



September Credit Indicator



The most up-to-date credit insights available in New Zealand

Demand for credit climbs as cost-of-living crisis lingers

The latest data shows New Zealand's economy has grown for a second quarter in a row, exceeding our expectations and officially lifting the country out of recession.

Despite this, the cost-of-living crisis continues to impact businesses and consumers alike.

Year-on-year, consumer credit demand is up 8%. As demand for unsecured credit continues to grow, credit card applications have risen 13% year-on-year, and personal loan enquiries sit above 2019 levels.

New vehicle loan enquiries remain strong, with a 14.4% rise in credit demand year-on-year, despite a recent dip in new vehicle sales registrations following the recent changes to the clean car discount.

We're continuing to see signs of a housing market pick up, as new mortgage lending is up 3% from pre-pandemic August 2019. There's a modest increase on borrowing figures from August 2022, climbing 2% year-on-year.

Despite a slight drop in consumer arrears from 11.70% in July to 11.62% in August, the current arrears level is still 7.8% higher year-on-year.

This means we're tracking incredibly closely to 2018 levels, but it's important to note that despite this rise, we are coming off historic lows seen over the last few years.

Buy Now, Pay Later (BNPL) arrears are down to 8.2%, falling for the third consecutive month. These are the lowest levels we've seen since November 2022, which could be an encouraging sign Kiwi consumers are working to manage their debt in one of the most popular unsecured credit options available.

In the business sector, company liquidations are up significantly year-on-year and company closures are up this quarter, although overall volumes are low. Credit defaults are up 27% year-on-year, having risen year-on-year in every sector.

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 to inform any major financial decisions to reduce the chances of accruing bad debt during this time.

Keith McLaughlin
Managing Director



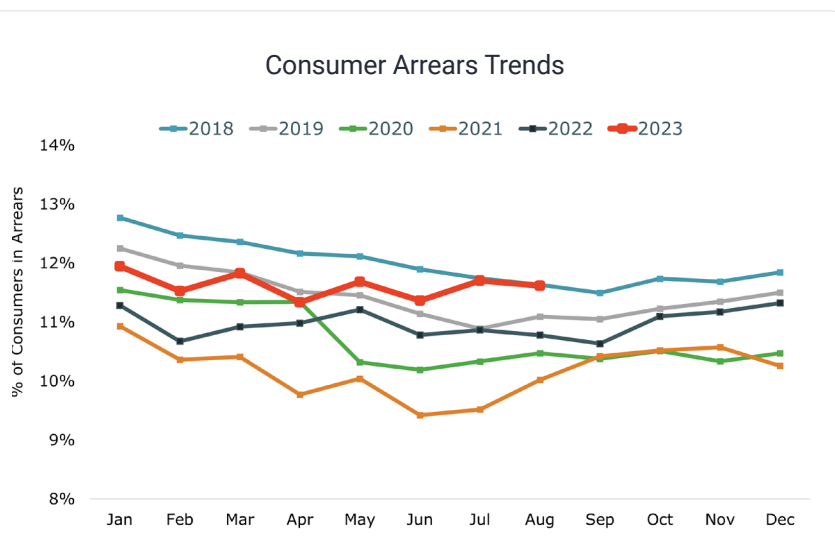
Consumer arrears continue tracking to 2018 levels

Consumer arrears fell slightly in August to 11.62% of the active credit population, down from 11.70% in July of this year.

Furthermore, the number of people behind on their payments has fallen to 423,000 from 426,000 in August. Despite these small drops, the current arrears level is still 7.8% higher year-on-year and like last month, we are tracking closely to 2018 levels.

It's important to note we are coming off historic lows experienced during the pandemic these last few years.

Furthermore, 156,000 consumers are currently over 30 days past due, and within this group 107,000 are at 60+ days in arrears.



The number of people behind on their payments has fallen to 423,000 from 426,000 in August.

| August 2023 | 1+ Days in Arrears | 30+ Days in Arrears | 60+ Days in Arrears | 90+ Days in Arrears |
|------------------|--------------------|---------------------|---------------------|---------------------|
| # Consumers | 423,000 | 156,000 | 107,000 | 90,000 |
| % Credit Actives | 11.62% | 4.29% | 2.96% | 2.47% |
| vs Aug 2022 | +7.8% | +15.5% | +19.9% | +19.9% |
| vs Aug 2021 | +15.9% | +23.8% | +38.4% | +42.5% |
| vs Aug 2020 | +10.9% | +20.3% | +24.8% | +19.4% |
| vs Aug 2019 | +4.7% | +7.1% | +19.8% | +14.0% |
| vs Aug 2018 | -0.2% | -4.5% | -0.9% | -0.2% |
| vs Aug 2017 | -1.9% | -1.0% | +3.9% | -0.2% |

Demand for unsecured credit continues to grow

While the cost-of-living crisis continues to add pressure to consumers' pockets, the demand for consumer lending products doesn't appear to be letting up this month.

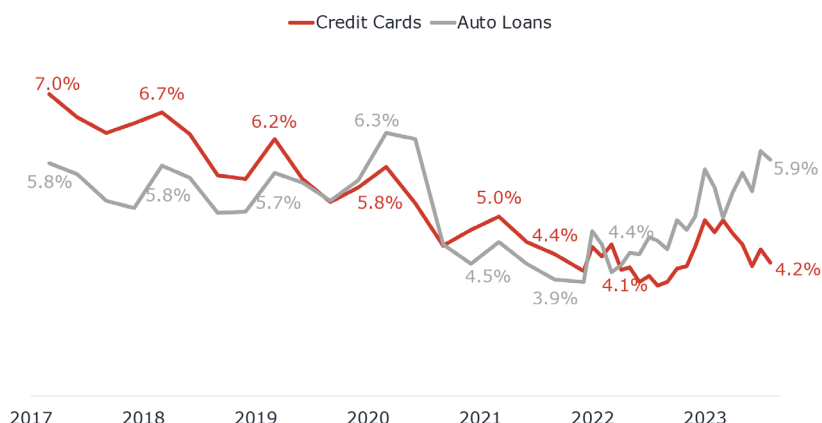
Looking at credit demand by product type in this last month, we can see that credit card demand rose 13% year-on-year, and BNPL demand is 4% up year-on-year, trending around the same numbers we saw in August.

Following the drop in new vehicle sales registrations after changes to the government's clean car discount, demand for auto loans remains 14.4% higher year-on-year – a slight drop from the 19% year-on-year rise recorded in August.

While demand for credit cards is up, so are the arrears. Credit card arrears are up 10% compared to last year. However, things are still comparatively low against historical levels.

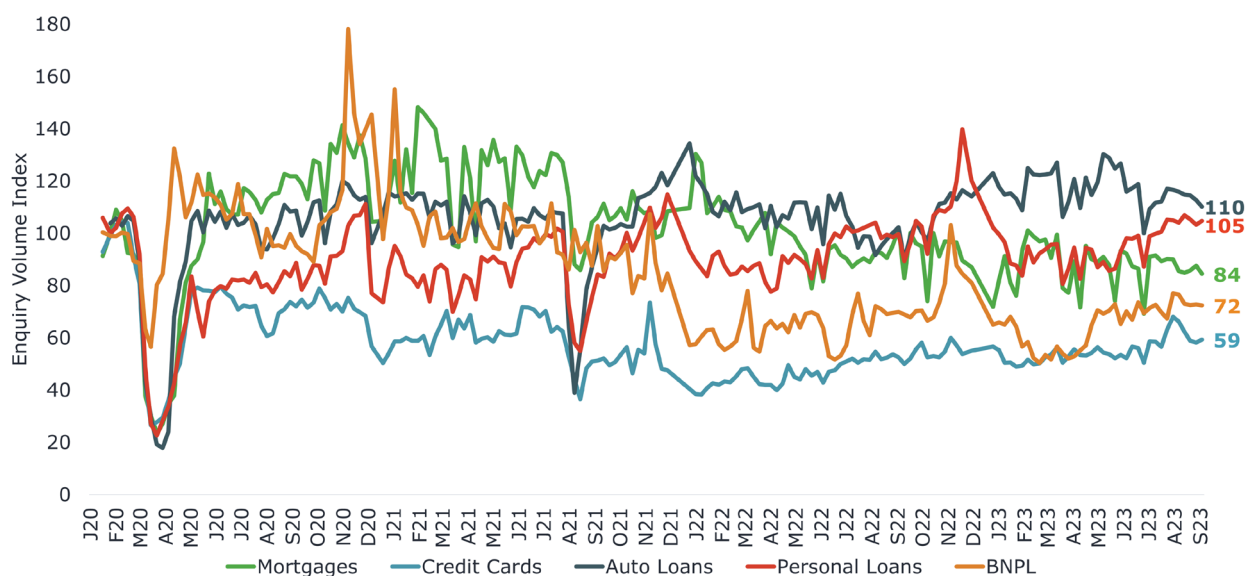
Despite vehicle loan arrears edging back to 5.9% in August, they're still up 29% on a year-on-year basis.

Credit Card & Auto Loan Arrears



Demand for auto loans remains 14.4% higher year-on-year.

Credit Demand By Product Type



Highest retail energy arrears in 3 years a potentially troubling forecast

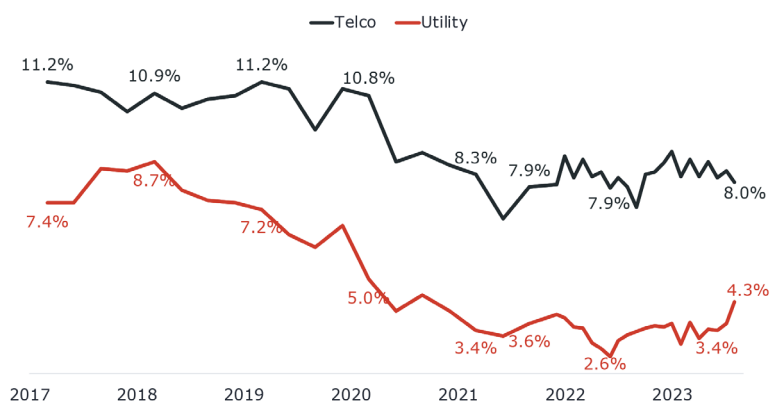
The number of households that are behind on retail energy payments has climbed to 4.3% in August, the highest reported level since September 2022. Telco accounts reported past due fell slightly this month to 8.0%

Personal loan arrears have edged up to 9.1% in August, up 24% year-on-year.

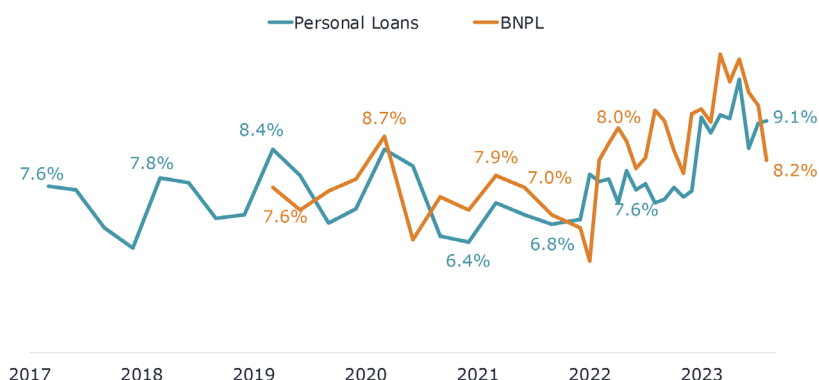
But BNPL arrears continue to trend down, dropping to 8.2% last month – the lowest level seen since November 2022.

Households behind on retail energy payments in August climbed to the highest reported level since September 2022.

Telco & Utility Arrears



Personal Loan & BNPL Arrears



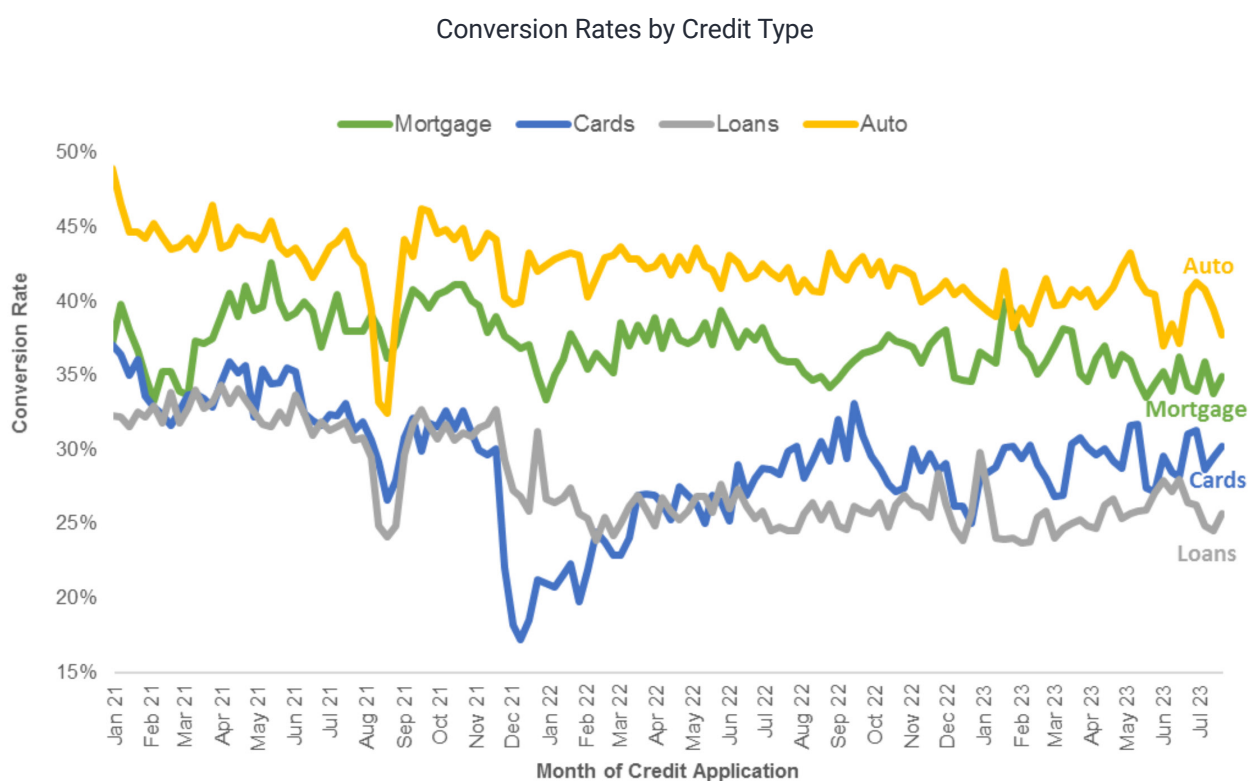
Loan conversion rates levelling off

A conversion rate is defined as the number of new credit accounts opened as a proportion of credit applications made.

Since the CCCFA changes in December 2021 requiring lenders to collect more detailed information from borrowers before lending money or extending further lines of credit, we saw conversion rates drop.

Credit cards have seen the sharpest fall at the time but have been steadily improving as both lenders and consumers are becoming more familiar with the new regulations.

Only time will tell what the proposed CCCFA review could mean for loan conversion rates in the new year.



Continued signs that the housing market is picking back up

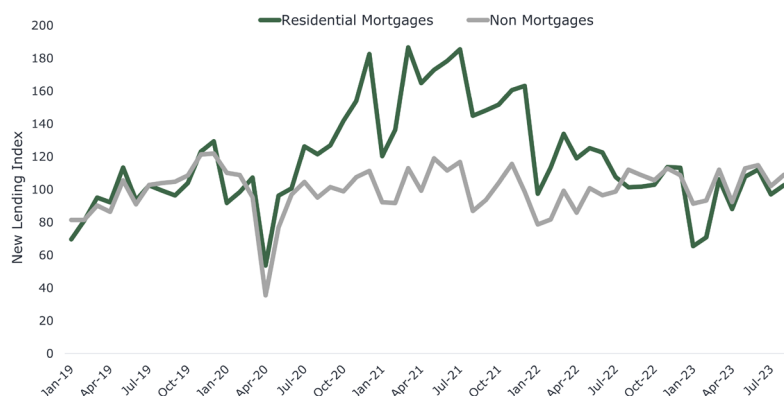
New mortgage borrowing figures showed a modest 2% increase in August year-on-year. Non-mortgage lending is *unchanged* year-on-year, giving us increasing signs that the property market is improving. Overall, new household lending is 1% up on the year-on-year basis.

Reflecting the upswing in the housing market was mortgage delinquencies falling slightly for the 3rd month running. The proportion of home loans in arrears fell to 1.25% in September.

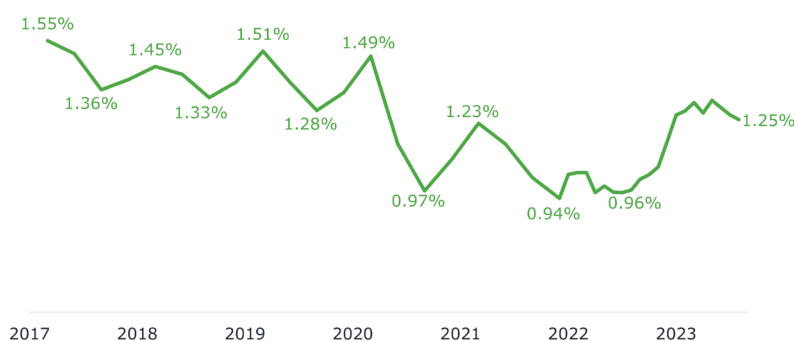
Not as hopeful were the 18,600 mortgage accounts past due, up 28% on a year-on-year basis. Some of these accounts are likely to be refixed sometime in the next twelve months.

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New Consumer Lending (Indexed to 2019)



Home Loan Arrears

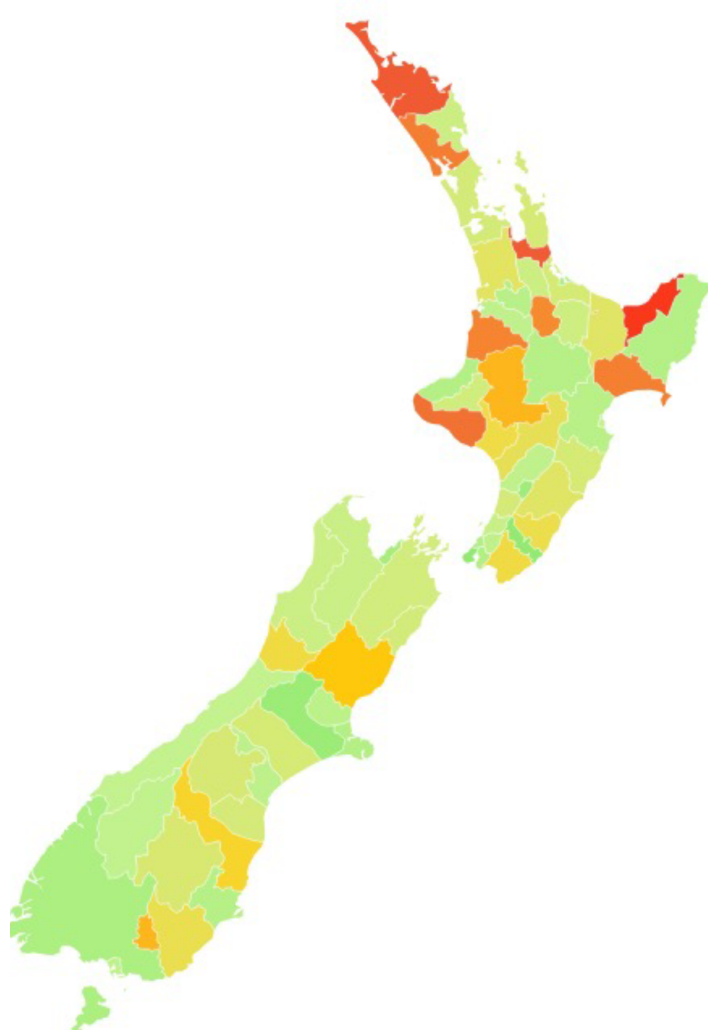


Mortgage arrears across the country

The highest mortgage arrears were recorded in the Opotiki District at 2.78%, a drop of 0.59% from last month. This was followed by the Far North District and the Hauraki District.

The regions with the lowest mortgage arrears were Wellington City at 0.76% - a 0.03% decrease from August - followed by the Carterton District and the Selwyn District.

The highest mortgage arrears were recorded in the Opotiki District at 2.78%.



| Lowest Arrears Areas | | |
|----------------------|-----------------------|-----------|
| | District | Arrears % |
| 1 | Wellington City | 0.76% |
| 2 | Carterton District | 0.77% |
| 3 | Selwyn District | 0.84% |
| 4 | Palmerston North City | 0.88% |
| 5 | Nelson City | 0.94% |
| 6 | Southland District | 1.00% |
| 7 | Hamilton City | 1.01% |
| 8 | Tauranga City | 1.02% |
| 9 | Porirua City | 1.03% |
| 10 | Lower Hutt City | 1.05% |

| Highest Arrears Areas | | |
|-----------------------|-------------------------|-----------|
| | District | Arrears % |
| 1 | Opotiki District | 2.78% |
| 2 | Far North District | 2.44% |
| 3 | Hauraki District | 2.43% |
| 4 | South Taranaki District | 2.31% |
| 5 | Kaipara District | 2.25% |
| 6 | Wairoa District | 2.24% |
| 7 | Waitomo District | 2.22% |
| 8 | South Waikato District | 2.18% |
| 9 | Kawerau District | 2.17% |
| 10 | Ruapehu District | 1.94% |

Business credit demand rises slightly, but defaults rise more

Credit demand for businesses remains strong, up 3% year-on-year. The average credit score for new credit applications has improved minorly this month, up to 757 from 753 last month.

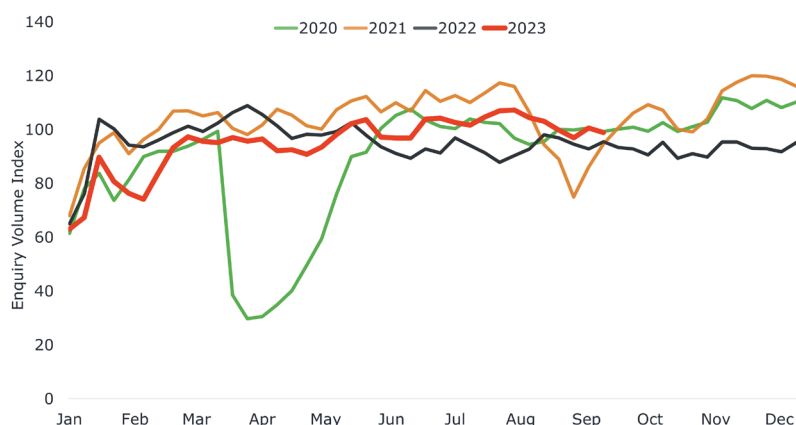
The retail trade sector saw credit defaults up 36% year-on-year as the cost of living crisis continues to squeeze the wallets of Kiwi households.

Furthermore, credit demand in hospitality rose 17% year-on-year, alongside a 25% increase in credit defaults. The construction sector also saw defaults up 18% year-on-year.






Looking closer at the property sector, we can see that credit demand has dropped by 5% year on year, and credit defaults have risen significantly, by 53%.

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



The retail trade sector saw credit defaults up 36% year-on-year as the cost of living crisis continues to squeeze the wallets of Kiwi households.

| | Sector | Δ Credit Demand | Δ Credit Defaults | Avg Credit Score | Δ Company Liquidations | Liquidation Rating |
|---|-------------------|-----------------|-------------------|------------------|------------------------|--------------------|
|  | Construction | +2% | +18% | 763 ↓ | +55% | 2.3X |
|  | Hospitality | +17% | +25% | 745 ↓ | +14% | 2.1X |
|  | Retail Trade | +9% | +36% | 773 ↓ | +70% | 1.3X |
|  | Transport | +13% | +16% | 737 ↓ | +20% | 1.7X |
|  | Property / Rental | -5% | +53% | 821 ↓ | +17% | 0.7X |
| | All Sectors | +3% | +27% | 791 ↓ | +37% | 1.0X |

Challenges for the agricultural sector

The agriculture sector boasts nearly 5% of all New Zealand's registered companies, with over 34,000 registered companies. But in the last year, credit defaults have risen by 15% – likely due to the current economic climate.

Agri sectors are increasingly struggling with rising costs and market price pressures, resulting in rising defaults particularly in dairy farming and fruit and tree nut growing.

Decreasing demand from China in recent months has also left the forestry and logging industries experiencing elevated defaults and liquidations.

| Industry Classification Description | Registered Companies | | Key Credit Indicators (YoY Change) | | | |
|--|----------------------|-------------|------------------------------------|------------|--------------|--------------------|
| | # | % | Δ Credit Demand | Δ Defaults | Credit Score | Liquidation Rating |
| Agriculture, Forestry and Fishing | 34,466 | 4.8% | -11% | 15% | 798 | 0.7X |
| Agriculture (Farming & Growing) | 16,269 | 2.3% | -13% | 18% | 783 | 0.5X |
| Dairy Cattle Farming | 5,587 | 0.8% | -9% | 30% | 765 | 0.3X |
| Fruit and Tree Nut Growing | 2,395 | 0.3% | -16% | 29% | 809 | 0.7X |
| Other Livestock Farming | 2,940 | 0.4% | 3% | -48% | 773 | 0.7X |
| Sheep, Beef Cattle and Grain Farming | 3,716 | 0.5% | -25% | 17% | 807 | 0.4X |
| Agriculture, Forestry and Fishing Support Services | 4,996 | 0.7% | -1% | 9% | 742 | 1.4X |
| Aquaculture | 194 | 0.0% | - | - | 811 | - |
| Fishing, Hunting and Trapping | 660 | 0.1% | -26% | -60% | 749 | 1.2X |
| Forestry and Logging | 1,303 | 0.2% | -3% | 63% | 747 | 3.2X |

Last updated September 30, 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:

- 86 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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