



# August Credit Indicator



## Credit cracks emerging for Kiwi consumers

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The Reserve Bank delivered its fourth consecutive 50 basis point rise to the official cash rate earlier this month – reaching a seven year high of 3% – to help rein in inflation.

Despite these efforts and early signs inflation may be receding, Kiwis are still feeling the pinch from high living costs, increased interest rates and the squeeze of the economic climate.

The simultaneous increase in demand for credit and arrears points to people being under pressure to meet repayment obligations.

Overall arrears went up for all regions across the country, with consumer arrears increasing 13% year-on-year in July. While arrears on unsecured personal loans have edged up to 7.9% year-on-year, vehicle arrears also rose for the fourth consecutive month.

Vehicle repayments are traditionally one of the last repayment obligations people let slip, and the ongoing growth in arrears may indicate underlying pressure for Kiwi households.

However, mortgage arrears remain low as Kiwis prioritise keeping a roof above their heads while arrears on discretionary repayments like Buy Now Pay Later accounts, credit cards and personal loans climb.

Following the market trend, mortgage applications are also down 25% year-on-year, which suggests people are putting real estate plans on hold in lieu of balancing their finances. Meanwhile for those who are borrowing, new residential mortgage lending is down 40% year-on-year in July 2022.

Despite this, first home buyers who successfully purchase property will find the average mortgage loan has fallen by \$65,000 in the last six months – an 11% drop aligning with the cooling of the property market and falling house prices.

The Kiwi business sector continues to walk the economic tightrope of remaining open and viable while contending with supply chain issues, labour shortages and reduced consumer spending.

The retail and construction sectors in particular are challenged by defaults and lower activity, while tourism and hospitality show increased activity and lower defaults as international tourists return in greater numbers.

For business owners and consumers alike, managing finances and repayments is paramount. It's important for anyone struggling to speak with lenders proactively to reorganise repayment terms. An adjustment of terms is far preferable to letting debt build and potentially endangering long-term financial wellbeing.

Keith McLaughlin  
Managing Director



## Demand for personal loans grows

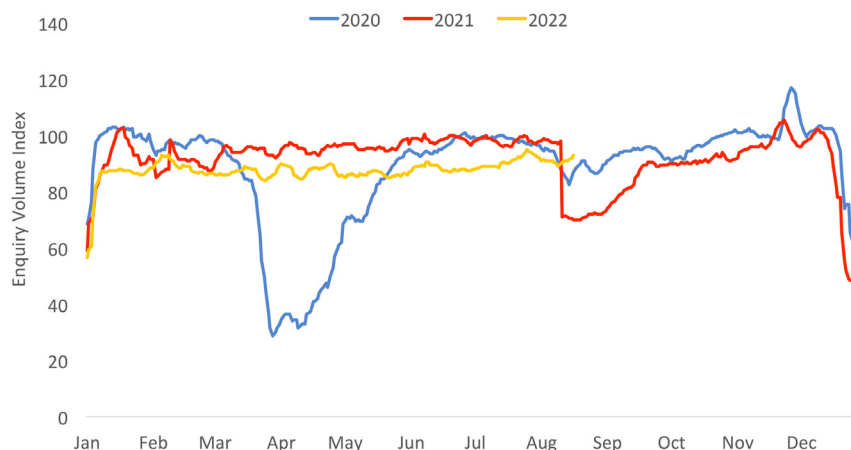
The overall demand for credit was up 23% year-on-year in August 2022, largely driven by an increased demand for personal loans.

In fact, personal loan demand is up 29% year-on-year in August. Personal loans are traditionally used for funding things like holidays, or this could be a sign Kiwis are turning to credit to help cover the rising cost of living and to meet their wider repayment obligations.

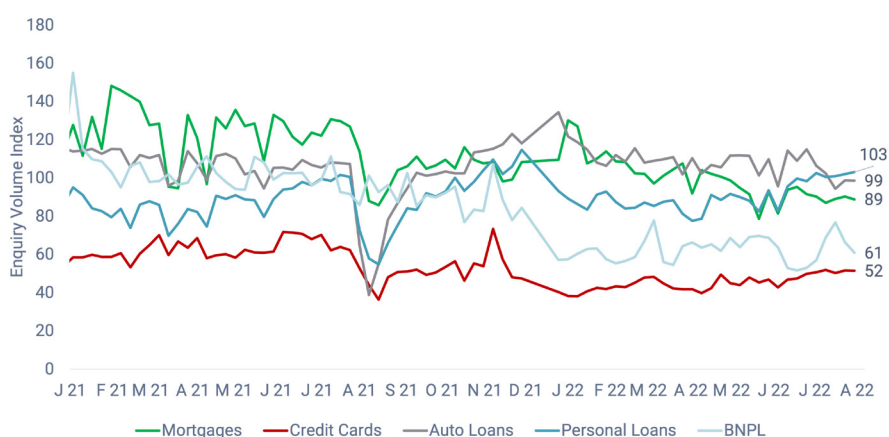
Mortgage applications are down 25% year-on-year, in part due to the ongoing downturn in the housing market across the country.

*Personal loan demand is up 29% year-on-year in August*

Consumer Credit Demand: 2020 to 2022



Credit Demand by Product Type



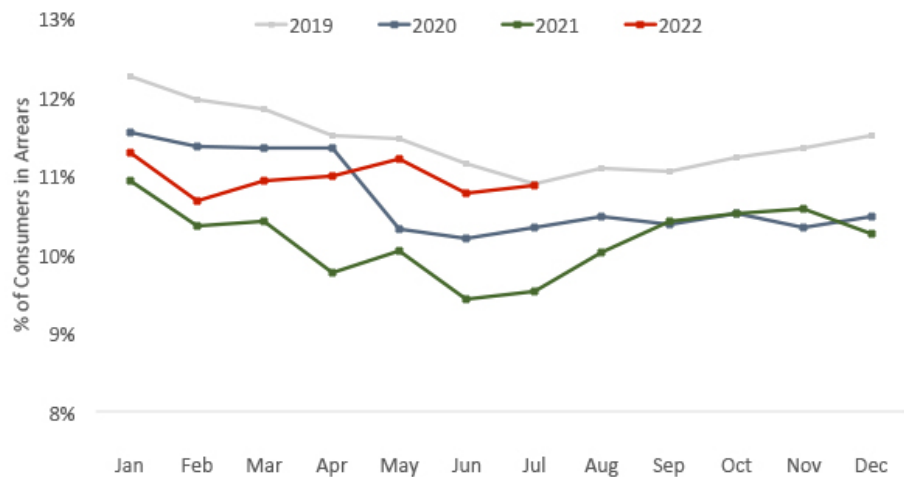
## Consumer arrears on the rise

In July 2022, consumer arrears were up 13% year-on-year as the economy tightens. We are starting to see the trend catching up to pre-Covid levels.

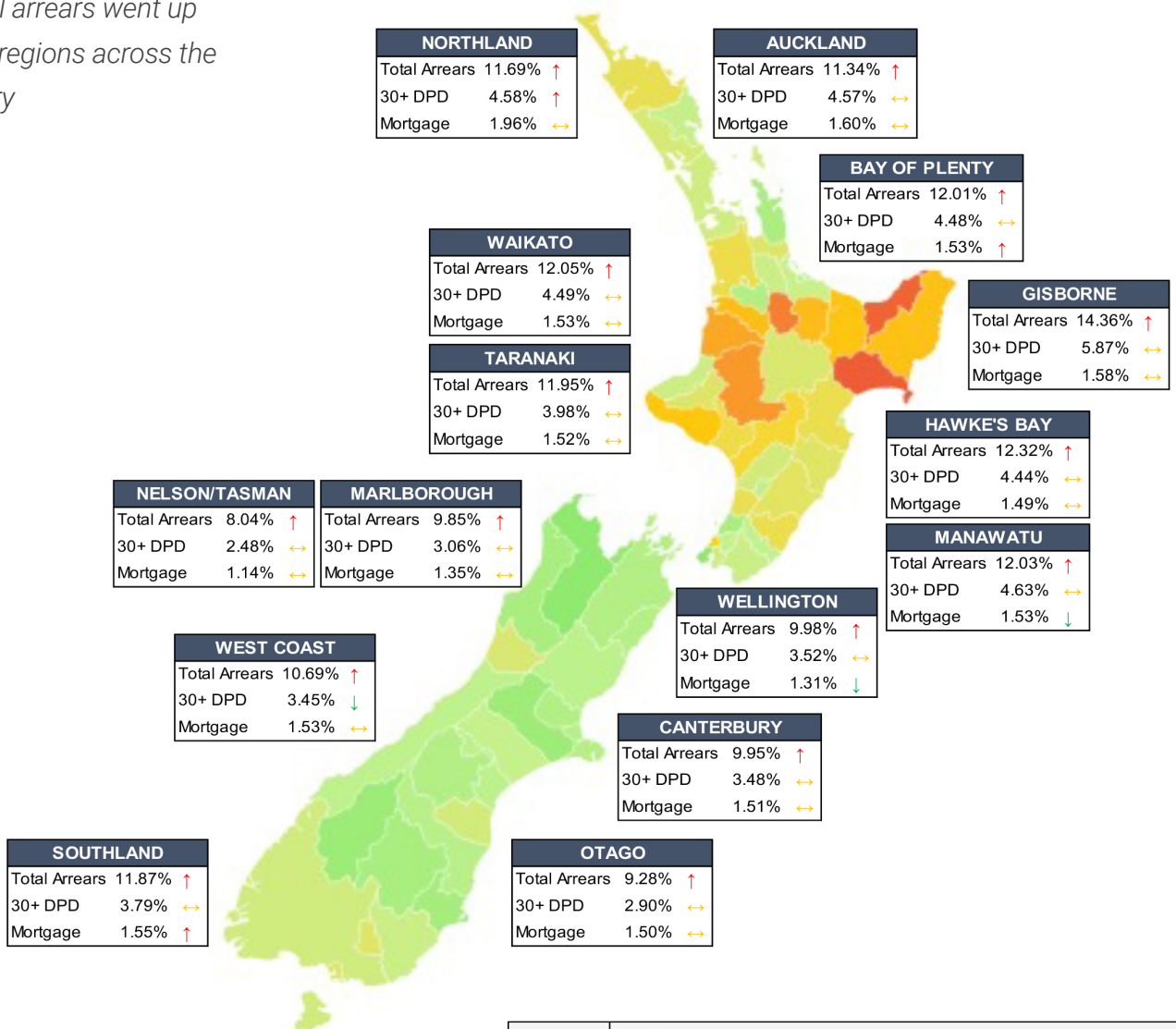
Overall arrears went up for all regions across the country, with 4.2% of credit active consumers currently 30+ days past due and 2.4% 90+ days past due.

Gisborne has the highest overall arrears (14.4%) while Northland has the highest proportion of mortgage borrowers past due (1.9%).

## Consumer Arrears Trends



Overall arrears went up for all regions across the country



Key	Definition
Total Arrears	Proportion of borrowers with at least one credit account currently in arrears
30+ DPD	Proportion of borrowers with at least one credit account 30+ days past due
Mortgage	Proportion of mortgage borrowers with at least one mortgage account in arrears

## BNPL, credit card arrears up marginally

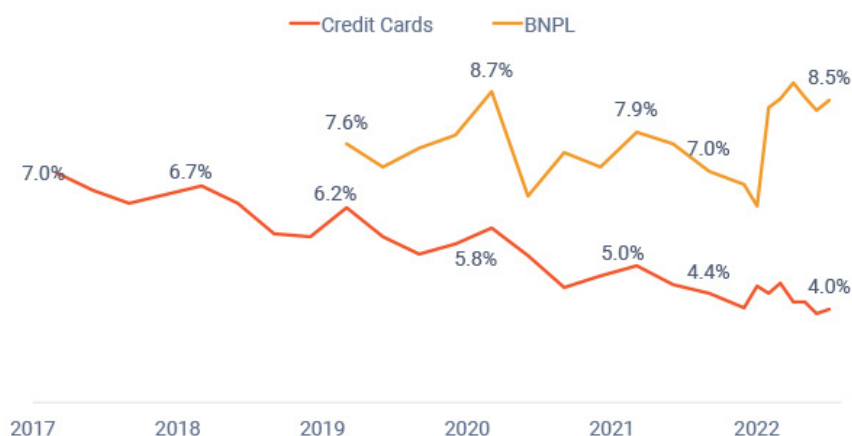
Looking at specific credit products, Buy Now Pay Later arrears rose to 8.5% in July while the number of credit cards past due edged up to 4%.

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

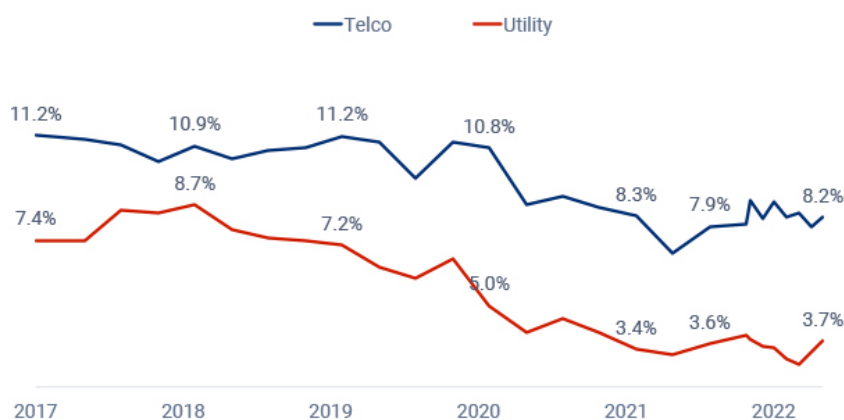
The proportion of telco accounts reported overdue also rose to 8.2% in July, while missed payments on utility accounts rose to 3.7% – although this remains well below historic levels as Kiwis prioritise these costs over discretionary spending.

*Default risk for under 30's is very similar across all unsecured products*

Credit Card and BNPL Arrears



Telco and Utility Arrears



## Mortgage arrears remain low

Despite rising arrears, Kiwis appear to be prioritising mortgage repayments with the proportion of home loans with missed payments remaining steady at 0.96% in July 2022.

While there are currently more than 14,000 mortgage accounts past due, there are no major signs of mortgage stress emerging – despite the recent rate hikes and higher costs of living.

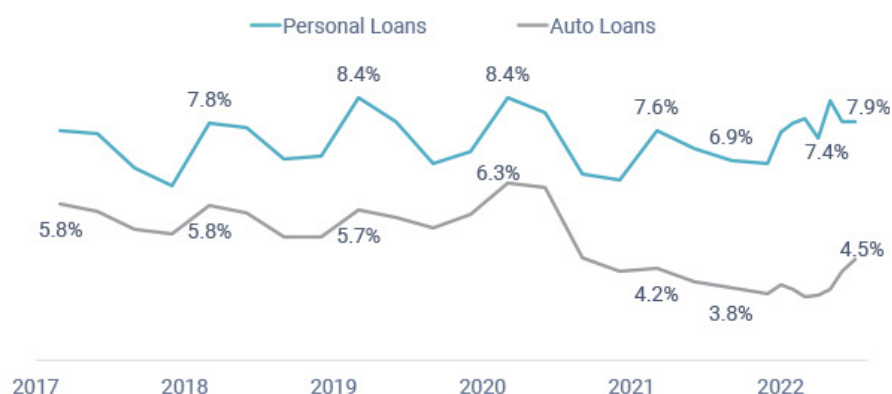
However, arrears on vehicle loans have risen again for the 4th consecutive month to 4.5%, the highest reported level since early 2021.

*Arrears on vehicle loans have risen again for the 4th consecutive month to 4.5%*

## Home Loan Arrears



## Consumer Loan Arrears



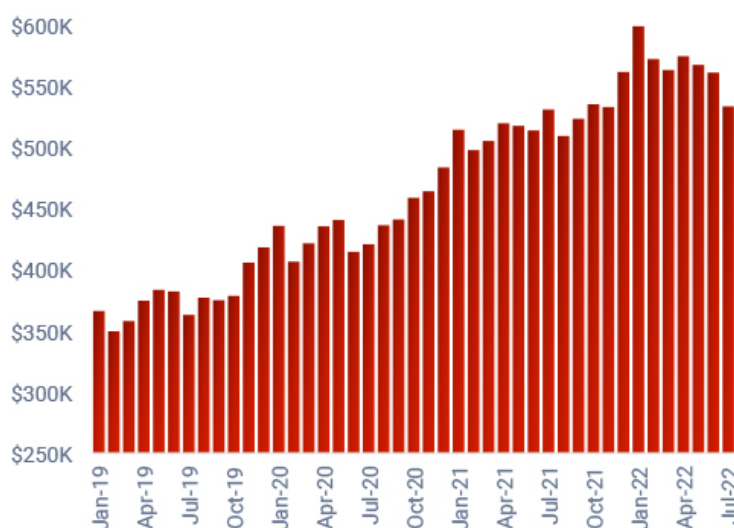
## First home buyer snapshot

The average mortgage loan for first home buyers increased by 64% during the three-year period from 2019 to 2021, peaking at \$600,000 in January 2022.

However, this figure has fallen by \$65,000 in the last six months – an 11% drop aligned with the cooling of the property market and falling house prices.

The average credit score for first home buyers is a strong 804, with these consumers showing lower levels of missed payments across all their borrowing commitments.

### Average Home Loan for FHB



Period	Home Loan	Change
Jan-22	\$599,896	
Jul-22	\$534,135	-11.0%

### FHB Arrears Levels

Mortgages	0.67%
Credit Cards	3.5%
Auto Loans	2.1%
Personal Loans	3.8%
BNPL	2.9%

**804** Average Credit Score

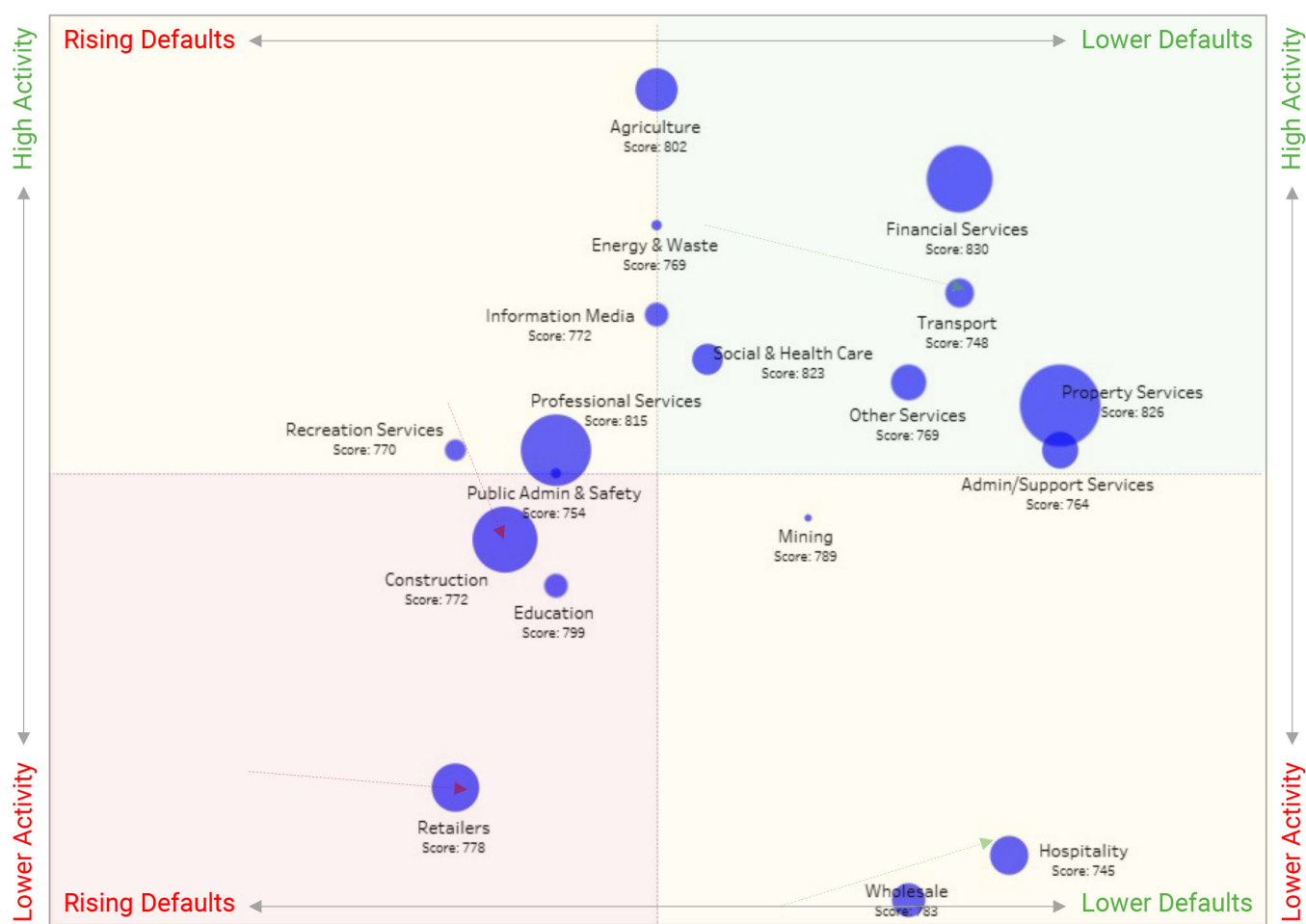


## Ongoing challenges for retail, construction

Business credit demand is up slightly year-on-year (1%), and the average credit score for new business applicants has risen to 765.

However, several industries continue to feel the impacts of inflation and the tight economic climate – namely the retail and construction sectors.

Retailers are facing challenges as supply and labour shortages continue, while the construction sector continues to experience stress as the economy tightens, with falling new home consents, rising company failures and payment defaults.



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Last updated August 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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