



# August Outlook



## Snap COVID-19 Alert Level Four lockdown economic shock not as severe as last time

New Zealand once again finds itself in lockdown and like last time the country moved into Alert Level Four, we saw credit demand drop sharply, falling 30% overnight.

But while the shift in Alert Levels is a shock for the economy, it doesn't appear to be as severe as last year's move to Alert Level Four. It is still early days but credit scores, arrears levels and financial hardship cases remain stable across all levels, while the fall in credit demand isn't as nearly as deep as last year's 70% fall.

It is likely New Zealanders entered this lockdown with more confidence, remembering the strong economic rebound that followed last year's lockdown. But a long lockdown in Auckland might change this, putting pressure on businesses and households and requiring the introduction of further monetary and fiscal support.

Business closures and credit defaults were already rising as smaller firms increasingly experienced cashflow stress. If greater numbers of households also start experiencing cashflow issues, we might even see the reintroduction the Mortgage Deferral Scheme.

Whatever intervention is planned in the coming weeks, it is comforting that credit demand is holding up better than the first Alert Level Four lockdown, at least for now.

**Keith McLaughlin**  
Managing Director



## Consumer credit demand falls 30% as NZ enters Level Four

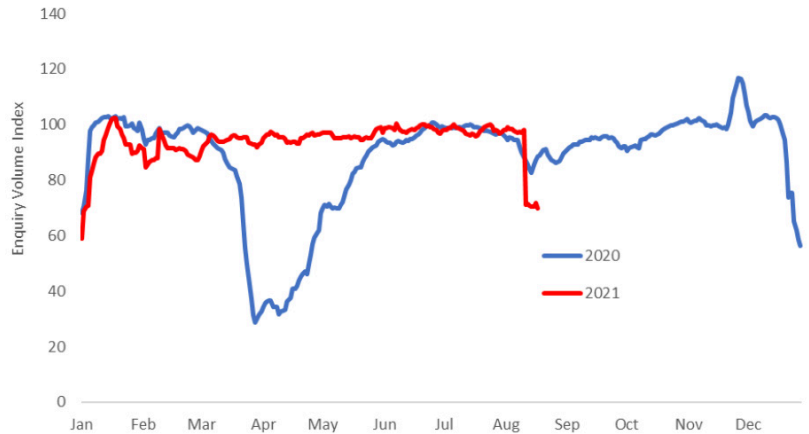
As New Zealand entered COVID-19 Alert Level Four lockdown on 18th August, we experienced a sharp fall in consumer credit demand.

This fall is not unexpected given the significant restrictions in place from the highest alert level.

While the fall was sharp, it was not as deep as the 70% fall in consumer credit demand experienced the last time the entire country entered Alert Level Four in March 2020.

Month-on-month, consumer credit demand fell 30% in August when compared to July.

Consumer Credit Demand: 2020 v 2021



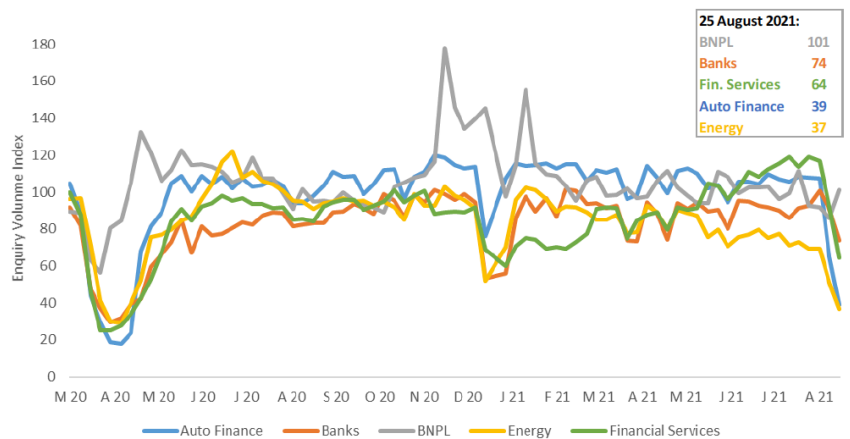
## Buy Now Pay Later (BNPL) shows modest growth in August

Lockdown supports increased online shopping. As a result, and as with previous lockdowns, the move to Level Four has resulted in an uptick in BNPL applications.

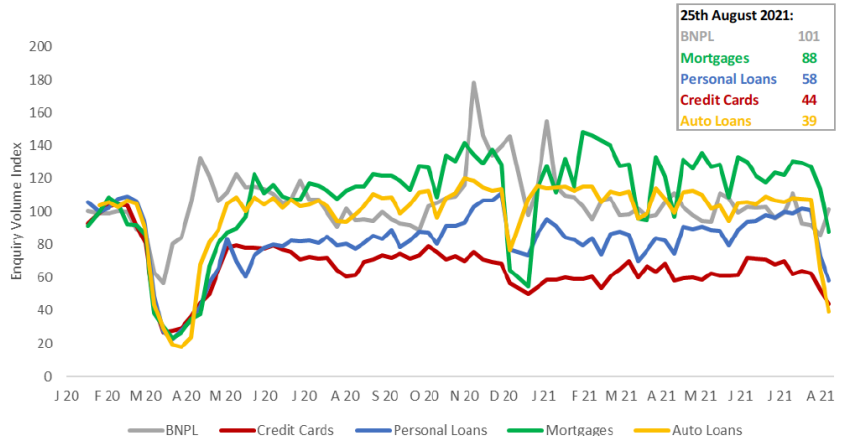
All other sectors have trended down, with Auto and Energy sectors hardest hit since the transition to Alert Level Four.

Mortgage applications also fell to the lowest level we have seen in 2021, alongside auto loans, personal loans and new credit card applications.

Credit Demand By Industry Sector



Credit Demand By Product Type

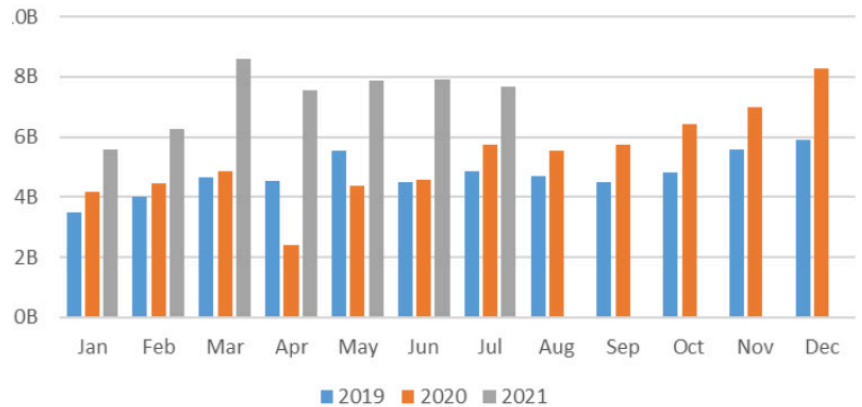


## Value of new home loans down

The value of new home loans fell slightly in July, falling 3% compared to the month prior, possibly due to increasing noise around increasing interest rates.

While new lending softened slightly in July, it was still well ahead of the same period 2019 and 2020, showing the housing market is still historically strong. We expect new mortgage lending to be weak in August given the impact of lockdown.

## New Lending Exposure: Mortgages



## Arrears up in July across the board

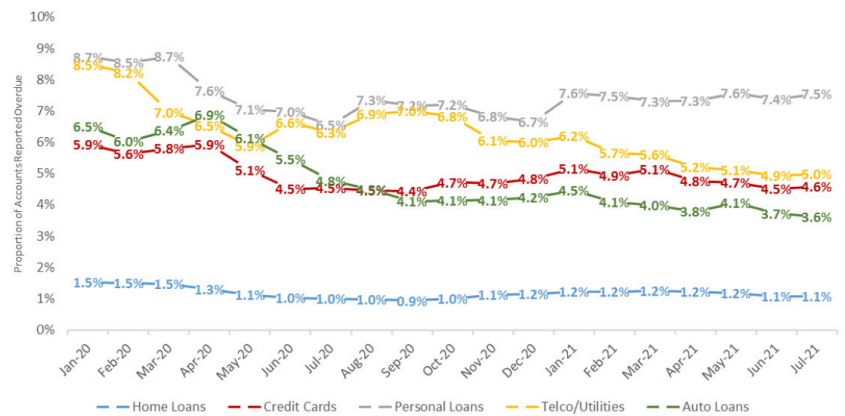
Leading into August, the number of accounts reported past due rose by 1.5% in July.

The proportion of accounts reported in arrears was up for most account types, with the exception of auto loans and mortgages (held flat).

There are 15,250 (1.08%) residential mortgage accounts currently past due.

Arrears rates in general are still at an all-time low.

## Arrears Ratios



## Business closures double over quarter

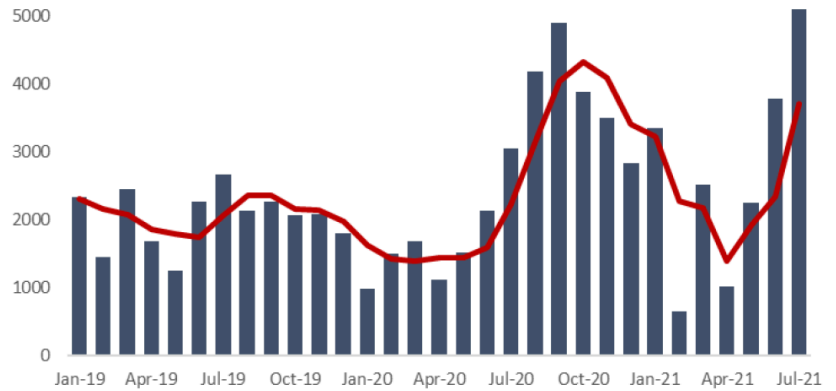
As another lockdown challenges business owners again, business closures over the last quarter doubled while new business registrations were down 4% in July.

Business credit defaults were up 11% over the last quarter. Despite this, business liquidations are also down 34% year-on-year, suggesting the closures are voluntary.

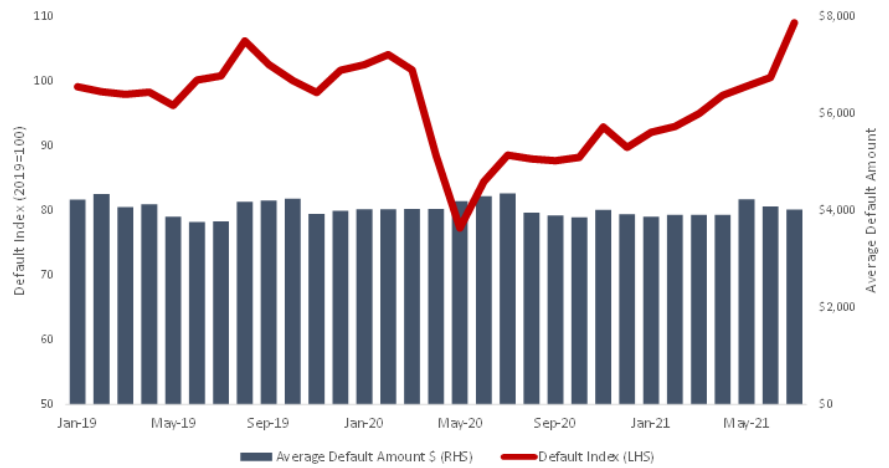
Looking at industry credit defaults, we see higher levels of defaults in rental/property, accommodation/food, transport, construction and financial services.

It's clear these industries were the hardest hit by the initial impact of COVID-19 in 2020 and the ongoing recovery.

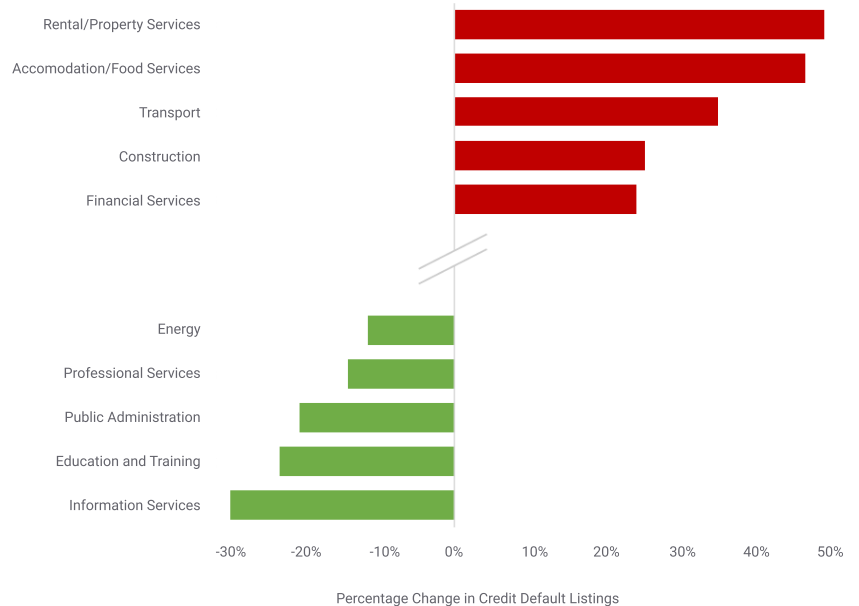
## Company Closures Double This Quarter



## Company Credit Defaults Up 11% This Quarter



## Company Credit Defaults By Industry: 2021 vs 2019 (pre-Covid)



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Last updated 31 August 2021.

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## Centrix data

Centrix holds the richest dataset of consumer 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:

- Registered banks and 53 other contributors to Comprehensive credit reporting (CCR), providing payment behaviour data. Contributors include finance companies, telco's and utilities.
- 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.

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