

THE ANZ FINANCIAL WELLBEING INDICATOR

UPDATE APRIL 2021



FINANCIAL WELLBEING OVERVIEW

This report looks at the period up to the end of December 2020. When we last updated the indicator at the end of June 2021 there was a lot of uncertainty over what would happen next. While New Zealand had done comparatively very well through the early stages of the Covid-19 pandemic there was still much debate about how the crisis would impact people, businesses, house prices, jobs and overall financial wellbeing in the longer term.

So, rather than just compare the latest results with those from the previous six months, this update will look at how New Zealand is performing now, compared to the period before the Covid-19 crisis hit. New Zealand started to close its borders on 19 March 2020, and went into the first lockdown on 25 March 2020. **As at the end of March 2020 the nation's financial wellbeing indicator sat at 62.4. The good news is that this has increased to 63.4 as at the end of December 2020.** This may seem a little surprising, so let's look at what has driven this result.

The Indicator

The Financial Wellbeing Indicator involves three components that make up the total indicator score. These are: Meeting everyday commitments, Feeling comfortable, and Resilience for the future.

The first of these, **meeting everyday commitments**, measures the ability to meet financial obligations in regards to bills and payments. The type of questions asked are things like 'how often do you run short of money for food and other regular expenses?'. In the nine months between March 2020 and December 2020 the metric has improved from 73.4 to 77.3. We believe this is due to two main factors. Firstly, despite the global pandemic, many people in New Zealand were not directly impacted in terms of a reduction in income. The unemployment rate stayed lower than predicted, and the wage subsidy supported incomes

of many of those who were impacted by lockdowns in particular. Of course some people were directly affected, but not as many as originally feared. The other element was a fall in expenditure for many people. Interest rates fell, benefiting many households paying a mortgage. For some of the time reduced expenditure was due to limited options to spend, with many retailers and businesses closed, and overseas travel was no longer an option. This lift in meeting commitments is the single biggest contributor to the overall lift in the indicator.

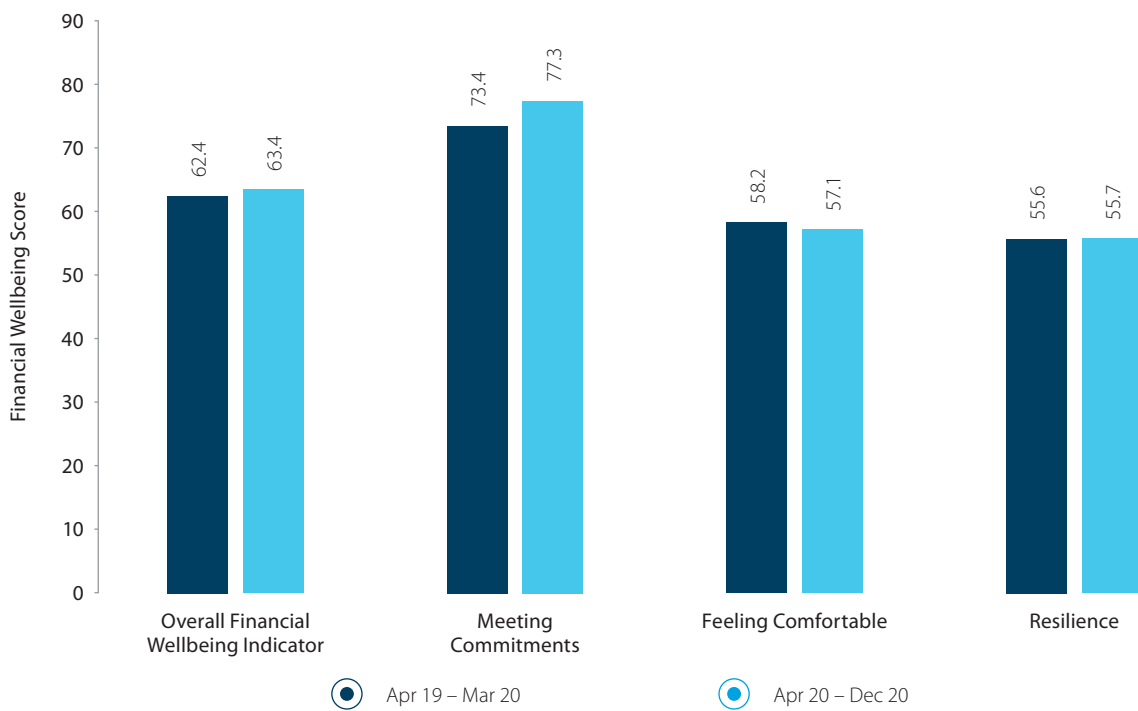
The second element is **feeling comfortable**, the belief that current and future financial circumstances will ensure life can be enjoyed and is financially secure. Given the degree of uncertainty over this time it is no surprise that this element fell from 58.2 to 57.1. During the early stages of the Covid-19 crisis share markets around the world tumbled, alarming many people as KiwiSaver balances fell. While markets and balances have since recovered, it was a reminder for people that markets can and do fall sometimes. The crisis also impacted job security for some, again reminding people that circumstances can quickly change. There has also been a lot of news coverage about the potential negative impacts of the pandemic to the New Zealand economy, which will likely have made people feel uncertain, even if their own circumstances hadn't changed a great deal.

The third component is **resilience for the future** – the capacity to cope with a significant unexpected expense or loss of income. This metric has increased slightly from 55.6 to 55.7. Interestingly, it declined in the last three months, however. Over that time, we saw the median level of reported savings from the survey decline, after increasing substantially in the first 6 months of the crisis. We think that while many people lifted their savings during the early months of the crisis as spending declined, the level of saving has not been maintained as life started to return to something more like normal.

POWERED BY



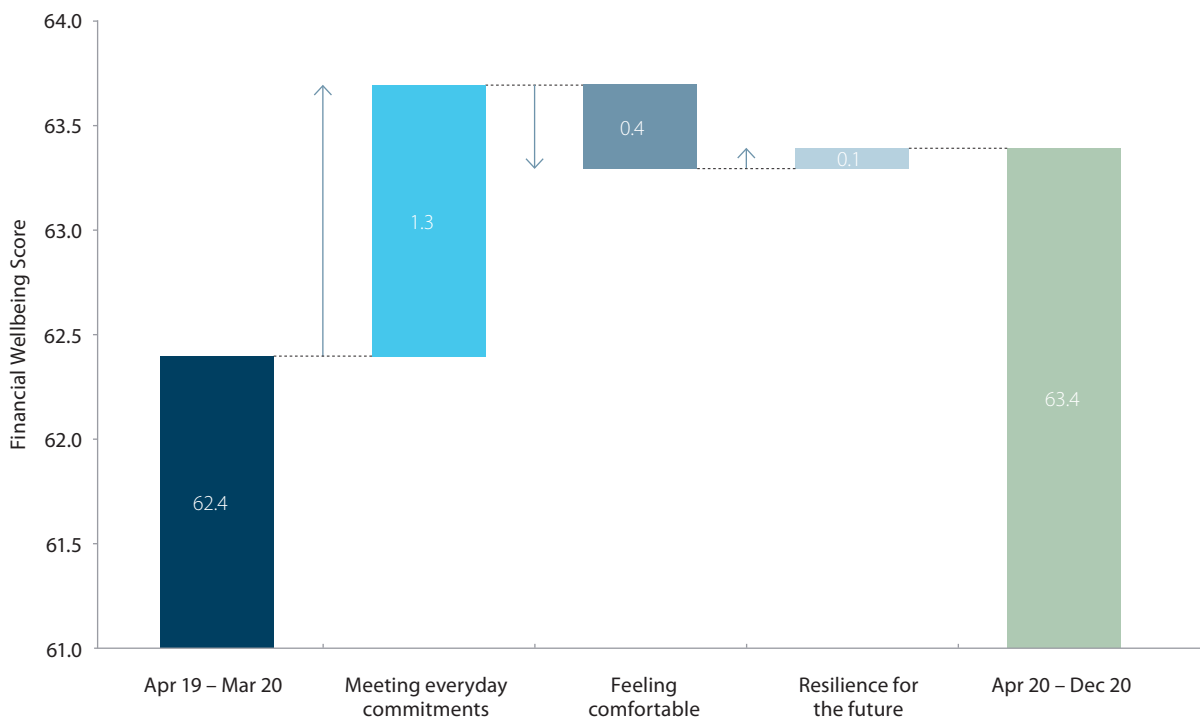
FIGURE 1. ANZ FINANCIAL WELLBEING INDICATOR: OVERALL FINANCIAL WELLBEING AND DIMENSIONS



Source: Roy Morgan Single Source

Base: New Zealanders 14+; n=6,421 (Apr2019-Mar2020), n=4,895 (Apr2020-Dec2020)

FIGURE 2. CONTRIBUTIONS OF EACH OF THE THREE DIMENSIONS OF FINANCIAL WELLBEING TO CHANGES IN THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR PRE COVID-19 (12 MONTHS TO MARCH 2020) AND POST COVID-19 (9 MONTHS TO DECEMBER 2020)



Source: Roy Morgan Single Source

Base: New Zealanders 14+; n=6,421 (Apr2019-Mar2020), n=4,895 (Apr2020-Dec2020)

FINANCIAL WELLBEING SEGMENTS

People are divided into four segments according to their overall wellbeing score (out of 100). These segments were described in detail in the ANZ 2018 Financial Wellbeing Survey⁽¹⁾. The four groups are:

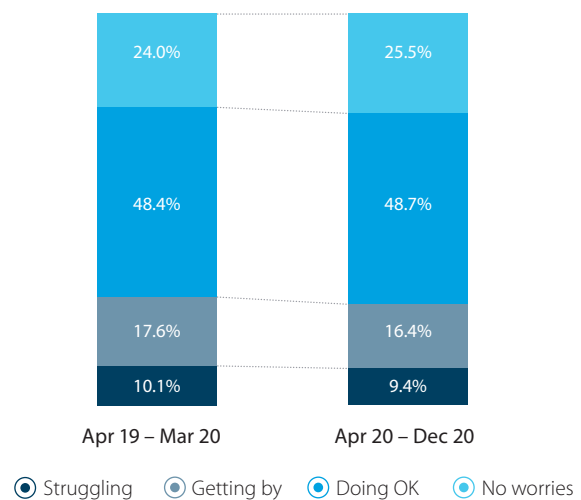
- **Struggling:** This group have a relatively low financial wellbeing score of 30 or less. Members of this group were struggling to meet their current financial commitments (61% always or often ran short of money for food and other regular expenses; 32% always or often lacked the money to pay bills at the final reminder). They had limited financial resilience (79% said they did not have any savings at all) and they were not feeling comfortable about their financial situation (84% described their current financial situation as 'bad')
- **Getting By:** For many of these people it was a challenge to make ends meet. They fell behind the majority of New Zealanders in terms of financial wellbeing, and have financial wellbeing scores ranging from 31-50 out of 100. They could meet current financial commitments to a greater extent than those who were struggling (14% always or often ran short of money for food and other regular expenses – compared with 61% of those who were struggling – while 9% always or often lacked the money to pay bills at the final reminder). They had higher levels of resilience for the future than those who were struggling (37% said they did not have any savings compared to 79% of those who were struggling) and they were more comfortable with their financial situation (38% described their current financial situation as 'bad' compared with 84% of those who were struggling). Nevertheless, their position on all of these measures was still significantly worse than that of the population overall.
- **Doing okay:** The people in this group had above average financial wellbeing, linked to secure employment and steady household income. Members of this group had financial wellbeing scores ranging from 51-80 out of 100. Nearly all could meet their current financial commitments (only 3% regularly or often ran short of money for food and other regular expenses, compared to 14% of those who were getting by). They had higher levels of resilience for the future (only 8% said they did not have any savings, compared with 37% of those who were getting by). They were more comfortable with their financial situation (8% described their financial situation as 'bad' compared to 38% of those who were getting by.)
- **No worries:** The top group had relatively high levels of overall financial wellbeing with scores in excess of 80 out of 100. As might be expected, they had high scores on all three components of financial wellbeing; meeting commitments (mean score of 98 out of 100), feeling comfortable (mean score of 83 out of 100) and resilience for the future (mean score of 91 out of 100). 86% of this group described their current financial situation as good – compared to 34% of those who were 'doing okay'.

¹ ANZ (2018) Financial Wellbeing: A Survey of Adults in New Zealand. <https://bluenotes.anz.com/financialwellbeing/foreword-financial-wellbeing-in-new-zealand>

Changes between pre-Covid-19 and now

Pleasingly, compared to the 9 month period pre-Covid-19, the size of both of the lower two groups has declined slightly. Nearly half of the total population sits in the 'doing okay' group. The top group, 'no worries', has grown a little, possibly helped by the strong increase in real estate values during late 2020.

FIGURE 3 - CHANGES IN THE COMPOSITION OF THE FINANCIAL WELLBEING SEGMENTS BETWEEN SEPTEMBER 2019 AND SEPTEMBER 2020



Source: Roy Morgan Single Source

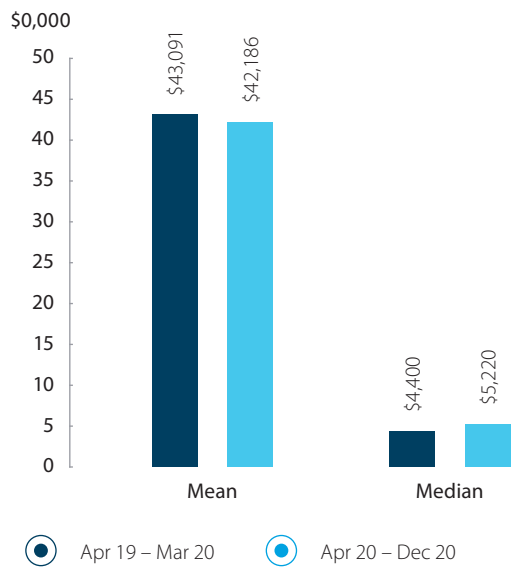
Base: New Zealanders 14+; n=6,421 (Apr2019-Mar2020), n=4,895 (Apr2020-Dec2020)

DRIVERS OF FINANCIAL WELLBEING

Active Saving –one of the most important elements of financial wellbeing.

The Roy Morgan survey collects responses on per capita savings. The results provide both an average figure and a median. Because average savings figures can be skewed much higher by a small number of people with very high balances, the median figure is a better representation of where 'typical' people sit. The median figure stands at \$5,220 per person in December 2020. This is up from a median of \$4,400 as at March 2020. This lift in savings has helped to lift the resilience element of the overall metric.

FIGURE 4. MEAN AND MEDIAN DOLLAR AMOUNT IN SAVINGS



Source: Roy Morgan Single Source

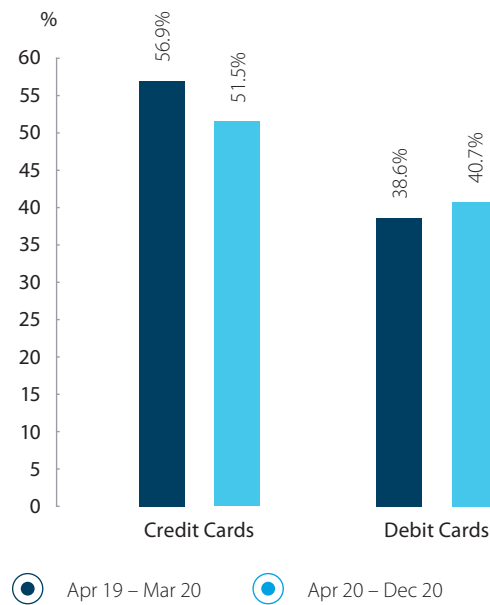
Base: New Zealanders 14+; n=6,421 (Apr2019-Mar2020), n=4,895 (Apr2020-Dec2020)

NOT BORROWING FOR EVERYDAY EXPENSES

Not borrowing for everyday expenses is another essential behaviour for good financial wellbeing. The implication of this behaviour is obvious in that it ensures that people do not live beyond their means and accumulate unmanageable debt.

New Zealanders have reduced their reliance on credit cards. From March 2020 to December 2020, the incidence of credit cards has fallen from 56.9 percent to 51.5 percent, and the incidence of debit cards in the population has increased from 38.6 percent to 40.7 percent. However, there is concern that some of this change has been driven by the rise of 'buy now, pay later' schemes rather than a reduction in the habit of spending money we don't have. Indeed, these schemes have made it easier than ever to borrow for everyday expenses.

FIGURE 5. OWNERSHIP OF CREDIT CARDS VS DEBIT CARDS



Source: Roy Morgan Single Source

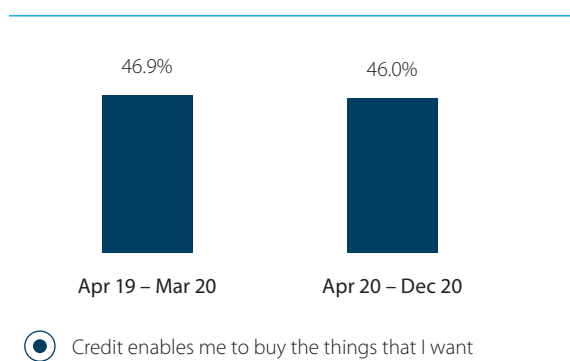
Base: New Zealanders 14+; n=6,421 (Apr2019-Mar2020), n=4,895 (Apr2020-Dec2020)

PSYCHOLOGICAL FACTORS

Psychological factors are an important determinant of financial wellbeing. These factors have a tendency to impact our relationship with, and the way we use, money. Along with a reduction in the proportion of people holding credit cards, the most recent findings show a decline in the proportion of those who say credit enables them to buy the things they want.

While this would appear to be a good outcome from a financial wellbeing point of view, again, we suspect that buy now pay later (BNPL) schemes may be playing a role in the decline. Another recent study for ANZ found that many people who use BNPL do not regard this as 'credit'. This study will be released shortly.

FIGURE 6. NEW ZEALANDER ATTITUDES TO USING CREDIT



Source: Roy Morgan Single Source

Base: New Zealanders 14+; n=6,421 (Apr2019-Mar2020), n=4,895 (Apr2020-Dec2020)

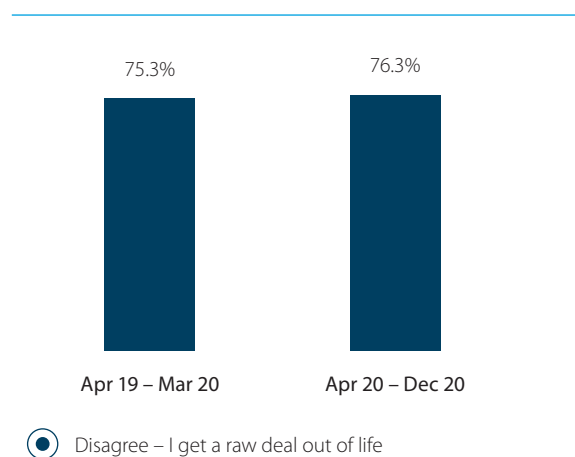
Another important psychological factor is the extent to which people believe they are in control of their life (also known as "Locus of control").

The importance of the locus of control is that people with a higher locus of control believe that they can make changes to improve their financial circumstances, whereas people who believe they do not have control over their life are more likely to believe that financial outcomes are not something they can do much about.

There is an attitude measure in the ANZ Roy Morgan Financial Wellbeing Indicator dataset that is a good proxy for locus of control: disagreement with the statement "I get a raw deal out of life".

Figure 7 shows that more people disagree they 'get a raw deal out of life' post Covid-19, increasing 0.9 percentage points to 76.3 percent as at December 2020.

FIGURE 7. LOCUS OF CONTROL



Source: Roy Morgan Single Source

Base: New Zealanders 14+; n=6,421 (Apr2019-Mar2020), n=4,895 (Apr2020-Dec2020)

ABOUT THE FINANCIAL WELLBEING INDICATOR SERIES

The ANZ Financial Wellbeing Indicator provides a time-series measure of New Zealand's financial wellbeing. ANZ has partnered with Roy Morgan to replicate key financial wellbeing questions from the 2017 ANZ Financial Wellbeing Survey. This robust, quarterly snapshot of the personal financial wellbeing of New Zealanders identifies key questions from that survey and applies them to proxies within the weekly Roy Morgan Single Source survey of 7,000 New Zealanders annually.

The report from the 2017 study is comprehensive, and the full results and analysis can be found here: <https://bluenotes.anz.com/financialwellbeing/foreword-financial-wellbeing-in-new-zealand>