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ALLIANZ RESEARCH

ALLIANZ PULSE 2021: OLD BELIEFS DIE HARD

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EXECUTIVE SUMMARY



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After more than a year in the firm grip of Covid-19, the global economy is finally seeing the light at the end of the tunnel, making it the right moment to check the pulse in Germany, France and Italy. In May, we at Allianz decided to interview 1,000 people in each country about their views on political and economic issues, as well as their expectations for the future. Are respondents embracing the promised path towards a more sustainable, more equitable world or does skepticism prevail?

Building back stronger? Our participants don't see programs such as Next Generation EU as a game-changer. As before, the vast majority – 45% of all respondents – believe that the Covid-19 crisis will weaken solidarity in the EU; only 27% think the opposite. German respondents (53%) are the most skeptical in this regard (France: 37%, Italy 44%). Part of the explanation could be ignorance; As many as 30% of German and 33% of French respondents stated that they had not yet heard of the programs. In Italy, on the other hand, the biggest beneficiary of EU funds, this proportion was only 15%. Against this backdrop, the overall approval rate of only 30% for the EU measures combating Covid-19 comes as no surprise.

As a result, EU skepticism hasn't crumbled yet. As before, there are more respondents that see more disadvantages than advantages in the EU membership in France and Italy, namely 29% vs 18% and 32% vs 28%, respectively. In Germany, the number of EU supporters (32%) only slightly outweighs the number of EU opponents (26%). There is a noticeable gender gap in the perception of the EU: In all three countries, significantly more male respondents see the EU in a positive light compared to female respondents. In Germany, this gender gap amounts to 13pp, in Italy 11pp and in France 8pp.

The dissatisfaction with the EU might to a certain extent be explained by the perceived gaps in national economic performance. While 72% of French and 75% of Italian respondents rate the current situation as bad, only 48% of German respondents do so. The discrepancy is even more pronounced when it comes to future prospects: 64% of respondents in France and 61% in Italy view the future with great concern – but only 38% of German respondents feel the same. This lack of economic convergence could be one of the reasons why many respondents in France and Italy still doubt the benefits of EU membership. Old beliefs die hard.

There is also some assimilation, but of the wrong sort: The differences between the three countries in the assessment of their governments' crisis management have leveled off as dissatisfaction has grown in Italy and especially so in Germany. Critics of the crisis management outnumber supporters among respondents in France (54% vs 41%) and now even in Germany (52% vs 45%); just a year ago, the percentage of critics was only 26% in Germany. In Italy, on the other hand, critics are on par with supporters – 48% vs 48% – but this, too, translates into a rise of dissatisfied people, albeit by only 6pp. In France, however, there has been virtually no change in the (negative) assessment.

Building back greener? There is little agreement on the course of decarbonizing the economy i.e. in terms of pace and instruments. Only 28% of all respondents agree with the goal of reducing emissions by 55% by 2030. The highest approval ratings are in Italy (35%), while respondents in France (23%) and Germany (26%) are much more skeptical. However, the reasons for rejection

vary widely: 27% of all respondents think the target is not ambitious enough. On the other hand, 31% of all respondents think it goes too far. The least preferred instrument is CO2 prices, which are generally considered the most effective means of combating global warming. Only 9% of all respondents agree with this.

The widespread rejection of CO2 prices as steering instruments also becomes clear when asked directly about a CO2 tax. Only 22% each of the Italian and German respondents would be prepared to accept price increases of 10% and more. In France, this percentage is as low as 14%. While there is correlation between support for a CO2 tax and age, the income level does not seem to play a role in the assessment of the tax. It seems that the pros or cons of a CO2 tax are less a question of money than of attitude. Responsibility for the climate ends at one's own wallet – regardless of how big it is. Again, old habits die hard.

The unforgotten crisis: 50% of all respondents hold the view that their society is still suffering from the aftermath of the refugee crisis. At 53%, this proportion is the highest in France (Italy: 51% and Germany: 45%). In contrast, only 12% believe the refugee crisis is under control. These results have consequences for the options available to policymakers today. Despite Europe facing a sharp decline in its working population, only 13% of all respondents support an active immigration policy (France: 9%, Italy: 11% and Germany: 18%).

Building back more digital? The lockdowns were a showcase for the blessings of digitalization. Nonetheless, attitudes have hardly changed, especially in France. As before, slightly more French respondents see more risks than opportunities in digitalization. In Italy and Germany, on the other hand, proponents of digitalization are clearly in the majority (44% each against only 18% in France). But even this figure remains well below the 50% mark: the majority remains skeptical or undecided about digitalization. Old fears die hard.

The looming crisis: Rising debt levels are a big concern for the participants in all three countries. Only a small minority of a total of 13% of respondents share the view that debt is not a problem at present, thanks to low interest rates. The vast majority advocate a policy of debt reduction, with spending cuts (28%) and growing out of debt (41%) being the favored instruments. Higher taxes enjoy by far the lowest popularity: only 8% of all respondents would consider them. However, directly asking about the need for higher taxes in the wake of the Covid-19 pandemic leads to higher acceptance: 22% of all respondents consider them inevitable but still 67% outrightly reject them. Many respondents hope that economic growth will fix the debt problem – a clear mandate for fundamental reforms. The worry is that policymakers might opt for the easy way out – increasing taxes – an option that is abhorred by the vast majority of respondents.

Young hope: Most respondents – especially in France and Italy – paint a relatively gloomy picture of the future – but not when asked about their personal prospects. Of German respondents, 56% are positive, alongside 46% of French and 49% of Italian respondents. What's more, there are hardly any differences among younger respondents: 70% of German, 69% of French and 65% of Italian respondents between the ages of 18 and 24 rate their personal future as good. The majority of those surveyed – but especially the younger ones – firmly believe in their own future, in change for the better. It is up to decision-makers in politics and business not to let them down. Young hopes should never die.

INTRODUCTION: THE SURVEY

After more than a year in the firm grip of Covid-19, the global economy can finally see the light at the end of the tunnel, making it the right moment to check the pulse in Germany, France and Italy. For the third year in a row,¹ we commissioned Qualtrics, an experience management company, to survey a representative sample of

1,000 people in each of the three countries about their views on political and economic issues, as well as their expectations. All in all, we asked more than 40 questions, ranging from those on the current economic and political situation at the national and EU levels to climate policy, digitalization and globalization. The survey was conduc-

ted in the fourth week of May 2021 via an online questionnaire. Please refer to the appendix (p. 26/27) for more information on the survey data and the statistics.



¹ To read previous editions of the Allianz Pulse, please visit [Publications \(allianz.com\)](https://www.allianz.com/publications)

BUILDING BACK STRONGER?

Crises are the hour of the executive. Decision-making power and quick action are in demand. Covid-19 is no exception. Can the EU, a hybrid entity that has unrestricted decision-making authority in only a few areas, shine at this moment?

After initial difficulties, the EU did quite an impressive job. With SURE (Support to Mitigate Unemployment Risks in an Emergency), the EUR100bn program to support member states in job-saving measures, and *Next Generation EU*, the EUR750bn post-Covid-19 recovery fund, the EU has demonstrated its ability to act in solidarity in a relatively

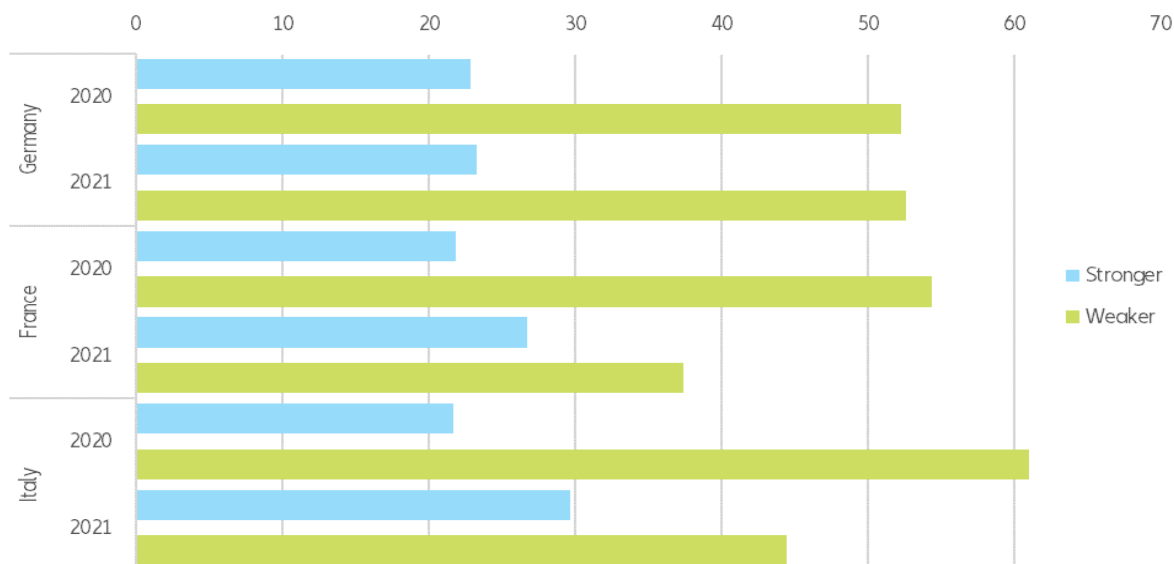
short time. *Next Generation EU* in particular deserves a mention here as almost half of the funds are non-repayable grants. Quite a few observers see this as a genuine paradigm shift – the entry into the mutualization of debt – which still seemed unthinkable during the financial and euro crises.

The participants in our survey, however, are less impressed. As before, the vast majority – 45% of all respondents – believe that the Covid-19 crisis will weaken solidarity in the EU; only 27% think the opposite. Among German respondents, this assessment has not changed at all compared with the

previous year (53% of respondents say the EU will emerge weaker), while French and Italian respondents have become somewhat less skeptical (37% of French and 44% of Italian respondents think so). But even in these two countries, skeptics are clearly in the majority, with the difference amounting to 11pp (France) and 15pp (Italy). However, a large proportion of respondents (just under a third) are unsure about the impact of the crisis on cohesion in Europe. So there is still a chance that perceptions of EU action during the crisis will take on a more positive hue over time (see Figure 1).

Figure 1: Consequences of the Covid-19 crisis for the EU

What will be the consequences of the Covid-19 crisis for the EU? Solidarity between members will become... Answers in %.



Sources: Allianz Pulse 2021, Allianz Pulse 2020.

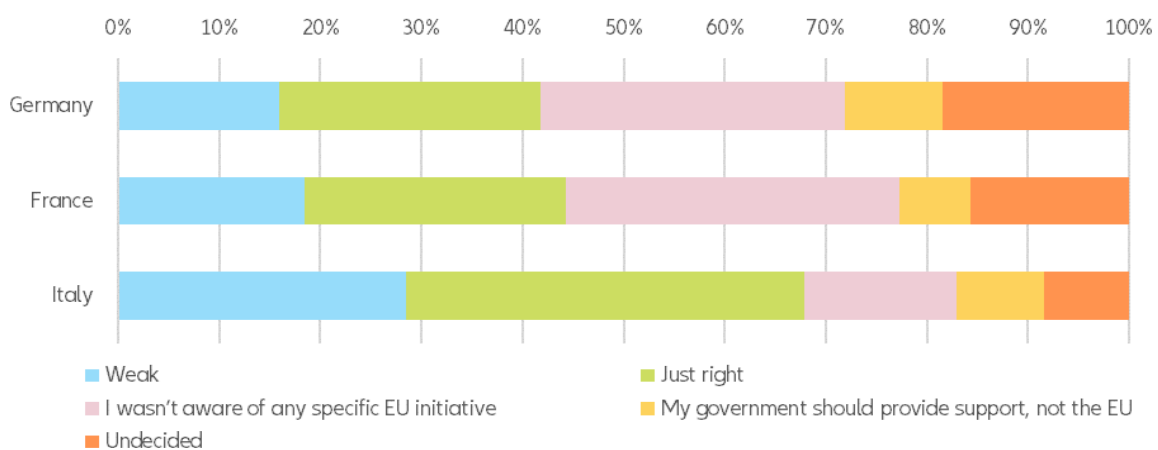
This is all the more true as the uncertainty in judging is probably partly due to ignorance. As many as 30% of the German respondents and 33% of the French respondents stated that they had not yet heard of programs such as SURE or *Next Generation EU*. On the other hand, in Italy, the biggest beneficiary of EU funds, this proportion was only 15%. This better knowledge is also accompanied by a more pronounced opinion: both the proportions of those who think the programs are inadequate and those who think they are adequate are significantly higher in Italy than in Germany or France: 28% and 39%, respectively, versus 16% and 26% (Germany) and 18% and 26% (France). Overall, however, the approval rate across all three countries is a rather meager 30% – rather disappointing for an unprecedented effort of this magnitude. Especially since the competence of the EU is only questioned by a small minority in all three countries (less than 10% of respondents) (see Figure 2).

In view of these results, it is hardly surprising that the old (pre)judgments towards the EU are crumbling only very hesitantly. As before, only a few respondents in France and Italy see more advantages than disadvantages in EU membership, namely 18% and 28%, respectively. This contrasts with 29% and 32% of respondents in these two countries who see more disadvantages. The remainder are agnostic, i.e. see advantages and disadvantages in balance or do not make a judgment. In Germany, too, the number of EU supporters (32%) only slightly outweighs the number of EU opponents (26%). Nevertheless, the mood towards the EU has brightened somewhat in all three countries compared with the previous year, and the number of EU supporters has risen relative to the number of opponents. In Germany, however, the assessment is still more critical than before the crisis² (see Figure 3a, opposite).

In addition to this slight improvement in image, something else is particularly noticeable in the question about the EU: a pronounced gender gap. In all three countries, significantly more male respondents see the EU in a positive light than female respondents. In Germany, this gender gap amounts to 13pp, in Italy 11pp and in France 8pp. In Italy, this even means that among male respondents, EU supporters slightly outnumber EU opponents (34% vs. 32%). We can only speculate about the cause of these different assessments. Yet, one reason may certainly be that more female respondents are agnostic on this issue, i.e. more cautious in their judgments. As a result, in France and Germany, there are not only more male EU supporters, but also more male EU opponents among respondents, even if the gap is significantly smaller (3pp and 7pp, respectively); in Italy, men and women are roughly on a par here (see Figure 3b, opposite).

Figure 2: Economic relief measures

During the Covid-19 pandemic, the EU provided European citizens with economic relief measures. How do you judge the EU's response? Answers in %.

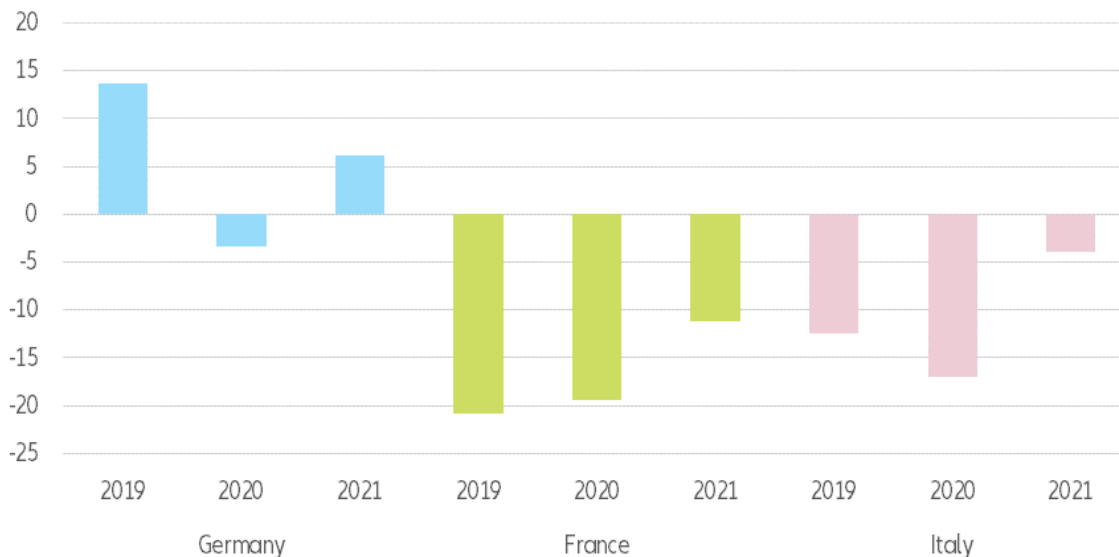


Source: Allianz Pulse 2021.

² The bumpy start to the vaccination campaign in Europe was certainly not positive for the EU's image-building. Yet by the time of the survey at the end of May, when all three countries were catching up with vaccinations by leaps and bounds, this may no longer have played a major role. This is why we refrained from asking explicitly about the vaccination campaigns.

Figure 3a: Membership in the European Union

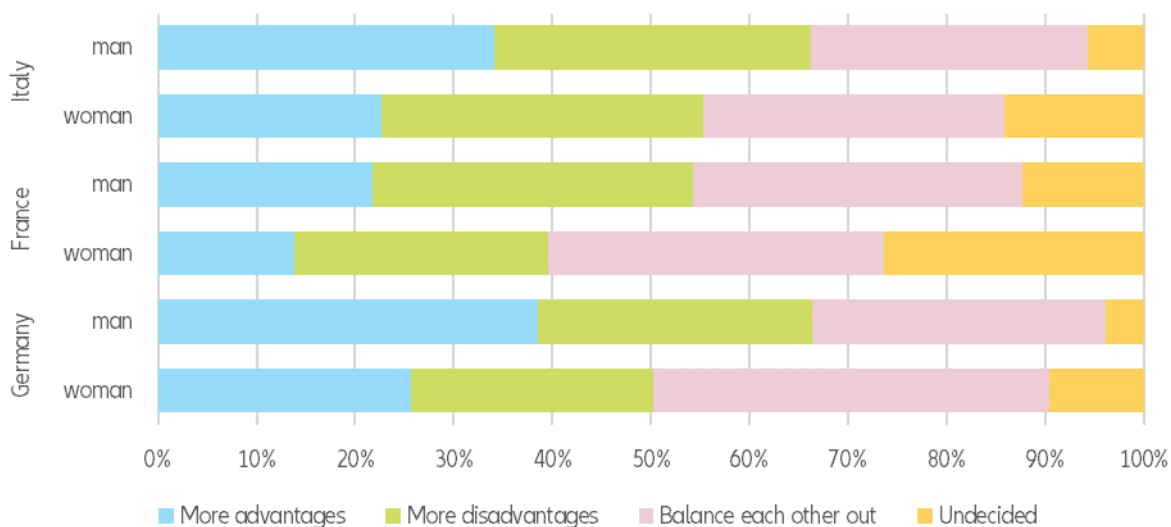
Does your country actually derive more advantages or more disadvantages from its membership in the EU?
 Net percentage (percentage of answers saying more advantages minus those saying more disadvantages).



Sources: Allianz Pulse 2021, Allianz Pulse 2020, Allianz Pulse 2019.

Figure 3b: Membership in the European Union

Does your country actually derive more advantages or more disadvantages from its membership in the EU?
 Answers in % by gender



Source: Allianz Pulse 2021.

All in all, it can be said that the perception of the EU has improved only slightly despite billions of euros in cash gifts. What are the reasons for this widespread skepticism toward the EU? The answer touches on the dialectic of the European project: Europe's success is based not least on its diversity. The promise of the EU, however, is to limit this diversity, first and foremost in economic terms: The unspoken promise of EU membership is convergence of prosperity. So far, the EU has hardly fulfilled it. This is also true of the three "rich" countries Germany, France and Italy, at least in the self-perception of those concerned. There are still considerable gaps here. This becomes clear in the responses to questions

about assessments of the economic situation and future prospects. While 72% of French respondents and 75% of Italian respondents rate the current situation as (fairly) bad, only 48% of German respondents do so. The discrepancy is even more pronounced when it comes to future prospects: 64% of respondents in France and 61% in Italy view the future with great concern – this is around twice as many as are optimistic. In Germany, conversely, 57% of respondents look to the future with confidence, while only 38% are skeptical. Even though in all three countries these values are better than they were a year ago, the striking differences remain. There is hardly any evidence of a catching-up process or even conver-

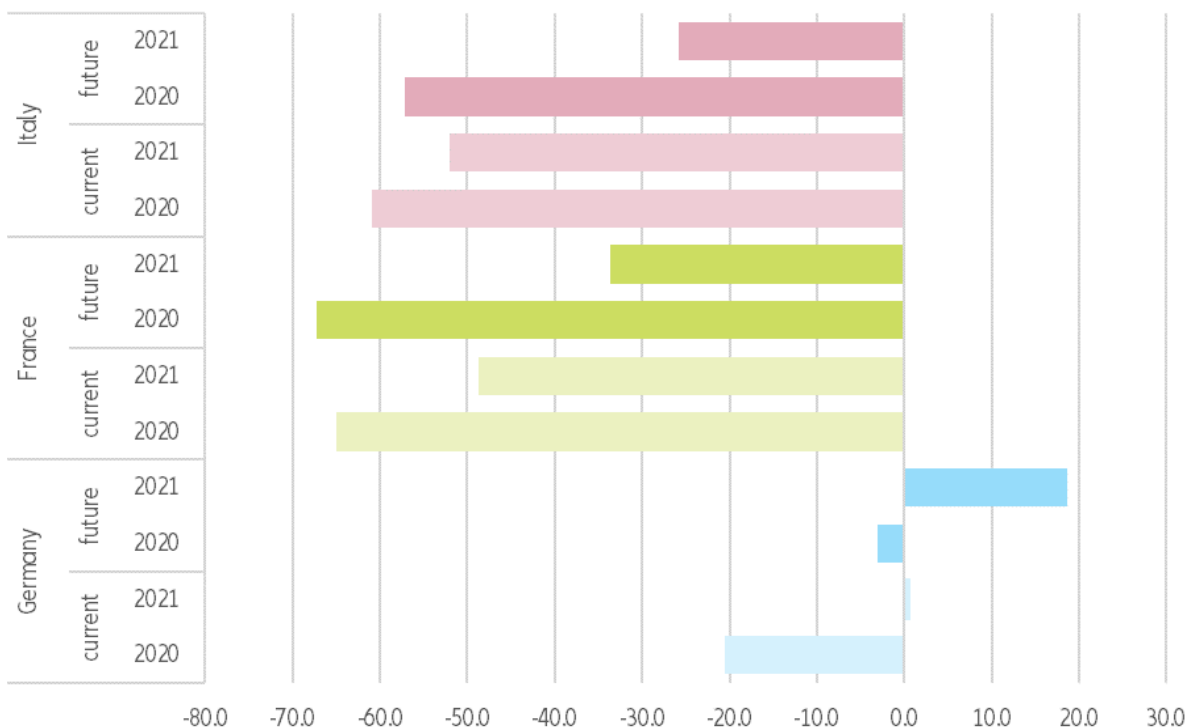
gence. This lack of economic convergence could be one of the reasons why relatively more respondents in France and Italy still doubt the benefits of EU membership (see Figure 4).

The bottom line: Whether the hope of a stronger EU emerging from the crisis will be realized is by no means certain. Although our survey results point to a more positive assessment of the EU overall, progress has been slow and skepticism and even rejection continue to predominate, especially in France and Italy. Without measurable successes of new programs, this is unlikely to change in the foreseeable future. Old beliefs die hard.

Figure 4: Economic situation

How would you assess the economic situation in your country?

Net percentage (percentage of answers saying (fairly) good minus those saying (fairly) bad).



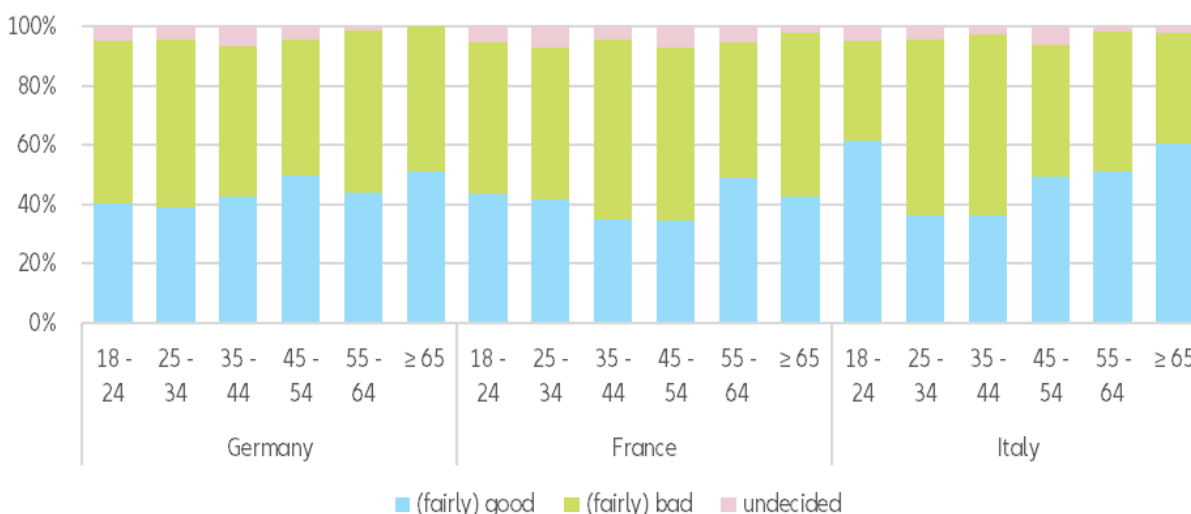
Source: Allianz Pulse 2021.

Box: The current crisis: Equal (mis)management of the pandemic

As different as their assessments of the EU are, respondents' assessments of their own government's actions during the Covid-19 crisis are quite similar – and rather negative. In France and Germany, critics of crisis management clearly outnumber supporters: 52% vs 45% in Germany and 54% vs 41% in France. In Italy, on the other hand, critics are on par with supporters: 48% vs 48%. This represents a dramatic shift in opinion for Germany; just a year ago, the percentage of critics was only 26%. But in Italy, too, the percentage of dissatisfied people has risen, albeit by only 6pp; in France, conversely, there has been virtually no change in the (negative) assessment. The results for Germany probably reflect above all the disillusionment of those surveyed about the difficulties in coping with the Covid-19 pandemic. Continued waves of infections, recurring lockdowns and a sluggish start to the vaccination campaign led to many disappointed opening hopes last year and this year; this frustration is now directed against those in power. The differences between the three countries have leveled off in the process. Yet, our survey results do not confirm the theory that the Covid-19 measures mainly affect younger people. Only in Germany does approval of the measures taken increase with age – 51% of the over-65s surveyed give the government a good grade – but the increase is neither linear nor are the differences between the age groups very great: as many as 41% of the 18-24 year-olds also rate the measures positively. In France and Italy, a correlation between age and approval of crisis management cannot be discerned. In France, for example, the approval ratings in the youngest and oldest age cohorts are about the same; in Italy, the youngest even have the highest approval rating (62%). In contrast, the middle age groups in both countries are the most dissatisfied. The frequently disseminated narrative that the different interests of younger and older people are clashing in the pandemic is not borne out by these responses. A word about Italy. By a narrow margin over Germany, approval of Covid-19 crisis management is highest among Italian respondents, which is surprising as distrust of the government still seems deeply rooted at the same time. Asked about their country's weaknesses, Italian respondents most often cite – in this order – quality of government, political system and political stability. While respondents from France and Germany are also sensitive to these points, they are not to this extent: In France, these points land in 5th, 7th and 11th place among the most frequently mentioned weaknesses, and in Germany in 5th, 8th and 17th place. Instead, the German respondents view the distribution issue very critically – the pension system, inequality and the fight against poverty rank in the top three places – while the French respondents – in addition to inequality in first place – are primarily concerned about the issues of immigration, crime and terrorism. This means no "Draghi effect" is yet apparent: the Draghi government still has a long way to go to regain lost trust in Italian politics. And the different sensitivities also make it clear how difficult it is likely to be for the EU to meet all expectations in the future; there is no convergence among the "Big Three" in Europe, not only economically but also politically.

Figure 5: Government response

How do you assess all in all the actions of the government in your country during the crisis? Answers by age in %



Source: Allianz Pulse 2021.

BUILDING BACK GREENER?

The fight against climate change, and the commitment to climate neutrality by 2050 at the latest, is without question the most important political project of the EU for the coming years and decades. The course is being set today.

The majority of EU citizens are likely to agree with this goal; the existential threat posed by climate change is now no longer out of the question. However, there is little agreement on the course i.e. the pace and instruments to be used for decarbonizing the economy. This is shown by our survey results.

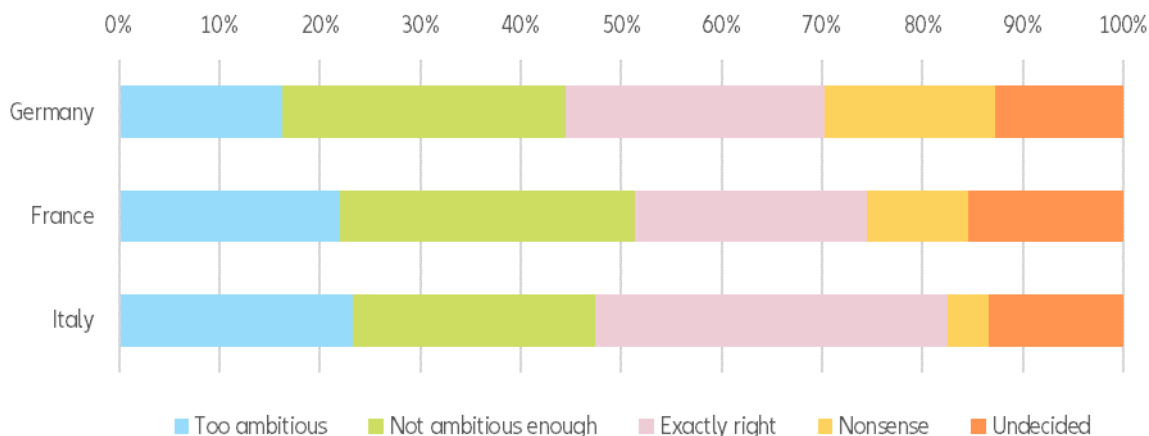
Only 28% of all respondents agree with the goal of reducing emissions by 55% by 2030. The highest approval ratings are in Italy (35%), while respondents in France (23%) and Germany (26%) are much more skeptical. As was the case with the Covid-19 measures, climate policy thus also resonates most in Italy. However, the reasons for rejection vary widely: 27% of all respondents think the target is not ambitious enough. On the other hand, 31% of all respondents think it goes too far ("too ambitious" or "nonsense"). The respondents are thus very divided in their assessment of the

concrete climate policy and this divergence can be seen in all three countries. However, the proportion of fundamental opposition ("nonsense") is by far the highest in Germany (17% of respondents vs 10% in France and only 4% in Italy). In any case, these results make clear how difficult it will be for the EU to build a broad consensus on this crucial issue (see Figure 6, opposite).



Figure 6: Carbon emissions

Do you think the EU's target to reduce CO2 emissions by at least 55% by 2030 and to add no CO2 into the atmosphere by 2050 is... Answers in %



Source: Allianz Pulse 2021.

When asked about the instruments of climate policy, things look better at first glance. Among the respondents from all three countries, there is a clear preference for "soft" measures. Overall, 42% of respondents – 43% in Germany, 40% in France and 45% in Italy – advocate more research into and development of new sustainable technologies. In second place with 22% are measures to increase transparency about the carbon footprints of products, which should lead to corresponding changes in demand behavior. Here, too, the differences between the three countries are rather small (Germany: 20%, France: 19% and Italy: 26%). So far so good. However, the problems for climate policy (and not just European policy) start when looking at the instrument with the least preference: CO2 prices, which are generally considered the most effective

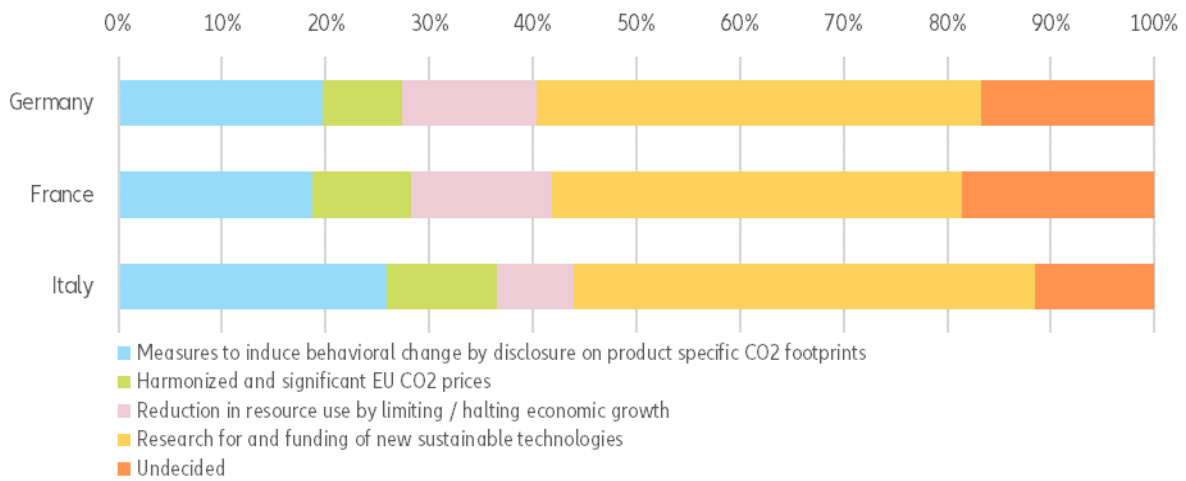
means of combating global warming. Only 9% of all respondents agree with this. The fact that even here there is broad agreement among the three countries – Germany 8%, France: 9% and Italy 11% – is no consolation. On the contrary, it only underscores the resistance that an active climate policy is likely to encounter in the coming years (see Figure 7, next page).

The widespread rejection of CO2 prices as steering instruments also becomes clear when respondents are asked directly about a CO2 tax and its possible effects. Only 22% each of the Italian and German respondents would be prepared to accept price increases of 10% and more, i.e. price increases that are likely to lead to the desired changes in demand behavior. In France, this percentage is as low as 14%. The responses show a clear correlation

with age: The older the respondents, the lower the acceptance of higher prices. In Germany, for example, 38% of respondents age 18 to 24 years are open to significantly higher prices, but only 15% of retirees and pensioners feel the same. In France, the ratio is 23% to 8%; in Italy 32% to 21%. Nevertheless, even among the younger generation, those who would accept no or only small price increases are clearly in the majority. The labeling of young people as "Generation Greta" thus reflects at best only half the truth (see Figure 8a, next page).

Figure 7: Tackling climate change

In your opinion, which policy measure is the most promising to tackle climate change? Answers in %

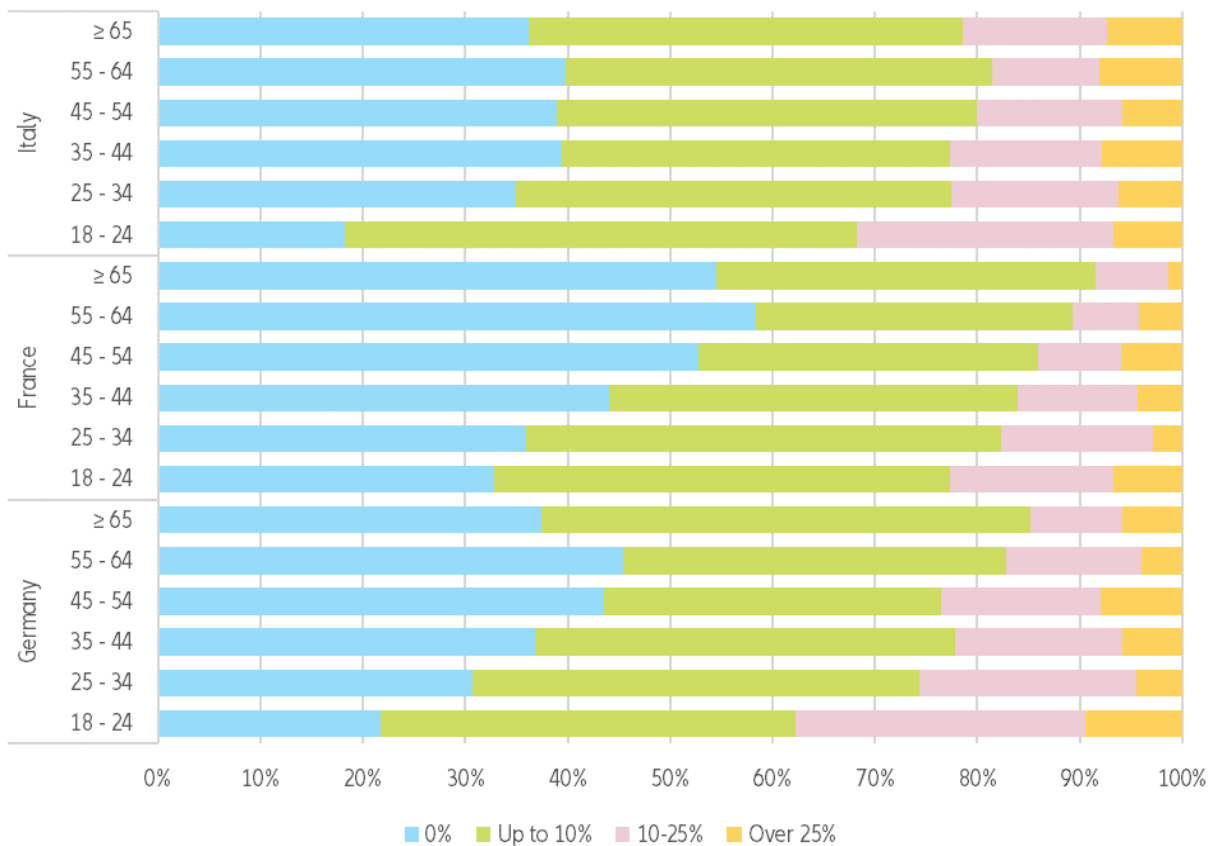


Source: Allianz Pulse 2021.

Figure 8a: Carbon tax

A carbon tax aims at making climate-unfriendly products more expensive in order to change consumption patterns.

By how much should prices for certain products like gasoline or meat increase? Answers by age in %



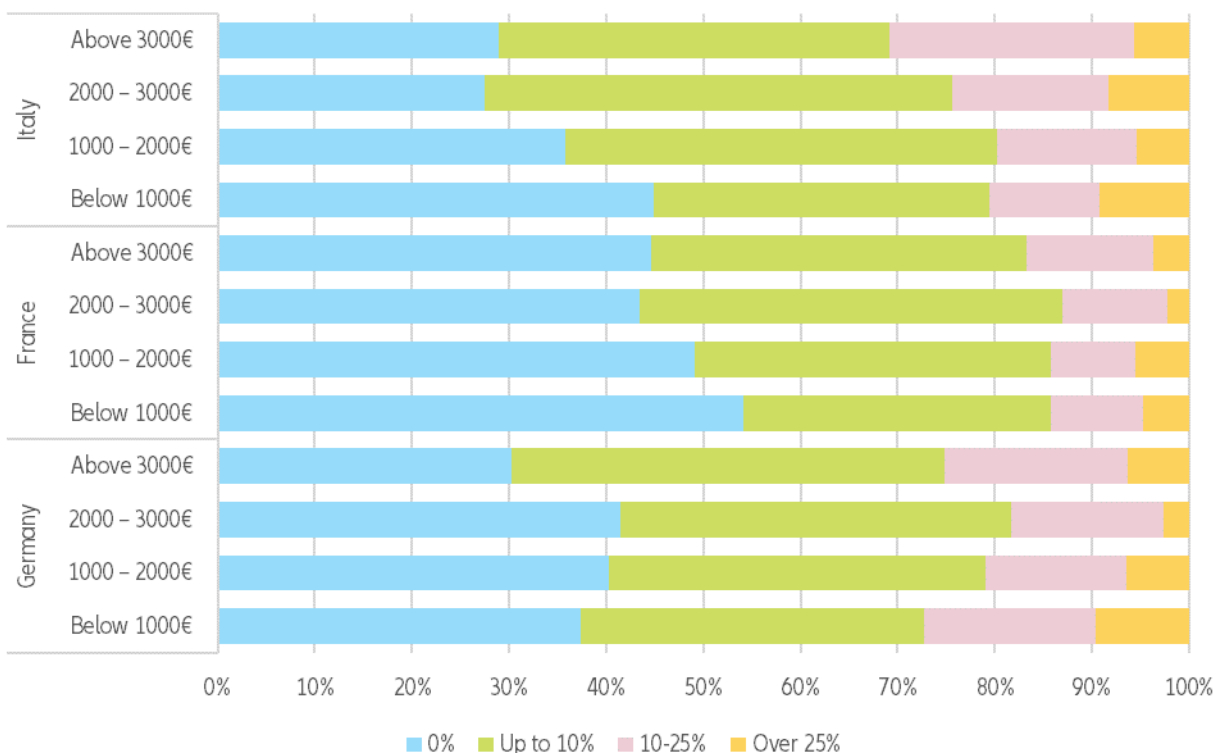
Source: Allianz Pulse 2021.

While the correlation between support for a CO₂ tax and age was to be expected, another finding is surprising: the income level does not seem to play a role in the assessment of the tax, at least in France and Germany. In Germany, for example, 27% of respondents with a net monthly income of less than EUR1,000 would accept price increases of 10% or more, but only 25% of respondents with incomes above EUR3,000 would. The lowest willingness to pay (18%) is found in the middle class among earners of incomes between EUR2,000 and EUR3,000. This also applies to respondents in France (13%); among the poorer (below EUR1,000 monthly net income),

it is still 1pp higher. Only in Italy does the willingness to pay seem to increase with income, although here, too, the rejection of an effective CO₂ tax is very clear, at just under 70% of respondents with high incomes. This shows: The pros or cons of a CO₂ tax are less a question of money than of attitude. This does not make the task of effective climate policy any easier. Increased social expenditures to cushion higher energy prices is unlikely to be enough to break down resistance (see Figure 8b).

Figure 8b: Carbon tax

A carbon tax aims at making climate-unfriendly products more expensive in order to change consumption patterns. By how much should prices for certain products like gasoline or meat increase? Answers by monthly net income in %.



Source: Allianz Pulse 2021.

What explains the rejection of a CO2 tax when climate protection is generally recognized as an overriding political goal? One reason could be the presumed conflicts that new or higher taxes might conjure up with the goals that most respondents hold even closer to their hearts: reducing inequality and promoting economic growth. When asked about priorities for an EU policy "that works for the people," most res-

pondents cite precisely these two issues. To achieve these goals, the German and Italian respondents consider deregulation in particular to be a suitable means. Does this reflect the experience with the Kafkaesque restrictions during the pandemic? In any case, the French respondents tend to favor tax harmonization, thus directly expressing their desire for convergence (see Figure 9).

The bottom line: Climate policy is likely to determine the success or failure of the EU in the coming years. Support in general can be expected but not for the specific measures. In particular, higher CO2 prices are a political minefield. The responsibility for the climate ends at one's own wallet – regardless of how big it is. Old habits die hard.

Figure 9: Policy areas

In your view, what are the most important policy areas on which the EU-Commission should focus in order to build an economy that works for the people? Top three answers

Germany	France	Italy
Inequality	Inequality	Economic growth
Education	Economic growth	Youth unemployment
Removal of red tape	Harmonization of taxation	Removal of red tape

Source: Allianz Pulse 2021.



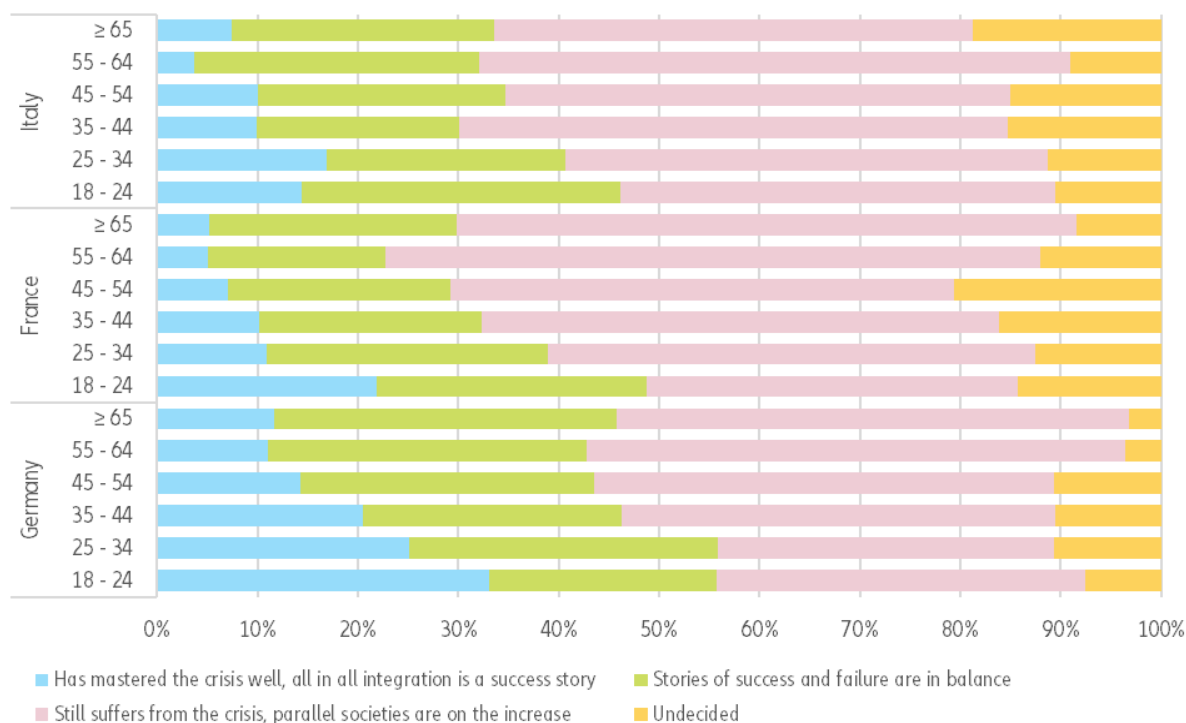
Box: The unforgotten crisis: Lasting scars from mass immigration

The financial crisis, euro crisis, refugee crisis, Covid-19 crisis, climate crisis: With a rapid succession of crises, is the memory of earlier conflicts fading in the face of ever new challenges? At least with the refugee crisis, this does not seem to be the case. Our survey finds that 50% of all respondents hold the view that their society is still suffering from the aftermath of 2015/16. At 53%, this proportion is highest in France, followed by 51% in Italy and 45% in Germany. In contrast, only 12% believe the refugee crisis has been handled; again, German respondents are slightly more confident: 18% vs 9% of French and 10% of Italian respondents. The rest of the respondents are ambivalent in their judgment (success and failure balance each other out) or undecided. Thus, the refugee crisis or its failure to be addressed remains an open wound in the minds of many respondents – especially the elderly. In all three countries, there is a clear age gap in the assessment of the refugee crisis and it is the older baby boomers who are particularly unforgiving. This discrepancy is especially striking in France: while "only" 37% of 18- to 24-year-olds believe that society is still suffering from mass immigration, the figure for 55- to 64-year-olds is 65% (see Fig. 10).

These results are more than just an impression of the mood. They have tangible consequences for the options available to policymakers today. After all, Europe is facing a demographic problem: Over the next three decades, the working population (ages 20-65) is expected to decline by about 75 million people, or nearly 20%. Already labor shortages are being felt today in many industries. Nevertheless, only a small minority of respondents support an active immigration policy: Only 13% of all respondents are in favor of it, with approval lowest in France at 9% (Germany: 18% and Italy: 11%). In contrast, 35% of all respondents are in favor of an immigration freeze (Germany: 31%, France: 37% and Italy: 36%) and 44% of respondents advocate limiting immigration (Germany: 43%, France: 43% and Italy: 46%). As with the assessment of the consequences of the refugee crisis, the answers vary greatly by age: Younger generations generally show themselves to be (somewhat) more open to immigration. But in fact, only among respondents aged 18-34 years in Germany do supporters of an active immigration policy outnumber the proponents of an immigration freeze. In almost all age groups, the group of those calling for a limit on immigration is the largest. Clearly new crises do not lead to forgetting old problems. In fact, unresolved issues exacerbate new challenges as the high infection rates and low vaccination rates among minorities suggest, for example. Time does not heal political failures (see Figure 11, next page).

Figure 10: Refugees

More than five years after the refugee crisis, how do you assess the developments since then?
Would you say that your country... Answers in % by



Source: Allianz Pulse 2021.

Figure 11: Immigration

Looking into the future, what are the most pressing tasks / measures in relation to immigration? Answers in % by age



Source: Allianz Pulse 2021.



BUILDING BACK MORE DIGITAL?

Alongside the green transformation, digitalization is the second leitmotif of the economic recovery from the Covid-19 crisis. After the experiences of recent months, in which working, shopping and entertainment from home became the new normal, one would assume that digitalization should be met with unqualified approval from respondents: the opposite seems to be the case.

Attitudes toward digitalization have hardly changed with the pandemic, especially in France. As before, slightly more respondents say they see more risks than opportunities in digitalization than vice versa. In Italy, too, opinion is surprisingly stable, although the proponents of digitalization are clearly in the majority. Only in Germany, there is a trend toward pro-digitalization.

Yet even in Germany, the proportion of proponents is only 44% (likewise in Italy, France: 18%), i.e. well below the 50% mark: the majority remains skeptical or undecided about digitalization. Contrary to expectations, the pandemic-related digitalization boom has not sparked any enthusiasm; old uncertainties persist (see Figure 12a).

Figure 12a: Digitalization

In your opinion, how will digitalization affect the economy of your country? Will digitalization awake more chances or more risks in the economy of your country? Net percentage (percentage of answers saying more chances minus those saying more risks)



Sources: Allianz Pulse 2021, Allianz Pulse 2020, Allianz Pulse 2019.

Two further findings are surprising. Age does not seem to play a major role in attitudes toward digitalization, or at least not in the sense expected. In all three countries, it is the respondents between the ages of 35 and 54 who are particularly skeptical about digitalization. In both Italy and Germany, retirees and pensioners are the most digitalization-friendly; only in France are these the youngest respondents (18 -24 years). In contrast, there is a large gender gap in the assessment of digitalization. In all three countries, significantly more male respondents see digitalization in a positive light than female respondents. In Germany, this gender gap is 16pp, in Italy 14p and in France 10pp. The reasons for this are unclear, since the conventional wisdom suggests women would be more likely to appreciate the flexibility offered by remote working, for instance. Perhaps this gender

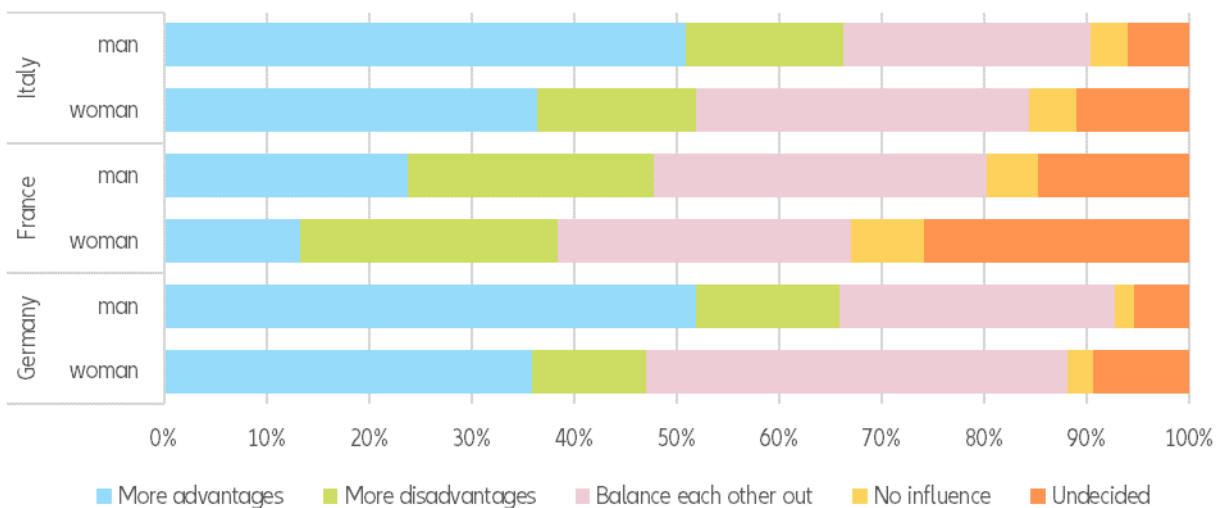
gap – as was already the case with the assessment of the EU – merely reflects a greater reluctance to judge; in all three countries, for example, significantly more women than men are undecided in their assessment of the impact of digitalization (see Figure 12b).

However, one reason for the widespread skepticism about digitization may also be that only a few respondents actually feel well prepared for the digital world. Only 30% of all respondents say they are (Italy: 34%, Germany: 30% and France 27%). The rest complains about infrastructure problems (24%), a lack of skills (15%) or unaffordable equipment (10%); moreover, 10% refuse to embrace the digital world altogether. The question of preparedness also reveals a clear income gap: Confidence in coping well in the digital world increases with rising

income. Age, on the other hand, plays only a subordinate role. In Germany, it is the oldest respondents who see themselves as well prepared most often. In France and Italy, younger respondents are more confident in this respect, but the differences between the age groups are not very large, at 5pp or 6pp respectively. In terms of income, however, the difference between the groups rises to 18pp (Italy; see Figure 13, opposite).

Figure 12b: Digitalization

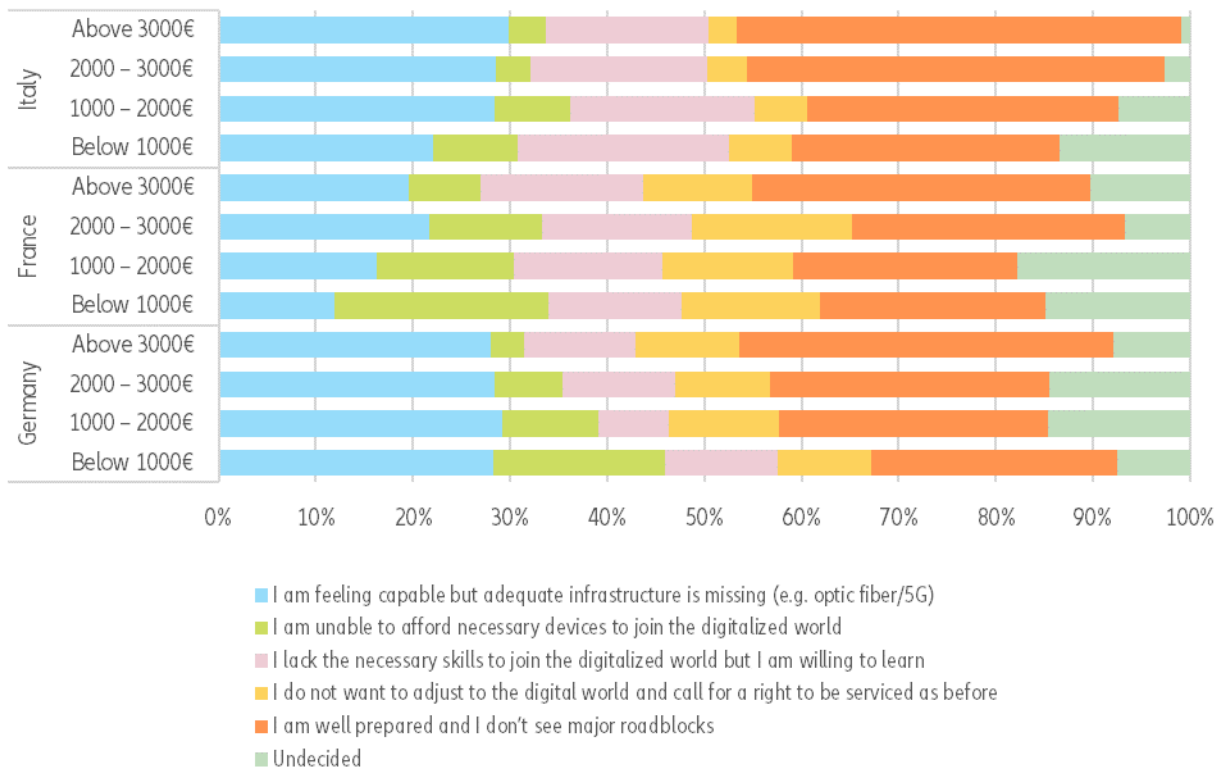
In your opinion, how will digitalization affect the economy of your country? Will digitalization awake more chances or more risks in the economy of your country? Answers by gender in %



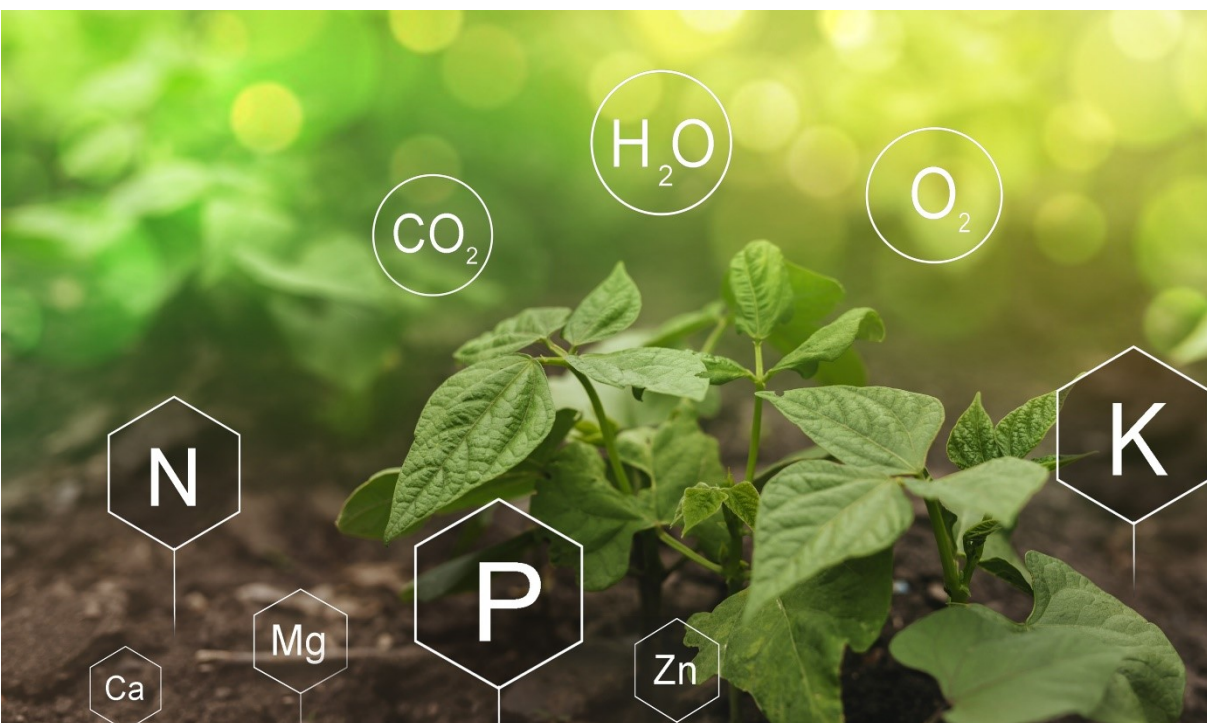
Source: Allianz Pulse 2021.

Figure 13: Digitalization preparedness

Digitalization continues at an ever greater pace. How would you judge yourself being able to deal with this development?
 Answers by net monthly income in %



Source: Allianz Pulse 2021.



On the question of what should happen to further promote digitalization in Europe, the respondents are again surprisingly unanimous: they call for a triad of research, training and regulation. However, while the German and Italian respondents give greater weight to research (29% and 30%, respectively), the French respondents focus more on regulation (29%). Surprisingly, the promotion of European

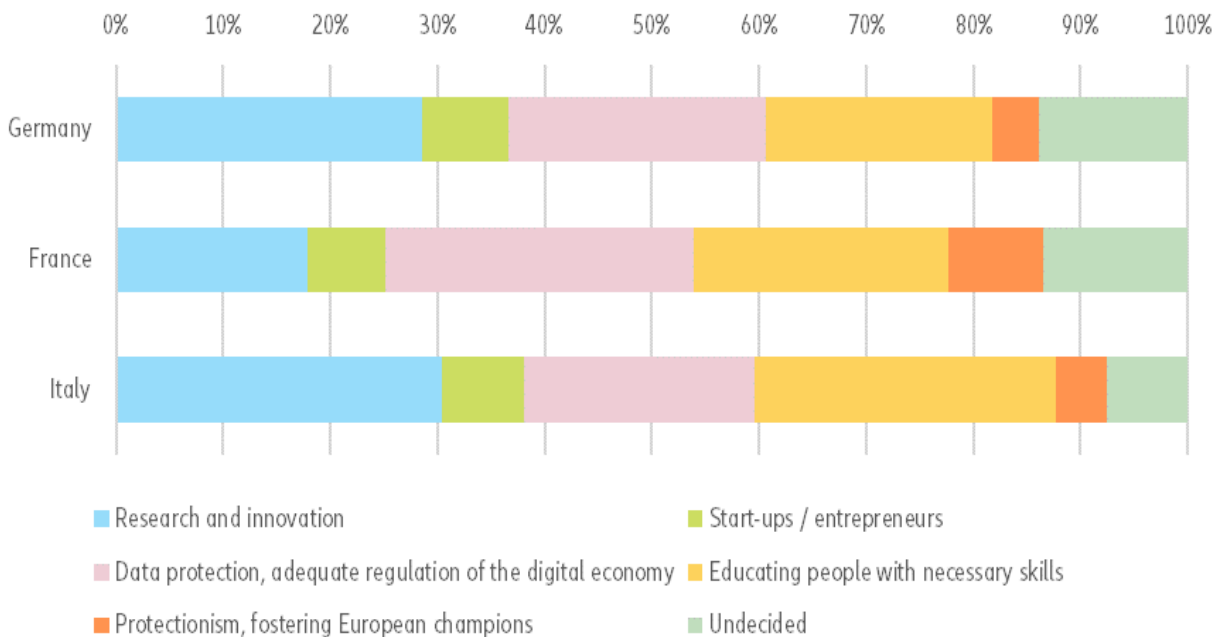
champions is more or less rejected in all three countries, as is the promotion of startups and entrepreneurship. The conviction to build a European counterpart to Google, Amazon & Co. seems to be rather low (see Figure 14).

The bottom line: Digitalization is everywhere – just not in people's hearts. Even after a year at home office, attitudes have changed only slightly.

Skepticism prevails – especially in France. Old fears die hard.

Figure 14: Readiness for the digital age

What do you think is most urgently required to make Europe (or your country) fit for the digital age? Answers in %



Source: Allianz Pulse 2021.

Box: The looming crisis: How (not) to deal with the debt mountain

One legacy of the Covid-19 crisis is ever higher mountains of debt. In France and Italy, public debt as a percentage of economic output is now well beyond the 100% mark. In Germany, too, the Maastricht criterion (60%) is once again a distant prospect. In view of record-low interest rates and an unchanged ultra-loose monetary policy, debt sustainability is not (yet) a problem. Accordingly, hardly any policymakers are talking about the need to reduce debt. In fact, fiscal spending to cushion the consequences of the crisis continues unabated. The debt problem currently seems to have disappeared from the political agenda.

The participants in our survey see things differently and quite similarly in all three countries. Only a small minority of a total of 13% of respondents share the view that debt is not a problem at present, thanks to low interest rates. The vast majority advocate a policy of debt reduction. Surprisingly, as many as 28% believe spending should be cut in order to reduce debt; most supporters of austerity are found among French respondents (30%); German (25%) and Italian respondents (27%) are somewhat more reserved. A majority of respondents (41%), however, are in favor of a decisive growth policy as a response to the increased debt; here, too, there is relatively great unanimity among the three countries (Germany: 39%, France: 38%, Italy: 45%). This once again shows the high value placed on economic growth among the respondents: For most of them, it is the key to solving our social problems (see Figure 15, next page).

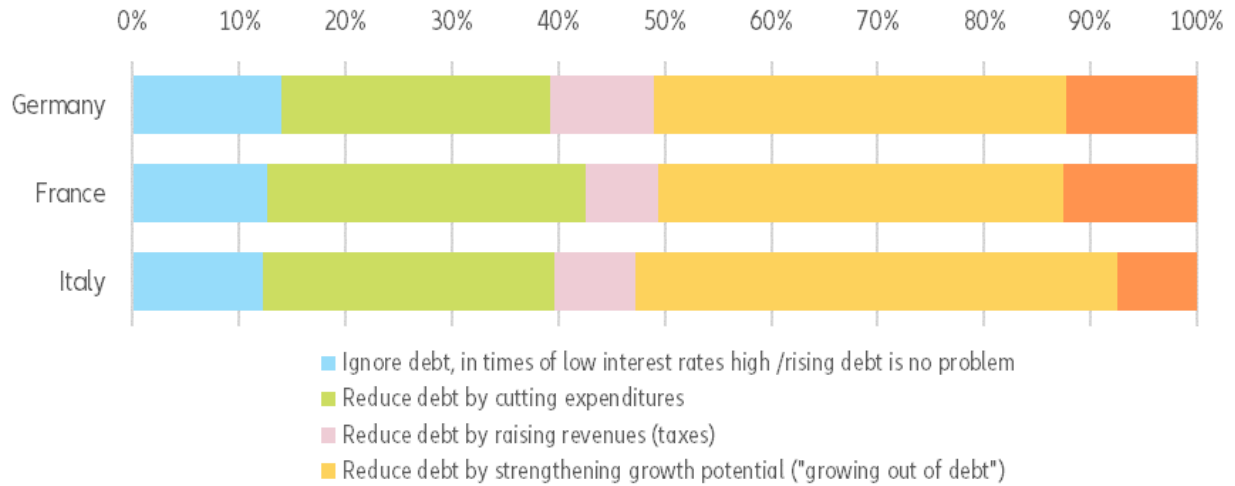
Among the means of reducing debt, higher taxes enjoy by far the lowest popularity: only 8% of all respondents would consider them (Germany: 10%, France: 7%, Italy: 8%). Although the picture changes somewhat when asked directly about the need for higher taxes in the wake of the Covid-19 pandemic, even then the rejection is clear: 67% of all respondents consider them harmful and only 22% consider them inevitable. Acceptance is highest in Germany at 27%, and lowest in Italy at 19% (France: 21%). There is a marked difference according to age: Younger respondents, although most affected by higher taxes in the long term, are somewhat more open to the possibility of higher taxes, while older respondents are strictly opposed. For example, 83% of Italian respondents over 65 consider taxes harmful, but "only" 48% of German respondents between 18 and 24. In all age groups, however, tax opponents are in the large majority (even among young German respondents, only 31% see higher taxes as inevitable). Across all age groups and countries, the average discrepancy between the shares of respondents for and against higher taxes is 43pp – the vote against taxes could hardly be clearer. On the other hand, the relationship between income and acceptance of higher taxes is far from clear. Only in France does rejection rise slightly with income; in Italy, on the other hand, high-income earners even have the lowest rejection rate. What's more, German respondents with medium and high incomes as well as Italian respondents with high incomes show the highest approval rate for higher taxes: at 30% to 33%, it is significantly higher than the average figure for all income groups (22%). Solidarity, at least, does not seem to be a foreign concept for the high earners (see Figure 16, next page).

Which taxes would proponents of higher taxes raise? There are two clear favorites among respondents here: the wealth tax (28%) and income tax for high incomes (26%). However, the differences between countries are considerable. French and German respondents in particular prefer a wealth tax (35% each); in Italy, however, this tax is relatively unpopular, with only 11% advocating for it. More popular among Italian respondents is the inheritance tax (14%), which meets with the lowest approval in France (3%) and Germany (5%). Overall, however, Italian respondents have a clear preference for a higher income tax on high incomes (39%); German (27%) and French respondents (15%) are much more reserved in this respect (see Figure 17, page 23).

Policymakers ignore the debt problem at their own peril as respondents are less sanguine about rapidly rising public debt. Many hope that higher economic growth will fix the problem – a clear mandate for fundamental reforms to unleash the market forces that spur competition, innovation and growth. The worry is that policymakers might opt for the easy way out – increasing taxes – an option which is abhorred by the vast majority of respondents.

Figure 15: Public debt

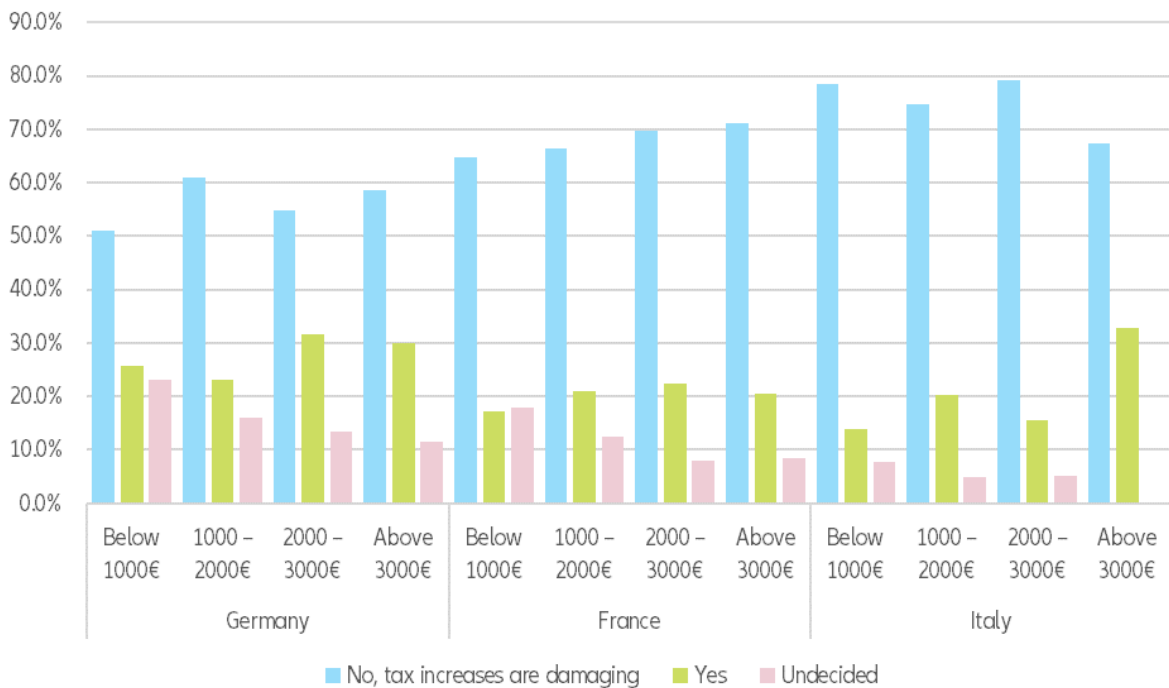
During the Covid-19 pandemic, public debt has increased markedly. How should your country react in the following years?
Answers in %



Source: Allianz Pulse 2021.

Figure 16: Taxes

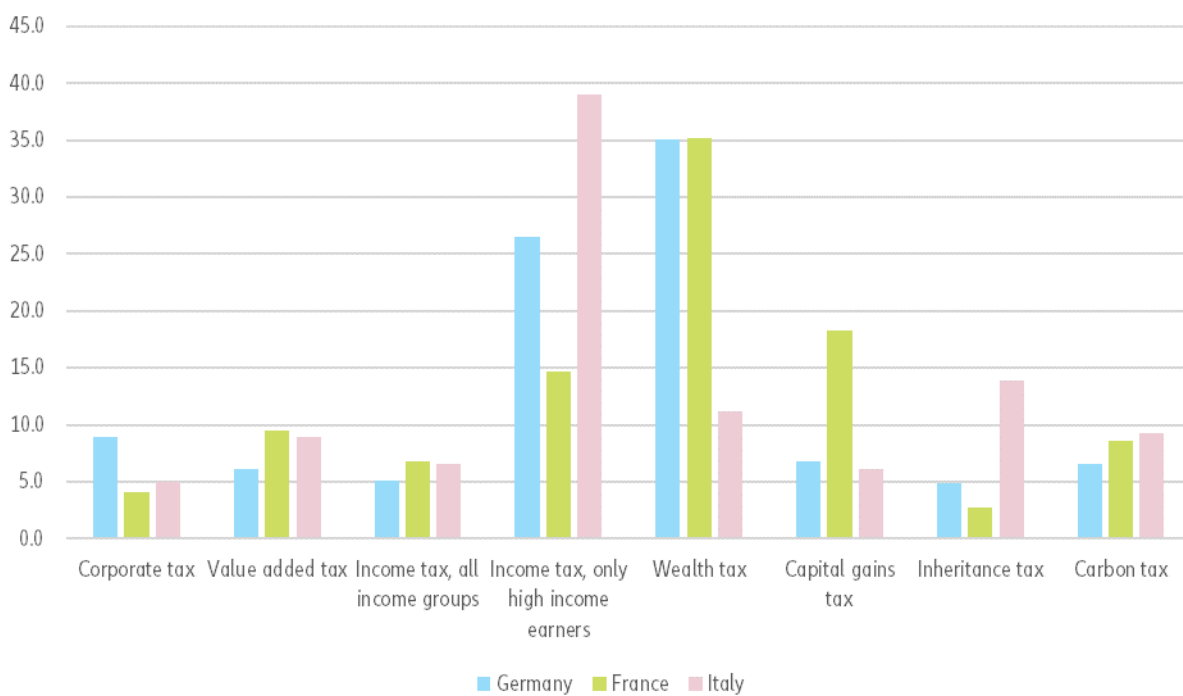
Many observers think that higher taxes are inevitable after the crisis. Do you agree? Answers by net monthly income in %



Source: Allianz Pulse 2021.

Figure 17: Tax increases

Which tax would you increase first? Answers in %



Source: Allianz Pulse 2021.

Photo by [Lennart Gasterstädt](#) on [Unsplash](#)

EPILOGUE:

YOUNG HOPE NEVER DIES

This year's Allianz Pulse makes for rather sobering reading as only a few respondents trust the EU to emerge stronger from the crisis. There is also deep disagreement about the pace and instruments of decarbonization. And even digitalization, the big winner of the lockdowns, continues to be viewed critically. Add to this the increasing dissatisfaction with governments' crisis management, the unforgotten scars of the refugee crisis and worries about rising debt. There is little sign of a pioneering spirit post-Covid-19; "building back better" seems to ring like a hollow promise in the ears of most respondents.

But this is only true for the general situation. When asked about their personal prospects, the respondents – especially in France and Italy – painted a completely different picture: 50% of all respondents were confident about the future, and only 35% considered their personal prospects to be poor. In contrast, the general outlook is assessed positively by only 41% – and especially by German respondents: 57% held this view here, compared with only 30% in France and 35% in Italy. Although there is also a national divide when it comes to personal future, it is much smaller: 56% of German

respondents are positive, compared with 46% and 49% in France and Italy, respectively. What's more, there are hardly any differences among younger respondents: 70% of German, 69% of French and 65% of Italian respondents between the ages of 18 and 24 rate their personal future as good. What is also striking here is that the younger respondents are far more confident in their assessment than the older generations, as the share of undecided respondents is significantly lower in all three countries.

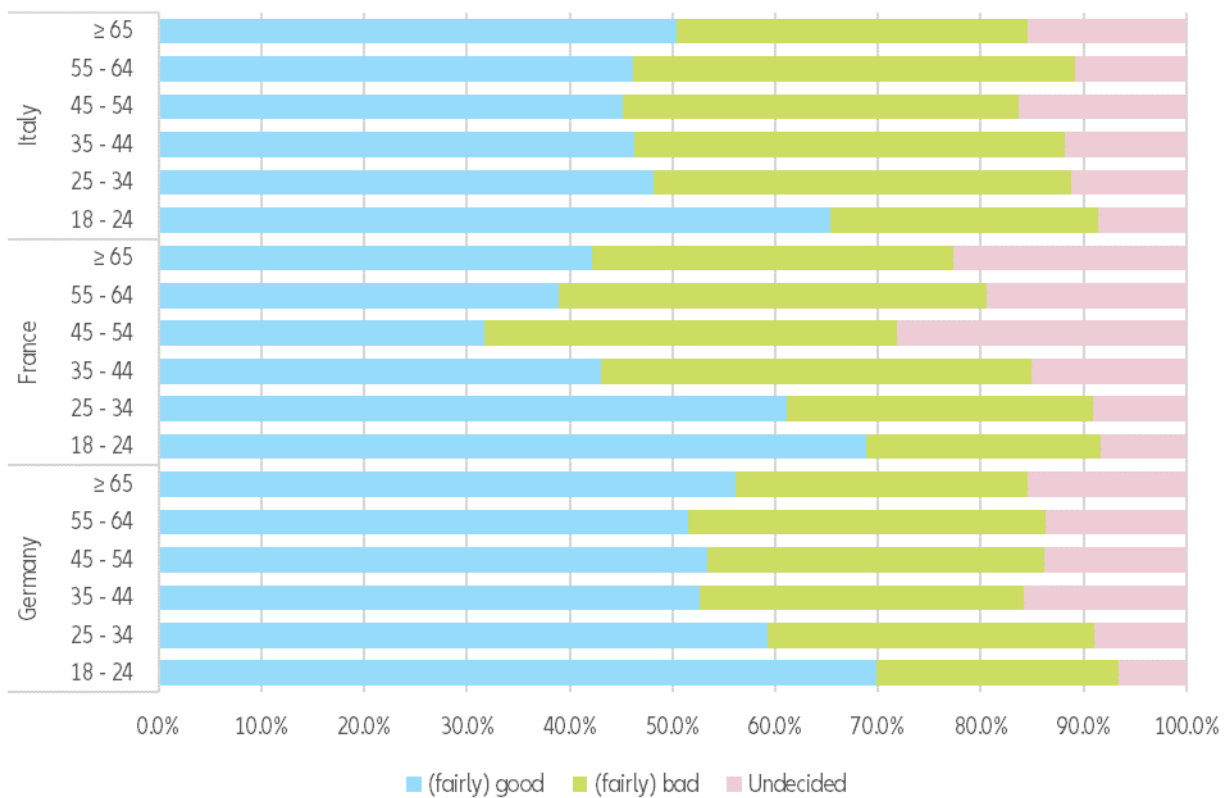
In all three countries, however, it is primarily the middle generations that are skeptical about their own future; the over-65s are somewhat more optimistic. Yet, only in the French age groups 45-54 and 55-64 do the pessimists actually have the upper hand by a narrow margin. In all other age groups in all three countries, the optimists outnumber the pessimists (see Figure 18, opposite).

The bottom line: Despite all the skepticism about general developments, and despite all the criticism of government decisions, the majority of those surveyed – especially the younger ones – firmly believe in their own future. That is, they firmly believe in change for the

better. It is up to decision-makers in politics and business to live up to this belief. Young hopes should never die.

Figure 18: Future prospects

How do you assess your personal future prospects: Are your future prospects... Answers by age in %



Source: Allianz Pulse 2021.



Appendix: Survey data

Overall responsibility for methods:

Allianz Research, Allianz SE

Planning and drawing the sample:

Qualtrics

Target groups surveyed:

French resident population, age 18 and over in France
German resident population, age 18 and over in the Federal Republic of Germany
Italian resident population, age 18 and over in Italy

Number of respondents:

3,143 persons (1,045 from France, 1,049 from Germany, 1,049 from Italy)

Sampling method:

Representative quota sampling
Qualtrics was given quotas for how many people to survey and which criteria to use in selecting respondents. The quotas were distributed in accordance with official statistics among sex, age groups, income and education.

Representativeness:

A comparison with official statistics shows that the survey data on the whole corresponds to the total population age 18 and over in the three countries.

Type of survey:

Web-based survey

Date of survey execution:

21.05.2021 – 28.05.2021



Appendix: Statistics

Sex (in % of respondents)

	France	Germany	Italy
Male	47.3	50.7	49.5
Female	52.3	49.0	50.5
Diverse	0.4	0.3	0.0

Age (in % of respondents)

	France	Germany	Italy
18 – 24	11.3	10.0	9.7
25 – 34	16.7	16.8	14.9
35 – 44	17.7	16.1	18.9
45 – 54	19.0	21.2	22.2
55 – 64	20.6	21.4	20.5
65+	14.7	14.6	13.8

Education (in % of respondents)

	France	Germany	Italy
Primary (Middle school or comparable)	7.4	21.8	16.6
Secondary (High school or comparable)	49.7	49.6	59.7
Tertiary (University or comparable)	42.9	28.7	23.7

Income (monthly income after tax; in % of respondents)

	France	Germany	Italy
Below EUR 1000	16.0	18.6	29.0
EUR 1000 – EUR 2000	38.0	32.3	43.1
EUR 2000 – EUR 3000	25.5	25.2	17.9
Above EUR 3000	20.5	23.9	10.0

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