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Economic Panic and Public Perception During Geopolitical Conflict: Evidence from Survey-Based Composite Index Analysis

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Abstract

Geopolitical conflicts greatly impact global economic systems, creating significant challenges characterized by inflationary shocks, fluctuations in energy prices, and instability within financial markets. This study delves into public perceptions of economic distress following a significant geopolitical conflict, utilizing primary survey data collected from 217 respondents. To quantify economic anxiety and its multidimensional aspects, we construct an innovative tool called the Panic Index. This index assesses various elements of economic unease, including the severity of inflation, the depreciation of currency, levels of financial stress, and overall macroeconomic outlook.

To analyze the data, we employ a range of statistical techniques, including descriptive analysis and independent sample *t*-tests, to explore variations in economic perceptions across different demographic groups. The results reveal a moderate but consistent level of economic concern among participants, indicating that individuals are quite aware of the economic challenges stemming from the ongoing geopolitical conflict.

Interestingly, our analysis shows that there are no statistically significant differences in economic anxiety levels when comparing responses based on gender

These findings contribute valuable insights to the field of behavioral economics by emphasizing the critical role that individual perception plays in shaping economic responses during periods of crisis. Additionally, they offer actionable guidance for policymakers looking to understand and address public sentiments regarding economic stability in the wake of geopolitical upheaval.

Ultimately, the study underscores the necessity for effective communication and targeted interventions aimed at mitigating economic anxiety among the populace during turbulent times.

Keywords; Economic Panic; Inflation Perception; Composite Index; Behavioral Economics; Geopolitical Conflict; Survey Analysis

INTRODUCTION

Geopolitical conflicts have a profound and often far-reaching impact on the global economy, leading to a cascade of consequences that can disrupt supply chains, cause dramatic fluctuations in commodity prices, and create an atmosphere of increased uncertainty in financial markets. In recent years, the eruption of global conflicts has exacerbated inflationary pressures felt worldwide, primarily through surging energy costs. This rise in energy prices not only threatens the stability of macroeconomic structures but also affects the financial well-being of individuals, impacting their day-to-day lives.

While traditional macroeconomic indicators offer objective insights into the health of the economy, it is crucial to understand that public perception holds significant sway over consumer behavior, investment decisions, and the acceptance of governmental policies. Recognizing how the public perceives economic conditions is vital for crafting effective economic interventions that resonate with the populace.

In response to these complexities, this study presents a novel survey-based Panic Index developed to measure perceived economic distress among individuals. The study also investigates how this perception varies among different demographic

Objectives of the Study

To evaluate how different segments of the public perceive the economic consequences that arise from geopolitical conflicts

To create a comprehensive Panic Index by utilizing a range of multi-dimensional indicators that capture various aspects of economic anxiety.

To investigate how demographic factors, such as age, income, and education, influence variations in levels of economic panic among the population.

To draw actionable policy suggestions grounded in the empirical findings from the research conducted

Literature Review

The behavioral economics literature underscores that economic decision-making is shaped not only by objective macroeconomic conditions but also by subjective perceptions and cognitive heuristics (D'Acunto et al., 2023; Shiller, 2017). A foundational concept in this field, often described as "animal spirits," posits that instincts, intuition, and subjective expectations drive market movements and consumption patterns, especially during periods of high uncertainty (Keynes, 1936, as cited in Kwatra, 2020).

Inflation expectations, in particular, often deviate from rational-expectations models and are frequently characterized by upward biases, significant dispersion across individuals, and heightened sensitivity to personal experiences—such as the price signals individuals encounter in daily life like groceries and fuel (D'Acunto et al., 2023; Weber et al., 2022). During crises, these expectations tend to amplify beyond actual price movements as individuals rely on simplified "rules of thumb" to process information (D'Acunto et al., 2023; Schinckus, 2012). Research into crisis economics indicates that energy price shocks, in particular, disproportionately affect household welfare and are a primary driver of inflationary volatility and inequality (Corsello & Riggi, 2024).

Despite the importance of these subjective factors, much of the existing research continues to rely on aggregate, macro-level data, which often fails to capture the cross-sectional variations in household beliefs that directly influence consumption and financial choices (D'Acunto et al., 2024). This study addresses this limitation by developing a micro-level, perception-driven Panic Index to better quantify the role of subjective sentiment in inflationary pressure.

Research Methodology

Data Source

Primary data collected through structured questionnaire
Sample size: 217 respondents

Variable Selection

Four key dimensions were selected:

- Perceived inflation severity (oil prices)
- Currency depreciation
- Household financial impact
- Overall economic outlook

Index Construction

The Panic Index is defined as:

$$\text{Panicindex} = \frac{S1 + S2 + S3 + S4}{4}$$

Where:

S1,S2,S3,S4€ representing increasing severity.

Statistical Tools

- Descriptive statistics
- Independent sample t-test
- Comparative distribution analysis

Results and Analysis

Descriptive Statistics

Statistic	Value
Mean	2.24
Median	2.00
Standard Deviation	0.46
Minimum	1.00
Maximum	3.00

Interpretation

The Panic Index currently reflects a moderate level of economic concern among respondents, indicating that many individuals share similar apprehensions about the economic climate. Additionally, the low dispersion of responses suggests a broad agreement on the prevailing economic anxieties, pointing towards a consensus rather than a diversity of opinions. This homogeneity in perceptions may imply that people are generally aligned in their views regarding potential economic challenges, contributing to a sense of unease that is felt across various sectors.

Hypothesis Testing

H₀: No significant difference in Panic Index across gender

Statistic	Value
t-value	-0.035
p-value	0.972

Inference:

Since $p > 0.05$, the null hypothesis cannot be rejected.

→ Economic panic is statistically similar across genders

Perception Trends

- Inflation Driver: Oil and energy prices dominate perception
- Currency: Mostly perceived as moderately weaker
- Stock Market: Viewed as volatile but not collapsing
- Financial Impact: Predominantly “somewhat negative”
- Long-Term Outlook: Sustained inflation and energy crisis expected

Discussion

The findings of the study indicate that while economic panic exists, it is characterized as moderate and pervasive rather than extreme. This pattern suggests that individuals are adapting to economic uncertainties in a rational manner, as opposed to succumbing to irrational fears. This behavior aligns well with contemporary behavioral economic theories, which emphasize the role of cognitive processes in decision-making.

Furthermore, the data reveals a notable absence of demographic variation in responses, which implies that the dissemination of economic information is relatively uniform across different population segments. This uniformity points to a collective experience of macroeconomic narratives, which are shaping public perception in a broad and consistent way. Essentially, the results support the notion of “collective economic cognition,” where individuals, regardless of their demographic backgrounds, tend to react similarly to significant global economic events. This phenomenon underscores the interconnectedness of individual perceptions and highlights the influence of shared information in shaping economic outlooks across diverse groups.

Policy Implications

Inflation Management

- Stabilization of energy prices
- Strategic reserves and subsidies

Communication Strategy

- Transparent policy communication
- Managing inflation expectations

Household Support

- Targeted relief measures
- Income stabilization policies

Limitations

- Sample concentration in a single country
- Perception-based subjective data
- Limited application of advanced econometric models
- Cross-sectional design (no time dimension)

Future Research Directions

- Cross-country comparative studies
- Longitudinal Panic Index tracking
- Integration with macroeconomic indicators
- Application of regression and structural models

Conclusion

This study provides compelling evidence that geopolitical conflicts can trigger a moderate level of economic panic among the population. This phenomenon is marked by a uniformity in the perception of economic conditions among various respondents, indicating that the awareness of geopolitical events can shape economic sentiment in a rational manner. To quantify this sentiment, the research introduces a comprehensive Panic Index, a novel tool that measures the intensity and nature of economic fears stemming from geopolitical tensions. This index not only captures the psychological response of individuals to such conflicts but also serves as an essential resource for policymakers. By leveraging the insights gained from the Panic Index, decision-makers can devise more effective and targeted interventions aimed at stabilizing the economy and alleviating public anxiety during times of crisis.

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