

THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR

—
QUARTERLY UPDATE
DECEMBER 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) is reported as a 12-month moving average, with regular updates showing the changes 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). The FWBI provides insights into how the changing economic environment has impacted lives and livelihoods in Australia over time.

This update examines how financial wellbeing changed in the September quarter of 2023 and year-on-year, comparing the September 2023 results with June 2023 and September 2022 respectively. The financial wellbeing of Australians continued to decline in the September quarter of 2023 with the high cost of living and uncertainty about interest rates. Nevertheless, the spot results show some improvement since June 2023 coinciding with the Reserve Bank of Australia (RBA) leaving interest rates on hold during the September 2023 quarter.

INDICATOR			
The FWBI shows that the financial wellbeing of Australians			In total, the financial wellbeing of Australians
DECLINED 1.3% ↓	FROM 55.0 <small>(as a score out of 100) in the 12 months to June 2023</small>	TO 54.3 <small>in the 12 months to September 2023 (Figure 1 and Table 1).</small>	DECLINED 5.9% ↓ <small>year-on-year, between September 2022 and September 2023.</small>



ROY
MORGAN



INDICATOR (CONTINUED)

The **spot result** has improved since June 2023 (52.9 out of 100), reaching 54.4 in September 2023 (Figure 1 and Table 1). These improved results coincide with the RBA holding interest rates steady in the September 2023 quarter and will be reflected in the 12-month moving average over time.



Nevertheless, the fall in the FWBI 12-month moving average in the September 2023 quarter was partly driven by a decline in **feeling comfortable** about one's current and future situation, down -2.7% between the 12 months to June 2023 and the 12 months to September 2023, from 44.8 to 43.6 out of 100 (Figure 2 and Table 1). Year-on-year, **feeling comfortable** declined by -13.5%.



Meeting everyday commitments declined by -1.0% from 67.9 (out of 100) in the 12 months to June 2023 to 67.2 (out of 100) in the 12 months to September 2023 (Figure 2 and Table 1).



Resilience for the future – the ability to cope with financial setbacks – was down -0.2% to 52.0 between June 2023 and September 2023 and has declined -1.0% year-on-year (Figure 2 and Table 1).



IN THIS RELEASE

- The decline in financial wellbeing during the third quarter of 2023 has led to an increase in the size of the **struggling** segment to 19.9% of the Australian population in September 2023, up from 19.0% in June 2023 and 16.1% in September 2022 (Figures 3 and 4). The increased incidence of the **struggling** segment has coincided with a reduced incidence of Australians with the highest financial wellbeing (**no worries**) as financial wellbeing declined (Figure 3).
- Financial wellbeing declined across all **states and territories** between June 2023 and September 2023. SA experienced the largest fall among the states or territories (down -2.4%) followed by ACT (down -2.0%) and Victoria (down -1.8%). The states that fell the least were Queensland (down -0.6%) and NSW (down -0.7%) (Figure 6). Despite the larger decline this quarter, year-on-year, the smallest decline was in SA (down -5.3% vs a decline of -5.9% across Australia overall).
- The decline in financial wellbeing over the last quarter has been greater among **owner-occupier mortgage holders** (down -1.9% to 54.9 out of 100) compared to **renters** (down -1.3% to 44.9) and those who own their home outright (down -0.8% to 63.5) (Figure 7). This coincides with mortgagors being more negatively affected by rising interest rates.

FIGURE 1: FINANCIAL WELLBEING IN AUSTRALIA, MONTHLY SPOT DATA AND 12-MONTH MOVING AVERAGE (JAN-14 TO SEP-23)

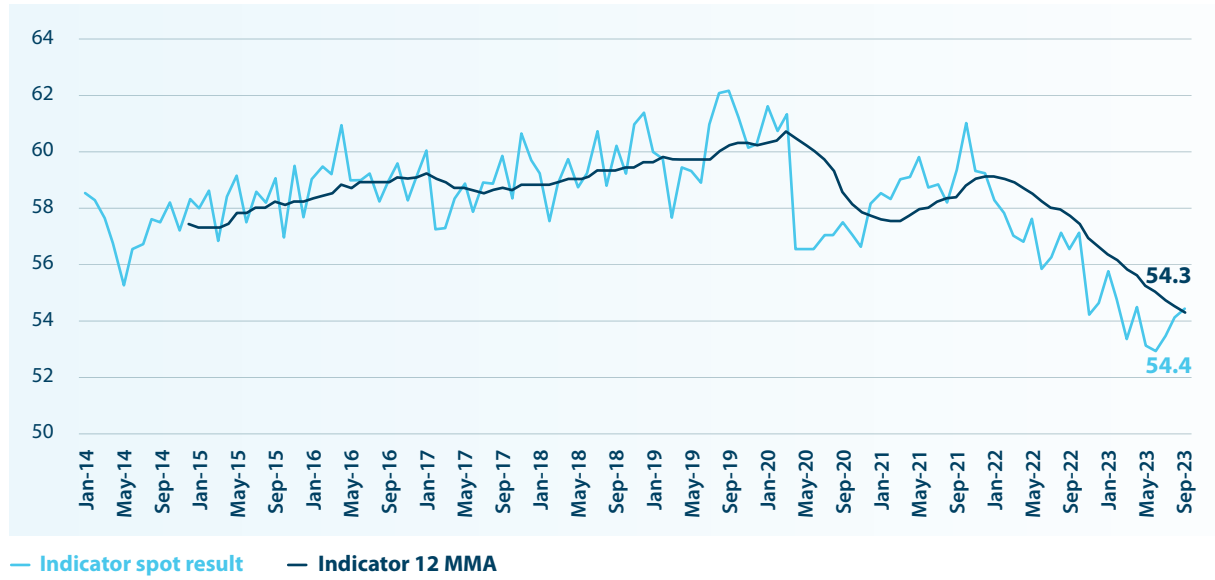
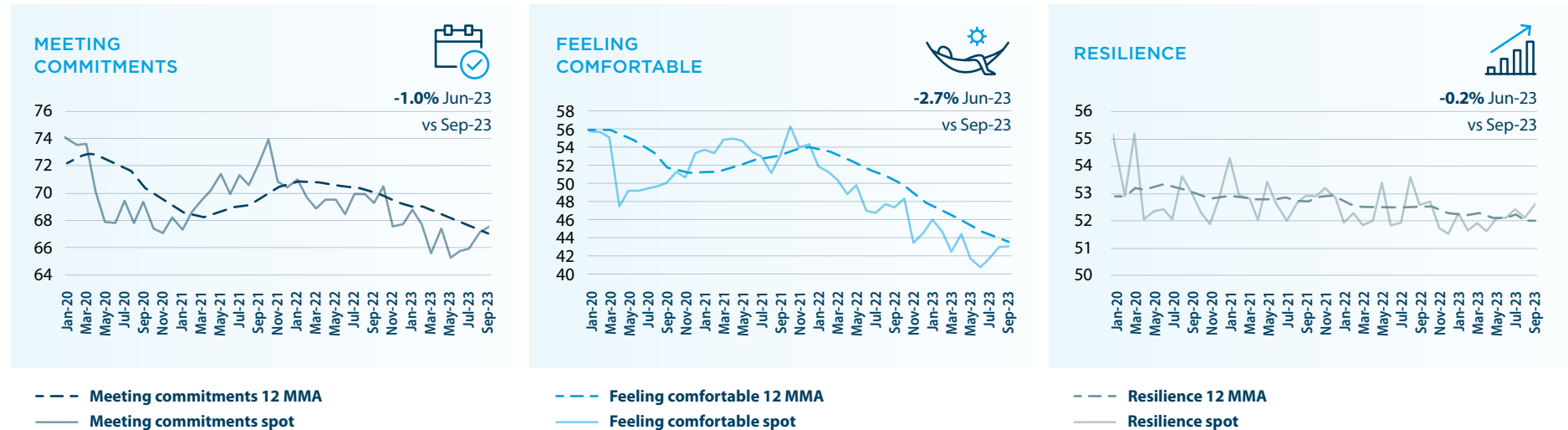


TABLE 1: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA (12-MONTH MOVING AVERAGE AND SPOT MONTH VIEW)

	12 months				Spot result		12 months		Sep-22 vs Sep-23 change	Jun-23 vs Sep-23 change
	Sep-22	Dec-22	Mar-23	Jun-23	Jul-23	Aug-23	Sep-23	Sep-23		
Financial wellbeing	57.7	56.6	55.8	55.0	53.4	54.1	54.4	54.3	-5.9%	-1.3%
Meeting commitments	70.1	69.3	68.7	67.9	66.0	67.1	67.6	67.2	-4.1%	-1.0%
Feeling comfortable	50.4	48.1	46.4	44.8	41.7	42.9	43.0	43.6	-13.5%	-2.7%
Resilience for the future	52.5	52.3	52.3	52.1	52.4	52.1	52.6	52.0	-1.0%	-0.2%

FIGURE 2: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA, MONTHLY SPOT DATA AND 12-MONTH MOVING AVERAGE (JAN-20 TO SEP-23)



FINANCIAL WELLBEING SEGMENTS

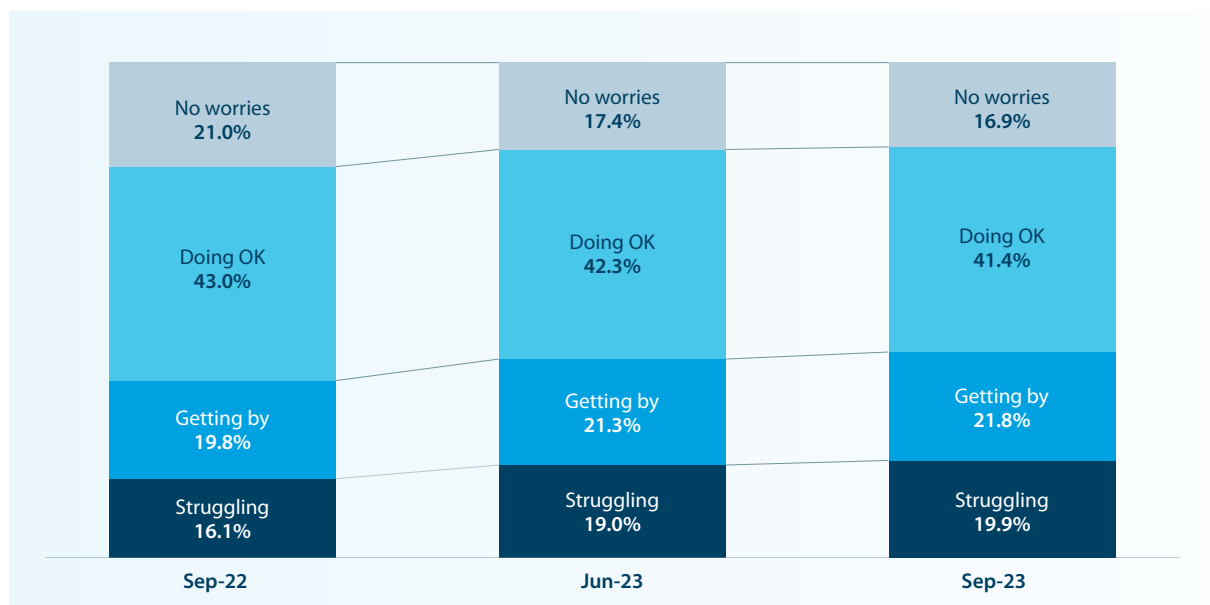
Respondents were divided into four segments according to their overall financial wellbeing score (out of 100). These segments were described in ANZ's **2021 Financial Wellbeing Survey**¹:

- 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.

The proportion of people with the lowest financial wellbeing (**struggling**) continued to rise in the September quarter, from 19.0% in June 2023 to 19.9% in September 2023 (Figure 3). The increase in the **struggling** segment coincided with a reduction in the size of the **no worries** segment (from 17.4% in June 2023 to 16.9% in September 2023).

Year-on-year, the **struggling** segment increased close to four percentage points from 16.1% in September 2022 to 19.9% in September 2023.

FIGURE 3: CHANGE IN THE COMPOSITION OF THE FINANCIAL WELLBEING SEGMENTS (12 MONTHS TO SEP-22 VS 12 MONTHS TO JUN-23 VS 12 MONTHS TO SEP-23)



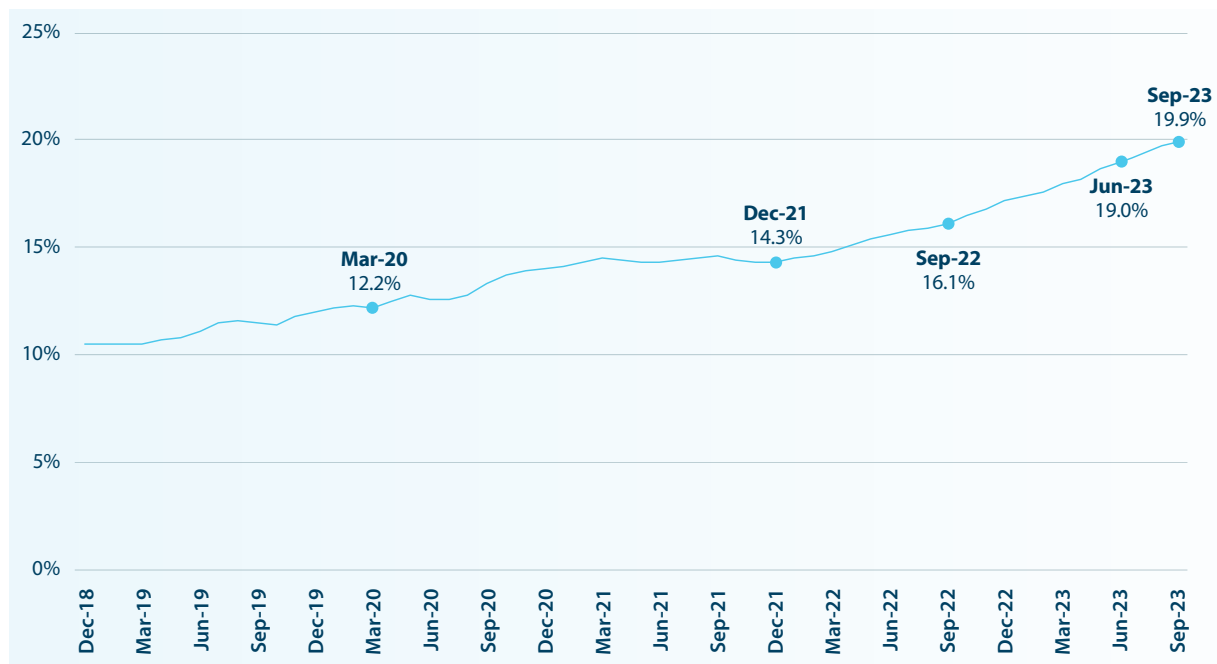
Note: September 2022 data includes 12 months to September 2022. June 2023 data includes 12 months to June 2023. September 2023 data includes 12 months September 2023.

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 been on an upward trend since January 2019, when 10.5% of the population were considered **struggling** with their financial wellbeing (Figure 4). The trend coincided with rising unemployment and continued to rise with the onset of COVID in 2020. The proportion of Australians considered

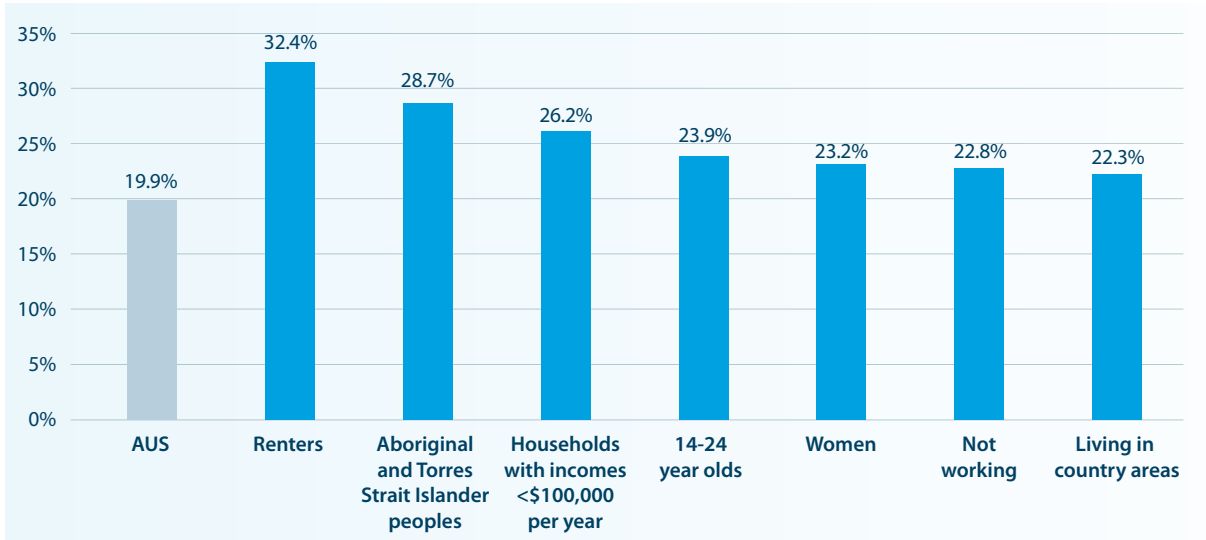
struggling was largely stable in 2021 as unemployment fell when the economy re-opened. However, it commenced increasing again in 2022 with rising inflation and interest rates, growing from a short-term plateau of 14.3% in December 2021 to 19.9% in September 2023.

FIGURE 4: CHANGE IN THE PROPORTION OF PEOPLE CONSIDERED STRUGGLING (12 MONTHS TO DEC-18 VS 12 MONTHS TO SEP-23)

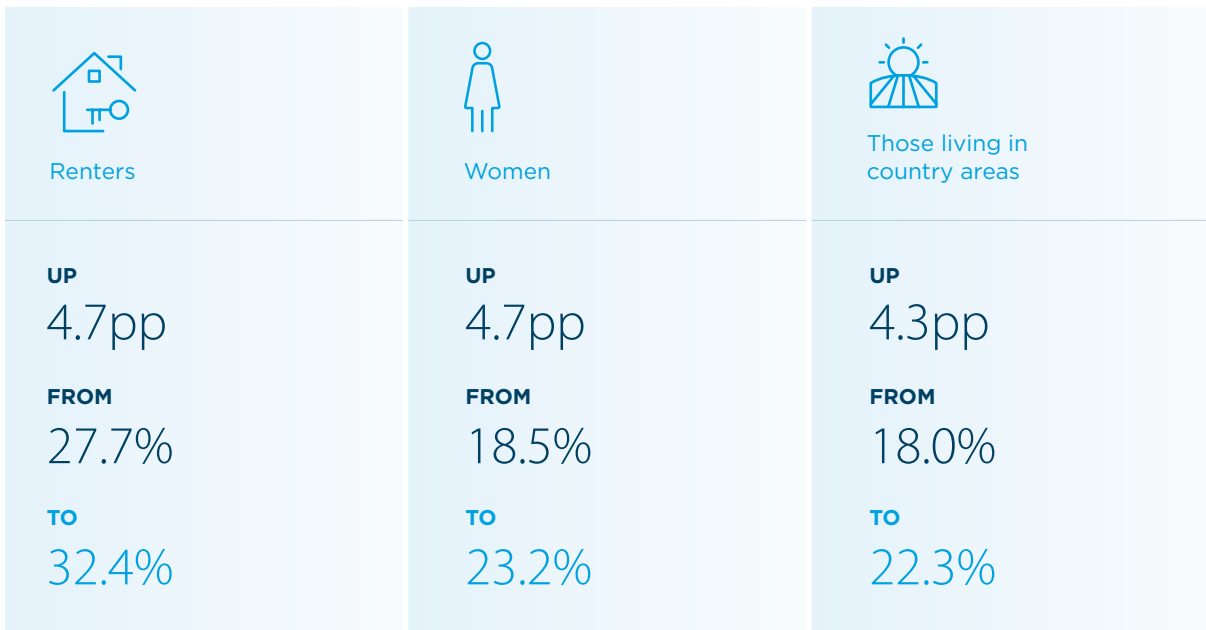


While 19.9% of Australians were in the **struggling** segment in September 2023, the proportion of those **struggling** varied widely across demographics. The proportion of people **struggling** was higher for the following groups highlighted in Figure 5. While all experienced increases since the June 2023 quarter, **struggling** segment growth was greater for women, renters and lower income households.

FIGURE 5: PROPORTION OF SELECTED GROUPS CONSIDERED STRUGGLING (12 MONTHS TO SEP-23)



Year-on-year, the groups which experienced the largest percentage point increase in the size of the **struggling** segment were:



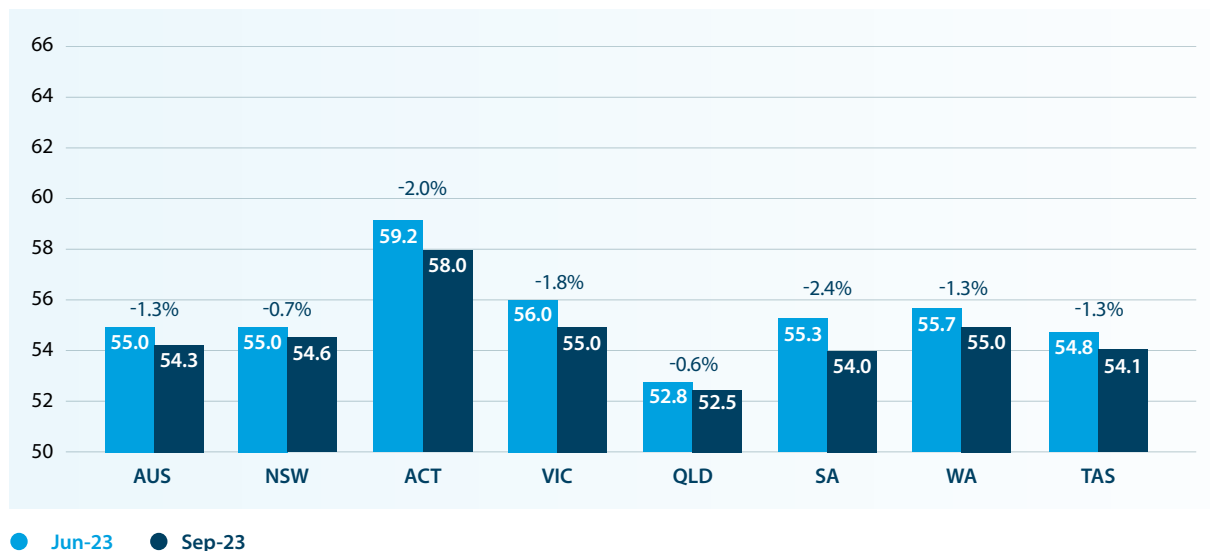
FINANCIAL WELLBEING BY STATE AND TERRITORY

All states and the ACT recorded lower scores in overall financial wellbeing in the 12 months to September 2023 compared to June 2023 (Figure 6).

SA experienced the largest fall quarter-on-quarter among the states or territories (down -2.4%) followed by ACT (down -2.0%) and Victoria (down -1.8%). The states that fell the least were Queensland (down -0.6%) and NSW (down -0.7%) (Figure 6).

In September 2023 (as in June 2023 and all previous quarters), respondents from the ACT had the highest financial wellbeing score of 58.0 (out of 100), 3.7 points higher than the national average and 3.0 points higher than Victoria and WA with the next highest levels of financial wellbeing (55.0). Queensland had the lowest level of financial wellbeing at 52.5 (out of 100) (Figure 6).

FIGURE 6: FINANCIAL WELLBEING IN AUSTRALIA, BY STATE AND TERRITORY (12 MONTHS TO JUN-23 VS 12 MONTHS TO SEP-23)



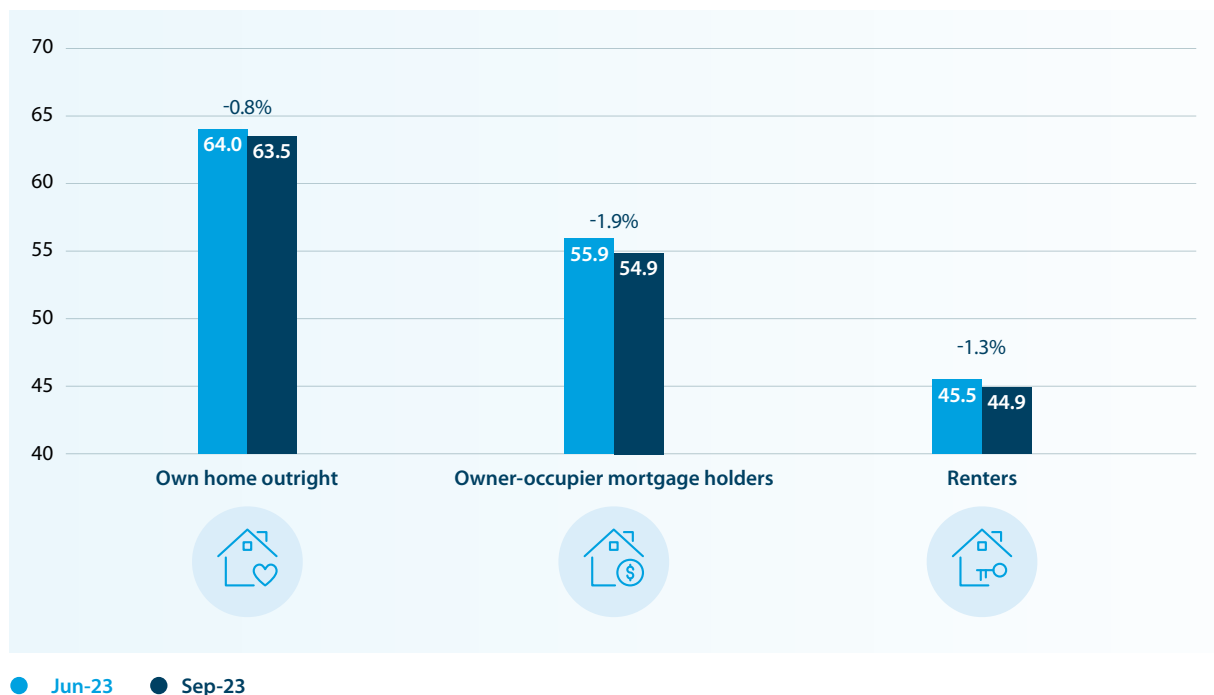
Financial wellbeing declined across all states and the ACT year-on-year from September 2022 to September 2023. Financial wellbeing declined most in the ACT (down -8.2% compared to -5.9% across Australia overall), Victoria (down -6.1%) and Tasmania (down -6.1%).

Despite the largest decline this quarter, SA experienced the smallest decline year-on-year down -5.3% vs a decline of -5.9% across Australia overall.

FINANCIAL WELLBEING BY HOME OWNERSHIP

The decline in financial wellbeing over the last quarter was greater among those with greater exposure to rising interest rates, that is, among owner-occupier mortgage holders (down -1.9% to 54.9 out of 100). There have been smaller declines among renters (down -1.3% to 44.9) and among those who own their home outright (down -0.8% to 63.5) (Figure 7).

FIGURE 7: FINANCIAL WELLBEING IN AUSTRALIA, BY HOME OWNERSHIP (12 MONTHS TO JUN-23 VS 12 MONTHS TO SEP-23)



This pattern is also apparent when examining the changes between the 12 months to September 2022 and the 12 months to September 2023. Over that period, financial wellbeing also declined more for those paying off their home (down -8.6%) compared to renters (down -6.1%) and those who own their home outright (down -4.1%).

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 8). 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.

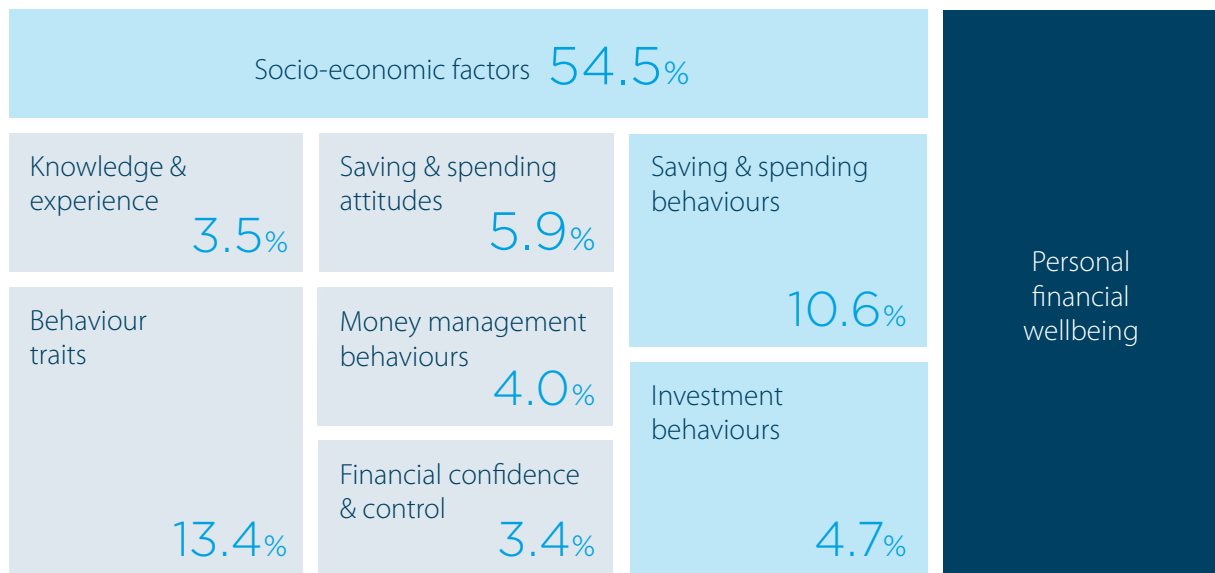


More information about the Indicator can be found at anz.com.au/about-us/esg-priorities/financial-wellbeing/ or by contacting:

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FIGURE 8: 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
<p>Meeting commitments</p>	<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>
<p>Feeling comfortable</p>	<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>
<p>Resilience</p>	<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>