July Credit Indicator

CENTRIX

Arrears ease slightly as cost-of-living crisis continues to bite at the close of Q2

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

In mid-July, the latest inflation reports showed an easing to the lowest level in three years, with the consumer price index (CPI) increasing by 0.4 percent over the three months ending in June.

The annual inflation rate has decreased to 3.3 percent, down from 4 percent, marking the lowest rate since June 2021. However, this remains outside the Reserve Bank's target range, with a mixed bag of predictions emerging from economists on an early reduction in interest rates.

When looking at consumer and business credit insights across New Zealand, a similarly mixed picture emerges.

On one hand, overall arrear volumes have eased over June, with the number of people behind on their payments falling to 465,000, down 9,000 month-on-month. While they remain up 9% year-on-year, consumer arrears are not materially deteriorating, with only marginal increases and decreases noted from month to month.

On the other hand, consumer utility (retail energy) arrears have worsened over the past 12 months as the economy tightens, with arrears climbing in recent months due to winter and the ongoing cost-of-living crisis.

This points to the continuation of a very challenging economic environment, with an increasing number of Kiwis struggling to pay their heating bills.

Month-on-month, mortgage delinquencies improved in June, with 21,500 home loans now reported as past due - down by 500 from last month. Despite this, mortgage arrears remain 11% higher year-on-year.

Furthermore, we've observed a 27.7% year-on-year increase in financial hardships, which have been rising since November 2022. There are currently 13,500 accounts reported in financial hardship, with nearly half (45%) relating to difficulty making mortgage payments.

Looking at new lending, consumer credit demand is flat compared to 2023 but remains 4% below the long-term average.

We saw an increase in approved new mortgage lending in June (+7.7% year-on-year), and a decrease in new non-mortgage lending (-13% year-on-year).

Turning to the business credit story, we've seen company liquidations increase by 19% over the past 12 months, with the construction and property industries particularly badly hit.

Looking at the property sector in particular, Q2 2024 saw the highest quarterly total of company liquidations (93) for over 10 years, with property company liquidations increasing by 28% within the last year.

These figures indicate continuing weak consumer demand paired with a struggling New Zealand economy, which is hitting our businesses' bottom line hard.

Reflecting on Q2 as a whole, consumers have fared better than businesses, with an overall stabilisation of arrears (despite year-on-year increases). Businesses, on the other hand, have experienced marked challenges, with the recent raft of liquidations indicating trouble experienced over a sustained period.

As we move through the next quarter and beyond, it's important that those seeking to effectively plan for their future seek out advice early to best safeguard their financial wellbeing.

Keith McLaughlin
Managing Director

Overall arrears volumes ease

The number of consumers behind on their payments has fallen to 465,000, down 9,000 month-on-month.

Arrears have improved for most product types, excluding retail energy and auto loans, which are up 30% and 4% respectively year-on-year.

Consumer arrears remain 9% higher year-on-year, tracking just above 2018 levels after coming off historic lows.

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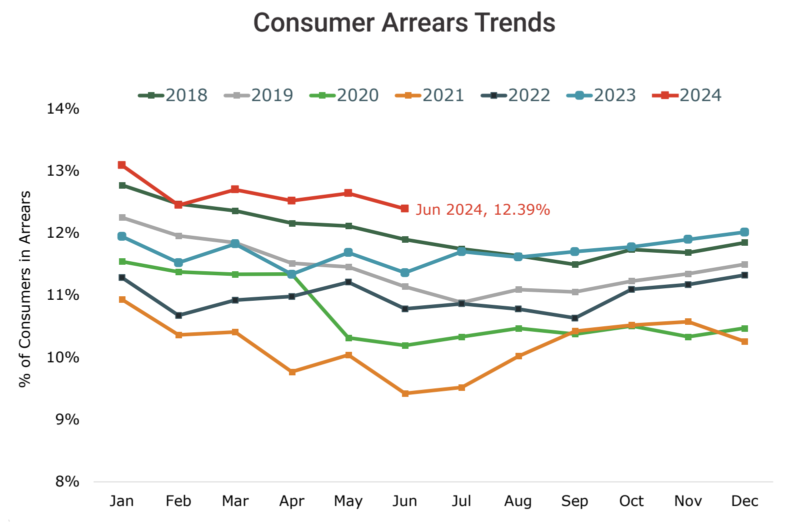
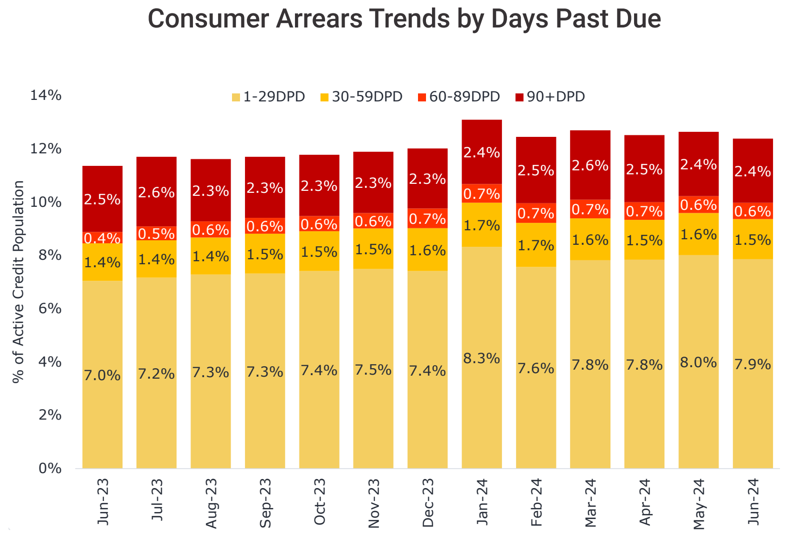
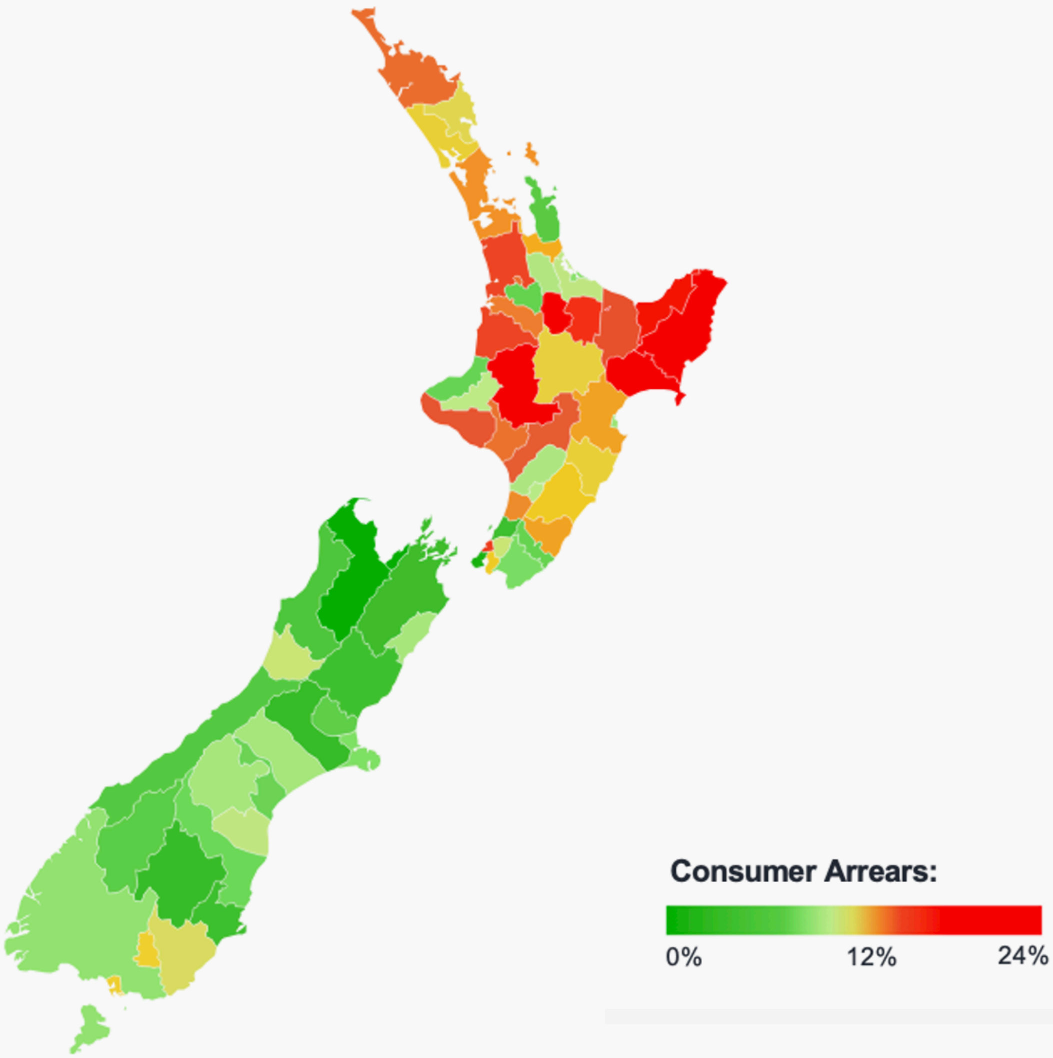




Consumer arrears across the country



Lowest Arrears Areas		
	District	**Arrears %**
1	Nelson City	8.90%
2	Tasman District	8.95%
3	Wellington City	9.37%
4	Selwyn District	10.14%
5	Central Otago District	10.23%
6	Marlborough District	10.34%
7	Kapiti Coast District	10.44%
8	Dunedin City	10.46%
9	Hurunui District	10.49%
10	Buller District	10.66%

Highest Arrears Areas		
	District	**Arrears %**
1	Wairoa District	17.50%
2	Kawerau District	17.05%
3	Ruapehu District	17.00%
4	Gisborne District	16.61%
5	South Waikato District	16.59%
6	Opotiki District	16.46%
7	Rotorua District	15.81%
8	Porirua City	15.33%
9	Waitomo District	14.95%
10	Waikato District	14.91%

Mortgage delinquencies improve

Mortgage delinquencies improved in June, with 21,500 home loans reported as past due, down by 500 from last month. However, mortgage accounts past due are tracking 11% higher year-on-year.

Residential mortgages reported in arrears fell to 1.44% in June (down from 1.47% in May), which is comparable to 2019 levels.

Credit card arrears also dropped to 4.1% in June, the lowest reported arrears level since September 2022. Vehicle loan arrears rose by 0.2% compared to June last year.

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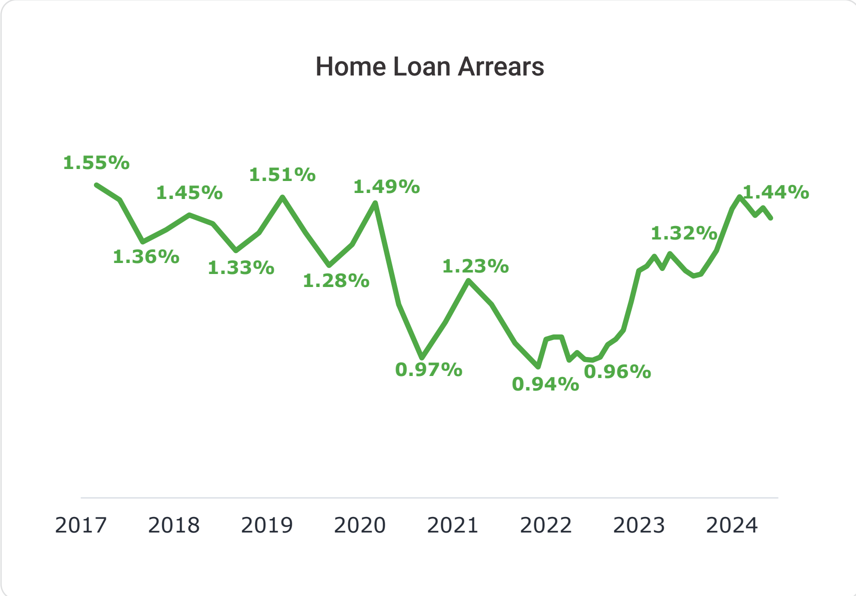
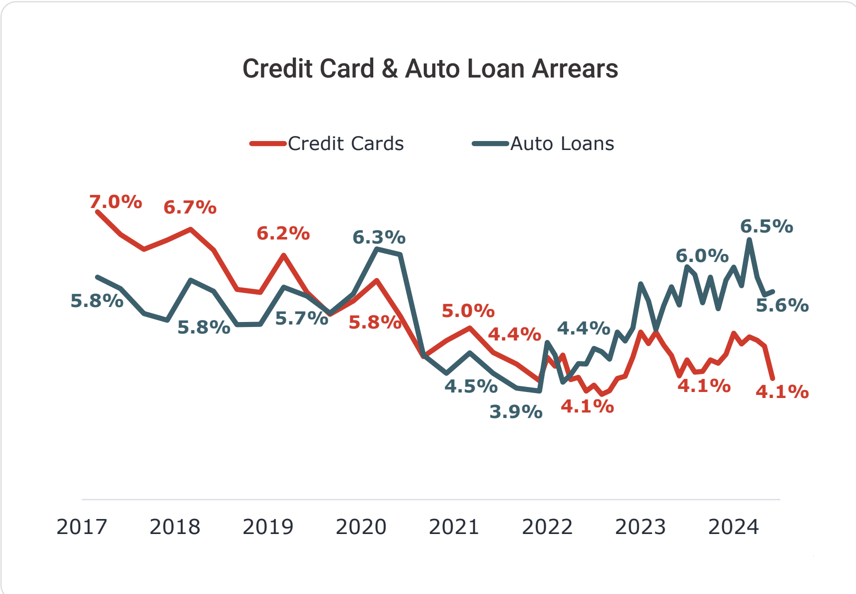


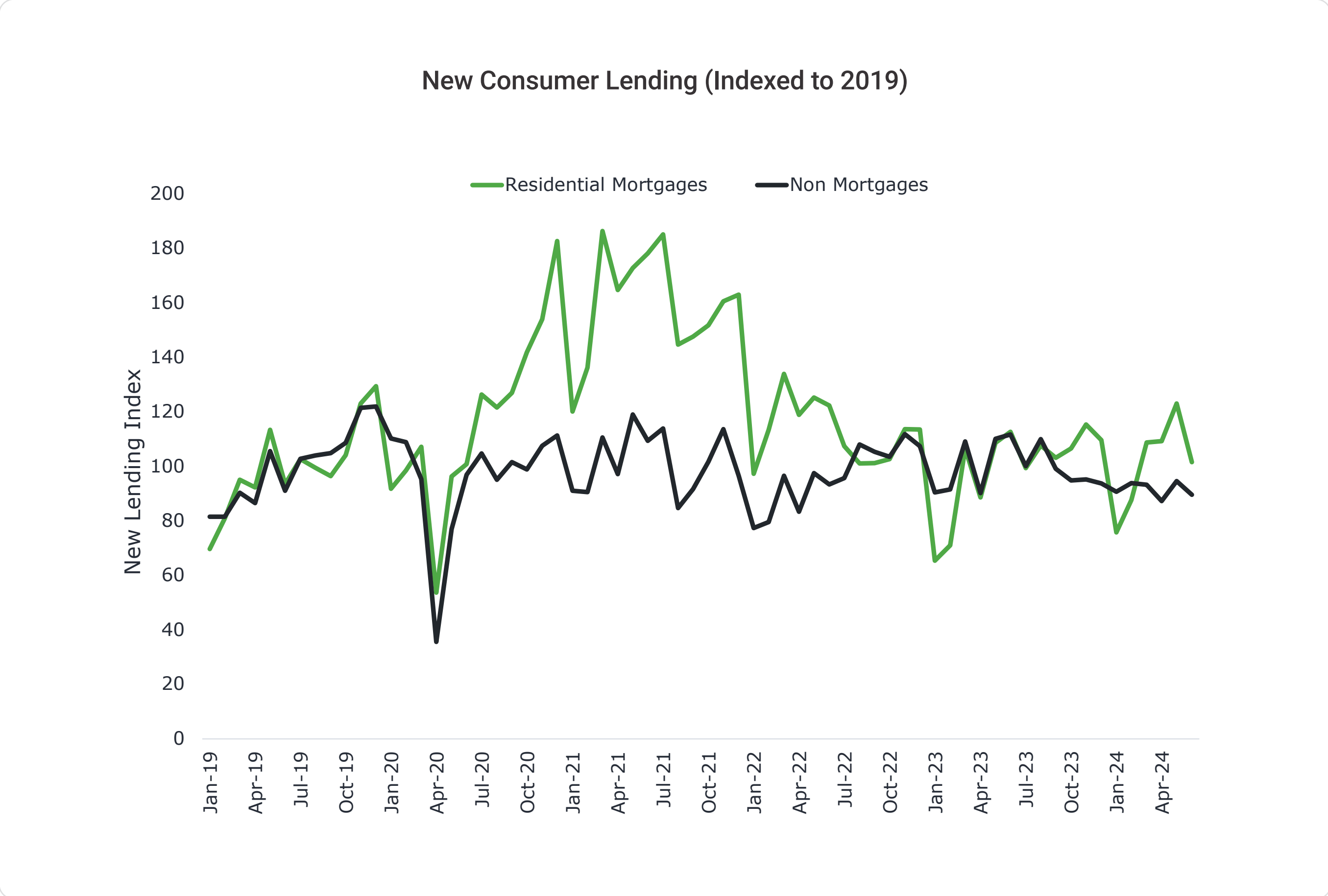


Consumer non-mortgage lending down

Non-mortgage lending is down 13% in the June quarter compared to the same time period last year.

Meanwhile, new residential mortgage lending for the June quarter was 7.7% higher than the same period last year, but still 35% lower than the same period in 2021 during the property market boom.

Overall new household lending is 5.6% higher on a year-on-year basis.



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Consumer credit demand flattens

Overall consumer credit demand is reasonably flat compared to last year, with the biggest changes sitting within retail energy and auto loan demand.

Retail energy new customer enquiries are up nearly 10% year-on-year, as consumer switching trends up during the winter months. Auto loan demand is down 23.7% as EV new car sales continue to slump.

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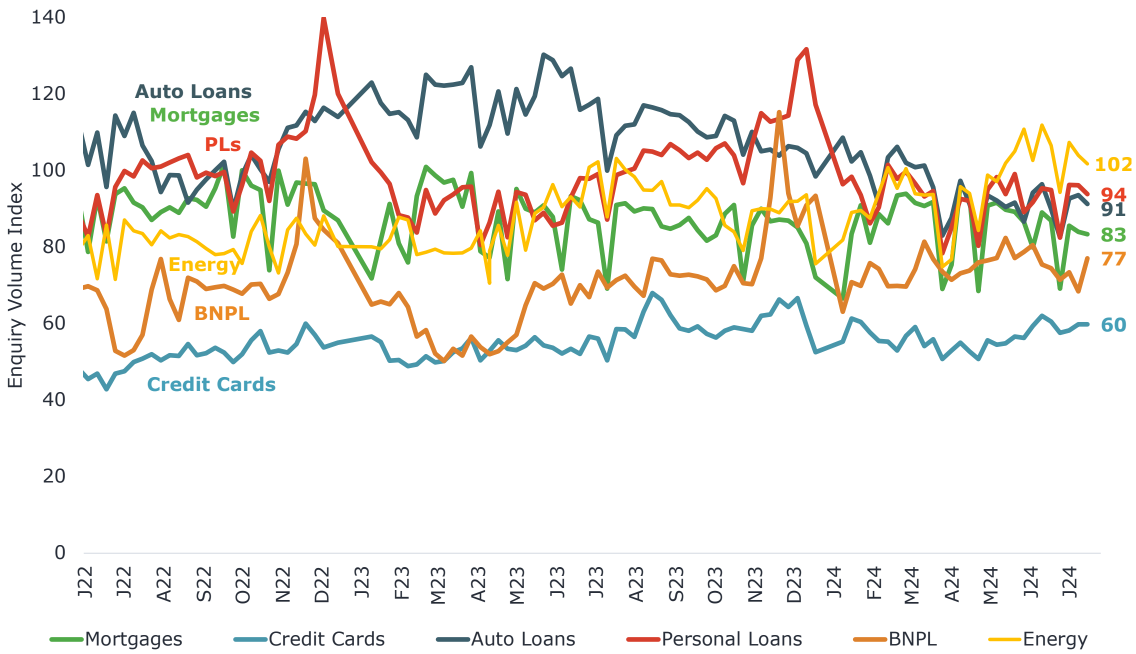
Year-on-year change %

Mortgages	-3.5%
Auto Loans	-23.7%
Credit Cards	+5.8%
Personal Loans	+0.3%
BNPL	+11.1%
Retail Energy	+9.8%

Year-on-year comparison of 3 month rolling averages

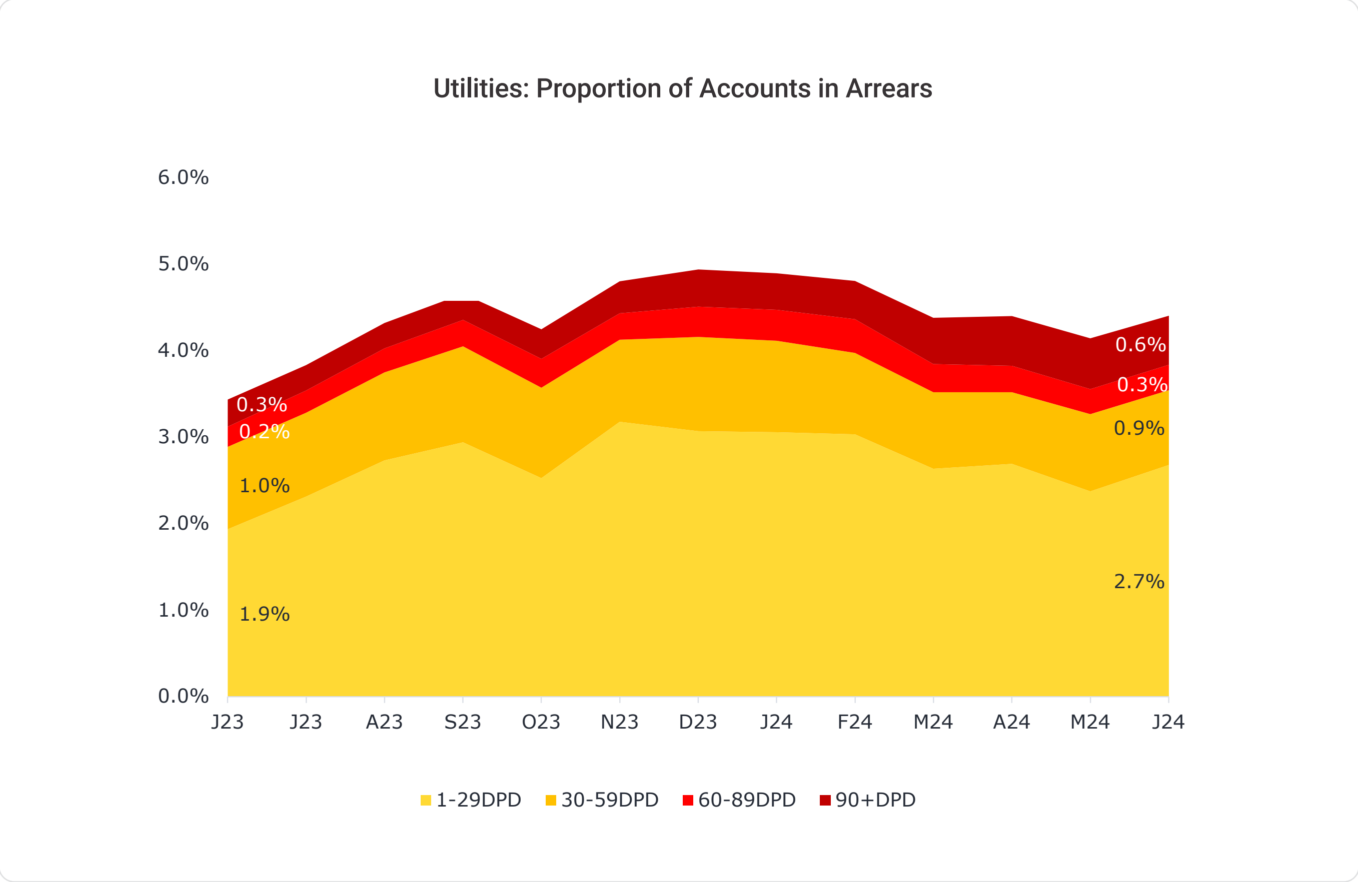
Credit Demand by Product Type



Focus on retail energy delinquencies

Utilities (retail energy) arrears have worsened over the last 12 months, sitting at 4.4% compared to 3.4% for the same period last year.

Within utilities arrears, early arrears (less than 30 days past due), have increased the most over the last 12 months (up from 1.9% to 2.7%). 30+ days arrears at 12 months on the books have risen from 2.2% to 3.3% since the beginning of 2020.



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Reports of financial hardship increase

Over the last year, there has been a 28% increase in financial hardship reports, indicating more borrowers are seriously falling behind on their debt repayments.

The proportion of credit application enquiries returning financial hardship alerts has risen to 0.5% for the first time since August 2020.

Of the financial hardship cases, 45% relate to mortgage payment difficulties, with 29% and 18% relating to credit card debt and personal loan repayments respectively.

The volume of court judgements has been on the rise since 2020 – up 40% in the past five years – while personal insolvencies remain at low levels despite the challenging economic environment..

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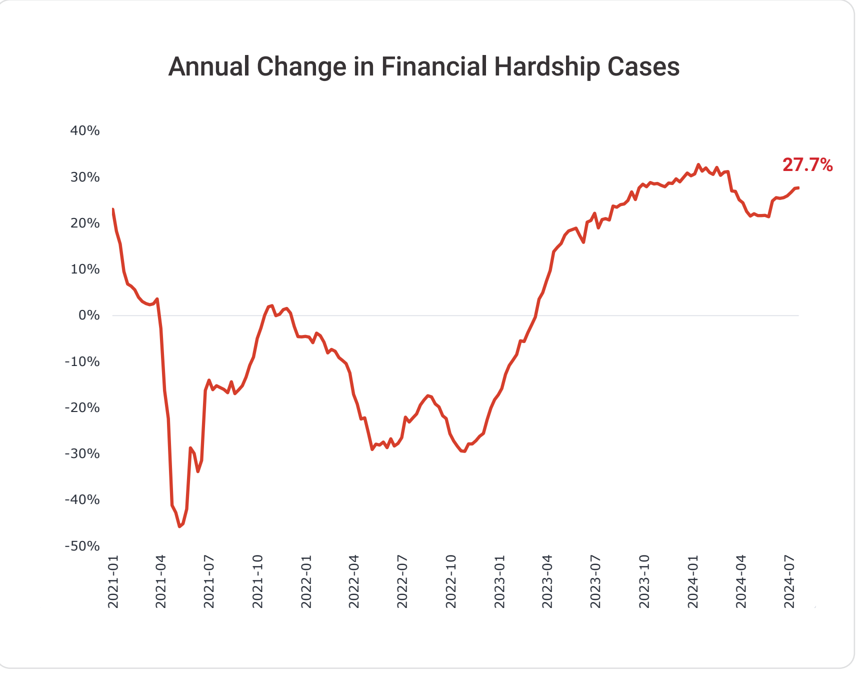
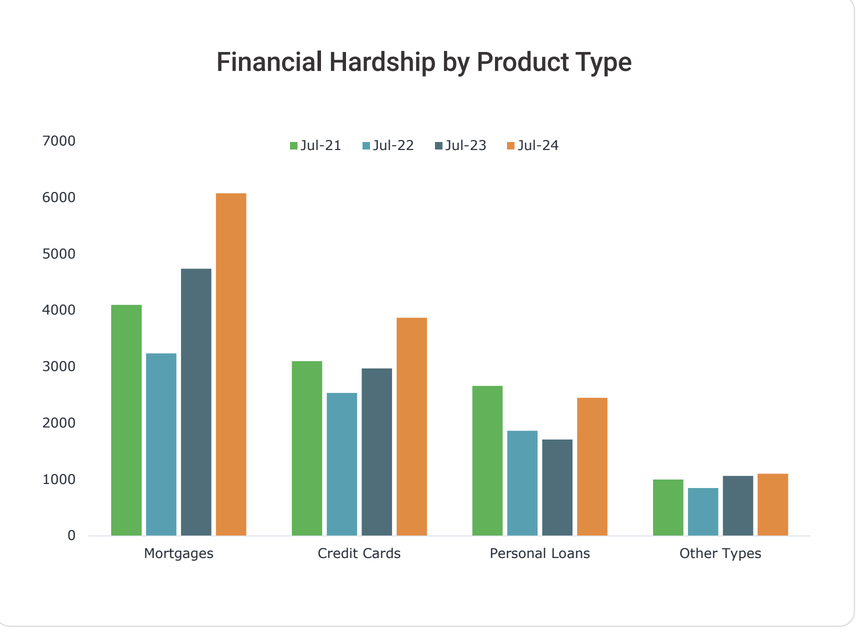




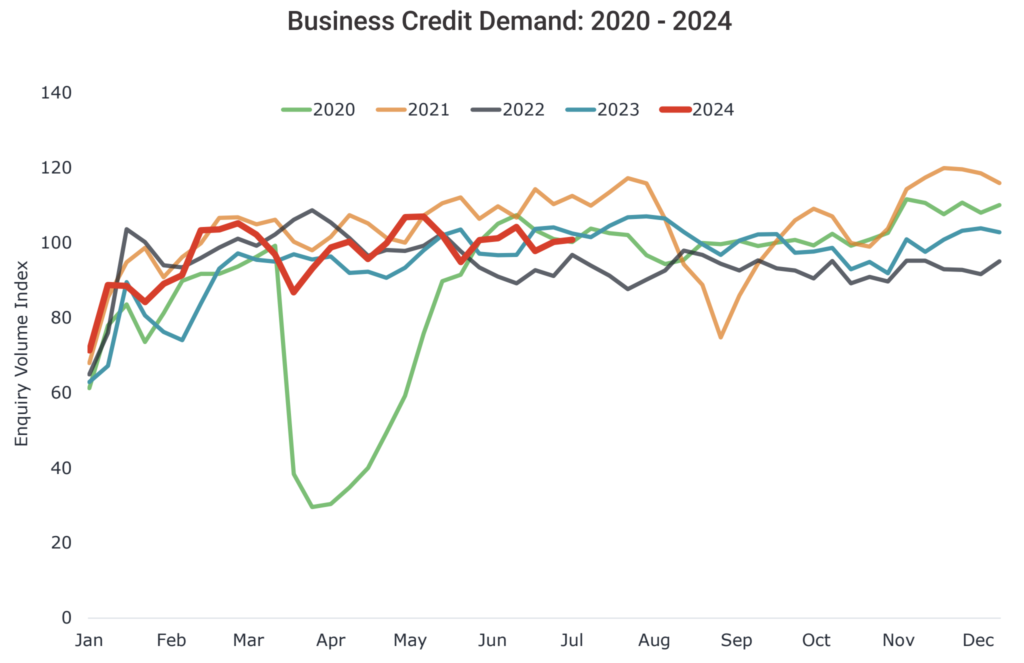
Business credit demand and defaults

Business credit demand is up 11% year-on-year, with credit demand rising by 17% for the property sector and 15% for hospitality over the last 12 months.

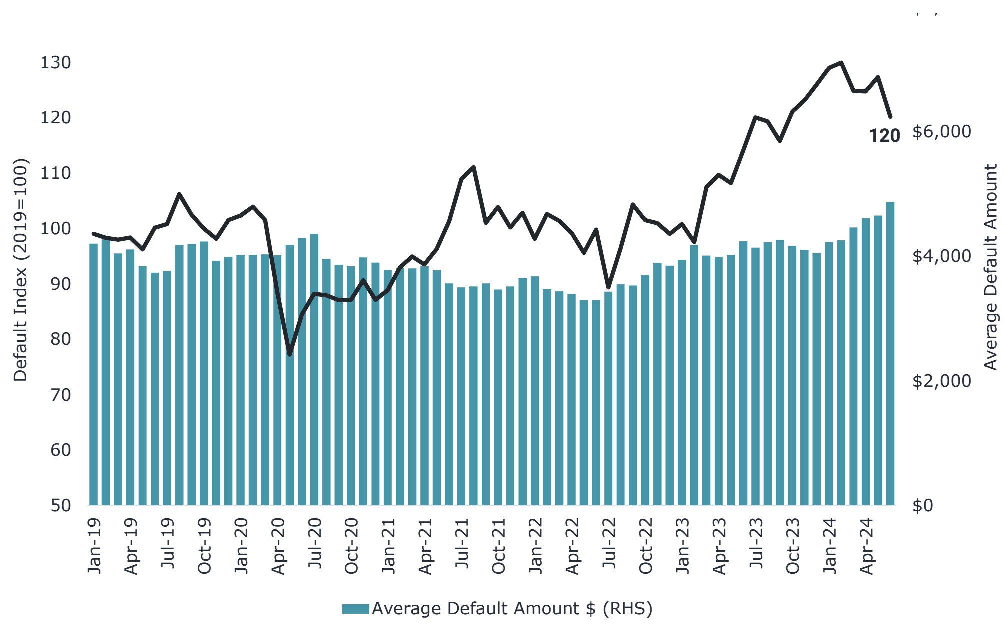
Meanwhile, business credit defaults are up 5% year-on-year overall, with the transport industry up 18% and the construction sector up 17%. Credit defaults have decreased by 6% for the hospitality sector, showing slight signs of improvement over this time last year.

Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
Construction	+7%	+17%	759 ↓	+7%	2.1X
Hospitality	+15%	-6%	743 ↓	+30%	2.3X
Retail Trade	+13%	+5%	769 ↓	+35%	1.2X
Transport	+3%	+18%	731 ↓	+39%	2.0X
Property / Rental	+17%	+10%	816 ↔	+28%	0.8X
All Sectors	+11%	+5%	789 ↓	+19%	1.0X

Table above shows year-on-year comparisons using 12 month rolling averages.



Business Credit Defaults Up 5% YoY



Business credit demand is up 11% year-on-year.

Company liquidations up 19% year-on-year

Company liquidations across the country are up 19% year-on-year in June - up to 216 June 2024 compared to 176 in 2023.

Sharp increases in company liquidations from the construction and property sectors were observed during Q2 of this calendar year.

Of all New Zealand company liquidations, 24% (156) came from the construction industry, whilst 14% (93) originated from the property sector.

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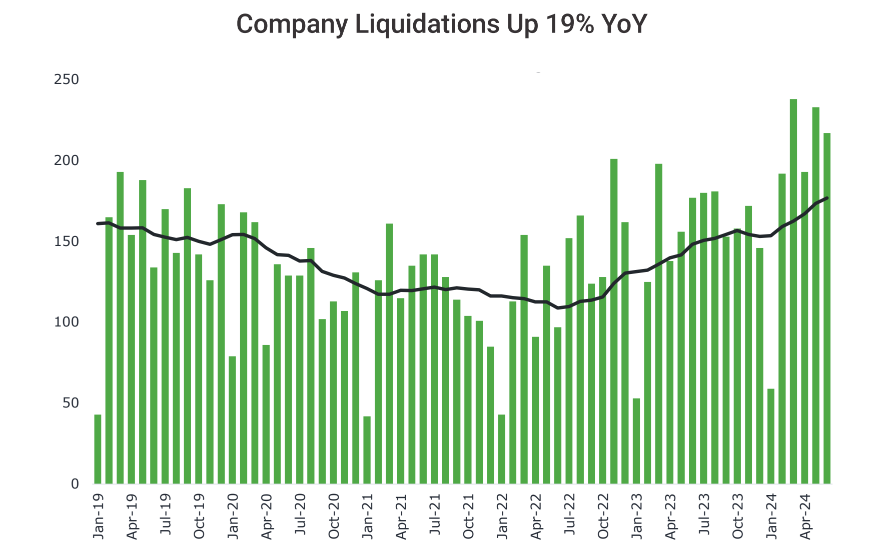

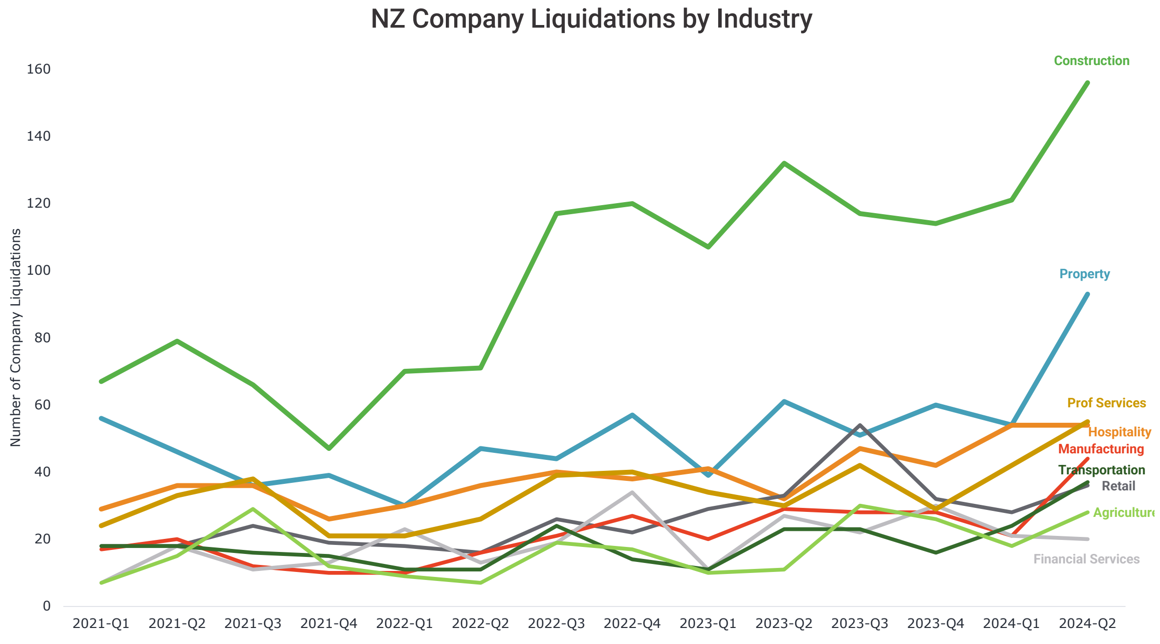

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Property sector spotlight

Over the last 12 months, property company liquidations have increased by 28% compared to the previous year, with residential property development operators experiencing the highest volumes of liquidations.

The property sector makes up ~15% of all New Zealand registered companies, with over 108,000 currently registered.

There were 93 property companies placed into liquidation in Q2 2024, the highest quarterly total for over 10 years, indicating weak consumer demand coupled with a struggling economy.

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)				
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Δ Company Liquidations	Liquidation Rating
Rental, Hiring and Real Estate Services	**108,010**	**14.8%**	**17%**	**10%**	**816**	**28%**	**0.8X**
Property Operators and Real Estate Services	85,531	11.7%	22%	10%	813	9%	0.9X
Real Estate Services	3,977	0.5%	-18%	-23%	777	100%	1.4X
Investment - commercial property	11,835	1.6%	18%	24%	813	42%	1.1X
Investment - residential property	21,280	2.9%	23%	50%	799	-2%	0.7X
Rental of commercial property	6,919	1.0%	31%	50%	836	0%	0.6X
Residential property development	7,109	1.0%	31%	-31%	758	84%	3.3X
Residential rental landlords	20,482	2.8%	41%	-11%	838	150%	0.3X
Rental and Hiring Services (except Real Estate)	7,476	1.0%	11%	16%	780	-6%	0.7X

Over the last 12 months, property company liquidations have increased by 28% compared to the previous year.

Last updated July 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:

- 90 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.