FINANCIAL WELLBEING OVERVIEW

The ANZ Roy Morgan Financial Wellbeing Indicator (FWBI) provides insight into how factors affecting the financial lives of Australians impact their financial wellbeing 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 2022, comparing September 2022 with April 2022, immediately prior to the beginning of the latest interest rate tightening cycle. The financial wellbeing of Australians is experiencing a ‘double dip’ since the onset of the pandemic. Our August 2022 update highlighted how financial wellbeing had already declined between January and April 2022 as Omicron cases surged and publicity about inflation and potential interest rate rises increased. This update shows that Australia's financial wellbeing continued to decline after the first cash rate increase on 3 May 2022 and inflation continued to rise.

INDICATOR

The FWBI shows that with uncertain economic conditions, exemplified by rising interest rates and inflation, the financial wellbeing of Australians declined from 58.7 (as a score out of 100) in the 12 months to April 2022 to 57.7 in the 12 months to September 2022 (Figure 1 and Table 1).
The spot result has fluctuated since April 2022 (56.8 out of 100), reaching 55.8 in June 2022 (a post-COVID low) and 56.5 in September 2022 (Table 1). These results are well below the post-COVID spot FWBI peak of 61.0 in October 2021.

The decline in the FWBI since April 2022 has been mainly driven by a fall in feeling comfortable about one’s current and future situation (Table 1), down 4.4% between April 2022 and September 2022, from 52.7 to 50.4 out of 100 (Table 1 and Figure 2).

Meeting everyday commitments also declined, by 1.0% from 70.8 (out of 100) in the 12 months to April 2022 to 70.1 (out of 100) in the 12 months to September 2022 (Table 1 and Figure 2). The ability to meet everyday commitments had been largely stable between January and April 2022. The decline in recent months suggests that increasingly, Australians are not just feeling ‘less comfortable’, but uncertain economic conditions are making meeting everyday commitments more difficult.

Resilience for the future – the ability to cope with financial setbacks – was unchanged for the 12 months to September 2022 (52.5 out of 100) compared to 12 months to April 2022 (52.5 out of 100) (Table 1 and Figure 2), with household savings boosted by both institutional support in response to the pandemic and deferred consumption.

IN THIS RELEASE

• The decline in financial wellbeing between April and September 2022 has led to an increase in the size of the struggling segment to 16.1% of the Australian population in September 2022, up from 15.1% in April 2022. The increase in the struggling segment has coincided with a reduction in size of the no worries segment (Figure 3).

• The proportion of Australians struggling has been trending upwards since January 2019. The proportion of Australians struggling was fairly constant in the five years prior to January 2019, fluctuating between 10% and 12.5%, suggesting a notable shift since the beginning of the pandemic (Figure 4).

• Financial wellbeing declined across all states and territories between April and September 2022. The states that experienced the largest falls were Queensland (down 2.1%), NSW (down 1.9%) and Victoria (down 1.7%). The capital cities of these three states were where there were the largest increases in rents and the largest decreases in housing prices (Figure 5).

• While the fall in financial wellbeing between April and September 2022 was experienced equally among renters (-1.6%), those paying off their homes (-1.7%) and homeowners (-1.6%) (Figure 6), the fall in renter’s financial wellbeing was driven more by their ‘real’ experience with cost of living, through declining ability to meet everyday commitments, than it was for homeowners or those paying off their home. By contrast, those paying off their home and homeowners experienced greater declines in feeling comfortable than renters, reflecting sentiment rather than their current circumstances.

• Between April and September 2022, the fall in financial wellbeing was greater for those who had a mortgage less than two years (-2.0%) than for all those paying off their homes (-1.7%). Financial wellbeing declined to a similar extent for all recent mortgagors regardless of income.

• While the decline in financial wellbeing between April and September 2022 was evident across all income groups, it was more apparent in households with incomes less than $100,000 per year (-2.0%) than households with incomes between $100,000 and $199,999 per year (-1.8%) or households earning $200,000 or more (-1.4%) (Figure 7).
FIGURE 1: FINANCIAL WELLBEING IN AUSTRALIA, MONTHLY SPOT DATA AND 12-MONTH MOVING AVERAGE (JAN-14 TO SEP-22)
### TABLE 1: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA (12-MONTH MOVING AVERAGE AND SPOT MONTH VIEW)

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Mar-21</th>
<th>Jan-22</th>
<th>Apr-22</th>
<th>May-22</th>
<th>Jun-22</th>
<th>Jul-22</th>
<th>Aug-22</th>
<th>Sep-22</th>
<th>12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial wellbeing</strong></td>
<td>57.5</td>
<td>59.1</td>
<td>58.7</td>
<td>57.6</td>
<td>55.8</td>
<td>56.2</td>
<td>57.1</td>
<td>56.5</td>
<td>57.7</td>
</tr>
<tr>
<td><strong>Meeting commitments</strong></td>
<td>68.3</td>
<td>70.8</td>
<td>70.8</td>
<td>69.5</td>
<td>68.5</td>
<td>69.9</td>
<td>69.9</td>
<td>69.3</td>
<td>70.1</td>
</tr>
<tr>
<td><strong>Feeling comfortable</strong></td>
<td>51.4</td>
<td>53.7</td>
<td>52.7</td>
<td>49.8</td>
<td>47.0</td>
<td>46.8</td>
<td>47.7</td>
<td>47.4</td>
<td>50.4</td>
</tr>
<tr>
<td><strong>Resilience for the future</strong></td>
<td>52.8</td>
<td>52.7</td>
<td>52.5</td>
<td>53.4</td>
<td>51.8</td>
<td>51.9</td>
<td>53.6</td>
<td>52.6</td>
<td>52.5</td>
</tr>
</tbody>
</table>

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

- **Meeting commitments**: -1.0% Apr-22 vs Sep-22
- **Feeling comfortable**: -4.4% Apr-22 vs Sep-22
- **Resilience**: 0.0% Apr-22 vs Sep-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:

- **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 the first of the interest rate rises in early May 2022 coupled with rising inflation, the proportion of people with the lowest financial wellbeing (**struggling**) rose from 15.1% in April 2022 to 16.1% in September 2022 (Figure 3). The increase in the **struggling** segment coincided with a reduction in the size of the **no worries** segment (from 22.5% in April 2022 to 21.0% in September 2022).

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

<table>
<thead>
<tr>
<th>Segment</th>
<th>April 2022</th>
<th>September 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>No worries</td>
<td>22.5%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Doing OK</td>
<td>42.8%</td>
<td>43.0%</td>
</tr>
<tr>
<td>Getting by</td>
<td>19.6%</td>
<td>19.8%</td>
</tr>
<tr>
<td>Struggling</td>
<td>15.1%</td>
<td>16.1%</td>
</tr>
</tbody>
</table>

**Note:** April 2022 data includes 12 months to April 2022. September 2022 data includes 12 months to September 2022.

The proportion of people in the struggling segment has trended upwards overtime, from 10.5% in January 2019 to 16.1% in September 2022 (Figure 4). The proportion of Australians struggling had stayed fairly constant in the five years prior to January 2019, fluctuating between 10% and 12.5%, suggesting a notable shift since the beginning of the pandemic.

The size of the struggling segment began increasing in 2019 coinciding with rising unemployment and continued to rise with the onset of the pandemic in March 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 higher interest rates.

**Figure 4: Change in the proportion of people considered struggling (12 months to Jan-19 to 12 months to Sep-22)**
Rising inflation and interest rates resulted in all states and the ACT recording lower scores in overall financial wellbeing in September 2022 compared to April 2022 (Figure 5).

Of the five mainland states, the greatest falls occurred in Queensland, NSW and Victoria. It is in the capital cities of these three states where rents have increased the most, and housing prices have fallen the most.

In September 2022 (as in April 2022) respondents from the ACT had the highest financial wellbeing score of 63.2 (out of 100), 5.5 points higher than the national average and 4.6 points higher than Victoria with the next highest level of financial wellbeing (58.6). Queensland had the lowest level of financial wellbeing at 55.7 (out of 100) (Figure 5).
As highlighted in previous updates, Australians with constrained incomes and difficulty meeting housing costs are more likely to have lower levels of financial wellbeing. In particular, people struggling are more likely to be renting (27.7% are struggling) and living in households with incomes of less than $100,000 per year (22.7% are struggling).

The decline in financial wellbeing between April 2022 and September 2022 was experienced equally by renters (-1.6%), those paying off their homes (-1.7%) and homeowners (-1.6%) (Figure 6). However, the fall in renter’s financial wellbeing was driven more by their ‘real’ experiences with cost of living, through declining ability to meet everyday commitments (-1.7%) than it was for homeowners (-0.9%) or for those paying off their home (-0.6%). By contrast, greater declines in feeling comfortable were experienced by those paying off their home (-5.2%) and homeowners (-4.1%) than renters (-3.6%), reflecting sentiment rather than their current circumstances.

Notably, financial wellbeing fell more between April and September 2022 for those who had a mortgage less than two years (-2.0%) than for all people with a mortgage (-1.7%) (Figure 6). This suggests that some households who borrowed when interest rates were at their lowest in 2020 and 2021 are particularly impacted by rising rates. Financial wellbeing also declined to a similar extent for all recent mortgagors regardless of income.

The greater decline in the ability to meet everyday commitments for renters than mortgage holders or people owning their home outright, was also evident in renters spending a larger amount of their household income on living expenses than other households (+1.1 percentage points to 57.3% between April and September 2022), and increasingly agreeing that ‘I sometimes run short of money for food or other regular expenses’ (+1.2 percentage points to 43.1% in September 2022) (Figure 6).

Concern about rising home loan interest rates has more likely influenced greater declines in feeling comfortable for those paying off their home (-5.2%) than homeowners (-4.1%) or renters (-3.6%). While all home ownership segments ‘expect to be worse of this time next year’, the increase between April 2022 and September 2022 was significantly greater for those paying off their home than homeowners or renters (Figure 6).

Renters also expressed increasing dissatisfaction with a rising proportion of renters agreeing that they get ‘a raw deal out of life’ between April and September 2022. There was also increasing agreement with this statement for those paying off their home. By contrast, those already owning their home were less likely to agree they get ‘a raw deal out of life’.
While the decline in financial wellbeing between April and September 2022 was evident across all income groups, it was more apparent in households with incomes less than $100,000 per year (-2.0%) than households with incomes between $100,000 and $199,999 per year (-1.8%) or earning $200,000 or more (-1.4%) (Figure 7). The gap was mainly driven by lower income households finding it increasingly difficult to meet everyday commitments, suggesting it is lower income households bearing the brunt of rising inflation. Lower income households increasingly agreed with the statement ‘I sometimes run short of money for food or other regular expenses’ (+1.1 percentage points to 33.3% in September 2022).

Households with incomes less than $100,000 per year also spent a substantially larger amount of their household income on living expenses (83.3%) than households with incomes between $100,000 and $199,999 per year (49.8%) or earning $200,000 or more (34.2%). Economic pressures may also be driving increased dissatisfaction as lower income households were increasingly likely to agree that they get a ‘raw deal out of life’ (+0.8 percentage points between April and September 2022) (Figure 7).

While higher income households experienced greater increases in their expectation of being ‘worse off this time next year’, they were still less likely to feel this way than lower income households (Figure 7).

* Households who have had a mortgage for less than two years.
FIGURE 7: CHANGE IN FINANCIAL WELLBEING AND CONTRIBUTING FACTORS BY HOUSEHOLD INCOME (12 MONTHS TO APR-22 VS 12 MONTHS TO SEP-22)

<table>
<thead>
<tr>
<th>Household income</th>
<th>Financial Wellbeing</th>
<th>Mean Household Income Spent on Living Expenses</th>
<th>Household Sentiments</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than $100,000pa</td>
<td>↓ 2.0% to 53.4</td>
<td>↑ 1.3pp to 83.3%</td>
<td>↑ 5.9pp to 42.1%</td>
</tr>
<tr>
<td>$100,000pa - $199,999pa</td>
<td>↓ 1.8% to 59.9</td>
<td>↑ 1.0pp to 49.8%</td>
<td>↑ 6.6pp to 32.5%</td>
</tr>
<tr>
<td>$200,000pa or more</td>
<td>↓ 1.4% to 65.6</td>
<td>↑ 0.9pp to 34.2%</td>
<td>↑ 6.0pp to 23.8%</td>
</tr>
</tbody>
</table>

- **I FEEL WORSE OFF THAN THIS TIME LAST YEAR**
  - Household income less than $100,000pa: ↑ 5.9pp to 42.1%
  - Household income $100,000pa - $199,999pa: ↑ 6.6pp to 32.5%
  - Household income $200,000pa or more: ↑ 7.3pp to 18.7%

- **I EXPECT TO BE WORSE OFF THIS TIME NEXT YEAR**
  - Household income less than $100,000pa: ↑ 5.9pp to 25.7%
  - Household income $100,000pa - $199,999pa: ↑ 6.4pp to 19.7%
  - Household income $200,000pa or more: ↑ 7.3pp to 18.7%

- **I FEEL I'M GETTING A RAW DEAL OUT OF LIFE**
  - Household income less than $100,000pa: ↑ 0.8pp to 25.2%
  - Household income $100,000pa - $199,999pa: ↑ 0.2pp to 19.6%
  - Household income $200,000pa or more: ↓ 0.1pp to 12.7%
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 Surveys, 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.

<table>
<thead>
<tr>
<th>ANZ Roy Morgan FWI dimensions</th>
<th>Questions and items from Roy Morgan Single Source</th>
</tr>
</thead>
</table>
| Meeting commitments           | Q. Meeting my bills and commitments is a struggle from time to time  
                                 | 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  
                                 | Q. I sometimes run short of money for food or other regular expenses |
| Feeling comfortable           | Q. I feel financially stable at the moment  
                                 | Q. I have planned enough to make sure I will be financially secure in the future  
                                 | Q. Would you say you and your family are better-off financially – or worse-off than you were at this time last year?  
                                 | 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? |
| Resilience                    | Number of months’ income in savings calculated using following questions:  
                                 | Q. Household’s total present approximate weekly or annual income from all sources before tax – please include all wages, salaries, pensions and other income  
                                 | Q. Would you please say the approximate amount that is in the (main/second) (say institution and account name) account as of today |
                                 | Managing a drop in income by a third is calculated using the following questions:  
                                 | Q. Household’s total present approximate weekly or annual income from all sources before tax – please include all wages, salaries, pensions and other income  
                                 | Q. Approximate amount that is in the (main/second) (say institution and account name) account as of today  
                                 | 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) |