



# April Credit Indicator



## Further arrears challenges emerge as consumer prices rise

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A surprise decline in inflation in April has led to broad speculation we've seen the peak of inflationary pressure.

The latest data from [Stats NZ](#) saw inflation increase 6.7% in the 12 months to March 2023, following a 7.2% increase in the 12 months to December 2022.

Despite this, consumer prices rose 1.2% for the three months ending March 2023, driven by several factors including household costs (such as rents, rates, maintenance) and climbing food prices.

In tandem with rising prices, consumer credit arrears also climbed for Kiwi households. In March 2023, 11.8% of the credit active population reported repayment arrears.

Driven primarily by Buy Now Pay Later (BNPL) and unsecured personal loan arrears, it's clear many are feeling the pressure to meet their repayment obligations in the current economic climate.

Furthermore, mortgage arrears also continued to climb for the eighth consecutive month in March, with 1.31% of residential mortgages (19,300) reported as past due, up 26% year-on-year.

In addition, new mortgage lending was down 48% year-on-year in March 2023, while new mortgage enquiries were down 15% year-on-year in April 2023.

The current economic climate continues to challenge many New Zealand business sectors, with the average credit score for business credit applicants down to 759.

Defaults rose for several industries in April 2023, most notably in construction, retail trade, hospitality and the property/rental sector.

Hospitality businesses are two and half times more likely to fail than the typical New Zealand business, with many feeling the pinch of rising food costs and labour supply shortages.

Looking forward, the next Official Cash Rate announcement at the end of this month has been pegged as another rise by many economists – despite the annual inflation decline to March 2023.

While we might be approaching a turning point for the current climate, it's likely to be several more months of challenging conditions for Kiwi households and businesses alike.

We implore anyone struggling to meet their credit repayment obligations to reach out to their bank or creditors to come to an agreement, rather than slipping into a cycle of arrears.

**Keith McLaughlin**  
Managing Director



## Consumer arrears up in March

In March 2023, consumer arrears climbed to 11.8% of the credit active population, impacting 427,000 people who are behind on their repayments. This is a slight increase from 11.5% in February 2023.

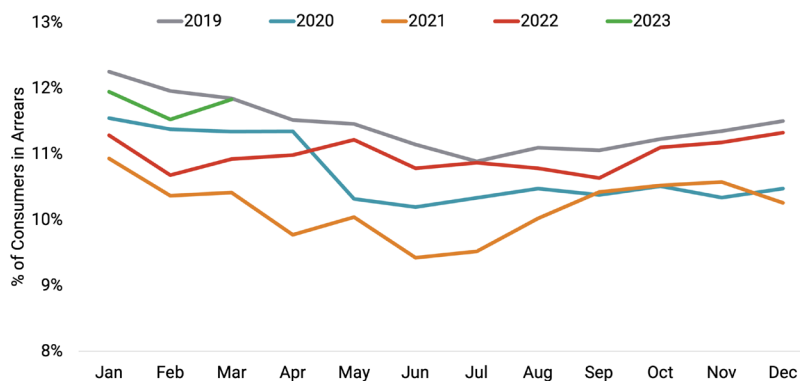
The current arrears level is 8% higher on a year-on-year basis as cost-of-living pressures persist.

Unsecured personal loan arrears have edged up to 9.0% in March (compared to 7.9% in March 2022) as costs pressures remain for Kiwi households.

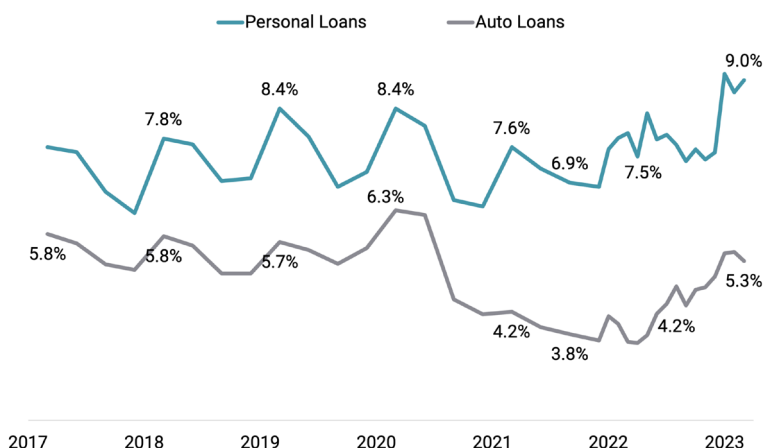
While arrears on auto loans slightly improved in March 2023 (down to 5.3% from 5.5% in February 2023), they remain significantly up year-on-year (3.6% in March 2022).

*In March 2023, consumer arrears climbed to 11.8% of the credit active population.*

Consumer Arrears Trends



Consumer Loan Arrears



## Home loan arrears grow, new mortgage lending falls

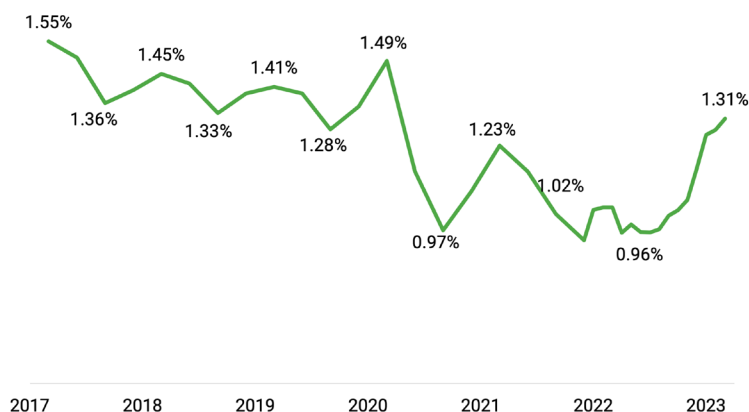
The property market continues to be impacted by the ongoing cost-of-living crisis, with mortgage arrears climbing for the eighth consecutive month to 1.31% in March 2023 – there are 19,300 mortgage accounts past due.

This is up 26% year-on-year, but still low by historic standards.

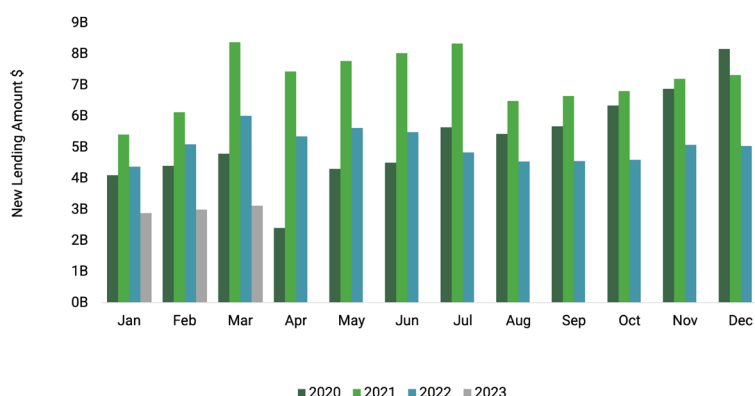
Additionally, new mortgage lending was down 48% year-on-year in March 2023 as sales volumes continue to slump.

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Home Loan Arrears



New Lending Exposure: Mortgages

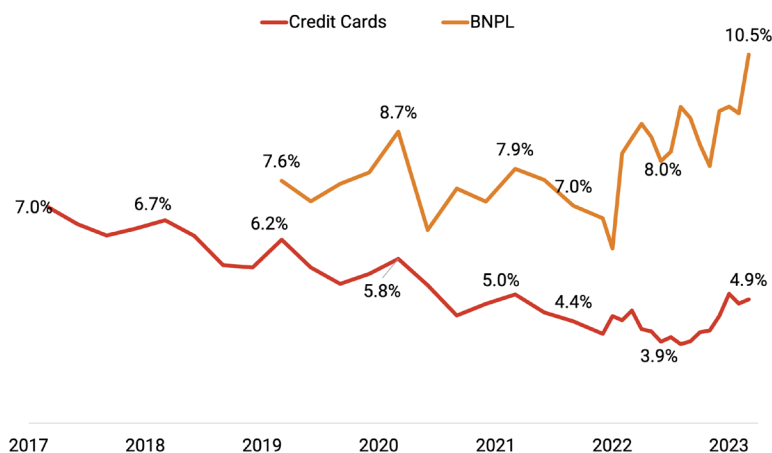


## BNPL arrears reach record high

In line with unsecured personal loan arrears, the number of BNPL arrears also rose in March 2023, climbing to a record high 10.5% of accounts behind on repayments.

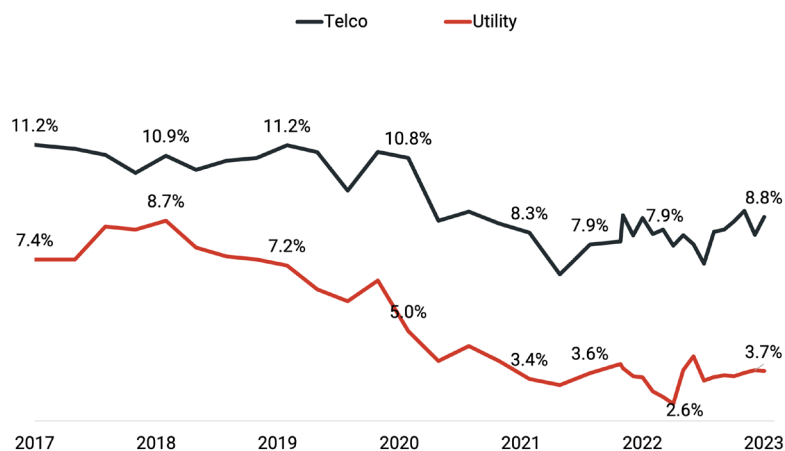
Furthermore, credit cards arrears also increased in March 2023 (4.9%), as did the number of telco and broadband accounts behind on repayments (8.8%). The proportion of utility accounts reported overdue held steady at 3.7%.

Credit Card & BNPL Arrears



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Telco & Utility Arrears



## Demand for new mortgage and BNPL lending down

Demand for new mortgage lending and BNPL accounts declined in April 2023.

New mortgage application enquiries are 15% down year-on-year in April 2023 as the housing market downturn still lingers in many regions, while new BNPL demand continues to fall – also down 15% year-on-year.

Despite this, demand for auto loans, credit cards and personal loans remained up year-on-year in February 2023.

### Year on Year Change %



Mortgages

-15.8%



Auto Loans

+8.3%



Credit Cards

+20.1%



Personal Loans

+4.5%



BNPL

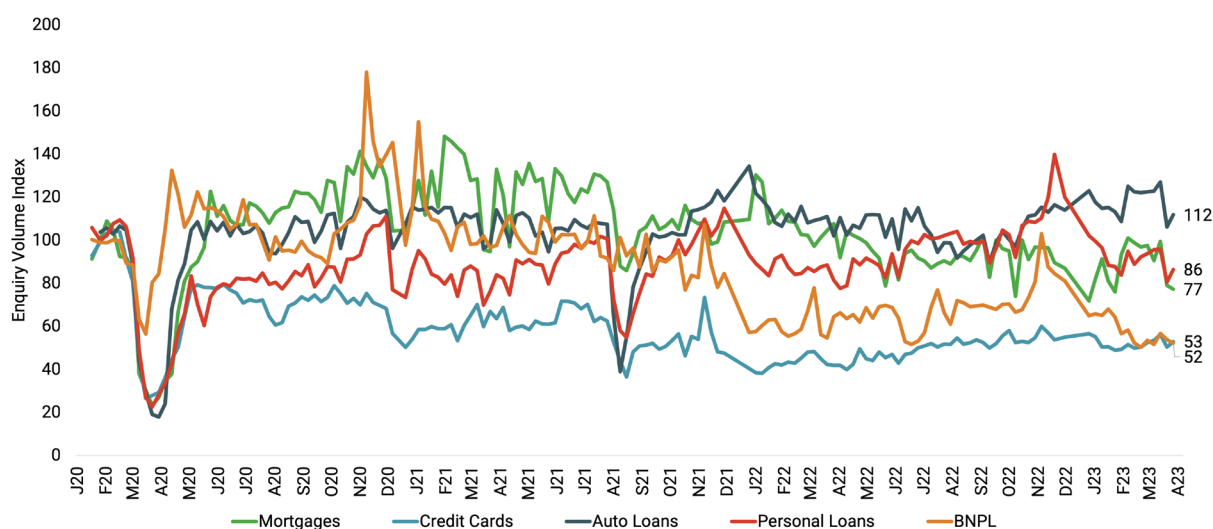
-15.4%



Retail Energy

-0.6%

Credit Demand by Product Type








New mortgage application enquiries are 15% down year-on-year in April 2023.

## Business defaults rise across the board

Kiwi businesses are continuing to feel the squeeze as defaults increase across several sectors year-on-year in March 2023 – including construction (+13%), retail trade (+12%), hospitality (+10%) and property (+3%).

Looking at the hospitality sector specifically, there are over 28,000 registered companies in the hospitality sector (4% of all registered companies). Hospitality businesses are currently two and half times more likely to fail (2.5x) than the typical NZ business, accounting for 10% of all company liquidations in the last 12 months.

	Sector	Credit Demand	Credit Defaults	Avg Credit Score	
	Construction	+1%	+13%	764	↓
	Hospitality	-4%	+10%	747	↓
	Retail Trade	-9%	+12%	775	↓
	Transport	+7%	-6%	741	↓
	Property / Rental	-10%	+3%	822	↓

Note: The above table shows change on a year-on-year basis.

### Hospitality Sector

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)			
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Liquidation Rating
<b>H - Accommodation and Food Services</b>	<b>28,480</b>	<b>4.0%</b>	<b>-4%</b>	<b>10%</b>	<b>747</b>	<b>2.5X</b>
Accommodation	5,053	0.7%	-19%	28%	787	0.9X
Cafes	3,966	0.6%	-6%	-6%	736	4.8X
Catering Services	1,180	0.2%	12%	52%	741	1.5X
Coffee shops	1,127	0.2%	-9%	-19%	743	3.2X
Restaurants	5,295	0.7%	-3%	-6%	725	4.2X
Takeaway Food Services	6,736	0.9%	9%	38%	733	1.7X
Clubs (Hospitality)	659	0.1%	-37%	42%	710	1.4X
Pubs, Taverns and Bars	1,511	0.2%	-4%	4%	718	4.5X

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Last updated April 30, 2023.

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## 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:

- 81 registered banks and other contributors to Comprehensive Credit Reporting (CCR), providing payment behaviour data. Contributors include finance companies, telco's, utilities, and major banks including ANZ, ASB, BNZ, Westpac, Kiwibank, TSB Bank, and The Co-Operative Bank.
- 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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