

Media Release: Wednesday, 25 January 2012

## **Australians confident on household finances despite fears for economy**

**Three quarters of Australian households (75%) expect their finances to improve or remain stable over 2012 - thanks to increased saving and cautious spending, according to the latest ING DIRECT Financial Wellbeing Index.**

**The research shows, however, that 32% of Australian households fell behind financially in 2011 and one in three (35%) believe the economy will worsen in 2012.**

### **Key findings for Q4 of 2011 (surveyed in January 2012)**

- 65% of households maintained or improved their financial position in 2011 following key steps including:
  - An increase in household savings (38%)
  - Less spending on unnecessary purchases (38%)
- 32% of households say their financial wellbeing deteriorated last year, rising to 53% among low income earners.
- Although 35% of households expect the Australian economy to deteriorate in 2012, only 22% believe their personal financial wellbeing will worsen.
- Key financial concerns for 2012 include:
  - 31% Rising taxes/levies and higher living costs (food, power, transport)
  - 18% Ability to maintain cost of current lifestyle
  - 17% Job security

*The quarterly 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 Household Financial Wellbeing Index for the fourth quarter of 2011 is 105.6 - a slight deterioration on the third quarter Index of 105.9.**

### **Looking back**

In 2011 the majority (65%) of Australian households saw their financial position improve or hold steady.

Key steps taken to maintain financial wellbeing included:

- 38% Building a bigger pool of savings
- 38% Reduced spending on unnecessary purchases
- 37% Securing a better paying job
- 36% Improved household budgeting
- 29% Lower home loan interest rates
- 24% Paying down most of credit card debt
- 9% Closing out credit card altogether.

Along with a focus on saving, the trend to households 'deleveraging' debt continues as 17% of Australians no longer have a credit card compared to 11% in the first quarter of 2011.

**Not everyone experienced an upswing in their financial situation.**

One in three (32%) households say their financial wellbeing deteriorated last year. The overwhelming hurdle reported by 71% was increased food, power and transport costs. South Australian households were the nation's hardest hit, with 44% saying their financial wellbeing declined in 2011.

<b>Who's falling behind?</b>	<b>National</b>	<b>NSW</b>	<b>Vic</b>	<b>Qld</b>	<b>SA</b>	<b>WA</b>
Proportion of households who say their personal finances deteriorated in 2011	<b>32%</b>	21%	36%	39%	44%	35%
Proportion who expect to be worse off in 2012	<b>22%</b>	18%	25%	22%	27%	21%
ING DIRECT Household Financial Wellbeing Index Q4 2011						

### Looking ahead

Although 35% of Australians expect the economy to deteriorate in 2012, only 22% of households believe their personal financial wellbeing will decline. The majority (75%) expect their financial position to improve or remain unchanged.

### Key concerns for 2012

Despite confidence in the ability of their personal finances to weather a possible economic storm, households anticipate a number of financial headwinds in 2012:

- 31% Rising fixed costs taxes/levies and living expenses (food, power, transport).
- 18% Cost of maintaining household lifestyle
- 17% Uncertainty over job security
- 13% Ability to fund major purchases such as a property, car, renovations, new car or holiday
- 11% Uncertainty about interest rate movements.

Mr Don Koch, CEO of ING DIRECT, says "Australians recognise that while they cannot control the direction of the economy they can take positive action to strengthen their own finances and that is exactly what many households did throughout 2011."

"By building a buffer of savings, focusing on essential purchases and tightening household budgets, many Australians have shored up their financial position. It's not a case of bunkering down, it's just sensible money management" adds Mr Koch.

**-ENDS-**

For a copy of the report go to <http://ingdirect.wieck.com/>

### Media contact:

Caroline Thomas

Ph: 02 9018 5160

M: 0413 317 225

[caroline.thomas@ingdirect.com.au](mailto:caroline.thomas@ingdirect.com.au)

### Research methodology

The ING DIRECT Financial Wellbeing Index was compiled by Galaxy Research from the online responses of 1,013 households between Thursday 5 January and Tuesday 10 January 2012 (Q4). 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 pioneered branchless banking in Australia by offering the first online, high interest, fee free savings account. Our low cost operating model allows us to pass these savings on to the customer in the form of great value products and services. Today, ING DIRECT has more than 1.4 million customers with \$26 billion in deposits and \$38 billion in mortgages and a range of innovative banking products.

**Please note ING DIRECT is never abbreviated to ING.**