April Credit Indicator

CENTRIX

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

Demand for credit climbs while cost-of-living impacts auto loan arrears

Last week, Minister Bayley announced reforms to the Credit Contracts and Consumer Finance Act (CCCFA), which aim to reverse the restrictions introduced by the previous Government.

It will be interesting to see how this impacts Kiwi credit behaviour. We know loan conversions fell following the introduction of the new CCCFA rules in December 2021 – hitting credit cards especially – before beginning to balance out as both lenders and consumers became more familiar with the regulations.

Despite these changes, the demand for credit is still present for Kiwi consumers. In April 2024, consumer credit demand was up 3.5% year-on-year, focused primarily on Buy Now Pay Later (BNPL) products, retail energy, and credit cards.

Mortgage lending is showing increasing signs of growth, tracking 6% higher year-on-year in the first quarter of 2024, buoyed by more stock being available on the market. This could be another sign the real estate sector is beginning to rebound, although only time will tell if this is a trend rather than a blip.

Demand for auto loans has fallen off, which could be related to the recent introduction of road user charges and removal of Clean Car Discount for electric vehicles.

Overall, consumer arrears remain up year-on-year (+7.4%), with 12.70% of the active credit population behind on at least one of their repayment obligations. However, it's important to remember that by far the majority of these have only missed one payment and are likely to self-correct.

Auto loan arrears have reached a new high with 6.5% of accounts behind in March 2024. Mortgage, BNPL, personal loan and energy arrears also fell in March – an encouraging sign as the weather begins to cool and we head into the wet winter season.

Turning to New Zealand's business sector, it's clear the economic climate is still causing pain for many businesses across the country.

Credit demand for businesses is up 7% year on year. In particular, we see an increase in credit demand for hospitality and retail sectors in the last 12 months, perhaps shopping around for better prices and terms of trade to help manage cashflow.

Credit defaults remain high, while overall company liquidations have reached a nine-year high. In March 2024, over 230 companies were placed into liquidation – the highest monthly total recorded since March 2015.

Of these companies, one in four were from the construction sector, highlighting the ongoing struggle the sector faces as housing projects stall due to tight finances. Retail trade and transportation businesses were also heavily impacted by liquidations in March.

For households and businesses alike feeling the financial squeeze, it's important to seek professional financial advice to better understand how best to navigate the coming months.

There are options available to help people get through without compromising their future financial health and suffering in the long-term from the current economic climate.

Keith McLaughlin
Managing Director

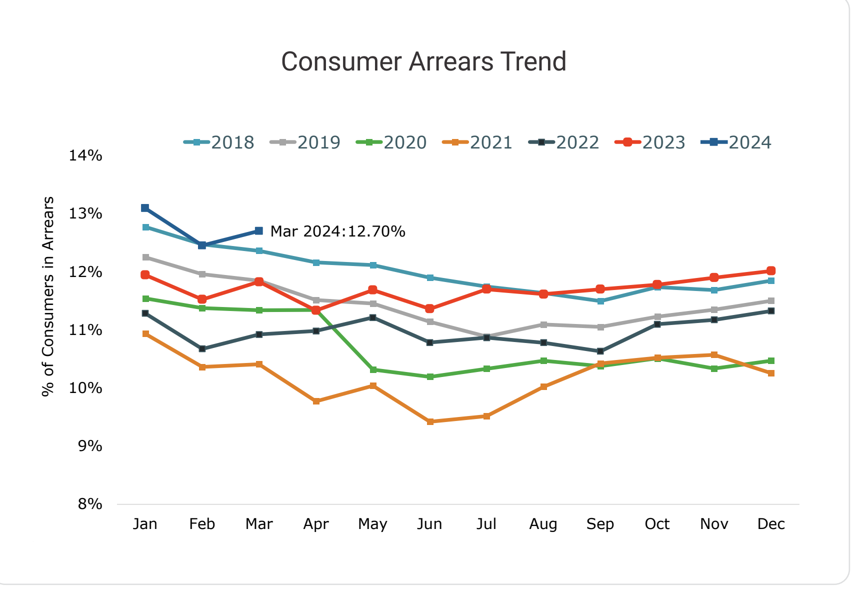
Overall consumer arrears climb slightly in March

The number of Kiwi consumers behind on their credit payments increased in March, climbing to 463,000 (up 6,000 month-on-month) as the cost-of-living crisis continues to squeeze. It is important to remember that by far the majority of these have only missed one payment and are likely to self-correct.

This equals 12.70% of the credit active population (up from 12.45% in February 2024). The current arrears level is 7.4% higher year-on-year, tracking just above 2018 levels after coming off historic lows.

Looking at the varying arrears levels, 177,000 consumers are currently 30+ days past due, of which 120,000 are at 60+ days in arrears equating to 12.70% of the credit active population.

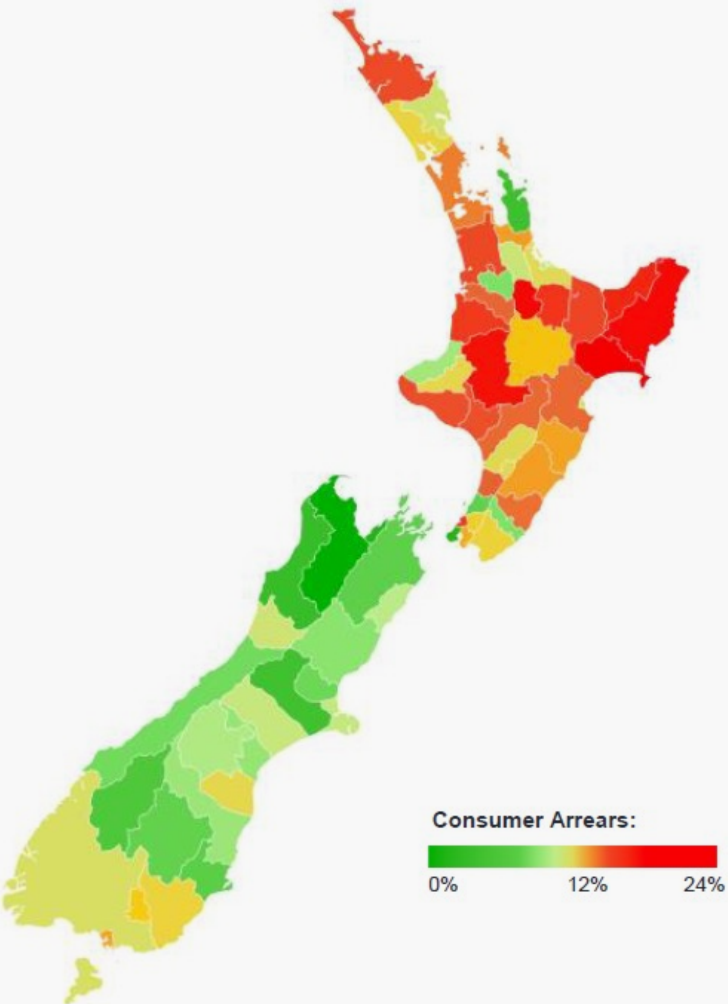
The number of people with non-performing loans (90+ days behind on their payments) has increased to 94,000 during March, representing 2.60% of the active credit population.



March 2024	1+ Days in Arrears	30+ Days in Arrears	60+ Days in Arrears	90+ Days in Arrears
# Consumers	463,000	177,000	120,000	94,000
% Credit Actives	12.70%	4.87%	3.30%	2.60%
vs Mar 2023	+7.4%	+8.8%	+11.4%	+8.6%
vs Mar 2021	+21.9%	+35.8%	+38.9%	+31.3%
vs Mar 2019	+7.2%	+14.6%	+17.3%	+12.4%
vs Mar 2017	+0.7%	+6.2%	+8.7%	-1.2%

Overall arrears climbed in March, with 463,000 accounts reported overdue.

Consumer Arrears by Region



Lowest Arrears Areas		
	District	**Arrears %**
1	Tasman District	9.33%
2	Nelson City	9.71%
3	Wellington City	9.73%
▲4	Buller District	10.25%
▲5	Thames-Coromandel District	10.48%
▼6	Selwyn District	10.54%
7	Queenstown-Lakes District	10.71%
▲8	Dunedin City	10.88%
▲9	Marlborough District	10.92%
▲10	Kapiti Coast District	10.96%

Highest Arrears Areas		
	District	**Arrears %**
1	Kawerau District	18.61%
2	Wairoa District	17.93%
3	South Waikato District	17.50%
▲4	Gisborne District	17.49%
▲5	Ruapehu District	17.37%
▼6	Opotiki District	16.89%
▲7	Rotorua District	16.28%
▼8	Porirua City	16.21%
▼9	Waitomo District	15.98%
10	Whakatane District	15.45%

Hardships continue to rise

There are currently 12,900 accounts reported in financial hardship, an increase of 400 in the last month.

Reports of financial hardships have been rising since November 2022 and are up 22% year-on-year to April 2024.

Specifically, 44% of hardships relate to mortgage payment difficulties, with the highest rate seen for those aged between 35 and 39 years old.

Hardships are reported to credit reporting agencies by credit providers as part of their monthly CCR (Comprehensive Credit Reporting) upload. Typically, this means the credit provider has approved a financial hardship application, and CCR reporting provides a mechanism to inform other credit provers of this status.

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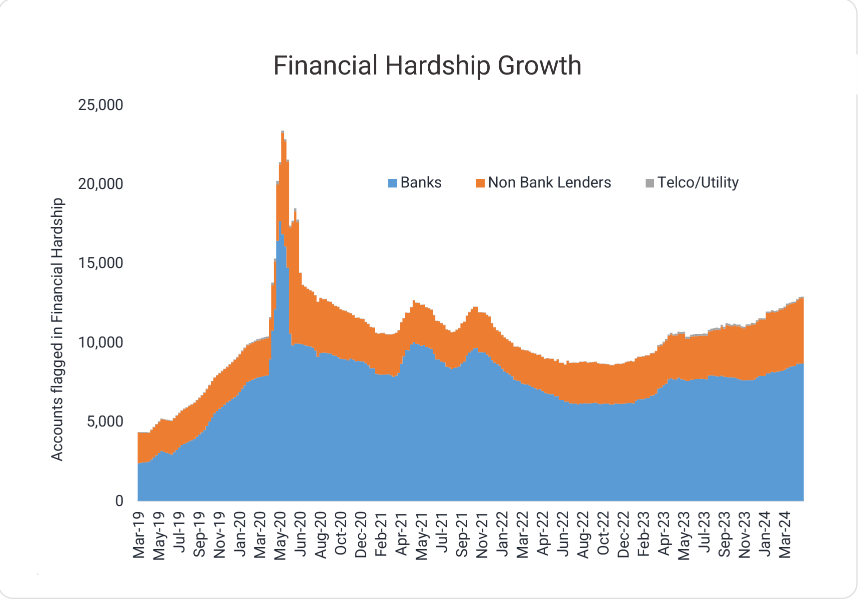
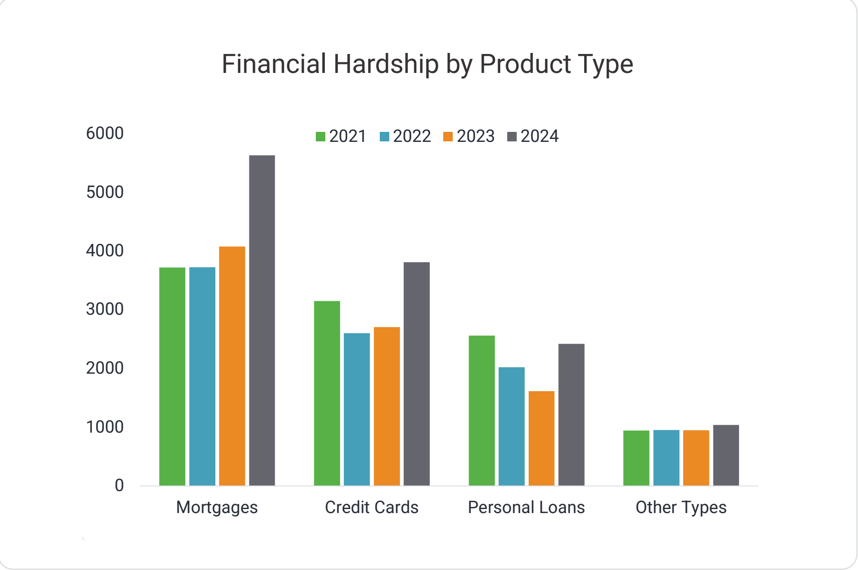
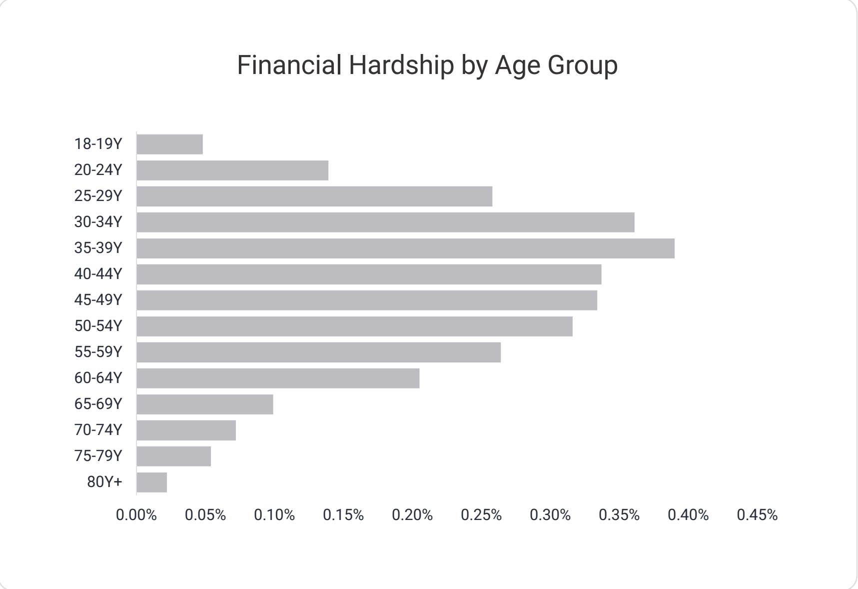




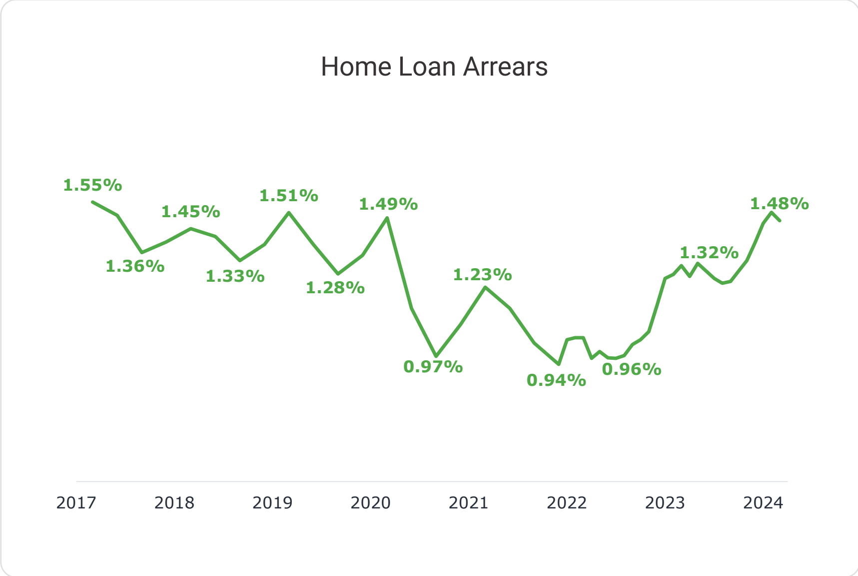


Mortgage arrears back to 2019 levels

Residential mortgages reported in arrears have improved slightly to 1.48% in March (down from 1.51% in February).

There are now 22,100 mortgage accounts past due (down 500 in the last month), which is up 13% year-on-year.

Furthermore, vehicle loan arrears rose sharply to 6.5% in March, compared to 4.9% for March last year. Credit card arrears also increase slightly to 4.8% but remain low compared to historical levels.



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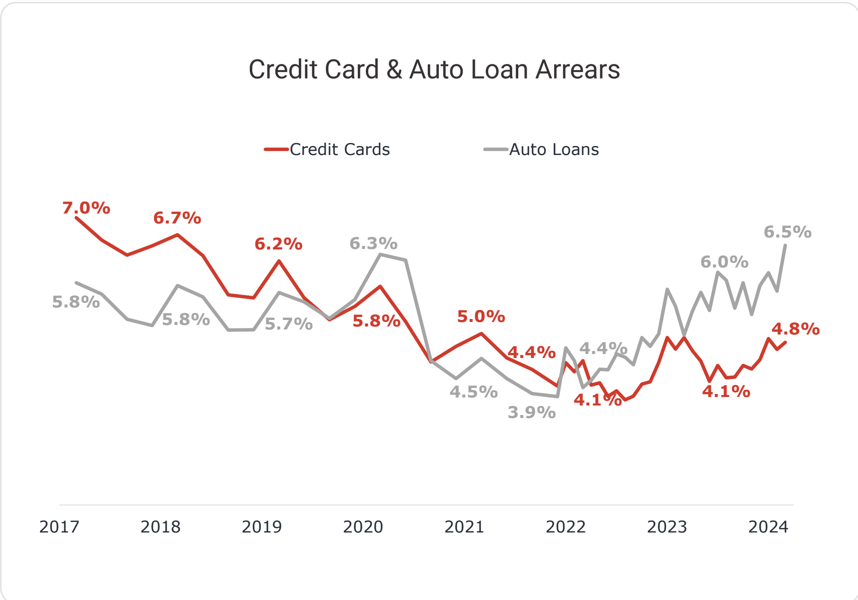
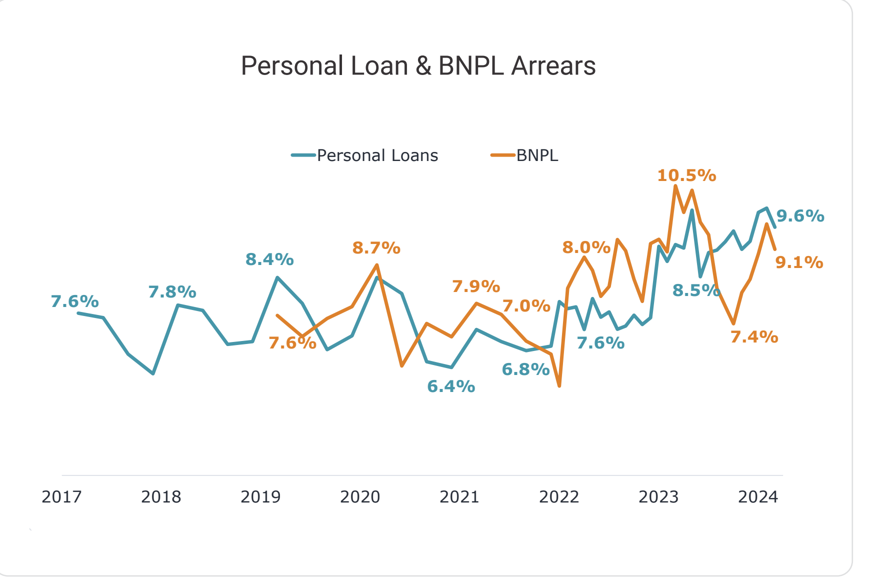


BNPL, personal loan arrears dip

Both Buy Now, Pay Later and personal loan arrears improved slightly in March, dipping to 9.1% and 9.6% respectively. However, the number of telco/communications accounts in arrears remains above 10%.

It's also encouraging to see the number of households behind on retail energy repayments down in March (4.4%), which could signal households are coping as the weather begins to cool.



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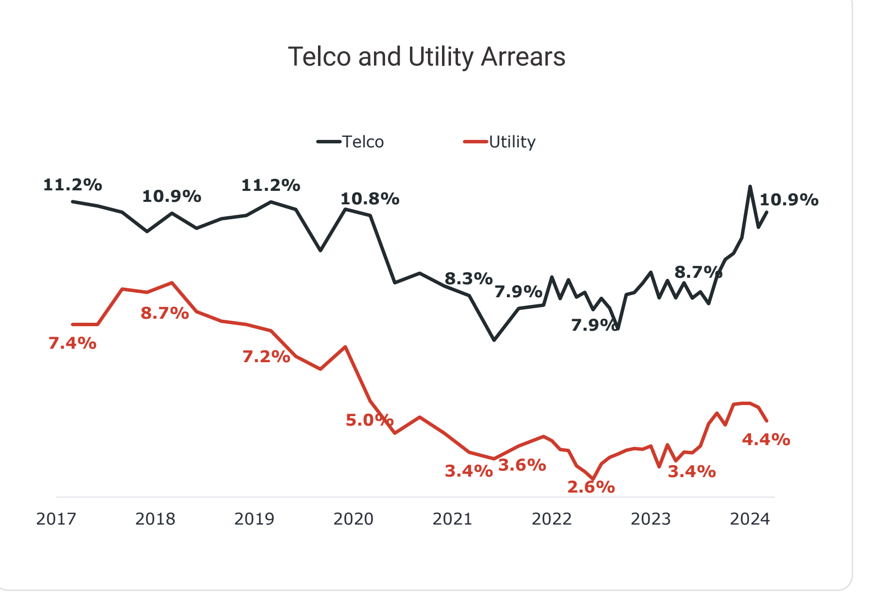
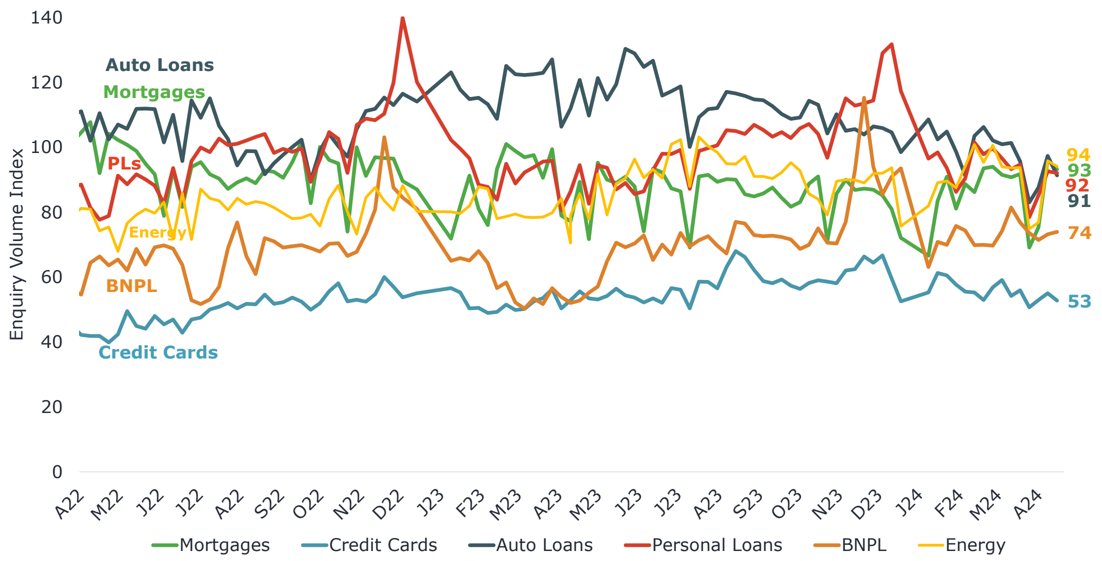


Auto loan, mortgage enquiries down

Consumer demand for auto finance during Q1 2024 was 17.8% lower than compared to the same period last year. Mortgage demand was also down 1.5% year-on-year.

However, demand for Buy Now Pay later product was up 21.4%, followed by retail energy (+14.7%), credit cards (+6.9%) and personal loans (+2.5%).

Credit Demand by Product Type



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Year on Year Change %

Mortgages	-1.5%
Auto Loans	-17.8%
Credit Cards	+6.9%
Personal Loans	+2.5%
BNPL	+21.4%
Retail Energy	+14.7%

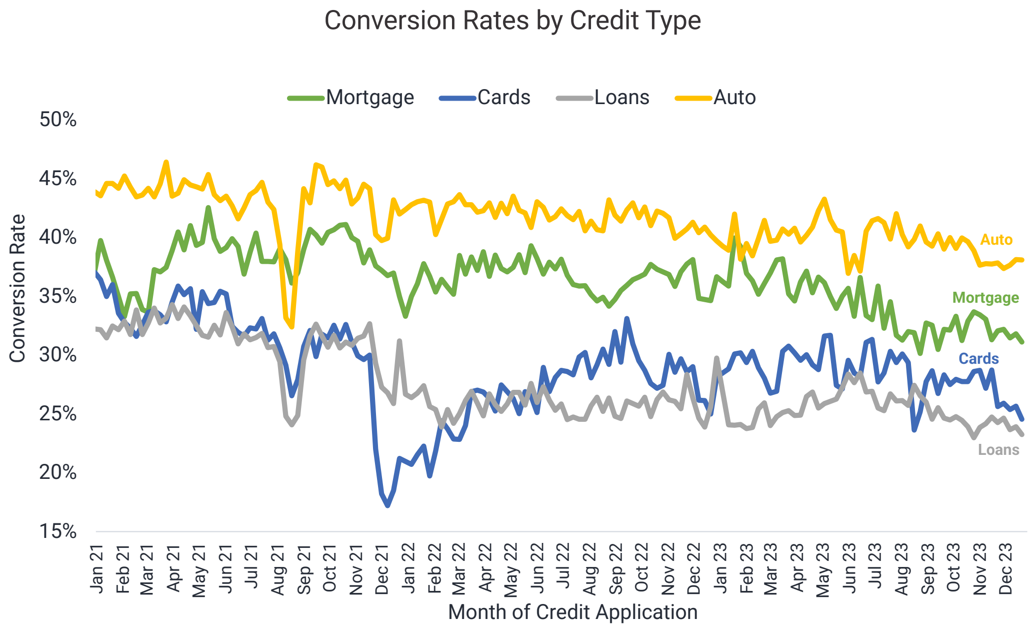
Year-on-year comparison of 3 month rolling averages

Loan conversions down in 2023

Since the introduction of regulatory changes to the CCCFA in December 2021, there has been an observed decline in loan conversion rates.

Overall, conversion rates were 10% lower for the calendar year 2023 when compared to 2021 (prior to the CCCFA changes).

Credit cards were the hardest hit product, although there has been a recovery throughout 2022 as both lenders and consumers became more familiar with the changed regulations.



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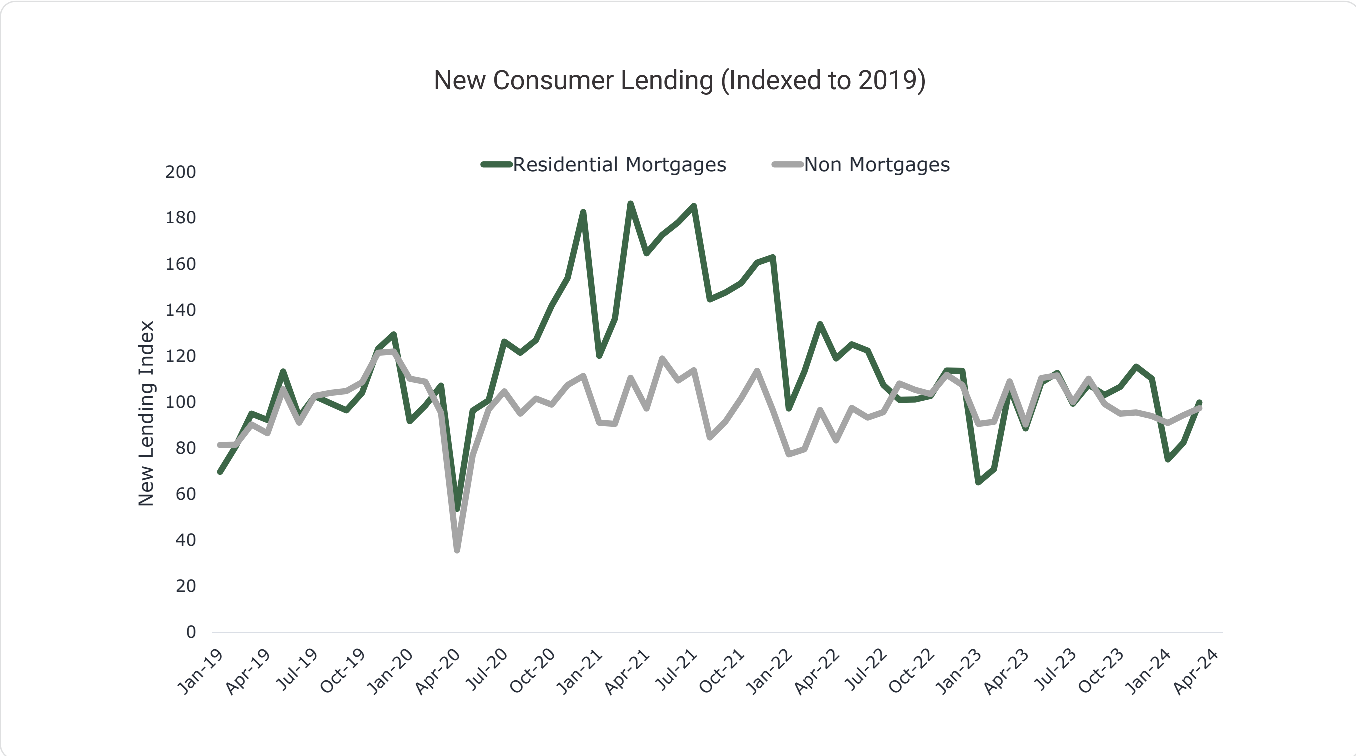
New residential mortgage lending up over Q1 2024

Despite a downturn in demand, actual residential lending was up 6% across the quarter when compared to Q1 2023. This could be an early signal of a return to form in the property market, with rising stock levels potentially contributing to higher sales volumes.

On the flipside, non-mortgage new lending (credit cards, vehicle/personal loans, BNPL and overdrafts) is down 3% year-on-year, reflecting lower volumes of new vehicle loans compared to last year.

Overall new household lending is 5% higher on a year-on-year basis, spurred by increased mortgage lending activity.



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Defaults, liquidations continue to impact Kiwi businesses

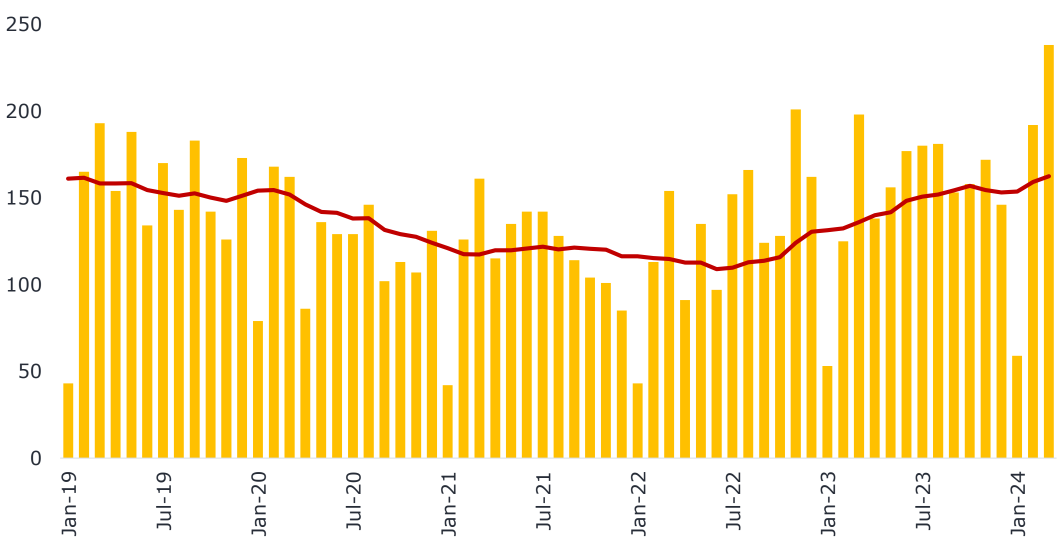
The tough economic climate continues to impact Kiwi businesses across the country. In March 2024, defaults climbed across all sectors except for hospitality.

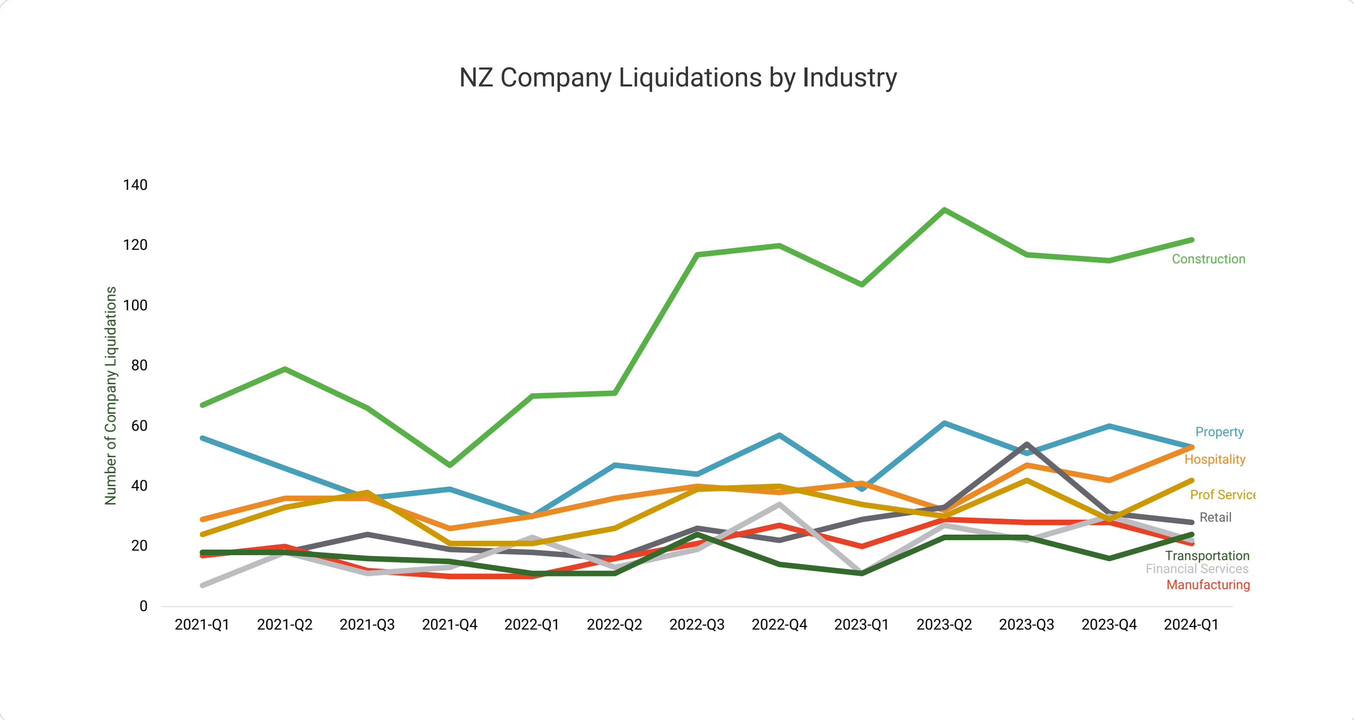
Liquidations were up across the board, with retail trade (+57%), transport (+43%) and the property/rental sectors (+20%) hit the hardest.

There were over 230 companies placed into liquidation during March 2024, the highest monthly total recorded since March 2015.

One in four companies liquidated during Q1 2024 were from the construction sector, with 500 going into liquidation over the year to 31 March 2024. As high interest rates and weak demand continues to impact the pipeline of work for home renovation and new build projects.

Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
Construction	+4%	+19%	760 ↓	+17%	2.2X
Hospitality	+16%	-3%	744 ↓	+12%	2.2X
Retail Trade	+14%	+19%	770 ↓	+57%	1.3X
Transport	+6%	+19%	733 ↓	+43%	1.9X
Property / Rental	+6%	+66%	817 ↓	+20%	0.8X
All Sectors	+7%	+16%	789 ↓	+19%	1.0X





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Spotlight on the transportation sector

There are over 17,000 registered companies in the transportation sector (2.4% of all registered companies).

Transportation businesses are nearly two times more likely to fail (1.9X) than the typical New Zealand business, with 12 companies filing for liquidation in March 2024 alone. This is the highest monthly total since August 2022.

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)			
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Liquidation Rating
Transport, Postal and Warehousing	**17,109**	**2.4%**	**6%**	**19%**	**733**	**1.9X**
Air and Space Transport	462	0.1%	17%	-38%	741	0.8X
Pipeline and Other Transport	868	0.1%	9%	72%	669	1.3X
Scenic and Sightseeing Transport	649	0.1%	3%	-20%	792	1.8X
Postal and Courier Pick-up and Delivery Services	2,651	0.4%	30%	-34%	673	0.0X
Rail Transport	14	0.0%	-	-	769	-
Road Freight Transport	5,113	0.7%	-4%	35%	703	3.2X
Road Passenger Transport	1,933	0.3%	20%	29%	746	0.4X
Transport Support Services	2,238	0.3%	16%	62%	755	0.2X
Warehousing and Storage Services	660	0.1%	11%	100%	815	1.7X
Water Transport	164	0.0%	13%	-	780	-

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Last updated April 30, 2024.

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:

- 89 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.