

Hands up who enjoyed lockdown

BNZ Wellbeing Report: May 2020

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The wellbeing of New Zealanders held up remarkably well over lockdown, even as concerns over job insecurity and the state of the global and New Zealand economies increased. Financial hardship remained constant, with 35% of New Zealanders experiencing some form of financial hardship in the previous six months. Many Kiwis expect their finances to worsen over the next year and maintaining high wellbeing as we work through the economic impacts of the pandemic will be very challenging. For now, most New Zealanders report managing well during lockdown and being very satisfied with the Government's response to the pandemic.

A palpable sense of relief

Notwithstanding the huge challenges faced by businesses and individuals, lockdown had its upside. It was good to slow down and connect with family. It appealed to the introvert in me and I enjoyed the increased flexibility to structure the days as I liked. While clearly challenging, it was a simpler and easier life, with fewer decisions to make.

Like many digitally enabled Kiwis, I set up a workstation at home and essentially just kept going with my work. With no commute and few distractions, it was a productive time.

I count myself as very fortunate in being able to keep working over this challenging time. I am also acutely aware of the serious economic pain many New Zealanders are facing. The economic forecasts are looking ominous and there is a huge weight of expectation on Government's policy response – as well as flexibility and support from the banks and the business community – to help get New Zealand through this.

So, when we decided to run BNZ's Wellbeing Survey over the first two weeks of the Alert Level 3 lockdown, I expected to see a big fall in the wellbeing of New Zealanders.¹

As usual, we surveyed 1500 Kiwis on a range of issues, including their level of financial stress and expectations of future income. We asked the same four questions about wellbeing that we always ask and that are commonly asked in wellbeing surveys internationally. That is, on a scale of one to ten:

1. Overall, how satisfied are you with your life nowadays?
2. Overall, to what extent do you feel things you do in your life are worthwhile?
3. Overall, how happy did you feel yesterday?
4. Overall, how anxious did you feel yesterday?

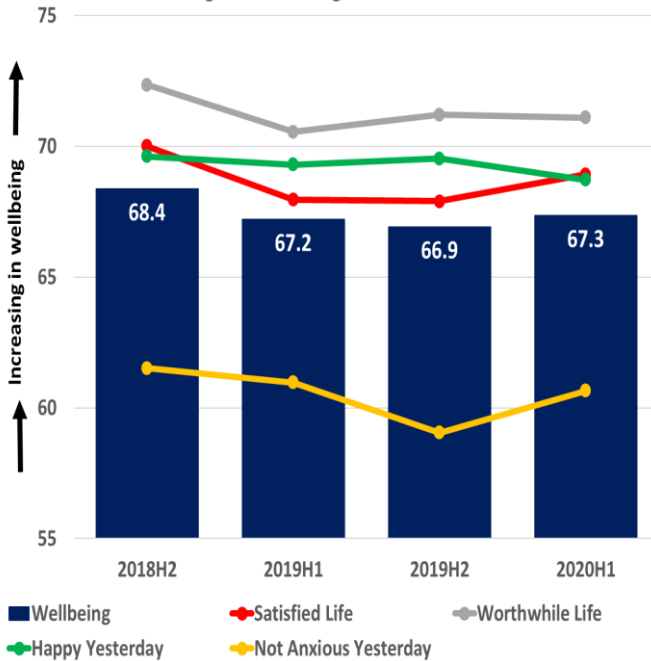
When the data came back and I crunched the numbers, I was very surprised to see that our estimate of wellbeing had effectively stayed about the same as it was at the end of 2019.² I asked the survey company to go back and recheck the data, which they did. But there were no mistakes, and nothing changed – the wellbeing of New Zealanders during the Alert Level 3 lockdown was about the same as it was at the end of 2019 (Figure 1).

As you can see from the figure, the indicator for anxiety improved a little compared to the end of last year. Peoples' sense of life worth also improved slightly over the same period. This was enough to offset a slight decline in the extent to which people felt happy yesterday.

¹ The Survey was run from the 27th of April to the 7th of May.

² The slight increase shown in Figure 1 is not statistically significant.

Figure 1: Wellbeing in New Zealand



As an economist, I am not well placed to speculate on the impacts of an extraordinary event – a nation living in “bubbles” physically isolated and distant from each other – on wellbeing. But my view going into lockdown was that we were in for a very difficult 2020. I was closely watching the health crisis rapidly take hold and rage out of control in Italy and other countries. Like many New Zealanders, I was very concerned for our elderly and our health professionals and I was pleased when the Government put us into lockdown.

However, the full-blown health crisis that has gripped so many other countries never came. We were still clearly worried about the virus – BNZ’s Wellbeing survey shows that older people and people living in low-income households were particularly concerned (Figure 2). Further, the economic impact of the pandemic was the most pressing cause for this concern (Figure 3).

But by the time we moved out of Alert Level 4 and into Alert Level 3, the number of new infections reported each day was low and falling. For me, at the end of April 2020, it felt like we had dodged a bullet. The sense of relief was palpable.

Since being able to get out more, lots of people I have spoken with have also expressed a sense of relief that we got through the initial skirmish with COVID-19 very successfully. Friends have found lockdown to be cathartic in various ways, with some even suggesting that we should do a few weeks of self-imposed isolation every year.

I know that my world is not necessarily representative and that lots of New Zealanders have had a very different lockdown experience. We clearly need to come together and support each other as we turn our attention to the economic fallout of the virus. But overall, considering BNZ’s Wellbeing Indicator, we have generally come through lockdown in good spirits.

Figure 2: Level of concern over the COVID-19 pandemic

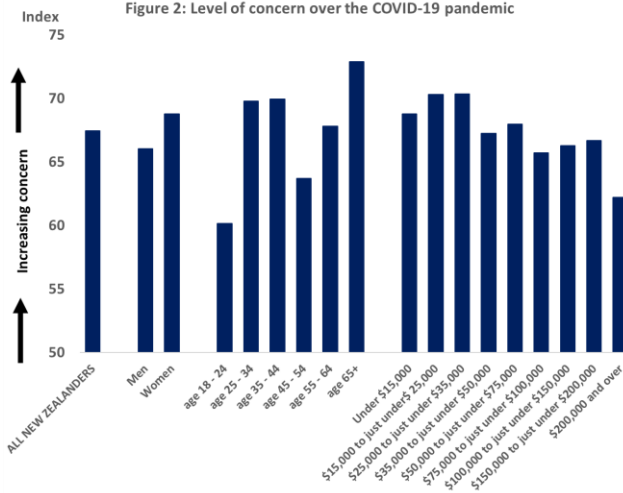
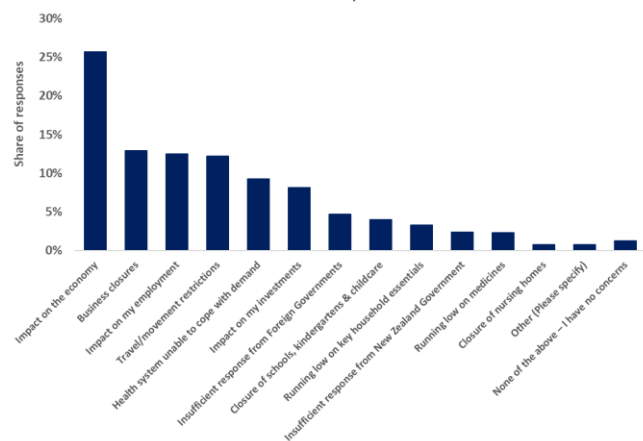
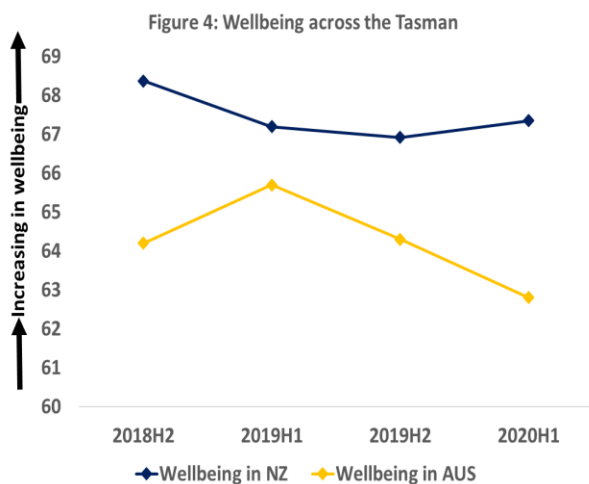


Figure 3: Top concerns regarding Coronavirus (other than direct health effects)



Trans-Tasman wellbeing

In earlier notes in this wellbeing series, I have made the point that New Zealanders tend to have higher wellbeing than would be expected, given the characteristics of our economy. In particular, many Kiwis enjoy high wellbeing even though they spend long hours working for relatively low household incomes, compared to people in other OECD countries.



This pattern also holds relative to Australia. National Australia Bank (NAB) measure wellbeing in the same way as BNZ, allowing for a trans-Tasman wellbeing comparison. This shows that even though Australians earn more than New Zealanders on average, wellbeing is consistently higher on our side of the Tasman (Figure 4).

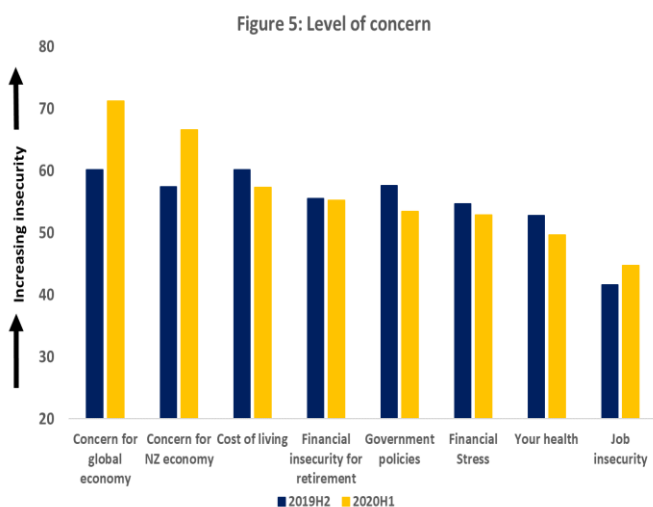
The most recent Wellbeing Surveys in both countries show that wellbeing held up in New Zealand during lockdown but fell in Australia. Of course, as well as the impacts of COVID-19, NAB point out that the Australian bushfires over summer may also have reduced wellbeing.

The latest NAB wellbeing survey was conducted in March, before both the New Zealand and Australia Government's started to get the virus under control, so it's possible trans-Tasman wellbeing gap may have been smaller if the two surveys had been run at the same time.

The financial hit

It is hard to know the underlying reasons why BNZ's Wellbeing Indicator has held up in the face of COVID-19 and the lockdown. However, the data collected in BNZ's Wellbeing Survey give us some clues.

First, survey results show big jumps in concern over the general economic situation globally and in New Zealand (Figure 3). Job insecurity has also increased, although perhaps not as much as might be expected given the likely jump in unemployment over coming months. It is at least feasible that the Government's wage subsidy partially allayed these concerns when the survey was conducted.



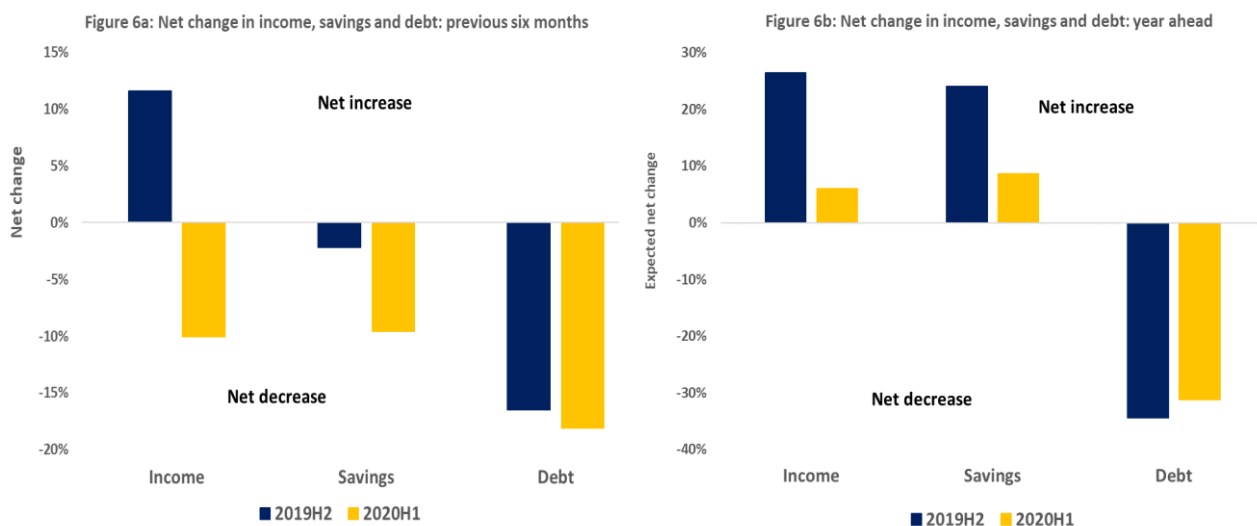
Consistent with a strong sense of relief as we moved into Alert Level 3, concerns over health and Government policies both fell slightly relative to the end of last year.

The slightly lower level of financial stress is odd. The only plausible explanation I can think of is that non-essential shopping was effectively impossible during lockdown. So perhaps household budgets were slightly less stretched over the two weeks in which we conducted the survey. Even if this was the case, it does not suggest households had an easy time of it, with 35% of survey respondents experiencing an incidence of financial hardship in the six months prior to the survey.

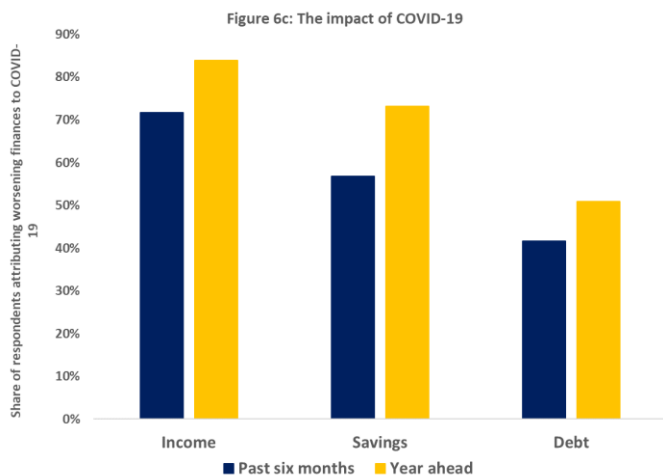
Other results from the Survey also show that the pandemic is taking a toll on peoples' finances. In our previous Wellbeing Survey at the end of 2019, a net 12% of respondents reported that their incomes had

increased in the six months prior to the Survey (Figure 6a). In the current BNZ Wellbeing Survey, that number has fallen to -10%, with 71% of people who suffered a fall in income attributing it to COVID-19 (Figure 6c). Savings and debt in the previous six months also turned more negative, often as a result of COVID-19 (Figures 6a and 6c).

Over the coming year, expectations of net increases in incomes and savings have both also fallen substantially, primarily as a result of the pandemic (Figures 6b and 6c). Somewhat paradoxically, expectations for debt reductions over the coming year have improved slightly.



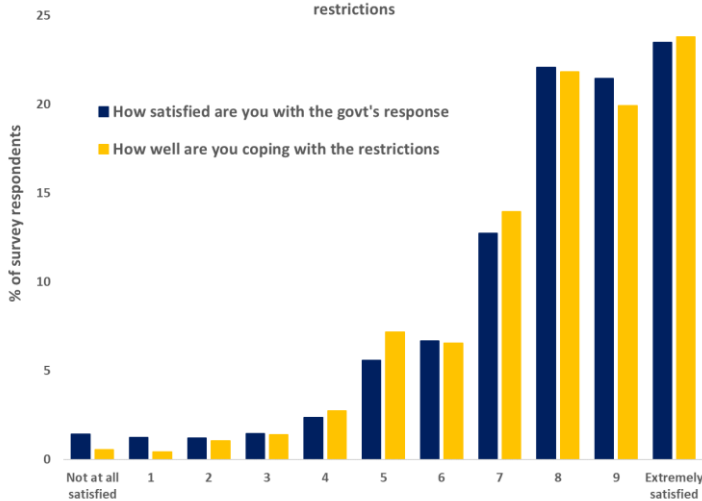
Note: In both figures, the net change is calculated as the share of respondents expecting an increase minus the share expecting a decrease.



Approval for government response, so far

Before coming to BNZ, I spent seven years working as the Director of Economics & Research at the New Zealand Productivity Commission. In that role, I learnt a lot about the reasons for New Zealand’s poor productivity performance and the actions policymakers and business owners can take in fixing it. A frustration in that job was being part of a public sector that I thought struggled to progress a policy agenda aimed at improving productivity.

Figure 7: Satisfaction with the Government's response and coping with the restrictions



But from the outside looking in over the past few months, I have been impressed with how the public sector has responded to the COVID-19 pandemic. My sense is that we were underprepared when the virus struck, but with hard work and tenacity, the public sector has fought well and got us to the position we are in today.

I am not alone in this assessment. During those two weeks of Alert Level 3, over 80% of New Zealanders rated their satisfaction with the Government's response to the pandemic and the extent to which they were coping with the restrictions at 7 out of 10 or better (Figure 7).

The way forward

New Zealand's isolation, our strong sense of community and a stellar initial response are serving us well in fighting COVID-19. The lockdown was a huge sacrifice, but BNZ's Wellbeing Indicator suggests that we have kept our wellbeing strong in getting to an excellent position.

The impacts of the pandemic and our response are so profound that this could mark a turning point in our economic history. As I have written in a recent opinion piece, COVID-19 is forcing us to change, to reassess and to adapt. There is no going back to our old economy and the lockdown has given us space to consider the type of future we want to work towards. As we emerge from a crisis, we are more open to change.

So, my view is that we need to use the rebuild as a once-in-a-lifetime opportunity to go all out for a better economy that delivers for all New Zealanders. Now is the time to make strong progress in our efforts to lift productivity and to transition to a low-emissions economy.

We need to take our "can do" attitude and apply it to meeting these challenges in much the same way we have fought the virus. If we fail, our wellbeing will clearly suffer. But if we succeed, New Zealand will be among the very best countries on the planet in which to live. BNZ will be contributing to this agenda and continuing to monitor Kiwi wellbeing as we go.

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