

Latvia

European Consumer Payment Report 2021

intrum

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Key findings for Latvia

Inflation poses threat to Latvian financial wellbeing

Economists anticipate that Latvia's recovery will take place sooner than originally expected,¹ but its performance depends in large part on the ongoing level of Covid-19 infection rates, as well as vaccination uptake. Respondents in the country are, however, highly likely to be concerned about inflation, with 84% saying they are worried about the impact of rising prices on their financial wellbeing.

Latvian consumers continue to take care of their finances: nearly eight in 10 consistently pay their bills on time (79%), 11 percentage points above the European average, and up from 75% a year ago.

Latvia continues to enjoy a sound level of financial literacy. Nearly two-thirds of Latvian consumers (63%) say they received sufficient financial education to manage their day-to-day finances, versus just over half of Europeans, on average (51%).

Intrum in brief

About 10,000 people work at Intrum. We help our clients prosper by caring for their customers. This is achieved through roughly 250,000 customer contacts that our employees engage in on a daily basis, helping individuals and companies to address their financial challenges and our clients to secure payment. Through this, we lead the way to a sound economy.

1) <https://bnn-news.com/bank-of-latvia-upgrades-gdp-growth-outlook-to-5-3-for-2021-228632>

The impact of Covid-19 on financial wellbeing

The economic upheaval of 2020 continued in 2021 and is still weighing on some consumers' minds. Though normality is returning to Europe with restaurants and theatres opening their doors and employees heading back to their offices, our survey finds that the pandemic is casting a long shadow over consumers' financial wellbeing.

Almost every other Latvian consumer (46%) believes that Covid-19 will negatively impact their finances for at least another 12 months. 25% predict it will take more than two years until their financial wellbeing turns to normal.

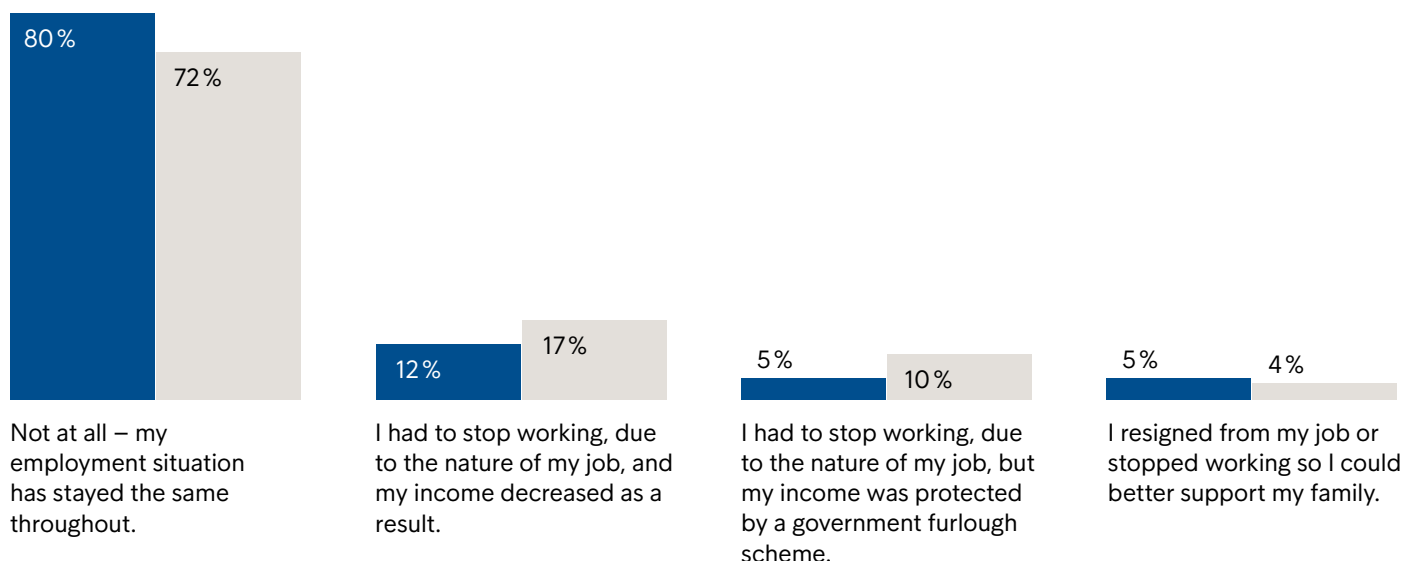
We also see that the pandemic has disproportionately impacted different countries and demographic groups. Though a majority did not have their employment situation directly affected, almost 37% Europeans across Europe say they are poorer today than they were before the crisis began. In Latvia, 36% state the same. It is especially individuals in low-income households (55%) who have been most affected, increasing the economic inequality in the society.

On the other side, the pandemic has enabled consumers to focus on financial security. 32% say they are putting money aside to protect their financial wellbeing and 37% say they have set targets to manage their bills and savings better. 23% say they see the pandemic as a perfect opportunity to improve their finances.

In what ways has the Covid-19 pandemic, since it began, affected your employment situation?

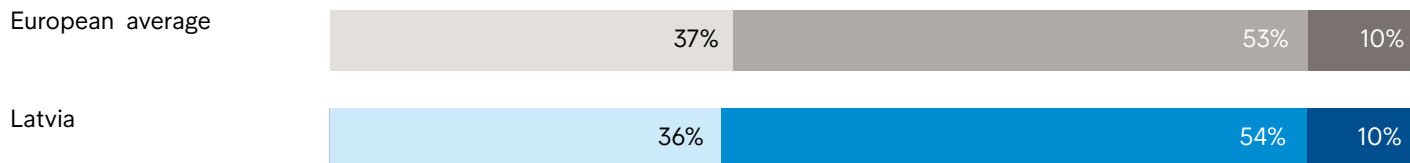
● Latvia

● European average

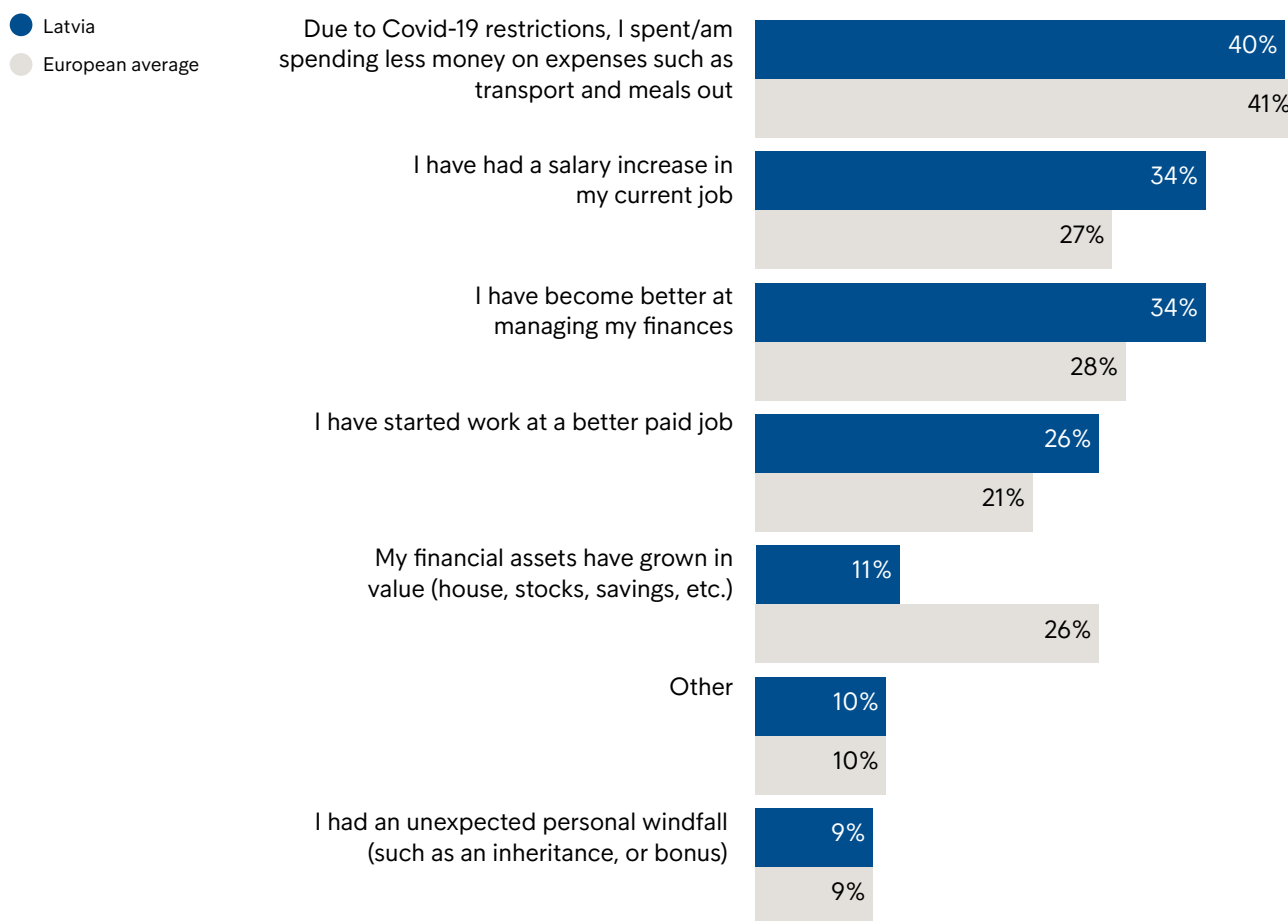


Which of the following best describes your overall financial wellbeing today (i.e. your ability to pay bills or put money into savings), compared with how it was before the pandemic?

● I am worse off than I was
 ● I am about the same
 ● I am wealthier than I was
(European average in greyscale)

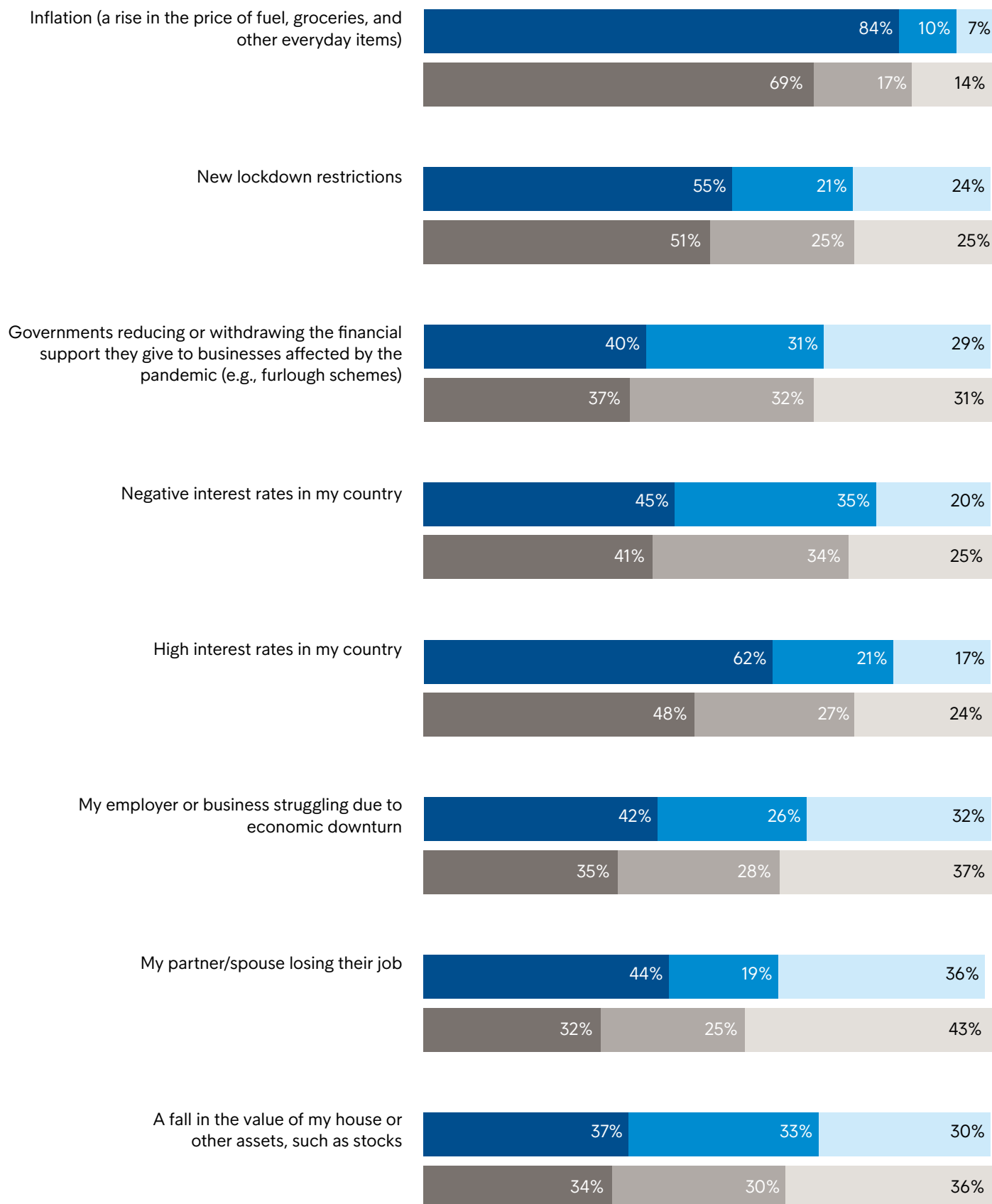


You indicated that you are wealthier now than you were before the pandemic. Why is that?

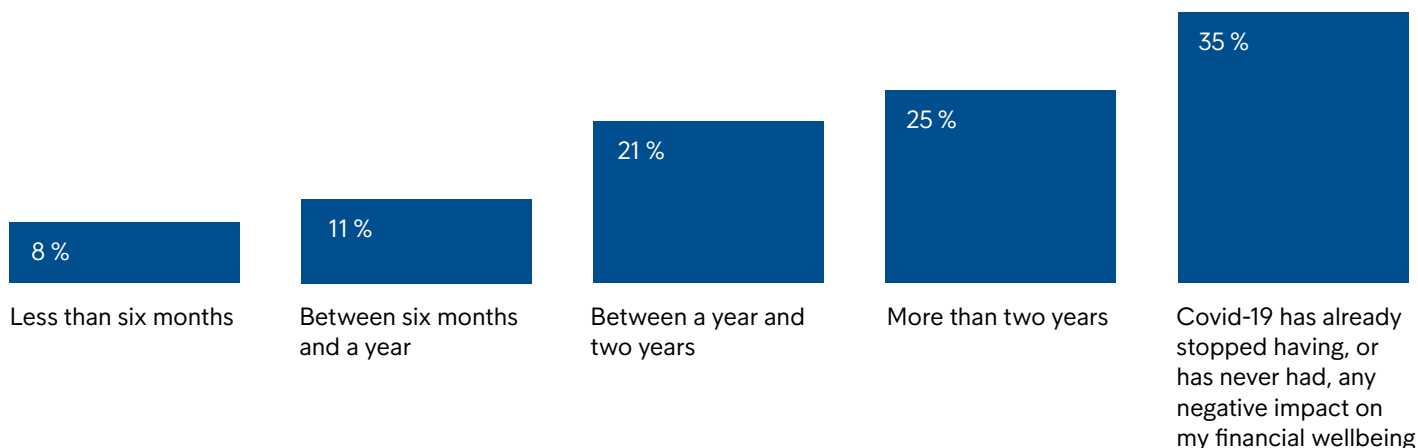


To what extent, if at all, are you concerned about the following having an impact on your financial wellbeing?

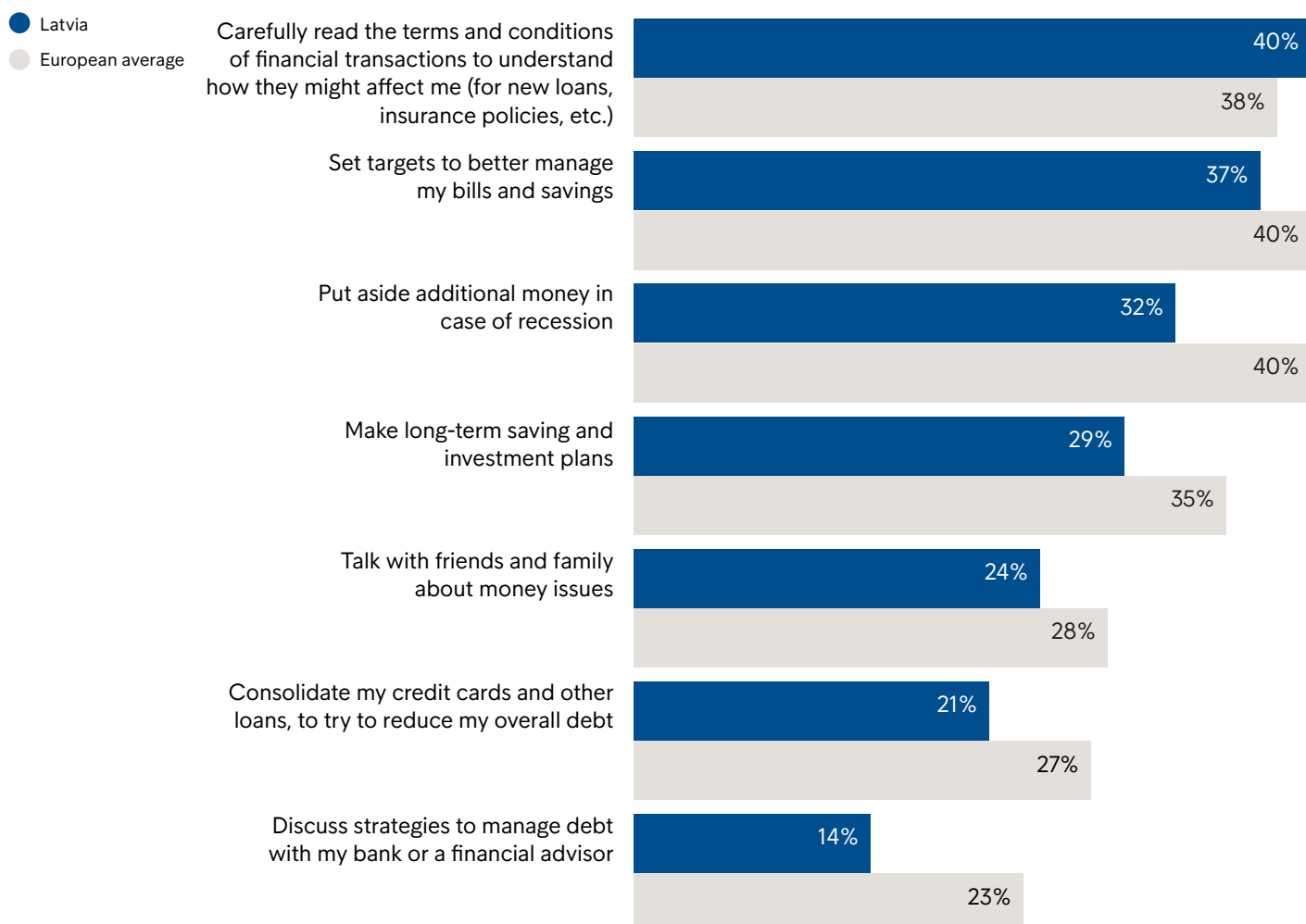
● Concerned
 ● Neutral
 ● Not concerned
 (European average in greyscale)



To your best estimate, when do you think Covid-19 will stop having any negative impact on your financial wellbeing (i.e. your ability to pay bills or put money into savings)?



Since the economic disruption of Covid-19, would you say you are more or less likely to do the following, to protect your financial wellbeing?





Anna Zabrodzka
Senior Economist
Intrum

"Across Europe we see signs of hope, however, it is premature to believe that the crisis is over. The recovery is happening faster for some consumers and some regions than it is for others. There is also still a lot of uncertainty over how key challenges – such as supply chain bottlenecks, rising energy prices, and the emergence of new strains of the virus – will evolve and impact consumers' financial wellbeing in the months ahead."

Do you agree with the following statements?

23%

agree
(European average, 27%)

I see the pandemic as a perfect opportunity to start improving my finances and building a more stable future for myself and my family.

66%

agree
(European average, 59%)

I expect Covid-19 will not be the only pandemic or global crisis in my lifetime, so I want to ensure I am in a stronger financial position before the next one.

25%

agree
(European average, 25%)

The financial stress of Covid-19 has ultimately brought me and my partner/spouse closer together.



Ability to pay bills on time

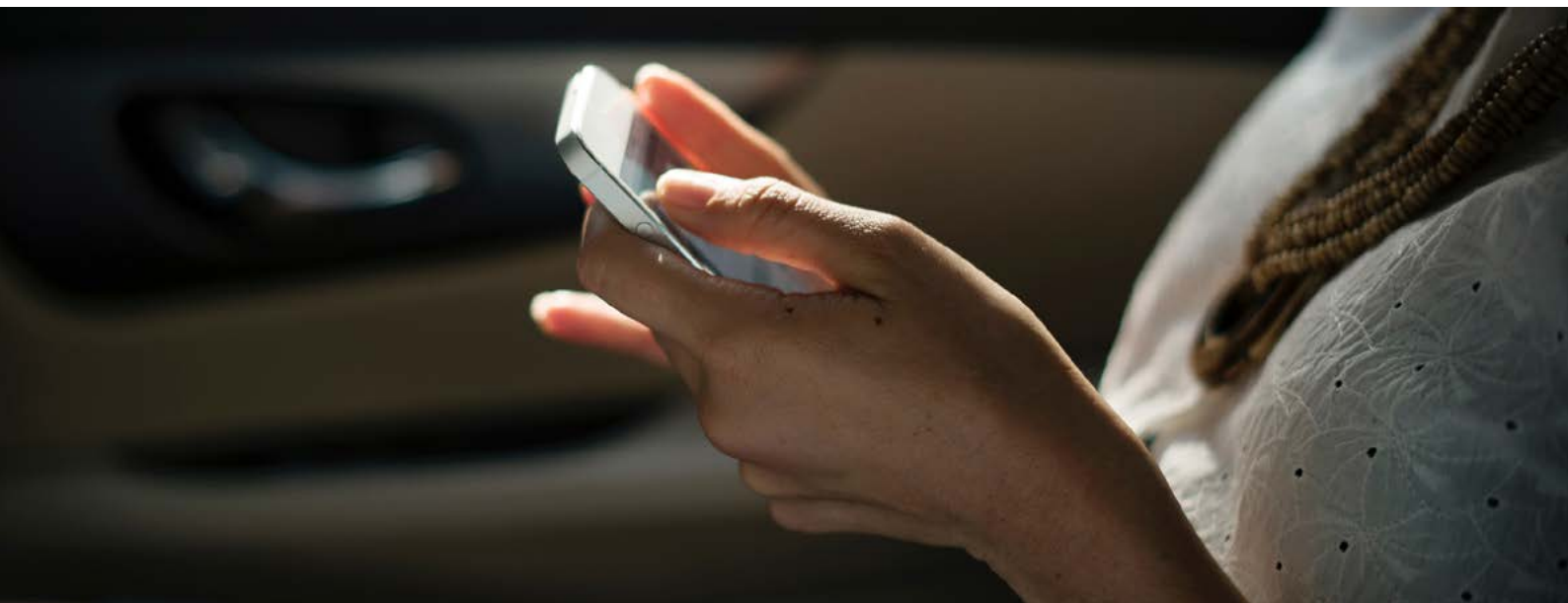
12%

say they have less than 10% of their income left after paying bills. The European average is 23%.

The Covid-19 crisis will have a lasting impact on European consumers' ability to manage their household finances. Many are concerned about rising bills and not being able to meet their financial obligations, which in turn affects their wellbeing.

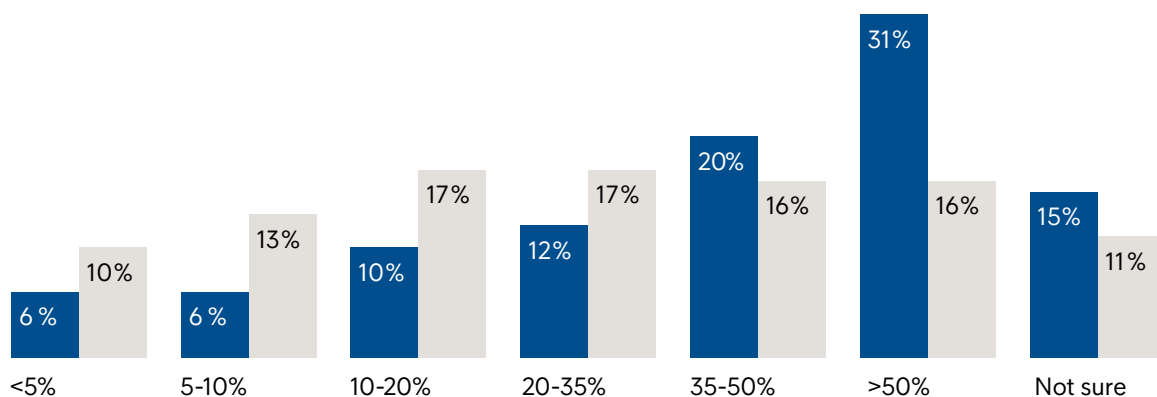
This is also evident from our survey on Latvian consumers. 57% state that rising bills are hurting their general wellbeing. This is an increase compared to 2020 (52%) and lot higher than in Europe (45%) and in other Baltic countries (Estonia 41%; Lithuania 46%). Also, 56% of Latvians say their bills are increasing at a higher rate than their income, which is also much higher share of consumers than last year (46%).

As the recovery picks up, rising inflation across Europe is making some consumers worse off financially. As inflation grows, our study finds that 12% say they have less than 10% of their income left after paying bills, and it's likely that many would struggle to accommodate a general hike in prices. The most vulnerable groups are low-income individuals (total household monthly income below EUR 600) with less money in their accounts after paying bills, those who rent their house and those who have a mortgage.



What percentage of your monthly salary is left after you have paid all of your household bills (including rent/ mortgage/utilities and any loan/credit card repayments)?

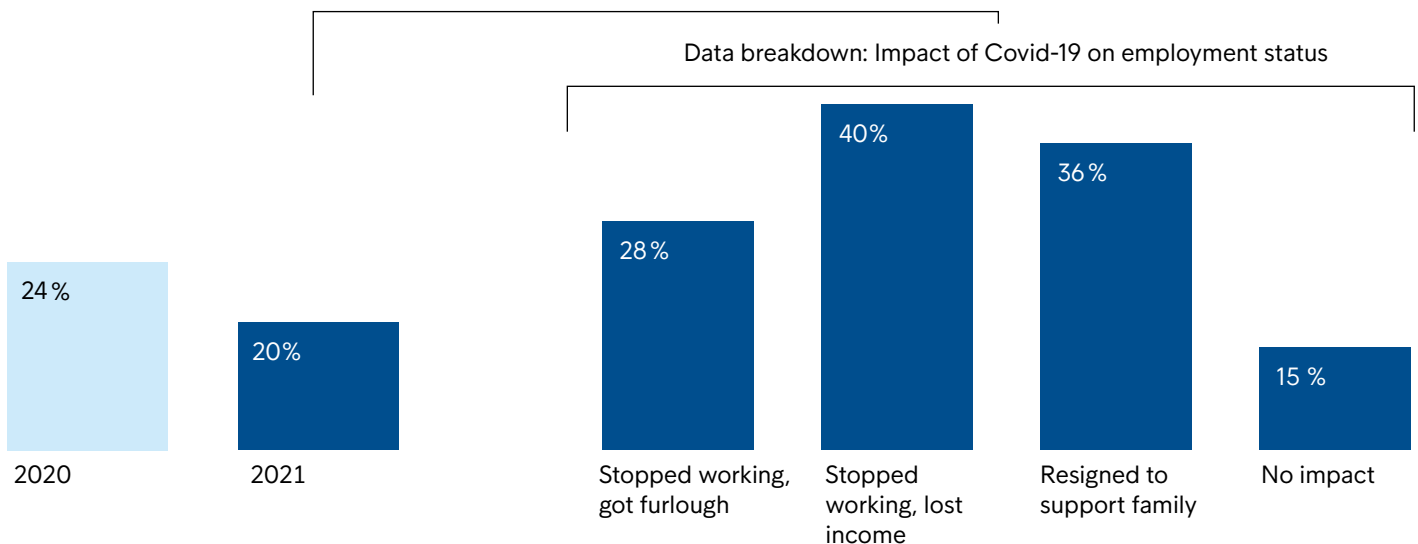
● Latvia
● European average



Every fifth Latvian consumer (20%) says they missed paying a bill on time in the past 12 months. The number of consumers not paying on time has decreased compared to 2020 when 24% of consumers missed a payment. Looking at the impact of Covid-19 on the employment situation, we find that this increased to 28% for those who stopped working, but received furlough, while among those who lost the income and did not receive furlough that number is 40%, again demonstrating the uneven impact of pandemic.

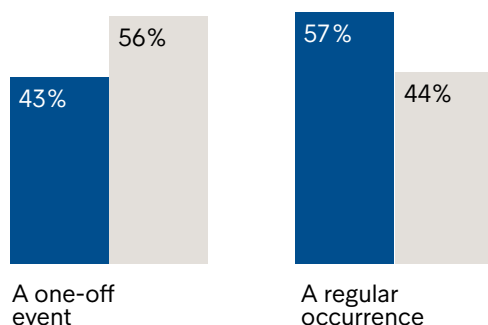
While a missed payment was a one-off event among Estonian and Lithuanian consumers (33% and 30% respectively), in Latvia it was a regular occurrence (57%). The main reason for not paying a bill was lack of money (42%), which has occurred more often than a year before (38% in 2020), as well as forgetfulness (42%), which, on the contrary, has occurred less often than last year (49% in 2020). 14% of consumers say that the payment was overdue because of the lost income due to Covid-19, more often than in Lithuania (11%) or Estonia (8%).

During the last 12 months, have you at one or several times not paid a bill on time? (yes)

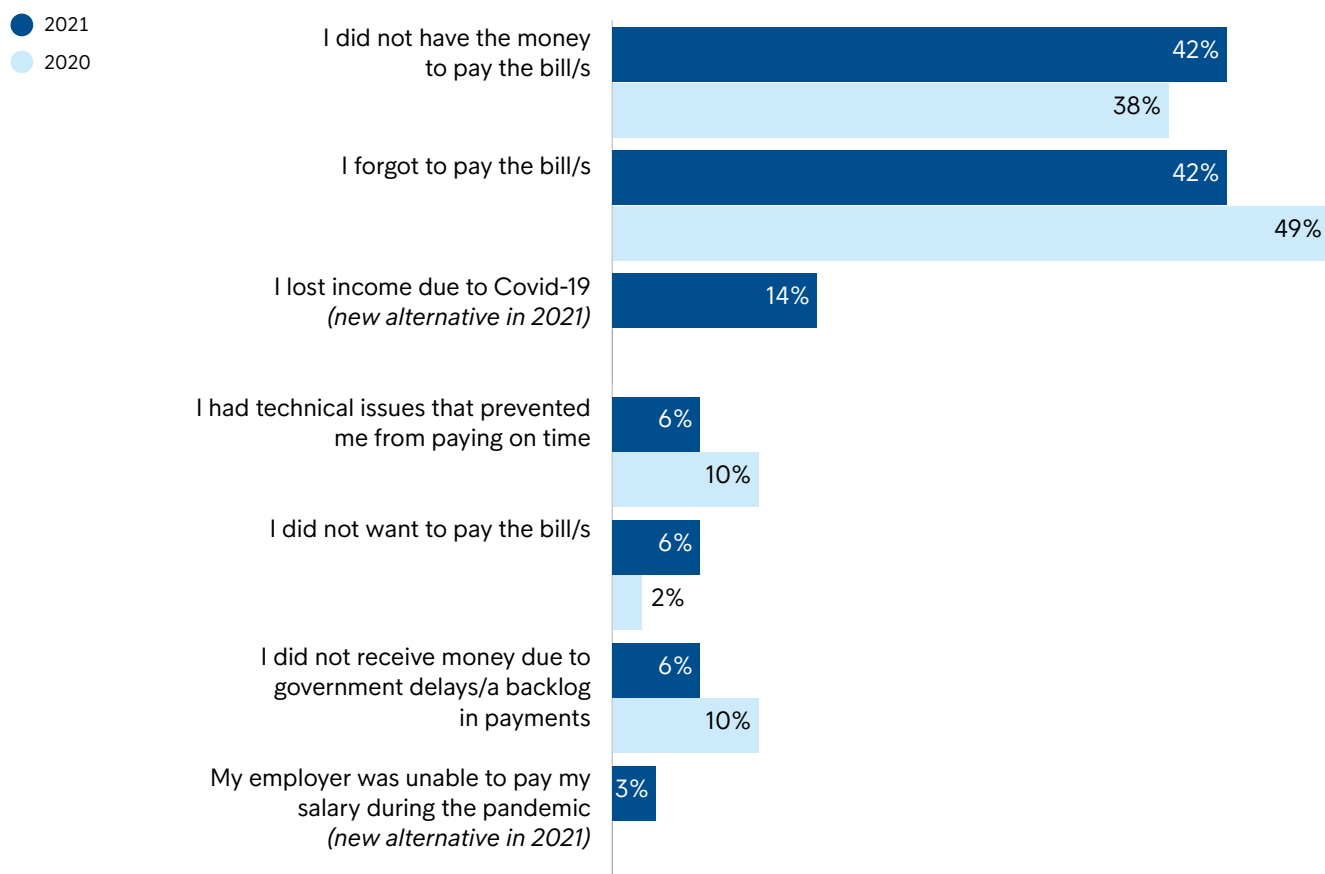


You have said that you haven't paid more than one bill on time over the past twelve months. Would you describe this as:

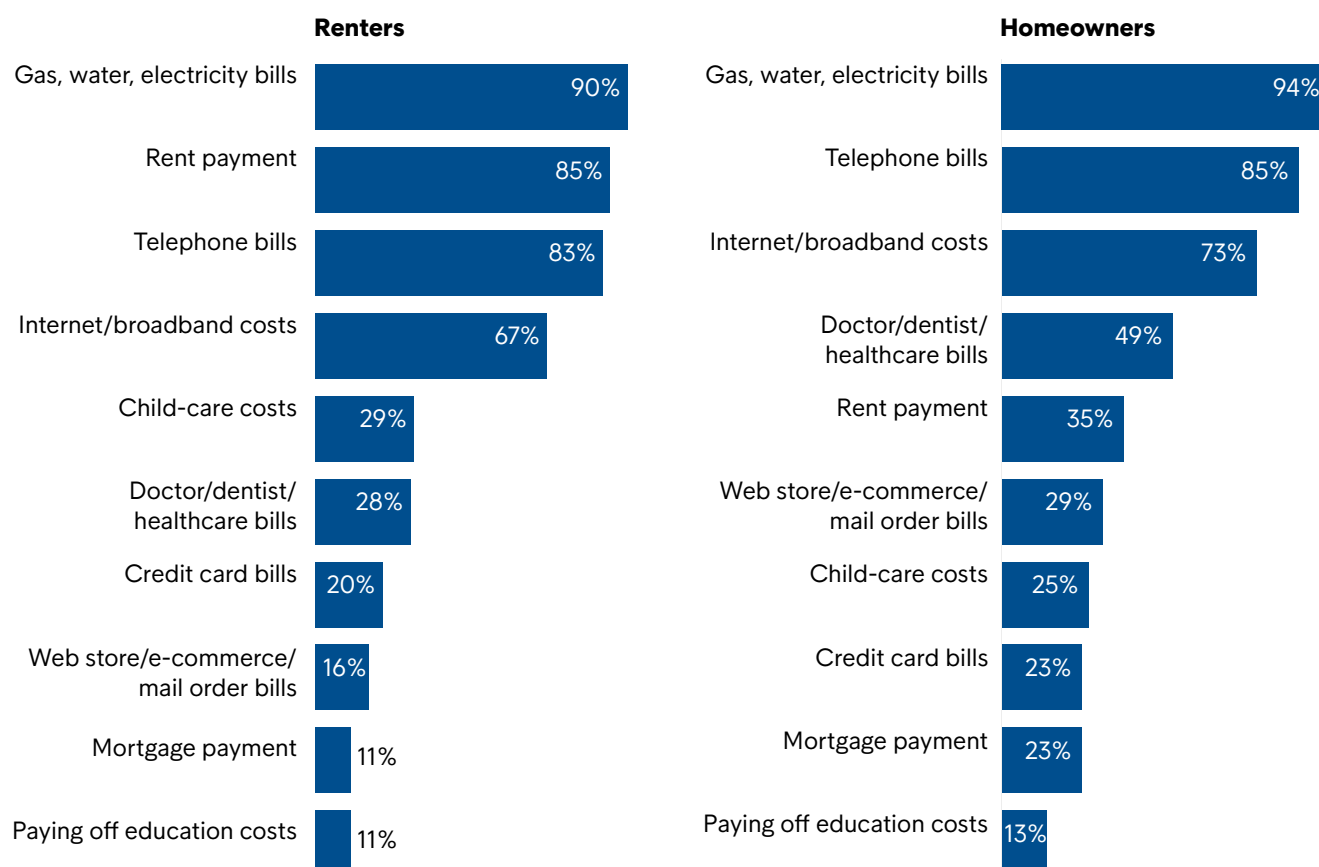
● Latvia
● European average



What were the reasons for not paying your bill(s) on time?



Which of the following types of bill do you prioritise each month?





Pia Bach Jensen
Group Operations Director
Intrum

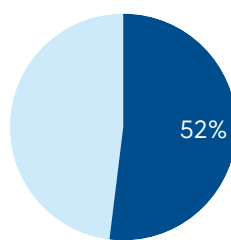
"At Intrum, we talk to more than 250,000 people in debt every day. Our most important task is to find a good and sustainable solution for everyone involved. As we see from this year's survey, some consumers have found themselves in a difficult financial situation over the past year, and have struggled to pay their bills on time. We have seen how the pandemic has deepened existing inequalities, and this also plays out in the survey. Our advice to consumers is to seek help as early as possible to resolve any financial problem."



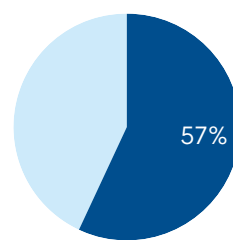
22%

state that they are more likely to request longer payment terms, when paying for items or services, than before the pandemic.

My concerns about rising bills are having a negative effect on my general wellbeing (*agree*)



2020

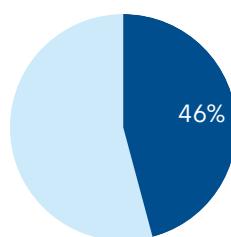


2021

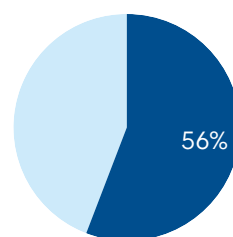
12%

say that over the last year, they have paid small companies or tradespeople later than agreed for goods or services.

My bills are increasing at a higher rate than my income (*agree*)



2020



2021

Managing credit and debt during a pandemic

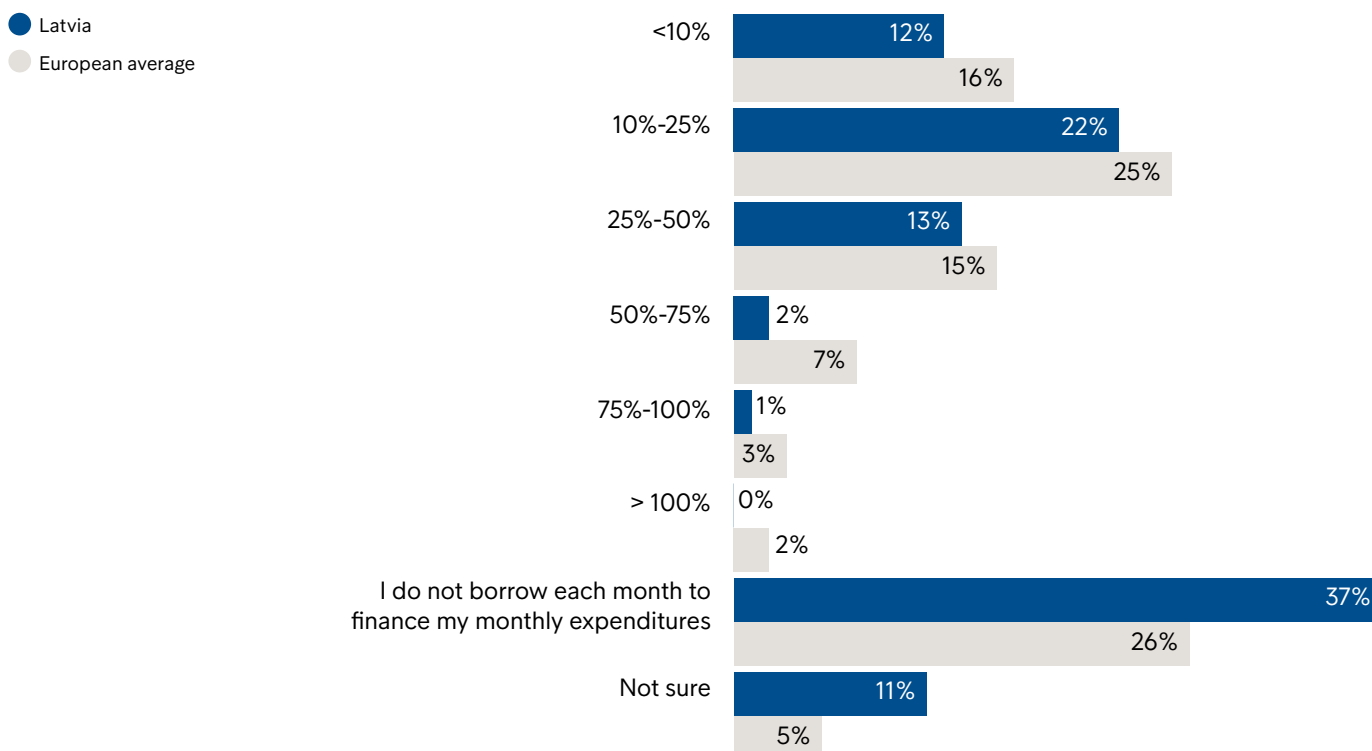
20%

say that they have borrowed money or reached their credit card limit in order to pay bills during the past 6 months. In 2020, 18% stated the same.

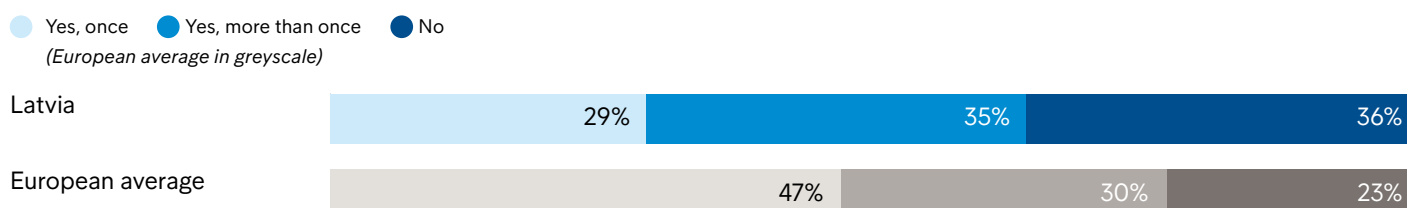
As a result of a decline in disposable income due to the ongoing pandemic, some Europeans are taking on additional debt in 2021. 20% say they have borrowed money or reached their credit card limit to pay the bills during the past 6 months. On the other side, we at Intrum see that the number of new debt collection cases is decreasing, meaning that a majority of consumers who use credit are able to pay this back before the invoice goes to debt collection. Also, Latvians borrow less than the European average. 37% say that next to mortgage and credit cards they do not borrow at all to finance their monthly expenditures.

Higher inflation could help indebted households to reduce the value of their debt if real interest rates decrease. There is, however, uncertainty about what inflation would mean for household finances. 23% admit that they will not try to understand how interest rates will affect their debt obligations.

On average, how much do you borrow each month in relation to your monthly income (not including mortgage and credit card)?



As a result of the Covid-19 crisis, have you borrowed money, apart from a mortgage, or reached your credit card limit in order to buy an item for your child/ children?





18%

say they lack clarity about their short-term borrowing (on credit cards and loans) than before the pandemic. The European average is 18%.

11%

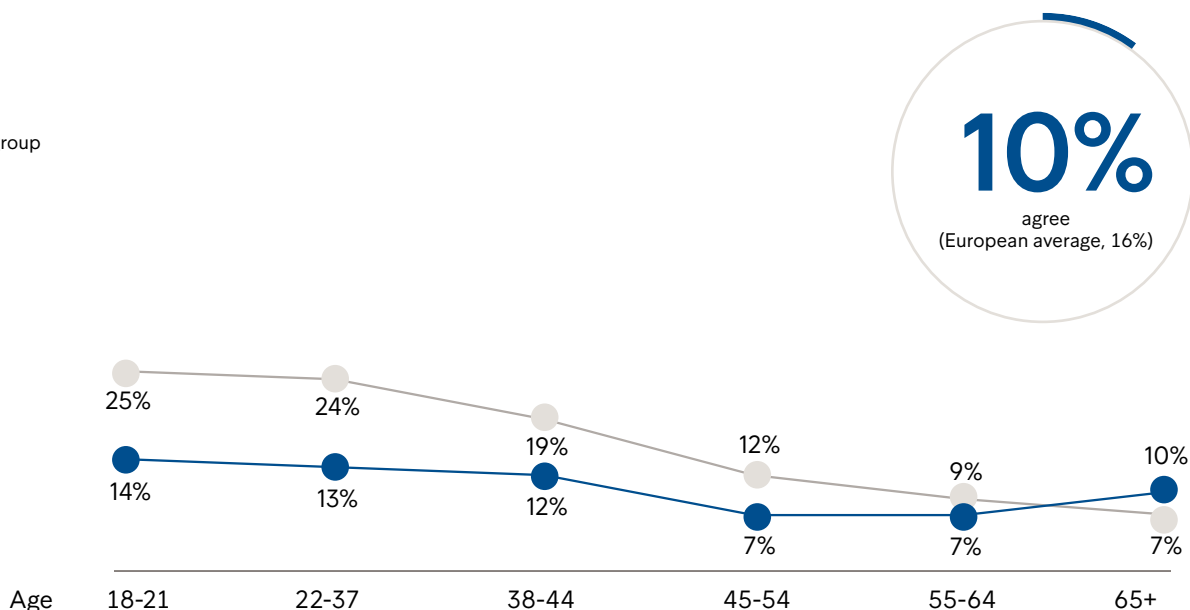
say they have lost track of the amount of money spent each month on digital subscriptions (e.g. streaming platforms and apps). The European average is 15%.

On the European level, 16% say they do not have control of their own debt, and in Latvia, as many as 10% state they don't know how much they owe. Looking at the age group, we find that it is particularly the younger generations who have lost track of the amount of their debt obligations.

It can be concerning that many of the young consumers have little control of their personal finances, especially as they may find themselves in a difficult financial situation at an early stage of life. However, this age group has less disposable income than other age groups, and the credit they are granted is limited to their income level, which in turn puts a roof on the amount of lending. Nevertheless, it is rather concerning that one in five (21%) of young consumers (age 18–21) agree that they lack clarity about their short-term borrowing than before the pandemic. Again, it highlights how the Covid-19 crisis has affected various groups of society.

I don't want to know how much money I owe in total (agree)

- Latvia, split by age group
- European average, split by age group

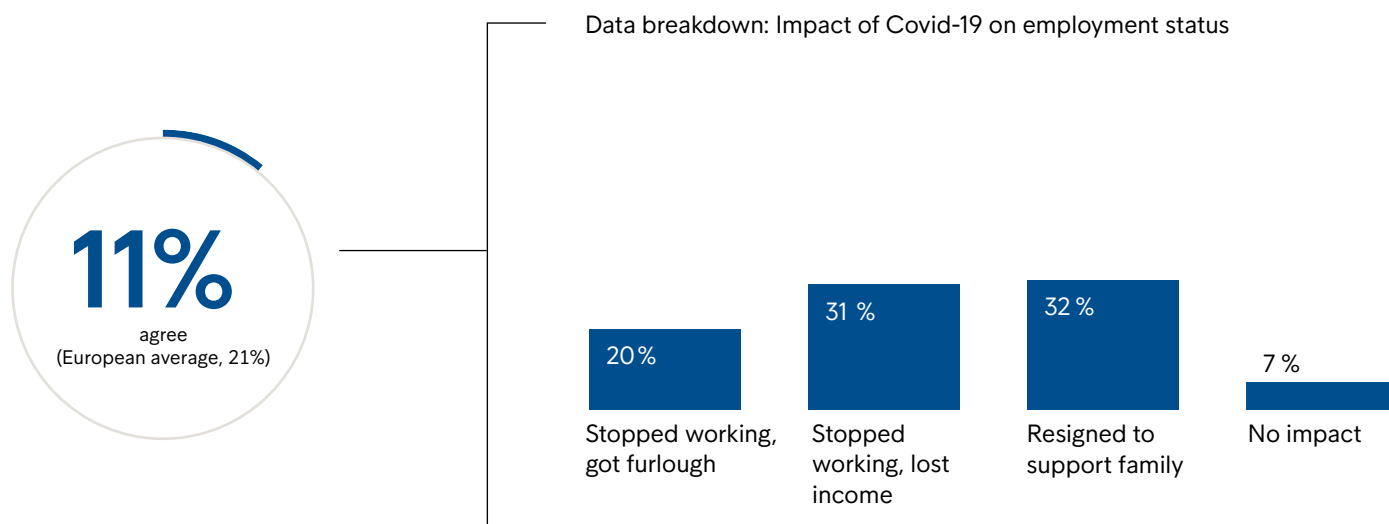




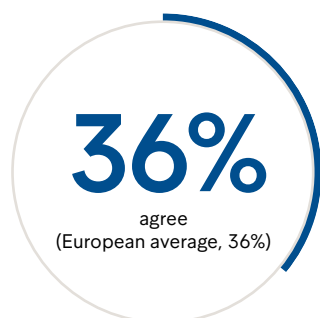
Anna Zabrodzka
Senior Economist
Intrum

"The pandemic has left some groups of consumers worse off and some have taken on additional debt to make ends meet. Our survey finds that many have lost track of how much they owe in total. Given this and increasing inflation, we expect more payment problems in the future. Businesses will need to review their credit management strategies to meet the challenges ahead and reduce credit losses."

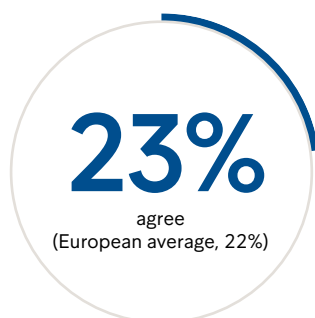
I am more likely to miss a debt payment now than at any other point I can remember (*agree*)



Do you agree with the following statements?



I feel less comfortable about taking on credit now than I did before the pandemic.



When interest rates change, I do not try to understand how it will affect my debt obligations.

Saving for the future

59%

are dissatisfied with the amount they are able to save each month. In 2020, 57% stated the same. The European average for 2021 is 54%.

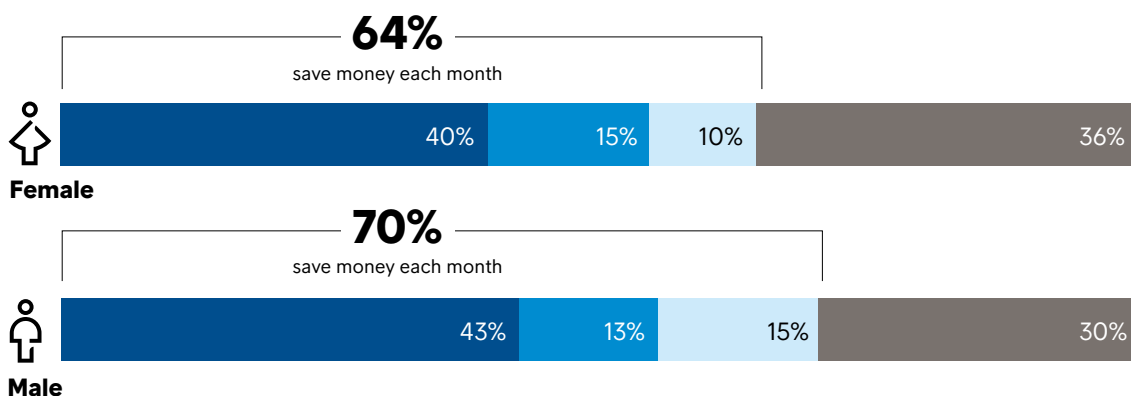
The Covid-19 crisis has not only had an immediate impact on household finances; it also has much longer-term implications for consumers' ability to save for the future. According to Eurostat, the overall savings rates, in general, have increased during 2020/2021. Our survey shows that 67% of Latvians can save each month, approximately the same level as in 2020, but well below Estonians (74%) and Lithuanians (77%). The savings behavior is not related to the income levels only. Rather, consumers who own their house and have no mortgage are more likely to save than those with mortgages or rented apartment. Also, saving some money is much harder among families with children and those living in rural areas. Overall, 59%, more than half of Latvian consumers are dissatisfied with the actual amount of their savings.

The main reason for saving in Latvia is unexpected expenses (80%) and job or other income loss (55%). Both these saving goals are more common this year than a year before when possible unexpected expenses motivated to save 76% and job or other income loss motivated to save 49%. Almost half (45%) save for a short-term goal – travel, while 30% save for retirement.



On average, what percentage of your salary do you save each month?

- <10%
- 10-20%
- >20%
- I do not save money each month

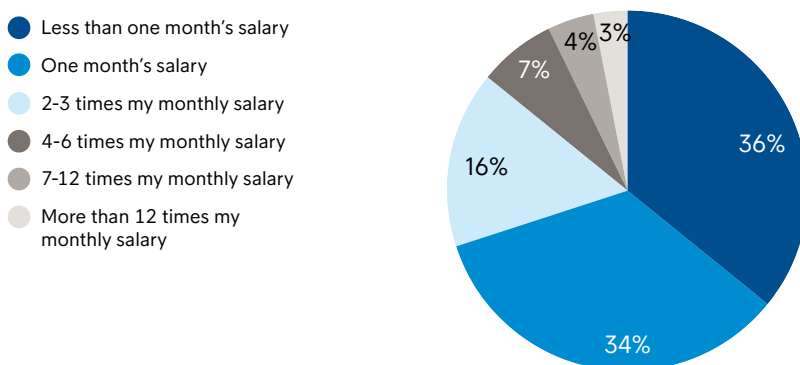




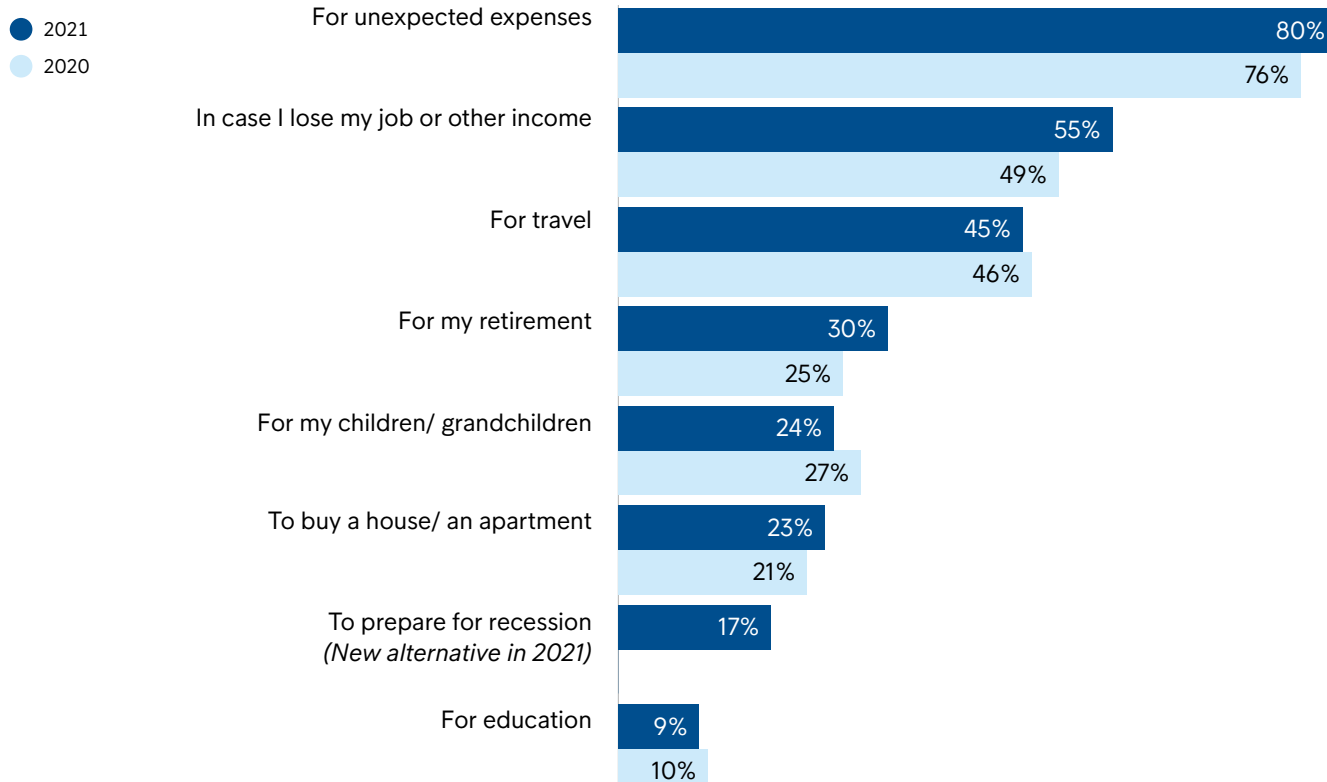
Anna Zabrodzka
Senior Economist
Intrum

"Overall, we see that the saving rate across Europe has increased during the pandemic, mainly driven by high income consumers who have kept their jobs, but have had fewer opportunities to spend money on leisure activities such as dining out and travel. Low income households have been more likely to experience job instability and financial hardship, which is reflected in their savings patterns. The latter group is therefore more affected by the recent jump in inflation. Those who managed to accumulate higher savings during the pandemic, will find it easier to absorb higher costs without facing payment problems."

In the event of an unforeseen event (e.g repairing your car), how much could you afford to pay out of your savings without falling into debt?



What are your main reasons for saving money each month?



Financial literacy

Financial literacy is the ability to understand how money works: the set of skills and knowledge that allow us to make informed and effective financial decisions. Reduced incomes, job uncertainty and the prospect of a global recession mean that now, more than ever, consumers should be equipped with the knowledge they need to manage their finances.

Our survey shows that economic uncertainty is driving new interest in improving financial literacy across Europe. Around 84% of Latvian consumers say they have received a sufficient or excellent level of financial education, close to the European average (82%) and Estonia (83%) and significantly higher than in Lithuania (71%). But when tested, we found that 15% answered incorrectly when calculating interest.

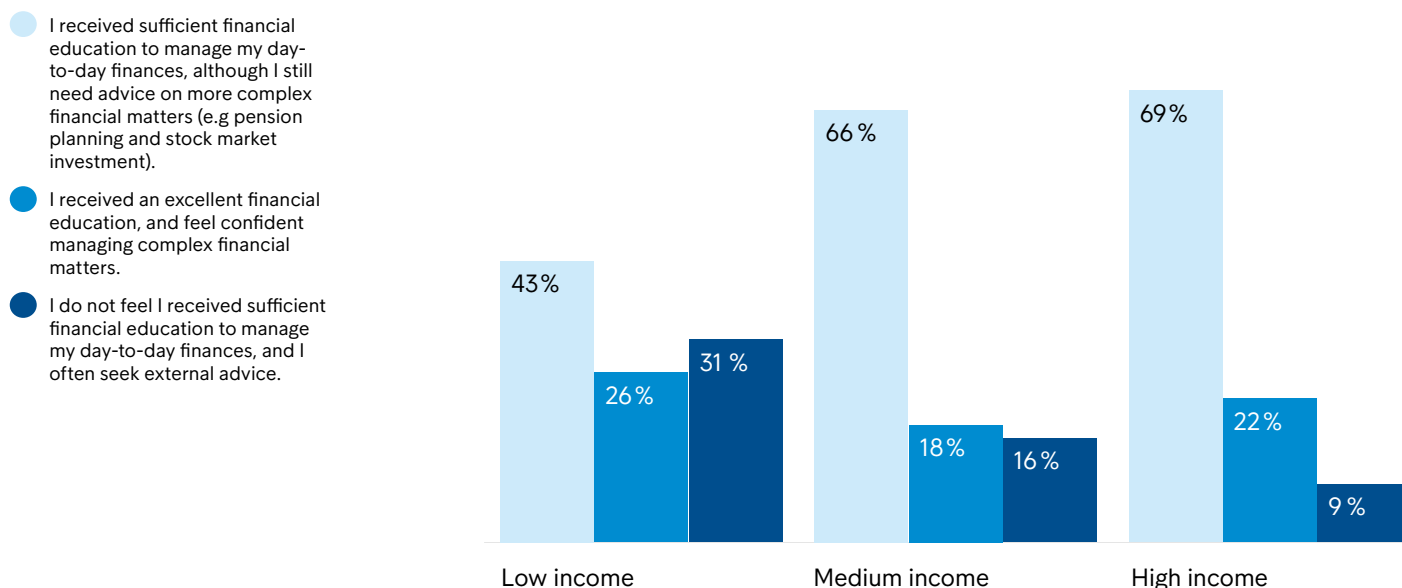
Rising inflation across Europe, caused largely by rising energy prices and disrupted supply chains, is already increasing financial anxiety among consumers. There is, however, uncertainty about what inflation would mean for households. For example – according to our survey, just 70% of Latvians understand how their money would be affected if inflation were higher than the interest rate on their savings. This highlights the need for stronger financial education.

Looking at the source for financial advice, we see some differences between men and women. In Latvia, the main source of information for both men and women are banks (43%) and online sources (around 29%). Less often, Latvian consumers look for a piece of advice by an independent financial advisor: every fourth woman (25%) and every fifth man (20%) have consulted with an independent advisor regarding the financial issues.

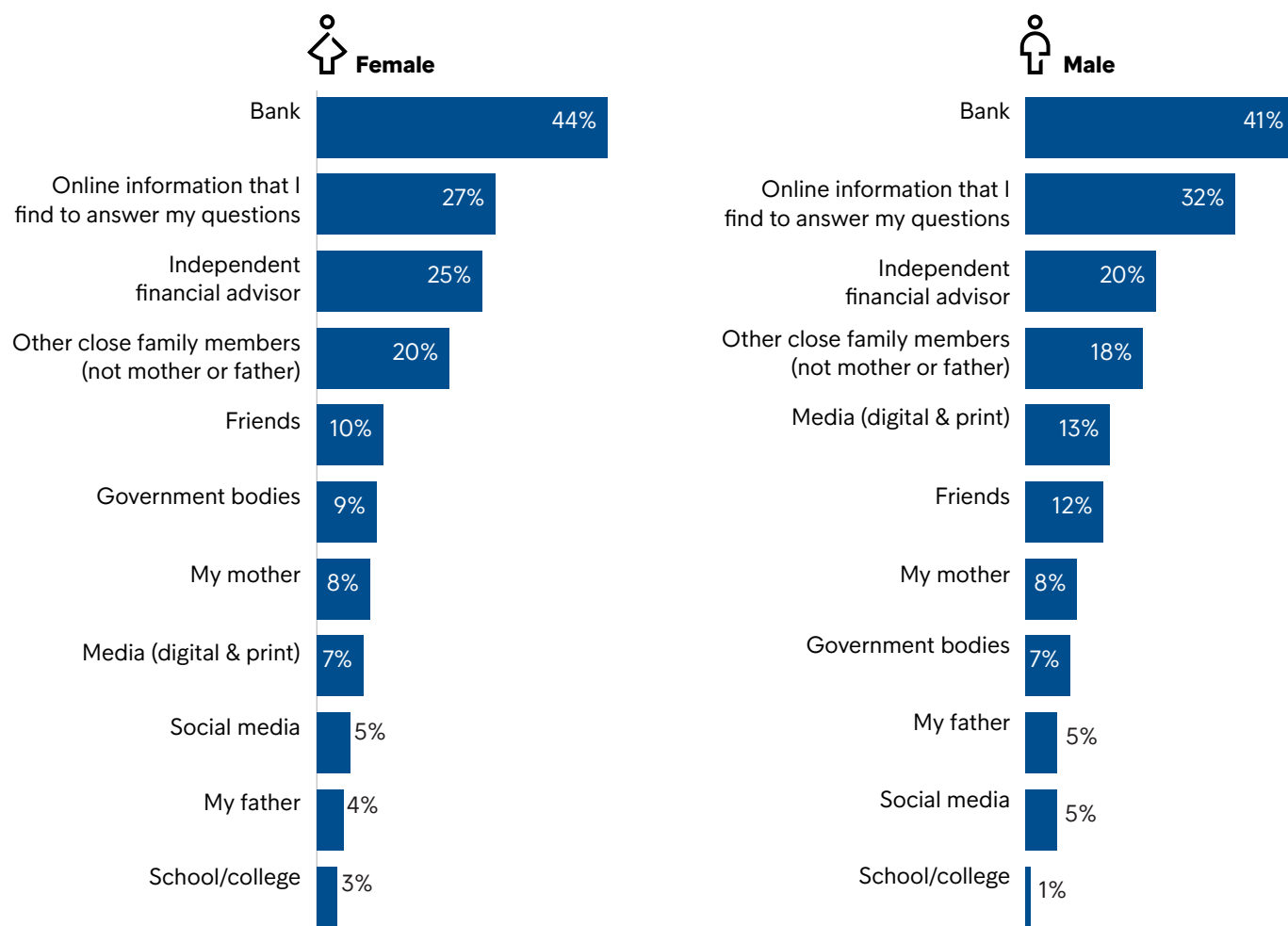
84%

say they received sufficient or excellent financial education. However, 63% of these say they still need advice on complex financial matters.

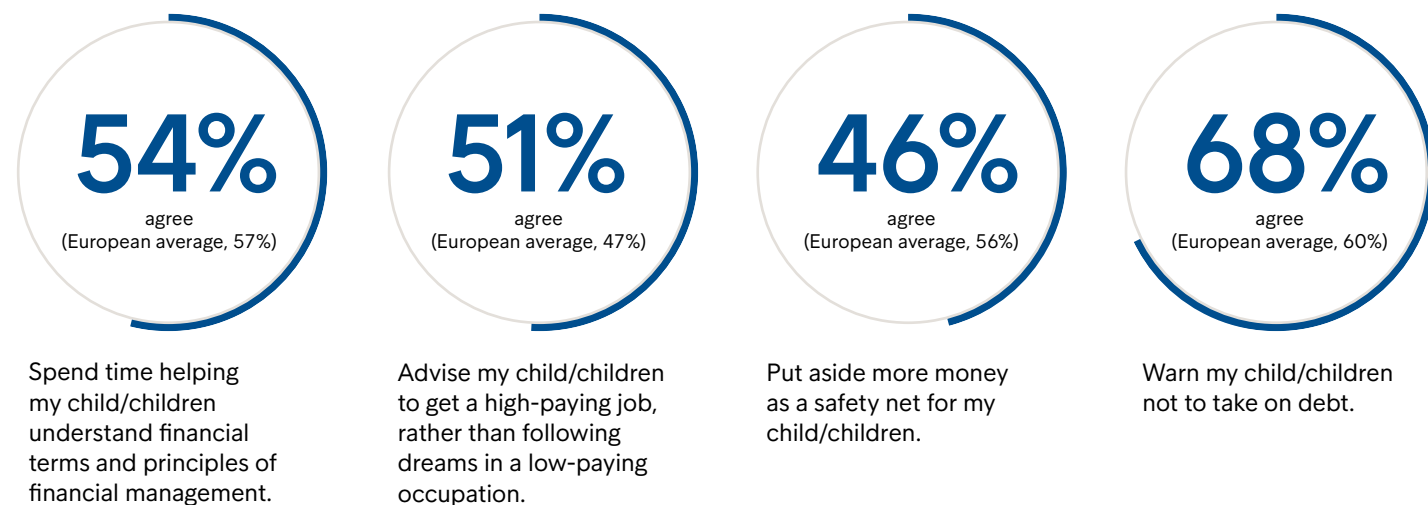
Perceived level of financial education split by income groups



When you look for financial advice, which of the following sources do you trust the most?



As a parent, with a child or children under 18, would you say you are more likely to do the following than prior to Covid-19?





Kristin Andersson
PR, Media and
Public Affairs Director
Intrum

"We see that customers are placing greater emphasis on financial literacy and many say that the pandemic has motivated them. After years of extremely low borrowing costs, the recent acceleration in inflation and the pressure it has on interest rates means this focus is a positive sign. Understanding economic risks and how to manage your money is the foundation of financial wellbeing and a stable future. At Intrum, we take an active part in discussions at EU level on the need for financial education."

28%

say they do not understand how negative interest rates might affect their financial wellbeing (i.e. ability to pay bills or put money into savings). The European average is 27%.



Sustainable consumption

Consumer behaviour has shifted, highlighting new challenges for businesses. During a year of extreme weather events, including devastating floods in Germany and wildfires in Greece, our study finds that consumers penalise unethical firms.

A further sign that consumers will increasingly hold firms accountable for their sustainability commitments is that more than half of European consumers (52%) wouldn't buy from a company they knew to be responsible for harming the environment. In Latvia, only 34% state the same. Probably, the reason for only one in three to agree to this statement could be that the majority (57%) of consumers cannot afford to live as sustainably as they would like due to rising costs of environmentally friendly products. Additionally, only 42% state that the interest in sustainability has motivated them to limit their spending.

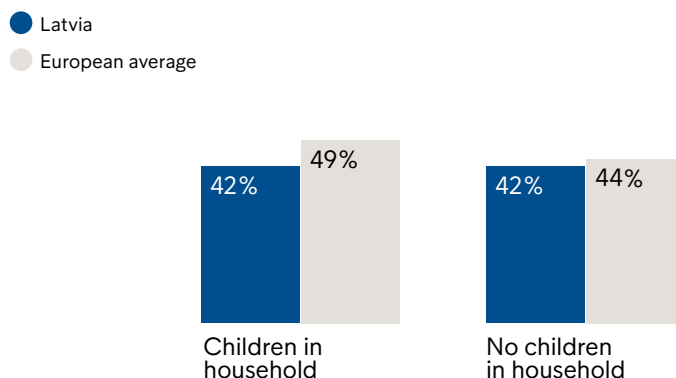
Social media continues to play an important part in putting sustainable consumption on top of the agenda. Though 46% say that social media creates pressure to consume more (well above the European average of 38%), 27% say that the channel has also increased their awareness for buying sustainable products.

Our study also finds that consumers continue to turn against waste and 48% say that they are actively buying less to reduce clutter.

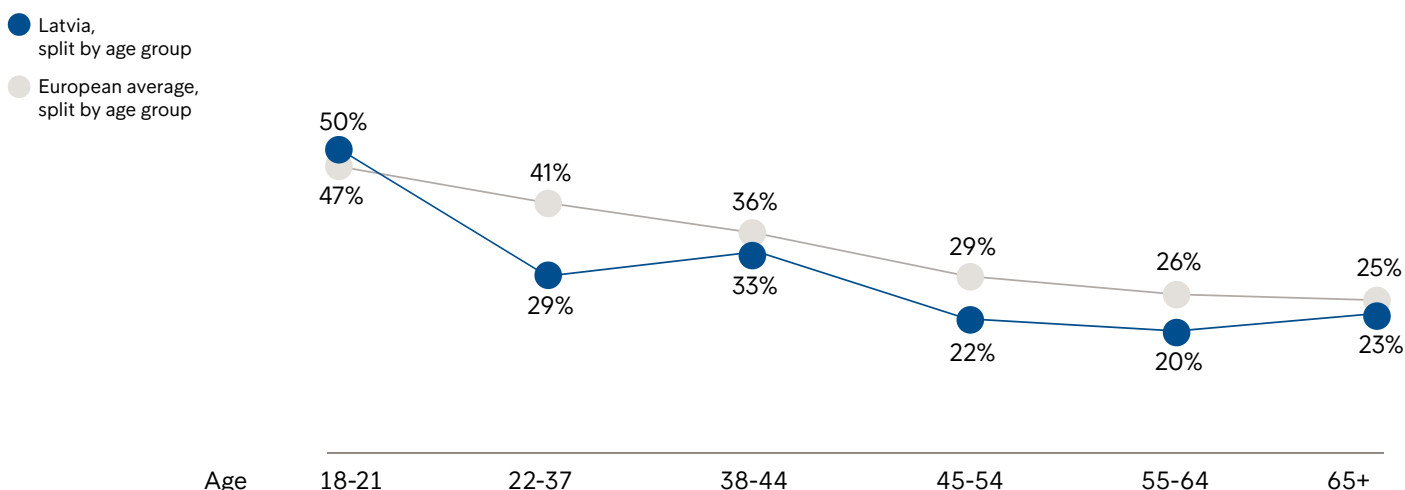
46%

state that social media creates a pressure to consume more than they should. This is a decrease from 47% in 2020. The European average in 2021 is 38%.

My interest in sustainability has motivated me to limit my spending (agree)



Social media has increased my awareness of buying goods that are ethical/sustainable (agree)

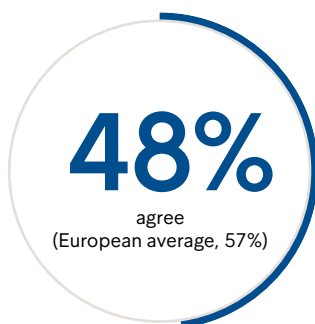




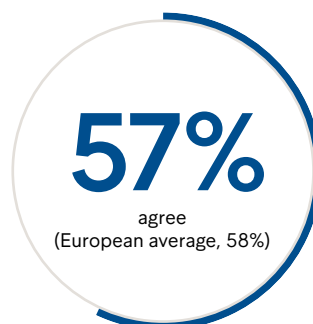
Vanessa Söderberg
Sustainability Director
Intrum

"As climate change rises up the consumer and corporate agenda, our findings highlight the need for companies to better understand how their brand's impact on the environment is perceived by consumers. Our survey finds that consumers, especially the younger generation, which is only just starting to exert its consumer power, are using their consumption to exert pressure around climate issues. By focusing on sustainability, businesses of all sizes can balance their risks, maintain a healthy cashflow, and be better equipped to prosper and grow."

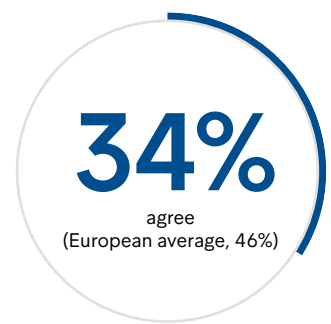
Do you agree with the following statements?



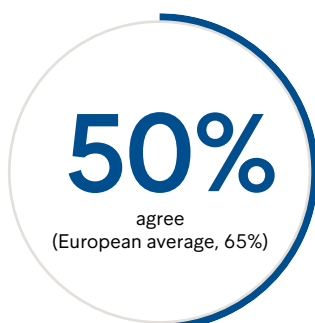
I am buying less than I used to before the pandemic, to reduce clutter and live more simply.



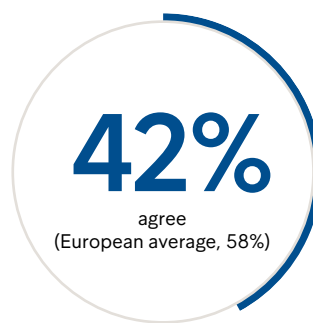
As environmentally friendly products are expensive, I cannot afford to live as sustainably as I would like.



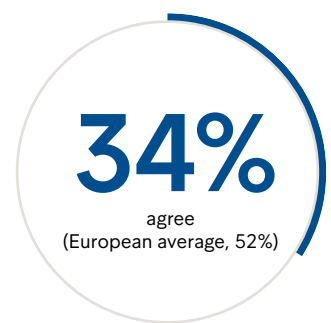
I am using my influence, as a consumer, to drive positive social change.



I am increasingly fixing and recycling old items rather than buying new things.



I eat more leftovers than I used to, instead of buying new food, to reduce my impact on the environment.



I won't buy from a company that I know is responsible for harming the environment.

21%

state that if they thought a business was unethical, they would feel no guilt about paying them later than agreed. European average is 29%.

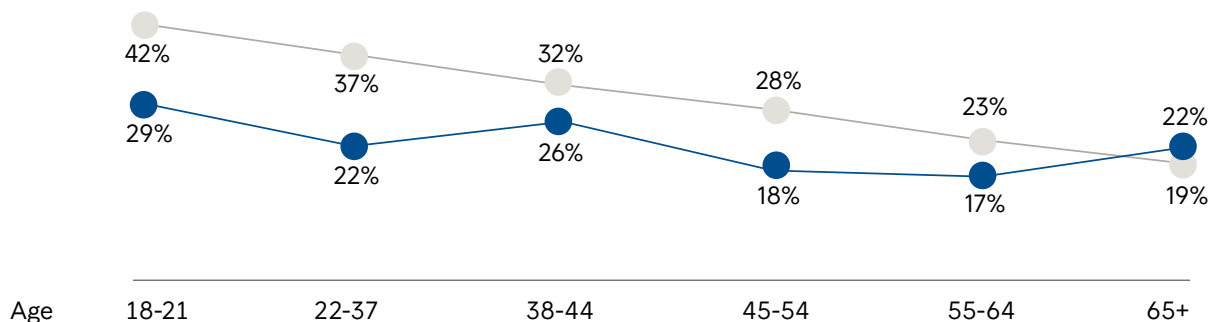
In this year's ECPR, every fifth respondent 21% says they would feel no guilt about paying a company later than agreed if they thought the company was unethical. It is significantly lower than the European average of 29%. However, the figure rises to the European average among the Gen Z consumers group (who are only just starting to exert its consumer power), reflecting the trend and the extent to which they are willing to take action around climate issues.

While it's true that consumer intentions don't always translate into action, businesses would be wise to pay attention to this growing trend to retain the loyalty of these customers and protect their cash flow. Parents in Europe are more likely to say that their interest in sustainability had motivated them to limit their spending overall. However, that trend is not evident in Latvia nor the Baltics.



If I thought a business was unethical, I would feel no guilt about paying them later than agreed (*agree*)

- Latvia, split by age group
- European average, split by age group



About the report

Intrum has published the European Consumer Payment Report on an annual basis since 2013. This is the 9th edition of the European Payment Consumer Report for Latvia.

The European Consumer Payment Report provides insights into European consumers' everyday life; their spending habits and ability to manage their household finances on a monthly basis.

The annual report is based on an external survey that is conducted simultaneously in 24 countries in Europe. A total of 24,012 consumers participated in the 2021 edition of the survey.

The research and content of the report is developed by Intrum in cooperation with Longitude, a specialist provider of thought leadership and research services to a multinational corporate and institutional client base, headquartered in London, England. Dynata has supported field work in all 24 markets. Design by Passion/Jeanette Friman.

The report is published in November 2021. You can find more insights about trends and development of late payments on intrum.lv/ecpr2021

Contact

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Details of survey and sample for Latvia

Methodology:

Respondents completed the questionnaire on their computer, laptop, tablet or smartphone.

Per country at least n=1,000 respondents have participated, resulting in n=24,012 in total for all 24 countries.

The target group of this research was defined as persons (both male and female) of 18 years and over who were mainly or partly responsible for their personal or household financial administration.

The fieldwork for the study was conducted between the 21st of July and 26th of August 2021.

Age:

18-21	4%
22-37	30%
38-44	14%
45-54	18%
55-64	15%
65 or older	19%

Household situation:

Single household	17%
Single with children	4%
Living with partner	36%
Living with partner and children	29%
Living with friend(s) (e.g shared apartment)	0%
Living with parents or other relatives	7%
Other (please specify)	3%
I would prefer not to say	5%

Employment status:

Employed full-time	58%
Employed part-time	5%
Self-employed	7%
Unemployed	4%
Retired	18%
Student	3%
Homemaker	4%
Other	2%
Working short-term or casual contracts on demand (e.g., delivering for online platforms in the "gig economy")	1%

Residential area:

City/ Urban centre	60%
Suburb	19%
Rural	18%
Other	3%

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