



June Outlook



Latest Credit Data Paints Picture of Strong Consumer Confidence

Credit demand is a leading economic indicator, and our data is painting a picture of an economy which is going from strength to strength.

The combined borrowing power of Kiwis has surpassed \$300 billion for the first time, reaching \$306 billion, or 94% of GDP - an increase of \$28 billion in the past year!

Low interest rates and a strong job market is helping to fuel consumer confidence, and this is driving economic growth.

Why? Because when consumers are confident about their future economic prospects, they are more comfortable to use credit to purchase discretionary items - assured in their ability to make future repayments. In contrast, when they are less confident, they instinctively look to reduce their spending, pay down debt and save.

And clearly consumers are in the mood to borrow and spend with non-mortgage lending exceeding \$600 million in May, up 38% from the month prior.

But with early signs of a housing market starting to cool, and new lending down 3% from the month prior, it is possible we might soon start to see signs of easing in confidence and a reduction in credit demand.

Keith McLaughlin
Managing Director



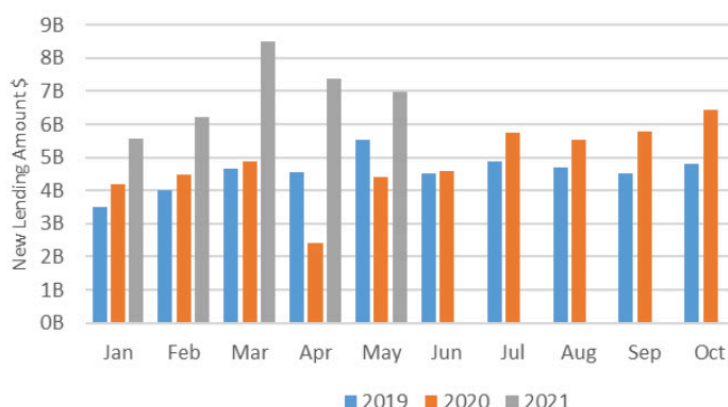
Strong growth in non-mortgage lending recorded in May

Non-mortgage lending grew strongly in May, up 38% month-on-month and exceeding \$600m for the first time since 2018.

Non-mortgage lending includes credit cards, vehicle financing, personal loans and Buy Now Pay Later (BNPL) services.

We have seen non-mortgage lending trend down in the last two years due to changing consumer behaviour and reduced use of credit cards.

New Lending Exposure: Non Mortgages



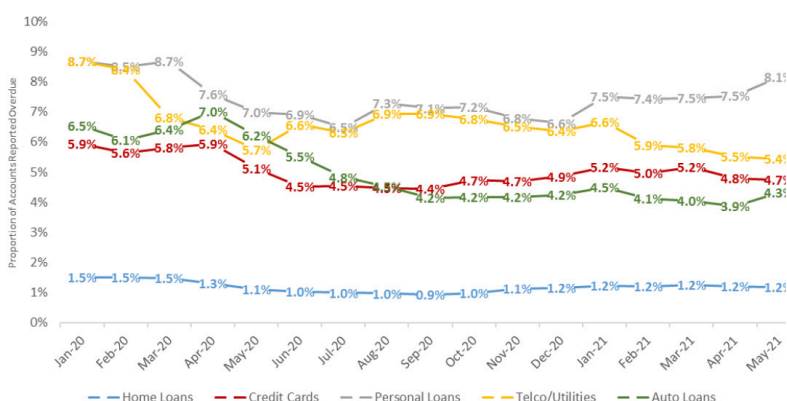
Overall arrears up, sharp increase for personal loans

May saw a sharp increase in personal loan arrears, increasing 0.6% month-on-month and reaching its highest point since March 2020.

Overall, the number of accounts reported past due rose by 2% in May. While this increase does indicate some consumer distress, arrears remain at historically low levels.

Mortgage delinquencies fell in May for the second month running, with 16,400 (1.18%) residential mortgage accounts currently past due.

Arrears Ratios



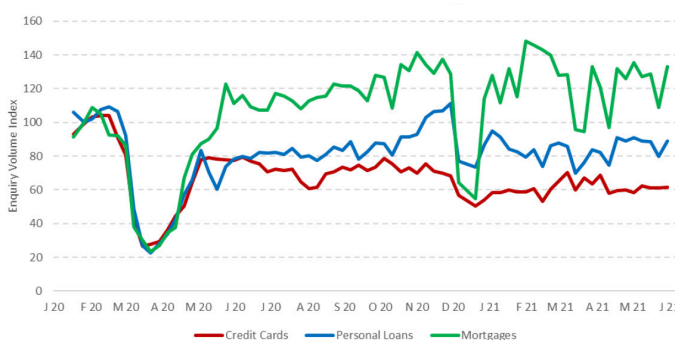
Demand for new credit cards remain flat

Demand for new credit cards remains flat and well below the pre-COVID baseline.

And while higher than credit cards, demand for personal loans also remains below pre-COVID levels despite a short rally over the Christmas period.

Applications for new mortgages have cooled slightly in the last two months, but not as much as expected and are still above pre-COVID levels.

Credit Demand By Product Type

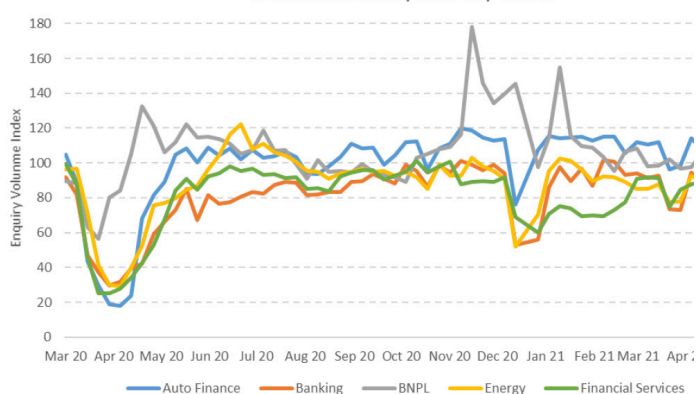


Demand for other credit products have rebounded

While demand for credit cards and personal loans remain below pre-COVID levels, other credit products have rebounded.

There is strong demand for auto finance, BNPL and other banking services, which has supported an overall 3% increase in credit demand month-on-month.

Credit Demand By Industry Sector



Overall hardships down 3% month-on-month

Reflecting a strong economy, hardships fell 3% month-on-month in June, with 12,100 accounts flagged for hardship (compared to 12,520 in May).

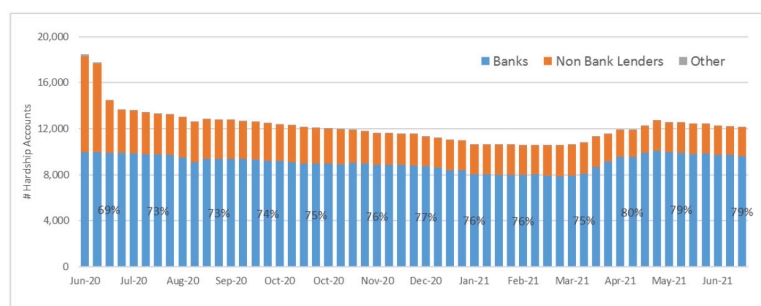
Two-thirds of accounts in hardship related to mortgages (38%) and credit card accounts (29%).

Personal loans made up a nearly a quarter of accounts in hardship, while overdrafts were responsible for the final 9%.

Overall, 0.42% of credit applications returned a hardship alert.

Overall hardships down 3% month-on-month

Number of Customer Accounts flagged requiring Financial Hardship Assistance



There are 12,100 accounts in hardship which is a 3% decrease on last month

Last updated 30 June 2021.

Centrix data

Centrix holds the richest dataset of consumer credit information available in New Zealand. Our extensive and unique credit information database comprises of comprehensive credit information, utility data and supporting credit risk information aggregated from a wide range of sources.

Specifically our data comes from:

- Registered banks and 53 other contributors to Comprehensive credit reporting (CCR), providing payment behaviour data. Contributors include finance companies, telco's and utilities.
- Credit enquiries, when businesses or individuals apply for finance – indicative of real time credit demand.
- Monthly snapshots of arrears trends and exposure (open accounts and credit limits)
- Fintech providers such as Buy Now Pay Later (BNPL) etc.
- Payment history on more than 95% of individuals.

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