



September Credit Indicator



Persistent arrears lay bare economic realities for Kiwis

Whilst there has been plenty of chatter about a potential recession, there are two aspects to consider – a technical recession and the chilling effect of the anticipation of a recession.

Stats NZ release of June Quarter GDP statistics point away from a technical recession, while this month's Centrix data shows that for some Kiwis, the anticipation of a recession is affecting payment behaviour.

Unfortunately, it appears there's a long way to go for many consumers and businesses who are still grappling with the impacts of inflation, the ongoing cost of living crisis, cost pressures and increased interest rates.

Confidence has taken a hit as the global economy grapples with the ongoing situation, something that has been felt in New Zealand as well. The anticipated increase in the Official Cash Rate this week reflects this.

For example, demand for personal loans has resurged as Kiwis look to fund spending, while mortgage demand has fallen in line with the cooler housing market.

Discretionary spending is also on the chopping block, with new Buy Now Pay Later (BNPL) enquiries down 27% year-on-year in September 2022.

In addition to decreased demand, arrears are also continuing to increase as Kiwis feel the pinch.

Many are choosing to focus on their mortgages – due to interest rate hikes – in order to keep their largest asset well and truly secure.

On the other hand, vehicle arrears grew for the fifth consecutive month and BNPL arrears rose to a three-year-high of 9.3% in August – suggesting that pressure is building in some corners of the economy.

Luckily, while there has been a slight upswing in missed energy bills, this remains below historic levels as Kiwis keep themselves warm heading into the spring months.

New Zealand businesses are a mixed bag as well, with retail credit demand down one fifth year-on-year due to the persistent weakness of the economy.

As Kiwis tighten the purse strings, retail businesses are seeing less discretionary spending coming through their registers.

While construction continues to grapple with supply chain challenges, an upswing in demand for residential development shows small steps towards recovery.

The underdogs of the pandemic, both the tourism and hospitality sectors are seeing improved trends as international travellers – both holidaymakers and those on working visas – are making their way to our shores in greater numbers.

While officially forecasts don't point to a recession, it appears there are more challenging months ahead for New Zealanders. As always, it's important for those at risk of missing repayments to talk to their bank or lenders as soon as possible to avoid long term financial stress.

Keith McLaughlin
Managing Director



Arrears up year-on-year as consumers fall behind

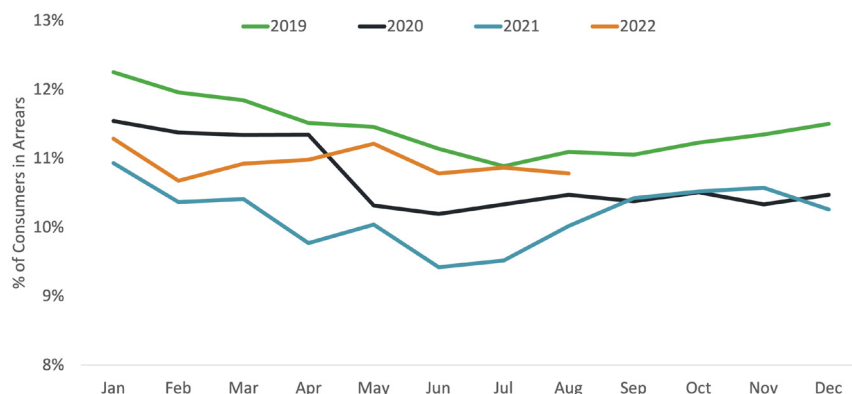
Arrears across consumer products continue to stay up year-on-year, with Kiwis prioritising their mortgage repayments over discretionary credit product repayments.

Overall, the number of people behind on repayments fell month-on-month to 10.8% of the credit active population in August 2022. However, consumer arrears are up 8% year-on-year as economic downturn persists.

The proportion of home loans with missed payments is up slightly at 0.98% in July, with more than 14,200 mortgage accounts past due. However, there's little sign of mortgage stress emerging, despite the ongoing cost-of-living crisis and geopolitical uncertainty.

Consumer arrears are up 8% year-on-year as economic downturn persists.

Consumer Arrears Trends



Home Loan Arrears



Vehicle arrears up for fifth consecutive month

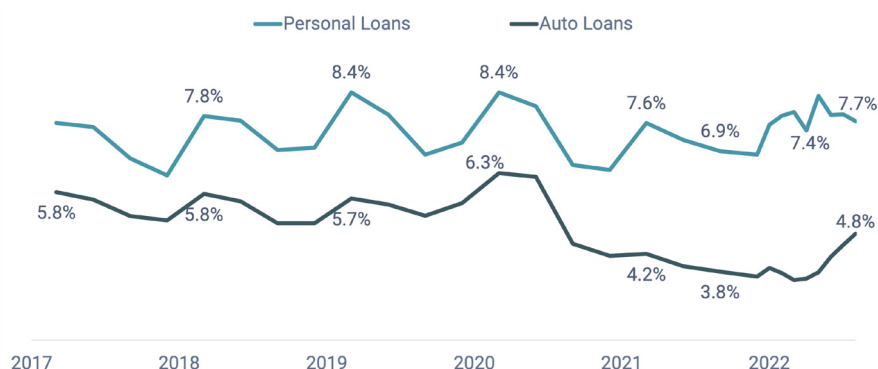
Arrears on vehicle loans have risen again for the fifth month running to 4.8%, the highest reported level since January 2021.

Furthermore, Buy Now Pay Later arrears hit a three year high of 9.3% in August as cost of living pressures persist and consumers struggle to keep up with their payments.

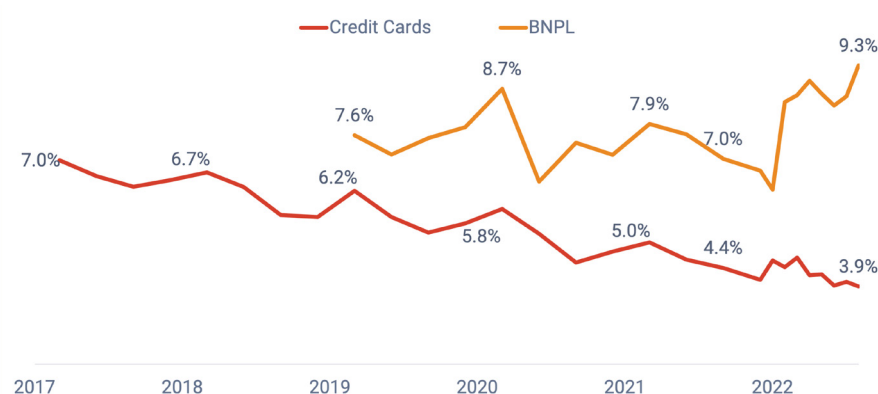
However, the proportion of credit cards overdue are at record low levels and while seasonal increases in missed energy bill payments saw arrears on utility accounts rise to 4.2% in August, this is still well down on historical levels.

The proportion of credit cards overdue are at record low levels

Consumer Loan Arrears



Credit Card & BNPL Arrears



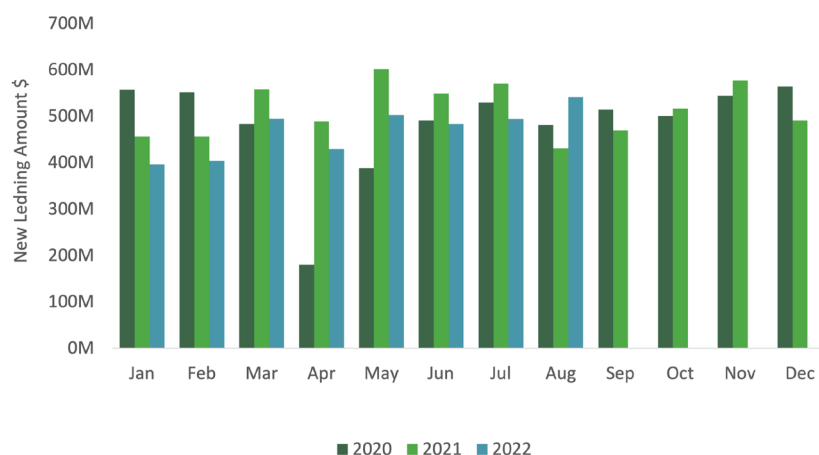
New personal loans hit 10-month-high

As household pressures continue for Kiwis across the country, new consumer loans granted in August hit a 10-month-high, which could reflect consumers who are increasingly turning to credit to help fund spending. However, this does match pre-pandemic lending in August 2019.

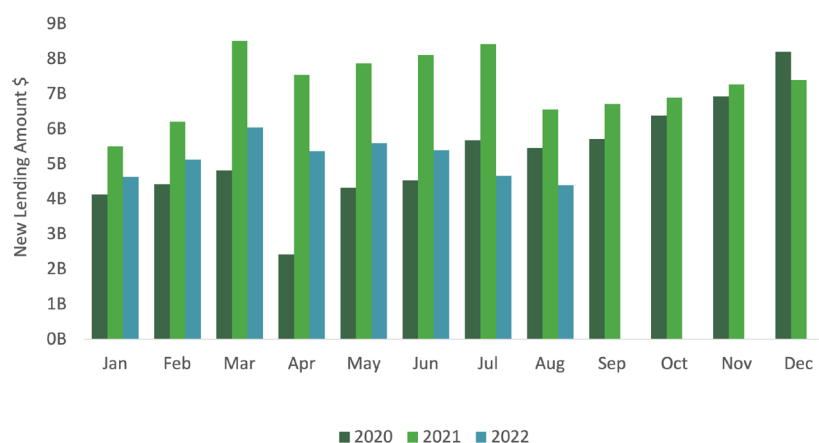
New residential mortgage lending remains down annually by 33% year-on-year as the housing market continues to run cooler than the heights seen in 2021.

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New Lending Exposure: Consumer Loans



New Lending Exposure: Mortgages



Auto lending snapshot

There are nearly 300,000 active vehicle loans across the country, which has been growing approximately 6% per annum as new vehicle sales remained strong.

Nationwide, the average auto loan size is \$21,000, held by Kiwis with an average age of 41-years-old and with an average credit score of 687.

Currently, 2.7% of auto loans are at least 30 days past due – a figure which has been on the rise over the last five months.

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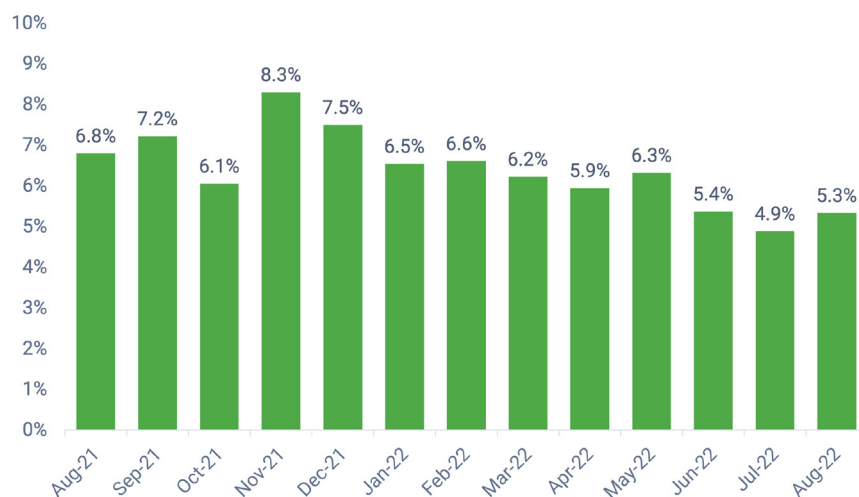
15 Auto Providers in CCR

300 '000s Active Consumers

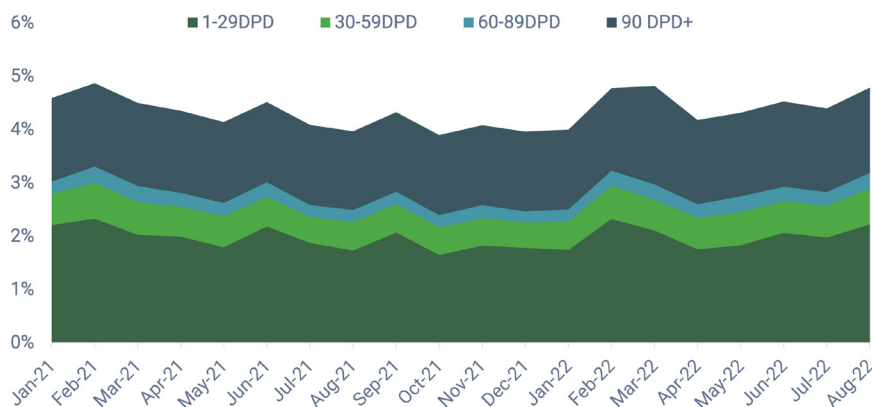
43 Average Customer Age

687 Average Credit Score

Annual Growth in Auto Loan Sector



Auto Loans Arrears



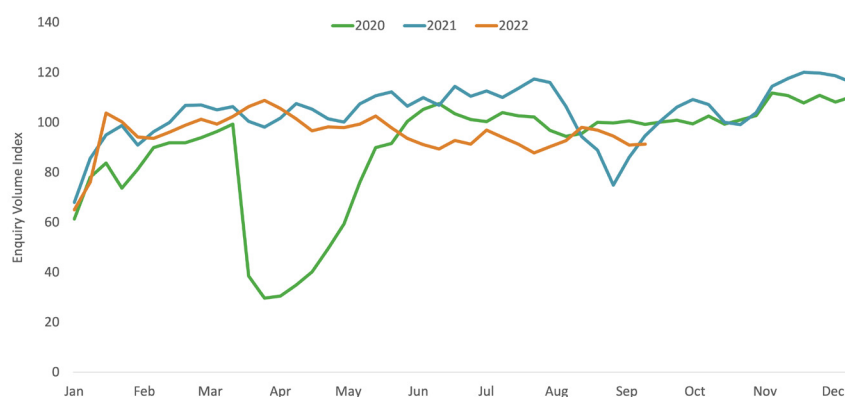
Retail credit falls one-fifth in September

Turning to the business credit sector, overall credit demand is down 3% year-on-year. However, the retail sector has seen credit demand fall 20% year-on-year due to persistent weakness in the economy.

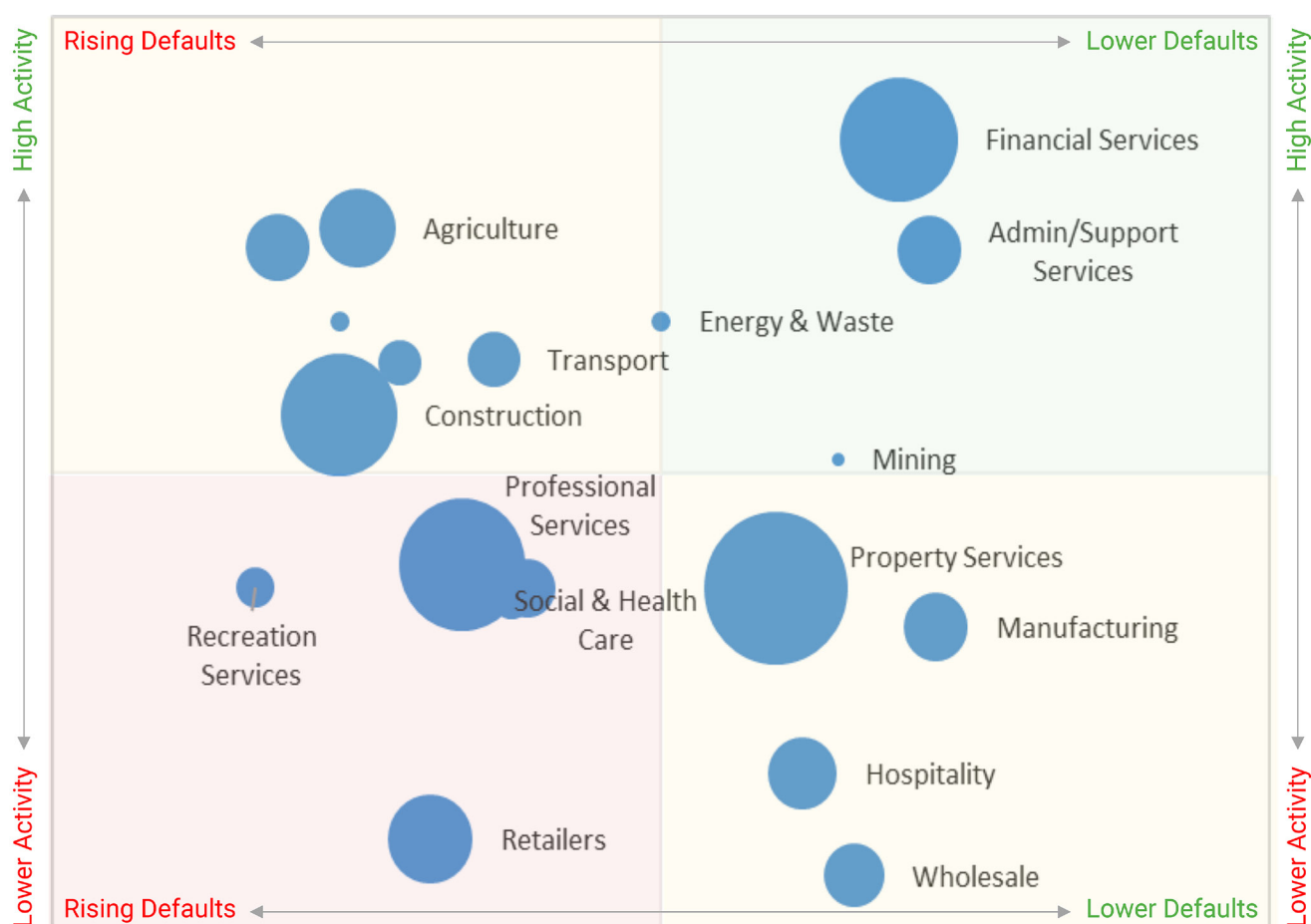
The retail trade sector continues to face labour shortages, while ongoing cost of living pressures continue to see Kiwi households slow down their retail sales spending.

Furthermore, the construction sector continues to experience challenges as the economy tightens. But credit activity is showing small signs of recovery driven by residential development.

Business Credit Demand: 2020 to 2022



Business Credit Performance by Industry Sector



Last updated September 30, 2022.

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:

- 77 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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