

# THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR

QUARTERLY UPDATE  
JULY 2020



## FINANCIAL WELLBEING OVERVIEW

Since the onset of COVID-19 during March 2020, the impacts on the economy and on people's lives have been significant and widespread. The initial effect on financial wellbeing becomes evident in the months of April and May 2020.

The ANZ Roy Morgan Financial Wellbeing Indicator is ordinarily reported as a 12-month moving average every quarter. However, the 12-month moving average dampens the initial impacts of COVID-19 as it takes into account the financial wellbeing gains made throughout the latter half of 2019. This update focuses on a pre and post view of the impacts of COVID-19 on the ANZ Roy Morgan Financial Wellbeing Indicator, comparing the indicator result for the 12 months to March 2020 with the combined months of April and May 2020. Further results for the 12-month moving average for financial wellbeing (June 2019-May 2020) are shown in Appendix A.



### Indicator

- COVID-19 has temporarily reversed all of the gains in aggregate financial wellbeing since the beginning of this data series in 2014. The ANZ Roy Morgan Financial Wellbeing Indicator shows the financial wellbeing of Australians declined from a rolling 12 month average of 60.7 (as a score out of 100) in March 2020 to 56.5 in April and May 2020, showing the initial impacts of COVID-19 (Table 1). This 6.9% decline in financial wellbeing was the largest recorded fall in the spot result, almost on par with the cyclical low in May 2014 (Figure 1).
- The impact of COVID-19 resulted in all states and territories, recording lower financial wellbeing scores for the combined months of April and May 2020 (Figure 3).

- While all components of financial wellbeing declined, the biggest fall was in '**feeling comfortable**' about one's current and future situation, down 13.7% for the combined months of April and May 2020. '**Meeting everyday commitments**' was down 5.5% and '**resilience for the future**' – the ability to cope with financial setbacks – declined by 1.9%. This highlights that the onset of COVID-19 overwhelmingly impacted how people initially felt about their financial health in the future.
- 'Feeling comfortable' is likely to improve as people's ability to cope with the crisis improves, which is consistent with consumer sentiment. 'Meeting everyday commitments' and 'resilience for the future' are more direct measures of the economic disruption caused by COVID-19 and likely to be further impacted in the medium term.

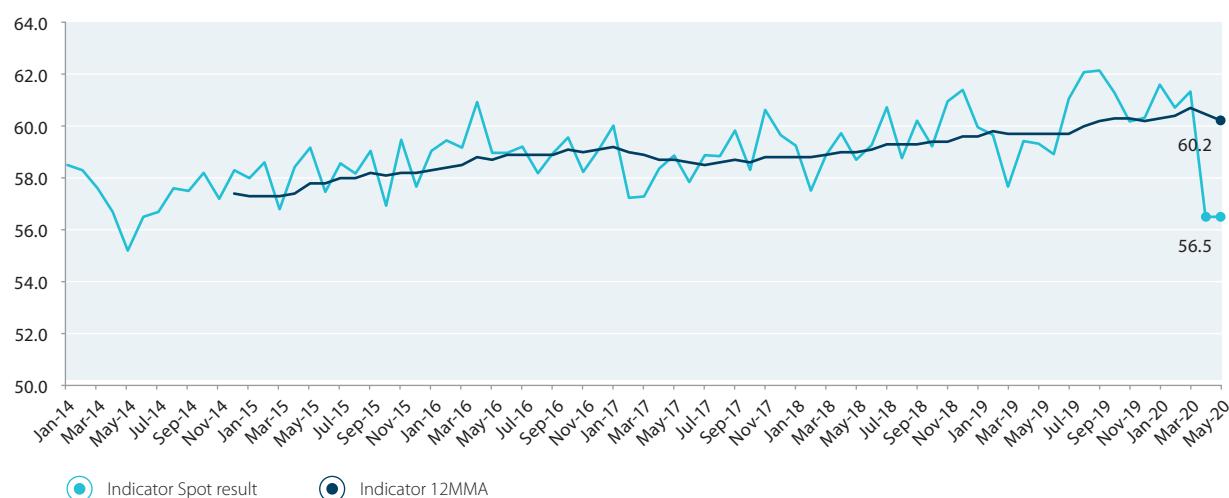


## Testing resilience

- 'Resilience for the future' was tested with COVID-19. Those considered 'Struggling' prior to the crisis and Young Adults and Young Families who were 'Getting By', were immediately vulnerable to the impacts of COVID-19 due to having less than one month's income in deposits in the 12 months to March 2020 (Table 3).
- Younger people were more impacted by negative employment impacts including redundancies, being stood down and reductions in work hours (Table 3). The burden of negative employment impacts also fell disproportionately on people already experiencing lower financial wellbeing, suggesting that the economic impacts of COVID-19 will be greater for those least able to absorb the shock.

- The immediate impacts of COVID-19 on financial wellbeing shows a shift downward through the financial wellbeing segments (Figure 2). The proportion of Australians in the 'No Worries' segment fell by 6.1 percentage points to 16.3% and at the other end of the spectrum, Australians 'Struggling' increased 3.3 percentage points to 15.5% (Figure 2).
- The financial wellbeing of a large group of Australians is still in the balance. With Government support currently in place, the full impact of COVID-19 on employment is yet to be resolved. The vast majority of the negative employment impacts in April and May 2020 were either being stood down, losing hours or having reduced pay (Table 3). Comparatively, only a small proportion of people were affected by redundancy in April and May 2020. It is unclear how many of those people will not resume employment once Government supports are lifted.

**FIGURE 1: FINANCIAL WELLBEING IN AUSTRALIA, MONTHLY SPOT DATA AND 12 MONTH MOVING AVERAGE (JAN-14 TO MAY-20)**



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

	ANZ Roy Morgan FWB Indicator								% change 12m Mar-20 vs combined Apr/May-20	
	12 months				Spot Result					
	Apr-19	Jun-19	Sep-19	Dec-19	Mar-20	Apr-20	May-20	Apr/May-20		
Financial wellbeing	59.7	59.7	60.2	60.2	60.7	56.5	56.5	56.5	-6.9%	
Meeting commitments	70.1	70.7	71.6	71.9	73	70.1	67.9	69.0	-5.5%	
Feeling comfortable	55.4	55.3	55.9	55.9	56	47.5	49.2	48.3	-13.7%	
Resilience for the future	53.5	53	53	52.7	53.2	52.1	52.3	52.2	-1.9%	

## FINANCIAL WELLBEING SEGMENTS

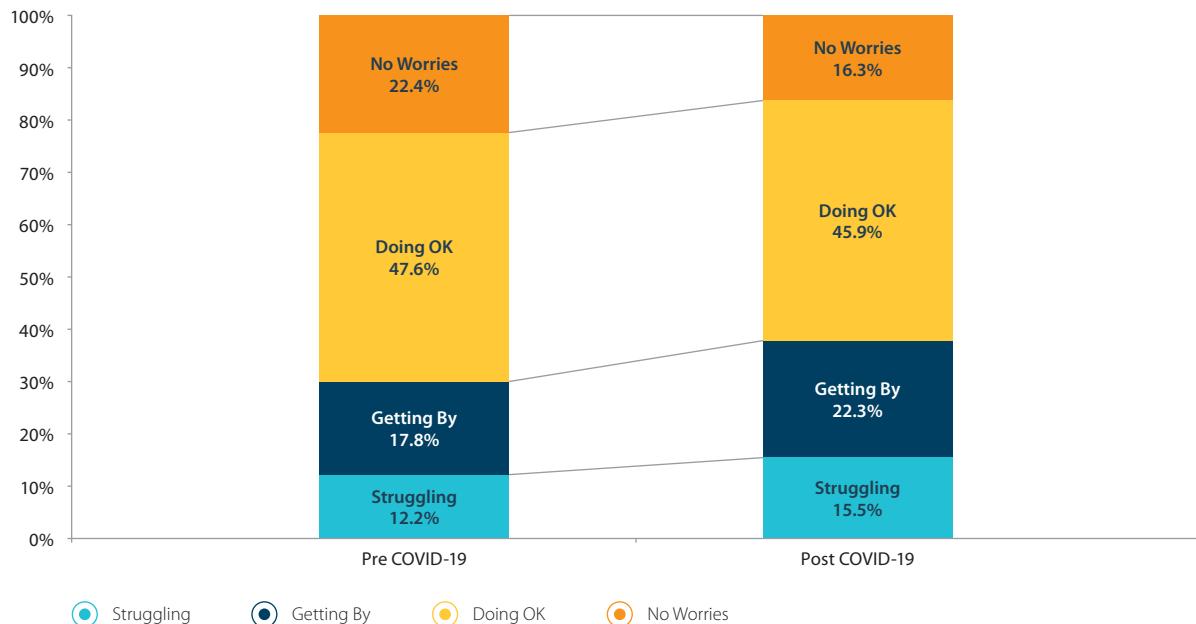
Respondents were divided into four segments according to their overall financial wellbeing score (out of 100). These segments were described in ANZ's 2017 ANZ Financial Wellbeing Survey<sup>1</sup>:

- **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 onset of COVID-19 resulted in a 'downward shift' in financial wellbeing through the segments. The 'No Worries' segment, reflecting the highest level of financial wellbeing, declined from 22.4% in the 12 months to March to 16.3% in the combined months of April and May 2020. The bottom two segments 'Getting By' and 'Struggling' increased in the combined months of April and May 2020, with 'Getting By' growing from 17.8% to 22.3% and 'Struggling' growing from 12.2% to 15.5% (Figure 2).

This reverses the trend in recent years, which has seen growth in the upper segments in line with improvements in longer-term financial wellbeing. It is interesting to note that while COVID-19 has decreased the size of the 'No Worries' and 'Doing OK' segments, the 'Struggling' segment has been increasing in size since mid-2019, coinciding with a slowdown in economic growth.

**FIGURE 2: CHANGE IN THE COMPOSITION OF THE FINANCIAL WELLBEING SEGMENTS ('PRE COVID-19' 12 MONTHS TO MAR-20 VS COMBINED APR-20 AND MAY-20 'POST COVID-19' VIEW)**



Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 includes combined data from the months of April 2020 and May 2020.

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

## FINANCIAL WELLBEING BY STATE AND TERRITORY



Prior to COVID-19, respondents from the ACT had the highest financial wellbeing score at 66.4 (out of 100) in the 12 months to March 2020, 5.7 points higher than the national average and 4.1 points higher than Victoria with the next highest level of financial wellbeing (62.3). Queensland and WA had the lowest levels of financial wellbeing at 58.5 and 59.7 (out of 100) respectively (Figure 3 and Table 2).

The impact of COVID-19 resulted in all states and territories recording lower scores in overall financial wellbeing for the months of April and May 2020. SA and ACT appear to have experienced the biggest declines in financial wellbeing, falling 6.4 and 5.5 points respectively, greater than the national decline of 4.2 points. The variation in the decline across jurisdictions has been influenced by a number of factors including the severity of the COVID-19 outbreak and the impact on dominant industries in each state and territory.



ACT respondents recorded the highest score for '**meeting everyday commitments'** while WA recorded the lowest 'meeting everyday commitments' score (Table 2).

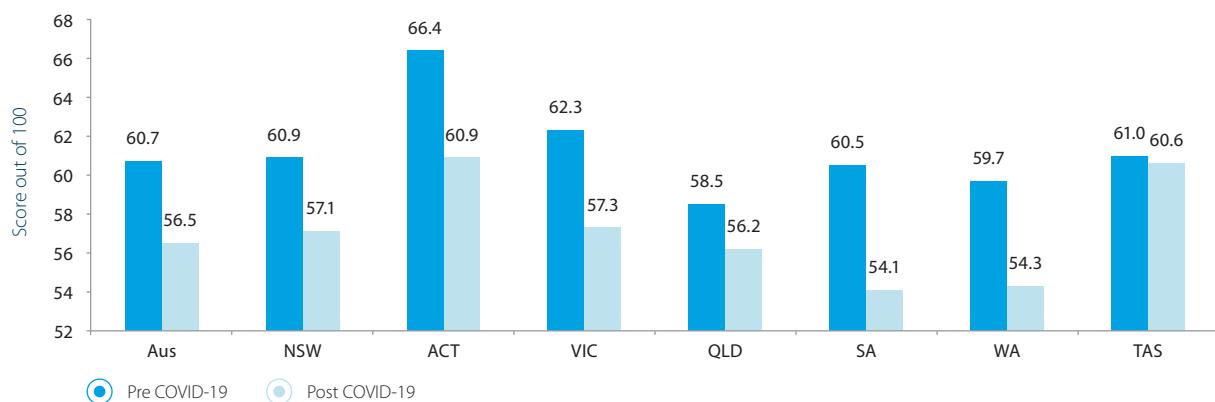


People in NSW, ACT, Tasmania and Victoria recorded '**feeling comfortable**' scores above the national average, while those in SA recorded the lowest 'feeling comfortable' score in the months of April and May 2020 (Table 2).



**'Resilience for the future'** was higher than the national average in NSW and Queensland with Victoria, ACT, SA, Tasmania and WA lower than the national average in the months of April and May 2020 (Table 2).

**FIGURE 3: FINANCIAL WELLBEING IN AUSTRALIA, BY STATE AND TERRITORY ('PRE COVID-19' 12 MONTHS TO MAR-20 VS COMBINED APR-20 AND MAY-20 'POST COVID-19' VIEW)**



Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 includes combined data from the months of April 2020 and May 2020.

**TABLE 2: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA, BY STATE AND TERRITORY (COMBINED APR-20 AND MAY-20 'POST COVID-19' VIEW)**

	ANZ Roy Morgan FWB Indicator							
	Aus	NSW	ACT	VIC	QLD	SA	WA	TAS
Financial wellbeing	56.5	57.1	60.9	57.3	56.2	54.1	54.3	60.6
Meeting commitments	69.0	68.2	78.7	71.4	69.3	66.2	64.5	75.3
Feeling comfortable	48.3	49.8	52.6	48.8	46.1	45.6	47.1	54.5
Resilience for the future	52.2	53.4	51.3	51.7	53.2	50.7	51.1	51.8

Note: Post COVID-19 includes combined data from the months of April 2020 and May 2020.

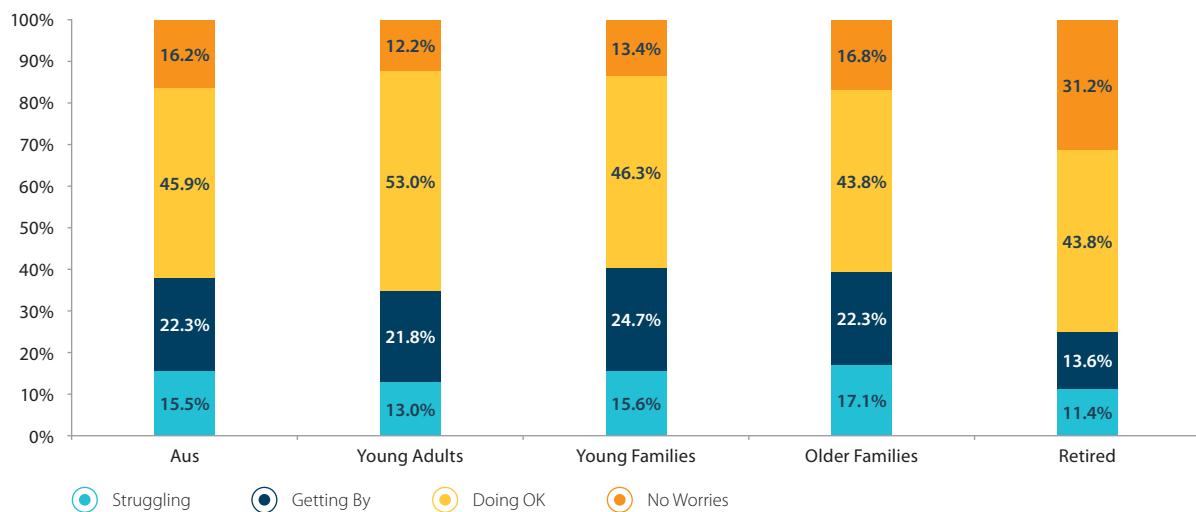
## FINANCIAL WELLBEING BY LIFE STAGE

Financial wellbeing has been examined across four different life stages:

- **Young Adults** – 18-39 year olds who are studying full-time or 14-39 who are working (full-time or part-time) who are single (not married or de facto, engaged or planning to marry) and not parents
- **Young Families** – 14-39 year olds who are married or de facto, engaged or planning to marry (with or without children) OR are single parents
- **Older Families** – All 40-64 year olds OR over 65 years olds still working (single, married or de facto, with or without children)
- **Retirees** – Over 65 years old and retired or not working (either self - or state-funded).

When looking at these different life stage segments it is clear that the level of financial wellbeing increases with age. A high proportion of retired people were in the 'No Worries' segment with 31.2% in the combined months of April and May 2020, compared to only 12.2% of Young Adults. Families were more likely to be either 'Struggling' and 'Getting By', with 40.3% of Young Families and 39.4% of Older Families falling into these categories respectively (Figure 4).

**FIGURE 4: FINANCIAL WELLBEING SEGMENTS, BY LIFESTAGE SEGMENTS (COMBINED APR-20 AND MAY-20 'POST COVID-19' VIEW)**



Note: Post COVID-19 includes combined data from the months of April 2020 and May 2020.

## TESTING RESILIENCE – POTENTIAL IMPACT OF COVID-19 BY LIFE STAGE

Financially capable behaviours – such as active savings and not borrowing for everyday expenses – and the social and economic environment are all key drivers of an individual's overall financial wellbeing (Figure 5). These drivers can be used as indicators to identify who is more likely to be affected by the economic impacts of COVID-19.

Table 3 shows the average number of months in income held in deposits pre-COVID-19 and the proportion of people suffering negative employment impacts (being stood down, having pay reduced for working the same amount of hours, working reduced hours or made redundant) for each financial wellbeing segment for the post COVID-19 months of April and May 2020.

The burden of employment impacts fell disproportionately on those people already experiencing lower financial wellbeing. Those already 'Struggling' prior to the crisis were particularly vulnerable to the impacts of COVID-19 as they had little or no savings buffer in the 12 months to March 2020 (less than one month's income in deposits) and their work was negatively impacted in April and May 2020 (Table 3). The effect of the economic environment on their ongoing financial wellbeing will likely be exacerbated when combined with limited savings to fall back on.

Younger life stages such as Young Adults and Young Families were more likely to have suffered negative employment impacts. Young Adults and Young Families who were 'Getting By' in March 2020, were immediately vulnerable to the impacts of COVID-19 due to their low deposit levels (less than one month's income in deposits) resulting in less of a savings buffer to fall back on in the event of a crisis. 54.0% of Young Adults and 43.1% of Young Families who were 'Getting By' in March 2020 experienced negative impacts on their work status in the post COVID-19 months of April and May 2020 (Table 3).

Younger people (Young Adults and Young Families) in general were less likely to have been actively saving pre-COVID-19, holding lower savings balances than their older counterparts (2.4 months income in savings and 2.8 months income in savings respectively). They were also more likely to have been affected by the economic impacts of COVID-19 in April and May 2020, with 43.7% of Young Adults and 35.6% of Young Families impacted by negative employment consequences (Table 3).

TABLE 3: MONTHS INCOME IN DEPOSITS ('PRE COVID-19') AND NEGATIVE IMPACT OF EMPLOYMENT ON FINANCIAL WELLBEING AND LIFE STAGE SEGMENTS ('POST COVID-19')

	Young Adults		Young Families		Older Families		Retirees		All	
	Pre Covid-19 Savings	Post Covid-19 Employment impact	Pre Covid-19 Savings	Post Covid-19 Employment impact	Pre Covid-19 Savings	Post Covid-19 Employment impact	Pre Covid-19 Savings	Post Covid-19 Employment impact	Pre Covid-19 Savings	Post Covid-19 Employment impact
<b>No Worries</b>	8.5	46.7%	8.7	19.0%	15.5	17.1%	22.7	N/A	15.8	15.1%
<b>Doing OK</b>	1.9	36.5%	2.2	31.2%	4.7	23.7%	9.2	N/A	4.2	23.3%
<b>Getting By</b>	<b>0.8</b>	<b>54.0%</b>	<b>0.8</b>	<b>43.1%</b>	<b>3.1</b>	<b>34.0%</b>	<b>2.9</b>	N/A	<b>1.8</b>	<b>35.8%</b>
<b>Struggling</b>	<b>0.5</b>	<b>54.2%</b>	<b>0.5</b>	<b>53.3%</b>	<b>0.5</b>	<b>37.8%</b>	<b>0.9</b>	N/A	<b>0.5</b>	<b>38.9%</b>
<b>Total</b>	2.4	43.7%	2.8	35.6%	6.5	27.3%	13.4	N/A	5.9	27.2%

 Savings - number of months income in deposits (Data 12 months to March 2020)

 Negative impact on employment – % stood down, lost hours, reduced pay or made redundant (Data April and May 2020)

 Life stage immediately impacted by COVID-19

## 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 rolling 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.

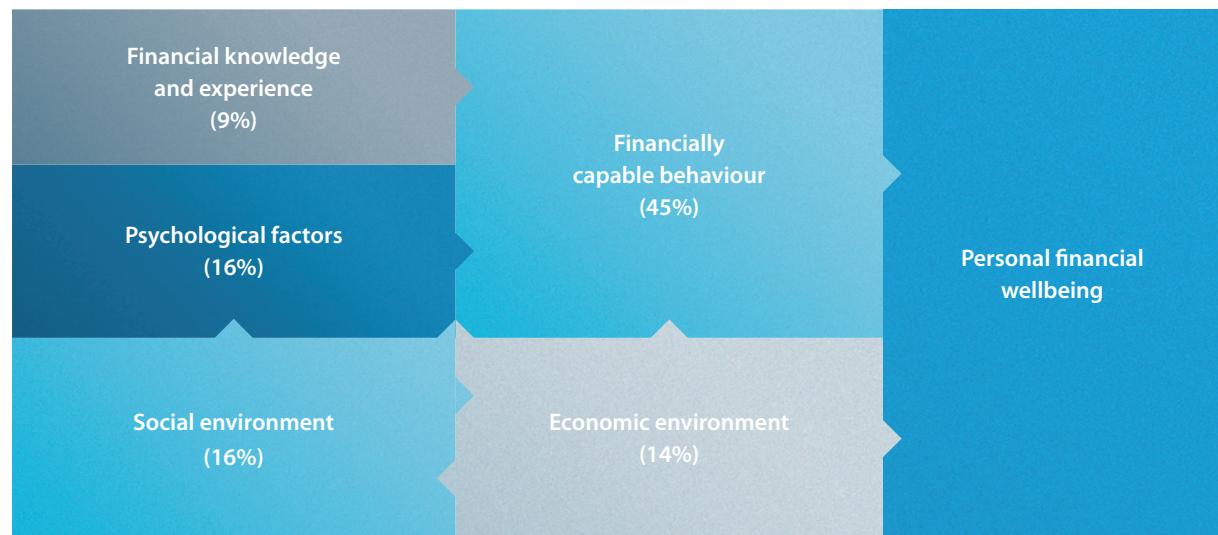


More information about the Indicator can be found at [www.bluenotes.anz.com/financialwellbeing](http://www.bluenotes.anz.com/financialwellbeing) or by contacting:

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**FIGURE 5: THE FINANCIAL WELLBEING CONCEPTUAL MODEL**



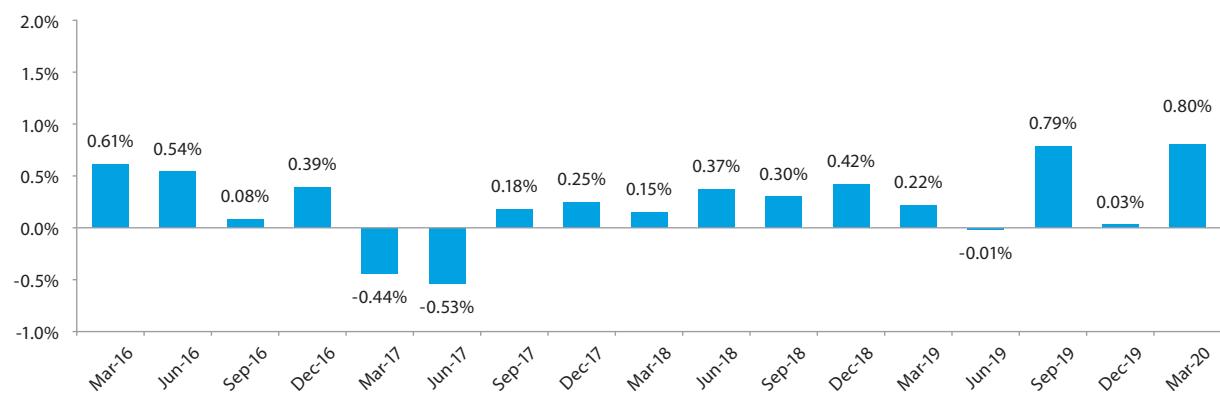
Source: Adapted from Kempson *et al*, 2017, with additional data from the 2017 ANZ Financial Wellbeing Survey.

## APPENDIX A: MOVING AVERAGE DATA (12 MONTHS TO MAY-20)

TABLE A1: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA (12 MONTHS TO MAY-20)

	ANZ Roy Morgan FWB Indicator						% change
	May-19	Jun-19	Sep-19	Dec-19	Mar-20	May-20	May-19 to May-20
Financial wellbeing	59.7	59.7	60.2	60.2	60.7	60.2	0.8%
Meeting commitments	70.5	70.7	71.6	71.9	73.0	72.5	2.8%
Feeling comfortable	55.3	55.3	55.9	55.9	56.0	55.0	-0.5%
Resilience for the future	53.4	53.0	53.0	52.7	53.2	53.2	-0.4%

FIGURE A1: CHANGE IN FINANCIAL WELLBEING IN AUSTRALIA BY QUARTER (MAR-16 TO MAR-20)



## APPENDIX B: TECHNICAL INFORMATION

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 Survey<sup>2</sup>, 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	<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>
Feeling comfortable	<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>
Resilience	<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 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>