# MEDIA RELEASE

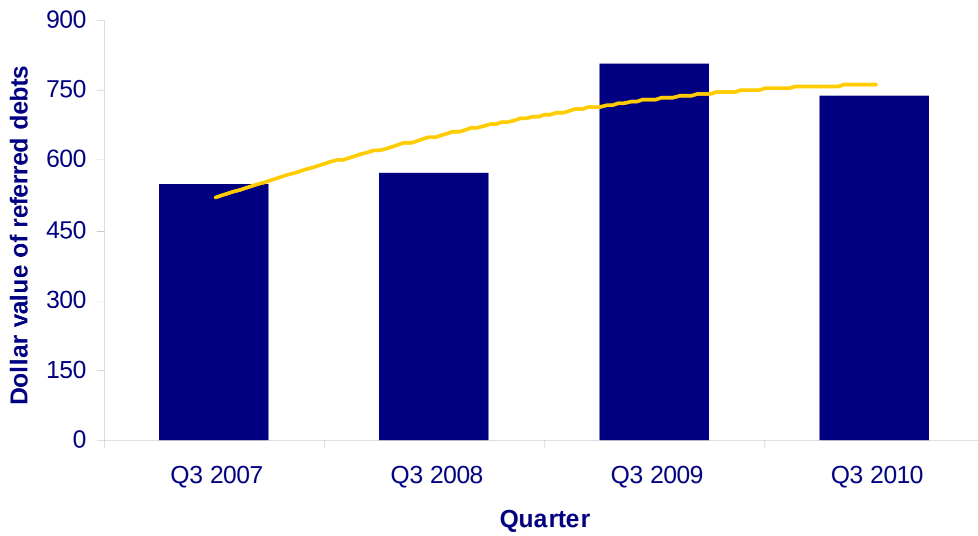
Wednesday 10 November, 2010

# Kiwi households not out of the woods yet

*Debt yet to return to pre-crisis levels*

Improving local economic conditions are flowing through to households, with debt levels declining by 10 percent during the September quarter however; the return to pre-crisis prosperity could be some way off as the dollar value of referred debts remains 35 percent higher than figures recorded during the September quarter 2007.

Dun & Bradstreet's latest research shows that the average value of referred debts currently stands above $700 and despite the number of accounts referred for collection falling by around 16 percent since the height of the crisis; it also remains above 2007 levels. Men, those aged 18-33 and 49-64 and those residing on the north island in particular, are demonstrating signs of potential financial stress. In addition, the significant volume of referred debts indicates that a number of individuals could be experiencing their first negative credit event.




***Dollar value of referred debt 2007-2010 (Q3)***

Further research by Dun & Bradstreet highlights the significance of these figures by examining the likelihood that consumers with accounts in default (60+ days past due) will face further credit struggles. The findings show that an individual with a utilities debt that is 60+ days overdue is 650 percent more likely than the average consumer to default on other types of credit. Meanwhile, the likelihood of recurring default by those with a telecommunications debt is 450 percent.

These findings come as Dun & Bradstreet's data shows that the dollar value of debts referred for collection in these two industries has increased over the past four years. Telecommunications debts have risen 22 percent, while utilities debt values are up by around 56 percent. Importantly, Dun & Bradstreet's research also demonstrates that the value of negative credit events has no significant correlation to the likelihood of reoccurrence. An individual with an account in default for an amount of less than $500 is just as likely to re-offend as an individual with an account in default for a more significant sum of money.

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According to John Scott, Dun & Bradstreet's New Zealand General Manager, New Zealand households are not out of the woods yet.

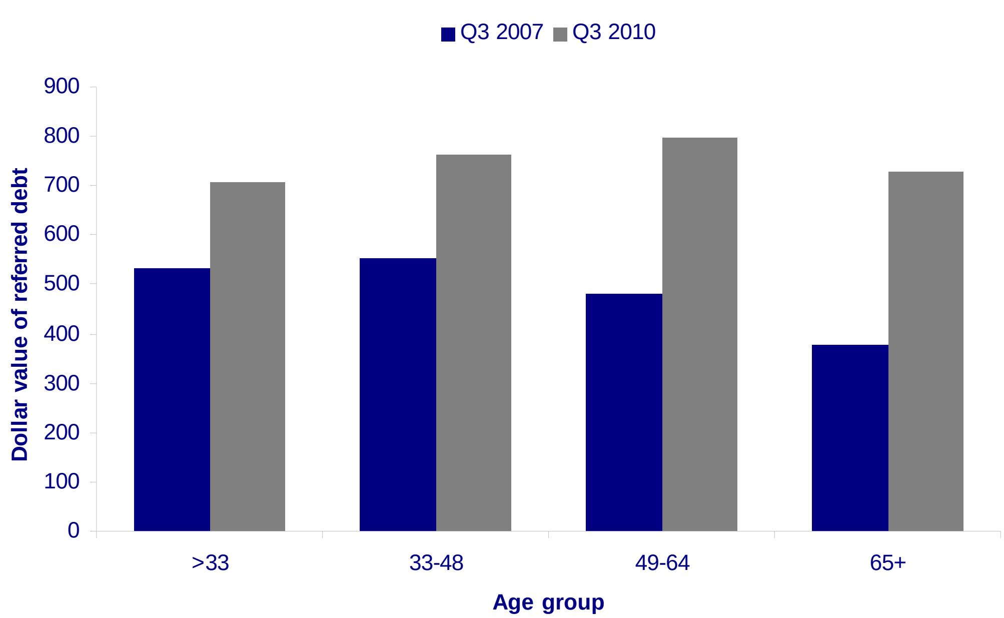
"The value of debts has fallen back slightly since the height of global turbulence but they remain well above pre-crisis levels, indicating that for some households the return to a more sustainable financial situation could take some time," said Mr Scott.

"Consequently it's imperative that credit providers conduct suitable due diligence to ensure they provide appropriate levels of funding for each individual's situation. This process will also assist credit providers to effectively manage their lending book as default risk will remain prominent in the months ahead."

**Age**

Younger people (up to 33 years of age) accounted for the most significant portion of referred debts at 44 percent – this trend has been consistent across the past four years. Older Kiwis account the lowest portion of referred debts, while the two middle age brackets (33-48 and 49-64) account for around half of referred debts. Yet despite older Kiwis accounting for the smallest portion of referred debts, the dollar value of their outstanding accounts has risen the most significantly of any group since 2007. Figures for this group have almost doubled over the period from a figure which was below $400 in 2007.

Those aged 49-64 recorded the highest average debt values during the September quarter 2010 at around $800, a figure which is up 65 percent on 2007. In the previous three years those aged 33-48 recorded the highest debt values, with this group's debts above $900 during the September quarter 2009. Meanwhile, younger Kiwi's (who accounted for the greatest number of referred debts) actually had the lowest average debt values during the September quarter 2010. Despite this, figures for this group are up by around 33 percent on pre-crisis levels.




***Dollar value of referred debt 2007-2010 (Q3)***

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**Gender**

Men accounted for a greater portion of referred debts than women at 54 percent, a trend that is consistent with the prior year. However in 2007 and 2008 women were responsible for a greater number of referred debts.

The average value of referred debts is also higher for men than women, with debts for men up above the $800 mark and women below $700. These figures are up 25 and 23 percent respectively on the debt values recorded prior to the credit crisis when debts were around $650 for men and $550 for women.

**Location**

Kiwis residing on the north island accounted for a greater portion of referred debts than those living in the south, with an approximate 80 / 20 split. However, south island residents recorded higher average debt values than their northern counterparts during the September quarter 2010 at around $700 and $670 respectively. For north island residents this is a 21 percent increase on 2007 figures, while for south island inhabitants it’s a 45 percent rise.

According to Mr Scott, Dun & Bradstreet’s research provides an important warning for consumers.

"A significant number of New Zealanders are unaware of the potential consequences of not paying their bills on time," said Mr Scott.

"Not paying a credit obligation on the due date can negatively impact an individual's ability to access credit for up to five years so it's critical that every credit commitment is taken seriously. Phone bills are a prime example – many people think that missing a non-bank account doesn't matter and won't affect their credit record however, this is absolutely untrue.

"Consumers should put themselves in a position to understand what information is listed on their credit record and act appropriately to manage all credit commitments. Failure to do so could result in an inability to access credit in the future or to high interest costs due to a poor credit history."

**For further information:**

The data compares September quarter 2007-2010.

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