Households spending more on the basics: Australian Bureau of Statistics

Non-discretionary spending is being replaced by the rising burden of housing, energy and food. Fairfax Media

by Jacob Greber

An increasing number of Australians reported they were largely free of financial stress in 2015-16 even as households spent an increasing proportion of their incomes on basics such as housing.

A survey by the Australian Bureau of Statistics found that the proportion of families reporting no indicators of financial stress – such as an inability to raise $2000 in an emergency – rose to 59 per cent from 54 per cent six years earlier.

Improving financial resilience was recorded across all incomes. The proportion of the bottom 20 per cent of households by income who said they suffered no markers of stress rose from 36 per cent to almost 40 per cent. Among the top 20 per cent of households by income, 86 per cent said they were stress free compared with 80 per cent in 2009-10.

A rise in the number of Australians with sound finances underscores the benefits of having avoided a recession or large surge in unemployment after the 2008 global financial crisis, and
supports the argument that the benefits of the commodity boom have been broadly spread. Markers of financial stress include spending more than is received in income, inability to pay utility bills on time, pawning items, going without meals, or unable to afford holidays.

In 2015-16 some 1.3 million Australians - accounting for 15 per cent of the total - reported signs of financial stress, which is little changed from 2009-10, the data showed.

However, the six-yearly ABS survey also revealed that more households are being forced to devote a rising share of their weekly spending on housing.

More than half - or $846 - of the average $1425 spent per week was on the essentials, which is equivalent to 59 per cent of the total budget and up from 56 per cent in 1984.

Housing was the biggest drain, accounting for 20 per cent of the weekly budget, up from 13 per cent three decades ago.

By contrast, food has declined to 17 per cent of the weekly budget from 20 per cent, while transport is down to 15 per cent from 16 per cent.

The burden of housing costs highlights the shortage of affordable dwellings and surging prices.

Compared to the last time the bureau conducted a national household expenditure survey in the aftermath of the 2008 financial crisis, spending on education has risen the most, up 44 per cent, followed by household services and operations (up 30 per cent), energy (26 per cent), healthcare (26 per cent), and housing (25 per cent).

Spending on items such as alcohol, tobacco, clothing, and household furnishings haven't changed much from six years ago.

The report shows that while dwelling costs are high for most households, regardless of income, the impact is dramatically larger for low-wealth families, for whom the cost of housing consumes more than 30 per cent of spending. High wealth households, by contrast, spend less than half that.

Wealthier families spend more of their weekly budgets than poorer households on education, recreation, healthcare and furniture.