



March Credit Indicator



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

A mixed credit bag for Kiwis as we round off the first quarter of 2024

New Zealand's economy has officially contracted for two consecutive quarters, placing us firmly into a technical recession.

Taking a look at the latest credit data trends, we continue to see a mixed picture emerging for Kiwi households and businesses – and one that talks to the uncertainty of 2024 overall.

For example, there are reasons to be cautiously optimistic with overall arrears showing signs of improvement. The number of people behind on their payments has fallen back to 457,000 (down 23,000 month-on-month).

Although this improvement was expected following the seasonal uptick of late payers in January, demand for credit was also up 3% compared to the same period last year, buoyed by higher volumes of applications for unsecured credit.

However, when looking at the bigger year-on-year picture, arrears are 8.1% higher, tracking closely to 2018 levels after coming off historic lows.

We continue to see arrears rise for mortgages, personal loans and Buy Now Pay Later (BNPL) products as debt and financial stress builds.

In particular, the proportion of mortgages reported in arrears increased to 1.51% in February, with 22,600 mortgage holders behind on their payments, the highest level since January 2020.

Interestingly, vehicle loan applications are 16% down year-on-year, as new car sales continue to show a decline. Mortgage applications are 6% lower compared to the same period last year, as sales volumes remain low.

Whilst business credit demand is up 7% and has risen over 10% for the hospitality, retail and transport sectors over the past year, the hospitality sector will undoubtedly continue to face challenging months ahead.

Pubs, bars, restaurants and cafés are at most risk as weak customer demand, rising costs and ongoing staff shortages pinch. This equates to hospitality businesses being more than two times likely to fail than other typical NZ businesses.

Overall business defaults and liquidations remain up year-on-year, hitting retail trade, construction, transportation, property/rental and hospitality the hardest.

Despite the positive improvement in overall arrears and uptick in credit demand, it's clear the cost-of-living crisis is continuing to significantly impact Kiwis and their businesses.

We highly encourage anyone feeling financial strain to reach out to trusted advisors, whilst taking stock of your financial situation, enabling sensible and responsible decisions to be made for a stable future.

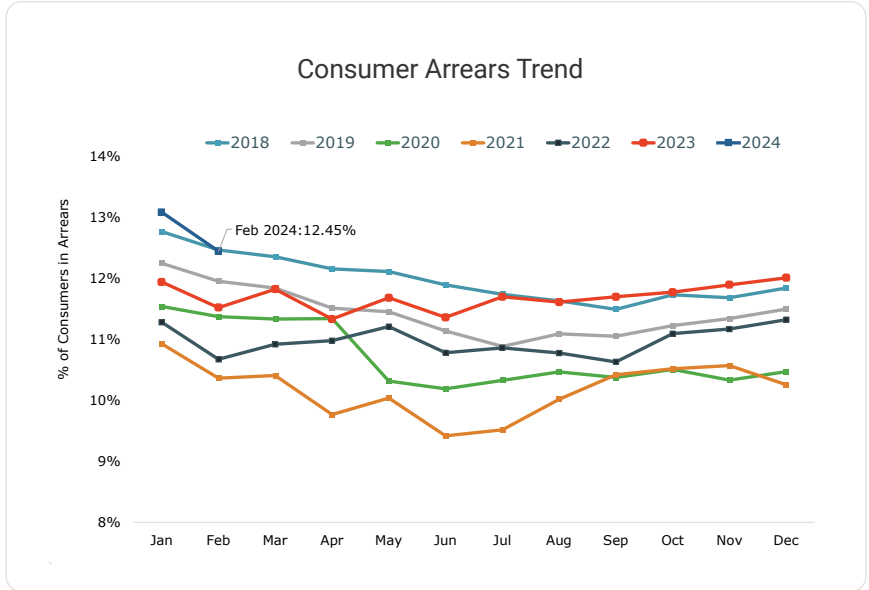
Keith McLaughlin
Managing Director



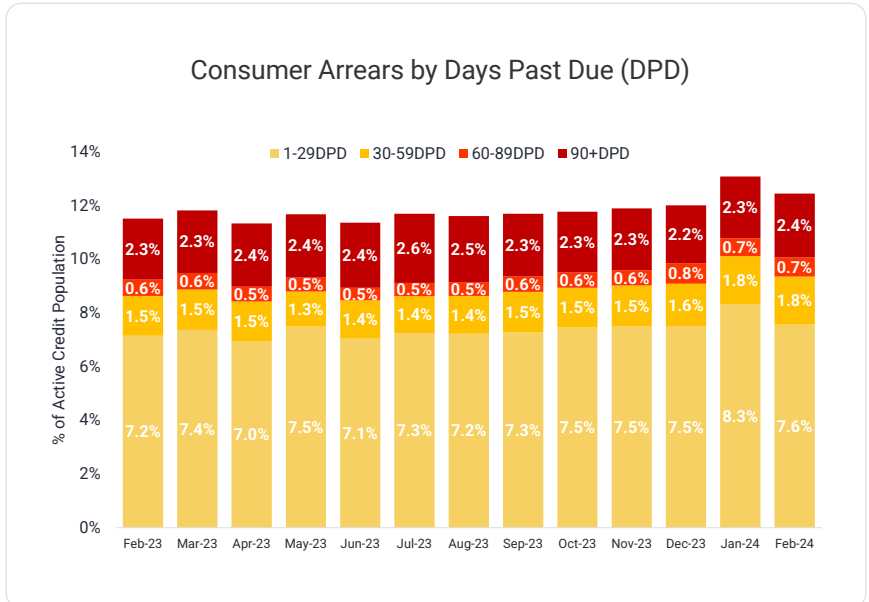
Consumers in early arrears showing improvement

The number of Kiwis in arrears fell back as expected to 12.45% of the credit active population (457,000 people), down from 13.09% (480,000 people) in January 2024.

The current arrears level is 8.1% higher year-on-year, tracking closely to 2018 levels after coming off historic lows.



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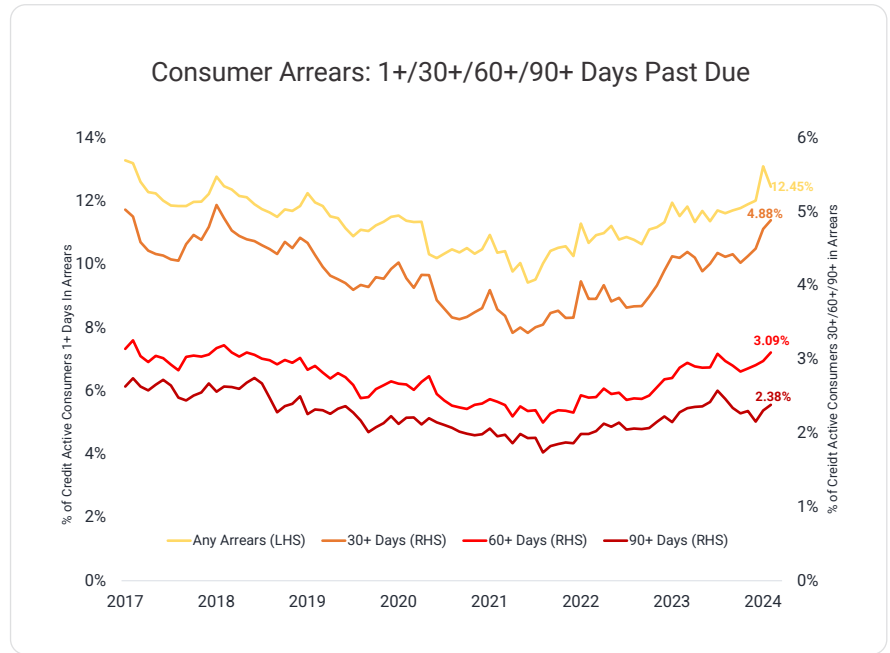


Consumer 30+ days arrears highest since 2018

Meanwhile, in the realm of consumer 30+ days arrears, 179,000 consumers are currently 30+ days past due, of which 87,000 are at 90+ days in arrears.

Consumers that are 30+ days past due on their payments has reached the highest level recorded (4.88%) since January 2018.

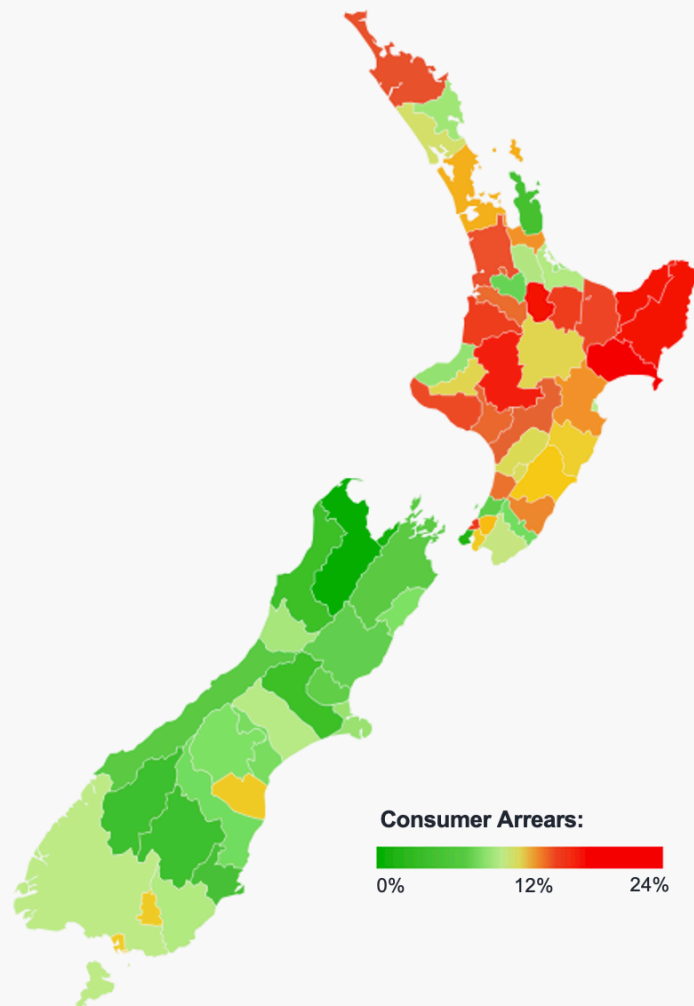
Similarly, the number of people that are 90+ days behind on their payments increased by 3,000 (3.5%) in one month.



February 2024	1+ Days in Arrears	30+ Days in Arrears	60+ Days in Arrears	90+ Days in Arrears
# Consumers	457,000	179,000	113,000	87,000
% Credit Actives	12.45%	4.88%	3.09%	2.38%
vs Feb 2023	+8.1%	+11.7%	+7.1%	+4.5%
vs Feb 2021	+20.2%	+32.9%	+27.4%	+21.8%
vs Feb 2019	+4.2%	+10.7%	+6.2%	+2.7%
vs Feb 2017	-5.6%	-1.0%	-5.0%	-13.1%

179,000 consumers are currently 30+ days past due, of which 87,000 are at 90+ days in arrears.

Consumer Arrears by Region



Lowest Arrears Areas	
District	Arrears %
1 Tasman District	8.92%
2 Nelson City	9.12%
3 Wellington City	9.36%
4 Selwyn District	10.17%
5 Buller District	10.19%
▲6 Central Otago District	10.23%
▲7 Queenstown-Lakes District	10.23%
▼8 Thames-Coromandel District	10.32%
▼9 Dunedin City	10.37%
10 Westland District	10.63%

Highest Arrears Areas	
District	Arrears %
▲1 Kawerau District	18.31%
▼2 Wairoa District	18.03%
3 South Waikato District	17.11%
▲4 Opotiki District	16.97%
▼5 Gisborne District	16.96%
6 Ruapehu District	16.63%
▲7 Porirua City	15.64%
▼8 Waitomo District	15.53%
▼9 Rotorua District	15.50%
10 Whakatane District	14.95%

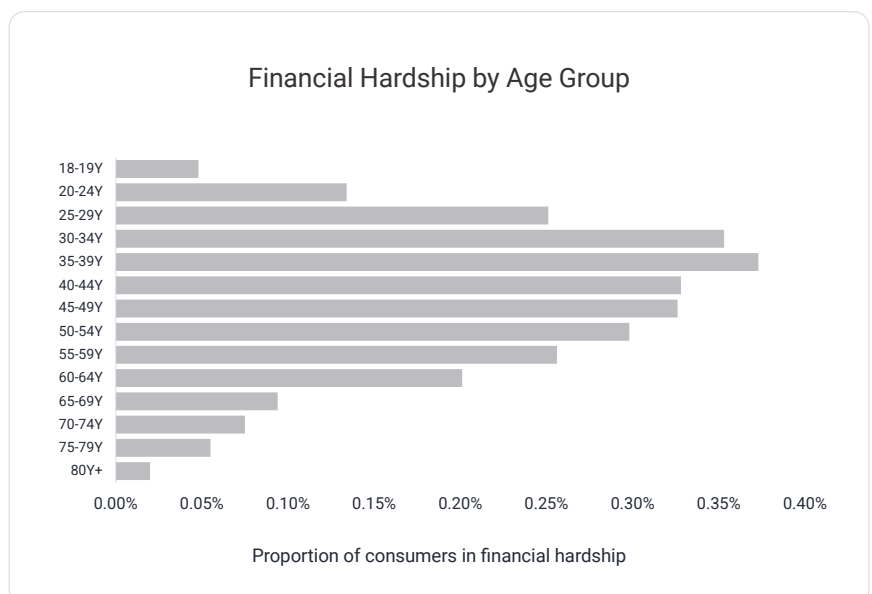
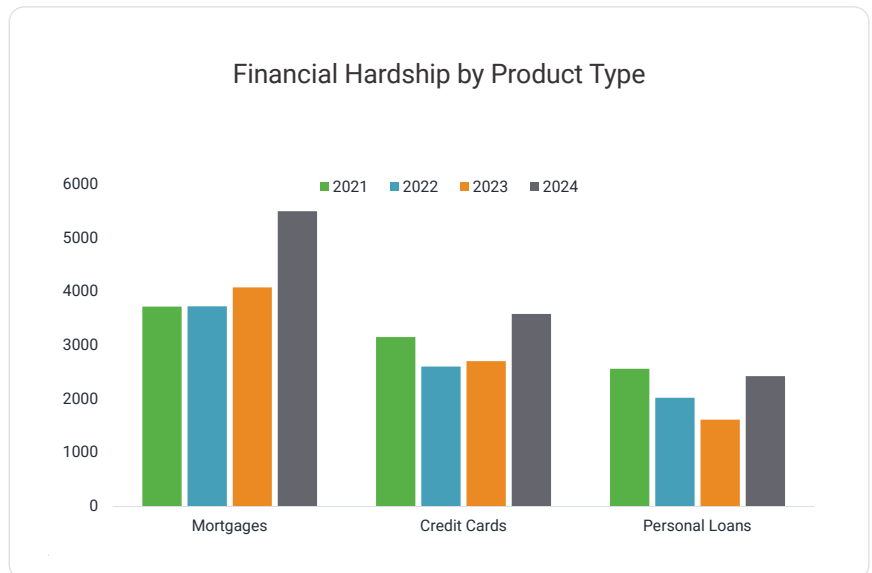
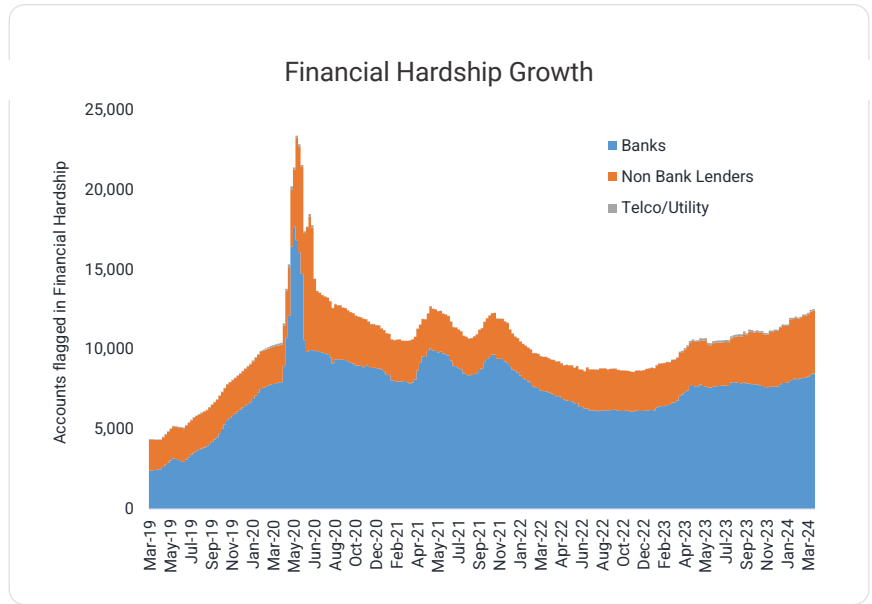
Financial hardships climb across the board

Alongside arrears, financial hardship figures have grown month-on-month since November 2022. In February 2024, there were 12,500 accounts reporting financial hardship – up 300 from January.

Year-on-year, the number of financial hardship accounts are up by 27%. Overall, 44% of hardships relate to mortgage payment difficulties.

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 providers of this status.

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Credit demand up







Consumer credit demand is up 3% on last year driven by higher volume of applications for unsecured credit.

Interestingly, the number of auto loan inquiries is down 16% year-on-year, which is indicative of declining new car sales across the board.

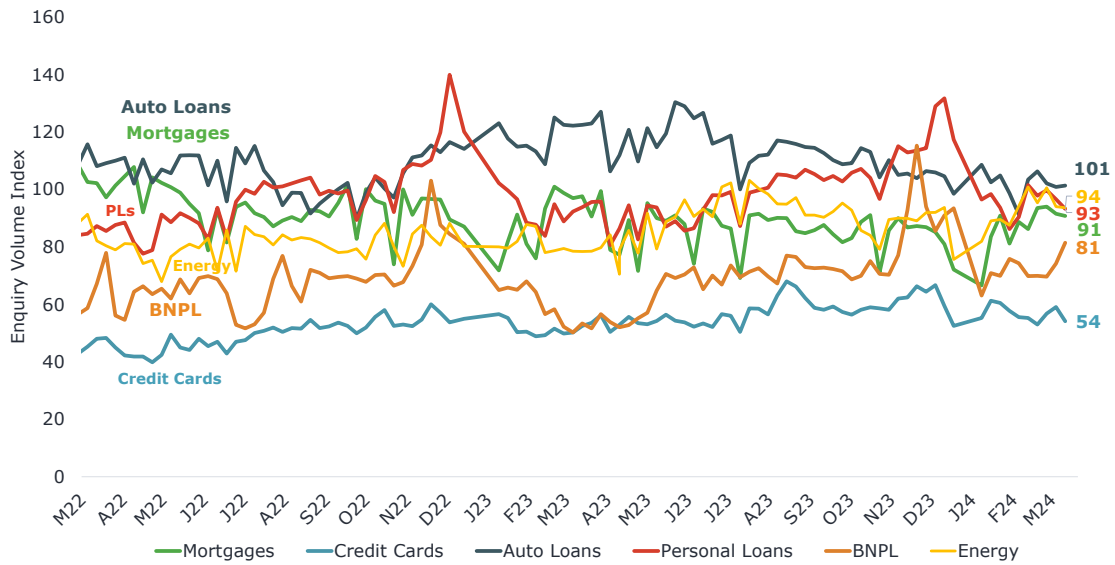
Mortgages form the only other category down at -6.2%, reflecting low sales volumes.

Consumer credit demand is up 3% on last year.

Year on Year Change %

	Mortgages	-6.2%
	Auto Loans	-16.6%
	Credit Cards	+9.3%
	Personal Loans	+4.8%
	BNPL	+17.8%
	Retail Energy	+21.8%

Consumer Demand by Product Type



New residential mortgage lending on the rise

New mortgage lending is up 5% in February compared to the same month last year, although sales volumes continue to be relatively low as buyers remain cautious.

On the other hand, non-mortgage lending is down 4% year-on-year due to lower volumes of new vehicle loans compared to last year.

Overall new household lending is 3% higher on a year-on-year basis.



New mortgage lending is up 5% in February compared to the same month last year.

Mortgage stress continues to climb

Residential mortgage arrears are also on the rise, with a reported increase to 1.51% in February (up from 1.47% in January 2024), this is the highest reported level since January 2020.

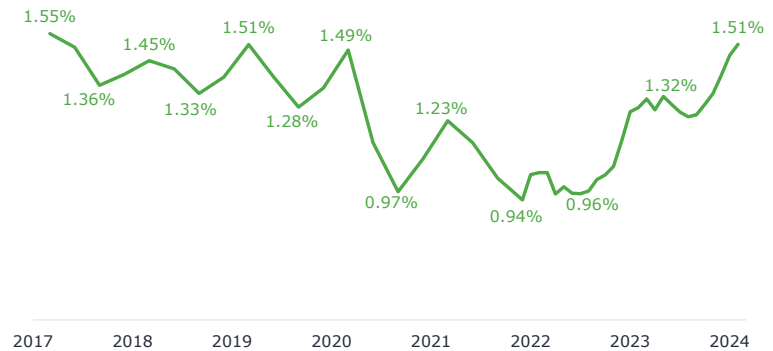
There are now 22,600 mortgage accounts past due (an increase of 800 in a single month), which is up 18% year-on-year.

In a positive sign, vehicle loan arrears dropped to 5.7% in February, compared to 5.4% in February last year.

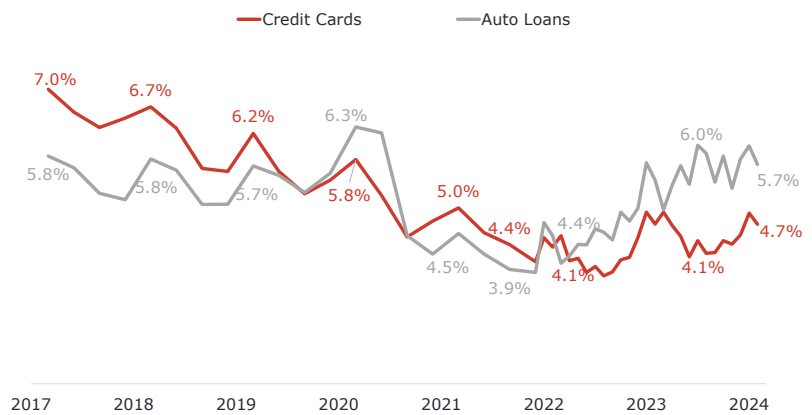
Meanwhile, credit card arrears also fell back to 4.7% in February, showing no change year-on-year as they remain low compared to historical levels.

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Home Loan Arrears



Credit Card & Auto Loan Arrears



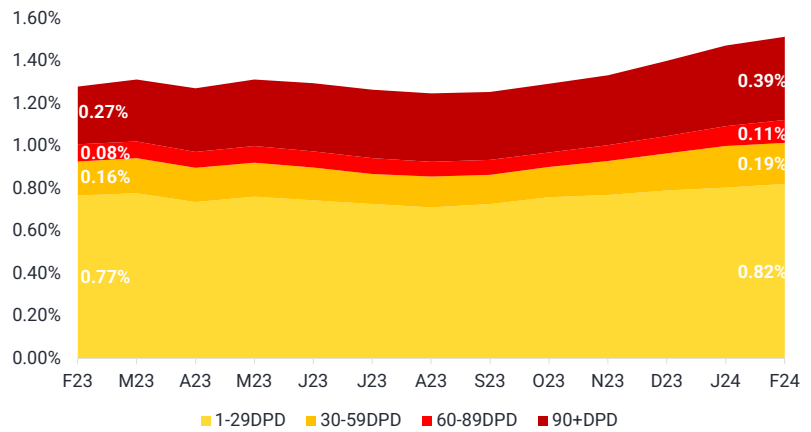
Mortgage delinquencies

Alongside rising mortgage arrears, non-performing home loans at 90+ days past due have risen sharply over the last three months.

Year-on-year the number of non-performing home loans are up by 44%, while early arrears are holding steady over the past year.

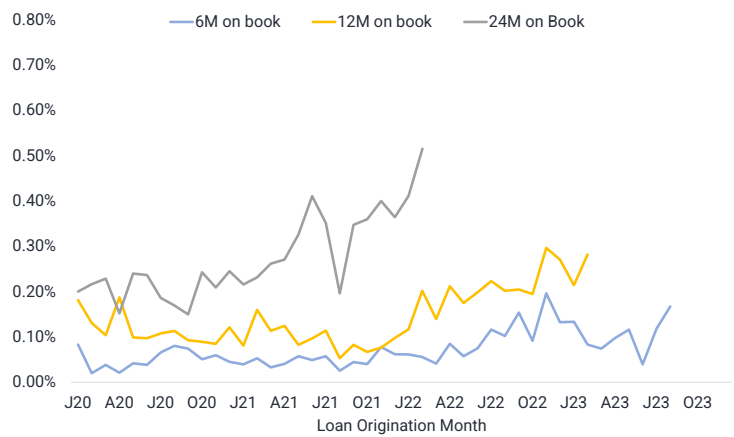
Meanwhile mortgage arrears are on the rise for loans opened during the period when the OCR rate hikes occurred (since October 2021). 30+ days arrears at 24 months on the books has risen from 0.2% to 0.5% in the last two years.

Mortgages: Proportion of Accounts in Arrears



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Mortgage 30+ Days Arrears Rate








Business credit defaults continue to climb

Turning to the Kiwi business sector, credits defaults have been continued to climb year-on-year.

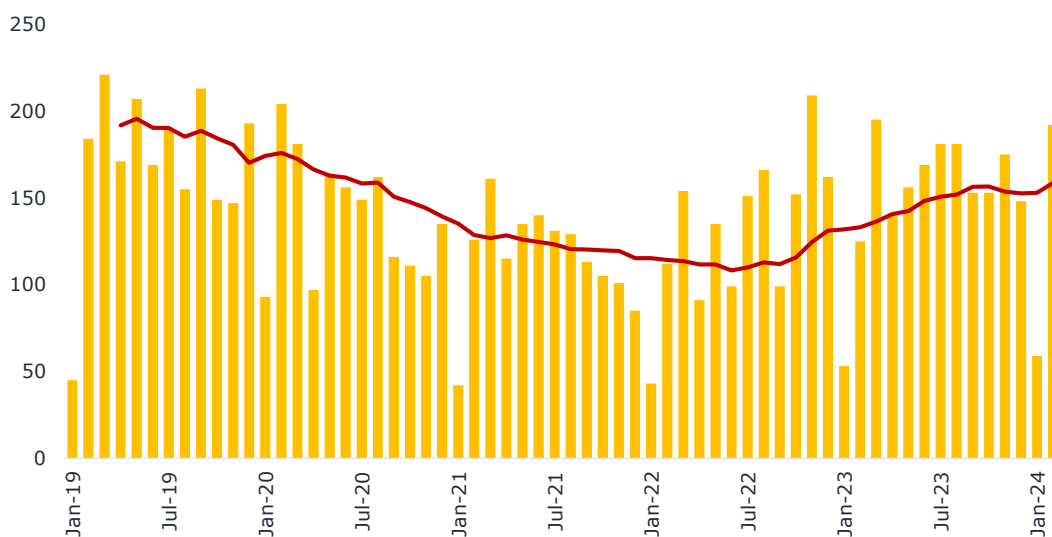
Defaults for the property/rental sector were up 100% year-on-year, followed by retail trade (up 41%), transportation (up 34%) and construction (up 23%).

Liquidations were also up across the board year-on-year, with the hardest hit sectors being retail trade (up 57%), transportation (up 32%) and property/rental businesses (up 25%).

Defaults for the property/rental sector were up 100% year-on-year.

Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
 Construction	+4%	+23%	760 ↓	+21%	2.3X
 Hospitality	+19%	+10%	744 ↓	+20%	2.3X
 Retail Trade	+11%	+41%	770 ↓	+57%	1.3X
 Transport	+10%	+34%	734 ↓	+32%	1.8X
 Property / Rental	+3%	+100%	817 ↓	+25%	0.8X
All Sectors	+7%	+33%	790 ↓	+19%	1.0X

Company Liquidations



Hospitality sector spotlight

There are almost 30,00 registered hospitality companies in New Zealand, making up 4% of all registered companies.

At the moment, hospitality businesses are more than two times more likely to fail than the typical NZ business.

In February 2024, 17 companies filed for liquidation compared to 12 liquidations the month before, showing signs the industry continues to face challenges with rising costs, weak demand and staff shortages.

Furthermore, credit default is on the rise for most types of hospitality businesses, with the exception of accommodation and cafés. Credit demand is down for catering services and clubs but up for all sector types.

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)			
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Liquidation Rating
Accommodation and Food Services	29,374	4.1%	19%	10%	744	2.3X
Accommodation	5,306	0.7%	18%	-2%	791	0.7X
Cafes	4,002	0.6%	15%	-11%	734	3.5X
Catering Services	1,222	0.2%	-28%	6%	742	1.9X
Coffee shops	1,148	0.2%	24%	35%	736	2.7X
Restaurants	5,741	0.8%	28%	22%	721	4.0X
Takeaway Food Services	7,344	1.0%	25%	17%	730	1.2X
Clubs (Hospitality)	648	0.1%	14%	20%	713	1.8X
Pubs, Taverns and Bars	1,583	0.2%	6%	5%	712	4.6X

Hospitality businesses are more than two times more likely to fail than the typical NZ business.

Last updated March 31, 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.

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