

THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR

QUARTERLY UPDATE
MARCH 2024



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 is a useful measure of how people are faring in their financial lives in Australia over time.

This update examines how financial wellbeing changed in the December quarter of 2023 and year-on-year, comparing the December 2023 results with those of September 2023 and December 2022. While the financial wellbeing of Australians declined further in the December quarter of 2023, the quarterly decline was the smallest since March 2022. Indeed, the spot results show some improvement since June 2023 coinciding with the RBA (November excepted) leaving rates on hold during the September and December 2023 quarters.

INDICATOR				
The FWBI shows that the financial wellbeing of Australians			In total, the financial wellbeing of Australians	
DECLINED 0.6%↓	FROM 54.3 <small>(as a score out of 100) in the 12 months to September 2023</small>	TO 54.0 <small>in the 12 months to December 2023 (Figure 1 and Table 1).</small>	Notably, the FWBI 12-month moving average remained constant at 54.0 for the 12 months to October, November and December 2023.	DECLINED 4.6%↓ <small>year-on-year, between December 2022 and December 2023.</small>

INDICATOR (CONTINUED)

Being more exposed to high interest rates, the decline in FWBI over the last 12 months has been greater among those **paying off a home loan** (down 7.6% to 52.4 out of 100). By comparison there have been lesser declines among **renters** (down 4.7% to 44.6) and those **owning their home outright** (down 2.3% to 63.5). The pattern was similar over the December quarter with the largest decline in financial wellbeing among those paying off a home loan (down 1.3%), a smaller decline for renters (down 0.7%) and stable for those owning their home outright.

The **spot result** has improved since June 2023 (52.9 out of 100), reaching 54.3 in December 2023 (Figure 1). These improved results coincide with the RBA not lifting rates in the September 2023 and December 2023 quarters (November excepted).



The small decline in the FWBI in the December 2023 quarter was partly driven by a decline in **feeling comfortable** about one's current and future situation, down 1.6% between the 12 months to September 2023 and the 12 months to December 2023, from 43.6 to 42.9 out of 100 (Figure 2 and Table 1). Year-on-year, **feeling comfortable** declined by 10.8%.



Meeting everyday commitments declined slightly by 0.7% from 67.2 (out of 100) in the 12 months to September 2023 to 66.7 (out of 100) in the 12 months to December 2023 (Figure 2 and Table 1).



Resilience for the future – the ability to cope with financial setbacks – improved somewhat by 0.6% to 52.3 (out of 100) between September 2023 and December 2023 and has been stable year-on-year (Figure 2 and Table 1).



IN THIS RELEASE

- The small decline in financial wellbeing in the fourth quarter of 2023 has still seen an increase in the size of the **struggling** segment to 20.4% of the Australian population in December 2023, up from 19.9% in September 2023 and 17.2% in December 2022 (Figures 3 and 4). The increase in the **struggling** segment has coincided with a slight reduction in the proportion of Australians with the highest financial wellbeing (**no worries**) and those **doing OK** as individual financial wellbeing declined (Figure 3).
- The proportion of people **struggling** continued to be higher for a number of segments in the community including renters, Aboriginal or Torres Strait Islander peoples, households earning less than \$100,000 per year and women (Figure 5).
- Financial wellbeing declined across all **states and territories** between September 2023 and December 2023. The ACT experienced the largest fall (down 1.6%) followed by SA (down 1.1%) and Victoria (down 1.1%). The states that fell the least were Queensland, WA and Tasmania (all down 0.4%) (Figure 6). Year-on-year, the largest decline was in the ACT (down 7.5% vs a decline of 4.6% across Australia overall).

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

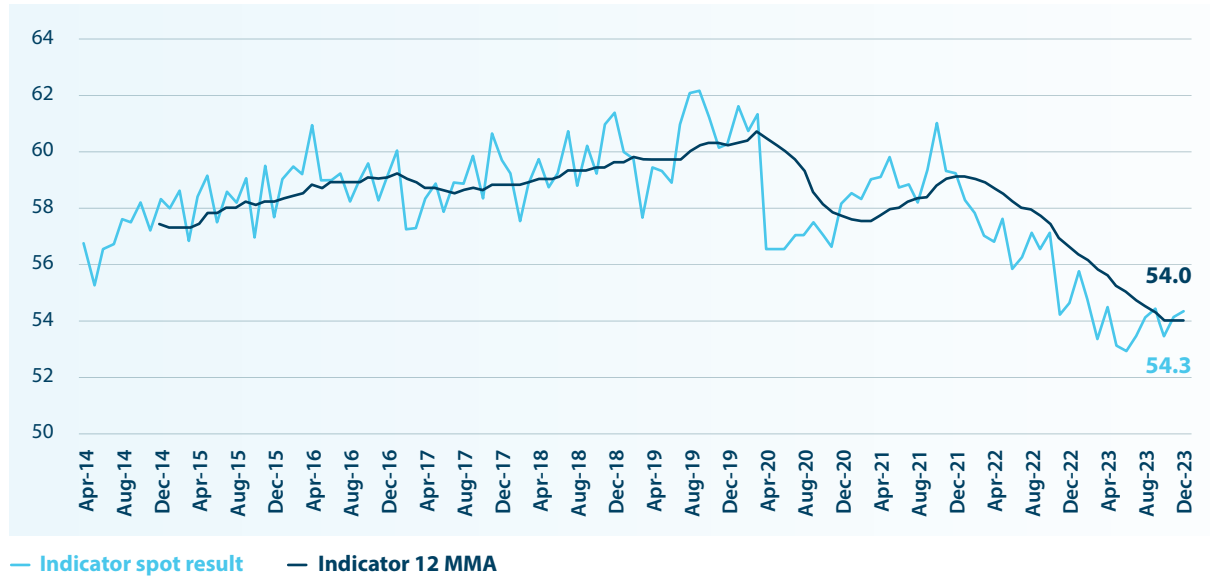
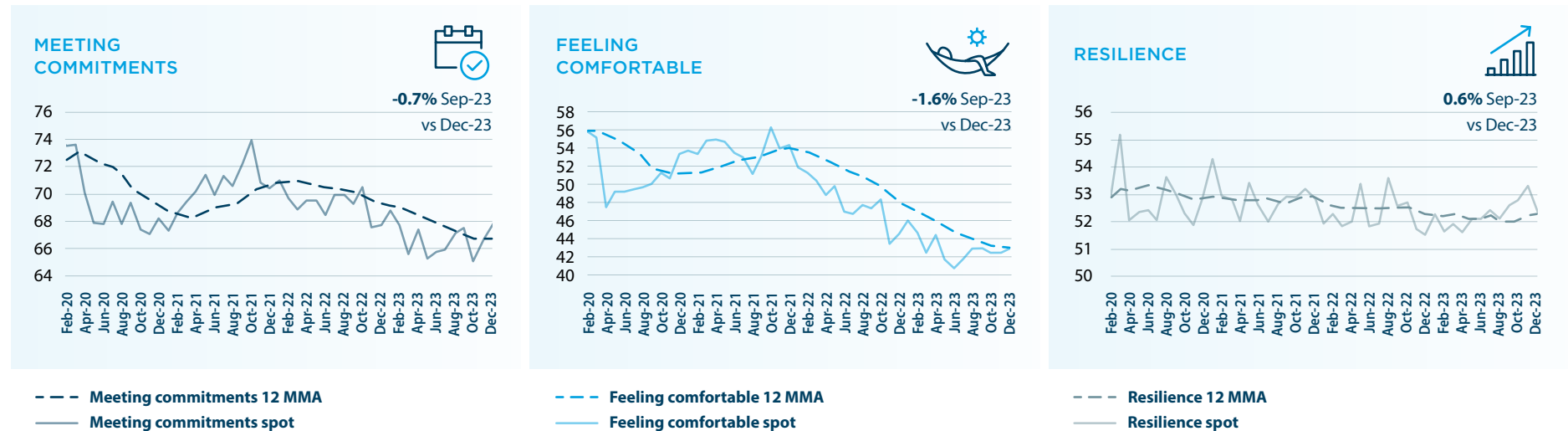


TABLE 1: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA (12-MONTH MOVING AVERAGE AND SPOT MONTH VIEW)

	12 months				Spot result			12 months	Dec-22 vs Dec-23 change	Sep-23 vs Dec-23 change
	Dec-22	Mar-23	Jun-23	Sep-23	Oct-23	Nov-23	Dec-23			
Financial wellbeing	56.6	55.8	55.0	54.3	53.4	54.1	54.3	54.0	-4.6%	-0.6%
Meeting commitments	69.3	68.7	67.9	67.2	65.1	66.6	67.7	66.7	-3.8%	-0.7%
Feeling comfortable	48.1	46.4	44.8	43.6	42.5	42.4	42.7	42.9	-10.8%	-1.6%
Resilience for the future	52.3	52.3	52.1	52.0	52.8	53.3	52.4	52.3	0.0%	0.6%

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



FINANCIAL WELLBEING SEGMENTS

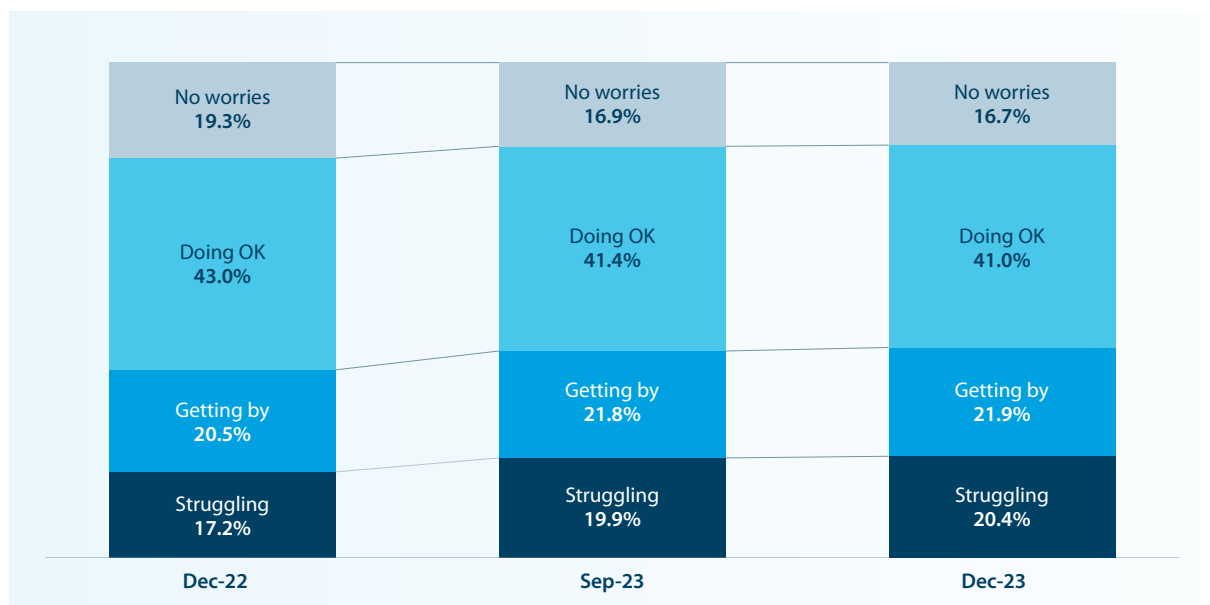
Respondents were divided into four segments according to their overall financial wellbeing score (out of 100). These segments were described in ANZ's **2021 Financial Wellbeing Survey**¹:

- 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 report excellent/very good mental and physical health.

The decline in financial wellbeing in the fourth quarter of 2023 has still seen an increase in the proportion of people with the lowest financial wellbeing (**struggling**) from 19.9% in September 2023 to 20.4% in December 2023 (Figure 3). The increase in the **struggling** segment coincided with a slight reduction in the size of the **no worries** segment (from 16.9% in September 2023 to 16.7% in December 2023) and those **doing OK**.

Year-on-year, the **struggling** segment increased more than three percentage points from 17.2% in December 2022 to 20.4% in December 2023. This is a similar rate of increase as seen in 2022, when the struggling segment increased from 14.3% in December 2021 to 17.2% in December 2022 (Figure 4).

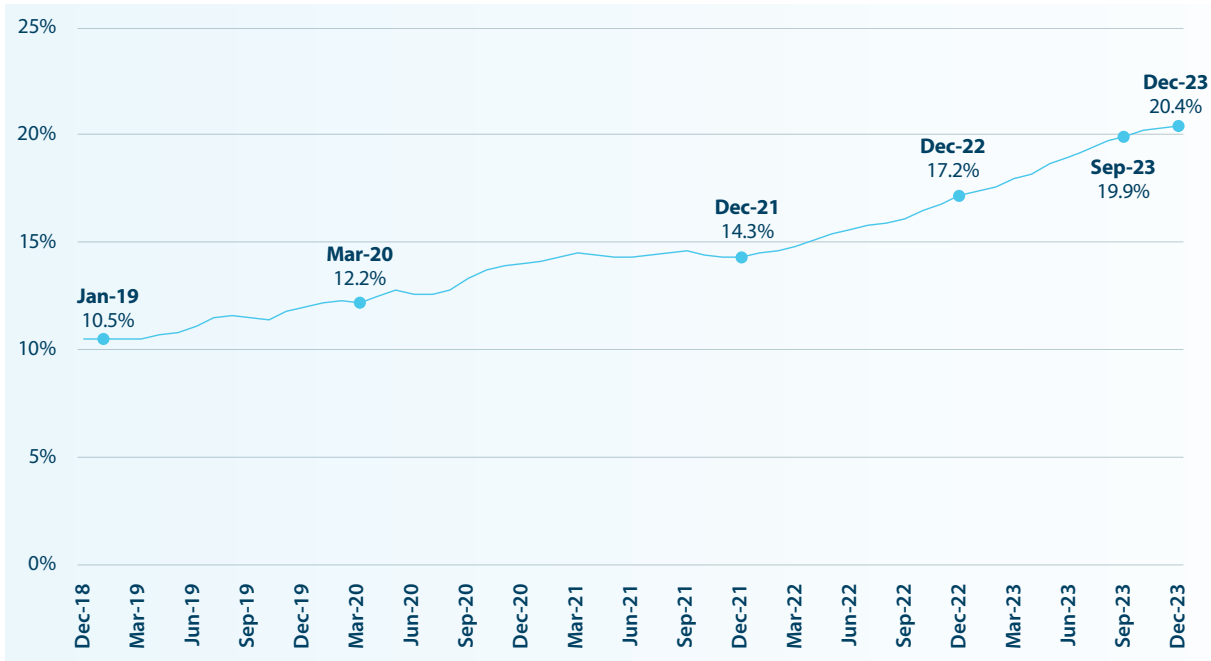
FIGURE 3: CHANGE IN THE COMPOSITION OF THE FINANCIAL WELLBEING SEGMENTS (12 MONTHS TO DEC-22 VS 12 MONTHS TO SEP-23 VS 12 MONTHS TO DEC-23)



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

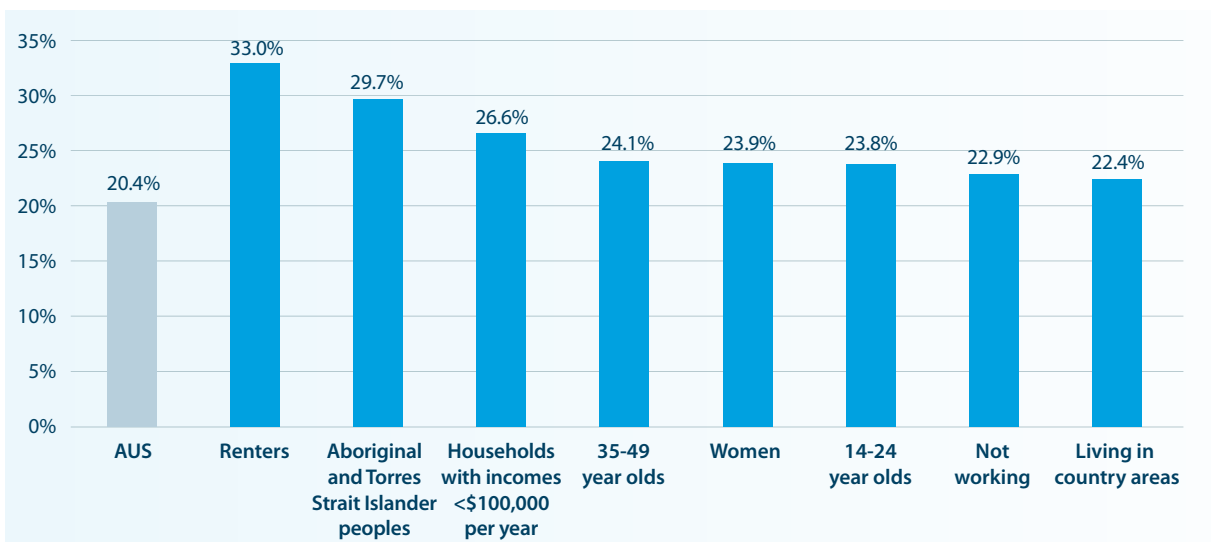
1. ANZ (2021). *Financial Wellbeing: A Survey of Adults in Australia*. <https://www.anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/esg/financial-wellbeing/anz-adult-financial-wellbeing-survey-2021-australia-accessible.pdf>

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



While 20.4% of Australians were in the **struggling** segment in December 2023, the proportion of those **struggling** varied widely across demographics. The proportion of people **struggling** continued to be higher for a number of segments in the community (Figure 5). Year-on-year, the largest percentage point increase in the size of the struggling segment were experienced by those aged 35-49 (up 4.5pp), women (up 4.1pp) and renters (up 4.0pp).

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



FINANCIAL WELLBEING BY STATE AND TERRITORY

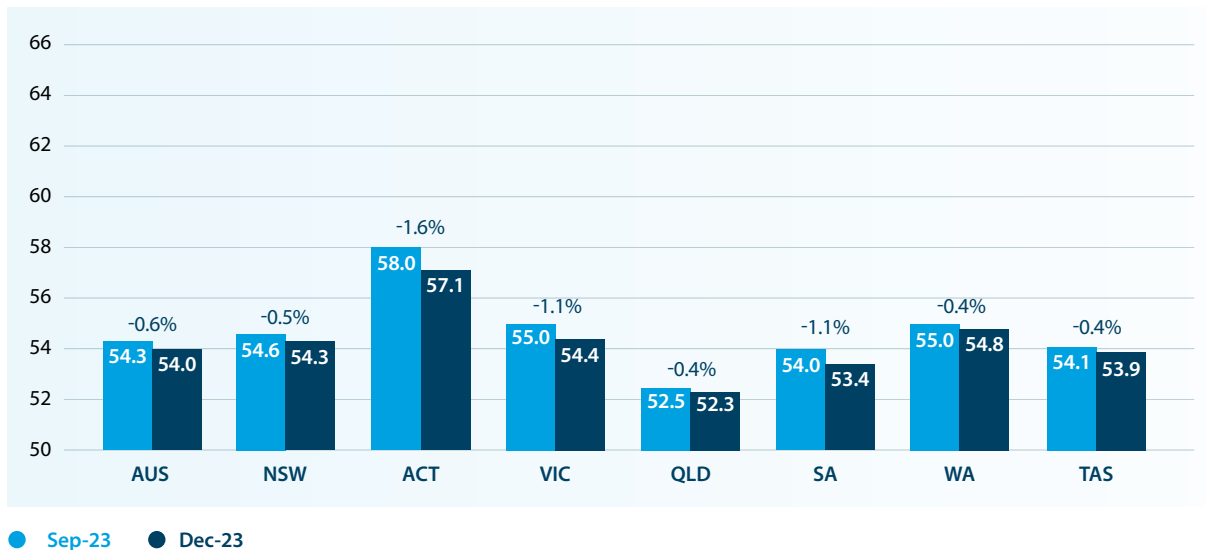
Continuing high interest rates and inflation resulted in all states and the ACT recording lower scores in overall financial wellbeing in December 2023 compared to September 2023 (Figure 6).

The ACT experienced the largest decline among the states or territories (down 1.6%) followed by SA (down 1.1%) and Victoria (down 1.1%). The states that fell the least were Queensland, WA and Tasmania (all down 0.4%) (Figure 6).

Year-on-year, the largest decline was in the ACT (down 7.5% compared to a decline of 4.6% across Australia overall) and Victoria (down 5.4%).

In December 2023 (as in September 2023 and all previous quarters) respondents from the ACT had the highest financial wellbeing score of 57.1 (out of 100), 3.1 points higher than the national average and 2.3 points higher than WA with the next highest levels of financial wellbeing (54.8). Queensland had the lowest level of financial wellbeing at 52.3 (out of 100) (Figure 6).

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



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.

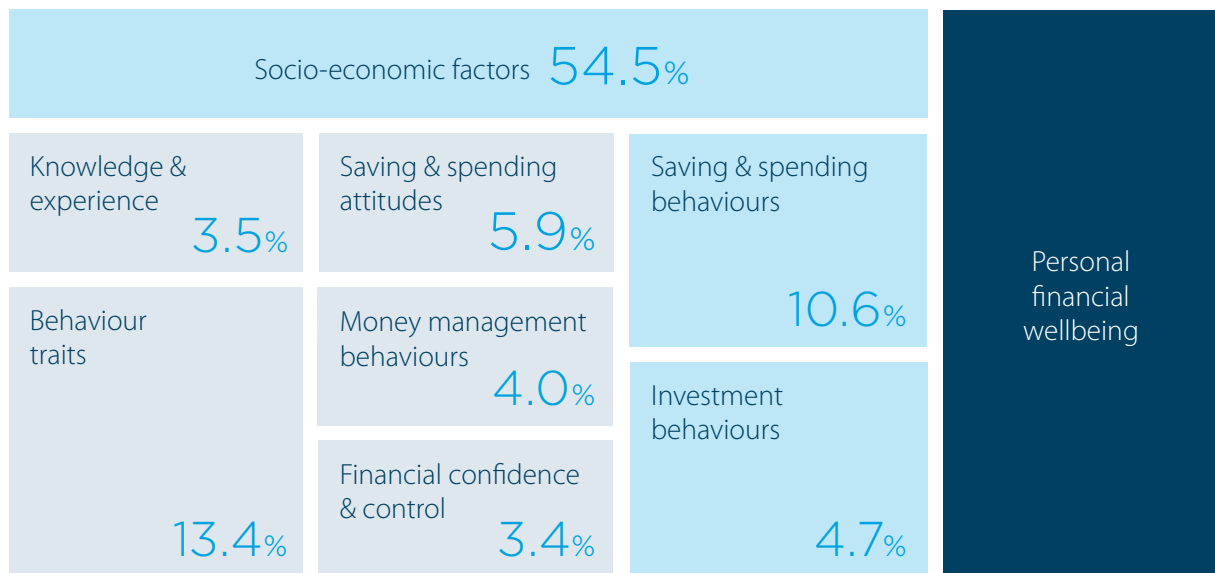


More information about the Indicator can be found at anz.com.au/about-us/esg-priorities/financial-wellbeing/ or by contacting:

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
<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>