



May Credit Indicator

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



Positive consumer credit movement in the face of challenging economic headwinds

Last week saw the unveiling of the 2024 Budget, where the National Government revealed the tax cuts the party campaigned on in the election last year.

This means from the end of July, Kiwi households across Aotearoa New Zealand will have a little more money in their pockets every week. Only time will tell how this will impact the cost-of-living crisis, but there's no doubt 2024 will remain challenging for some.

Turning to credit trends observed in April 2024, it was pleasing to see a small improvement in arrears, with number of accounts behind on payments easing slightly to 458,000 (down 5,000 month-on-month), largely driven by lower vehicle loan and BNPL arrears.

However, consumer arrears are 10.5% higher year-on-year, tracking closely to 2018 levels after coming off historic lows and we don't expect this trend to change in the short term.

Mortgage arrears eased for the second consecutive month this year but are still up 14% from last year. There are now 21,700 home loans reported as past due (down 400 in the last month), representing 1.45% of all home loans.

Furthermore, consumer credit demand is up 2.3% year-on-year, but the overall rate of growth has subsided in recent months.

Vehicle finance demand is down 20% as new car sales continue to decline. Mortgage applications are also slightly down as borrowers remain cautious in the current flat housing market.

Examining insights through the cost-of-living lens, it's clear not everyone has been impacted equally.

Consumers under the age of 25 are among the hardest hit, particularly when looking at credit arrears, as they

are more likely to experience cash flow problems and have limited savings to rely on. In contrast, consumers aged 50+ are faring better, with lower levels of arrears since 2020.

Turning to the business sector, it's evident the current economic environment is still proving very challenging across the board.

Business credit demand is up 12% over the same period in 2023, with credit demand rising most in the hospitality and retail sectors over the past 12 months.

Concerningly, company liquidations are up 19% year-on-year, with 193 business liquidations across the country recorded in April 2024, versus 138 in April 2023. The manufacturing sector in particular saw 14 companies placed into liquidation in April 2024, the highest monthly total for five years.

In terms of company insolvencies, there were 203 recorded in April 2024, up significantly from the 156 recorded during the same period last year. 22% of the company insolvencies recorded in April 2024 were from the construction sector, followed by 17% from the property industry.

For businesses and consumers feeling the pinch, it's important to seek professional financial guidance to plan in an effective and sensible manner.

Times are undoubtedly tough, but there are options for everyone to improve their current financial situation in the short and long term.

Keith McLaughlin
Managing Director



Consumer arrears ease

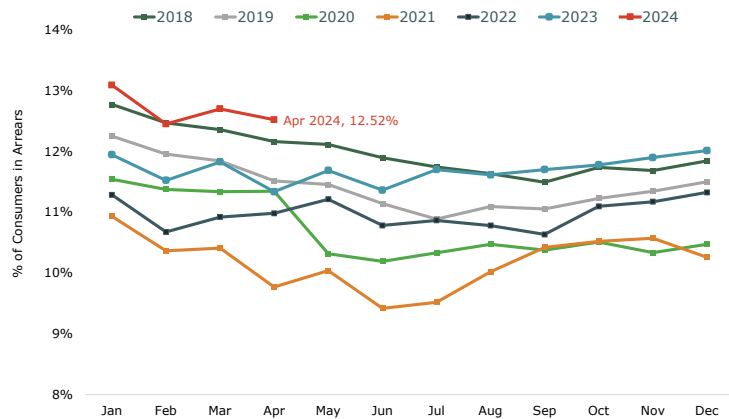
The number of Kiwi consumers behind on their credit payments in April has improved to 12.52% of the credit active population (down from 12.70% in March 2024). This equates to 458,000 people behind on their payments, compared to 463,000 last month.

Looking at the wider year-on-year picture however, the current arrears level is 10.5% higher than the same period last year, tracking just above 2018 levels after coming off historic lows.

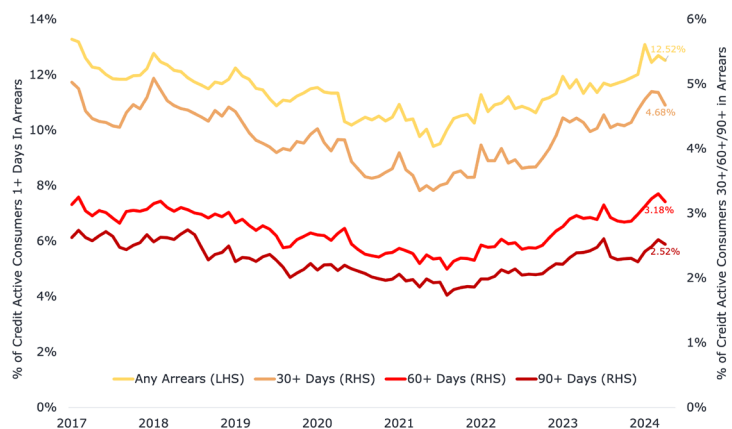
Examining the varying arrears levels, 171,000 consumers are currently 30+ days past due, of which 116,000 are at 60+ days in arrears. The number of consumers 30+ days in arrears are up 6% on last year, despite easing in 2024.

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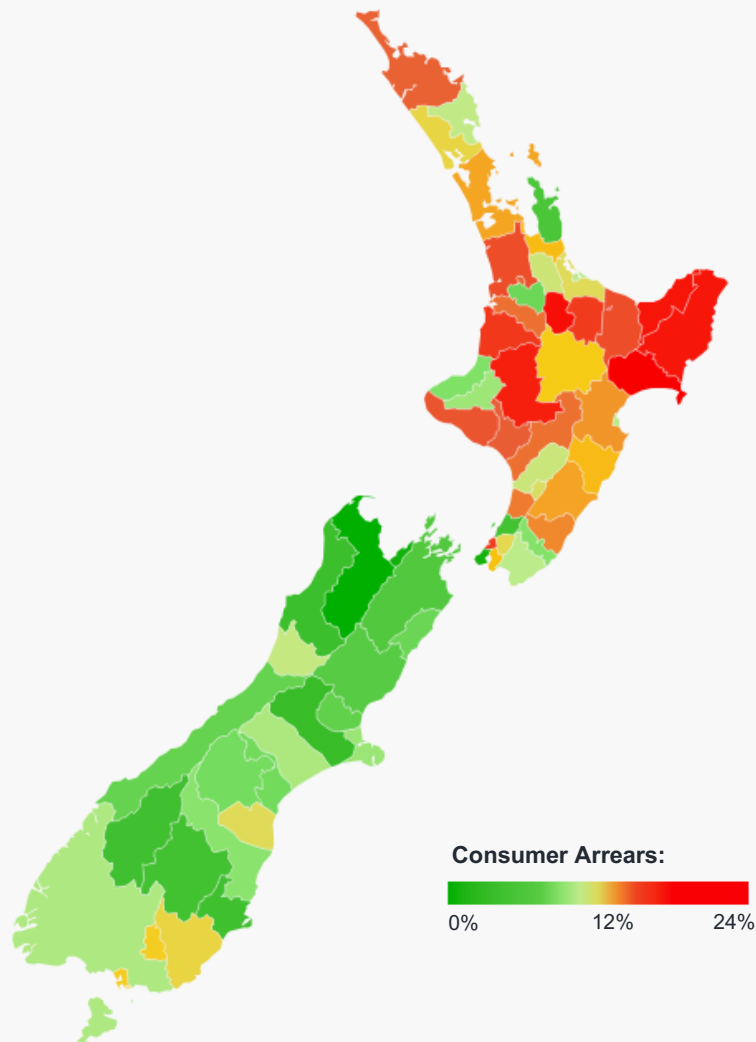
Consumer Arrears Trends



Consumer Arrears: 1+/30+/60+/90+ Days Past Due



Consumer arrears across the country



Lowest Arrears Areas		
	District	Arrears %
1	Tasman District	9.10%
2	Nelson City	9.30%
3	Wellington City	9.35%
4	Selwyn District	10.29%
5	Buller District	10.42%
6	Dunedin City	10.54%
7	Queenstown-Lakes District	10.56%
8	Central Otago District	10.62%
9	Kapiti Coast District	10.64%
10	Thames-Coromandel District	10.75%

Highest Arrears Areas		
	District	Arrears %
1	Kawerau District	18.10%
2	Wairoa District	17.52%
3	South Waikato District	17.07%
4	Opotiki District	17.00%
5	Gisborne District	16.94%
6	Ruapehu District	16.80%
7	Waitomo District	15.94%
8	Rotorua District	15.81%
9	Porirua City	15.76%
10	Whakatane District	14.97%

Consumer credit growth subsiding

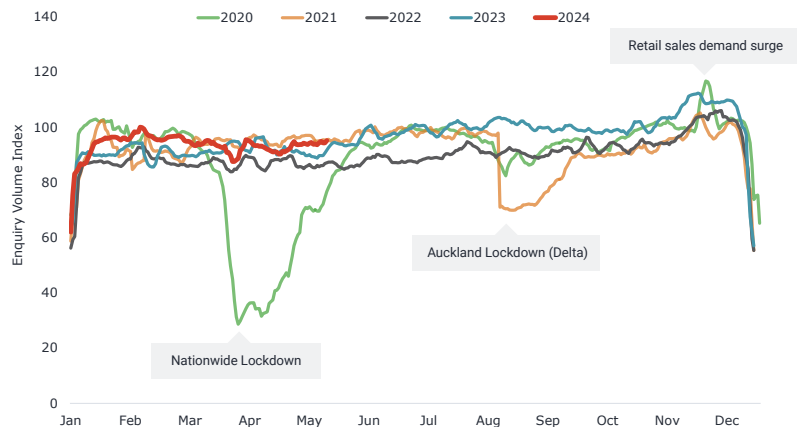
Consumer credit demand is up 2.3% from last year, but the rate of growth has subsided overall in recent months.

Vehicle loan enquiries are down 20% year on year, as new car sales continue to decline.

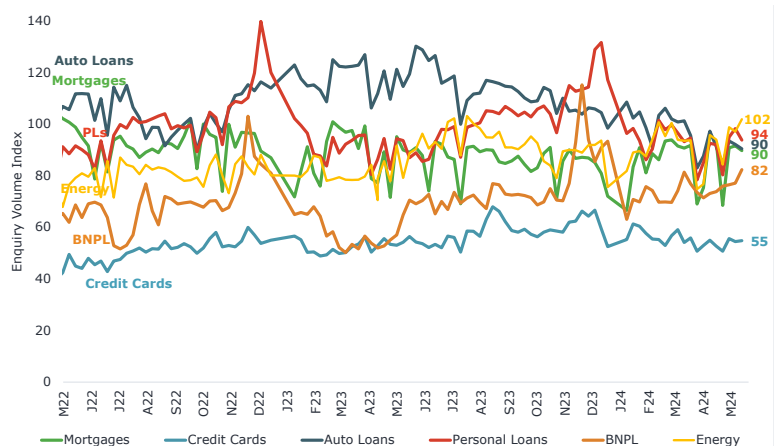
Non-mortgage new lending is slightly down (1%) year-on-year, reflecting lower volumes of new car sales compared to last year.

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Consumer Credit Demand: 2020 to 2024



Credit Demand by Product Type



New Consumer Lending (Indexed to 2019)

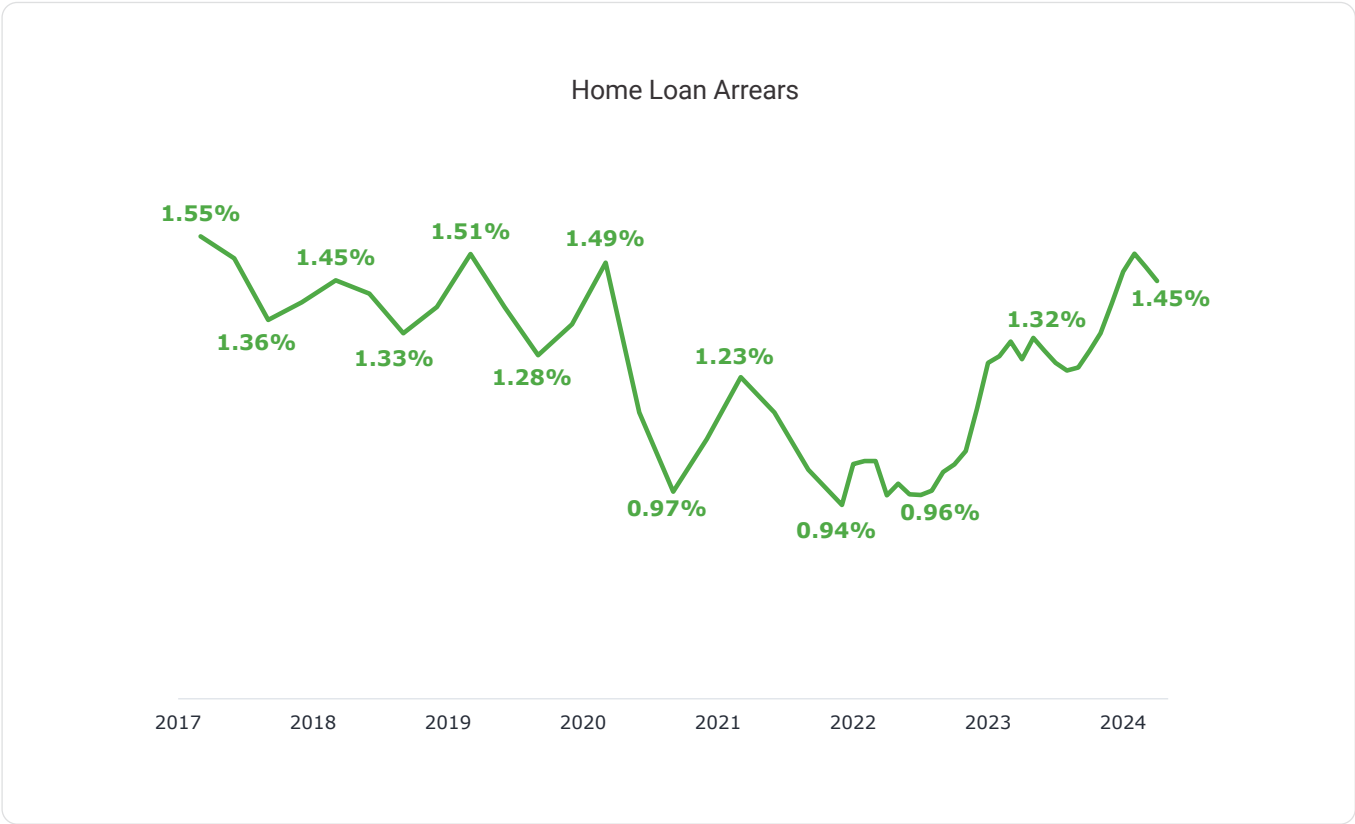


Mortgage arrears

Mortgage arrears eased for the second consecutive month but are still up 14% year-on-year.

There are now 21,700 home loans reported as past due (down 400 in the last month), representing 1.45% of all home loans.

The proportion of loans 30+ days past due is currently 0.71% - compared to 0.54% a year ago.



Mortgage arrears eased for the second consecutive month but are still up 14% year-on-year.

Cost of living impacts

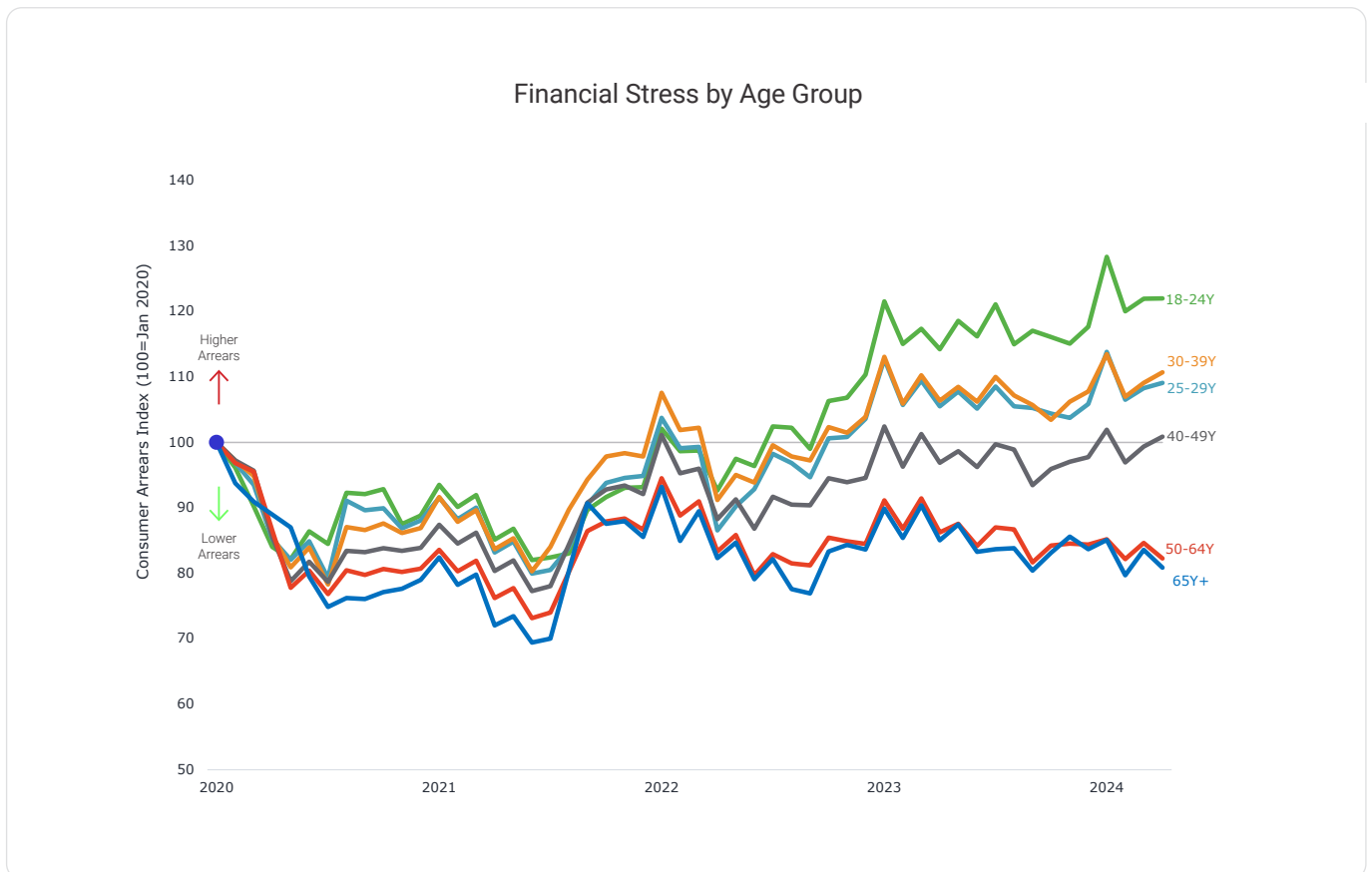
The cost-of-living crisis has not impacted everyone equally, as evidenced by consumer arrears, which are a sign of financial stress.

The chart below shows a clear divide has emerged since 2022 – a tale of two economies.

Consumers under the age of 25 are among those hardest hit, as they are more likely to experience cash flow problems and have limited savings to rely on.

Consumers aged 40-49 are increasingly experiencing debt stress, with many have home loan commitments.

In contrast, consumers aged 50 and above are faring better, with lower levels of arrears since 2020.



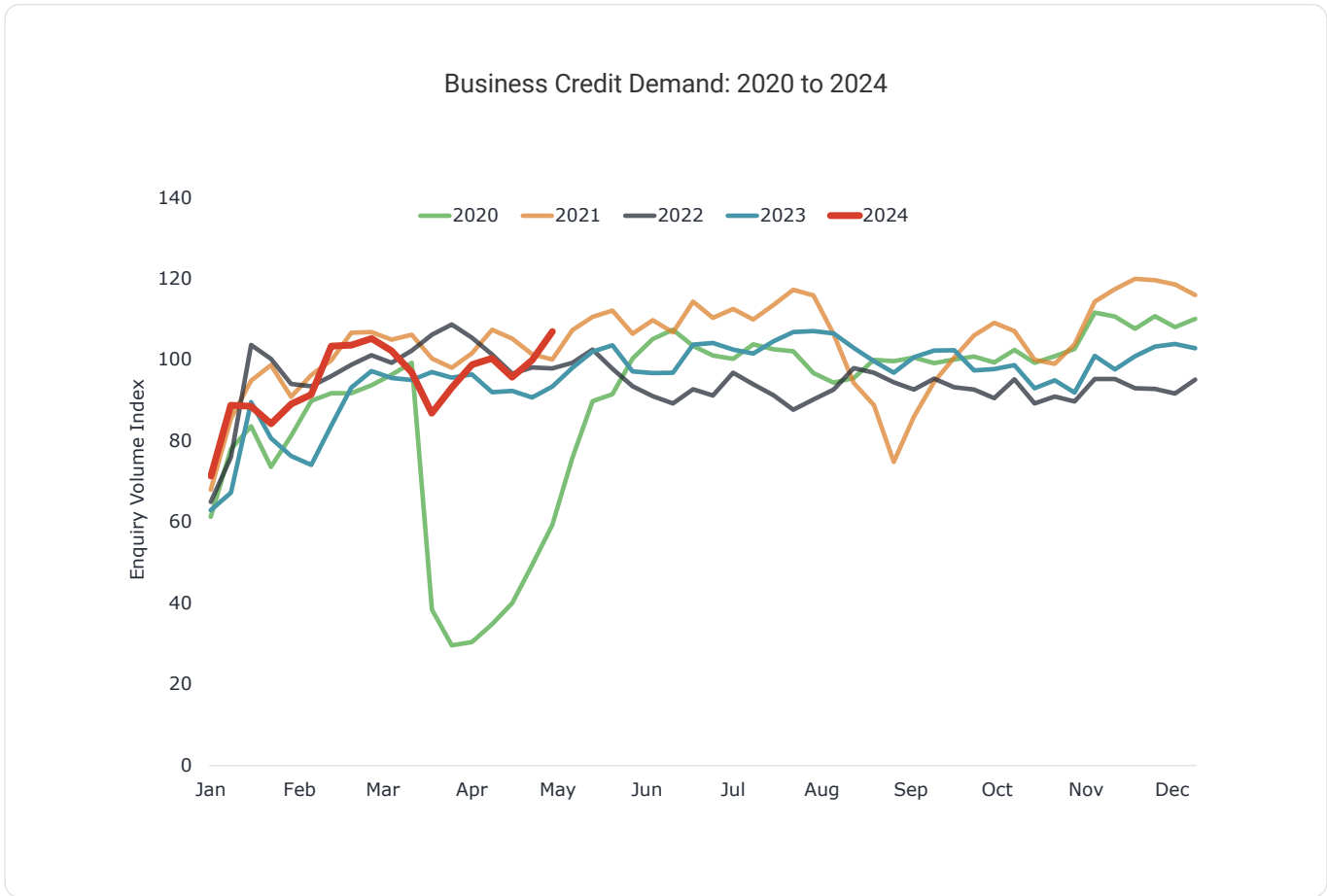
The cost-of-living crisis has not impacted everyone equally, as evidenced by consumer arrears.

Business credit demand strengthening

Business credit demand is up 12% over the same period in 2024.

Looking at specific industries, credit demand has risen the most in the hospitality and retail sectors over the last 12 months.

The average credit score for new credit applications has risen to 762, up from 761 in April 2023, and 760 last month.








Business credit demand is up 12% over the same period in 2024.

Company defaults, liquidations up year-on-year

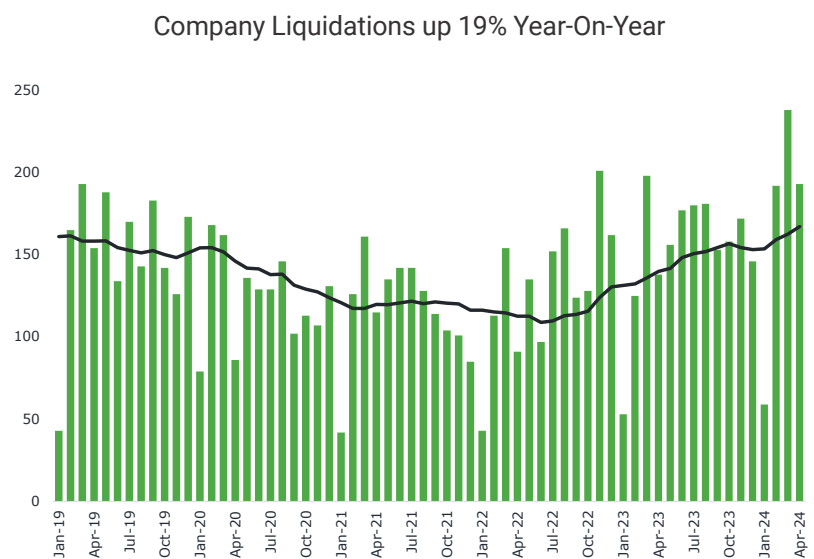
In every industry sector aside from hospitality, company credit defaults are up year-on-year, with net defaults across the board sitting at +13%.

Looking across the board, it's evident property/rental sector is worst affected with credit defaults up +46%, followed by transport at +21%.

Overall company liquidations are also up 19% year-on-year.

	Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
	Construction	+10%	+16%	759 ↓	+13%	2.2X
	Hospitality	+18%	-1%	743 ↓	+7%	2.1X
	Retail Trade	+17%	+18%	769 ↓	+45%	1.2X
	Transport	+7%	+21%	732 ↓	+42%	2.0X
	Property / Rental	+12%	+46%	816 ↓	+24%	0.8X
	All Sectors	+12%	+13%	789 ↓	+19%	1.0X

In every industry sector aside from hospitality, company credit defaults are up year-on-year, with net defaults across the board sitting at +13%.



Company insolvencies

There were 203 company insolvencies in April 2024, a 30% increase from April 2023.

Company liquidations are also on the rise, with 193 recorded in April 2024, versus 138 in April 2023.

22% of April's company insolvencies were from the construction sector, followed by 17% from the property industry and 9% from the professional services industry.

Reporting Month	March 24	April 24	May 24*
Total number of company insolvencies	276	203	255
Number of companies placed into liquidation	239	193	220
Number of company receiverships	25	8	18
Number of voluntary administrations	12	2	17
Top Industry Sectors	Construction (22%)	Construction (22%)	Construction (25%)
	Property (13%)	Property (17%)	Property (16%)
	Prof Services (9%)	Prof Services (9%)	Hospitality (9%)
	Hospitality (9%)	Manufacturing (7%)	Wholesale (9%)
	Manufacturing (6%)	Services (6%)	Prof Services (7%)
	Transport (6%)	Wholesalers (6%)	Services (6%)

Source: Centrix business data

*Correct as at 30 May 2024

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Focus on the manufacturing sector

Looking at the manufacturing sector, which accounts for 3.5% of all NZ registered companies; these businesses are nearly two times more likely to fail (1.7x) than the average NZ business.

Over the last year manufacturing liquidations have increased by 30% year-on-year, with metal product manufacturing businesses experiencing the highest rate of liquidations.

In April 2024, 14 manufacturing companies were placed into liquidation, the highest monthly total in five years. This is indicative of an industry facing challenges with weak demand along with a struggling economy.

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)			
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Liquidation Rating
C - Manufacturing	25,417	3.5%	9%	10%	781	1.7X
Basic Chemical and Chemical Product Manufacturing	1,353	0.2%	40%	100%	745	1.4X
Beverage and Tobacco Product Manufacturing	1,659	0.2%	-1%	0%	776	2.0X
Fabricated Metal Product Manufacturing	1,985	0.3%	7%	0%	776	3.9X
Food Product Manufacturing	4,150	0.6%	11%	5%	762	0.8X
Furniture and Other Manufacturing	2,764	0.4%	41%	100%	789	2.0X
Machinery and Equipment Manufacturing	5,169	0.7%	5%	-7%	770	0.2X
Printing	1,516	0.2%	21%	33%	791	0.2X
Textile, Leather, Clothing and Footwear Manufacturing	1,325	0.2%	-20%	17%	786	2.0X
Transport Equipment Manufacturing	1,377	0.2%	2%	-8%	783	3.0X
Wood Product Manufacturing	1,120	0.2%	8%	-8%	792	0.0X

Over the last year manufacturing liquidations have increased by 30% year-on-year

Last updated May 31, 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:

- 90 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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