

BOX 2: THE IMPACT OF THE COVID-19 PANDEMIC ON HOUSEHOLDS' FINANCES IN MALTA¹

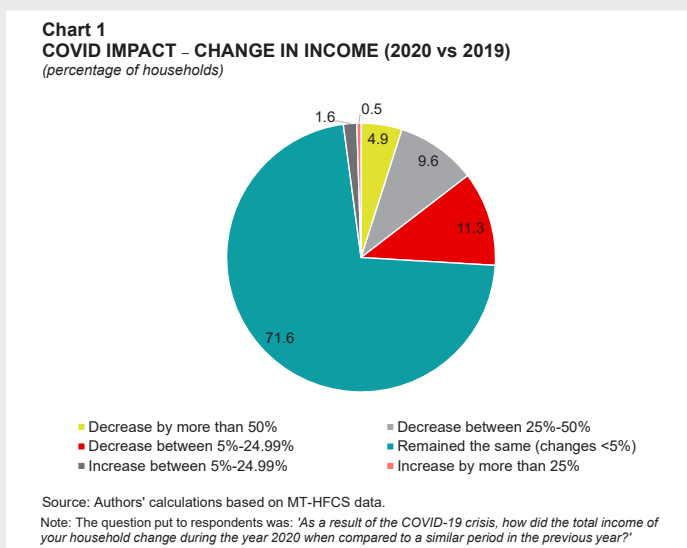
This box summarises the findings on the impact of the COVID-19 pandemic for Maltese households as reported in the fourth wave of the Household Finance and Consumption Survey (HFCS) for Malta.

The HFCS is part of a co-ordinated research project led by the ECB and involves national central banks of all euro area countries and selected non-euro area EU member states. The Survey is conducted every three to four years. In Malta, the fieldwork for this wave was carried out between November 2020 and February 2021, with the reference period for income related variables being 2020.²

Given the exceptional circumstances caused by the COVID-19 pandemic during the latest wave of the Survey, the Household Finance and Consumption Network (HFCN) decided to include an ad-hoc module to assess the impact of the pandemic on households' finances.

Households were asked to compare their 2020 income with that of 2019 to identify whether the pandemic or the associated restrictions which were in place had any impact on their income levels. Almost three-fourths of Maltese households (71.6%) stated that their income was not impacted significantly by the pandemic (see Chart 1). These findings are broadly consistent with what was reported through the statistics on income and living conditions (SILC). Meanwhile, almost 26% of households reported a lower income, most of which replied that the income lost was between 5% and 25%. Additionally, only 2.1% of households stated to have a higher income in 2020 when compared to a year earlier.

The Survey includes a panel component, which allows one to measure the change in income for this subset of households between the past two waves.³ Results from the Survey show that households in the panel component whose labour status have been negatively impacted by the



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² More [information, data and studies on the HFCS in Malta](#).

³ The panel component for 2020, that is households who also participated in the 2017 wave, made up 33% of interviewed households.

pandemic have nonetheless reported an increase of 30.3% in their median income in 2020 with respect to 2017. These results could reflect the overall wage growth between the third and fourth wave and suggest that the changes brought about by the pandemic impacted households only during the months in which the containment measures were in place.

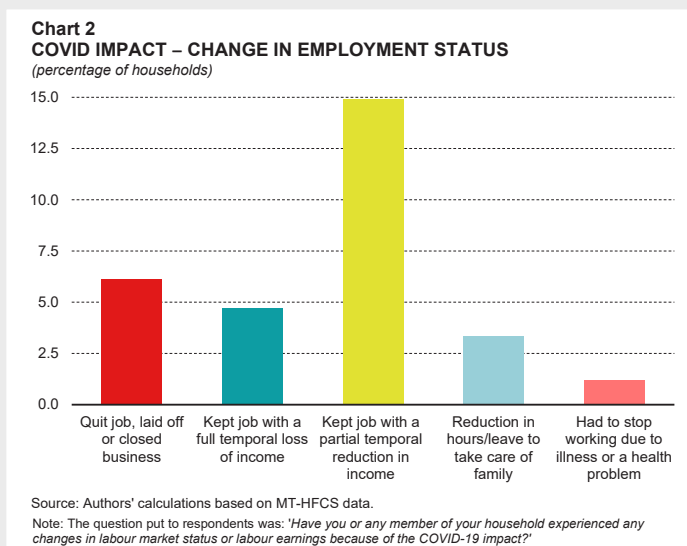
Respondents were also asked to comment how COVID-19 affected their employment situation. The share of households who completely lost their job was relatively low, as only 6.1% reported to have either quit their job, closed their business, or had been laid off (see Chart 2).⁴ Additionally, 4.7% of all respondents were able to keep their job but had a full reduction in wages or earnings, probably due to the temporary mitigation measures in place that restricted the operation of non-essential services. Almost half of those whose labour status was impacted were able to keep their job but had a partial reduction in wages or earnings.

Around 3.3% of households were forced to ask for a reduction in working hours or leave. This might reflect health-related concerns during the pandemic, as well as the need for parents with young children to care for their dependants during the shift to online schooling. Moreover, 1.2% of respondents were forced to stop working due to sickness or other health problems.⁵

The high proportion of households that were able to keep their job (over 70%) likely reflects the effectiveness of state support such as the wage supplement scheme, which was specifically intended to safeguard employment of those who were mostly impacted by lockdowns or pandemic-related containment measures.

Looking at those households who were negatively affected by the pandemic, the share who lost their job or closed their business due to the COVID-19 pandemic was similar across all education levels and age groups (see Chart 3a).

As expected, a full wage loss while remaining in employment was mostly experienced by self-employed respondents (19.6%), while another 52.8% of these self-employed respondents experienced only a partial wage loss. Such partial loss in earnings was mostly observed for males, those with a tertiary level education, and



⁴ Official statistics show that the unemployment rate in 2020 also grew slightly in comparison to 2019.

⁵ It is important to note that respondents were allowed to select more than one option.

respondents aged 35 and under. The impact on wages was relatively similar for males and females, as 6.1% of both genders reported losing their job, and 5.3% and 4.0% respectively experienced a full earnings loss but managed to retain their job.

The share of respondents who lost their job was relatively low across all income and wealth quintiles (see Chart 3b). The highest share was reported by households in the fifth income quintile (9.9%) as well as the third wealth quintile (7.4%).

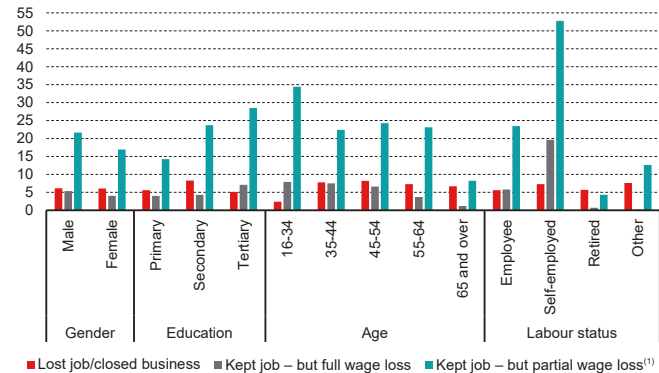
On the other hand, respondents who suffered a partial loss in wages was higher among the highest income quintiles. Households in the third income quintile registered the largest share in this regard (27.0%),

followed very closely by the fifth quintile (26.9%). With regards to wealth quintiles, households in the highest wealth quintile (24.7%) reported the largest share of partial income losses, but this was followed by the second and first wealth quintile.

Generally, the share of employees who were impacted by the pandemic was higher for those in the private sector than for those working in the public sector. In the private sector, households employed in the wholesale and retail, and transport and storage sectors were more likely to state that they were negatively affected by the pandemic.

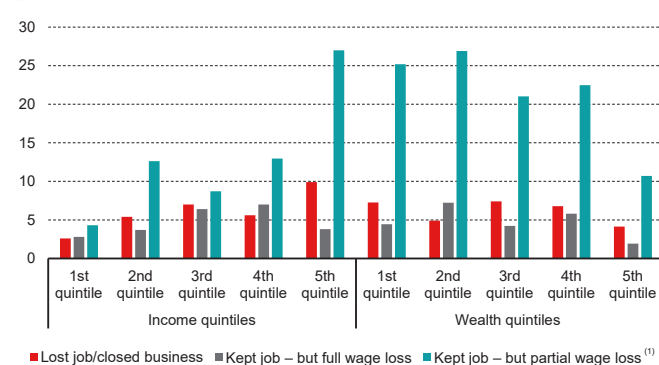
Around 70% of respondents who reported a decrease in income stated that they lowered their expenditure on food, clothes, travelling, and other consumer goods and services to

Chart 3a
COVID IMPACT – ANY IMPACT ON EMPLOYMENT STATUS, BREAKDOWNS
(percentage of households)



Source: Authors' calculations based on MT-HFCS data.
⁽¹⁾ In this category, the following households' replies are combined:
 - Kept job with a partial temporal reduction in wages or labour earnings or business income;
 - Had to ask for a reduction in hours or for a leave of absence to take care of children or dependents;
 - Had to stop working due to illness or a health problem.

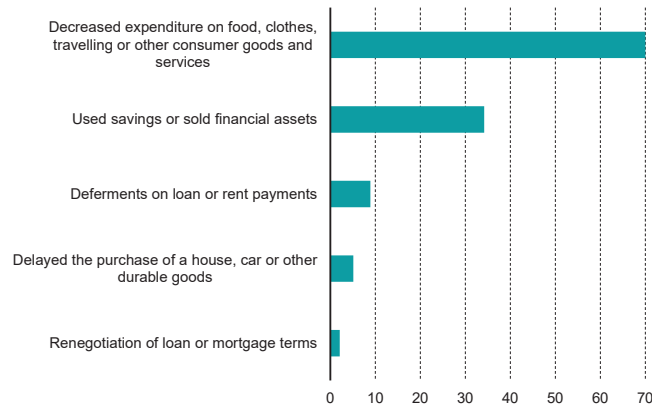
Chart 3b
COVID IMPACT – CHANGE IN EMPLOYMENT STATUS, BREAKDOWNS
(percentage of households)



Source: Authors' calculations based on MT-HFCS data.
⁽¹⁾ In this category, the following households' replies are combined:
 - Kept job with a partial temporal reduction in wages or labour earnings or business income;
 - Had to ask for a reduction in hours or for a leave of absence to take care of children or dependents;
 - Had to stop working due to illness or a health problem.

cope with the reduction in earnings (see Chart 4).⁶ Taking only the panel component of the survey, when comparing expenditure on travel and holidays of households who suffered a full or partial loss in income due to COVID-19 in 2020 with that in 2017, a 53% reduction is noted. In fact, the median value dropped from €1,750 in 2017 to €940 in 2020.

Chart 4
COMPENSATION FOR INCOME LOSS DUE TO COVID
(percentage of households)



Source: Authors' calculations based on MT-HFCS data.
Note: The question put to respondents was: 'How did your household compensate for the loss of income?'

Other ways to compensate for the decrease in income included dissaving and the sale of financial assets (34.2%). However, this could also reflect the low interest rate environment which might have hindered the attractiveness of such a financial asset. Some households (8.9%) also deferred loan and rent payments (8.9%). Lastly, none of the respondents took additional loans to make up for their income losses, while some (2.1%) were able to renegotiate their loan or mortgage terms.

Overall, the results of this Survey confirm that even though COVID-19 had repercussions on economic activity, the Maltese labour market remained resilient, and in large part households' income was safeguarded. This reflects the substantial support measures offered by Government, notably the wage supplement scheme.

Only a small proportion of households, mostly self-employed or employees in the private sector, have experienced full or temporary loss in income, but those who were affected mostly opted to lower consumption or draw on accumulated assets. This helps explain why private consumption bounced back so rapidly in subsequent years, such that by 2022 household consumption was already 6.4% higher than in 2019.

⁶ It is important to note that respondents were allowed to select more than one measure in which they compensated for their loss in income as most respondents adopted a mixture of measures.