Title:
How Does Household Spending Respond to an Epidemic? Consumption During the 2020 COVID-19 Pandemic

Authors:
Scott R. Baker -- Northwestern University, Kellogg, NBER; s-baker@kellogg.northwestern.edu
R.A. Farrokhnia -- Columbia Business School, Columbia Engineering School; farrokhnia@gsb.columbia.edu
Steffen Meyer -- University of Southern Denmark (SDU) and Danish Finance Institute (DFI); stme@sam.sdu.dk
Michaela Pagel -- Columbia Business School, NBER, and CPER; mpagel@columbia.edu
Constantine Yannelis -- University of Chicago Booth School of Business, NBER; constantine.yannelis@chicagobooth.edu

Abstract:
We explore how household consumption responds to epidemics, utilizing transaction-level household financial data to investigate the impact of the COVID-19 virus. As the number of cases grew, households began to radically alter their typical spending across a number of major categories. Initially spending increased sharply, particularly in retail, credit card spending and food items. This was followed by a sharp decrease in overall spending. Households responded most strongly in states with shelter-in-place orders in place by March 29th. We explore heterogeneity across partisan affiliation, demographics and income. Greater levels of social distancing are associated with drops in spending, particularly in restaurants and retail.

Data description:
We analyze de-identified transaction-level data from a non-profit Fintech company. The non-profit Fintech encourages households to increase savings through targeted information and rewards. Users can use the platform to sign up for an account with the non-profit Fintech and link their main bank account including their checking, savings, and credit card accounts. Users have two main incentives for linking accounts. First, the non-profit Fintech can provide them with information, provides tools to aid personal financial decision making and offers financial advice. Second, the non-profit Fintech offers targeted rewards and lotteries to individuals who link their accounts to achieve savings goals.

JEL codes: D14, E21, G51

Keywords: Consumption, Coronavirus, COVID-19, Household Finance, Transaction Data
Link to paper: https://www.dropbox.com/s/14ge8h8ylxwe0ch/Corona_Households.pdf?dl=0