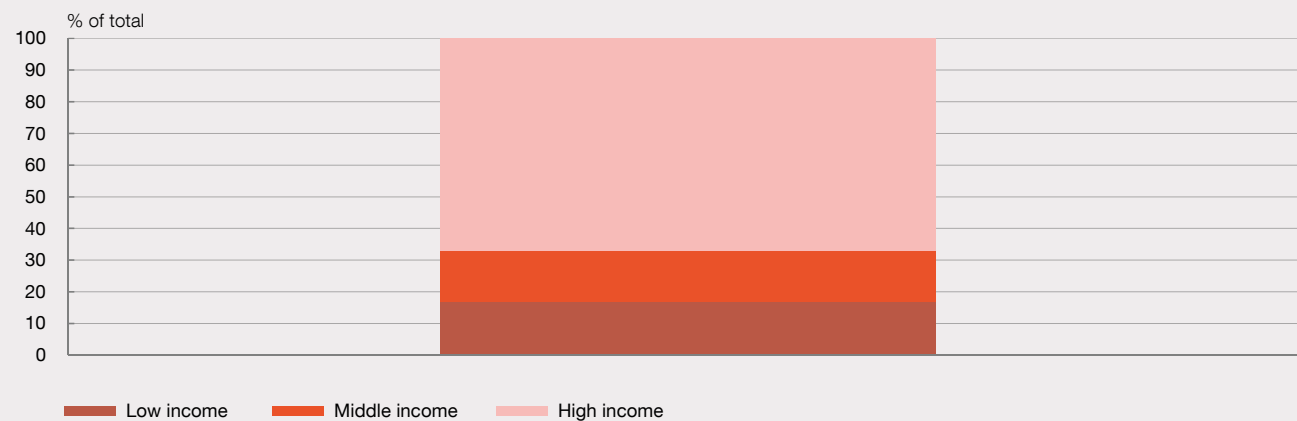
- Households that accumulated savings in 2020 and have not drawn on them
- Households that accumulated savings in 2020 and drew on them in July 2021-July 2022
- Other households

Chart 2
Expected nominal consumption growth in next 12 months. Quarterly average



- Households that accumulated savings in 2020
- Other households

Chart 3
Distribution by income group of households that accumulated savings between January 2020 and March 2021



- Low income
- Middle income
- High income

SOURCES: Consumer Expectations Survey (CES) and Banco de España calculations.

4 For example, while according to the CES 20% of Spanish households had saved between January 2020 and March 2021, according to the ECV, the percentage of households that had saved at the end of a typical month in 2020 was 41%.