



November Credit Indicator



A cautious Kiwi Christmas: Credit insights paint a challenging picture this festive season

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

Last week the Reserve Bank of New Zealand cut the Official Cash Rate (OCR) to 4.25% - a fall of 50 basis points - with several major banks immediately reducing their loan rates in response to the decision.

Interest rate relief is expected off the back of the OCR cut which will provide welcome respite for some households.

Although New Zealand's economic trajectory is looking tentatively positive, when analysing consumer and business credit insights a more challenging picture emerges.

Both overall consumer arrears and mortgage arrears are up year-on-year, up 3.1% and 10% respectively. We expect these arrears levels to rise over the coming months in line with seasonal trends.

New residential mortgage lending is 7.7% higher year-on-year coming off a low base, which is significantly lower than the property boom observed in 2021 but more normalised when compared to 2019

We have also observed an increased conversation rate of loan applications to approvals following revisions to the Credit Contracts and Consumer Finance Act (CCCFA).

In the run-up to Christmas and peak spending season, consumer credit demand is on the rise, with increased demand for Buy Now Pay Later (BNPL) services and personal loans observed in recent weeks.

While the overall rate of growth for financial hardship cases is easing, we're still seeing them up significantly year-on-year. This ties in with the recent reports of record KiwiSaver withdrawals in October for financial hardship reasons.

Turning to business credit insights, it's clear organisations across New Zealand are still bearing the brunt of challenging economic headwinds.

Business credit defaults are up across the board, up 16% on average year-on-year, with the worst affected sectors including the construction (+38%) and transport (+35%) industries.

Company liquidations across the country are up 27% year-on-year and are on the rise across most regions.

Looking at the wholesale trade sector, company liquidations are up 82% year-on-year, indicating the industry is still facing significant challenges with lower demand across the economy.

In particular, grocery, machinery and equipment, motor vehicle, and furniture wholesaling businesses have seen a significant rise in insolvencies in recent months.

In the coming festive weeks and summer months, it's important for Kiwis to plan effectively for the road ahead, taking financial stock as the year comes to a close and seeking out advice from a trusted financial advisor where appropriate.

For now, the team at Centrix wish you a happy and safe festive season ahead of us returning with our next credit indicator in January 2025.

Keith McLaughlin
Managing Director



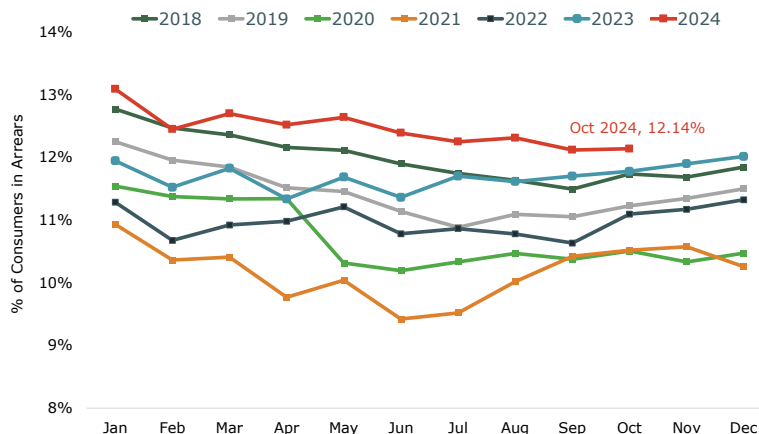
Consumer arrears increase slightly

The number of consumers behind on their payments rose slightly to 461,000 in October, up 3,000 month-on-month, equating to 12.14% of the active credit population.

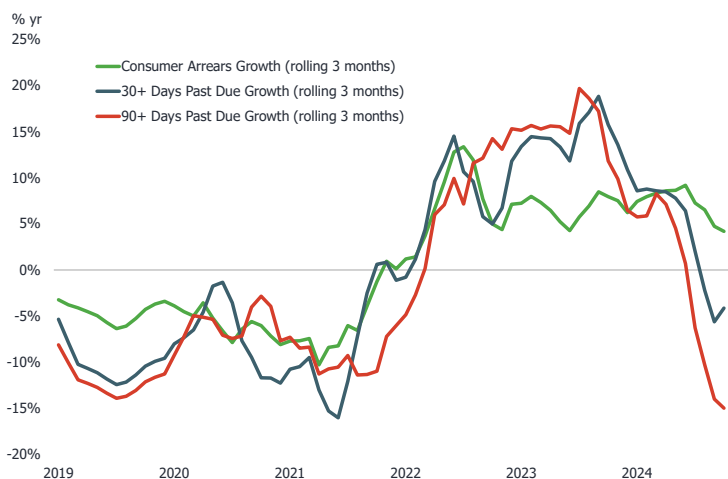
Arrears are expected to rise over the summer period in line with seasonal trends. The current arrears level is 3.1% higher year-on-year, tracking just above 2018 levels.

People that are 90+ days in arrears have improved by 15% year-on-year, indicating consumer arrears are trending down overall.

Consumer Arrears Trends

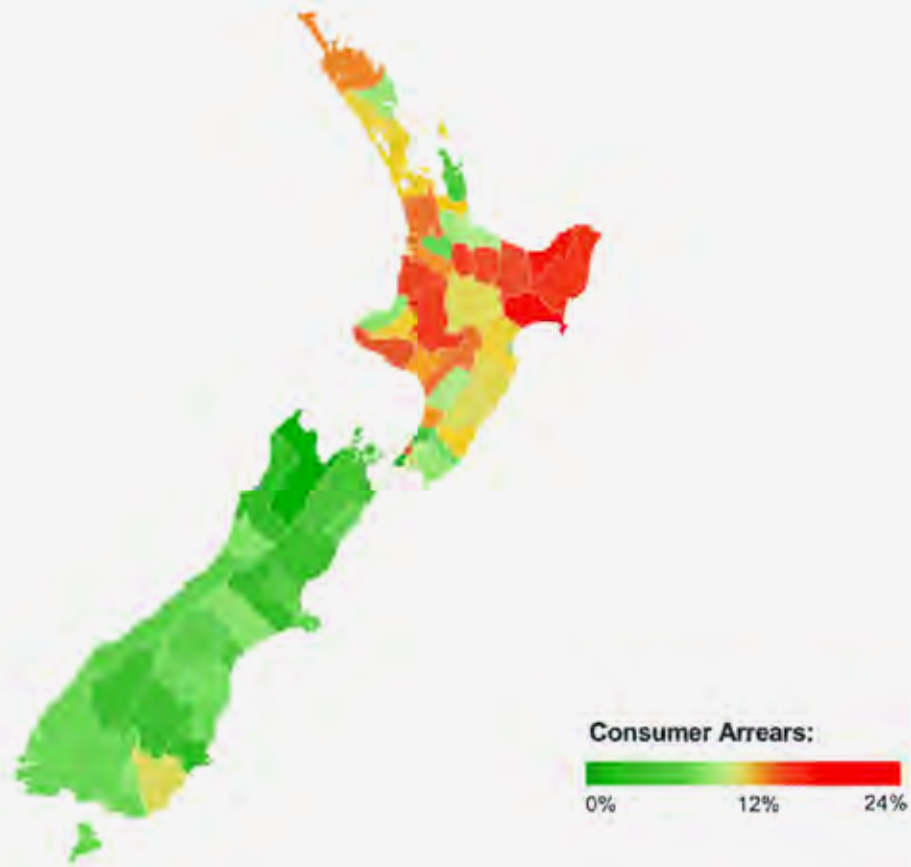


Consumer arrears trending down



The number of consumers behind on their payments rose slightly to 461,000 in October, up 3,000 month-on-month

Consumer arrears across the country



Lowest Arrears Areas	
District	Arrears %
1 Tasman District	8.51%
2 Nelson City	8.52%
3 Wellington City	8.87%
4 Dunedin City	9.50%
5 Buller District	9.56%
6 Selwyn District	9.67%
7 Hurunui District	9.85%
8 Queenstown-Lakes District	9.90%
9 Central Otago District	10.01%
10 Kapiti Coast District	10.07%

Highest Arrears Areas	
District	Arrears %
1 Kawerau District	18.11%
2 Wairoa District	17.10%
3 Opotiki District	16.91%
4 Gisborne District	16.11%
5 Ruapehu District	15.71%
6 South Waikato District	15.49%
7 Waitomo District	15.46%
8 Porirua City	15.09%
9 Rotorua District	15.06%
10 Whakatane District	15.04%

Mortgages arrears on the rise

Mortgage arrears rose slightly in October, with 21,300 home loans now past due (100 more than in September), equating to a 10% increase year-on-year.

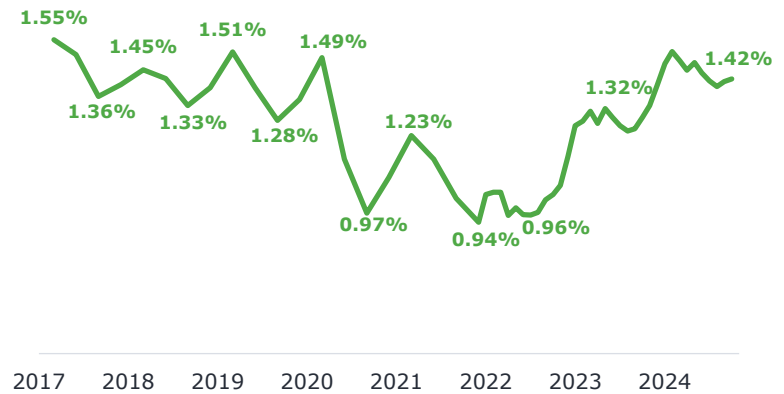
The value of new mortgage lending rose by 7.7% year-on-year, as interest rates and lending restrictions have eased in recent months.

In contrast, non-mortgage lending is down 9.6% in the October quarter compared to the same period last year.

Overall, new household lending increased by 5.9% year-on-year.

Mortgage arrears rose slightly in October, with 21,300 home loans now past due (100 more than in September), equating to a 10% increase year-on-year.

Home Loan Arrears



New Consumer Lending (Indexed to 2019)



Other arrears by product

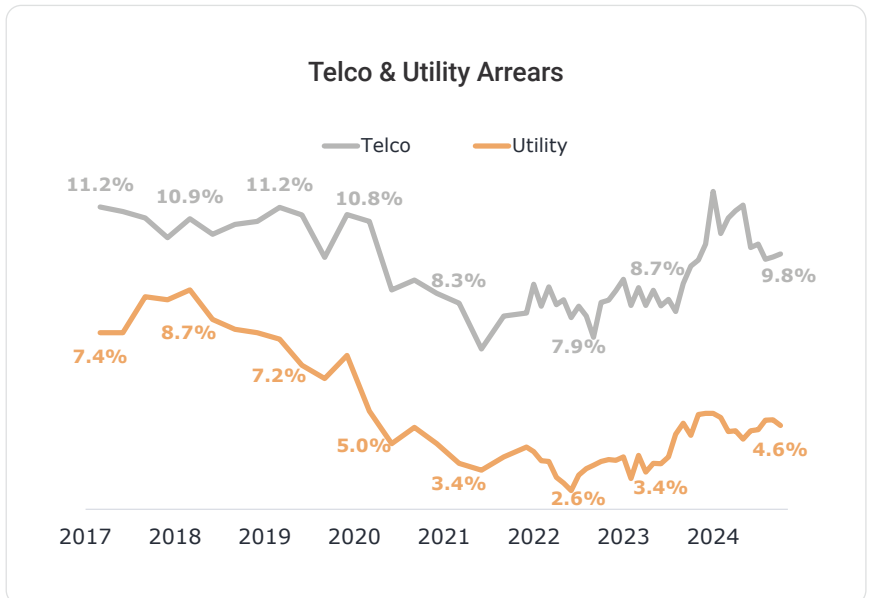
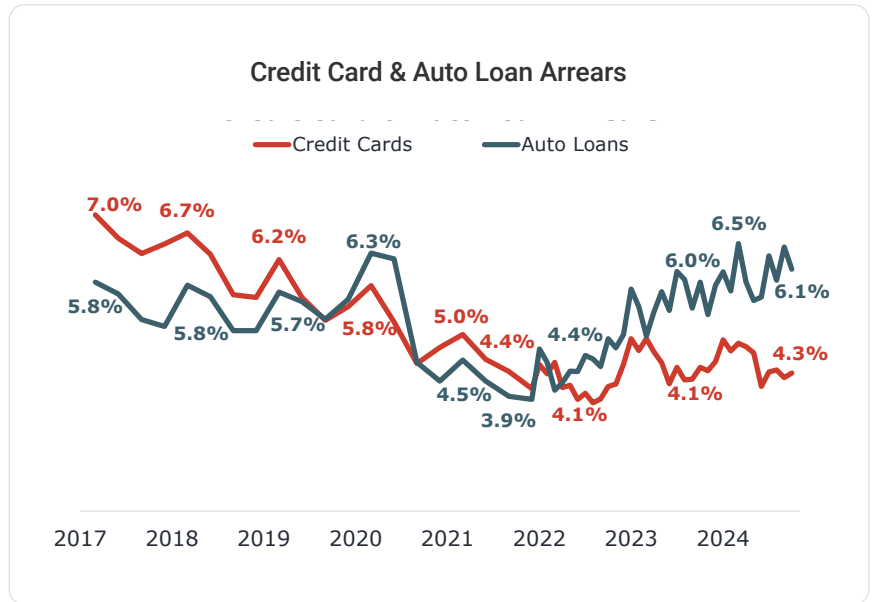
Vehicle loan arrears fell back to 6.1% in October, compared to 5.8% for the same month last year.

Credit card arrears rose slightly to 4.3% in October, which is 3% lower year-on-year.

The proportion of households behind on retail energy payments improved to 4.6% in October, with many experiencing lower power bills in the warmer months.

The number of telco/communication accounts that are reported past due increased slightly to 9.8% in October.

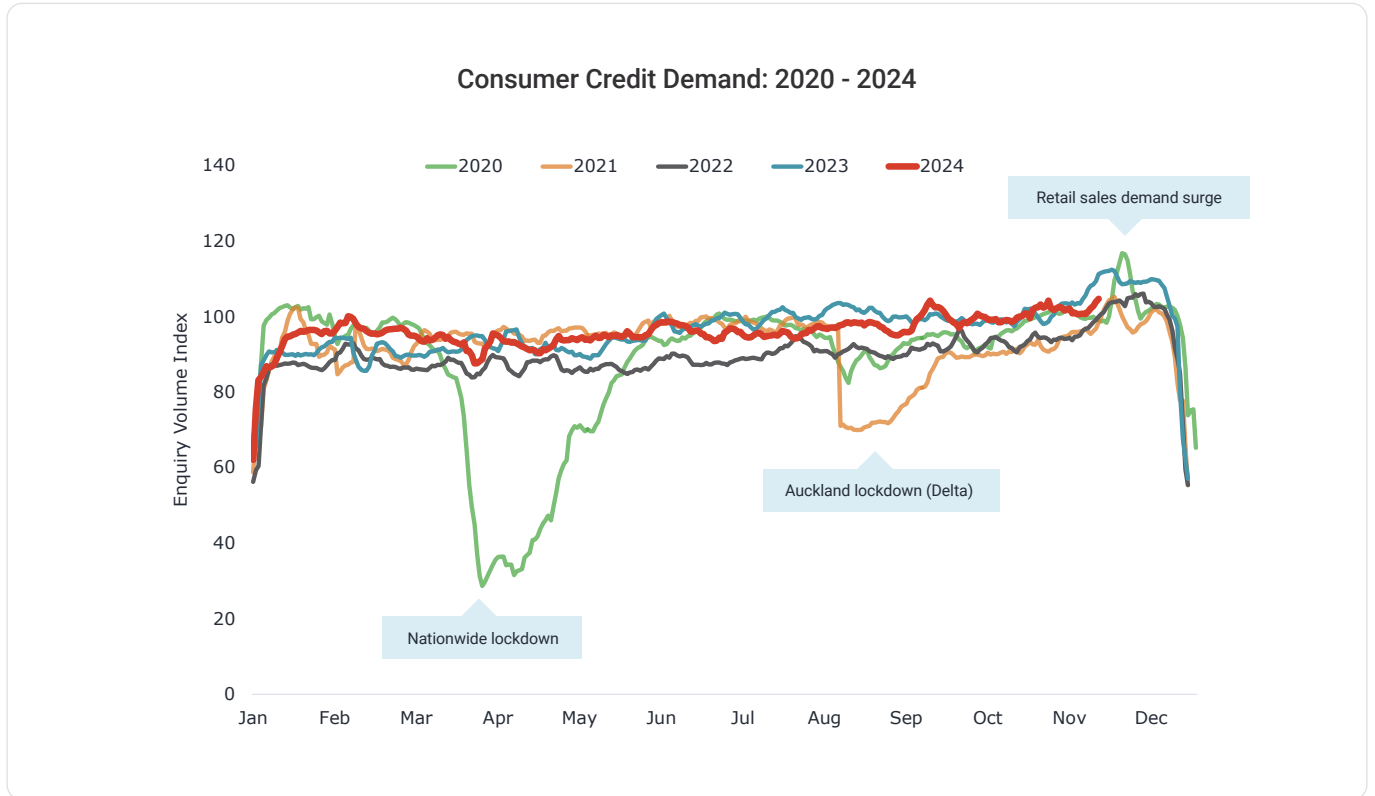
Vehicle loan arrears fell back to 6.1% in October, compared to 5.8% for the same month last year.









Consumer credit demand up

In the lead-up to the holiday season consumer credit demand is on the rise.

Increased demand for BNPL services and personal loans has been observed in recent weeks, whilst credit card demand continues to rebound, up 23% compared to last year.

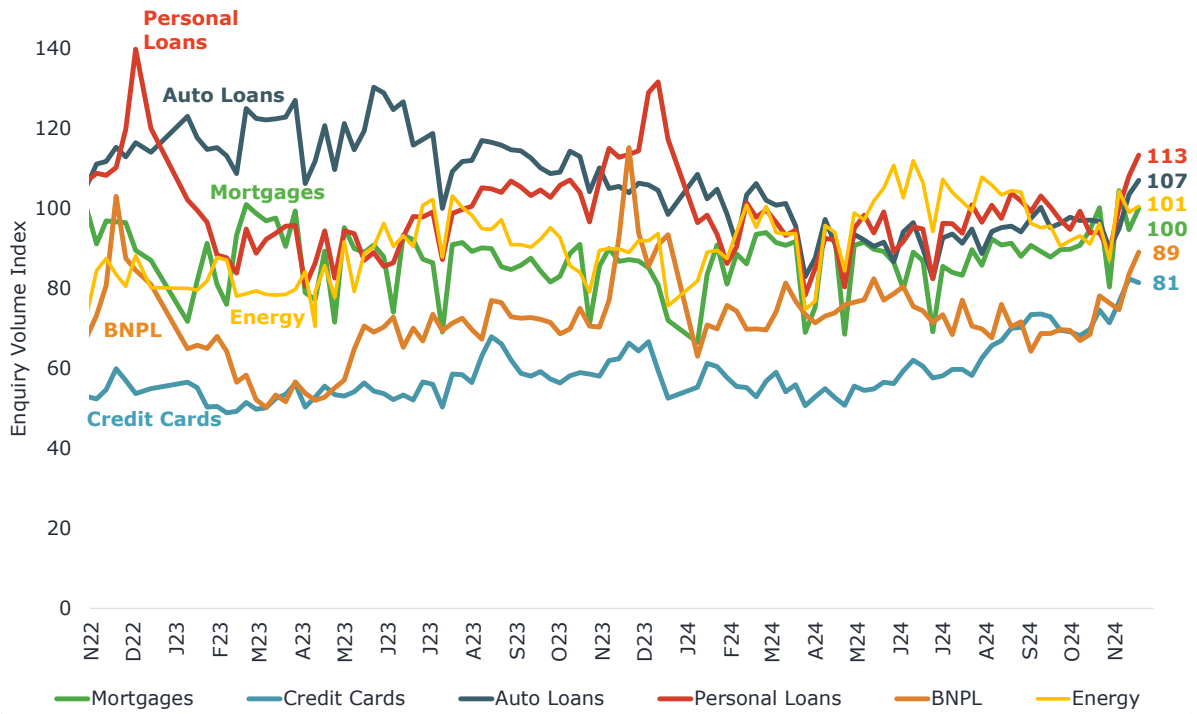


Year-on-year change %

	Mortgages	+8.7%
	Auto Loans	-11.1%
	Credit Cards	+23.2%
	Personal Loans	-7.0%
	BNPL	-5.6%
	Retail Energy	+7.5%

Year-on-year comparison of 3 month rolling averages

Credit Demand by Product Type



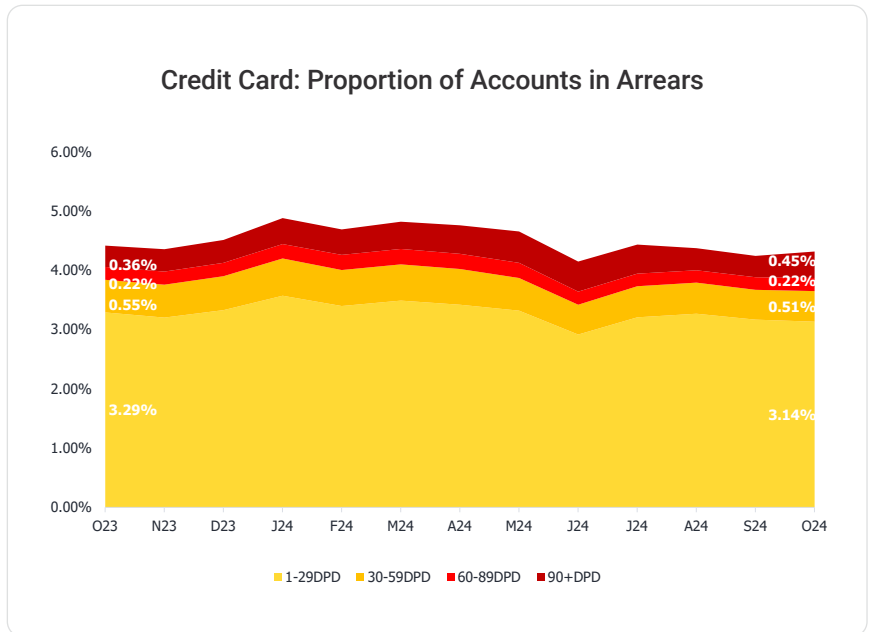
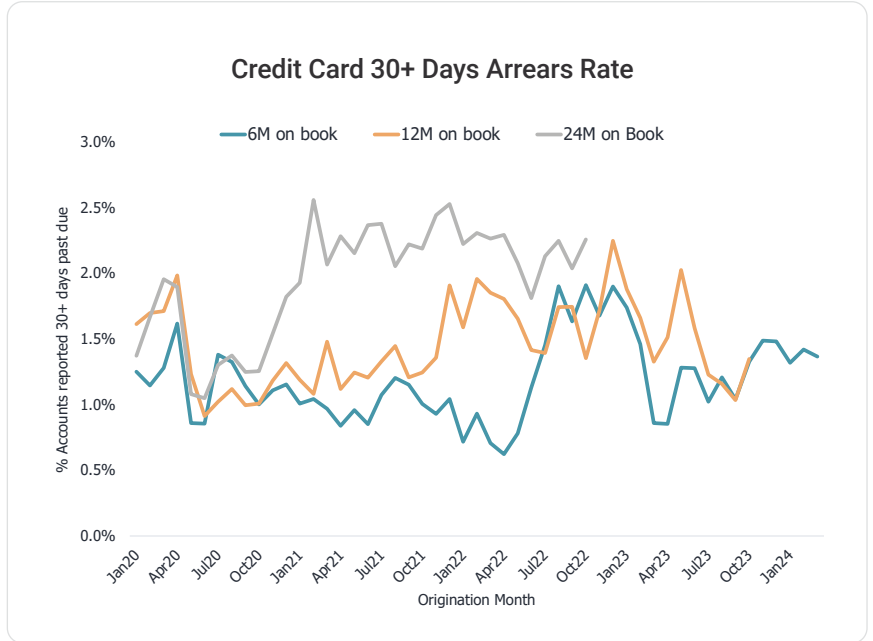
In the lead-up to the holiday season consumer credit demand is on the rise.

Credit card delinquencies

Credit card arrears have stabilised for recent cohorts, with the 30+ days arrears rate at 12 months on book currently at 1.3%, comparable to 2021 cohorts.

The 30+ days arrears rate at 24 months on book, which had been rising, has now plateaued at just over 2% and is expected to improve in the coming months.

Credit card arrears have stabilised for recent cohorts, with the 30+ days arrears rate at 12 months on book currently at 1.3%, comparable to 2021 cohorts.



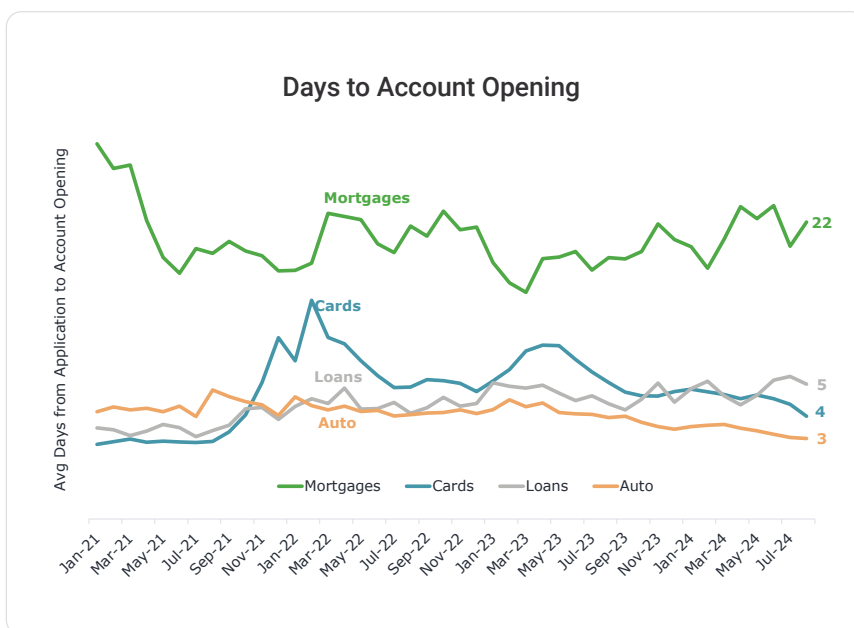
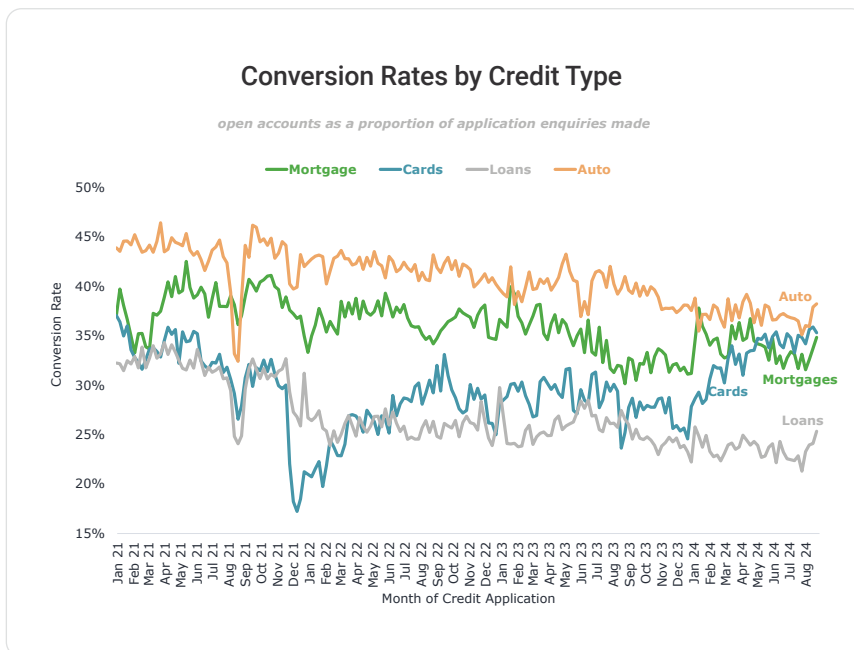
Application conversion rates for loans improve

Credit cards were initially hardest hit when changes to responsible lending requirements under the Credit Contracts and Consumer Finance Act (CCCFA) came into effect in late 2021.

However, application conversion rates for personal loans, auto loans, and mortgages have improved since changes to the CCCFA took effect, removing restrictive affordability assessments.

Time from application to account opening for credit cards has significantly improved since late 2021.

Application conversion rates for personal loans, auto loans, and mortgages have improved since changes to the CCCFA took effect, removing restrictive affordability assessments.

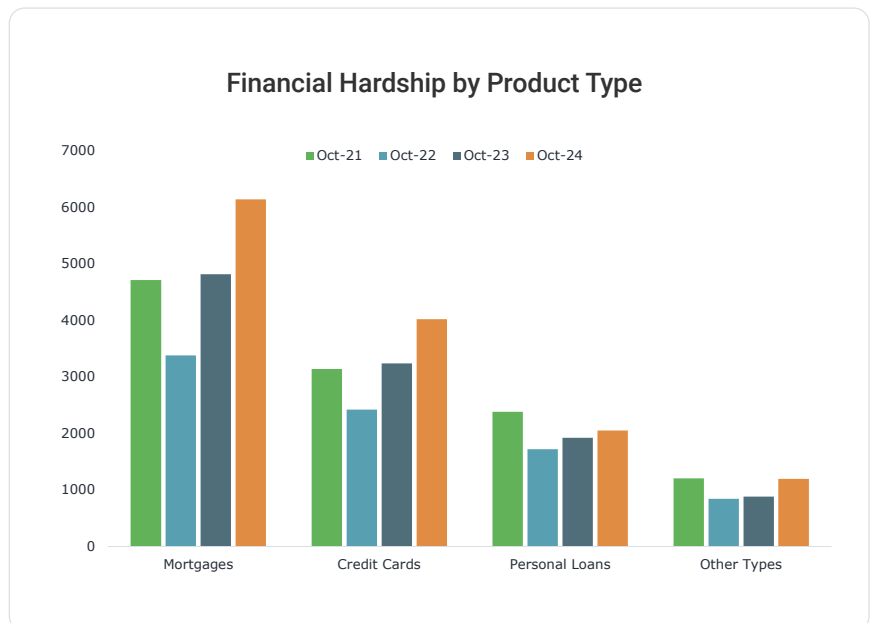
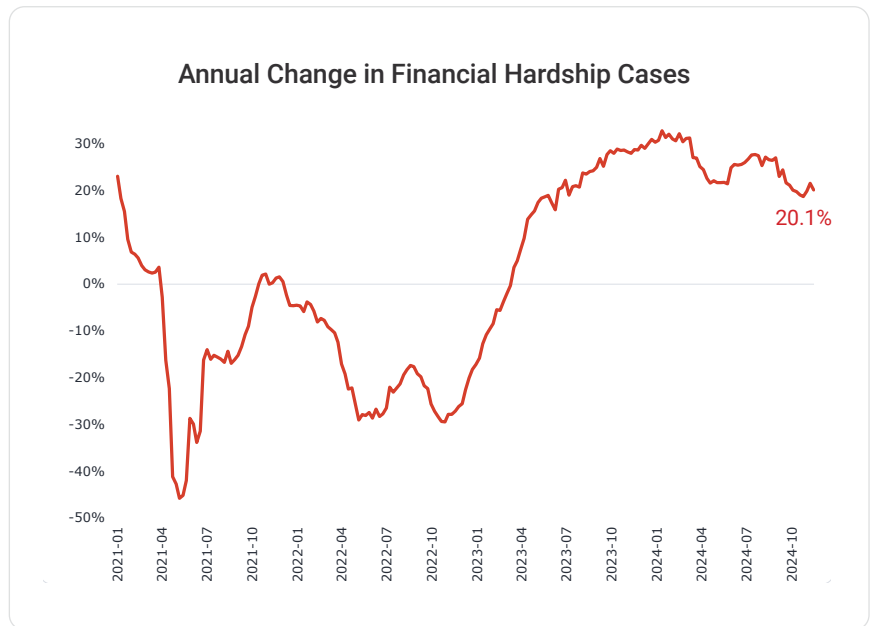


Financial hardship cases up significantly

The number of financial hardship cases, an indication of personal financial strife, are up by 20% year-on-year, although the rate of growth is subsiding.

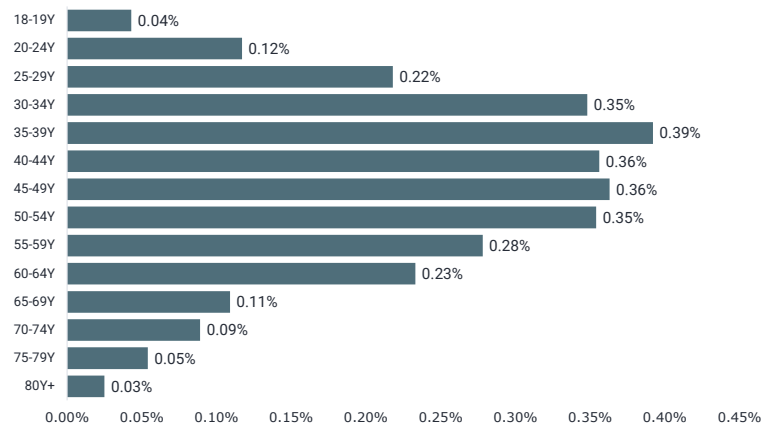
Of these cases, 46% relate to mortgage payment difficulties, 30% to credit card debt, and 15% to personal loan repayments, with the highest rate of financial hardship affecting those aged between 35 and 39 years old.

Consumer credit defaults are also up 37% over the last year compared to the prior year, as the impact of the cost-of-living crisis continues to take hold.

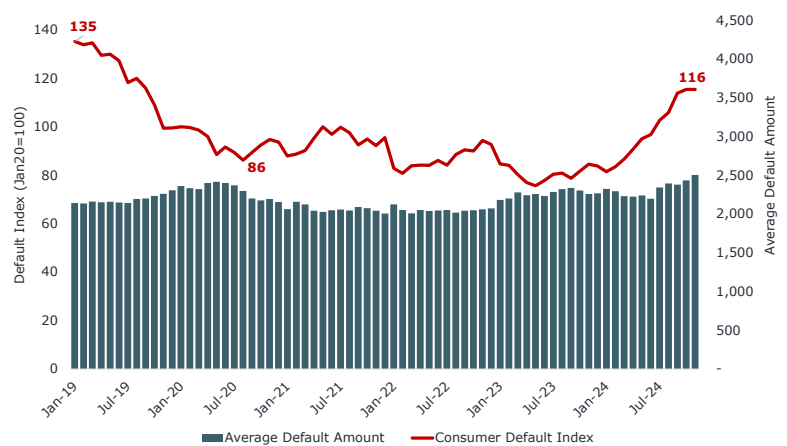


The number of financial hardship cases, an indication of personal financial strife, are up by 20% year-on-year, although the rate of growth is subsiding.

Financial Hardship Rate by Age Group









Credit Defaults Up 37% on Last Year



Business credit defaults up across the board

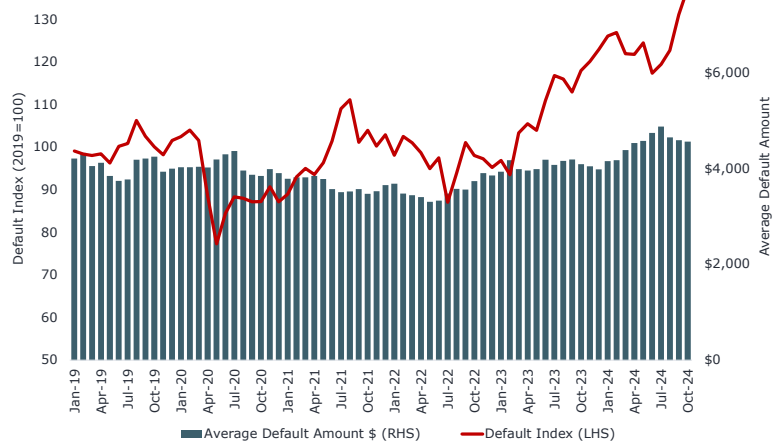
Business credit defaults are up across the board, up 16% on average year-on-year.

The worst affected sectors include the construction (+38%) and transport (+35%) industries.

Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
 Construction	+1%	+38%	753 ↓	+28%	2.3X
 Hospitality	-1%	+3%	738 ↓	+42%	2.2X
 Retail Trade	+5%	+3%	764 ↓	+7%	1.1X
 Transport	-6%	+35%	724 ↓	+68%	2.2X
 Property / Rental	+12%	+7%	811 ↓	+27%	0.8X
 Manufacturing	+5%	+4%	775 ↓	+23%	1.6X
All Sectors	+3%	+16%	784 ↓	+27%	1.0X

Business credit defaults are up across the board, up 16% on average year-on-year.

Business Credit Defaults up 16% YoY



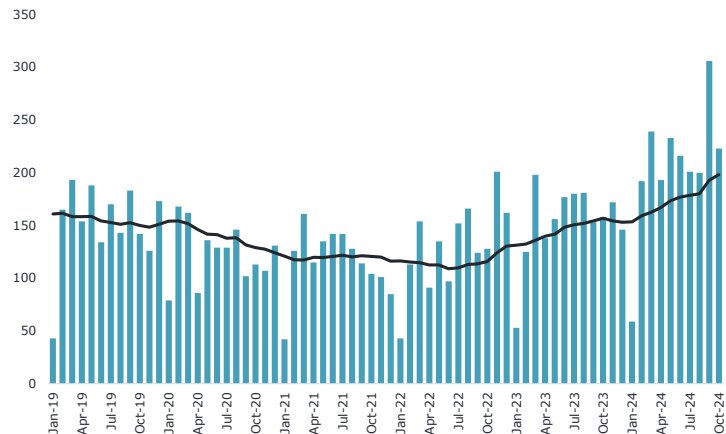
Company liquidations

Company liquidations across the country are up 27% year-on-year and are on the rise across most regions.

In Q3 of 2024, there were 355 company liquidations in Auckland (+41% year-on-year), 218 in the rest of the North Island (+51% year-on-year), and 134 in the South Island (+14% year-on-year).

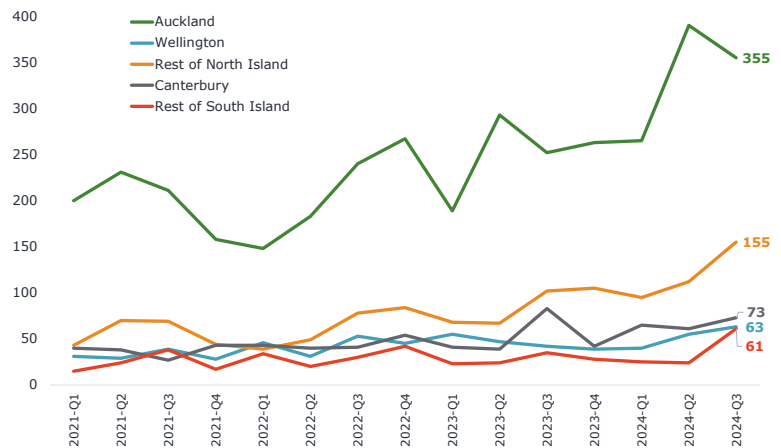
Residential building construction, property operators and cafes / takeaway food companies have been the most likely to be placed in liquidation during the last year.

Company Liquidations up 27% YoY



Company liquidations across the country are up 27% year-on-year and are on the rise across most regions.

Company Liquidations by Region



Spotlight on wholesale trade sector

Company liquidations are up 82% year-on-year for the wholesale trade sector, which represents nearly 3% of all registered companies in New Zealand, indicating the industry is still facing challenges with lower demand across the economy.

In particular, grocery, machinery and equipment, motor vehicle and furniture wholesaling businesses have seen a significant rise in 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
Wholesale Trade	20,134	2.7%	-3%	8%	767	82%	1.4X
Agricultural Product Wholesaling	973	0.1%	-19%	75%	787	-	1.0X
Mineral, Metal and Chemical Wholesaling	735	0.1%	-42%	44%	768	0%	0.8X
Timber and Hardware Goods Wholesaling	1,335	0.2%	-16%	64%	763	0%	0.9X
Commission-Based Wholesaling	2,025	0.3%	3%	-36%	767	-17%	0.8X
Grocery, Liquor and Tobacco Product Wholesaling	3,648	0.5%	-8%	-29%	750	100%	1.7X
Machinery and Equipment Wholesaling	2,699	0.4%	-12%	100%	779	283%	2.7X
Motor Vehicle and Motor Vehicle Parts Wholesaling	1,628	0.2%	3%	17%	724	60%	1.5X
Furniture, Floor Coverings and Other Goods Wholesaling	4,646	0.6%	20%	8%	769	100%	1.3X
Pharmaceutical and Toilet Goods Wholesaling	611	0.1%	6%	25%	769	0%	0.5X
Textile, Clothing and Footwear Wholesaling	955	0.1%	26%	29%	768	0%	1.0X

Company liquidations are up 82% year-on-year for the wholesale trade.

Last updated November 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:

- 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.

The information in this report is of a general nature only and is provided on the basis that Centrix is not providing professional advice. Centrix makes no representations of any kind in relation to the information. Use of the information in the report is at your sole risk. Centrix disclaims all warranties and accepts no responsibility or guarantees the accuracy or completeness of the report. The information in this report should not be used as a substitute for financial, business or other appropriate professional advice.