

Pandemic, Shutdown and Consumer Spending: Lessons from Scandinavian Policy Responses to COVID-19

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Introduction

What are the costs of social distancing laws in terms of lost economic activity?

Empirically challenging to disentangle the effects of :

- the virus itself
- the policy measures aiming to contain it

Key identification problem: social distancing measures correlate strongly with infection risk by design

Our findings:

- contraction mostly due to the virus (not the shutdown)
- shutdowns may *increase* activity of high-risk groups

Empirical strategy

We use transaction data from large Scandinavian bank (860.000 customers) to compare dynamics in consumer spending in Denmark and Sweden

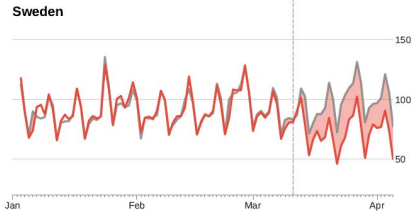
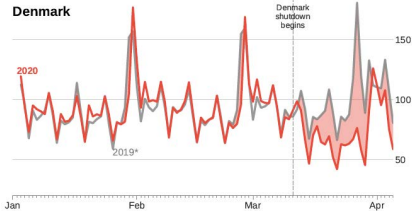
- initially exposed to the virus in the same way
- social distancing laws only in Denmark

Actual spending behavior in Sweden identifies counterfactual spending behavior in Denmark absent social distancing laws

We interpret the *differential* spending drop in Denmark as the causal effect of mandated social distancing

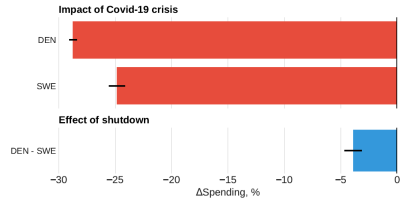
Results

Aggregate spending started falling in DNK and SWE at the same time although only DNK was shut down...



*2019 values at same weekday

Aggregate spending drop was similar in DNK (29%) and SWE (25%)



Spending fell less in DNK than SWE among the elderly (high health risk)

