



September Credit Indicator



Credit challenges remain for Kiwi households and businesses

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

Aotearoa New Zealand narrowly avoided a technical recession recently, with the GDP falling 0.2% in the June 2024 quarter following a downward revision to the March quarter.

Although the economic data is soft, the results are somewhat of a relief for many, indicating the June quarter itself turned out to be no worse than what we've seen over the last couple of years.

Despite this, it seems households are continuing to face challenges in when it comes to credit arrears and repayments. The number of consumers behind on their payments rose slightly month-on-month by 1%.

One silver lining we've seen is a small downturn in consumer arrears over 30+ days past due, which improved by 2% year-on-year.

But while overall arrear trends flatten out, this level is above pre-Covid levels and suggests the cost-of-living crisis is continuing to squeeze households.

While overall consumer credit demand is down 4% compared to last year, new credit card application enquiries have risen to their highest level since November since 2021, indicating consumers are increasingly seeking alternative methods to handle their payments.

Financial hardship cases - an indicator of personal financial strife - have been rising overall since November 2022.

Although they are up 24% year-on-year, which is reflective of the current tough economic environment across the country, it is positive to see consumers are taking sensible steps to protect and rectify their declining financial situations before they reach emergency state.

Turning to the business credit side of things, New Zealand's economic challenges are being felt more acutely.

Business credit defaults are up (5%) across all industries, with the transport and construction industries particularly badly hit, and non-residential building construction firms experiencing the highest annual liquidation rate increase on a year-on-year basis.

Small businesses, in particular, have been facing higher levels of mortgage stress in the last couple of years, with sole proprietors who own two or more businesses experiencing more than double the level of debt stress compared to non-business owners.

This often results in these sole proprietors leveraging their home equity to fund their businesses and maintain operations.

Furthermore, the construction sector continues to hurt, representing one in four companies placed into liquidation. In the last 12 months, 546 construction companies were liquidated.

Non-residential building construction firms are experiencing the highest annual increase in liquidations, up 78% from last year.

As we move into the final few months of the year, it's imperative those seeking to safeguard their financial future seek out sound advice as early as possible to prepare for the next few months and beyond.

Keith McLaughlin
Managing Director



Consumer arrears continue to stabilise

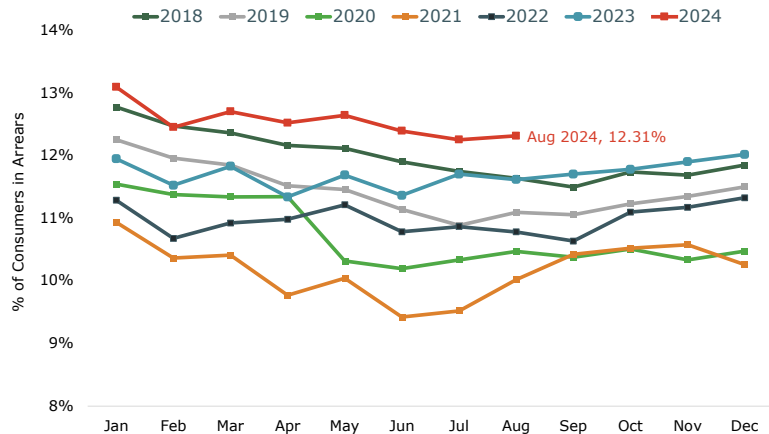
The number of New Zealand consumers behind on their payments has risen slightly to 461,000, up 5,000 month-on-month, equating to 12.31% of the credit active population.

The current arrears level is 6.0% higher year-on-year, tracking just above 2018 levels after coming off historic lows.

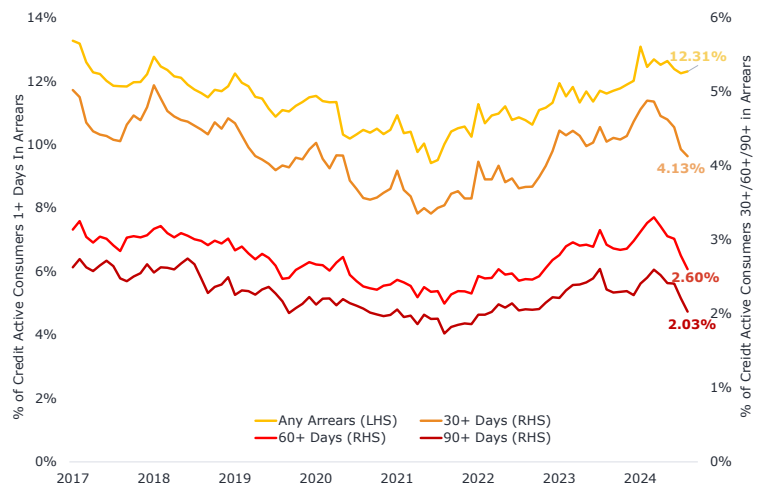
Arrears are expected to rise during the late spring – early summer period in line with seasonal trends, although the number of consumers who are 30+ days in arrears has improved by 2% year-on-year.

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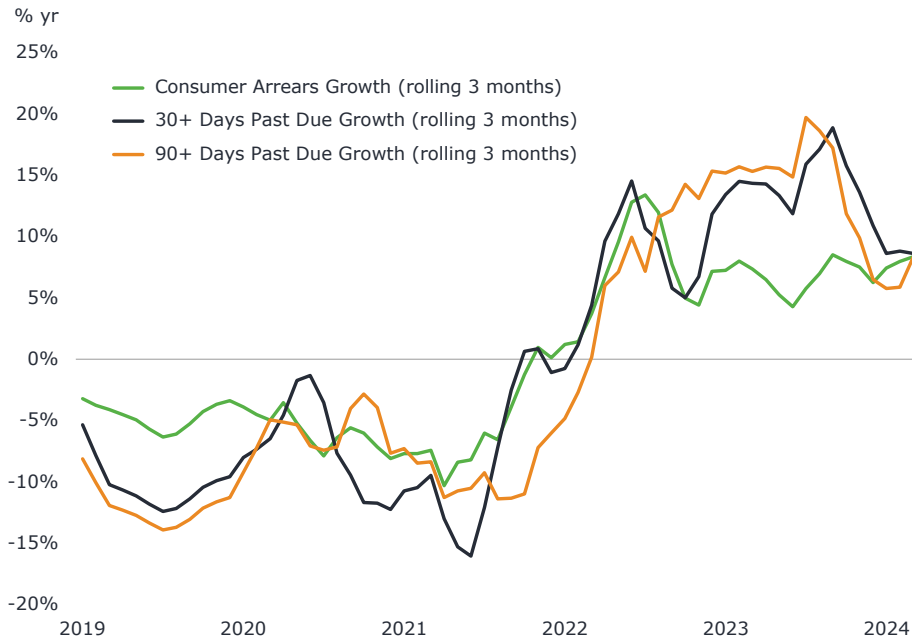
Consumer Arrears Trends



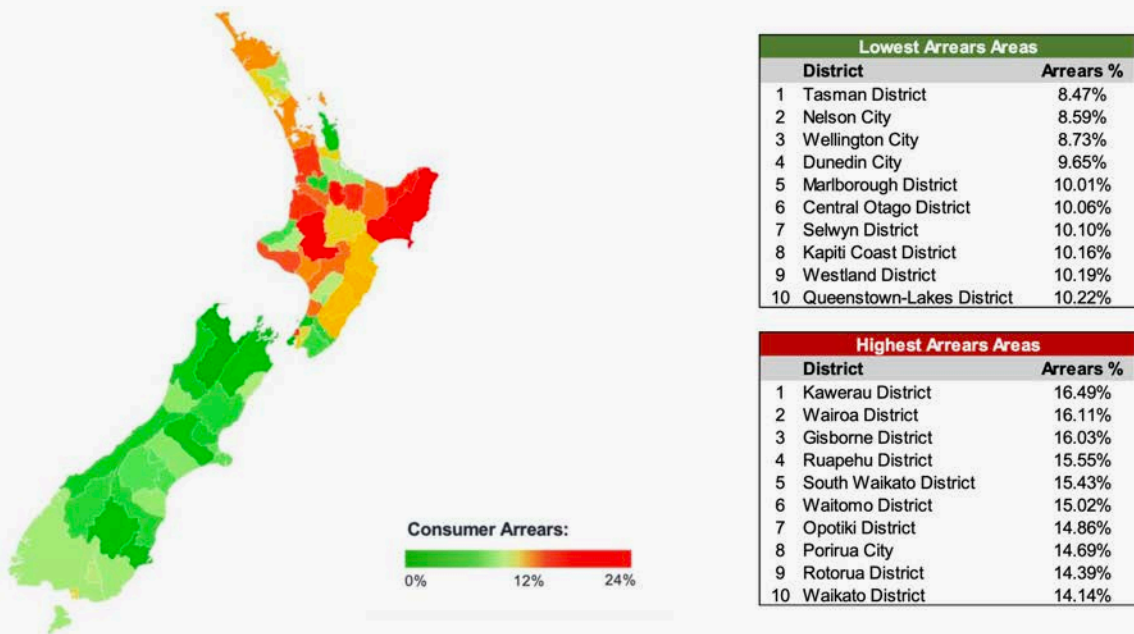
Consumer Arrears: 1+/30+/60+/90+ days past due



Growth in consumer arrears subsiding



Consumer arrears across the country



A mixed bag of credit card, auto loan, telco and utilities arrears

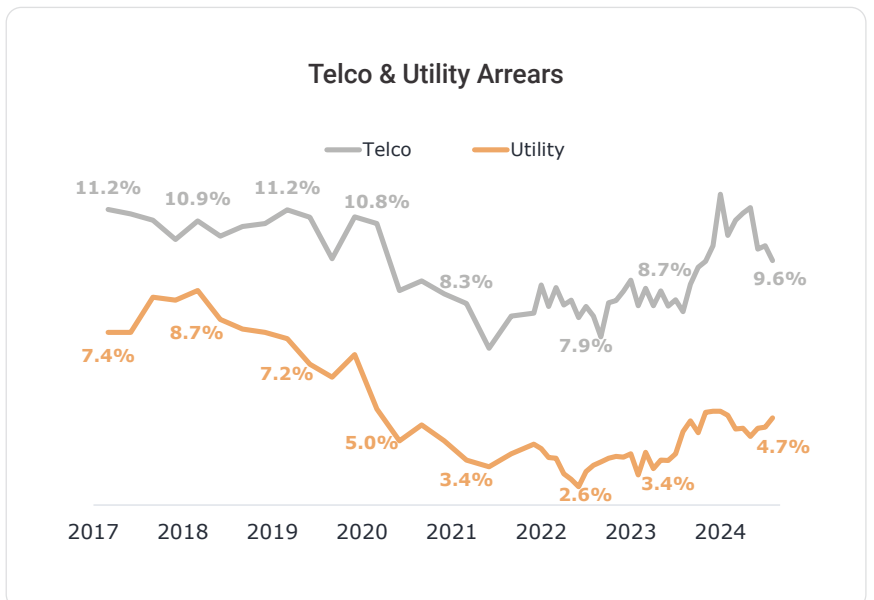
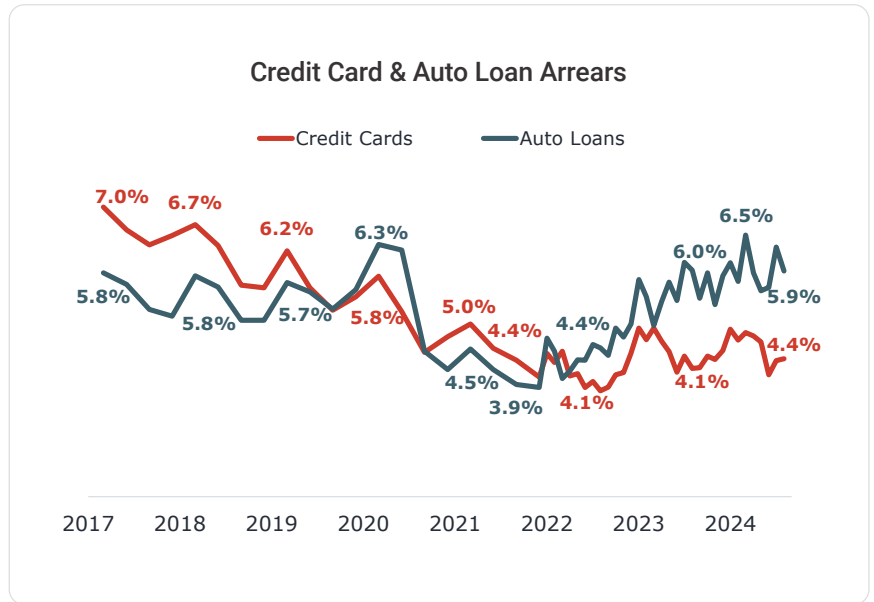
Credit card arrears increased slightly to 4.4% in August, up from 4.2% in the same period last year.

Meanwhile vehicle loan arrears declined to 5.9% in August, which is unchanged year-on-year.

The proportion of households that are behind on retail energy payments rose slightly to 4.7% in August, as households faced higher power costs over the final weeks of winter.

The percentage of telco / communication accounts that are reported past due fell below 10% for the first time since November 2023.

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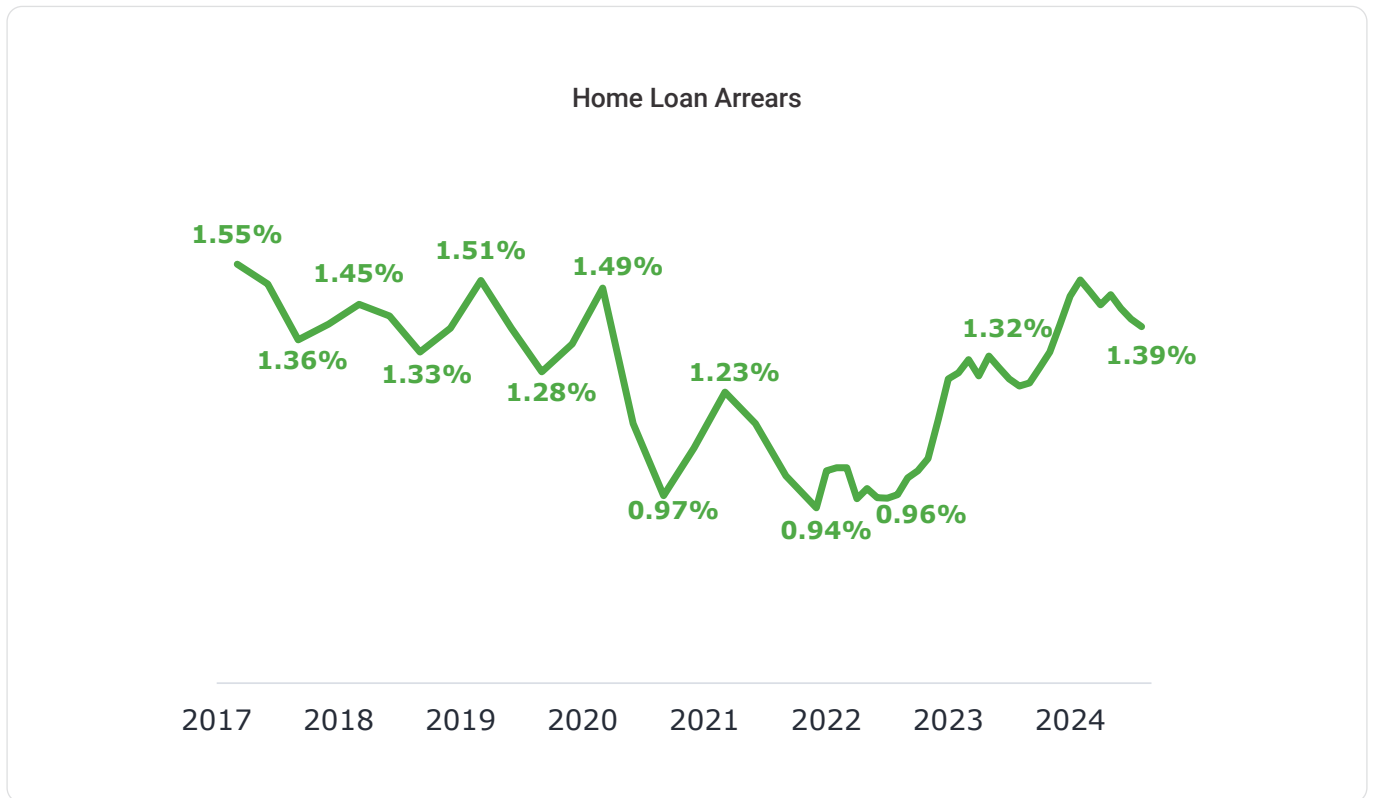


Mortgage delinquencies improve

Mortgage delinquencies improved in August, down 300 from last month, with 20,700 home loans reported as past due.

However, this figure is still 12% higher year-on-year. Looking at residential mortgages in arrears, these fell by 1.39% in August (slightly down from 1.41% in July), which is comparable to 2019 levels.

Mortgage demand remains subdued, with new home loan application enquiries up just 0.2% year-on-year.



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New home lending

Approved new mortgage lending is up 7.8% in the August quarter compared to the same period last year, but still 32% lower than the same period in 2021 during the property market boom.

Non-mortgage new lending (credit cards, vehicle/personal loans, BNPL and overdrafts) is down 14.2% year-on-year, which reflects the significantly lower volumes of new car sales compared to last year, especially EV sales.

Overall new household lending is 5.5% higher on a year-on-year basis.



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Personal loan summary

There are currently 280,000 consumers currently holding a personal loan, of which there are over 45,000 borrowers holding multiple personal loans. The default risk increases with the number of loans consumers hold.

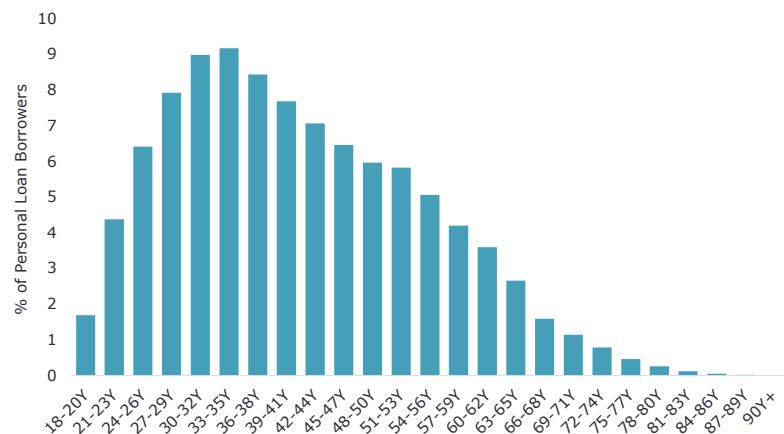
Personal loan arrears rose during the cost-of-living crisis, although these trends have eased in recent months. 30+ days arrears at 24 months on the book have risen from 3.7% to 5.1% since the beginning of 2020.

There have been 138,000 new personal loan accounts opened in the last 12 months, down 18% on the prior year.

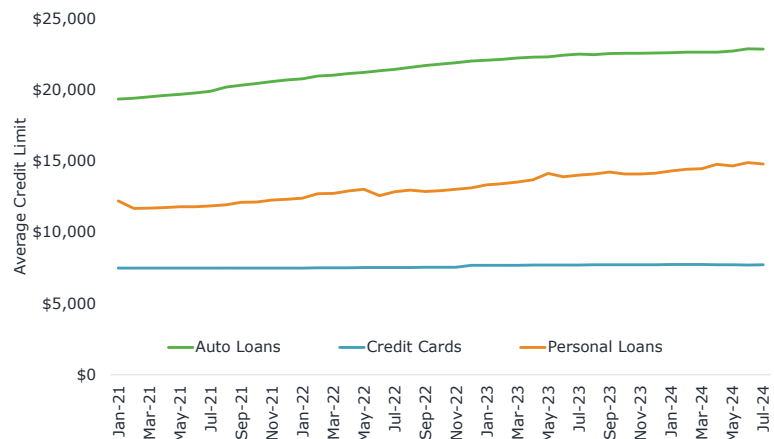
The average age of the typical personal loan customer is 42 years old, compared to 55 years old for credit card customers. The average borrowing amount is sitting at \$14,800 per active account, which is \$3,000 higher than since the beginning of 2021.

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Personal Loan Borrowers: Age Profile



Average Borrowing Amount

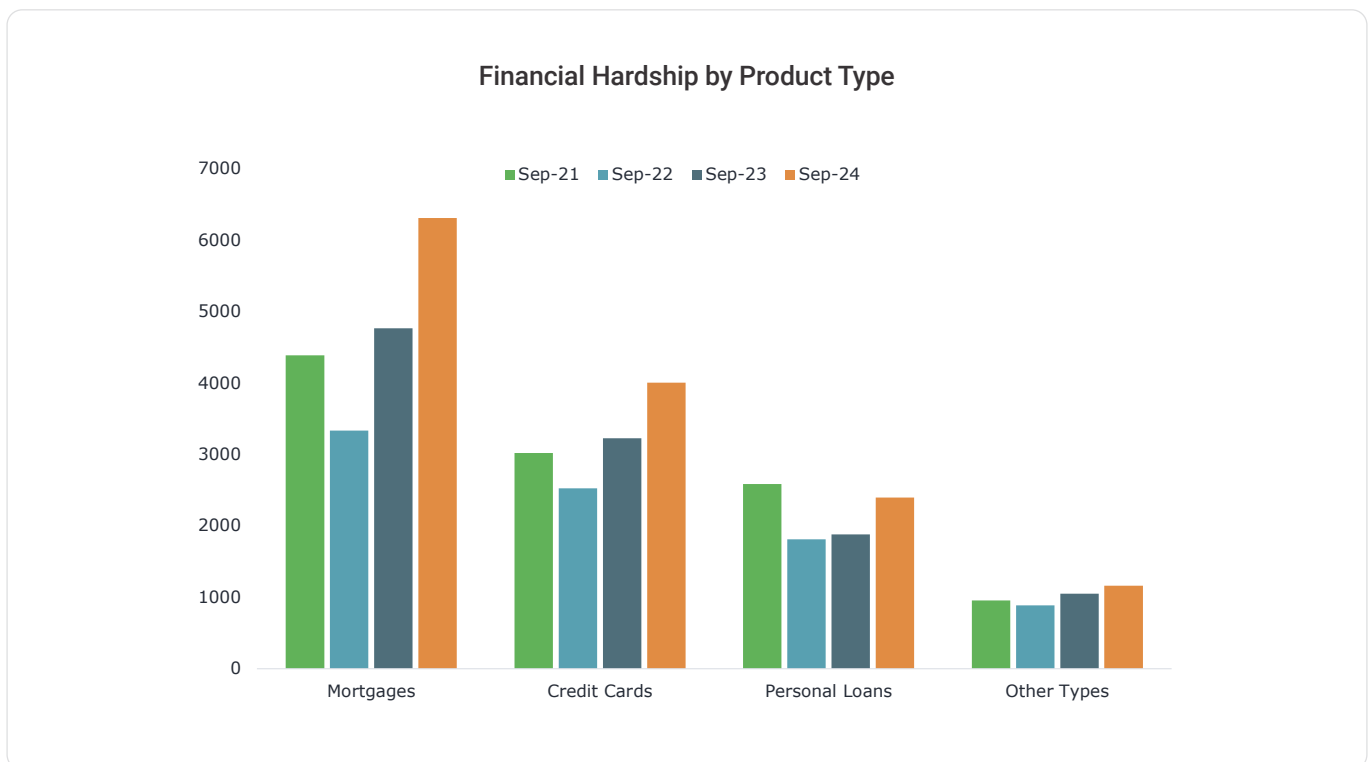
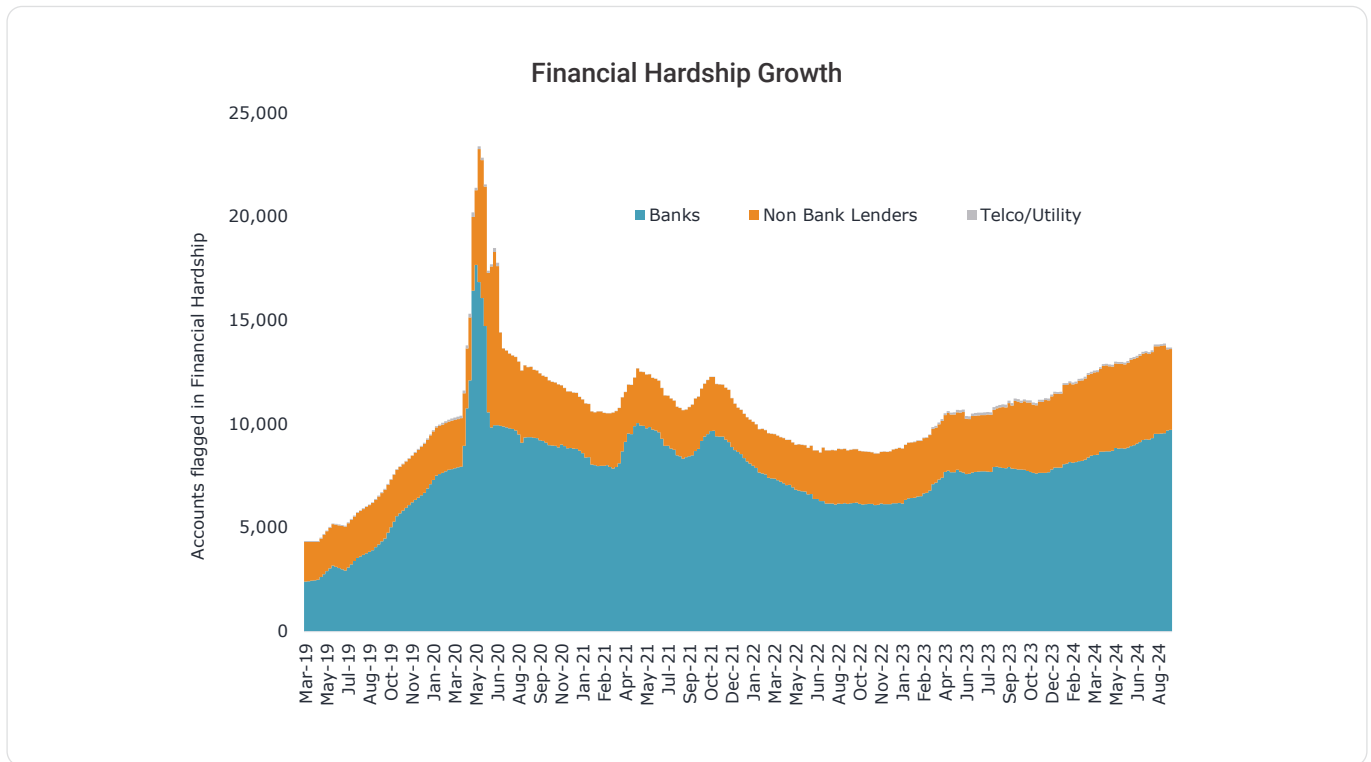


Financial hardship cases up

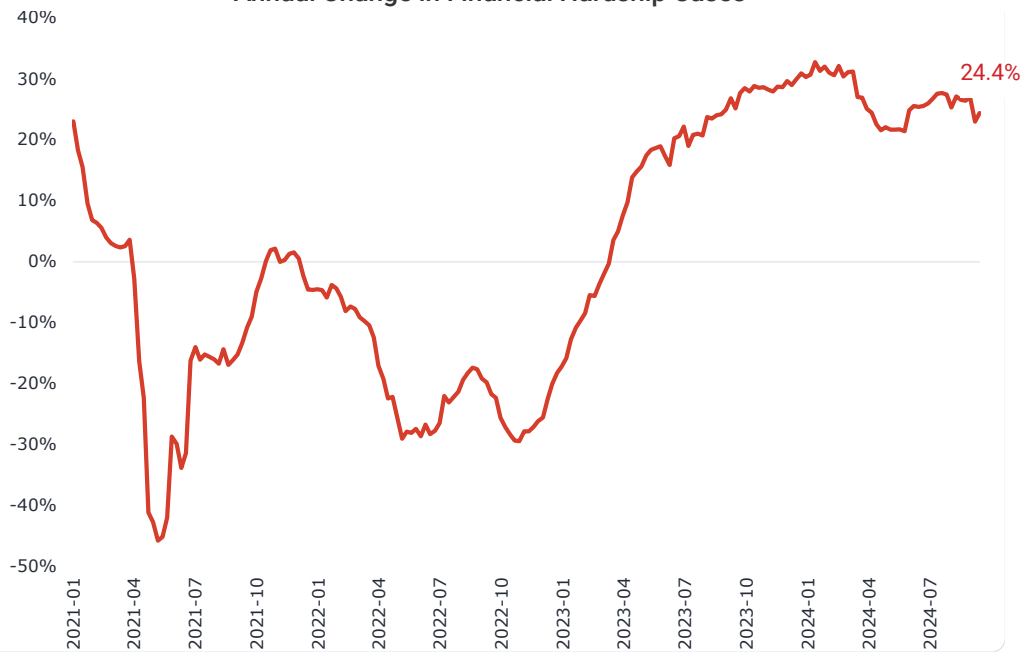
Financial hardship cases are up 24% year-on-year. These cases, which are an indicator of financial strife, have been rising on the whole since November 2022.

45% of hardships relate to mortgage payment difficulties, with 29% relating to credit card debt, and 17% to personal loan repayments.

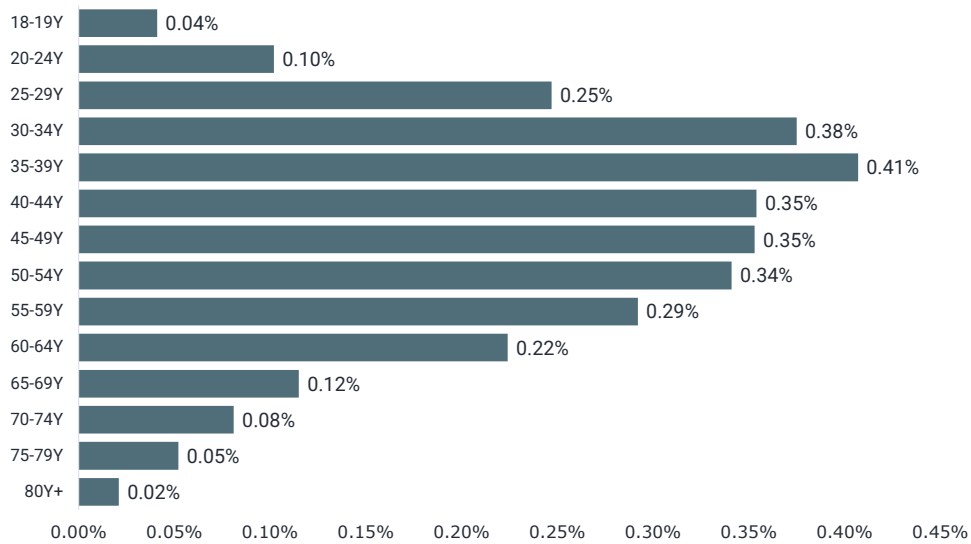
The highest rate of financial hardship is with those aged between 35 and 39 years old.



Annual Change in Financial Hardship Cases



Financial Hardship Rate by Age Group



Financial hardship cases are up 24% year-on-year.

Business credit defaults up overall

Business credit defaults are up 5% across all sectors in Aotearoa, with the transport and construction industries particularly badly hit, sitting at +25% and +22% year-on-year respectively.

Company liquidations across the country are up 19% year-on-year.







	Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
	Construction	+4%	+22%	756 ↓	+17%	2.2X
	Hospitality	+7%	-10%	740 ↓	+31%	2.3X
	Retail Trade	+8%	-2%	767 ↓	+6%	1.1X
	Transport	+0%	+25%	729 ↓	+44%	2.0X
	Property / Rental	+11%	+13%	813 ↓	+36%	0.9X
	Manufacturing	+5%	-4%	777 ↓	+17%	1.6X
	All Sectors	+7%	+5%	786 ↓	+19%	1.0X

Table above shows 'year-on-year' comparisons using 12 month rolling averages.
The Liquidation rating is the proportion of liquidations divided by the proportion of businesses in a given sector.

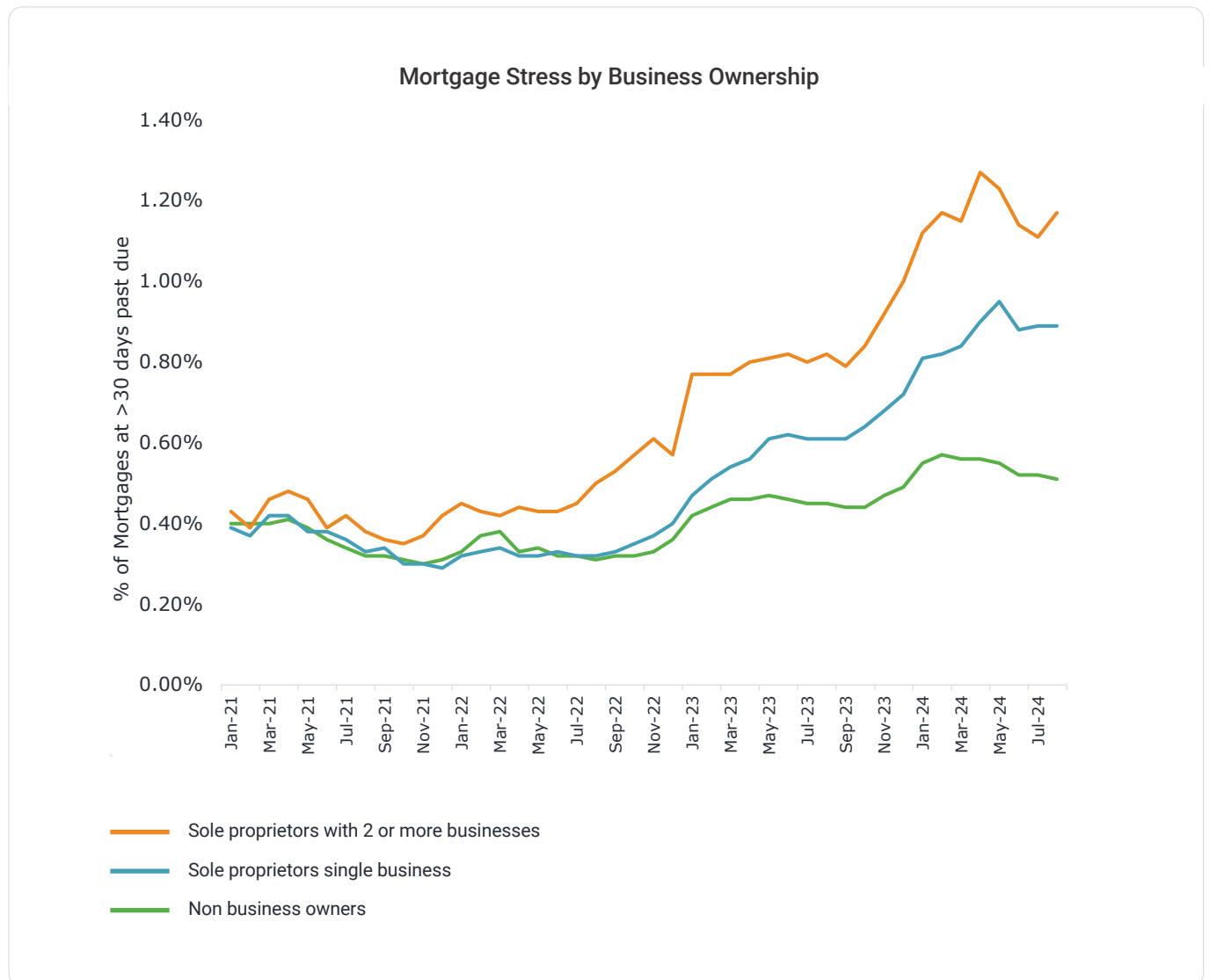
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Small business mortgage stress

Small business owners have been facing higher levels of mortgage stress in the last couple of years.

Higher levels of mortgage stress are present for sole proprietors compared to that of non-business owners, although in recent months this has plateaued.

Sole proprietors who own two or more businesses are experiencing more than double the level of debt stress compared to non-business owners.



Small business owners have been facing higher levels of mortgage stress in the last couple of years.

Spotlight on the construction sector

There were 546 construction companies placed into liquidation during the past 12 months, with companies from this industry more than twice as likely (2.2x) more likely to fail than the typical New Zealand business.

Construction companies represent 12% (84,000) of all registered companies across the country, with 26% of liquidations across all sectors coming from the construction industry.

Non-residential building construction firms are experiencing the highest annual liquidation rate increase on a year-on-year basis.

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)				
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Δ Company Liquidations	Liquidation Rating
Construction	84,362	11.5%	4%	22%	756	17%	2.2X
Building Construction	27,958	3.8%	9%	28%	744	17%	2.9X
Non-Residential Building Construction	1,077	0.1%	19%	56%	736	78%	5.1X
Residential Building Construction	26,881	3.7%	8%	27%	744	14%	2.8X
House Construction	18,811	2.6%	7%	22%	734	13%	3.2X
House Renovation	3,545	0.5%	23%	15%	752	-44%	1.0X
Construction Services	45,471	6.2%	3%	20%	745	23%	2.1X
Building Completion Services	11,836	1.6%	2%	26%	718	5%	1.8X
Building Installation Services	16,203	2.2%	1%	19%	784	52%	1.4X
Building Structure Services	4,224	0.6%	-5%	46%	700	41%	3.9X
Land Development and Site Preparation Services	6,313	0.9%	16%	-2%	732	-18%	2.3X
Other Construction Services	6,895	0.9%	0%	10%	716	57%	2.9X
Heavy and Civil Engineering Construction	2,158	0.3%	-5%	-5%	728	11%	3.3X

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Last updated September 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:

- 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.

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