August Credit Indicator

A tale of two halves: Consumer arrears ease in the face of rising company liquidations

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

The Reserve Bank of New Zealand cut the official cash rate by 25 basis points to 5.25% last month, the first cut in four years.

Since then, we've seen banks around the country reacting by cutting interest rates, which could be the beginning of a welcome reprieve in household expenses for mortgage holders.

Looking at the wider credit story across the country, a mixed picture emerges.

Over the month of July, consumer arrears have continued to ease, with the number of people behind on their payments falling to 456,000, down 9,000 month-on-month. This is reflective of improved consumer sentiment in the face of lower interest rates and anticipated further reductions.

Meanwhile, overall consumer credit demand is down 3% compared to last year, with auto loan demand dropping by 22% as new car sales continue to decline. Credit card applications are up 5% from last year but remain 40% below 2019 levels.

We saw mortgage delinquencies improve slightly in July, with 21,000 home loans now reported as past due, down 500 from last month.

However, this is still up 12% year-on-year, while mortgage demand also remains subdued overall with application enquiries down 1.5% year-on-year.

It's clear Kiwis are still struggling in the face of the ongoing cost-of-living crisis, with financial hardship cases up 27%, sitting at 13,850 for July.

In saying this, it is positive to see so many consumers taking responsible steps to deal with their financial struggles, before they find themselves in a bad debt emergency.

Turning to the business credit side of things, the data reveals company liquidations are continuing to rise across New Zealand. They are mainly recorded in Auckland, which contributed 383 liquidations for the second quarter of 2024, followed by the rest of the North Island (174) and South Island (85).

Over the past year, the manufacturing sector has been particularly impacted has seen a 15% rise in liquidations, with furniture and fabricated metal manufacturers suffering the most.

This trend points to signs the industry is facing continual challenges with falling new orders and low production as domestic demand remains weak.

As we move into the warmer months, it's clear challenges will likely persist for both New Zealand consumers and businesses.

It's vital those seeking to plan effectively for their future seek out advice from trusted advisers early to not only survive to 2025, but to thrive through to next year and beyond.

Keith McLaughlin
Managing Director

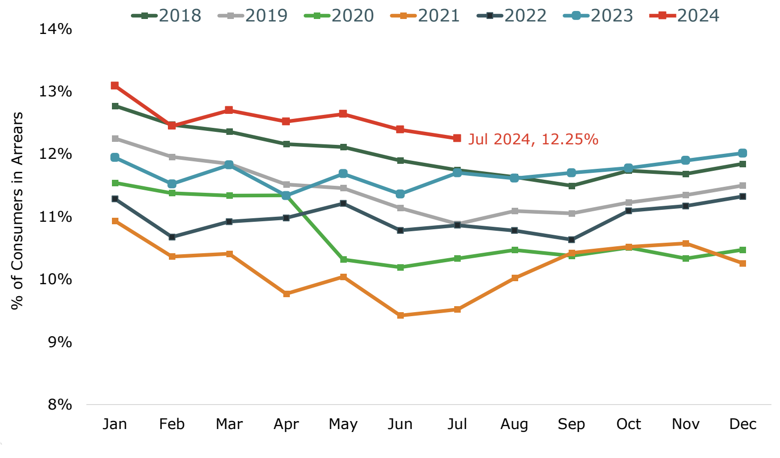
Consumer arrears continue to ease

The number of people behind on their payments has fallen to 456,000 in July, down 9,000 month-on-month. Arrears continue to ease as consumer sentiment improves with lower interest rates and inflation reductions expected across the board.

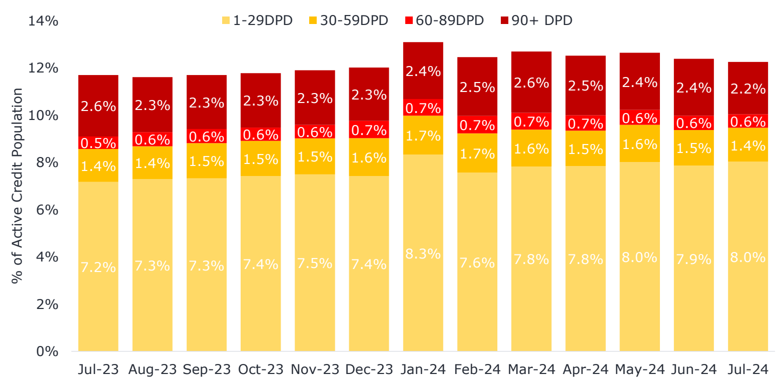
The number of consumers that are 90+ days in arrears have also improved by 6% year-on-year, while early arrears are also easing.

The number of people behind on their payments has fallen to 456,000 in July, down 9,000 month-on-month.

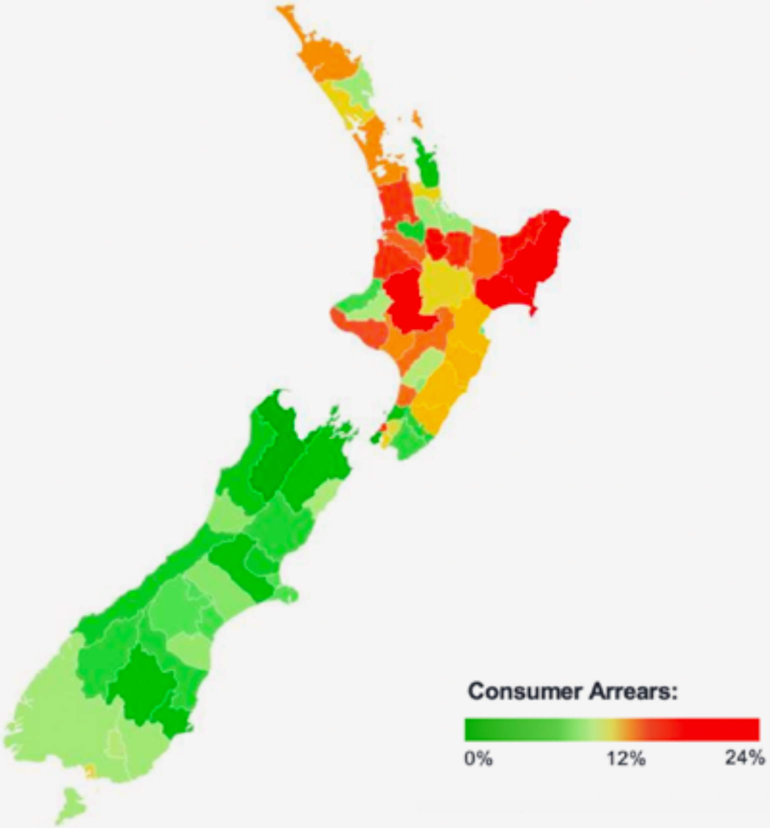
Consumer Arrears Trends



Consumer Arrears Trends by Days Past Due



Consumer arrears across the country



Lowest Arrears Areas		
	District	**Arrears %**
1	Tasman District	8.86%
2	Nelson City	8.88%
3	Wellington City	9.24%
4	Marlborough District	10.13%
5	Central Otago District	10.17%
6	Dunedin City	10.19%
7	Selwyn District	10.39%
8	Thames-Coromandel District	10.41%
9	Kapiti Coast District	10.47%
10	Buller District	10.55%

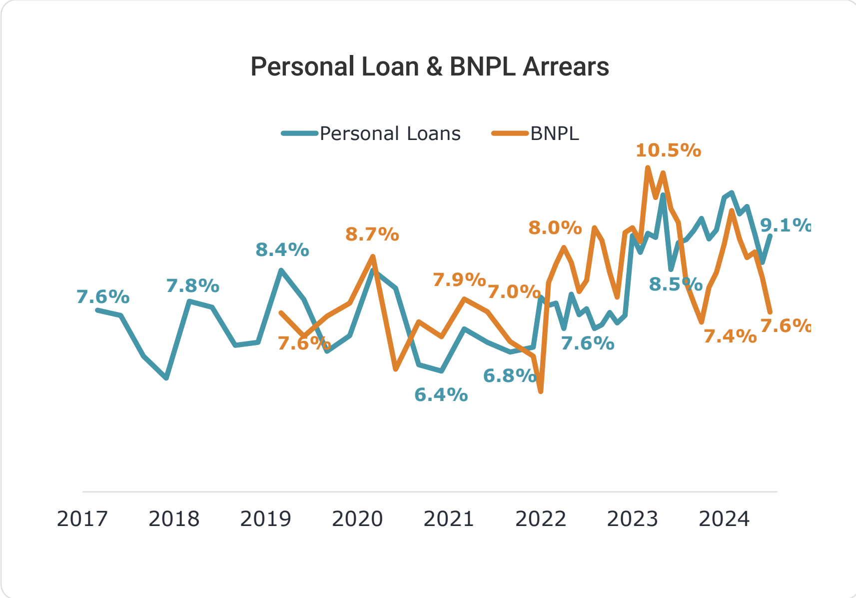
Highest Arrears Areas		
	District	**Arrears %**
1	Kawerau District	17.10%
2	Gisborne District	16.61%
3	Wairoa District	16.43%
4	Ruapehu District	16.30%
5	South Waikato District	15.58%
6	Opotiki District	15.51%
7	Porirua City	15.01%
8	Rotorua District	14.93%
9	Waitomo District	14.83%
10	Waikato District	14.68%

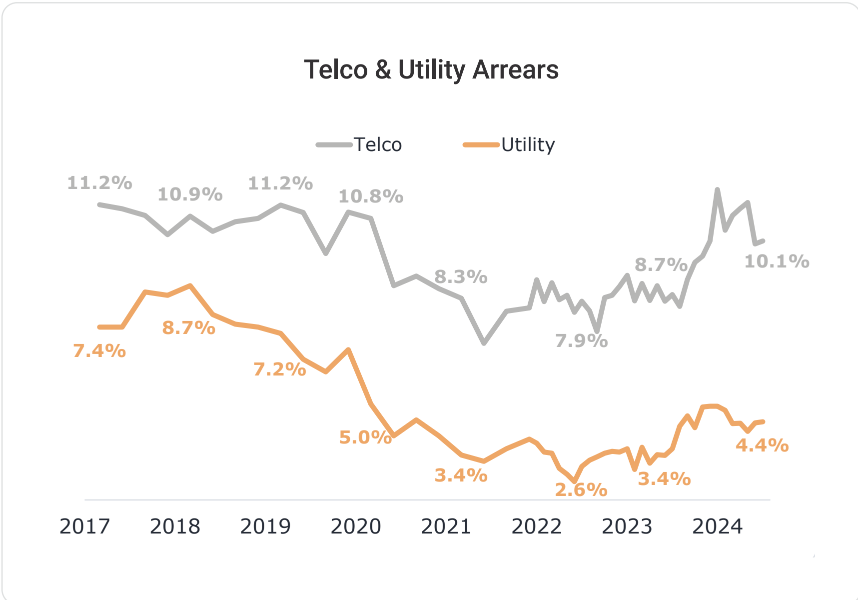
Personal loan arrears improve slightly, energy arrears hold steady

Looking at arrear types specifically, Buy Now, Pay Later (BNPL) arrears dropped to 7.6% in July, the lowest level since October 2023. Personal loan arrears rose slightly to 9.1% in July compared to 9.0% for the same month last year.

Meanwhile, telco / communication and retail energy payments held reasonably steady over July, holding at 4.4% and rising to 10.1% respectively.

Buy Now, Pay Later (BNPL) arrears dropped to 7.6% in July, the lowest level since October 2023.



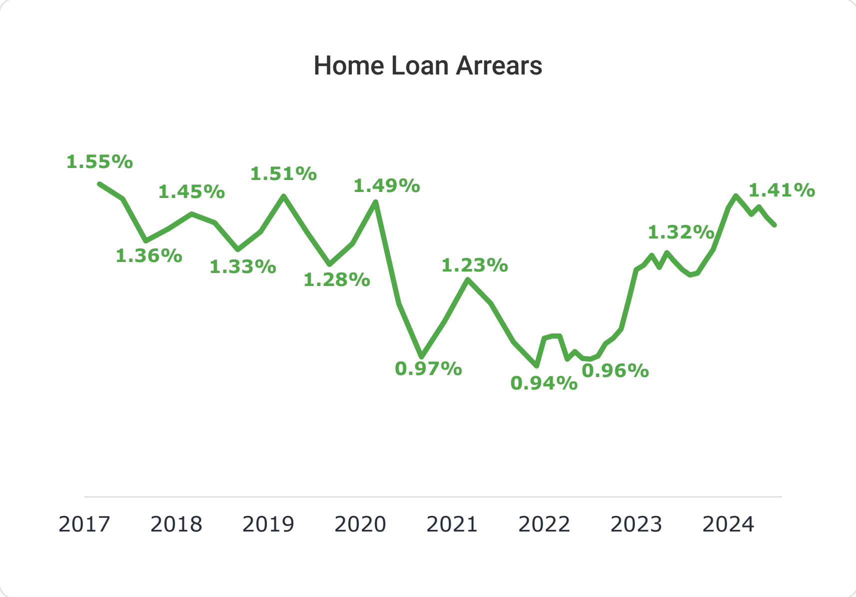


Mixed bag for mortgage arrears, demand

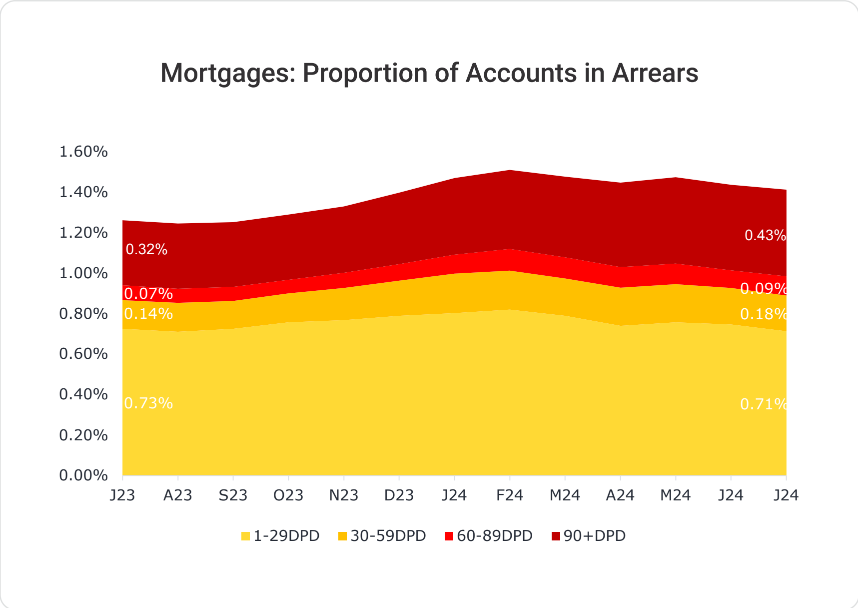
Mortgage delinquencies improved in July, with 21,000 home loans now reported as past due, down 500 from last month.

However, this is still 12% higher year-on-year. Mortgage demand remains subdued, with home loan application enquiries down 1.5% year-on-year.

Residential mortgages reported in arrears fell to 1.41% in July (down from 1.44% in June); comparable to 2019 levels.



Mortgage delinquencies improved in July, with 21,000 home loans now reported as past due, down 500 from last month.



Consumer credit demand down

Overall consumer credit demand is down 3% compared to last year.

Auto loan demand has dropped by 22% as new car sales continue to decline. Credit card applications are up 5% from last year but still remain 40% below 2019 levels.

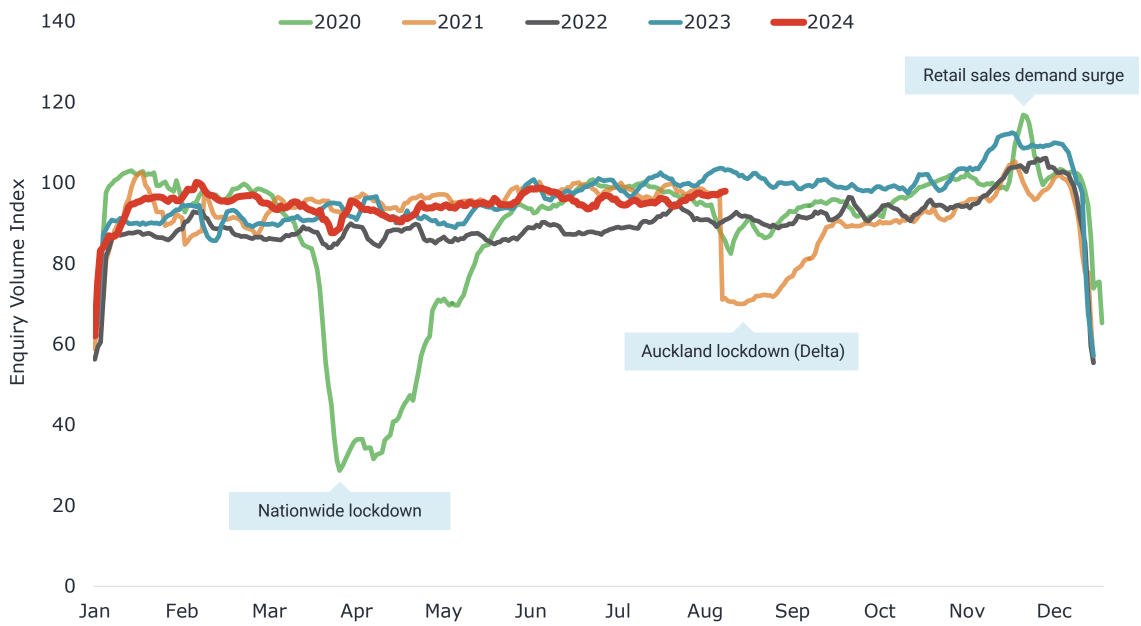
Overall consumer credit demand is down 3% compared to last year.

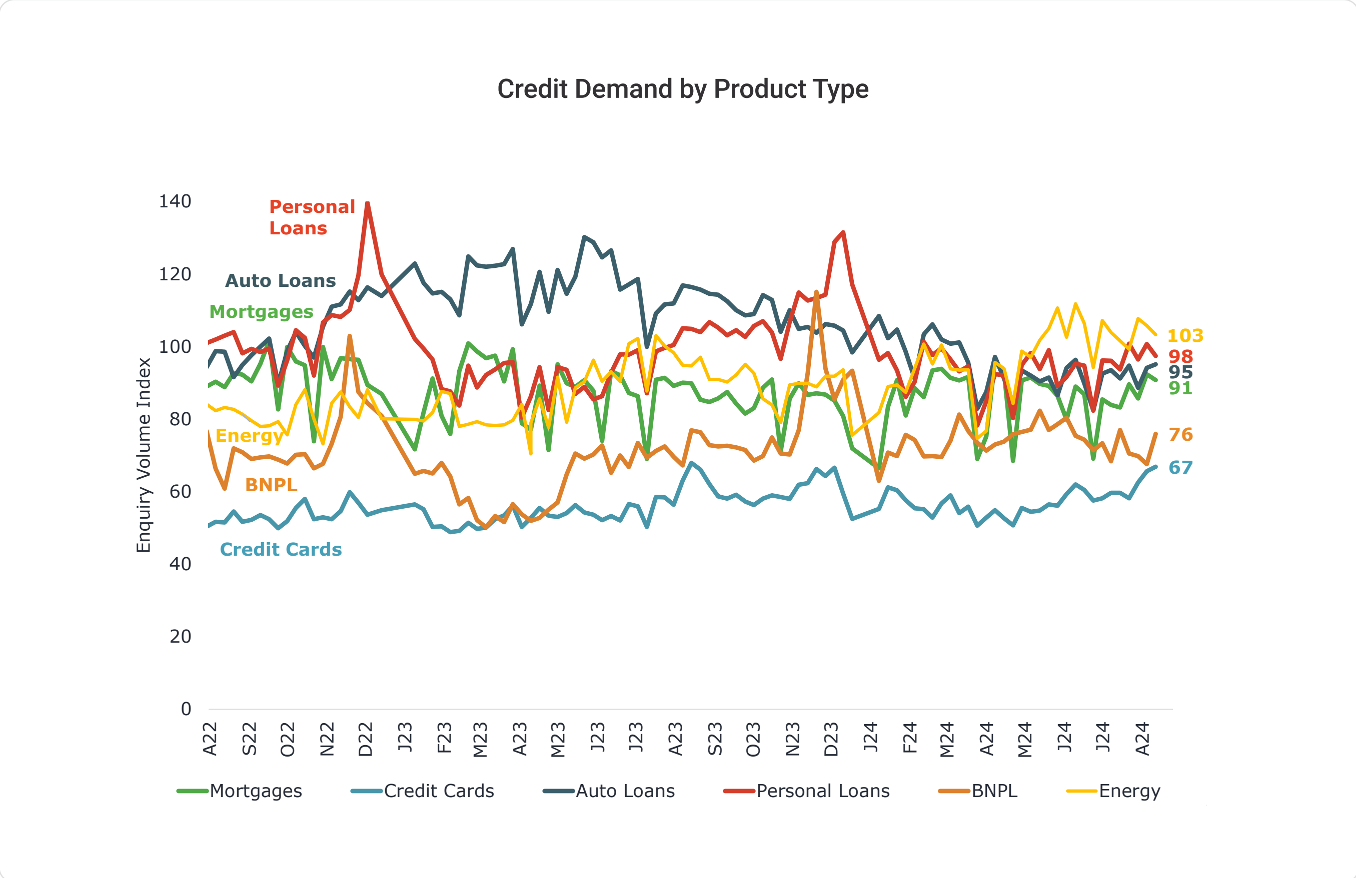
Year-on-year change %

Mortgages	-1.5%
Auto Loans	-22.1%
Credit Cards	+5.7%
Personal Loans	-1.4%
BNPL	+4.8%
Retail Energy	+8.9%

Year-on-year comparison of 3 month rolling averages

Consumer Credit Demand: 2020 - 2024



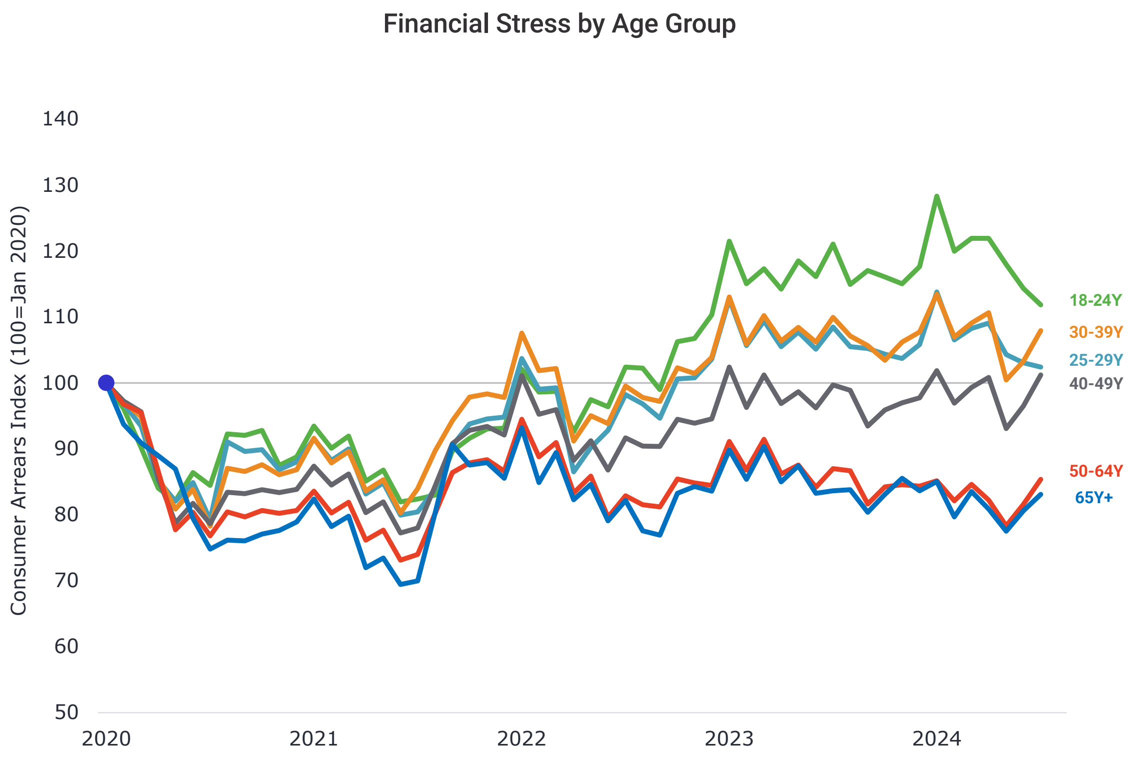

Credit Demand by Product Type
Personal Loans
Auto Loans
Mortgages
Energy
BNPL
Credit Cards
Enquiry Volume Index
140
120
100
80
60
40
20
0
A22
S22
O22
N22
D22
J23
F23
M23
A23
M23
J23
J23
A23
S23
O23
N23
D23
J24
F24
M24
A24
M24
J24
J24
A24
103
98
95
91
76
67
Mortgages
Credit Cards
Auto Loans
Personal Loans
BNPL
Energy

Financial stress

Markers of financial stress, namely consumer arrears, have improved for those under 30, but they remain for middle-aged consumers carrying home loans.

Consumers under 30 were among those hit hardest by the cost-of-living crisis, being more likely to experience cash flow problems with little savings to rely on. However, they have fared better in recent months as inflation has eased.

There are signs that consumers aged 30-49 are still experiencing debt stress, with many having home loan commitments. While consumers aged 50 or more are faring better with lower levels of arrears than pre-pandemic.



Markers of financial stress, namely consumer arrears, have improved for those under 30, but they remain for middle-aged consumers carrying home loans.

Financial hardship cases trend up

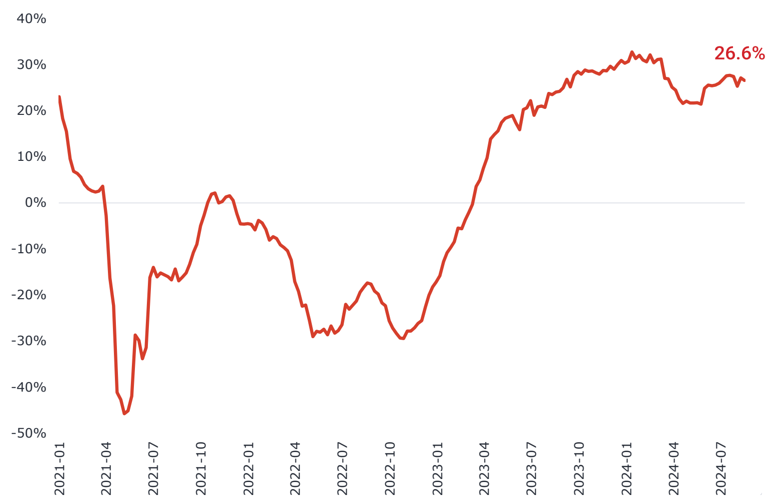
There has been an increase in financial hardship cases in the last month, up 350 to 13,850. These have been steadily rising since November 2022.

Year-on-year, the number of financial hardship accounts are up by 26.6%. 46% of these hardships relate to mortgage payment difficulties, whilst 29% relate to credit card debt and 17% to personal loan repayments.

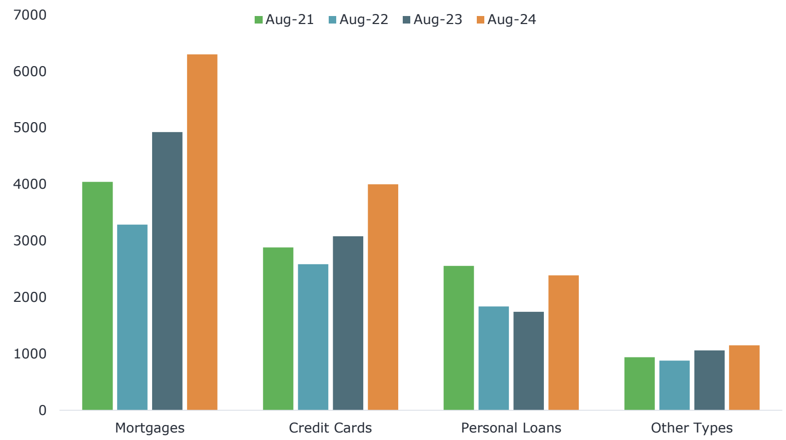
The proportion of credit application enquiries returning financial hardship alerts remain at 0.5%, with a 32% increase in consumer credit defaults listed over the last year.

There has been an increase in financial hardship cases in the last month, up 350 to 13,850.

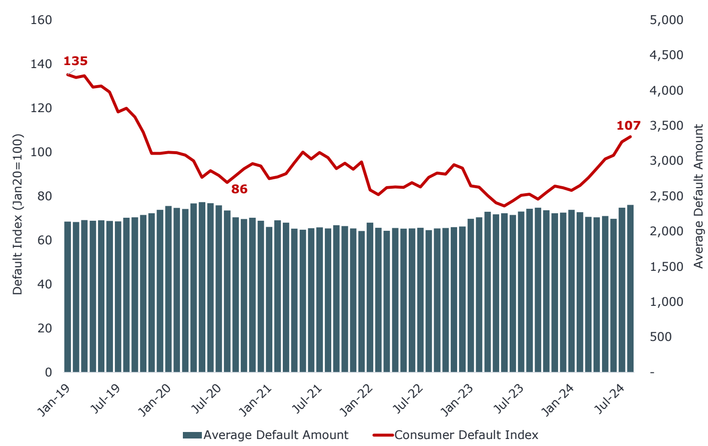
Annual Change in Financial Hardship Cases



Financial Hardship by Product Type



Credit Defaults up 32% on Last Year



Business defaults, liquidations climb

Across all industries aside from hospitality and retail trade, business defaults have risen year-on-year. Transport has seen the highest rise in business defaults, up 18% over the past 12 months.

Company liquidations are on the rise across most regions in the country, with overall liquidations up 19% year-on-year.

Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
Construction	+2%	+15%	757 ↓	+9%	2.1X
Hospitality	+9%	-9%	741 ↓	+27%	2.2X
Retail Trade	+6%	-5%	767 ↓	+36%	1.2X
Transport	-2%	+18%	730 ↓	+35%	2.0X
Property / Rental	+11%	+12%	814 ↓	+36%	0.8X
All Sectors	+6%	+1%	787 ↓	+19%	1.0X

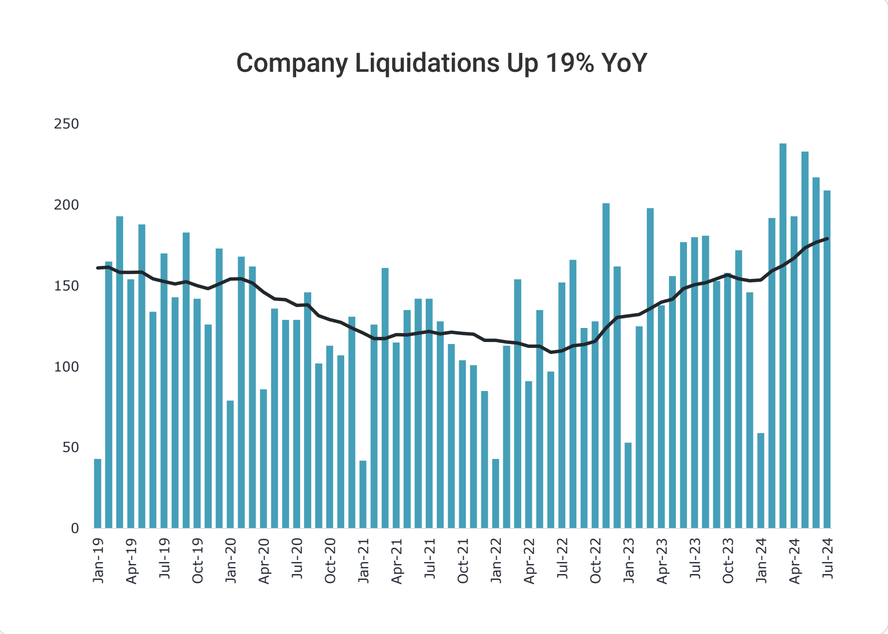
Company liquidations are on the rise across most regions in the country, with overall liquidations up 19% year-on-year.

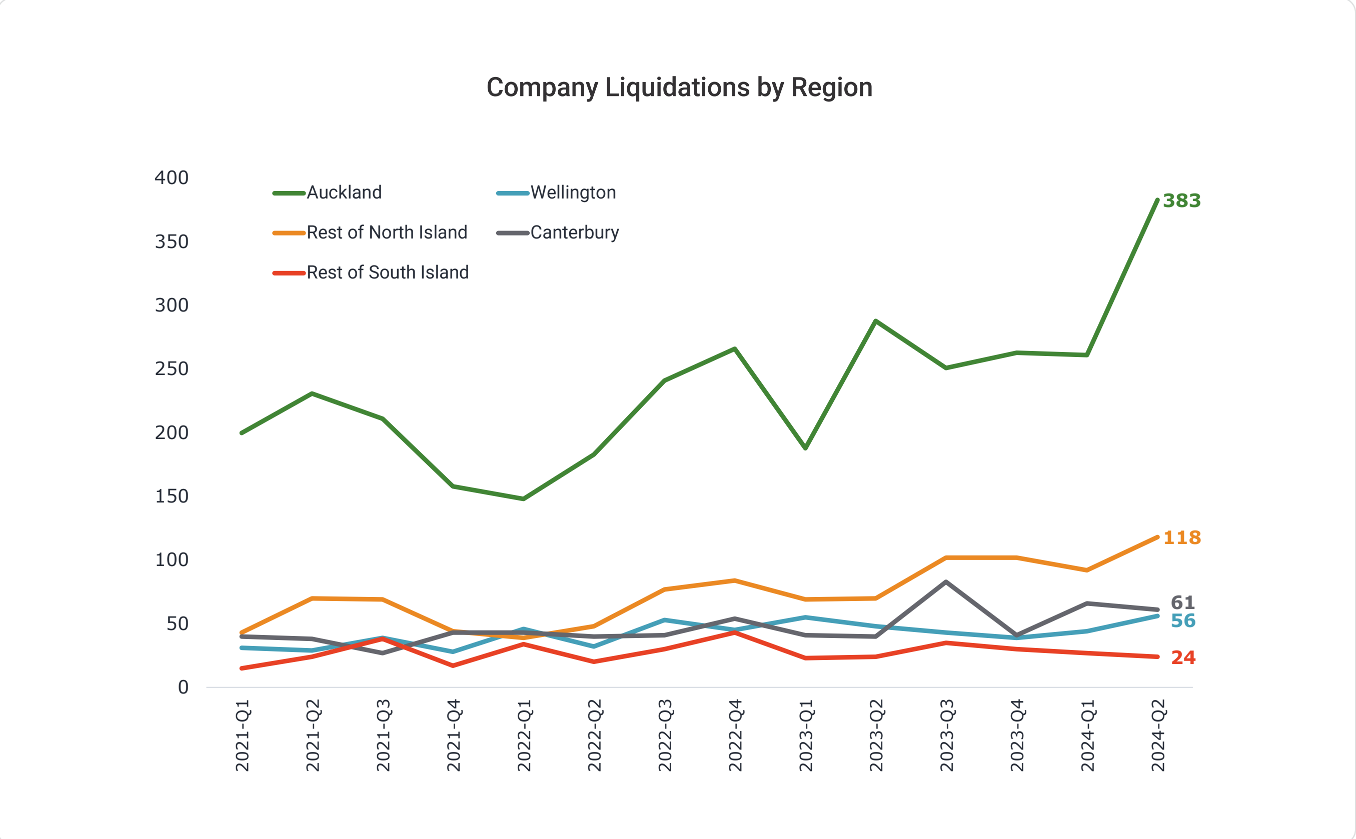
Regional liquidations on the rise

Auckland experienced a sharp increase in liquidations during the second quarter of this year, up 33% on the same period last year.

There were 147 company liquidations in the rest of the North Island (including the Wellington region) during Q2 of 2024, which is up 47% on the same period last year.

Meanwhile, there were 85 company liquidations in the South Island during Q2 of 2024, up 33% on the same period last year.





Auckland experienced a sharp increase in liquidations during the second quarter of this year, up 33% on the same period last year.

Spotlight on manufacturing

Over the last 12 months, manufacturing liquidations have increased by 15% compared to the previous year, with furniture and fabricated metal manufacturers experiencing the highest volume of liquidations.

With 25,000 registered manufacturing companies in New Zealand, they represent 3.5% of all registered companies across the country.

There were 120 manufacturing companies placed into liquidation during the year, compared to 104 liquidations in the prior 12-month period. This shows signs that the industry is still facing significant challenges with falling new orders and low production, as domestic demand remains weak.

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)				
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Δ Company Liquidations	Liquidation Rating
C - Manufacturing	**25,587**	**3.5%**	**3%**	**-6%**	**778**	**15%**	**1.6X**
Basic Chemical and Chemical Product Manufacturing	1,371	0.2%	2%	50%	744	-33%	1.8X
Beverage and Tobacco Product Manufacturing	1,647	0.2%	4%	-10%	779	75%	3.4X
Fabricated Metal Product Manufacturing	1,979	0.3%	-6%	14%	770	45%	3.5X
Food Product Manufacturing	4,188	0.6%	17%	5%	759	82%	0.7X
Furniture and Other Manufacturing	2,768	0.4%	43%	15%	788	-38%	3.0X
Machinery and Equipment Manufacturing	5,214	0.7%	-4%	-13%	766	100%	0.3X
Printing	1,520	0.2%	-14%	4%	786	-22%	0.2X
Textile, Leather, Clothing and Footwear Manufacturing	1,336	0.2%	6%	-25%	789	80%	1.6X
Transport Equipment Manufacturing	1,404	0.2%	8%	-27%	785	-14%	1.2X
Wood Product Manufacturing	1,148	0.2%	-8%	-47%	786	-50%	0.0X

Over the last 12 months, manufacturing liquidations have increased by 15% compared to the previous year.

Last updated August 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:

- 91 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.