February Credit Indicator

CENTRIX

Can lower interest rates help tackle eight-year high mortgage arrears in New Zealand?

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

The Official Cash Rate (OCR) was reduced once again in February by fifty basis points to 3.75%, which has led to several major banks reducing their interest rates as inflation eases.

While many predict further cuts to the OCR later this year, the economic climate remains challenging for many households and businesses across New Zealand.

Taking a closer look at the latest credit insights, we can observe a seasonal climb in arrears which usually peak after the festive and summer season.

Despite this, arrears are tracking 3% lower year-on-year, marking the first year-on-year improvement since December 2021.

Mortgage arrears reached an eight-year high, with 23,700 home loans past due, a 6% year-on-year increase. It will be interesting to see how changes to interest rates across the banks impact these figures as the year progresses.

Looking at specific consumer arrear trends, personal loan arrears rose to 9.7% in January, and Buy Now Pay Later (BNPL) arrears increased to 8.6%, although both are lower than the previous year.

Furthermore, retail energy payment arrears rose to 5.2%, a 6% year-on-year increase, while telco arrears rose to 10.7%.

Financial hardships reached the highest level since June 2020, with 14,700 accounts reported in hardship, a 20% year-on-year increase. Among these, 46% relate to mortgage payments, 30% to credit card debt, and 16% to personal loans.

Consumer credit demand remained stable, with only a slight 0.5% decrease year-to-date. Mortgage applications increased by 11%, and credit card demand rose by 24% year-on-year.

In the January quarter, new mortgage lending increased by 17.7%, and new non-mortgage lending grew by 4.3%. Overall, new household lending rose by 16.5% year-on-year.

Consumer credit defaults increased by 42% due to the economic downturn, and personal insolvencies show signs of an uptick but remain below historical levels.

Turning to New Zealand business credit trends, we saw company defaults rise across all sectors, particularly in construction and transport, with liquidations up by 38% over the past year.

The North Island saw a 35% increase in liquidations, while the South Island experienced a 67% rise. In the professional sector, 204 companies were placed into liquidation, a 45% year-on-year increase, highlighting challenges due to reduced demand for services.

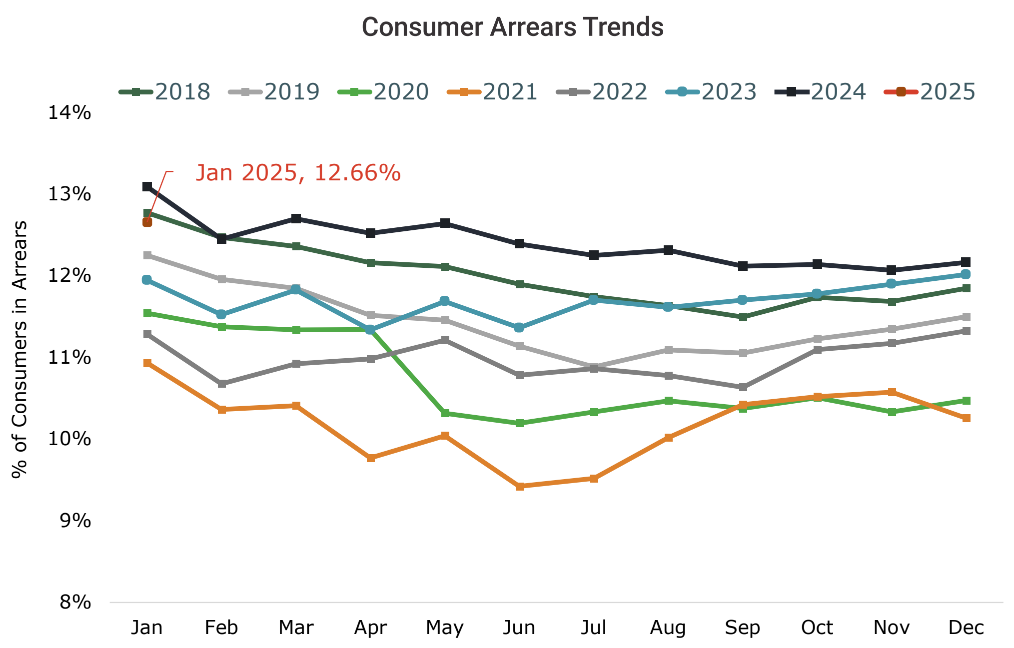
It's important for business owners to make sure their financial house is in order, especially as economy remains uncertain for the remainder of the year.

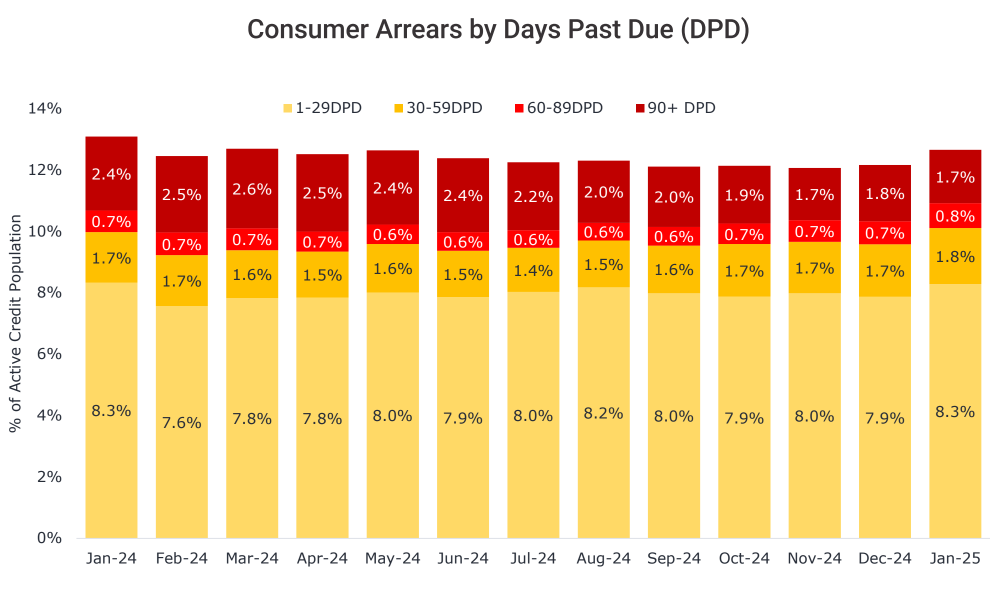
Keith McLaughlin
Managing Director

Arrears down year-on-year, up during typical seasonal peak

The number of people behind on their payments increased in January 2025, reaching 491,000, up 21,000 month-on-month. The arrears cycle typically peaks at this time of year, following the festive and summer season.

However, the current arrears rate is 3% lower year-on-year, marking the first year-on-year improvement since December 2021. The percentage of consumers that are 30+ days in arrears improved by 7.4% year-on-year.





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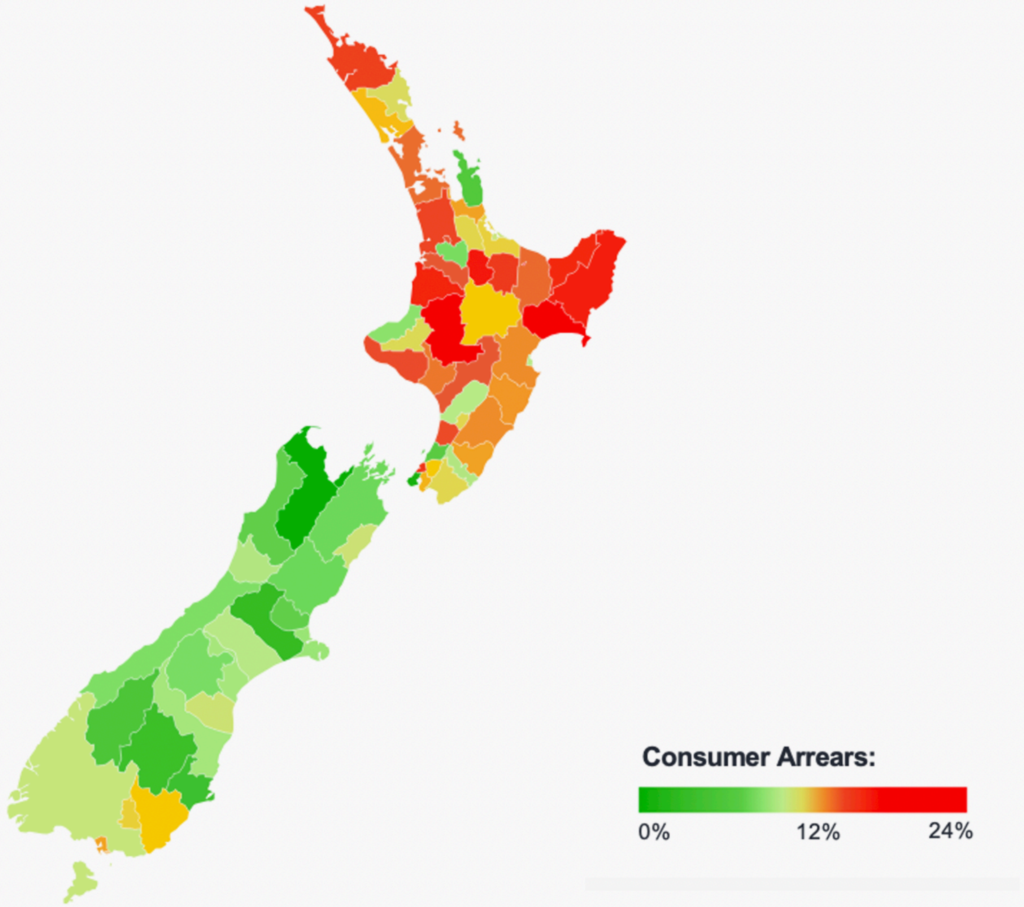
Consumer arrears across the country



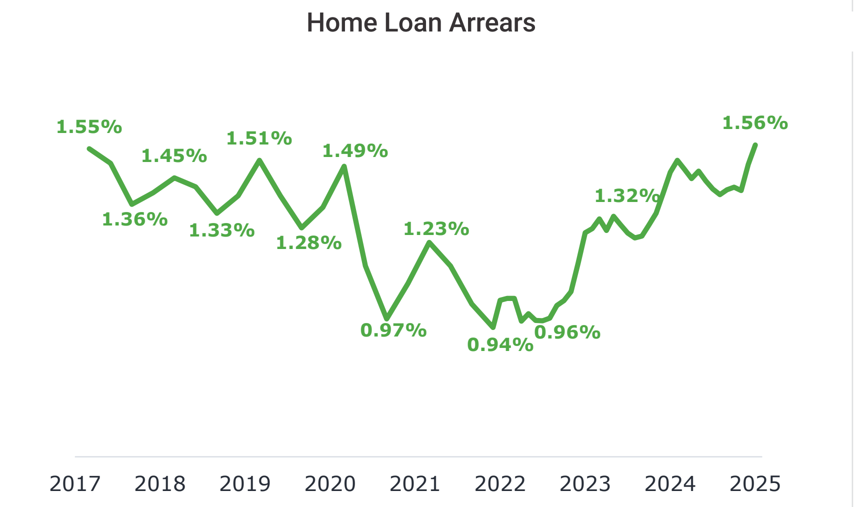
Lowest Arrears Areas		
	District	**Arrears %**
1	Nelson City	9.32%
2	Tasman District	9.33%
3	Wellington City	9.61%
4	Selwyn District	10.31%
5	Central Otago District	10.56%
6	Dunedin City	10.64%
7	Queenstown-Lakes District	10.81%
8	Thames-Coromandel District	10.87%
9	Kapiti Coast District	10.98%
10	Buller District	11.08%

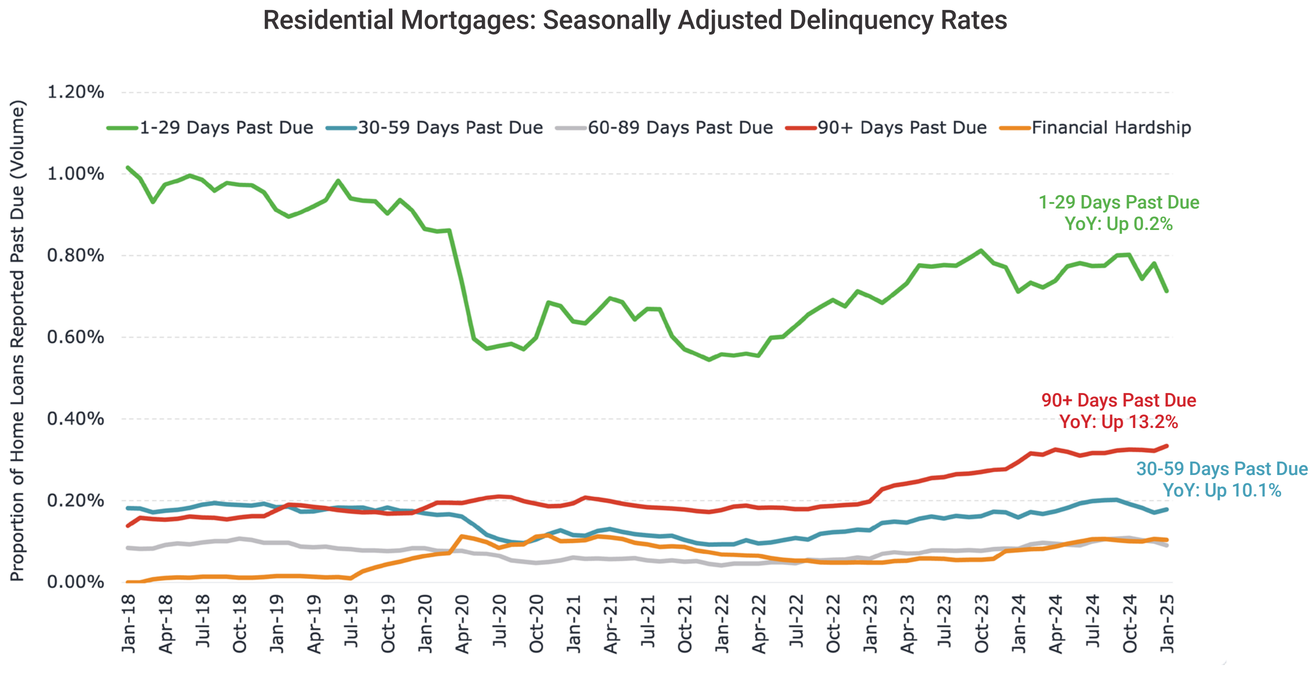
Highest Arrears Areas		
	District	**Arrears %**
1	Ruapehu District	18.23%
2	Wairoa District	17.78%
3	Kawerau District	17.13%
4	South Waikato District	16.83%
5	Gisborne District	16.69%
6	Waitomo District	16.56%
7	Opotiki District	16.36%
8	Porirua City	15.89%
9	Rotorua District	15.63%
10	Far North District	15.31%

Mortgage arrears reach eight year high

Mortgage arrears reached the highest level recorded in eight years in January, with 23,700 home loans reported past due, a 6% increase year-on-year.

Looking at seasonally adjusted mortgage delinquencies, there are signs of early arrears stabilising, but 90+ days arrears are still climbing.





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Household arrears a mixed bag

Overall personal loan arrears experienced a slight increase month-on-month, climbing to 9.7% in January (up from 9.2% in December).

Despite this monthly rise, personal loan arrears remain 2% lower than they were this time last year.

Similarly, BNPL arrears rose to 8.6% in January. Although this marks an increase from December, it is still a lower rate compared to the 9.0% reported in the same month the previous year.

Retail energy payments have also seen a rise in arrears, with 5.2% of households behind on payments in January - a 6% year-on-year increase.

Telco and communication account arrears went up in January to 10.7%, which is an 8% increase year-on-year.

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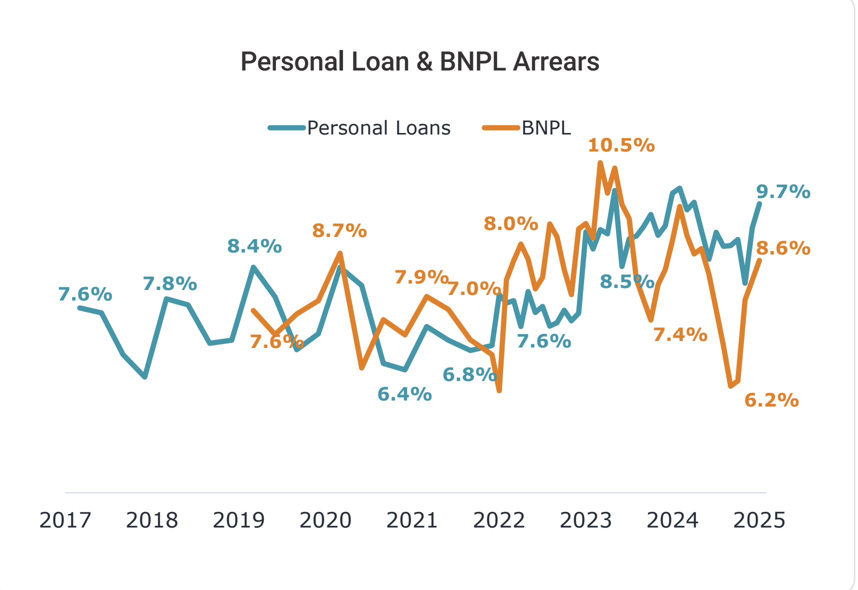
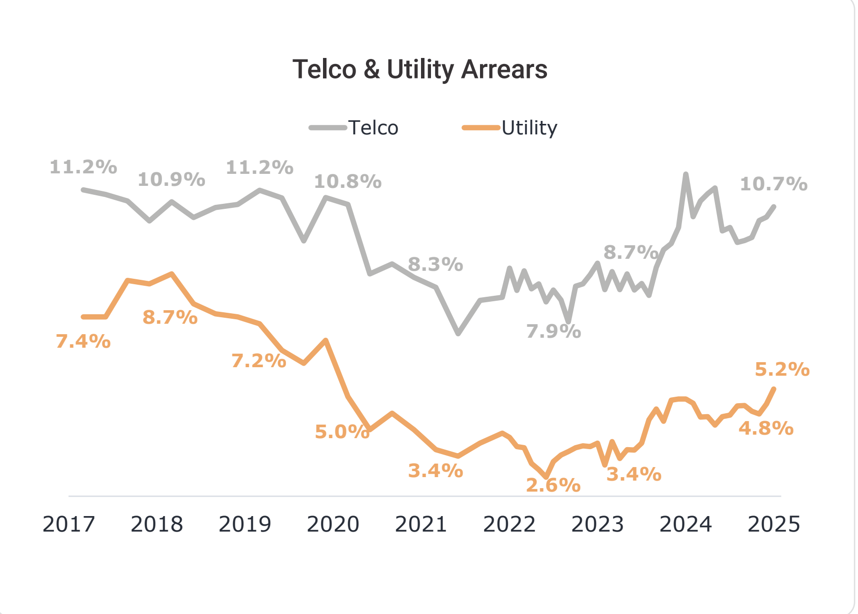
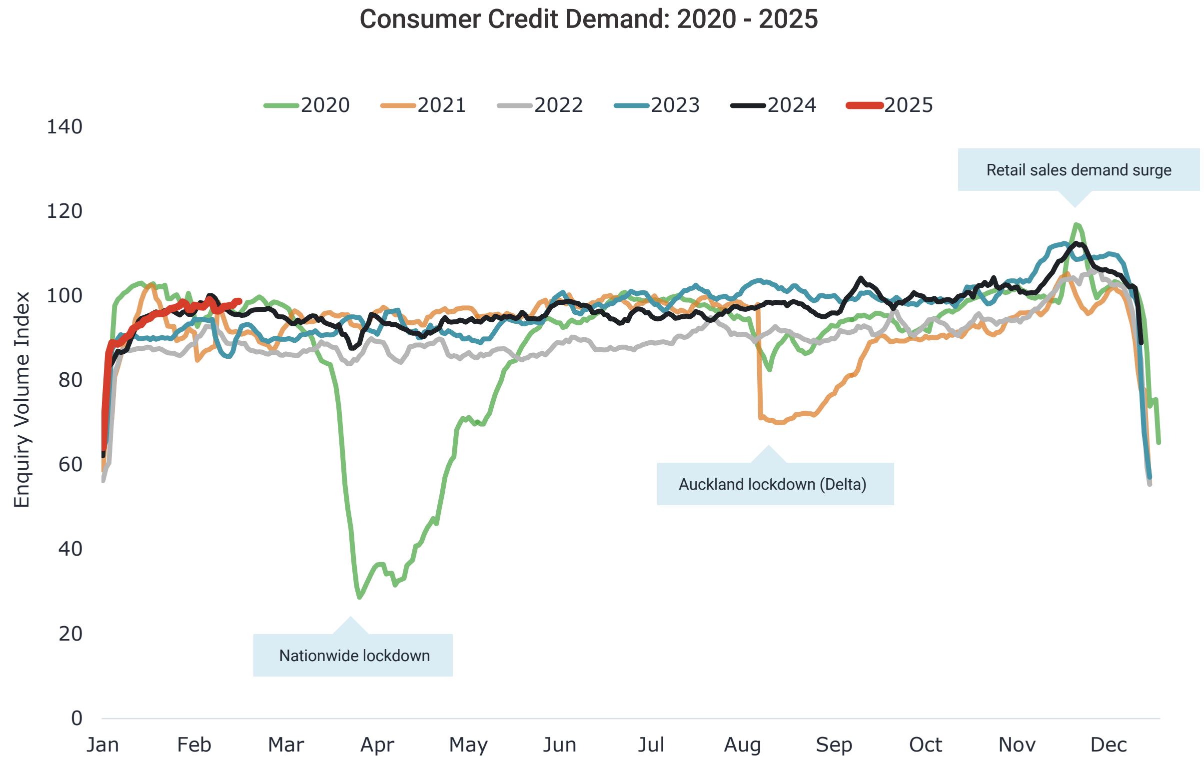




Rising demand for credit products

Consumer credit demand has remained stable year-to-date, showing only a slight decrease of 0.5% compared to last year. Mortgage applications have seen a significant increase of 11%, while credit card demand has continued to improve, with a 24% rise year-on-year.



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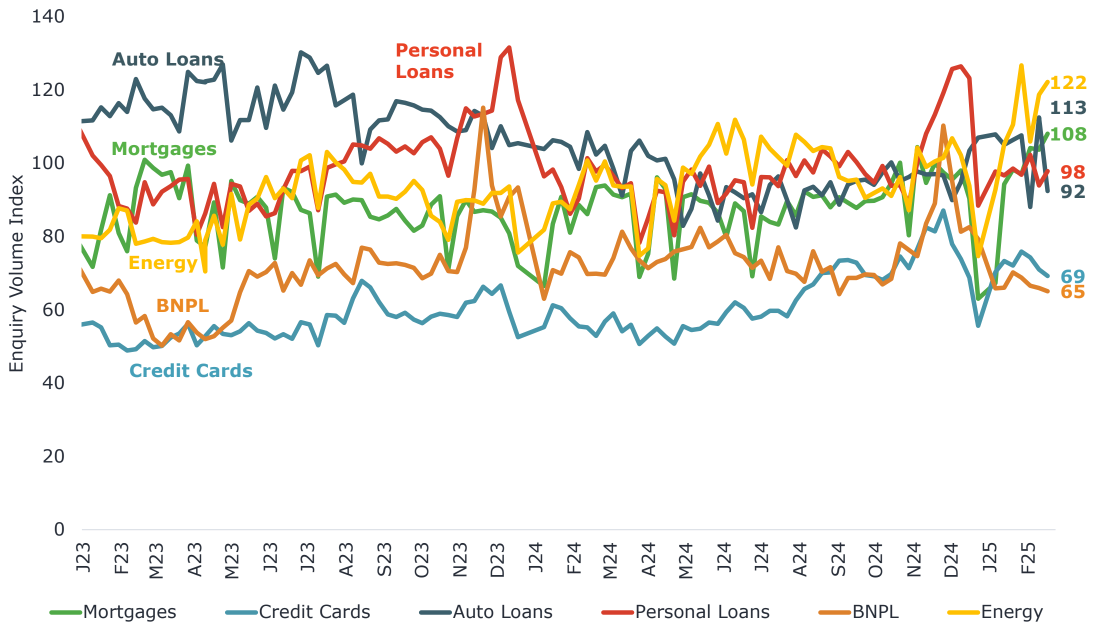
Credit Demand by Product Type



Year-on-year change %

Mortgages	+11.0%
Auto Loans	-5.6%
Credit Cards	+24.0%
Personal Loans	+0.4%
BNPL	-4.5%
Retail Energy	+16.4%

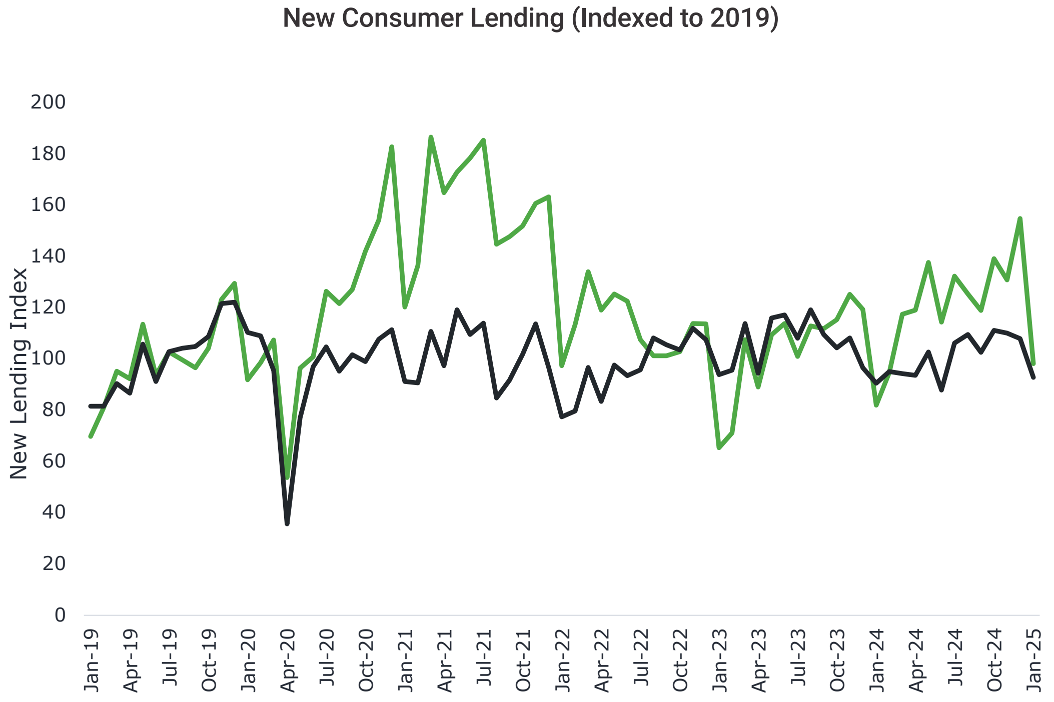
Year-on-year comparison of 3 month rolling averages

Mortgage, non-mortgage new lending up

In the January quarter, approved new mortgage lending increased by 17.7% compared to the same period last year.

New non-mortgage lending, including credit cards, vehicle and personal loans, BNPL, and overdrafts, rose by 4.3%. Overall, new household lending grew by 16.5% year-on-year.

However, new residential mortgage lending is still 16% lower than during the 2021 property market boom. The increase in lending is attributed to lower interest rates and reduced lending restrictions, as well as higher demand during holiday spending



In the January quarter, approved new mortgage lending increased by 17.7% compared to the same period last year.

Hardships reach highest level since June 2020

There are currently, 14,700 accounts are reported in financial hardship, an increase of 400 in the past month, reaching the highest level since June 2020. Cases have been rising since November 2022, with a year-on-year increase of 20%.

Among these, 46% relate to mortgage payment difficulties, 30% to credit card debt, and 16% to personal loan repayments. The highest rate of financial hardship is found among those aged 35 to 49 years old.

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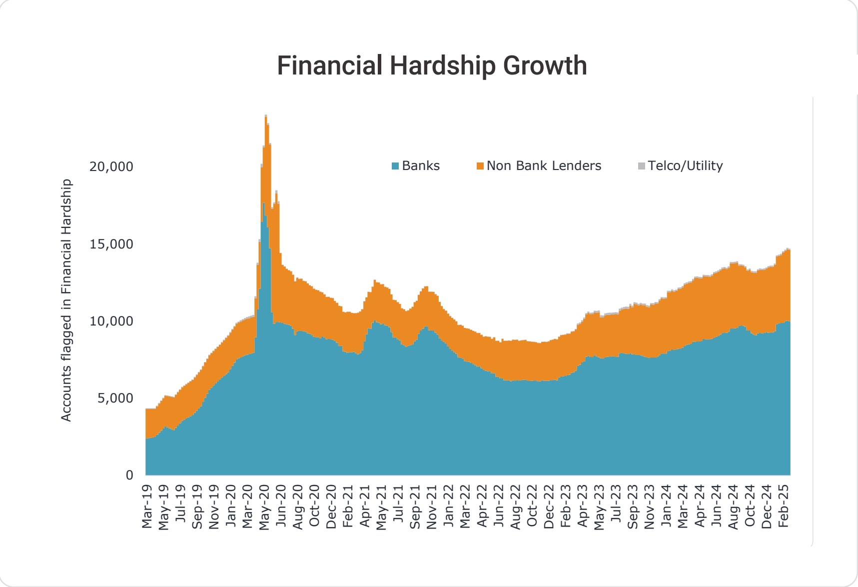
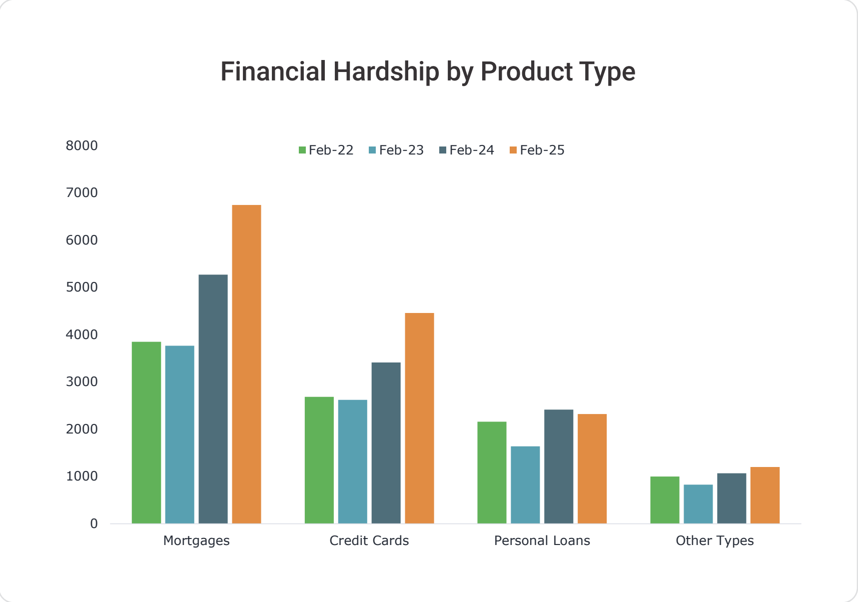
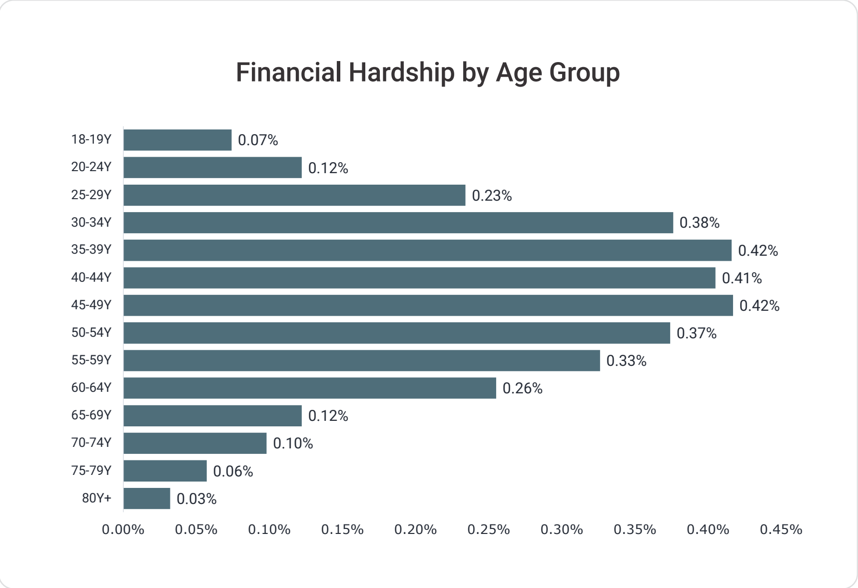


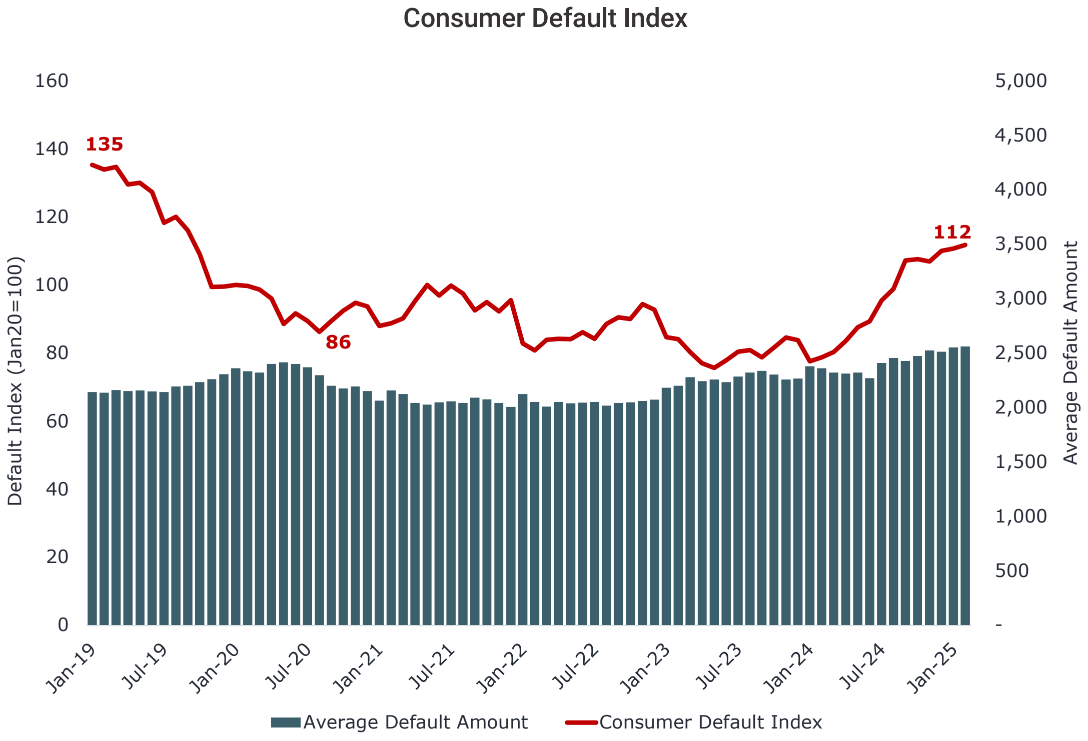




Consumer credit defaults increase

Furthermore, consumer credit defaults have risen by 42% due to the ongoing economic downturn. The proportion of credit application enquiries returning financial hardship alerts remains just below 0.5%.

Although personal insolvencies are beginning to show signs of an uptick, they remain well below historical levels, as they are the most lagging indicator of debt stress.



Consumer credit defaults have risen by 42% due to the ongoing economic downturn.

Business defaults, liquidations rise across country

Company defaults climbed across all sectors, with construction and transport leading at +35% and +30% year-on-year, respectively.

Company liquidations have surged by 38% over the past year compared to the previous period. The North Island experienced a 35% year-on-year increase in liquidations, while the South Island saw a dramatic 67% rise in company failures. Notably, in January, 24% of these insolvencies were attributed to the construction sector.

Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
Construction	-1%	+35%	750 ↓	+44%	2.3X
Hospitality	+4%	+11%	734 ↓	+49%	2.4X
Retail Trade	+11%	+5%	761 ↓	+5%	1.0X
Transport	-4%	+30%	719 ↓	+76%	2.2X
Property / Rental	+16%	+6%	810 ↓	+41%	0.8X
Manufacturing	+9%	+14%	773 ↓	+37%	1.7X
All Sectors	+5%	+19%	782 ↓	+38%	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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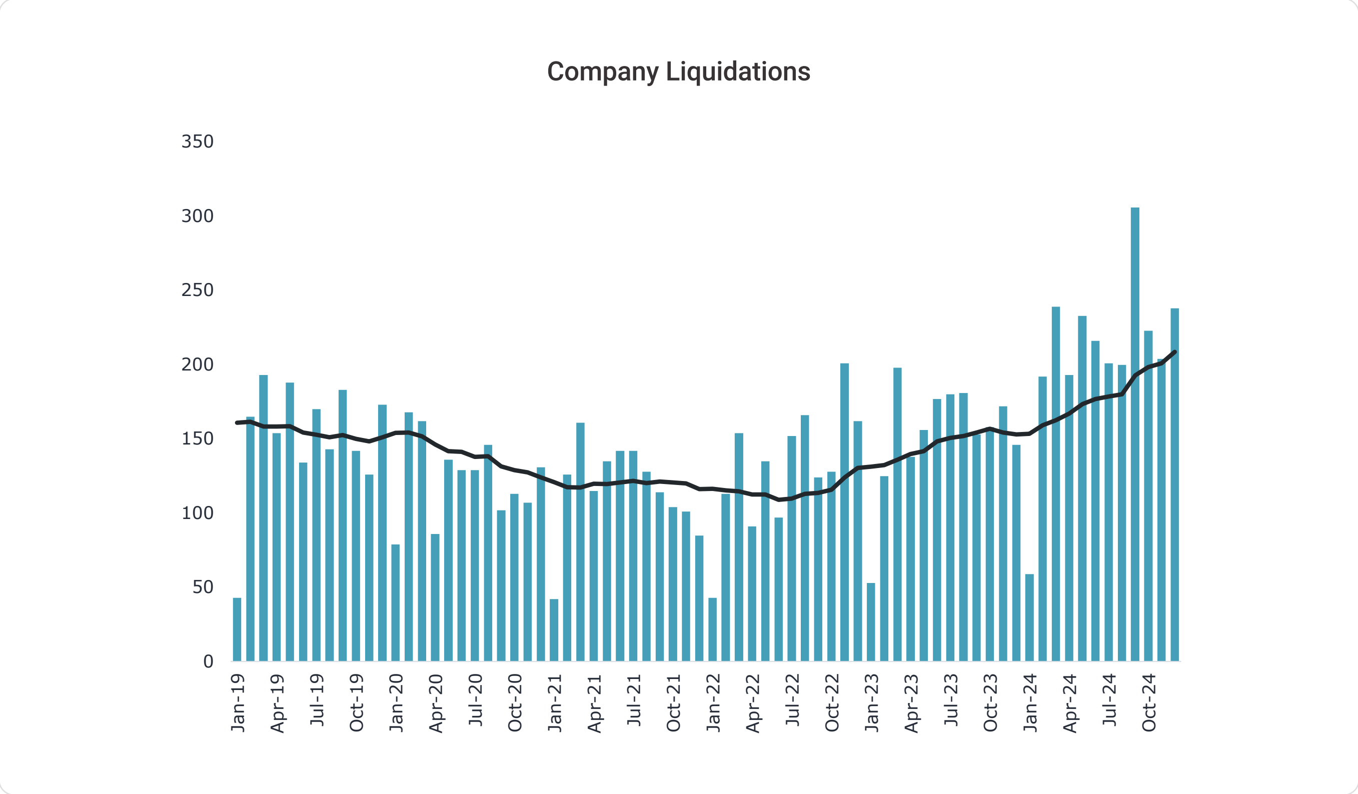

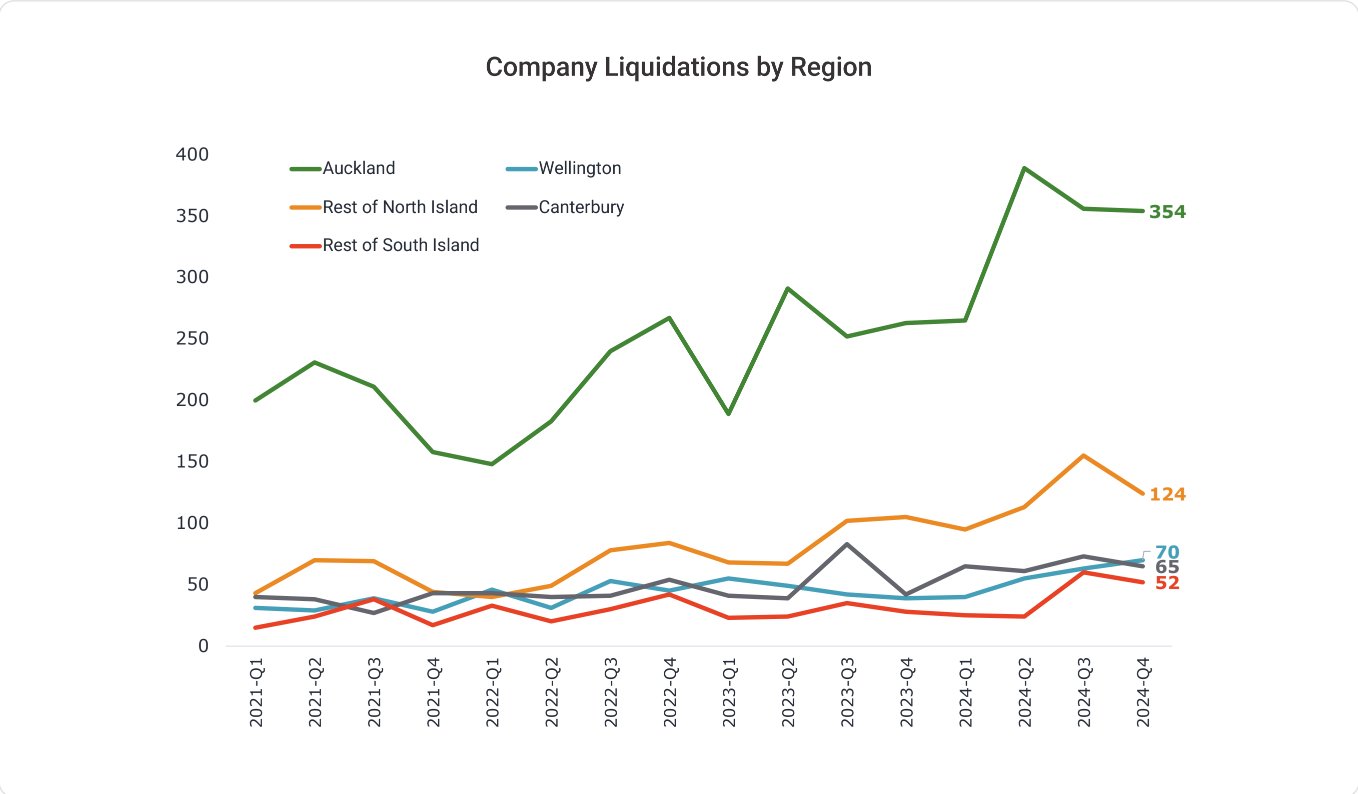

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Snapshot of the professional sector

The professional sector, which comprises over 89,000 registered companies, has faced significant challenges over the past year. A total of 204 companies in the sector were placed into liquidation, marking a 45% year-on-year increase.

Advertising, accounting, and management consulting services have seen an increase in company insolvencies in recent months. This surge in liquidations underscores the difficulties the sector is encountering due to reduced demand for services in the economy.

Industry Classification Description	Registered Companies		Key Credit Indicators (YoY Change)				
	#	%	Δ Credit Demand	Δ Defaults	Credit Score	Δ Company Liquidations	Liquidation Rating
Professional, Scientific and Technical Services	**89,519**	**12.3%**	**6%**	**14%**	**800**	**45%**	**0.7X**
Computer System Design and Related Services	14,662	2.0%	19%	3%	796	42%	0.7X
Advertising Services	2,203	0.3%	-10%	-14%	756	100%	1.6X
Architectural, Engineering and Technical Services	19,273	2.6%	7%	16%	790	11%	0.7X
Architectural Services	3,387	0.5%	12%	4%	800	13%	0.8X
Engineering Design and Consulting Services	9,477	1.3%	13%	24%	784	-14%	0.8X
Other Specialised Design Services	4,462	0.6%	-6%	-2%	777	140%	0.8X
Accounting Services	5,690	0.8%	26%	4%	820	400%	1.0X
Legal Services	2,758	0.4%	10%	4%	810	100%	0.2X
Management and Related Consulting Services	30,336	4.2%	1%	29%	791	50%	0.7X
Other Professional, Scientific and Technical Services	3,924	0.5%	-2%	-38%	785	100%	0.4X
Scientific Research Services	1,693	0.2%	-8%	75%	790	-44%	0.8X
Veterinary Services	564	0.1%	-31%	0%	822	-	0.5X

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Last updated February 28, 2025.

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.