

THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR

—
QUARTERLY UPDATE
AUGUST 2022

FINANCIAL WELLBEING OVERVIEW

The ANZ Roy Morgan Financial Wellbeing Indicator (FWBI) has been a compelling measure of how COVID-19 and recent economic instability has impacted lives and livelihoods in Australia. Since prior to the start of the pandemic, the FWBI has been reported as a 12-month moving average, with regular updates showing the movement in aspects of financial wellbeing across locations and for a range of segments in the community (see anz.com.au/about-us/esg-priorities/financial-wellbeing/ for updates).

This update examines how financial wellbeing has changed in 2022, comparing the May 2022 results with those of December 2021. The financial wellbeing of Australians had partially recovered by the end of 2021 from the post COVID-19 lows experienced in March. This update illustrates how Australia has experienced a second downturn in financial wellbeing, which generally weakened since December 2021 as Omicron cases surged and publicity about rising inflation and interest rates increased.



INDICATOR

The FWBI shows that following challenges posed by the Omicron variant, and uncertainty about rising inflation and interest rates, the financial wellbeing of Australians experienced a second downturn.

DECLINING BY 1.0% **FROM** 59.1 (as a score out of 100) in the 12 months to December 2021 **TO** 58.5 in the 12 months to May 2022 (Figure 1 and Table 1)

INDICATOR (CONTINUED)

After a solid result in December 2021, the **spot result** weakened each month between December 2021 (59.2 out of 100) and April 2022 (56.8 out of 100) before recovering in May 2022 (57.6 out of 100). The weaker results from December 2021 occurred with uncertainty around travel over the summer holiday period, the appearance of the Omicron variant, and uncertain economic conditions.



The fall in the FWBI since December 2021 has been driven by a decline in **feeling comfortable** about one's current and future situation (Table 1 and Figure 2), down 3.0% between December 2021 and May 2022, from 53.9 to 52.3 out of 100. Surging Omicron cases and publicity concerning rising interest rates and inflation may have been factors behind the decline in sentiment.



Meeting everyday commitments remained fairly steady between December 2021 and May 2022, at 70.5 (out of 100) in the 12 months to December 2021 compared to 70.6 (out of 100) in the 12 months to May 2022 (Table 1 and Figure 2). Concerns about rising interest rates and inflation appear not to have impacted yet on the ability to **meet everyday commitments** evidenced by the **7% growth in ABS total retail turnover** between December 2021 and May 2022.



Resilience for the future – the ability to cope with financial setbacks – also remained fairly steady year-on-year, falling by only 0.8% for the 12 months to May 2022 (52.5 out of 100) compared to 12 months to December 2021 (52.9 out of 100) (Table 1 and Figure 2). Both institutional support in response to the pandemic and deferred consumption have contributed to boosting household savings.



IN THIS RELEASE

- The decline in financial wellbeing between December 2021 and May 2022 has led to an increase in the size of the **struggling** segment. This increase was offset by reductions in size of the **no worries** and **doing OK** segments as individual financial wellbeing has declined (Figure 3).
- Financial wellbeing declined across all **states and territories** between December 2021 and May 2022. The state that experienced the largest fall between December 2021 and May 2022 was SA (down 2.6%), while Victoria experienced the smallest fall in financial wellbeing (down 0.5%) (Figure 4).
- Between December 2021 and May 2022 financial wellbeing also declined among all **age groups** to a similar extent, including those aged 14-24 (down 0.8%), 25-34 (down 0.9%), 35-49 (down 1.4%), 50-64 (down 1.2%), and 65+ (down 1.2%).
- The decline in financial wellbeing between December 2021 and May 2022 was more evident for some households than others, in particular households with **incomes** of less than \$100,000 per year (down 1.8%) or between \$100,000 and \$199,999 per year (down 1.0%). The decline was not evident among households earning \$200,000 or more (0.0%) (Table 2). Young families, renters, people not working full-time and lower income households with a recent mortgage (in the last 2 years) also experienced greater downward pressure on their financial wellbeing (Figure 6).

FIGURE 1: FINANCIAL WELLBEING IN AUSTRALIA, MONTHLY SPOT DATA AND 12-MONTH MOVING AVERAGE (JAN-14 TO MAY-22)

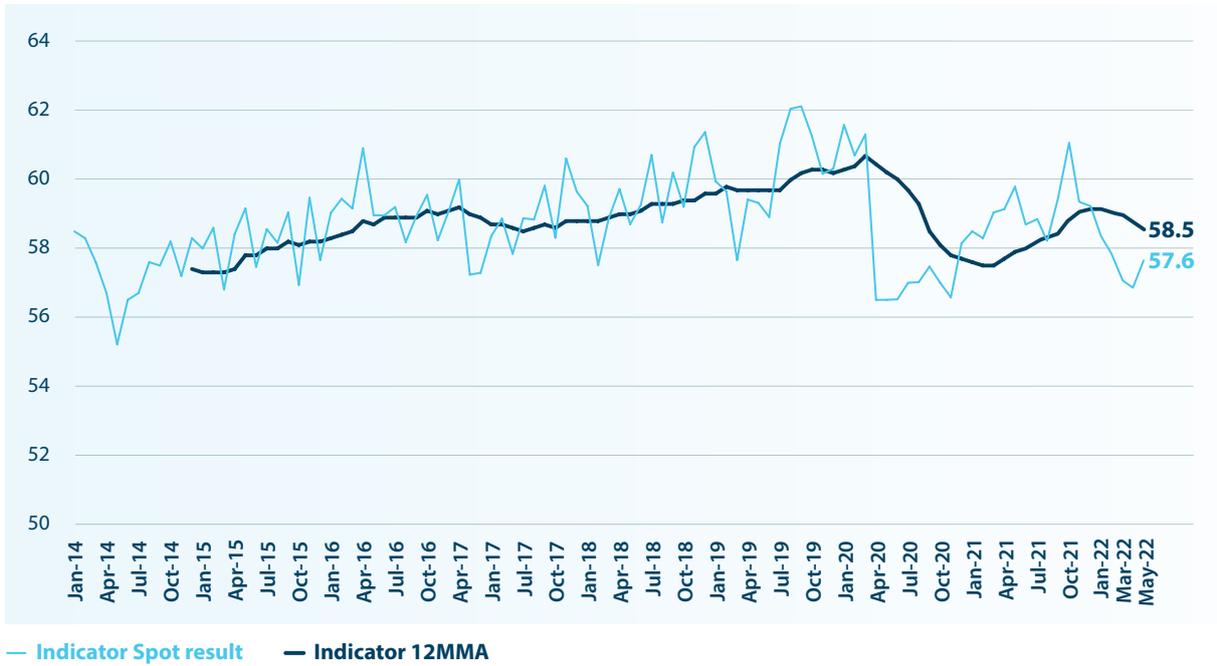
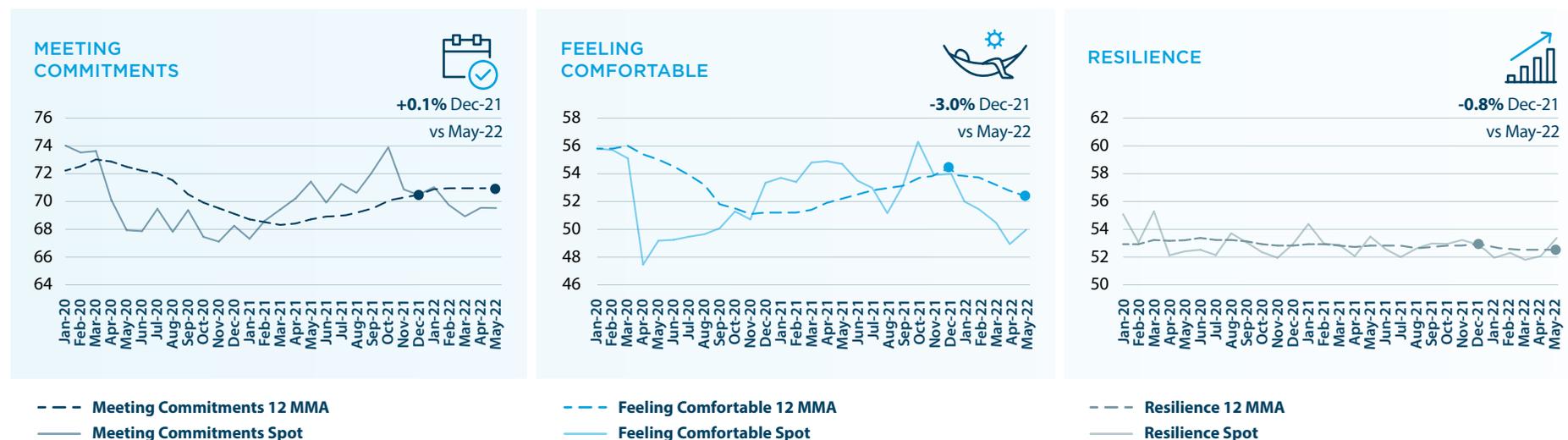


TABLE 1: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA
(12-MONTH MOVING AVERAGE AND SPOT MONTH VIEW)

	12 months			Spot Result						12 months	Dec-21 vs May-22 change
	Mar-20	Mar-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	May-22		
Financial wellbeing	60.7	57.5	59.1	58.3	57.8	57.0	56.8	57.6	58.5	-1.0%	
Meeting commitments	73.0	68.3	70.5	71.0	69.7	68.9	69.5	69.5	70.6	+0.1%	
Feeling comfortable	56.0	51.4	53.9	51.9	51.3	50.4	48.8	49.8	52.3	-3.0%	
Resilience for the future	53.2	52.8	52.9	51.9	52.3	51.8	52.0	53.4	52.5	-0.8%	

FIGURE 2: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA,
MONTHLY SPOT DATA AND 12-MONTH MOVING AVERAGE (JAN-20 TO MAY-22)



FINANCIAL WELLBEING SEGMENTS

Respondents were divided into four segments according to their overall financial wellbeing score (out of 100). These segments were described in ANZ's 2021 ANZ Financial Wellbeing Survey¹:

- **Struggling:** (0–30) Most describing their current financial situation as 'bad', having little or no savings and finding it a constant struggle to meet bills and credit payments. They were less optimistic or future oriented and had poor mental and physical health. Most felt anxious about their future financial situation, did not have any superannuation and did not think owning a home was a realistic goal for them.
- **Getting by:** (>30–50) Many describing their financial situation as 'bad', less confident in their money management skills and their ability to control their financial future. They were less likely to be frugal than other segments.
- **Doing OK:** (>50–80) Current financial situation is 'fair' or 'good' and reasonably confident about their financial situation over the next 12 months. They were more likely to budget or plan and to have their savings put aside automatically.

- **No Worries:** (>80–100) Strongly future-oriented, goal-oriented, optimistic and frugal, contributing positively to financial wellbeing. High levels of confidence in managing money and substantial amounts in savings, investments and superannuation. More likely to be report excellent or very good mental and physical health.

Following the appearance of the Omicron variant and weakening economic conditions in early 2022, the proportion of people with the lowest financial wellbeing (**struggling**) rose from 14.3% in December 2021 to 15.4% in May 2022 (Figure 3). The increase in the **struggling** segment was offset by reductions in size of the **no worries** (from 22.8% in December 2021 to 22.4% in May 2022) and **doing OK** segments (from 43.1% in December 2021 to 42.6% in May 2022). There was barely any change in the proportion of Australians that were **getting by** between December 2021 and May 2022 (with a small decline from 19.8% to 19.7%).

While the FWBI declined between December 2021 and May 2022 (from 59.1 to 58.5), the FWBI remains above the March 2021 post-COVID 19 low of 57.5 (Table 1 and Table 2). Nevertheless, the percentage of those **struggling** increased between March 2021 and May 2022 (from 14.5% to 15.4%). This suggests that some Australians have not enjoyed improvements in their financial wellbeing despite the gains across the population overall.

FIGURE 3: CHANGE IN THE COMPOSITION OF THE FINANCIAL WELLBEING SEGMENTS (12 MONTHS TO DEC-21 VS 12 MONTHS TO MAY-22)



Note: December 2021 data includes the 12 months to December 2021. May 2022 data includes the 12 months to May 2022.

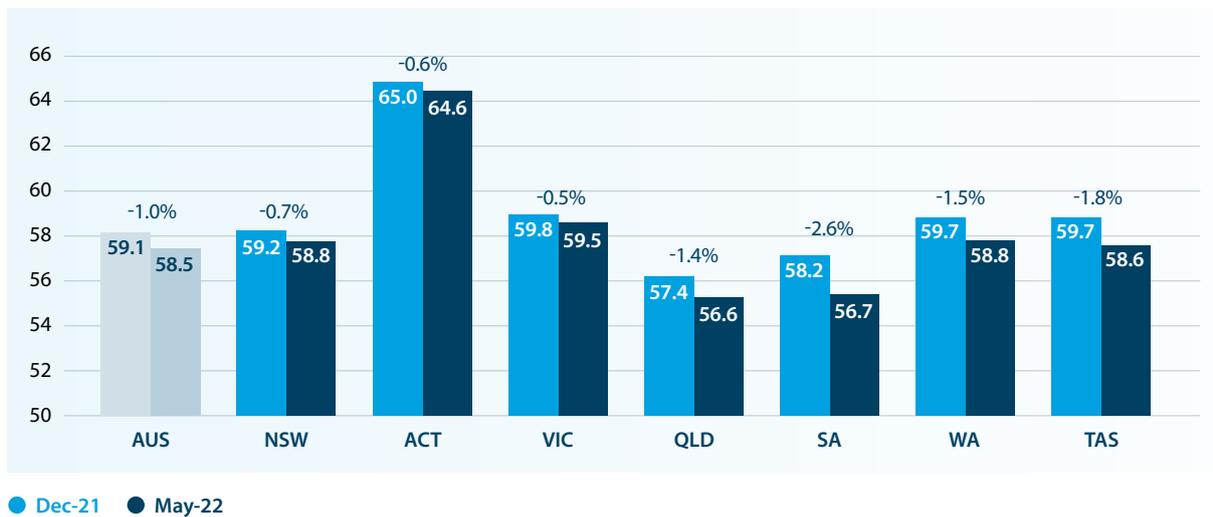
1. ANZ (2018). *Financial Wellbeing: A Survey of Adults in Australia*. <http://www.bluenotes.anz.com/financialwellbeing>

FINANCIAL WELLBEING BY STATE AND TERRITORY

Surging Omicron cases and publicity about rising inflation and interest rates resulted in all states and the ACT recording lower scores in overall financial wellbeing in May 2022 compared to December 2021 (Figure 4).

In May 2022 (as in December 2021) respondents from ACT had the highest financial wellbeing score of 64.6 (out of 100), 6.1 points higher than the national average and 5.1 points higher than Victoria with the next highest level of financial wellbeing (59.5). Queensland had the lowest level of financial wellbeing at 56.6 (out of 100) (Figure 4).

FIGURE 4: FINANCIAL WELLBEING IN AUSTRALIA, BY STATE AND TERRITORY (12 MONTHS TO DEC-21 VS 12 MONTHS TO MAY-22)



The proportion of people in the **struggling** segment increased across all states and the ACT between the 12 months to December 2021 and the 12 months to May 2022 (Figure 5). SA was the state with the largest increase in the proportion of people that were **struggling** (rising by 2.1 percentage points, from 15.5% in December 2021 to 17.6% in May 2022). All states and the ACT experienced a similar pattern of reductions in the proportion of their populations in falling in the **no worries** and **doing OK** segments.

FIGURE 5: PERCENTAGE POINT INCREASE IN STRUGGLING SEGMENT IN AUSTRALIA, BY STATE AND TERRITORY (12 MONTHS TO DEC-21 VS 12 MONTHS TO MAY-22)



HOUSEHOLD EXPERIENCE OF DECLINING FINANCIAL WELLBEING

Despite falling among Australians overall, the decline in financial wellbeing between December 2021 and May 2022 was more evident for some households than others. In particular, the decline in financial wellbeing was only evident in households with incomes of less than \$100,000 per year (down 1.8%) or between \$100,000 and \$199,999 per year (down 1.0%). The decline was not evident among households earning \$200,000 or more (0.0%) (Table 2).

Indeed, for households with incomes of less than \$100,000, financial wellbeing was no higher in May 2022 than in March 2021, when financial wellbeing was at its post-COVID low point. The FWBI gains since the March 2021 low have only occurred among households earning \$100,000 a year or more.

While all household income levels experienced falls in whether they were **feeling comfortable** about their

financial situation, households earning under \$100,000 experienced a declining ability to **meet everyday commitments** between December 2021 and May 2022 (down 0.8%), while households earning between \$100,000 and \$199,999 (up 0.5%) or \$200,000 and over (up 1.4%) experienced improvements. This suggests that rising prices, for items such as rent, petrol and food, disproportionately affected those with lower incomes.

TABLE 2: FINANCIAL WELLBEING IN AUSTRALIA, BY HOUSEHOLD INCOME (12 MONTHS TO DEC-21 VS 12 MONTHS TO MAY-22)

	Mar-20 vs Mar-21		
	Dec-21	May-22	% change
Australia	59.1	58.5	-1.0%
HH income <\$100,000 pa	55.2	54.2	-1.8%
HH income \$100,000 pa – \$199,999	61.4	60.8	-1.0%
HH income \$200,000+ pa	66.4	66.4	0.0%

While financial wellbeing declined for all life stages between December 2021 and May 2022, the percentage decline has been greatest among young families (down 1.7%) (Figure 6). Young families already had the lowest financial wellbeing score out of all life stages in December 2021, with the gap widening in early 2022. While all life stages experienced falls in whether they were **feeling comfortable**, only young families and retirees experienced small declines in their ability to **meet everyday commitments**. Young families also experienced the largest decline in their **resilience** as savings balances decreased.

Although financial wellbeing declined regardless of home ownership status, it declined by a greater extent among renters who were already starting from a lower base than those owning or paying off their home (Figure 6). It is only among renters that the ability to **meet everyday commitments** declined in early 2022, suggesting this group may have been already feeling the effects of rising inflation. For those who had a recent mortgage (less than two years), it is only among households earning less than \$100,000 per year that financial wellbeing has declined (Figure 6). These households also experienced the largest fall in their **resilience** (down 4.1%), indicating a reduction in available savings.

While financial wellbeing declined regardless of work status between December 2021 and May 2022 (Figure 6), the decline was greater for part-time employees or those not working. Further, and unlike full-time employees, part-time employees and non-employees were less likely to be able to **meet everyday commitments**.

FIGURE 6: CHANGE IN FINANCIAL WELLBEING IN AUSTRALIA, BY SELECTED HOUSEHOLDS (12 MONTHS TO DEC-21 VS 12 MONTHS TO MAY-22)



* Households with income <\$100,000 pa who have had a mortgage for less than two years.

ABOUT THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR

The ANZ Roy Morgan Financial Wellbeing Indicator is a statistically robust snapshot of the personal financial wellbeing of Australians, reported as a 12-month moving average every quarter.

The Indicator is based on the Kempson *et al.* conceptual model of financial wellbeing, tested most recently by ANZ in its 2021 financial wellbeing surveys. The Kempson model acknowledges the direct (blue) and indirect (grey) influence that eight domains have on personal financial wellbeing (Figure 7). Through an updated modelling approach, we have a better understanding of how a person's socio-economic context and their behaviour traits are key to underpinning their financial wellbeing.

The indicator is derived from data gathered through the weekly Roy Morgan Single Source survey, which canvasses approximately 65,000 Australians annually.

The breadth of data gathered through Roy Morgan Single Source enables examination of Australians' financial wellbeing at a more granular level than was possible with previously available data.

The indicator is reported quarterly and periodically. Releases are accompanied with a focus on specific deep dive topics.



More information about the Indicator can be found at anz.com.au/about-us/esg-priorities/financial-wellbeing/ or by contacting:

Natalie Paine, Social Impact Research and Reporting Lead
Natalie.Paine@anz.com

Simon Edwards, Research and Insights Lead
Simon.Edwards@anz.com

FIGURE 7: THE REVISED FINANCIAL WELLBEING CONCEPTUAL MODEL



Source: Adapted from Kempson et al, 2018, with additional data from the 2021 ANZ Financial Wellbeing Survey.

TECHNICAL APPENDIX

The data items used for the calculation of the indicator and other data items used to measure various drivers of personal financial wellbeing, all derive from the questions listed below from the Roy Morgan Single Source interview and survey.

The indicator is calculated by an algorithm that transforms responses to these questions, weighing the relative importance of each component. The algorithm was developed based on calibrated responses to the financial wellbeing questions in the 2017 and 2021 ANZ Financial Wellbeing Surveys², as well as answers to the questions below.

There are many additional questions in the Roy Morgan Single Source data collection that are of relevance and can be used as filters or as cross-tabulation variables with the Indicator. The complete list of these variables are not listed here.

ANZ Roy Morgan FWI dimensions	Questions and items from Roy Morgan Single Source
Meeting commitments	<p>Q. Meeting my bills and commitments is a struggle from time to time</p> <p>Q. In the past 12 months I have sometimes been unable to pay bills or loan commitments at the final reminder due to lack of money</p> <p>Q. I sometimes run short of money for food or other regular expenses</p>
Feeling comfortable	<p>Q. I feel financially stable at the moment</p> <p>Q. I have planned enough to make sure I will be financially secure in the future</p> <p>Q. Would you say you and your family are better-off financially – or worse-off than you were at this time last year?</p> <p>Q. Looking ahead to this time next year... do you expect you and your family to be better-off financially – or worse-off than you are now?</p>
Resilience	<p>Number of months' income in savings calculated using following questions:</p> <p>Q. Household's total present approximate weekly or annual income from all sources before tax – please include all wages, salaries, pensions and other income</p> <p>Q. Would you please say the approximate amount that is in the (main/second) (say institution and account name) account as of today</p> <p>Managing a drop in income by a third is calculated using the following questions:</p> <p>Q. Household's total present approximate weekly or annual income from all sources before tax – please include all wages, salaries, pensions and other income</p> <p>Q. Approximate amount that is in the (main/second) (say institution and account name) account as of today</p> <p>Q. How much does your family spend on all living and household expenses in an average week? Please include all expenses such as shopping, luxuries, transport costs, bills, credit and loan repayments, rent and home loans, school fees etc. (if living in a shared household, only include your own total living expenses)</p>

2. For more information on the financial wellbeing questions, see page 48 of Financial Wellbeing: A Survey of Adults in Australia. Retrieved from <https://www.anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/esg/financial-wellbeing/anz-au-adult-financial-wellbeing-survey-2021.pdf>