November Outlook

Consumer confidence climbing ahead of holiday season

CENTRIX

Heading into the start of the Christmas season, consumer confidence is looking strong with Kiwis hitting the shops in force on Black Friday.

We have seen consumer credit demand surge across all regions in November, with strong growth in retail finance and Buy Now Pay Later (BNPL). Even new credit card applications, which had been subdued for much of the year, saw a noticeable recovery.

Clearly the reopening of the Auckland retail sector has helped drive this increase in consumer credit demand, and we hope to see this continue as the country moves into the traffic light system, which will enable the Auckland economy to open up even further.

More broadly, there are other positive signs emerging from the credit data, indicating the economy is showing signs of recovery from the Delta lockdown. The number of accounts in financial hardship is down, credit defaults are falling, company liquidations have dropped by a third in 2021, and business credit demand is stronger than it was this time last year. We are also seeing signs the housing market is stabilising, with new residential lending falling.

But we shouldn't forget that the extended lockdown has been difficult for many businesses and we are yet to see what the full ramifications of this will be. This impact has been particularly felt in the upper North Island, where Auckland and Whangarei are the only two regions to record increased business defaults – with business defaults rising 17% in Auckland since 2019.

These businesses, like those around the country, will be hoping to benefit from continued strong consumer confidence as we head into summer.

Keith McLaughlin
Managing Director

## Credit demand climbs nationwide, boosted by Black Friday sales

With consumer confidence continuing to recover across the country, credit demand has climbed across all products – including new credit card applications – which hit the years high this month.

While growth in consumer credit demand will be welcomed by the retail sector as we head into the peak shopping season, early indications are that the demand for consumer credit this Black Friday was lower than last year's record high.
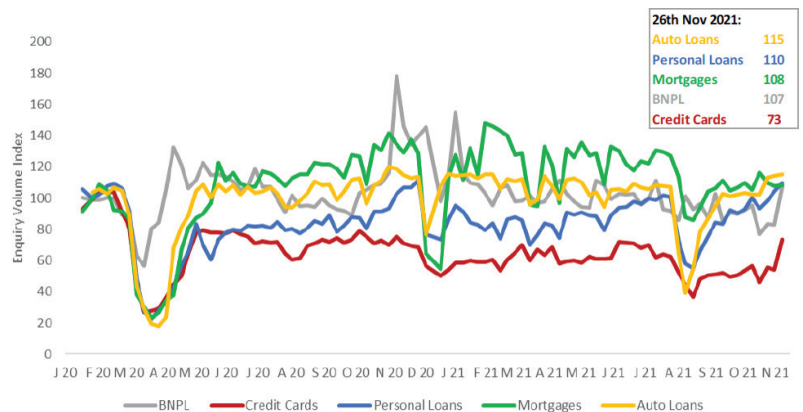
This could be explained, in part, because the Auckland retail sector was subject to restrictions that prevented it operating at full capacity. We expect credit demand to continue increasing as the country moves into the traffic light system.

Nevertheless, there was strong activity for retail finance and Buy Now Pay Later (BNPL) services in the lead up to Black Friday on 26th November. Even vehicle finance demand remains strong, despite low stock levels for new cars.

Credit Demand By Industry Sector

26th Nov 2021:
Fin. Services	118
Auto Finance	115
BNPL	107
Banks	90
Energy	76
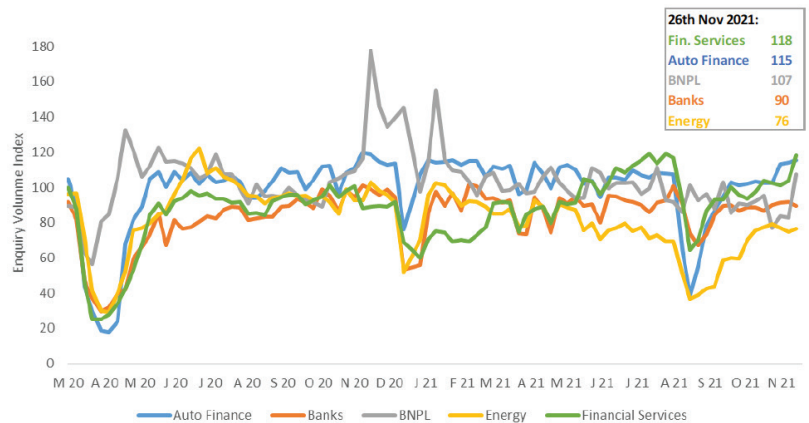
Credit Demand By Product Type

26th Nov 2021:
Auto Loans	115
Personal Loans	110
Mortgages	108
BNPL	107
Credit Cards	73

Arrears Up, Hardships Down in November

The number of accounts reported past due, increased by 8% this month – specifically across personal loans, auto loans and telco/ utilities.

The growth in arrears was seen across all regions except Auckland, where the percentage of accounts in arrears fell.
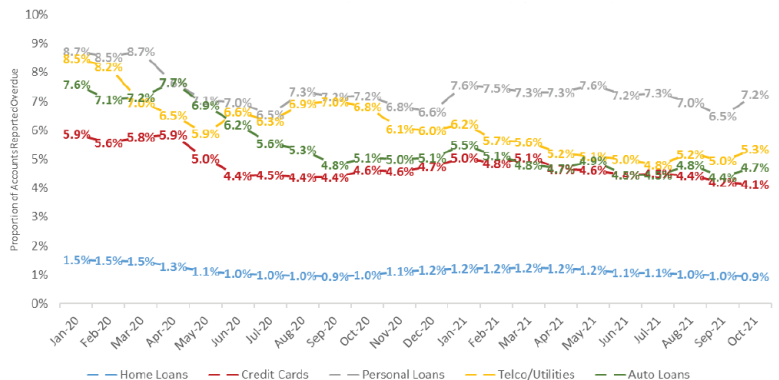
This is likely due to a combination of the region having more disposable cash due to ongoing lockdown restrictions, as well as greater levels of support from credit providers for those who are having difficulty meeting their payment obligations.

Mortgage arrears also fell to their lowest level since September 2020, with only 13,150 (0.9%) residential mortgage accounts currently past due.
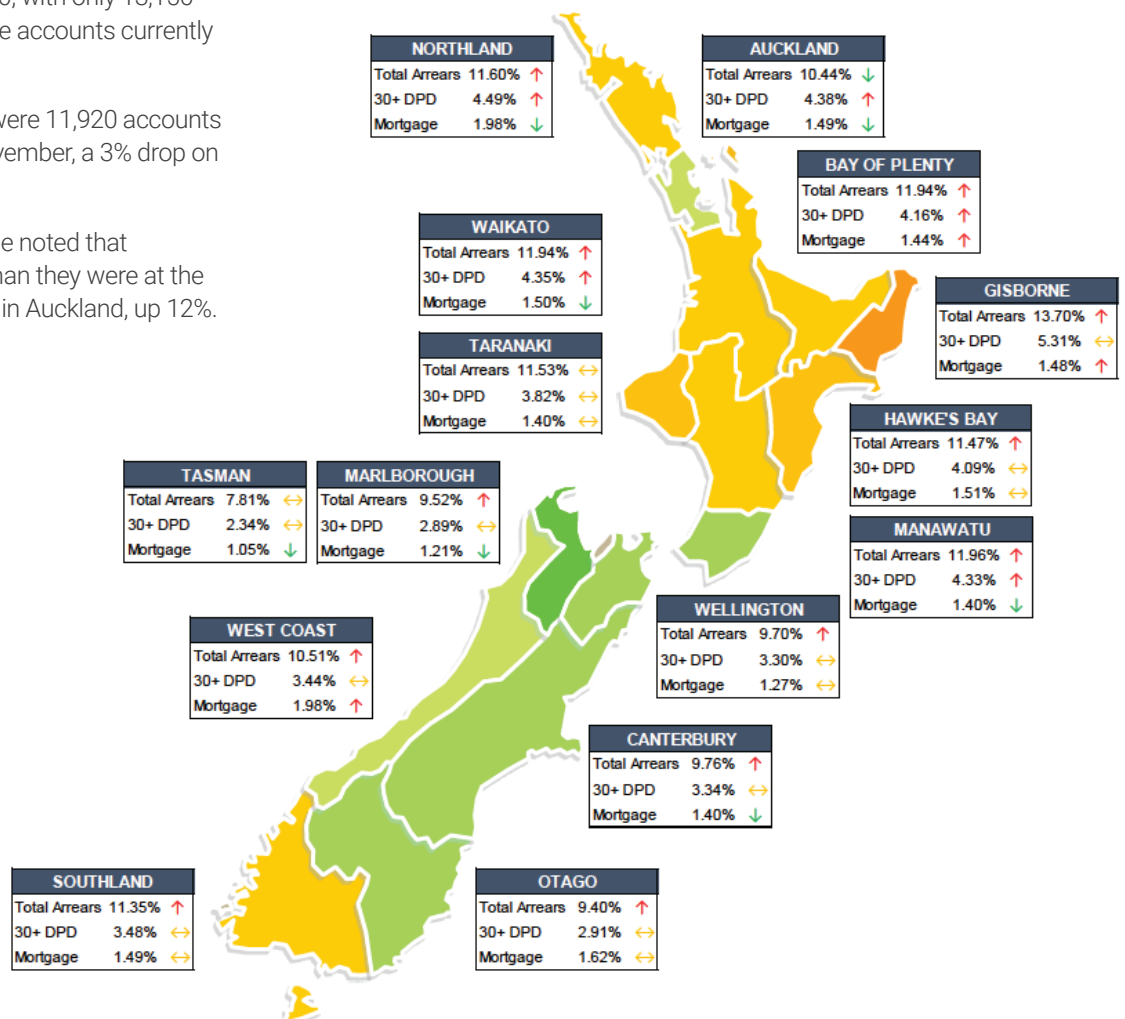
Across the country, there were 11,920 accounts in financial hardship in November, a 3% drop on the previous month.

Despite this fall, it should be noted that hardships are still higher than they were at the start of the Delta outbreak in Auckland, up 12%.

% of Accounts Reports in Arrears (By Product)

Proportion of accounts reported in arrears **increased by 8%** last month

NORTHLAND		
Total Arrears	11.60%	↑
30+ DPD	4.49%	↑
Mortgage	1.98%	↓

AUCKLAND		
Total Arrears	10.44%	↓
30+ DPD	4.38%	↑
Mortgage	1.49%	↓

BAY OF PLENTY		
Total Arrears	11.94%	↑
30+ DPD	4.16%	↑
Mortgage	1.44%	↑

WAIKATO		
Total Arrears	11.94%	↑
30+ DPD	4.35%	↑
Mortgage	1.50%	↓

GISBORNE		
Total Arrears	13.70%	↑
30+ DPD	5.31%	↔
Mortgage	1.48%	↑

TARANAKI		
Total Arrears	11.53%	↔
30+ DPD	3.82%	↔
Mortgage	1.40%	↔

HAWKE'S BAY		
Total Arrears	11.47%	↑
30+ DPD	4.09%	↔
Mortgage	1.51%	↔

MANAWATU		
Total Arrears	11.96%	↑
30+ DPD	4.33%	↑
Mortgage	1.40%	↓

TASMAN		
Total Arrears	7.81%	↔
30+ DPD	2.34%	↔
Mortgage	1.05%	↓

MARLBOROUGH		
Total Arrears	9.52%	↑
30+ DPD	2.89%	↔
Mortgage	1.21%	↓

WEST COAST		
Total Arrears	10.51%	↑
30+ DPD	3.44%	↔
Mortgage	1.98%	↑

WELLINGTON		
Total Arrears	9.70%	↑
30+ DPD	3.30%	↔
Mortgage	1.27%	↔

CANTERBURY		
Total Arrears	9.76%	↑
30+ DPD	3.34%	↔
Mortgage	1.40%	↓

SOUTHLAND		
Total Arrears	11.35%	↑
30+ DPD	3.48%	↔
Mortgage	1.49%	↔

OTAGO		
Total Arrears	9.40%	↑
30+ DPD	2.91%	↔
Mortgage	1.62%	↔

| Key	Definition
Total Arrears	Proportion of borrowers with at least one credit account currently in arrears
30+ DPD	Proportion of borrowers with at least one credit account 30+ days past due
Mortgage	Proportion of mortgage borrowers with at least one mortgage account in arrears

Residential lending slows in October

The property market is beginning to show signs of slowing with new residential mortgage lending down 6% month-on-month in October.

This is likely to be a combination of rising interest rates, tighter bank lending criteria, the impact of changes to government regulation and increasing supply.

Despite this, non-residential lending continues to be strong, up 13% month-on-month in October, indicating strong consumer confidence.

New Lending Exposure: Mortgages
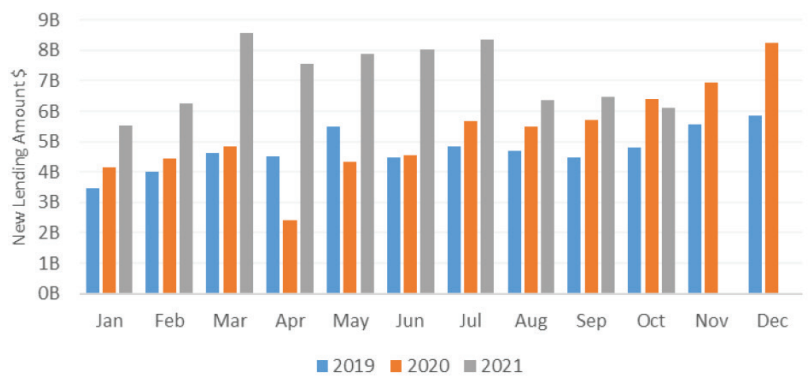
Business defaults down in November

As the country continues to open up and the economy recovers as we head into summer, business defaults have fallen by 5% in November.

This is not being felt evenly across the country however, with Auckland and Northland businesses feeling the impact of extended COVID-19 restrictions, recording increases in defaults of 17% and 12% respectively since 2019.

Nationwide, there have increasing defaults in the rental/property, transportation, financial / insurance services, and agriculture sectors since 2019.
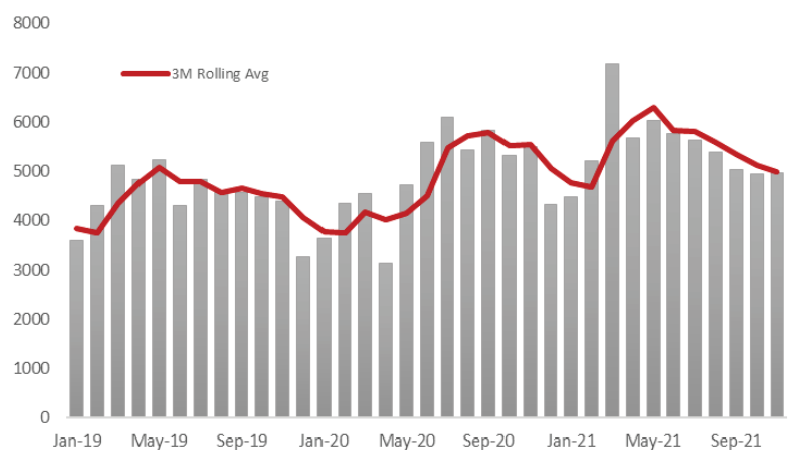
Furthermore, new company registrations are down 11% while company closures have increased by 13%.

Company liquidations are down more than a third this financial year, indicating that businesses are closing by choice rather than being forced to.
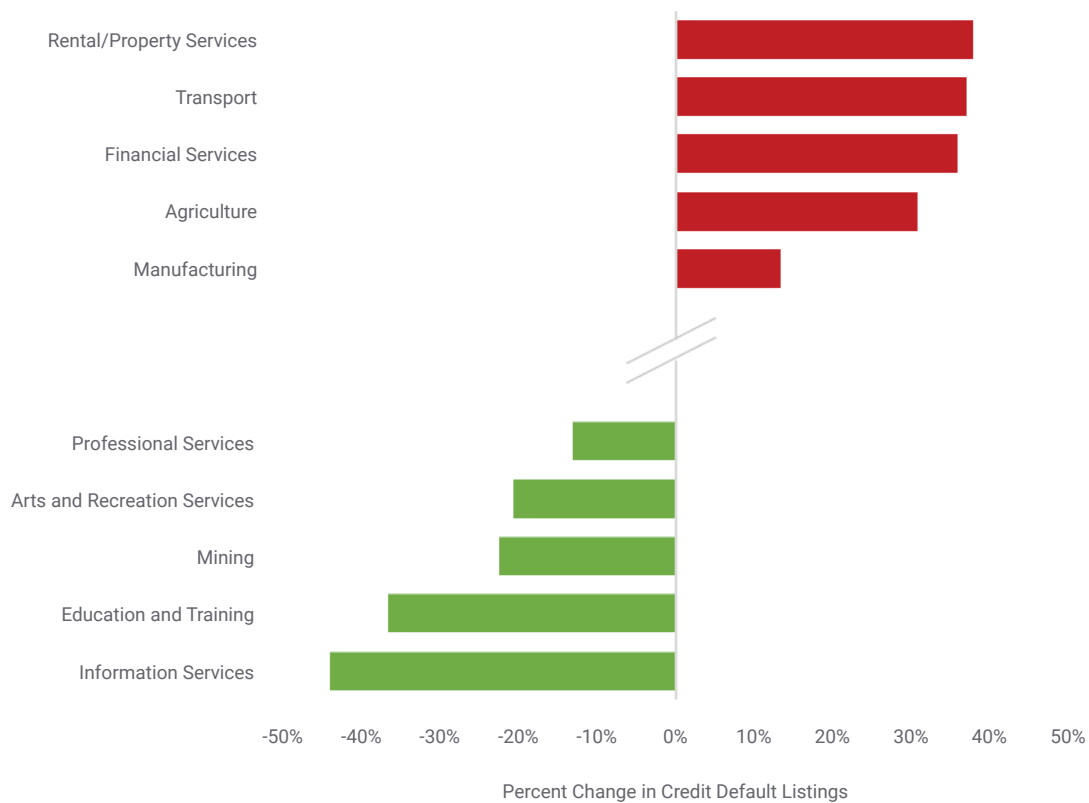
Business Credit Defaults Down 5% This Month
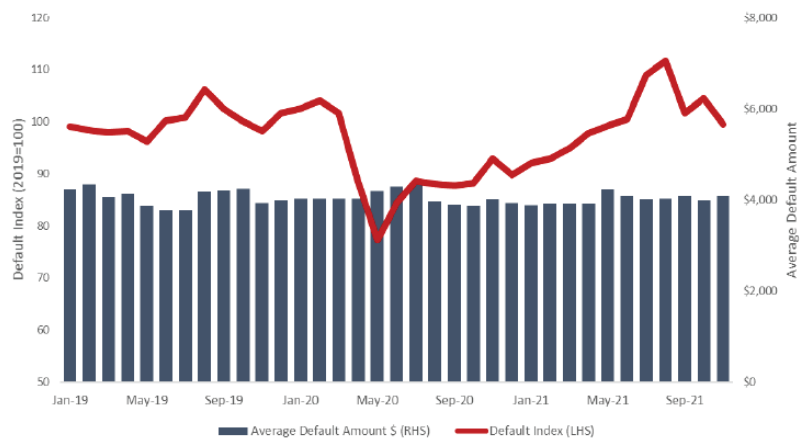
New Company Registrations Down 11%

Business Defaults in 2021 compared to pre Covid (2019)

Percent Change in Credit Default Listings

Last updated November 30, 2021.

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 61 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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