

CONSUMER POLICY ADVISORY GROUP

National Consumer Organisations Subgroup

DISCUSSION PAPER ON THE IMPACT OF COVID PANDEMIC ON CONSUMERS

In spring 2021, data shows the impact of Covid on European consumers:

- There is now less pessimism about personal finance. 26% of respondents believed their financial situation got worse in the past three months or will get worse in the next three months – this compares with 38% (spring 2020) and 34% (summer 2020).
- This is in line with the EC's latest Consumer confidence index, which increased for the fourth time in a row (+3.0).
- There are wide discrepancies between countries. The share of households that had difficulties making ends meet ranged from 14% in Denmark to 74% in Croatia.
- Furthermore, existing inequalities are widening because of the disproportionate impact of the pandemic on vulnerable groups. According to the Consumer Expectations Survey (CES) of the European Central Bank (ECB), the households which were most affected financially were younger households, lower income households, liquidity-constrained households (i.e. not able to meet an unexpected payment equal to one month income). Women report higher concerns.¹

The pandemic affected long-standing consumer trends: more money spent on services (interrupted), more time and money spent out of the home (reversed); greater digital adoption (accelerated). However, there is little increase in digital adoption among lower-income populations.

Post pandemic trends: after the catching up phase, in-person dining, live events, leisure air travel are very likely to be taken up again but most likely in an adapted manner. In comparison to pre-pandemic:

- Polarised demand: this trend has accelerated. In grocery shopping, 37% looked for 'value' to save money (trading down); 30% looked for 'lifestyle' to pay more (trading up). All levels of income and all countries experience it but it varies by level of income and country².
- Awareness of the green transition. 56% of consumers considered at least once the environmental impact of their purchase and 23% of most or all³. There is a wide disparity between countries. Two behaviours emerge: responsible/frugal and tech optimist⁴. This is interlinked with polarised demand and may make consumption increasingly "political".
- Digital adoption: will remain higher. Online shopping is likely to become more global.⁵
- "Home-nesting": this is expected to stick. Higher-income households will prefer to work partially from home. Lower-income households will retain low-cost leisure i.e. digital entertainment.

The Commission is seeking the views of CPAG sub-group members as regards:

- The concrete effects of the Covid pandemic on consumers as observed in the respective Member States,
- suggestions for appropriate policy responses at national and EU level.
- Participants will be invited to provide data / information concerning their constituencies and countries.

¹ Monthly panel, 6 Member States | <https://www.ecb.europa.eu/pub/economic-research/resbull/2021/html/ecb.rb210527-b7370d7722.en.html>

² <https://www.mckinsey.com/industries/retail/our-insights/the-path-forward-for-european-grocery-retailers>

³ EC Consumer conditions survey 2020 – https://ec.europa.eu/info/policies/consumers/consumer-protection/key-consumer-data_en

⁴ Norwegian Consumer Research Institute SIFO

⁵ <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-consumer-demand-recovery-and-lasting-effects-of-covid-19>

SUPPORT FOR LOW INCOME CONSUMERS WHOSE VULNERABILITY HAS BEEN WORSENER BY THE PANDEMIC:

- (1) The European Commission is revising the two important directives on retail finance, i.e. the **Consumer Credit Directive (CCD)**⁶ and the Mortgage Credit Directive (MCD)⁷. In particular, for the CCD a proposal is expected by end-June, in line with Action 10 of the New Consumer Agenda. Although we have significant evidence of the positive impact of the CCD i.a. to prevent overindebtedness, some provisions revealed to be insufficient or not adequately ambitious. For example, we are considering the possibility to extend the scope of the current CCD and to improve the rules aimed at preventing the delivery of inappropriate credits.
- (2) The Commission has worked in the last months to help consumers and enterprises in serious financial difficulties as a result of the Covid to find effective agreements with their creditors aimed at facilitating the repayment of their credits. For example, a **Round Table** of all the most significant stakeholders was put in place mid-2020 and contributed to help the Commission to propose **moratoria** to the parties, which has proven very effective, in particular for the most vulnerable debtors, while remaining voluntary from the point of view of the creditors.
- (3) Furthermore, the Commission is addressing **over-indebtedness**. In this regard, a fundamental tool is **debt-advice**. This practice is among the most effective actions to help overindebted consumers to remedy their economic wealth and repaying their outstanding debts, while maintaining a decent level of life. In addition, it is also convenient for the creditors, as it facilitates the repayment of their credits in a feasible and cheap manner. Therefore, in line with the Action 15 of the New Consumer Agenda, the Commission is carrying out various actions and initiatives in this area:
 - (a) an EU-funded **project on debt-advice**, formed of three different actions, is ongoing and will be finalised in the autumn 2021. The three actions are: 1- a study on the funding of debt-advice, next to be finalised; 2 - the organisation of exchanges of best practices (one held in January and the second to be held in September); and, 3 - events of capacity building offered to potential debt-advisors coming from countries where debt-advice is absent.
 - (b) In addition, the Commission is about to publish a restricted **call for proposals addressed to debt-advisors** who intend to put in place more stable basic structures for delivering debt-advice services in a lasting manner.
 - (c) Finally, a **study on households' over-indebtedness** in the EU is planned to be rolled out in 2021.

⁶ Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC - OJ L 133, 22.5.2008, p. 66–92

⁷ Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 Text with EEA relevance - OJ L 60, 28.2.2014, p. 34–85