

## Research Insights

# Taking the Pulse of the Nation

Growth in consumption is critical to economic recovery but prospects are likely to be uneven across the States. The outlook is strongest in Queensland and Western Australia.

# Melbourne Institute's Survey of the Impact of COVID-19 in Australia

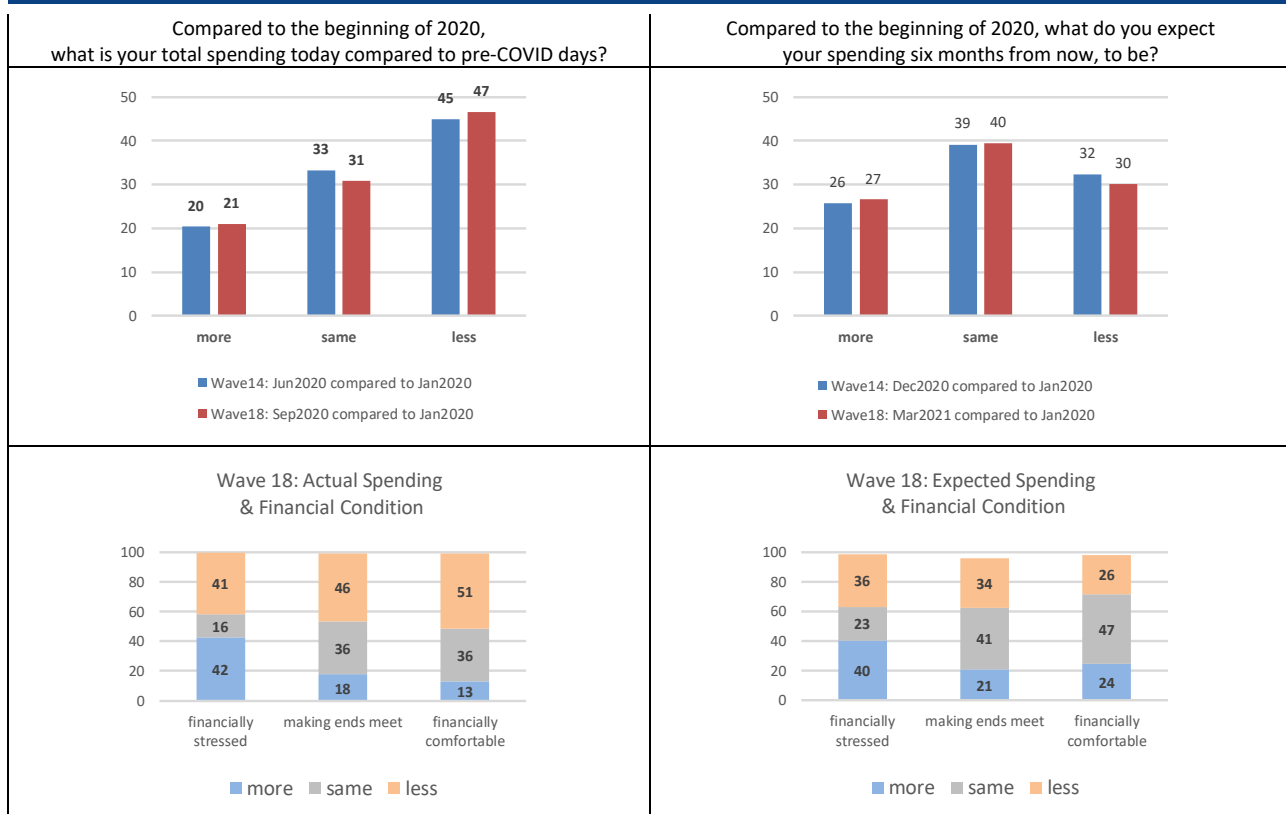
## Survey Results\*: Wave 18 (31 Aug – 6 Sep 2020)

*Growth in consumption is critical to economic recovery but prospects are likely to be uneven across the States. The outlook is strongest in Queensland and Western Australia.*

### Spending – a domestic demand-led recovery?

- It is official – Australia is in recession after posting two consecutive quarters of negative growth (-0.3% in the March quarter and -7.0 % in the June quarter). Household consumption, which constitutes about 55% of domestic final demand was the biggest detractor to GDP growth. Consumption fell by 1.2% in the March quarter and by a huge 12.1 % in the June quarter. This is sobering news as domestic spending is especially important for economic recovery with the international outlook continuing to look bleak.
- In this survey, we asked interviewees to consider the change in their total spending (actual and expected) relative to their spending in January 2020. Was the change more, the same or less? This question was last asked in Wave 14 (July 6-10).
- Despite a 2 month gap between waves 14 and 18, Australia-wide, the proportions spending more, the same, and less have exhibited little change and are within statistical margins of error (see row 1 in Figure 1). Importantly the proportion “spending less” outweighs the proportion “spending more” for both actual and expected total spending.
- There are, however, indications of an increase in expected spending from early 2021. In wave 18, the sum of the proportions “spending the same” and “spending more” increased from around 52% in actual spending to 67% in expected spending. Furthermore, correlating spending intentions with financial conditions (i.e, whether respondents have difficulties paying for essential goods and services) shows that spending is expected to improve across the board with the biggest rebound in spending by those who are “financially comfortable”.

**Figure 1: Australia: Change in Total Spending, actual and expected (proportions, %)**



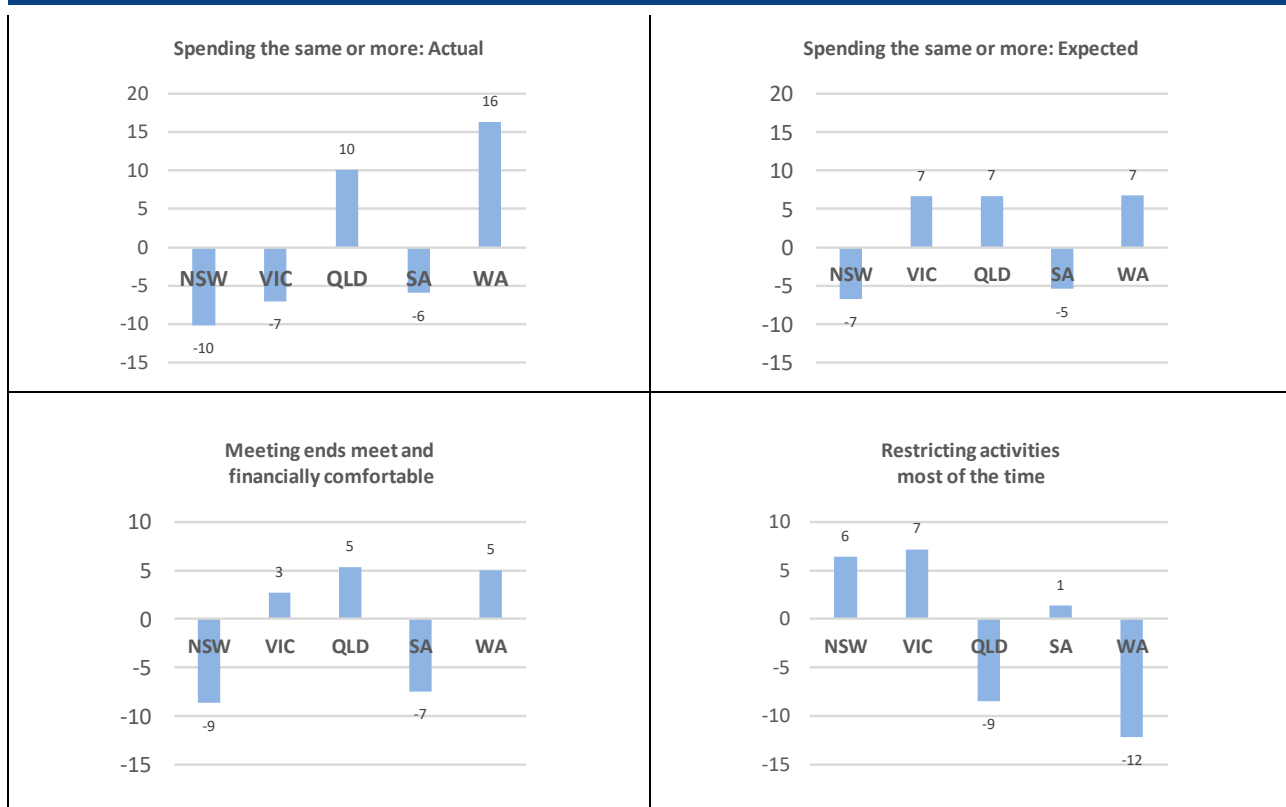
\* The survey contains responses from 1200 persons, aged 18 years and over. The sample is stratified by gender, age and location to be representative of the Australian population

\*\* Report prepared by G.Lim, V.Nguyen, T.Robinson and S.Tsiaplias

## Across the States: Spending, Financial Conditions and Restricting Activities

- A demand led recovery will, however, not be evenly distributed across Australia as the pattern of actual and expected spending is different across the States. Figure 2 (row 1) shows the change in the proportion (percentage points) reporting “spending the same and more” between waves 14 and 18 for actual and expected spending across the States.
- For NSW and SA, the changes in the proportion are negative for both actual and expected spending while for QLD and WA, the changes in the proportion are positive for both actual and expected spending. Victoria is the only state which showed a negative change in the proportion of actual spending but a positive change in expected spending; indicating that relative to January 2020, actual spending in early September is lower than in end June, while spending in March 2021 is expected to be higher than in Dec 2020.
- The differences in actual and expected spending across the major states appear to be closely related to changes in their households’ financial conditions and in how often people in each State limit activities outside of their own homes (see Figure 2, row 2).
- In NSW and SA, the sum of the proportions of households “meeting ends meet” and “financially comfortable” fell (alternatively the proportion of financially stressed households increased). At the same time, people in these two States are limiting outside activities most of the time (about 2 in 5 people in wave 18). It appears that lower numbers of new cases and easing restrictions in these states have yet to translate through to higher consumer confidence and activity.
- The converse situation appears to be happening in QLD and WA. There is an increase in the proportion of financially comfortable households and a decline in the proportion of households limiting outside activities due to concerns about contracting COVID-19. For these two States, it appears that the easing of restrictions have allowed QLD and WA households (and businesses) to resume more of their normal activities with greater confidence and with higher propensities to spend.
- For VIC, despite the second wave of coronavirus infection, the financial conditions of VIC households have remained solid (only 1 in 5 reported financial stress in wave 18) even though the majority (3 in 5) are limiting outside activities as required under Stage 4 restrictions. While the majority (53%) are spending less currently, VIC households are resilient and optimistic about future spending with 70% expecting to spend the same or more in March 2021.

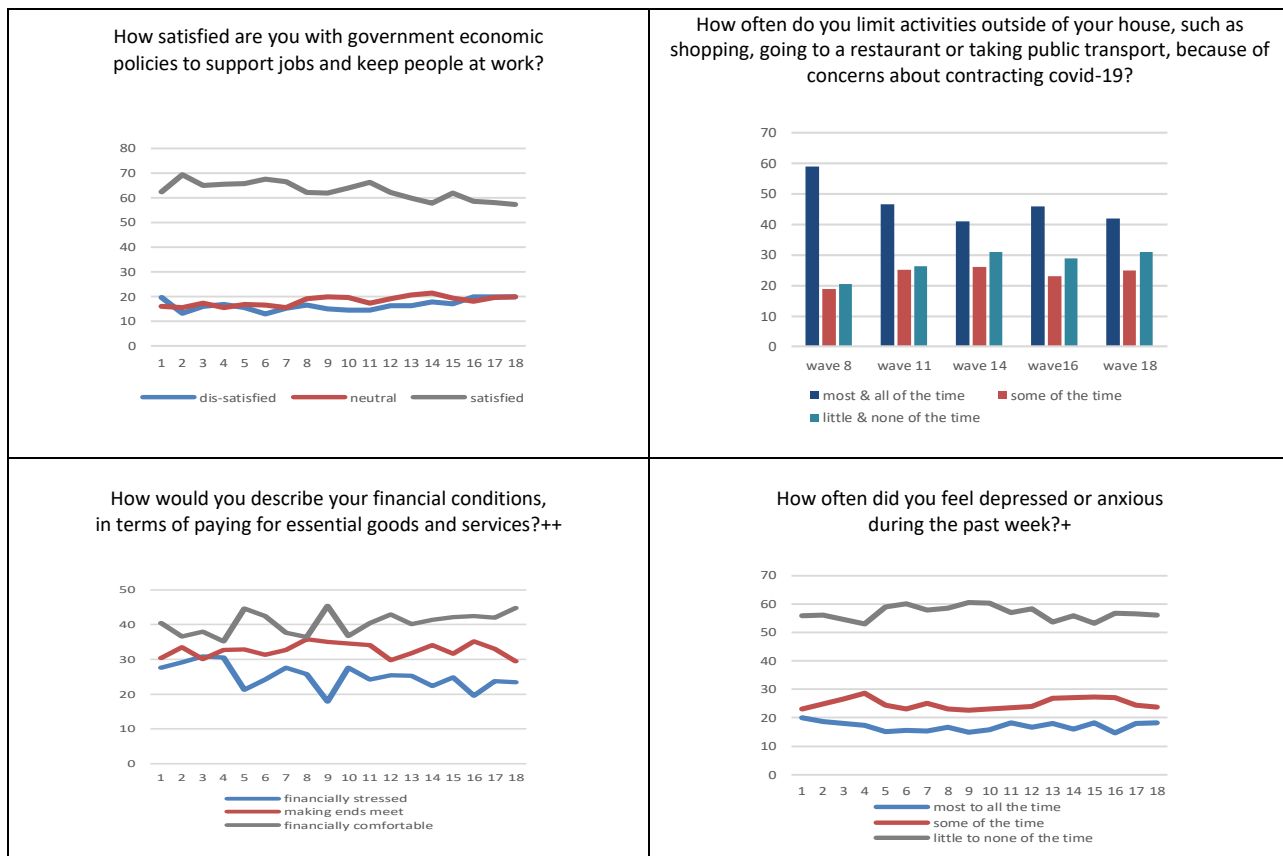
**Figure 2: Changes in Proportions (% points) between waves 14 and 18**



## Net satisfaction with government economic policy lowest on record for this survey and study finds mental distress correlated with number of new COVID-19 cases

- Net satisfaction (proportion satisfied less proportion dis-satisfied) with government policies to support jobs and keep people at work fell from 56% in wave 2 to 37% in wave 18, the lowest on record for this survey. Across the states in wave 18, WA recorded the highest proportion of people satisfied with policy (76%) and the lowest proportion dissatisfied (9%). Wave 18 was completed before the road-map for Victoria was announced; satisfaction was 54% against 20% dis-satisfied.
- In wave 18, interviewees were also asked about how often they restrict their activities. The survey showed a fall in the proportion saying they will limit their activities outside their home most of the time; the fall was from 46% in wave 16, to 42 % in wave 18. Again, this change was most noticeable in WA with 53% limiting activities only a little of the time while in Victoria 63% were limiting activities most of the time (reflecting to a large extent the lockdown).
- In terms of financial stress (i.e. having difficulties paying for essential goods and services) – there appears to be a slight improvement in the proportion of people who are financially comfortable from 42% in wave 17 to 45% in wave 18. This proportion was below 50%, in all states except in WA where the proportion has risen to 52%.
- Looking at mental distress (i.e. feeling anxious or depressed most to all the time), the survey showed that, on average, the majority of Australians experienced anxiety a little to none of the time (56%), while around 17% experienced mental distress most of the time. A closer look at the data showed that, between April and July, there was a strong correlation between the average level of mental distress among working age community members and the number of new COVID-19 cases recorded for Australia in the previous week. Being unemployed and financially stressed are also associated with increased mental distress.+++

Figure 3: How are Australians Coping with COVID-19? 18 waves of surveys (April 6 to Sep 6), proportions %



+ The question about feeling depressed is about assessing symptoms/experiences and not about assessing the presence of a clinical diagnosis or disorder. The proportion in the "don't know/refused" category, is very small and has been excluded from the figures.

++ Financial stress refers to the situation of having difficulties paying for essential goods and services while financial vulnerability refers to being in financial stress or making ends meet.

+++ For details, see "Mental distress in Australia over the course of the COVID-19 pandemic" by Ferdi Botha, Peter Butterworth, and Roger Wilkins. MI Research Insights 24/2020

# Melbourne Institute: Applied Economic & Social Research

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## About the survey

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These results have been drawn from *Taking the Pulse of the Nation* - Melbourne Institute's survey of the impact of COVID-19. The aim of the weekly survey is to track changes in the economic and social wellbeing of Australians living through the effects of the coronavirus pandemic whilst adapting to various changes in Federal and State government policies.

The survey contains responses from 1200 persons, aged 18 years and over each week. The sample is stratified by gender, age and location to be representative of the Australian population.

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