



May Credit Indicator



Has the economic stage been set for the remainder of 2023?

The Reserve Bank increased the Official Cash (OCR) rate another [25 basis points last week](#), reaching the forecast 5.50%, with many believing this will be the level the Reserve Bank holds the OCR at for the remainder of the year in order to rein in inflation and avoid recession.

This begs the question – how will Kiwi households manage the remainder of 2023 with the cost of living and interest rates set by this new benchmark?

Many have seen new interest rates push their mortgage repayments up by hundreds – if not thousands of dollars a month, while budgets remain stretched thin.

However, there is some evidence pointing towards Kiwi households potentially starting to acclimatise to this new norm.

For example, if we look at credit arrears for April 2023, we see a decline in the number of accounts behind on payments month-on-month for nearly every product except vehicle loans, aligning to seasonal trends.

Furthermore, demand for credit products has climbed across the board with the exception of Buy Now Pay Later products and mortgage lending.

Despite this, actual household borrowing is down 26% year-on-year in April 2023 as Kiwi consumers continue to consolidate their finances.

While it's too early to tell if this is a sign of plateauing, it's encouraging to see arrears growth slow for a month as people either get on top of their repayments or make arrangements with their creditors to get through these tough times.

This extends to our business community as well. In April 2023, every sector except transport saw a year-on-year increase in credit defaults as inflation and the tight cost of living continues to impact.

The latest [retail trade survey](#) from Stats NZ, for example, shows the total volume of actual retail sales fell 4.1 percent in the March 2023 quarter, compared with the March 2022 quarter.

While reducing spending is the goal of increasing the OCR, it remains a challenging time for Kiwi business owners, especially during a time of record-low unemployment.

It appears the economic stage has been set for the remainder of 2023.

For consumers and business owners alike, it's important to take stock of your financial situation and ensure you're able to meet your payment obligations.

For example, businesses should be taking time to credit check potential customers and suppliers before extending credit to ensure they're working with reliable entities.

Keith McLaughlin
Managing Director



Slight arrears improvement in April

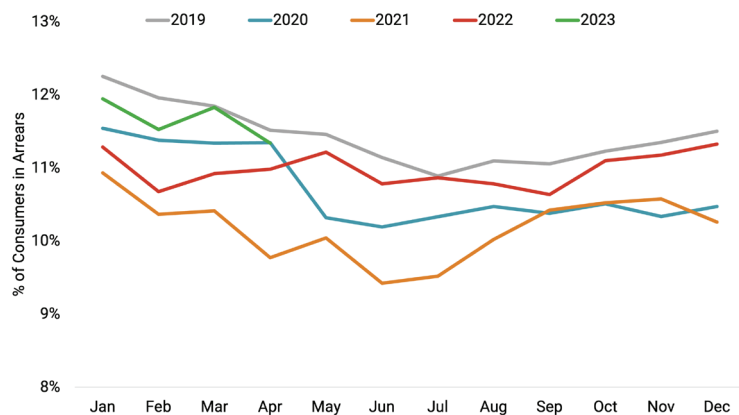
Overall consumer arrears fell slightly to 11.3% of the active credit population in April 2023, aligning to seasonal trends, after climbing to 11.8% in March 2023.

There were 411,000 people behind on payments in April 2023 compared to 427,000 in March 2023. Despite this, the current arrears level is 4% higher year-on-year when compared to April 2022, but overall still at historically low levels.

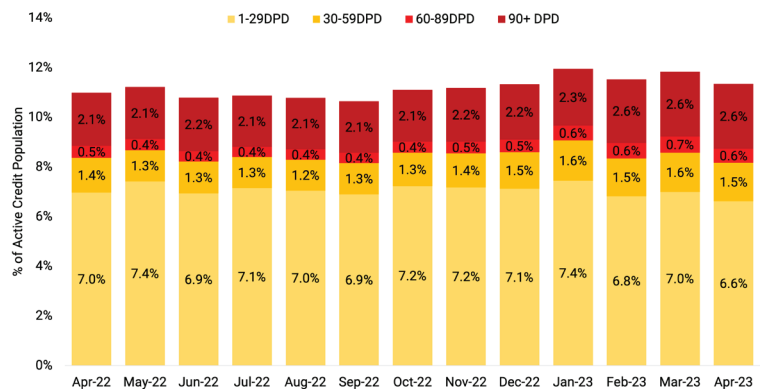
Furthermore, 4.7% of active credit consumers are currently 30+ days past due in April 2023, up from 4.0% in April 2022.

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Consumer Arrears Trends



Consumer Arrears by Days Past Due (DPD)



Mortgage arrears improve in April

After climbing for eight months, home loan arrears saw a downturn in April 2023 – down to 1.27% with 19,000 mortgages reported past due.

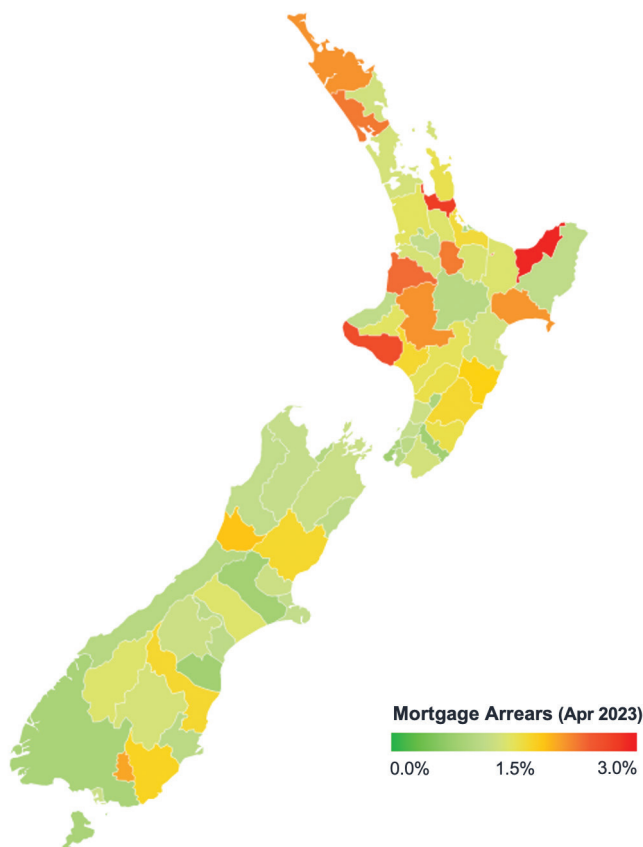
Despite this, this is still up 25% year-on-year as consumers continue to face financial challenges in the current economic climate.

The highest arrears were recorded in Ōpōtiki (2.94%), Hauraki (2.75%) and Southern Taranaki (2.60%), while Wellington City recorded the lowest rate of arrears at 0.80%.

Home Loan Arrears



After climbing for eight months, home loan arrears saw a downturn in April 2023.



Lowest Arrears Areas

District	Arrears %
1 Wellington City	0.80%
2 Carterton District	0.82%
3 Waimate District	0.82%
4 Selwyn District	0.84%
5 Southland District	0.91%
6 Porirua City	0.93%
7 Palmerston North City	0.95%
8 Hamilton City	1.00%
9 Nelson City	1.03%
10 Tauranga City	1.04%

Highest Arrears Areas

District	Arrears %
1 Opotiki District	2.94%
2 Hauraki District	2.75%
3 South Taranaki District	2.60%
4 Kawerau District	2.34%
5 Waitomo District	2.33%
6 Kaipara District	2.27%
7 South Waikato District	2.26%
8 Far North District	2.14%
9 Ruapehu District	2.14%
10 Wairoa District	2.12%

BNPL, consumer loan arrears down

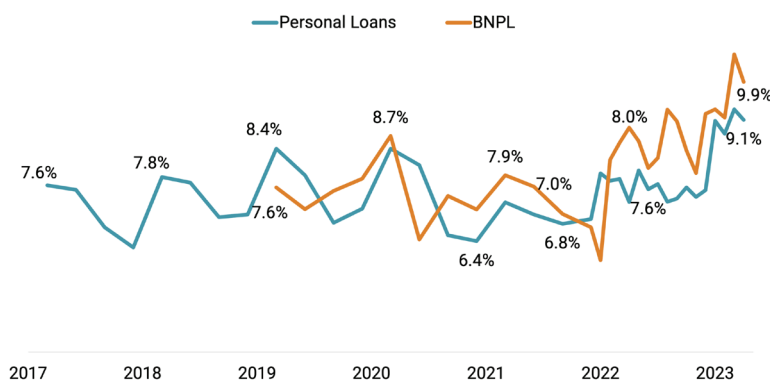
After reaching record high arrears in March, Buy Now Pay Later arrears have declined in April 2023 to 9.9%.

Credit card and unsecured consumer loan arrears also fell slightly month-on-month in April 2023 to 4.7% and 9.1% respectively.

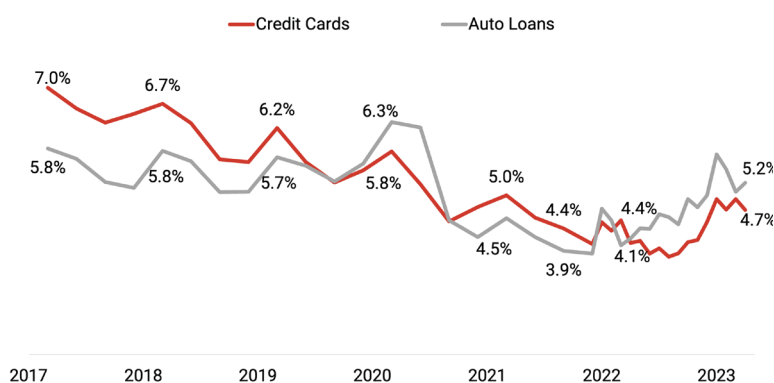
Vehicle loans is the only credit type where arrears have increased this month, up to 5.2% month-on-month in April 2023, but up 24% on a year-on-year basis.

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Personal Loan & BNPL Arrears



Credit Card & Auto Loan Arrears



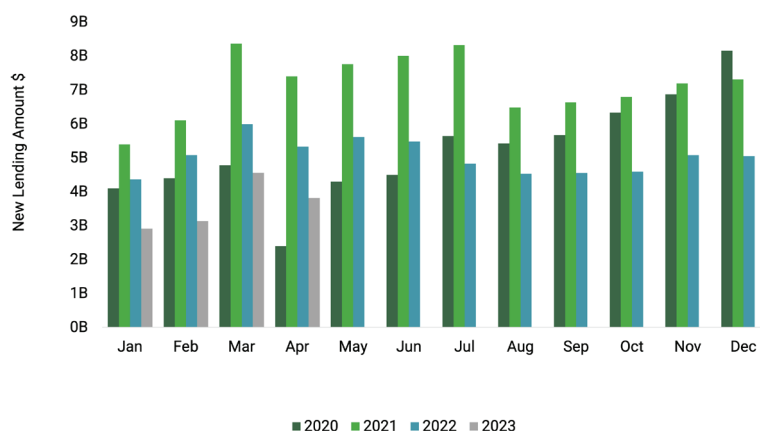
Mortgage lending down, consumer loans up

New mortgage borrowing in April 2023 was down 28% year-on-year, driven largely by record low property listings as the market remains relatively downturned.

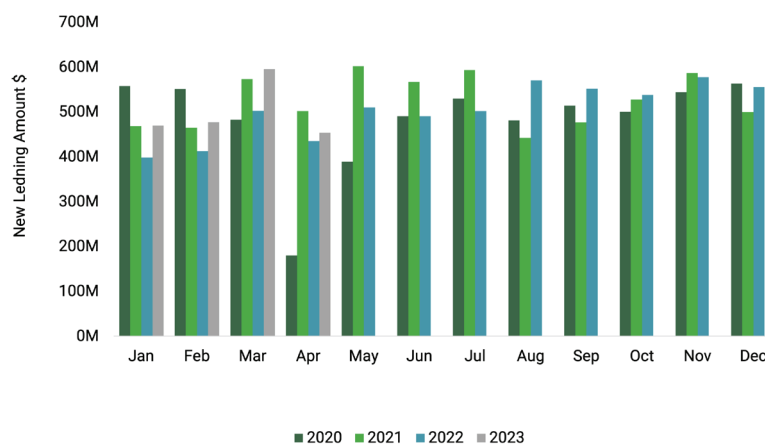
Furthermore, non-mortgage lending is up marginally year-on-year (4.1%), which was largely driven by an increased growth in vehicle financing.

Despite this, overall household borrowing was down 26% year-on-year.

New Lending Exposure: Mortgages



New Lending Exposure: Consumer Loans



Credit card demand climbs, mortgage demand declines

Demand for new credit products rose year-on-year in May 2023, led by an upswing in applications for credit cards, auto and personal loans, and energy utilities.

In line with actual lending, demand for new mortgages remained low with home loan applications down 13% year-on-year in May 2023 as the market remains cool.

While demand for Buy Now Pay Later credit climbed slightly month-on-month, applications remain down 3.8% year-on-year in May 2023.

Year on Year Change %



Mortgages

-13.3%



Auto Loans

+9.3%



Credit Cards

+25.1%



Personal Loans

+6.4%



BNPL

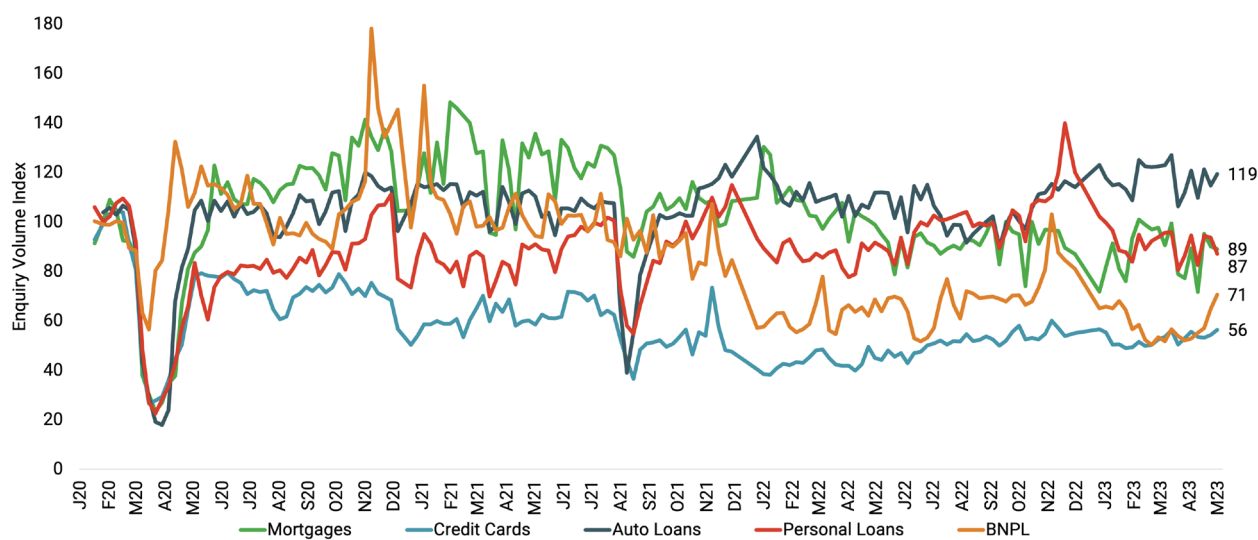
-3.8%



Retail Energy

+6.6%

Credit Demand by Product Type



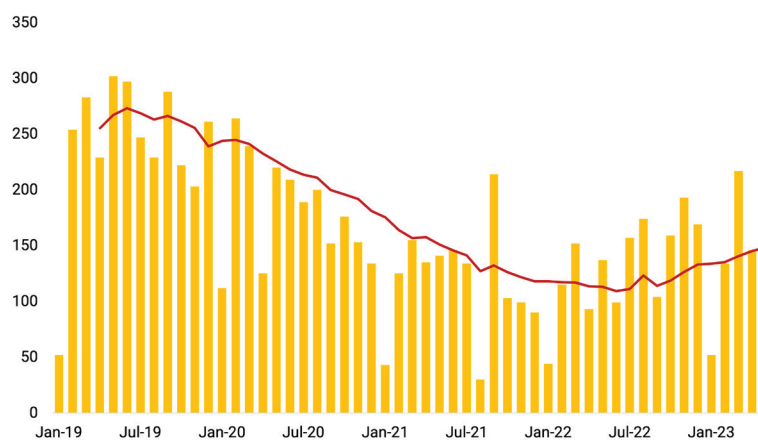
Business defaults climb across sectors

Year-on-year credit defaults are up across all Aotearoa New Zealand business sectors, with the exception of transportation.

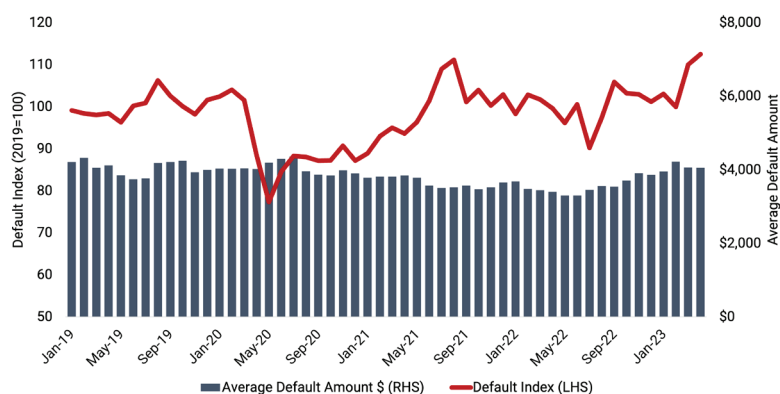
Overall business credit defaults are up 13% year-on-year, and company liquidations are up 31% year-on-year.

Business credit defaults are up 13% year-on-year.

Company Liquidations up 31% YoY








Business Credit Defaults up 13% YoY



The construction sector continues to battle against the current economic climate, with defaults up 18% year-on-year in April 2023 as firms contend with inflation and supply chain issues.

Looking at the transportation sector, defaults have fallen year-on-year in April 2023. With over 16,000 registered companies in the sector, many have benefited as tourism returned following the borders reopening.

	Sector	Credit Demand	Credit Defaults	Avg Credit Score	
	Construction	-4%	+18%	765	↓
	Hospitality	-2%	+10%	747	↔
	Retail Trade	-10%	+12%	775	↓
	Transport	+7%	-1%	741	↓
	Property / Rental	-12%	+17%	822	↓

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)			
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Liquidation Rating
Transport, Postal and Warehousing	16,332	2.3%	7%	-1%	741	1.7X
Air and Space Transport	437	0.1%	-2%	75%	751	2.0X
Pipeline and Other Transport	778	0.1%	38%	12%	687	2.8X
Scenic and Sightseeing Transport	645	0.1%	3%	67%	790	1.3X
Postal and Courier Pick-up and Delivery Services	2,470	0.3%	18%	36%	681	0.0X
Rail Transport	13	0.0%	-	-	813	-
Road Freight Transport	4,765	0.7%	10%	-17%	709	7.2X
Road Passenger Transport	1,683	0.2%	14%	-28%	755	1.0X
Transport Support Services	2,236	0.3%	-5%	16%	759	0.4X
Warehousing and Storage Services	630	0.1%	-41%	0%	818	3.4X
Water Transport	172	0.0%	-18%	-	781	-

Last updated May 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:

- 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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