



February Credit Indicator



Climbing arrears forecast challenging autumn for Kiwis

Last week, the Reserve Bank made the first Official Cash Rate announcement of 2023, signalling another 50 basis points increase to 4.75 percent. This is the tenth consecutive rise and takes the OCR to the highest level since December 2008.

Coupled with the recent devastation of Cyclone Gabrielle, many Kiwis across New Zealand will be feeling the pinch following the Christmas and summer holiday period.

Looking at the latest credit insights, we can see arrears rates climbing across the board, with 11.9% of Kiwis currently in arrears.

We're seeing arrears on mortgages, unsecured personal loans, credit cards and Buy Now Pay Later accounts climb, which demonstrates the financial challenges facing many households in New Zealand.

Vehicle arrears are also on the rise, which – alongside rising mortgage arrears – are often a key indicator of financial strain.

Demand for new mortgage lending remains down, while climbing interest rates are putting pressure on homeowners who are grappling with rolling off fixed home loans.

Demand for credit cards is up year-on-year, suggesting banks and finance companies have fine-tuned their CCCFA (affordability) assessments, and of course credit cards are used for international travel which is on the rise.

Looking at business credit trends, overall demand is down 13% year-on-year in February 2023. Unsurprisingly, this is driven by a downturn in the retail and hospitality sector as discretionary spending slows and consumer confidence falls.

The fallout from Cyclone Gabrielle and recent flooding events, coupled with the ongoing cost of living will put financial strain on some households.

For anyone who is struggling with their finances and meeting their repayments, it's important to raise this with creditors as soon as possible. It's better to come to a repayment agreement than to slip into arrears and further financial strife.

Keith McLaughlin
Managing Director



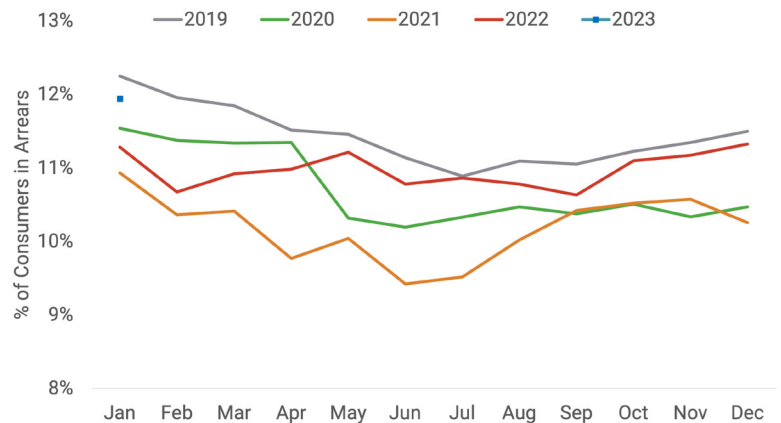
Arrears reach four-year high

The current climate appears to be putting pressure on households across New Zealand. Consumer arrears rose to 11.9% of the active credit population in January 2023.

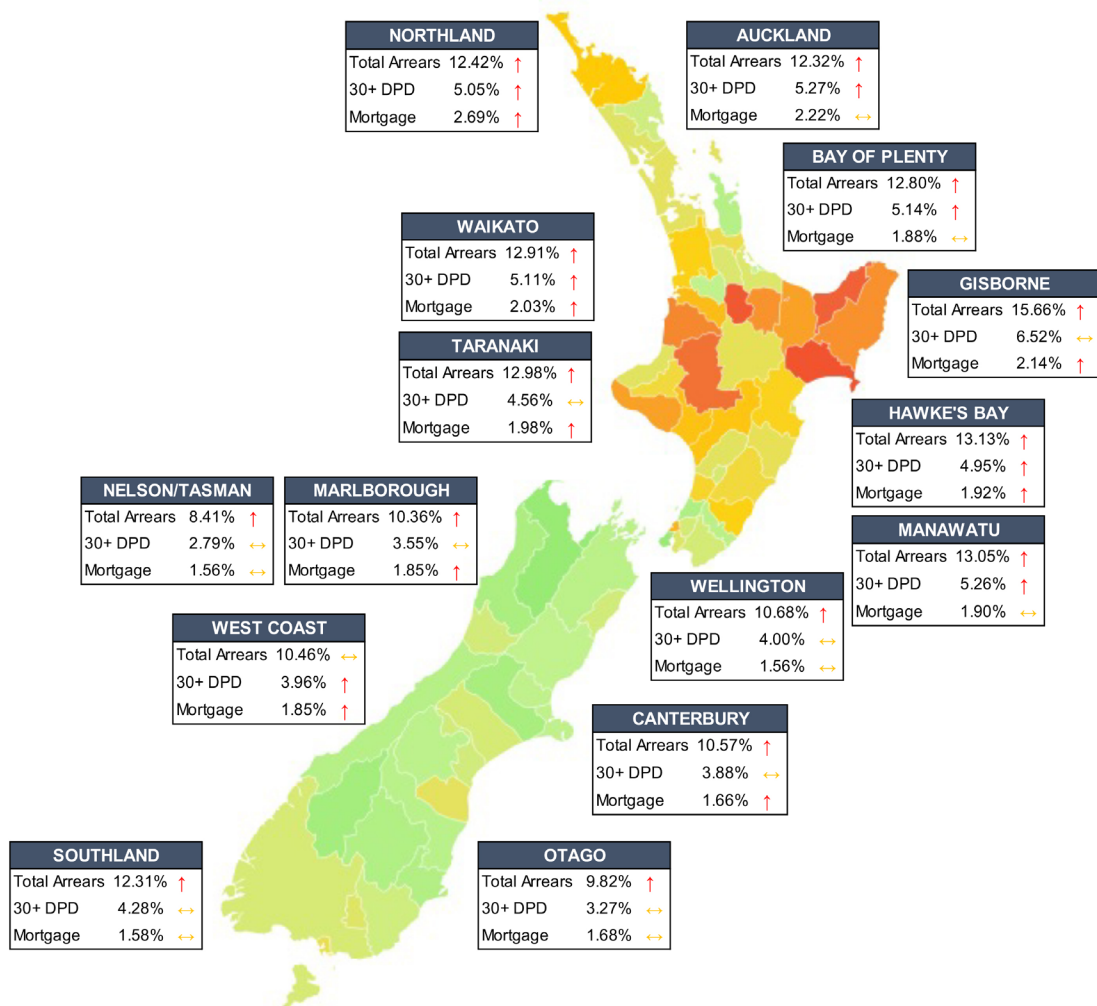
There are approximately 430,000 Kiwis behind on their repayments, a 20,000 increase from December 2022, with 4.8% of credit active consumers currently 30+ days past due (up from 4.4% in January 2022).

While the arrears cycle tends to peak post-Christmas, the current arrears level is 6% higher compared to the same time last year, as economic conditions continue to deteriorate. Although the increasing arrears rates are concerning and something to keep a close eye on, it is important to point out that we are still below prepandemic levels.

Consumer Arrears Trend



Consumer arrears rose to 11.9% of the active credit population in January 2023.



Mortgage, consumer loan arrears increase

The number of households behind on mortgage repayments in January 2023 has risen to the largest number since April 2020, with approximately 18,400 mortgage accounts past due.

This is a 22% year-on-year increase, which could be attributed to Kiwi households rolling off fixed home loans and onto higher interest rates.

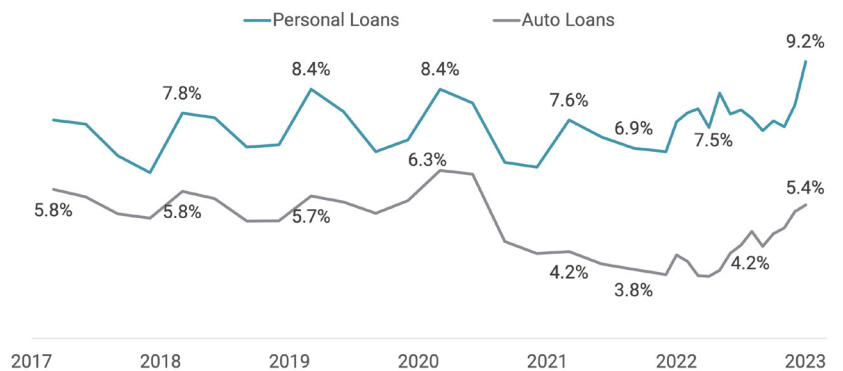
Furthermore, unsecured personal loan arrears jumped to 9.2% in January 2023 – the highest percentage on record since 2017. Vehicle arrears continued to climb to 5.5% in January 2023 (up from 4.9% year-on-year).

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Home Loan Arrears



Consumer Loan Arrears



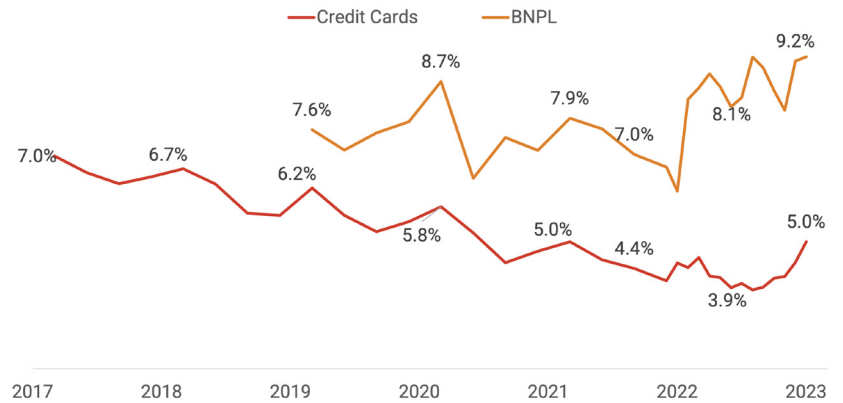
Credit card, BNPL arrears climb

Credit card arrears have climbed to 5% of active accounts in January 2023, the highest level recorded since January 2021.

Buy Now Pay Later arrears have also climbed to the highest level recorded (9.3%), which is similar to arrears rates seen in unsecured personal loans.

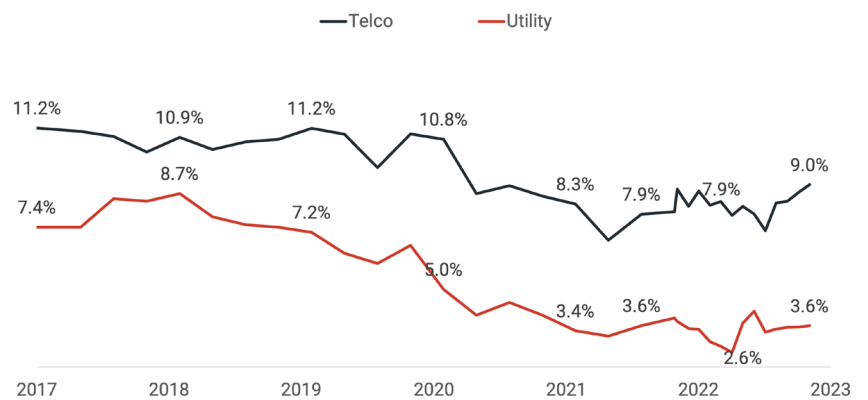
The number of households behind on telco/broadband bills also increased in January 2023 (9%), the highest level recorded since October 2020.

Credit Card & BNPL Arrears



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Telco & Utility Arrears



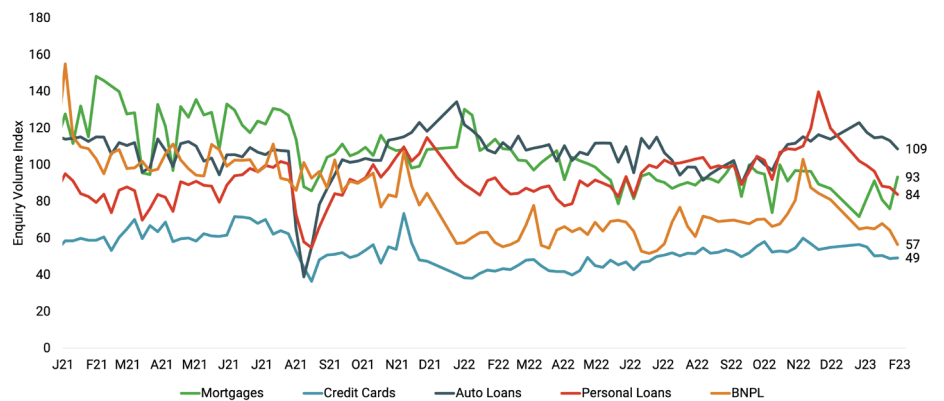
Demand for credit cards up, mortgages down

The demand for credit cards has climbed 21.7% year-on-year, while new mortgage applications are down 25.6% year-on-year in February 2023.







Despite this slowdown, mortgage applications are up slightly (+3%) on last month.

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Credit Demand by Product Type



Year on Year Change %

	Mortgages	-25.6%
	Auto Loans	+0.8%
	Credit Cards	+21.7%
	Personal Loans	+0.6%
	BNPL	+4.0%
	Retail Energy	+0.7%

Mortgage lending down, consumer lending up

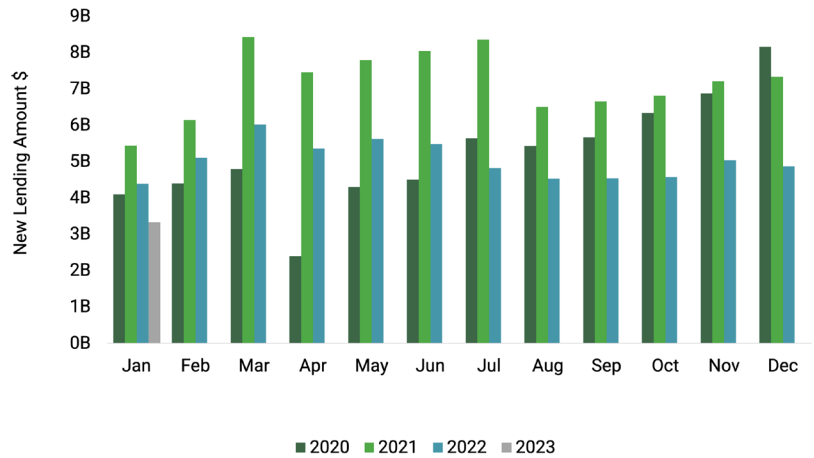
In January 2023, new mortgage borrowing was 24% down year-on-year as the NZ housing market downturn persists.

Furthermore, non-mortgage lending also dropped back slightly following the seasonal surge pre-Xmas, but is still up 3% year-on-year in January 2023.

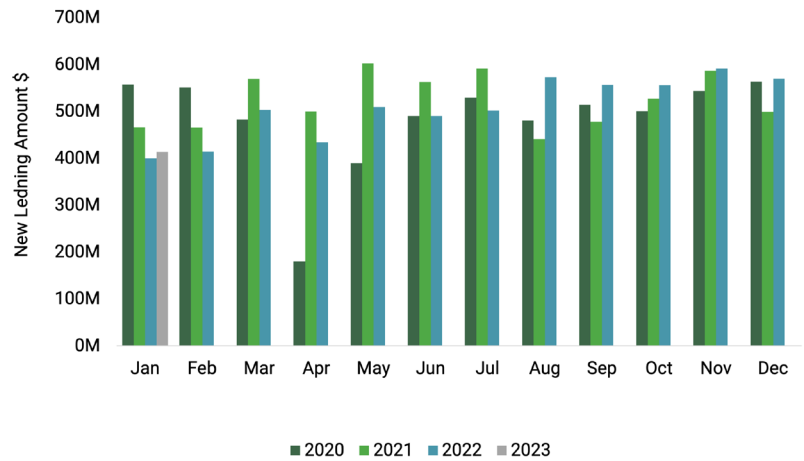


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New Lending Amount: Mortgages



New Lending Amount: Consumer Loans

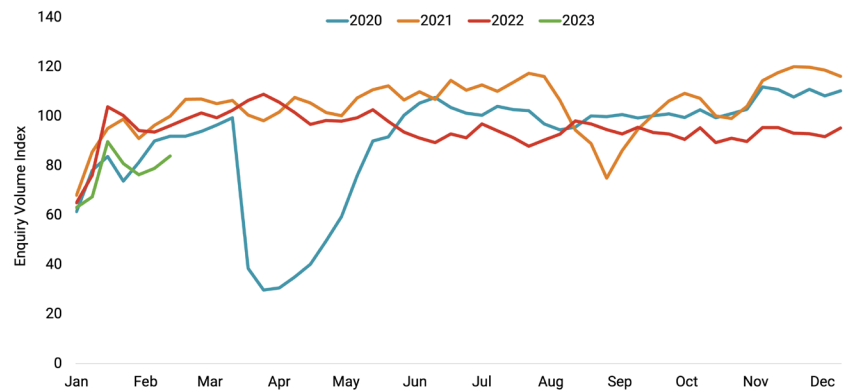


Business credit demand down






Overall business credit demand is down 13% year-on-year in February 2023, impacted largely by the retail trade and hospitality sectors, and the current economic climate – while credit defaults in the construction sector climbed 8% in February.

However, tourism continues to improve compared to 2022 as the impact of open borders and renewed foreign tourists helps to reignite the sector.

Business Credit Demand: 2020 to 2023



Overall business credit demand is down 13% year-on-year in February 2023.

Sector	Credit Demand	Credit Defaults	Avg Credit Score
 Construction	-1%	+8%	767 ↓
 Hospitality	-11%	+4%	749 ↑
 Retail Trade	-13%	+6%	778 ↓
 Tourism	+1%	-6%	747 ↑
 Property / Rental	-6%	-4%	824 ↑

Last updated February 28, 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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