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Household bills rising at more than double the rate of inflation

The latest quarterly ING DIRECT Financial Wellbeing Index confirms households are struggling to keep up with everyday living costs.

Faced with bills that have risen by 7.5% over the last 12 months – more than double the official rate of inflation, the financial well-being of Australians fell in the first quarter of 2011. The Index is currently at its lowest point since its inception in early 2010.

Key findings for the first quarter of 2011 (Q1)

- In the first quarter of 2011, the ING DIRECT Household Financial Wellbeing Index dropped to 104.8 – down from 106.5 – the lowest level since the inception of the Index in March 2010.
- Australian households say that their cost of living has gone up 7.5% over the last 12 months - more than double the CPI figure of 2.7%. One in three households (31%) say regular expenses have risen by more than 10% over the last year.
- The greatest price hikes have occurred in essential goods and services - health, schooling, utilities and transport/fuel.
- Median savings per household have declined from \$9,238 in Q4 2010 to \$7,215 in Q1 2011.
- One in three households (33%) is “uncomfortable” with their level of personal savings.
- More than one in four households (28%) is “uncomfortable with their investments. Close to half (48%) have no investments outside the family home.

Financial wellbeing plunges

The latest quarterly Household Financial Wellbeing Index rates household comfort levels across six key aspects of personal financial wellbeing including credit card and mortgage debt, savings, investments, household income and ability to pay bills. Respondents rated their personal comfort level across each area on a scale from 1 ('very uncomfortable') to 7 ('very comfortable').

Households struggling to keep up with escalating costs

The official rate of inflation may be 2.7% but Australians are facing a serious price squeeze, reporting an average increase in household bills of 7.5% over the last 12 months. Households who report being “very uncomfortable” with their ability to pay bills say their bills have risen 9.1% over the past six months.

Queensland households, many of which have been ravaged by flooding and Cyclones, are experiencing the greatest hikes in living costs – 8.3% over the last 12 months compared to 6.3% in NSW.

Households are reporting “significant” increases in the cost of everyday essentials like medicine, schooling, utilities and fuel. In a bid to meet rising bills, credit card debt has risen from a median of \$1,773 per household in Q4 2010 to \$2,205 in Q1 2011.

Costs for discretionary items like entertainment have risen only marginally. Surprisingly, households reported only marginal increases in mortgage costs over the last six months.

Mr Don Koch, CEO of ING DIRECT, says, "Governments need to realise households are under more pressure than official figures are showing. That pressure extends across the entire household budget from consistent costs like mortgage repayments to everyday essentials like food and fuel.

"While household budgets are under pressure, the good news is that job security and unemployment levels are strong which may help in the long term," added Mr Koch.

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For a copy of the report visit www.ingdirect.com.au or call 02 9018 5160.

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Research methodology

The ING DIRECT Financial Wellbeing Index was compiled by Galaxy Research from the online responses of 1,033 households recorded in April 2011 (Q1). The data was weighted by region and household size to reflect the Australian household population based on the 2006 census. The level of savings reported in the study is also calibrated to APRA national bank total deposits (households) to ensure accuracy of household savings levels.

About ING DIRECT

ING DIRECT, Australia's 5th largest retail bank, began operating in Australia in 1999. By doing business online, over the phone and through intermediaries, ING DIRECT keeps its overheads low and passes the savings onto customers in the form of competitive rates. Today, it has grown to become Australia's fifth largest retail bank, with \$22 billion in deposits, more than \$37 billion in loans and around 1.4 million customers.

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