

THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR

QUARTERLY UPDATE
SEPTEMBER 2021



FINANCIAL WELLBEING OVERVIEW

Financial wellbeing continues to be an important measure of how people are faring in their financial lives and the impact of the pandemic on their livelihoods. The ANZ Roy Morgan Financial Wellbeing Indicator (FWBI) is reported as a 12-month rolling average, with quarterly updates showing changes in aspects of financial wellbeing across locations and for a range of segments in the community (see bluenotes.anz.com/financialwellbeing for updates).

This update compares 12 months of post COVID-19 financial wellbeing data to June 2021 with the pre COVID-19 period (12 months to March 2020). The June quarter was a period of optimism in Australia, with low COVID-19 infection numbers and minimal restrictions in April and May 2021. This is reflected in Australians feeling more positive about their financial situation at the time. However, these feelings were likely short-lived with a new wave of infections and restrictions in Australia's two most populous cities by the end of the quarter.



INDICATOR

The ANZ Roy Morgan Financial Wellbeing Indicator shows that the financial wellbeing of Australians

DECLINED 4.4% **FROM** 60.7 (as a score out of 100) in the 12 months to March 2020 (pre-COVID-19) **TO** 58.0 in the 12 months to June 2021 (Figure 1 and Table 1)

INDICATOR (CONTINUED)

The indicator declined sharply in the June 2020 quarter immediately after the COVID-19 pandemic took hold and the initial Australia-wide lockdown began. Since then, there has been an upward trend in financial wellbeing on a quarterly basis. The spot score rose to a post COVID-19 high of 59.8 in May 2021 however fell 1.1 points to 58.7 in June 2021, perhaps a leading indicator of the impact of a new round of lockdowns in Victoria and NSW.



While all components of financial wellbeing declined post COVID-19, the biggest decline compared to the pre COVID-19 period was in **'Feeling Comfortable'** about one's current and future situation, down 6.3%, from 56.0 (out of 100) in the 12 months to March 2020 to 52.5 (out of 100) in the 12 months to June 2021 (Table 1). The more subjective measure of 'Feeling Comfortable' has strongly influenced the overall financial wellbeing indicator score throughout the pandemic, declining sharply in the first quarter post COVID-19 and recovering ever since. This trend has slightly flattened in the most recent quarter to June 2021 (Figure 2).



'Meeting Everyday Commitments' has also declined, down 5.6% since the 12 months to March 2020, from 73.0 (out of 100) to 68.9 (out of 100) in the 12 months to June 2021. 'Meeting Everyday Commitments' had declined strongly in the first pandemic quarter (June 2020), remained fairly flat for the following two quarters and started to show some recovery in the March 2021 and June 2021 quarters as positive sentiment returned (Figure 2). The ongoing trend in this dimension will depend on the impact of the current lengthy COVID-19 outbreaks and lockdowns particularly in NSW and Victoria and the reintroduction government support for those negatively affected after the initial support package ended in March 2021.



'Resilience for the Future' – the ability to cope with financial setbacks – remained fairly steady, declining by only 0.8% for the 12 months to June 2021 (52.8 out of 100) compared to 12 months to March 2020 (53.2 out of 100) (Table 1). Institutional support in response to the pandemic and deferred consumption have both continued to keep deposit balances healthier than anticipated.



IN THIS RELEASE

- Fifteen months after the COVID-19 pandemic began we can see that the impact on financial wellbeing has led to increases in both the 'Struggling' and 'Getting By' segments, while the 'No Worries' and 'Doing OK' segments have shrunk substantially (Figure 3).
- Financial wellbeing has declined across all **states and territories**. The largest decline in the 12 months to June 2021 was in Victoria (down 6.1%), with WA experiencing the smallest decline in financial wellbeing (down 1.0%) (Figure 4).

FIGURE 1: FINANCIAL WELLBEING IN AUSTRALIA, MONTHLY SPOT DATA AND 12-MONTH MOVING AVERAGE (JAN-14 TO JUN-21)

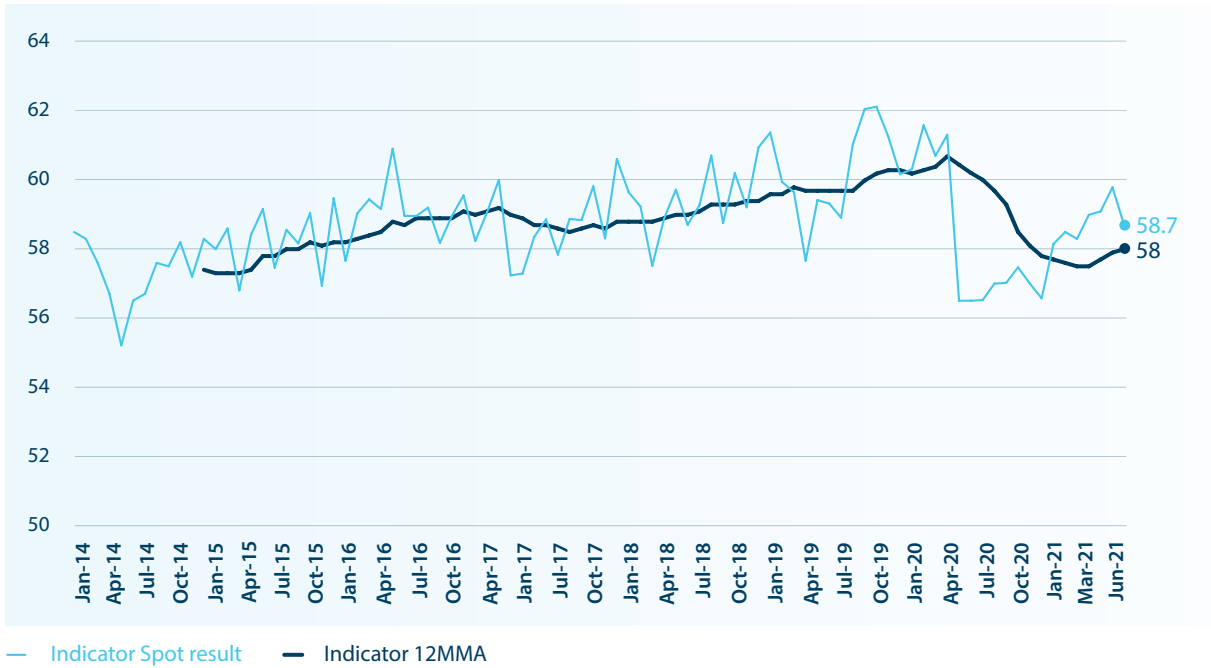
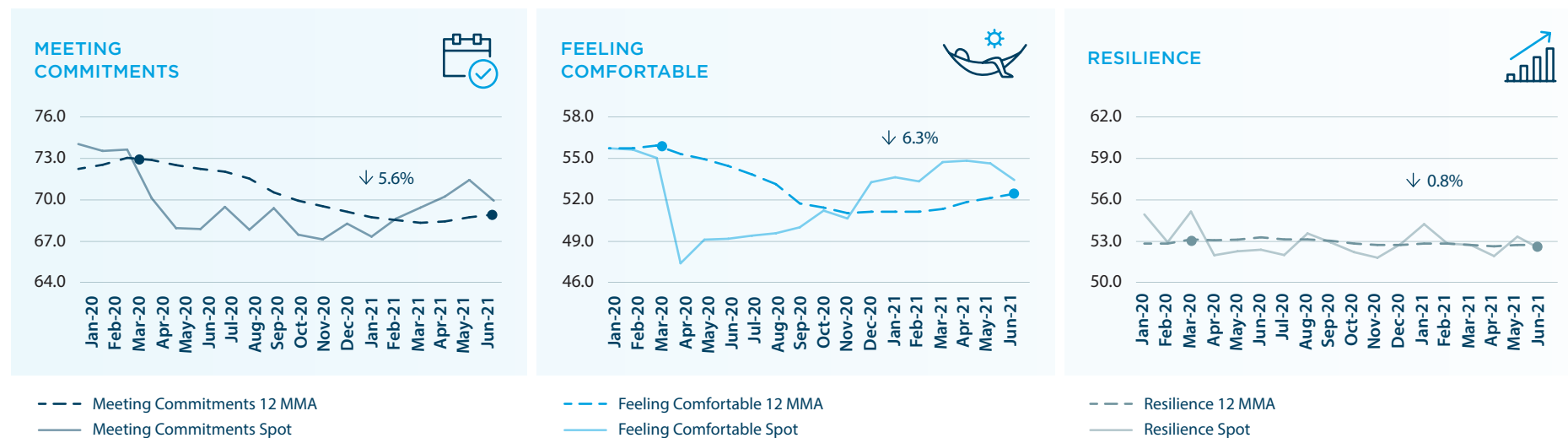


TABLE 1: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA
(12-MONTH MOVING AVERAGE, SPOT MONTH VIEW)

	ANZ Roy Morgan FWB Indicator														% change Mar-20 vs Jun-21
	12 months	Spot Result												12 months	
	Mar-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jun-21	
Financial wellbeing	60.7	57.0	57.0	57.5	57.0	56.6	58.2	58.5	58.3	59.0	59.1	59.8	58.7	58.0	-4.4%
Meeting commitments	73.0	69.5	67.8	69.4	67.4	67.1	68.2	67.3	68.6	69.4	70.2	71.4	69.9	68.9	-5.6%
Feeling comfortable	56.0	49.5	49.6	50.1	51.3	50.7	53.3	53.7	53.4	54.8	54.9	54.7	53.5	52.5	-6.3%
Resilience for the future	53.2	52.1	53.6	53.0	52.3	51.9	52.9	54.3	52.9	52.8	52.0	53.4	52.5	52.8	-0.8%

FIGURE 2: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA,
MONTHLY SPOT DATA AND 12-MONTH MOVING AVERAGE (JAN-20 TO JUN-21)



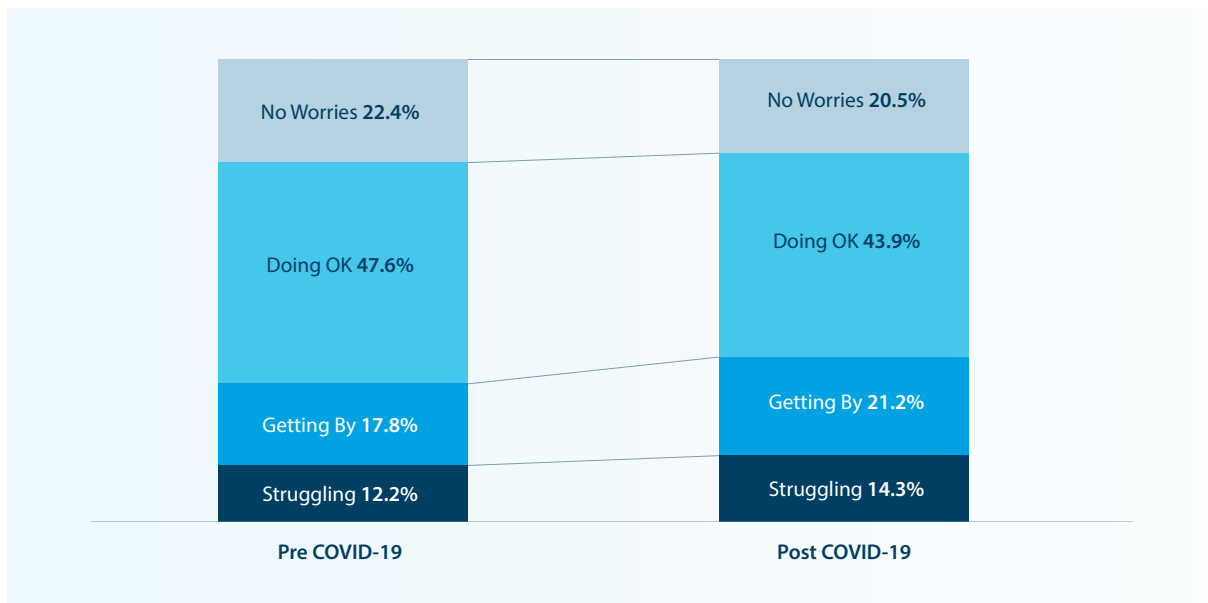
FINANCIAL WELLBEING SEGMENTS

Respondents were divided into four segments according to their overall financial wellbeing score (out of 100). These segments were described in ANZ's 2017 ANZ Financial Wellbeing Survey¹:

- **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. Very few are confident about their financial situation over the next 12 months.
- **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.
- **Doing OK:** (>50–80) Current financial situation is 'fair' or 'good' and reasonably confident about their financial situation over the next 12 months.
- **No Worries:** (>80–100) Financial behaviours – active savings and not borrowing for everyday expenses – contributing positively to financial wellbeing. High levels of confidence in managing money and substantial amounts in savings, investments and superannuation.

The impact of COVID-19 appears to reverse the trend of recent years, which has seen growth in the upper segments in line with improvements in longer-term financial wellbeing. The proportion of people with the highest financial wellbeing ('No Worries') declined with the onset of COVID-19, from 22.4% in the 12 months to March 2020 to 20.5% in the 12 months to June 2021. Whilst the majority of the Australian population (43.9%) were 'Doing OK', this had also contracted from 47.6% in the 12 months to March 2020. The bottom two segments 'Getting By' and 'Struggling' both increased post COVID-19, now representing 35.5% of Australians in the 12 months to June 2021 (up from 30% in the 12 months to March 2020), with 21.2% 'Getting By' and 14.3% 'Struggling' (Figure 3).

FIGURE 3: CHANGE IN THE COMPOSITION OF THE FINANCIAL WELLBEING SEGMENTS ('PRE COVID-19' 12 MONTHS TO MAR-20 VS 12 MONTHS TO JUN-21 'POST COVID-19' VIEW)



Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 data includes the 12 months to June 2021.

1. ANZ (2018). *Financial Wellbeing: A Survey of Adults in Australia*. <http://www.bluenotes.anz.com/financialwellbeing>

FINANCIAL WELLBEING BY STATE AND TERRITORY

The impact of COVID-19 resulted in all states and territories recording lower scores in overall financial wellbeing (Figure 4), and most states and territories recording lower scores in all three dimensions of financial wellbeing for the 12 months to June 2021.

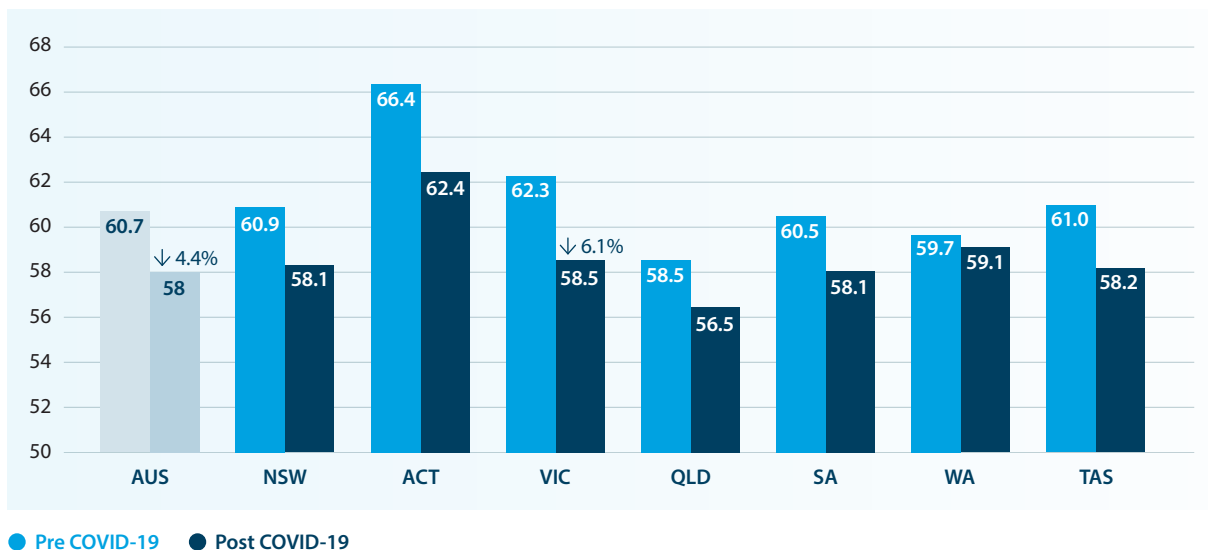
Respondents from ACT continue to have the highest financial wellbeing score of 62.4 (out of 100) post COVID-19 in the 12 months to June 2021, 4.4 points higher than the national average and 3.3 points higher than WA with the next highest level of financial wellbeing (59.1). QLD had the lowest level of financial wellbeing at 56.5 (out of 100) (Figure 4).

Victoria experienced the largest decline in financial wellbeing in the 12 months to June 2021, down 6.1%, though it still sits just above the national average (58.5 in

Victoria compared to 58.0 nationally). WA experienced the smallest decline in financial wellbeing, down 1.0%, moving from sitting below the national average pre COVID-19, to above the national average in the 12 months to June 2021 (Figure 4).

It is clear that COVID-19 had an impact on the proportion of people in the 'No Worries' segment, reducing across almost all states and territories in the 12 months to June 2021 (post COVID-19). Only Tasmania (up 1.1 percentage point to 25.1%) and WA (up 0.5 percentage points to 22.2%) showed an increase in the 'No Worries' segment. WA was also the only state where the proportion of people in the 'Struggling' segment did not increase when compared to the 12 months to March 2020 pre COVID-19. Victoria had the largest combined increase in people either 'Struggling' or 'Getting By', up 8.3 percentage points from 26.8% in the bottom two segments pre COVID-19 (3.2 percentage points lower than the national average of 30.0%) to around 35.1% post COVID-19 (in line with the national average of 35.5%) (Table 2).

FIGURE 4: FINANCIAL WELLBEING IN AUSTRALIA, BY STATE AND TERRITORY ('PRE COVID-19' 12 MONTHS TO MAR-20 VS 12 MONTHS TO JUN-21 'POST COVID-19' VIEW)



Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 data includes the 12 months to June 2021.

**TABLE 2: FINANCIAL WELLBEING IN VICTORIA, BY STATE AND TERRITORY
(‘PRE COVID-19’ 12 MONTHS TO MAR-20 VS 12 MONTHS TO JUN-21 ‘POST COVID-19’ VIEW)**

	No worries			Doing OK			Getting by			Struggling		
	Pre COVID-19	Post COVID-19	% change	Pre COVID-19	Post COVID-19	% change	Pre COVID-19	Post COVID-19	% change	Pre COVID-19	Post COVID-19	% change
AUS	22.4%	20.5%	-1.9	47.6%	43.9%	-3.7	17.8%	21.2%	+3.4	12.2%	14.3%	+2.1
NSW	22.7%	20.2%	-2.5	48.0%	44.7%	-3.3	16.9%	21.0%	+4.1	12.4%	14.1%	+1.7
ACT	32.2%	23.2%	-9.0	44.7%	49.3%	+4.6	17.1%	19.1%	+2.0	6.1%	8.4%	+2.3
VIC	22.9%	20.6%	-2.3	50.3%	44.2%	-6.1	17.3%	22.0%	+4.7	9.5%	13.1%	+3.6
QLD	20.4%	19.5%	-0.9	45.7%	42.7%	-3.0	19.3%	21.0%	+1.7	14.6%	16.8%	+2.2
SA	23.1%	20.7%	-2.4	46.7%	43.3%	-3.4	16.8%	21.0%	+4.2	13.4%	15.1%	+1.7
WA	21.7%	22.2%	+0.5	44.6%	43.6%	-1.0	19.8%	20.6%	+0.8	13.9%	13.6%	-0.3
TAS	24.0%	25.1%	+1.1	46.1%	37.8%	-8.3	17.1%	21.4%	+4.3	12.8%	15.7%	+2.9

Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 data includes the 12 months to June 2021.

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 that was tested by ANZ in its 2017 financial wellbeing survey (Figure 5). The Kempson model acknowledges five drivers that have a proportionate impact on personal financial wellbeing:

- social environment
- economic environment
- financial knowledge and experience
- psychological factors (attitudes, motivations and biases)
- financially capable behaviours.

The indicator is derived from data gathered through the weekly Roy Morgan Single Source interview and survey, which canvasses approximately 50,000 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 bluenotes.anz.com/financialwellbeing or by contacting:

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FIGURE 5: THE FINANCIAL WELLBEING CONCEPTUAL MODEL



Source: Adapted from Kempson et al, 2017, with additional data from the 2017 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 11 questions in the 2017 ANZ Financial Wellbeing Survey³, 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	<p>Number of months' income in savings calculated using following questions:</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 Q. Would you please say the approximate amount that is in the (main/second) (say institution and account name) account as of today <p>Managing a drop in income by a third is calculated using the following questions:</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 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)

3. For more information on the 11 financial wellbeing questions, see page 41 of Financial Wellbeing: A Survey of Adults in Australia. Retrieved from <https://www.bluenotes.anz.com/content/dam/bluenotes/images/financial-wellbeing/ANZ%20Financial%20Wellbeing%20Summary%20Report%20-%20Australia.pdf>