

COVID-19 and Consumer Confidence: Evidence from India

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Abstract

This study examines how the COVID-19 pandemic has impacted consumer confidence (CC) in India. Contrary to existing literature, we use individual-level responses on CC from a novel survey data of Reserve Bank of India (RBI) to examine the effect of COVID-19 on CC. We use data on consumer sentiments from the Consumer Confidence Survey conducted by India's central bank, the RBI, between March 2020 and May 2022. COVID-19 indicators include confirmed cases and recoveries in this article. Exploiting the variations in consumer sentiments across several Indian cities, our regression exercise shows how COVID-19-related cases impact CC. Our findings show that confirmed cases negatively and significantly impact the current perception of the economy. In contrast, COVID-19 recoveries positively and significantly impact future outlooks. We further conduct a disaggregated analysis to analyse the effects of COVID-19 indices on several other household-level indicators, for instance, present perception and expectations of household income, potential employment prospects, household spending and general price levels. Overall, we find that COVID-19-related shocks have negatively affected households' sentiments, and Indian households are inclined to spend less on non-essential goods and services.

Keywords

Consumer confidence, COVID-19, households, RBI, India

JEL: D84, D90, E66, G50

1. Introduction

The spread of the COVID-19 pandemic and the subsequent lockdowns brought about severe economic disruptions throughout developed and emerging economies (Gopinath, 2020; Lewis, 2020). For example, the global GDP declined by almost

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