

Housing Shock and Online Consumption

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Abstract

This study uses comprehensive transactions data of the largest e-commerce website in China from October 2016 to December 2018 to measure the impact of housing price appreciation on household online consumption at the individual level. To address the severe challenges faced by existing literature due to the non-random nature of housing price changes, this study investigates a unique institutional setting in China and uses the announcement of the newest special economic zone as an exogenous shock to the housing price. The study focuses on three areas of interest. First, we investigate how exogenous and unanticipated wealth shocks impacts the household online consumption behaviors. Second, we study the dynamic change of online consumption behaviors before and after the housing shock, and determine whether the behavioral responses persist in the long run. Third, we study the underlying mechanisms through which the housing shock affects consumption behaviors. In particular, we attempt to disentangle three possible mechanisms: income effects, collateral effects, and housing wealth effects.

Keywords: Housing price, wealth effects, collateral effects, online consumption, China

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