

Original Article

# Analysis of Consumer Confidence Index Pre and Post-COVID Under the Lens of General Economic Situation, Employment, Income and Price Level

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**Abstract** - COVID-19 has led to a devastating impact on the global economic situation and consumer confidence, an important indicator of economic health, has been affected by the pandemic and its aftermath. Currently, there is a wealth of data on the impact of the COVID-19 pandemic on the global economy. However, there is a lack of detailed analysis of the specific impact on consumer confidence and the factors influencing consumer attitudes towards the economy. This analysis aims to bridge this knowledge gap by providing a quantitative and qualitative analysis of the pre and post-pandemic Consumer Confidence Index (CCI) data and evaluate the quantitative consequence of the pandemic on the economy with respect to the general economic situation, price level, income and employment. Datasets from bi-monthly consumer confidence surveys by the Reserve Bank of India (RBI) were utilized from pre (2019) and post (2022) COVID. The data were then sorted based on qualitative and quantitative aspects, including the general economic situation, employment, income, and price level. Additionally, the paper also evaluates the implications and significance of given results. The proposed model recorded a net decline of 206.02% in the consumer confidence index. By analysing both quantitative and qualitative data, a more nuanced understanding of consumer behavior and economic trends will be provided. Furthermore, this study will contribute to the existing literature on consumer confidence and economic health, providing valuable insights into the dynamics of consumer behavior during times of crisis.

**Keywords** - Business, Consumer confidence, COVID-19, Employment, Income.

## 1. Introduction

The COVID-19 pandemic has profoundly impacted the global economy, with businesses and consumers experiencing unprecedented levels of uncertainty and financial hardship. Most countries went into lockdown, thus preventing workers and customers from going out of their homes and hampering the supply chains; this resulted in small businesses going under stress that provides around 70% of employment in the whole world and supports around 50% economy globally. The number of active businesses was 15 million during the month of February, which drastically dropped to several 11 million during the initial period of the pandemic<sup>1</sup>. The Covid-19 pandemic of 2020 has led to severe disruptions to the supply side of the world economy as entire sectors shut down. For example, In the first quarter of 2020, US gross domestic output fell by 4.8 percent in annualized terms, a decline not seen since the Great Recession<sup>2</sup> and has forced many businesses to close, leading to job losses and a decrease in consumer spending<sup>3</sup>.

Consumer confidence is a statistical measure of consumers' feelings about current and future economic conditions, used as an indicator of the overall state of the economy. Increased consumer confidence indicates

economic growth in which consumers spend money, indicating higher consumption. It is an important indicator of economic health and has been affected by the pandemic and its aftermath. The impact of the pandemic on consumer confidence has been significant, with many consumers feeling uncertain about their financial future and the overall state of the economy. The Consumer Confidence Index (CCI) has shown a sharp decline in consumer confidence since the outbreak of the pandemic, with many consumers feeling pessimistic about their job prospects and the overall economic outlook. The change in Employment growth due to COVID-19 is significantly associated with the change in the Employment Status of the people due to COVID-19. 60.6% of people have faced reduced income due to COVID-19<sup>4</sup>.

As the world continues to grapple with the pandemic, the impact on the economy and consumer confidence is likely to continue for some time. Governments and businesses are implementing steps to lessen the pandemic's negative economic effects, including stimulus packages and assistance for pandemic-affected businesses and people. The majority of the currently proposed actions are macroeconomic and mostly centre on central banks' provision of emergency liquidity. Broad-based tax relief,



wage subsidies, unemployment benefits, the postponement of rent and utility payments, mortgage relief, lump-sum payments to households, loan guarantees for businesses, as well as equity investments by governments in troubled companies are just a few of the fiscal measures that have been announced thus far. The pandemic's long-term effects on the world economy and consumer confidence, however, are still unknown<sup>5</sup>.

Many people and families have also seen a drop in income as a result of the epidemic, either as a result of job losses or shorter workweeks. At its peak, the pandemic reduced total household consumption spending by 22.8% and labour income by 5.9% on April<sup>6</sup>. This reduction in income has led to a decrease in consumer spending, which in turn has a negative impact on the economy. Additionally, the pandemic has led to disruptions in supply chains, leading to shortages of goods and services and increased prices for many essential items. This has further contributed to consumer pessimism about the overall economic outlook.

While there is a wealth of data on the impact of the COVID-19 pandemic on the global economy, there is a lack of detailed analysis on the specific impact on consumer confidence and the factors that have influenced consumer attitudes towards the economy. This analysis aims to bridge this knowledge gap by providing a quantitative and qualitative analysis of the pre and post-pandemic CCI data.

The impact of the COVID-19 pandemic on the global economy has been significant, and understanding the impact on consumer confidence is essential for businesses and policymakers alike. The insights into consumer attitudes towards the economy can be gained by analysing the CCI data and the factors driving these attitudes. This information can be used to inform economic policy decisions, marketing strategies, and investment decisions.

With many nations seeing a substantial fall in economic activity as a result of lockdowns and other steps to stop the virus' transmission, the COVID-19 pandemic has had a profound impact on the world economy.

In this study, we examine six biweekly data points of the pre and post-COVID-19 net response of the CCI with the objective of investigating the consumer confidence index pre and post-COVID-19 under the parameters of the economic situation, employment, price level, and income. Using a quantitative methodology, a comparison is made based on six bimonthly data points of pre- and post-COVID-19 net response. After this, an evaluation of the optimism and pessimism of consumers pre and post-COVID-19 is done to identify the qualitative factors that would have led to these

net responses. Macroeconomic factors contributing to changes in consumer confidence, including government policies, fiscal stimulus, and inflation, have also been considered.

This analysis will provide valuable insights into the impact of the COVID-19 pandemic on consumer confidence and the factors that have influenced consumer attitudes towards the economy. By analysing both quantitative and qualitative data, a more nuanced understanding of consumer behavior and economic trends will be provided. The analysis will shed light on the impact of the pandemic on consumer behavior and the economy. Furthermore, this study will contribute to the existing literature on consumer confidence and economic health, providing valuable insights into the dynamics of consumer behavior during times of crisis.

## 2. Methodology

A mixed approach was used for the research study. Data was taken from the bi-monthly consumer confidence survey conducted by the Reserve Bank of India (RBI) to measure consumer confidence. Data was collected for the years 2019 (pre covid) and 2022 (post covid). In 19 major cities, the study collects current perceptions (as compared to a year ago) and expectations for the next year regarding the general economic position, job scenario, overall price situation, and own income and spending. The most recent survey round, performed in 2022, included 6,089 replies from wealthy, middle-class, and small families in India.

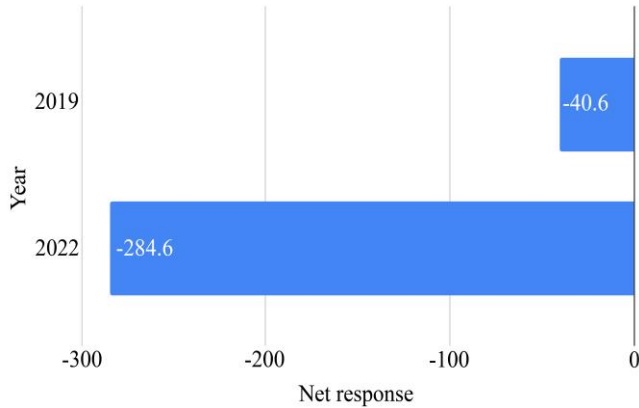
The main variables taken from the survey were General Economic Situation, Employment, Price Level and Income. The net response of the current perception was considered for the months of January, March, May, July, September, and November. The data was then sorted as per the variable, and the total percentage for each year was calculated and compared to determine consumer optimism or pessimism.

First, the net response of each variable (General Economic Situation, Employment, Price Level, and Income) was compared and presented through a multi-bar diagram. Secondly, the discrepancy in consumer confidence for the months of 2019 and 2022, respectively, were compared and presented through bar diagrams. A qualitative analysis was done to determine the causes and implications of the result.

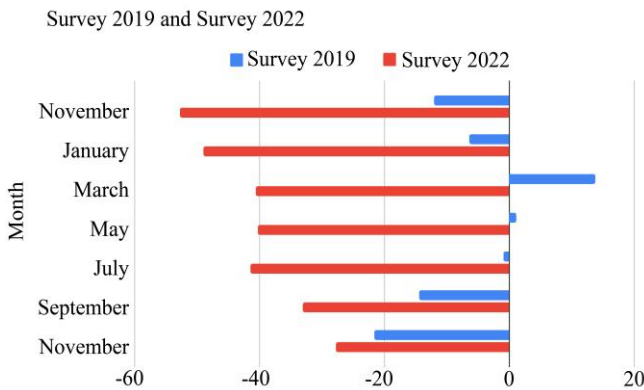
## 3. Results and Discussion

### 3.1. General Economic Situation

In Figure 1, the comparison of the net response of respondents between the years 2019 and 2022 is shown. It is evident from the graph that the net response is lower in 2022 than in 2019.



**Fig. 1 Consumer confidence percentage under the general economic situation in the years 2019 and 2022**



**Fig. 2 Monthly Consumer confidence percentage under the general economic situation in the years 2019 and 2022**

Figure 1 depicts the net response of the general economic situation pre and post covid. Figure 1 shows a 40.6% decline in the net response with respect to the general economic situation in 2019, i.e. pre- covid and a 284% decline in 2022, i.e. post covid. The figure suggests pessimism and low confidence in the Indian economy among consumers. Real personal consumer expenditure declined drastically with the onset of the global pandemic. Unlike previous recessions, consumer debt and long-term business cycle fluctuations did not factor in this recession. Factors of decline in general economic situations include falling house prices, leading to reduced wealth and confidence, as opposed to rising house prices enabling households to gain equity withdrawals. The pandemic has led to unprecedented government intervention in the economy, such as stimulus packages and support for businesses and individuals affected by the pandemic. (OECD, 2020)The uncertainty around the effectiveness and long-term impact of these policies has added to consumer pessimism about the overall economic outlook. A major factor was a fall in income and wages, which decreased consumer confidence. Unemployment was prevalent and discouraged consumers, and as more people exited the labour force, the unemployment rate increased.

Figure 2 draws a monthly evaluation and comparison of the months of 2019 and 2022 individually. Consumers' perceptions of the state of the economy were at their most upbeat in March 2019, which can be attributed in large part to the beginning of the Indian general elections in the months of March, April, and May. Due to financial and corporate crises, including the announcement of election result day, consumer optimism drastically decreased in May 2019. The election results matching the exit polls initially delighted the market, but the strong surge eventually resulted in profit-taking as the Sensex closed over 300 points lower, sliding as much as 1,500 points from its intraday high <sup>7</sup>.

The general economic situation of the consumer confidence index during and post-pandemic has been marked by a significant decline in consumer confidence, reflecting the overall economic impact of the COVID-19 pandemic. During the pandemic, consumer confidence declined sharply due to the widespread economic disruption caused by the pandemic. Lockdowns, social distancing measures, and reduced economic activity resulted in job losses, business closures, and reduced income for many individuals and families. The uncertainty surrounding the pandemic and its long-term impact on the economy also led to consumer pessimism and a decline in consumer spending. Consumer spending, a major source of economic activity, collapsed as the first wave of the pandemic swept across countries in early 2020. Suddenly, consumers were forced to change their behavior, companies to transform business models, and governments to adjust regulations <sup>8</sup>. Extreme uncertainty exacerbates the economy's downward plunge. According to the University of Michigan's Surveys of Consumers, US consumer sentiment has declined to an all-time low, and consumer uncertainty surrounding long-run inflation has hit its highest point in 30 years <sup>9</sup>.

Post-pandemic, consumer confidence has improved somewhat as vaccination programs have been rolled out and restrictions on economic activity have been lifted <sup>10</sup>. However, consumer confidence remains below pre-pandemic levels as the economy continues to recover from the pandemic's impact. The recovery has been uneven across different sectors of the economy, with some sectors, such as technology and e-commerce, experiencing growth while others, such as hospitality and travel, continue to struggle. The overall economic situation remains uncertain, with ongoing supply chain disruptions, inflationary pressures, and the potential for new virus variants to impact economic activity. Overall, the general economic situation of the consumer confidence index during and post-pandemic has been characterized by uncertainty, volatility, and the ongoing impact of the pandemic on the economy <sup>11</sup>.

### 3.2. Employment

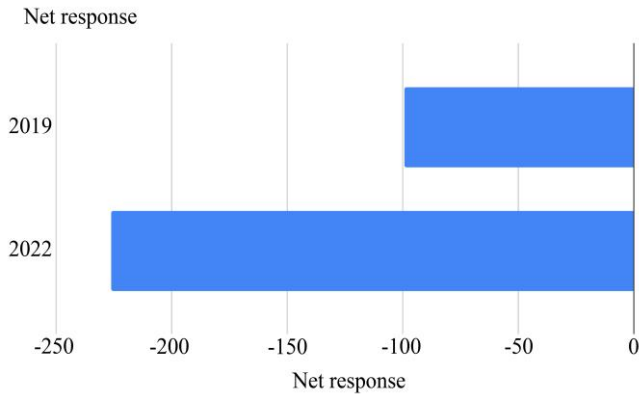


Fig. 3 Consumer confidence percentage underemployment in the years 2019 and 2022

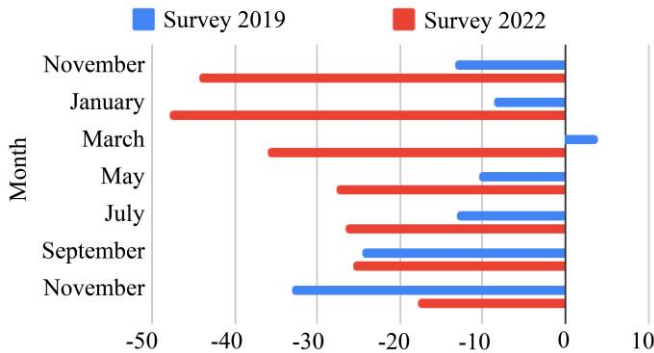


Fig. 4 Monthly Consumer confidence percentage underemployment in the years 2019 and 2022

Figure 3 evaluates the Consumer Confidence Index under the lens of employment. As depicted, a net decline of 99.3% was recorded in 2019. This survey, unsurprisingly, records a decline of 225.9% in 2022, indicating low optimism in the employment level in the economy<sup>12</sup>. According to the National Sample Survey Organisation, the unemployment rate 2019 was 5.27% and 8.3% in 2022. March 2019 records maximum optimism in employment due to the introduction of the annual Indian budget as well as the onset of the Indian General Election, increasing employment opportunities across the nation.

The COVID-19 pandemic has significantly impacted global economies, with many countries experiencing rising unemployment rates<sup>13</sup>. In India, the pandemic has led to a sharp increase in the unemployment rate. According to data from the National Statistical Office (NSO), the unemployment rate in India was at 7.8% in February 2020, just prior to the COVID-19 pandemic. However, by May-August 2020, the unemployment rate had increased to 20.8%, the highest level in recent years. In January 2020, just before the pandemic hit India, the CCI was at 105.6. However, by July 2020, it had plummeted to 53.8, representing a sharp decline in consumer confidence. This

increase was due to the widespread disruptions caused by the pandemic, including lockdowns and supply chain disruptions, which led to job losses in many sectors. As the government gradually eased restrictions and economic activity resumed, the unemployment rate started to decline.

The impact of unemployment on the broader economy can be significant, as it can lead to a decline in consumer confidence and spending. With fewer people employed, consumers may be more cautious about spending, which can impact businesses and the overall economy. As unemployment rates rose, consumers became more pessimistic about the economy's future, leading to a decline in the Consumer Confidence Index. In conclusion, the pandemic has significantly impacted India's unemployment rates and consumer confidence. As the Indian economy continues to recover from the pandemic, monitoring unemployment rates and their impact on consumer confidence will remain essential for policymakers and businesses alike.

### 3.3. Price Level

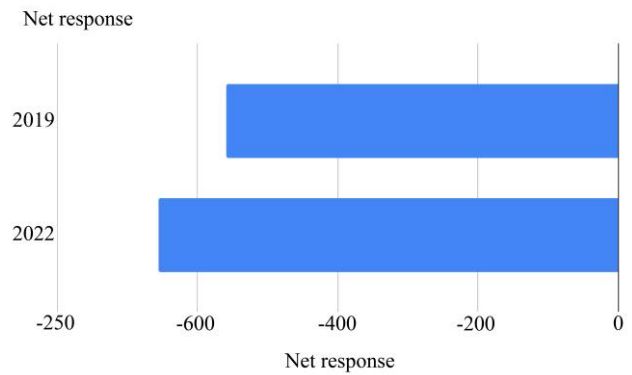


Fig. 5 Consumer confidence percentage under price level in the year 2019 and 2022

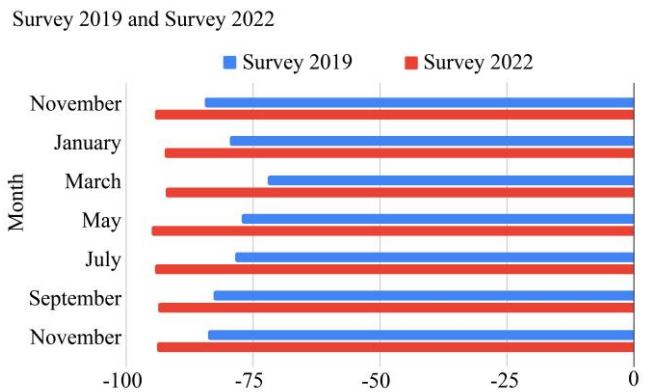


Fig. 6 Monthly Consumer confidence percentage under price level in the year 2019 and 2022

Figure 5 evaluates the effect of price level on the consumer confidence index. In 2019, i.e. pre-pandemic, the price level under consumer confidence stood at -558.3%. However, in 2022, this figure further decreased to -655.3%,



indicating levels of pessimism in consumers both pre and post-pandemic.

The COVID-19 pandemic has significantly impacted the prices of goods and services in India, with various sectors witnessing price changes due to supply chain disruptions, changes in demand, and other factors. These price changes have also impacted the Consumer Confidence Index (CCI) in India. A decline in the CCI indicates a decline in consumer confidence, which can have a significant impact on the overall economy. During the pandemic, the prices of essential goods, such as food and medicines, increased due to supply chain disruptions and higher demand. The prices of non-essential goods, such as clothing and consumer durables, saw a decline due to lower demand. The decline in prices of non-essential goods did not translate to a corresponding increase in consumer spending, however, as consumers were more cautious about spending due to uncertainty about the future. The RBI's Consumer Confidence Survey conducted in May 2022 showed that Indian consumers were still pessimistic about the price level. The survey indicated that around 61.8% of consumers expected prices to increase over the next year, while only 8.7% expected prices to decrease. Higher prices can lead to a decline in consumer confidence and spending, as consumers may feel that their purchasing power has declined. This can impact various sectors of the economy, such as retail and consumer goods, which rely heavily on consumer spending. However, if the price level remains stable or decreases, it can boost consumer confidence and spending, leading to economic growth. In conclusion, the COVID-19 pandemic has significantly impacted the price level of goods and services in India, which in turn has impacted the Consumer Confidence Index. The increase in prices of essential goods and the uncertainty around future price levels have led to a decline in consumer confidence, which can have a significant impact on the overall economy.

### 3.4. Income

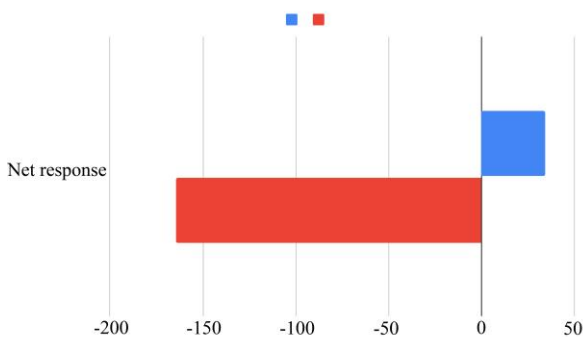


Fig. 7 Consumer confidence percentage under income in the year 2019 and 2022

Survey 2019 and Survey 2022

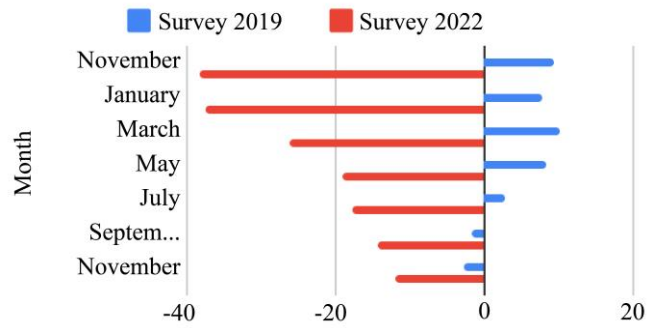


Fig. 8 Monthly Consumer confidence percentage under income in the year 2019 and 2022

Consumer Confidence through the lens of **income** can be evaluated in Figure 8. The income level pre-covid, i.e. 2019, is at 34.2%. However, post-covid, i.e. 2022, this figure declined to -164%, indicating pessimism in consumer confidence.

The COVID-19 pandemic has significantly impacted the income level of many individuals and families in India. Due to the lockdowns and other measures to control the virus spread, many businesses were forced to shut down or reduce their operations, leading to job losses and reduced work hours. This reduction in income has led to a decrease in consumer spending and a negative economic impact. The pre-pandemic CCI data in India showed that consumer confidence was closely linked to income levels, with higher-income households reporting higher confidence levels than lower-income households.

However, the post-pandemic CCI data shows a significant decline in consumer confidence across all income groups, with even higher-income households feeling pessimistic about the economic outlook. This suggests that the pandemic has had a widespread impact on consumer confidence, with many consumers feeling uncertain about their financial future regardless of their income level. While government stimulus packages and other support measures may have helped to alleviate some of the economic impacts of the pandemic, the long-term impact on consumer confidence remains uncertain.

Overall, the pandemic has highlighted the importance of income level on consumer confidence and the need for policymakers and businesses to consider the impact of economic disruptions on all income groups. Businesses and policymakers can make more informed decisions to support the economy and improve consumer confidence by understanding the factors influencing consumer confidence, including income level.

#### 4. Conclusion

The model recorded a total decline of 206.2% post-pandemic. It is observed that consumer confidence declined across all 4 macroeconomic parameters, although 1 case had optimism prior to the onset of the pandemic. This study highlights the importance of consumer confidence as an indicator of economic health. It underscores the need for ongoing research and analysis to understand better the complex interplay between consumer behavior, macroeconomic factors, and economic outcomes. This study will contribute to the existing literature on consumer confidence and economic health, providing valuable insights into the dynamics of consumer behavior during times of crisis. A nuanced understanding of consumer behavior and economic trends is essential for informing economic policy decisions, marketing strategies, and investment choices. Such insights shed light on the impact of the pandemic on consumer behavior and the overall economy. By examining consumer attitudes towards the economy, we can gain valuable insights into the factors that drive these attitudes. The COVID-19 pandemic has significantly influenced consumer behavior, with spending patterns, preferences, and priorities shifting. Consumers have become more cautious in

their spending, prioritizing essential goods and services while reducing discretionary spending. They have also shifted towards online shopping and digital platforms due to social distancing measures and lockdowns. Economic policies and marketing strategies need to adapt to these changes to address consumer needs and capture market opportunities effectively. Understanding the evolving consumer attitudes towards the economy, such as concerns about job security, income stability, and the availability of essential goods, is crucial for decision-making and tailoring responses accordingly. Furthermore, identifying the factors influencing these attitudes, such as government interventions, public health measures, and overall economic conditions, helps policymakers and businesses devise strategies that promote consumer confidence and economic recovery. By incorporating these nuanced understandings into decision-making processes, stakeholders can better navigate the dynamic landscape of consumer behavior and economic trends.

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