



March Credit Indicator



Rising mortgage arrears as interest rates climb nationwide

This week, the Reserve Bank will be making the latest Monetary Policy Review announcement, including any further changes to the Official Cash Rate (OCR).

In February, the OCR was lifted to 4.75% in the Reserve Bank's ongoing battle to slow inflation. This resulted in rising interest rates for most Kiwi households across the board.

Coupled with fixed rate home loans rolling off and having to commit to higher repayments, the cost-of-living squeeze continues to impact many households nationwide.

Our latest data shows mortgage arrears climbing for the seventh consecutive month, which could point to many being unable to service these higher mortgage rates – a difficult situation for anyone to be in.

Overall arrears (for all consumer related products) softened slightly this month compared to January, aligning to seasonal trends. There is an increase when comparing year on year, but overall arrears still remain below pre-covid levels.

Consumer credit demand strengthened in March 2023 due to upswings in credit cards, personal and vehicle loans. However, demand for both mortgages and BNPL remains down, with new customer enquiries for the latter reaching the lowest level recorded since July 2017.

Looking at unsecured personal loan demand, there are nearly 330,000 New Zealanders who currently have unsecured personal loan debt, of which there are over 60,000 borrowers holding multiple personal loans.

Turning to business credit trends, demand is down year-on-year, but appears to be climbing month-on-month, spurred on by the transport and construction sectors.

The construction sector continues to be disrupted by uncertainty due to rising defaults as an increasing number of companies collapse.

For anyone struggling to make ends meet financially, it's important to minimise the long-term impact of these challenging times.

Now's the time to speak to your credit provider or seek the advice of a financial expert and plan for repayment obligations to avoid financial trouble in the future.

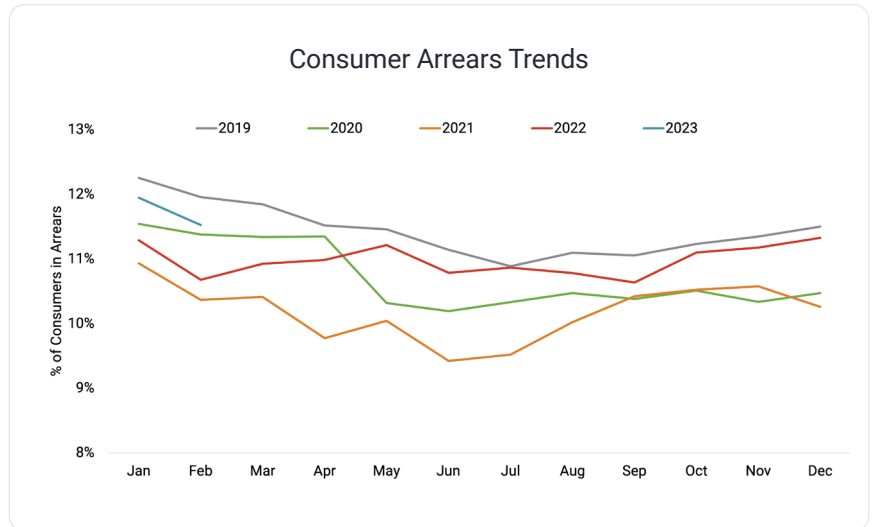
Keith McLaughlin
Managing Director



Slight fall in consumer arrears month-on-month in February

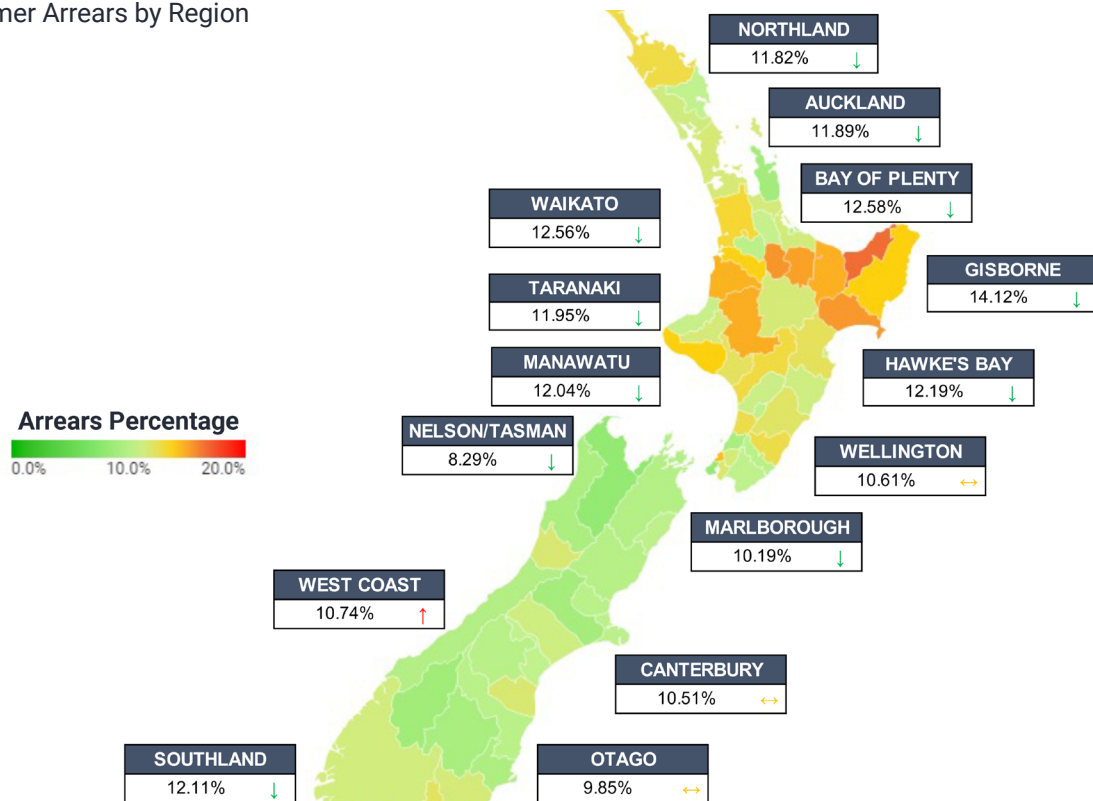
The number of consumer accounts in arrears fell slightly month-on-month, dropping back to 11.5% in February 2023 (compared to 11.9% in January 2023) aligning to seasonal trends. The number of people behind on repayments fell 14,000 to 416,000 in February 2023.

However, the current arrears are up 8% year-on-year as the ongoing downturned economic cycle continues to impact households across the country, although still below pre-pandemic levels.



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Consumer Arrears by Region



Consumer arrears percentage is defined as the proportion of borrowers with at least one credit account currently in arrears

Missed mortgage repayments continue to climb

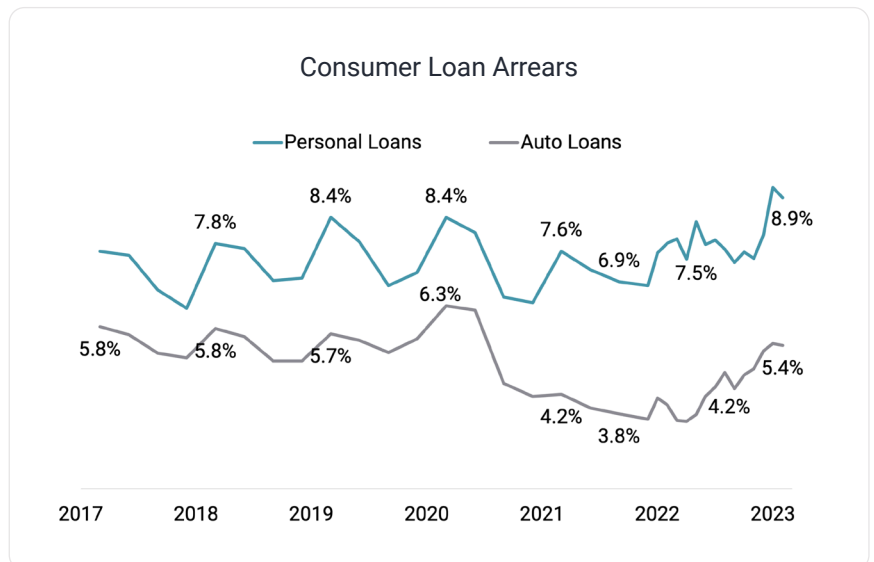
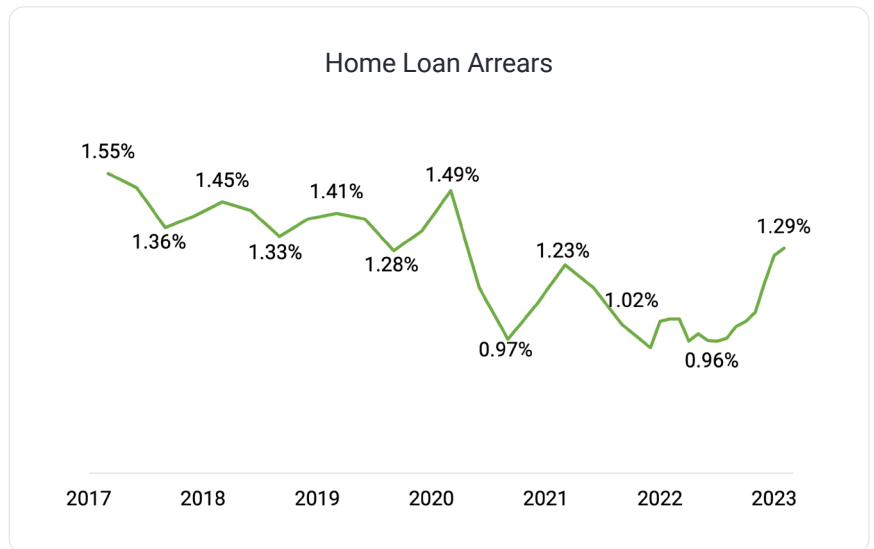
The number of missed mortgage repayments has grown for the seventh consecutive month, which is out of line with the normal seasonal trends observed.

Overall, 1.29% of mortgages – or 18,900 – were recorded past due in February 2023. This is up 23% year-on-year and could be attributed to people rolling off fixed home loans and being unable to service higher interest rates.

Unsecured personal loan arrears have fallen back month-on-month to 8.9% in February 2023, but remain up year-on-year (compared to 7.8% in February 2022) as household cost pressures continue to persist.

Additionally, while arrears on vehicle loans have fallen slightly month-on-month to 5.4% in February 2023, they also remain up year-on-year (compared to 4.0% in February last year).

Overall, 1.29% of mortgages – or 18,900 – were recorded past due in February 2023.

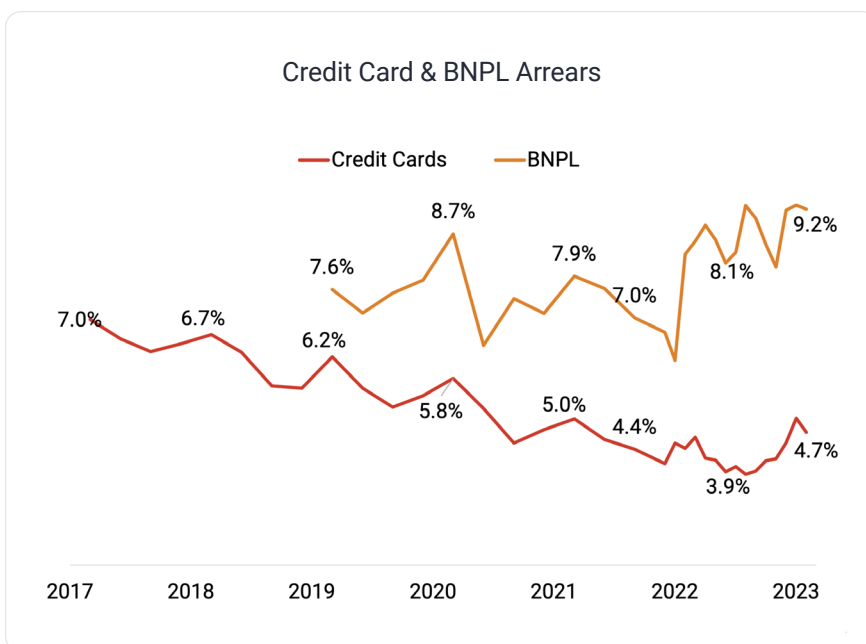


Slight improvement for BNPL, credit card arrears

Both BNPL and credit card accounts saw a decline in arrears in February 2023. Despite this, BNPL arrears remain near an all-time high and are in line with unsecured personal loan arrears.

Credit card arrears improved slightly, falling from 5.0% in January 2023 to 4.7% in February 2023. However, they remain up year-on-year (4.4% in February 2022).

For BNPL accounts, arrears fell from 9.3% in January 2023 to 9.2% in February 2023 and remain up year-on-year (8.3% in February 2022).



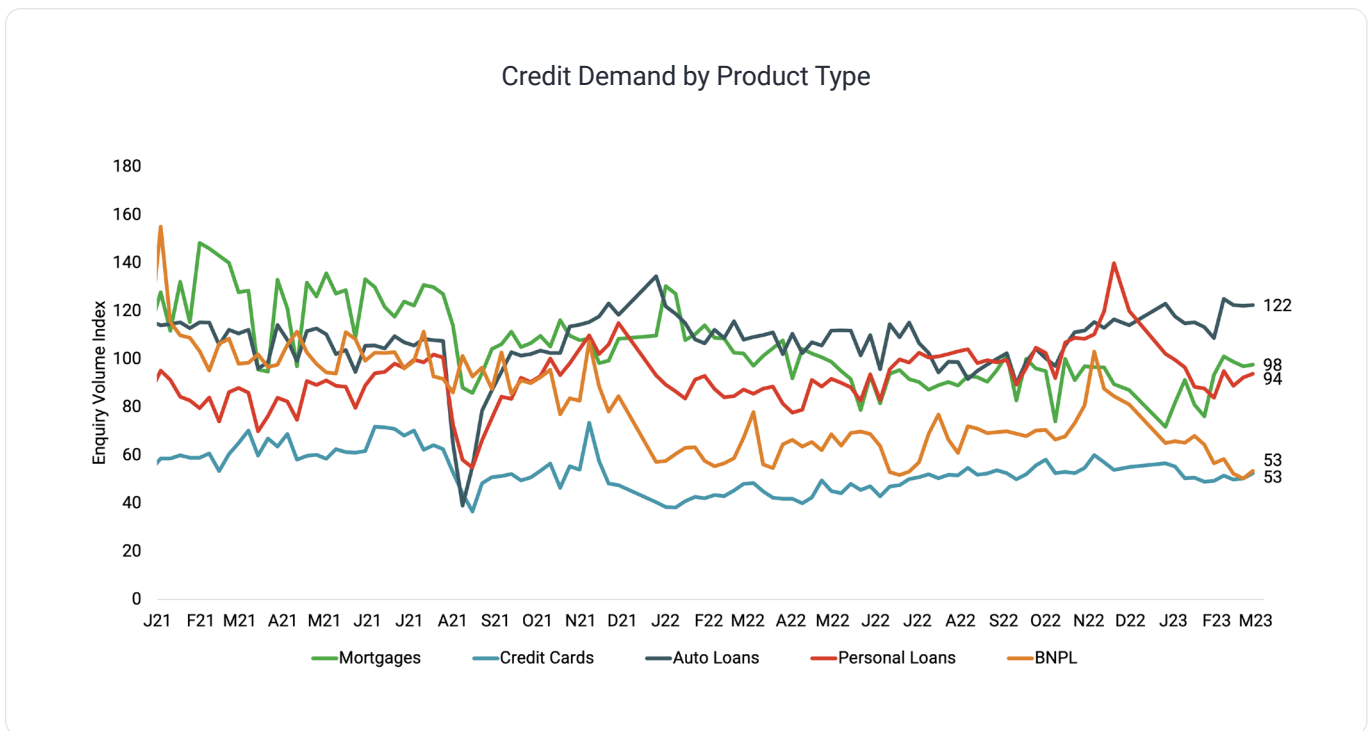
Both BNPL and credit card accounts saw a decline in February 2023.

New lending demand up

Consumer credit demand was up 3% year-on-year in February 2023, driven by demand for credit cards, vehicle and personal loans.

Furthermore, mortgage applications remain down 7% year-on-year in February 2023, but up 15% compared to January 2023.

BNPL new customer enquiries have fallen to the lowest level recorded since 2017, down 9.9% year-on-year in February 2023.



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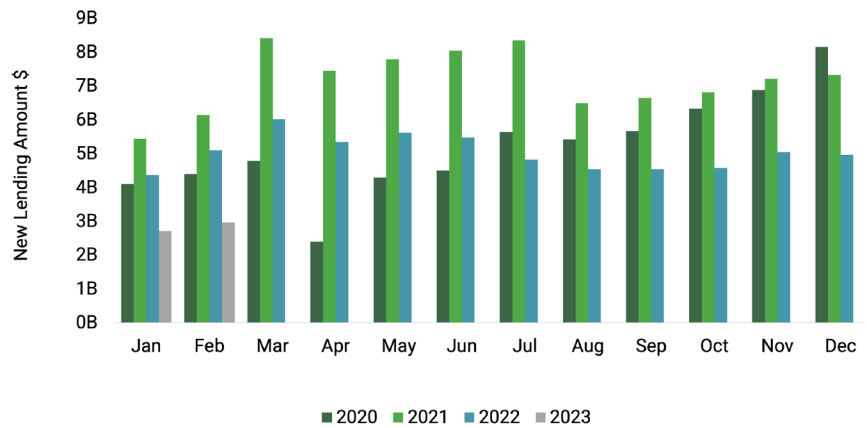
New lending results mixed – mortgages down, consumer loans up

In terms of actual lending figures, new mortgage borrowing was down 42% year-on-year in February 2023 as the housing market continues to grapple with the ongoing downturn in activity.

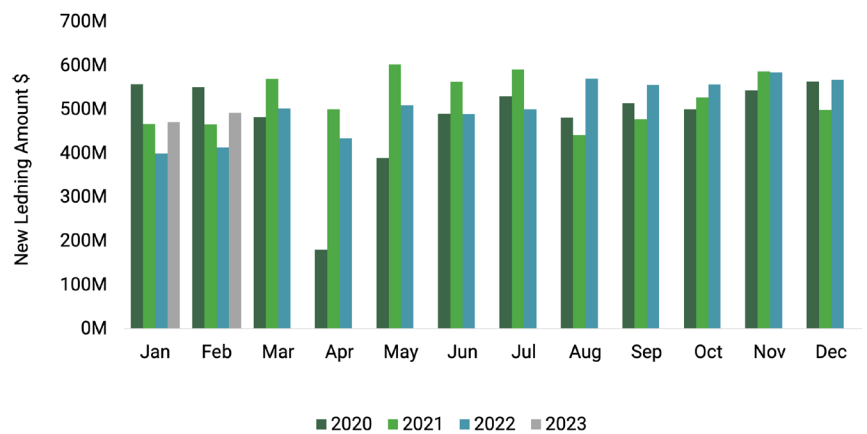
However, actual consumer lending was up 19% year-on-year in February 2023, driven largely by new personal and vehicle loans being issued.

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New Lending Exposure: Mortgages



New Lending Exposure: Consumer Loans






Business credit demand down as construction suffers

Business credit demand is down 6% year-on-year in February 2023, but is up 12% compared to January 2023.

Hospitality and retail sectors have encouragingly seen improving credit defaults in the last month, while tourism continues strengthening after several downturned years due to COVID border restrictions.

However, the construction sector braces for an uncertain outlook with rising defaults and an increasing number of companies collapsing while owing significant debt.

Sector	Credit Demand	Credit Defaults	Avg Credit Score
 Construction	+4%	+8%	765 ↓
 Hospitality	-7%	-2%	748 ↓
 Retail Trade	-8%	+3%	777 ↓
 Transport	+10%	-9%	745 ↓
 Property / Rental	-5%	-9%	824 ↑

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Last updated March 31, 2023.

Centrix data

Centrix holds the richest dataset of consumer 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:

- 81 registered banks and other contributors to Comprehensive Credit Reporting (CCR), providing payment behaviour data. Contributors include finance companies, telco's and utilities.
- 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.

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