



# July Credit Indicator



## Rising inflation impacts Kiwi consumers and business owners alike

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Inflation reached a 32 year high in July, climbing to 7.3% as the cost of living continues to squeeze Kiwis across the country.

In the credit space, this has translated in ongoing muted credit demand for new products across the board, as households cut back on discretionary spending to help navigate this economic climate.

The number of accounts in arrears are increasing, up 14% year-on-year. However, month-on-month, activity has seen arrears decrease – particularly on home loans, personal loans and Buy Now Pay Later (BNPL) products.

Vehicle arrears are beginning to creep up. Products like mortgages and vehicle loans (secured lending products) are usually the last credit repayments people let slip, which indicates we could be starting to see signs of financial stress.

However, it's encouraging to see home loans in arrears are steadily decreasing, and utility arrears are at a historically low level as Kiwis prioritise their housing, electricity, and other essentials during the cold winter months.

New lending for mortgages has now recovered to pre-pandemic levels but remains subdued compared to 2021 when the property market was running hot.

The business sector is also seeing the impacts of inflation and caution around discretionary spending. The retail sector is seeing rising defaults alongside lower activity, as well as staff shortages and supply chain issues.

On the other hand, with borders open and international travel resumed, the tourism sector is seeing strong activity after being curtailed by COVID-19 restrictions over the last two years.

Looking specifically at credit users under 30-years-old, it's interesting to see more than 620,000 active credit accounts in this age bracket – with 46% of them opening a BNPL account as their first instance of using credit.

Navigating the next few months will likely be challenging for many Kiwis and business owners alike. It's best for Kiwis to front foot any repayment issues they have in order to maintain a strong credit score.

Likewise, businesses need to be credit checking potential customers and suppliers to ensure they aren't opening themselves up to undue risks.

Keith McLaughlin  
Managing Director



## Credit demand down nationwide

Overall demand for new credit products is down 6% year-on-year in July 2022.

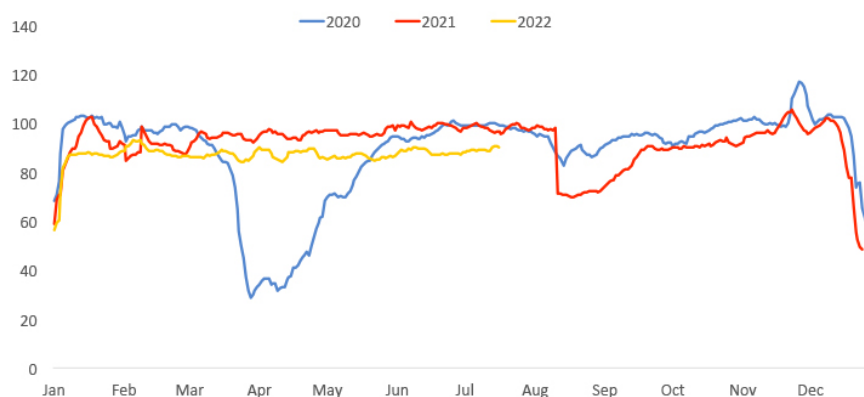
Specifically, mortgage applications are 29% down on the same period last year, due to the downturn in the housing market. BNPL new customer enquiries are also down 30% year-on-year.

While new credit card demand is at its highest level since November 2021, it is down 23% on July 2022.

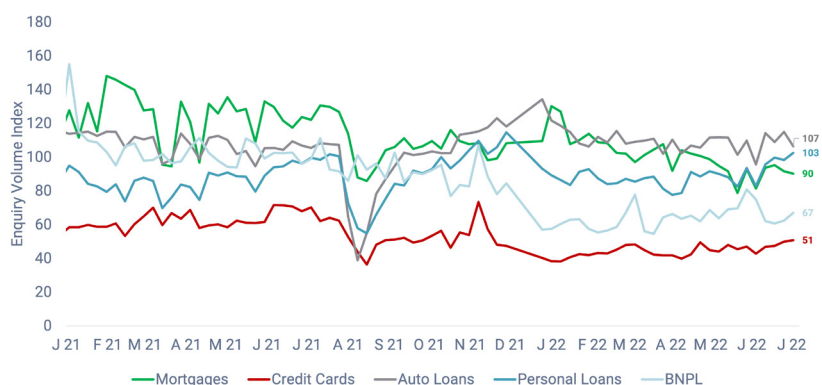
Bucking the trend are auto and personal loans, with demand remaining strong for both when compared to the same period last year.

*Specifically, mortgage applications are 29% down on the same period last year*

Consumer Credit Demand: 2020 to 2022



Credit Demand by Product Type



## Credit demand down nationwide

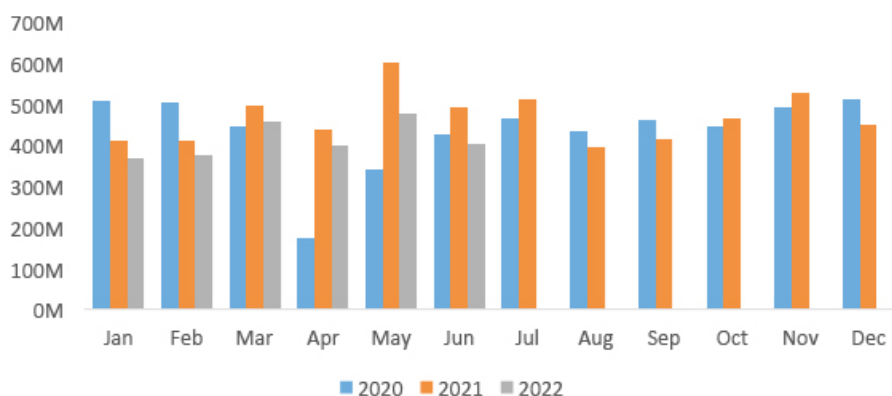
Alongside decreased credit demand, the number of successful credit applications also dropped in June 2022.

New lending for non-mortgages is down 18% on last year, most likely due a slowdown in overall demand for these products in the current economic environment.

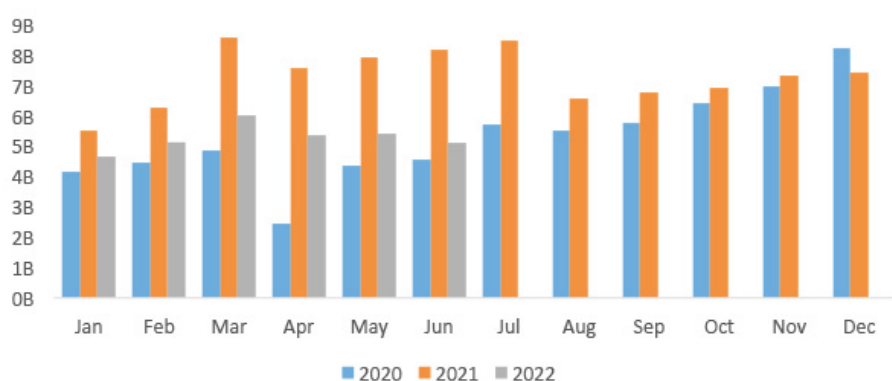
Mortgage lending is also down 37% year-on-year. However, new mortgage lending is now back above prepandemic levels in 2019.

*New lending for non-mortgages is down 18% on last year*

New Lending Amount: Consumer Loans



New Lending Amount: Mortgages



## Overall credit arrears up year-on-year

One-in-ten credit accounts were in arrears in June 2022 (10.8%) as the impacts of inflation begin to hit Kiwi wallets.

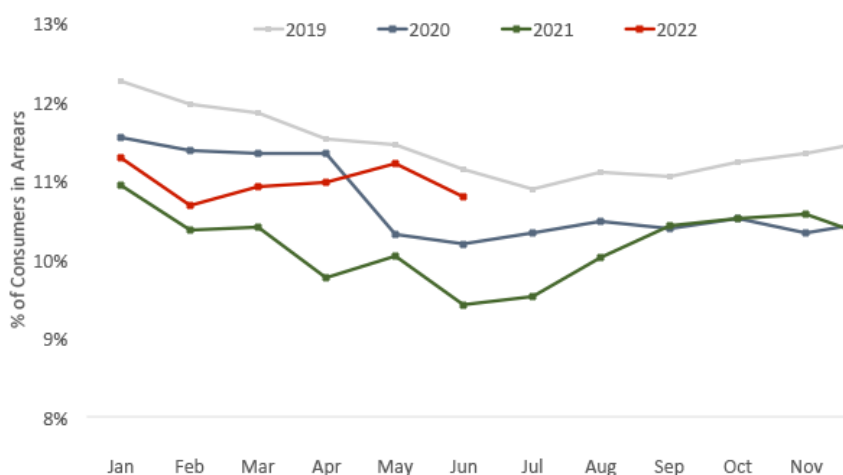
While a slight improvement from May 2022 (11.2%), this still represents a 14% increase in arrears year-on-year from June 2021.

Furthermore, 4.1% of credit active consumers are currently 30+ days past due, and 2.3% are 90+ days past due, indicating affordability stress for some households.

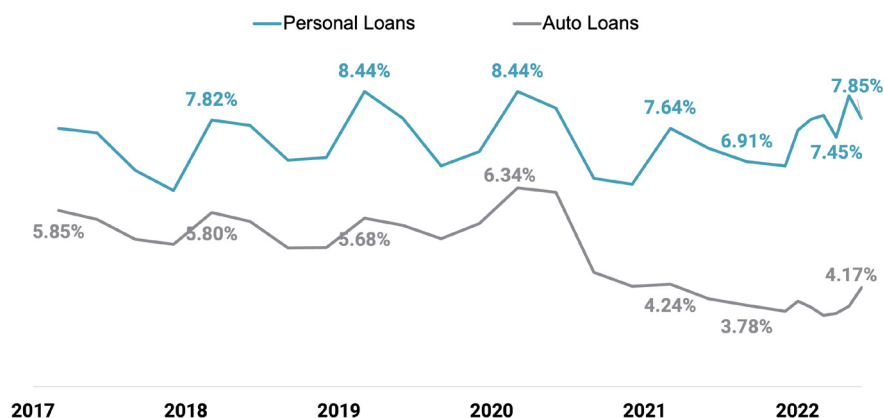
Arrears on vehicle loans have risen for the 3rd month to 4.2%, the highest reported level since August last year.

*One-in-ten credit accounts were in arrears in June 2022*

Consumer Arrears Trends



Consumer Loans Arrears



## Mortgage and utility arrears improve

Despite overall arrears increasing, mortgages in arrears have been steadily improving year-on-year.

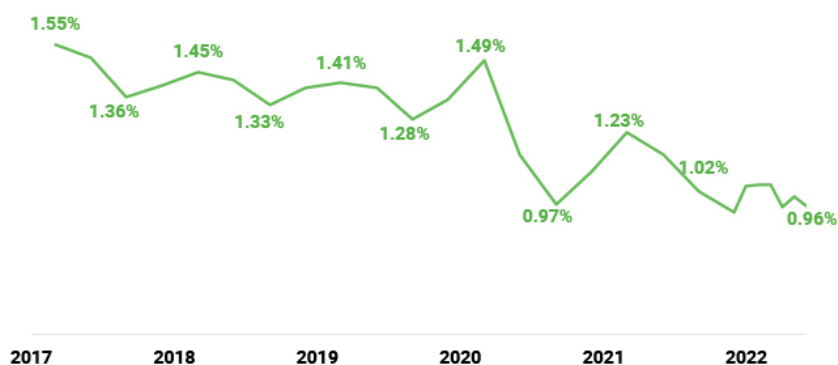
The proportion of home loans with missed payments dropped slightly to 0.96% in June, with no signs of mortgage stress emerging, despite the recent 50 basis point Official Cash Rate hike and higher costs of living.

Furthermore, utility account providers continue to show improving arrears, now down to a historical low of 2.7% as Kiwis prioritise the essentials over discretionary spending.

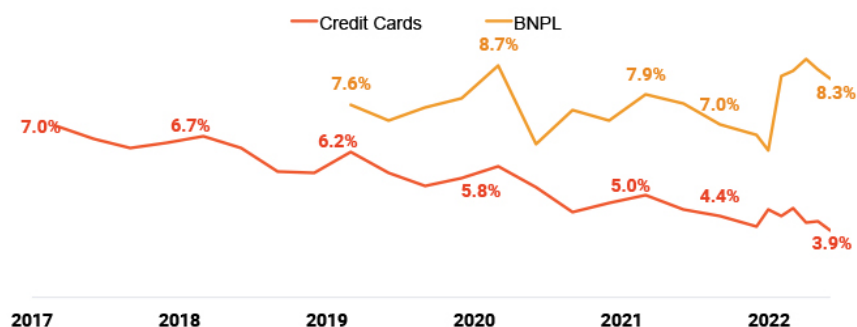
Arrears on BNPL accounts have improved for the 2nd month in a row - down to 8.3%.

*The proportion of home loans with missed payments dropped slightly to 0.96% in June*

### Home Loan Arrears



### Credit Card and BNPL Arrears



## Snapshot of under 30s credit activity

There are currently more than 620,000 active credit consumers in New Zealand under the age of 30 years old.

Of these Kiwis, only 12% have mortgage commitments. However, more than half (54%) of under 30s use a BNPL product compared to 25% that use credit cards.

Default risk for under 30's is very similar across all unsecured products, which includes credit cards, personal loans and BNPL accounts.

The average credit score for under 30s is 633, which is 120 points below the national average.

**620k** Credit Active Consumers

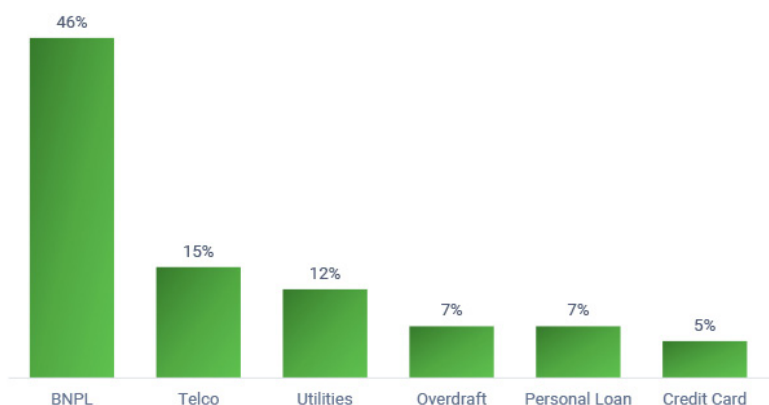
**12%** With Mortgages

**54%** Use Buy Now Pay Later

**633** Average Credit Score

### First Credit Event

(earliest credit account on file)



### Repayment Behaviour

(For BNPL users vs the rest)

Arrears:	% BNPL Arrears		% Credit Card Arrears		% P/Loan Arrears	
	Yes	No	Yes	No	Yes	No
BNPL Consumer:						
18-24 Years	12%	8%	13%	8%	11%	11%
25-29 Years	12%	6%	12%	6%	11%	11%

## Business credit demand down

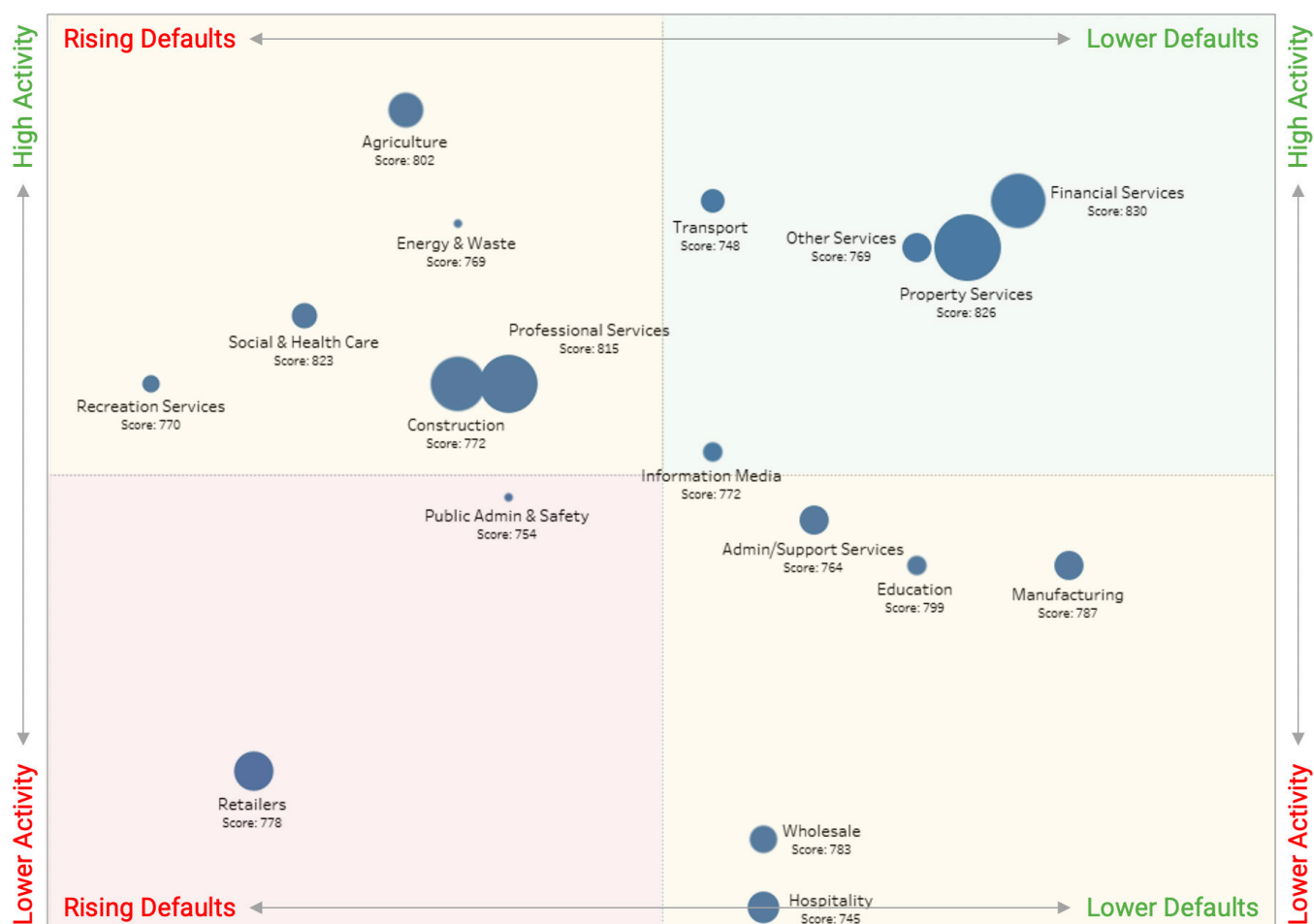
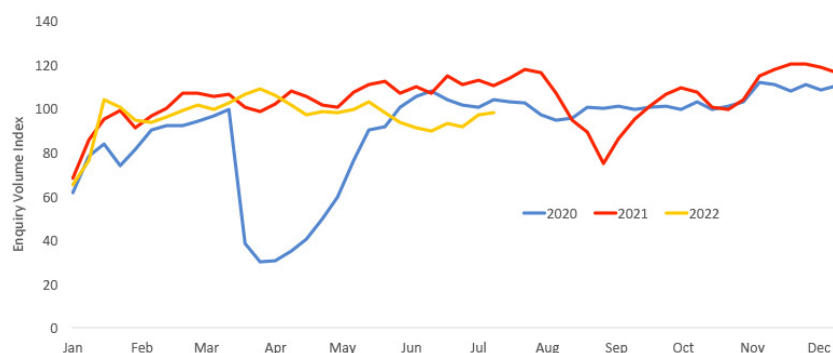
Credit demand in New Zealand's business sectors has fallen 12% year-on-year in July 2022, with average credit scores rising slightly to 765.

Looking at specific sectors, retailers are facing the strongest challenges such as supply chain issues, staff shortages and high inflation continue to place pressure on the sector.

Additionally, the construction sector continues to experience stress as the economy tightens, with rising company failures and payment defaults.

Despite this, the tourism sector is showing improving trends with increased activity and lower defaults as international visitors are back in the tourist hotspots sector.

Business Credit Demand: 2020 to 2022



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Last updated July 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:

- 75 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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