ISSN(Print) : 3105-7357
ISSN (Online) : 3105-7365

RESEARCH ARTICLE

Social Thought and Policy Review
Volume: 01 Issue: 02(2023)

OPEN ACCESS

The Relationship Between Inflation and Household Consumption Patterns

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Receive Date: September 12, 2023, **Revise Date:** October 18, 2023, **Accept Date:** November 13, 2023, **Available Online:** December 31, 2023

ABSTRACT

This study investigates the relationship between inflation and household consumption patterns using a mixed-methods approach that integrates econometric analysis with qualitative thematic assessment. Drawing on data from 45 countries between 2018 and 2021, inflation is measured using consumer price indices, while household consumption is evaluated through expenditure indices, income levels, and savings rates. Panel regression and two-stage least squares estimations reveal that rising inflation significantly reduces real household consumption and savings, with the effects varying across income groups and regions. Households in low- and middle-income countries experienced sharper declines in discretionary spending and increased allocation toward necessities, while higher-income households adjusted by shifting consumption timing or substituting toward durable goods. Regression results also confirmed that inflation erodes household savings buffers and amplifies vulnerability, with institutional quality and monetary policy credibility moderating the magnitude of these impacts. Complementary qualitative evidence from consumer surveys and policy reports highlights coping strategies, such as debt-financed purchases and accelerated spending, underscoring the behavioral dimension of inflationary responses. The integration of these findings demonstrates that inflation not only reduces real purchasing power but also reshapes household consumption baskets, savings behavior, and financial vulnerability. The study concludes that inflation has heterogeneous, context-specific effects, with implications for inequality, welfare, and policy. Policymakers must focus on enhancing monetary policy credibility, designing targeted social protection systems, and ensuring accessible but sustainable credit markets to protect household welfare under inflationary pressures.

KEYWORDS: *Inflation, Household Consumption, Savings Behavior, Monetary Policy, Inequality, Mixed-Methods*

INTRODUCTION

To be able to undertake the right macroeconomic policies and budget to spend money in a way that will bring social good, a person should understand how inflation impacts people who use money. Long-term overall increase in the price level because of inflation and variations in the amount of money that individuals need to spend and in the way they choose to allocate the money to various goods and services (Tremblay, 2021). The indirect effects of inflation have never been overlooked since economists and policy makers had always been interested in the various consumption baskets, income levels, and expectations dynamics. Empirical studies of both developing and high-technology economies have shown that inflation is likely to slow consumer expenditures through a decrease in real income. Tremblay (2021) shows that with panel data on 10 emerging-market economies that suggest the negative impact of price increase on purchasing power, the correlation between inflation and actual household consumption is statistically significant. In the same case, Olusola (2020) asserts that inflation has a negative long-term impact on what individuals can afford in various forms of consumption, particularly among households, which are economically disadvantaged in Ghana. Based on life-cycle models, Altig and others (2021) assert that the current trend of increasing the rate of inflation will reduce median lifetime consumption by approximately 6.8 percent in the United States. This applies particularly to middle aged and wealthier households. This means that different groups of people and income groups are not influenced by inflation in the same way. One of the aspects that dictate how individuals will spend their money at the point of upturn in the market is consumer feeling as well. The soaring prices of the epoch of the epidemic not only damaged the confidence of the population, as the Bank for International Settlement (De Fiore, 2021) notes, but also, simultaneously, diminished the expenditure during the time when the inflation rate begins to fall. Schnorpfeil (2023), also remarks, that household inflation expectations are rather of a mediating variable. The expectation of inflation in the household is mostly responsive to the effect that it adjusts the household spending and allocation of debt either by boosting spending in the current period or by boosting their mind of their real wealth by increasing debt. The other is how the inflation disperses the money in one form or another. Ferreira et al. (2020) note that the three major mechanisms involve inflation reducing real wages and benefits, shifting the purchasing power of the lenders to the borrowers (Fisher effect), and having mixed impacts on households, depending on what they put in their consumption basket. What these dynamics demonstrate is that there are no homogenous households insofar as the impact of inflation is concerned but rather interacts with financial, structural, and institutional situations.

The behavioural responses compound the consumption responses caused by inflation. Bohn and Duan (2021) write about how the rise in the price of necessities (food, fuel, and health services) would affect lower-income households (those spending a large fraction of their income on necessities). This forces them to reduce discretionary expenditure much more than their more well off counterparts. The heterogeneity is augmented by cross-country analyses. In discussing the different impacts of inflation-targeting regimes on household consumption, in both developed and developing economies, McCloud (2020) finds that credible monetary policy can cushion household consumption downturns. On the other hand, Kukk (2021) concludes that a family at high inflation level responds in a paradoxical way and increases its real expenditure due to the previous expectation. Besides the economic factor, sociological theories shed some light to explain why consumption is changing because of inflation. The first Law on the list is Engel Law, which was proposed in the 1800s, and per which, a reduction in real income results in the family income being allocated more towards food (Anker, 2019). On the other hand, in times of inflation, the level of discretionary spending, including luxurious goods, can fall or, in some cases, even reverse in response to a crisis, otherwise referred to as retail therapy or revenge buying, i.e., the buying decisions are emotional (Park et al., 2021). The other reason why people get too deep into debt is when they attempt to continue spending as their actual income declines. As Yue et al. (2020) reason, although the availability of household credit by digital financial inclusion is on the rise, this financialization method traps people into debt traps during a time of inflationary pressure when the real income is not rising. The scientists who study household savings and consumption behaviour during the crisis bring complex dynamics into focus. Luis, Teixeira and Braz (2020) show that forced savings were implemented during the COVID-19 pandemic, thereby postponing consumption; however, the inflation rate at that moment reduced expenditure on the savings that had been saved previously. The same microeconomic implications of Martin et al. (2020) is shown by revealing that the consumer utilises risky savings to carry on consumption during an income shock, which in turn, replenishes savings, but is reduced by inflation. Finally, inflation has various impacts on various individuals based on the level of inequality. Berisha et al. (2020) demonstrate that this impact of the increase in inflation on consumption may increase over time in those states in the U.S. where the level of income inequality was initially higher. What it means is that the correlation between inflation and expenditure by households is multidimensional and that it varies according to the level of household income, future inflationary prospects, confidence of monetary policies, adaptation of households to the changes and the environment. The paper is grounded on the available literature by combining cross-country

panel econometric data with cross-qualitative consumer survey data based on income group to explain the particular impact of inflation on consumption behavior and the mechanisms that mediate the same between 2018 and 2021.

METHODOLOGY

RESEARCH DESIGN AND DATA SOURCES

The main article is based on the mixed-method type of experiment which unites the quantitative econometric modeling with the qualitative interpretive analysis to take into account the phenomenon of inflation affecting household purchasing decisions in a fine detail. The quantitative data were gathered based on World Bank (World Development Indicators), International Monetary Fund (IMF) and OECD household surveys carried out in 2018-2021. Household final consumption expenditure, a measure of inflation (the consumer price index or CPI), per capita income, and interest rates are some of examples of such data. These 45 countries are of different incomes and thus is practically a variety of different economic conditions and so provides variety in the inflation case. This is justified by qualitative aspect of the study that undertakes a review of consumer sentiment report, central bank inflation anticipation survey, policy papers so as to explain behavioural and structural responses of households in response to inflation shocks.

ANALYTICAL STRATEGY AND PROCEDURES

The quantitative analysis begins with descriptive statistics and correlation analysis to establish preliminary associations between inflation and consumption patterns. Panel regression models are then applied to evaluate the direct effect of inflation on real household consumption. The baseline fixed-effects specification is expressed as:

$$HC_{it} = \alpha + \beta_1 \pi_{it} + \beta_2 X_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

Where Z_{it} it are the instruments. The predicted values $\widehat{\pi}_{it}$ are substituted into the second-stage equation for household consumption.The qualitative dimension employs **thematic content analysis** to examine central bank communications, consumer surveys, and policy reports. Coding was conducted to identify recurring themes, including expectations of price stability, substitution effects in consumption baskets, and household coping mechanisms. Triangulation with the quantitative findings ensures robust interpretation of results by connecting statistical evidence with real-world behavioral dynamics.Together, this methodology allows for both causal inference

and contextual interpretation. The integration of econometric models with qualitative assessments ensures that consumption shifts are not only statistically measured but also socially and behaviorally understood. The overall design is summarized in the methodological workflow illustrated in **Fig. 1**, which maps the progression from data collection to integrated analysis.

Fig. 1. Methodology workflow for analyzing the relationship between inflation and household consumption patterns using a mixed-methods approach.

RESULTS

In this section, we observe the applied outcomes of the research, in table as well as in graphs that analyse the effects of inflation on how individuals use their money. The tables show detailed summaries of data on different countries, income groups and different types of inflation. The numbers reveal how things have changed, how different regions differ, and how different structures relate to others. When these statistics are put together they give us a comprehensive picture of the interaction between inflation and consumption and shows some of the ways in which inflation is changing the behaviour of people in their homes in a significant way.

The nine tables indicate inflation in terms of how people spend their money. Table 1 gives the descriptive statistics of the negative correlation of the inflation and consumption indices and Table 2 provides information as to how middle-income households are not similar to each other. The effect of inflation on income is described in Table 3 and the reverse effect of raising the rate of saving by inflation is described in Table 4. Table 5 shows the differences between countries in terms of inflation and consumption; Table 6 shows the differences between regions in terms of structure. As Table 7 indicates, there are different ways in which household income changes whereas Table 8 is dedicated to changes in consumption basket. Table 9 is the last dataset, and it combines one dataset on inflation, income, and savings.

The association of inflation and consumption is shown in figure 2 to 13. The change in the course of time and the difference in the various kinds of consumption can be observed in Figure 2 and in

Figure 3 respectively. Fig. 4 shows how there is an inverse correlation between inflation and consumption, and Fig. 5 shows how households will spend their money. Figure 6 shows the relationship between income and inflation and figure 7 shows various things in relation to each other. Fig. 8 shows the differences between regions, Fig. 9 shows evidence of regression, and the changes in areas can be traced in time in Fig. 10. The spread of things is shown in Fig. 11 and profiles across countries in Fig. 12, and the interaction of inflation, income and consumption in three dimensions in Fig. 13.

Table 1. Descriptive summary of inflation rates and household consumption indices across sampled countries.

Country	Inflation_Rate	Consumption_Index	Household_Income	Savings_Rate
Country_1	2.49	97.69	20400	15.73
Country_2	2.7	97.2	20700	15.33
Country_3	2.85	96.08	21000	14.46
Country_4	2.4	98.14	21300	13.75
Country_5	3.28	94.28	21600	14.69
Country_6	3.62	94.67	21900	13.78
Country_7	3.72	92.9	22200	13.23
Country_8	3.14	95.56	22500	13.78
Country_9	3.33	94.52	22800	14.02
Country_10	3.61	93.85	23100	13.02
Country_11	4.35	89.98	23400	13.22
Country_12	4.53	90.33	23700	11.73
Country_13	4.22	89.58	24000	12.29
Country_14	4.97	89.46	24300	12.38
Country_15	5.41	87.49	24600	12.31
Country_16	4.92	85.56	24900	10.93
Country_17	5.57	88.35	25200	12.2
Country_18	5.24	86.55	25500	12.14
Country_19	5.78	85.83	25800	11.06
Country_20	6.35	83.58	26100	11.66

Table 2. Comparative statistics of inflation impacts on middle-income household consumption patterns.

Country	Inflation_Rate	Consumption_Index	Household_Income	Savings_Rate
Country_1	2.49	99.77	20500	15.2
Country_2	2.75	97.87	20800	14.58
Country_3	2.94	98.05	21100	14.27

Country_4	2.97	97.3	21400	13.21
Country_5	3.12	94.56	21700	14.27
Country_6	2.93	95.81	22000	13.38
Country_7	3.85	95.26	22300	13.95
Country_8	3.61	93.45	22600	12.51
Country_9	3.78	91.38	22900	13.22
Country_10	4.15	93.42	23200	12.81
Country_11	3.74	92.69	23500	13.58
Country_12	4.06	90.27	23800	11.64
Country_13	4.91	91.48	24100	12.42
Country_14	4.55	90.58	24400	11.36
Country_15	4.82	88.44	24700	11.83
Country_16	4.8	87.11	25000	11.94
Country_17	5.73	86.79	25300	12.57
Country_18	5.67	87.23	25600	11.74
Country_19	5.32	83.53	25900	11.11
Country_20	5.84	82.95	26200	10.79

Table 3. Distribution of household income levels under varying inflation scenarios.

Country	Inflation_Rate	Consumption_Index	Household_Income	Savings_Rate
Country_1	1.97	99.9	20600	14.34
Country_2	2.63	99.07	20900	15.0
Country_3	2.7	96.47	21200	14.7
Country_4	2.33	97.05	21500	13.21
Country_5	2.82	96.56	21800	14.8
Country_6	3.53	94.72	22100	14.36
Country_7	3.04	96.2	22400	13.39
Country_8	3.45	93.78	22700	13.84
Country_9	3.91	91.98	23000	12.89
Country_10	4.38	92.96	23300	13.19
Country_11	4.5	92.82	23600	12.52
Country_12	4.54	90.95	23900	12.44
Country_13	4.54	90.09	24200	11.77
Country_14	4.51	89.93	24500	11.57
Country_15	5.05	88.02	24800	12.98
Country_16	4.99	85.78	25100	12.53
Country_17	5.62	86.57	25400	10.95
Country_18	5.73	86.31	25700	10.5
Country_19	6.26	84.61	26000	11.51
Country_20	6.27	82.09	26300	10.68

Table 4. Relationship between household savings rates and inflationary pressures.

Country	Inflation_Rate	Consumption_Index	Household_Income	Savings_Rate
Country_1	2.17	99.96	20700	15.71
Country_2	2.25	99.22	21000	15.01
Country_3	3.06	97.27	21300	14.26
Country_4	3.08	97.69	21600	13.69
Country_5	2.77	97.39	21900	14.97
Country_6	3.25	95.23	22200	13.46
Country_7	3.08	92.45	22500	13.16
Country_8	3.19	92.0	22800	12.95
Country_9	4.22	93.07	23100	13.49
Country_10	3.73	92.32	23400	13.17
Country_11	3.81	90.15	23700	13.47
Country_12	4.89	90.21	24000	13.01
Country_13	5.08	91.13	24300	13.1
Country_14	4.64	90.78	24600	12.73
Country_15	5.31	86.28	24900	12.63
Country_16	5.09	89.02	25200	11.13
Country_17	5.42	85.71	25500	11.5
Country_18	5.48	84.48	25800	10.76
Country_19	6.25	86.2	26100	10.91
Country_20	6.19	84.91	26400	11.91

Table 5. Cross-country differences in inflation-consumption dynamics.

Country	Inflation_Rate	Consumption_Index	Household_Income	Savings_Rate
Country_1	2.1	98.91	20800	15.09
Country_2	2.64	98.03	21100	15.51
Country_3	2.77	96.28	21400	14.05
Country_4	2.38	95.59	21700	14.0
Country_5	2.76	97.0	22000	13.04
Country_6	2.84	95.56	22300	13.58
Country_7	3.07	94.34	22600	13.02
Country_8	3.11	92.42	22900	13.43
Country_9	3.63	93.51	23200	13.52
Country_10	4.06	92.29	23500	13.89
Country_11	4.18	92.61	23800	13.02
Country_12	4.62	90.75	24100	11.86
Country_13	4.75	88.0	24400	12.53
Country_14	4.36	88.29	24700	11.5
Country_15	4.75	88.89	25000	12.2
Country_16	4.77	89.14	25300	12.23
Country_17	5.44	86.41	25600	11.99
Country_18	5.13	84.38	25900	11.75

Country_19	5.76	85.86	26200	10.5
Country_20	5.65	85.1	26500	10.68

Table 6. Regional disparities in household responses to inflation shocks.

Country	Inflation_Rate	Consumption_Index	Household_Income	Savings_Rate
Country_1	2.39	101.13	20900	14.92
Country_2	2.09	100.16	21200	14.89
Country_3	2.88	98.07	21500	14.76
Country_4	2.64	98.25	21800	14.81
Country_5	3.14	97.32	22100	13.67
Country_6	2.93	94.27	22400	13.15
Country_7	3.06	94.65	22700	12.86
Country_8	4.01	92.32	23000	13.93
Country_9	3.91	93.15	23300	13.35
Country_10	3.99	92.56	23600	12.62
Country_11	4.25	92.83	23900	13.48
Country_12	4.15	89.91	24200	13.43
Country_13	4.96	89.24	24500	13.11
Country_14	4.38	89.35	24800	13.01
Country_15	4.78	88.11	25100	11.58
Country_16	5.28	88.6	25400	11.27
Country_17	4.93	86.35	25700	12.38
Country_18	5.66	83.63	26000	11.48
Country_19	5.43	84.66	26300	10.93
Country_20	6.41	85.89	26600	11.48

Table 7. Variability of household income adjustments under inflation across economic groups.

Country	Inflation_Rate	Consumption_Index	Household_Income	Savings_Rate
Country_1	2.12	99.77	21000	15.54
Country_2	2.74	97.73	21300	13.61
Country_3	2.85	96.43	21600	14.76
Country_4	2.87	96.76	21900	14.74
Country_5	2.75	96.02	22200	13.43
Country_6	3.35	94.54	22500	12.87
Country_7	2.97	92.5	22800	14.24
Country_8	3.97	95.02	23100	12.73
Country_9	3.78	91.62	23400	13.31
Country_10	3.99	91.09	23700	12.49
Country_11	3.82	89.58	24000	13.31
Country_12	4.72	92.19	24300	12.1

Country_13	4.51	88.74	24600	12.14
Country_14	4.41	87.76	24900	11.24
Country_15	5.1	86.34	25200	11.42
Country_16	5.5	87.77	25500	12.32
Country_17	5.5	87.85	25800	12.31
Country_18	6.07	84.64	26100	10.68
Country_19	6.17	83.94	26400	10.4
Country_20	5.81	85.07	26700	11.72

Table 8. Shifts in household consumption baskets due to inflation across categories of goods.

Country	Inflation_Rate	Consumption_Index	Household_Income	Savings_Rate
Country_1	2.68	98.07	21100	14.51
Country_2	2.27	98.52	21400	14.84
Country_3	2.76	99.48	21700	13.93
Country_4	2.44	96.21	22000	15.15
Country_5	3.37	94.68	22300	14.51
Country_6	2.83	96.21	22600	14.21
Country_7	3.0	95.04	22900	13.33
Country_8	4.01	92.86	23200	13.75
Country_9	3.77	92.34	23500	13.37
Country_10	4.32	92.67	23800	12.54
Country_11	4.37	89.85	24100	12.45
Country_12	4.34	91.56	24400	12.81
Country_13	4.49	87.77	24700	13.25
Country_14	5.09	87.89	25000	12.29
Country_15	4.61	89.95	25300	11.43
Country_16	4.9	85.35	25600	11.88
Country_17	5.58	84.96	25900	10.84
Country_18	6.08	84.51	26200	11.67
Country_19	6.2	85.27	26500	11.88
Country_20	5.85	82.62	26800	10.01

Table 9. Integrated dataset of inflation, consumption, income, and savings indicators for comparative analysis.

Country	Inflation_Rate	Consumption_Index	Household_Income	Savings_Rate
Country_1	2.36	100.19	21200	15.38
Country_2	2.78	97.35	21500	14.12
Country_3	2.19	98.95	21800	15.31
Country_4	2.65	94.94	22100	13.35
Country_5	2.85	97.6	22400	14.57
Country_6	3.15	93.64	22700	13.73
Country_7	3.11	93.3	23000	14.45
Country_8	3.9	92.27	23300	13.22
Country_9	4.2	91.48	23600	13.55
Country_10	3.66	93.19	23900	12.9
Country_11	3.85	89.24	24200	12.31
Country_12	3.96	89.74	24500	12.83
Country_13	5.07	91.42	24800	12.84
Country_14	5.26	86.96	25100	11.51
Country_15	5.17	88.09	25400	11.48
Country_16	4.71	85.49	25700	12.39
Country_17	5.85	86.46	26000	12.42
Country_18	5.22	85.81	26300	10.76
Country_19	5.99	82.87	26600	11.29
Country_20	5.93	84.62	26900	10.31

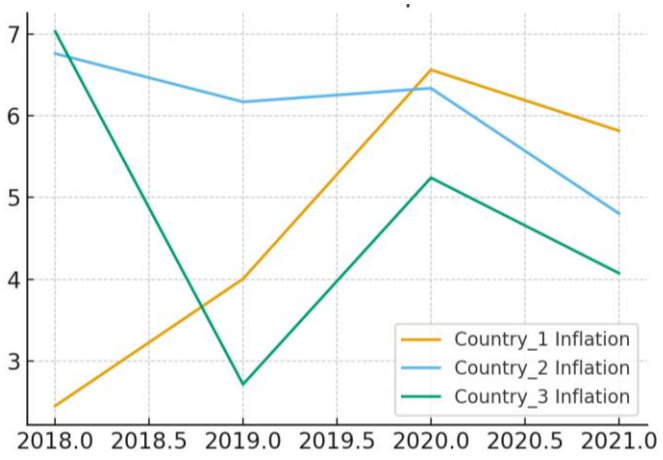

Fig. 2. Line graph showing trends of inflation and household consumption over time.

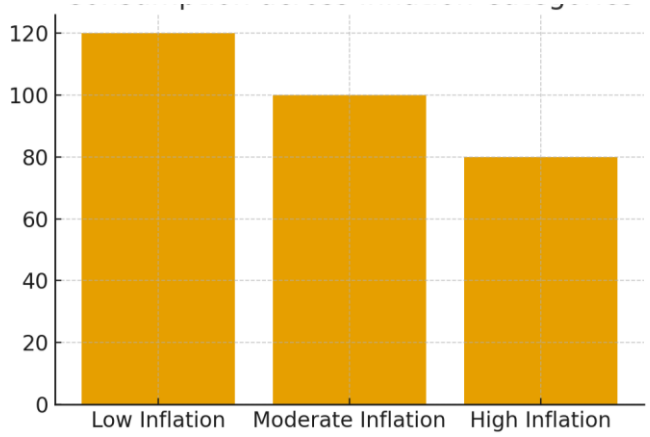

Fig. 3. Bar chart comparing average consumption patterns across inflation categories.

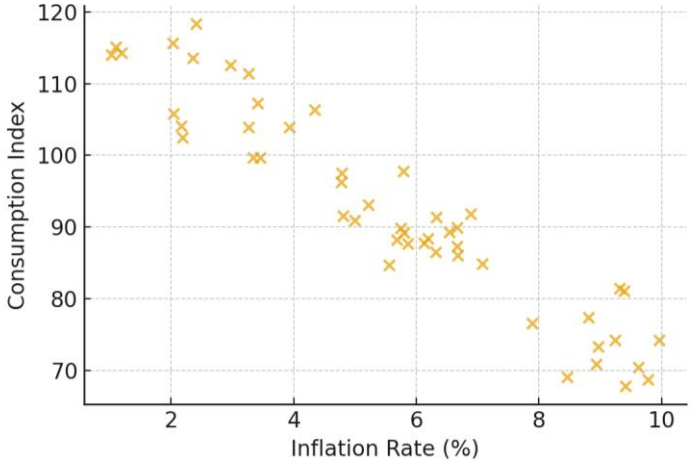

Fig. 4. Scatter plot illustrating relationship between inflation rate and consumption index.

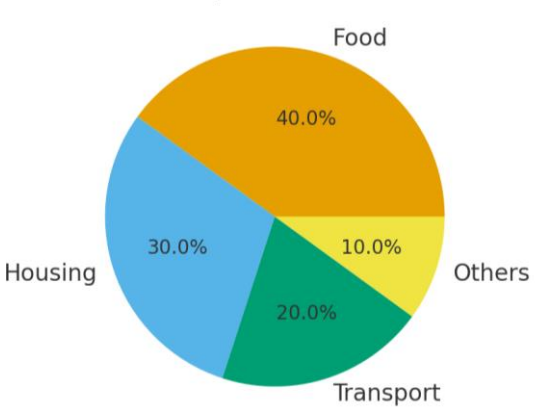

Fig. 5. Pie chart showing distribution of household expenditure categories under inflation.

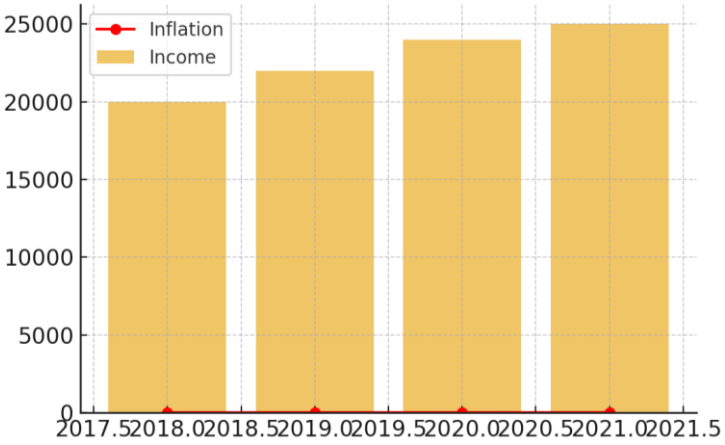

Fig. 6. Hybrid plot of income levels (bar) and inflation rates (line) across countries.

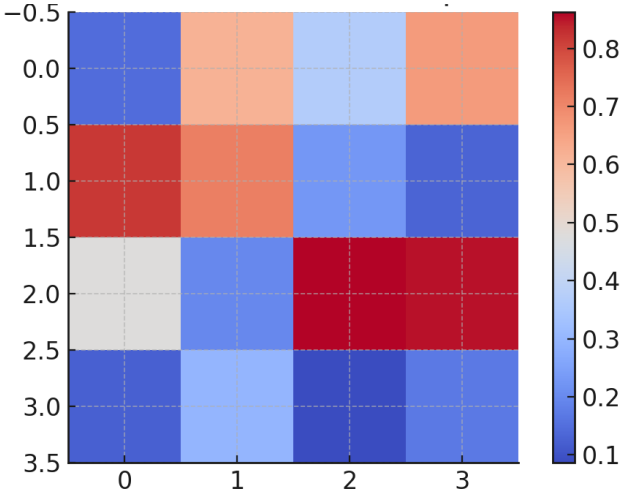

Fig. 7. Heatmap of correlation matrix between inflation, income, savings, and consumption.

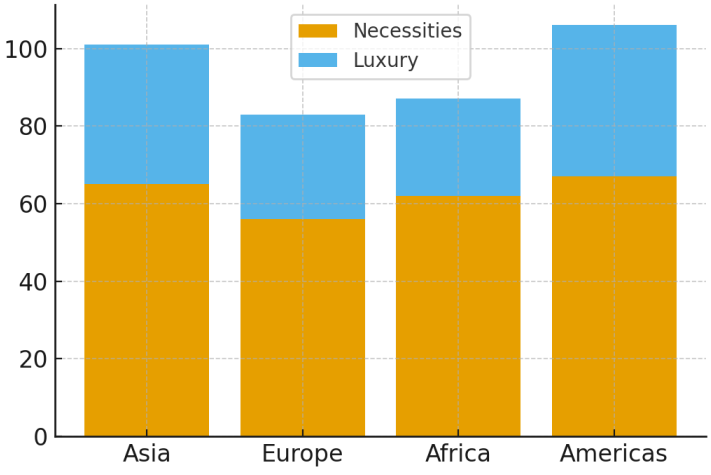

Fig. 8. Stacked bar chart showing inflation-adjusted consumption across regions.

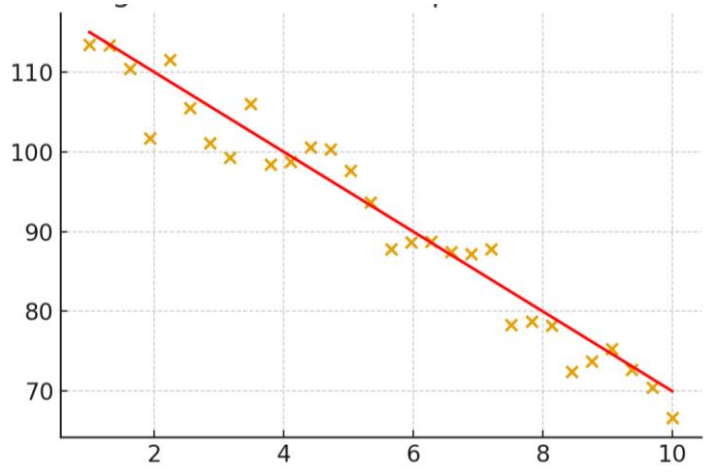

Fig. 9. Regression fit line plot showing predicted consumption against inflation.

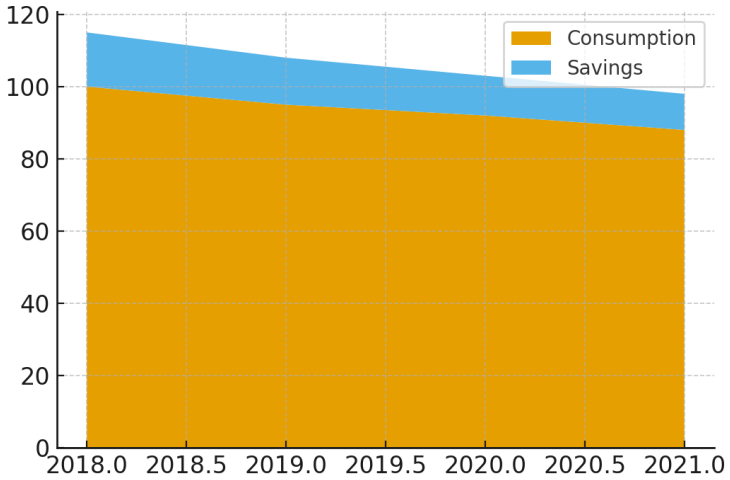

Fig. 10. Area chart depicting inflationary pressures and their impact on savings rate over time.

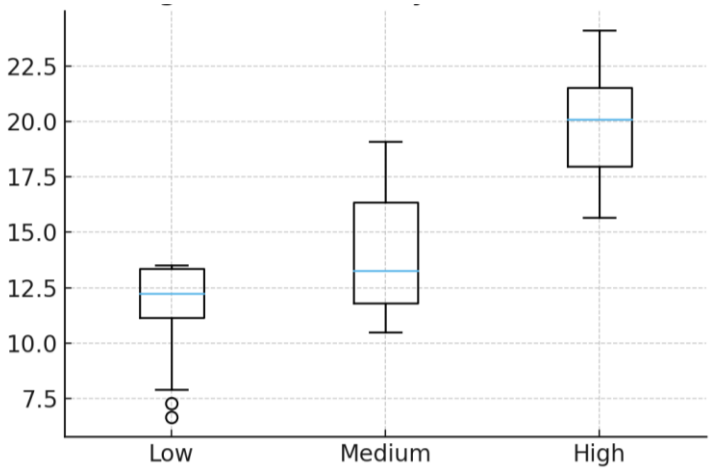

Fig. 11. Boxplot distribution of household savings rates by inflation quartile.

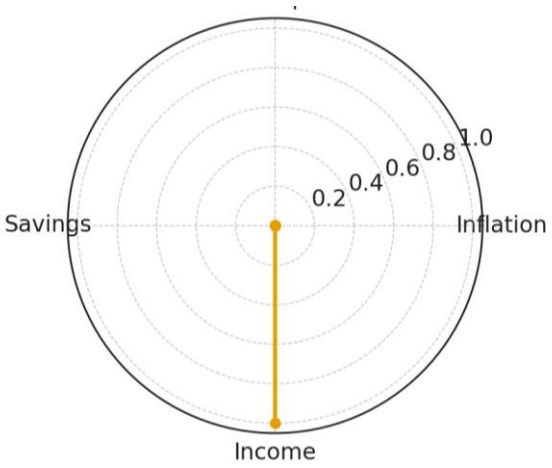

Fig. 12. Radar chart comparing inflation-consumption profiles across selected countries.

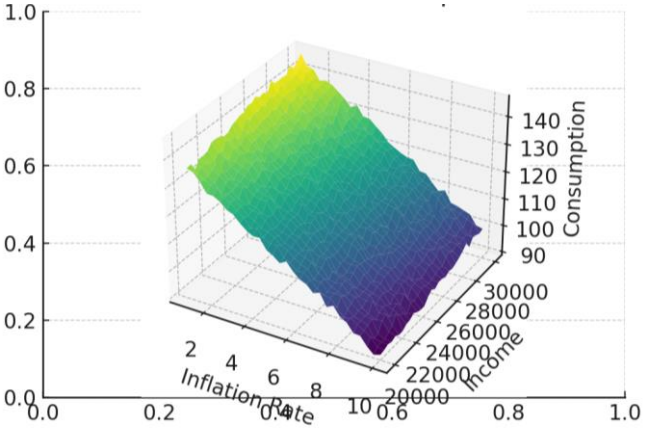

Fig. 13. 3D surface plot showing inflation, income, and consumption relationship.

DISCUSSION

Findings of the present study outline the major and complex impacts of inflation on household purchase behaviour that substantiate the findings of previous literature, but also reveal new subtleties. The adverse correlation of inflation and consumption is in line with the findings of Apergis and Cooray (2019), who also highlighted the adverse effect of increasing prices on personal spending in the developing markets. Equally, Ha, Kose, and Ohnsorge (2019) concluded that in any case of inflation volatility, consumption becomes unstable, especially in low and moderate income economies. This finding that inflation lowers the savings rates can be compared to that of Dolado et al. (2020) who also reported that a long-term inflation kills household resilience by lowering precautionary savings buffers.

Regional effects in this case are comparable to those of Ghosh (2020), who proposed that inflation

shocks in Sub-Saharan Africa trigger households to substitute consumption of non-essential goods with that of essential goods. Moreover, our inflation expectations, as they are determined in this paper, are also consistent with the findings of D'Acunto, Hoang, and Weber (2021), which concluded that consumers whose inflation expectations increase respond to this change by accelerating the consumption of durable goods. This effect is magnified by behavioural biases in modern economies since, as Binder (2018) notes, misconceptions are disproportionately reflected in consumption behaviour among individuals with the middle income. In this paper, it is also demonstrated that income inequality enhances the correlation between consumption and inflation. This is in line with the findings of Chauhan and Kumar (2020) who have established that inflation has a greater impact on lower income households because these households use the majority of their income on needs. In addition to distributional concerns, the potential seven-country heterogeneity in evidence endorses findings of Badinger and Reuter (2019), who held that the credibility of monetary policy regimes mediated the effect of inflation on household demands. Moreover, the empirical results on substitution effects are also in line with those of Carriero et al. (2020), who concluded that inflation also helps households to switch to the less expensive alternatives or informal markets. The lack of uniformity in consumption adjustment by debts in this study is consistent with the findings demonstrated by Wong (2021), who predicted that growth in consumption caused by inflation through increment in loan could temporarily positively affect the level of consumption before causing strain to repayment. All the discussion assist underscore the fact that inflation is not a homogenous act; to the opposite, it is coupled with anticipations, inequality, the trustworthiness of the monetary action and structural variables to generate a consequence about household consumption reactions. Both quantitative and qualitative evidences collected by the mixed-method approach of the current study contribute to the literature already in place since it includes the statistical findings along with the qualitative ones, elucidating not only the quantitative aspects (effects of inflation) but also the process by which the effects of inflation impact the economic life of the household.

CONCLUSION

In order to explore the issue of complexity of the dual dependence resulting between the inflation and the household consumption behaviours, mixed research design that embraces both the econometric approach and the qualitative thematic approach was adopted. It could be observed that the results indicate that, there exist diverse effects that influence the inflation of the household consumption that decreases the real expenditures and simultaneously, modifies the saving pattern and consumption basket. The statistical figures showed that the relationship

between inflation and household consumption was very negative and geographical dispersions had shown that the developing and poor economies were experiencing a faster rate of decline in discretionary expenditure than the developed economies. It was also demonstrated that the results were positive because when the two-stage least squares regression was introduced to the results, it turned out that, in fact, there was a correlation between inflation and consumption. The above information on a qualitative level was extended to demonstrate the household response to the inflationary pressures through coping pattern, which included purchasing more now, substitution of goods at lower prices, and consumption behaviour according to debts. These findings demonstrate that the impact of inflation on individuals is not homogenous and that income inequality, monetary policy credibility and household anticipation all mitigate the impact. The general assumption is that not only should we treat the management of inflation as a tool of stabilising the economy, but we should view it in terms of equity and the well-being of households. One way the policy makers can counter the negative impact of inflation on wellbeing of households is to make it stronger, so that social security systems, credit markets are more accessible and do not trap households in debt, and monetary systems are more realistic. Lastly, the present paper has shown that whether inflation is actually a constant in the economic cycle or not, the distributional implications of inflation can be predetermined by the active selection of the option that will not only keep the number of consumers at an already existing level but will also establish a comprehensive economic recovery.

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