THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR

QUARTERLY UPDATE JUNE 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 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). 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 first quarter of 2023 and year-on-year, comparing the March 2023 results with those of December 2022 and March 2022. After declining in 2022, the financial wellbeing of Australians fell further in the first quarter of 2023 as the rising cost of living continued to have an impact. To better understand the most recent quarterly decline in financial wellbeing, the final section of this update focuses on how Australians are meeting commitments, comparing March 2023 results with those of December 2022 on a 3-month moving average.

INDICATOR			
The FWBI shows that the financial wellbeing of Australians			In total, the financial wellbeing of Australians
DECLINED 1.4% ↓	**FROM** 56.6 (as a score out of 100) in the 12 months to December 2022	**TO** 55.8 in the 12 months to March 2023 (Figure 1 and Table 1).	**DECLINED** 5.3% ↓ year-on-year, between March 2022 and March 2023.

ROY MORGAN

ANZ

INDICATOR (CONTINUED)

The **spot result** has declined since December 2022 (54.6 out of 100), reaching 53.3 in March 2023 (Table 1). These results are the weakest since collection of FWBI data commenced in 2014.

Australians more exposed to rising interest rates and rising rental costs appear to have been more greatly impacted. Between December 2022 and March 2023 there was a larger decline in financial wellbeing among those **paying off their home** (down 2.3%), and **renters** (down 1.3%) than among those who **own their home outright** (down 0.9%). Year-on-year the pattern is similar, with the decline in financial wellbeing being greater among those **paying off their home** (down 3.9%) and **renters** (down 3.9%) than among those who **own their home outright** (down 2.1%).

The fall in the FWBI since December 2022 was partly driven by a decline in **feeling comfortable** about one's current and future situation, down 3.5% between the 12 months to December 2022 and March 2023, from 48.1 to 46.4 out of 100 (Figure 2 and Table 1). Year-on-year, **feeling comfortable** declined by 12.8%.

Meeting everyday commitments declined by 0.9% from 69.3 (out of 100) in the 12 months to December 2022 to 68.7 (out of 100) in the 12 months to March 2023 (Figure 2 and Table 1). The fall in the ability to **meet everyday commitments** suggests that uncertain economic conditions are making **meeting everyday commitments** increasingly difficult, particularly among those **paying off their home** (down 1.4% to 69.1) and those **renting** (down 1.1% to 56.4). Year-on-year, the ability to **meet everyday commitments** is down 3.1%.

Resilience for the future – the ability to cope with financial setbacks – was stable between December 2022 and March 2023, although it has declined slightly year-on-year (down 0.4% to 52.3) with the level of household savings returning to pre-pandemic levels.

IN THIS RELEASE

- The decline in financial wellbeing in the first quarter of 2023 has led to an increase in the size of the **struggling** segment to 18.0% of the Australian population in March 2023, up from 17.2% in December 2022 and 14.8% in March 2022 (Figures 3 and 4). The increase in the **struggling** segment has coincided with a reduction in the proportion of Australians with the highest financial wellbeing (**no worries**) as individual financial wellbeing has declined (Figure 3).
- Financial wellbeing declined across all **states and territories** between December 2022 and March 2023. WA experienced the largest fall among the mainland states (down 2.3%) followed by Queensland (down 1.5%), Victoria (down 1.4%) and NSW (down 1.2%). SA fell the least (down 0.9%) (Figure 5). Similarly, while financial wellbeing declined across all states and territories year-on-year, the smallest decline was in SA (down 2.8% vs down 5.3% across Australia overall).
- Australians are finding it increasingly hard to **meet commitments**. While the ability to **meet commitments** declined by 1.1% in the six months to September 2022, it fell a further 2.0% in the six months to March 2023. The increasing speed of the decline has coincided with the continuing rise in interest rates, and stubbornly high inflation, particularly for non-discretionary items.
- Examining the results on a 3-month moving average shows that while the ability to **meet commitments** fell among Australians overall between December 2022 and March 2023 (down 1.6%), the decline in **meeting commitments** was more evident among renters (down 4.9%) than among those paying off their mortgage (down 0.8%) or those who own their home outright (down 0.7%) (Figure 6).
- To 'make ends meet', renters as whole appear to have several strategies including drawing down on deposits, increasing purchases on credit and seeking employment leading to full-time work. By contrast, those paying off their mortgage are drawing down on their deposits and increasing purchases on credit but not seeking employment, while those owning their home outright are only increasing purchases on credit.

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

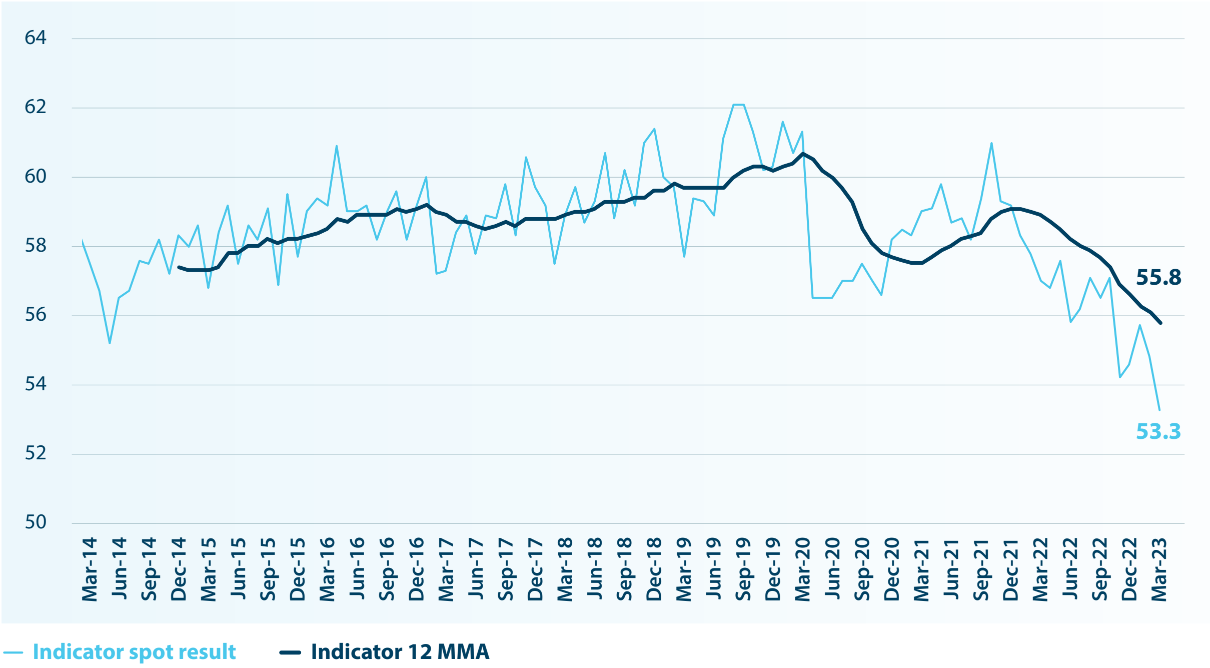
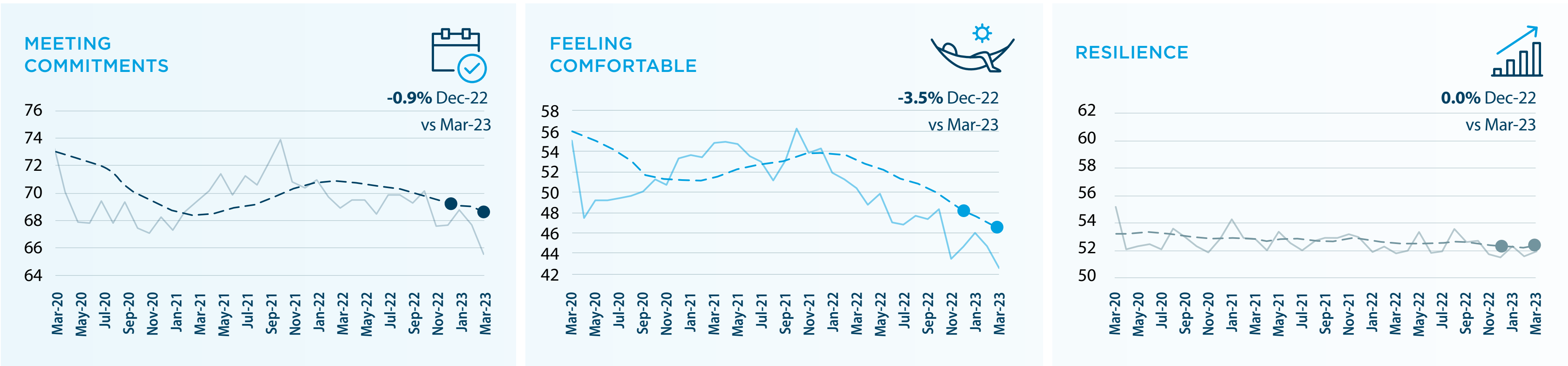


TABLE 1: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA (12-MONTH MOVING AVERAGE AND SPOT MONTH VIEW)

	12 months			Spot result			12 months	Mar-22 vs Mar-23 change	Dec-22 vs Mar-23 change
	Mar-22	Sep-22	**Dec-22**	Jan-23	Feb-23	Mar-23	**Mar-23**		
Financial wellbeing	58.9	57.7	**56.6**	55.7	54.7	53.3	**55.8**	-5.3%	-1.4%
Meeting commitments	70.9	70.1	**69.3**	68.8	67.7	65.6	**68.7**	-3.1%	-0.9%
Feeling comfortable	53.2	50.4	**48.1**	46.0	44.7	42.5	**46.4**	-12.8%	-3.5%
Resilience for the future	52.5	52.5	**52.3**	52.3	51.6	51.9	**52.3**	-0.4%	0.0%

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



Meeting commitments 12 MMA
Meeting commitments spot

Feeling comfortable 12 MMA
Feeling comfortable spot

Resilience 12 MMA
Resilience spot

FINANCIAL WELLBEING SEGMENTS

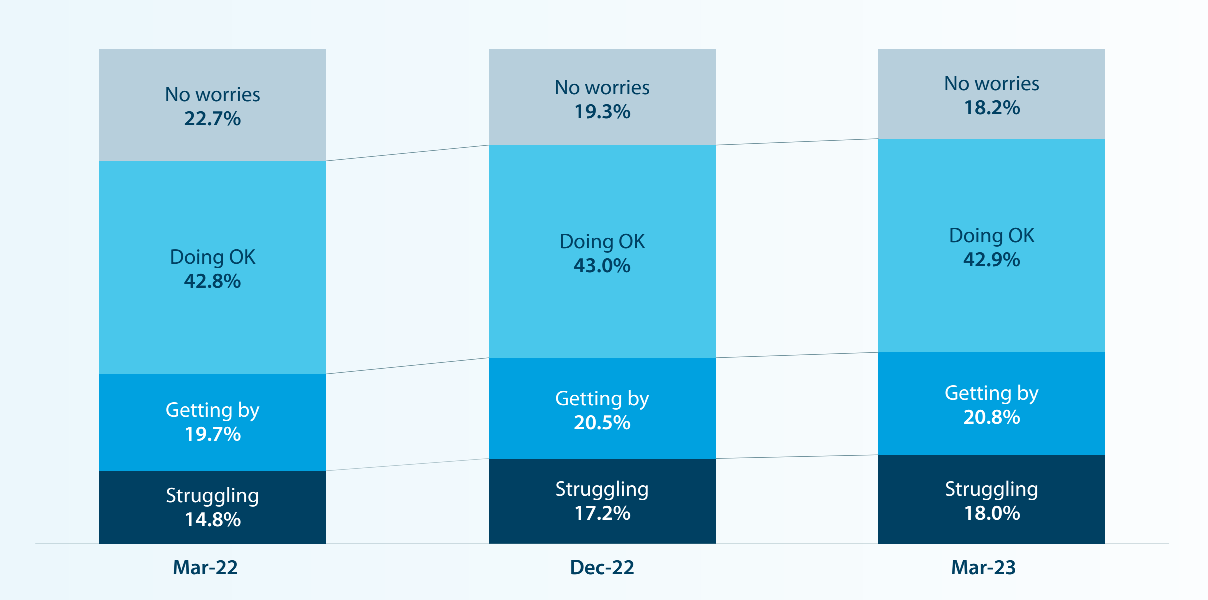
Respondents were divided into four segments according to their overall financial wellbeing score (out of 100). These segments were described in ANZ's **2021 Financial Wellbeing Survey**[1]:

- **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**) rose from 17.2% in December 2022 to 18.0% in March 2023 with further interest rate rises and high inflation (Figure 3). The increase in the **struggling** segment coincided with a reduction in the size of the **no worries** segment (from 19.3% in December 2022 to 18.2% in March 2023).

Year-on-year, the **struggling** segment increased over three percentage points from 14.8% in March 2022 to 18.0% in March 2023.

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

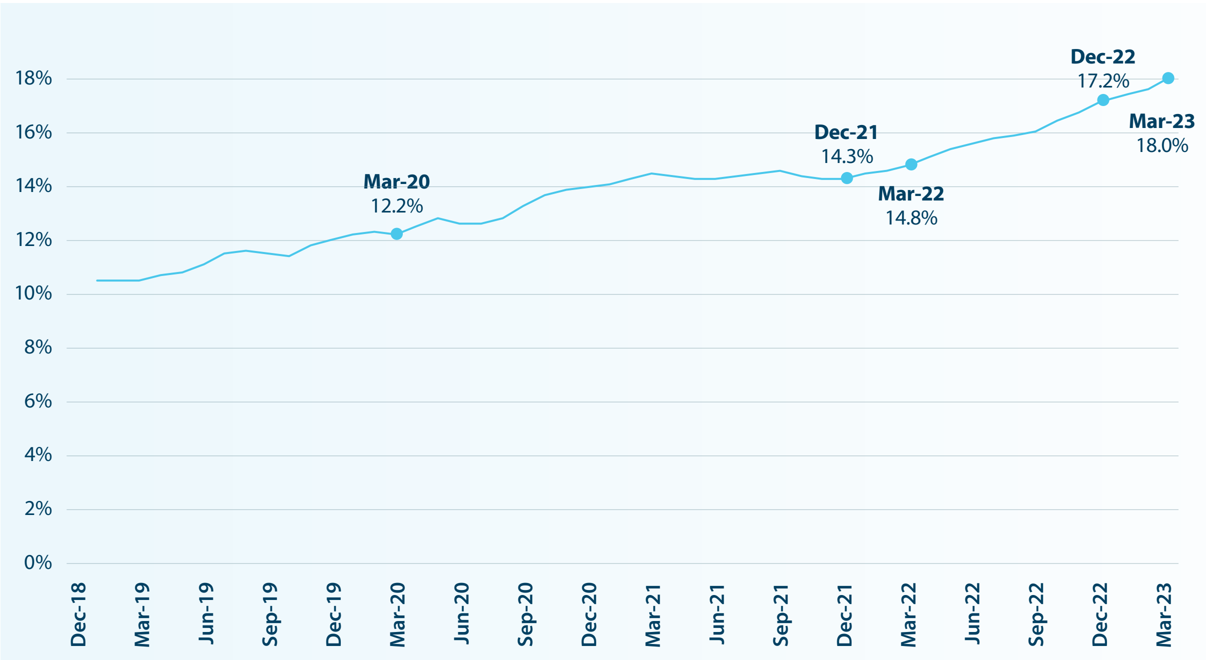


Note: March 2022 data includes 12 months to March 2022. December 2022 data includes 12 months to December 2022. March 2023 data includes 12 months March 2023.

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 risen from 10.5% in January 2019 to 18.0% in March 2023 (Figure 4). The **struggling** segment began increasing in 2019 coinciding 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 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 18.0% in March 2023, 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 MAR-23)



While 18.0% of Australians were in the **struggling** segment in March 2023, the proportion of those **struggling** varied widely across demographics. Groups where the proportion of people **struggling** was higher included:

Renters
30.2%

Aboriginal and Torres Strait Islander peoples
27.8%

Households with incomes of less than $100,000 a year
24.4%

People aged 14-24
21.9%

People looking for work
21.5%

Women
20.9%

People living in country areas
20.7%

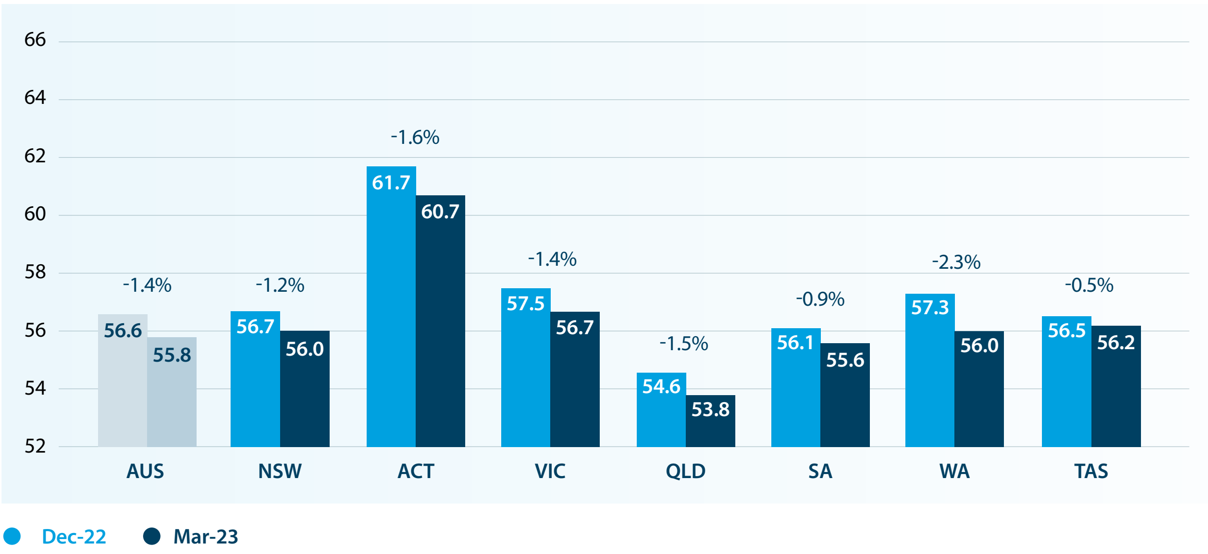
FINANCIAL WELLBEING BY STATE AND TERRITORY

The continuing rise in interest rates and high inflation resulted in all states and the ACT recording lower scores in overall financial wellbeing in March 2023 compared to December 2022 (Figure 5).

WA experienced the largest fall quarter-on-quarter among the mainland states (down 2.3%) followed by Queensland (down 1.5%), Victoria (down 1.4%) and NSW (down 1.2%). SA fell the least (down 0.9%) (Figure 5).

In March 2023 (as in December 2022) respondents from ACT had the highest financial wellbeing score of 60.7 (out of 100), 4.9 points higher than the national average and 4.0 points higher than Victoria with the next highest level of financial wellbeing (56.7). Queensland had the lowest level of financial wellbeing at 53.8 (out of 100) (Figure 5).

FIGURE 5: FINANCIAL WELLBEING IN AUSTRALIA, BY STATE AND TERRITORY (12 MONTHS TO DEC-22 VS 12 MONTHS TO MAR-23)



Financial wellbeing declined across all states and the ACT year-on-year from March 2022 to March 2023. It declined most in Queensland (down 5.8%), WA (down 5.6%) and Victoria (down 5.3%) and the least in SA (down 2.8%).

HOW PEOPLE MEET EVERYDAY COMMITMENTS DURING RISING COST OF LIVING

When the financial wellbeing of Australians began declining in early 2022 as inflation rose and negative publicity concerning interest rates increased, the decline in financial wellbeing was largely driven by Australians **feeling less comfortable**, with a decline of 5.3% on this dimension in the six months between March 2022 and September 2022.

The ability to **meet commitments** was less affected by the weakening economic environment, with a decline of only 1.1% on this dimension in that time period. In the last six months, however, Australians have found it increasingly hard to **meet commitments**, with a decline of 2.0% on that dimension between September 2022 and March 2023. The increasing speed of the decline has coincided with the continuing rise in interest rates and stubbornly high inflation, particularly for non-discretionary items such as food and power (in the March 2023 quarter inflation for non-discretionary goods was 1.9% vs 0.6% for discretionary goods).

To better understand how Australians have been managing their finances during the most recent six months when it has become harder to **meet commitments**, this section focuses on comparing March 2023 results with those of December 2022 on a 3-month moving average. The shorter moving average enables us to compare the results between December 2022 and March 2023 without incorporating any data prior to October 2022.

While falling among Australians overall between December 2022 and March 2023 (down 1.6%), the decline in **meeting commitments** was more evident for some people than others. In particular, the declining ability to **meet commitments** was substantially more evident among renters (down 4.9%) than among those paying off their mortgage (down 0.8%) or those who own their home outright (down 0.7%) (Figure 6).

Rising rental costs in recent months is most likely a factor for the greater decline in the ability to **meet everyday commitments** among renters than among those paying off their home or homeowners. It may also explain why renters are more likely to increasingly agree that "I sometimes run short of money for food or other regular expenses", up 4.0 percentage points (pp) to 47.4% in March 2023, than those paying off their home (+1.3pp to 29.8%) or those who own their home outright (+0.3pp to 19.5%) (Figure 6).

To 'make ends meet', renters as a whole appear to have several strategies including drawing down on deposits, increasing purchases on credit and seeking employment leading to full-time work. By contrast, those paying off their mortgage are drawing down on their deposits and increasing purchases on credit but not seeking employment, while those owning their home outright are only increasing purchases on credit.

In March 2023, the median value of renters' deposit and transaction accounts was $2,400, down 2.8% between December 2022 and March 2023. Those paying off their home experienced an even larger decline in deposits (down 25.4% to $7,000), although from a far stronger starting point. Those who own their home outright actually experienced a 11.5% lift in the value of their deposits to $18,160 (Figure 6).

In addition to drawing down on their savings, renters appear to be borrowing more. Renters were more likely to have used buy-now-pay-later (BNPL) schemes in the last four weeks than the national average, with 21.1% of renters in March 2023 (up 2.7pp) having reported using BNPL in the last four weeks compared to 13.5% (up 0.7pp) of those paying off their mortgage and 6.5% (up 0.1pp) of those owning their home outright. While a smaller proportion of renters own credit cards than other Australians (19.0% compared to 37.7% of those paying off their home and 42.6% of those who own their home outright), renters owe more on their credit cards ($1,641 on average) compared to those paying off their home ($1,590) or those who own their home outright ($1,010) (Figure 6).

To finance their shortfall, renters appear to be also seeking employment that leads to full-time work. Renters were significantly more likely to be looking for work (8.6% in the 3 months to March 2023) than those paying off their mortgage (3.7%) or those owning their home outright (3.8%). Coinciding with this, there was a rise in the proportion of renters working full-time between December 2022 and March 2023 (to 44.4%, up 2.0pp). By contrast, the proportion of full-time workers declined among those paying off their mortgage (down 0.2pp to 58.2%) and those owning their home outright (down 0.3pp to 26.9%) (Figure 6).

FIGURE 6: CHANGE IN MEETING COMMITMENTS AND CONTRIBUTING FACTORS BY HOUSING STATUS (3 MONTHS TO DEC-22 VS 3 MONTHS TO MAR-23)

Renting	Own home with a mortgage	Own home outright
FINANCIAL WELLBEING		
↓ **2.6%** to 44.8	↓ **2.6%** to 53.6	↑ **0.5%** to 63.9
MEETING COMMITMENTS		
↓ **4.9%** to 54.3	↓ **0.8%** to 67.8	↓ **0.7%** to 78.1
SOMETIMES SHORT OF MONEY FOR FOOD OR OTHER REGULAR EXPENSES (% AGREE)		
↑ **4.0pp** to 47.4%	↑ **1.3pp** to 29.8%	↑ **0.3pp** to 19.5%
HOUSEHOLD SENTIMENTS (% AGREE)		
“I FEEL FINANCIALLY STABLE AT THE MOMENT”		
↓ **3.7pp** to 35.4%	↓ **3.8pp** to 48.3%	↓ **0.3pp** to 61.5%
“CREDIT ENABLES ME TO BUY THE THINGS THAT I WANT”		
↑ **2.6pp** to 37.3%	↑ **0.9pp** to 41.0%	**0.0pp** to 32.6%
AMOUNT IN DEPOSIT AND TRANSACTION ACCOUNTS (MEDIAN $)		
↓ **2.8%** to $2,400	↓ **25.4%** to $7,000	↑ **11.5%** to $18,160
AMOUNT CARRIED FORWARD ON CREDIT CARD (AVERAGE $)		
↑ **9.9%** to $1,641	↑ **11.2%** to $1,590	↑ **40.4%** to $1,010
USED BNPL IN THE LAST FOUR WEEKS		
↑ **2.7pp** to 21.1%	↑ **0.7pp** to 13.5%	↑ **0.1pp** to 6.5%
PROPORTION EMPLOYED FULL-TIME		
↑ **2.0pp** to 44.4%	↓ **0.2pp** to 58.2%	↓ **0.3pp** to 26.9%

Note: December 2022 data includes 3 months to December 2022. March 2023 data includes 3 months to March 2023.

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.

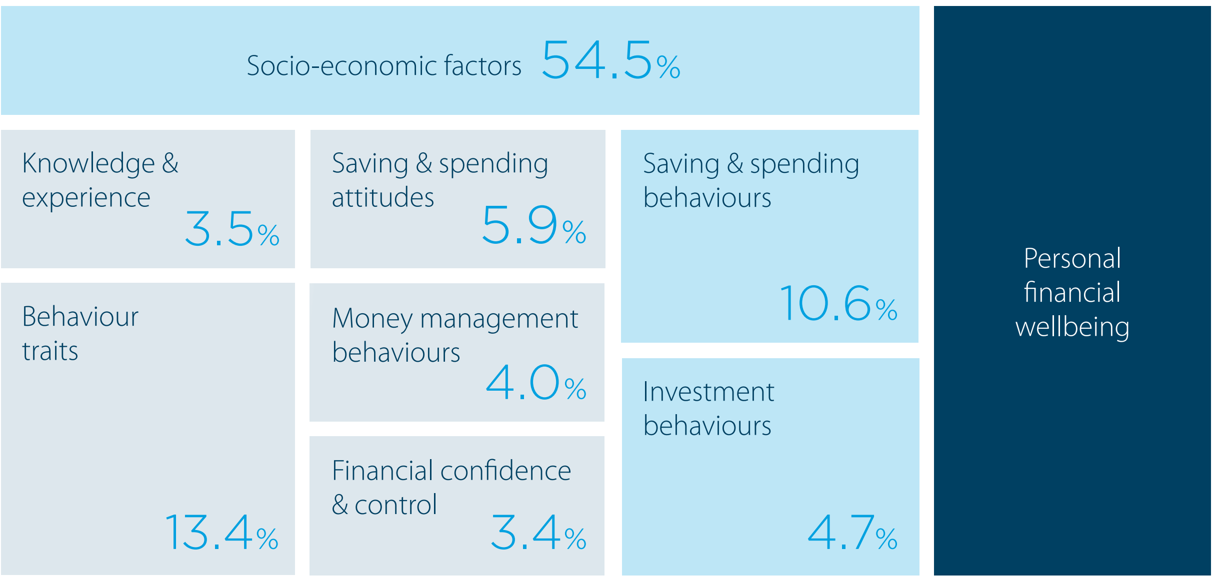
The indicator is reported quarterly and periodically. Releases are accompanied with a focus on specific deep dive topics.

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 Surveys[2], 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	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)

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