

THE ANZ ROY MORGAN FINANCIAL WELLBEING INDICATOR

—
QUARTERLY UPDATE
NOVEMBER 2020



FINANCIAL WELLBEING OVERVIEW

The effects of the COVID-19 pandemic have been felt across Australia both economically and socially. While the initial lockdown impacted the entire country, the pandemic is now playing out differently across states and territories with Western Australia, South Australia, Queensland and Tasmania almost back to 'normal' compared to a moderate approach in NSW and the wind back of a hard lockdown in Melbourne, Victoria.

The ANZ Roy Morgan Financial Wellbeing Indicator has previously been reported as a 12-month moving average every quarter. However, as the 12-month moving average to August 2020 incorporates seven months of data pre COVID-19, it takes into account the financial wellbeing gains made throughout the latter half of 2019 and early 2020. To better understand the changes arising from the pandemic, this update compares the pre COVID-19 12 months to March 2020 with the combined spot monthly results for April 2020 through to August 2020.



INDICATOR

The ANZ Roy Morgan Financial Wellbeing Indicator shows that as a result of COVID-19, the financial wellbeing of Australians

DECLINED **FROM** **60.7** (as a score out of 100) in the 12 months to March 2020 → **56.8** **TO** in the 5 months to August 2020 (Figure 1 and Table 1).
6.4%

INDICATOR (CONTINUED)

From April 2020 to August 2020, the monthly financial wellbeing scores have remained in the narrow range of 56.5 to 57.0 (out of 100), with a financial wellbeing score of 57.0 in August 2020.



While all components of financial wellbeing declined (Table 1), the biggest decline was in **'feeling comfortable'** about one's current and future situation, down 12.1% for the 5 months to August 2020 (49.2) compared to 12 months to March 2020 (56.0), recovering slightly from our July 2020 update (48.3).



'Meeting everyday commitments' was down 6.0% for the 5 months to August 2020 (68.6) compared to 12 months to March 2020 (73.0).



'Resilience for the future' – the ability to cope with financial setbacks – declined by 1.0% for the 5 months to August 2020 (52.6) compared to 12 months to March 2020 (53.2), although resilience for the single month of August 2020 returned to pre COVID-19 levels as people began to save in response to future uncertainty.



LOOKING AHEAD

- COVID-19 has had the greatest impact on how Australians feel about their current or future financial situation as opposed to more objective measures of economic impact, such as 'meeting everyday commitments' and their 'resilience for the future'. To date, individuals' ability to meet their financial commitments and ensure they have financial reserves in place, have

been significantly underpinned by government support, such as Job Keeper and Job Seeker, and institutional initiatives such as payment waivers, which were put in place to help minimise the impacts of COVID-19. The extent to which the more objective dimensions of financial wellbeing are impacted in the future will depend on the strength of Australia's economic recovery once government and institutional support ends.

- The negative impacts of COVID-19 have been disproportionately felt by some segments. The gains from the recovery and its effect on people's ability to 'meet everyday commitments' and their 'resilience for the future' may also be felt unevenly.



IN THIS RELEASE

- The immediate impacts of COVID-19 on financial wellbeing shows that the 'Struggling' and 'Getting By' segments increased in size while the 'No Worries' segment decreased substantially (Figure 2).
- Financial wellbeing has fallen across all **states and territories**. **Victoria** experienced the largest fall in the 5 months to August 2020, likely as a result of a second lockdown (Figure 3). Regional Victorians have fared better than their metropolitan counterparts (Figure 4).
- The financial wellbeing of **business owners** (small and medium enterprises with less than 200 employees) has been more negatively impacted than retirees and PAYE employees (Figure 5). Prior to COVID-19, the financial wellbeing of business owners sat above the Australian national average. It now sits well below. Micro business

owners (those employing less than five people) have shown the largest decline in financial wellbeing since COVID-19 (Figure 6).

- Some **occupations** were impacted more significantly than others. Food service workers, construction trades, arts and media professionals, and sports and personal service workers experienced the largest declines in their financial wellbeing (Figure 7).
- The impact of COVID-19 on **'resilience'** has been modest to date. Many Australians have improved their **savings** buffer post COVID-19. Median savings in accounts increased across all financial wellbeing segments between April and August 2020 (Table 3). Improved savings was supported by reduced consumption due to lockdowns and the presence of government programs such as Job Keeper and Job Seeker, and institutional support such as payment deferrals.
- The burden of **employment impacts** continues to fall disproportionately on younger people and those already experiencing low financial wellbeing prior to COVID-19 (Table 4).

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

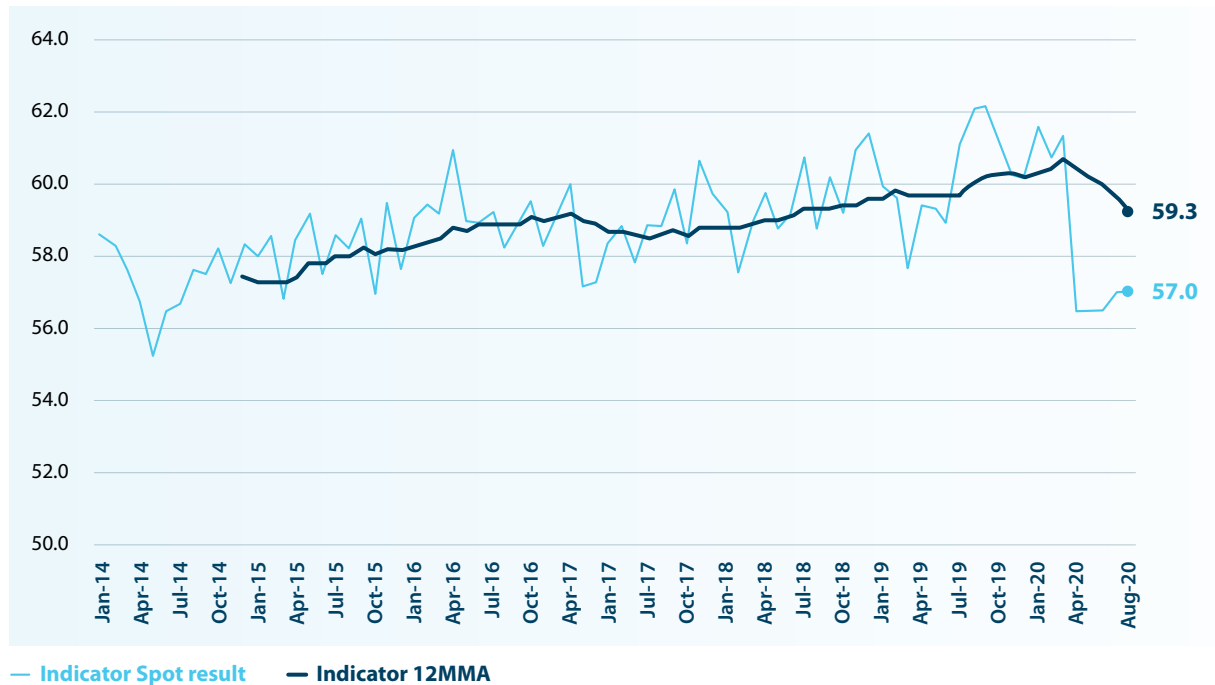


TABLE 1: FINANCIAL WELLBEING DIMENSIONS IN AUSTRALIA (12-MONTH MOVING AVERAGE, SPOT MONTH AND 5-MONTH MOVING AVERAGE VIEW)

	ANZ Roy Morgan FWB Indicator								% change	
	12 months		Spot Result					5 months to August 2020		
	Dec-19	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Apr to Aug-20		
Financial wellbeing	60.2	60.7	56.5	56.5	56.5	57.0	57.0	56.8	12m to Mar-20 vs 5m to Aug-20	-6.4%
Meeting commitments	71.9	73.0	70.1	67.9	67.9	69.5	67.8	68.6		-6.0%
Feeling comfortable	55.9	56.0	47.5	49.2	49.2	49.5	49.6	49.2		-12.1%
Resilience for the future	52.7	53.2	52.1	52.3	52.5	52.1	53.6	52.6		-1.0%

FINANCIAL WELLBEING SEGMENTS

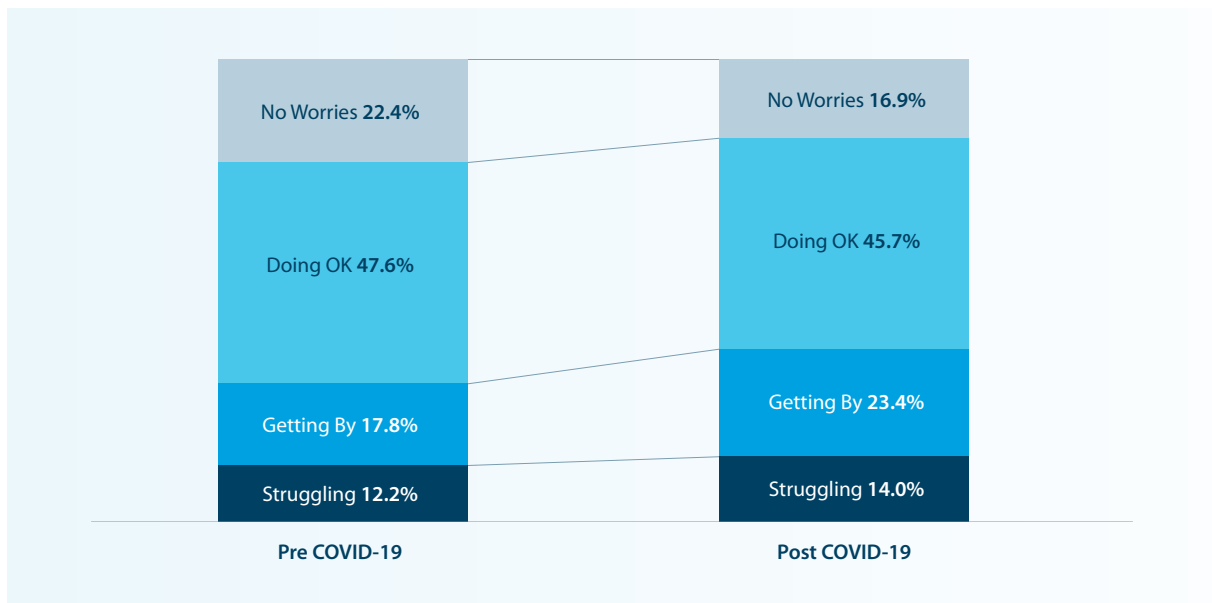
Respondents were divided into four segments according to their overall financial wellbeing score (out of 100). These segments were described in ANZ's 2017 ANZ Financial Wellbeing Survey¹:

- **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 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 16.9% in the 5 months to August 2020. Whilst the majority of the Australian population (45.7%) was '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 37.4% of Australians in the 5 months to August 2020 (up from 30% in the 12 months to March 2020), with 23.4% 'Getting By' and 14.0% 'Struggling' (Figure 2). This continues to reverse the trend of recent years, which had seen growth in the upper segments in line with improvements in longer-term financial wellbeing.

FIGURE 2: CHANGE IN THE COMPOSITION OF THE FINANCIAL WELLBEING SEGMENTS ('PRE COVID-19' 12 MONTHS TO MAR-20 VS 5 MONTHS TO AUG-20 'POST COVID-19' VIEW)



Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 data includes data from the months of April 2020 through to August 2020.

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

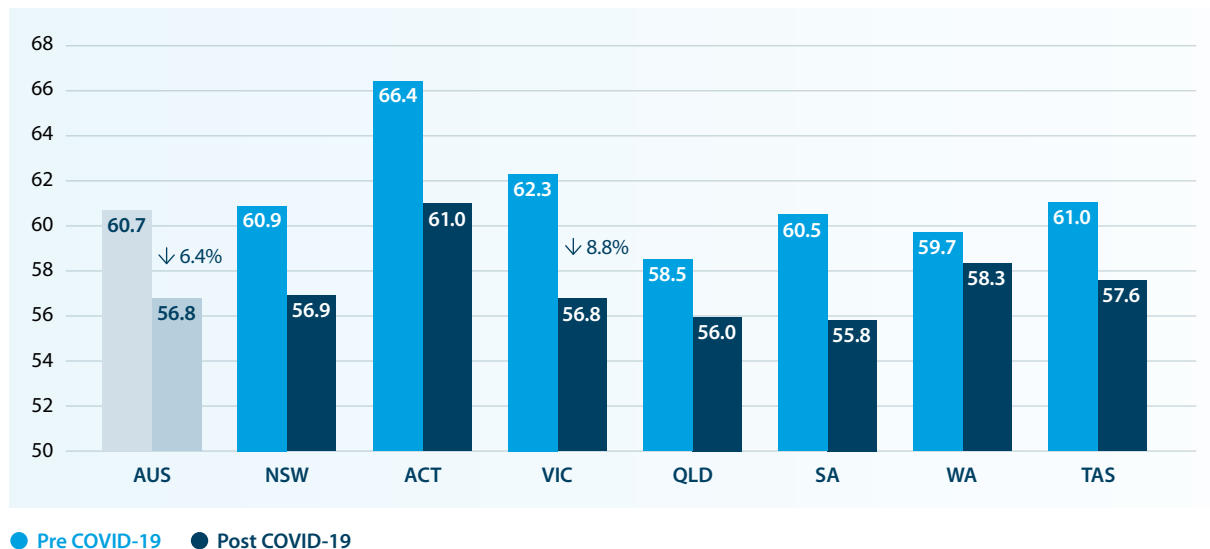
FINANCIAL WELLBEING BY STATE AND TERRITORY

The impact of COVID-19 resulted in all states and territories recording lower scores in overall financial wellbeing and most states and territories recording lower scores across all three dimensions of financial wellbeing for the 5 months to August 2020 (Figure 3).

Respondents from ACT had the highest financial wellbeing score of 61.0 (out of 100) in the 5 months to August 2020, 4.2 points higher than the national average and 2.7 points higher than WA which had the next highest level of financial wellbeing (58.3). SA recorded the lowest level of financial wellbeing at 55.8 (out of 100) (Figure 3).

It is likely the second lockdown had a significant impact on financial wellbeing in Victoria, which experienced the largest decline in the 5 months to August 2020, from well above the national average pre COVID-19, to be on par with the post COVID-19 national average (56.8) (Figure 3).

FIGURE 3: FINANCIAL WELLBEING IN AUSTRALIA, BY STATE AND TERRITORY ('PRE COVID-19' 12 MONTHS TO MAR-20 VS 5 MONTHS TO AUG-20 'POST COVID-19' VIEW)

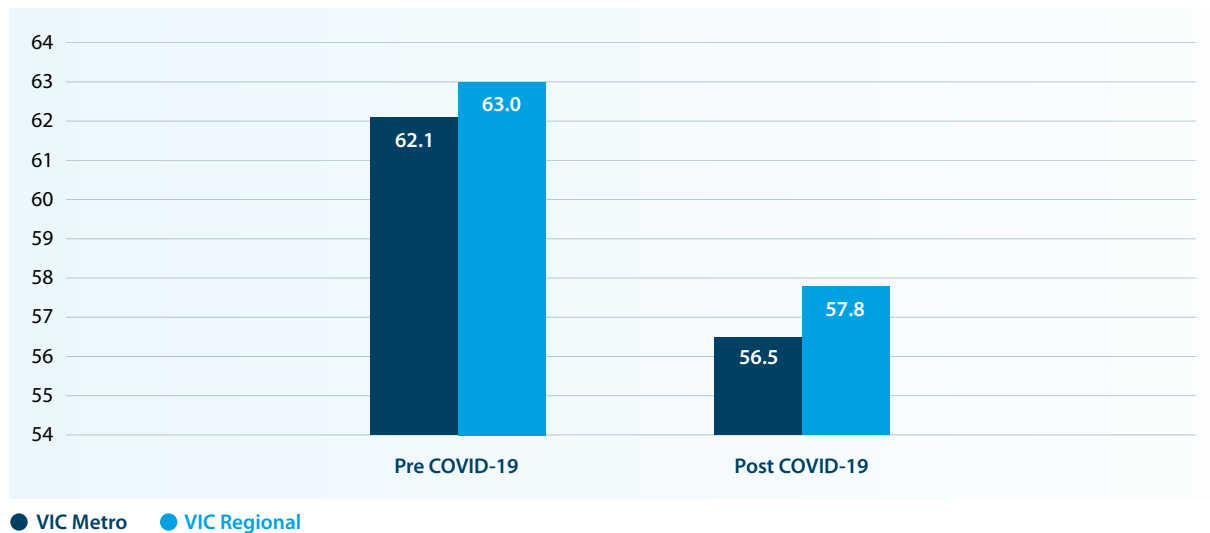


Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 data includes data from the months of April 2020 through to August 2020.

In the 12 months to March 2020, the financial wellbeing of regional Victorians was 63.0 (out of 100), 0.9 points higher than metro Victorians who had an overall financial wellbeing score of 62.1. The difference between metro and regional widened slightly post COVID-19, with regional Victorians recording a score of 57.8, 1.3 points higher than the score of metro Victorians (56.5) in the 5 months to

August 2020 (Figure 4). Metro Victorians experienced larger falls in both 'meeting commitments' (down 9.1% to 68.8) and 'feeling comfortable' (down 16.1% to 47.9) (Table 2). Regional Victorians experienced a larger fall in 'resilience' than their metro counterparts, down 3.2% to 52.2 in the 5 months to August 2020 (Table 2).

FIGURE 4: FINANCIAL WELLBEING IN VICTORIA, BY METRO AND REGIONAL ('PRE COVID-19' 12 MONTHS TO MAR-20 VS 5 MONTHS TO AUG-20 'POST COVID-19' VIEW)



Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 data includes data from the months of April 2020 through to August 2020.

TABLE 2: FINANCIAL WELLBEING IN VICTORIA, BY METRO AND REGIONAL ('PRE COVID-19' 12 MONTHS TO MAR-20 VS 5 MONTHS TO AUG-20 'POST COVID-19' VIEW)

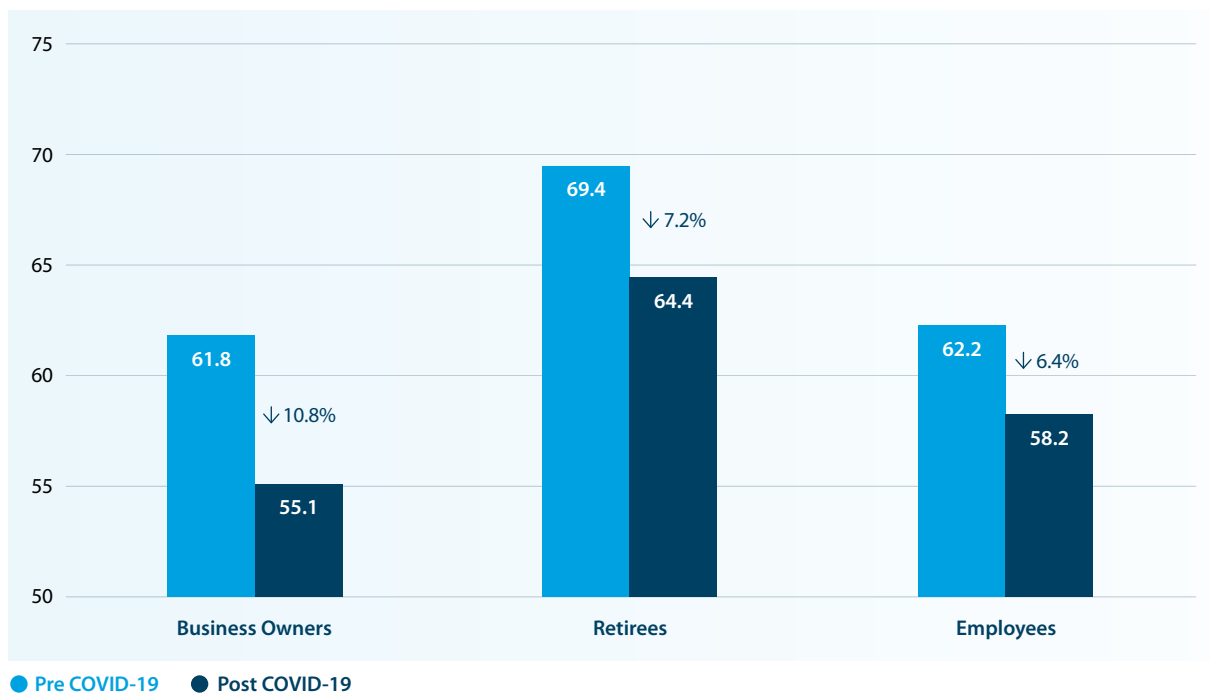
	ANZ Roy Morgan FWB Indicator					
	Pre COVID-19 (12 months to March 2020)			Post COVID-19 (5 months to August 2020)		
	VIC	VIC Metro	VIC Regional	VIC	VIC Metro	VIC Regional
Financial wellbeing	62.3	62.1	63.0	56.8	56.5	57.8
Meeting commitments	75.7	75.7	75.5	69.2	68.8	70.3
Feeling comfortable	57.7	57.1	59.6	48.6	47.9	50.7
Resilience for the future	53.5	53.3	53.9	52.6	52.8	52.2

FINANCIAL WELLBEING BY ECONOMIC GROUP

Business owners (defined as small and medium businesses with up to 199 employees) experienced the largest decline in financial wellbeing (down 10.8%), followed by retirees (down 7.2%) and PAYE employees (down 6.4%) (Figure 5).

The driver of the decline was slightly different for each group. Business owners were primarily impacted by reduced revenues caused by the lockdown and subsequent decline in economic activity, retirees were impacted by reductions in superannuation and investment values, and employees were directly impacted by a reduction in employment opportunities.

FIGURE 5: FINANCIAL WELLBEING IN AUSTRALIA, BY ECONOMIC GROUP ('PRE COVID-19' 12 MONTHS TO MAR-20 VS 5 MONTHS TO AUG-20 'POST COVID-19' VIEW)

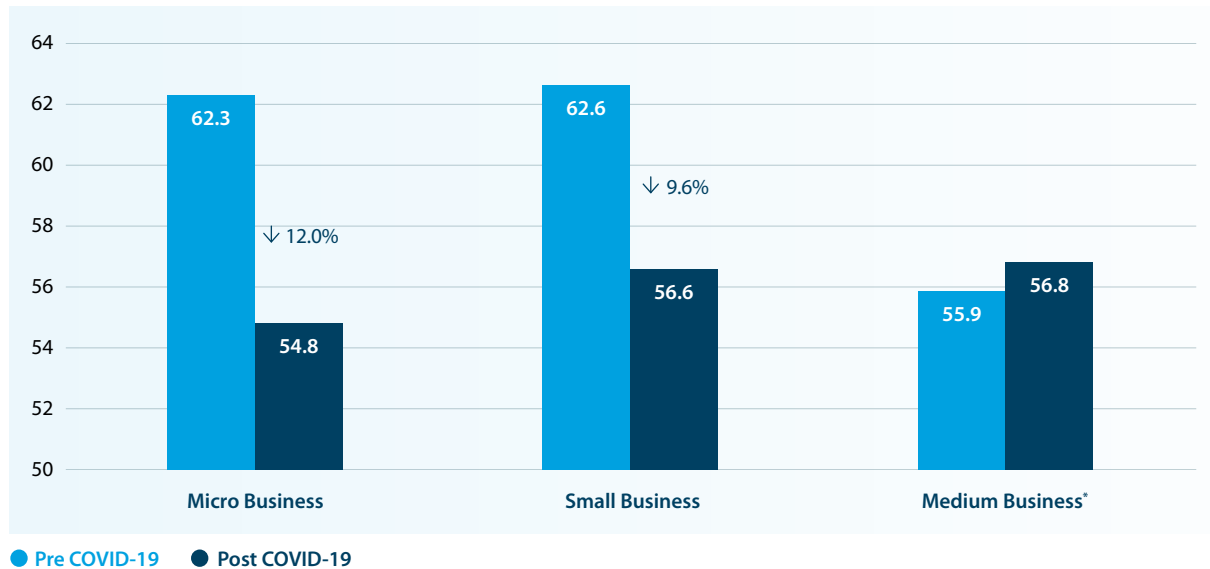


Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 data includes data from the months of April 2020 through to August 2020.

Pre COVID-19, small business owners (5-19 employees) had the highest level of financial wellbeing out of all business owners, with a score of 62.6 in the 12 months to March 2020, just higher than the financial wellbeing score of 62.3 for micro businesses owners (less than five employees), and significantly higher than those owning medium businesses (55.9) (Figure 6). Post COVID-19, the financial wellbeing of

micro businesses fell 12.0% to 54.8, the lowest financial wellbeing of the three business sizes in the 5 months to August 2020. The financial wellbeing of both micro and small business owners is now below the national average for the general population, while the financial wellbeing of medium business is on par with the general population (Figure 6).

FIGURE 6: SME FINANCIAL WELLBEING IN AUSTRALIA, BY BUSINESS SIZE
 ('PRE COVID-19' 12 MONTHS TO MAR-20 VS 5 MONTHS TO AUG-20 'POST COVID-19' VIEW)



* Caution small sample for medium businesses (20-199 employees) for 5-months to August 2020 (base business owners).

Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 data includes data from the months of April 2020 through to August 2020.

FINANCIAL WELLBEING BY OCCUPATION

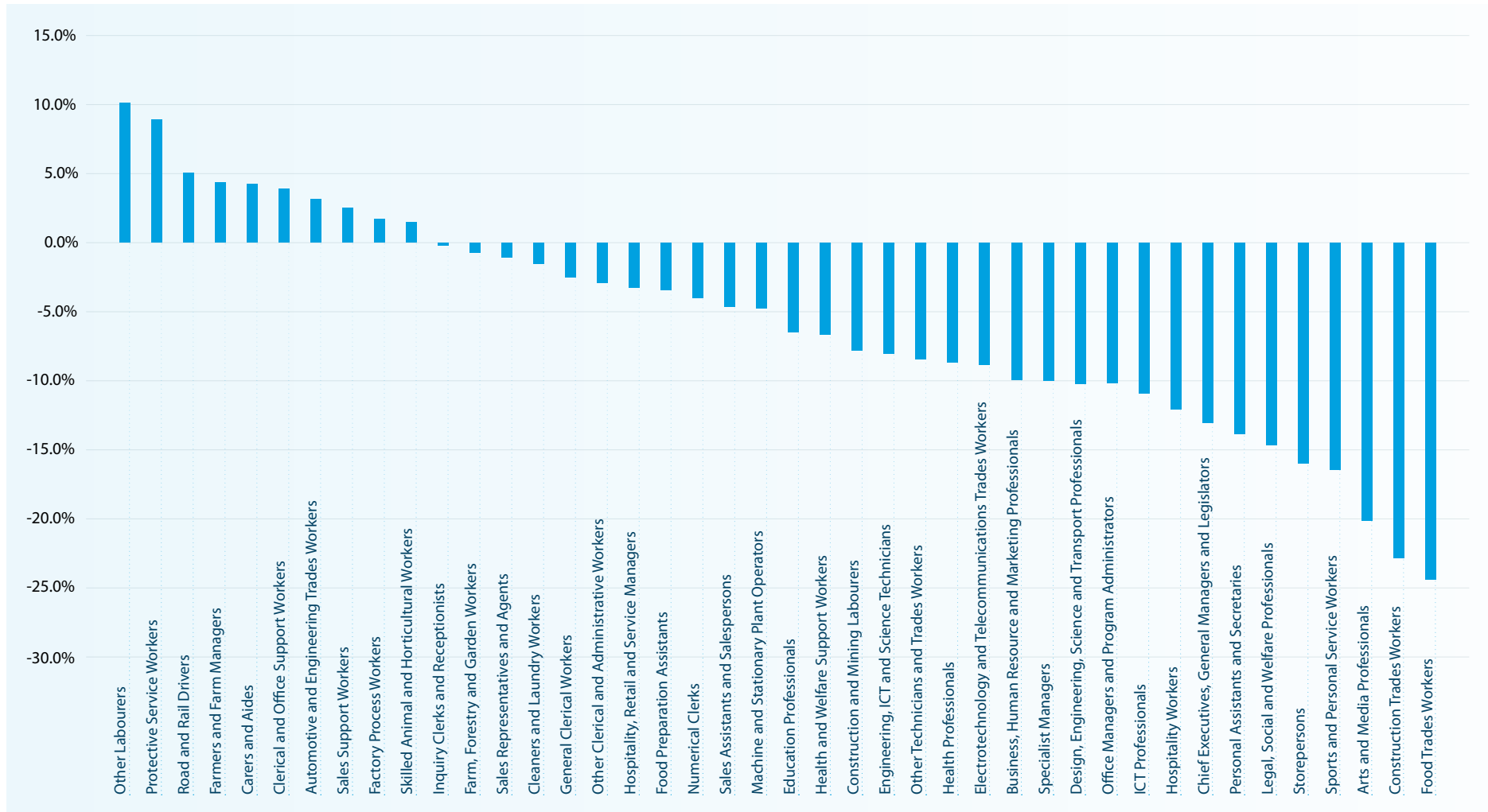
In the post COVID-19 months of April to August 2020, Australians experienced a decline in their financial wellbeing score of 64.4 to 56.8 (Table 1). However, the impact on financial wellbeing varied across occupations, as different industries were more directly impacted by lockdowns. For example, limitations on accommodation and hospitality, interruptions to professional and recreational sport, the arts and personal services, and declines in spending on advertising and marketing. The occupations experiencing the largest fall in financial wellbeing were:

- Food trades (down 24.4%)
- Construction trades (down 22.8%)
- Arts and media professionals (down 20.2%)
- Sports and personal Service workers (down 16.5%)
- Legal and social welfare professions (down 14.6%) (Figure 7).

A small group of occupations experienced improvements in their financial wellbeing over the 5 months to August 2020. COVID-19 restrictions resulted in increased demand for many of these occupations. Occupations experiencing the largest increase in financial wellbeing were:

- Other labourers (up 10.1%)
- Protective service workers (up 8.9%)
- Road and rail drivers (up 5.0%)
- Farmers and farm managers (up 4.3%)
- Carers and aides (up 4.2%) (Figure 7).

FIGURE 7: CHANGE IN FINANCIAL WELLBEING SCORE, BY OCCUPATION
 ('PRE COVID-19' 12 MONTHS TO MAR-20 VS 5 MONTHS TO AUG-20 'POST COVID-19' VIEW)



Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 data includes data from the months of April 2020 through to August 2020.

RESILIENCE FOR THE FUTURE

So far, COVID-19 has not greatly affected individuals' 'resilience for the future' – their ability to cope with financial setbacks – which fell by 1% in the 5 months to August 2020, a much smaller drop than the other dimensions of financial wellbeing.

With the presence of government programs supporting employment and incomes, institutional support such as payment deferrals, and reduced consumption as a result of the lockdown, individuals have not needed to draw on their savings reserves and in many instances have been able to improve their savings buffer.

In the 5 months to August 2020, respondents to the Roy Morgan Single Source survey reported an increase in the median amount of savings (in accounts) from \$5,910 to \$7,490 (Table 3). The increase in savings was evident across all financial wellbeing segments in the 5 months after the pandemic began (Table 3).

The Roy Morgan Single Source survey data is further supported by the Australian Prudential Regulation Authority (APRA) Monthly Banking Statistics, which showed the growth rate of household deposits doubled from 4.1% in the year to August 2019 to 8.5% in the year to August 2020. Similarly, the growth rate of business deposits (non-financial corporations) trebled from 3.2% in the year to August 2019 to 13.0% in the year to August 2020.²

This savings behaviour explains why there has not been a larger decline in 'resilience for the future' despite the significant fall in economic activity. The low level to which people were 'feeling comfortable' may also have influenced savings behaviour as people felt uncertain about their financial future. However, it is expected that 'resilience for the future' may be impacted once support measures are no longer available and individuals need to draw on their reserves.

TABLE 3: MEDIAN AMOUNT IN SAVINGS, BY FINANCIAL WELLBEING SEGMENT ('PRE COVID-19' 12 MONTHS TO MAR-20 VS 5 MONTHS TO AUG-20 'POST COVID-19' VIEW)

	Pre COVID-19 (12 months to March 2020)	Post COVID-19 (5 months to August 2020)
	Median amount of savings in accounts	Median amount of savings in accounts
No Worries	\$ 64,400	\$ 72,696
Doing OK	\$ 6,000	\$ 9,056
Getting By	\$ 1,400	\$ 2,131
Struggling	\$ 300	\$ 446
All respondents	\$ 5,910	\$ 7,490
















Note: Pre COVID-19 data includes the 12 months to March 2020. Post COVID-19 data includes data from the months of April 2020 through to August 2020.

Table 4 shows the average number of months 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 2020 through August 2020.


The burden of employment impacts continues to fall disproportionately on those people already experiencing low financial wellbeing prior to the pandemic. Younger people – Young Adults and Young Families – continue to be more impacted by redundancies, being stood down and reduced work hours (Table 4). The effect on their ongoing financial wellbeing is likely to be exacerbated when combined with limited savings to fall back on.

2. APRA (2020), *Monthly Authorised Deposit-taking Institution Statistics*. <https://www.apra.gov.au/monthly-authorised-deposit-taking-institution-statistics>

TABLE 4: 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
										
No Worries	8.5	35.7%	8.7	16.8%	15.5	14.9%	22.7	N/A	15.8	13.5%
Doing Ok	1.9	41.8%	2.2	35.3%	4.7	23.2%	9.2	N/A	4.2	25.9%
Getting By	0.8	45.9%	0.8	42.4%	3.1	29.9%	2.9	N/A	1.8	32.9%
Struggling	0.5	54.2%	0.5	50.9%	0.5	33.2%	0.9	N/A	0.5	35.2%
Total	2.4	43.5%	2.8	36.9%	6.5	24.7%	13.4	N/A	5.9	26.8%

 **Savings** – number of months income in deposits (Pre COVID-19, data 12 months to March 2020)

 **Employment impact** – % stood down, lost hours, reduced pay or made redundant (Post COVID-19, data April through to August 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 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 8). 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.

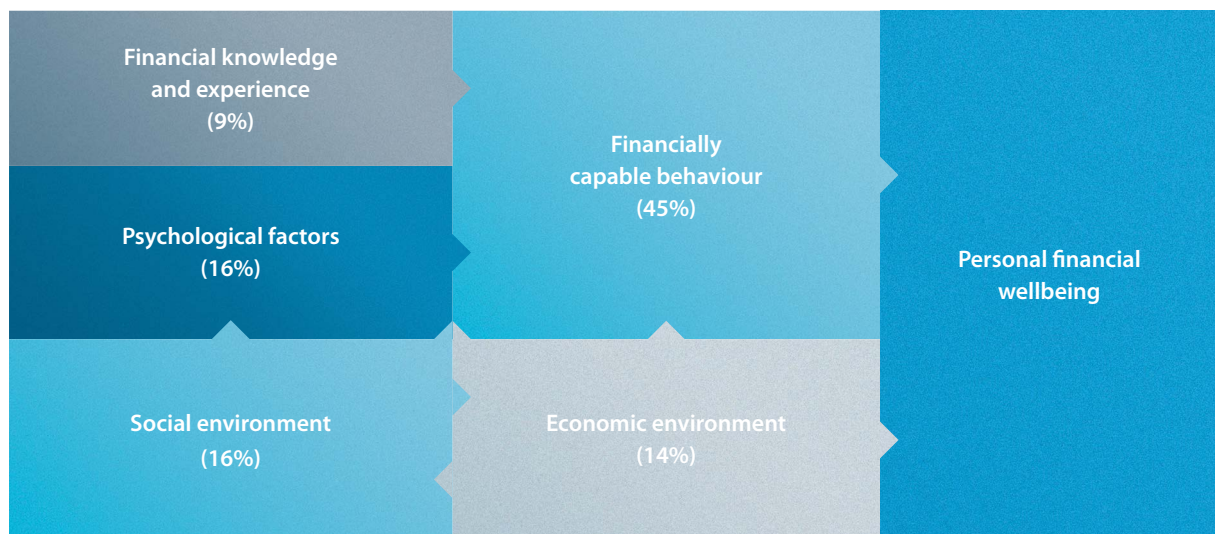


More information about the Indicator can be found at bluenotes.anz.com/financialwellbeing or by contacting:

Natalie Paine, Manager Financial Inclusion
Natalie.Paine@anz.com

Simon Edwards, Research and Insights Lead
Simon.Edwards@anz.com

FIGURE 8: 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	<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>

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>