



# October Credit Indicator

**CENTRIX**

**Arrears remain high for Kiwi households as the festive season approaches.**

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

The Reserve Bank of New Zealand recently announced inflation fell to 2.2% in the September 2024 quarter, down from 3.3% in the June quarter, now sitting comfortably within the Reserve Bank's target band of 1 to 3 percent.

Given the inflation outlook, economists are predicting monetary policy settings will move back towards a neutral stance, which could see the official cash rate (OCR) drop to a low point of 3.5 percent, from the current rate of 4.75 percent.

Although these movements point to economic optimism on the horizon, credit insights from the last month reveal a bumpier road ahead for consumers and businesses across the country.

The number of Kiwis behind on their payments are down slightly to 458,000 (-3,000 month-on-month), however current arrears levels are 3.5% higher year-on-year, tracking just above 2018 levels.

We expect arrears to rise over the summer period, in-line with forthcoming festive spending and wider seasonal trends.

Mortgage arrears and applications are also on the rise, with the latter metric indicating a property market showing fledgling signs of recovery over spring.

Our new to credit data, which examines customer uptake of credit products for the first time, indicates Buy Now Pay Later (BNPL) has been the most popular first credit product by far since 2018. The peak in uptake has tapered off since 2021, with telco product uptake on the rise again.

Whilst consumer financial hardship cases are down slightly (-400) month-on-month, they have been rising overall since November 2022.

Whilst this trend might seem initially concerning, it is positive to see consumers taking proactive steps (through filing for financial hardship) to safeguard their financial future.

Turning to the business credit side of things a sombre picture emerges.

Credit defaults are up on average by 16% across the board, with the transport and construction industries worst affected.

Company liquidations are up 25% year-on-year, the highest monthly total in 10 years, with the construction industry continuing to see the highest proportion of these liquidations.

Looking at the hospitality sector, the last 12 months has seen a 34% increase in company liquidations from this sector, with cafes, coffee shops, restaurants, pubs, and clubs particularly badly hit.

With the festive season and the end of the year fast approaching, the data suggests these acute challenges will continue to bite.

It's therefore imperative that both businesses and consumers plan for these challenging times, taking stock of where they're currently at and seeking advice from trusted advisors where needed.

This will ensure they are in the best place possible to navigate the continued bumps in the road ahead.

**Keith McLaughlin**  
Managing Director



## Overall consumer arrears continue to ease

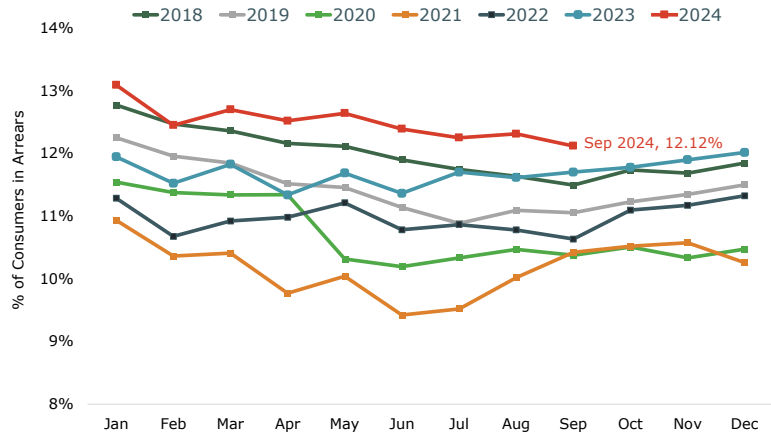
The number of people behind on their payments has fallen slightly to 458,000, down 3,000 month-on-month. This equates to 12.12% of the credit active population.

The current arrears level is 3.5% higher year-on-year, tracking just above 2018 levels.

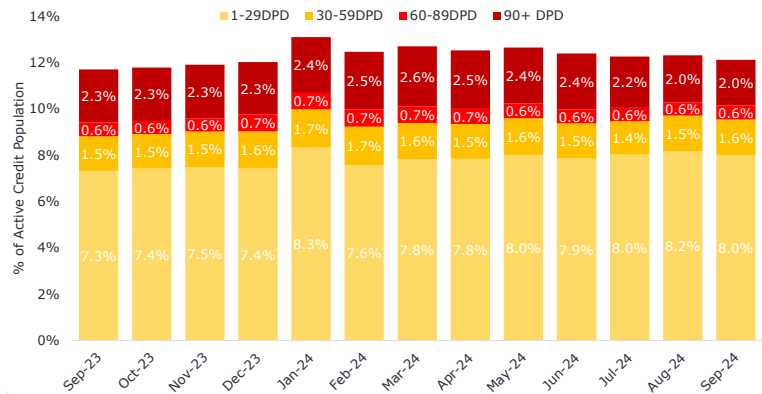
The number of consumers 30+ days past due is sitting at 156,000, of which 74,000 are at 90+ days in arrears.

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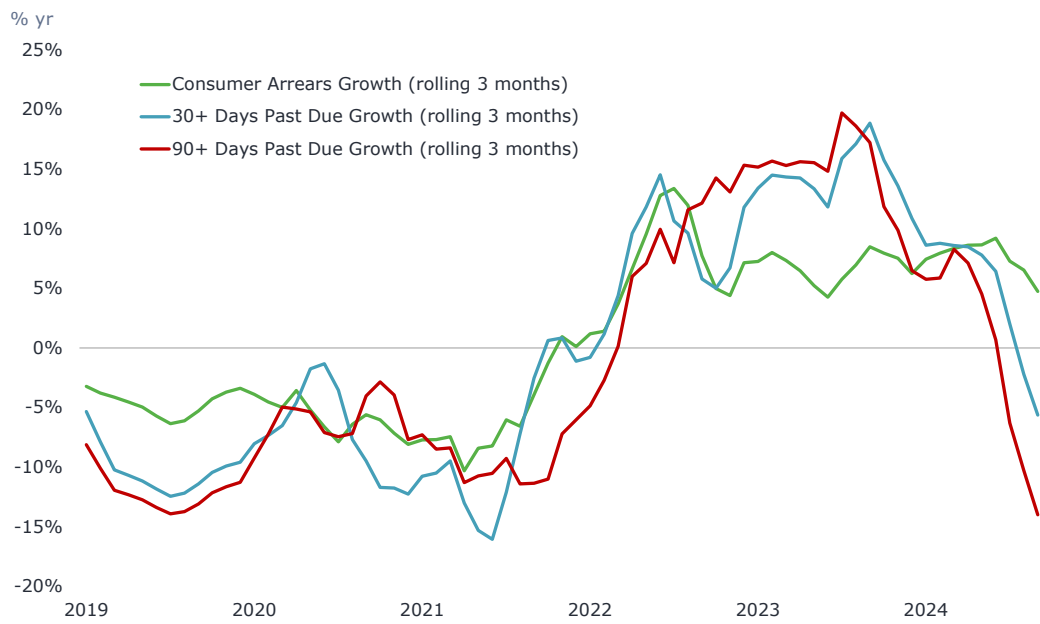
### Consumer Arrears Trends



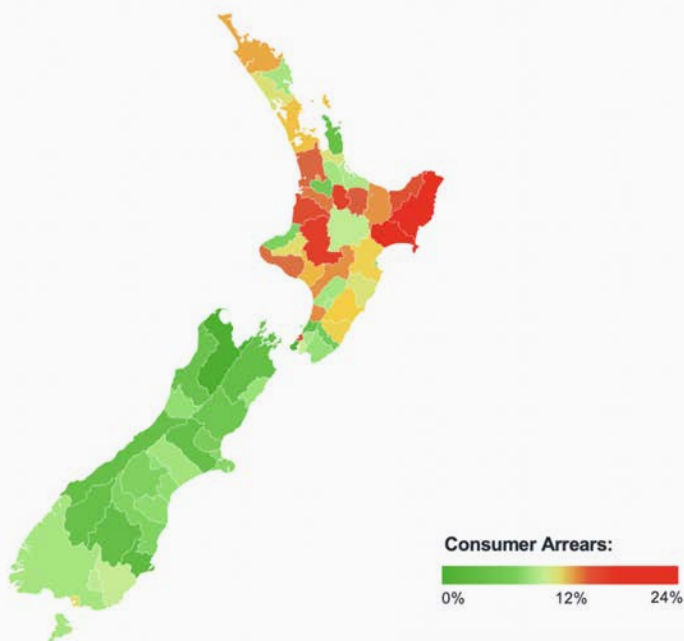
### Consumer Arrears Trends by Days Past Due



### Consumer arrears trending down



### Consumer arrears across the country



Lowest Arrears Areas	
District	Arrears %
1 Tasman District	8.19%
2 Nelson City	8.24%
3 Wellington City	8.77%
4 Dunedin City	9.34%
5 Central Otago District	9.63%
6 Selwyn District	9.67%
7 Hurunui District	9.77%
8 Queenstown-Lakes District	9.80%
9 Kapiti Coast District	9.96%
10 Marlborough District	9.99%

Highest Arrears Areas	
District	Arrears %
1 Kawerau District	17.58%
2 Wairoa District	16.83%
3 Opotiki District	16.15%
4 Gisborne District	15.92%
5 Ruapehu District	15.36%
6 South Waikato District	15.23%
7 Porirua City	14.67%
8 Rotorua District	14.66%
9 Whakatane District	14.58%
10 South Taranaki District	14.40%

## A mixed bag of specific account arrears

Vehicle loan arrears rose in September, up 6.4%, compared to 5.4% for the same month last year.

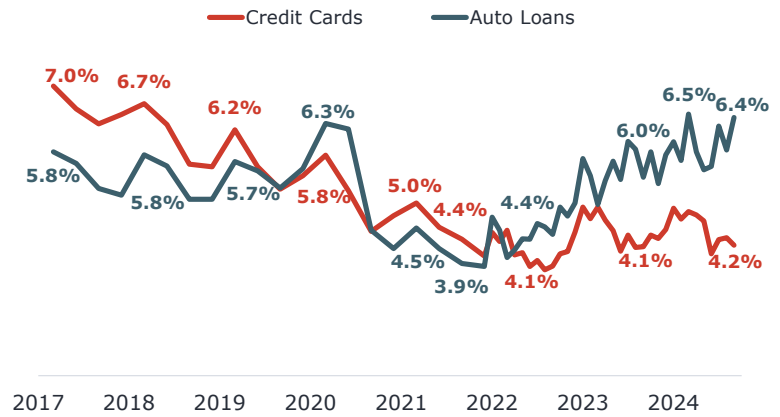
Credit card arrears decreased slightly to 4.2% in September, which is unchanged from September last year.

Personal loan arrears held steady at 8.9% in September, with retail energy arrears unchanged at 4.7% for the month.

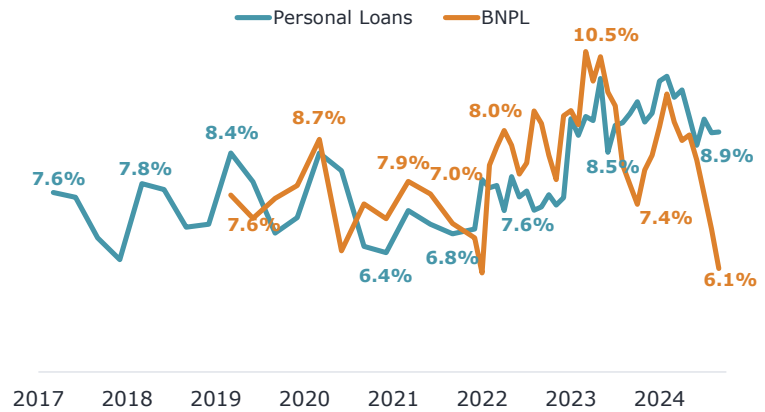
Meanwhile, Buy Now Pay later (BNPL) arrears dropped again to 6.1%, the lowest level since January 2022, whilst telco/communication account arrears held flat at 9.7% in September.

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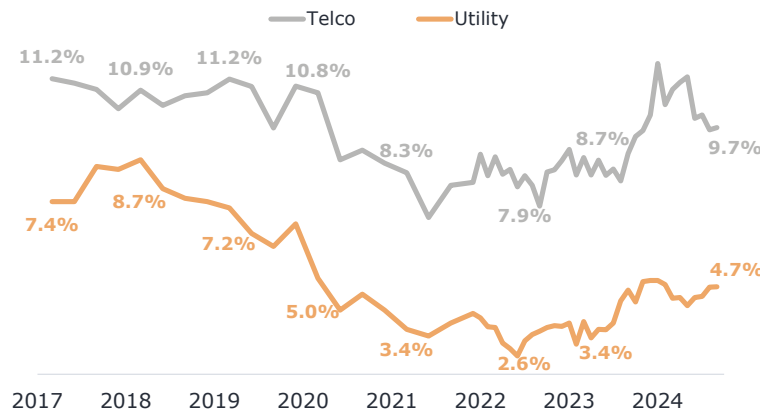
### Credit Card & Auto Loan Arrears



### Personal Loan and BNPL Arrears



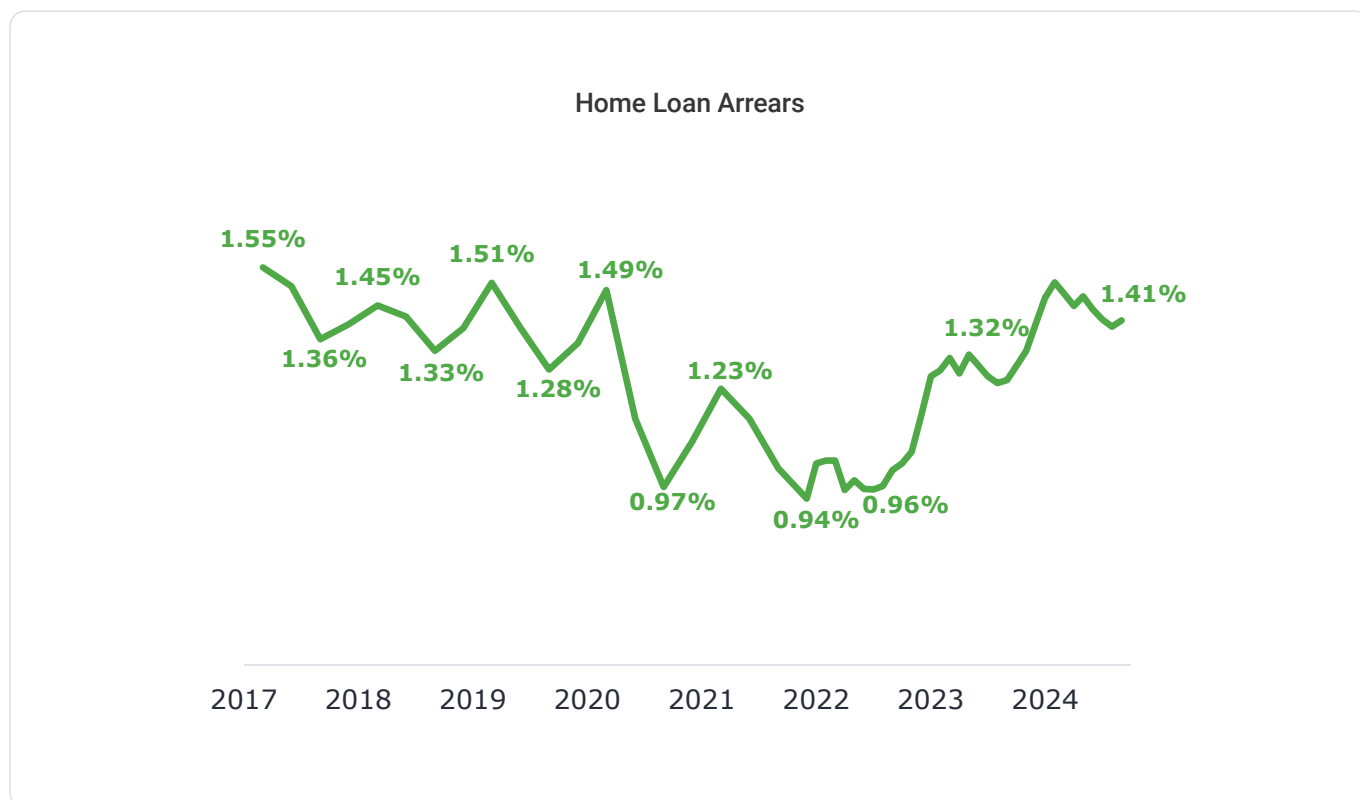
### Telco and Utility Arrears



## Mortgages arrears and applications on the rise

Mortgage arrears rose slightly in September, with 21,200 home loans past due, marking a 13% year-on-year increase.

Mortgage applications also rose by 4% compared to the same period last year as the housing market shows fledgling signs of recovery during spring.

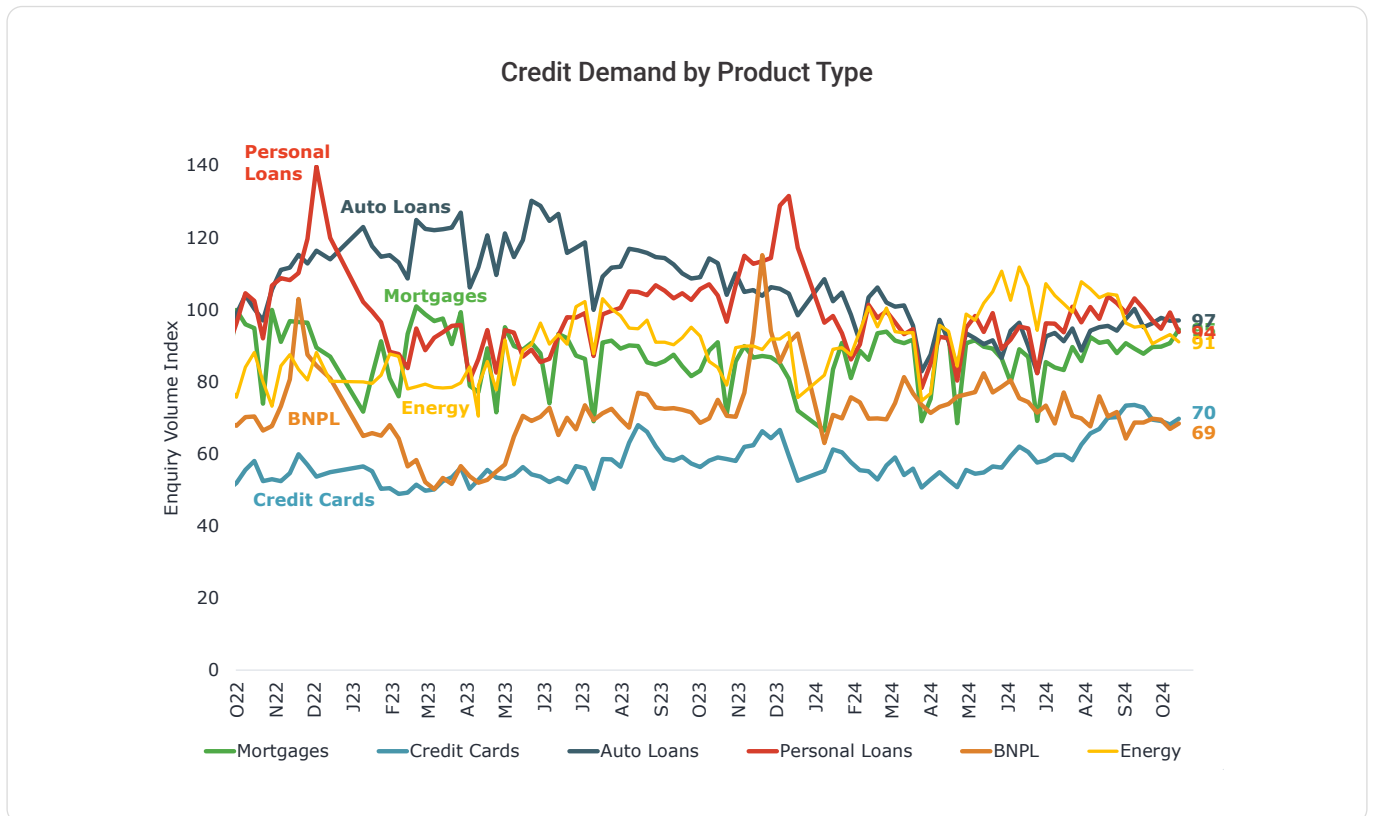
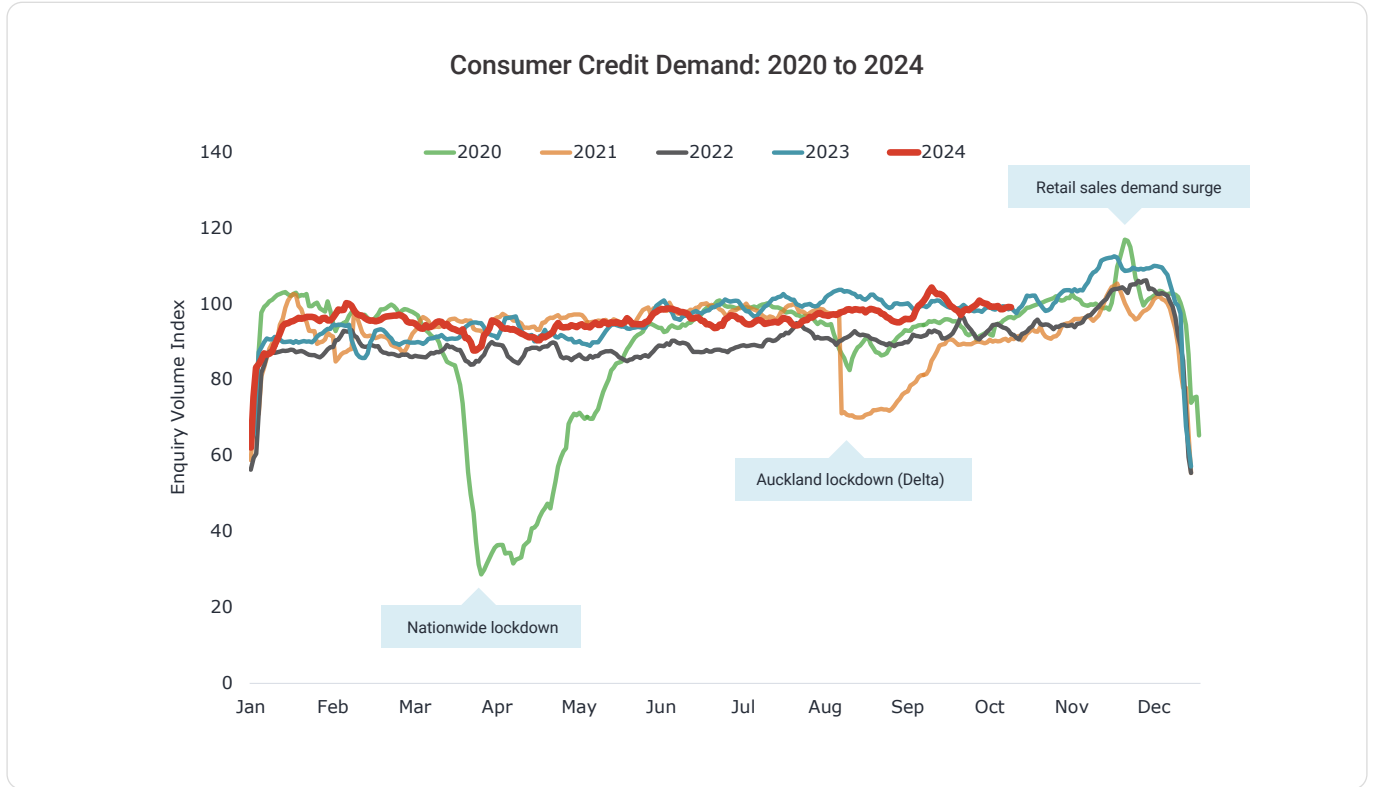


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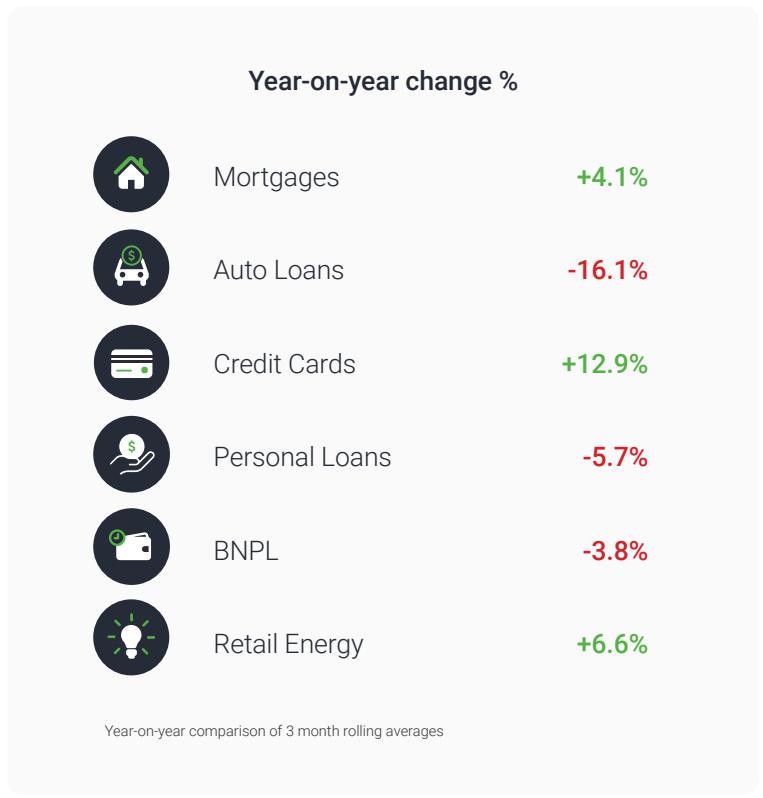
## Consumer credit demand declines

Overall consumer credit demand is down 2% compared to last year, although the rate of decline is slowing.

Credit card demand continues to rebound, up 13% on last year, while demand for vehicle finance is down 16% from last year.



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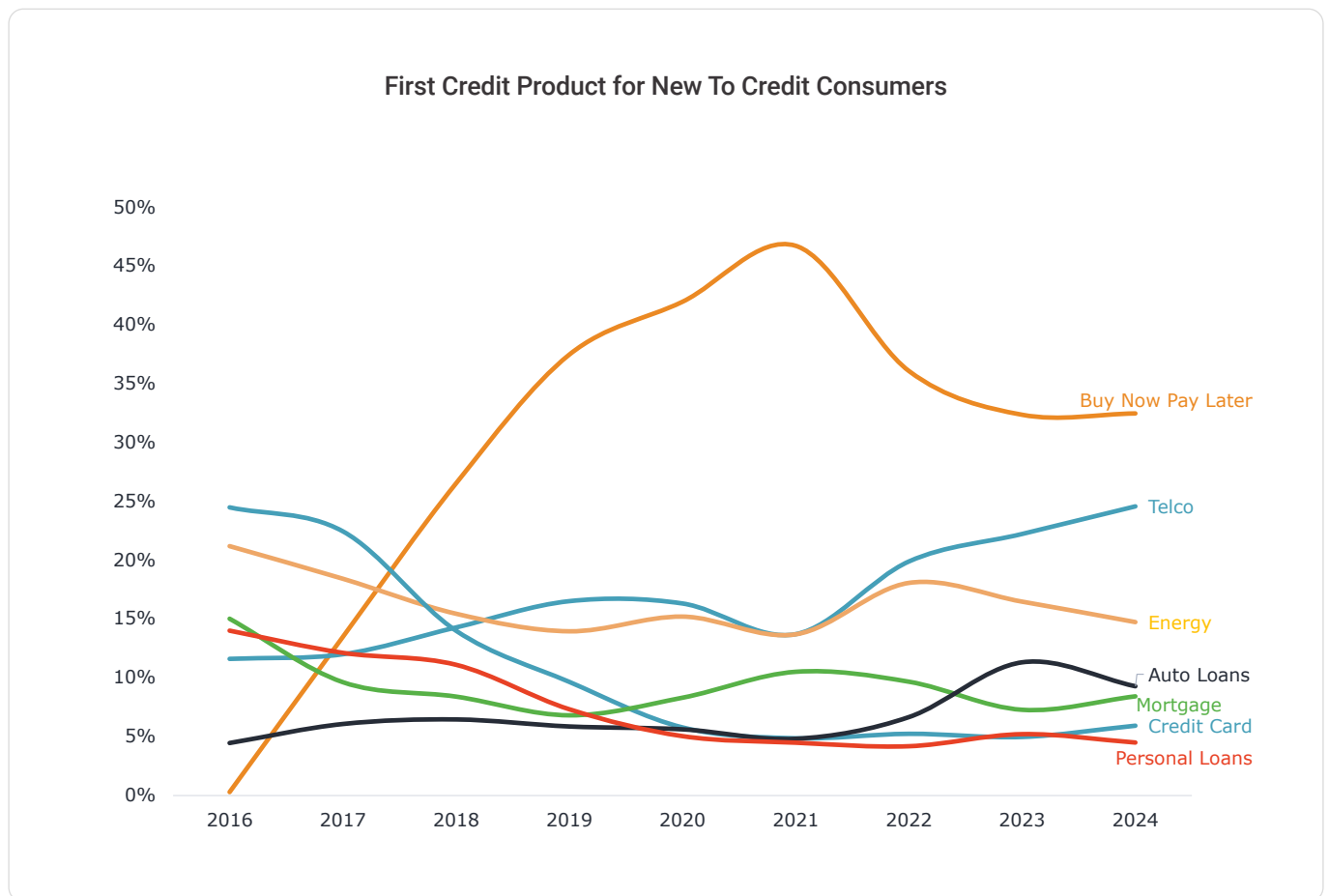


## New to credit customer shifts

New to credit are consumers who are taking up credit products for the first time, helping them build their credit profiles.

In 2023, 160,000 consumers opened their first credit products, with another 110,000 consumers new to credit in 2024 to date.

Since 2018, BNPL has been the most popular first credit product, ahead of telco and utility accounts. 32% of new-to-credit consumers in 2023 and 2024 chose BNPL as their first credit product, although this has declined from its peak in 2021.



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## Financial hardship accounts rising on the whole

Currently, there are 13,300 consumer accounts reported in financial hardship. Although this is a decrease of 400 in the last month, financial hardship cases overall have been rising since November 2022.

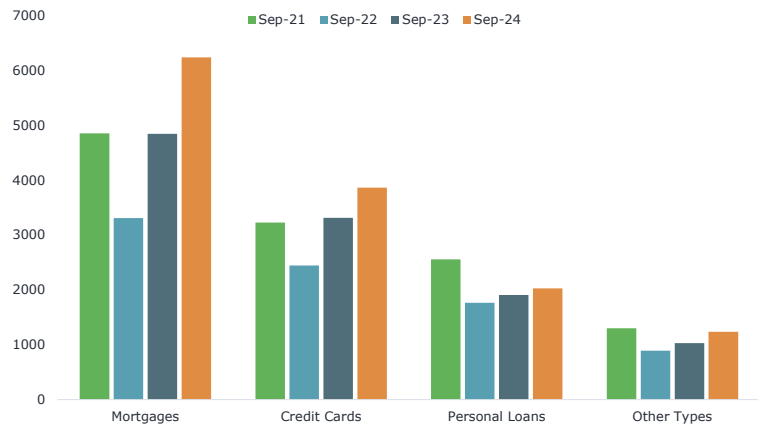
Year-on-year the number of financial hardship accounts are up by 19%, although the rate of this growth is subsiding.

Of these hardships, 47% relate to mortgage payment difficulties, 29% to credit card debt and 15% to personal loan repayments.

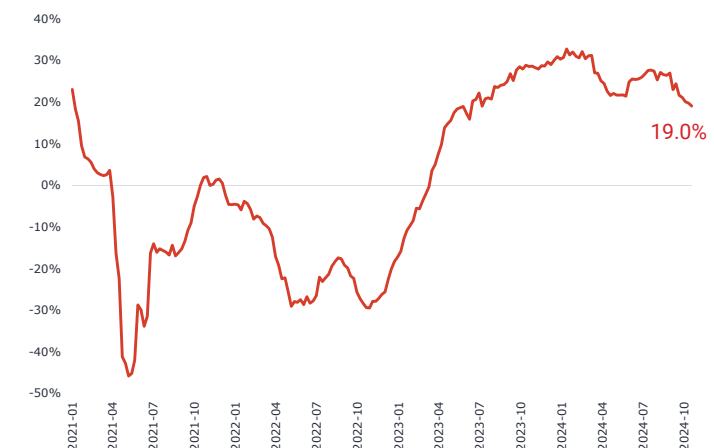
The highest rates of financial hardship are observed close to the Auckland and Wellington main centres.

*Financial hardship cases overall have been rising since November 2022.*

### Financial Hardship by Product



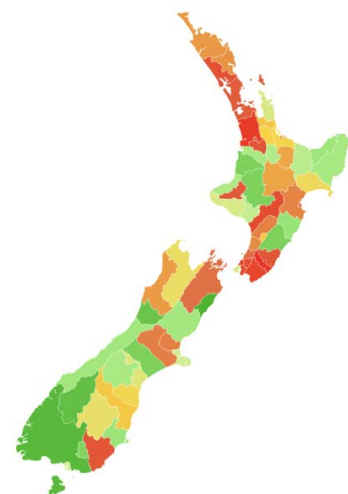
### Annual Change in Financial Hardship Cases



### Financial Hardship Heat Map



Proportion of credit active consumers reported in financial hardship by geographical area.



## Business credit defaults on the rise

New Zealand business credit defaults are up across the board, sitting at +16% year-on-year.

The transport industry is the worst affected, with credit defaults up 35% year-on-year, closely followed by the construction sector with credit defaults at +33%.

The retail industry is faring the best out of the industries measured, with credit defaults up 3% year-on-year.







	Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
	Construction	+2%	+33%	754 ↓	+24%	2.2X
	Hospitality	+3%	+6%	738 ↓	+34%	2.2X
	Retail Trade	+5%	+3%	765 ↓	+1%	1.0X
	Transport	-4%	+35%	726 ↓	+59%	2.1X
	Property / Rental	+11%	+15%	812 ↓	+34%	0.8X
	Manufacturing	+3%	+12%	776 ↓	+22%	1.6X
	All Sectors	+4%	+16%	785 ↓	+25%	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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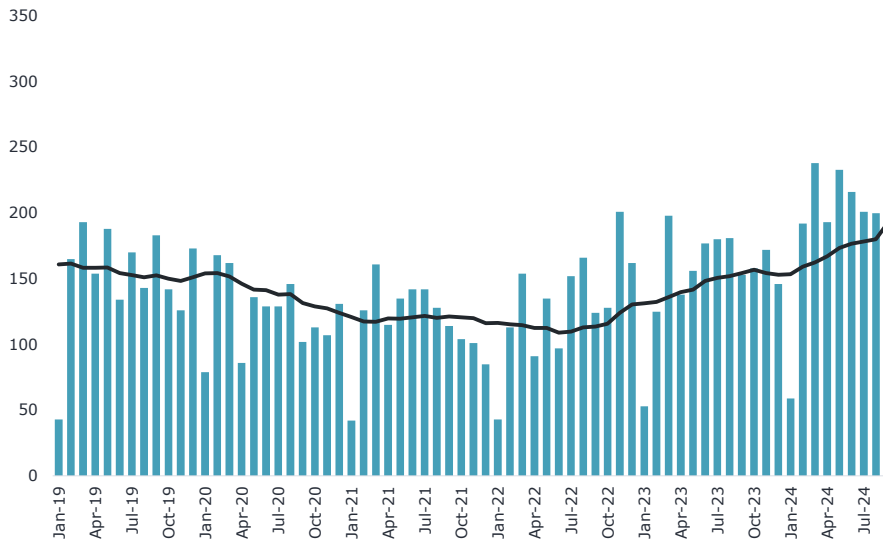
## Company liquidations hit 10 year high

Company liquidations are up 25% year-on-year, the highest monthly total (306) in 10 years.

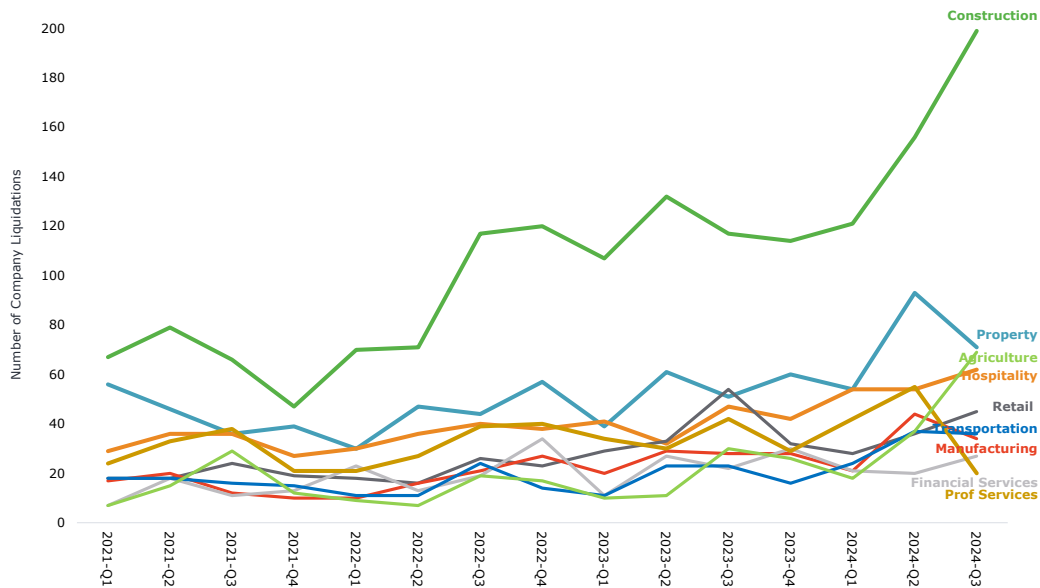
The highest quarterly proportion of these liquidations fall within the construction industry (28%), with 199 construction companies collapsing in Q3 2024.

Over the past year, property operators, residential building construction and cafes/takeaway food companies have been the most likely to be placed in liquidation.

### Company Liquidations up 25% YoY



### NZ Company Liquidations by Industry



Company liquidations are up 25% year-on-year, the highest monthly total (306) in 10 years.

## Spotlight on the hospitality sector

Hospitality businesses are more than two times more likely to fail than the typical New Zealand business, with cafes, coffee shops, restaurants, pubs, and clubs particularly badly hit.

These hospitality businesses (over 30,000 registered companies) make up 4% of all registered New Zealand companies.

During the last 12 months, there were 212 hospitality companies placed into liquidation, compared to 158 for the same period last year.

Hotels, accommodation, and catering services are showing small signs of improvement, with lower levels of credit defaults and company insolvencies in recent months.

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)				
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Δ Company Liquidations	Liquidation Rating
<b>Accommodation and Food Services</b>	<b>30,358</b>	<b>4.2%</b>	<b>3%</b>	<b>6%</b>	<b>738</b>	<b>34%</b>	<b>2.2X</b>
Accommodation	5,520	0.8%	13%	-25%	794	31%	1.0X
Cafes	4,113	0.6%	-2%	-18%	733	11%	3.0X
Catering Services	1,266	0.2%	16%	-19%	729	-38%	1.3X
Coffee shops	1,176	0.2%	21%	-16%	728	60%	2.2X
Restaurants	5,941	0.8%	-4%	8%	715	34%	3.6X
Takeaway Food Services	7,754	1.1%	1%	22%	722	77%	1.6X
Clubs (Hospitality)	654	0.1%	16%	-6%	702	350%	4.4X
Pubs, Taverns and Bars	1,601	0.2%	14%	78%	699	71%	4.8X

*Hospitality businesses are more than two times more likely to fail than the typical New Zealand business.*

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Last updated October 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:

- 92 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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