



# March Credit Indicator



## Uncertainty remains the antagonist of credit confidence

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Consumer confidence appears to be the biggest factor impacting Aotearoa's credit landscape, with signs pointing towards an overall decline in demand and lending conversions.

Faced with uncertainty around Omicron, a retreating housing market, increasing mortgage rates, and rising inflation, Kiwis are starting to tighten the purse strings for discretionary spending.

The hardships facing Kiwi consumers are beginning to become apparent as well, with arrears on personal loans increasing to 7.8% in February – the highest level recorded since March 2020. Despite this, home loan arrears have been steadily improving, offering a glimpse into where Kiwi financial priorities are.

Furthermore, company closures are down 35% this quarter as Kiwi business owners continue to adapt their business models to operating with COVID. And business credit scores are slightly up, increasing by three points to 764 in March.

However, the specific flow on effect of consumer credit trends is seen in the retail business sector, where defaults were up 19% in March, as business owners struggled to balance an impacted cashflow with the looming threat of Omicron potentially forcing employees into self-isolation.

These issues, coupled with rising inflation, will be putting additional pressure on Kiwi business owners across the board. March represents the rising peak of Omicron, with these impacts expected to ripple into April.

Economists are divided on what the right solution is for the Reserve Bank to control inflation. Despite this, business owners are going to make decisions around hiking prices to help stay afloat – with these costs inevitably passed on to Kiwi consumers.

How this impacts what appears to be already declining consumer confidence is yet to be seen.

**Keith McLaughlin**  
Managing Director



## CCCFA restrictions remain a factor for lending conversions in February

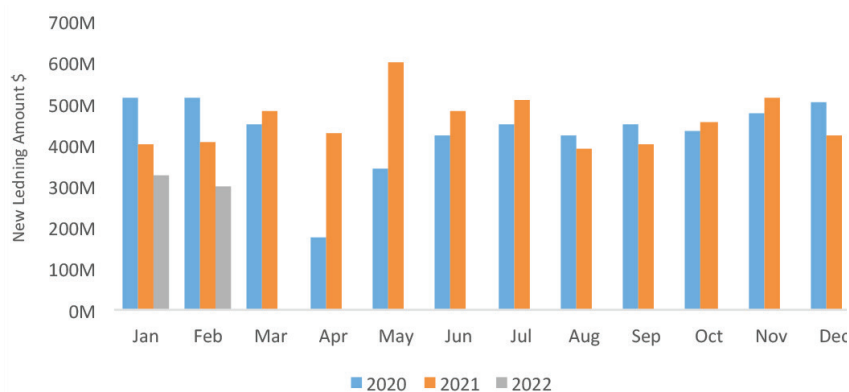
Since the CCCFA changes came into effect in December, conversion rates have dropped for all major loan types.

Lenders appear to have rejected 5% of new applicants who would have qualified in November. Hardest hit are credit card applications, which have seen the sharpest drop in approvals in the last 3 months.

Furthermore, new lending across consumer loans was down 26% year-on-year as conversion rates and decreased approval numbers continue to impact lending across the board.

Loan Type	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Home Loans	38.5%	37.5%	39.6%	40.5%	38.4%	34.9%	35.0%	33.9%
Credit Cards	32.3%	29.6%	30.8%	32.1%	29.6%	19.1%	21.1%	19.8%
Personal Loans	31.4%	27.7%	30.8%	31.3%	31.2%	26.9%	25.3%	24.6%
Auto Loans	42.5%	36.4%	42.7%	42.1%	42.4%	38.6%	33.3%	34.9%

## New Lending Amount: Consumer Loans



*Lenders appear to have rejected 5% of new applicants who would have qualified in November.*

## Consumer confidence continues to be impacted

Demand for consumer credit remains down year-on-year, down 9% in March 2022.

Omicron and inflation pressures appear to have hit consumer confidence, with many Kiwis uncertain about the future of Omicron and the long-term expectations on discretionary spending.

Furthermore, self-imposed isolation and remote working appears to have resulted in a reduction in foot traffic in main city centres.

The Buy Now Pay Later (BNPL) sector and bank lending are the hardest hit, while auto finance continues to perform well – reporting similar levels of demand year-on-year.

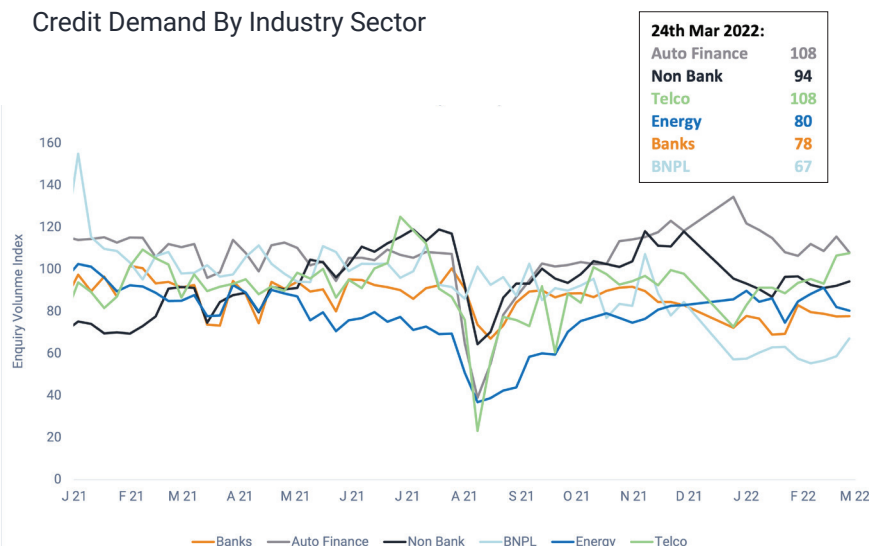
Mortgage applications are down 19% year-on-year. Falling house prices combined with lower sales, rising listings, inflation pressures, rate hikes and new lending restrictions appear to be the key drivers of this demand decline.

*Mortgage applications are down 19% year-on-year.*

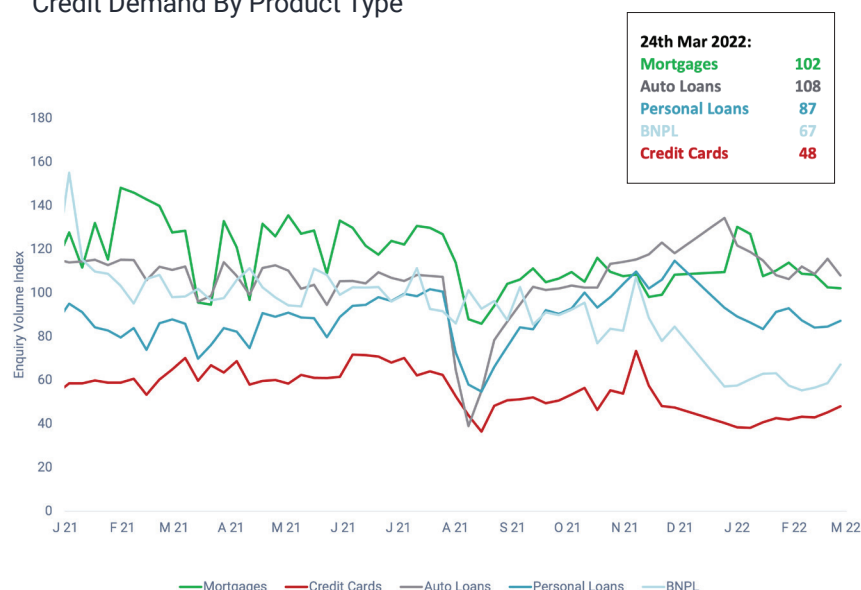
## Consumer Credit Demand: 2020 to 2022



## Credit Demand By Industry Sector



## Credit Demand By Product Type



## Successful mortgage lending down year-on-year in February

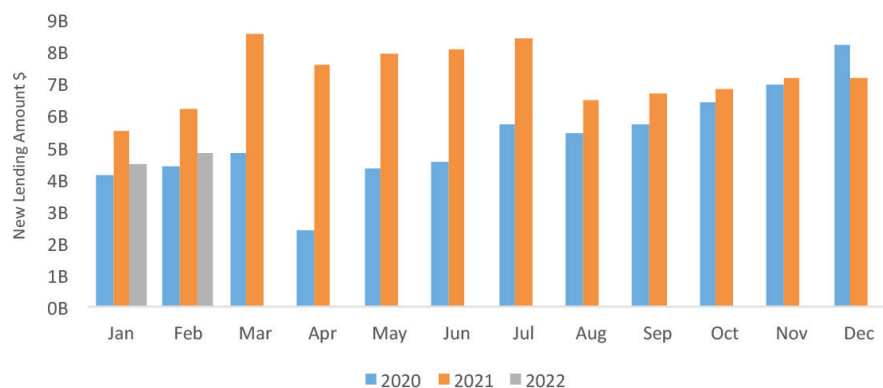
The value of new mortgage lending was 23% down in February, compared to the same month last year.

There has been a significant drop in new mortgage lending since the beginning of the year, as several market influences have impacted lending across the board.

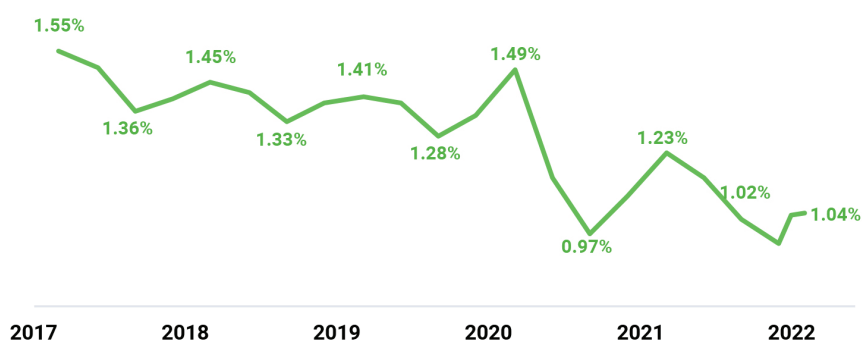
Despite this, arrears in home loans have been steadily improving year-on-year.

The proportion of home loans with missed payments held flat at 1.04 % in February, but down from the 1.22% recorded in February 2021.

## New Lending Amount: Mortgages



## Home Loan Arrears



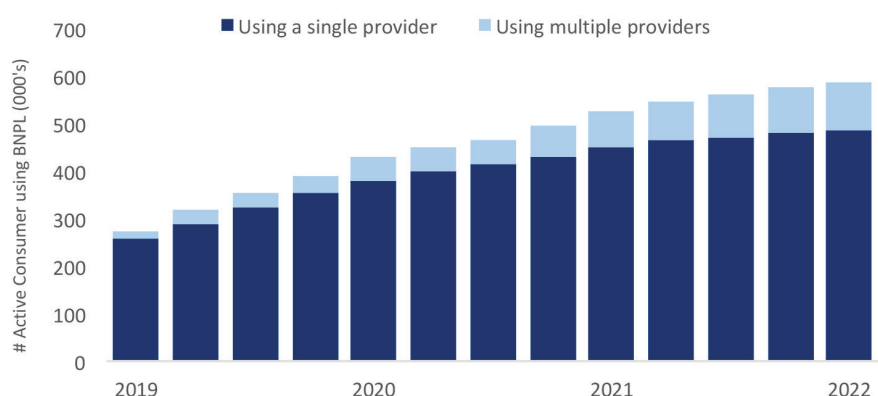
## Buy Now Pay Later account numbers remain high

There are over 587,000 New Zealanders who are active BNPL users (as reported in CCR).

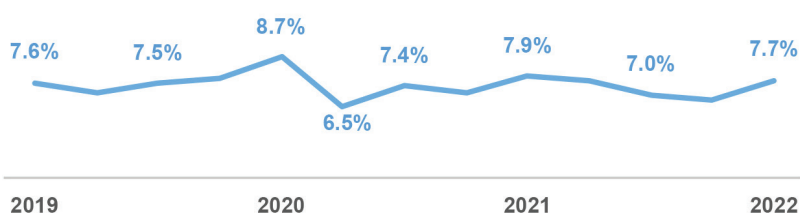
Half (50%) of all active credit consumers aged under 30 years old use BNPL, while the average age of a BNPL customer is 35 years old.

Furthermore, 7.7% of BNPL customer accounts are currently past due, which are similar levels we see with unsecured personal loans and down from an 8.7% high in 2020.

## Buy Now Pay Later: NZ Market



## BNPL Accounts in Arrears



## Business credit demand continues to decline

Looking at year-on-year trends, business credit demand was down 5% in March 2022, with impacts in retail trade and hospitality driving these changes.

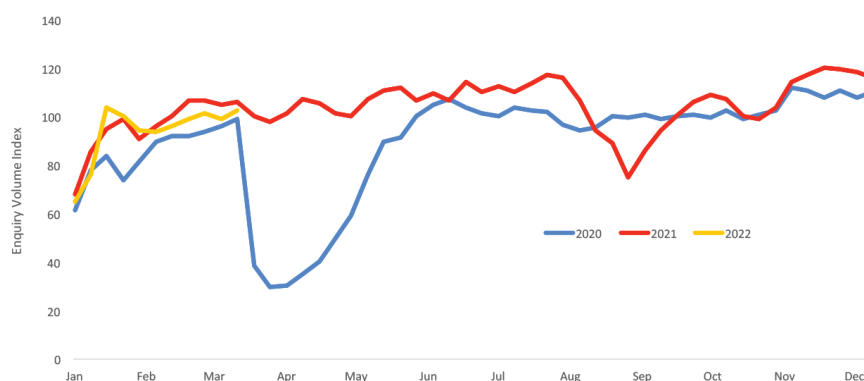
Despite this, the average business credit score in February was up three points to 767 month-on-month.

Retailers are one of the hardest hit sectors at present, with credit defaults up 19% on the same period last year due to falling consumer confidence.

Furthermore, hospitality and tourism continue to suffer from ongoing restrictions and consumer uncertainty impacting bookings and spending, with credit defaults of 9% and 12% respectively recorded in March.

Supply chain issues continue to impact the construction sector, with rising prices and skilled labour shortages also impacting the sector.

Business Credit Demand: 2020 to 2022



	Industry Sector	+/- Credit Defaults Year on Year	+/- Credit Score Year on Year
Hardest Hit Sectors	Retail Trade	+19%	-4.8 points
	Tourism	+12%	-6.8 points
	Hospitality	+9%	-5.5 points
	Construction	+3%	-7.0 points
Best Performing	Financial Services	-8%	+0.6 points
	Manufacturing	-15%	+0.8 points
	Education	-22%	+3.9 points

*Hospitality and tourism continue to suffer from ongoing restrictions and consumer uncertainty impacting bookings and spending.*

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Last updated March 31, 2022.

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## 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:

- 72 registered banks and 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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