

NAB Consumer Insights

Financial Hardship: Who is struggling & what are the key drivers?



NAB Behavioural & Industry Economics

Q4 2022

4 in 10 Australians experienced some form of financial hardship in Q4, the highest level in nearly 3 years. 1 in 3 identify money as significant cause of stress in their lives and almost 1 in 4 believe they are struggling to make ends meet. Financial hardship continues to be more prevalent in rural & regional areas and among young people and low-income earners. The most common form of hardship is not having enough money for an emergency, followed by not having enough for food & basic necessities and being unable to pay a bill. Despite rising interest rates, being unable to meet mortgage repayments caused the least hardship.

Financial hardship in Australia continues to rise, with around 4 in 10 (40%) Australians experiencing some form of hardship, now at its highest level in nearly 3 years. Around 1 in 3 (33%) Australians identify money as significant cause of stress in their lives and almost 1 in 4 believe they are struggling to make ends meet.

Financial hardship is much more prevalent in rural areas (54% of people in Q4 up from 47% in Q3) and regional cities (52% vs. 46%) than capital cities (33% vs. 30%). More women (44% vs. 41%), continue to record hardship than men, but hardship is increasing more sharply among men (37% vs. 31%). Financial hardship remains most widespread in the 18-29 age group and increased steeply (to 57% vs. 45%). Hardship also rose in the 30-49 age group (45% vs. 40%) but was basically unchanged in the 50-64 (36%) and over 65 (23%) age groups. All age groups however experienced above average levels of financial hardship in Q4.

Financial hardship lifted across most income groups, but there remains a large gap between lower (51% up from 48% in Q3) and higher (31% vs. 26%) income groups. Hardship levels were broadly similar in the \$35-50,000 (45% vs. 39%) and \$50-75,000 (46% vs. 41%) and was basically unchanged in the \$75-100,000 group (41%).

Over 1 in 5 (21%), who experienced some form of financial hardship said it was caused by not having enough money for an emergency. Not having enough for food & basic necessities (16%) and being unable to pay a bill (14%) were the next most common causes. Over 1 in 10 (12%) people were also unable to pay medical or healthcare bills. Despite rising mortgage interest rates, being unable to meet mortgage repayments caused the least hardship - though the number unable to do so rose to 5% (3% in Q3). Around 1 in 20 who experienced hardship also said it was caused by being unable to meet minimum credit card repayments (6%) or not having enough to pay off personal loans (6%). By gender, significantly more women said they did not have enough for an emergency (26% women; 16% men), food & basic necessities (19% women; 13% men), or medical or healthcare bills (16% women; 8% men).

Not having enough for an emergency impacted most people in all age groups - though noticeably more among those aged 18-29 (28%) and 30-49 (25%). Significantly more young people (18-29), also said they did not have enough for food & basic necessities (28%), were unable to pay a bill (23%), or pay off personal loans (13%). Noticeably more Australians under 50 said they were unable to pay rent on time, meet minimum credit card repayments or pay their mortgage than those over 50. By income, a much higher of low-income earners said they did not have enough money for an emergency (28%) or food & basic necessities (25%). A somewhat higher number in the \$75-100,000 income group who said they were unable to pay their mortgage in Q4 (9% or almost twice the national average).

An unchanged 1 in 5 (20%) Australians had missed a bill or loan repayment in last 3 months. By age, the number who missed a payment was highest by some margin in the 18-29 group and rose to 34% (31% in Q3). It remained highest in the \$75-100,000 group (25%), and lowest in the \$100,000 group (17%). The most common type of payment missed (for 1 in 10 people) were electricity bills, gas & water waters (9%), and phone & internet bills (9%). Loans from friends or family (7%), insurances (6%), credit cards (6%), BNPL (6%) and housing rent (6%) were next. Around 3% missed an investment loan payment, 4% a payday loan, 5% a home loan or mortgage payment, or a personal loan payment.

Money stress & struggling to make ends meet

Money can be a source of stress, and for many a very big cause of worry. When Australians were asked for the first time to rate the extent money was a source of stress in their life, on average they scored a relatively moderate 5.8 pts out of 10 (where 10 is “very” much). However, 1 in 3 (33%) Australians said it was a very big cause of stress (i.e. they scored 8+ pts).

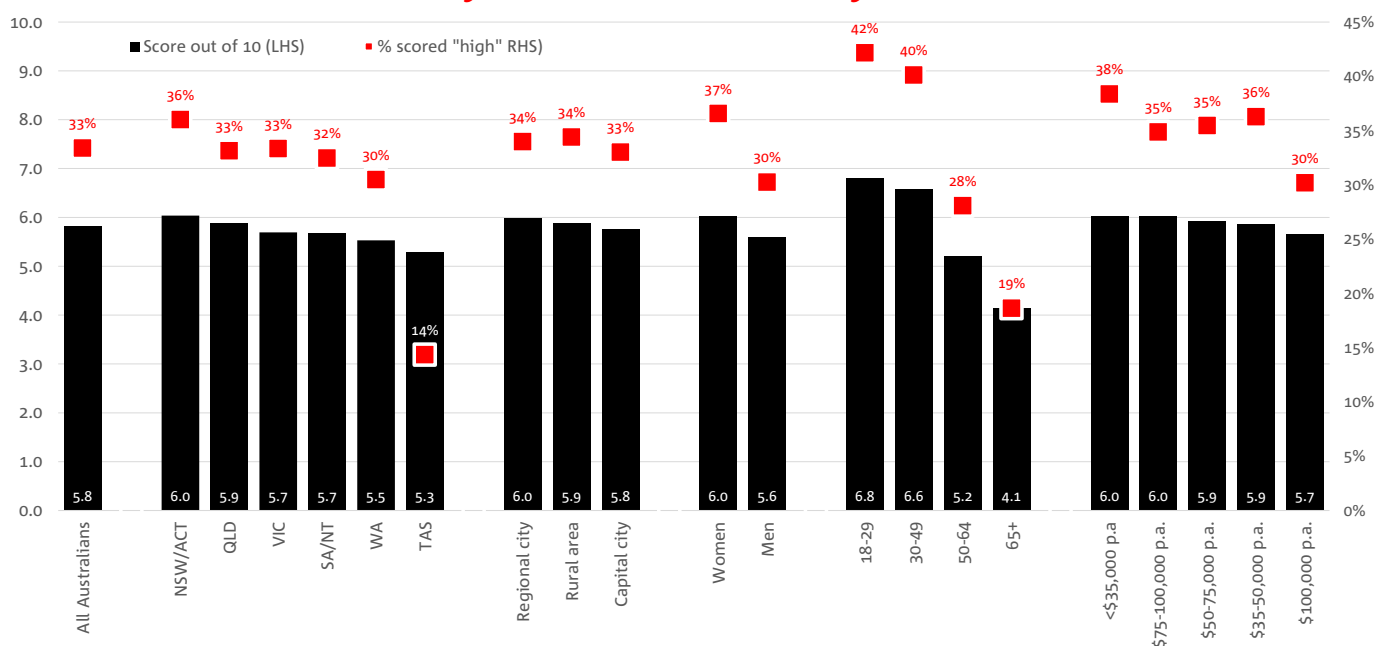
How much stress money causes can however vary significantly across key demographic groups. By state, stress levels were highest in NSW/ACT (6.0 pts), where 36% also said it was a big driver of stress. It was lowest in TAS (5.3 pts) where only 14% said it was (but from a smaller sample size). The impact of money on stress levels were the same across regions, with scores ranging from just 6.0 pts in regional cities to 5.1 pts in capital cities - with 1 in 3 people in all regions also experiencing very high levels of money stress.

Money had a somewhat bigger impact by gender, with stress levels somewhat higher for women (6.0 pts) than men (5.6 pts), with noticeably more women (37%) than men (30%) also experiencing very high levels of money stress.

There was a direct correlation with age, with money stress highest in the 18-29 age group (6.8 pts). It stepped down in each subsequent age bracket to 4.1 pts in the over 65 age group. Over 4 in 10 (42%) young Australians also had very high levels of money stress - more than double the number in the over 65 group (19%).

Income however was not a significant differentiator, with scores ranging from 6.0 pts among people in the lowest income group (earning less than \$35,000) and \$75-100,000 income group, to 5.7 pts in the highest income group (earning over \$100,000). That said, 38% in the lowest income group had very high levels of money stress, compared to 30% in the highest income group.

Extent money is a source of stress in your life: Q4 2022



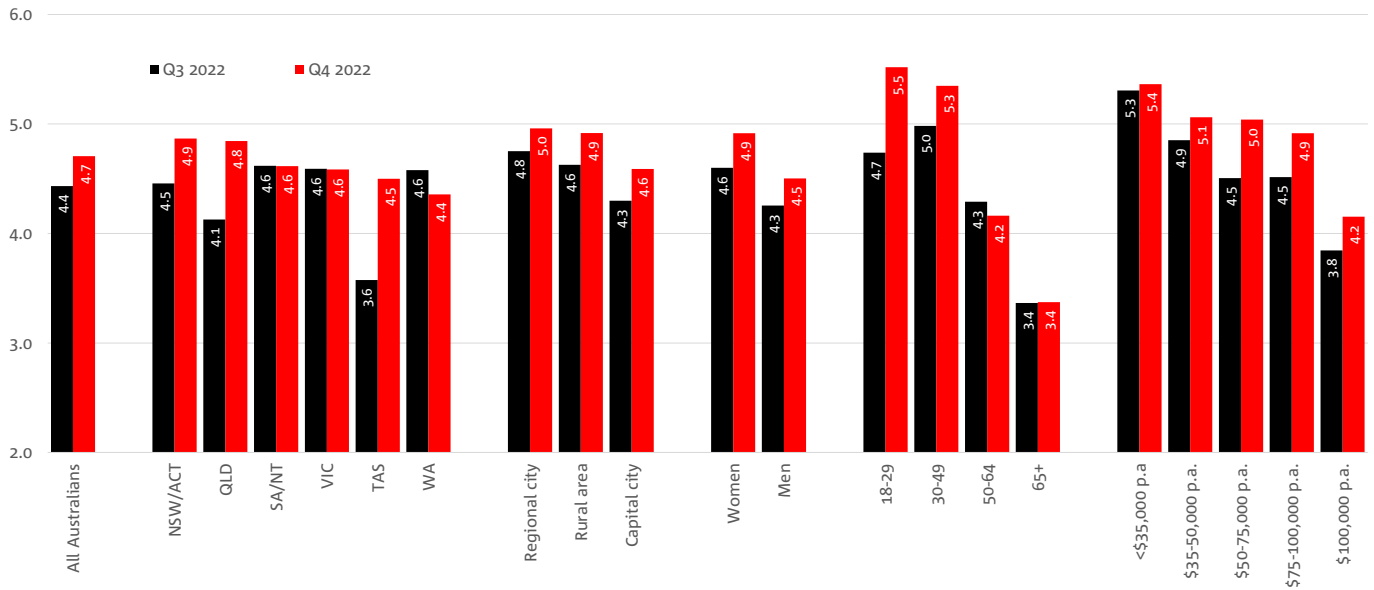
Australians on average not only rated money stress moderately, but they also believe they’re not struggling too hard to make ends meet - though with inflation and cost of living pressures rising, they weren’t coping quite as well in Q4. Indeed, when asked to rate the extent they felt they were struggling, on average they scored a still modest 4.7 pts out of 10 (where 10 signals they are struggling ‘very much’) - though this climbed from 4.4 pts in the previous quarter.

People struggled noticeably more to make ends meet in NSW/ACT (4.9 pts up from 4.5 pts in Q3), QLD (4.8 pts up from 4.1 pts and TAS (4.5 pts up 3.6 pts) in Q4. There was no change in SA/NT (4.6 pts) or VIC (4.6 pts), but people in WA said they struggled a little less (4.4 pts down from 4.6 pts). Making ends meet remained hardest and somewhat more challenging in regional cities (5.0 pts up from 4.8 pts) and rural areas (4.9 pts up from 4.6 pts) than in capital cities - though also harder than in the previous quarter (4.6 pts up from 4.3 pts).

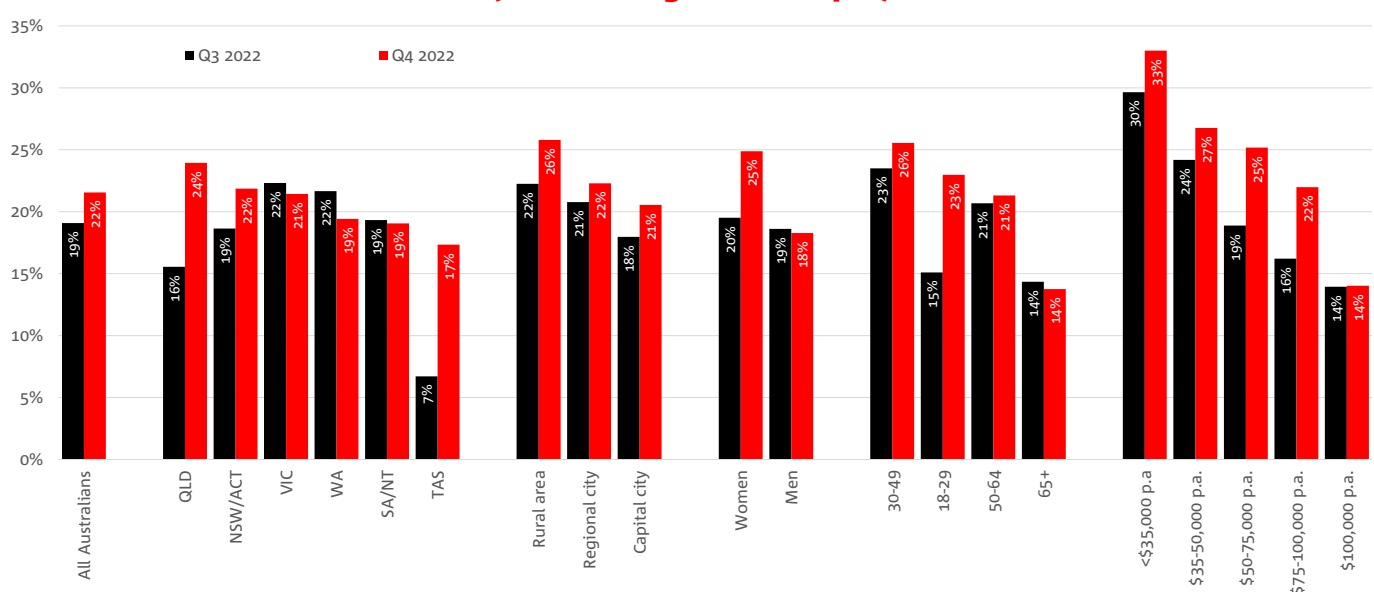
Women (4.9 pts up from 4.6 pts) struggled more than men (4.5 pts up from 4.3 pts) in Q4, with both finding it a little more challenging than in the previous quarter. By age, young people aged 18-29 struggled significantly more in Q4 (5.5 pts up from 4.7 pts in Q3), and those aged 30-49 group somewhat more (5.3 pts up from 5.0 pts). Australians under the age of 50 also found it much harder to make ends meet than people aged 50-64 (4.2 pts) and over 65 (3.4 pts), where there was basically no change.

The survey did reveal a clear link with income. It was hardest to make ends meet in the lowest income group (5.4 pts). They struggled less as incomes grew, falling to 4.2 pts in the highest income group. That said, all income groups reported having struggled more to make ends meet in Q4 than in the previous quarter.

Extent you feel you are struggling to make ends meet (score out of 10 where 10 = very much)



Extent you feel you are struggling to make ends meet (scored "high" i.e. 8+ pts)



The average score however continues to hide a significant number of Australians who are really struggling to make ends meet. In Q4, almost 1 in 4 (22%) struggled “very much” (i.e. they scored the extent they were struggling 8+ pts), up from 19% in Q3.

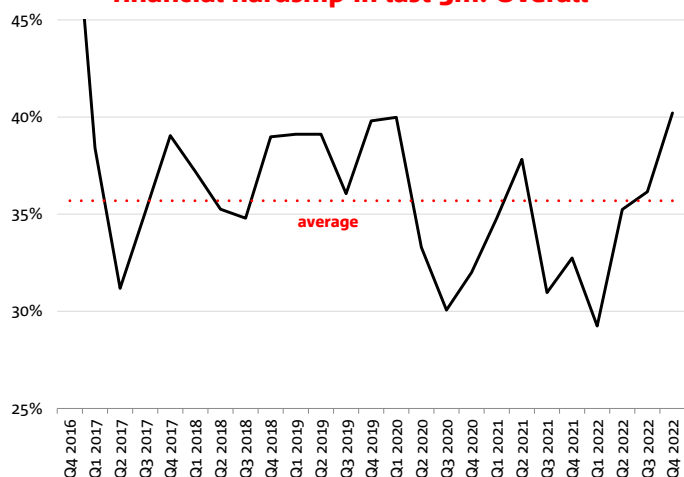
By state, the highest number that were really struggling were in QLD where it also climbed sharply to 24% (16% in Q3). It was lowest in TAS at 17%, but also up steeply from 7% in Q3. It also rose in NSW/ACT (22% up from 19%), was basically unchanged in VIC (21%) and SA/NT (19%), but fell in WA (19% down from 22%). The number of people really struggling to make ends meet increased in all regions in Q4 , and was highest in rural areas (26% up from 22%) and lowest in capital cities (21% up from 18%).

Around 1 in 4 (25%) women really struggled to make ends meet, compared to around 1 in 5 (18% men). By age, the highest number of people struggling very much were in the 30-49 group (26%), but increased most in the 18-29 group (23% up from 15% in Q3). It was lowest and unchanged in the over 65 group (14%).

We continued to see a strong link with income. Around 1 in 3 (33%) people in the lowest income group struggled ‘very much’ to make ends meet in Q4. This fell in each income bracket to 14% in the highest income group. More people in all income groups however really struggled to make ends meet in Q4 relative to the last quarter, except in the highest income group (unchanged).

Financial hardships experienced

No. of Australians that experienced financial hardship in last 3m: Overall



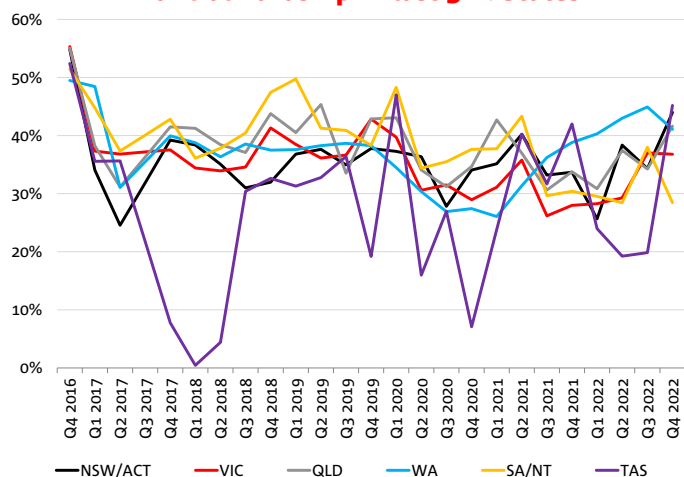
Financial hardship can happen at any time, and is often the result of sickness, job loss or over-commitment. Rapidly rising interest rates and cost of living are now also causing financial distress in more households.

In Q4, around 4 in 10 (40%) Australians experienced some form of financial hardship, with this number steadily rising since the start of 2022 and now at its highest level in nearly 3 years.

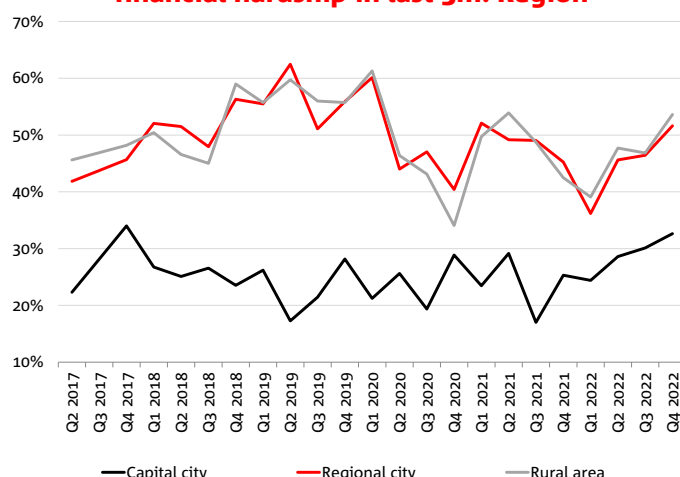
By state, financial hardship was most evident in TAS (45%) and NSW/ACT (44%), where it also rose steeply from 25% and 34% respectively in Q3. Hardship also increased in QLD (42% up from 34%), but fell in SA/NT (28% down from 38%) and WA (41% down from 45%). It was unchanged in VIC (37%).

Financial hardship rose in all regions in Q4, and continued to be much more prevalent in rural areas (54% up from 47%) and regional cities (52% up from 46%) than capital cities (33% up from 30%) - see charts below.

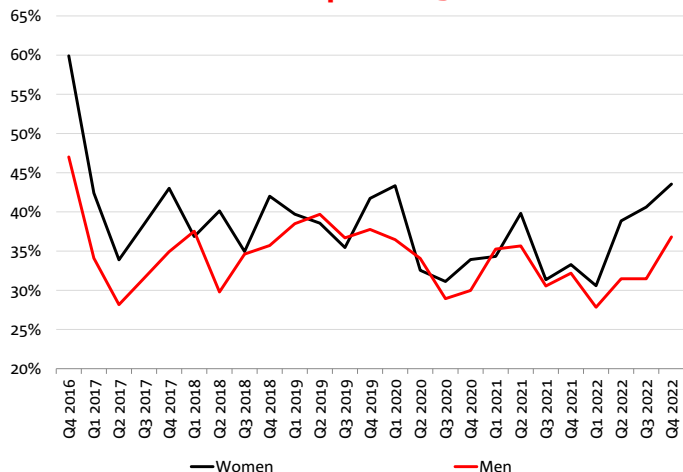
No. of Australians that experienced financial hardship in last 3m: States



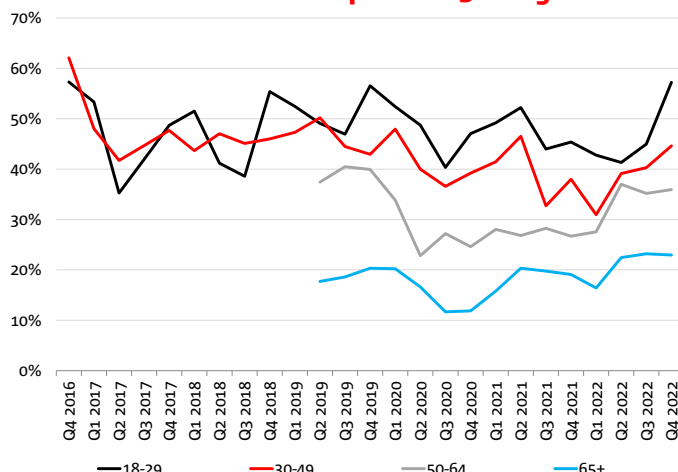
No. of Australians that experienced financial hardship in last 3m: Region



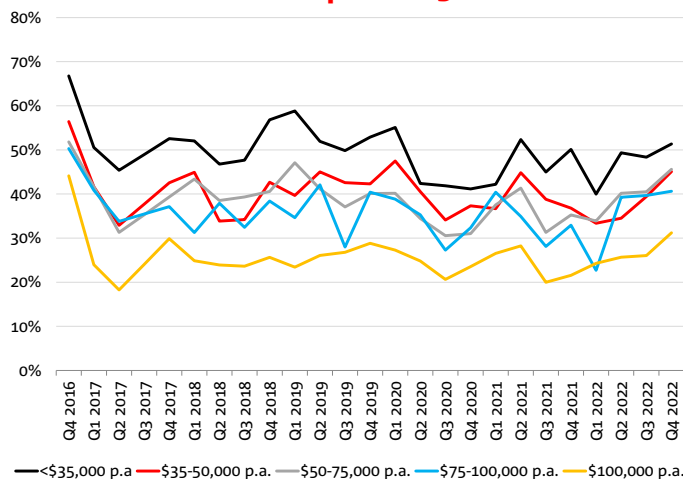
No. of Australians that experienced financial hardship in last 3m: Gender



No. of Australians that experienced financial hardship in last 3m: Age



No. of Australians that experienced financial hardship in last 3m: Income

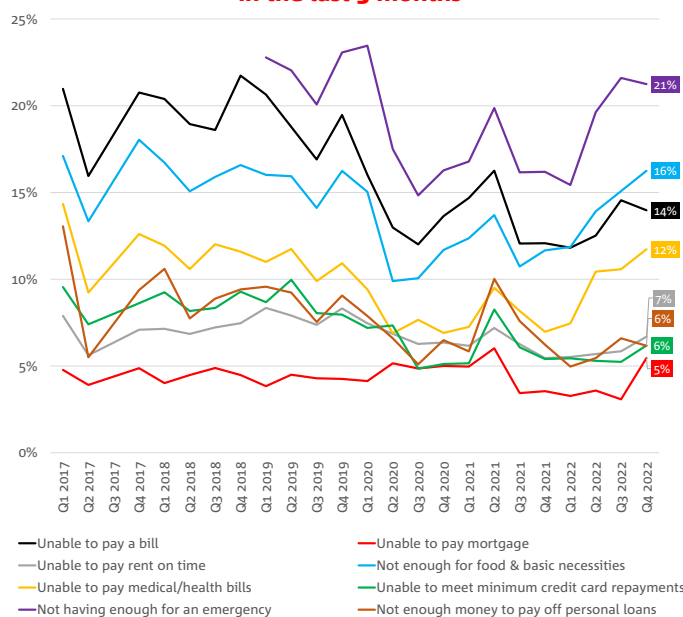


The number of women that experienced financial hardship rose to 44% in Q4 (41% in Q3). It increased more sharply among men to 37% (31% in Q3).

Financial hardship remains most widespread in the 18-29 age group, and increased steeply to 57% in Q4 (45% in Q3). Hardship also rose in the 30-49 age group (45% up from 40%), but was basically unchanged in the 50-64 (36%) and over 65 (23%) age groups. All age groups however experienced above average levels of financial hardship in Q4.

Financial hardship lifted in most income groups in Q4, but printed above average in all groups. We continue to see a very large gap in hardship levels being reported in the lowest (51% up from 48% in Q3) and highest (31% up from 26%) income groups. Hardship levels were broadly similar in the \$35-50,000 (45% up from 39%) and \$50-75,000 (46% up from 41%), and basically unchanged in the \$75-100,000 group (41%).

Type of financial hardship experienced in the last 3 months



Most people - over 1 in 5 or 21% - who experienced some form of financial hardship in Q4 said it was caused by not having enough money for an emergency (This has risen from 16% at the same time last year).

Not having enough for food & basic necessities (16% up from 15% in Q3) and being unable to pay a bill (14% down from 15% in Q3) were the next most common causes of hardship. Over 1 in 10 (12%) people were also unable to pay medical or healthcare bills (up sharply from 7% at the same time last year).

Despite rising mortgage interest rates, being unable to meet mortgage repayments caused the least hardship - though the number unable to do so rose to 5% (3% in Q3). Around 1 in 20 who experienced hardship also said it was caused by being unable to meet minimum credit card repayments (6%) or not having enough to pay off personal loans (6%).

The table below however reveals important differences in what drives hardship in key demographic groups.

Type of financial hardship experienced in the last 3 months: key groups

	Not having enough for an emergency	Not enough for food & basic necessities	Unable to pay a bill	Unable to pay medical/health bills	Unable to pay rent on time	Unable to meet minimum credit card repayments	Not enough money to pay off personal loans	Unable to pay mortgage
All	21%	16%	14%	12%	7%	6%	6%	5%
NSW/ACT	22%	17%	15%	11%	8%	6%	6%	6%
VIC	20%	15%	13%	12%	8%	7%	5%	6%
QLD	23%	18%	15%	12%	5%	6%	9%	3%
WA	19%	15%	11%	13%	5%	4%	6%	7%
SA/NT	20%	12%	14%	11%	5%	6%	6%	2%
TAS	24%	24%	15%	8%	5%	6%	3%	6%
Capital city	19%	14%	13%	11%	7%	7%	5%	5%
Regional city	23%	19%	14%	14%	6%	5%	7%	6%
Rural area	26%	21%	17%	12%	6%	6%	8%	5%
Women	26%	19%	15%	16%	6%	7%	7%	5%
Men	16%	13%	13%	8%	7%	5%	5%	6%
18-29	28%	28%	23%	15%	11%	10%	13%	8%
30-49	25%	19%	17%	14%	10%	9%	7%	9%
50-64	20%	13%	10%	12%	3%	4%	3%	2%
65+	11%	6%	6%	5%	1%	2%	2%	1%
<\$35,000 p.a.	28%	25%	18%	17%	8%	5%	7%	4%
\$35-50,000 p.a.	23%	18%	17%	14%	9%	5%	8%	4%
\$50-75,000 p.a.	24%	19%	17%	13%	7%	8%	7%	6%
\$75-100,000 p.a.	22%	19%	15%	15%	9%	10%	6%	9%
\$100,000 p.a.	17%	11%	10%	8%	5%	6%	6%	6%

By state, we noted a somewhat higher number in TAS who did not have enough for food & basic necessities (24%), in NSW/ACT and VIC (28%) unable to pay rent on time (8%), and in QLD personal loan repayments (9%).

Key differences by region were the much higher number rural areas regional cities who said they did not have enough for an emergency or food & basic necessities than did those in capital cities.

By gender, significantly more women said they did not have enough for an emergency (26% women; 16% men), food & basic necessities (19% women; 13% men), or medical or healthcare bills (16% women; 8% men).

Not having enough for an emergency impacted most people in all age groups - though noticeably more in the 18-29 (28%) and 30-49 (25%) age groups. Significantly more people in the 18-29 group also experienced financial hardship by not having enough for food & basic necessities (28%), being unable to pay a bill (23%), or pay off personal loans (13%). Noticeably more Australians under 50 also said they were unable to pay rent on time, meet minimum credit card repayments or pay their mortgage than those over 50.

By income, the most obvious observations included the much higher number of people in the lowest income group who said they did not have enough money for an emergency (28%) or food & basic necessities (25%). We also noted a somewhat higher number in the \$75-100,000 income group who said they were unable to pay their mortgage in Q4 (9% or almost twice the national average).

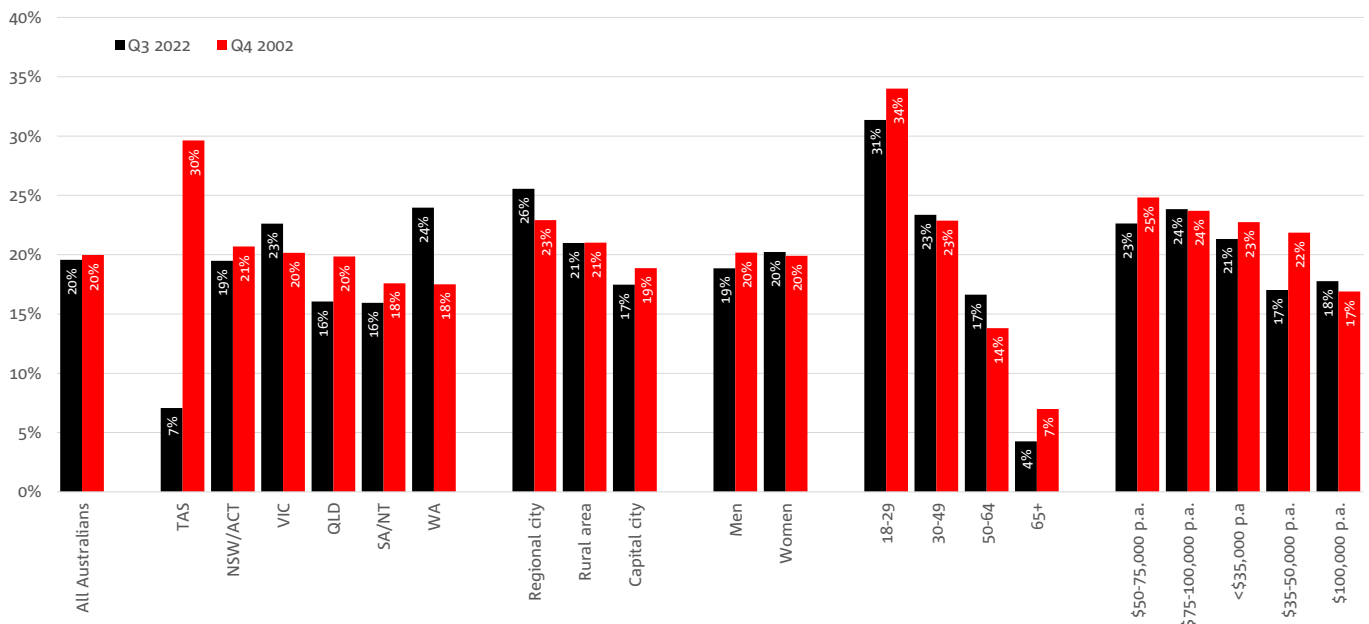
Missed bills or loan repayments

An unchanged 1 in 5 (20%) Australians said they had missed a bill or loan repayment in last 3 months. This number was highest and rose steeply to 30% in TAS (7% in Q3). It was lowest in SA/NT (18%) and in WA where it fell quite noticeably to 18% (24% in Q3). The number of people who missed a payment remained highest in regional cities but fell to 23% (26% in Q3). It was lowest in capital cities but rose to 19% (17% in Q3).

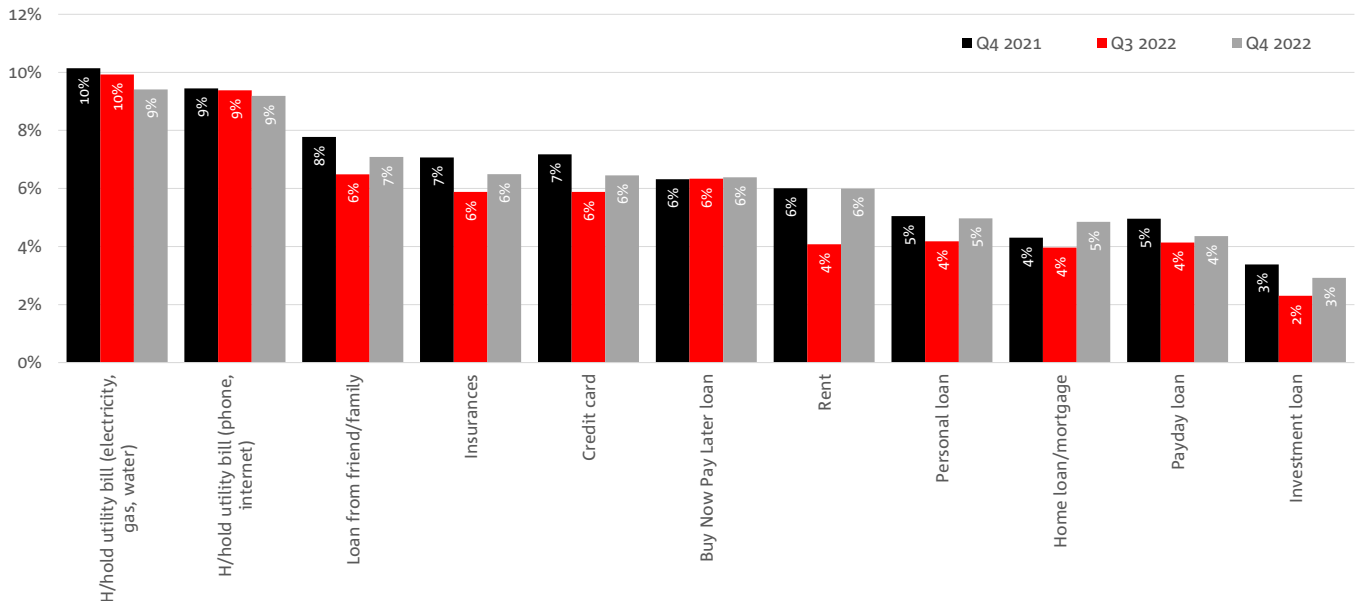
A similar number of men and women (20%) missed a payment in the last 3 months. By age, the number who missed a payment was highest by some margin in the 18-29 group and rose to 34% (31% in Q3). It fell in each consecutive age group to just 7% for people over 65 (though almost double the 4% reported in Q3).

There was no relationship with income. The number of people who missed a payment in the last 3 months remained highest in the \$75-100k group (25%), and lowest in the \$100,000 group (17%), ahead of \$35-50,000 (22%) and lowest in the under \$35,000 (23%).

No. of people who have missed a payment over last 3 months (%)



Type of payment missed in the last 3 months



When all Australians were also asked what type of payment they had missed, the most common according to 1 in 10 people were utility bills for electricity, gas & water (9%), and utility bills for phone & internet (9%). Loans from friends or family (7%), insurances (6%), credit cards (6%), BNPL (6%) and housing rent (6%) were next. Around 3% missed an investment loan payment, 4% a payday loan, 5% a home loan or mortgage payment, or a personal loan payment - **see chart above**.

Missed a payment in the last 3 months: state & region

	All Australians	NSW/ACT	VIC	QLD	WA	SA/NT	TAS	Capital city	Regional city	Rural area
Utility bill (electricity, gas, water)	9%	9%	9%	11%	7%	8%	12%	8%	12%	13%
Utility bill (phone, internet)	9%	8%	9%	12%	7%	8%	9%	8%	11%	12%
Loan from friend/family	7%	7%	8%	6%	7%	7%	12%	7%	8%	7%
Insurances	6%	6%	7%	6%	7%	5%	7%	6%	8%	7%
Credit card	6%	7%	6%	7%	6%	6%	9%	7%	6%	5%
Buy Now Pay Later loan (BNPL)	6%	5%	7%	8%	5%	4%	11%	6%	7%	6%
Rent	6%	6%	6%	6%	7%	3%	14%	6%	7%	6%
Personal loan	5%	5%	4%	5%	4%	6%	12%	5%	6%	4%
Home loan/mortgage	5%	6%	5%	4%	4%	3%	9%	5%	5%	3%
Payday loan	4%	4%	4%	6%	6%	2%	15%	5%	4%	3%
Investment loan	3%	3%	3%	2%	3%	3%	12%	4%	3%	0%

By state, we noted a somewhat higher number in TAS (12%) and QLD (11%) who missed payment on a utility bill for electricity, gas & water), and in QLD a utility bill for phone & internet bill (12%). A higher number in TAS also missed payments across most other categories (but from a smaller sample size). Most obvious by region was the higher number in regional cities and rural areas that missed paying utility bills than in capital cities - **see table above**.

Missed a payment in the last 3 months: gender, age & income

	All Australians	Men	Women	18-29	30-49	50-64	65+	<\$35,000	\$35-50,000	\$50-75,000	\$75-100,000	\$100,000+
Utility bill (electricity, gas, water)	9%	9%	10%	13%	11%	9%	4%	12%	13%	10%	9%	8%
Utility bill (phone, internet)	9%	9%	9%	15%	10%	7%	4%	13%	11%	12%	10%	7%
Loan from friend/family	7%	7%	7%	16%	8%	3%	1%	9%	9%	8%	8%	6%
Insurances	6%	5%	8%	11%	7%	4%	3%	8%	6%	9%	8%	5%
Credit card	6%	7%	6%	9%	9%	4%	2%	6%	8%	9%	8%	5%
Buy Now Pay Later loan (BNPL)	6%	7%	6%	13%	8%	3%	0%	7%	8%	9%	6%	6%
Rent	6%	7%	5%	13%	6%	3%	2%	8%	10%	8%	6%	4%
Personal loan	5%	5%	4%	11%	6%	2%	1%	5%	5%	7%	6%	4%
Home loan/mortgage	5%	6%	4%	9%	7%	2%	1%	3%	4%	8%	5%	5%
Payday loan	4%	5%	3%	10%	5%	1%	0%	5%	6%	7%	4%	4%
Investment loan	3%	4%	1%	6%	4%	0%	0%	2%	1%	3%	5%	3%

The main differences between women and men related to the higher number of women that missed paying their insurances (8% women; 5% men), and the higher number of men that missed paying an investment loan (4% men; 1% women).

By age, more younger Australians typically missed a repayment in all areas than did older Australians. This was most evident in the 18-29 age group when it came to phone or internet bills (15%), loans from friends or family (16%), insurances (11%), BNPL (13%), rent (13%), personal loans (11%) and payday loans (10%). Noticeably more Australians under 50 also missed payments on their credit cards, home loans or mortgages, and investment loans than did those over 50.

There were surprisingly few outliers by income, with the most noticeable the somewhat higher number in the \$35-50,000 group that missed a rent payment (10%), in the \$50-75,000 group a home loan or mortgage repayment (8%) and in the \$75-100,000 group and investment loan repayment (5%) - **see table above for detail.**

Contacts

Dean Pearson
Head of Behavioural & Industry Economics
Dean.Pearson@nab.com.au
+(61 0) 457 517 342

Robert De lure
Associate Director Economics
Robert.De.lure@nab.com.au
+(61 0) 477 723 769

Authors

Dean Pearson & Robert De lure

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances.

NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.