



# April Credit Indicator

**CENTRIX**

## Creeping inflation begins to impact Kiwi credit confidence

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The crunch of Omicron and looming inflation has started to have a tangible impact on Kiwi consumers' confidence. Overall demand for consumer credit is down 6% year-on-year, along with average credit scores dropping three points during the past month.

Arrears are also increasing across the board, as Kiwis begin to struggle with making repayments, in the face of the rising cost of living. The number of consumers in arrears is up 5% year-on-year in March 2022, driven primarily by increasing arrears for personal loans, Buy Now Pay Later accounts, and telco plans.

Missed payments on mortgages and vehicle accounts remain low, as people are focusing their spend in these areas. When money gets tight, people are more likely to prioritise these credit payments over personal loans.

In alignment with recent CoreLogic data outlining weak property sales, the demand for mortgages has also fallen by 12% year-on-year in March 2022. The value of mortgage lending was also down 30% year-on-year as the market tightens and the lingering impact of the CCCFA changes continues to affect loan conversion rates.

As interest rates continue to climb, the squeeze is likely to be felt by homeowners and investors alike in the coming months.

However, on a positive note, as Aotearoa moved away from Omicron restrictions in late March and April, business credit has started to see a bounce back.

While business credit demand is down 7% year-on-year in April, the average credit score for new applications is up to 771 – a four-point increase on March 2022. While defaults are still up year-on-year in certain sectors like agriculture, tourism and hospitality, the improvement from last month could be signalling a return in business confidence.

Coupled with the borders reopening incrementally during the coming months, Aotearoa's business communities could be looking at an increase in holidaymakers spending locally and a returning international workforce.

Keith McLaughlin  
Managing Director



## Consumer credit demand down 6% year-on-year in April

Demand for consumer credit remains down in April 2022, as Kiwis tighten the purse strings on personal spending.

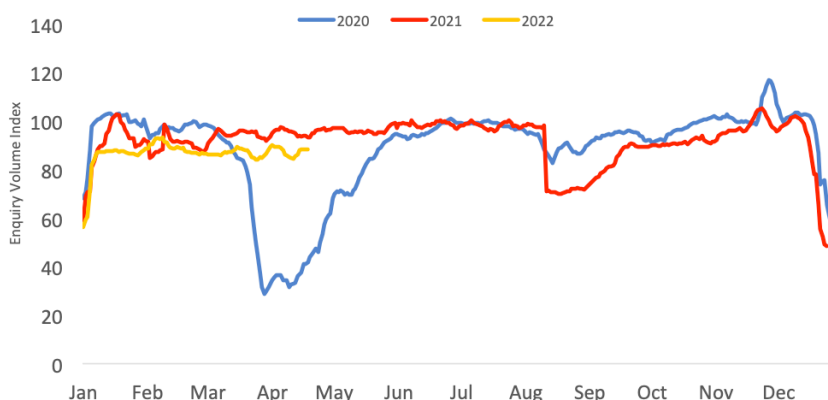
Consumer credit demand is down 6% year-on-year as confidence hits credit demand across the country, due to the Omicron disruption and rising living costs.

Mortgage applications are down 12% year-on-year, while new credit card demand is down 35% year-on-year. Personal loan applications are also down 8% year-on-year.

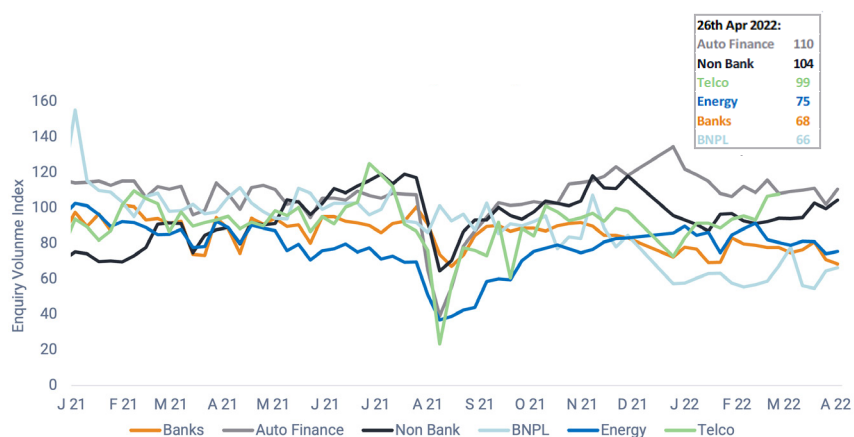
Despite this, auto finance continues to be the strongest performing sector, despite limited supply of new vehicles due to supply chain issues.

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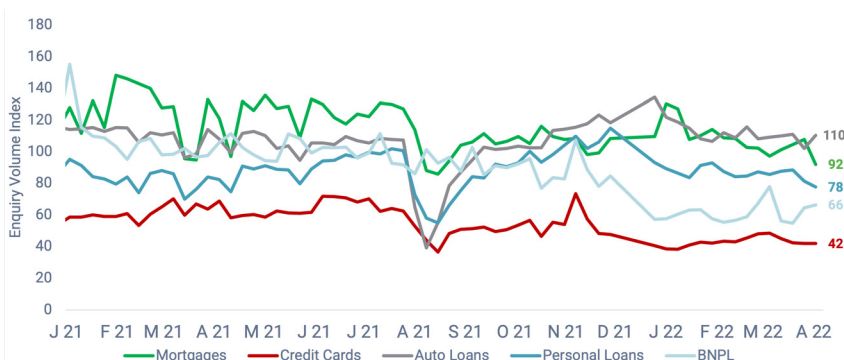
## Consumer Credit Demand: 2020 to 2022



## Credit Demand By Industry Sector



## Credit Demand By Product Type



## Consumers behind on payments up 5% year-on-year in March

A key indicator of increasing financial strain is the rise in consumer accounts in arrears.

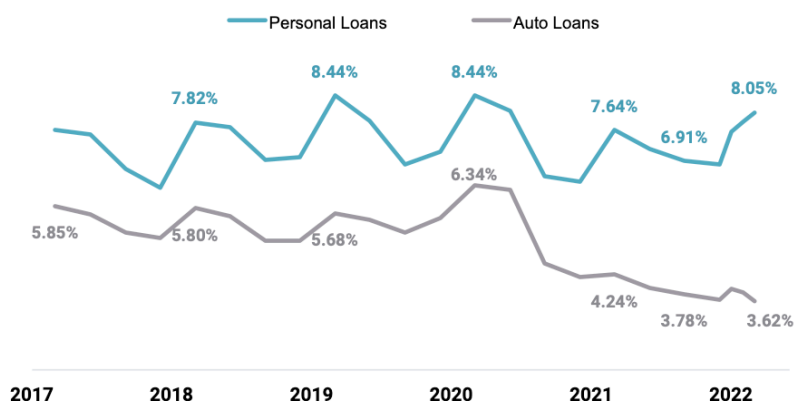
While home loan and vehicle arrears are at consistently low levels, arrears on unsecured personal loans have risen to 9% year-on-year – their highest level since May 2020.

Furthermore, arrears on Buy Now, Pay Later (BNPL) accounts have risen sharply in the last couple of months to the highest level since March 2020.

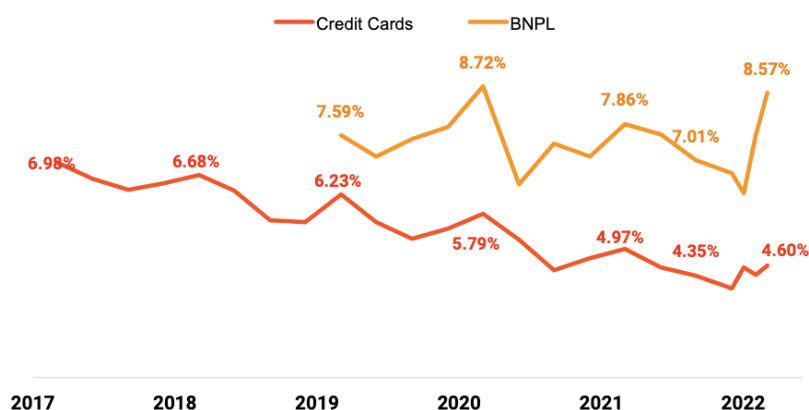
Arrears on telco accounts have also risen since July 2021.

*Arrears on unsecured personal loans have risen to 9% year-on-year – their highest level since May 2020*

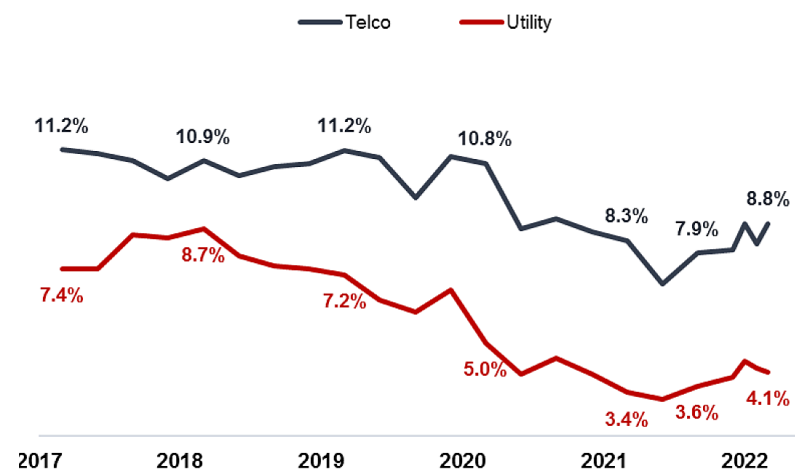
### Consumer Loan Arrears



### Credit Card & BNPL Arrears



### Telco & Utility Arrears



## New lending down across Aotearoa

The value of new lending was 30% down in March, compared to the same month last year.

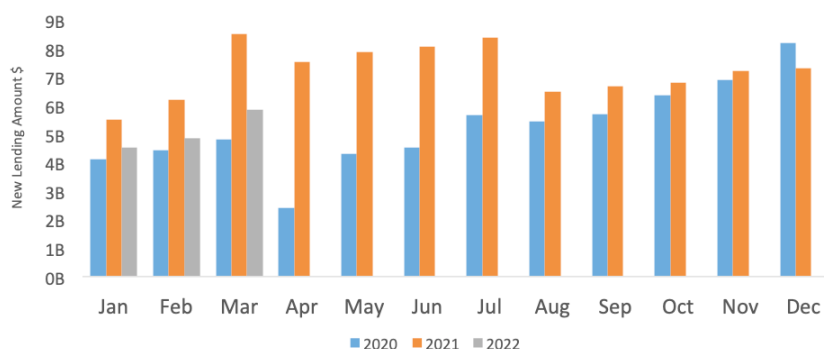
There has been significant reductions in new mortgage lending since the beginning of the year, with the housing market in retreat as credit tightens and recent rate hikes take hold.

For example, the value of new residential mortgage lending was down 31% year-on-year in March 2022, while non-mortgage lending was down 11% over the same period.

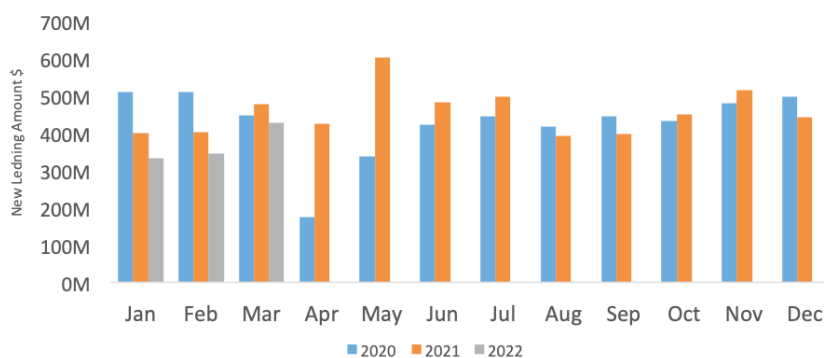
Furthermore, loan conversions have dropped across all major credit loan types since the changes to the CCCFA in December.

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## New Lending Amount: Mortgages

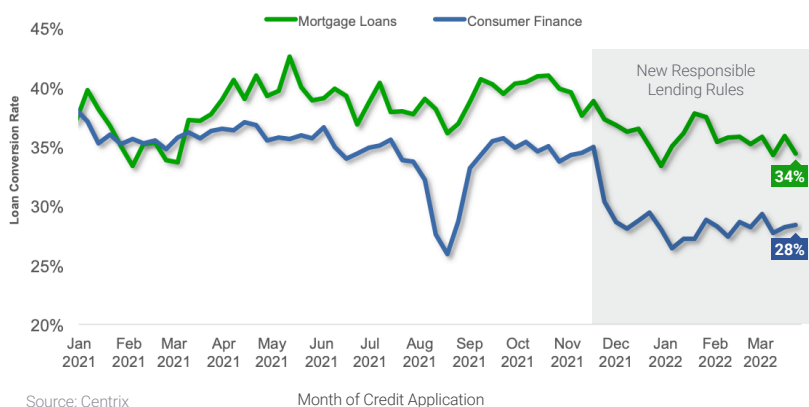


## New Lending Amount: Consumer Loans



## Consumer Loan Conversion Rate Trend

*Credit approvals as a proportion of application enquiries made*



## \$300B mortgage debt across Aotearoa

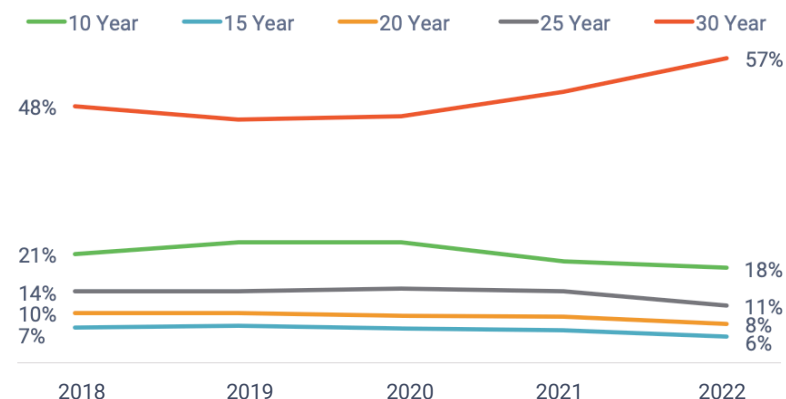
At the moment, there are more than 1.4 million active residential mortgages across Aotearoa with a combined debt of \$300 billion.

Borrowers are being pushed into longer term mortgages to keep payments as low as they can, with 57% of new mortgages in 2022 issued with 30-year loan terms.

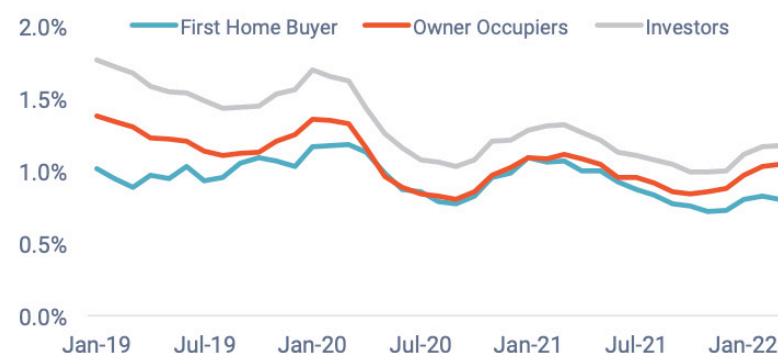
Early in 2022, arrears rates for investors and owner occupiers began to rise, an early signal of increasing financial hardship and a potential sign of future trouble.

*Borrowers are being pushed into longer term mortgages to keep payments as low as they can*

### % of New Mortgages by Loan Term



### Mortgage Arrears Rate



## Business credit landscape shows signs of improvement

While business credit demand is down 7% year-on-year in April, the average credit score for new applications is up to 771 – a four-point increase on March 2022.

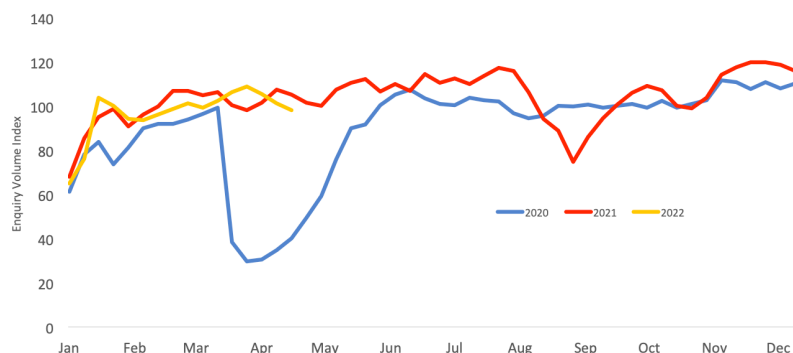
The decrease in credit defaults could indicate signs of recovery across the country, or businesses managing their cashflows and making some tough calls before getting into financial distress.

In particular, the retail and hospitality sectors are showing signs of recovery.

While still down year-on-year, both credit defaults and scores have improved from March 2022, reflecting the resilience of these sectors.

However, both agriculture and tourism are facing the strongest headwinds as labour shortages, supply chain disruptions and rising costs continue to be a challenge.

## Business Credit Demand 2020 to 2022



Industry Segment	Credit Defaults			Credit Scores		
	YoY	YoY	MoM	YoY	YoY	MoM
	(Mar22-Mar21)	(Feb22-Feb21)	(Mar22-Feb22)	(Mar22-Mar21)	(Feb22-Feb21)	(Mar22-Feb22)
Retail Trade	+8%	+19%	-10%	-1.9	-4.8	+2.4
Hospitality	+4%	+9%	-5%	-2.5	-5.5	+2.7

*In particular, the retail and hospitality sectors are showing signs of recovery*

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Last updated April 30, 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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