



August Credit Indicator



Consumer arrears continue to climb

The Reserve Bank held the Official Cash Rate at 5.5% in mid-August, allowing for a collective sigh of relief at the possibility of momentary stability for interest rates.

Despite this, the cost-of-living crisis continues to linger. While household telco arrears only experienced a minimal increase in July 2023, personal loan arrears are up 17% compared to July last year.

On the flip side, Buy Now, Pay Later (BNPL) arrears are down for the second month running, signalling Kiwis are working hard to get back on top of their discretionary credit repayments.

However, vehicle loan arrears increased to 6% of active accounts - a three year high - while credit card arrears edged up slightly to 4.3% but still remain low when compared to historical levels.

Mortgage arrears also fell month-on-month but remain up year-on-year after the lows recorded in 2022.

Active credit consumers aged under 25 appear to be struggling quite consistently in recent years.

The debt stress for the demographic has seen noteworthy growth since pre-pandemic times, with credit such as telco and personal loans going into arrears ahead of BNPL and credit cards.

A sign of the times, consumer credit demand was up 10% year-on-year in August, with new personal loan activity currently at its highest level this year to date.

New mortgage borrowing is still down year-on-year in July, the rate of decline has seen a significant ease off, signalling the housing market downturn could be coming to an end.

Recent growth in new vehicle loan financing and credit card lending have driven non-mortgage lending numbers up 2% from last year. Although these figures remain low on pre-pandemic levels, down 2% on July 2019.

Looking towards the business sector, both credit defaults and company liquidations were up across the board year-on-year as the realities of the current climate continue to impact Kiwi businesses.

Perhaps this is a sign of settling into a new financial situation for our country as we can properly assess how things will shape up following huge amounts of stress on both consumers and business owners.

The remainder of 2023 will continue to be challenging for Kiwi households and businesses alike. We implore those going through financial stress to seek advice and speak with their credit providers early to come up with a proactive plan sooner than later.

If you're considering opening a new line of credit, or are concerned about the current climate, make a habit of checking credit scores and make informed decisions to reduce the chances of accruing bad debt during this time.

Keith McLaughlin
Managing Director



Consumer arrears climb back to pre-pandemic levels

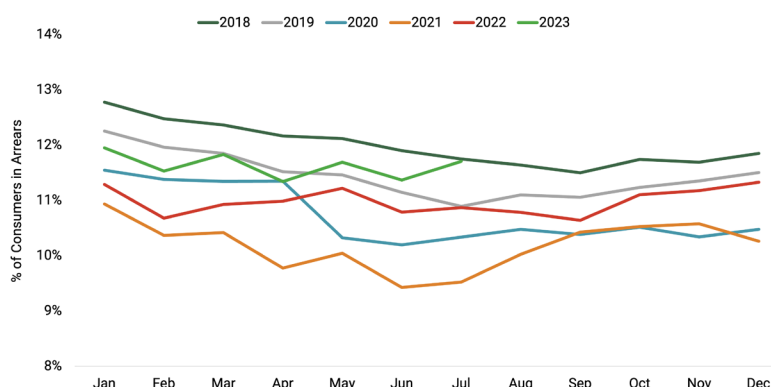
This month's rise in consumer arrears to 11.7% of the credit active population took us back to 2018 levels. The number of people behind on payments rose to 426,000, compared to 414,000 only a month ago.

After coming off some historic lows, the current arrears levels are 7.5% higher year-on-year. The number of credit active consumers in over 90 days arrears rose from 2.6% to 2.7% June to July.

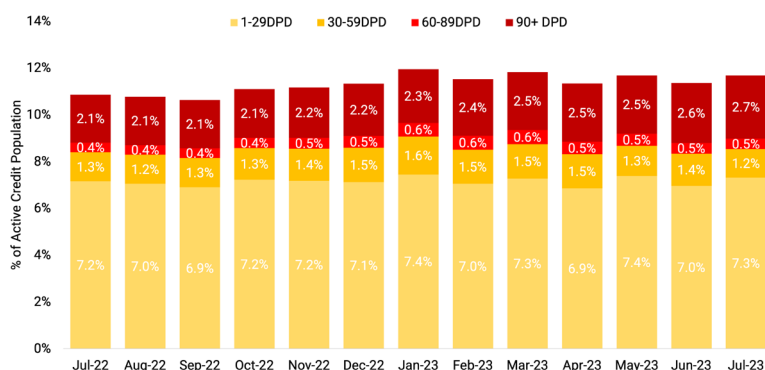
It is important to note when comparing arrears year on year that we are coming off historic lows.

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Consumer Arrears Trends



Consumer Arrears by Days Past Due (DPD)



New personal loan activity finds a year to date high

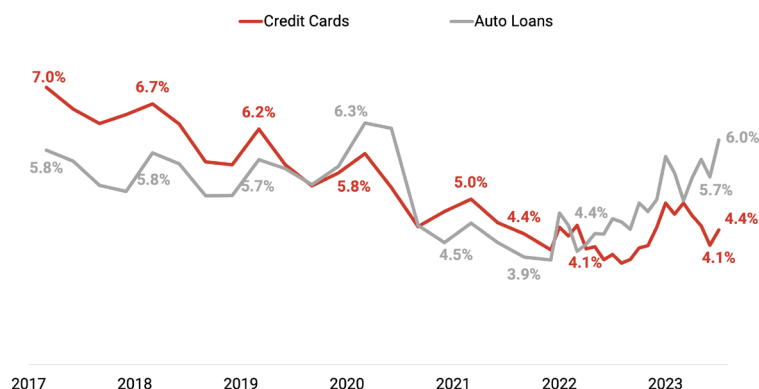
As the current economic environment remains difficult for consumers, more people are turning to short-term lending options.

Credit card demand is up 24.6% year on year, and despite a brief drop in vehicle loan demand after changes to the Governments clean car discount, August has seen demand pick back up. Vehicle loan applications remain 19% higher on a year-on-year basis.

Despite demand for auto loans picking back up, July saw the arrears hit a three-year high, increasing to 6.0% - a 31% year-on-year rise.

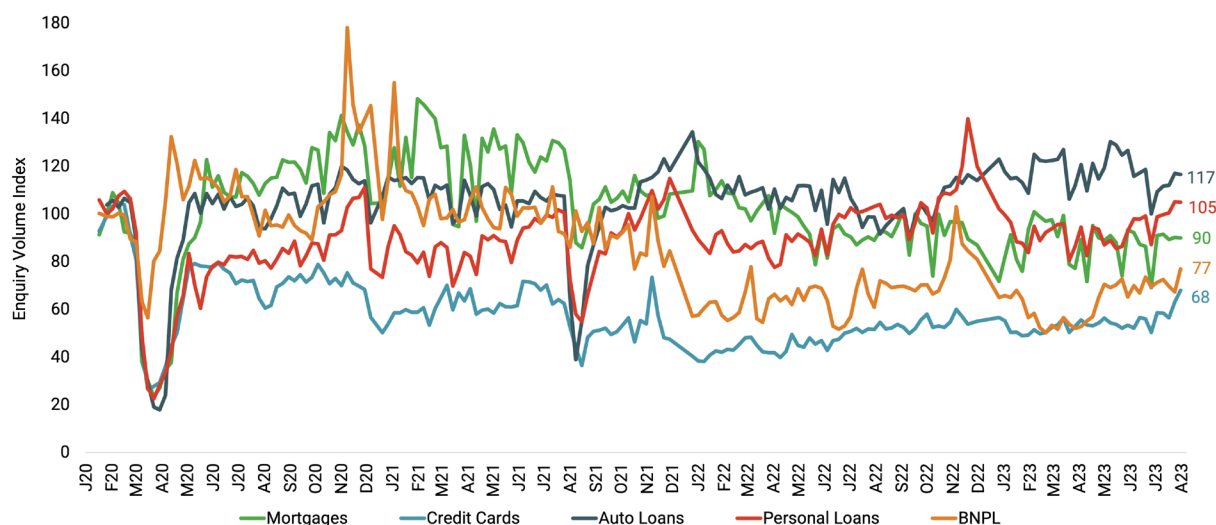
The same can be said for credit card trends – while the demand is up, arrears on payments are rising too. July saw a slight edge up to 4.4%, up 11% year-on-year.

Credit Card & Auto Loan Arrears



Despite demand for auto loans picking back up, July saw the arrears hit a three-year high, increasing to 6.0% - a 31% year-on-year rise.

Credit Demand By Product Type



Mortgage delinquencies drop for second month running

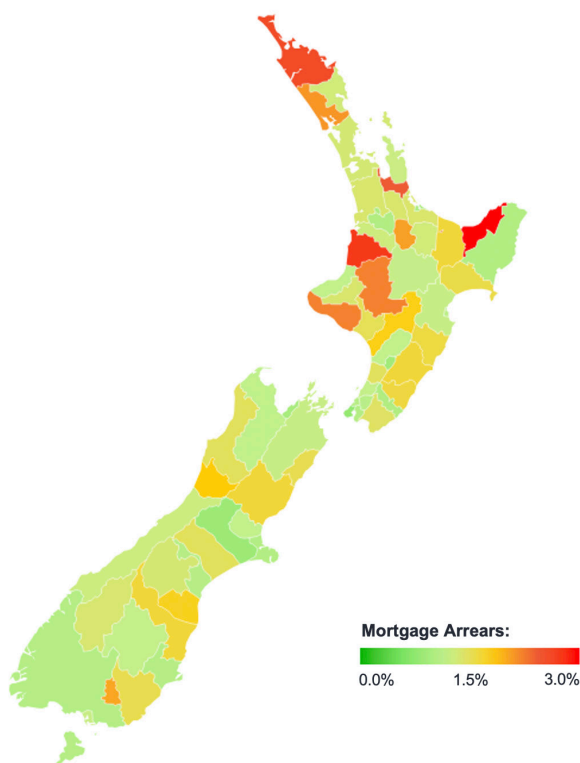
While overall mortgage delinquencies fell in July, there were 18,800 mortgage accounts past due, a 31% year-on-year increase.

The highest mortgage arrears were recorded in the Opotiki District at 3.37%, a 0.45% increase on last month's statistics. They were followed by the Waitomo district and Far North District.

Home Loan Arrears



There were 18,800 mortgage accounts past due in July.



Lowest Arrears Areas		
District	Arrears %	
1 Wellington City	0.79%	
2 Selwyn District	0.86%	
3 Palmerston North City	0.91%	
4 Nelson City	0.97%	
5 Hamilton City	0.99%	
6 Tauranga City	1.01%	
7 Carterton District	1.04%	
8 Gisborne District	1.05%	
9 Waipa District	1.05%	
10 Christchurch City	1.07%	

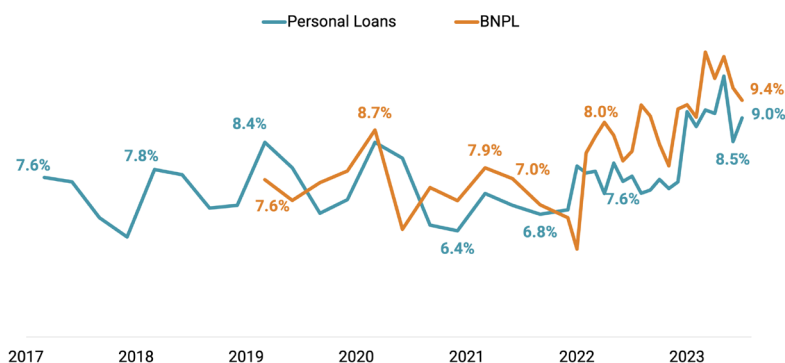
Highest Arrears Areas		
District	Arrears %	
1 Otago District	3.37%	
2 Waitomo District	2.75%	
3 Far North District	2.58%	
4 Hauraki District	2.42%	
5 Kawerau District	2.28%	
6 South Taranaki District	2.21%	
7 Ruapehu District	2.21%	
8 Kaipara District	2.11%	
9 South Waikato District	2.06%	
10 Gore District	2.02%	

Personal loans arrears rise, BNPL decline

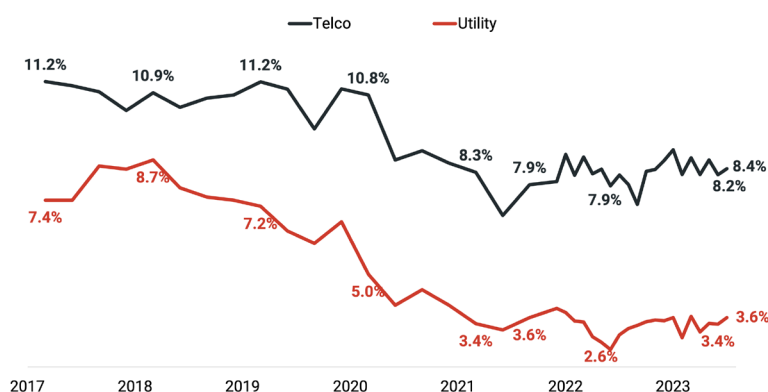
Personal loan arrears were up 9% in July, increasing 17% year-on-year. BNPL arrears are lower for the second month running, improving to 9.4% - the lowest since February of this year.

Telco and utility arrears have climbed a mere 0.2% year-on-year, from 8.2% to 8.4% in July. Retail energy accounts reported past due have seen a marginal increase to 3.6%

Personal Loan & BNPL Arrears



Telco & Utility Arrears

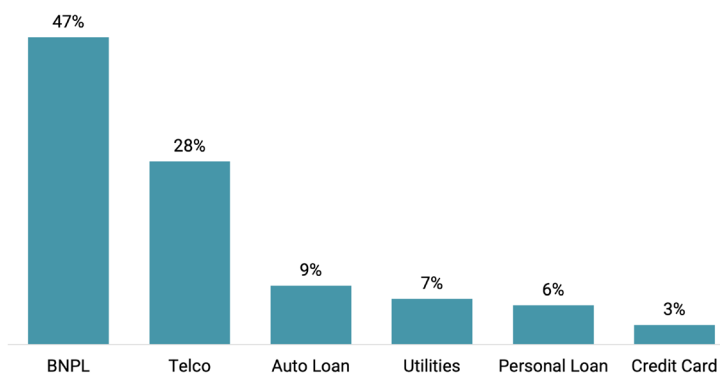


Debt stress rising among under 25's, arrears in personal loans

Currently, over 260,000 under 25's are credit active consumers. Within this group, 57% use BNPL, which is now this consumer group's most common first credit event.

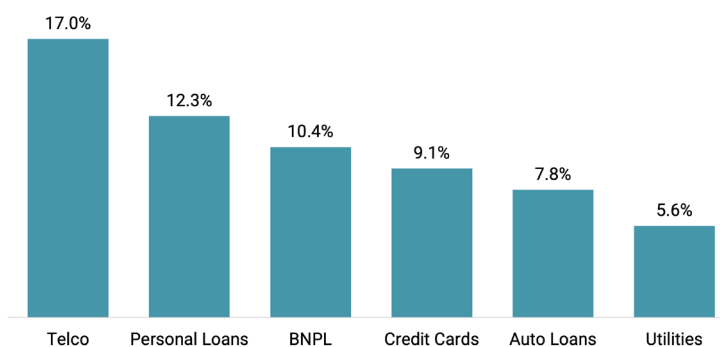
Debt stress for the demographic is currently 21% higher than since the beginning of 2020. Telco credit is the most likely to go into arrears with the group, followed by personal loans and BNPL payments.

First Credit Event (earliest credit event on file)



Debt stress for those under 25 years old is currently 21% higher than the beginning of 2020.

Under 25 Arrears Rate by Product (Arrears as at July 2023)



Housing market downturn begins to ease

New mortgage borrowing in July was down 2% on last year, but the rate of decline has significantly eased, signalling the housing market downturn could be running out of steam.

Non-mortgage lending is up 2% year on year, which continues to be driven by strong growth in vehicle loan finance and more recently new credit card lending. Overall new household borrowing was down 2% on a year-on-year basis.

New mortgage borrowing in July was down 2% on last year, but the rate of decline has significantly eased.

New Consumer Lending (Indexed to 2019)



Business credit demand up, defaults and liquidations climb

Remaining strong and rising 5% on a year-on-year basis, business credit demand has improved across the construction, hospitality, retail and transport sectors.

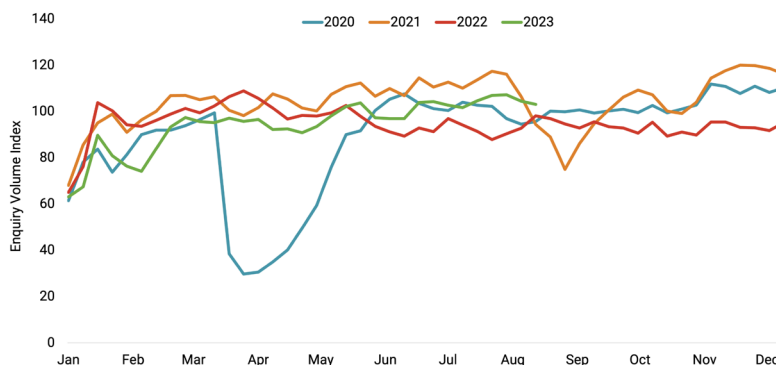
Year-on-year, business defaults were up across the board. The retail sector saw a 45% increase in credit defaults, with construction and hospitality rising 34% and 30% respectively.

The property/rental sector saw a 62% rise in credit defaults year-on-year, along with a 17% of liquidations.

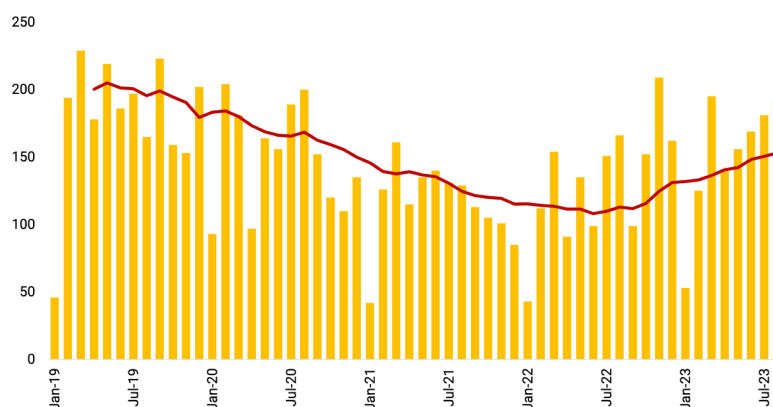
The construction sector experienced a 73% climb in company liquidations year-on-year in July.






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

Business Credit Demand: 2020 to 2023



Company Liquidations



	Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
	Construction	+6%	+34%	764 ↓	+73%	2.3X
	Hospitality	+15%	+30%	747 ↔	+22%	2.2X
	Retail Trade	+6%	+45%	775 ↓	+42%	1.1X
	Transport	+11%	+22%	740 ↓	+56%	1.8X
	Property / Rental	-4%	+62%	821 ↓	+17%	0.8X
	All Sectors	+5%	+38%	792 ↔	+36%	1.0X

Looking into the property sector more specifically, there are a total of 121,101 registered companies in the area, making up 16.8% of all companies in the country.

The sector has been experiencing significant changes across the board, with a rise of credit defaults of over 60% in the past year, as many property development and investment businesses are no exception to the current economic environment.

Since the same corresponding period last year, the residential property development sector has seen a 188% rise in credit defaults, and is struggling with a rise in company liquidations – at a 2.1X rate than the typical NZ business.

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)			
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Liquidation Rating
Rental, Hiring and Real Estate Services	121,101	16.8%	-4%	62%	821	0.8X
Property Operators and Real Estate Services	77,108	10.7%	-2%	109%	807	0.8X
Real Estate Services	3,864	0.5%	7%	100%	779	0.9X
Investment - commercial property	11,306	1.6%	16%	78%	811	0.9X
Investment - residential property	20,740	2.9%	-13%	230%	800	0.7X
Rental of commercial property	6,614	0.9%	10%	0%	838	0.7X
Residential property development	6,831	0.9%	-8%	188%	757	2.1X
Residential rental landlords	20,507	2.8%	-3%	114%	836	0.2X
Rental and Hiring Services (except Real Estate)	7,177	1.0%	8%	6%	779	1.0X

Last updated August 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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