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About the Genworth Index

Financial security is important to households. It provides a foundation on which they can make financial and potentially life-changing decisions. Financial vulnerability meanwhile signifies how difficult households are finding simply meeting their existing financial commitments, with commensurate difficulties in planning for the future.

The Genworth Index has been developed to provide a clear and robust picture of households’ general financial situations in the countries in which those households live. This year, the Index encompasses 20 countries. Of these, a core set of ten European countries have been included in every edition of the Index since it began in 2007.

The Index questions are asked only of householders – an adult in whose name the accommodation is owned or rented, or his or her partner – aged 18 or over in order to provide meaningful data from those with financial responsibilities.

The research was conducted using Ipsos MORI’s Global Omnibus in 20 countries across Europe, Latin America and Asia, between October and December 2012. Questions were asked of samples of up to 1,000 adults in each country. Results are weighted to be representative of the population within each country.

The Index is the result of a 2007 developmental project commissioned amid growing concern about rates of consumer borrowing and over-indebtedness. The purpose of the project was to devise an internationally-relevant, standardised and timely measure of consumer financial security.

The Index score itself provides a snapshot of the overall level of relative financial security in a given country. The score ranges from 0 to 100, with a low score indicating financial vulnerability and a high score indicating financial security.

Based on their responses, households are categorised in four ways:

- ‘Financially Secure’ – have rarely experienced financial difficulties and expect their financial situation to improve.
- ‘Circumspect’ – have rarely experienced difficulties, if at all, and who expect their situation to remain the same or get worse.
- ‘Strivers’ - have experienced financial difficulties relatively frequently but who are now expecting their situation to improve.
- ‘Financially Vulnerable’ - have been experiencing financial difficulties often or all the time and who feel that their situation is unlikely to improve.

For the first time, the Index report also aims this year to explain what drives consumers’ feelings of financial security and vulnerability by asking households to select their top three concerns for the future financial security of their household, e.g. income from work, job security, the wider economy, levels of savings, consumer borrowing, social security available etc.
Key research findings

Welcome to this fifth edition of the Genworth Index. The Index in 2012 tracks consumer financial security and vulnerability in 14 countries in Europe, five in Latin America, as well as China, in a survey of over 13,000 households.

The Index score provides a snapshot of the overall level of relative financial security in a given country. The score ranges from 0 to 100, with a low score indicating financial vulnerability and a high score indicating financial security.

**Nordic Countries: Nordics Most Secure Region in Europe**

- **Number of financially vulnerable households doubles in Denmark**
  Score 52: Denmark has more than twice the number of households classed as financially vulnerable as Sweden, and more than three times as many as Norway.

- **Finland trails other Nordic countries on the Index**
  Score 47: While this highlights the slowing economic growth, rising unemployment and concern about the eurozone seen in Finland in the last year, Finland still finishes ahead of all the other non-Nordic European countries on this year’s Index.

- **Secure Swedes score highly on Index**
  Score 67: One in five households in Sweden (21 per cent) is classed as financially secure in 2012. This is higher than most other countries in Europe, bettered only by neighbouring Norway.

- **Norway maintains European lead in financial security**
  Score 71: Almost a quarter (24 per cent) of households in Norway are classed as financially secure in 2012.

**Other European Countries: A Varied Picture**

- **Over a quarter of French households now financially vulnerable**
  Score 36: One of the ten countries featuring on the Genworth Index since 2007, France has an appreciably lower financial security score in 2012, of 36, than it recorded in 2007.

- **Scepticism Dominates in Germany**
  Score 29: Three per cent of German households are classed as being financially secure in 2012. This is only about a third of the number of financially secure households in the UK, and half that of Ireland.

- **UK maintains Index stability but financially vulnerable numbers rise**
  Score 39: The proportion of British households classed as financially secure holds steady from 2010 (eight per cent in each year). This is higher than the number of German households (three per cent).

- **Ireland regains Index stability**
  Score 32: Ireland’s levels of financially vulnerable (34%) compare favourably to some of the other challenged Eurozone countries such as Italy (47%) and Spain (41%). And are less than half the number of financially vulnerable in Portugal (69%) and Greece (80%).
• Italians feel more vulnerable: Lack of optimism for the future
   Score 11: Almost a half of all households in Italy are now classed as financially vulnerable and only one per cent as financially secure. Levels of savings scored strongly as a key factor for Italians.

• Economic uncertainty troubles Spanish
   Score 17: Only two per cent of households in Spain are classed as financially secure. Spain is one of the only countries on the Index to give the state of the wider economy as a key factor for the future outlook.

• Vulnerable Portugal plummets on Index
   Score 6: The only country with a greater proportion of financially vulnerable households than Portugal in 2012 is Greece. Unusually, long-term care features as a key factor in householders’ future financial outlook.

• Polish pessimism, despite relative economic strength
   Score 13: Only one per cent of Polish households are now financially secure. Given the comparative health of the Polish economy, this is a surprising result that might be explained by the low real wage growth and slowing employment growth the country is experiencing.

• Consumer borrowing a concern for Turkish households
   Score 38: In its third appearance, Turkey finishes mid-table on the Index, out-scoring countries such as France and Germany. Almost a quarter (23 per cent) of Turkish households in the survey gave level of consumer borrowing as a concern when looking ahead.

• Greece hits rock bottom
   Score 1: Greece is the only country on the Index to identify social security payments as among the top three factors when assessing their household’s financial situation.

**China: Strong Financial Security**

• Confident China tops the Index
   Score 78: China tops this year’s Index with a five-year high score.

**Latin American Countries**

• The Latin American findings will be published shortly.
Main themes

Chart 2: Top consumer financial issues in Europe

The climbers and fallers on this year’s Index
China is the most financially secure country on this year’s Index with a score of 78. The only countries to show improvements since the 2010 Index are Mexico and Sweden. Conversely, Spain has the largest absolute drop in its score, from 34 in 2010 to 17 this year. The scores for Denmark, Greece, Italy and Portugal also drop by more than ten points on this year’s Index.

Cost of living dominates European agenda
When looking ahead, cost of living features among the top three concerns for households in all of the European countries, apart from Norway. Almost three-quarters of both Greek and Portuguese households (72 per cent in each country) give this as one of their main concerns, along with 71 per cent of French households. Almost two-thirds of German and Italian households (65 per cent and 61 per cent respectively) give this as a key concern, as well as over half of all Polish, Irish and British households (53 per cent, 53 per cent and 51 per cent respectively.) Level of income from work and job security also feature among the top three concerns for households in most European countries.

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Iberian concern for the macro-economy

In all but three European countries, the state of the national and global economy is a main concern for only a small minority of households. The exceptions are Spain (39 per cent of households report this as a concern), Portugal (28 per cent) and Finland (also 28 per cent). This reflects the ongoing economic crisis in both of the Iberian countries, while highlighting the slowing economic growth, rising unemployment and concern about the eurozone seen in Finland in the last year.

Chart 4: Top consumer financial issues in China

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
European households have been among the worst hit in the developed world by the impact of the financial crisis since 2007. However, the stories vary across the region.
European households have been among the worst hit in the developed world by the impact of the financial crisis since 2007. However, the stories vary across the region.

Eurozone countries that suffered the steepest recessions and have received or may soon have to apply for financial bail-outs - Portugal, Ireland, Greece and Spain - see the greatest levels of pain.

Rising unemployment, falling house prices and large debts mean many households are under severe pressure. The eurozone economy is projected to remain in recession into 2013, which means households will continue to struggle.

On the positive side, contained levels of inflation and interest rates at historic lows have meant that households are able to service their debts. However, that may change.

Households in the countries at the centre of the euro project have been less affected and, in the case of Germany, have even seen their standards of living improve. Italian households also appear surprisingly robust.

Outside the euro, British households are labouring under large debts while Poles are learning to deal with slow real wage growth combined with falling employment.

The Scandinavian countries are benefitting from past prudence while Turkey has perhaps shown the members of the European Union, which it wants to join, how to prevent debt problems getting out of control.

Chart 5: 2012 Genworth index results in Europe Market

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Number of financially vulnerable households doubles in Denmark

**Economic Snapshot**
Danish households have built up a substantial cushion of savings over recent years and decades but there is a danger that falling house prices will now erode some of that safety net.

Total net wealth was 390 per cent - or almost four times - of disposable income in 2011 although that was a decline from 450 per cent in the previous year.

However, the accumulation of significant pension savings means that over a longer time horizon savings will remain high.

Property prices rose for the first time in two years in the second quarter of 2012, taking the edge off a 25 per cent slump in values since the property bubble burst in 2007.

The fall in house prices means that the collateral pledged for household loans from banks and mortgage lenders has declined in value. It has also made it harder for Danes to sell their property without crystallising a loss and transactions have fallen to two-thirds of normal levels.

Mortgage debt has stabilised at around 30 per cent of national income after rising sharply in the run-up to the crisis. However, housing wealth is almost twice that level at around 65 per cent.

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* Chart 6: 2012 Genworth index results in Nordic Market (Denmark)

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* Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012
Genworth Index: Measuring Consumer Financial Security and Vulnerability

Index Score
Denmark scores 52 points on the Index of consumer financial security in 2012, which is significantly lower than its score of 64 in 2010. Maintaining a score in the mid-sixties throughout the first four editions of the Index between 2007 and 2010, the lower score this year is due to a dramatic doubling in the percentage of households classed as financially vulnerable since the Index was last compiled in 2010.

- The number of households classed as financially secure has fallen steadily since the first Index in 2007. While almost a quarter were classed as secure in 2007, this dropped to 17 per cent in 2010, and again to 13 per cent on this year’s index.
- At the same time, the number of Danish households classed as financially vulnerable has nearly tripled since the Index began, rising from four per cent in 2007 to 11 per cent this year.
- In fact, Denmark has more than twice the number of households classed as financially vulnerable as Sweden, and more than three times as many as Norway.
- Accordingly, Denmark has almost half the number of financially secure households (13 per cent) as Norway (24 per cent).
- More encouragingly, a third (33 per cent) of Danish households report that they never experience financial difficulties, and expect their financial situation to remain the same. These form a large component of the circumspect group (those who rarely experience financial difficulties but who do not expect their situation to improve).

<table>
<thead>
<tr>
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<th>Strivers</th>
<th>Financially Vulnerable</th>
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<tr>
<td>2012</td>
<td>52</td>
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* Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012

Financially vulnerable households (37 per cent) in Denmark are twice as likely as secure households (19 per cent) to be concerned about their housing payments.
Denmark: Top Consumer Financial Issues
Cost of Living; Job Security; Income from work

- The cost of living, job security and level of income from work are the three factors people in Danish households feel are most important when assessing their future financial situation.

- Two-thirds of households in the financially vulnerable group think that cost of living is an important factor when looking ahead, compared to just 41 per cent of the financially secure group.

- Households with lower incomes are also more concerned about the cost of living (52 per cent) than higher-income households (40 per cent). Other factors of disproportionate concern to lower-income households are the level of social security payments (27 per cent compared to ten per cent of higher-income households) and the cost of long-term care (eight per cent compared to four per cent).

- Conversely, households with higher-incomes are more concerned by job security (50 per cent compared to 21 per cent of lower-income households) and their level of income from work (35 per cent compared to 13 per cent).

- Financially vulnerable households (37 per cent) in Denmark are twice as likely as secure households (19 per cent) to be concerned about their housing payments when looking ahead.

- Compared with the average of 26 per cent, households in the Copenhagen region are particularly likely to see level of income from work as an important factor when thinking ahead (33 per cent).

- Those in the south of the country (21 per cent) are more concerned with their household’s level of consumer borrowing, compared with 14 per cent nationally.

- More than four in ten Danish households (42 per cent) where the respondent is aged 65 and over are concerned about their level of social security payments, compared to just 17 per cent of all households.

- Similar to several other countries, the extent to which Danish householders see the national or global economy as impacting their future financial situations varies by education level. While 18 per cent of householders with the lowest levels of education are concerned about this, more than a quarter (26 per cent) of those with tertiary education see this as an issue for their household’s financial security.
Finland trails other Nordic countries on the Index

**Economic Snapshot**
Household debt as a share of disposable income has seen a sharp increase over the past decade in Finland, which may leave households vulnerable as the economy stagnates.

So far, debt default rates have stayed low as banks have first charge at default and full recourse against borrowers, which creates an incentive for them to meet interest payments. Mortgages overwhelmingly come with floating interest rates so falls in interest rates have lowered borrowing costs.

However, the Central Bank has warned that the share of highly indebted households, those likely to face heightened repayment problems as unemployment increases again, is rising.

Continued slow economic growth - GDP growth of 0.2 per cent and 1.3 per cent in 2012 and 2013 respectively - will weaken employment in 2013. Unemployment began to grow in the second half of 2012, and the unemployment rate is forecast to rise to 8.4 per cent in 2013.

After a moderate slowdown in 2009, house prices recovered their pre-crisis growth path and according to some indicators property values are above their long-run trend.

Nevertheless, the increase in house prices has exceeded income growth only marginally in recent years, which has relieved concerns over a possible real estate bubble.

Annual house price inflation in the third quarter of 2012 was just 1.8 per cent. In September, the average interest rate on new housing loans with a floating rate was 1.7 per cent, by far the lowest in the euro area.

**Chart 8: 2012 Genworth index results in Nordic Market (Finland)**

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Finland’s score of 47 on the Index of consumer financial security places it lower than all of the other Nordic countries in 2012. It is also significantly lower than the 52 it scored in the previous edition. This reflects a fall in the number of households classed as financially secure and a rise in the number classed as vulnerable compared with 2010.

- There has been a marginal drop in the percentage of financially secure households in Finland in 2012 to 10 per cent compared with 12 per cent in 2010.

- As with Denmark, **Finland has more than twice the number of households classed as financially vulnerable than Sweden, and more than three times the number compared to Norway**.

- Similarly, both Finland and Denmark also have about half the number of financially secure households than Sweden and Norway.

- A quarter (25 per cent) of all Finnish households say they ‘never’ experience difficulties. A small minority ‘never’ experience difficulties while also expecting their financial situation to improve over the next 12 months (four per cent).

- In contrast, almost half of Finnish households (48 per cent), describe experiencing financial difficulties ‘often’ or ‘sometimes’.

**Table 2: Index Score, Finland**

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<thead>
<tr>
<th>Index Score</th>
<th>Financially Secure</th>
<th>Circumspect</th>
<th>Strivers</th>
<th>Financially Vulnerable</th>
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<td>2008</td>
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<td>2012</td>
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<td>63</td>
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* Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Finland: Top Consumer Financial Issues
Income from work; Cost of Living; Wider economy

- Level of income from work, cost of living and, alone among the Scandinavian countries, the national or global economy are the three factors people in Finnish households feel are most important when assessing their household’s future financial situation.

- Given that Finland is the only Nordic country in the Eurozone, picking out the wider economy as a strong financial factor could reflect a higher degree of concern of the impact of Eurozone instability in Finland.

- Four in ten (42 per cent) of the financially secure households in Finland give their level of savings as an important factor when considering the future, compared to around one in ten (12 per cent) of the financially vulnerable.

- More than three-quarters of households in the financially secure group give their level of income from work (78 per cent) as a key concern when looking ahead. This drops to 56 per cent among respondents from financially vulnerable households, possibly indicating that fewer of them are in work.

- Similarly, higher-income households are more concerned by their level of income from work (77 per cent) compared to 57 per cent of lower-income households. The same is true of households in which the respondent is aged 25 to 34, 85 per cent of whom gave this as an important factor, compared with the national average of just 64 per cent.

- Payment protection insurance and private pension provision are also of more concern to higher-income households (nine per cent and eight per cent), compared to lower-income households (four per cent and four per cent).

- In contrast, lower-income households are more likely to be concerned about the cost of living (43 per cent), job security (ten per cent), and level of welfare payments (19 per cent) than higher-income households (34 per cent, six per cent and six per cent respectively).

- Older people – those aged 65 and over – are particularly likely to take into account the national or global economy when looking ahead (47 per cent). The vast majority of older people are circumspect (82 per cent), meaning that they are rarely in financial difficulty but do not expect things to improve for them. Altogether this seems to suggest that while older people are less concerned by factors affecting their household directly, they are more conscious of external factors beyond their control. In contrast, the likelihood that the wider economy is a concern decreases with decreasing age, to just five per cent of the under-25s.

**Chart 9: Top three consumer financial issues, Finland**

![Bar chart showing top three consumer financial issues in Finland](source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012)
Secure Swedes score highly on Index

Economic Snapshot
Levels of household debt in Sweden are at an historic high, having surged from 90 per cent of disposable income in the mid-1990s to 170 per cent last year.

Moves to limit borrowing by tightening rules on loan-to-value (LTV) limits and imposing interest rate surcharges on loans above 85 per cent of LTV have slowed credit growth to around 5 per cent over the past year.

New borrowers, above all in the metropolitan regions, are significantly more indebted than average.

Much of the surge in debt has been driven by a boom in house values. Prices climbed in real terms by 140 per cent from a trough in 1996 to the pre-crisis peak of 2007. After a mild dip in 2009, prices continued their upward journey.

The major concern for policymakers is that the bubble in house prices will burst. The IMF says prices are overvalued by 11-12 per cent while the European Commission believes it may be as high as 30-40 per cent.

The Central Bank is concerned that households with interest-only mortgages will be at particular risk and has warned of a correction.

Lending by Swedish banks to households rose by 50 per cent in the five years to 2011, driven by an 86 per cent rise in mortgage lending.

Meanwhile, inflation expectations remain anchored near the target, and inflation fell below 2 per cent in Jan-Mar 2012. Wages are expected to show growth of 3.2 per cent in 2012.

Chart 10: 2012 Genworth index results in Nordic Market (Sweden)

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Sweden has performed well again on the Index, its score of 67 showing a small increase since 2010. After a slight dip in consumer financial security in 2008, at the beginning of the global economic downturn, Sweden’s score has risen steadily in each of the subsequent editions of the Index. It is now fairly close to the 73 points it scored on the first Index in 2007. This makes it one of the few countries on the Index to recover its levels of security to near ‘pre-crisis’ levels.

• One in five households in Sweden (21 per cent) is classed as financially secure in 2012. This is higher than most other countries in Europe, bettered only by neighbouring Norway (24 per cent).

• The large majority of households in Sweden (69 per cent) are classed as circumspect. Like the financially secure, circumspect households have rarely experienced financial difficulties, but unlike them, they do not expect their situation to improve in the coming months.

• Despite high levels of household debt, only one in ten Swedish households frequently experience financial difficulty.

• Five per cent of Swedish households are classed as strivers, defined as those households experiencing financial difficulties but expecting their situation to improve.

• A further five per cent of households are classed as financially vulnerable in 2012. This represents a marginal decrease from 2010, though still more than in 2007 (when three per cent were vulnerable).
Sweden: Top Consumer Financial Issues  
Cost of Living; Income from work; Job Security

- Cost of living, level of income from work and job security are the three factors that most concern Swedish households when assessing their financial situation over the next 12 months.

- There are very few regional variations in Sweden, suggesting that the factors concerning households are similar throughout the country. However, concern about the national or global economy does vary depending on where people live. Households in the far south are considerably more likely to cite this as a concern (19 per cent) than households in the western region (seven per cent).

- Concerns about the national or global economy also vary by households’ income levels. 17 per cent of those in the highest income category are concerned about the national or global economy when looking ahead. This compares with eight per cent of households in the lowest income category.

- In addition to this, almost a quarter (24 per cent) of households classed as having a high income are concerned about job security, compared to half that number (12 per cent) among low-income households.

- Swedish households, where the respondent is educated to tertiary level, are more concerned about level of income from work than those with only a basic level of education (31 per cent compared to 8 per cent).

- Notably, six per cent of Swedish households in the financially secure group see payment protection insurance as one of the most important factors when looking ahead. This compares to just two per cent across all households in Sweden.

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*Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012*
Norway maintains European lead in financial security

**Economic Snapshot**

Norwegians currently enjoy one of the most benign scenarios of any advanced economy. Economic growth remains robust while employment is rising at a brisk pace and unemployment remains low and stable.

Wages are rising at around 4 per cent year but inflation ended 2012 at just 1.4 per cent, giving households a boost in terms of real income growth.

However, this is offset by the fact that households have large amounts of debts, which means they are vulnerable to any future rises in interest rates. Cost of living is also high.

In the run-up to the recession, household debt, mainly mortgage loans, increased rapidly, reaching 200 per cent of disposable income by early 2008. This is double the average for the euro area.

So far, Norwegian homeowners have been protected by the drop in interest rates, as around 95 per cent of mortgages are at variable rather than fixed rates.

Prospects of relatively low interest rates and high income growth going forward mean that homeowners are likely to remain stress-free. Indeed, house prices are still rising faster than incomes.

The Central Bank left rates on hold at 1.5 per cent in December 2012, where they had been for 10 months.

However, financial markets expect a 0.25 percentage point rate hike by the end of 2013 with some forecasting rates at 2.5 per cent by the end of 2014. This will threaten to hurt highly-indebted households.

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Chart 12: 2012 Genworth index results in Nordic Market (Norway)

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Norway’s second successive Index score of 71 makes it the most financially secure European country, and places it second on the Index, behind China. The economic problems encountered by many European countries seem to have bypassed Norway, which has had consistently high scores on the Index since its inception in 2007.

- Almost a quarter (24 per cent) of households in Norway are classed as financially secure in 2012.

- A large subset of these (some 14 per cent of all Norwegian households) report that they never have financial difficulties, while also expecting their financial situation to improve.

- The circumspect group – the group that have rarely experienced difficulties and who tend to expect their situation to remain the same – comprises over two-thirds (68 per cent) of households in Norway.

- Only three per cent of Norwegian households are classed as financially vulnerable.

### Table 4: Index Score, Norway

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<thead>
<tr>
<th>Year</th>
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* Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Norway: Top Consumer Financial Issues
Income from work; Savings Levels, Job Security

- Level of income from work, level of savings and job security are the three factors that most concern Norwegian households when assessing their financial situation over the next 12 months.

- Almost half of Norwegian households give their level of income from work as an important factor when assessing their future financial situation.

- Women responding to the survey in Norway are more likely than their male counterparts to see their household’s level of savings as important when looking ahead (32 per cent of women, compared with 22 per cent of men).

- There are also some differences by socio-economic characteristics. High-income households (25 per cent) are more likely than low-income households (16 per cent) to see the national or global economy as an important factor when looking ahead. And, compared with the average for Norway (16 per cent), those with only basic levels of education are more likely to be concerned by the level of welfare benefits (36 per cent).

- There is very little variation by region in Norway. The one exception relates to concerns about households’ level of consumer borrowing. Compared with six per cent of households nationally, this is much more likely to be a concern in the north of the country (13 per cent) and much less likely in mid-Norway (one per cent).

Chart 13: Top three consumer financial issues, Norway

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Economic Snapshot
The stagnant economic growth seen over the last year is taking its toll on French households. Unemployment looks set to breach the psychologically significant 10 per cent mark this year (2013) and could rise as high as 11.25 per cent, according to the OECD.

While wage growth is likely to be weak, anaemic GDP growth rates will mean inflation is expected to fall gradually to below 1.5 per cent, which will boost households’ real incomes.

According to the national association of French estate agents, house prices fell by an average of 1.3 per cent during 2012. However, this masks much steeper falls of around 8 per cent in some rural regions of France such as Brittany and Normandy.

The house price boom in the years leading up to the crash encouraged buyers to take on large mortgage debts. Record low interest rates have meant that the cost of servicing the debt has remained low.

French households are protected to some degree from the impact of stagnant growth as they have tucked away more than 15 per cent of their disposable income into savings accounts each year during the crisis.

Chart 14: 2012 Genworth index results (France)
Index Score
One of the ten countries featuring on the Genworth Index since 2007, France has an appreciably lower financial security score in 2012, of 36, than it recorded in 2007, when it scored 47. Even so, France’s story is mainly one of consistency - with the Index score settling between 36 and 39 in the past four editions. The percentage of financially secure households in the country has also stayed the same for the fourth successive year, although the percentage of vulnerable households has significantly increased.

- For the fourth year in a row, seven percent of households in France are classed as financially secure. However, this is almost half the level of financially secure households that were on the original Index, in 2007.

- The percentage of French households in both the circumspect (52 per cent) and the striver (15 per cent) groups has fallen since the 2010 Index. Circumspect households have rarely experienced financially difficulty, but don’t expect any further improvement in the future. Strivers have experienced difficulty, but have a positive future outlook. The French population is more polarised now, with less ‘in betweens’ and more ‘vulnerables’.

- The reduction in the sizes of these two groups has resulted in a large increase in the financially vulnerable group. More than a quarter (26 per cent) of households are now classed as vulnerable, compared to 19 per cent in 2010.

<table>
<thead>
<tr>
<th>Year</th>
<th>Index Score</th>
<th>Financially Secure</th>
<th>Circumspect</th>
<th>Strivers</th>
<th>Financially Vulnerable</th>
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<td>2012</td>
<td>36</td>
<td>7</td>
<td>52</td>
<td>15</td>
<td>26</td>
</tr>
</tbody>
</table>

* Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012
France: Top Consumer Financial Issues  
Cost of Living; Job Security; Income from work

- As with many other countries, cost of living, job security and level of income from work are the three most important factors for French households when assessing their future financial situation.
- More than a third of French households give job security as a concern when looking ahead. This is unsurprising given the struggling economy, and the rising unemployment rate in the country.
- The main differences in France are between financially vulnerable and financially secure households. More than eight in ten households (82 per cent) classed as financially vulnerable in France, report cost of living as one of their main concerns when assessing their future financial situation. This compares with only 44 per cent of the financially secure.
- Nearly a quarter (22 per cent) of the financially vulnerable give private pension provision as a concern when looking ahead, compared to just six per cent of the financially secure.
- Meanwhile, levels of savings (40 per cent) and job security (58 per cent) are of much greater concern to the financially secure group than the financially vulnerable group (15 per cent and 25 per cent respectively).
- Householders’ concerns also vary depending on where in the country they live and their levels of education. While a third (33 per cent) of households in the Parisian region are concerned about their level of savings, the same applies to only 15 per cent of households in the Mediterranean region, and just 12 per cent in the south-east of the country.
- Compared to the national average of 22 per cent, those with the lowest level of education (no diploma) are less likely to give the national or global economy as one of the main concerns when looking ahead (12 per cent).
- Those with the lowest level of education are also less likely to be concerned about the cost of long-term care than those with a university education (11 per cent compared to 34 per cent).

Chart 15: Top three consumer financial issues, France
Scepticism Dominates in Germany

Economic Snapshot
As one of the alleged ‘winners’ from the European economic crisis, it should be no surprise that German households are doing well in terms of income and wealth.

Unemployment remains close to historic lows and skills shortages have emerged in key sectors, which have had the effect of boosting wage growth. Average earnings are expected to rise by between 3-4 per cent over the next two years, outstripping inflation expectations of around 2 per cent.

The household savings ratio has been stable at around 10 per cent for the last three years while leverage in the household sector - the ratio of debts to income - is low in comparison to other euro area economies.

Much of that is due to the fact that house prices in Germany stagnated between 1999 and 2008. While many countries are seeing falls in property values, Germany’s market is rising.

In the year to June 2012 house prices rose by 10 per cent, the fastest rate for any major economy bar Brazil, according to the IMF. Borrowers are still cautious, with 70% of newly issued loans in June 2012 coming with a fixed interest rate of at least five years.

However, it is worth pointing out that economic growth and job creation have both stalled as the euro crisis has intensified over the latter half of 2012.

Chart 16: 2012 Genworth index results (Germany)
Considering its reputation as an economic powerhouse in Europe, Germany’s Index score remains surprisingly low this year. At 29 points on the 2012 Index, the overall trend is one of decline – having entered the Index in 2007 with a score of 42.

- Three per cent of German households are classed as being financially secure in 2012. Compared to 2010, there is very little change in the composition of German Index groups. But it is surprising that this is only about a third of the number of financially secure households in the UK, and half that of Ireland.

- This results in a pretty bleak consumer financial outlook, with less than one in 10 households thinking their economic situation will improve over the next 12 months, along with 20 per cent who think that their financial situation will get worse.

- A small drop in the proportion of financially vulnerable households (from 25 per cent to 22 per cent) since 2010 is reflected in a commensurate increase in the number of circumspect households (66 per cent to 69 per cent).

- It is interesting that the number of German households classed as financially vulnerable (22 per cent) is so similar to other countries with economies that are currently under much more pressure, such as France (26 per cent) and the UK (21 per cent).

### Table 6: Index Score, Germany

<table>
<thead>
<tr>
<th>Index Score</th>
<th>Financially Secure</th>
<th>Circumspect</th>
<th>Strivers</th>
<th>Financially Vulnerable</th>
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<tr>
<td>2012</td>
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<td>3</td>
<td>69</td>
<td>5</td>
</tr>
</tbody>
</table>

* Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012

More than a quarter (26%) of German households expect their financial situation to get worse.
Germany: Top Consumer Financial Issues
Cost of Living; Income from work; Job Security

- Cost of living, level of income from work and job security are the three factors that most concern German households when assessing their financial situation over the next 12 months.
- Compared with the average (65 per cent), financially vulnerable households are particularly likely to be concerned about the cost of living (79 per cent).
- The cost of living is also a prominent concern among lower-income households in Germany.
- Three-quarters of lower-income households (74 per cent) see cost of living as an important factor when thinking of their future financial situation, compared to just over half (55 per cent) of higher-income households.
- In comparison, twice as many higher-income households (13 per cent) give income protection insurance as one of their main concerns looking ahead, when compared to lower-income households (six per cent).
- And while only 11 per cent of lower-income households give private pension provision as a concern, this compares to over a quarter (27 per cent) of higher-income households.
- Differences also emerge depending on whether households are living in the north or south of the country. Private pension provision is a more common concern among people in the south of Germany (29 per cent) than in the north (18 per cent), as is level of income from savings (19 per cent in the south compared to nine per cent in the north).
- On the other hand, households in the north of the country (35 per cent) are more likely to see income from work as an important factor than those in the south (25 per cent).
- Interestingly, the extent to which householders see the national or global economy as impacting their future financial situations varies by education level. Only seven per cent of householders with the lowest levels of education are concerned about this, increasing to 19 per cent among those who have received education beyond secondary level.

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012

Chart 17: Top three consumer financial issues, Germany
British maintains Index stability but financially vulnerable numbers rise

**Economic Snapshot**

Britons have been hit hard by a recession that has left the economy some 3 per cent smaller than at the peak. Growth has stagnated over the last two years.

Household debt rose from 57 per cent of GDP to 109 per cent between 1987 and the start of recession in 2008, mostly to cover house purchases.

House prices fell by around 20 per cent between 2007 and 2009. As a result, at the beginning of 2011 around 827,000 households, or one in 12, had some negative equity – meaning their home was worth less than the debt against it.

So far debt difficulties have been kept under control by low interest rates and the greater use of forbearance by lenders, which has kept repossessions much lower than in the late 1980s crash. According to the Central Bank, 12 per cent of households had an agreement in place with their lender.

Another positive is that unemployment has not increased as much as feared, while employment has risen.

However, poorer families are under more pressure. According to the Resolution Foundation, borrowers in the poorest tenth of families spent just under half their monthly income on repayments in 2011, compared with an average of 9 per cent for the richest tenth.

It found 3.6 million households were “debt-loaded”, meaning they spent more than a quarter of income on debt repayments and had little cushion against future financial shocks.

**Chart 18: 2012 Genworth index results (Great Britain)**

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Great Britain scored 39 out of a possible 100 on the 2012 Index of financial security similar to its 2010 score of 40. This places Great Britain between Finland and Turkey among the other European countries on the 2012 Index, and shows that the balance here remains tipped towards vulnerability rather than security. Despite this apparent stabilisation, the contrast with the period immediately before the recent economic turmoil is stark. In 2007, Great Britain scored 60 on the Index of financial security, meaning that the score is now 21 points lower than when the Index began.

- The proportion of British households classed as financially secure holds steady from 2010 (eight per cent in each year). Interestingly, this is higher than the number of German households (three per cent).
- Looking back to 2007, the number of financially secure households has more than halved, while the number of financially vulnerable households has trebled.

**Table 7: Index Score, Great Britain**

<table>
<thead>
<tr>
<th>Year</th>
<th>Index Score</th>
<th>Financially Secure</th>
<th>Circumspect</th>
<th>Strivers</th>
<th>Financially Vulnerable</th>
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</table>

* Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012

Only 18% think their financial situation will improve over the next 12 months.
Great Britain: Top Consumer Financial Issues
Cost of Living; Income from work; Savings Levels

- The cost of living, level of income from work and level of savings are the three most important factors that people in Great Britain consider when assessing their household’s future financial situation.

- Job security is also an important factor, with 31 per cent of British households seeing this as one of their three most important factors when looking ahead.

- Level of savings rank higher as a factor in the UK than for most other European countries, with the notable exception of Italy.

- A half of British households (51 per cent) see the cost of living as key when thinking about their household’s financial situation over the next 12 months.

- Compared to this national figure of 51 per cent, only 24 per cent of householders in London report cost of living as an important factor when assessing their future financial situation. Their main concerns are level of income from work (50 per cent), and level of savings (40 per cent).

- Only three per cent of Londoners give social security payments as one of their top three factors when assessing their financial situation. This may reflect the younger and more affluent demographic in the capital. In stark contrast, 17 per cent of households in Scotland see social security payments as a major concern.

- Social grade seems an important characteristic in determining what factors British householders consider to be important. Those in social grades D and E are more concerned with social security payments than those from grades A and B (20 per cent compared to seven per cent respectively), most likely reflecting their greater reliance on state support.

- In contrast to these, householders in social grades A and B are more concerned with level of income from work (47 per cent); private pension provision (19 per cent); and level of savings (38 per cent).

- Level of savings also features highly among the top concerns expressed by financially secure and circumspect householders. In contrast, those struggling the most (the financially vulnerable and strivers) are less inclined to consider level of savings as an important factor in their future wellbeing.

Chart 19: Top three consumer financial issues, Great Britain

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
House prices have halved since their peak in 2007 and fell by 8.1 per cent in the year to October 2012, meaning more homeowners will find themselves in negative equity. Households are laboring under debts that are on average twice their annual disposable income.

Almost one in seven people (15 per cent) is out of work, of whom 60 per cent have been jobless for over a year, while a third of young people are unemployed.

According to EU data, living standards as measured by national income per head fell by almost 20 per cent between 2007 and 2011.

Meanwhile a study by Trinity College Dublin found low-income families and the unemployed do not have enough money to achieve a basic standard of living.

Economic Snapshot

The Irish have lived through a painful four years of austerity that has taken its toll on jobs and living standards, as consumers and homeowners have sought to pay off their debts.

The bursting of the house price bubble has had a major effect on living standards. The number of mortgages in arrears by more than 90 days has jumped from 4.5 per cent of the total at the end of 2009 to 14.7 per cent by mid-2012.

Research by the Central Bank suggests that past jobs and income losses are the primary drivers for borrowers to fall behind on their mortgage payments.
Index Score
After the volatility of the scores in previous editions of the Index, following the collapse of the Irish economy, Ireland’s score of 32 suggests greater stability in the country in 2012. While it has climbed from the nadir of 2009, there is clearly a long way to go in the Irish recovery to reach the levels of financial vulnerability 2007 when an Index score of 58 was recorded.

- While only six per cent of Irish households are classed as financially secure, this has trebled from just two per cent in 2009. Even so, the number of financially secure households in Ireland on this year’s Index remains three times lower than in 2007.
- Over the same period there are four times the number of households that are classed as financially vulnerable now compared with 2007, including an increase from 25 per cent in 2010 to 34 per cent in 2012.
- Having said that, Ireland’s levels of financially vulnerable (34%) compare favourably to some of the other challenged Eurozone countries such as Italy (47%) and Spain (41%). And are less than half the number of financially vulnerable in Portugal (69%) and Greece (80%).
- Perhaps surprisingly, Ireland also scored over 30% better on financial vulnerability than stronger economies such as Poland (45%).
- The percentage of households in the circumspect group (those who rarely experience financial difficulties but don’t expect their situation to improve) has fallen from almost two-thirds (64 per cent) to less than a half (49 per cent).
- Meanwhile the number of strivers – those who expect their financial situation to improve – has almost doubled (to 11 per cent).

The number of financially vulnerable households in Ireland has increased from a quarter (25%) in 2010 to over a third (34%) on this year’s Index.

<table>
<thead>
<tr>
<th>Year</th>
<th>Index Score</th>
<th>Financially Secure</th>
<th>Circumspect</th>
<th>Strivers</th>
<th>Financially Vulnerable</th>
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<td>49</td>
<td>11</td>
<td>34</td>
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</tbody>
</table>

* Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Ireland: Top Consumer Financial Issues
Cost of Living; Job Security; Income from work

- The cost of living, job security and level of income from work are the three factors that most concern Irish households when assessing their financial situation over the next 12 months.

- As in many other countries, financially vulnerable households are much more concerned about the cost of living (59 per cent) than the financially secure (31 per cent).

- Despite four years of austerity, it is surprising that only 19 per cent of Irish households see the national or global economy as one of the most important factors affecting their future financial situation.

- The factors that concern Irish households the most when looking ahead vary considerably by their social grade. Irish households from social grades D and E are more commonly concerned about the cost of living (58 per cent) than those in the social grades A and B (41 per cent).

- Those classed as social grade A and B, in comparison, are more likely than the other social grade households to be concerned with job security (32 per cent compared to 13 per cent).

- Social grade D and E households are also more concerned about the cost of long-term care (22 per cent) and the level of welfare payments (33 per cent) than social grades A and B (six per cent and seven per cent respectively).

- Payment protection insurance (39 per cent), the level of income from work (25 per cent) and the level of savings (22 per cent) are particularly important among households in social grades A and B.

- There are also differences depending on the gender of the respondent. Women are more likely to be concerned about the cost of long term care than men (14 per cent compared with nine per cent). Men are more likely to be concerned with private pension provision (18 per cent compared to ten per cent of women).

Chart 21: Top three consumer financial issues, Ireland

Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012
Italians feel more vulnerable: Lack of optimism for the future

**Economic Snapshot**

Italians have become poorer thanks to the Eurozone crisis. Gross earnings shrank in real terms last year while households’ gross financial wealth declined slightly.

The net result was that real disposable income contracted by 3.9 per cent in the first half of 2012 compared with a year earlier. Consumer spending and consumer confidence are both on the decline.

Despite that, the saving rate has fallen to just over 8 per cent, which may be a sign of consumers’ determination to cut their spending only gradually.

According to the Central Bank, households’ financial situations remain “balanced overall”, thanks to their relatively modest debt and large proportion of financial wealth held in the form of low-risk assets such as government bonds.

The crisis does not seem to have significantly changed the indebtedness of Italian households, which does not seem to be a major threat. Only 0.6 per cent are unable to meet interest payments.

Households that use a third of household income to meet interest payments amount to just 2.2 per cent of the total.

Debt service costs are being kept down principally by low interest rates. The main risks to households therefore come from the continued sluggishness of income growth and the risk of any rise in market interest rates.

**Chart 22: 2012 Genworth index results (Italy)**

Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012
Index Score
Italy is one of the worst performing countries on the Index in 2012, scoring 11 points on the 2012 Index, compared to 24 in 2010. Almost a half of all households in Italy are now classed as financially vulnerable and only one per cent as financially secure, highlighting a widespread lack of optimism among Italian households. The dramatic decline in Italy resembles the situation in Portugal, Spain and Greece.

- Only one per cent of households in Italy are classed as financially secure on the 2012 Index. This has fallen from five per cent in 2007, and three per cent in 2010.
- Only two per cent of households in Italy are classed as strivers (who think their financial situation will improve, despite experiencing financial difficulties), while half (50 per cent) are circumspect (rarely experiencing financial difficulty, but who do not think their situation will improve).

Almost half of all Italian households on the Index (47%) are financially vulnerable.

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<tr>
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<th>Strivers</th>
<th>Financially Vulnerable</th>
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* Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012
Italy: Top Consumer Financial Issues
Cost of Living; Savings Levels; Job Security

- The cost of living, level of savings and job security are the three most important factors people in Italy consider when assessing their household’s future financial situation.

- Where survey respondents have postgraduate education, job security is particularly likely to be a concern when looking ahead. 31 per cent of them give this as a concern, compared to seven per cent of those with just high school education.

- There are some significant variations by region in Italy, reflecting the contrasting economic nature of the north and south of the country. The northwest in particular stands out.

- The cost of long-term health care seems to be more of an issue for households in the central region of Italy (18 per cent) compared with only seven per cent in the northwest.

- Housing payments are a particular concern for households in the northwest (20 per cent) and the south (22 per cent), compared with only seven per cent of households in northeast Italy.

- Over a quarter of households (26 per cent) in the central region are concerned about the level of income from their savings, compared to just 12 per cent in the northwest.

- Only three per cent of households in southern regions give income protection insurance as a major concern, compared to 14 per cent in the centre of the country and nine per cent in the northwest.

Chart 23: Top three consumer financial issues, Italy

Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012
Economic uncertainty troubles Spanish

Economic Snapshot
Spain is set to endure its fifth successive year of recession in 2013, as the impact of the bursting of a property bubble and austerity measures to deal with the euro crisis continue to hit households.

Households’ financial positions have deteriorated markedly. An increase in unemployment and decline in house prices has increased the stress to households’ income and cut the value of their assets.

Gross disposable income declined by about 0.7 per cent over the four years to 2011. Household debt remained relatively stable with a fall of just 0.5 per cent from the peak of 2008, meaning that households are still labouring under a large debt burden.

House prices are in freefall. Property prices have slumped more than 30 per cent since the peak in 2007. The correction is still underway with the general house price index plunging 10.8 per cent in the year to June 2012.

Weakening disposable income and falling housing values have forced households to resort to using their savings to meet debt payments and the household savings ratio has fallen back to pre-crisis levels.

Employment has contracted rapidly and the unemployment rate has risen above 25 per cent thanks to fiscal austerity and tight financial conditions. Almost half of all 15-24 year olds are jobless, a third have dropped out of school, and those with jobs are largely on temporary contracts.

There is a rising income gap between permanent and temporary workers, with close to three quarters of temporary workers in the bottom half of the income distribution.

Chart 23: 2012 Genworth index results (Spain)

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Index Score

Reflecting the ongoing economic crisis in Spain, the Index score falls to just 17 points, half that recorded in the previous Index in 2010. This is explained by a drop in the percentage of households classed as financially secure, and a significant increase in the number of financially vulnerable households. The Spanish score is now stronger only than Italy, Poland, Portugal and Greece, whereas in 2010, Spain’s Index score was more aligned with France, Germany and the UK.

- Only two per cent of households in Spain are classed as financially secure in 2012, about three times fewer as in 2010 (seven per cent). And just nine per cent are classed as strivers (those who often experience financial difficulties but who expect their situation to improve in the coming months).
- The circumspect group – those rarely experiencing financial difficulties and not expecting things to improve – accounts for almost half of Spanish households (48 per cent).
- Over four in ten households (41 per cent) are classed as financially vulnerable. This has risen from 32 per cent in 2010, and just 17 per cent in 2007.

Table 10: Index Score, Spain

<table>
<thead>
<tr>
<th>Year</th>
<th>Index Score</th>
<th>Financially Secure</th>
<th>Circumspect</th>
<th>Strivers</th>
<th>Financially Vulnerable</th>
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</tbody>
</table>

* Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012

Almost a third (32%) of Spanish households think that their future financial situation will get worse.
Spain: Top Consumer Financial Issues
Wider Economy; Income from Work; Cost of Living

- The three most pressing concerns for the Spanish are the national or global economy, level of income from work and cost of living.

- In fact, Spain is the only country on the Index to give the state of the economy as one of the most important factors when assessing the future financial situation. Spain’s results reflect the ongoing recession in a country where there are almost six million people out of work (or more than 26 per cent of the working age population of Spain).

- Almost four in every ten households report that they are worried about the economy when thinking about their future financial situation.

- There are very few variations in the extent to which households in Spain consider different factors important when looking ahead, the exception being level of education.

- Spanish households classed as having higher levels of education (second grade, first circle and above) are more likely than those with lower levels of education to be concerned with job security (37 per cent compared to 19 per cent) and level of income from work (44 per cent compared to 21 per cent).

Chart 24: Top three consumer financial issues, Spain

Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012
Economic Snapshot
The Portuguese economy is in the grip of a severe recession. The economy contracted at an annual rate of 3.5 per cent in the third quarter of 2012 following a 3.1 decline in the second quarter.

Consumers are pulling in their horns with retail sales dropping 6.5 per cent in the third quarter of 2012 and sales of cars slumping by 33 per cent.

The volume of loans to households for house purchase fell 3.4 per cent in the year to October 2012, while loans for consumption and other purposes fell at the even faster rate of 8.1 per cent.

Households have accumulated total debts equivalent to one year’s economic output, despite the fact that Portugal did not experience a property boom in the run-up to the crisis.

For now the cost of servicing the debt is manageable due to low mortgage rates, although households will come under pressure if market interest rates rise.

One concern is falling house prices. During the year to September 2012, the average property price in the country plunged by 7.0 per cent.

Indeed, the Central Bank has called for close monitoring given rising unemployment and income losses. Unemployment is currently 15 per cent, of whom almost half are long-term.

Chart 25: 2012 Genworth index results (Portugal)
The Portuguese are among the least financially secure households on the Index. One of ten countries included in all five editions of the Index, Portugal’s 2012 score of six is less than half of its previous low of 15 recorded in 2008 and is a third of Spain’s 2012 score (17). Its baseline score of 33 in the original Genworth Index of 2007 was more than five times higher than its current Index score.

- Optimism for the future is clearly low in Portugal, with only one per cent of households classed as financially secure and a further three per cent classed as strivers (those who have experienced financial difficulties at least sometimes but expect their future financial situation to improve).

- Almost seven in ten Portuguese households (69 per cent) are classed as financially vulnerable. This represents a considerable increase from 2010 (when 51 per cent were vulnerable) and again since 2009 (when 39 per cent were vulnerable). It is also significantly higher than the 41% of Spanish households classed as financially vulnerable.

- The only country with a greater proportion of financially vulnerable households than Portugal in 2012 is Greece.

Table 11: Index Score, Portugal

<table>
<thead>
<tr>
<th>Year</th>
<th>Index Score</th>
<th>Financially Secure</th>
<th>Circumspect</th>
<th>Strivers</th>
<th>Financially Vulnerable</th>
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<tr>
<td>2012</td>
<td>6</td>
<td>1</td>
<td>27</td>
<td>3</td>
<td>69</td>
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* Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012

Almost four in ten households (38%) in Portugal find themselves in the worst situation, in often experiencing financial difficulties while also expecting their situation to get worse.
Portugal Consumer issues
Cost of Living; Long Term Care; Job Security

- The cost of living, the cost of long-term care and job security are the three main concerns of Portuguese households when assessing their future financial situation.
- Although both Spanish and Portuguese households were concerned about the cost of living, the other major factors were different, with Spain identifying the wider economy and level of income from work, instead of the cost of long term care and job security.
- Households in Portugal are particularly concerned about the cost of long-term care when looking ahead. Four in ten give this as one of their three main concerns for their future financial security. It is the only Index country for which long-term care emerges as one of the three main issues households are concerned about.
- As would be expected, concerns about the cost of long-term care increase with age. Still, the difference is striking with almost seven in ten (69 per cent) of Portuguese households where the respondent is 65 and over giving this as a main concern, compared to 39 per cent overall.
- Older people are also more likely to be concerned about their household’s level of savings. 41 per cent of people aged 65 and above give this as one of their main concerns, compared to just 26 per cent of those aged 35 to 44.
- Households represented by a woman (13 per cent) are more likely than men (seven per cent) to give rent or mortgage payments as one of their main concerns.
- There are interesting differences depending on whether respondents had attained higher or lower levels of education. Those with lower levels of education (first five years at high school and below) are particularly concerned by the cost of living (75 per cent) and the cost of long-term care (45 per cent), compared to 64 per cent and 23 per cent respectively of higher-income households.
- In contrast, those with higher educational qualifications (graduating from high school and above) are more likely to cite job security (52 per cent), level of income from work (42 per cent), and level of consumer borrowing (six per cent) as important factors (compared to 31 per cent, 25 per cent and two per cent respectively of those with lower education).
- Where people live also plays a role in Portugal. While almost a half of households (45 per cent) in the Lisbon region are concerned by job security, less than a quarter (24 per cent) share this concern in the interior region.
- Ten per cent of households in the Greater Oporto region give housing or mortgage payments as one of their main concerns compared with just four per cent within the central (Littoral) region.
- The ongoing recession in the country is clearly having an impact on households’ assessments of their financial future. Almost a quarter of households (22 per cent) nationally see the state of the national or global economy as an important factor when looking ahead. This is higher in the Greater Oporto region (38 per cent) than in the interior region (19 per cent).

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Polish pessimism, despite relative economic strength

Economic Snapshot
Despite being the only European economy to avoid recession, Poland’s households are now cutting spending in the face of low real wage growth and slowing employment growth.

Real wages have been declining since July 2012 while private sector employment fell 0.7 per cent between January and September 2012. The unemployment rate broke through the 10 per cent barrier in the second quarter of 2012.

Despite a marked slowdown in consumer spending and retail sales, the savings rate has fallen to zero which may indicate households are building up problems for the future.

Demand for new consumer loans has fallen to zero but the interest rate on those loans increased significantly between the first and second half of 2012.

Households will get some relief from a slowdown in inflation from 4.3 per cent last year to 2.7 and 2.5 per cent in 2013 and 2014 respectively, according to the IMF.

The Central Bank cut rates to 4.5 per cent in November after worse than expected economic data for September.

Poland’s housing market was Europe’s second-worst performer in 2011, down by 10.6 per cent albeit improving marginally to minus 8 per by June 2012.

Although household debt has fallen during the second half of 2012, at 35.8 per cent it is still higher than it was during the financial crisis.

Chart 27: 2012 Genworth index results (Poland)

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Poland’s score on the Index has declined for the fourth successive year and, standing at 13 in 2012, it is now among the least financially secure countries covered by the Index. This is driven by a fall in the number of financially secure households year-on-year, and a dramatic increase in the number of financially vulnerable households since Poland was first included on the Index in 2008. This is a surprisingly bleak picture for Poland, with Polish households having a less positive outlook than countries such as Spain and Ireland, whose economies have been under considerably more pressure.

- Only one per cent of Polish households are now financially secure, a fall from five per cent in 2008 when the country first appeared on the Index.

- Poland is one of four countries - along with Greece, Italy and Portugal - to only have one per cent of households classed as secure. Given the comparative health of the Polish economy, this is a surprising result that might be explained by the low real wage growth and slowing employment growth the country is experiencing.

- Only six per cent of Polish households are classed as strivers (those who have experienced financial difficulties but expect their situations to improve). An overwhelming majority of households in Poland (93 per cent) think their financial situation will get worse or, at best, remain the same.

- This is further underlined by the finding that most households in Poland are either vulnerable (45 per cent) or circumspect (rarely experience financial difficulties but do not expect their situation to improve; 48 per cent).

- Financial vulnerability levels in Poland are more than twice those in the UK, France and Germany, and at least four times higher than the Nordic countries. Despite its relative economic health, levels of vulnerability are more akin to Italy (47%) and Spain (41%).

### Table 12: Index Score, Poland

<table>
<thead>
<tr>
<th>Index Score</th>
<th>Financially Secure</th>
<th>Circumspect</th>
<th>Strivers</th>
<th>Financially Vulnerable</th>
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<td>2012</td>
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* Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Poland: Top Consumer Financial Issues
Cost of Living; Income From Work; Job Security

- The cost of living, level of income from work and job security are the three factors that most concern Polish households when assessing their financial situation over the next 12 months.

- Low wage growth in Poland is reflected in the finding that 39 per cent of households give level of income from work as an important factor when looking ahead.

- The most notable differences between households in Poland relate to the extent to which level of income from work is considered an important factor.

- Concern about levels of income from work is particularly common among higher-income households (48 per cent) compared with lower-income households (32 per cent).

- Households represented by men in the survey are also more likely than those represented by women to be concerned with level of income from work (46 per cent compared to 33 per cent of women).

- Similarly, men were more likely than women to see job security as an important factor for their household (42 per cent of men compared to 28 per cent of women).

- On the other hand, households represented by women are almost twice as likely as those represented by men to see level of income from savings as a major concern (15 per cent compared to eight per cent).

- Notably, almost half (48 per cent) of all households in the north of the country report housing payments as an important factor when looking to the future, compared to just 27 per cent of Polish households nationally.

Chart 28: Top three consumer financial issues, Poland
Consumer borrowing a concern for Turkish households

Economic Snapshot
After enjoying two years of 9 per cent economic growth, 2012 saw a marked deceleration to 3 per cent. Combined with annual inflation of almost 9 per cent last year, this has hit the wallets of Turkish households.

Strong growth during the post-crisis recovery encouraged Turks to go on a spending spree. As a result the ratio of household debts to national income rose as well.

The ratio of households’ debts to assets has increased rapidly albeit from low levels, to around 46% by the end of 2011.

Steps taken by policymakers have led to a slowdown in the growth in consumer debt. The burden of interest payments as a share of household disposable income has stabilised at below 5 per cent, while the number of non-performing loans has fallen.

Employment rates, in particular those of women, are traditionally low in Turkey, translating into a higher share of households that depend only on one income earner and thus reducing their ability to save.

Turkey’s national saving rate has fallen dramatically over the last 15 years, from some 25 per cent of GDP in the late 1990s to less than 15 per cent last year.

This decline has been larger than in any G20 country and stands in stark contrast to the experience in peer emerging economies. The Central Bank aims to encourage household savings through reforms to personal pensions and by raising awareness about savings.

Chart 29: 2012 Genworth index results (Turkey)

Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012
Index Score

In its third appearance Turkey finishes mid-table on the Index, out-scoring countries such as France and Germany. Still, with an Index score of 38 in 2012, the balance remains tipped away from financial security among Turkish consumers, with about a third of households classed as financially vulnerable.

- 12 per cent of all households in Turkey are classed as financially secure, with four per cent of Turkish households saying that they never experience financial difficulties, and expect their financial situation to improve.

- The strivers - who make up an additional quarter of all households in Turkey (26 per cent) - are dominated by those households who ‘sometimes’ experience financial difficulties but nonetheless expect their situation to improve in the future.

- Three-quarters of Turkish households overall experience financial difficulties 'often' or 'sometimes'.

Table 13: Index Score, Turkey

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<thead>
<tr>
<th>Index Score</th>
<th>Financially Secure</th>
<th>Circumspect</th>
<th>Strivers</th>
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<td>2012</td>
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<td>12</td>
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* Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012

More than one in three Turkish households (35%) experience financial difficulties at least sometimes and do not expect their situation to improve in the coming months.
Turkey: Top Consumer Financial Issues
Cost of Living; Consumer Borrowing; Income From Work

- Cost of living, level of consumer borrowing and level of income from work are the three factors that most concern Turkish households when assessing their financial situation over the next 12 months.

- Almost a quarter (23 per cent) of Turkish households in the survey gave level of consumer borrowing as a concern when looking ahead. This differs from other countries, where the level of consumer borrowing is rarely among the top three issues. This could be a hangover from a period of economic growth, suggesting some Turks may have become over-stretched and are struggling in a time of high inflation.

- Men responding to the survey are more likely than women to be concerned about level of consumer borrowing (28 per cent compared to 18 per cent). Women are more likely than men to see payment protection insurance as a main concern (7 per cent compared with one per cent).

- Education appears to drive the areas of concern that households in Turkey have. Twice as many households where the respondent has only the lowest level of education consider the cost of living as an important factor when looking ahead (39 per cent) as those with further education (19 per cent).

- Conversely many more people with a higher education level give private pension provision (21 per cent) and the national or global economy (nine per cent) as a concern when looking ahead, than those with the lowest levels of education (seven per cent and one per cent respectively).

- There are also interesting differences by income and region. More than double the number of high-income households report job security as a major concern (nine per cent), than those on lower incomes (four per cent).

- One in five (21 per cent) of households in the Istanbul region give rent or mortgage payments as a concern when looking ahead. Just three per cent of households in the Aegean region see this as an important factor for their household.

Chart 30: Top three consumer financial issues, Turkey
Greece hits rock bottom

Economic Snapshot
The riots on the streets of Athens tell the story. Cuts to employment, wages and public spending as part of the austerity programme have undermined living standards.

Unemployment is running at a record high of 26 per cent, according to data for September 2012, and is expected to stay at or above that level in 2013 and 2014. The unemployment rate for Greeks aged 15 to 24 was 56 per cent.

The economy will contract by another 4 per cent in 2013 following a fall of 6 per cent in 2012, according to the IMF. This will mean Greeks have endured recession for six years.

According to a report in December 2012 by two of the country’s leading trade unions, wages have fallen from 84 per cent of the EU average to 74 per cent over the last two years.

During the same period, the purchasing power associated with the average wage in Greece has halved thanks to relatively high inflation in 2010 and 2011.

Falls in house prices appear to be accelerating. House prices in urban areas outside Athens fell 2.9% in 2009, 6.7% in 2010, 7.5% in 2011, and 11.5% in the second quarter of 2012.

The €110 billion bailout for Greece in 2010 was tied to cuts in the public spending including civil servants’ salaries, freezing pensions, raising the retirement age and hikes in taxes and fuel duty.

Chart 31: 2012 Genworth index results (Greece)

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Given the continued economic turmoil in Greece, it is no surprise that it once again has the lowest levels of financial security on the Index. Even so, the decline in the country, highlighted by its Index score of just one in 2012, is quite alarming.

• In 2009, four per cent of Greek households were classed as financially secure. This halved to two per cent in 2010, and has halved again to just one per cent of households in 2012.

• Only 14 per cent of households in Greece are classed as circumspect. This has halved since the 2010 Index.

• In fact, the number of households in each of the groups has declined, apart from those classed as financially vulnerable. The number in this group has almost doubled from 45 per cent in 2009 to 80 percent in late 2012.

### Table 14: Index Score, Greece

<table>
<thead>
<tr>
<th>Index Score</th>
<th>Financially Secure</th>
<th>Circumspect</th>
<th>Strivers</th>
<th>Financially Vulnerable</th>
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</table>

* Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Greece: Top Consumer Financial Issues  
Cost of Living; Income From Work; Social Security  
• The cost of living, level of income from work and levels of social security payments are the three most important factors people in Greece consider when assessing their household’s future financial situation.

• Greece is the only country on the Index to identify social security payments as among the top three factors when assessing their household’s financial situation. This reflects the reliance on the retreating welfare state, as a result of the country’s high and sustained levels of unemployment.

• Out of 688 households interviewed in Greece, only six were classed as financially secure.

• Notably, payment protection insurance is among the top three concerns for 15 per cent of Greek households, although this varies considerably with age. So while nearly a quarter (24 per cent) of households aged 35-44 rank it as important, this is the case for only two per cent of the under-25s.

• Age is also a factor in relation to concerns about levels of savings. Almost a quarter (24 per cent) of households aged under-25 say this is one of their main concerns, compared with 12 per cent of all Greek households.

• In addition, a similar proportion of households where the respondent has university education (22 per cent) is concerned about levels of savings, compared with only seven per cent of Greek households with a lower education level.

• Conversely, those with a university education are less concerned about the level of social security payments than households with a lower level of education (17 per cent compared with 36 per cent).

Chart 32: Top three consumer financial issues, Greece

Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012
China has enjoyed a powerful industrial revolution that has lifted around 250 million rural residents out of poverty.
China Overview

China has enjoyed a powerful industrial revolution that has lifted around 250 million rural residents out of poverty.

China has only reached 18% of America’s GDP per capita in purchasing power adjusted terms. On the other hand, average American household debt is 136 per cent of household income, compared with 17 per cent in China.

Officially, Chinese households do not have a debt problem, while household consumption accounts for slightly more than a third of total output.

Because Chinese families lack social security safety nets, they tend to save money as a precaution, which has kept household savings at the relatively high level of 20-25 per cent of disposable income for the last two decades.

China is under political pressure to rebalance its economy away from exports and investment towards consumer spending and imports. This internal rebalancing will mean consumers reducing household saving, and increasing disposable income.

While such a transformation would substantially boost living standards and make growth more balanced, it implies Chinese households will have to become better at managing debts.

Finding ways for households to invest their savings in assets other than housing will also help cool the housing market.

Chart 44: Top consumer financial issues in China

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
Economic Snapshot
One of the most significant shifts in household finances over the last two years has been the estimated 15 per cent rise in wages mainly as a result of increases in the minimum wage and efforts to improve workers’ rights.

The income of urban and rural residents rose rapidly, and consumer demand grew steadily. In the first three quarters of 2012, urban households’ per capita disposable income grew at an annual rate of 13 per cent. Retail sales were up 14 per cent.

At the end of September 2012, unemployment rates in urban areas have stabilised at 4.1 per cent, a low rate globally.

A survey by China’s Southwestern University of Finance and Economics found families in China had an average of RMB1.21 million (£121,000) in net assets and household debt of RMB62,600 (£6,260).

Other surveys gave Guangzhou the highest score among 30 municipalities for standards of living and the highest annual wage among 22 cities. Salaries in Wuhan, Shanghai and Beijing also exceeded the national average.

One concern is the housing market, where there has been talk of a bubble. Certainly in Beijing and Shanghai prices are as much as 24 times average incomes.

On average, incomes have been rising faster than prices for most of the last decade, so property has in fact been getting more affordable at the national level.

Chart 45: 2012 Genworth index results in China

Source: Genworth Index; Ipsos MORI Global Omnibus October - December 2012
Index Score
China tops this year’s Index with a five-year high score of 78. The Chinese data focuses on four cities (Beijing, Guangzhou, Shanghai and Wuhan), and while not representative of China as a whole, when taken at face-value, they suggest extremely high levels of financial security among urban Chinese households.

- With almost four-out-of-ten Chinese households classed as financially secure, China has reported the highest levels of financial security ever recorded in any country over the five years of the Index.
- Only one per cent of Chinese households report that they often have financial difficulties and believe their situation will worsen over the next 12 months.
- Almost half of Chinese households (44 per cent) fall into the circumspect group. This is the group who do not often, if at all, experience difficulties, and who expect their situation to remain the same.
- When broken down by region, 43 per cent of households in Shanghai are classed as financially secure, compared to less than a third (32 per cent) in Wuhan.
- Just one per cent of households in Guangzhou are classed as financially vulnerable, compared to seven per cent in Wuhan.

China’s performance on the Index is striking. China is four points ahead of the previous highest score of 74, recorded in Norway in 2009.
China: Top Consumer Financial Issues
Income from Work; Cost of Living; Level of welfare benefits

- Level of income from work, the cost of living and level of welfare benefits are the three most important factors to people in China.

- Looking ahead, the national or global economy is a particularly important factor for financially secure households in China. Compared with eight per cent of all households, it was mentioned by 13 per cent of those classed as financially secure.

- There were some interesting differences depending on where people lived. Compared with households in Beijing (15 per cent), those in Shanghai (27 per cent), Guangzhou (33 per cent) and Wuhan (33 per cent) were more concerned about levels of social security.

- There is a similar pattern in relation to the national or global economy, with fewer households in Beijing (three per cent) concerned about this than elsewhere.

- Households in Shanghai are particularly concerned about job security (31 per cent) and cost of living (34 per cent) when looking ahead, compared with other households in China.

- Almost a half of higher-income households in China (46 per cent) see cost of living as an important factor when assessing their future financial situation, compared to just 20 per cent of the lower-income households.

- Higher-income households in China also report income protection insurance (46 per cent) and private pension provision (33 per cent) among their main concerns, compared with overall averages of 18 per cent and 17 per cent respectively.

- For younger households in China (where the respondent is under 24), levels of consumer borrowing come through as a major concern (33 per cent). This compares with 17 per cent of the 35-49 age group, and just six per cent of households in the 50-64 age group.

- Compared with women, men responding to the survey were more likely to be concerned about their households’ level of savings (24 per cent of men, compared with 14 per cent of women).

Chart 66: Top three consumer financial issues, China

Source: Genworth Index, Ipsos MORI Global Omnibus October - December 2012
The Genworth Index background

Financial security is important to households. It provides a foundation on which they can make financial and potentially life-changing decisions. Financial vulnerability meanwhile signifies how difficult households are finding simply meeting their existing financial commitments, with commensurate difficulties in planning for the future.

The Genworth Index has been developed to provide a clear and robust picture of households’ general financial situations in the countries in which those households live. This year, the Index encompasses 20 countries. Of these, a core set of ten European countries have been included in every edition of the Index since it began in 2007.

The survey on which the Index results are based reaches out to a nationally representative sample of around 1,000 households in each country that is included. The Index questions are asked only of householders – an adult in whose name the accommodation is owned or rented, or his or her partner – aged 18 or over in order to provide meaningful data from those with financial responsibilities. The resulting sample size totalled over 13,000 households across 20 countries for this 2012 edition. All data were collected during October/November 2012.

The Index is the result of a 2007 developmental project commissioned amid growing concern about rates of consumer borrowing and over-indebtedness. The purpose of the project was to devise an internationally-relevant, standardised and timely measure of consumer financial security. This involved an initial survey of ten countries in Europe using questions designed to measure over-indebtedness and rigorous exploratory analysis of these data.

Creating the Genworth Index

The Index score itself provides a snapshot of the overall level of relative financial security in a given country or group of countries. For each edition, the Index is calculated in a standardised way. Exploratory data analysis for the baseline edition identified two underlying dimensions to consumer financial security as conceived by the project team. The Index is derived from responses to the following two key questions:

• Thinking about the general financial position of your household, how often do you experience financial difficulties?
• Looking ahead over the next 12 months, do you think the financial position of your household will improve, stay the same or get worse?
The response options to these two questions produces 12 possible combinations of answers. These 12 combinations have been collapsed into four distinct groups as shown below:

- ‘Financially Secure’ (A), rarely experienced financial difficulties; expect their financial situation to improve.
- ‘Circumspect’ (B), have not often experienced difficulties, if at all, and who tend to expect their situation to remain the same. These are neither financially vulnerable nor secure.
- ‘Strivers’ (C), households who tend to have experienced financial difficulties relatively frequently but who are now expecting their situation to improve. Again, these are neither financially vulnerable nor financially secure.
- ‘Financially Vulnerable’ (D), comprises households that have been experiencing financial difficulties often or all the time and who feel that their situation is unlikely to improve.

For the first time, the Index report also aims this year to explain what drives consumers’ feelings of financial security and vulnerability, by asking households to select the top three reasons from the list below.

Which are most important to you when thinking about your household’s financial situation?

- Your level of savings
- Your level of consumer borrowing (for example on any loans, credit cards or overdrafts)
- Your level of income from work
- Your level of income from savings
- Your private pension provision
- Your level of social security payments or state pension
- Job security
- Rent or mortgage payments
- Payment protection insurance for a mortgage or loan
- Income protection insurance in case of illness, accident or unemployment
- The cost of living (for example on food or utility bills)
- The cost of long term care
- The national or global economy

The Genworth Index takes the ratio of the percentage of people who are financially secure relative to the percentage of those who are financially vulnerable. The resulting value is rescaled so that a score of 100 indicates maximum possible relative financial security and a score of 0 indicates minimal relative financial security.
About Genworth Financial

Genworth is a leading financial security company meeting the retirement, lifestyle protection, investment and mortgage insurance needs of more than 15 million customers across more than 25 countries. For more information, visit www.genworth.com.

In Europe, Genworth focuses on Lifestyle Protection and Mortgage Insurance, working with banks, brokers, advisers and other financial institutions.

Lifestyle Protection products help consumers meet their payment obligations on outstanding financial commitments such as mortgages, personal loans or credit cards in the event of involuntary unemployment, illness, permanent disability or death.

Mortgage Insurance (MI) protects lenders and investors in the event that a mortgage borrower defaults on a loan and the proceeds of the sale of the property are insufficient to pay the outstanding debt. Our MI products enable lenders to provide the end borrower with earlier and potentially more affordable access to home ownership by allowing them to put down a lower deposit.

For more information on The Genworth Index, please refer to genworth.com, select the relevant country page and then click on ‘Research and Publications’.
Our Research Partners

**Personal Finance Research Centre**

The preparatory work that informed the development of this year’s Genworth Index and the final report was undertaken by David Hayes and Andrea Finney. David is a Research Associate while Andrea is a Senior Research Fellow in the Personal Finance Research Centre (PFRC), an independent research centre based at the University of Bristol which specialises in social policy research across all areas of personal finance, mainly from the consumer’s perspective.

The Personal Finance Research Centre has a national and international reputation for policy-focused research encompassing all areas of personal finance, including over-indebtedness and debt advice, financial capability and financial inclusion. PFRC has considerable expertise in designing, undertaking and analysing both large-scale quantitative and in-depth qualitative research, with a particular emphasis on methodological studies and Index construction. It has conducted research for government departments, trade associations, regulatory bodies, charities and the private sector. The work of the centre has been influential in shaping policy, and several members of PFRC act as technical and policy advisers to government departments and other organisations.
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