November Credit Indicator

The most up-to-date credit insights available in New Zealand

Credit demand climbs, ahead of well-deserved summer break for many

With the silly season fast approaching, many are putting their minds towards barbecues, beaches, and basking in the sun after what has been a challenging year.

It's this time of year where people can easily fall into debt traps as they try to make ends meet in the lead up to the Christmas and the New Year period.

For example, we've seen credit card, Buy Now Pay Later (BNPL) and personal loan demand all rising in November. Credit demand has a seasonal peak in November in the lead up to Black Friday sales and the holiday season.

It is interesting that the volume of credit enquiries this year is similar to what we've observed in previous years, despite the cost-of-living crisis seeing households tighten their purse strings in general.

This points to the possibility of Kiwi households trying to manage their cashflow by taking advantage of reduced prices ahead of Christmas and in some cases spreading the payments.

Unfortunately, there will be a segment of the population that are stretching beyond their means, which in turn could spell trouble in 2024.

Alongside increased demand, arrears continue to climb for mortgages, personal and vehicle loans, and credit cards.

In fact, mortgage arrears are up 25% year-on-year, which could be a concern as households across the country continue to roll off fixed rates and into new, higher interest rates. While we don't know what is on the horizon, there's an expectation these rates could persist well into 2024.

As always, we encourage anyone who is struggling with meeting their repayment obligations to get in touch with their credit providers to work out a plan for payments moving forward, and potentially seek help with budgeting – there are plenty of free services available such as MoneyTalks.

Otherwise, this could lead to an individual's credit score being negatively impacted for years, which could have long term consequences as they make financial decisions in the future.

Company liquidations remain high as businesses struggle with the current economic climate, which is impacting retail trade particularly hard at the moment. A trend of small and medium business credit defaults rising year-on-year also points towards challenges for many heading into summer.

Business credit defaults, liquidations and closures are always tough. It's imperative business owners get into the habit of credit checking potential customer, business partners and suppliers to ensure they aren't unknowingly extending funds to entities with bad credit risk.

This is the final Credit Indicator for 2023, which will return early 2024 with a combined looked at December and January.

From the team here at Centrix, have a wonderful, safe, and relaxing summer break, and remember to flag potential credit difficulties as soon as possible to protect your financial future.

Keith McLaughlin
Managing Director

Consumer credit demand up in November

It appears retail sales are driving a rise in consumer credit in line with seasonal trends with demand up 8% year-on-year in November.

This was driven primarily by credit cards (+11.8%), Buy Now Pay Later products (+7.1%) and personal loans (+3.0%). Additionally, credit demand for retail energy was also up year-on-year (+7.4%).

Demand for mortgages (-7.74%) and auto loans (-4.2%) were down year-on-year in November 2023.

Year on Year Change %

Mortgages	-7.7%
Auto Loans	-4.2%
Credit Cards	+11.8%
Personal Loans	+3.0%
BNPL	+7.1%
Retail Energy	+7.4%

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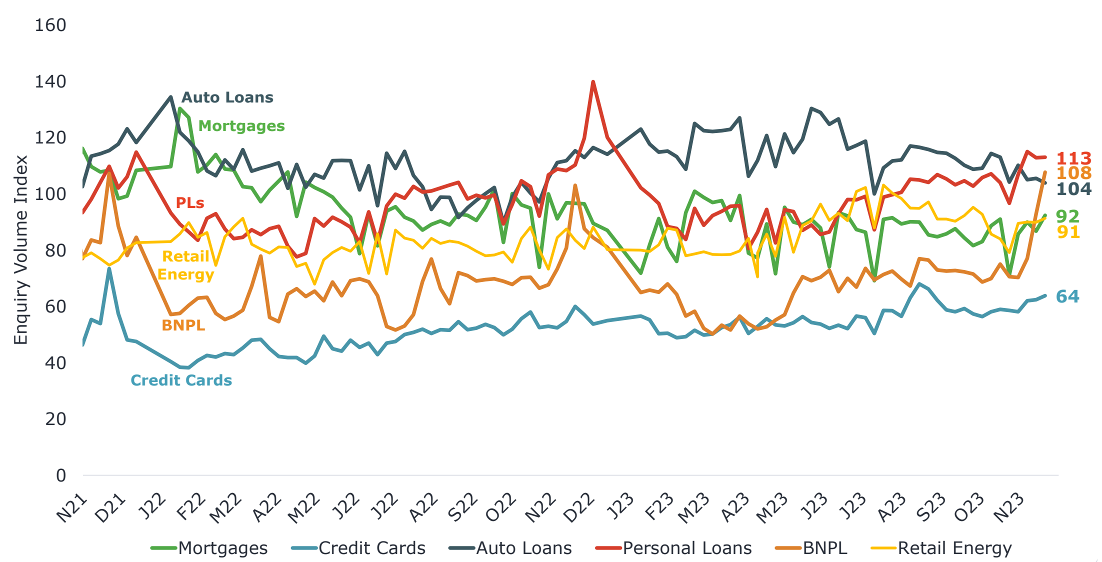
Credit Demand By Product Type



Overall lending relatively unchanged year-on-year

New mortgage lending figures remained unchanged year-on-year in October 2023, as application volumes remain soft compared to previous years.

Additionally, non-mortgage new lending (vehicle/personal loans, BNPL and overdrafts) is down year-on-year (-2.0%), impacted by lower volumes of new vehicle loans.

Overall, year-on-year new household lending remains unchanged for the second consecutive month.

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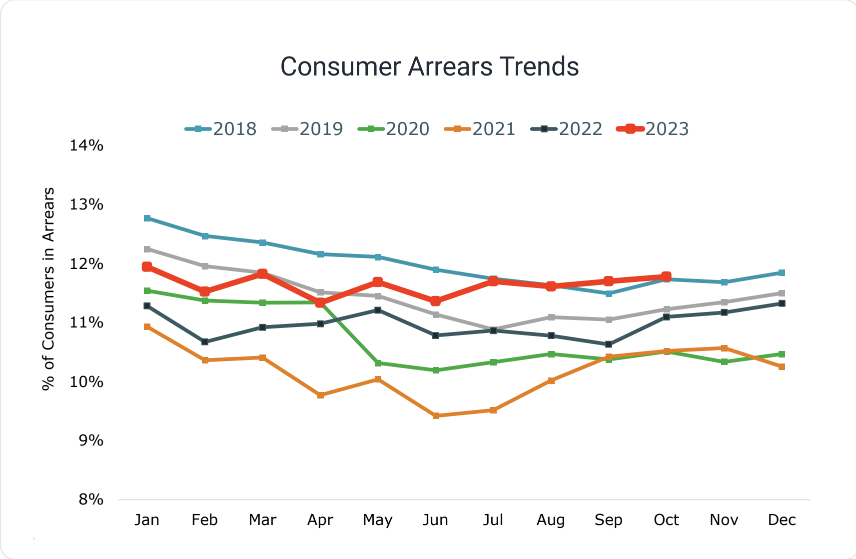
Uptick in consumer arrears observed month-on-month

Consumer arrears climbs slightly to 11.78% of the credit active population in October (up from 11.70% in September 2023) with the number of people behind on their payments rising month-on-month to 431,000 (up from 427,000).

The current arrears level is up 6.1% year-on-year, which is tracking closely to levels seen in 2018 after coming off historic lows during the COVID-19 years.

There are 156,000 consumers currently 30+ days past due. Within this subsection, 103,000 consumers are recorded past 60+ days past due and 83,000 were 90+ days past due.



October 2023	1+ Days in Arrears	30+ Days in Arrears	60+ Days in Arrears	90+ Days in Arrears
# Consumers	431,000	156,000	103,000	83,000
% Credit Actives	11.78%	4.27%	2.84%	2.29%
vs Aug 2022	+6.1%	+11.0%	+13.1%	+10.7%
vs Aug 2021	+11.9%	+16.9%	+22.9%	+23.5%
vs Aug 2020	+12.1%	+19.7%	+22.0%	+14.9%
vs Aug 2019	+4.9%	+4.0%	+9.4%	+10.2%
vs Aug 2018	+0.4%	-6.9%	-5.1%	-3.3%
vs Aug 2017	-1.6%	-8.7%	-6.9%	-8.7%

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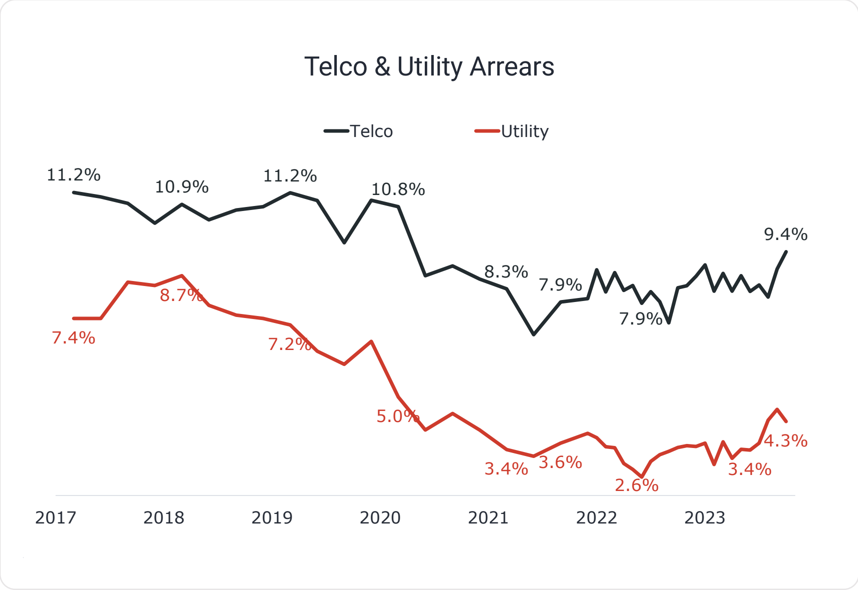
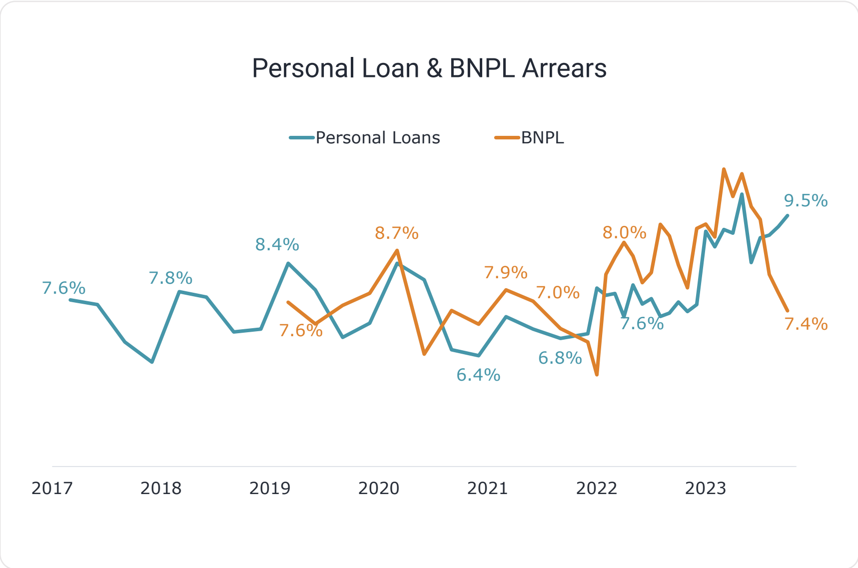
Energy arrears down, personal loan arrears up

After reaching the highest levels recorded since March 2020, retail energy payment arrears fell slightly month-on-month in October to 4.3%. However, this figure remains up year-on-year (+23%).

Personal loan arrears climbed 9.5% in October, increasing for the fourth consecutive month. BNPL arrears continued to fall in October, down to 7.4% – the lowest level reported since January 2022.



Personal loan arrears climbed 9.5% in October, increasing for the fourth consecutive month.

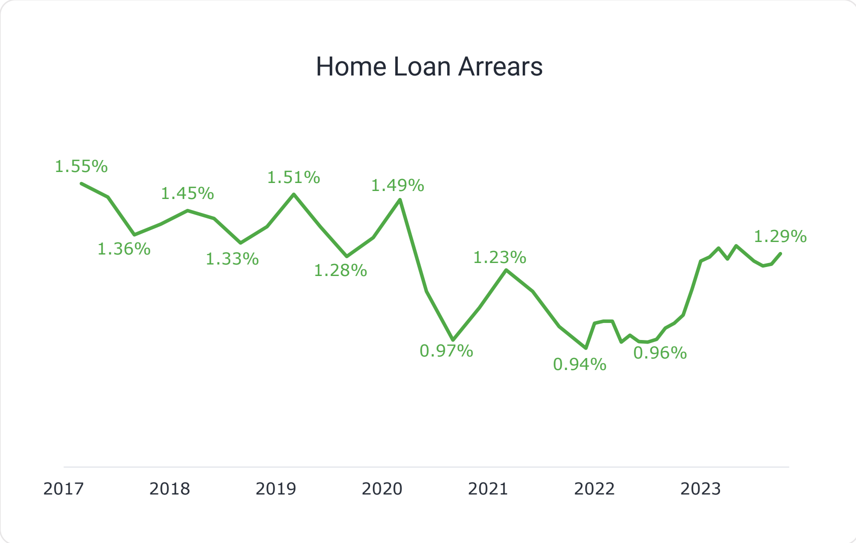


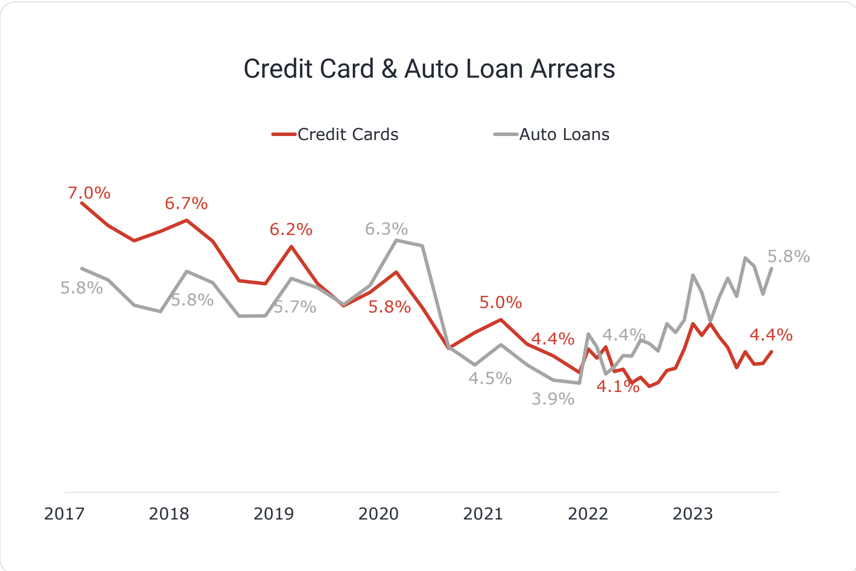
Mortgage arrears up 25% year-on-year

Mortgage delinquencies rose in October 2023, with the proportion of home loans in arrears climbing to 1.29% (up from 1.25% in September 2023).

There are 19,200 mortgage accounts past due, up 25% year-on-year. As loans continue to be refinanced with higher interest rates due to the current economic climate, this activity could continue well into 2024.

Vehicle loan arrears climbed in October to 5.8% (up 19% year-on-year), and credit card arrears also rose to 4.4% (up 8% year-on-year).





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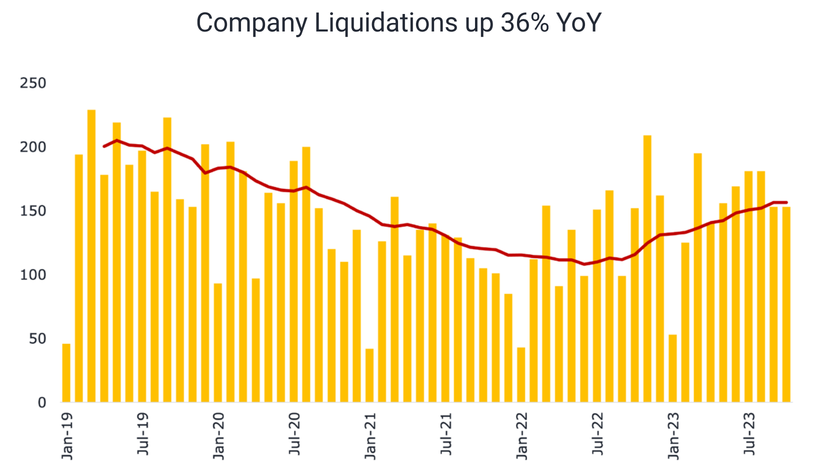
Company liquidations remain high year-on-year

Company liquidation in Aotearoa New Zealand are up 36% year-on-year in October 2023 (down from 40% year-on-year in September) as businesses continue to battle the current economic climate.

Notably, liquidations for retail companies are up 73% year-on-year as the bite of reduced spending continues to hit the pockets of businesses across the country.

Both construction (+58%) and property/rental (+31%) have seen liquidations increase year-on-year in October as well. Additionally, business credit defaults are up 24% year-on-year.



	Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
	Construction	-2%	+14%	762 ↓	+58%	2.3X
	Hospitality	+17%	+8%	745 ↓	+9%	2.1X
	Retail Trade	+8%	+28%	773 ↓	+73%	1.3X
	Transport	+7%	+23%	735 ↓	+23%	1.6X
	Property / Rental	-6%	+64%	820 ↓	+31%	0.8X
	All Sectors	+2%	+24%	790 ↓	+36%	1.0X

Note. The above table shows change on a year-on-year basis.

Liquidations for retail companies are up 73% year-on-year as the bite of reduced spending continues to hit the pockets of businesses across the country.

Small business owners facing greater default risk

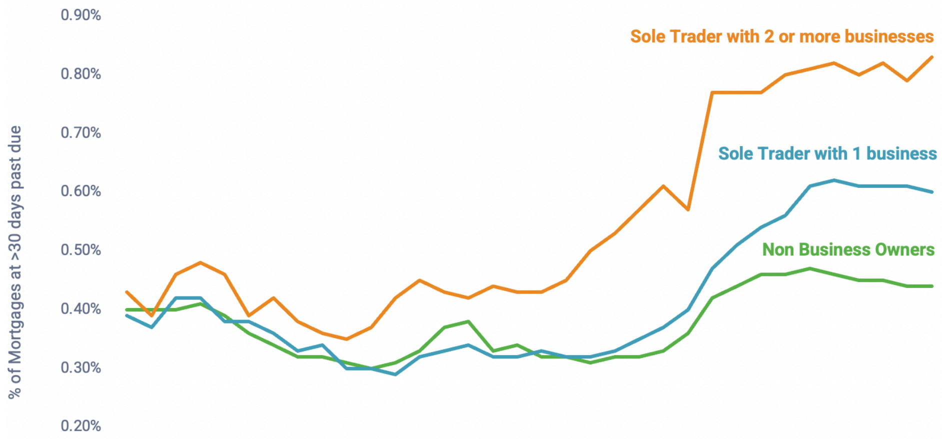
The current economic climate is impacting small and medium businesses harder than larger corporations, with increased credit defaults recorded year-on-year across most sectors.

Furthermore, traditionally small businesses often leverage their homes as security to fund their business. We are observing a trend which indicates there are higher levels of mortgage stress reported for sole proprieters compared to non-business owners.

Annual Change in Credit Defaults by Industry

Industry Sector	Size of Business		
	Small	Medium	Large
Agriculture, Forestry and Fishing	33%	81%	-40%
Manufacturing	-37%	0%	-50%
Construction	22%	44%	-25%
Wholesale Trade	32%	46%	-33%
Retail Trade	50%	45%	-56%
Accommodation and Food Services	23%	21%	-10%
Transport, Postal and Warehousing	51%	44%	-22%
Financial and Insurance Services	68%	50%	-40%
Property and Rental Services	67%	52%	-38%

Mortgage Stress by Business Ownership



Note: We don't hold number of employees or revenue data, so we have defined small/medium/large business by looking at the company structure.

- *Small Business – 1 or 2 directors, limited shareholding*
- *Medium business – 2 or more directors, slightly more complex shareholding*
- *Large business – multiple directors, complex ownership structure and large shareholding*

Last updated November 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:

- 88 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 - real time - a leading indicator of consumer and business confidence.
  - Consumer - applies to individuals that apply for finance, telco, broadband, power, tenancy, and utility accounts.
  - Business - applies to businesses that apply for credit terms with any goods and services providers including finance.
- Payment arrears - a one month lag indicator – data contributors typically report the payment status of their customers the month after the payment is due.
- Defaults - a lag indicator - a default will be listed on a credit file where a payment over $125 is overdue by at least 30 days and the credit provider has tried to recover the money.