Title: How Does the COVID-19 Outbreak Affect People’s Expectation about the Macroeconomy?

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Abstract: We conduct an incentivized online experiment to investigate the effect of COVID-19 on people’s expectation about the macroeconomy including economic growth rate, inflation rate, house price, and personal consumption, saving, and investment. We elicit subject’s risk attitudes, ambiguity attitudes, time preference, and investigate their correlations with expectations about the macroeconomy. We find that ambiguity averse subjects are more likely to hold the belief that COVID-19 will lower the economic growth rate. Expectation on inflation is positively correlated with expected money supply growth. Ambiguity averse subjects are more likely to reduce their consumption and save more due to the COVID-19 outbreak. We document heterogeneity in expectations following the outbreak. We propose a simple model to account for how the outbreak affects expectation of economic growth through the channel of ambiguity aversion. Implications for monetary policy are discussed.

Data description: We conduct an online experiment across 32 provinces in China in early March 2020, using an online platform. Subjects are asked to make forecasts on the macroeconomy, including economic growth rate, inflation rate, house price, for year 2020, as well as for 2021-2025, and also on the impact of COVID-19 on their consumption, saving, and investment decisions. The forecasts are incentivized. We elicit a set of behavioral measures including risk attitudes, ambiguity attitudes, and time preference. We also collect a rich set of demographic information of subjects including gender, income, education, occupations, subjective socioeconomic status, location, and religiosity. In total, 1176 subjects participated in the experiment.

JEL codes: C93; E2; E3; E71

Key-words: COVID-19; Expectation; Macroeconomy; Field Experiment

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