

Media Release:

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Households poised to spend this Christmas

Households are steadily gaining confidence in their financial wellbeing, with 28% of Australians prepared to start spending again over the festive season, following a period of frugality and personal debt reduction – according to the latest ING DIRECT Financial Wellbeing Index.

Key findings for Q3 of 2011 (surveyed in late September and early October)

- After bottoming in Q1 of 2011, financial confidence has risen to 105.9 2011.
- 54% of households say they are 'very comfortable' with card debt – the highest since the Index began in Q1 2010
- 59% are very comfortable with their mortgage debt
- One in four Australians (28%) say Christmas and the holiday period will encourage them to start spending again – a figure that climbs to 41% among households with a high level of savings.
- 37% would like to build their savings before rekindling personal spending.

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').

The overall Financial Wellbeing Index for the third quarter is 105.9 - a rise from its lowest level in Q1 (104.8) and Q2 (105.8), indicating confidence is improving.

Confidence in credit card debt has climbed from an Index of 126 in Q1 2010, to 130 in Q3 2011. However Australians remain least confident in personal savings – 34% say they are "very uncomfortable" with personal savings, the highest proportion since tracking began in Q1 2010 - showing a desire for a higher level of savings.

Confidence in the ability to pay bills is at its lowest point since the inception of the Index. The Q3 2011 Index score of 96 marks a steady decline down from 102 in Q1 2010.

Mr Don Koch, CEO of ING DIRECT says, "Despite a volatile quarter in financial markets, Australian households are proving their resilience as they get debt under control and build a strong savings base."

Spending Intentions

More than one in four (28%) households see the upcoming festive season as the main driver that will reignite spending. However Australians are still wary of over spending during the holiday period.

- 37% would prefer to build a bigger buffer of savings before spending again.
- 43% of Gen Y Australians are most likely to prioritise saving over spending.
- 28% of households want to get debt under control before increasing spending.
- One in four (27%) won't be loosening the purse strings for another 12 months at least.

Barriers to Spending

Households say concerns over job security, the outlook for interest rates and uncertainty over the political environment are the main barriers to spending.

- More than one in three (36%) households restrict spending due to job security fears.
- 33% of Australians would spend more if interest rates dropped. This rises to 60% among households with a mortgage over \$100k.
- One in four (30%) are waiting for signs of economic growth/stability to start spending again.
- Almost one third (28%) blame the volatile political environment for restricted spending.

Mr Don Koch, CEO of ING DIRECT, says "Australians have worked hard to improve their financial position over the past two years. We now have a very clear perspective of what's happening in terms of financial confidence, and households clearly feel better about reduced credit card debt and increased personal savings. Overall, many households are well-placed financially."

"It's possible that as we get closer to the festive season, households will relax their purse string a little more but right now it seems the focus is very much on protecting the gains made in financial wellbeing over the last two years."

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Research methodology

The ING DIRECT Financial Wellbeing Index was compiled by Galaxy Research between Wednesday 28 September and Monday 3 October 2011 by surveying 1,009 household financial decision-makers aged 18–69 years. 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 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 \$24 billion in deposits, more than \$37 billion in loans and around 1.4 million customers.

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