Beliefs Under Lockdown: Causal Evidence on Inflation Expectations from China

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Abstract

This paper investigates household inflation expectations and the effect of information treatments using the first nationally representative survey of inflation expectations in China. Conducted during the COVID-19 pandemic, the study leverages unique spatial variation in local lockdown policies to identify the causal impact of policy environment on expectation formation. We find that Chinese households systematically overestimate inflation, but respond to information treatments in a manner consistent with Bayesian updating. Households in lockdown exhibit higher inflation expectations but respond more strongly to policy-based information, particularly China's inflation target, suggesting greater trust in government institutions. By contrast, households not in lockdown are more sensitive to negative economic news. Our findings contribute to the literature on macroeconomic expectations by offering new data and evidence from a developing country with a deflationary environment and heterogeneous policy exposure. The study also provides methodological lessons for conducting expectation surveys in developing economies and bridges the literature on expectation distributions with randomized control trial approaches.

[1]Fan: Renmin University of China; Puig & Sheng: American University. We thank Olivier Coibion and Yuriy Gorodnichenko for detailed comments and discussions on the survey design. The authors attest that they have nothing to disclose.

1 Introduction

This research investigates household macroeconomic expectations and the impact of information treatments using the first nationally representative expectations survey in China. The study capitalizes on China's unique policy environment, notably the geographic variation in lockdown policies during the COVID-19 pandemic, to identify the causal impact of lockdown exposure on household expectations. Three key features distinguish this survey and setting:

- It is conducted in a developing country, contrasting the extensively documented studies based in developed economies and offering novel insights on emerging market contexts.
- It captures a distinct macroeconomic environment. China faced deflationary concerns during the survey period, in contrast to the inflationary pressures in most countries covered in the existing literature.
- The localized lockdown policies, where some cities were under restrictions while others were not, provide natural spatial variation that enables causal identification of how information treatments influence expectations under different policy conditions.

This study contributes to the growing literature that uses randomized control trials (RCTs) to analyze the effects of information provision such as central bank communications on inflation expectations and consumption behavior (Lamla and Vinogradov 2019; D'Acunto et al. 2021; Coibion et al. 2022; Coibion et al. 2023a; Coibion et al. 2023b; Dräger et al. 2024). These studies consistently find that households update their macroeconomic expectations in response to new information. In our case, we show that Chinese household responsiveness to treatments varies significantly with their lockdown status, underscoring the importance of context in expectation formation.

Our findings offer new perspectives on how environmental conditions shape expectation formation and responses to information, contributing to the broader literature on expectations during uncertain times (Dräger et al. 2016; Dräger et al. 2024). Our study is particularly related to Coibion et al. (2025), which analyzes how lockdown status affected U.S. household expectations in early 2020. Whereas Coibion et al. (2025) find that lockdowns lowered inflation expectations and raised uncertainty, we find the opposite pattern in mid-pandemic China: lockdowns were associated with higher inflation expectations and greater confidence.

Our work introduces a new source of high-quality, nationally representative survey data from China, a country that remains largely understudied in the macroeconomic expectations RCT literature. While most prior studies focus on the U.S. and European countries (Coibion et al. 2022; Coibion et al. 2023a; Dräger et al. 2024), only one existing RCT explores Chinese household expectations (An et al. 2023). An et al. (2023) focuses on gas prices following the war in Ukraine in four major cities of China. In contrast, our study leverages nationwide sampling and covers a broader range of macroeconomic topics.

This project also delivers methodological contributions by offering practical lessons for conducting expectation surveys in developing countries, addressing issues such as sampling biases, age representation, and question design.

Finally, this work bridges the literature on expectation modality and policy communication (Mankiw et al. 2003; Baker et al. 2020; Adrian et al. 2021) by showing how information

treatments and environmental context (lockdowns) jointly shape the distribution of expectations.

2 Survey Design

We use data from the Survey of Household Inflation Expectations in China – the first of its kind to be implemented nationwide. This is a collaboration between American University and Renmin University of China. The survey, conducted via WeChat (China's most widely used online platform), was administered in May and June 2022. It collects rich demographic and economic data from a representative sample of 5,989 respondents.

The survey is designed to elicit perceptions and expectations regarding price changes and spending behavior. It includes a set of randomized information treatments about the U.S. economy, Chinese inflation policy, and COVID trends. Pre- and post-treatment questions enable us to identify treatment effects on expectations.

Although our sample overrepresents younger and more educated individuals, we construct weights to improve national representativeness, adjusting by gender, age, education, and urban residence.

2.1 Lessons for Surveys in Developing Countries

Our experience in China yields practical lessons for survey implementation in developing economies:

- Reaching older respondents remains a challenge in online surveys. Even when using a dominant platform like WeChat, older households are underrepresented. Sampling weights are necessary but may not fully correct for this bias.
- Question design must consider respondent familiarity with statistical concepts. For example, when we used probability-based questions to elicit inflation expectations, many responses were unusable. Switching to point estimates greatly improved data quality. This highlights the need for simplified formats in contexts where respondents may not be accustomed to probabilistic thinking.

2.2 Identification of Lockdowns

The survey was administered during a period when Chinese lockdowns were implemented locally, not nationally. This geographic variation enables a quasi-experimental identification strategy. Among respondents, 62.2% were not in lockdown, 21.3% had recently exited lockdown, and 16.5% were currently in lockdown.

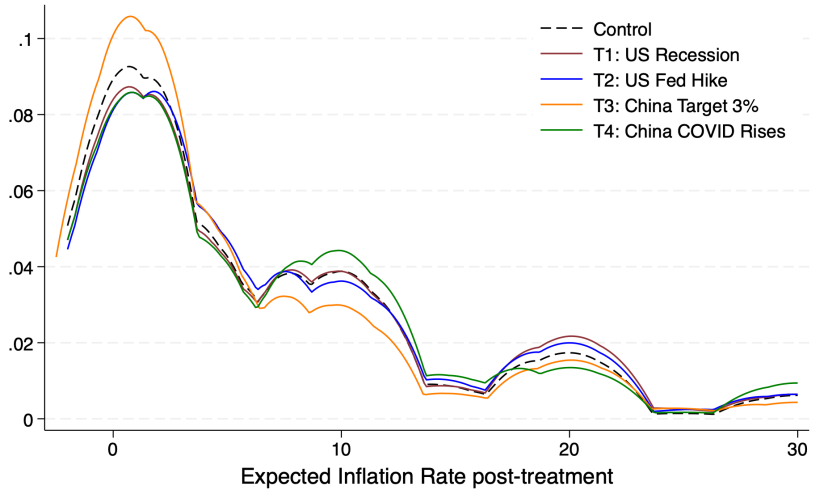
We find that lockdowns alter both work behavior and economic expectations. Those in lockdown report reduced working hours and productivity. For example, productivity dropped for one-third of respondents, and hours worked declined by 2-3 hours on average during lockdowns. These real economy effects are important for interpreting changes in expectations.

3 Expectations and Information Treatments

Chinese households tend to overestimate inflation. In June 2022, while actual CPI inflation was 2.5%, average perceived inflation was over 5%, and expected inflation was about 4.2%. This overestimation is consistent with prior findings in other countries.

Respondents were randomly assigned to five groups: one control group and four treatment groups. Treatments included information on (1) U.S. recession risk, (2) U.S. interest rate hikes, (3) China's inflation target, and (4) rising COVID cases in China. These allow us to evaluate how different types of macroeconomic news influence inflation expectations.

Figure 1: Distribution of post-treatment inflation expectations



Note: Figure shows the kernel densities of post-treatment inflation expectations by treatment group. Plot uses sample weights.

We observe that the distribution of expectations is multi-modal, with common modes at 3%, 10%, and 20%, suggesting deep disagreement among households (see Figure 1). However, when provided with the official inflation target (Treatment 3), expectations shift toward the policy value, illustrating the power of targeted policy communication (Adrian et al. 2021).

3.1 The Effect of Information Treatments

To estimate the causal impact of treatments, we exploit variation in treatment assignment and lockdown status using the following regression:

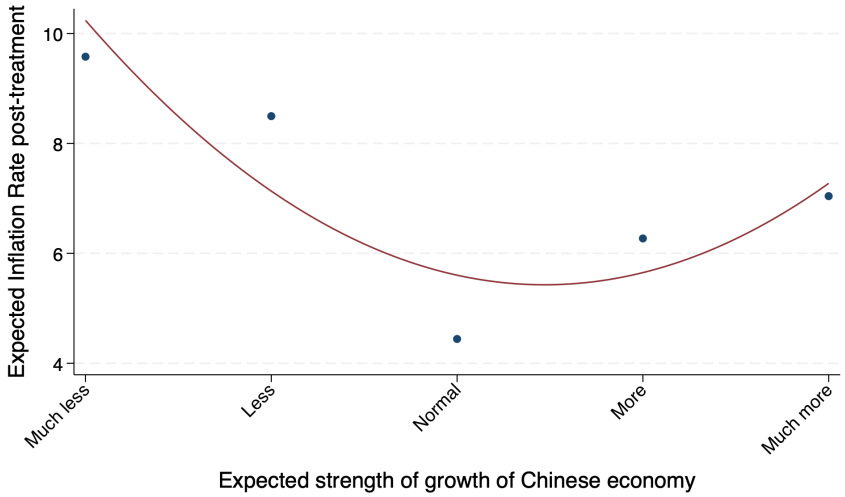
$$\begin{aligned}\pi_{j,post} = \alpha + \sum_{k=2}^{5} \beta_k T_{j,k} + \delta \pi_{j,prior} + \sum_{k=2}^{5} \gamma_k T_{j,k} \times \pi_{j,prior} + \phi Lockdown_j \\ + \sum_{k=2}^{5} \zeta_k T_{j,k} \times Lockdown_j + \boldsymbol{X_j}\boldsymbol{\psi} + \epsilon_j,\end{aligned} \tag{1}$$

where $\pi_{j,post}$ and $\pi_{j,prior}$ are post-treatment and prior inflation expectations, respectively, of each respondent j. The four information treatments are captured by $T_{j,k}$ relative to the control. We estimate differences in behavior between lockdown groups with the *Lockdown* indicator variable – equal to 1 if the respondent was recently or is currently in lockdown and 0 if not in lockdown. The vector of control variables, $\boldsymbol{X_j}$, includes a quadratic polynomial in age and indicator variables for sex, college education, urban residence, and employment. Table 1 presents the preliminary results:

- Households update their expectations in a Bayesian manner, reacting more strongly to domestic policy signals (inflation target) than to international or general news.
- Those in lockdown show a stronger belief in policy credibility. Their expectations decrease more after receiving information on the inflation target, suggesting greater institutional trust, potentially shaped by more direct exposure to strong government intervention.
- In contrast, non-lockdown households react more to "bad news" about the economy, likely due to heightened surprise or uncertainty.

3.2 (In)consistency with Economic Theory

Figure 2: Inflation expectations versus economic growth expectations



Note: Figure shows binscatter plot of expectations of inflation post-treatment and economic growth. Expectations of growth are elicited in reference to normal growth. Plot uses sample weights.

We explore how expectations relate to perceptions of economic growth. In theory, higher inflation expectations should be associated with higher growth expectations (Dräger et al. 2016). However, as shown in Figure 2, we observe a V-shaped pattern: individuals with the highest and lowest inflation expectations anticipate the most extreme changes in growth,

both positive and negative. This inconsistency likely reflects the confusion introduced by supply shocks during the pandemic.

4 Next Steps

We plan to expand the analysis in the following ways:

- Further explore heterogeneity in household beliefs, including employment, income, and spending expectations.
- Estimate behavioral spending responses using instrumental variable regressions, following Coibion et al. (2023a).
- Develop a general equilibrium model that incorporates lockdown dynamics to rationalize the empirical findings on inflation expectations.

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Table 1: Treatment effects on inflation expectations

	Post-treatment inflation expectations					
	Overall sample		Extensive margin		Intensive margin	
	(1)	(2)	(3)	(4)	(5)	(6)
USRec	1.086**	0.714**	0.064	0.163	2.168***	1.022***
	(0.445)	(0.294)	(0.045)	(0.115)	(0.778)	(0.383)
USHike	0.926**	0.423	0.077*	0.196*	1.049	0.290
	(0.450)	(0.264)	(0.044)	(0.114)	(0.791)	(0.343)
CTarget	0.063	-0.069	0.049	0.125	-0.085	-0.164
	(0.421)	(0.264)	(0.045)	(0.116)	(0.761)	(0.355)
CCOVID	1.127**	0.497*	0.044	0.114	2.224***	0.688*
	(0.495)	(0.301)	(0.046)	(0.117)	(0.818)	(0.403)
π_{prior}	0.633***	0.712***	0.009***	0.024***	0.338***	0.378***
	(0.040)	(0.026)	(0.003)	(0.007)	(0.055)	(0.025)
USRec $\times$ π_{prior}	-0.055	-0.023	-0.005	-0.013	-0.170**	-0.156***
	(0.059)	(0.040)	(0.004)	(0.010)	(0.077)	(0.037)
USHike $\times$ π_{prior}	-0.029	0.019	-0.005	-0.012	-0.023	-0.120***
	(0.058)	(0.035)	(0.004)	(0.010)	(0.080)	(0.038)
CTarget $\times$ π_{prior}	-0.081	-0.087**	-0.001	-0.002	-0.082	-0.231***
	(0.062)	(0.041)	(0.004)	(0.010)	(0.079)	(0.036)
CCOVID $\times$ π_{prior}	-0.035	-0.010	-0.005	-0.014	-0.113	-0.100***
	(0.064)	(0.039)	(0.004)	(0.010)	(0.083)	(0.039)
Lockdown	0.844	0.546*	0.037	0.094	1.595*	-0.003
	(0.515)	(0.331)	(0.045)	(0.115)	(0.893)	(0.401)
USRec $\times$ Lockdown	-0.389	-0.295	-0.003	-0.008	-0.636	0.443
	(0.752)	(0.476)	(0.063)	(0.162)	(1.265)	(0.588)
USHike $\times$ Lockdown	-1.240*	-1.019**	-0.091	-0.231	-1.908	0.195
	(0.741)	(0.443)	(0.063)	(0.161)	(1.351)	(0.558)
CTarget $\times$ Lockdown	-1.280*	-0.690	0.001	0.000	-2.913**	-0.208
	(0.690)	(0.467)	(0.063)	(0.162)	(1.135)	(0.517)
CCOVID $\times$ Lockdown	-1.460*	-0.487	-0.033	-0.085	-2.880**	-0.137
	(0.786)	(0.475)	(0.064)	(0.164)	(1.318)	(0.595)
Constant	-1.883*	-1.266*	0.682***	0.463*	-0.583	0.825
	(1.070)	(0.746)	(0.103)	(0.263)	(1.864)	(0.929)
N	5,181	5,174	5,181	5,181	2,637	2,536
Adj. R^2	0.430	0.599	0.017		0.119	0.268
Pseudo R^2				0.015		
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Model	OLS	Huber	OLS	Probit	OLS	Huber

Note: The Table presents estimates of post-treatment inflation expectations for the overall sample and the intensive margin, which is the sample conditional on an update in expectations post-treatment (Dräger et al. 2024). Columns 3-4 display estimates of the likelihood of an update in expectations in the overall sample. Regressions use sampling weights. We employ several methods to control for outliers in our sample. First, we truncate all inflation expectations at the 5th and 95th percentiles so that they lie within the range of -5% to 30%. Second, we present estimates of both OLS and Huber (1964) robust regressions that systematically control for outliers following Coibion et al. (2022). Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

A Appendix: Survey Questionnaire

This survey was conducted in Mandarin. The questionnaire is translated into English below.

This survey is conducted on behalf of School of Economics, Renmin University of China. We want to learn about your perceptions and expectations about price changes. This survey takes about 10 minutes. Your responses are strictly confidential.

Part A: Background Information

1. Your gender?
   (a) Male
   (b) Female
2. Your age?
   _____
3. Your education background?
   (a) Middle school or less
   (b) High school
   (c) College or more
4. Residence over the past 12 months?
   (a) Local town or local city
   (b) Local village
5. Do you have a paid job?
   (a) Yes *(go to Q6)*
   (b) No *(go to Q10)*
6. Your personal monthly income?
   (a) less than ¥2000
   (b) ¥2000 to ¥4999
   (c) ¥5000 to ¥9999
   (d) ¥10000 or above
7. In your current job, do you... Please select all that apply.
   (a) Make decisions about hiring/firing workers
   (b) Make decisions about what prices to set
   (c) Make decisions about capital expenditures

(d) Make decisions about wages/salaries

(e) Make decisions about marketing or sales

(f) None of the above *[EXCLUSIVE]*

8. In your current job, do you supervise other people

   (a) Yes *(go to Q9)*

   (b) No *(go to Part B)*

9. How many people do you supervise?

   (a) Supervise 1 to 10 other people

   (b) Supervise 11 to 50 other people

   (c) Supervise more than 50 other people

10. Are you looking for a job now?

    (a) Yes *(go to Part B)*

    (b) No *(go to Q11)*

11. Here are a number of possible reasons why people who are not working choose not to look for work. Please select all that apply to you.

    (a) Homemaker

    (b) Raising children

    (c) Student

    (d) Retiree

    (e) Disabled, health issues

    (f) No financial need

    (g) Temporarily laid-off (expect to be recalled with the next 6 months)

    (h) Temporarily laid-off (do not expect to be recalled with the next 6 months)

Part B: Views on changes in price level in the past 12 months

The following questions will ask you about percent changes of things in the past.

12. Over the past 12 months, do you think overall prices in the economy

    (a) have gone up *(go to Q13)*,

    (b) have stayed the same, or *(go to Q15)*

    (c) have gone down *(go to Q14)*?

13. Over the past 12 months, by what percentage do you think overall prices in the economy have gone up?
_____ % *(go to Q15)*

14. Over the past 12 months, by what percentage do you think overall prices in the economy have gone down?
_____ %

15. Over the past 12 months, do you think food prices

    (a) have gone up *(go to Q16)*

    (b) have stayed the same, or *(go to Q18)*

    (c) have gone down *(go to Q17)*?

16. Over the past 12 months, by what percentage do you think food prices have gone up?
_____ % *(go to Q18)*

17. Over the past 12 months, by what percentage do you think food prices have gone down?
_____ %

18. What inflation rate do you think national authorities are trying to achieve?
_____ %

Part C: Expectations of changes in price level in the future

19. Over the next 12 months, do you think overall prices in the economy

    (a) will go up *(go to Q20)*

    (b) will stay the same, or *(go to Q22)*

    (c) will go down *(go to Q21)*?

20. Over the next 12 months, by what percentage do you think overall prices in the economy will go up?
_____ % *(go to Q22)*

21. Over the next 12 months, by what percentage do you think overall prices in the economy will go down?
_____ %

22. On a scale ranging from 1 to 10, how confident are you in your prediction where 1 denotes not confident at all, and 10 denotes extremely confident?
_____

23. Over the next 12 months, do you think food prices

    (a) will go up *(go to Q24)*

(b) will stay the same, or *(go to Q26)*

(c) will go down *(go to Q25)*?

24. Over the next 12 months, by what percentage do you think food prices will go up? _____ % *(go to Q26)*

25. Over the next 12 months, by what percentage do you think food prices will go down? _____ %

Part D: About the impact of lockdowns

26. Are you currently in lockdowns?

(a) Yes *(go to Q27)*

(b) No *(go to Q33)*

27. How long has been the lockdowns till today?

(a) within a week

(b) between 1-2 weeks

(c) between 2-3 weeks

(d) between 3-4 weeks

(e) more than 4 weeks

28. When, do you think, the lockdowns will end?

(a) within a week

(b) between 1-2 weeks

(c) between 2-3 weeks

(d) between 3-4 weeks

(e) more than 4 weeks

(f) Don't know

29. Imagine that your community were not in lockdown, would you change your forecasts for "overall prices in the economy over the next 12 months"?

(a) Yes *(go to Q30)*

(b) No *(go to Part E)*

30. In that case, over the next 12 months, if your community were not in lockdown, do you think overall prices in the economy

(a) would go up *(go to Q31)*

(b) would stay the same, or *(go to Part E)*

(c) would go down *(go to Q32)*?

31. Over the next 12 months, if your community were not in lockdown, by what percentage do you think overall prices in the economy would go up?
_____ % *(go to Part E)*

32. Over the next 12 months, if your community were not in lockdown, by what percentage do you think overall prices in the economy will go down?
_____ % *(go to Part E)*

33. Has your community been in lockdown in the last 60 days?

    (a) Yes *(go to Q34)*

    (b) No *(go to Q44)*

34. Did you have a paid job during the lockdown?

    (a) Yes *(go to Q35)*

    (b) No *(go to Part E)*

35. During the lockdown, were you able to work

    (a) from home

    (b) at your usual place

    (c) at other places

36. How many hours did you work at home during the lockdown period relative to how many hours you had worked before the lockdown?

    (a) Fewer hours *(go to Q37)*

    (b) About the same amount of hours *(go to Q39)*

    (c) More hours *(go to Q38)*

37. Approximately how many fewer hours per week would you say you worked during the lockdown compared to before the lockdown?
_____ hours per week *(go to Q39)*

38. Approximately how many more hours per week would you say you worked during the lockdown compared to before the lockdown?
_____ hours per week

39. How many hours per day had you previously spent on commuting to work before the lockdown?

    (a) Less than 1 hour

    (b) Between 1 and 2 hours

    (c) Between 2 and 3 hours

(d) More than 3 hours

40. When working from home, were you more productive, less productive, or about the same as you had been before the lockdowns?

    (a) Less productive *(go to Q41)*

    (b) About the same productivity *(go to Q43)*

    (c) More productive *(go to Q42)*

41. Approximately how much less productive were you while working from home during the lockdown? Please select your answer, expressed in percentage terms.

    (a) 1%-20%

    (b) 21%-40%

    (c) 41%-60%

    (d) 61%-80%

    (e) 81%-99%

    (go to Q43)

42. Approximately how much more productive were you while working from home during the lockdown? Please select your answer, expressed in percentage terms.

    (a) 1%-20%

    (b) 21%-40%

    (c) 41%-60%

    (d) 61%-80%

    (e) 81%-99%

    (f) More than 100%

43. After the lockdown ended, how many days per week would you ideally like to continue working from home?
    _____ days *(go to Part E)*

44. Imagine that your community were in lockdown, would you change your forecasts for "overall prices in the economy over the next 12 months"?

    (a) Yes *(go to Q45)*

    (b) No *(go to Q48)*

45. In that case, over the next 12 months, if your community was in lockdown, do you think overall prices in the economy

    (a) would go up *(go to Q46)*,

(b) would stay the same, or *(go to Q48)*

(c) would go down *(go to Q47)*?

46. Over the next 12 months, if your community was in lockdown, by what percentage do you think overall prices in the economy would go up?
_____ % *(go to Q48)*

47. Over the next 12 months, if your community was in lockdown, by what percentage do you think overall prices in the economy would go down?
_____ %

48. Do you have a paid job?

(a) Yes *(go to Q49)*

(b) No *(go to Part E)*

49. How many hours have you been working recently relative to when lockdowns started being applied in some parts of China recently?

(a) Fewer hours *(go to Q50)*

(b) About the same amount of hours *(go to Q52)*

(c) More hours *(go to Q51)*

50. Approximately how many fewer hours per week would you say you have been working recently compared to before lockdowns started being put in place in China recently?
_____ hours per week *(go to Q52)*

51. Approximately how many more hours per week would you say you have been working recently compared to before lockdowns started being put in place in China recently?
_____ hours per week

52. How many hours per day do you typically spending on commuting to work?

(a) Less than 1 hour

(b) Between 1 and 2 hours

(c) Between 2 and 3 hours

(d) More than 3 hours

53. Since recent lockdowns have been imposed in some parts of China, are you more productive, less productive, or about the same as you were before the lockdowns?

(a) Less productive *(go to Q54)*

(b) About the same productivity *(go to Q56)*

(c) More productive *(go to Q55)*

54. Approximately how much less productive have you been while working since the lockdown? Please select your answer, expressed in percentage terms.

    (a) 1%-20%
    (b) 21%-40%
    (c) 41%-60%
    (d) 61%-80%
    (e) 81%-99%

    (go to Q56)

55. Approximately how much more productive have you been while working since the lockdown? Please select your answer, expressed in percentage terms.

    (a) 1%-20%
    (b) 21%-40%
    (c) 41%-60%
    (d) 61%-80%
    (e) 81%-99%

56. How many days per week would you ideally like to work from home if that was possible for your job?
    _____ days

Part E: Information Treatments

[Randomly assign respondents to five equally sized groups:]

Group 1: *Control group, goes straight to Q57.*
Group 2: The probability of a recession in the United States over the next year is estimated to be about 40%. *(go to Q57)*
Group 3: The U.S. central bank has raised interest rates rapidly in recent months (by 1.5 percentage points), raising fears of a slowdown in the U.S. economy over the next year. *(go to Q57)*
Group 4: The national legislature has set a target for inflation in China to be 3% in 2022. *(go to Q57)*
Group 5: The Institute for Health Metrics and Evaluation (IHME) projects that the daily number of deaths from Covid is China will rise from about 3 per day to over 300 per day by November 2022. *(go to Q57)*

Part F: Follow-up questions

57. Do you think overall prices in the economy over the next 12 months

    (a) will go up *(go to Q58)*

(b) will stay the same, or *(go to Q60)*

(c) will go down *(go to Q59)*?

58. Over the next 12 months, by what percentage do you think overall prices in the economy will go up?
_____ % *(go to Q60)*

59. Over the next 12 months, by what percentage do you think overall prices in the economy will go down?
_____ %

60. On a scale ranging from 1 to 10, how confident are you in your prediction where 1 denotes not confident at all, and 10 denotes extremely confident?
_____

61. In the next 12 months, which of the following do you plan to purchase? (Select all that apply.)

(a) A house

(b) A car

(c) A computer

(d) A television

(e) A refrigerator

(f) A cellphone

(g) None of the above

62. Over the next 12 months, do you expect your typical monthly spending to

(a) increase *(go to Q63)*

(b) stay the same, or *(go to Q65)*

(c) decrease *(go to Q64)*?

63. Over the next 12 months, by how much your typical monthly spending will increase?
_____ % *(go to Q65)*

64. Over the next 12 months, by how much your typical monthly spending will decrease?
_____ %

65. How strongly do you expect the Chinese economy to grow over the next twelve months?

(a) much more strongly than normal

(b) more strongly than normal

(c) normal

(d) less strongly than normal

(e) much less strongly than normal

66. Over the next 12 months, do you expect your income to

    (a) increase *(go to Q67)*

    (b) stay the same, or *(go to Q69)*

    (c) decrease *(go to Q68)*?

67. Over the next 12 months, by how much your income will increase?
    _____ % *(go to Q69)*

68. Over the next 12 months, by how much your income will decrease?
    _____ %

69. Please confirm again whether you have a paid job now

    (a) Yes *(go to Q70)*

    (b) No *(go to End)*

70. How likely is it that you will lose your job over the next 12 months? Please give your answer on a scale from 1 (no chance of losing job) to 10 (certain to lose job)
    _____

We sincerely thank you for your time and cooperation.