



February Credit Indicator



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

Summer credit crunch catches up to Kiwi consumers

Last week, the Reserve Bank retained the Official Cash Rate at 5.5% after the first announcement of 2024.

It's yet to be seen how this will impact interest rates and how Kiwi households who need to refix their mortgage in 2024 will be affected.

It's likely this will add to problems for many households as early trends show the seasonal uptick in consumer arrears in January 2024.

Overall arrears hit a seven-year high – up 9.6% year-on-year – reflecting seasonality following the festive season and summer holiday break.

There are 480,000 consumers across the country in arrears, although important to note that majority of reported arrears have only missed one payment and are likely to self-correct.

However, the financial strain skews towards the younger demographics. Those under 25 years old are more prone to cash flow problems due to likely lower incomes, limited savings and less financial experience. We are now starting to see the squeeze flow onto 30-40 year olds, who are likely more financially stable but have perhaps used their buffers.

Looking at home loans specifically, mortgage arrears have risen to highest level recorded since pre-COVID levels with 1.47% of mortgages behind on repayments. Arrears on vehicle loans have also climbed year-on-year (+5.0%).

Interestingly, telco/communications arrears have reached a new high of 11.7% as households fall behind on these account repayments. Personal loans and Buy Now Pay Later arrears also climbed to 9.9% and 9.0% respectively.

Alongside climbing arrears, demand for credit was also up in February 2024. This was driven by increased interest in credit cards and Buy Now Pay Later products.

There was also an uptick in mortgage enquiries, which could point towards a warming of the real estate market in 2024.

Kiwi businesses saw defaults and liquidations climb overall in January 2024, with retail trade seeing the biggest number of liquidations followed by construction, hospitality and transport.

We've also observed an upswing in mortgage stress for a sole proprietor, with many needing to leverage their home equity to continue funding their businesses – a concerning trend that could spell trouble for these owners in the long term.

It's clear the cost-of-living is continuing to impact Kiwi households and businesses across the country.

We encourage anyone who is feeling the credit crunch to contact creditors to discuss alternative repayment methods. It's also essential for business owners to credit check new customers before creating commitments to ensure they will get paid.

Keith McLaughlin
Managing Director



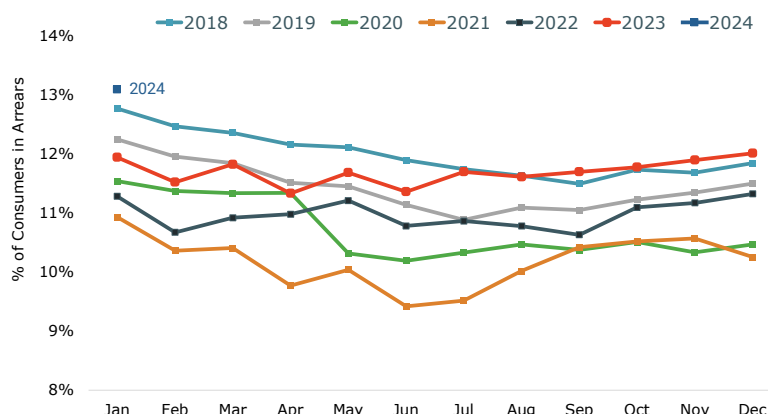
Consumer arrears hit seven year high

The number of Kiwi households behind on credit repayments climbed in January 2024, reaching the highest level of arrears reported since February 2017.

Overall, arrears were up 9.6% year-on-year with the number of consumers behind on payments rising to 480,000 (up from 439,000 in December 2023).

We tend to observe arrears cycles peak at this time of year, following the festive season and summer holiday break, although important to note that the majority of reported arrears have only missed one payment and are likely to self-correct.

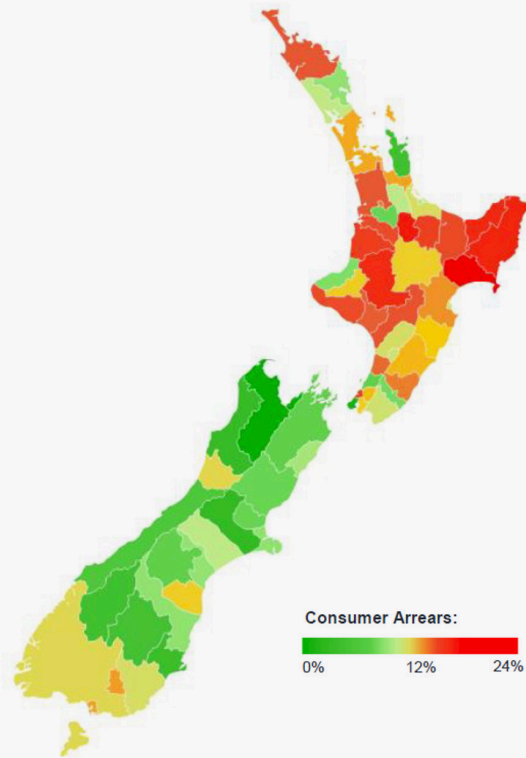
Consumer Arrears Trends



The majority of reported arrears have only missed one payment and are likely to self-correct.

January 2024	1+ Days in Arrears	30+ Days in Arrears	60+ Days in Arrears	90+ Days in Arrears
# Consumers	480,000	174,000	109,000	84,000
% Credit Actives	13.09%	4.76%	2.97%	2.30%
vs Jan 2023	+9.6%	+8.5%	+8.4%	+7.3%
vs Jan 2021	+19.8%	+21.0%	+20.9%	+11.8%
vs Jan 2019	+6.9%	+4.1%	+4.1%	+2.2%
vs Jan 2017	-1.4%	-5.2%	-5.3%	-12.4%

Consumer arrears across the country



Lowest Arrears Areas		
	District	Arrears %
1	Tasman District	9.28%
2	Nelson City	9.33%
3	Wellington City	9.54%
4	Selwyn District	10.21%
▲5	Buller District	10.32%
6	Dunedin City	10.53%
▼7	Thames-Coromandel District	10.61%
▼8	Queenstown-Lakes District	10.61%
▲9	Central Otago District	10.64%
10	Westland District	10.73%

Highest Arrears Areas		
	District	Arrears %
1	Wairoa District	19.01%
2	Kawerau District	17.93%
3	South Waikato District	17.43%
▲4	Gisborne District	17.11%
▲5	Opotiki District	16.92%
▼6	Ruapehu District	16.83%
7	Waitomo District	15.98%
8	Rotorua District	15.84%
▲9	Porirua City	15.75%
▲10	Whakatane District	15.13%

Highest home loan arrears since March 2020

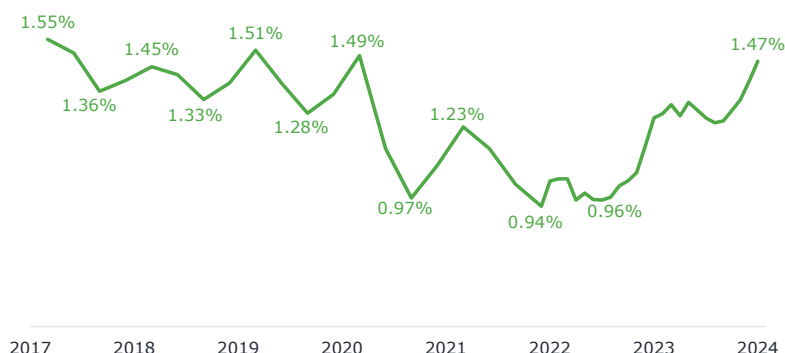
The percentage of mortgages in arrears climbed to 1.47% in January 2024, up from 1.40% in December and reaching the highest level reported since pre-COVID.

This equates to over 21,800 mortgage accounts past due, up 16% year-on-year.

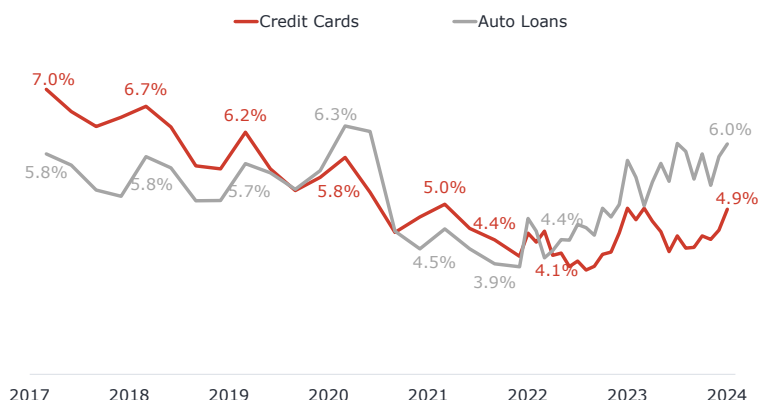
The percentage of vehicle loans in arrears also climbed to 6.0% in January, up 5.0% year-on-year. Credit card arrears also rose to 4.9% - although this remains low compared to historical levels.

Over 21,800 mortgage accounts past due, up 16% year-on-year.

Home Loan Arrears



Credit Card & Auto Loan Arrears

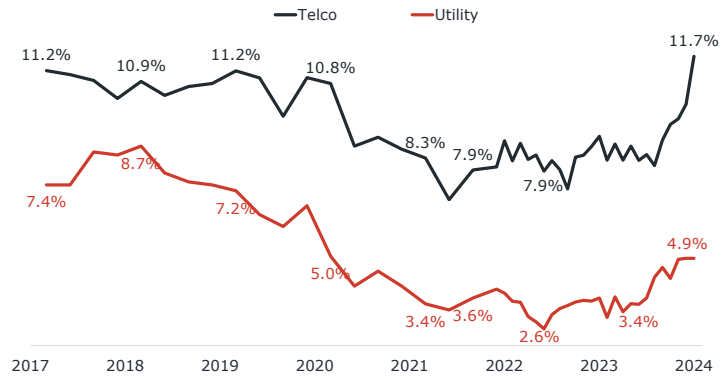


Telco arrears reach new high

The proportion of active telco/communication accounts reported past due has climbed to 11.7% as Kiwi households fall behind on meeting their repayment obligations – up 30% year-on-year.

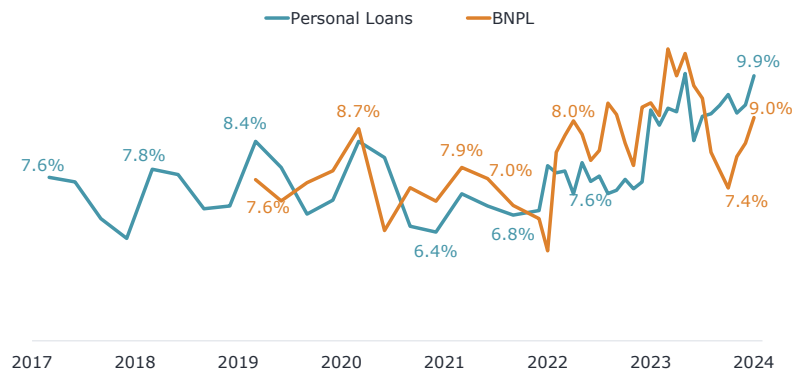
Furthermore, retail energy arrears rose to 4.9% of active accounts in January 2024. Both personal loans and Buy Now Pay Later arrears climbed too, up to 9.9% and 9.0% respectively.

Telco & Utility Arrears



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Personal Loan & BNPL Arrears



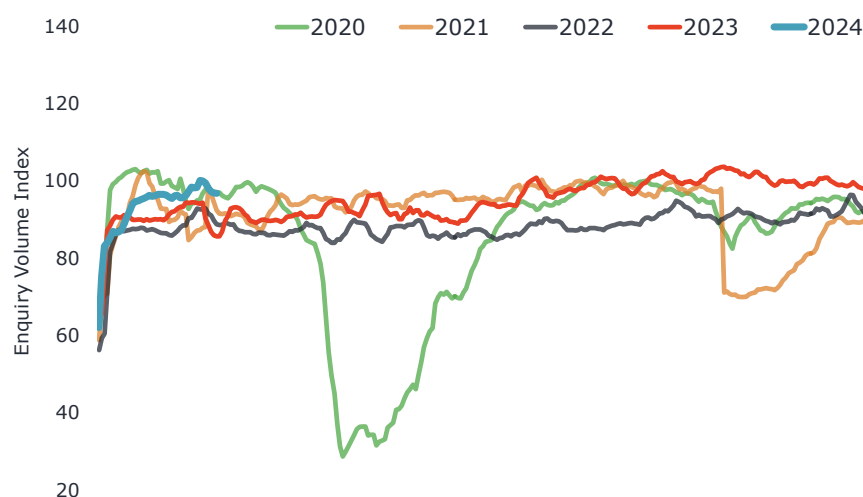
Increased demand for consumer credit

Overall consumer credit demand was up 6.0% year-on-year in February 2024, driven by an increased demand for credit cards (up 15%) and Buy Now Pay Later products (14.1%).

Additionally, mortgage enquiries were up 4.0% year-on-year, which could be a sign of recovery in the real estate sector with more Kiwi considering their property options in 2024.

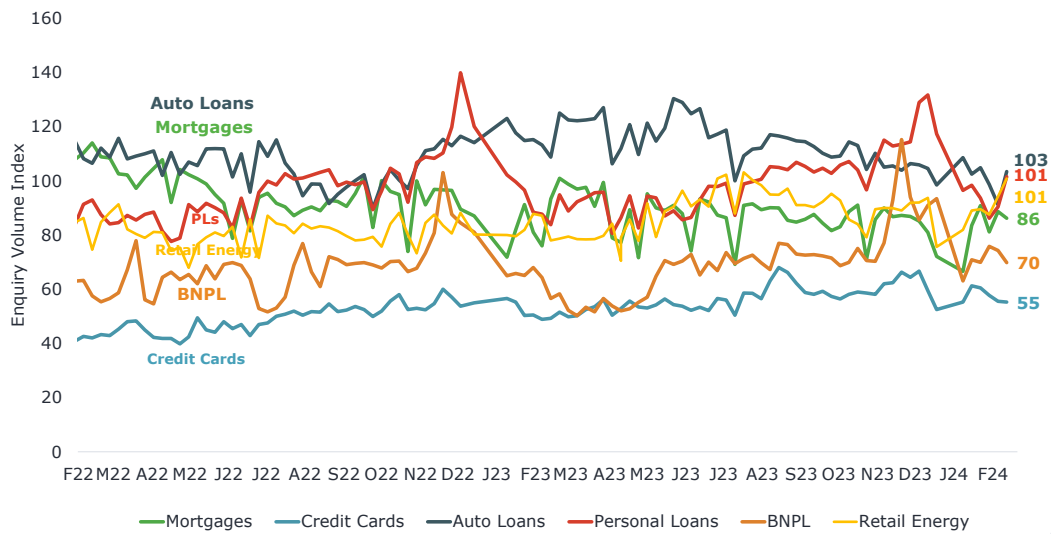
Finally, vehicle loan applications were down 12% year-on-year. This could be attributable to the removal of the clean car discount and subsequent decline in electric vehicle sales.

Consumer Credit Demand: 2020 to 2024









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Credit Demand By Product Type



Year on Year Change %

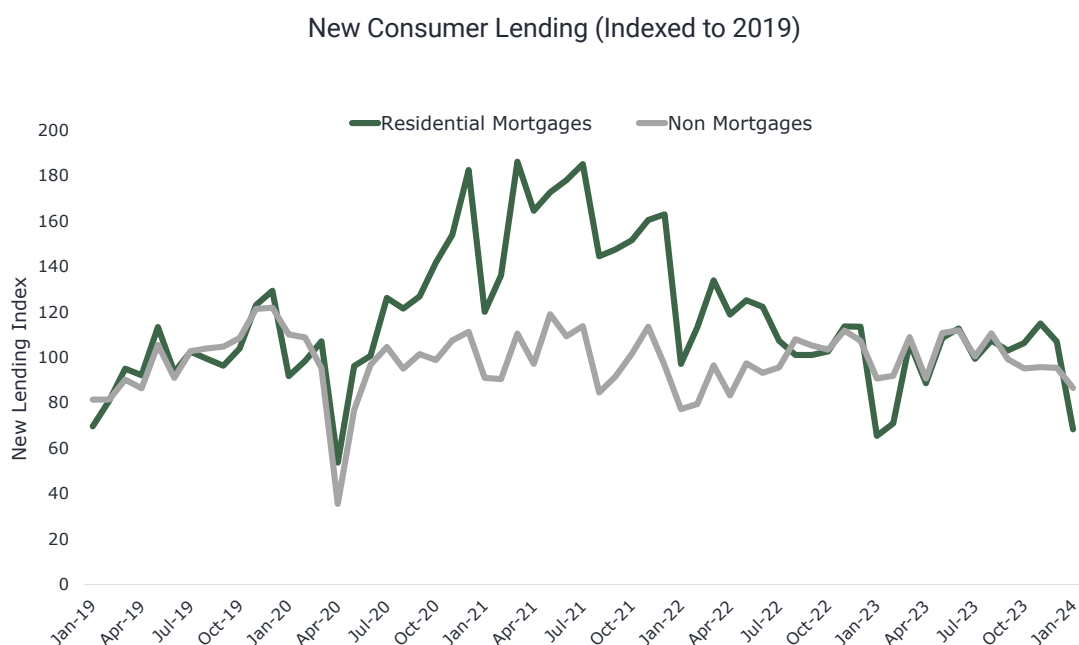
	Mortgages	+4.4%
	Auto Loans	-11.9%
	Credit Cards	+15.0%
	Personal Loans	+4.3%
	BNPL	+14.1%
	Retail Energy	+12.2%

Mortgage lending climbs in 2024

New residential mortgage lending for January 2024 was up 4.0% year-on-year. Despite this, sales volumes remain low across Aotearoa New Zealand compared to past years.

On the flip side, non-mortgage new lending (credit cards, vehicle/personal loans, BNPL and overdrafts) is down 5.0% year-on-year, which could be reflective of the lower volume of new vehicles loans when compared to January 2023.

Overall new household lending is up 3.0% year-on-year.



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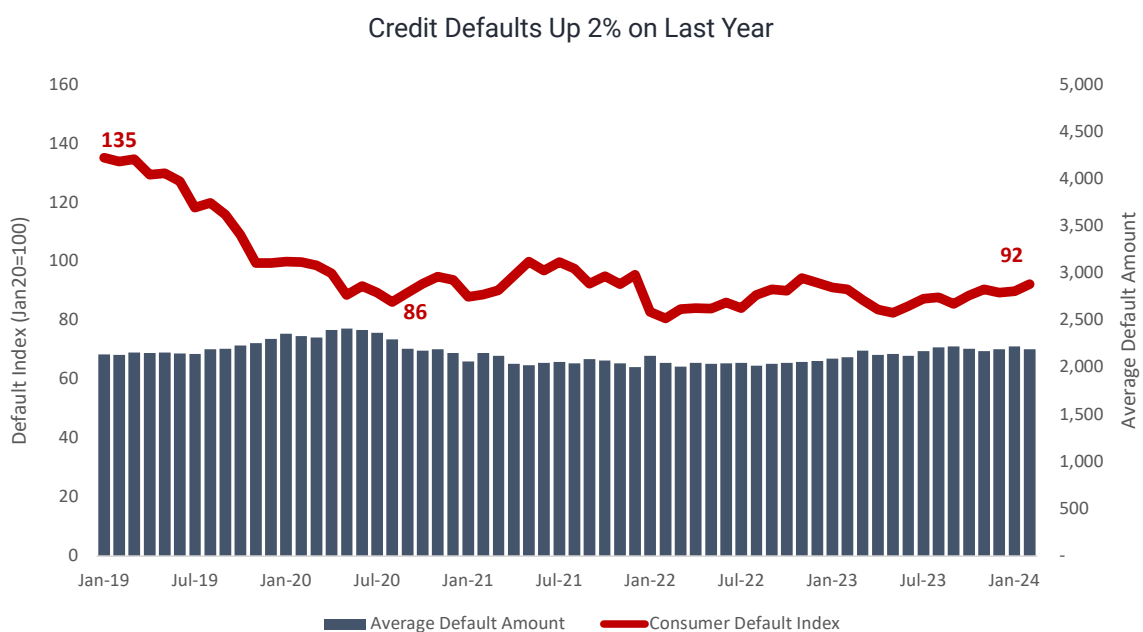
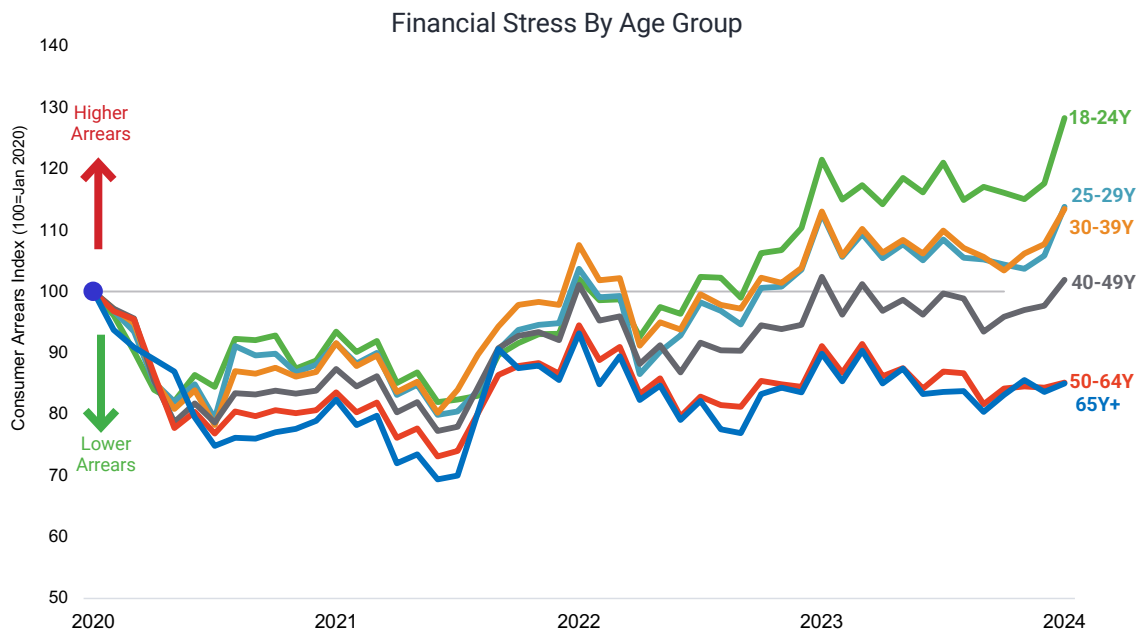
Under 25's feeling the credit crunch

The cost of living crisis has not impacted everyone equally, with younger Kiwis feeling the pinch significantly more than the rest of the population.

This age bracket is more likely to experience cash flow problems with limited savings, while the older demographics tend to be more financially stable due to lower/paid off mortgages and established capital.

The post-summer seasonal arrears cycle is impacting those under the age of 40.

Younger Kiwis feeling the pinch significantly more than the rest of the population.








Kiwi business defaults, liquidations continue upwards

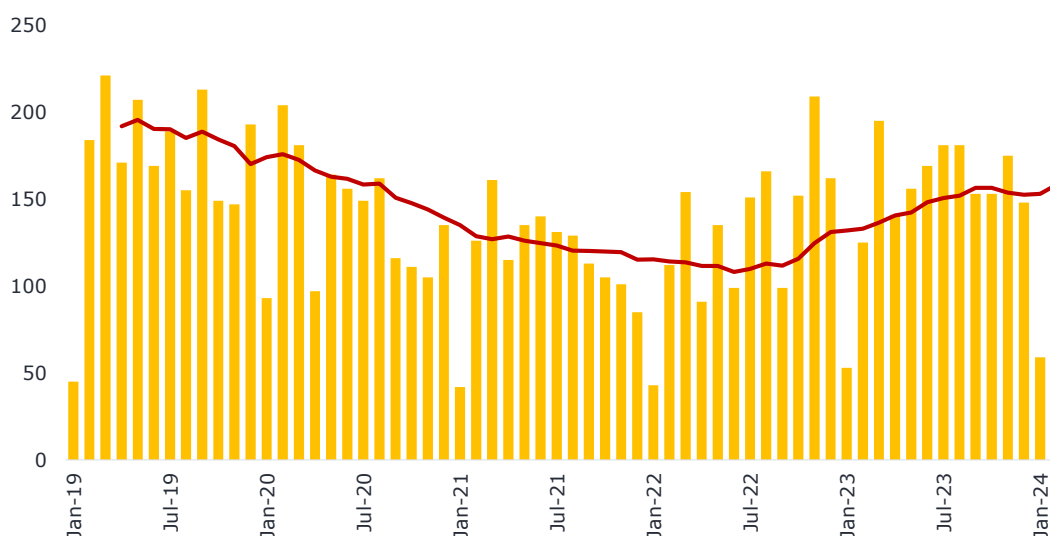
As consumer arrears climb, the flow on effect continues to impact Kiwi businesses. Overall business defaults were up 28% year-on-year in January 2024, while company liquidations were up 16% over the same period.

Retail trade saw the largest proportion of company liquidations, followed by construction, hospitality and transport.

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	Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
	Construction	+1%	+21%	763 ↓	+23%	2.2X
	Hospitality	+16%	+6%	745 ↓	+18%	2.3X
	Retail Trade	+9%	+30%	774 ↓	+60%	1.3X
	Transport	+8%	+35%	734 ↓	+17%	1.7X
	Property / Rental	-4%	+68%	821 ↓	+7%	0.8X
	All Sectors	+4%	+28%	791 ↓	+16%	1.0X

Company Liquidations Up 16% Year-On-Year



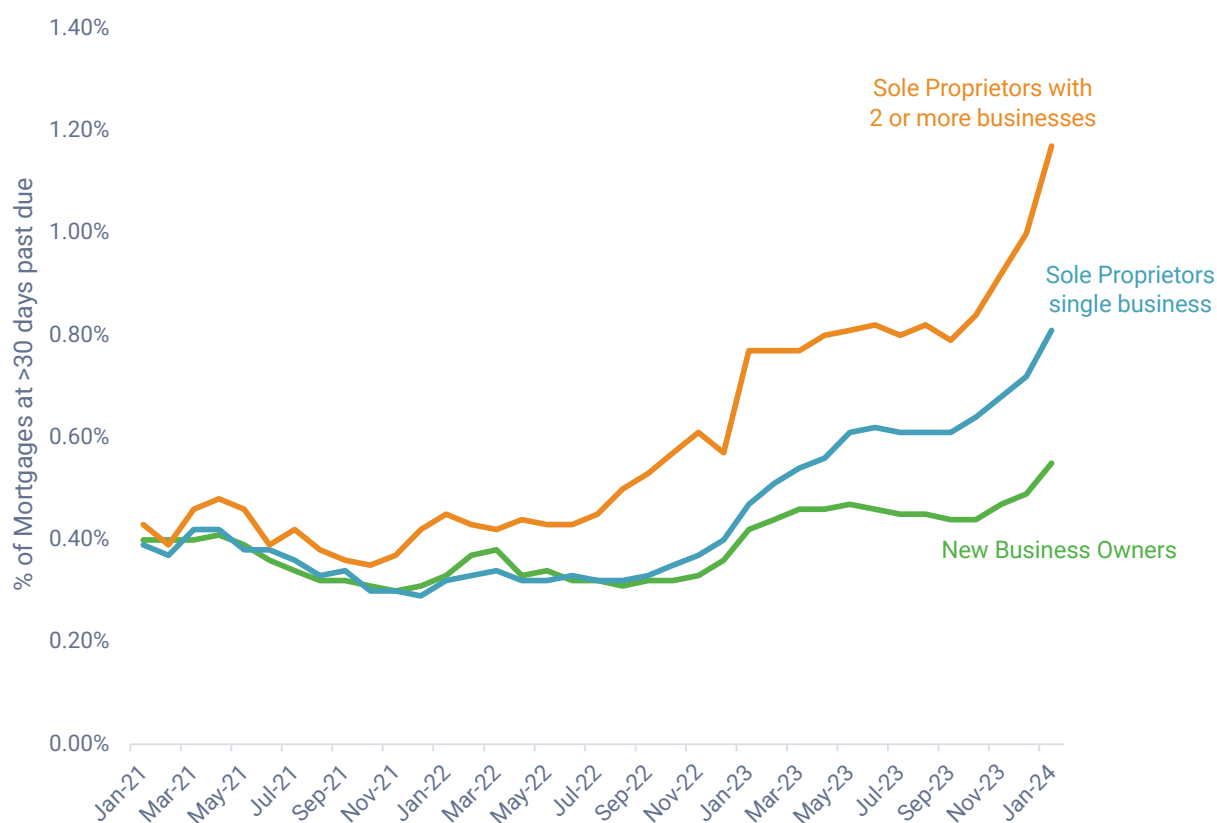
Small business owners facing mortgage stress

Higher and increasing levels of mortgage stress is shown for sole proprietors compared to that of non-business owners.

Sole proprietors who own two or more businesses are experiencing even higher levels of debt stress - more than double that of non-business owners.

Sole proprietors often leverage their home equity to fund their business to keep operating and trading..

Mortgage Stress By Business Ownership



Sole proprietors who own two or more businesses are experiencing even higher levels of debt stress - more than double that of non-business owners.

Professional service defaults up year-on-year

There are nearly 94,000 registered companies in the professional, scientific and technical services sector, representing 13% of all registered companies in Aotearoa New Zealand.

Credit defaults in this sector are up 35% year-on-year, with businesses in advertising and architecture facing the biggest challenges.

Professional services companies are less likely to fail (0.6X) than the typical Kiwi business, making up 7.7% of all liquidations in 2023.

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)			
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Liquidation Rating
Professional, Scientific and Technical Services	93,919	13.0%	4%	35%	809	0.6X
Computer System Design and Related Services	14,465	2.0%	-3%	25%	804	0.6X
Advertising Services	2,212	0.3%	52%	62%	772	1.1X
Architectural, Engineering and Technical Services	18,864	2.6%	-1%	81%	797	0.8X
Architectural Services	3,295	0.5%	-11%	100%	810	0.9X
Engineering Design and Consulting Services	9,174	1.3%	-4%	74%	791	1.1X
Other Specialised Design Services	4,474	0.6%	7%	85%	781	0.4X
Accounting Services	5,529	0.8%	7%	41%	827	0.3X
Legal Services	2,668	0.4%	15%	50%	812	0.2X
Management and Related Consulting Services	29,631	4.1%	5%	22%	795	0.6X
Other Professional, Scientific and Technical Services	3,813	0.5%	16%	58%	792	0.3X
Scientific Research Services	1,650	0.2%	2%	-20%	789	1.2X
Veterinary Services	560	0.1%	23%	0%	823	0.0X

Credit defaults in this sector are up 35% year-on-year, with businesses in advertising and architecture facing the biggest challenges.

Last updated February 29, 2024.

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:

- 89 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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