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SA households bear brunt of sluggish economy as 44% fall behind

44% report a downturn in their personal finances compared to 32% nationally, and one in three SA residents fear higher taxes and rising living costs will add to the challenge in 2012.

The latest ING DIRECT Financial Wellbeing Index shows SA households saw a rise in financial wellbeing in the fourth quarter of 2011. The state's Index score rose from 97.4 in Q3 to 103.8 in Q4 – almost on par with the national Index score of 105.6 however 44% of SA households say they fell behind financially in 2011.

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

- 44% of SA households say their financial wellbeing deteriorated in 2011 compared to 32% nationally. The overwhelming driver reported by 81% of these households was rising living costs (food, power, transport) followed by lower household savings (31%) and reduced employment income (26%).
- However, 54% of SA residents say their personal financial situation picked up or at least stabilised last year as a result of reduced spending on non-essentials (44%), securing a better paying job (40%), improved household budgeting (35%) and lower home loan interest rates (27%).
- 27% of SA households expect the economy to worsen in 2012 with 41% saying their personal finances are also likely to slide this year compared to 35% nationally.
- Higher fixed costs (taxes, food, power, transport) is the key concern in 2012 cited by 32% of SA households, followed by job uncertainty (19%).

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 score for SA in Q4 2011 is 105.5 – a rise on the state's Q3 Index of 103.6, and almost on par with the national Q4 Index of 105.6.

Other findings

- 44% say their personal financial wellbeing declined in 2011
- Only one in five (21%) report an improvement in their financial situation
- Higher living costs (food, power, transport) was the key hurdle for 81% of SA households whose finances slipped last year.

Among households who experienced an upswing in financial wellbeing, 44% say less spending on non-essentials, shifting to a better paying job (40%) and improved household budgeting (35%) helped them gain ground.

Looking ahead

- Four out of ten (41%) believe the economy will deteriorate in 2012 (35% nationally)
- 27% expect their household financial wellbeing to also decline (22% nationally)
- Fears of higher living costs (32%) dominate the list of household concerns for 2012
- 19% of SA households say job security is an additional challenge

Mr Don Koch, CEO of ING DIRECT, says "Despite an improvement in overall financial wellbeing, many South Australian households struggled through 2011.

"The impact of rising living costs in 2012 is a concern shared by all Australians though this is more pronounced in South Australia. More than any other state, South Australians are actively cutting back on unnecessary costs – a great habit to build into the household budget for 2012," adds Mr Koch.

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

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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.

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