



April Outlook

CENTRIX

**Mortgage lending continues to rise despite restraints.
In direct comparison, more households struggle.**

New LVR restrictions came into effect this month, increasing the minimum deposit required for 95% of new bank lending. The Government will be hoping this, alongside changes to tax deductibility rules announced in March, will dampen a market that is continuing to run hot. In fact, March saw the value of new loans increase by 25% as residential lending hit a March record, while April saw mortgage applications at 20% above our baseline.

Despite continued heat in the housing market, the ending of the Reserve Bank's mortgage deferral scheme might result in increasing numbers forced to sell their homes.

The number of mortgage accounts flagged as requiring Financial Hardship has increased 10% since the scheme ended in March, and while the numbers are still small, we anticipate this to increase further in the coming weeks as more households struggle to meet their mortgage payments and fall into arrears.

While we know banks are doing everything they can and working hard to support customers, these households are going to need to make some hard decisions if they cannot take steps to meet their mortgage obligations.

Keith McLaughlin
Managing Director



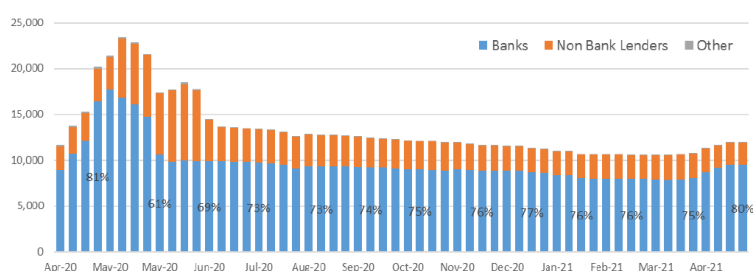
Financial hardships grow with the ending of the mortgage deferral scheme

The ending of the Reserve Bank's mortgage deferral scheme has seen a 10% increase in the number of households in hardship.

There are now 11,900 mortgage accounts flagged as requiring Financial Hardship Assistance, compared to 10,800 last month.

Most of the growth in hardship is associated with bank mortgage lending, which is not unexpected and banks will be working closely with those customers.

Hardship Up 10% As Mortgages Roll-off



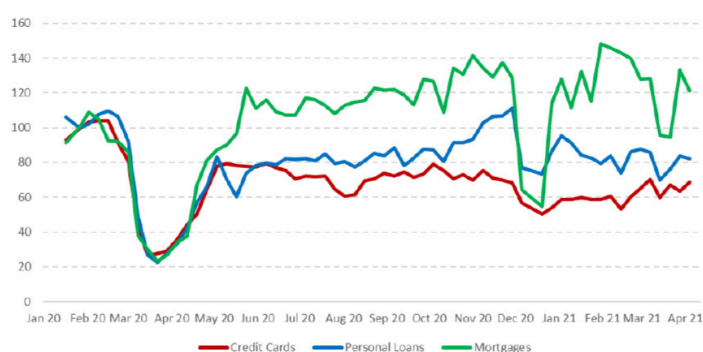
Demand for mortgages remains high

Credit demand remained strong in April, led by continued strength in mortgage demand which sits at 20% above our baseline.

Credit card demand also saw a small uptick of 4% month on month, but still remains below pre-COVID levels.

We anticipate this low demand for new credit cards is the result of people having reduced their credit card balance last year and, having done so, are now reluctant to apply for a new card. The continued rise of BNPL (see Credit Demand by Industry Sector) is also likely to have had an impact.

Credit Demand By Product Type



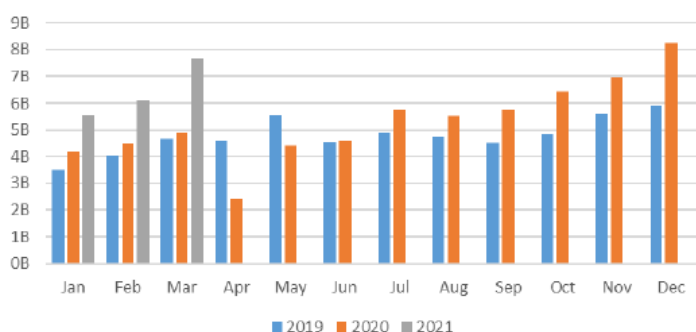
New mortgage lending hits new March high

Residential mortgage lending was up 26% month-on-month in March, setting a new record for that month.

Overall, the value of new loans (mortgage and non mortgage) increased 25% to reach \$8.3BN.

While March usually sees strong activity in the housing market, we anticipate it was particularly high this March as house purchasers looked to financially settle ahead of the Reserve Bank's LVR restrictions coming into effect.

New Lending Exposure: Mortgages

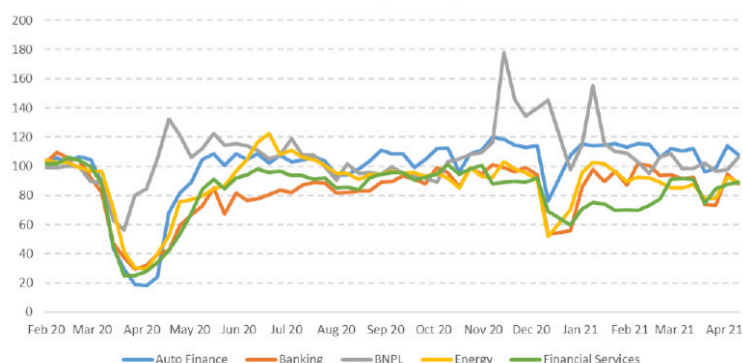


Credit demand remains strong across wider sectors

While mortgage lending was up in April, credit demand continues to remain strong across all sectors.

This strength speaks to the recovery that has occurred following the collapse in the credit market this time last year when the country went into Level 4 lockdown. Both BNPL and auto finance demand remains solid, while the demand for non-bank financial products continues to improve. This indicates there continues to be high-level of confidence in the economy.

Credit Demand By Industry Sector



Credit demand almost back to pre-COVID levels

What a difference a year can make! Overall credit demand in April is back to 94% of pre-COVID figures.

Credit is a leading indicator of confidence. People borrow when they feel confident that they can meet future repayment obligations.

The strength of the credit market shows that, despite the challenges of the past 12 months, we are seeing a return of confidence and stability.

Consumer Credit Demand: 2020 vs 2021



Last updated 30 April 2021.

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