



October Outlook



Recovery signs emerging despite uncertainty for Auckland business owners

The Government's recent traffic light announcement has given Kiwis a target to aim for to begin reopening, allowing them a small amount of certainty to start planning.

The question is whether this certainty is enough for many small businesses – especially those in Auckland – who are continuing to feel the crunch from the ongoing lockdown. We have already seen credit defaults up 18% on prelockdown figures (2019).

It's a stark reminder of the ongoing challenges business owners across many sectors in Auckland are facing, with an Auckland Business Chamber survey finding more than 20% of owners not expecting their business to survive.

This is reflected in more subdued credit demand figures this month, which have flattened as Auckland's lockdown continues to be extended. We are also seen an increase in financial hardship, which has risen 15 percent during lockdown, and jumped 8 percent in just the last month.

On a positive note, non-bank and auto finance sectors have bounced back to pre-lockdown levels, and mortgage applications are up outside of the Auckland region. As indicators of consumer confidence, it's encouraging to see these figures continue to increase, signalling a post-lockdown recovery.

While some economic indicators remain strong, inflation is on the rise, the housing market is softening and the Reserve Bank has made its first move to tighten monetary policy. This all points to a more constrained credit market as we head into the festive season.

Keith McLaughlin
Managing Director



Northland credit demand rises in Alert Level Two but remains subdued across the country

Consumer credit demand has flattened across New Zealand as Auckland's lockdown continues to be extended.

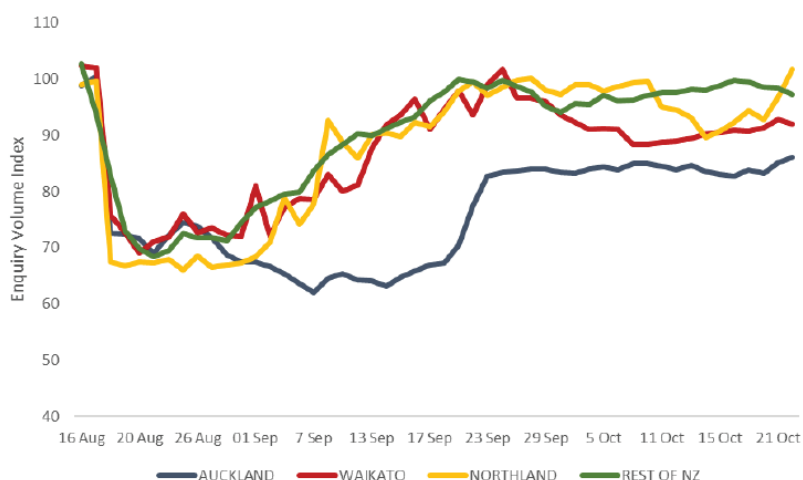
One positive sign this month is a 10% jump in credit demand in Northland as the region moved back to Alert Level Two.

The rest of the country continues to track close to prelockdown levels of demands.

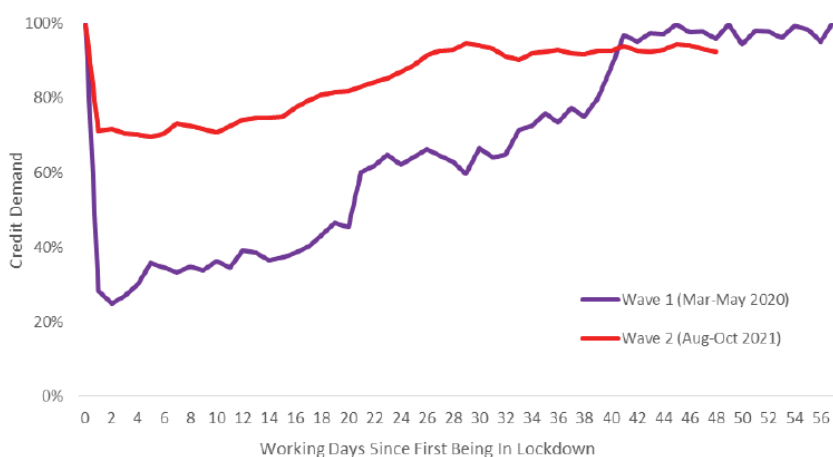
Auckland, however, remains at 85% pre-lockdown credit demand as the city remains in Alert Level Three.

Whilst Covid-19's impact on credit demand has not been as severe as last year's lockdown, it has a longer tail and is unlikely to fully recover until the Auckland retail sector is able to open back up.

Credit Demand Lockdown Tracker By Region



Credit Demand Recovery Since Lockdown



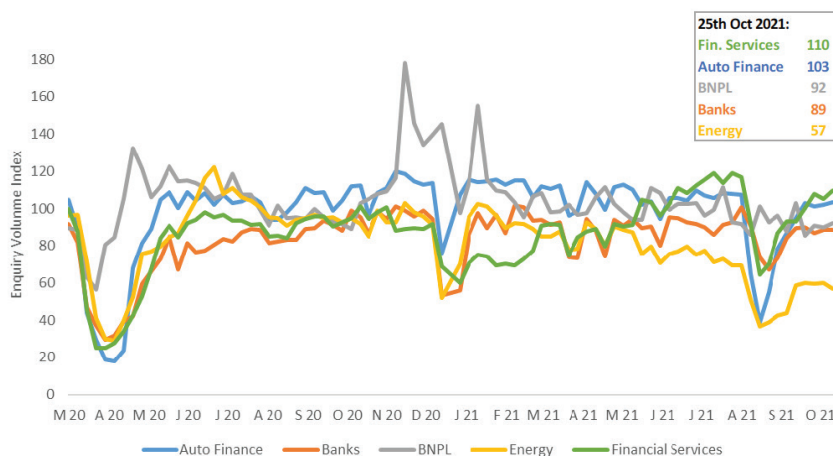
Consumers remaining with energy retailers

There continues to be a recovery in credit demand by sector, with increased demand across most sectors as restrictions eased across the country.

Credit enquiries from energy providers remain low, indicating a low number of consumers changed their provider. The Auckland lockdown might also reduce the number of consumers moving house and setting up new accounts.

Non-bank and auto finance sectors have bounced back to pre-lockdown levels. As indicators of consumer confidence, it's encouraging to see these figures continue to recover.

Credit Demand By Industry Sector



Mortgage applications continue to climb but new lending flattens

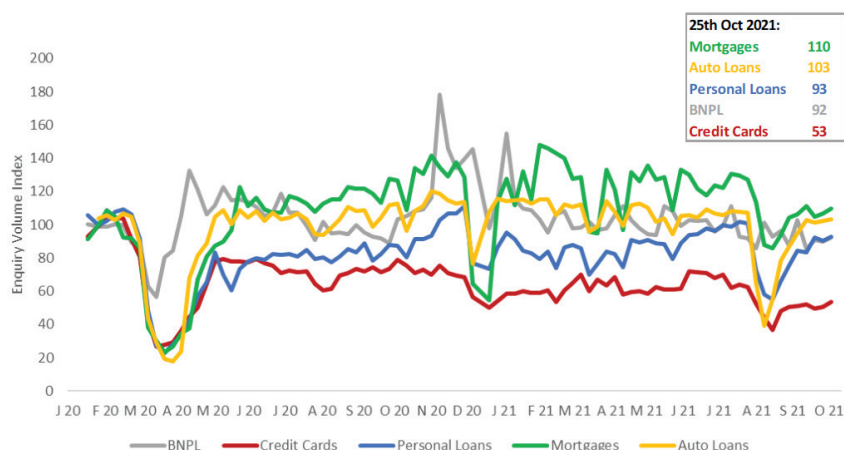
Mortgage applications increased in October as confidence remains high in the property market outside of Auckland.

New mortgage lending, however, remained flat in August and September. Whether this is a result of the lockdown delaying settlement, a signal that demand continues to outstrip supply, or an early sign of banks tightening lending criteria, remains to be seen.

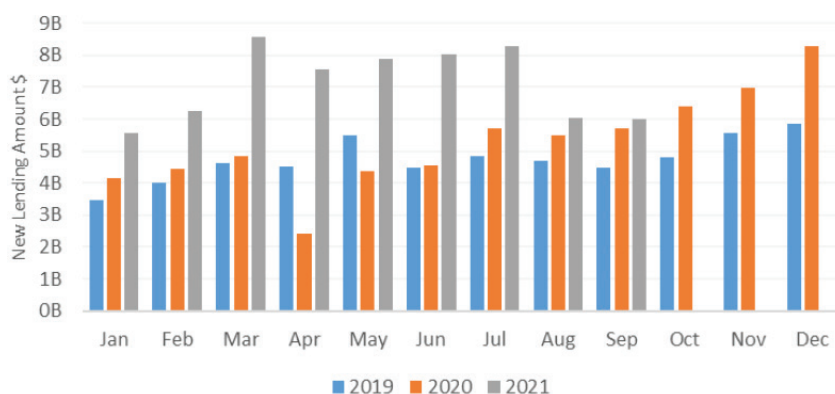
There continues to be growth in non-bank consumer loans as well as auto loans.

New credit card applications, on the other hand, remain low compared to historical levels.

Credit Demand By Product Type



New Lending Exposure: Mortgages



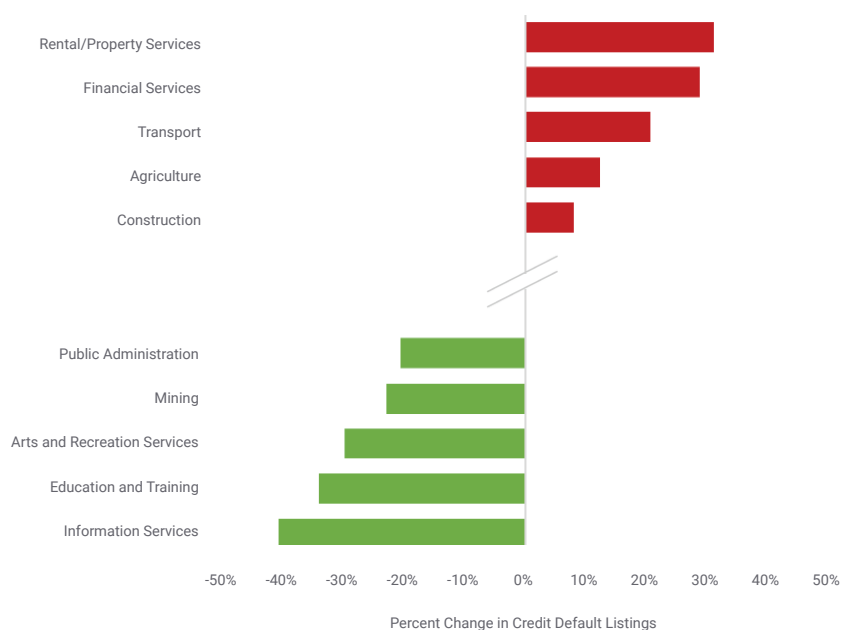
Auckland, Northland businesses show high debt stress

Auckland and Northland have recorded increased levels of debt stress compared to the rest of New Zealand, with business defaults at 18% in Auckland and 12% in Whangarei.

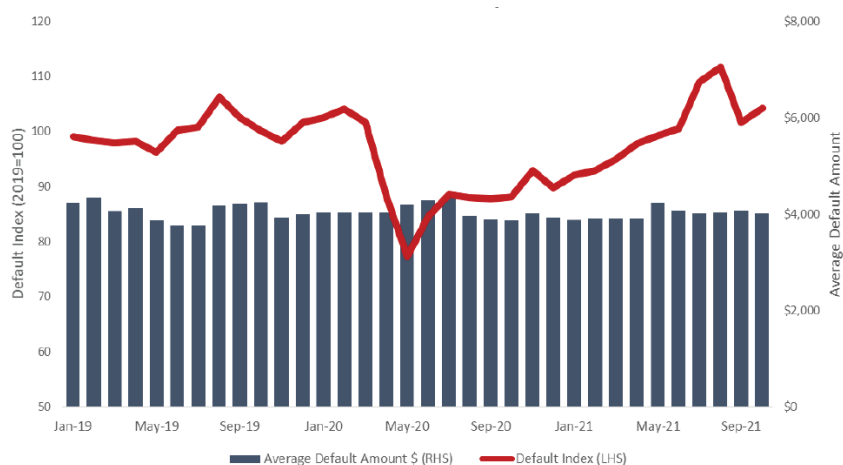
As Alert Level Three remains in place in Auckland – and following Northland's snap lockdown – uncertainty is hampering small business as they try to operate under restricted conditions.

New business registrations were down 13% in October, while business credit defaults rose 3% month-on-month.

Business Defaults in 2021 compared to pre Covid (2019) Auckland businesses defaulting more often than rest of NZ



Company Credit Defaults Up 3% This Month



Last updated October 31, 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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