

**COVID-19 emergency:
Italians between
fragility and financial
resilience**

Table of contents

Introduction.....	3
Goals of the survey	4
Methodological approach and sampling	4
The starting situation: financial fragility of households before the COVID-19 emergency	5
The impact of COVID-19	7
Resilience instruments made available to households: Government interventions and financial knowledge	16
Conclusions	21

Introduction

The economic crisis caused by the COVID-19 health emergency has strongly affected Italian households, even more than those in other European countries, where the contagion has remained more limited or where government social distancing measures have been less inspired by prudence and the containment of the transmission of the virus.¹ In addition to different asset and income situations, European households are also distinguished by the different level of financial skills which, as amply testified by a vast literature, play a crucial role in guiding the behaviour of individuals, which also serves as a way they can protect themselves in the case of any economic emergencies.²

At the end of 2019, Italian households were still trying to recover from the effects of the 2008 financial crisis, as well as those of the 2011 Euro area debt crisis. The financial wealth of Italian households in relation to disposable income was still lower than in 2007,³ although it remained high by international standards, in particular due to the low level of debt.

The Committee on the Planning and Coordination of Financial Education Activities (hereinafter referred to as the Committee), at the end of its first three-year mandate and on the eve of the definition of a new Programme for the implementation of the National Strategy⁴ for the next three-year period, has decided to conduct a survey that would be able to grasp the economic effects of the COVID-19 emergency, the financial condition of households before and after the start of the pandemic, their financial resilience (e.g., in terms of financial cushion and support networks) and to link these aspects to their level of financial literacy. In times of adverse economic conditions, the dissemination of adequate financial, insurance and social security skills is even more important than ever. It allows individuals to make informed economic choices: from those taken on a daily basis, such as drawing up a balance sheet for income and expenses, to those involving a short-term time horizon, such as having sufficient liquidity to deal with unexpected events, up to longer-term decisions, such as the choice to take out insurance or join a pension fund, or the use of one's savings.

The preliminary results of the survey prepared by the DOXA research institute, which was commissioned by the Committee to carry out the sample survey through the administration of a questionnaire developed by the Committee itself, are illustrated below.

The first paragraph provides information on how data is collected and on the sample, the second specifies the goals of the survey, the third and fourth survey the fragility and resilience of households, before and after the start of the health emergency and the consequent mandatory confinement (lockdown). The fifth paragraph examines the resilience tools available to households, such as Government interventions and the level of financial skills. The report concludes with the sixth paragraph providing some of the Committee's final reflections.

¹ In the first quarter of 2020, Italian GDP decreased by 5.3% compared to the previous quarter, compared to an average decrease of 3.6% in the euro area. In addition, for our country, which has adopted very stringent measures to limit the health emergency, the International Monetary Fund estimates a drop in GDP in 2020 of 12.8% compared to a euro area average of 10.2%.

² See *OECD/INFE 2020 International Survey of Adult Financial Literacy Report*.

³ See Chapter 8 of the *Annual Report on the year 2019*, Bank of Italy, May 2020.

⁴ See for in-depth information on the National Strategy and the Programme: <http://www.quellocheconta.gov.it/it/chiamo/strategia-nazionale/>.

Goals of the survey

The Committee considers it of particular importance to undertake providing data to policy-makers, the general public and the scientific community. The goal of this survey is, therefore, to communicate the importance of financial education to the outside world but also to have an updated database available, which reflects the current economic context, rich in information on financial knowledge, behaviour and attitudes on a representative sample of the Italian population. This data is a very useful source for updating the Committee's Operational Programme, for example, to indicate new objectives to be pursued in the three-year update of the Programme that the Committee will present to Parliament this year in its annual report. The Committee needs to have a disaggregated picture of households and their economic choices, in particular to identify the most economically fragile segments of the population and those with levels of financial skills that are below average. The identification of vulnerable groups will allow the Committee to design targeted interventions and initiatives specifically for them. Measurement is a fundamental part of the mission of the National Strategy, which seeks to promote financial, insurance and social security education to provide all citizens with some of the essential tools for building a serene, safe and sustainable future for themselves and their families. Despite the difficult situation, a high level of financial knowledge has played and will increasingly play an important role in the future in supporting the economic choices of households, as well as increasing their financial resilience.

Recent international comparative data from the survey on the financial literacy and skills of Italians (IACOFI) conducted by the Bank of Italy in the first 2 months of 2020 as part of the INFE-OECD project confirm the urgency of training interventions on the issues of financial education. In 2020, Italy shows a persistence of the international gap with an average value of the indicator identified by the OECD of 11.2 compared to an average value of 13 in the 11 participating OECD countries. Compared to the previous survey in 2017, there was a slight increase overall due to an improvement in financial knowledge, partly eroded by a worsening of the component that measures financial behaviour and with a constant financial attitude score.

The definition of a National Strategy, its implementation and the updating of the three-year Operational Programme start and evolve from a careful examination of the data to identify the strengths and weaknesses of the system.

Going into detail, this first analysis seeks to measure the financial situation of households also taking into account some characteristics of the head of the household such as age, gender, level of education and region of residence.

Methodological approach and sampling

The survey was carried out through 5,009 online interviews with a national sample of individuals over the age of 18 who were, within their household, the person responsible for managing the family economy or the one most informed about economic/financial issues⁵ (an important difference compared to the IACOFI survey).

⁵ In the course of the report we will speak indifferently of financial decision-maker or interviewee.

The people to be interviewed were drawn from a BVA-Doxa proprietary panel, including about 120,000 enrolled persons. The selection of individuals invited to participate in the survey took place according to gender, age, geographical area and size of the municipality. The Doxa panel resides on a web platform designed and developed ad hoc to meet the specific needs of social research and marketing.

In order to make the distribution of the sample interviewed adherent to that of the reference universe (represented, in fact, by those responsible for the economic-financial issues of households, of any age, social class, region and type of municipality) and thus improve the level of representativeness, the data collected were then weighted according to the variables considered most significant for this purpose.⁶ Data were collected from 27 May to 10 June 2020.

The questions in the questionnaire of this survey are partially comparable with some of the questions of the extraordinary survey conducted by the Bank of Italy between the end of April and the beginning of May, the results of which were reported in the recent Bank of Italy Annual Report. The data are in line with those collected a month later by the Committee and examined here.⁷

The starting situation: financial fragility of households before the COVID-19 emergency

To assess the economic effect that the COVID-19 emergency has had and is having on households, it is necessary to reconstruct their financial conditions before the start of the emergency situation and describe the measures taken both to stem the contagion and to support the economy.

In this report, we considered several indicators of financial fragility, i.e., the ability or inability of households to cope with unexpected events, such as the need to face a period without income. We start by noting how a considerable number of households were already financially fragile before the emergency. Table 1 shows, in fact, that more than a third of the sample (36.6%) stated that, before the health emergency, they would not have had the resources to deal with the lack of income for a period longer than two months. Even more indicative is the figure according to which almost 2 out of 10 families (19.5%) did not have any kind of financial assets or that their assets would have lasted only up to a month. Although international comparisons indicate that households in other countries do even worse, many Italian households would have struggled to cope with shocks far smaller than a pandemic.

Table 1 - Overall, before the COVID-19 emergency, your household had sufficient financial resources to cover the lack of income for a period of:

	Overall	cumulative %
Up to 1 month / We had no financial assets in our household	19.5%	19.5%
Up to 2 months	17.1%	36.6%
Between 3 and 6 months	25.6%	62.2%
Over 6 months	31.0%	93.2%
I don't know	6.8%	100.0%
TOTAL	100.0%	

⁶ Age, municipality size, region and level of education (source: ISTAT); presence of children aged 0-14, income and profession (source: Doxa).

⁷ See Bank of Italy on COVID-19: The data are in chapters 5 and 7, pages 69-72 and 94-96.

The financial fragility of households is closely linked to the level of education of the interviewee who, it should be remembered, is the person in the household who manages savings and makes the main financial decisions. Households with a poorly educated “financial decision-maker” are less resilient than those with a decision-maker having a higher level of education. Table 1a shows, in fact, that almost 45% of households with financial decision-makers who have low levels of education do not have sufficient financial resources to cover the lack of income even for short periods (2 months or less). It is therefore possible to use the level of education as a proxy for the socio-economic situation of the household.⁸

Table 1a - Before the COVID-19 emergency, your household had sufficient financial resources to cover the lack of income for a period of... (analysis by the level of education)

	Bachelor’s degree or higher	High school diploma	Lower secondary school diploma
Up to 1 month	10.7%	12.4%	25.7%
Up to 2 months	14.4%	16.4%	18.8%
Between 3 and 6 months	30.2%	27.9%	21.8%
Over 6 months	39.1%	32.0%	26.8%
I don’t know	5.6%	7.3%	6.8%
TOTAL	100.0%	100.0%	100.0%

Table 1b shows significant differences in household fragility also with regard to the age groups of the financial decision-maker⁹. Young people (aged 18-34) tend to be more fragile. Among other things, they tend to enter the labour market late, often with precarious conditions, and receive little public assistance, particularly compared to the elderly (aged 65+) who instead have sufficient financial resources to cover the lack of income even beyond 6 months.

Table 1b - Before the COVID-19 emergency, your household had sufficient financial resources to cover the lack of income for a period of... (analysis by age)

	18-34	35-44	45-54	55-64	65+
Up to 1 month	16.2%	16.0%	21.4%	22.8%	19.3%
Up to 2 months	20.6%	17.9%	17.7%	15.7%	15.6%
Between 3 and 6 months	33.0%	30.2%	25.3%	26.8%	18.6%
Over 6 months	22.8%	27.6%	30.2%	27.8%	39.9%
I don’t know	7.4%	8.3%	5.3%	6.9%	6.6%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Gender differences also play an important role when looking at financial fragility. In fact, more than 40% of women (among those who make financial decisions) say that their household would only be able to withstand the lack of income for up to 2 months, compared to 34% of men. Women are also more uncertain and have more difficulty assessing the financial situation of their household (about 8% answer I don’t know, compared to 6% of men).

⁸ We prefer to use this indicator instead of income, which can have greater measurement errors. However, there is a positive correlation between income and education.

⁹ Note that age refers to those who make financial decisions in the household, such as young couples or young people who are financially independent.

Table 1c - Before the COVID-19 emergency, your household had sufficient financial resources to cover the lack of income for a period of... (analysis by gender)

	Men	Women
Up to 1 month	16.4%	24.7%
Up to 2 months	17.4%	16.6%
Between 3 and 6 months	27.1%	23.2%
Over 6 months	33.2%	27.3%
I don't know	5.9%	8.2%
TOTAL	100.0%	100.0%

These initial data confirm that many Italian households were in a situation of financial weakness and fragility before the COVID-19 emergency, in particular, households whose financial decision-makers are women, have a low level of education or are younger.

The impact of COVID-19

The COVID-19 emergency has therefore been grafted onto a framework that already had significant weaknesses. In the euro area, Italy was the only country, along with Greece, whose Gross Domestic Product (GDP) had not yet recovered to the pre-global financial crisis levels of 2007-2008. This paragraph presents the data collected on the financial situation of households after the COVID-19 emergency. These data are compared with those relating to the situation of households before the emergency.

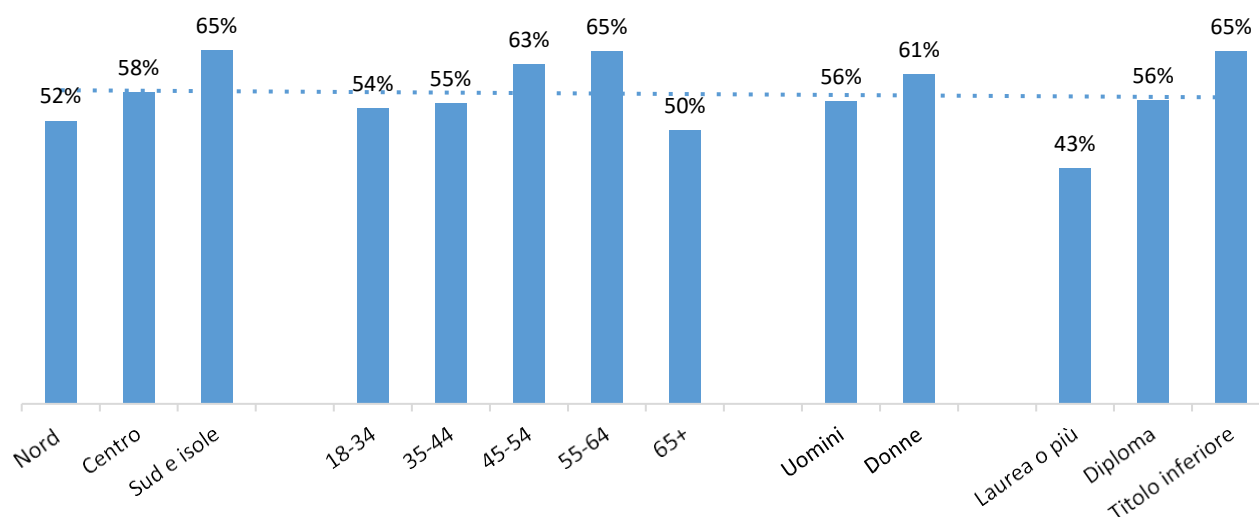
Faced with the question “does your income allow you to make ends meet”, 45% of households said that before the emergency they made ends meet with difficulties (some or many). After the start of the emergency (and until the time when the survey was carried out) the difficulties increased significantly and the percentage of households who struggle to make ends meet rose by as much as 12 percentage points. The COVID-19 emergency has therefore increased the share of Italian households that are unable to make ends meet with serenity and without difficulty (see Table 2).

Table 2 - Before the COVID-19 emergency/now did/does the income available to your household allow you to make ends meet:

	Before the emergency	Now	Δ %now - %Before
With difficulty	45.7%	57.6%	+11.9
Easily enough	33.0%	25.3%	-7.7
Easily	21.4%	17.0%	-4.4
TOTAL	100.0%	100.0%	100.0%

The households that are suffering the most as a result of the COVID-19 emergency, and that are struggling to make ends meet, are mainly those residing in southern Italy and confirm the greater vulnerability of households in which the financial decision-maker has a low level of education or is female (see chart 1).

Chart 1 – Distribution of interviewees who, as a result of the COVID-19 emergency, now make ends meet with difficulty (analysis by geographical area, age, gender and level of education).



Households' capacity to save has also changed as a result of the COVID-19 emergency (see Table 3). In particular, the number of households that were able to save part of their income has decreased markedly (by as much as 21 percentage points) and both the households who state that they have spent all their income without saving anything, and those who have spent more than their income and have had to tap into their savings or get into debt to cope with the period of crisis, have increased by 10 percentage points. Despite the support offered by government measures, the emergency has produced important effects on work, stronger in some regions and sectors, with a consequent increase in inequality in the distribution of income, which is illustrated in the following tables. This can help to interpret and make the statements of the interviewees consistent with the high level of savings recorded in Italy in the first quarter of the year: a share of households saved a great deal, other households had to resort to funds previously set aside, to debt, to borrowing, some to the point of depleting their savings; it is therefore likely that inequalities have increased.

Table 3 - Before/since the start of the COVID-19 emergency, could you tell me if your household:

	Before the emergency	Since the start of the emergency	Δ %now - %Before
Has spent less than its income, being able to set aside some savings	60.6%	39.6%	-21.0
Has spent all of its income, without being able to save anything	35.4%	46.3%	+10.4
Has spent more than its income, having to use savings or going into debt	4.0%	14.2%	+10.2
TOTAL	100.0%	100.0%	

In analysing the same situation by looking at gender differences (Table 3a), we note that since the start of the emergency, women, also in connection with a lower level of income, have shown more difficulty than men in their ability to set aside savings in times of crisis.

Table 3a – Since the start of the COVID-19 emergency, could you tell me if your household... (analysis by gender)

	Man	Woman
Has spent less than its income, being able to set aside some savings	41.2%	36.9%
Has spent all of its income, without being able to save anything	46.0%	46.7%
Has spent more than its income, having to use savings or going into debt	12.8%	16.4%
TOTAL	100.0%	100.0%

Table 3b shows us two particular situations concerning young people and the elderly; on the one hand, since the start of the emergency, among young people (aged 18-34) there has been a higher percentage of individuals who have managed to spend less than they earned, saving part of their income; on the other hand, among the elderly, most of the interviewees say they have spent all their income, without being able to save anything, although among the over-65s almost 43% have continued to save even after the start of the emergency. The data concerning the elderly must also be interpreted in the light of the fact that the individual over 65 interviewed may belong to a household in which there are several income earners and in temporary difficulty, and that therefore a single income is made available to the entire household.

Table 3b- Since the start of the COVID-19 emergency, could you tell me if your household... (analysis by age):

	18-34	35-44	45-54	55-64	65+
Has spent less than its income, being able to set aside some savings	46.7%	43.1%	35.6%	33.1%	42.8%
Has spent all of its income, without being able to save anything	38.1%	40.1%	48.8%	50.4%	48.8%
Has spent more than its income, having to use savings or going into debt	15.3%	16.8%	15.6%	16.5%	8.3%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

The analysis by level of education (Table 3c) indicated to us that a higher educational qualification one has corresponds to a greater capacity to save and decreased use of savings or indebtedness to deal with the crisis.

Table 3c - Since the start of the COVID-19 emergency, could you tell me if your household... (analysis by level of education):

	Bachelor's degree	High school diploma	Lower qualification
Has spent less than its income, being able to set aside some savings	52.9%	40.9%	33.0%
Has spent all of its income, without being able to save anything	35.5%	44.2%	52.4%
Has spent more than its income, having to use savings or going into debt	11.6%	14.9%	14.6%
TOTAL	100.0%	100.0%	100.0%

Households in Northern and Central Italy are managing this emergency situation in a similar way, managing in more than 4 out of 10 cases to spend less than they earned. In the South and the Islands, on the other hand, this share stops at 36%.

Table 3d - Since the start of the COVID-19 emergency, could you tell me if your household (analysis by geographical area):

	North	Centre	South and Islands
Has spent less than its income, being able to set aside some savings	41.0%	42.0%	36.2%
Has spent all of its income, without being able to save anything	44.1%	43.5%	50.7%
Has spent more than its income, having to use savings or going into debt	14.8%	14.4%	13.1%
TOTAL	100.0%	100.0%	100.0%

If one considers income, also here the effects of the crisis are evident and the COVID-19 emergency has not impacted everyone in the same way. As illustrated in Table 4, about one out of two households (47%) has seen their income decrease, while for 51% it has remained unchanged; the part that has seen the income of their household increase is instead negligible (2%).

Table 4 - Think about all the sources of income of your household since the start of the COVID-19 emergency, your household's income has...

	Before the emergency
Increased	2.0%
Remained unchanged	51.0%
Decreased	47.0%
TOTAL	100.0%

Concentrating on some population groups, it emerges that men have maintained their income stable more than women have and that, despite the level of education, all allege that they have undergone a decrease in their income.

Table 4a - Think about all the sources of income of your household since the start of the COVID-19 emergency, your household's income has... (analysis by gender and level of education)

	Man	Woman	Bachelor's degree	High school diploma	Lower qualification
Increased	1.5%	2.8%	3.9%	1.7%	1.5%
Remained unchanged	54.1%	45.9%	48.3%	51.2%	51.9%
Decreased	44.4%	51.3%	47.9%	47.1%	46.6%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

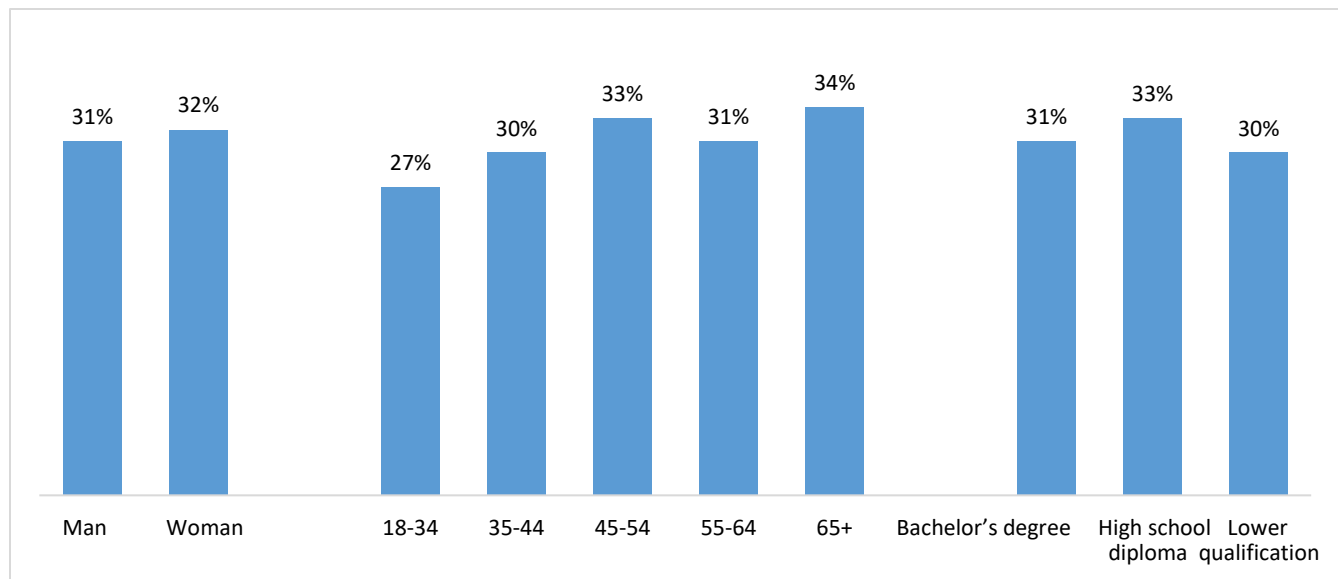
Those who have seen their income decrease were asked to estimate the amount of time the reduction would continue and the results are shown in Table 5. About 6 interviewees out of 10 believe that this decrease will last a year at the most. Over 30%, however, believe that this situation will last longer and it can be assumed that these households are already thinking about changes in their consumption and saving choices.

Table 5 - Those who have seen their household's income decrease believe that this is a change that...

	Have seen their income decrease
Will last several years	30.7%
Will last at least a year	29.1%
Will last for several months	31.6%
I don't know	8.6%
TOTAL	100.0%

Chart 2 shows how the percentage of those who believe that the income decrease will last several years is somewhat similar among gender, age and educational qualification.¹⁰

Chart 2 – Distribution of the interviewees who, following the COVID-19 emergency, have seen their income decrease and state that it will last several years (analysis by gender, age and level of education).



One of the most important indicators of the financial fragility of households, as indicated by international studies, is expressed by the ability they have to mobilise their economic or other resources to deal with an unexpected expense of medium entity (€ 2,000), such as an expense for car repair, the unexpected purchase of an appliance, a medical expense, or similar emergencies whose amount corresponds approximately to a monthly salary for the typical household. The difficulty of dealing with an unforeseen event, in fact, can depend not only on the strictly economic availability but also on the friend/family network to which the person belongs. This indicator has been used in various studies and has proved particularly useful in offering an insight into the financial situation of households. Table 6 shows that 3 out of 10 households (30.7%) would find it difficult to deal with an unexpected expense of € 2,000.

¹⁰ Note that income refers to the household and not to the income of the financial decision-maker. For this reason, it is plausible that even the elderly expect a reduction in the household's income.

Table 6 - If an unforeseen expense should arise, how confident do you feel that you could come up with 2,000 euros to deal with it within a month?

	Overall
I am sure that I could come up with 2,000 euros	34.0%
I probably could come up with 2,000 euros	29.4%
Probably/I am sure that I could not come up with 2,000 euros	30.7%
I don't know	5.9%
TOTAL	100.0%

From the data collected and visible in Table 6a, it can be noted that the impossibility of obtaining € 2,000 to deal with an unforeseen event is very high for young people: it is a figure that highlights fragility, considering that the answers are the young interviewees (therefore decision-makers), that young people enter the labour market late, and often with precarious conditions. There are also marked differences between men and women. In addition, in the south and on the islands, people are decidedly more fragile. Finally, if we analyse the differences by educational qualification, we notice that those with Bachelor's degrees have much less difficulty coping with this type of situation. In line with international evidence, this indicator offers a clear view of which are the most fragile groups in Italy, evidence that is also confirmed by the other indicators examined above.

Table 6a – If an unforeseen expense should arise, how confident do you feel that you could come up with 2,000 euros to deal with it within a month? (analysis by age, gender and level of education)

	I would not be able to come up with € 2,000
18-34	38.9%
35-44	29.1%
45-54	33.1%
55-64	31.5%
65+	26.2%
Men	26.0%
Women	38.5%
Bachelor's degree or higher	20.8%
High school diploma	29.6%
Lower qualification	35.8%
North	29.1%
Centre	29.1%
South and Islands	33.8%

The difficulties in making ends meet, in saving, and the uncertainty about how to deal with an unexpected event inevitably cause significant worries and therefore, states of anxiety (so-called *financial anxiety*). *Financial anxiety* is another indicator that can help take the pulse of the financial health of households. The data visible in Table 7, in fact, shows the results on the agreement/disagreement about the feeling of anxiety caused by thinking about one's economic condition. 35% of financial decision-makers say they feel anxious thinking about their financial situation.

Table 7 - Thinking about my financial situation generates anxiety

	Overall
I disagree	29.5%
I neither agree nor disagree	35.8%
I agree	34.8%
TOTAL	100.0%

The feeling of anxiety is more present among middle-aged people than for the elderly. The health emergency, which has created great risks for the health of the elderly, has instead turned into a factor of financial anxiety for the middle-aged bracket. Table 7a also shows that anxiety is more present among women than among men, among people with low educational qualifications, and in the South and the islands.

Table 7a - Thinking about my financial situation causes me anxiety (analysis by age, gender, level of education and geographical area)

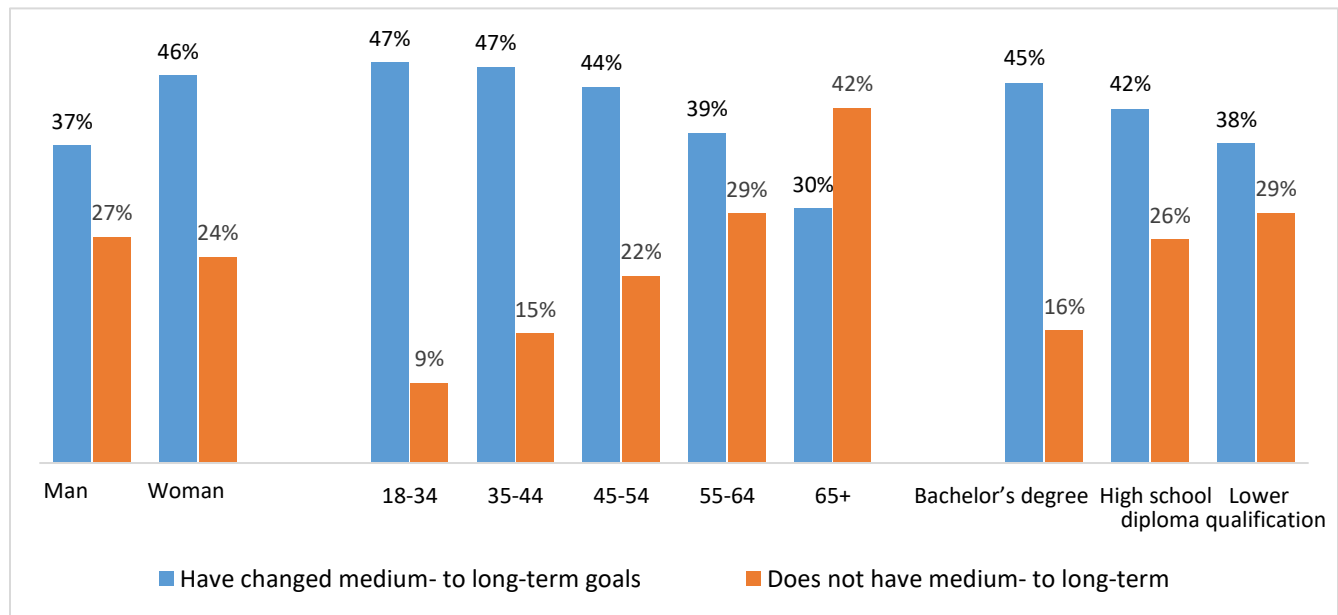
	Feeling of anxiety
18-34	37.4%
35-44	34.1%
45-54	39.4%
55-64	37.1%
65+	28.0%
Men	29.6%
Women	43.4%
Bachelor's degree or higher	30.6%
High school diploma	34.1%
Lower qualification	37.1%
North	31.4%
Centre	32.8%
South and Islands	40.6%

The situation described so far, i.e., a considerable share of households that even before the start of the COVID-19 emergency could not count on a financially sound situation and that with the worsening of the general economic situation has seen their solidity further weaken, is also visible from the data offered in Table 8. About 4 out of 10 families (40.4%) state that they have revised their goals completely (8.6%) or partially (31.8%). The percentage of those who revised their goals is particularly high for younger financial decision-makers (aged 18 to 34) and those aged 45 to 54. We also note that as many as one in four households say they do not have medium- to long-term goals.

Table 8 - Since the start of the COVID-19 emergency has your household changed its medium- to long-term goals?

	Overall
Yes, in whole or in part	40.4%
No, we will stick to our medium- to long-term goals	30.1%
We don't have medium- to long-term goals	25.6%
I don't know	3.9%
TOTAL	100.0%

Chart 3 – Distribution of interviewees who have changed their medium- to long-term goals since the start of the COVID-19 emergency and those who say they do not have any (analysis by gender, age and level of education).



Analysing Chart 3, it is interesting to highlight that women show greater fragility than men by stating that they have changed their medium- to long-term goals since the start of the COVID-19 emergency, while the chart shows that a lower level of education corresponds to an absence of precise goals.

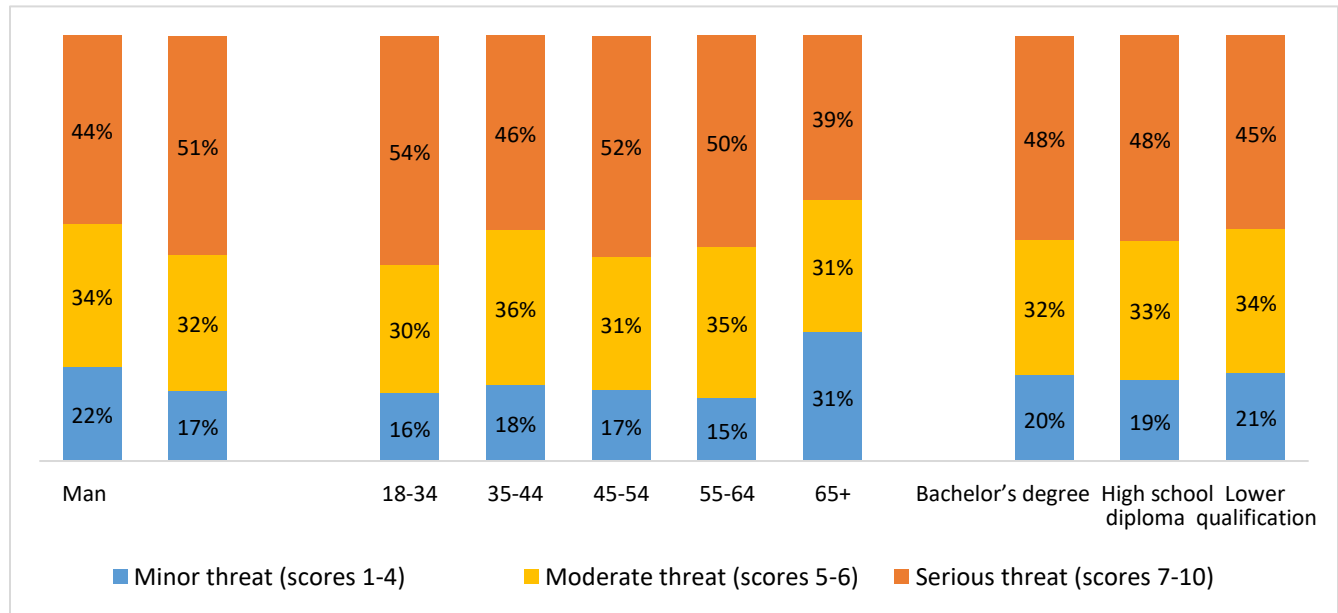
In this context, the results reported in Table 9 regarding the assessment of the threat level represented by the COVID-19 emergency on a scale of 1 to 10, where 1 stands for *no threat* and 10 for *serious threat*, is not surprising. 33% of households, in fact, give a score of 5 or 6, and 47% evaluate this emergency situation as a serious threat (scores from 7 to 10) to their financial well-being.

Table 9 - In your opinion, what threat level does COVID-19 pose to your household's financial well-being?

	Overall
Minor threat (scores 1-4)	20.1%
Moderate threat (scores 5-6)	33.0%
Serious threat (scores 7-10)	46.9%
TOTAL	100.0%

One in two women sees the health emergency as a serious threat to their financial well-being, while the differences are slight between different levels of education (Chart 4). We also note the disorientation of the younger generations (aged 18-34), for 54% of whom the COVID-19 emergency represents a serious threat (score between 7 and 10 on the survey scale), while only 16% say that the threat of COVID-19 is minor (score between 1 and 4 on the scale). The evidence is probably also linked to the rapid deterioration of the conditions of the Italian labour market, particularly in the most precarious positions, often occupied by young people.

Chart 4 – Perceived threat level of the COVID-19 emergency (analysis by gender, age and level of education).



The COVID-19 emergency represents such a major threat to the well-being of Italian households to the point of influencing their vision of their economic and financial prospects. In fact, no less than 35% of households expect a worsening of their family's economic and financial prospects, 48% consider them to be stable and only 6% of the sample expects an improvement.

Table 10 - Looking to the future, how do you assess your household's economic and financial prospects?

	Overall
Improving	5.8%
Stable	47.7%
Worsening	35.1%
I don't know	11.4%
TOTAL	100.0%

Resilience instruments made available to households: Government interventions and financial knowledge

To deal with the troubling situation described so far, the Government has launched several interventions provide to support families and businesses. The first barrier to access to these interventions, however, is knowledge of their existence. In the questionnaire, Italian households were asked if and how they were informed before making financial decisions. Table 11 shows two important aspects: if, on the one hand, one in two Italian households is mainly informed from institutional sources, on the other hand, 21% of households do not inform themselves at all. Others (7%), if they do, take into consideration only non-specialist sources in the sector, including blogs or non-specialised social networks.

Table 11 - What are the sources of information normally consulted for your household's economic and financial decisions (savings, investments, debts, taxes, contributions, etc.)

	Overall
Does not seek information	21%
Only from institutional/recognised sources	48%
Only from informal sources/friends	7%
Both from institutional and informal sources	24%

The measures adopted by the Government were generally known: all the instruments are known by at least 7 out of 10 Italians. The best known is the ecobonus for renovations, holiday bonuses, bike bonuses. These percentages vary little by age group, gender, level of education and geographical area.

Table 12 - Knowledge of the listed instruments

	Overall
Ecobonus for property renovations, holiday bonuses, bike bonuses	81.8%
Provisions to support working parents	76.7%
Suspension/moratorium on mortgage payment of instalments	76.6%
Bonus for domestic helpers, caregivers	73.8%
Allowances/bonuses for people with VAT numbers	72.5%
Extension of the exceptional redundancy fund	72.4%
Loans of up to € 25,000 for professionals and small and medium-sized enterprises with public guarantees	72.0%
Emergency income	71.1%
Advance of the ordinary and exceptional redundancy fund	68.6%
Average number of known instruments	6.7

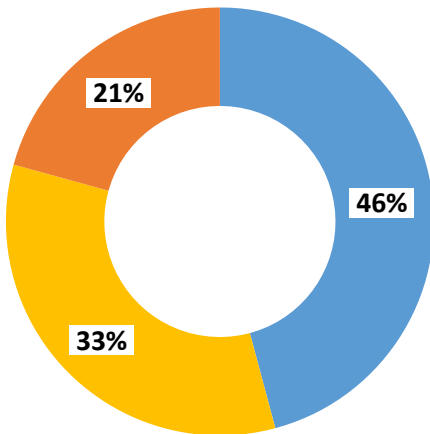
In addition to the knowledge of the existence of specific instruments related to the crisis, it is important to investigate the level of financial literacy of Italian households in order to understand not only how much they are able to analyse the various instruments available with a certain degree of autonomy, but also what basic knowledge they have so that they are able to make financial decisions in turbulent times like these. To investigate this aspect, some questions were included in the questionnaire to self-assess the knowledge of basic financial concepts, the results of which are shown in Charts 5, 6 and 7.¹¹ Fundamental concepts such as,

¹¹ In this report, we report only some of the concepts present in the questionnaire, favouring the simplest ones that are the basis of the main financial decisions a household makes.

for example, the simple interest rate, the compound interest rate and the risk-return trade-off. Overall, Italian financial decision-makers appear to have a low level of financial literacy. In all three cases analysed here, less than one in two interviewees said they knew what was meant when dealing with the concepts of “simple interest rate”, “compound interest rate” and “risk-return trade-off”. In addition, as can be seen in Chart 8, less than a third of interviewees (29%) know all three of these concepts.

Chart 5 - Have you ever heard of the following before:

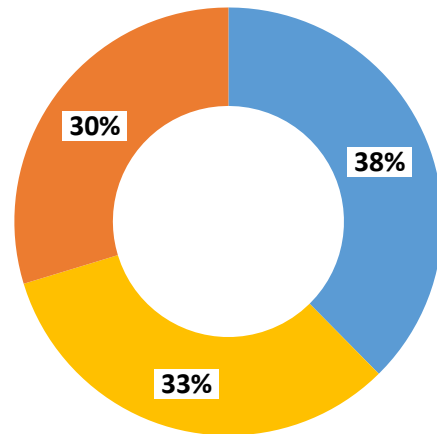
Simple interest rate



- Yes, and I know what it is
- Yes, but only by hearsay
- No, I've never heard it before

Chart 6 - Have you ever heard of the following before:

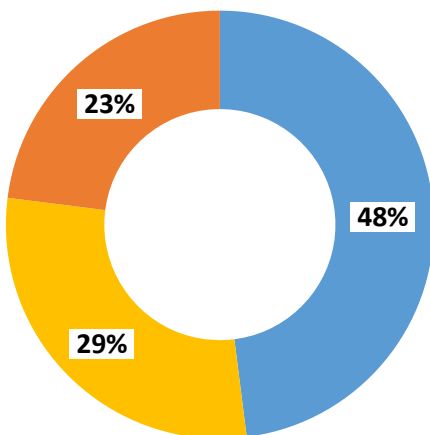
Compound interest rate



- Yes, and I know what it is
- Yes, but only by hearsay
- No, I've never heard it before

Chart 7 - Have you ever heard of the following before:

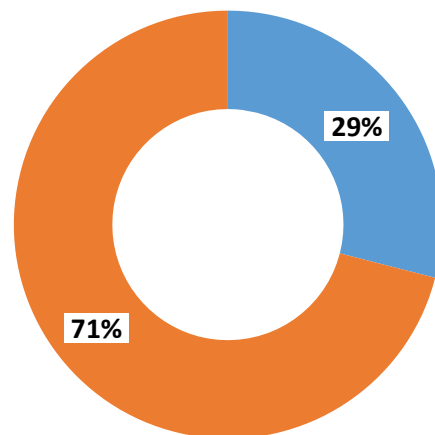
Risk-return trade-off



- Yes, and I know what it is
- Yes, but only by hearsay
- No, I've never heard it before

Chart 8 - Knowledge of the 3 concepts:

Knowledge of the 3 concepts



- Know the 3 concepts
- I do not know all the concepts

Table 13a shows the differences in knowledge of these concepts based on the interviewee's educational qualification. The correlation between educational qualification and financial literacy is high. It is possible to see an accentuated difference between interviewees with a low educational qualification (up to middle school) compared to both those with Bachelor's degrees, but also to those with high school diplomas. On the other hand, the difference between those with Bachelor's degrees and those with high school diplomas is less marked.

Table 13a - High level of claimed knowledge of the concepts (analysis by level of education)

	Bachelor's degree	High school diploma	Up to lower secondary school diploma
Knowledge of the 3 concepts	38.5%	35.5%	19.8%
- Simple interest rate	57.5%	51.7%	36.1%
- Compound interest rate	48.3%	45.5%	26.7%
- Risk-return trade-off	58.3%	52.2%	40.6%

Table 13b shows how men have greater financial literacy than women, data that is constant in many other empirical studies.

Table 13b - High level of claimed knowledge of the concepts (analysis by gender)

	Man	Woman
Knowledge of the 3 concepts	33.2%	22.1%
- Simple interest rate	50.8%	37.5%
- Compound interest rate	42.8%	29.0%
- Risk-return trade-off	52.9%	40.2%

Young people also have little knowledge of these issues (Table 13c). Only 16% of young people aged 18 to 34 know, in fact, all 3 proposed topics and knowledge of the individual topics is very low. Once again, the figure is probably linked to the fact that young Italians leave their families and family homes very late, and enter the labour market at an older age than in other countries.

Table 13c - High level of claimed knowledge of the concepts (analysis by age)

	18-34	35-54	55+
Knowledge of the 3 concepts	16.4%	25.7%	35.2%
- Simple interest rate	32.7%	43.2%	51.5%
- Compound interest rate	26.7%	34.2%	43.6%
- Risk-return trade-off	33.0%	48.3%	51.0%

These results are consistent with many other studies carried out internationally that have documented both the low financial knowledge of Italians and the groups with a lower level of knowledge. They also confirm the data of the recent IACOFI study of the Bank of Italy on the financial knowledge of adults, cited in the introductory paragraphs, and the data of the latest CONSOB Report on the investment choices of Italian households.

Understanding the basic concepts is an essential element not only for being able to deal with emergencies and being prepared for them, but also for better managing one's resources, even in ordinary times. As we can see in this data, financial knowledge matters. There is a high correlation between the claimed level of knowledge and financial fragility: almost half of those (49.5%) who claimed to have a high knowledge of the interest rate,

compound interest and the risk-return trade-off were certain that they could deal with an unexpected expense, compared to 27.7% of the rest of the sample (Table 14). Similarly, those with greater financial literacy have less difficulty making ends meet (Table 15).

Table 14 - Financial literacy and ability to have 2,000 euros to deal with an unexpected event

	high financial literacy	Rest of the sample
I am sure that I could come up with 2,000 euros	49.5%	27.7%
I probably could come up with 2,000 euros	27.8%	30.0%
Probably/I am certain I would not be able to come up with 2,000 euros	18.7%	35.6%
I don't know	4.0%	6.7%
TOTAL	100.0%	100.0%

Table 15 - Financial literacy and financial fragility measured by the difficulty/ease in making ends meet

	high financial literacy	Rest of the sample
Difficulty	43.8%	63.3%
Easily enough	28.5%	24.1%
Easily	27.7%	12.7%
TOTAL	100.0%	100.0%

The same is true for the financial fragility indicator before the COVID-19 emergency. 45.9% of those with high financial literacy claimed to be able to deal with a prolonged lack of income of over 6 months compared to 25% of the rest of the sample (Table 16).

Table 16 - Financial literacy and financial fragility measured by the presence of financial assets sufficient to deal with the situation

	high financial literacy	Rest of the sample
Up to 1 month / We had no financial assets in our household	9.3%	23.7%
Up to 2 months	12.8%	18.9%
Between 3 and 6 months	27.7%	24.8%
Over 6 months	45.9%	24.9%
I don't know	4.3%	7.8%
TOTAL	100.0%	100.0%

Since the theme of Financial Education Month 2020 is social security, the questionnaire also asked questions to analyse - again through the self-assessment technique - how much the interviewees know about some concepts of social security, in particular knowledge of the longevity risk (Chart 8) and instruments of supplementary pension provision (Chart 9). As reported on the www.Quellocheconta.gov.it portal, the longevity risk refers to the risk of living longer than one might reasonably expect. This risk is important, because it means that savings may not be enough for senior citizens to deal with their retirement serenely.

In general, the claimed knowledge of this risk is low: only 27% of financial decision-makers say they know what it is. In addition, only 45% are familiar with instruments of supplementary pension provision.

Chart 8 - Have you ever heard of the following before:

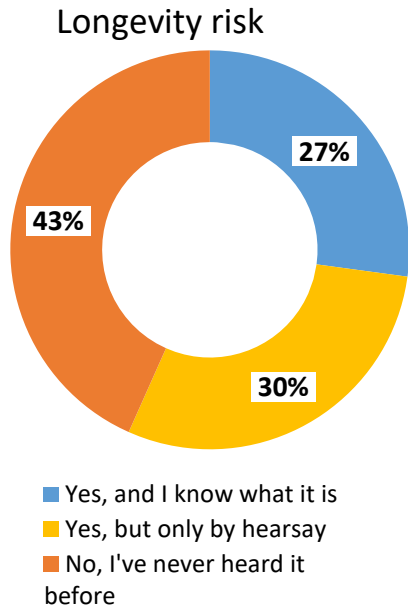
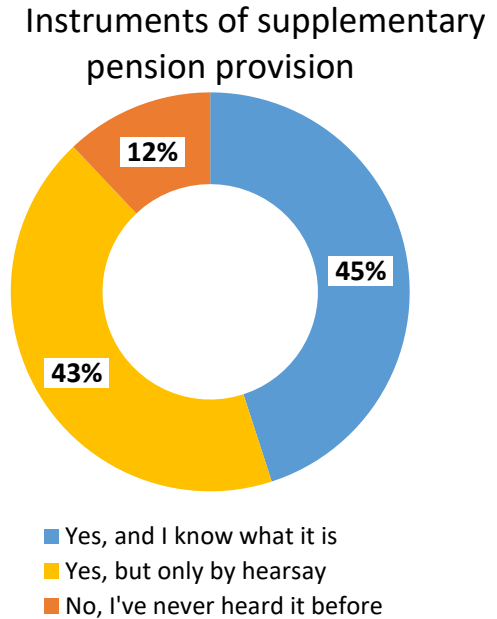


Chart 9 - Have you ever heard of the following before:



In the tables below, we note that the social security knowledge of the entire sample is also distributed with the same asymmetries seen earlier. The claimed knowledge of the longevity risk is higher for those with a higher educational qualification and for men. It also emerges that among young people (aged 18-34) only 23% claim a knowledge of the longevity risk. Conversely, the percentage of young people who say they are concretely familiar with the instruments of supplementary pension provision rises to about 42%. This result, in contrast to the other claimed financial knowledge seen above (Table 13c), can be explained by the socio-demographic characteristics of the sub-sample of young people; for the most part, they are permanent employees and, therefore, presumably have received information on supplementary pension provision regarding the possible destination of the severance pay, which in the event of silent consent is allocated to the fund for their category of worker.

Table 17a - High level of claimed knowledge of the concepts (analysis by level of education)

	Bachelor's degree	High school diploma	Up to lower secondary school diploma
Knowledge of the 2 concepts	22.5%	20.2%	12.0%
- Longevity risk	33.8%	33.8%	22.2%
- Instruments of supplementary pension provision	51.8%	51.7%	37.6%

Table 17b - High level of claimed knowledge of the concepts (analysis by gender)

	Man	Woman
Knowledge of the 2 concepts	18.2%	14.6%
- Longevity risk	28.0%	25.7%
- Instruments of supplementary pension provision	49.8%	37.0%

Table 17c - High level of claimed knowledge of the concepts (analysis by age)

	18-34	35-54	55+
Knowledge of the 2 concepts	13.6	17.4	17.1
- Longevity risk	22.9	28.2	26.8
- Instruments of supplementary pension provision	41.7	47.4	42.9

Conclusions

The pandemic created by the Coronavirus has affected not only the physical health of households, but also their financial health. Until now, little information was available to assess the impact of the crisis. The Committee commissioned Doxa to collect data to gain insight on the financial situation of households and understand which areas are most critical. This report is intended to be a source of information and a guide for policy-makers as well. The main findings of this report are summarised below.

- Even before the crisis there was financial fragility. Even before the health emergency, more than a third of the households (36.6%) would not have had the resources to deal with the lack of income for a period longer than two months.
- Financial fragility has significantly worsened with the crisis; many households have a much harder time making ends meet. 30% say they are unable to deal with an unexpected expense of 2,000 euros over the course of a month.
- Financial fragility covers large sections of the population, but it is also unevenly distributed. The most vulnerable groups are young people, women, those with a low level of education and households living in the South and on the Islands.
- Since the beginning of the COVID-19 emergency, about 4 out of 10 households say they have revised their long-term goals in whole or in part. In addition, one in four households say they do not have medium- to long-term goals.
- 35% of interviewees say they feel anxious thinking about their financial situation. About one in two financial decision-makers assesses this emergency situation as a serious threat to their financial well-being.
- The public interventions offered in support of households are known by households but there is a potential underlying weakness in households probably also due to the low financial knowledge acquired of the most basic concepts that are the basis of the main financial decisions. This low level of knowledge can lead not only to an inefficient use of public aid, but can also accentuate the impact of shocks and of the pandemic.
- Knowledge is also low on topics that refer to the concepts of social security. Only 27% know what the longevity risk is and less than half of the sample (45%) know about supplementary pension instruments.

- It is important that more attention is paid to the financial resilience of households. It is also crucial to consider the fact that financial vulnerability affects specific groups of the population, which require special attention.

With the results of this survey, the Committee intends, on the one hand, to continue to improve the Operational Programme of the National Strategy and, on the other, to describe in which categories and areas of the country there are greater difficulties in making concrete proposals in their areas of competence, i.e., in financial education. It is intended to start from this statistical evidence to redesign a strategy for the future and deal with both the fragility of households and basic financial knowledge. In this regard, the third edition of Financial Education Month, which will be held from 1 to 31 October, will focus on the financial choices of households in the time of COVID-19 and among the topics covered will be the evolution of personal and family choices related to the health emergency, the ability to inform oneself and the ability to adapt and respond to changing economic scenarios. In particular, this year the Committee has decided to give particular emphasis to the issue of social security: from 26 to 31 October, the Social Security Education Week will be held for the first time. The initiative was created with the aim of increasing the social security culture of citizens which, as the data of this survey also show, needs to be improved so that Italian households can plan the allocation of their savings with foresight and ensure a more serene and secure future.