EQUIFAX®

Credit Insights Snapshot

Media Release

June 2022

What's happening in retail credit in New Zealand?

- There are a number of contributing factors to the **expected downturn in house prices in 2022/23**. This includes increased supply of new housing, together with continued impacts of CCCFA obligations. Also, with over half of home loans due to come to the end of their current fixed rates in the next 9 to 12 months, the true impact of recent OCR increases is yet to be felt by many consumers.

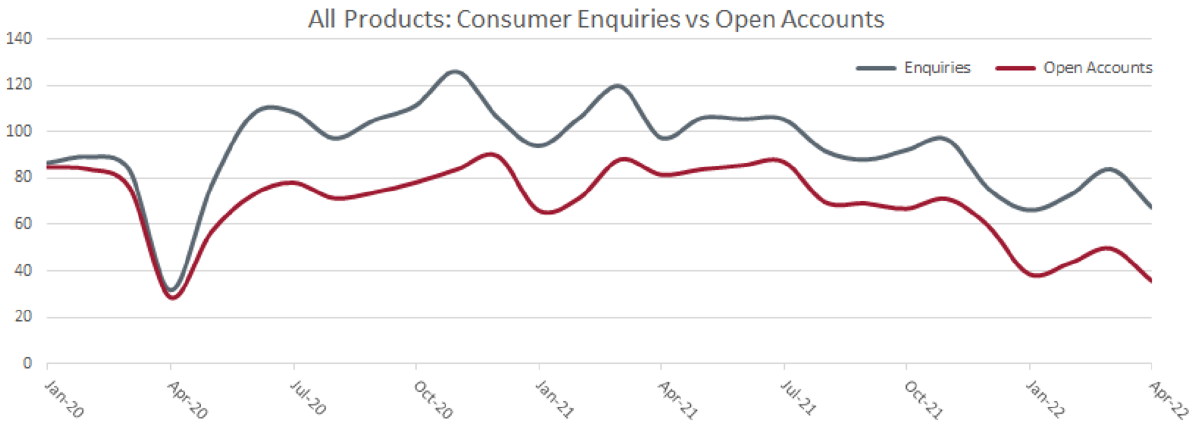
- While renewed travel and some suppressed credit demand will contribute to consumer spending in 2022, inflation remains a concern. In particular, food price increases are placing a significant cost of living burden on many consumers. Potential or early signs of consumer stress may be visible through behavioral data and also through credit card spend behavior.

- **Seasonality impacts to credit demand in April** resulted in enquiry dips across all consumer products, in particular for home lending. A bounce back has taken place in recent weeks; however, monthly open account volumes remain just above the lows experienced during the start of the COVID pandemic.

- **Overall delinquencies volumes remain flat for 30 and 90 DPD* bands, with mixed experience by product**. Telco & utilities delinquencies have increased month-over-month for April 2022 across both delinquency bands, with some uplift in 30 DPDs for Auto Loans.

* DPD: Days Past Due

Consumer Enquiries vs Open Accounts*



- While the **recent dip in consumer enquiries and open accounts** is reflective, in part, by seasonality, CCCFA, OCR increases and cost of living increases will no doubt be playing a significant influencing role.
- The fall in **home loan enquiries and open accounts** is the largest contributing factor to the recent reduction. Month-over-month for April 2022, open accounts decreased by 31% against March 2022, while enquiries dropped by 24% in the same period.
- **Unsecured credit products** (credit cards, personal loans, overdrafts) have also been impacted in April 2022, with a month-over-month 22.2% fall in open accounts, and a 14.7% fall in enquiries when compared with March 2022.

** Indexed to November 2019*

Recent developments for the NZ commercial market

- **Retail sales value** increased by 0.5% for Q1 2022 vs Q4 2021, with a 3.3% uplift in the North Island. While **retail sales volumes** also remains somewhat consistent across these, there has been some industry volatility across this period:
  - Motor vehicle and parts retailing down 4% in Q1 22 (vs a 19% increase for Q4 21); also, hardware, building, and garden supplies down 5.5% in Q1 22 (vs 32% increase for Q4 21).
  - Electrical and electronic goods up 2.7% in Q1 2022; also, pharmaceutical & other store-based retailing up 3.5% in Q1 22.*

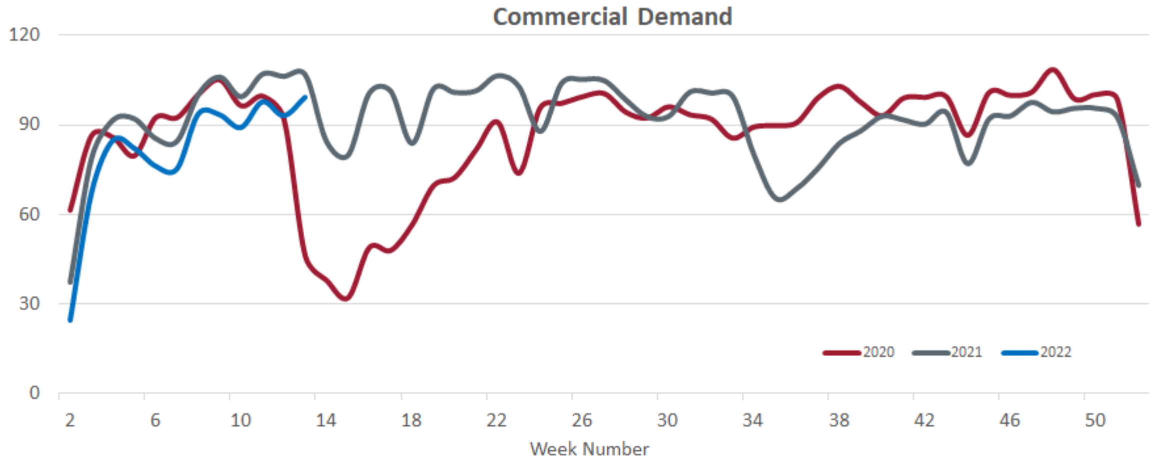
- **Construction continues to lead commercial enquiries**, with a post-school holiday uplift in demand across all lending products. For 2022 to-date, the Construction sector represents 17.9% of commercial enquiries, up from 16.4% in 2021 and from 14.9% in 2020. This increase is across all business lending products.

- Month-over-month for April 2022, overall 30 DPD and 60 DPD volumes increased by 11.1% and 6.7%, respectively, against March 2022 volumes. While some uplift is expected to be seasonality related, delays in trade payments will be contributing to this increase.

- 2022 company **liquidations** remain below volumes in 2020 and 21. However, there is an expected uplift across 2022 that is reflective of the general economic environment.#

** www.stats.govt.nz*
 # www.companiesoffice.govt.nz

Weekly Commercial Enquiries*



- Following the school holiday downturn, **Business Loan** enquiry volume increases are most buoyant in the *Construction*, and *Rental, Hiring & Real Estate Services* sectors, followed at a distance by the *Professional, Scientific & Technical Services* sector.
- The slight downward trend in **Asset Finance** enquiries in the last few weeks is influenced by the Construction and Manufacturing sectors, with demand in the Retail Trade and Wholesale Trade sectors increasing. Agri sector demand has been reasonably flat recently.
- Construction remains the most significant influence on **Trade Credit** enquiries.

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