THE ANZ FINANCIAL WELLBEING INDICATOR

6 MONTHLY UPDATE NOVEMBER 2020

FINANCIAL WELLBEING OVERVIEW

When we last released results from the ANZ Financial Wellbeing indicator it was March, and the world was headed into lockdown. The data in this update covers the first six months of 2020 (January to June). The impacts on New Zealand households and businesses over this six-month period have been varied, and the overall result on the financial indicator is perhaps a little surprising. The Financial Wellbeing Indicator has increased slightly, lifting from 62.8 in December 2019 to 63.0 in June 2020. The following pages explain the changes and what may be driving them.

Indicator

The overall Financial Wellbeing Indicator is made up of three components. The first of these is **meeting commitments** – the ability to meet financial obligations in regard to bills and payments. Over the six month period this increased from 73.5 to 76.9. Given the impact of Covid-19 during the later part of the period this may be surprising, but we suspect that two core elements are driving this change. Firstly, many people were not directly impacted by the lockdown in terms of income. On top of that Government support, such as the wage subsidy, has limited the degree to which people whose employment has been impacted have experienced any decline in income.

At the same time lockdown meant some people saw a reduction in costs. For example for many people working from home meant savings on travel. Many found themselves with reduced expenditure as eating out and travel in particular were no longer options. It will be interesting to see how the removal of lockdowns impact this metric going forward.

The second element of the indicator is **feeling comfortable** – the belief that current and future financial circumstances will ensure life can be enjoyed and is financially secure. Not surprisingly this metric fell sharply from 59.0 in Dec 2019 to 55.2 in June 2020. Considering that two months of the data is from the pre-Covid period this fall is even more dramatic, but understandable. With many businesses impacted by lockdowns and closed borders a huge degree of uncertainty remains. .

The third element is **resilience** – the capacity to cope with significant unexpected expense or loss of income. Overall this metric increased from 55.9 in Dec 2019 up to 56.9 in June 2020. During this time many people have reduced spending, reduced personal debts such as outstanding credit card balances, and increased savings.

With two of the three elements of the indicator going up the net result is an increase in the score over the past 6 months.

POWERED BY

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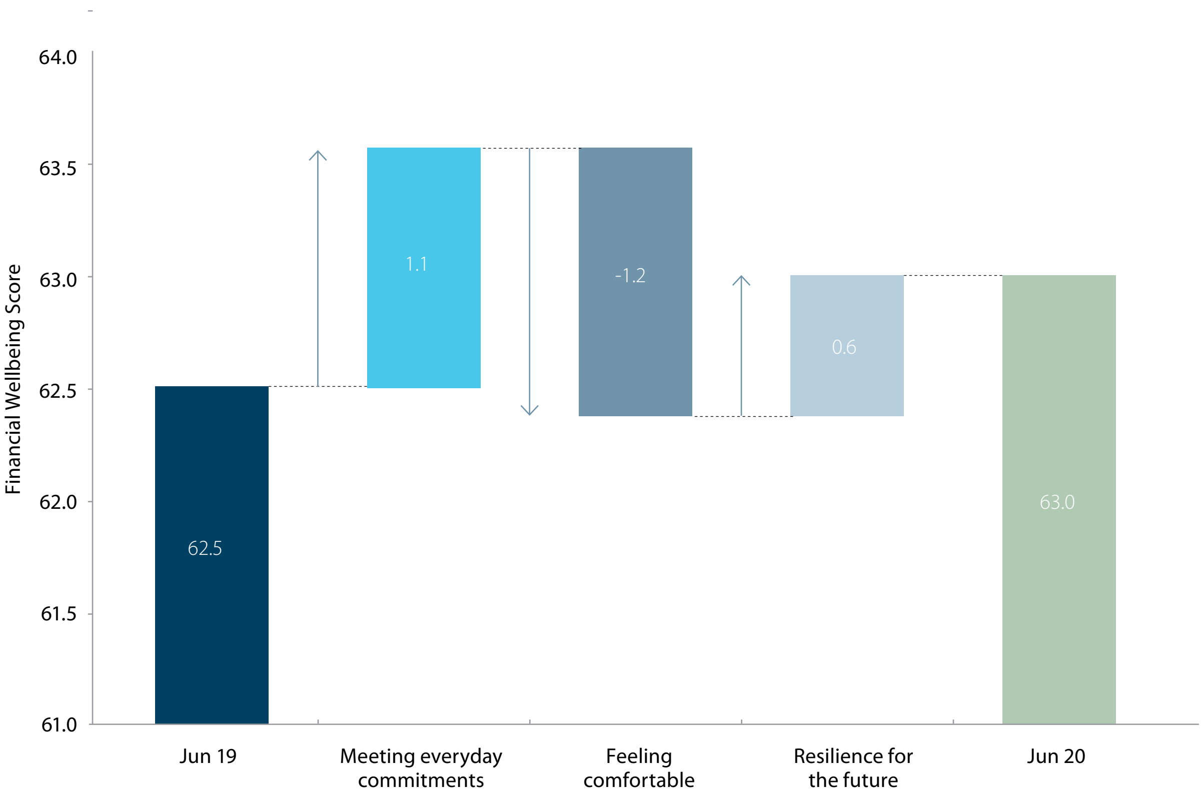
FIGURE 1. OVERALL FINANCIAL WELLBEING INDICATOR & DIMENSIONS

FIGURE 2. CONTRIBUTIONS TO CHANGES FROM JUNE 2019 TO JUNE 2020



Note: Each of the three dimensions contribute a third of the impact on the overall indicator, which is why each of the movements shown in Figure 1 are divided by three. For example, an increase in 'meeting everyday commitments' of 3.2 becomes 1.1 when divided by three in Figure 2.

FINANCIAL WELLBEING SEGMENTS

People are divided into four segments according to their overall wellbeing score (out of 100). These segments were described in ANZ's 2018 ANZ Financial Wellbeing Survey [1]:

- **Struggling:** This group have a relatively low financial wellbeing score (30 or less). Members of this group were struggling to meet their current financial commitments (61% always/ often ran short of money for food and other regular expenses; 32% always/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/ often run short of money for food and other regular expenses – compared with 61% of those who were struggling – while 9% always/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 with 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:** Their financial wellbeing was above average, 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% always/often ran short of money for food and other regular expenses, compared with 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 current financial situation as 'bad' compared with 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 financial commitments (mean score of 98 out of 100), resilience for the future (mean score of 91 out of 100), and feeling comfortable (mean score of 83 out of 100). Their current financial situation was good (86% described it as such). This compared to 34% of those who were 'doing OK'.

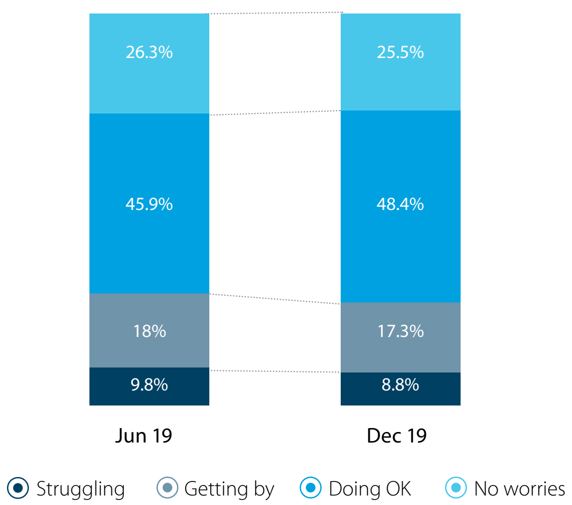
Changes over the past 6 months

What we have seen is a decrease in those in the top 'no worries' category. This may well be the impact on business owners who face uncertain revenues over the immediate future. The 'no worries' group tend to be older, as do business owners.

The decline in 'no worries' has seen a proportion of people fall down into the 'doing okay' group. This group also had a small number of people who were previously only 'getting by' move up, increasing the 'doing okay' group by a total of 2.5%.

Pleasingly, both the 'struggling' and 'getting by' groups shrank slightly. Whether this trend continues as the recession potentially deepens will be interesting to see. It has been, as Sir John Key described recently, "the weirdest recession [he has] ever seen". And trying to predict where we go from here is far from simple.

FIGURE 3 – CHANGES IN THE COMPOSITION OF THE FINANCIAL WELLBEING SEGMENTS



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

DRIVERS OF FINANCIAL WELLBEING

The 2017 ANZ Financial Wellbeing Survey established estimates for the relative importance of different drivers of financial wellbeing including: financial behaviours; financial knowledge and experience; psychological factors; and economic and social factors.

Outlined below are some key insights related to these drivers of financial wellbeing:

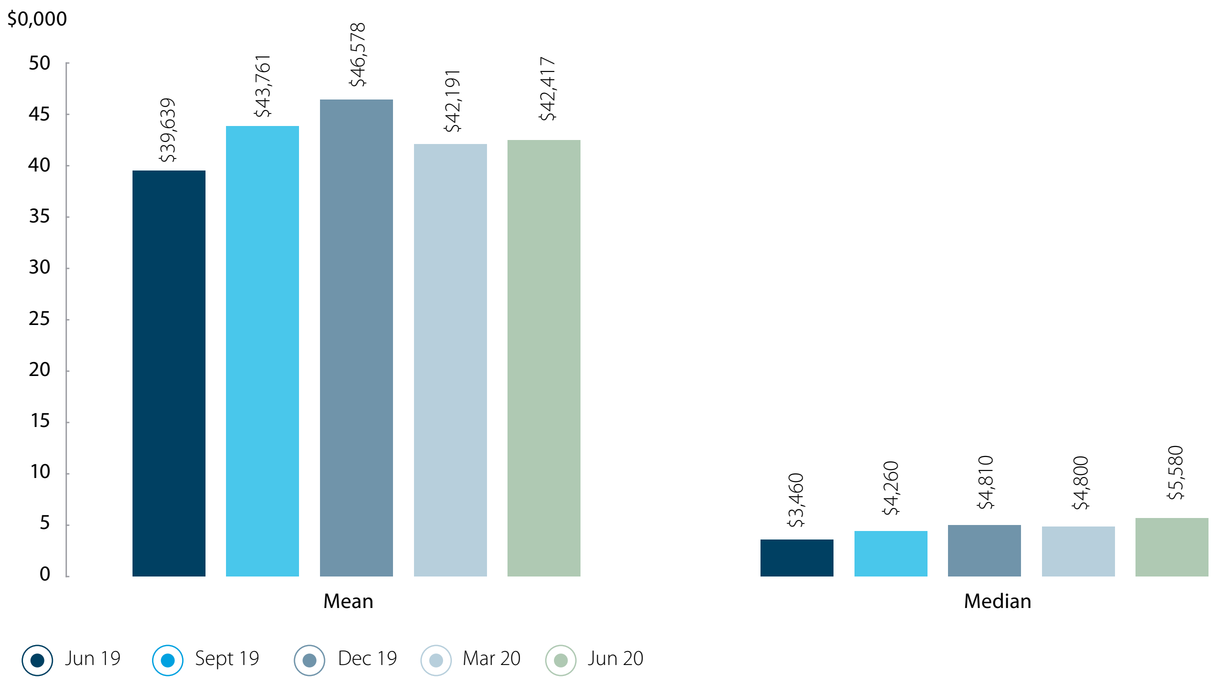
- Financial behaviours
- Psychological factors
- Economic Factors
- Social Factors
- Financial knowledge and experience

FINANCIAL BEHAVIOURS

Active Savings

New Zealanders have on average $42,417 per capita in savings in June 2020 (Figure 4). While the average is high (there are a number of people with very large amounts in savings), the median represents the mid-point of this distribution which stands at $5,580 per person in June 2020. This is comparatively higher than what was observed in June 2019 results. And while we show both here, the median figure is the better reflection of how people on the whole are doing. This increase in savings will be contributing to the increase in the 'resilience for the future' metric.

FIGURE 4. MEAN AND MEDIAN DOLLAR AMOUNT IN SAVINGS



Source: Roy Morgan Single Source

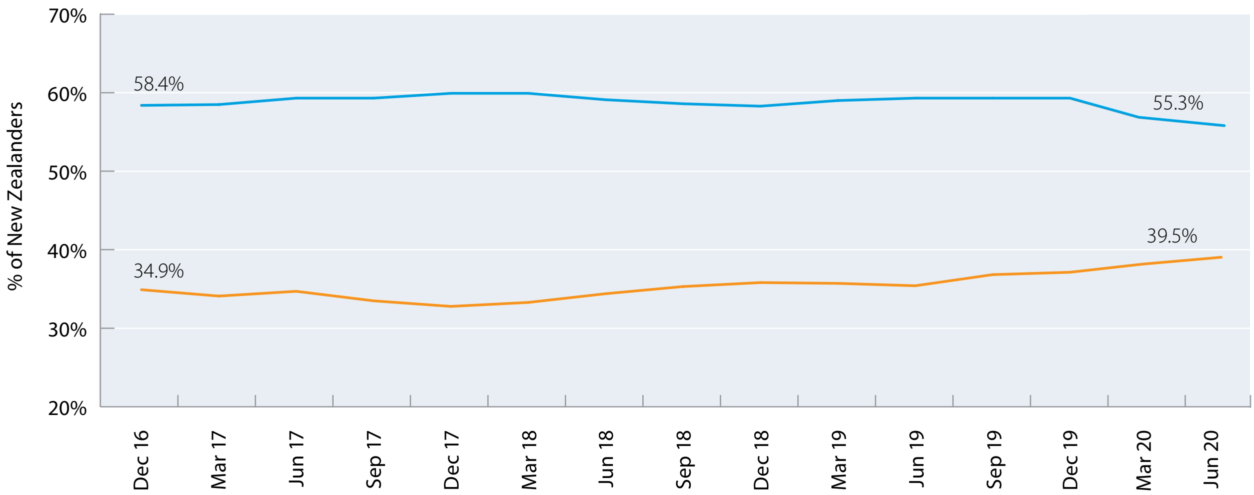
Base: New Zealanders 14+; 3 month rolling averages, n=1,618 (Apr2019-Jun2019), n=1,590 (Apr2020-Jun2020)

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 ensures that people do not live beyond their means.

Over the last five years, New Zealanders appeared to continue to rely on both credit and debit cards. Over the period from December 2016 to June 2020, the incidence of debit cards has increased from 34.9% to 39.5%; the incidence of credit cards in the population has decreased from 58.4% to 55.3% (Figure 5).

FIGURE 5. OWNERSHIP OF DEBIT VS CREDIT CARDS

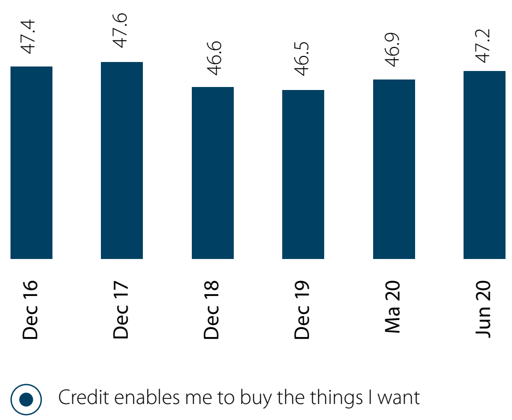


Source: Roy Morgan
Base: New Zealanders 14+;12 month rolling averages, n=6,383, (Jan 2016 – Dec 2016), n=6,547 (Jan 2019 – Dec 2019)

While the decline in the ownership of credit cards may appear to be a good thing, in reality it is only half the story. While NZers may have cooled to some extent on the idea of credit cards, more recent 'buy now pay later' schemes, such as Afterpay have become very popular and widespread, especially among the younger end of the population.

While the means of buying things with money we don't currently have may have changed a little, the appetite for credit is largely unchanged over the past few years as shown in Figure 6. Since 2016 the percentage of consumers who believe that credit is an enabler to buy the things they want has decreased only marginally from 47.4 per cent in the 12 months to December 2016, to 47.2 per cent in the 12 months to June 2020. This may even be masking the extent of comfort that NZers have to spend money they don't currently have, as some people don't regard using a 'buy now pay later scheme' as credit.

FIGURE 6. NEW ZEALAND ATTITUDES TO USING CREDIT (PERCENTAGE WHO AGREE WITH STATEMENT)



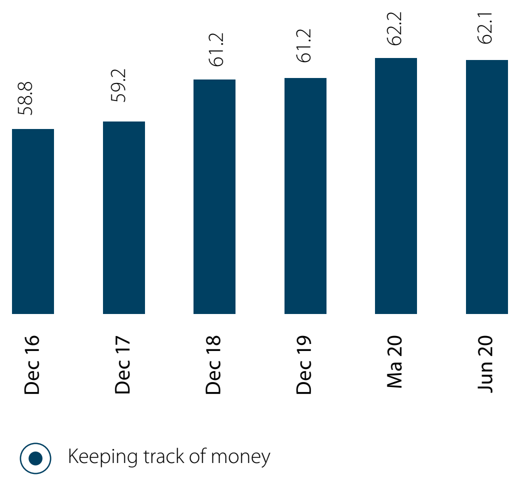
Source: Roy Morgan

Base: New Zealanders 14+; 12 month rolling averages, n=6,383 (Jan2016-Dec2016), n=6,393 (Jul2019-Jun2020)

KEEPING TRACK OF MONEY AND MAKING INFORMED PRODUCT CHOICES

Other important behaviours of good financial wellbeing involve people keeping better track of their money. Figure 7 highlights the trend of people checking their account which has increased over the last 4 years; from 58.8 per cent in December 2016 to 62.1 per cent in June 2020.

FIGURE 7. PERCENTAGE OF PEOPLE CHECKING BANK ACCOUNTS OR VIEW BANKS STATEMENTS ONLINE IN THE LAST 4 WEEKS



Source: Roy Morgan

Base: New Zealanders 14+; 12 month rolling averages, n=6,383 (Jan2016-Dec2016), n=6,393 (Jul2019-Jun2020)

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

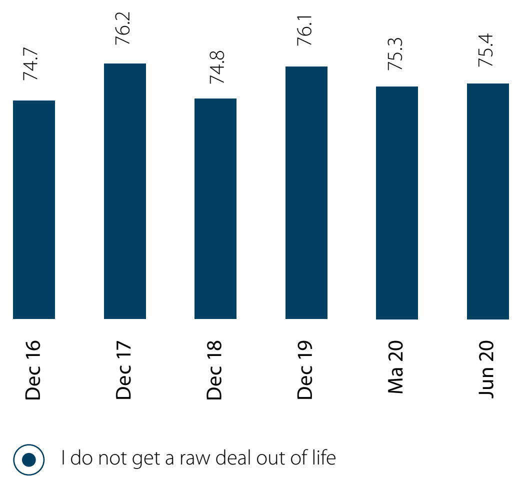
The importance of locus of control is that people with a higher locus of control believe that they can make changes to improve their financial circumstances, whereas people who believe they do not have control over their life are more likely to believe that financial outcomes are out of their control.

There is an attitude 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 8 shows that this dimension has seen fluctuations over the last four years, ranging between 74.7 per cent and 75.4 per cent, and has shifted downwards in the latest year to June 2020.

As at June 2020 the proportion of people who felt that they do get a raw deal out of life remained within a similar range to that seen over the last few years. Given the ongoing impacts of Covid it will be interesting to see if this metric deteriorates over time.

FIGURE 8. LOCUS OF CONTROL



Source: Roy Morgan

Base: New Zealanders 14+; 12 month rolling averages, n=6,383 (Jan2016-Dec2016), n=6,393 (Jul2019-Jun2020)

You can find more details about both the Roy Morgan survey, and the Financial Wellbeing Indicator in the larger pack published in 2018 here: https://bluenotes.anz.com/financialwellbeing/foreword-financial-wellbeing-in-new-zealand