



January Credit Indicator



Increased credit activity and arrears point to challenging 2023 ahead

Last week, Stats NZ figures revealed the Consumer Price Index increased 7.2% annually in December 2022, following a 7.2% annual increase in the September 2022 quarter, and a 7.3% increase in the June 2022 quarter.

Furthermore, electronic retail spending fell \$166 million in December 2022 - a telling sign of where consumer confidence is heading for 2023.

This is reflected in the latest credit data. New consumer loans increased 27% year-on-year in December 2022 as more Kiwis turn to credit to fund their lifestyle choices, while mortgage lending fell 43% year-on-year in December as the housing market continues to feel the impacts of the current climate.

On the flip side, credit arrears are up across the board as more Kiwis struggle to meet their repayment obligations across a range of products. While this level is similar to pre-pandemic figures in 2019 and still low by historic standards, the broader economic landscape is vastly different in 2023.

There were more than 400,000 Kiwis behind on repayments in December 2022 – or 11.3% of the active credit population. Arrears on Buy Now Pay Later and credit cards have climbed, as have the number of mortgages behind on repayments.

A rise in vehicle arrears (up 5.3% in December 2022) points to the challenges facing households, as this is usually one of the last credit repayments people let slip.

Additionally, Kiwi retailers are feeling the pinch as rising costs, employee turnover and overall reduced activity continues to bite at their bottom lines.

Anyone struggling with meeting their repayment obligations should get in touch with their lender as soon as possible. By coming to a repayment agreement, Kiwis can save themselves a future of financial hardship caused by poor credit decisions and help maintain their financial wellbeing.

Keith McLaughlin
Managing Director

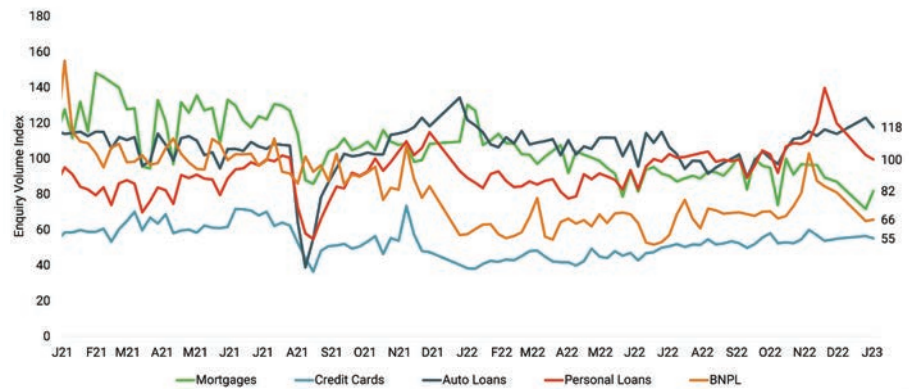


Demand for personal loans strong in December

As the cost of living and Christmas season intersect, personal loan demand spiked in December (up 17.7% year-on-year) and remained up 14.5% year-on-year in January.







However, new mortgage demand is down 26.2% year-on-year in January, in line with the ongoing challenges facing New Zealand's housing sector and overall economic climate.

Credit Demand by Product Type



Personal loan demand spiked in December (up 17.7% year-on-year) and remained up 14.5% year-on-year in January.

Year on Year Change % (Jan 2023)

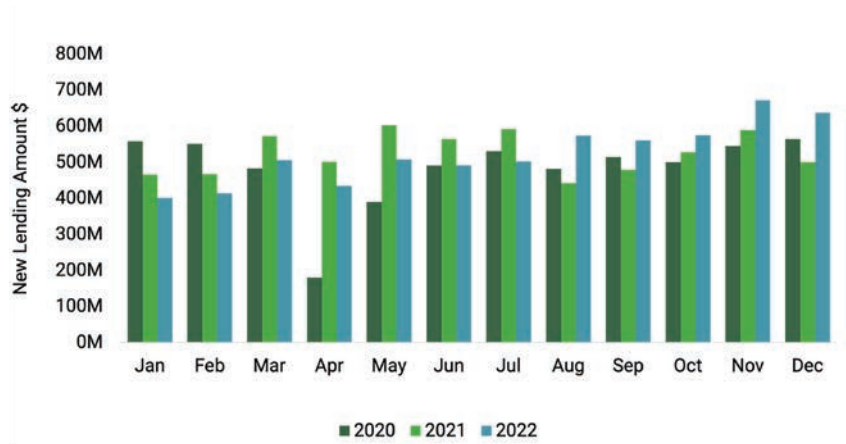
	Mortgages	-26.2%
	Auto Loans	-5.3%
	Credit Cards	+26.5%
	Personal Loans	+14.5%
	BNPL	+6.8%
	Retail Energy	-5.7%

Growth in unsecured personal loans

The number of new consumer loans granted was up 27% year-on-year in December 2022.

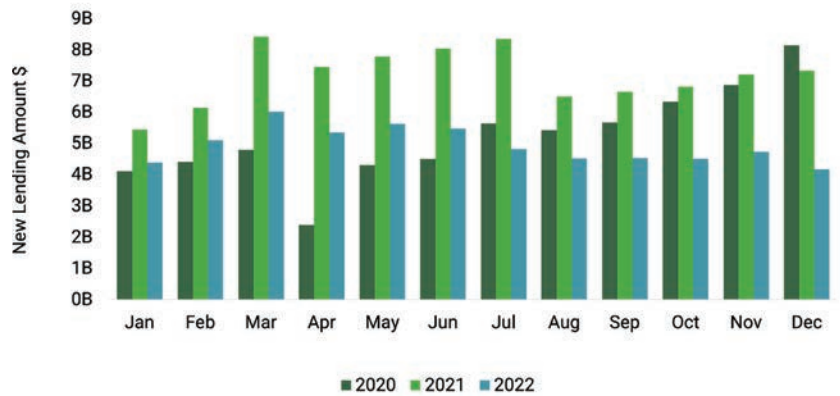
Furthermore, new mortgage borrowing fell 43% year-on-year in December 2022 as the housing market continues to decline.

New Lending Exposure: Personal Loans



The number of new consumer loans granted was up 27% year-on-year in December 2022.

New Lending Exposure: Mortgages



Consumer arrears reaches three-year high

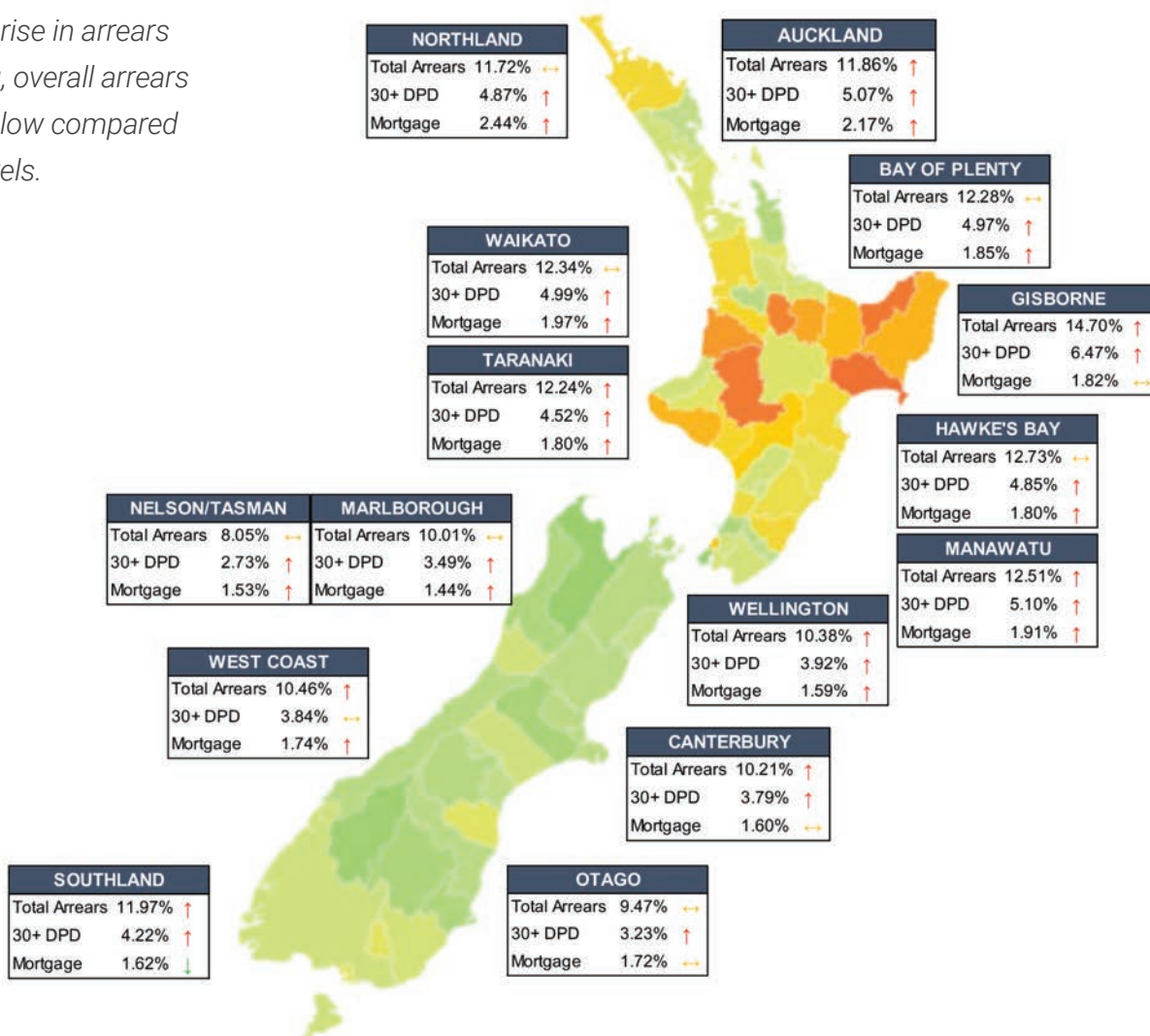
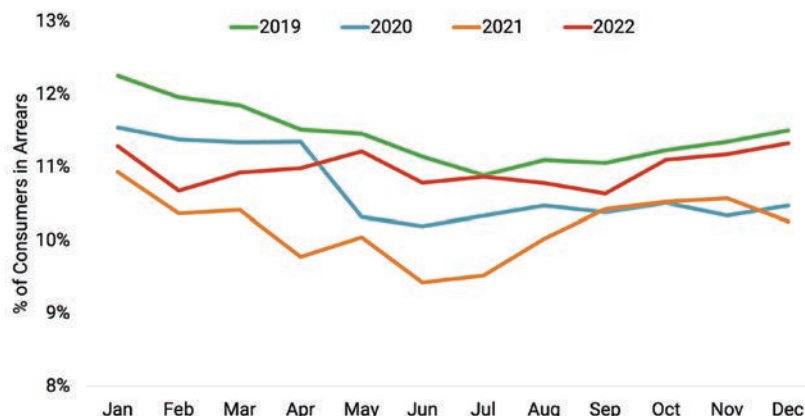
The number of Kiwis behind on their debt repayments increased to 11.3% of the active credit population (410,000 people) in December 2022 – a 10% increase year-on-year as economic conditions continue to deteriorate.

This is the highest level recorded since February 2020 (11.4%). Although the rise in arrears is concerning, overall arrears rates are still low compared to historic levels.

Gisborne has the highest overall arrears (14.7%) while Northland has the highest proportion of mortgage borrowers past due (2.4%).

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Consumer Arrears Trends

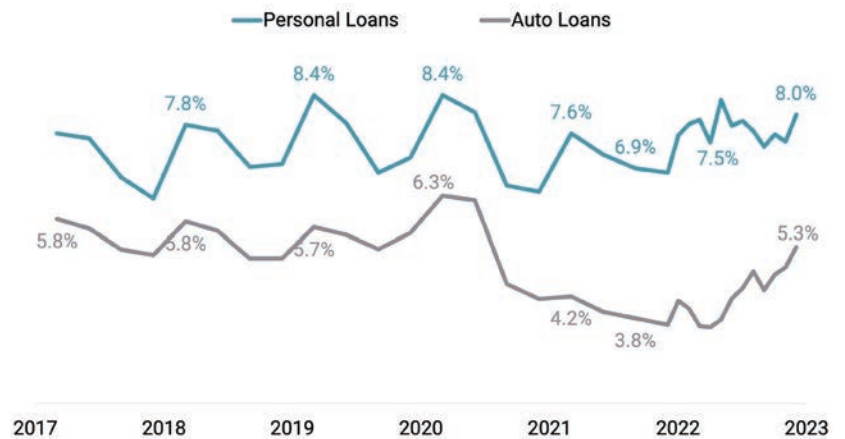


Vehicle arrears, missed mortgage repayments climb

As a key indicator of financial pressure, the rise in vehicles arrears is concerning – up 5.3% in December, the highest recorded since June 2020 (6.2%).

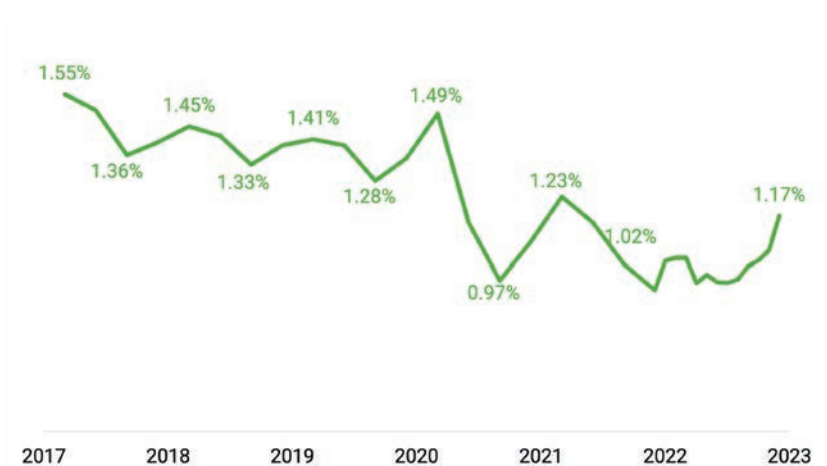
The number of home loans with missed repayments has also crept up to 1.17% in December, the largest proportion since April 2021 (1.23%). There are currently 17,200 mortgage accounts past due.

Consumer Loans Arrears



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Home Loan Arrears



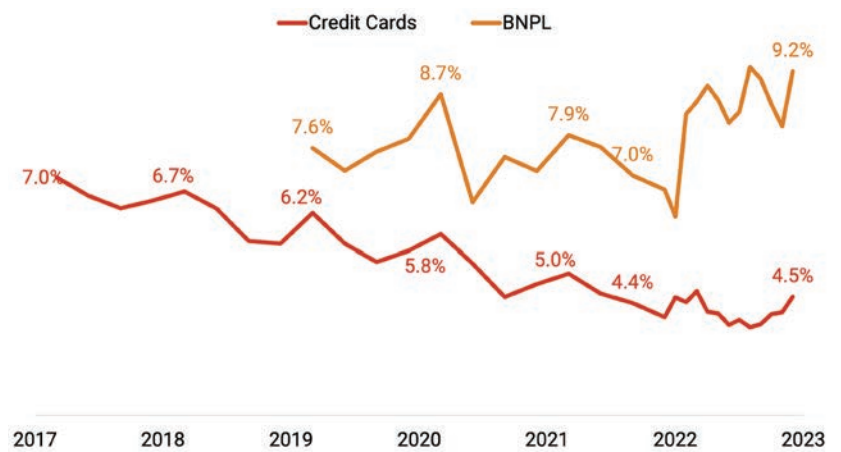
BNPL, credit card arrears up

Both Buy Now Pay Later (BNPL) and credit card arrears have risen over the summer period.

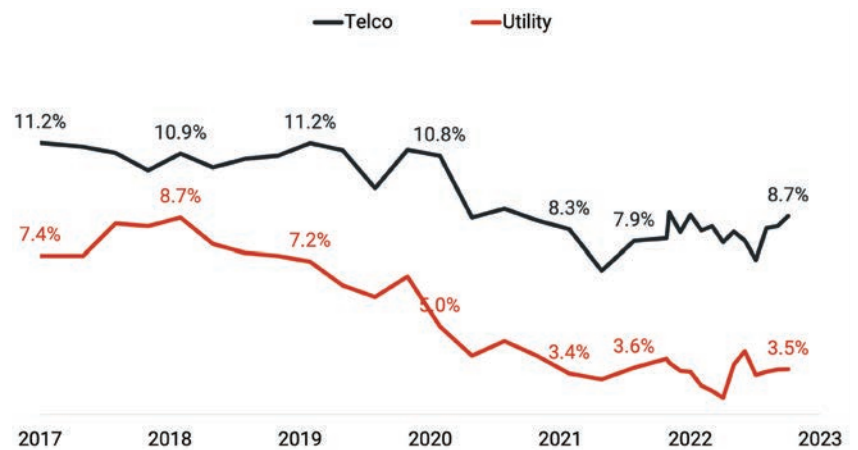
Arrears on BNPL accounts rose to 9.2% in December, while credit card arrears climbed to 4.5% – the highest level since May 2021.

Additionally, the number of households behind on telco/ broadband bills increased to 8.7% in December 2022, the highest level recorded since March 2022. However, this figure is still below pre-pandemic levels.

Credit Card and BNPL Arrears



Telco and Utility Arrears








Arrears on BNPL accounts rose to 9.2% in December, while credit card arrears climbed to 4.5% – the highest level since May 2021.

Tourism flourishes, retail continues to decline

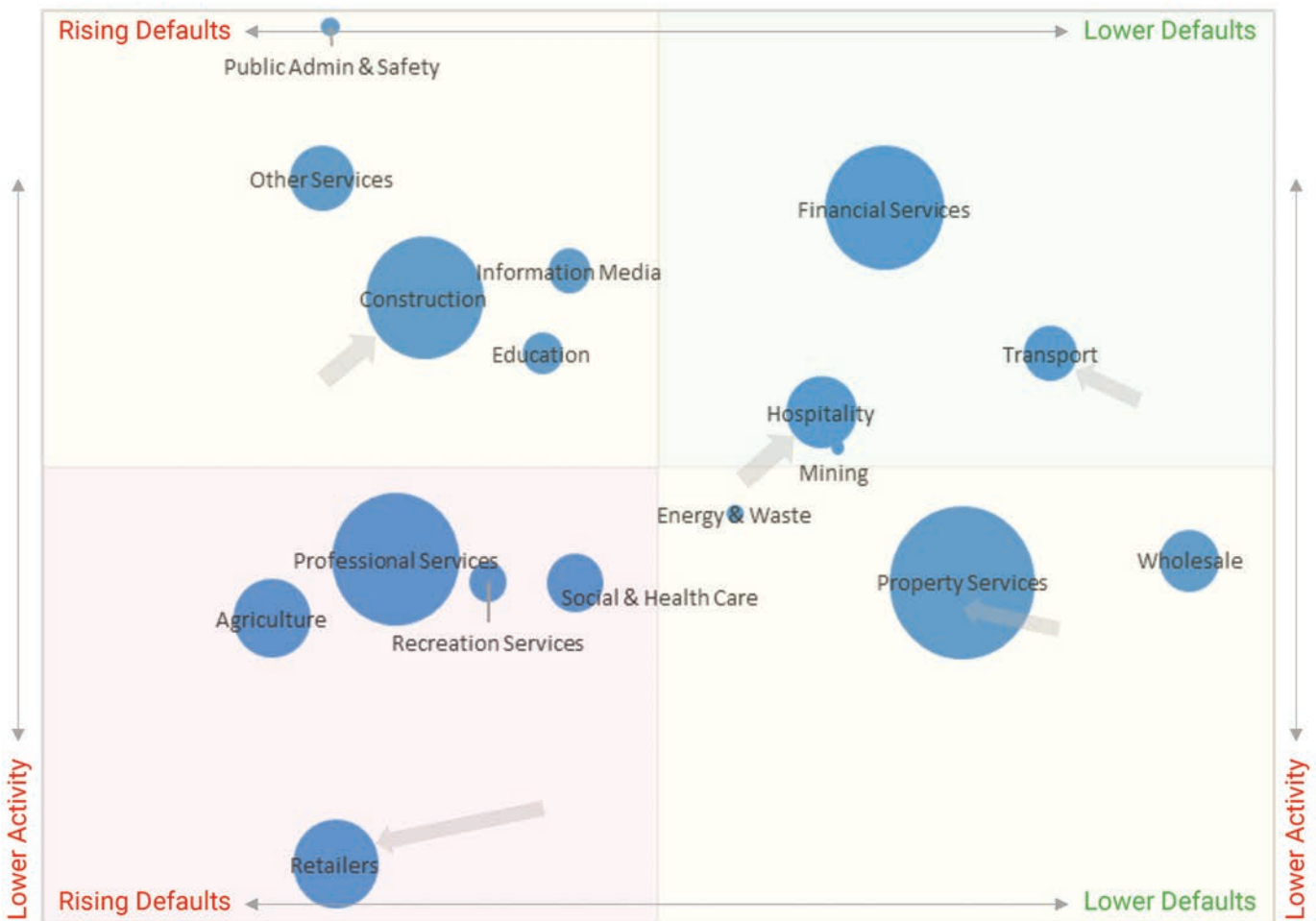
Looking at Kiwi business, it's clear retailers are in for a rocky year as economic conditions continue to trend downwards.

Increased credit defaults, alongside rising costs and staff turnover is leading to low business confidence for retailers nationwide.

Despite this, the construction, financial services and wholesale sectors continue to show improving trends. Meanwhile tourism and hospitality have seen a return to form as international travel resumed and the summer break saw increased activity.

Sector	Credit Demand	Credit Defaults	Avg Credit Score
 Construction	+1%	+0%	767 ↓
 Hospitality	-14%	-1%	748 ↑
 Retail Trade	-13%	+4%	778 ↑
 Tourism	+2%	-15%	746 ↓
 Property / Rental	-4%	-6%	823 ↓

Increased credit defaults, alongside rising costs and staff turnover is leading to low business confidence for retailers nationwide.



Last updated January 31, 2023.

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:

- 80 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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