



September Outlook



A tale of two economies

More than seven weeks into the latest COVID-19 restrictions and our Centrix data is painting an interesting picture of what is happening in the economy.

On the positive side, we are seeing a strong recovery in credit demand as the country shifts down alert levels. When New Zealand moved into Alert Level Four in mid-August, we saw credit demand fall by 30% overnight. But this was only a temporary drop, with credit demand recovering strongly across all sectors as restrictions eased.

With regions outside of Auckland now at Alert Level Two, credit demand has now fully recovered and is tracking at normal pre-lockdown levels. And while restrictions remain in place in Auckland, we saw a 16% increase in demand at Alert Level 3.

On the other hand, this quarter has seen company credit defaults rise 13%, company closures remaining high and company registrations fall by 11%.

Unsurprisingly, we see higher rates of credit defaults in rental and property services, accommodation, food services and transport, as closed borders and restricted movement impact business cashflow.

Despite this, there is reason for optimism. Credit is a leading indicator of consumer confidence and the strong rebound in the credit market demonstrates that consumers remain confident. This should help power our economic recovery when restrictions eventually lift.

Keith McLaughlin
Managing Director



Credit demand bounces back despite extended lockdown

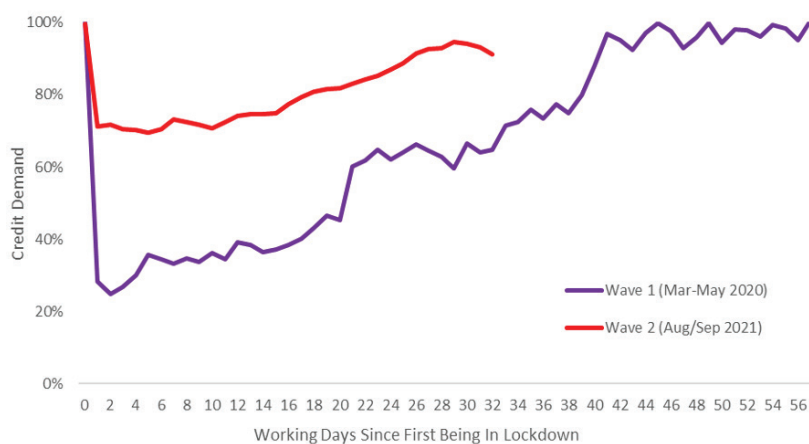
After the initial impact of the nationwide Alert Level Four lockdown, credit demand inquiries have recovered.

The initial drop in demand was less severe than last year's Alert Level Four lockdown. This year, we saw a 30% decline in credit inquiries when the country moved into Alert Level Four, compared with 70% last year.

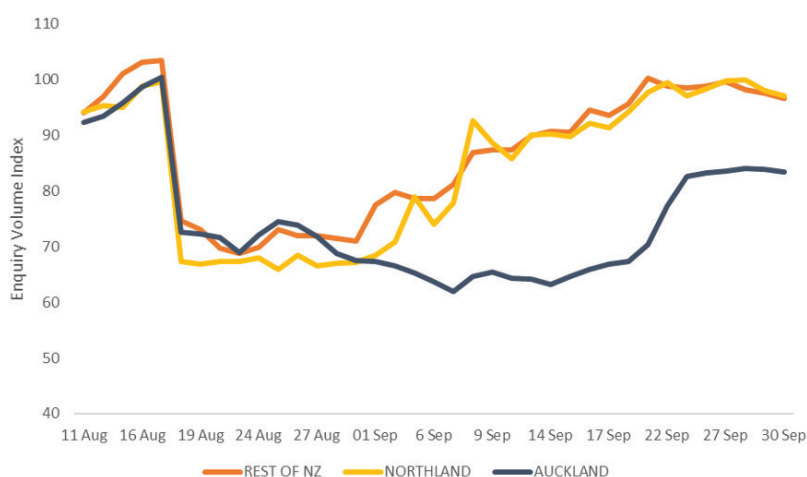
And as restrictions lift across the country, credit demand is recovering. Since moving to Alert Level Three in mid-September, Auckland has recorded a 16% hike in credit demand.

While regions outside of Auckland have seen credit demand fully recover and return to normal levels of demand following their move to Alert Level 2.

Credit Demand Bounce Back Since Lockdown



Lockdown Volume Tracker



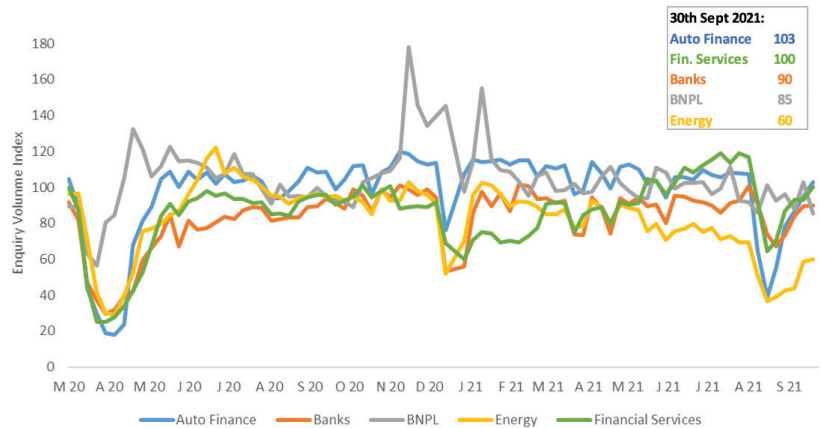
Sector credit demand recovers

Credit demand recovered across all sectors in September as alert levels reduced.

Buy Now, Pay Later (BNPL) was the one sector that benefited from Alert Level 4 restrictions, with an increase in demand in August. BNPL lends itself to e-commerce because it provides consumers an alternative to credit cards.

Demand for auto finance has also recovered strongly, after falling sharply in Alert Level Four. This rebound in auto finance is a positive sign of economic confidence as new vehicles are often a large discretionary purchase.

Credit Demand By Industry Sector



Home loans impacted by lockdown

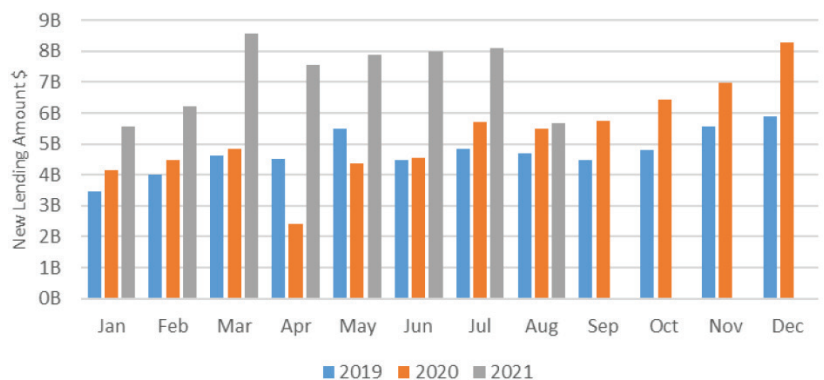
In August, the value of new home loans fell by nearly a third due to the lockdown restrictions hindering buyers from attending open homes or completing settlements.

As a result, lending in August reached the lowest point since January.

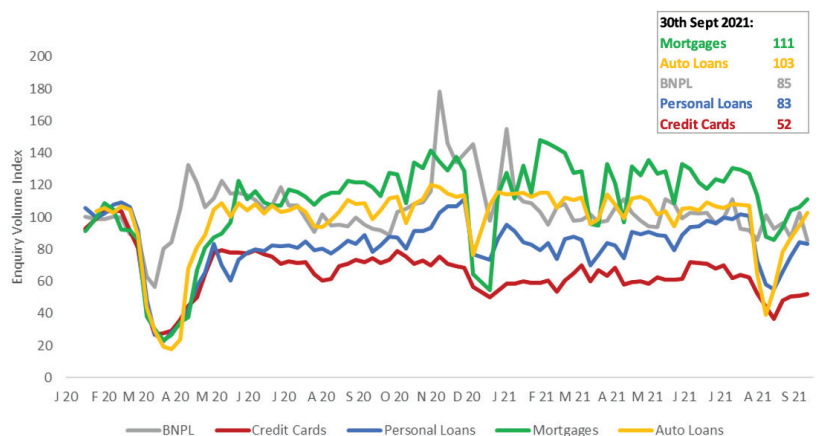
Demand for new mortgages recovered in September as regions outside of Auckland shifted to Alert Level Two, allowing open homes and property sales to resume.

All other types of credit have recovered since the restrictions have eased across the country.

New Lending Exposure: Mortgages



Credit Demand By Product Type



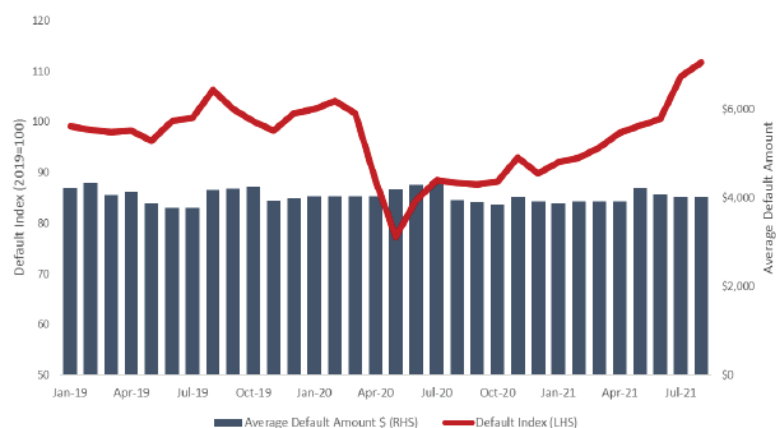
Company defaults continue to rise

Company credit defaults have continued to rise this quarter, increasing 13%.

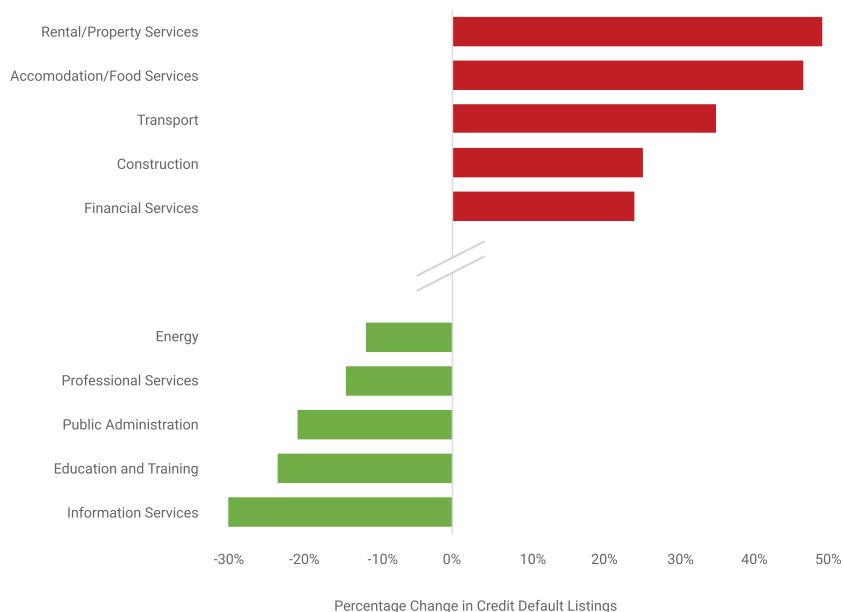
When compared to 2019 (pre-pandemic), property services and accommodation/food services have the highest percentage increase in defaults. This is likely a reflection of ongoing travel restrictions impacting cashflow.

Businesses that are more easily able to operate under lockdown situations, such as public administration and information services have seen significant improvements in rates of credit defaults.

Company Credit Defaults Up 13% This Quarter



Company Credit Defaults By Industry: 2021 vs 2019 (pre-Covid)



Last updated September 30, 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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