January Credit Indicator

CENTRIX

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

New year, old trends – arrears signal ongoing challenges for Kiwi households

As Kiwis return home from their summer holidays and ease into the new year, all eyes are on the Government to see how they tackle the economic climate and what 2024 has in store for consumers and businesses alike.

As expected, we saw an uptick in consumer credit demand in December and January across both personal and Buy Now Pay Later products, as people turned to credit to take advantage of the holiday retail sales season.

Simultaneously, we see an increase in arrears for December, aligned to seasonal trends with 439,000 individuals falling behind on payments - representing a month-on-month increase of 4,000.

Mortgage accounts past due exceeded 20,000 in December 2023, marking a substantial 21% year-on-year rise compared to the previous year. The escalation of telco and mortgage arrears to a four-year high also shows arrears are now at pre-covid levels, coming off artificially low trends.

Interestingly, the real estate sector has experienced an increase in first home buyers, who made up almost a quarter (24%) of all new residential mortgage lending in the fourth quarter of 2023.

Against the backdrop of New Zealand's economic climate, the recent 11% dip in loan conversion rates compared to the previous year aligns with broader economic shifts. This decline followed the introduction of the new CCCFA regulations in 2021.

Since then, the CCCFA has had an impact on credit approval – especially for new credit cards.

Although there has been a subsequent rebound in approvals, it remains to be seen whether the Government will review the CCCFA rules further to adapt regulations and response to evolving economic circumstances.

Shifting attention to the business sector, we've seen company collapses increase in 2023 compared to 2022, while business credit defaults remain elevated with sectors such as property, transportation, and retail notably grappling with financial challenges.

The construction sector in particular sees companies twice more likely to fail (2.2X) than the typical NZ business, with 26% of all company liquidations in the last year coming from this sector.

There are also challenges for credit defaults in the sector, which have been rising fast - particularly for small sized construction firms (up 47% in the last year).

With the new year in full swing, there are bound to be many resolutions to organise finances and get ahead of the curve. Now's the time to take stock of your financial wellbeing and seek advice if you're feeling the pinch following the summer break.

Keith McLaughlin
Managing Director

Demand for BNPL, personal loans up over holiday season

Consumer credit demand was up 3% year-on-year in January 2024, driven by increased demand for personal loans and BNPL products for the holiday season.

Furthermore, auto loan and mortgage applications were down 13% and 8% respectively year-on-year.

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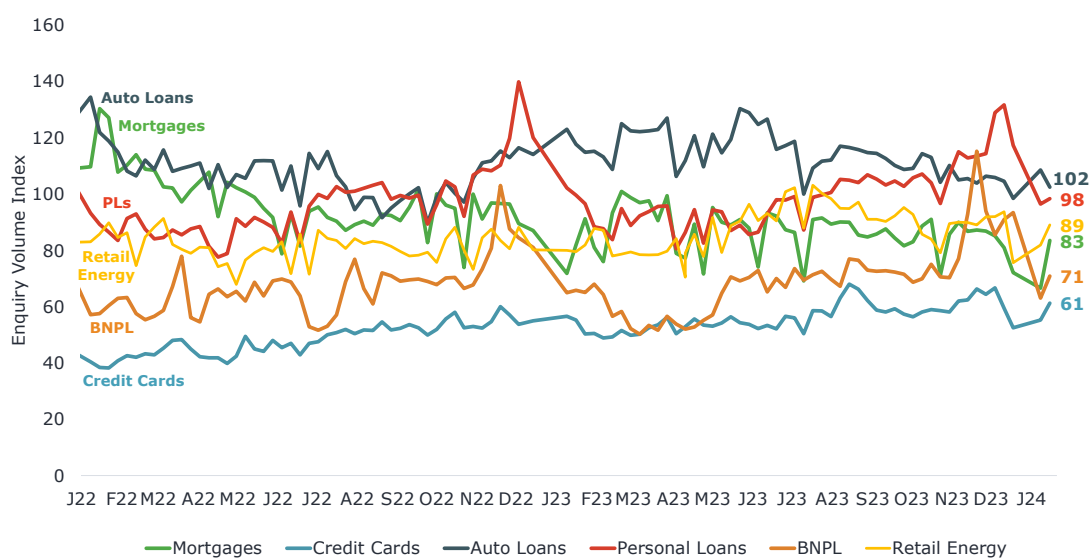
Year on Year Change %

🏠	Mortgages	**-8.1%**
🚗	Auto Loans	**-13.0%**
💳	Credit Cards	**+4.7%**
🤲	Personal Loans	**-5.9%**
💳	BNPL	**+5.9%**
💡	Retail Energy	**+5.8%**

Credit Demand By Product Type

Legend: Mortgages, Credit Cards, Auto Loans, Personal Loans, BNPL, Retail Energy

End values: 102, 98, 89, 83, 71, 61

Arrears climb in December

As 2023 closed, consumer arrears climbed to 12.01% of the credit active population in December (up from 11.90% in Nov 2023).

The number of people behind on their payments has risen to 439,000 (compared to 435,000 in November).

This arrears level is 6.1% higher year-on-year, tracking closely to 2018 levels after coming off historic lows.

Consumer Arrears Trends
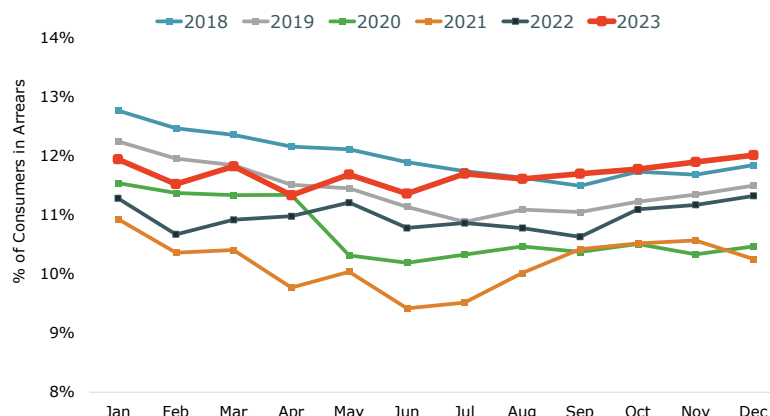
December 2023	1+ Days in Arrears	30+ Days in Arrears	60+ Days in Arrears	90+ Days in Arrears
# Consumers	439,000	162,000	105,000	83,000
% Credit Actives	12.01%	4.43%	2.87%	2.28%
vs Dec 2022	+6.1%	+5.6%	+5.2%	+2.6%
vs Dec 2021	+17.1%	+24.5%	+26.2%	+22.5%
vs Dec 2020	+14.7%	+20.1%	+19.8%	+14.9%
vs Dec 2019	+4.5%	+5.0%	+6.4%	+2.4%
vs Dec 2018	+1.4%	-4.5%	-4.8%	-8.6%
vs Dec 2017	-1.7%	-7.5%	-6.3%	-14.6%

The number of people behind on their payments has risen to 439,000 (compared to 435,000 in November).

Arrears across the country

Consumer Arrears:

0% 12% 24%
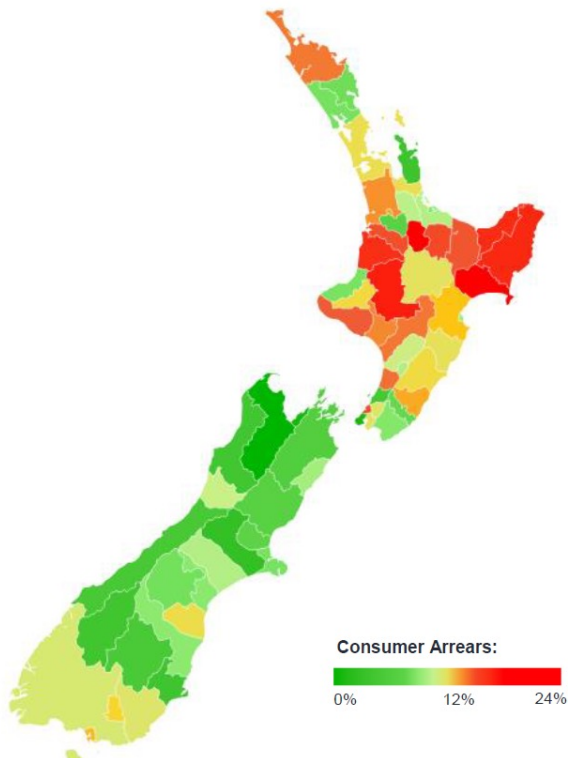
Lowest Arrears Areas	
District	**Arrears %**
1 Tasman District	8.67%
2 Nelson City	8.93%
3 Wellington City	8.99%
4 Selwyn District	9.80%
5 Thames-Coromandel District	10.15%
6 Dunedin City	10.25%
7 Queenstown-Lakes District	10.29%
8 Buller District	10.32%
9 Kapiti Coast District	10.42%
10 Westland District	10.47%

| Highest Arrears Areas	
District	**Arrears %**
1 Wairoa District	17.85%
2 Kawerau District	17.74%
3 South Waikato District	17.24%
4 Ruapehu District	16.72%
5 Gisborne District	16.49%
6 Opotiki District	16.42%
7 Waitomo District	16.34%
8 Rotorua District	15.36%
9 Otorohanga District	15.08%
10 Porirua City	15.05%

Mortgage delinquencies climb

The proportion of home loans reported in arrears rose in December, with 1.40% of accounts now in arrears (up from 1.29% in October).

There are over 20,800 mortgage accounts past due, which is up 21% year-on-year, with many loans due to be repriced in the next 3-6 months.
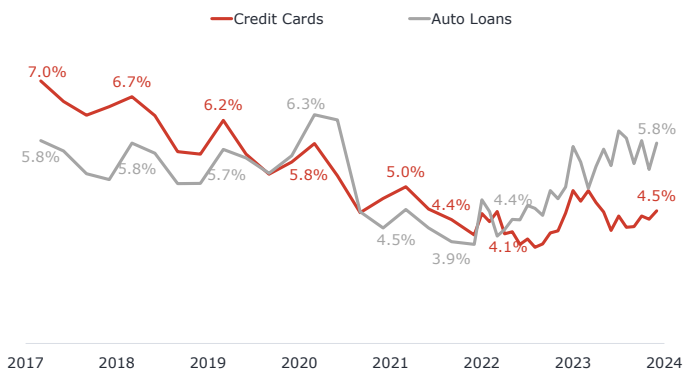
Both credit card and auto loan arrears also rose in December.
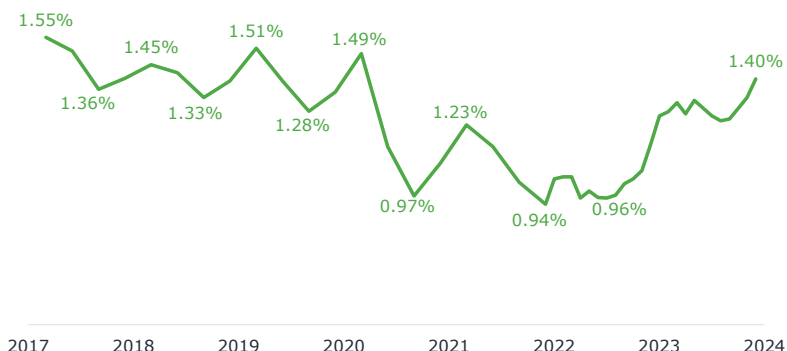
The proportion of home loans reported in arrears rose in December, with 1.40% of accounts now in arrears (up from 1.29% in October).

Home Loan Arrears

1.55%
1.45%
1.51%
1.49%
1.40%
1.36%
1.33%
1.28%
1.23%
0.97%
0.94%
0.96%

2017 2018 2019 2020 2021 2022 2023 2024

Credit Card & Auto Loan Arrears

— Credit Cards   — Auto Loans

7.0%
6.7%
6.2%
6.3%
5.8%
5.8%
5.7%
5.8%
5.8%
5.0%
4.5%
4.4%
4.4%
4.5%
3.9%
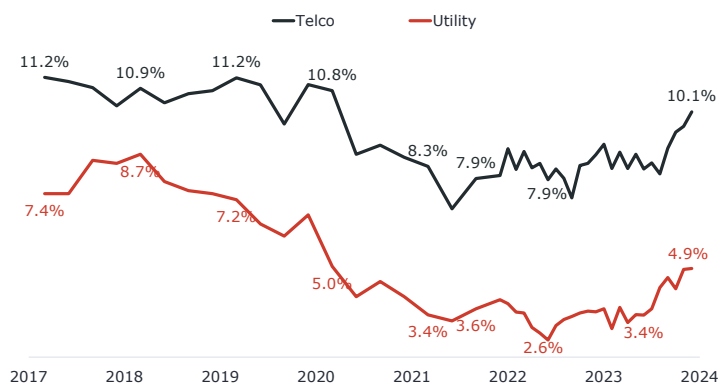4.1%

2017 2018 2019 2020 2021 2022 2023 2024

Telco arrears reach four year high

For the first time since February 2020, telco arrears have risen to double digits as 10.1% of accounts were reported in arrears in December.

Furthermore, the number of households behind on retail energy payments in December 2023 rose to 4.9%, compared to 3.5% in December 2022.
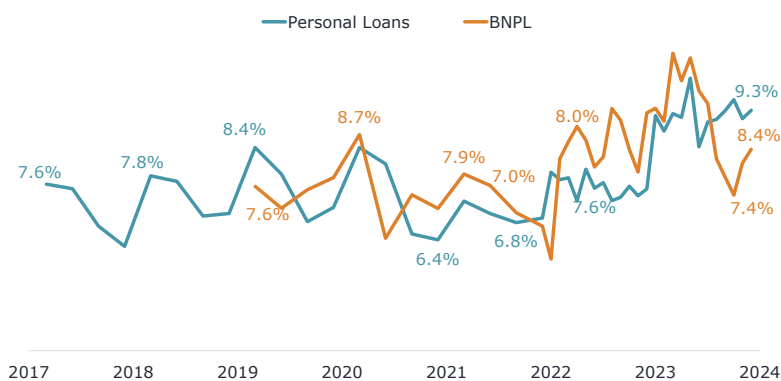
Personal loan and BNPL arrears also rose in December (9.3% and 8.4% respectively).

For the first time since February 2020, telco arrears have risen to double digits as 10.1% of accounts were reported in arrears in December.

Telco & Utility Arrears

Telco — Utility

11.2% 10.9% 11.2% 10.8% 10.1%
7.4% 8.7% 7.2% 5.0% 8.3% 7.9% 7.9% 4.9%
3.4% 3.6% 2.6% 3.4%

2017 2018 2019 2020 2021 2022 2023 2024

Personal Loan & BNPL Arrears

Personal Loans — BNPL

7.6% 7.8% 8.4% 8.7% 7.9% 8.0% 9.3% 8.4%
7.6% 7.0% 6.4% 6.8% 7.6% 7.4%

2017 2018 2019 2020 2021 2022 2023 2024

Overall credit lending down

Alongside climbing arrears, overall lending was also down in December 2023.

New mortgage lending in December 2023 was down 8% year-on-year as sale volumes remain relatively low across the country compared to prior years.

Additionally, non-mortgage new lending (credit cards, vehicle/ personal loans, BNPL and overdrafts) is down 12% year-on-year, reflecting lower volumes of new vehicle loans and unsecured personal loans compared to 2022.

Overall new household lending is 8% down on a year-on-year basis.

New Consumer Lending (Indexed to 2019)

— Residential Mortgages — Non Mortgages
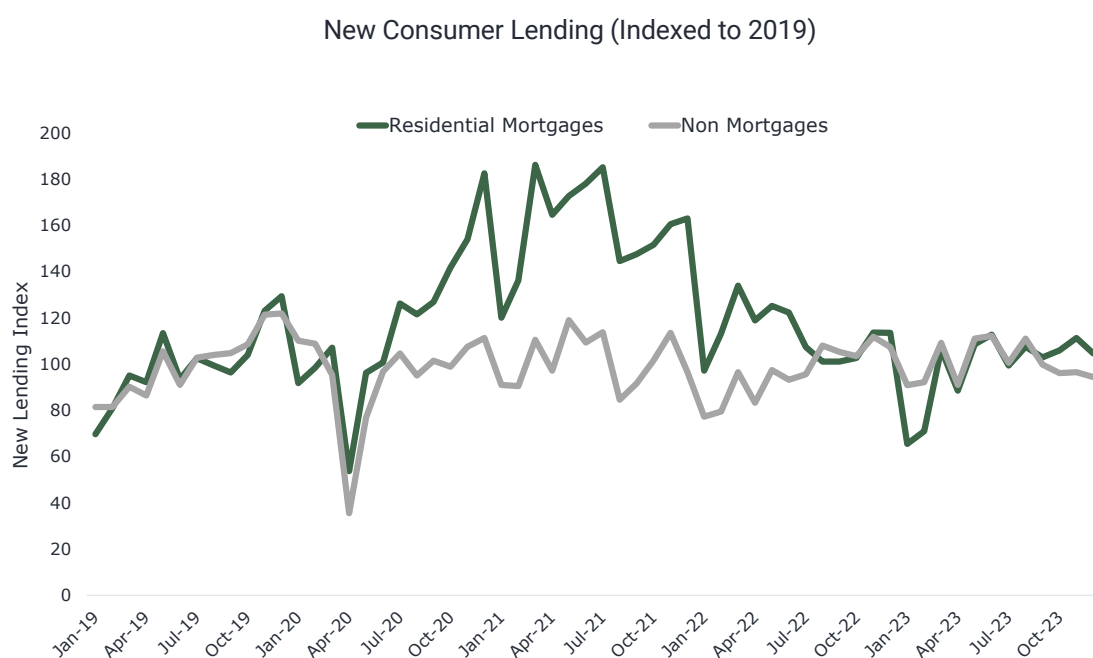
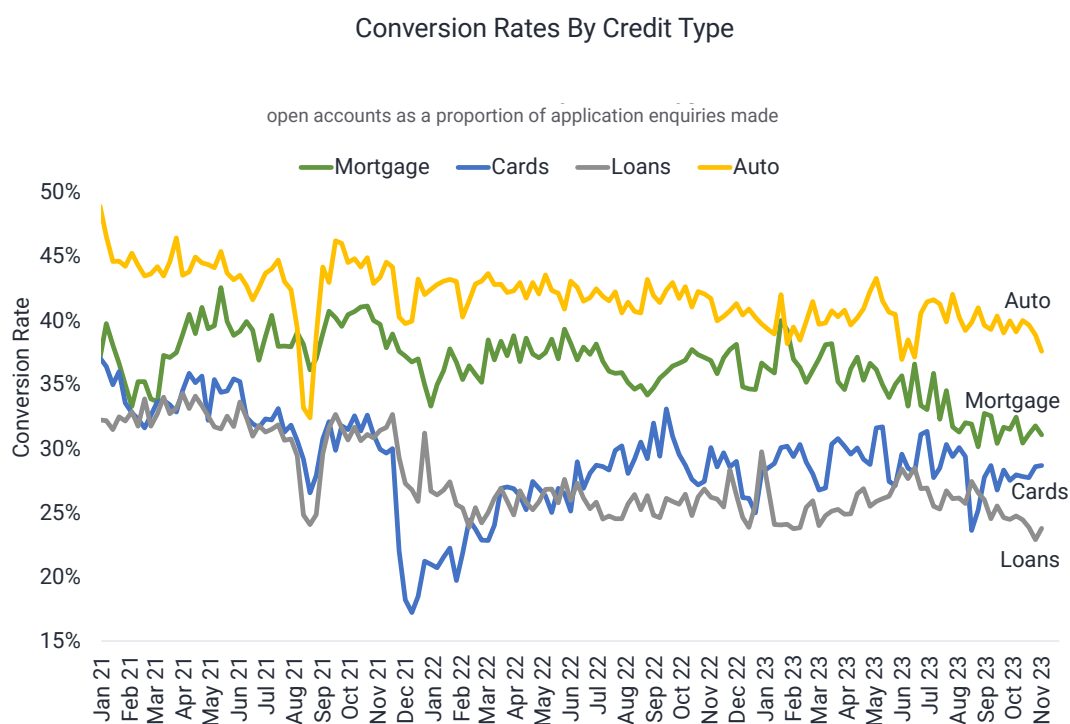*New mortgage lending in December 2023 was down 8% year-on-year.*

Credit conversions remain impacted by CCCFA changes

Since the CCCFA changes came into effect in December 2021, conversion rates have been on the decline with overall credit conversion rates 11% lower in 2023 compared to 2021.

Credit cards were the most impacted, although the conversion rate for these products has recovered as both lenders and consumers became more familiar with the regulations.

CCCFA lending rules are expected to be reviewed again by the new government.

Conversion Rates By Credit Type

open accounts as a proportion of application enquiries made

— Mortgage — Cards — Loans — Auto

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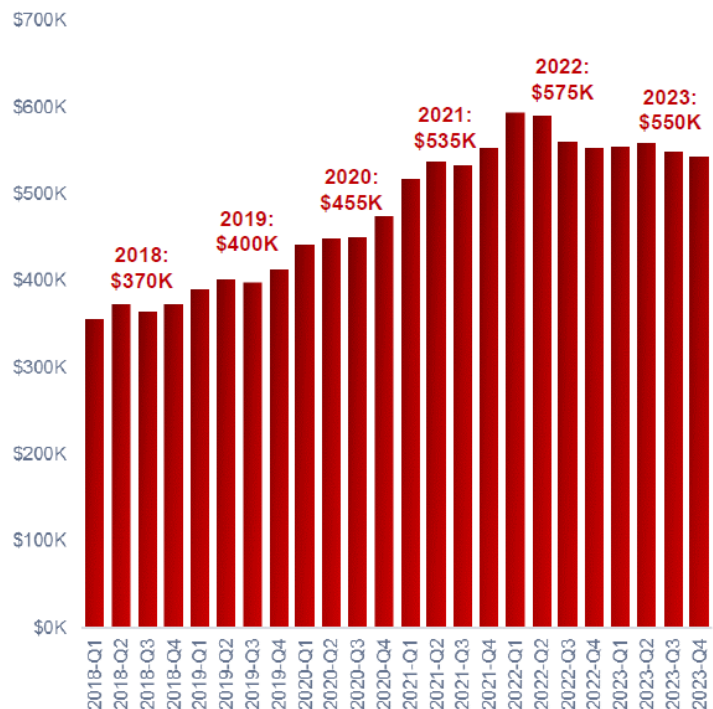
First Home Buyer snapshot

Taking a look at the first home buyer market, the average mortgage loan for these buyers has increased by 50% over the 5 year period from 2018 to 2023.

After peaking at $594K in the first quarter of 2022, this figure has since dropped back to $540K in the fourth quarter of 2023 (down 9%).

The average age of a first home buyers remains 37 years, with 24% of all new residential mortgages being for first home buyers entering the property market.

Average Mortgage Amount for FHB's

2018: $370K	**2019:** $400K	**2020:** $455K	**2021:** $535K
2022: $575K	**2023:** $550K		

| **37**	**540k**	**24%**	**794**
Average age of FHB's	**Average size of mortgage**	**FHB percentage**	**Average credit score**

The average mortgage loan for these buyers has increased by 50% over the 5 year period from 2018 to 2023.

Business credit defaults, liquidations up

Business credit defaults climbed in December 2023, reaching 27% year-on-year while company liquidations rose up 16% year-on-year.

Most impacted were the retail trade and construction sectors, reflecting the economic challenges facing many Kiwi business owners at the moment.

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Business Credit Defaults up 27% YoY
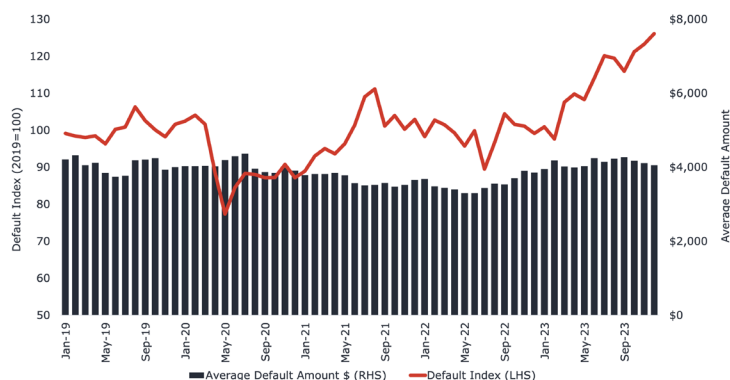
Average Default Amount $ (RHS)   Default Index (LHS)

Company Liquidations Up 16% YoY
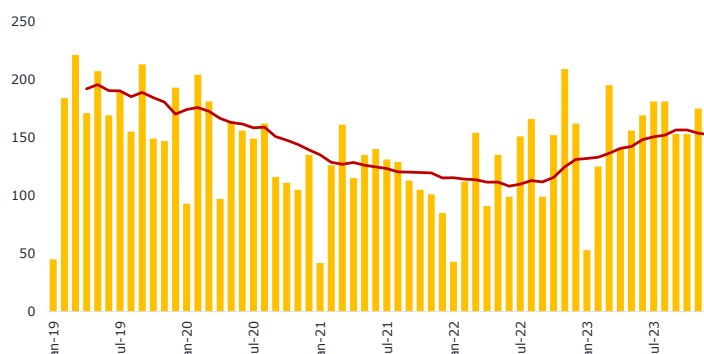
Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score		Δ Company Liquidations	Liquidation Rating
Construction	-1%	+22%	763	↓	+26%	2.2X
Hospitality	+19%	+4%	745	↓	+13%	2.2X
Retail Trade	+8%	+32%	773	↓	+74%	1.3X
Transport	+7%	+34%	735	↓	+17%	1.6X
Property / Rental	-5%	+65%	821	↓	+7%	0.8X
All Sectors	+3%	+27%	790	↓	+16%	1.0X

NZ Company Liquidations by Industry
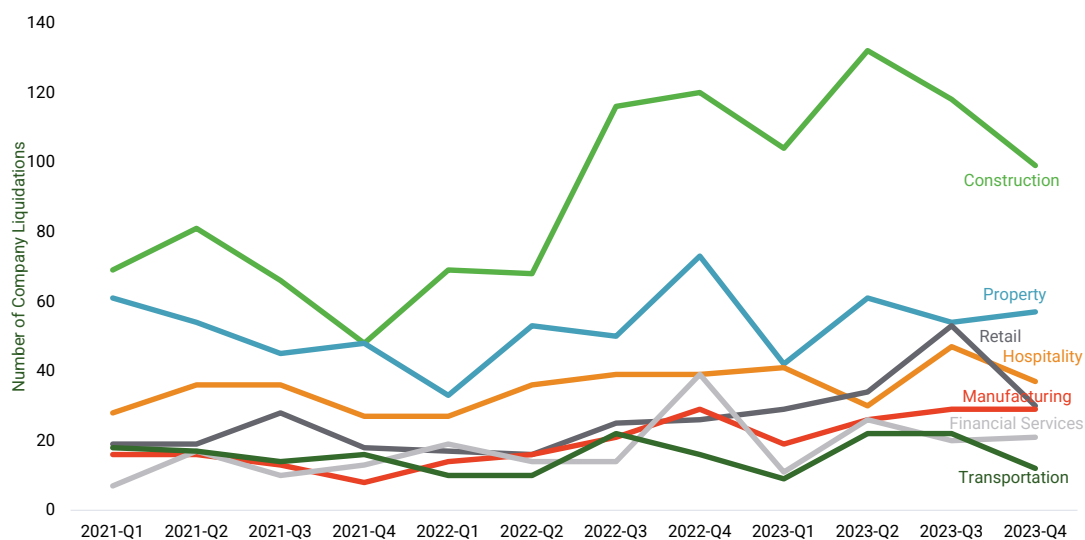
Construction sector spotlight

There are over 85,000 registered companies in the construction sector (nearly 12% of all registered companies).

Construction companies are twice more likely to fail (2.2X) than the typical NZ business, with 26% of all company liquidations in the last year coming from this sector.

Furthermore, credit defaults are rising fast for the sector, particularly for small sized construction firms (up 47% in the last year).

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)			
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Liquidation Rating
Construction	**85,272**	**11.8%**	**-1%**	**22%**	**763**	**2.2X**
Building Construction	27,896	3.8%	-5%	24%	753	2.7X
Non-Residential Building Construction	1,016	0.1%	28%	-17%	745	6.0X
Residential Building Construction	26,880	3.7%	-7%	26%	753	2.5X
House Construction	18,331	2.5%	-8%	33%	741	3.0X
Flats/Units Construction	1,371	0.2%	-1%	-10%	751	3.9X
House Renovation	3,338	0.5%	-4%	11%	757	1.7X
Repair of Residential Buildings	1,495	0.2%	13%	11%	743	0.8X
Construction Services	44,596	6.2%	-2%	25%	750	2.2X
Building Completion Services	11,652	1.6%	-4%	2%	725	2.3X
Building Installation Services	15,862	2.2%	-4%	30%	788	1.5X
Building Structure Services	4,165	0.6%	7%	32%	702	3.8X
Land Development and Site Preparation Services	6,223	0.9%	2%	48%	734	2.8X
Other Construction Services	6,694	0.9%	-7%	38%	721	2.4X
Heavy and Civil Engineering Construction	2,135	0.3%	5%	41%	733	3.2X

Construction companies are twice more likely to fail (2.2X) than the typical NZ business, with 26% of all company liquidations in the last year coming from this sector.

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:

- 88 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.