

Research on China's Consumer Behavior and Government Consumption Policy During the COVID-19 Pandemic

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Abstract: The existence of the novel coronavirus epidemic has severely restricted the offline consumption level of residents and stimulated enthusiasm for online consumption. Consumption preferences have changed, and the government has introduced policies to encourage consumption and support enterprise production. Through searching for data and policy information, this paper explores the changes in residents' consumption behavior after the epidemic and the government's policy to promote consumption. Thus, it can be concluded that residents' consumption behavior changes, namely, offline consumption decreases, online consumption increases substantially, consumption preferences changes, and total expenditure decreases significantly. In order to promote consumption, the government issued consumption coupons and other policies to promote consumer consumption and protect enterprise production.

Keywords: consumption behavior, the COVID-19, government policy, consumption voucher

1. Introduction

Since the outbreak of COVID-19 in late January 2020, it has had a huge impact on the global economy and society, including China. According to Fan, by early June 2020, the cumulative number of confirmed cases of COVID-19 had exceeded 6.9 million, with more than 400,000 deaths [1]. To effectively stop the epidemic, China has taken timely measures to effectively and quickly stop the spread of the epidemic, and at the same time, people's income has been greatly affected. China's economic development speed has been declining rapidly. In the context of the epidemic, residents cannot go out shopping, which severely limits their offline consumption level, but stimulates their enthusiasm for online consumption. Because of the convenience of online consumption and the diversification of options, more people who were previously unactivated begin to use the consumption mode of online purchase of products and services [2]. At the same time, people's consumption preferences have changed, favoring services such as health care and insurance. The government introduced policies to encourage consumption and support enterprise production. However, the severity of the pandemic has greatly affected overall consumption levels. In order to prevent great harm to the national economy, stimulate domestic demand and promote economic development, the government introduced policies to encourage consumption, issued consumption coupons to guarantee the survival of enterprises, improve employment and promote economic recovery. By collecting data and information through investigation, this paper studies residents'

consumption behavior during the epidemic and how the government promotes consumption, explores the impact of the epidemic on residents' consumption and how to restore and develop the economy, which will have important research significance for the study of residents' consumption behavior and the recovery of economic development.

2. Analysis of Consumer Behavior During COVID-19

This chapter will discuss the consumption behavior of Chinese consumers during the COVID-19 period. This section mainly focuses on three aspects of consumer behavior: consumption platform and payment method, consumer demand and consumer goods, and consumption quota.

2.1. Consumption Platforms and Payment Forms

The first step will be to explore the consumption behavior of residents during the pandemic. The first indication of residents' consumption behavior is the increase in online consumption caused by the epidemic. A recent study shows that in 2020, China's total retail sales of consumer goods reached 44.1 trillion yuan, of which online retail sales exceeded 12.8 trillion yuan, accounting for about 29% of the total consumption [2]. The proportion of e-commerce consumption continues to rise.

In 2021, China's online retail sales increased by 14.1 percent from the previous year to 13.1 trillion yuan. The outbreak of the epidemic has disrupted people's original lifestyle and changed their consumption behavior. Firstly, the isolation at home prevents people from going out for offline consumption, and they have a lot of time to browse the Internet. Meanwhile, the rapid development of online consumption platforms and the live streaming of Tik Tok promote residents' online consumption, which brings convenience to their lives. According to the survey, the number of people who had never watched live streamers decreased from 17.31% to 15.38% after the epidemic, the number of people who had seen live streamers but had not bought goods decreased from 53.85% to 32.69%, and the number of people who had seen live streamers and bought goods increased from 28.85% to 51.92% [2]. During the epidemic, the development of the live streaming and delivery industries greatly facilitated residents' lives, and the number of consumers' online consumption increased significantly.

Secondly, in order to avoid infection to the greatest extent during the epidemic, consumers would try to choose cash payment and pay through online payment platforms such as wechat and Alipay, which also promoted the development of online consumption to a certain extent [2].

Therefore, due to the isolation of a large number of consumers at home during the epidemic, the development of online trading platforms and the live delivery industry, and the use of cash by consumers to avoid offline contact, these three factors have all promoted consumers' choice of consumption platforms.

2.2. Consumption Demand and Goods

The second manifestation of the change in consumption behavior is the change in consumption demand of residents. The impact of the epidemic on the economic and social environment and consumer psychology are the main influencing factors for the decrease in consumer consumption [3]. Due to the outbreak of the epidemic, more and more consumers pay attention to their health, and most residents will increase the demand for medical and health care products, such as masks and disinfectants. After the outbreak of the epidemic, there was a significant downward trend in consumption, with the demand for daily consumer goods such as daily necessities and epidemic prevention materials rising, and the demand for luxury goods for tourism and entertainment falling.

According to Fan, in the first quarter of 2020, per capita expenditure on food, tobacco, and alcohol was 1,708 yuan, an increase of 2.1 percent, accounting for 33.6 percent of per capita consumption

expenditure. The per capita clothing consumption expenditure was 369 yuan, down 17.8%, accounting for 7.3% of the per capita consumption expenditure. The per capita consumption expenditure on daily necessities and services was 283 yuan, down 11.4%, accounting for 5.6% of the per capita consumption expenditure. The per capita spending on transportation and communications was 605 yuan, down 17.0 percent, accounting for 11.9 percent of per capita spending. The per capita spending on education, culture and entertainment was 350 yuan, down 36.1% and accounting for 6.9% of per capita spending. The per capita expenditure on medical and health care was 417 yuan, down 10.2%, accounting for 8.2% of per capita expenditure [1]. Overall, although overall consumption decreased significantly due to the impact of the epidemic, different consumption demands showed different changes. In a recent study Feng, He and Chen argued that food, health care products and other categories are growing as consumers pay more attention to safety and health and raise health awareness [4].

Although affected by the epidemic, consumers of daily necessities and services have reduced the number of activities such as going out shopping and dining, the overall situation is in decline. Traffic consumption declined due to the impact of the epidemic, such as road closures and city closures. Therefore, the consumption demand of residents has changed due to this influence, and the demand for medical care and health has increased.

2.3. Consumption Quota

The third manifestation of the change in consumption behavior is the decline in personal income, which leads to a decline in consumption. A recent study shows that in the first quarter of 2020, per capita disposable income was 8,561 yuan, down 3.9 percent in real terms. Among them, the per capita disposable income of rural residents was 4,641 yuan, a nominal growth rate of 0.9 percent year on year, and a real decline of 4.7 percent if deducting price factors. The per capita disposable income of urban residents was 11,691 yuan, a nominal growth rate of 0.5%, and a real decline of 3.9% after deducting price factors [1]. Income affects consumption, and there is a positive correlation between income and consumption expenditures.

With the decline in income, consumption will also decline. During the epidemic, the implementation of quarantine measures has limited the consumption power of some residents and affected the operation of businesses, which in turn has affected residents' wages and incomes. In particular, the consumption power of the tertiary industry is greatly affected. Travel, restaurants, hotels, shopping malls and so on have had a direct negative impact from people going out less and staying at home. At the same time, according to Li and Wu, residents are aware that their future income will be greatly reduced under the impact of the epidemic [5].

In order to ensure their future living standards, cash savings and other requirements, residents tend to consume rationally and reduce unnecessary expenditure, which affects their overall consumption. Therefore, the outbreak of the epidemic has affected the income and consumption of the population, especially the development of the tertiary industry, whose demand has been greatly reduced due to the epidemic prevention requirements. At the same time, the decrease of expected income, the incentive to save property and the rational propensity to consume are also due to the decline of income, which affects the decline of consumption.

3. Government Policy

In order to improve the problem of declining consumption and business difficulties in the face of the epidemic, the government has introduced relevant policies to promote consumption and protect businesses. First of all, we need to guarantee the consumption of residents. According to Zhang and Zeng, as social consumption demand is generally depressed during the epidemic, there is often a

catch-up phenomenon in the short term after the epidemic [6]. After the epidemic level off, residents' activities will increase, but the employment pressure, profit pressure, and economic pressure brought by the epidemic will also appear. The instability of income expectations may lead to a decrease of the consumption willingness of middle and low income people. Therefore, corresponding consumption policies should be introduced to enhance the consumption motivation of residents.

Specific measures include increasing the distribution of consumer coupons, strengthening security and relief for the low-income class and the unemployed, and guiding the unemployed to find new jobs. Secondly, use fiscal policy and monetary policy to reasonably guide demand. In terms of monetary policy, we should use various monetary policy tools to stabilize market supply on the basis of maintaining a stable price level. At the same time, we will increase support for infrastructure projects to support consumer demand and the development of private enterprises, small and micro businesses. From the perspective of fiscal policy, more proactive fiscal policies can be adopted to boost domestic demand, including allocating funds to key regions, key projects and major livelihood projects, so as to promote greater social benefits and social demand through effective investment. In addition, stabilizing the price level, implementing related supporting policies to promote consumption, improving residents' income, and guiding residents to upgrade their consumption through policies in view of structural changes in consumption are all behaviors that the government can implement to guide consumption. Therefore, the government should adopt timely policies to promote consumption, guarantee the development of enterprises and restore economic development when the epidemic eases.

The issue of a consumption coupon is a way for the government to promote consumption, and the following will focus on exploring the impact of this way of promoting consumption. According to Wang, consumption coupon is a tool for the government to implement economic policies [7]. It can be used to stimulate consumption, restore production, and also be used for social relief. In times of economic crisis or recovery, the government usually issues consumption to stimulate the economy. The government no longer adopts the paper consumption coupons of the past, but generally uses electronic consumption coupons, which are issued to residents by binding wechat and Alipay. This time, the e-coupon is issued regularly and quantitatively, requiring residents to "grab" the coupon on the relevant software, but there is an element of luck. The expiration date of the vouchers would encourage consumers to redeem them within a specified period of time, rather than convert them into cash savings, thus stimulating consumption in the short term [8]. As a result, this maximizes the marginal propensity to consume. At the same time, there is a social relief role. In Wuhan, Nanjing, Hangzhou and many other cities, there are special consumption coupons issued to low-income groups, which can relieve their economic pressure to a certain extent and promote consumption. Finally, compared with the government directly providing funds to enterprises, issuing consumer vouchers is more conducive to enterprises actively improving their management quality and attracting consumers to actively consume, which is of more positive significance to the long-term development of enterprises. However, there are also some problems, such as the risk of rising prices and inflation, the luck component, and the need to scramble for consumer coupons. The scope of application only covers chain enterprises, ignoring vendors, and the significance of using consumer coupons is not fully popularized. In short, vouchers helped boost consumption and protect businesses during the pandemic, but they also had adverse effects.

4. Conclusion

By exploring the consumption behavior of residents during the epidemic and how the government promotes consumption, this paper analyzes the impact of the epidemic on residents' consumption and how to recover and develop the economy. First of all, in terms of consumption behavior, the epidemic has led to an increase in online consumption, a decrease in offline consumption, a change in consumer

demand, a preference for medical, health, and insurance services, and a decline in consumer income. Secondly, in order to promote economic development, promote consumption and protect the development of enterprises, the government issues relevant policies, focusing on the analysis of consumption coupons. This method effectively promotes consumption but has some shortcomings. Finally, other approaches are still needed to further boost consumption and economic growth after the pandemic has subsided. To strengthen anti-epidemic defences, consolidate consumer confidence. It is necessary for the Chinese government and relevant departments to take corresponding measures according to the consumer psychology of residents, plan in advance, give reasonable guidance, and create a safe and assured consumption environment. Secondly, we need to stabilize employment and investment. Under the impact of the epidemic, enterprises are prone to break the capital chain and go bankrupt. Therefore, it is necessary to provide financial support for enterprises in credit, relieve the liquidity pressure of enterprises, and appropriately reduce the loan interest rate to reduce the capital cost of enterprises, so as to improve their investment willingness. Finally, different consumption structures take various measures. For the growing consumer industries, we should seize the opportunity to increase the supply of labor and capital and promote further growth. For the declining industries, we should appropriately reduce labor and capital input and actively seek coordinated development channels with other industries.

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