



October Credit Indicator



Kiwi consumers weathering the economic storm

The economic climate remains challenging for many Kiwis as they continue to adjust to the impacts of inflation and the rising cost of living.

The Reserve Bank raised the Official Cash Rate for the fifth time in a row to 3.5% - the highest level in over seven years – and interest rates are continuing to climb.

Alongside this, [Stats NZ](#) recently reported the cost of living for the average Kiwi household increased by 7.7% in the September 2022 quarter.

This squeeze is being reflected in borrowing, as consumer credit demand has started to climb again to pre-pandemic levels, with personal loans on the rise as Kiwis turn to credit to support their spending.

Despite this, consumer arrears appear to be levelling out month-on-month as Kiwis begin to manage this new reality. While mortgage arrears have crept up slightly, this comes off several months of record lows and is to be somewhat expected.

New mortgage applications and lending continues to trend down alongside the cooling property market, with many outlets reporting lower-than-expected auction turnout while [property values](#) across the country fall.

There are nearly 2.1 million Kiwi consumers who have credit cards. However, the number of holders of multiple credit cards is down 33% since 2019, as many people chose to pay off and close their accounts during the pandemic.

Turning to Kiwi businesses, the hospitality and construction sectors in particular are feeling the crunch at the moment. Both sectors have seen an upswing in defaults due to supply chain issues and the overall slowdown in consumer spending.

Overall increases in costs are becoming difficult to pass on to customers who are far more aware of their expenses at the moment, making the ongoing impacts of inflation that much harder for Kiwi business owners.

Presently, there appears to be no silver bullet in sight to end the cost-of-living crisis many Kiwis are experiencing.

For those feeling the pinch who are worried about missing repayments or getting further into debt, now's the time to reach out to your bank or lender to discuss what options are available.

It's far worse in the long run to have outstanding payments ruin your credit score, which can impact on your future ability to borrow and finance your goals.

Keith McLaughlin
Managing Director



Consumer credit demand and lending up

Overall consumer credit demand has returned to pre-pandemic levels, which was driven by an increased volume of personal loan applications.

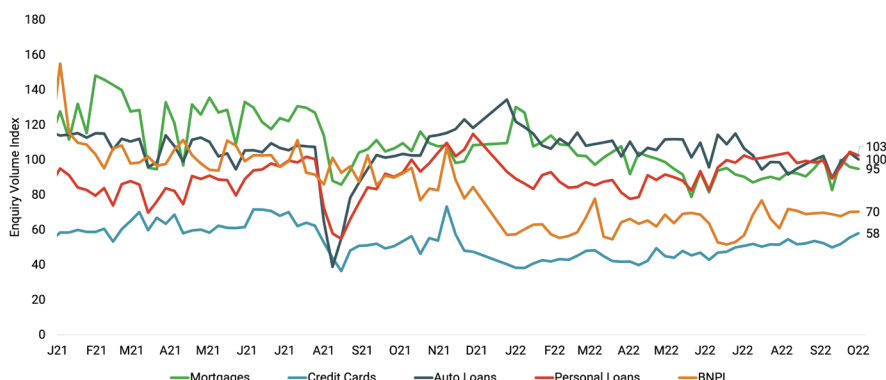
Demand for personal and vehicle loans remain strong despite the challenging economic climate, with new credit card applications up 3% year-on-year.

New consumer loans granted in September were 18% higher than September 2021, which reflects the expectation that consumers are increasingly turning to credit to fund spending.

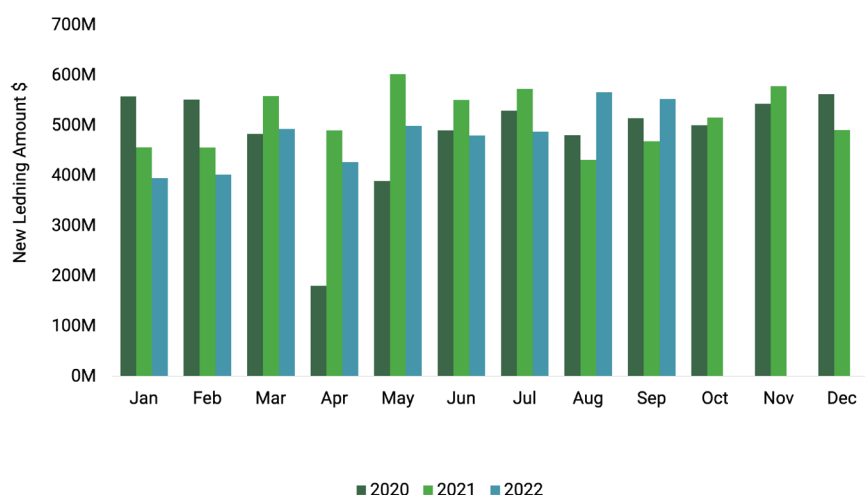
Despite this, new Buy Now Pay Later enquiries are down 25% year-on-year.

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Credit Demand By Product Type



New Lending Amount: Consumer Loans



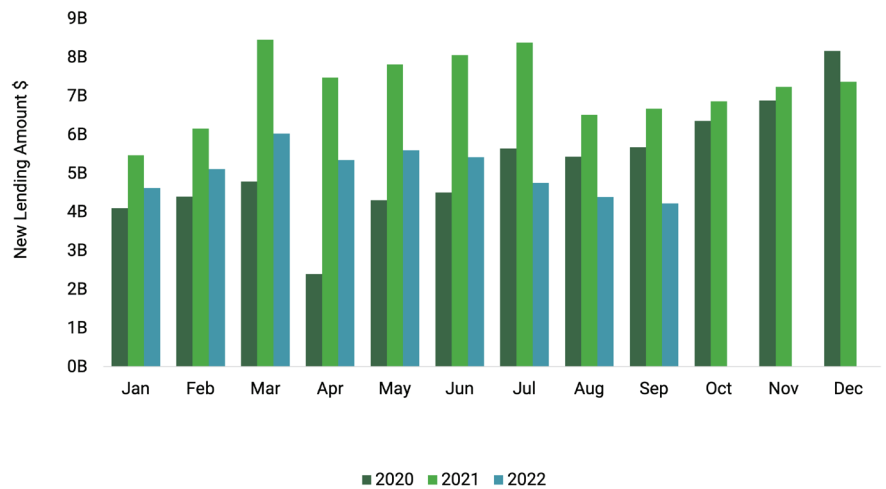
Mortgage applications and lending down

While consumer credit demand is growing, mortgage lending is trending down as the housing market continues to decline, and we come off record highs last year.

Applications for mortgages were down 11% year-on-year, while new mortgage borrowing was down 37% when compared to September 2021.

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New Lending Amount: Mortgages



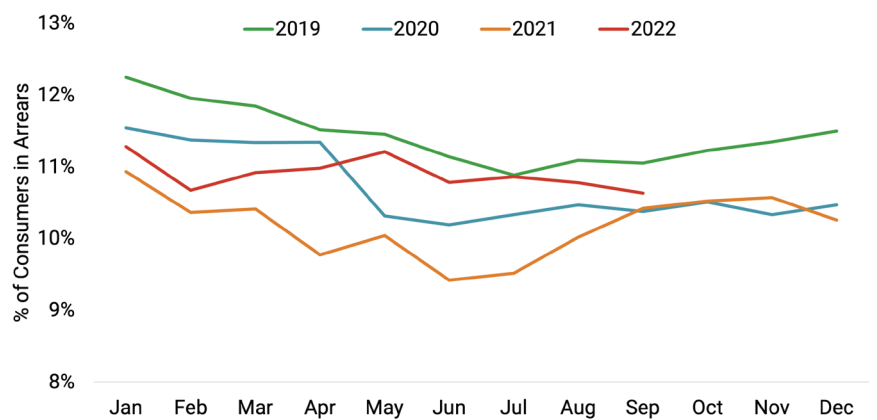
Overall arrears remain stable

In September, 10.6% of the active credit population were behind on repayments, up 2% year-on-year. Of this, 4% are currently 30+ days past due, and 2.3% are 90 plus days past due.

However, these figures remain unchanged month-on-month.

Looking at mortgage arrears, these have edged above 1.0% for the first time in six months, with 14,600 mortgage accounts past due. Despite this, there is no sign of widespread mortgage stress

Consumer Arrears Trends



Home Loan Arrears



14,600 mortgage accounts past due

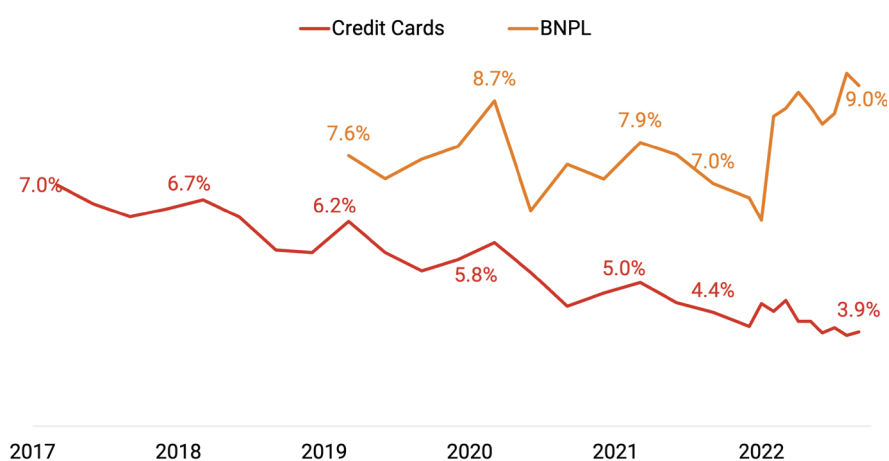
BNPL, utility arrears fall

Arrears on vehicle loans have improved slightly after rising for the past five months, while arrears on unsecured personal loans have also edged down to 7.6%.

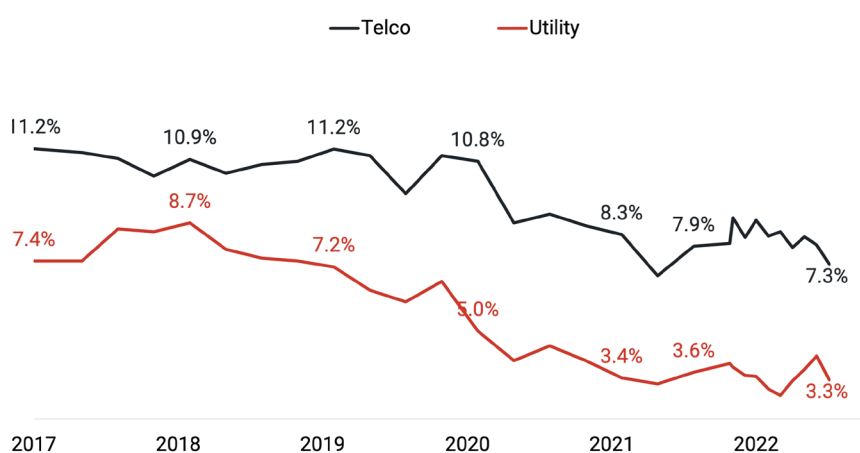
Arrears on BNPL accounts fell back slightly from last month's high, while credit card arrears remain at record low levels. BNPL arrears by consumer age group are very comparable to other types of unsecured credit.

Furthermore, the number of households behind on energy bills has improved this month, falling back to 3.3% of accounts in September.

Credit Card & BNPL Arrears



Telco & Utility Arrears



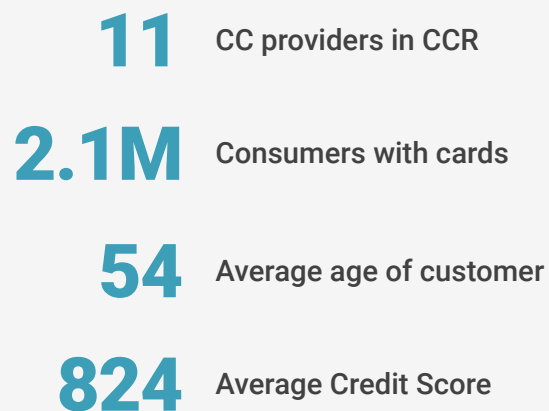
Unsecured personal loan arrears have also edged down to 7.6%.

Credit card snapshot

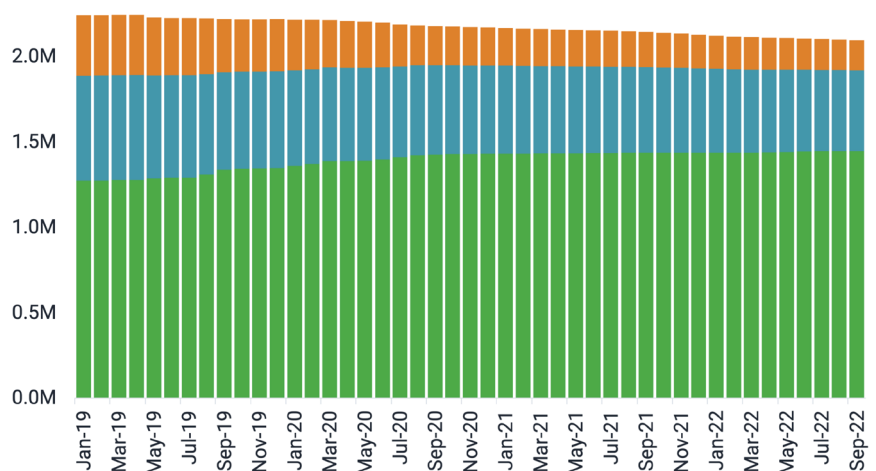
There are nearly 2.1 million New Zealanders who have an active credit card, with 650,000 borrowers who have multiple credit cards in their wallet. Overall, the average credit limit on active cards in New Zealand is \$7,600.

The number of Kiwis with active credit card accounts is down 33% since 2019, as many consumers saw the pandemic as a catalyst to pay off and close their outstanding credit card balances.

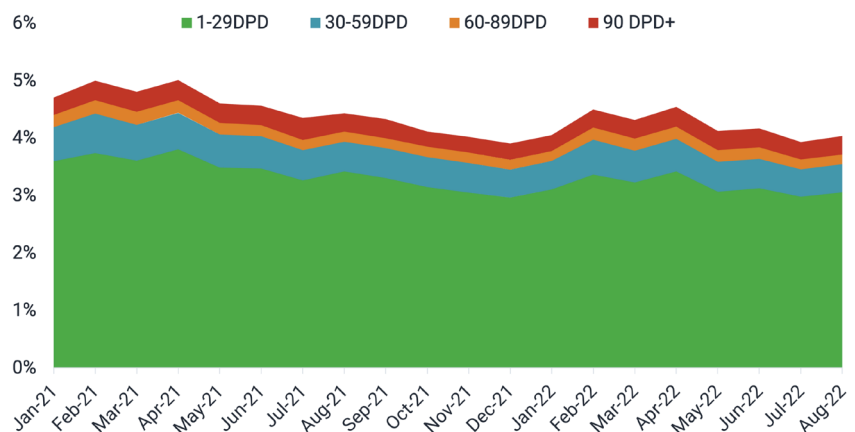
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Number of Credit Card Borrowers



Credit Card Arrears



Hospitality and construction sectors see rising defaults

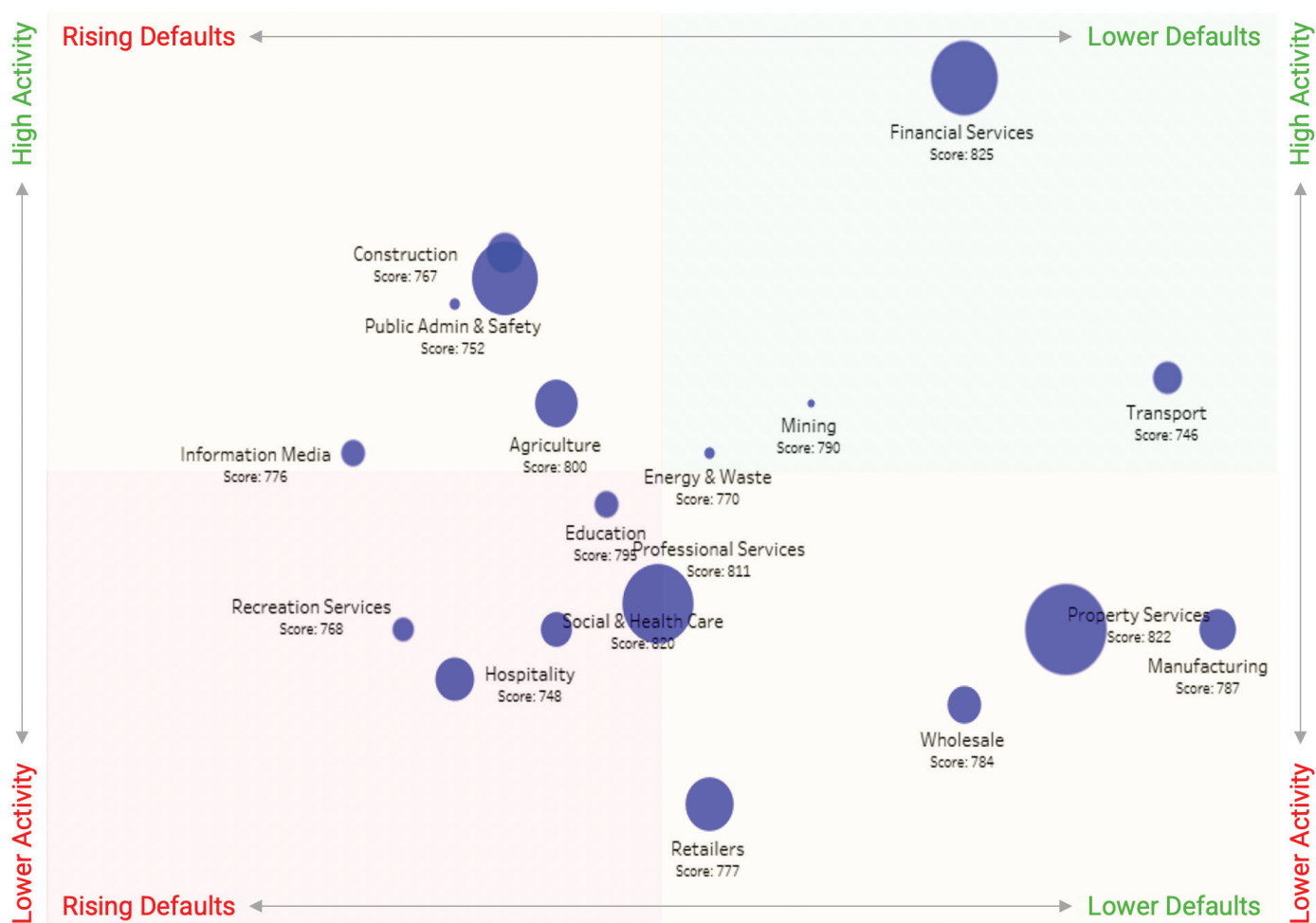
Across the country, business credit demand is materially down across several sectors including retail trade, property and healthcare due to the current economic climate and ongoing inflationary pressure.

The average business credit score for new applications is down to 756. The average score dropping means we are observing a shift in profile towards a slightly higher credit risk.

Looking at specific sectors, hospitality now faces significant challenges as staffing woes and cost pressures continue to persist, resulting in rising defaults.

Despite improved activity across the sector, construction continues to experience rising costs due to supply chain issues and the general tightening of the economy.

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Last updated October 31, 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:

- 78 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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