



# May Credit Indicator



## Cost of living and consumer confidence remain key credit challenges in May

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The ongoing inflationary challenges facing Kiwis continues to impact consumer confidence and credit demand. With the Reserve Bank's cash rate increase last week, we will see more pressure on household cashflows emerging in the coming months.

Consumer credit demand was down 9% year-on-year in May 2022, while the demand for new mortgages was down 27% over the same period. And for those successfully applying for mortgages, the lending value was down 38% in April 2022 as confidence falls.

While mortgage arrears were down to just 0.96% in April 2022, the Reserve Bank has indicated plans for further interest rate hikes to battle inflation. This could potentially negatively impact Kiwis and their ability to service their debts. However, it's good news that so far, cases of financial hardship are down to their lowest levels since 2019 and no material signs of mortgage stress are evident.

Consumer arrears were up 12% year-on-year in April 2022 in tandem with falling credit demand as Kiwis start to feel the financial pinch of rising living costs.

Buy Now Pay Later (BNPL) arrears are at the highest point in three years, with 8.9% of accounts in arrears. Often discretionary spending debts like BNPL are the first to see increased arrears in challenging financial times an indication of Kiwis prioritising their credit repayments - which could also be a signal of further financial stress in the future.

Looking at business credit trends, the construction sector is feeling the squeeze of ongoing supply chain challenges, higher material costs and labour shortages, with 27% of all liquidations in May 2022 happening in the sector.

However, business credit demand is down overall with signs of recovery. Retail trade and hospitality are showing signs of recovery, as the country's borders continue to reopen. New company registrations are up 11% over the quarter, while liquidations, closures and defaults are all down in May.

The balance between Kiwi businesses returning to relative normality and consumers reducing discretionary spending will be a challenge in the coming months.

While the recent Budget announcement aimed to alleviate some of these struggles, it's too early to know how impactful this will be for those most affected by increased costs.

Keith McLaughlin  
Managing Director



## Reduced credit demand and lending as confidence drops

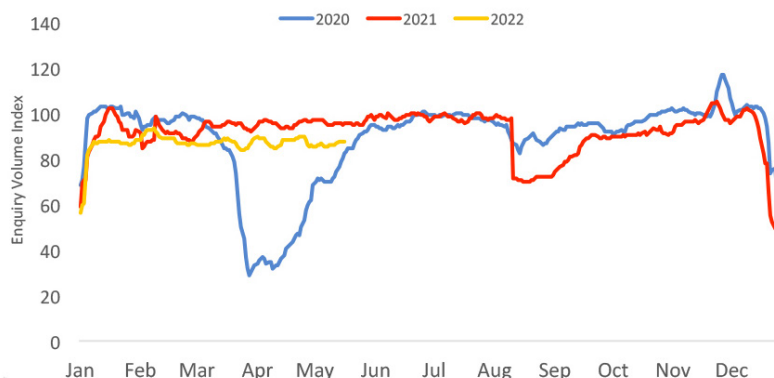
Inflationary pressures and the rising cost of living continues to negatively impact credit demand – with consumer credit demand down 9% year-on-year in May 2022.

Mortgage applications were down 27% year-on-year in May 2022, while new credit card applications are down 25% over the same period.

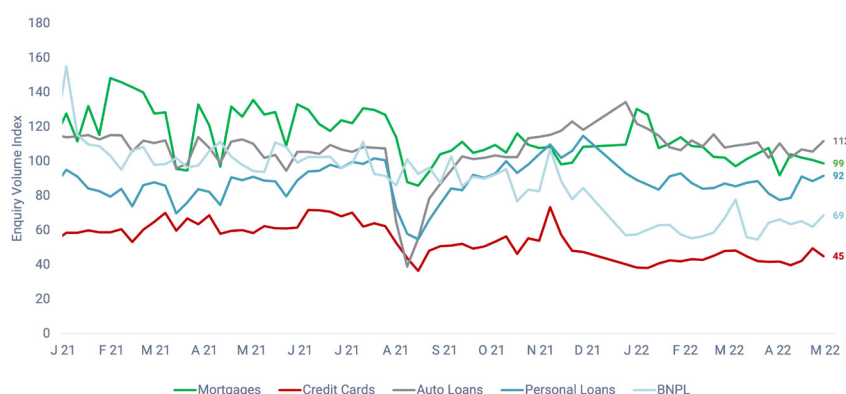
The value of successful new mortgage lending was down 38% year-on-year in April 2022 in April, while new consumer finance loans fell 17% due to weaker consumer confidence and a more challenging lending environment..

*Mortgage applications were down 27% year-on-year in May 2022*

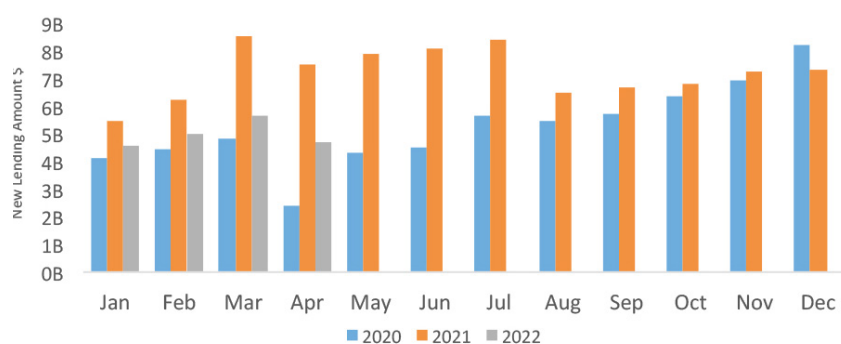
### Consumer Credit Demand: 2020 to 2022



### Credit Demand by Product Type



### New Lending Amount: Mortgages



## Consumer arrears up 12% year-on-year

As new applications and lending falls across the board, the number of Kiwis in arrears is up year-on-year.

The number of consumers behind on payments is up 12% in April 2022. However, this is still below the level reported in April 2020 during the Alert Level Four lockdown

Furthermore, credit scores dropped by two points in the last quarter, suggesting we should expect higher rates of arrears in the coming year.

Consumer Arrears Trends



## BNPL and telco repayments missed in lieu of mortgages, auto loans

Home loans in arrears have been steadily improving year-on-year, with the proportion of home loans with missed payments falling to just 0.96% in April 2022.

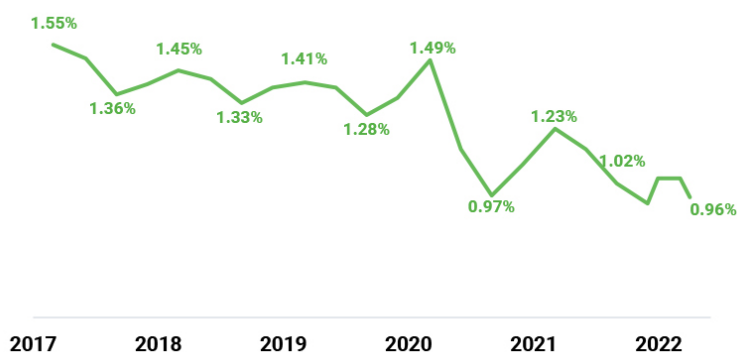
Despite the rising cost of living and recent rate hikes, there doesn't appear to be material signs of mortgage stress emerging.

A similar story is seen with vehicle loan arrears remaining low – an indication of Kiwis prioritising their credit repayments.

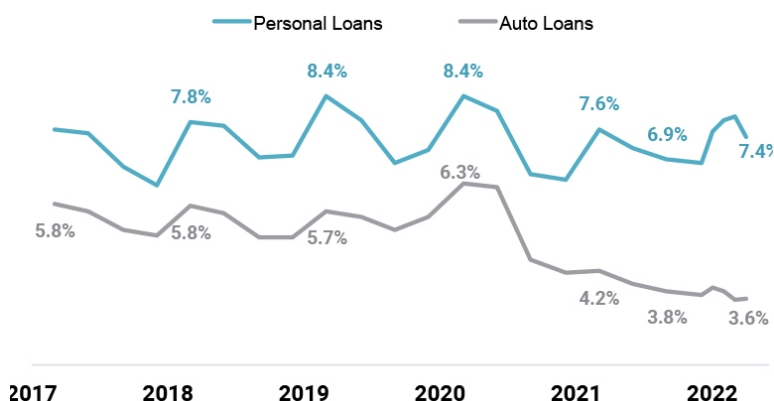
On the flip side, arrears on BNPL accounts have risen in the last three months to its highest level in the last three years – 8.9% in April 2022.

A silver lining is financial hardship cases across New Zealand were at the lowest level since December 2019, with just 9,000 accounts flagged in April 2022..

Home Loan Arrears

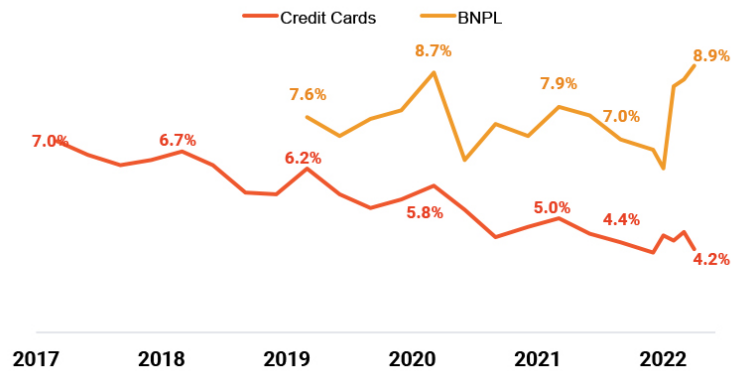


Consumer Loan Arrears

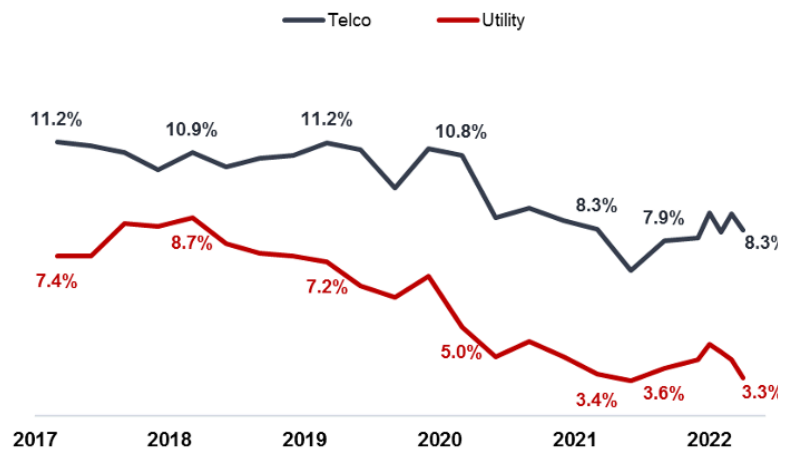


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### Credit Card & BNPL Arrears



### Telco & Utility Arrears



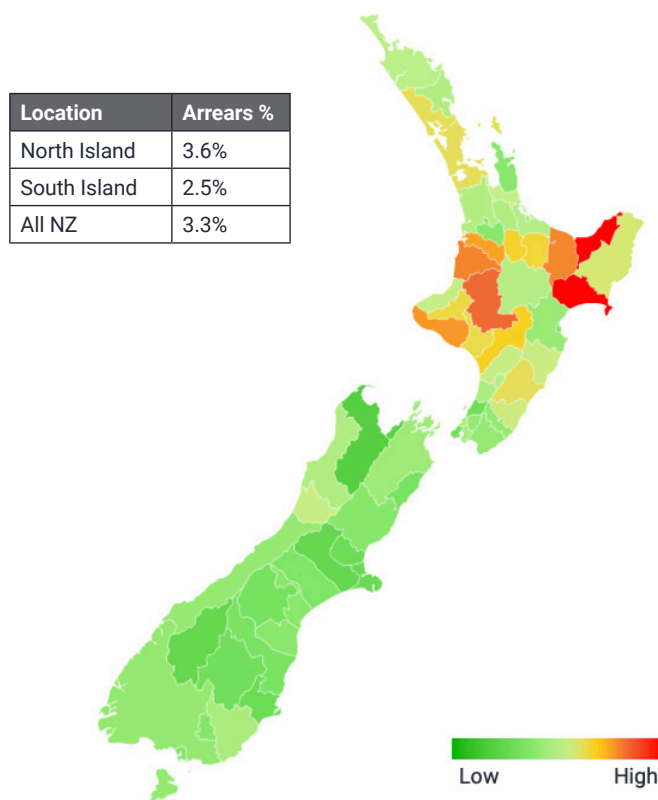
## Energy arrears higher in central North Island

There are over 2.1M retail energy connections (power and gas) currently being monitored by Centrix.

Of these customers, 3.3% were behind on their bills in May 2022, with a higher incidence of missed payments within the central North Island areas.

Additionally, households in the South Island have the lowest proportion of consumers currently behind on their energy bills.

Retail Energy Arrears Map



## Business credit demand down, credit scores holding

Looking at New Zealand's business sector, credit demand is down 7% in May 2022.

As easing restrictions support the broad reopening of businesses across the country, renewed trading sees income begin to circulate in the local economy.

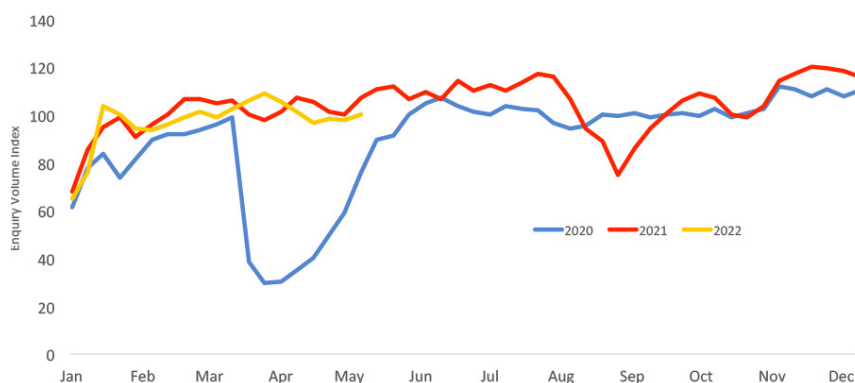
Significantly, credit demand shows signs of recovery for the tourism industry as the borders reopen and tourism operators begin to see an increase of international travellers.

Agriculture and construction face strong challenges as labour shortages, supply chain disruptions and rising costs continue to impact operations.

Retail trade and hospitality continues to show signs of recovery, in part due to the return of international tourism, as well as more people moving between towns and cities across the country.

Furthermore, the average credit score for new credit applications has held steady at 771.

Business Credit Demand: 2020 to 2022



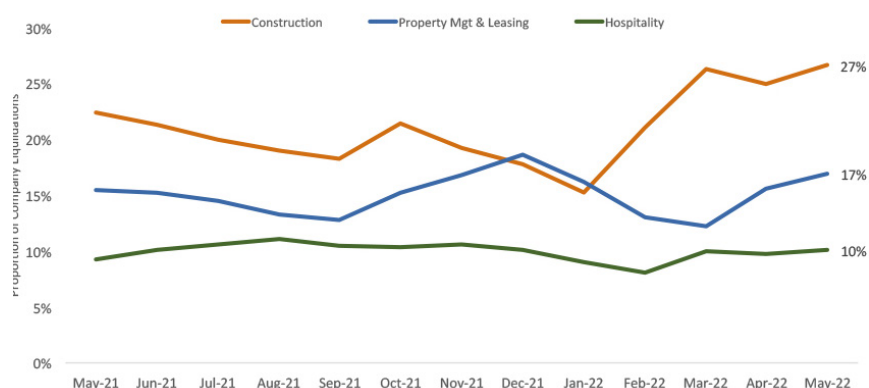
	Industry Sector Year on Year	Credit Demand	Credit Defaults	Credit Score
Hardest Hit Sectors	Tourism	+27%	+3%	-5.4 points
	Agriculture	+16%	+10%	-4.4 points
	Construction	+11%	+0%	-4.4 points
	Retail Trade	-11%	+2%	-1.6 points
	Hospitality	-21%	+5%	-0.7 points
Best Performing	Wholesale Trade	-1%	-3%	+0.1 points
	Manufacturing	+1%	-9%	+0.5 points
	Education	+18%	-2%	+3.9 points

## Increased liquidations in construction sector

Construction company liquidations are on the rise, with 27% of all company liquidations in May 2022 happening in this sector.

This is up from 18% just six months ago as fixed price contracts, supply chain challenges, higher material costs and labour shortages adversely affect the sector.

Company Liquidations by Industry Sector



Last updated May 31, 2022.

### 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:

- 72 registered banks and 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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