



June Credit Indicator



Climbing arrears return to Kiwi households

Last month, we saw a slowing of arrears growth, which begged the question – are we starting to see the economy plateau?

After all, it was an encouraging sign to see Kiwi households beginning to manage their repayments in this economic climate. Was this setting the scene set for the remainder of 2023?

Unfortunately not.

Since the start of 2023, we've seen a degree of uncertainty and yo-yoing across a number of our credit indicators. But the clear takeaway is arrears are rising.

Overall consumer arrears exceeded 2019 levels for the first time with 11.7% of the active credit population behind on repayments.

This includes double digit arrears for both unsecured personal loans (10%) and Buy Now Pay Later accounts (10.4%) as people continue to feel the pinch of the current economic climate.

Furthermore, mortgage delinquencies rose to 1.32% - the highest level reported since March 2020 with 19,500 mortgage accounts reported past due.

Adding to this, new mortgage lending was down 27% year-on-year as the real estate sector continues to grapple with a downturn in activity.

Turning to Aotearoa New Zealand's business sector, a climb in credit defaults was seen across several sectors, including the property/rental industry, hospitality, retail trade and construction. Overall company liquidations were also up 35% year-on-year.

There's no question some Kiwi households and businesses are walking an economic tightrope. While homeowners contend with rising mortgage interest rates and the financial squeeze, business owners are grappling with downturned activity and spending.

It's no secret a recession was the Reserve Bank's goal to help curb spending. What remains to be seen is how the rest of 2023 plays out for consumers and businesses on the front line.

While everything appears to be going according to plan at a macro level, now's the time to take stock of your own financial situation.

Falling behind on repayments now can cause headaches in the long term for both consumers and businesses alike.

Credit checking potential customers and suppliers, for example, can help reduce the possibility of accruing bad debt. And if you're at risk of falling behind on repayments, speak with your creditors to come to an agreement to avoid becoming considered a lending risk in the future.

Keith McLaughlin
Managing Director

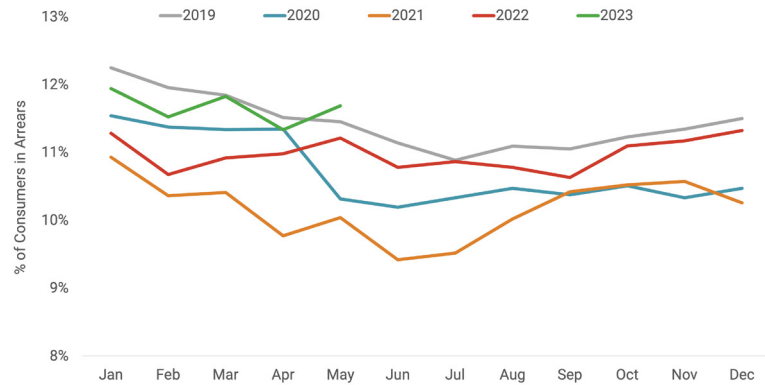


Consumer arrears above pre-pandemic levels

Consumer arrears rose to 11.7% of the active credit population – up from 11.3% in April 2023 and marking a return to pre-pandemic levels.

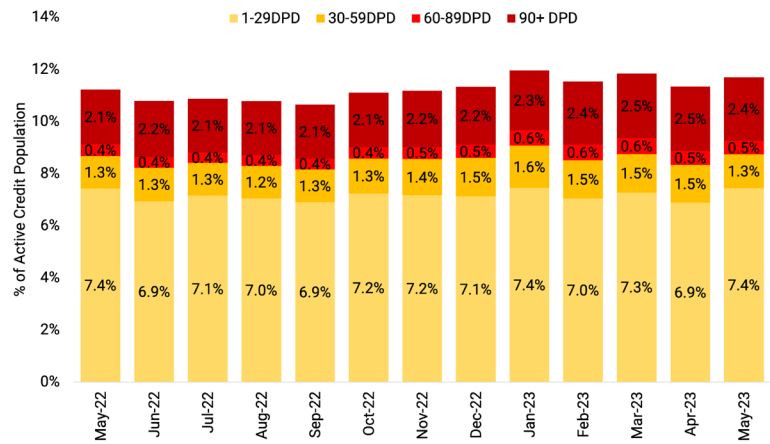
Arrears in May 2023 were up 4% year-on-year with the number of people behind on repayments rising to 426,000. This is up 15,000 month-on-month (411,000 in April 2023).

Consumer Arrears Trends



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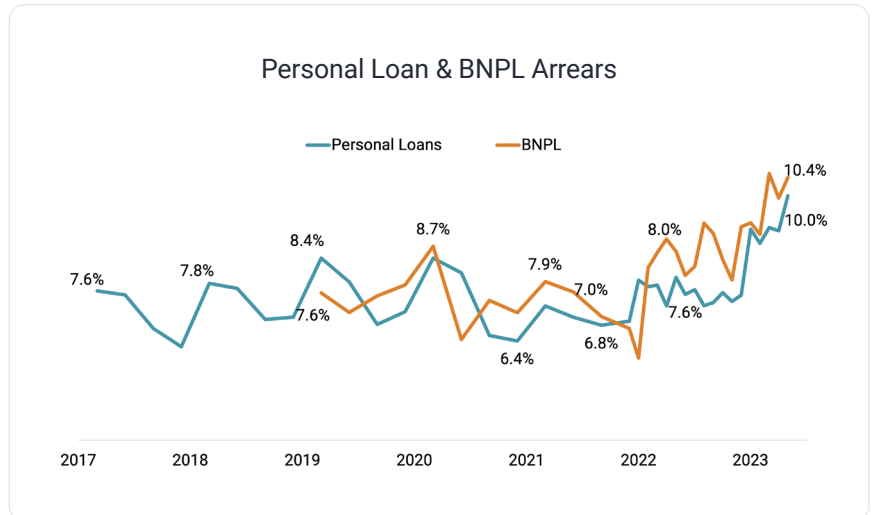
Consumer Arrears by Days Past Due (DPD)



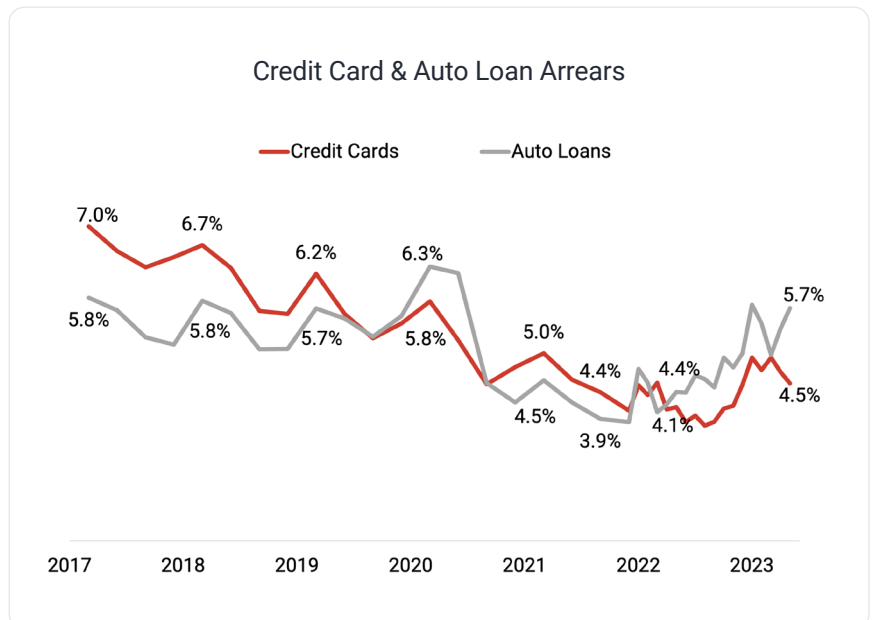
Personal loan and BNPL arrears reach double figures

Personal loan arrears increased to 10% of active accounts, while Buy Now Pay Later arrears rose to 10.4%.

Vehicle loan arrears rose to 5.7%, representing a 31% year-on-year increase. While credit card arrears fell to 4.5% month-on-month, this is higher than the same period recorded last year (4.1% in May 2022).



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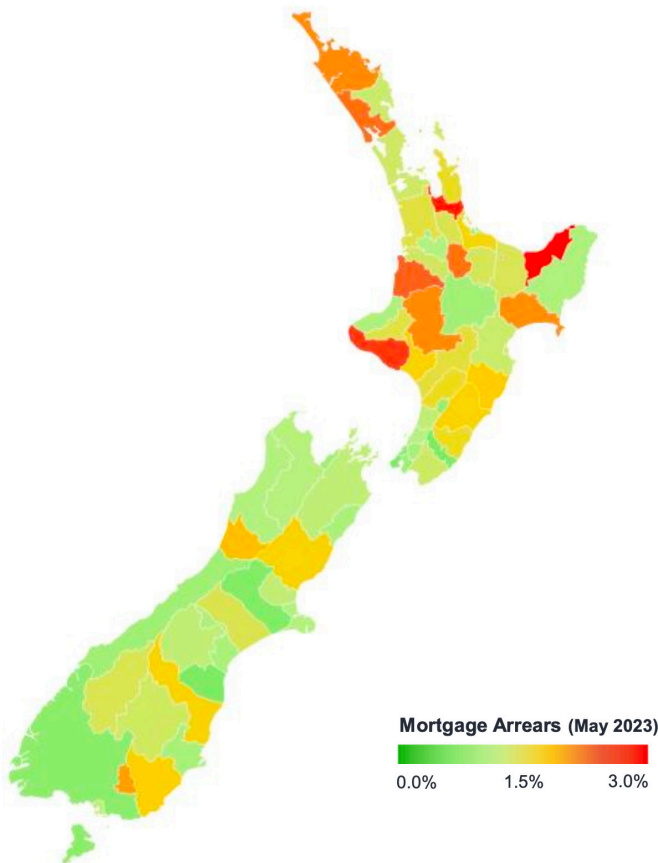
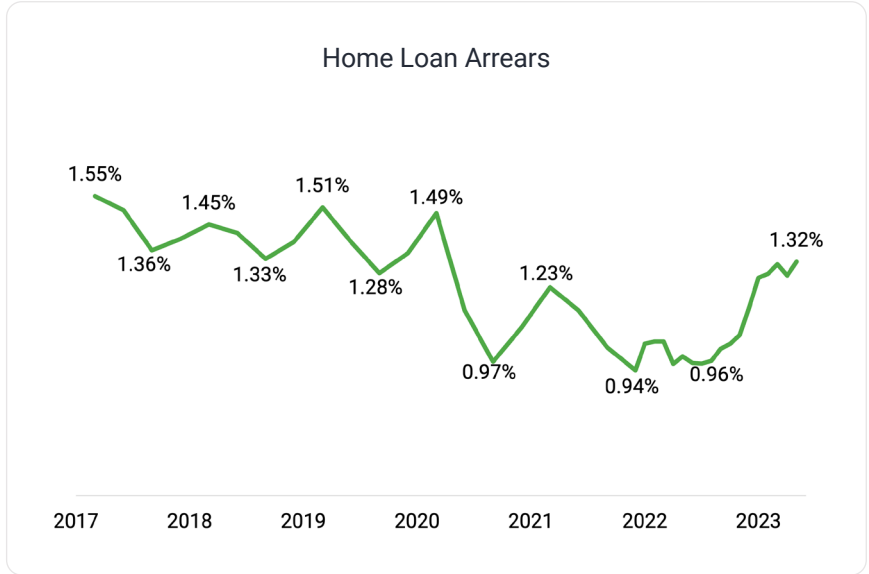
Mortgage arrears reach highest level since March 2020

Looking to home loan arrears, mortgage delinquencies rose to 1.32% - the highest level reported since March 2020.

There are 19,500 mortgage accounts past due, which is up 34% on a year-on-year basis, as more consumers face the challenges of rising interest rates and the current economic climate.

The highest mortgage arrears were recorded in the Opotiki district (2.83%), followed by the Hauraki district (2.72%) and the Far North district (2.67%).

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Lowest Arrears Areas	
District	Arrears %
1 Wellington City	0.79%
2 Selwyn District	0.91%
3 Hamilton City	1.00%
4 Carterton District	1.00%
5 Nelson City	1.00%
6 Porirua City	1.06%
7 Tauranga City	1.07%
8 Lower Hutt City	1.07%
9 Timaru District	1.08%
10 Waipa District	1.09%

Highest Arrears Areas	
District	Arrears %
1 Opotiki District	2.83%
2 Hauraki District	2.72%
3 Far North District	2.67%
4 South Taranaki District	2.60%
5 Ruapehu District	2.40%
6 Waitomo District	2.37%
7 South Waikato District	2.32%
8 Kawerau District	2.17%
9 Kaipara District	2.08%
10 Gore District	2.01%

New home borrowing down year-on-year

New mortgage lending in May 2023 was down 27% year-on-year as the real estate sector continues to grapple with a downturn in activity.

On the other hand, non-mortgage lending is up 10% year-on-year, which is driven by strong growth in vehicle loan finance.

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New Consumer Lending (Indexed to 2019)









Demand increases across most credit products

Demand was up for almost all credit products except for mortgages and personal loans.

New vehicle loan demand remains buoyant with enquiries up 17% year-on-year, along with demand for credit cards (up 15.7%), and retail energy (up 15.7%).

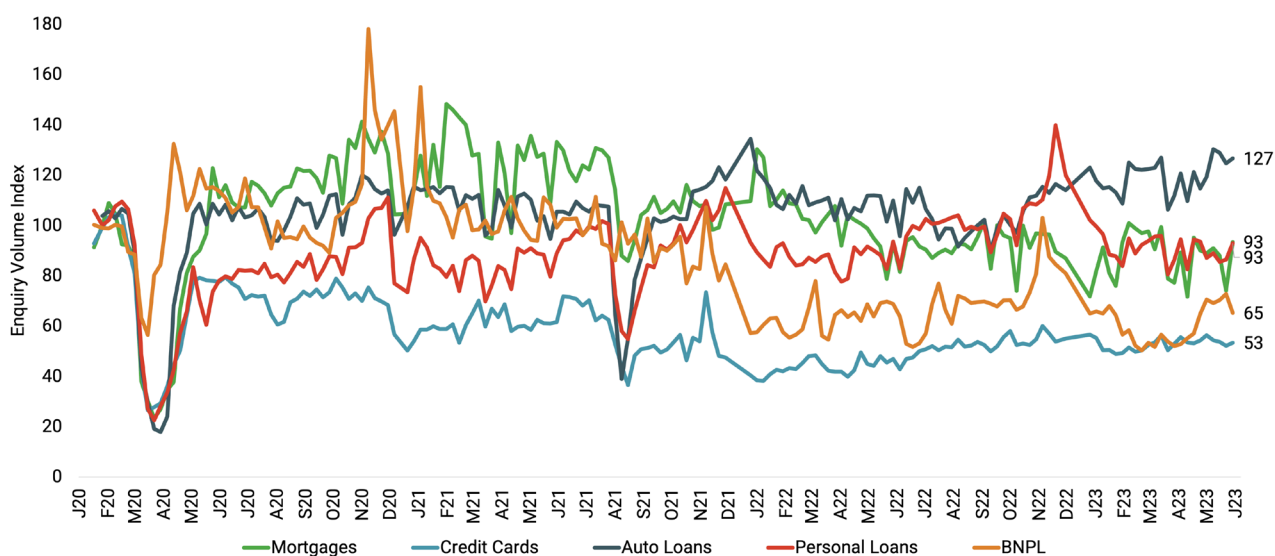
Demand for mortgages activity remains quiet, with applications enquiries down 3.4% year-on-year driven primarily by the ongoing cooling of the housing market.

Year on Year Change %

	Mortgages	-3.4%
	Auto Loans	+17.4%
	Credit Cards	+15.7%
	Personal Loans	-0.2%
	BNPL	+2.2%
	Retail Energy	+15.7%

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Credit Demand by Product Type



Business credit demand and arrears up across industries

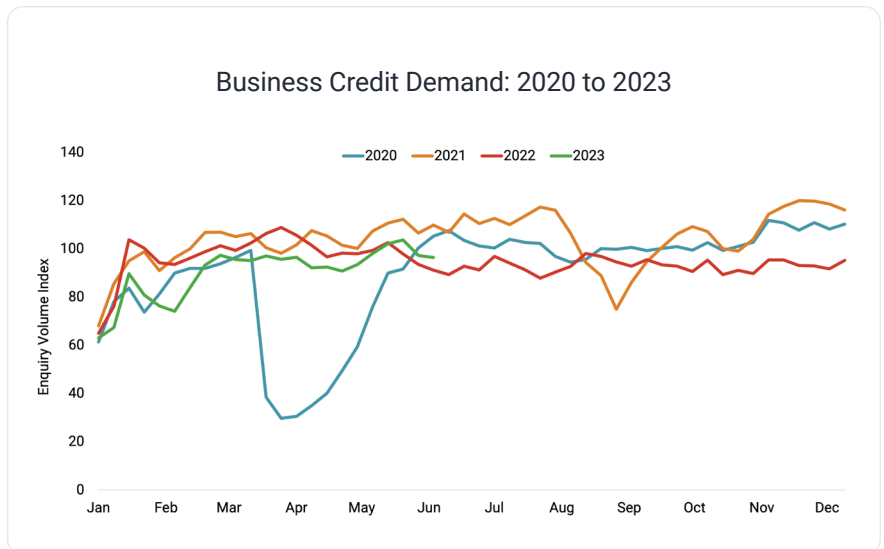
Business credit demand remains up 3% year-on-year in June 2023, improving for the transport, financial and support services sectors.






However, credit defaults increased almost universally as the property/rental industry saw defaults up 22% year-on-year. Additionally, both hospitality and retail trade saw credit defaults up 17% year-on-year, and 16% year-on-year for construction.

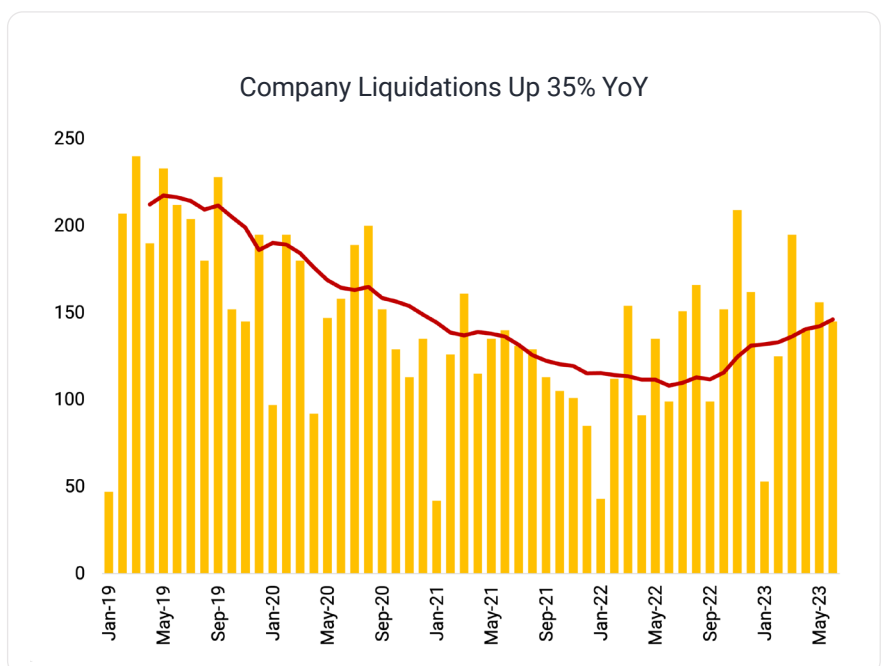
It is important to note that a credit default is a lag indicator – the arrears position occurs several months prior to a default being lodged.

Furthermore, company liquidations are up 35% year-on-year.

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Sector	Credit Demand	Credit Defaults	Avg Credit Score
 Construction	+6%	+16%	765 ↓
 Hospitality	+11%	+17%	747 ↔
 Retail Trade	0%	+17%	775 ↓
 Transport	+14%	-1%	741 ↓
 Property / Rental	-6%	+22%	822 ↓



Retail Sector

Taking a look specifically at the retail trade sector, there are 43,000 registered companies in the sector – making up 6% of all registered companies.

Over the last year, retailers specialising in durable goods, such as electrical appliances and household furniture, have seen a greater risk of business failure (>1.5X) than the typical NZ business.

Many consumers have pulled back their retail spending as cost-of-living pressures and interest rate hikes have reduced the purchasing power of discretionary spending.

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)			
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Liquidation Rating
G - Retail Trade	43,617	6.0%	0%	17%	775	1.1X
Food Retailing	7,429	1.0%	-2%	8%	748	1.6X
Fuel Retailing	551	0.1%	49%	-	802	-
Motor Vehicle and Motor Vehicle Parts Retailing	3,222	0.4%	31%	24%	759	1.9X
Non-Store Retailing and Commission Based Trade	7,099	1.0%	-8%	28%	758	0.2X
Clothing, Footwear and Personal Accessories Retailing	5,531	0.8%	12%	13%	763	1.0X
Department Stores	112	0.0%	-	-	744	-
Electrical and Electronic Goods Retailing	1,954	0.3%	12%	50%	769	1.5X
Furniture, Floor, Houseware and Textile Goods	2,141	0.3%	-6%	32%	783	1.8X
Hardware, Building and Garden Supplies Retailing	1,539	0.2%	21%	0%	795	1.4X
Pharmaceutical and Other Store-Based Retailing	7,205	1.0%	-18%	14%	770	0.8X
Recreational Goods Retailing	2,533	0.4%	-4%	77%	798	1.0X

Last updated June 30, 2023.

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:

- 82 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 - a real time indicator - credit application enquiries
- Payment arrears - a one month lag indicator – data contributors report payment status of their customers the month after payment is due.
- Defaults - a long lag indicator, anything from 3 months onwards - a default will be loaded against credit file several months after they go into arrears and a collections process has been followed.

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