

THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR

QUARTERLY UPDATE
MARCH 2023

FINANCIAL WELLBEING OVERVIEW

Financial wellbeing is the extent to which someone is able to meet all their current commitments and needs comfortably and has the financial resilience to maintain this in the future. The ANZ Roy Morgan Financial Wellbeing Indicator (FWBI) provides insights into how factors affecting the financial lives of Australians are impacting their financial wellbeing outcomes over time. The FWBI is 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 changed in the last quarter of 2022 and year-on-year, comparing the December 2022 results with those of September 2022 and December 2021. 2022 was dominated by the impact of rising cost of living on households. The financial wellbeing of Australians had already declined in the first three-quarters of 2022 as cases of COVID-19 continued to have an impact and inflation and interest rates increased.

INDICATOR			
The FWBI shows that amidst economic uncertainty driven by rising interest rates and inflation, the financial wellbeing of Australians		In total, the financial wellbeing of Australians	
DECLINED 1.9% ↓	FROM 57.7 <small>(as a score out of 100) in the 12 months to September 2022</small>	TO 56.6 <small>in the 12 months to December 2022 (Figure 1 and Table 1)</small>	DECLINED 4.2% ↓ <small>year-on-year.</small>

INDICATOR (CONTINUED)

The **spot result** has declined since September 2022 (56.5 out of 100), reaching 54.2 in November 2022 (a post-COVID low) and 54.6 in December 2022 (Table 1). These results are the weakest since collection of FWBI data commenced in 2014.



The fall in the FWBI since September 2022 was mainly driven by a decline in **feeling comfortable** about one's current and future financial situation (Table 1), down 4.6% between September 2022 and December 2022, from 50.4 to 48.1 out of 100 (Figure 2 and Table 1).



Meeting everyday commitments declined by 1.1% from 70.1 (out of 100) in the 12 months to September 2022 to 69.3 (out of 100) in the 12 months to December 2022 (Table 1). The decline in the ability to **meet everyday commitments** suggests that Australians are not just feeling 'less comfortable', but that uncertain economic conditions are making **meeting everyday commitments** more difficult. The increased difficulty in **meeting everyday commitments** appears to be greater among those exposed to rising interest rates, falling more among those **paying off their home** (down 1.7% to 70.1).



Resilience for the future – the ability to cope with financial setbacks – has begun to decline. After being stable between March and September 2022, resilience fell slightly between September and December 2022 (down 0.4% to 52.3) as the level of household savings returned to pre-pandemic levels.



IN THIS RELEASE

- The decline in financial wellbeing in the last quarter of 2022 led to an increase in the size of the **struggling** segment to 17.2% of the Australian population in December 2022, up from 16.1% in September 2022 and 14.3% in December 2021. The increase in the **struggling** segment coincided with a reduction in the proportion of Australians with the highest financial wellbeing (**no worries**) as individual financial wellbeing declined (Figure 3).
- The proportion of Australians **struggling** began increasing in 2019, with rising unemployment and continued to increase with the onset of the pandemic in 2020. The proportion of Australians considered **struggling** was largely stable in 2021 as unemployment fell as the economy re-opened. However, it commenced increasing again in 2022 with rising inflation and interest rates, indicating a 'double dip' for **struggling** Australians (Figure 4).
- Financial wellbeing declined across all **states and territories** between September and December 2022. Except for SA, the states experienced similar falls between September 2022 and December 2022, including WA (down 2.1%), Queensland (down 2.0%), NSW (down 1.9%), Victoria (down 1.9%) and Tasmania (down 1.9%). SA fell the least (down 1.6%) (Figure 5).
- **Level of educational attainment** appears to be having a positive effect on financial confidence and in supporting financial wellbeing during the period of rising cost of living. Financial wellbeing declined less over the whole of 2022 for people with a university degree (-3.3%) than for those with a Year 12 education or less (-5.7%), a TAFE education (-4.4%) or with an incomplete degree or a diploma (-4.7%). The smaller decline in financial wellbeing for university graduates was mainly due to their ability to continue **meeting commitments**. Australians with a TAFE education or trade also fared relatively well in their **ability to meet commitments**, suggesting benefits of vocational training in supporting people to meet their everyday needs (Figure 7).

FIGURE 1: FINANCIAL WELLBEING IN AUSTRALIA, MONTHLY SPOT DATA AND 12-MONTH MOVING AVERAGE (OUT OF 100) (JAN-14 TO DEC-22)

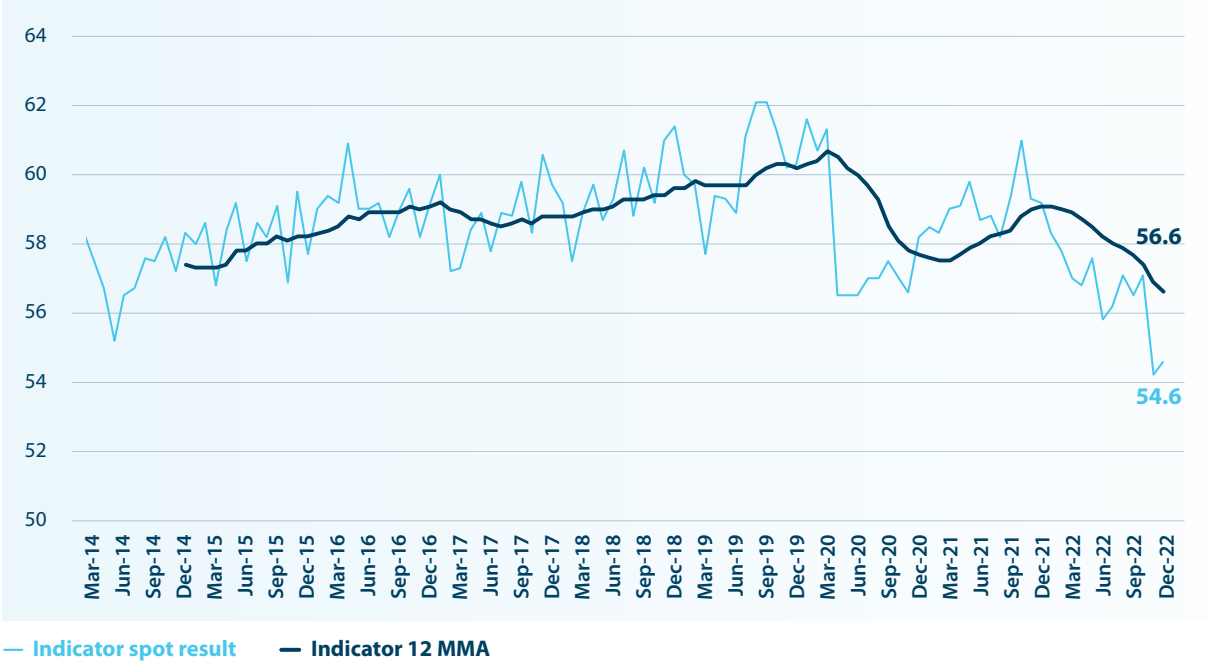
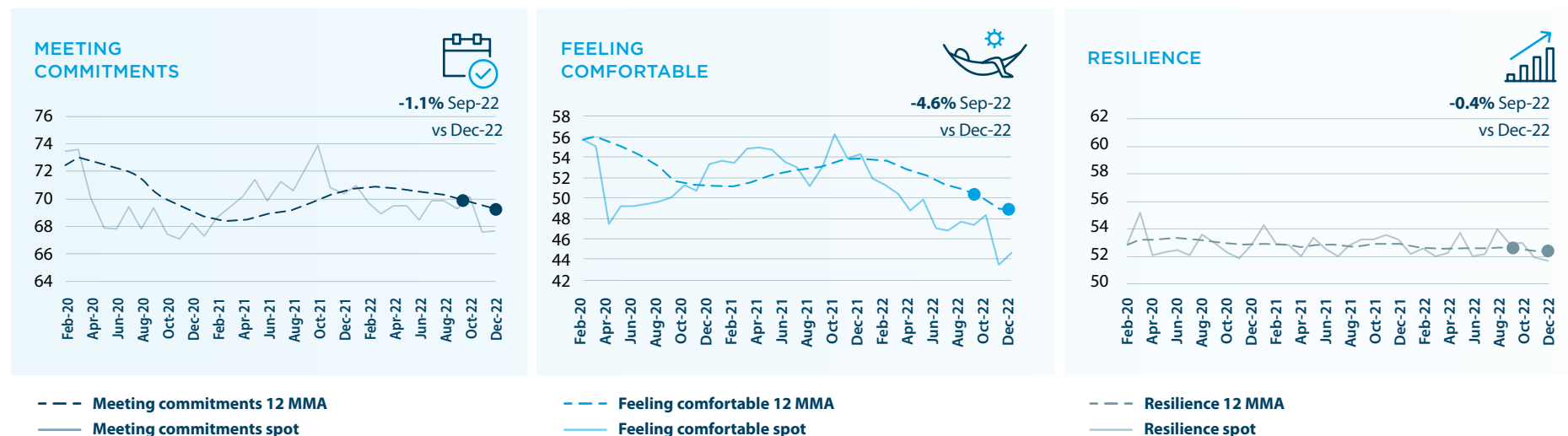


TABLE 1: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA
(12-MONTH MOVING AVERAGE AND SPOT MONTH VIEW) (OUT OF 100)

	12 months			Spot result			12 months	Dec-21 vs. Dec-22 change	Sep-22 vs. Dec-22 change
	Dec-21	Mar-22	Sep-22	Oct-22	Nov-22	Dec-22			
Financial wellbeing	59.1	58.9	57.7	57.1	54.2	54.6	56.6	-4.2%	-1.9%
Meeting commitments	70.5	70.9	70.1	70.2	67.6	67.7	69.3	-1.7%	-1.1%
Feeling comfortable	53.9	53.2	50.4	48.3	43.5	44.6	48.1	-10.8%	-4.6%
Resilience for the future	52.9	52.5	52.5	52.7	51.7	51.5	52.3	-1.1%	-0.4%

FIGURE 2: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA,
MONTHLY SPOT DATA AND 12-MONTH MOVING AVERAGE (OUT OF 100) (JAN-20 TO DEC-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 Financial Wellbeing Survey**¹:

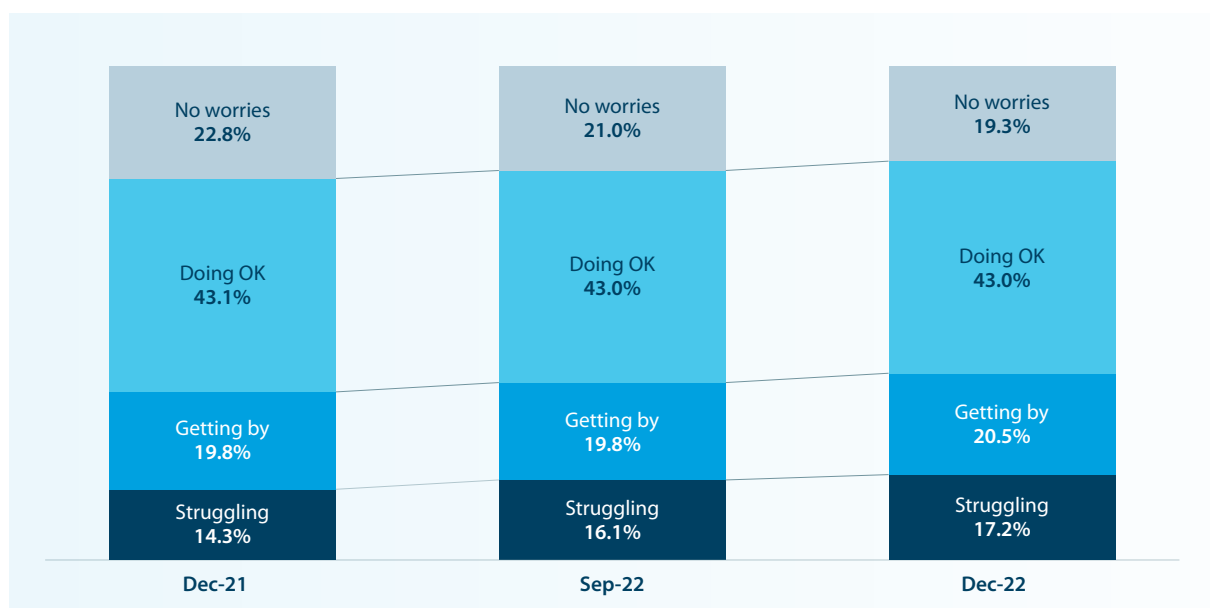
- **Struggling:** (0–30) Most describing their current financial situation as 'bad', having little or no savings and finding it a constant struggle to meet bills and credit payments. They were less optimistic or future oriented and had poor mental and physical health. Most felt anxious about their future 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/very good mental and physical health.

Following further rises in interest rates and inflation, the proportion of people with the lowest financial wellbeing (**struggling**) rose from 16.1% in September 2022 to 17.2% in December 2022 (Figure 3). The increase in the **struggling** segment coincided with a reduction in the size of the **no worries** segment (from 21.0% in September 2022 to 19.3% in December 2022).

Year-on-year, the **struggling** segment increased three percentage points from 14.3% in December 2021 to 17.2% in December 2022.

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



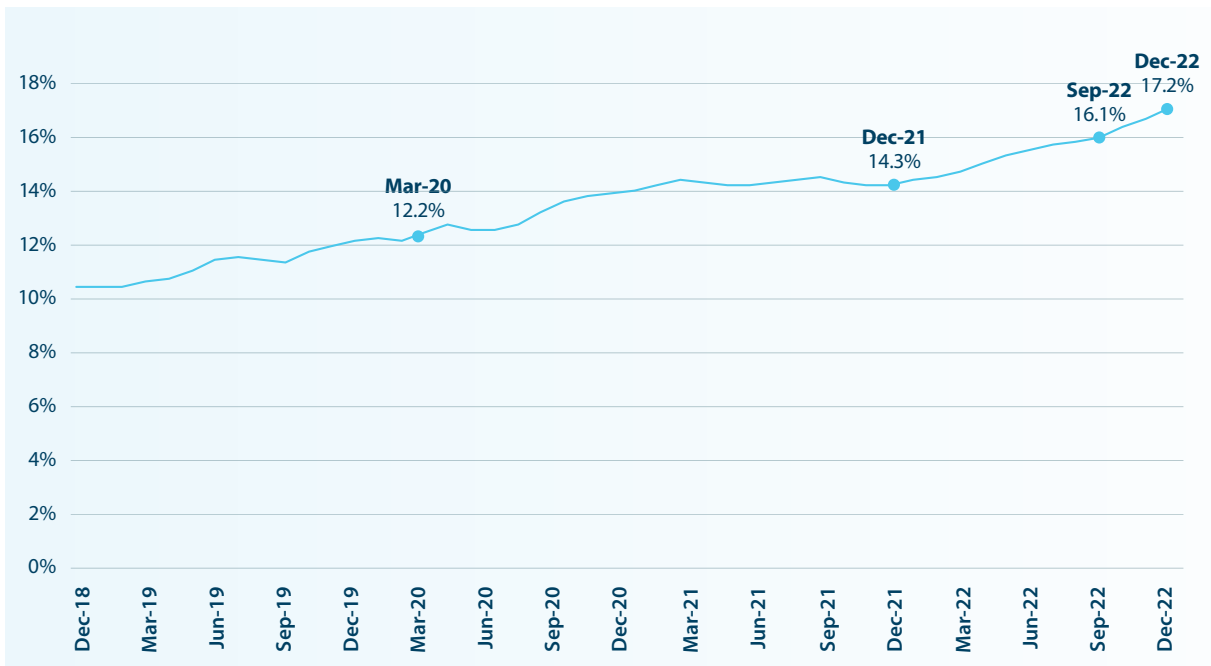
Note: December 2021 data includes 12 months to December 2021. September 2022 data includes 12 months to September 2022. December 2022 data includes 12 months December 2022.

1. ANZ (2021). *Financial Wellbeing: A Survey of Adults in Australia*. <https://www.anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/esg/financial-wellbeing/anz-adult-financial-wellbeing-survey-2021-australia-accessible.pdf>

The proportion of people in the **struggling** segment has risen from 10.5% in January 2019 to 17.2% in December 2022 (Figure 4). The **struggling** segment began increasing in 2019 coinciding with rising unemployment and continued to increase with the onset of COVID in 2020. The proportion of Australians considered **struggling** was

largely stable in 2021 as unemployment fell as the economy re-opened. However, it commenced increasing again in 2022 with rising inflation and interest rates, growing from a short-term plateau of 14.3% in December 2021 to 17.2% in December 2022, indicating a 'double dip' for **struggling** Australians.

FIGURE 4: CHANGE IN THE PROPORTION OF PEOPLE CONSIDERED STRUGGLING (12 MONTHS TO JAN-19 VS 12 MONTHS TO DEC-22)



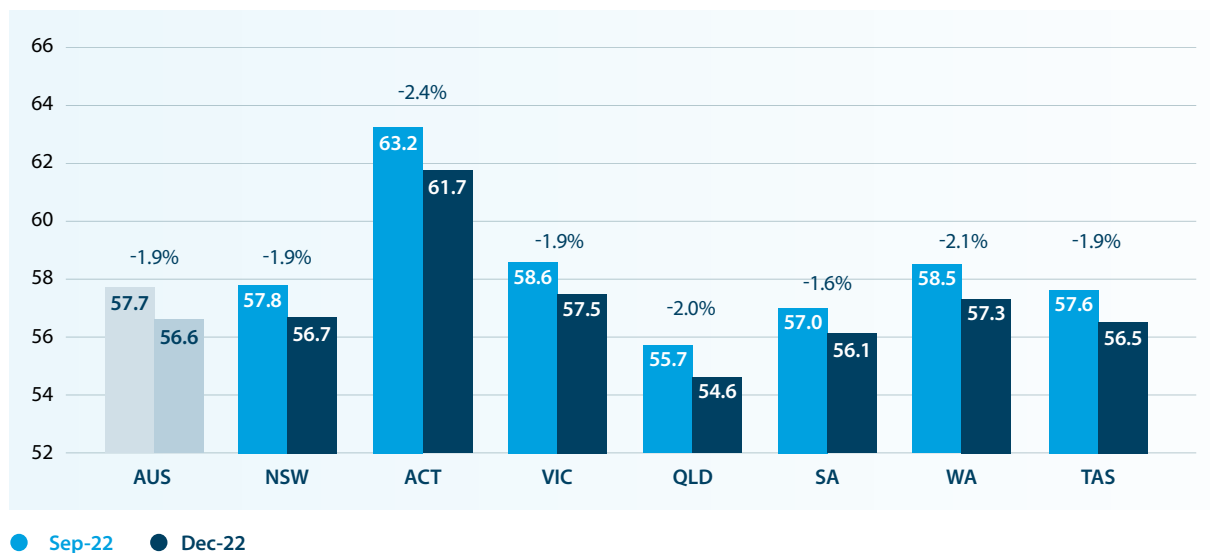
FINANCIAL WELLBEING BY STATE AND TERRITORY

The continuing rise in inflation and interest rates resulted in all states and the ACT recording lower scores in overall financial wellbeing in December 2022 compared to September 2022 (Figure 5).

Of the six states, all states experienced similar falls – WA down 2.1%, Queensland down 2.0%, NSW down 1.9%, Victoria down 1.9% and Tasmania down 1.9% – except for SA which fell the least (down 1.6%).

In December 2022 (as in September 2022) respondents from ACT had the highest financial wellbeing score of 61.7 (out of 100), 5.1 points higher than the national average and 4.2 points higher than Victoria with the next highest level of financial wellbeing (57.5). Queensland had the lowest level of financial wellbeing at 54.6 (out of 100) (Figure 5).

FIGURE 5: FINANCIAL WELLBEING IN AUSTRALIA, BY STATE AND TERRITORY (OUT OF 100) (12 MONTHS TO SEP-22 VS 12 MONTHS TO DEC-22)

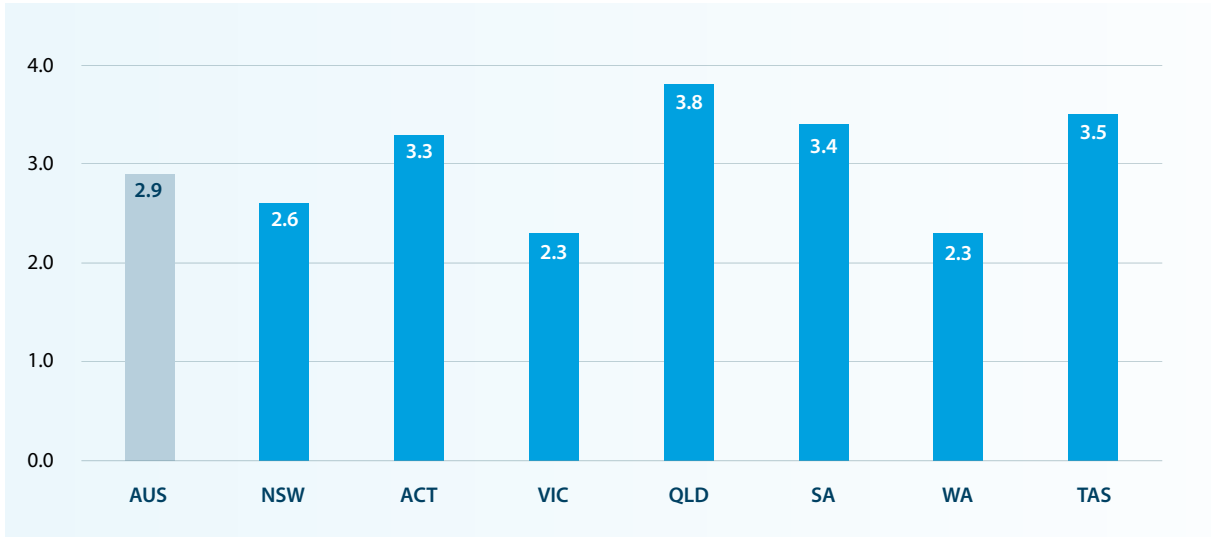


Financial wellbeing declined across all states and the ACT year-on-year from December 2021 to December 2022. It declined most in Tasmania (down 5.4%), the ACT (down 5.1%) and Queensland (down 4.9%) and the least in SA (down 3.6%) and Victoria (down 3.8%).

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 December 2022 (Figure 6). Queensland was the state with the largest increase in the proportion of people that were **struggling** year-on-year (rising by 3.8 percentage points, from 16.5% in December 2021 to

20.3% in December 2022). Similarly, Tasmania and SA experienced larger increases in the **struggling** segment, with 19.2% and 18.9% of people considered **struggling** in Tasmania and SA respectively in the 12 months to December 2022. While the ACT experienced a 3.3 percentage point increase in the **struggling** segment year-on-year, it was from a much lower base having the lowest proportion of people **struggling** out of all states and territories (11.8% in December 2022). All states and the ACT experienced a similar pattern of reductions in the proportion of their populations in falling in the **no worries** segment.

FIGURE 6: PERCENTAGE POINT INCREASE IN STRUGGLING SEGMENT IN AUSTRALIA, BY STATE AND TERRITORY (12 MONTHS TO DEC-21 VS 12 MONTHS TO DEC-22)



All states and the ACT had an increase in the proportion of people **struggling** in the final quarter of 2022 ranging between 0.8 to 1.1 percentage points. NSW and Victoria were at the higher end, which may have been influenced by Sydney and Melbourne experiencing the highest increase in unit rental prices in 2022. As highlighted in previous FWBI updates, renters are

significantly more likely to be **struggling** (29.0%) in December 2022 than either those paying off their home (14.8%) or those who have completely paid off their home (9.0%). Consequently, states with the greatest rise in rental costs are particularly likely to see an increase in the proportion of people who are **struggling**.

ROLE OF EDUCATION WITH THE RISING COST OF LIVING

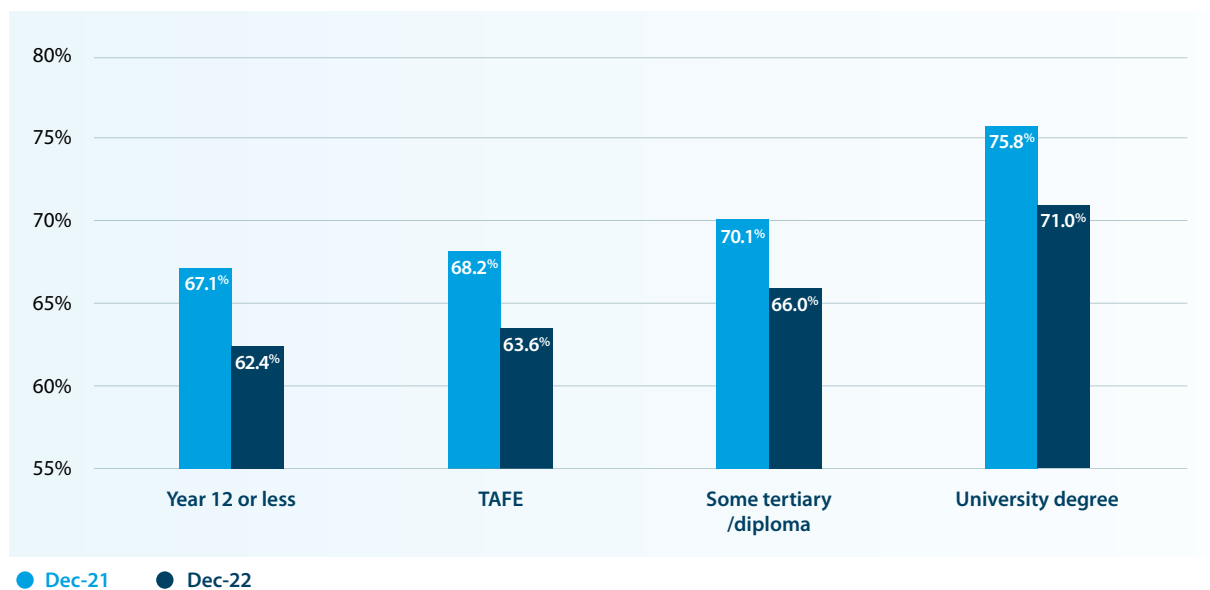
ANZ's **2021 Financial Wellbeing Survey** analysis showed that knowledge, both financial knowledge and further education generally, impacts financial wellbeing in complex ways (see Figure 9). Firstly, further education improves labour mobility and earning potential which is the largest socioeconomic 'enabler' of financial wellbeing.² Knowledge and education also have a role to play in developing financial confidence, which impacts financial behaviours and overall financial wellbeing.

The FWBI shows that financial confidence³ is higher among people with a university degree and lower for those who had not pursued further education (Figure 7). While financial confidence declined between four and five percentage points over the year for all educational attainment groups, it remained highest in December 2022 for people with a university degree (75.8%) than for those with a Year 12 education or less (67.1%), a TAFE education⁴ (68.2%) or an incomplete

degree or a diploma (70.1%) (Figure 7). Financial confidence was also particularly high among people with a postgraduate degree (77.8%).

Further education also provided a cushion against declining financial wellbeing as the cost of living increased through 2022. Financial wellbeing declined less among people with a university degree between December 2021 and December 2022 (-3.3%) than for those with a Year 12 education or less (-5.7%), a TAFE education (-4.4%) or an incomplete degree or a diploma (-4.7%) (Figure 8). Interestingly, financial wellbeing declined substantially less for people with a postgraduate degree (-2.0%) than for people with an undergraduate degree as their highest educational attainment (-4.2%). This suggests that higher levels of financial wellbeing derived from a university qualification are likely to accrue to those successfully undertaking postgraduate studies in particular.

FIGURE 7: FINANCIAL CONFIDENCE BY EDUCATIONAL ATTAINMENT (12 MONTHS TO DEC-21 VS 12 MONTHS TO DEC-22)



2. ANZ (2021). *Financial Wellbeing: A Survey of Adults in Australia*. <https://www.anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/esg/financial-wellbeing/anz-adult-financial-wellbeing-survey-2021-australia-accessible.pdf>





3. A person who is financially confident is defined as someone who agrees that 'I feel confident about managing my finances'.

4. TAFE education includes people who are now studying at or have finished a Technical School, TAFE or other certificate or apprenticeship.

Notably, the smaller decline in financial wellbeing for university graduates was mainly due to their ability to continue **meeting commitments**, which was less impacted year-on-year, rather than whether they were **feeling comfortable** or maintaining **resilience for the future** (although university graduates did perform slightly more strongly on these two dimensions). Indeed, the **ability to meet commitments** among university graduates was stable (0.0%) between December 2021 and December 2022, while it declined for those with a Year 12 education or less (-3.8%), a TAFE education (-1.6%) or an incomplete degree or a diploma (-3.2%) (Figure 8).

People with a postgraduate degree did particularly well, improving their **ability to meet commitments** in 2022 (+3.6%), while there was a decline in the **ability to meet commitments** for those with an undergraduate degree (-2.2%). The relatively strong performance for those with a TAFE education or trade also suggests the benefits of vocational training in supporting people to meet their everyday needs (Figure 8).

FIGURE 8: CHANGE IN FINANCIAL WELLBEING AND CONTRIBUTING FACTORS BY EDUCATIONAL ATTAINMENT (OUT OF 100) (12 MONTHS TO DEC-21 VS 12 MONTHS TO DEC-22)

 Year 12 or less	 TAFE	 Some tertiary/ diploma	 University degree	
			Undergraduate degree	Postgraduate degree
FINANCIAL WELLBEING				
↓ 5.7% to 53.6	↓ 4.4% to 53.9	↓ 4.7% to 55.5	↓ 3.3% to 61.6	
			↓ 4.2% to 60.8	↓ 2.0% to 62.9
MEETING COMMITMENTS				
↓ 3.8% to 65.1	↓ 1.6% to 65.3	↓ 3.2% to 67.0	0.0% at 74.8	
			↓ 2.2% to 73.5	↑ 3.6% to 76.8
FEELING COMFORTABLE				
↓ 11.8% to 44.8	↓ 10.6% to 45.5	↓ 10.3% to 47.1	↓ 10.2% to 53.1	
			↓ 10.5% to 52.2	↓ 9.8% to 54.5
RESILIENCE FOR THE FUTURE				
↓ 2.2% to 50.9	↓ 1.9% to 51.0	↓ 1.2% to 52.3	↓ 0.5% to 57.0	
			↓ 0.3% to 56.6	↓ 1.0% to 57.5

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 9). 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.

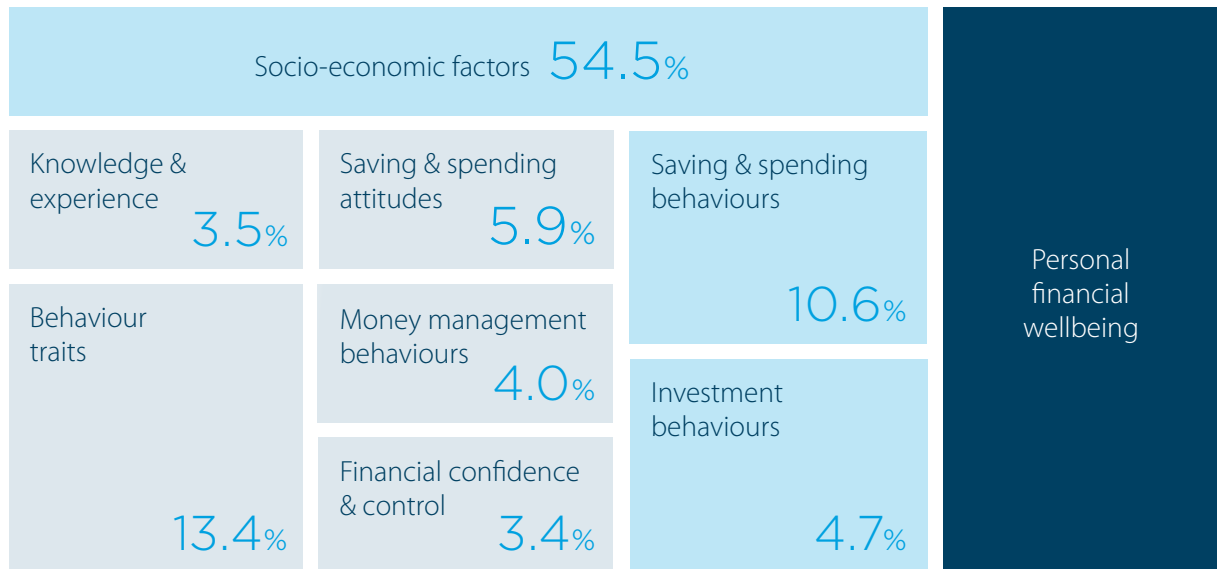


More information about the Indicator can be found at anz.com.au/about-us/esg-priorities/financial-wellbeing/ or by contacting:

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FIGURE 9: 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 Surveys⁵, 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>

5. 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>