



July Credit Indicator



Defaults, liquidations lead Kiwi business credit trends

In the last month, Stats NZ have released the Consumer Price Index for the last quarter, showing a third drop from the record high in 2022.

While the price of goods continues to climb, many commentators point to a slowing rate of growth compared to the last few quarters – a potentially good sign that things are beginning to turn.

For Kiwi businesses, however, the outlook may not be so bright. There has been a climb in credit defaults across the board in July 2023, with company liquidations up 36% year-on-year.

It's clear business owners in construction, retail trade, hospitality, property/rental and more are all feeling the pinch of this current economic climate.

This has the flow on effect impacting employees and their finances, contributing to an overall challenging financial situation for Kiwi households across the country.

However, there has been a shift for Kiwi consumers and their credit trends. For example, we saw a downturn in overall arrears figures in June 2023.

While largely remaining up year-on-year, there have been slight improvements month-on-month across most major categories including personal loans, Buy Now Pay Later (BNPL) products, credit cards and vehicle loans.

This also extends to mortgage delinquencies, which fell to 1.29% of mortgages in arrears (compared to 1.32% in May 2023).

While new mortgage lending remains down year-on-year, it seems the rate of decline is easing, which could be an early signal the market is beginning to turn back around. Non-mortgage lending is also up year-on-year in June.

Looking forward, many business owners will be grappling with the uncertainty of what lies ahead for the remainder of 2023, wondering whether their suppliers and customers will remain cashflow positive in order to meet their own outstanding debt repayments.

We implore anyone with concerns to make a habit of credit checking new and existing customers and suppliers to help reduce the possibilities of accruing bad debt at this time.

Furthermore, anyone at risk of falling behind on their repayments – personal or business – should speak with their creditors to get advice on how to navigate the current climate and protect their credit score for future lending potential.

Keith McLaughlin
Managing Director



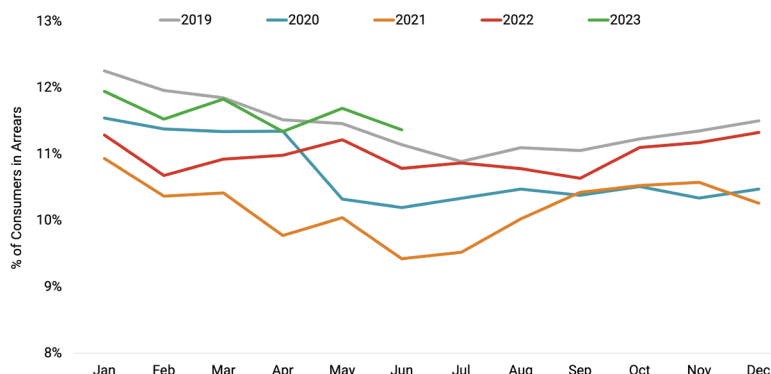
Slight arrears improvement, remain above pre-pandemic levels

Consumer arrears fell slightly month-on-month in June 2023 to 11.4% of the credit active population (down from 11.7% in May 2023), with the number of people behind on repayments now 414,000.

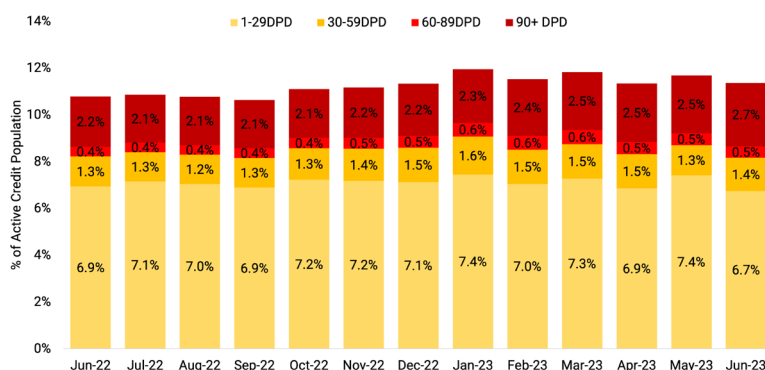
The current arrears level is 5% higher year-on-year, tracking slightly above pre-pandemic levels after coming off historic lows. Looking at the active credit community, 4.6% of consumers are currently 30+ days past due, while 2.7% 90+ days in arrears.

Consumer arrears fell slightly month-on-month in June 2023.

Consumer Arrears Trends



Consumer Arrears by Days Past Due (DPD)



Falling arrears for personal loans, BNPL products

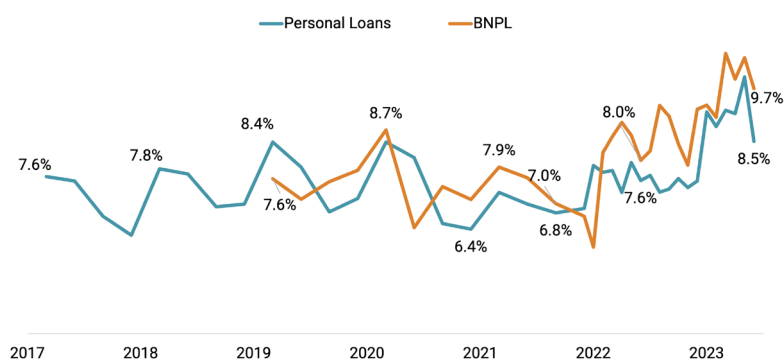
After climbing to double digits in May 2023, arrears for both unsecured personal loans and BNPL products fell slightly in June.

Unsecured personal loan arrears fell to 8.5%, the lowest level in 2023 so far. However, this figure is still up 21% year-on-year. BNPL arrears improved to 9.7%, the lowest level since February 2023.

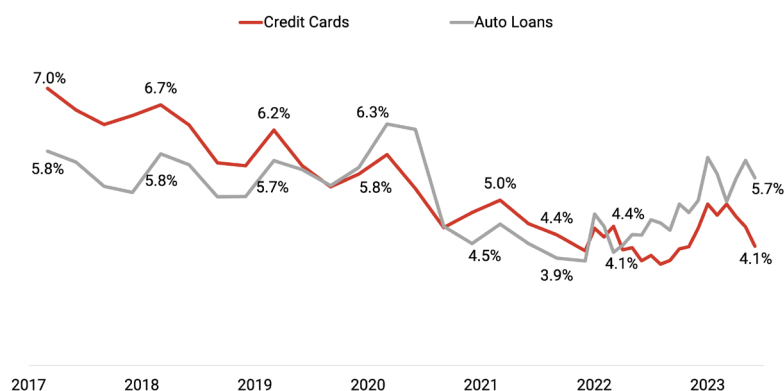
Credit card arrears fell for the third consecutive month to 4.1% while vehicle arrears also declined to 5.4% - although these arrears are still up 24% year-on-year.

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Personal Loan & BNPL Arrears



Credit Card & Auto Loan Arrears



Mortgage arrears fall, still up year-on-year

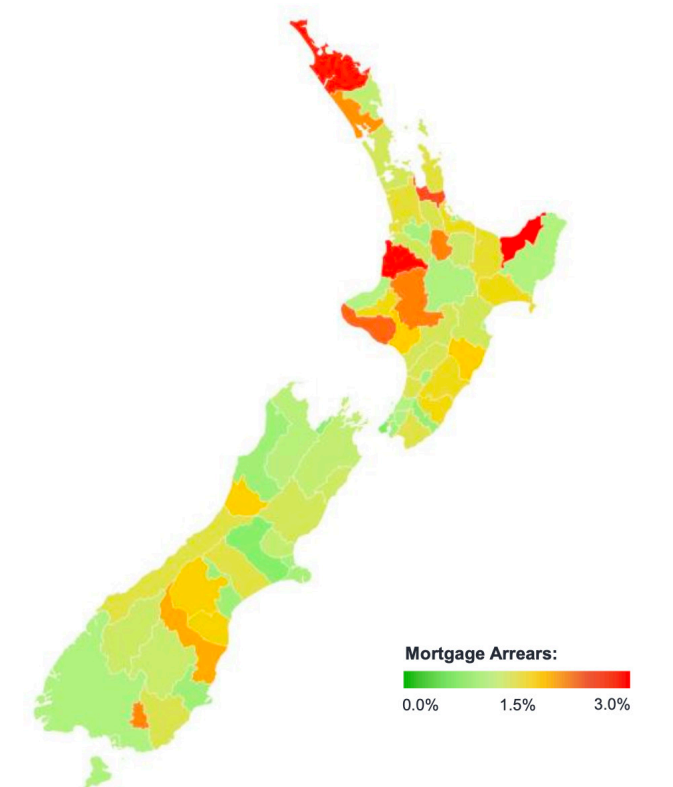
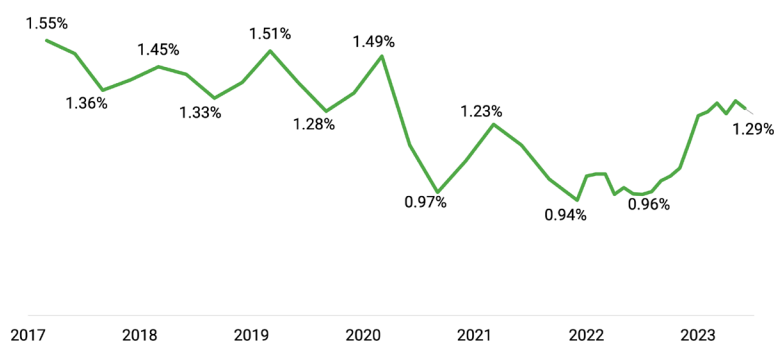
Turning to the mortgage arrears, delinquencies fell slightly in June 2023 with the proportion of loans in arrears at 1.29%. This is down from 1.32% in May 2023.

There are 19,400 mortgage accounts past due, which is up 34% on a year-on-year basis, as more consumers face the challenges of rising interest rates and the current economic climate.

The highest mortgage arrears were recorded in the Opotiki district (2.92%), followed by the Waitomo district (2.79%) and the Far North district (2.73%) and the Far North district (2.73%).

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Home Loan Arrears



Lowest Arrears Areas

District	Arrears %
1 Wellington City	0.82%
2 Selwyn District	0.90%
3 Nelson City	0.93%
4 Carterton District	0.99%
5 Buller District	1.04%
6 Tauranga City	1.04%
7 Timaru District	1.04%
8 Hamilton City	1.04%
9 Dunedin City	1.05%
10 Porirua City	1.07%

Highest Arrears Areas

District	Arrears %
1 Otago District	2.92%
2 Waitomo District	2.79%
3 Far North District	2.73%
4 Hauraki District	2.42%
5 South Taranaki District	2.31%
6 Ruapehu District	2.19%
7 South Waikato District	2.18%
8 Gore District	2.16%
9 Kaipara District	2.11%
10 Kaitiaki District	2.08%

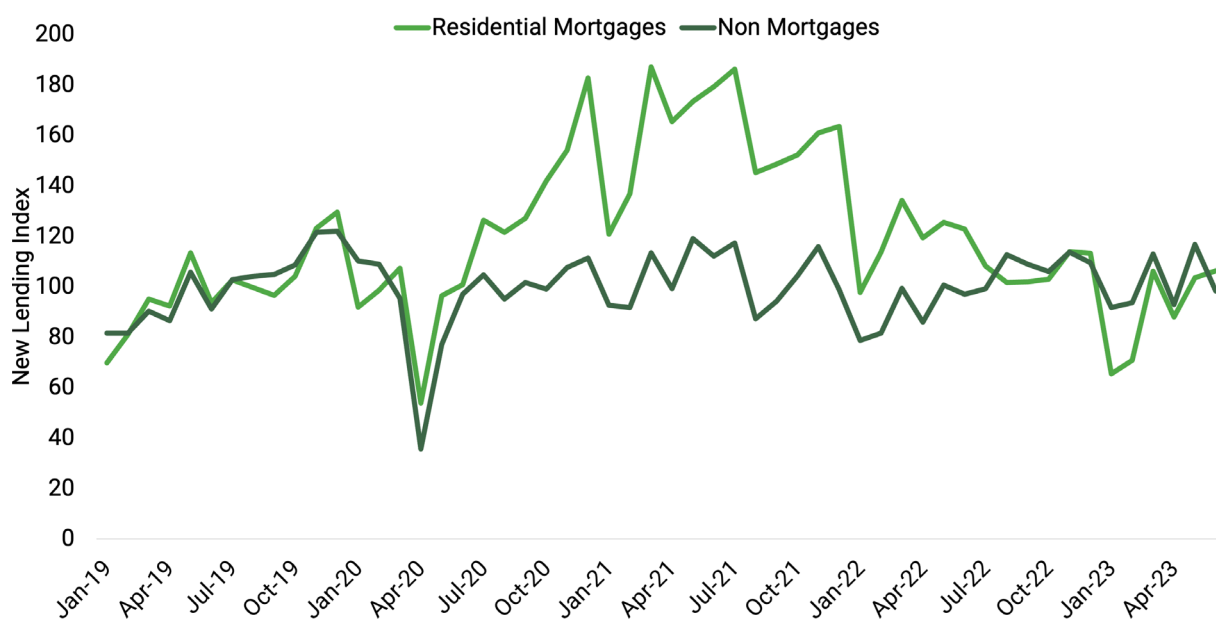
New home borrowing remains down

New mortgage borrowing in June 2023 was down 13% year-on-year, but the rate of decline is easing, which could signal the housing market may be near the bottom this downturned cycle.

Non-mortgage lending is up 8% year-on-year, driven by strong growth in vehicle loan finance. Overall new household borrowing is down 12% year-on-year.

*New mortgage borrowing in June 2023
was down 13% year-on-year*

New Consumer Lending (Indexed to 2019)



New vehicle loan demand rolls off in July

In July 2023, demand for new vehicle loans fell off dramatically after reaching a peak of activity in June 2023.

This could be the result of consumers taking the opportunity to avoid being impacted by the changes to the Government's Clean Car Discount from July.

New credit card activity continues to strengthen with applications up 13.5% year-on-year as more consumers turn to short term lending options to help with the current economic environment.

Year on Year Change %



Mortgages

-10.1%



Auto Loans

+0.0%



Credit Cards

+13.5%



Personal Loans

-3.5%



BNPL

+9.9%

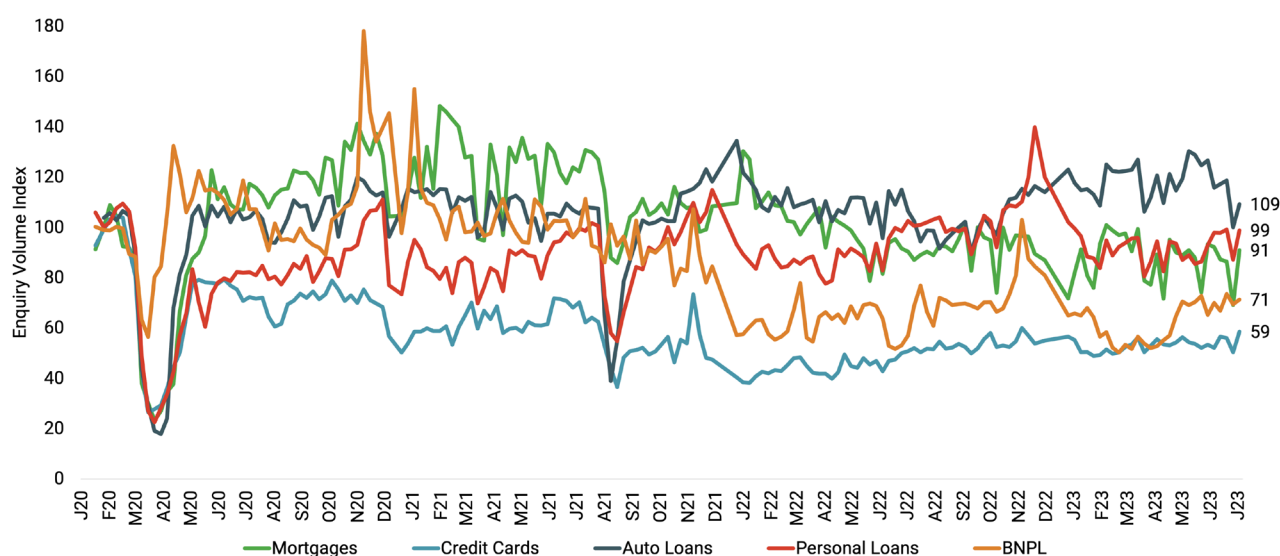


Retail Energy

+2.8%

Demand for new vehicle loans fell off dramatically after reaching a peak of activity in June 2023.

Credit Demand by Product Type



Under 25's experiencing highest financial stress

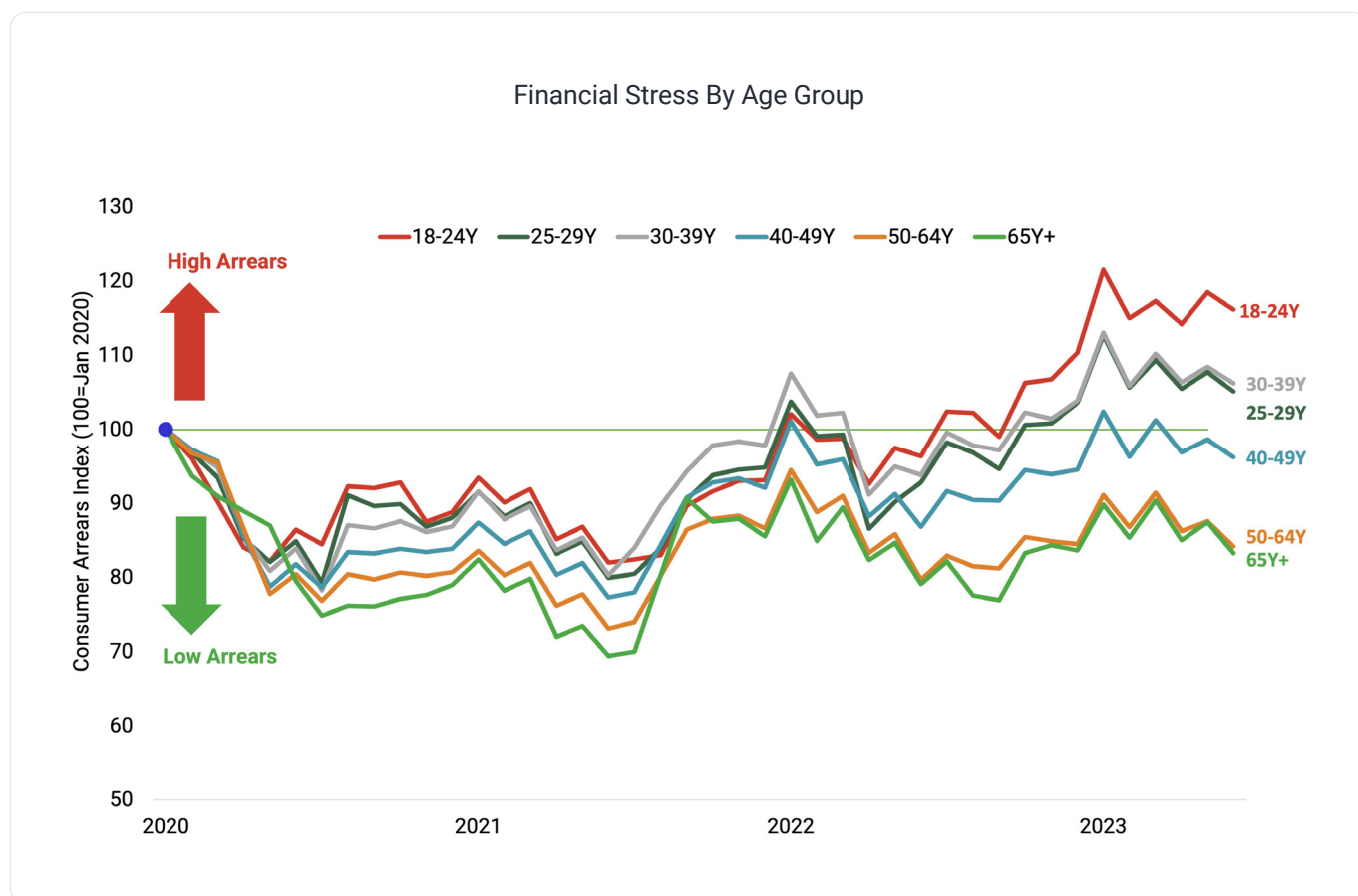
Consumer arrears are an indicator of financial stress, with the current cost of living crisis not impacting every Kiwi equally.

While arrears have been rising across all age groups, it appears the younger generations are struggling the most.

For example, consumers under the age of 25 are among those hit hardest by the soaring cost of living and are more likely to experience issues with their cash flow.

On the flip side, consumers aged 50 or more are faring better with lower levels of arrears than pre-pandemic.

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Business credit defaults up across the board

Business credit defaults were up year-on-year across all sectors in July 2023 as previous arrears begin to convert to defaults being lodged.

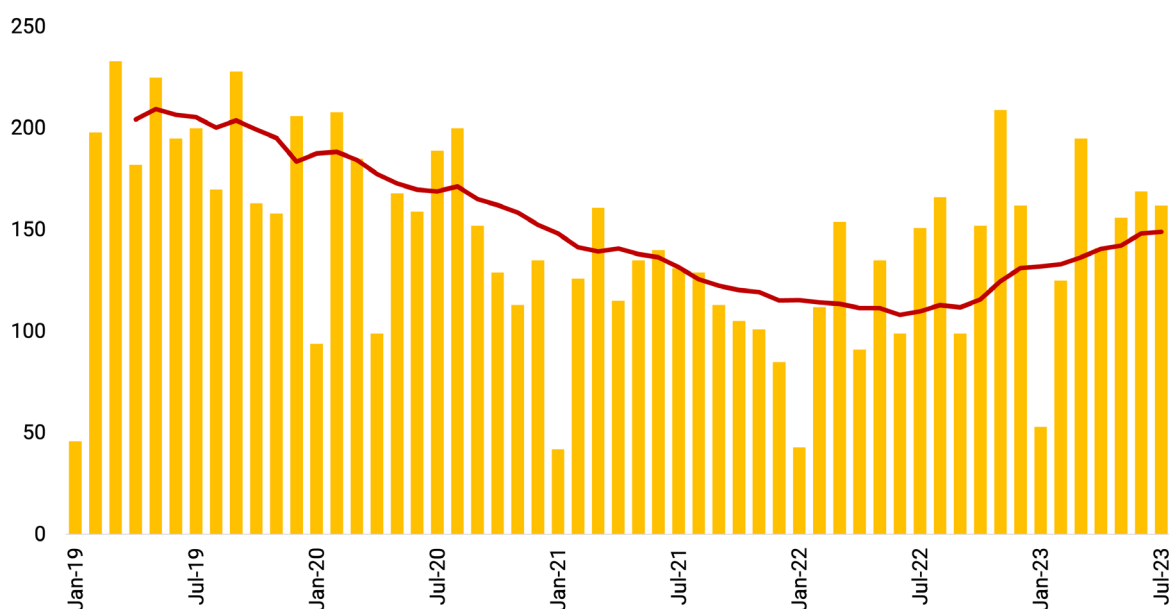
Year-on-year, defaults were up in the property/rental sector (+35%), retail trade (+20%), hospitality (+16%), construction (+16%) and transport (+10). Credit demand was also up across all sectors, with the exception of property/rental.

It is important to note that a credit default is a lag indicator – the arrears position occurs several months prior to a default being lodged.

Furthermore, company liquidations are up 36% year-on-year in July 2023.

	Sector	Credit Demand	Credit Defaults	Avg Credit Score
	Construction	+7%	+16%	764 ↓
	Hospitality	+13%	+16%	747 ↔
	Retail Trade	+4%	+20%	775 ↓
	Transport	+14%	+10%	739 ↓
	Property / Rental	-6%	+35%	822 ↓

Company Liquidations Up 36% YoY



Company liquidations are up 36% year-on-year in July 2023.

Taking a look specifically at the manufacturing sector, there are more than 25,000 registered companies in the manufacturing sector – making up 3.5% of all registered companies in Aotearoa New Zealand.

The manufacturing sector on the whole is experiencing a higher number of credit defaults and company liquidations, significantly up on the same corresponding period last year.

Despite this, credit demand has risen in recent months, which could indicate new production activity is beginning to improve.

Manufacturers specialising in beverages, fabricated metal, furniture, and transport equipment are at greater risk of business failure (>1.5X) than the typical NZ business.

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)			
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Liquidation Rating
C - Manufacturing	25,528	3.5%	3%	27%	784	1.6X
Basic Chemical and Chemical Product Manufacturing	1,378	0.2%	-2%	0%	747	0.6X
Beverage and Tobacco Product Manufacturing	1,624	0.2%	2%	111%	776	3.1X
Fabricated Metal Product Manufacturing	1,889	0.3%	3%	11%	775	2.5X
Food Product Manufacturing	3,951	0.5%	-15%	27%	763	1.2X
Furniture and Other Manufacturing	2,696	0.4%	-7%	-29%	793	1.7X
Machinery and Equipment Manufacturing	5,002	0.7%	18%	55%	773	0.3X
Non-Metallic Mineral Product Manufacturing	720	0.1%	1%	0%	775	0.6X
Polymer Product and Rubber Product Manufacturing	527	0.1%	-31%	-25%	789	0.0X
Printing	1,407	0.2%	12%	57%	788	0.6X
Textile, Leather, Clothing and Footwear Manufacturing	1,330	0.2%	6%	-	796	2.2X
Transport Equipment Manufacturing	1,336	0.2%	-13%	-38%	781	2.9X
Wood Product Manufacturing	1,094	0.2%	16%	-	789	0.0X

Last updated July 31, 2023.

Centrix data

Centrix provides the most up-to-date credit insights available in NZ and holds the richest dataset of payment 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:

- 82 registered banks, finance companies, utility companies, telcos, and other business contributors to Comprehensive Credit Reporting (CCR), providing payment behaviour data. Major bank contributors include 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 and most credit active businesses within New Zealand.
- Defaults loaded by collections agencies and credit providers.

Glossary of Terms:

- Credit demand - real time - a leading indicator of consumer and business confidence.
 - Consumer - applies to individuals that apply for finance, telco, broadband, power, tenancy, and utility accounts.
 - Business - applies to businesses that apply for credit terms with any goods and services providers including finance.
- Payment arrears - a one month lag indicator – data contributors typically report the payment status of their customers the month after the payment is due.
- Defaults - a lag indicator - a default will be listed on a credit file where a payment over \$125 is overdue by at least 30 days and the credit provider has tried to recover the money.

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