



November Credit Indicator



Climbing arrears likely to dampen Christmas cheers

Last week, the Reserve Bank increased the Official Cash Rate 75 basis points to 4.25 percent to try to rein in inflation, with whispers of this figure climbing even further in 2023.

It seems increasingly likely Kiwis are staring down the barrel of an engineered recession to curb inflation and help settle the current economic climate.

However, the present situation for many households across New Zealand appears to show the day-to-day struggle of inflation and the impacts on the cost of living.

We saw arrears climb in October as people struggled to meet their repayment commitments across a range of credit products including vehicle and personal loans, telco and utility bills, and mortgages.

While arrears were climbing, demand for consumer credit also grew as Kiwis continue to turn to new avenues to make ends meet.

New consumer lending has climbed for the last three months, and the looming festive season is likely to be a source of stress for many Kiwis who are already dialling back their discretionary spending.

In fact, we're seeing those who generally live on a tight budget and young borrowers feel the pinch the most – forced to cut back on non-essential spending due to cost of living pressures and other external factors.

This cutting back of spending is also impacting retail businesses, as consumer confidence continues to dwindle, and rising costs have seen an increase in business defaults in the sector.

Despite this, the hospitality and tourism sectors have seen some great activity as international travellers return to New Zealand, bringing a much-needed economic injection to these industries.

Looking forward, it seems likely Kiwis are in for some financially challenging months ahead. For those who are struggling to keep up with their payment obligations, it's important to be proactive when it comes to planning – particularly over summer.

Reaching out to lenders early to organise a repayment plan is far better in the long term than simply missing repayments and potentially causing long term ramifications for you and your financial future.

Keith McLaughlin
Managing Director



Consumer arrears swing upwards in October

The number of Kiwis behind on repayments climbed 5% year-on-year in October 2022. Three quarters (75%) of credit providers who share Comprehensive Crediting Reporting data (CCR) in Aotearoa reported higher arrears in October compared to September as the economic climate continues to impact households across the country.

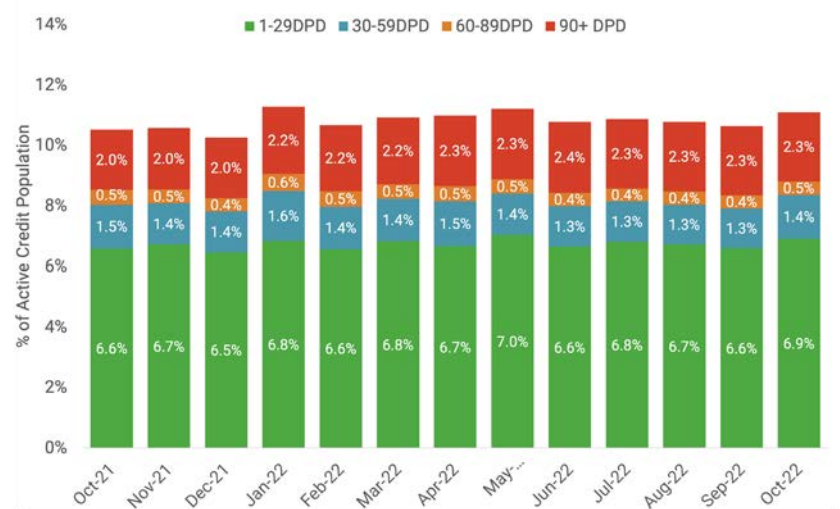
In fact, 4.2% of credit active consumers are currently 30+ days past due (up from 4.0% in September), while 2.3% of consumers are currently 90+ days past due (unchanged from September). Consumer credit defaults were also up 21% year-on-year.

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Consumer Arrears Trends



Consumer Arrears by Days Past Due



Mortgage, vehicle loan arrears climb

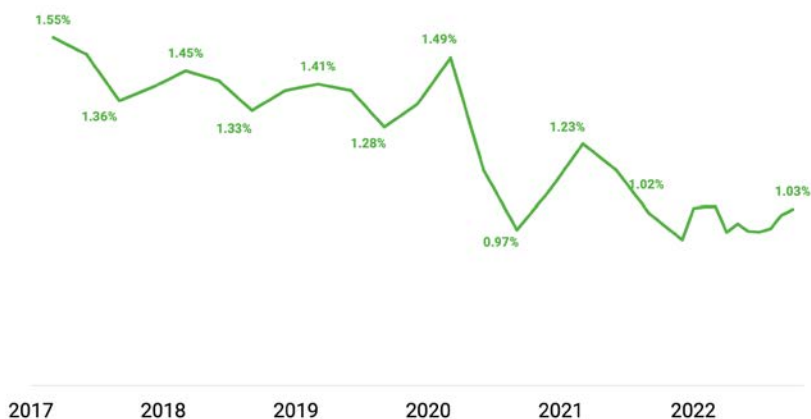
The proportion of home loans with missed repayments has risen for the third month in a row, with 15,200 mortgage accounts currently past their due date.

While this rise is concerning, this figure is still low compared to pre-pandemic levels and comes after a period of historically low home loan arrears.

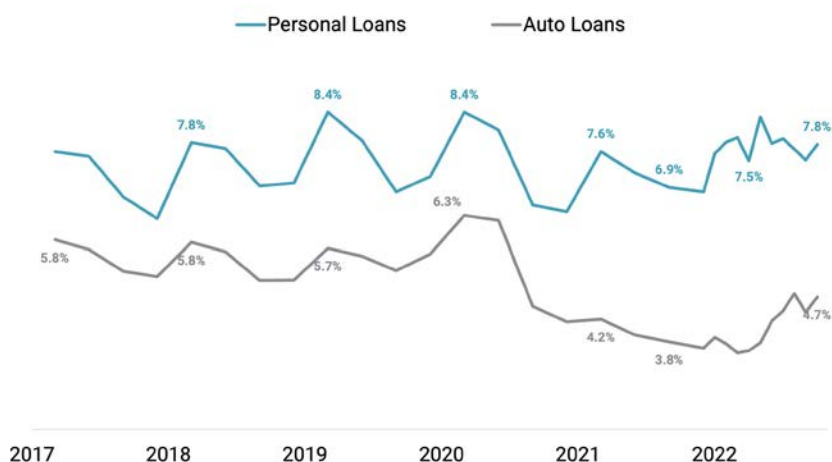
Arrears on vehicle loans also rose in October 2022 to 4.7%, the fifth increase in the last six months..

15,200 mortgage accounts currently past their due

Home Loan Arrears



Consumer Loan Arrears









Demand for credit continues to rise

Year on Year Change %

The demand for consumer credit remained high in November as Kiwis continue to grapple with inflation and the rising cost of living in the face of the festive Christmas period.

Personal loan demand was up 18.1% year-on-year, while vehicle loan demand was also up 17.3% year-on-year.

While Buy Now Pay Later demand was down year-on-year (-7.1%), enquiries saw an uptick in November as Kiwis look to these credit options to help take advantage of November sales and lessen the financial blow of Christmas.

	Mortgages	-3.4%
	Auto Loans	+17.4%
	Credit Cards	+5.7%
	Personal Loans	+18.1%
	BNPL	-7.1%
	Retail Energy	+4.2%

Personal loan demand was up 18.1% year-on-year

Credit Demand by Product Type



Mortgage lending down, consumer lending up

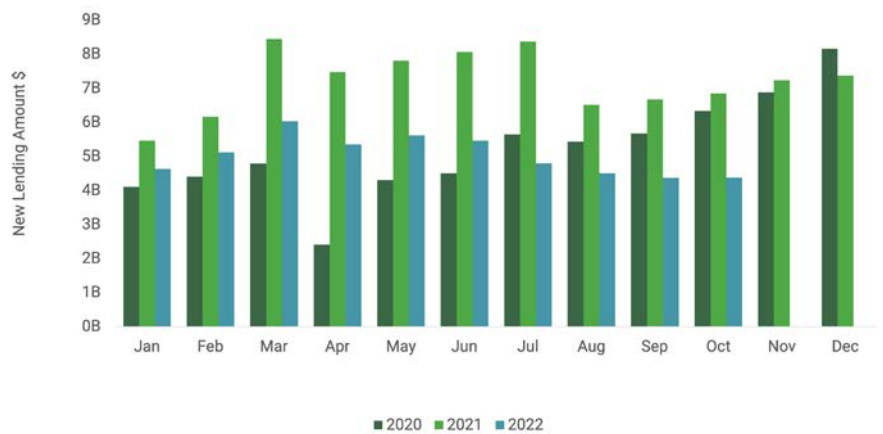
Mortgage lending continues to remain down compared to previous years as the economic climate remains a barrier for many aspiring homeowners.

New residential lending was down 36% year-on-year in October after the record hot real estate market recorded in 2021.

Furthermore, new consumer lending was up 6% year-on-year, another trend observed during the last three months as Kiwis increasingly turn to credit to help support household spending.

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New Lending Amount: Mortgages



New Lending Amount: Consumer Loans








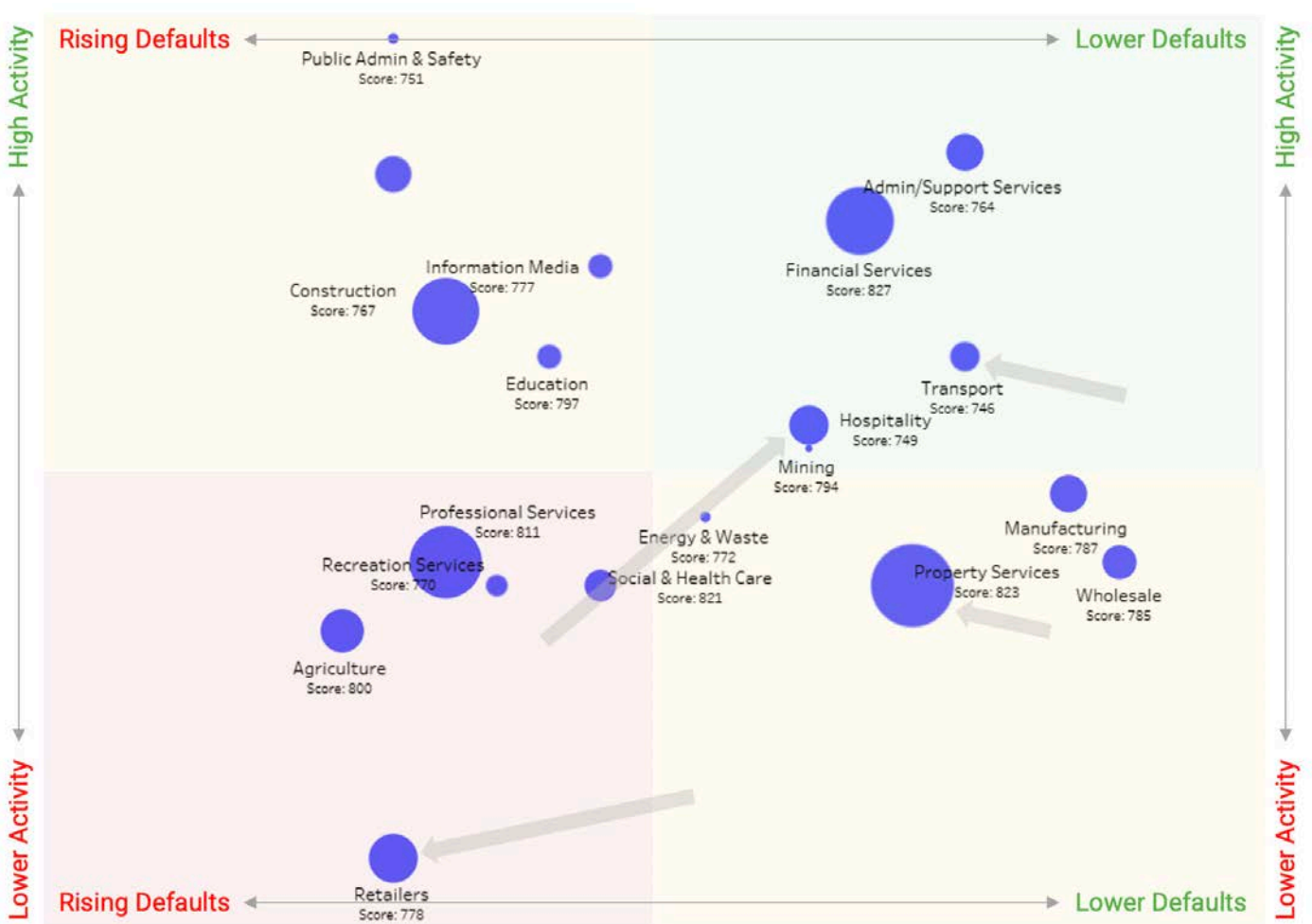
Hospitality returning to form

After being severely impacted by the COVID-19 pandemic and subsequent lockdowns/alert level restrictions, the hospitality sector has seen strong activity this month, as the spring/summer season and international tourism lifts customer numbers.

Additionally, the tourism, construction and financial services sectors continue to show improving trends compared to earlier in the year.

However, the retail sector has experienced climbing defaults as rising costs persist while consumer confidence falls due to the cost of living pressures in many households across New Zealand.

Sector	Credit Demand	Credit Defaults	Avg Credit Score	
 Construction	+7%	+5%	767	↓
 Hospitality	+2%	-3%	749	↑
 Retail Trade	-17%	+5%	778	↑
 Tourism	+5%	-6%	746	↓
 Property / Rental	-5%	-5%	823	↓



Last updated November 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:

- 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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