Nga Maramatanga

Insights to Week 48 2023

EQUIFAX

Economic Stats Overview

GDP

Quarterly Q3 2023: -0.3%

Annual Q3 2023: 1.3%

Next update 21 Mar 24

Official Cash Rate

As at November 2023

5.5%

Next review 28 Feb 24

Consumer Price Index

As at September 2023

5.6% Annual change

Down from 6.0% as at Q2 23
Next update 24 Jan 24

Consumer Confidence

As at November 2023

91.9 Nov 23

88.1 Oct 23

Unemployment

As at Q3 2023

3.9%

Up from 3.6% at at Q2 23
Next update 07 Feb 24

Business Confidence

As at November 2023

+30.8 Nov 23

+23.4 Oct 23

Source: StatsNZ, RBNZ, ANZ-Roy Morgan Consumer Confidence Survey, ANZ Business Outlook survey


Consumer
Credit Update

Market Commentary

Consumer confidence rose to 91.9 in November 2023 (+4pts), continuing the trend seen since July 2023. However, consumer confidence remains at a low level over the long term:

- Inflation expectations were effectively unchanged at 4.6% and are flattening at a level above the pandemic. House price inflation expectations lifted again, from 3.8% to 4.2%, the highest since February 2022.
- Consumers continue to report ongoing wariness about purchasing major household items, though this did improve slightly in November 2023.
- Overall, aggregated responses regarding future conditions were unchanged in November but confidence in current conditions improved by 9pts to 78.1. With the gap between the current and future conditions confidence narrowing, the survey reflects the increasing belief that the worst is past. [#1]

RBNZ maintained the Official Cash Rate (OCR) at 5.5% in the November review. However, the review came with the hawkish warning that there is limited room for any unanticipated inflationary shocks and the hint of further tightening if necessary. Moreover, RBNZ's forecasts are now suggesting that rate cuts will commence in early 2025 (slightly later than before), which are at odds with some market forecasts predicting late 2024.

14,519 new vehicles were registered in November 2023, the strongest since the 1 July changes to the Clean Car Discount scheme but volumes were boosted by 4,466 Rental units (the highest in the past four years):

- November 2023 registrations remain 7.1% lower than November 2022 (15,621) and on a year-to-date basis, 2023 is 8.9% lower than 2022.
- Light commercial registrations continue to be significantly impacted with buyers waiting for the removal of the Clean Car Discount surcharges (commercial registrations were down 32% on November 2022). [#2]

The latest **data from Stats NZ shows a 4.1% nominal increase in electronic card spending year-over-year to November 2023**. However, the influence of strong underlying population growth and high inflation infers that **spending is cooling in real terms**. Similar data published by two banks on self-issued card spending paints a similar picture (both 2.6%-2.7% year-on-year growth to November), with the common theme being spending is particularly soft on clothing, durables, and entertainment - all products and services in demand during Black Friday and Christmas shopping, reflective of limited household budgets for larger discretionary items.[#3 #4 #5]

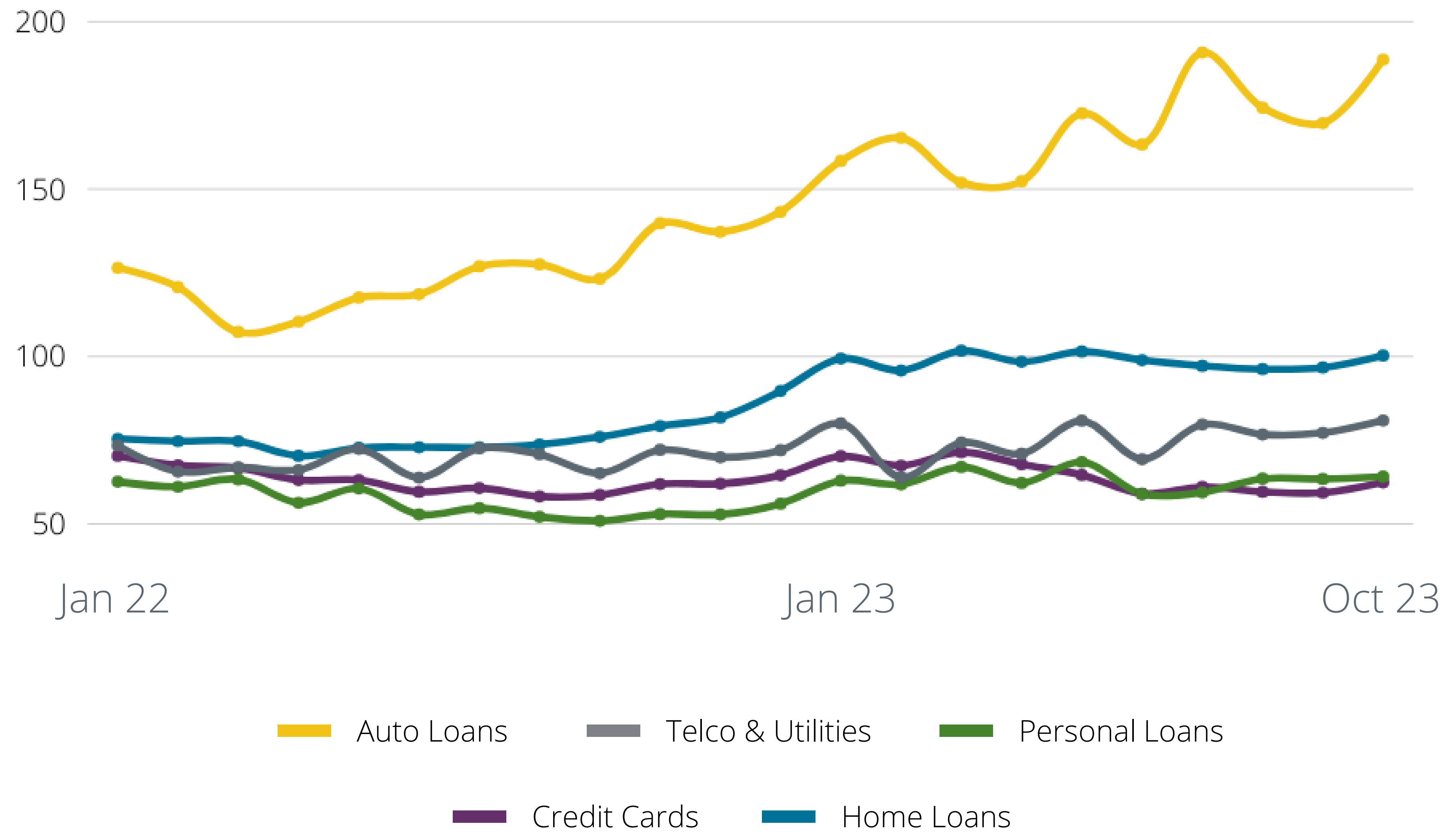
#1 ANZ-Roy Morgan Consumer Confidence Survey #2 MIA - Motor Industry Association

#3 Stats NZ: Electronic Card Transactions #4 Westpac Retail Spending Pulse #5 ANZ NZ Merchant and Card Spending

Bureau Headlines

- **Average weekly consumer demand for 2023 to-date is currently +1.9% above the same period in 2022.** This continues to be pushed along by firm enquiry volumes for Credit Cards and Telco & Utilities products.
- **Following a month-on-month deterioration in October 2023, the number of auto loan accounts in arrears recommenced a general upward trend that has emerged since the pandemic.** As at October 2023, auto loan accounts in arrears are 251% higher than October 2019 (i.e., the pre-pandemic equivalent). Year-over-year, the number of accounts in arrears are 35.0% higher than October 2022.
- **The number of home loan accounts in arrears (by 1+ days) increased +3.8% month-over-month in October 2023 vs. September 2023.** The increase was observed across most ageing buckets. Total home loan arrears are currently 26.8% above the same time last year and +9.9% above pre-pandemic levels (October 2019).
- **The number of credit card accounts in arrears increased +5.3% in October 2023 vs the month prior** but was notably confined to pre-delinquent accounts with 90DPD+ volumes falling -1.3% through October. Overall, credit card accounts in arrears are roughly on par with October 2022 (up +0.7%), but circa 30% below pre-pandemic volumes (October 2019).
- **Month-over-month for October 2023, there was a +1.1% increase in the number of overall personal loan accounts in arrears versus September 2023.** Notably, accounts 90 days past due increased 9.4% month-over-month.
- **We continue to see signs of elevated stress for home loan accounts**, with **hardship volumes now experiencing nine consecutive month-over-month increases** since February 2023. **Credit card accounts in hardship have increased by +29.8% YoY in October 2023** (vs October 2022) but have been trending downward in recent months.

Consumer Accounts in Arrears by 1 or more days
Indexed to Jan 20



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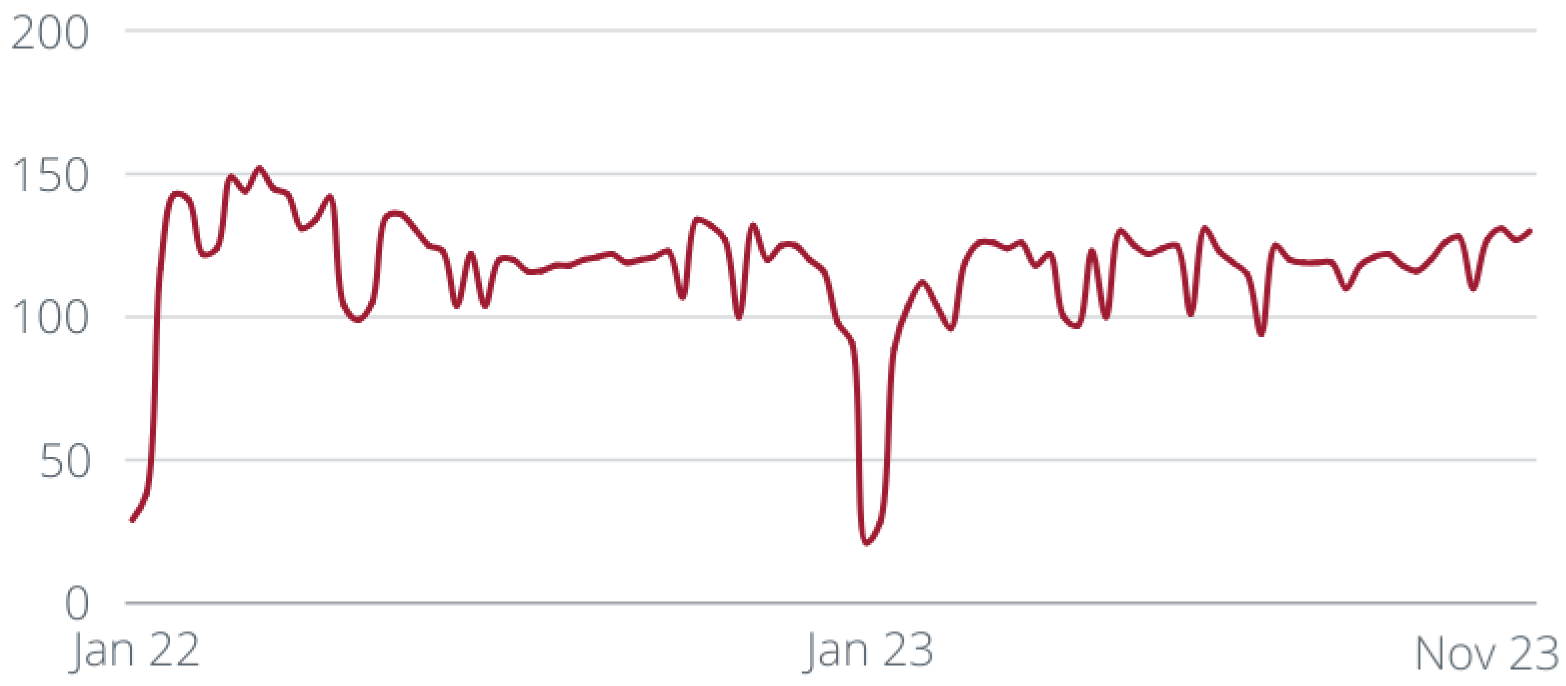
Home Loans

Enquiries

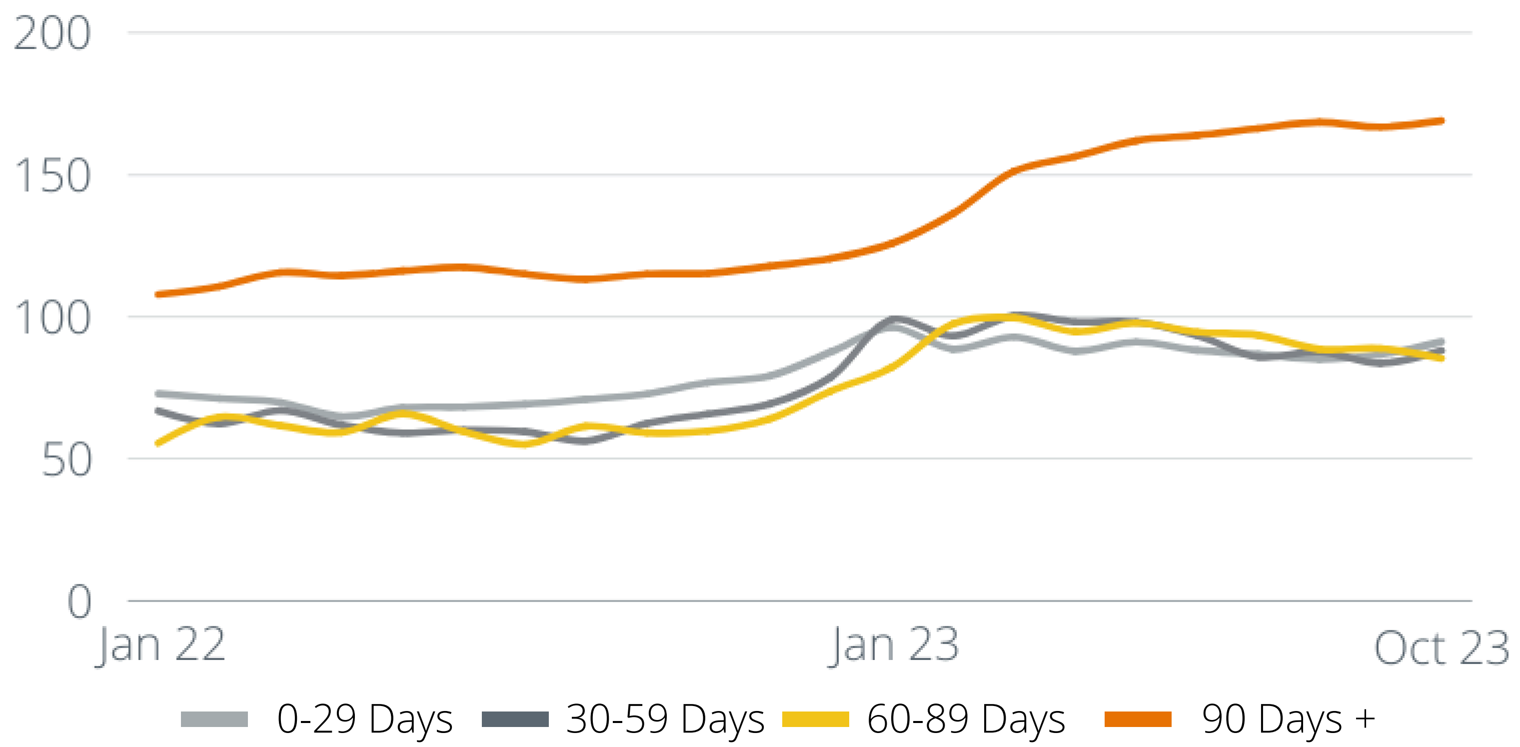
Weekly, indexed to Jan 20



- Home loan enquiries have been firm since late-October, coinciding with the general election and the start of the summer selling season.
- The average volume of weekly enquiries for 2023 to-date has gradually closed the gap versus the same period in 2022, currently down -6.0%. However, demand remains subdued over the long-term, with 2023 to-date weekly averages down -39.3% against the 'heated' 2021 volume.
- Market signals continue to suggest that we have reached the end of the slide with property values and activity beginning to consistently trend upwards. However, it is too soon to tell if the rate of recovery we are seeing currently will be sustainable in 2024 under the ongoing high interest rate environment.

Home Loan Account Health

'Days Past Due' bands, indexed to Jan 20



- Month-over-month for October 2023, there was a +3.8% increase in the number of home loan accounts in arrears vs September 2023. This increase was seen across the board in terms of ageing buckets, except for the 60-89DPD band (down -3.9%). There continues to be mixed arrears performance by home loan provider.
- Year-on-year, the number of home loan accounts with missed payments is +26.8% above October 2022 levels, and +55.1% above October 2021 levels.

Housing Insights - Powered by Valocity

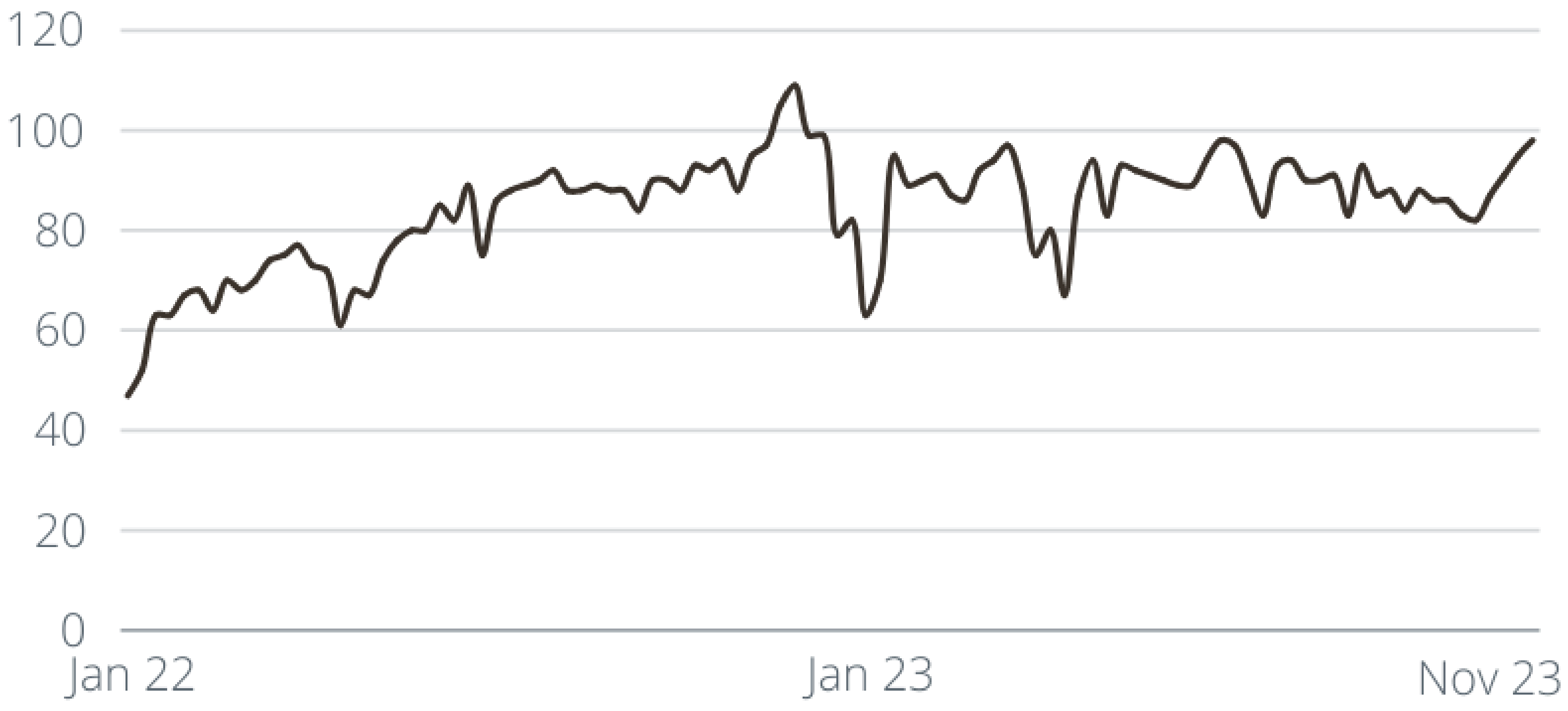
- **The Valocity Value Index was up 2.0% (to $968k) in the three months to November 2023.** Values remain 3.1% below versus the level 12 months ago, however the recent trends have solidified the view that slide in values have generally come to an end, with consecutive improvements since June 2023. 15 of the 16 regions observed increases in values from August to November 2023. West Coast was the only region across the country that observed a negative movement in values since August 2023, down 0.7%.
- **Median sales prices decreased from $788k to $759k from Q1 to Q3 this year**. This is likely due to activities concentrated on the lower end of the price spectrum, largely first home buyers who continue to drive the market. Spring campaigns are likely to lift sales volume and prices for the remainder of the year.
- **In the year ended September 2023, the number of new dwellings consented was 40,408, down 20 percent from the year ended September 2022.** Over the past year, buyers have been deterred from purchasing off plans and instead opting for newly completed homes on the market. The lack of pre-sales has consequently deterred developers from commencing new projects. The new home pipeline will continue to slow next year, and we expect to see fewer projects than in 2022 and 2023.
- **First home buyers represented 45% of all purchasing mortgage registrations in the past three months, up from 43.7% in the previous quarter and 42% in the same period in 2022.** Investors and multi-home owners saw their share of mortgage registrations decline as high-interest rates suppressed returns. However, favourable policy promises from the new government, increasing demand for rentals, and the value recovery since June may make it worthwhile for investors to re-enter the market.
- **Overall, the floor has been reached in many markets nationwide and the rate of revival is accelerating. However, some market participants remain cautious** on the back of uncertainty over the extent and timing of implementing pre-election housing promises despite the government now being formed. Further, while the OCR remained at 5.50% in the latest review, it did come with hawkish warnings that the committee may need to lift the OCR again in future to counter the impact of demand driven by population growth. All told, it is unlikely we will see the rapid rates of value increases experienced in 2020 and 2021, and it is too soon to tell if the rate of recovery we are seeing now will be sustainable in 2024.

EQUIFAX

Credit Cards

Enquiries

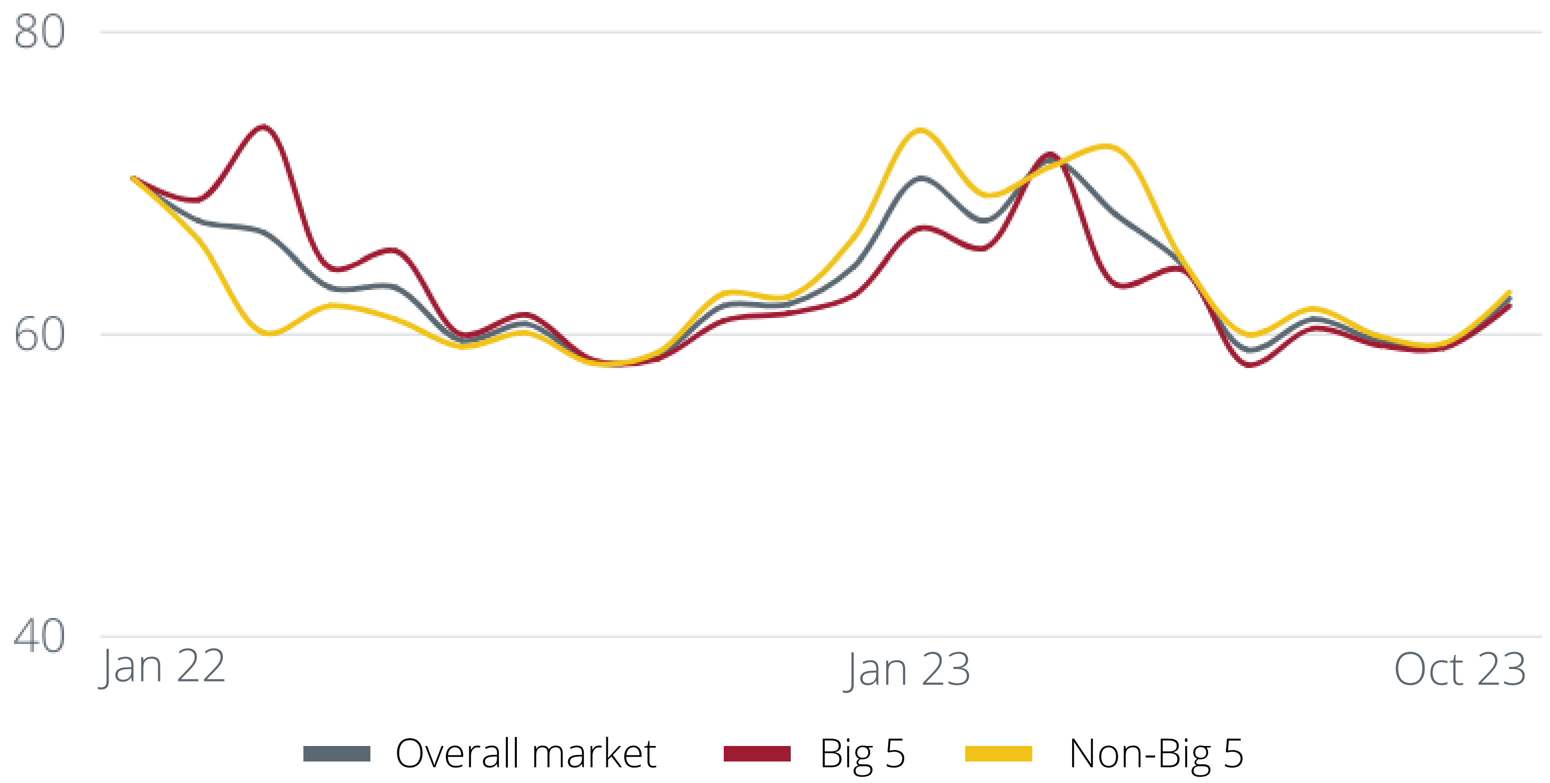
Weekly, indexed to Jan 20



- Strong credit card demand through November saw a reversal in the previously softening trend in H2, with enquiries ramping up week-on-week as the month progressed.
- The average weekly credit card enquiry volume remains higher than last year, up +9.7% in 2023 to-date versus the same period in 2022 (noting that the early portion of 2022 was continuing to be impacted by CCCFA-changes).

Credit Card Account Health

'Days Past Due' bands, indexed to Jan 20

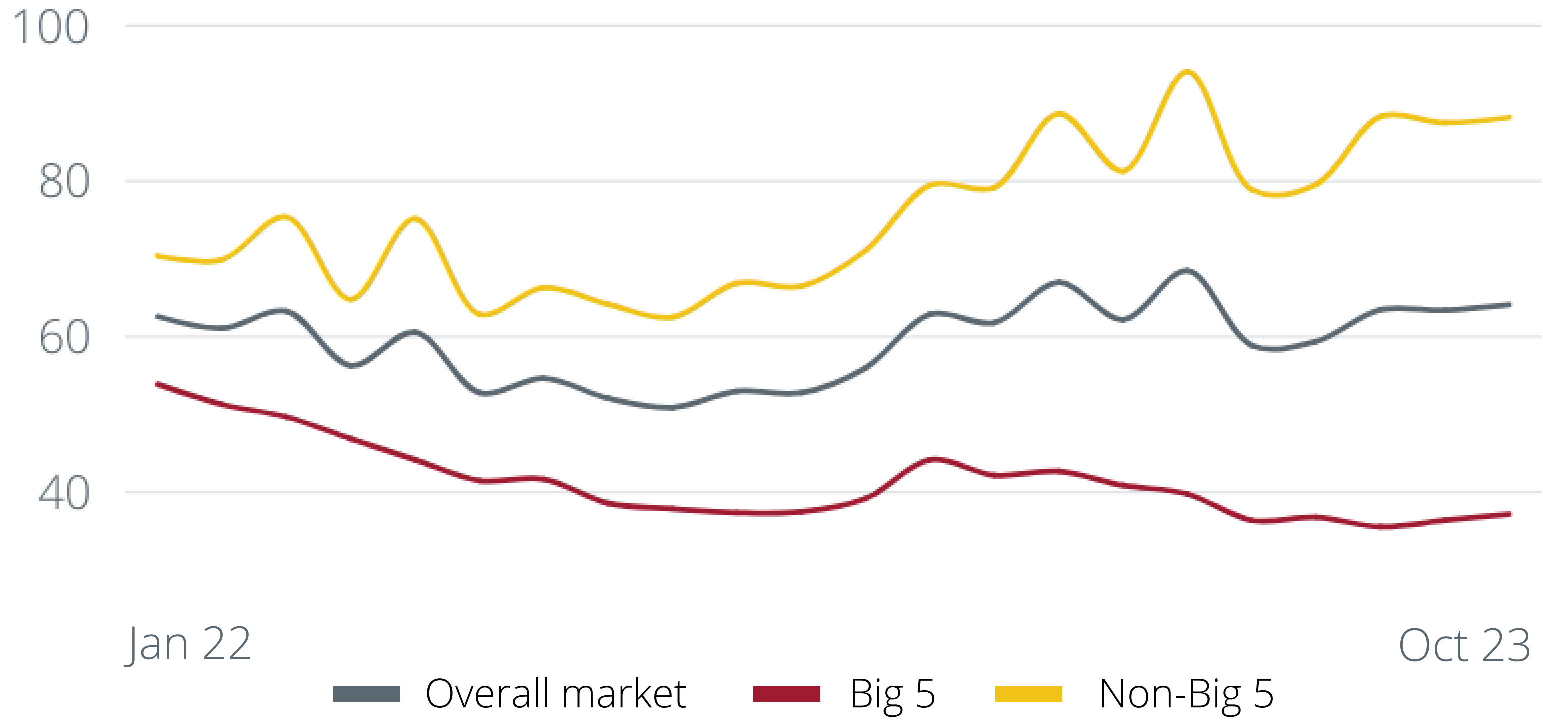


- As at October 2023, the number of credit card accounts in arrears by one or more days is roughly on par with October 2022 (up +0.7%), but -29.5% below pre-pandemic volumes (October 2019).
- There was a +5.3% increase in the number of accounts in arrears in October 2023 vs. September 2023. However, notably, the deterioration was confined to pre-delinquent accounts with the number of accounts 90 days past due decreasing by -1.3% through October.

Personal Loans

Enquiries
Weekly, indexed to Jan 20

Personal Loan Account Health
'Days Past Due' bands, indexed to Jan 20



- Personal loan demand in November recovered after softening levels observed through October. Weekly average enquiries for 2023 to-date are currently -3.0% lower than the same period in 2022.
- Demand continues to be weaker over the long run, with average weekly enquiries in 2023 to-date down by -8.6% and -22.2% against the same period in 2021 and 2020, respectively. However, the elevated lending appetite during a large proportion of those years may not allow for a direct comparison with the current state.

- Month-over-month for October 2023, there was a +1.1% increase in the number of personal loan accounts in arrears versus September 2023. Notably, accounts 90 days past due increased 9.4% month-over-month.
- The upward trend in overall arrears has been underpinned by Non-Big 5 lenders, which have been trending up since September 2022 (with an additional 41.2% accounts in arrears since that point).
- The volume of personal loan accounts with missed payments remains -2.7% lower than pre-pandemic volumes (October 2019).

EQUIFAX

Auto Loans

Enquiries
Weekly, indexed to Jan 20

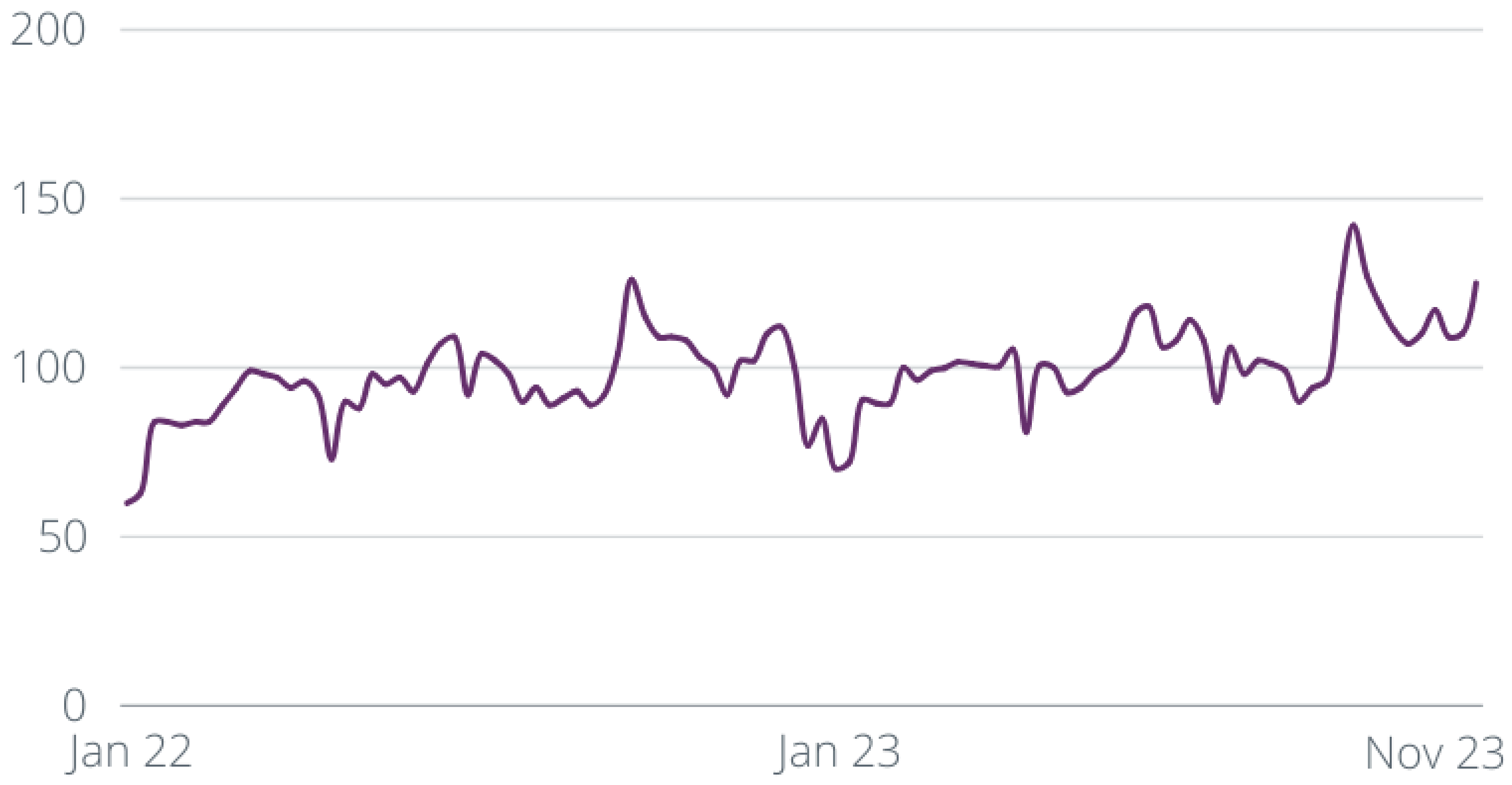
- Generally, auto loan enquiries have been softer in H2 2023 (vs H1 2023) following the amendments to the Clear Car Discount Scheme on 1 July 2023. With that said, average weekly volumes for 2023 to-date remain slightly up against 2022 (+4.4%).
- Demand remains at a subdued level in the long-run, with average weekly volumes in 2023 to-date down by -10.2% against 2021 and by -39.4% in 2020.

Auto Loan Account Health
'Days Past Due' bands, Indexed to Jan 20

- Month-over-month for October 2023, the number of auto loan accounts in arrears have increased by +11.2%. A significant increase in the number of accounts in early stage arrears (1-29 DPD) was observed, up +25.1% month-over-month, somewhat offset by a -9.2% reduction in 30-59DPD arrears.
- Notably, the number of accounts at least 90 days past due were also up 3.8% in October 2023 versus September 2023. This was the 6th consecutive monthly increase in the number of delinquent accounts.
- In terms of year-over-year movements, the total number of accounts in arrears are 35.0% higher in October 2023 vs. October 2022.

Telco & Utilities

Enquiries
Weekly indexed to Jan 20



- Demand for Telco & Utilities has regressed following the late-September surge for the iPhone 15 release. That said, overall enquiries have been generally trending upwards since early August.
- Average weekly demand in 2023 to-date is currently +8.0% up against the same period in 2022. However, 2023 remains circa -10.4% below pre-pandemic 2019 volumes.

Telco & Utility Account Health
'Days Past Due' bands, Indexed to Jan 20

- Month-over-month for October 2023, there has been a +4.8% increase in the number of accounts in arrears vs September 2023. It is highlighted that accounts reaching 90+ days past due have seen a sharp reversal in recent trends through October 2023, decreasing -18.7% month-over-month.
- Year-over-year, the number of accounts with missed payments is +12.3% above October 2022 levels, but still well below pre-pandemic levels (down -14.4% vs October 2019).

Hardship Trends

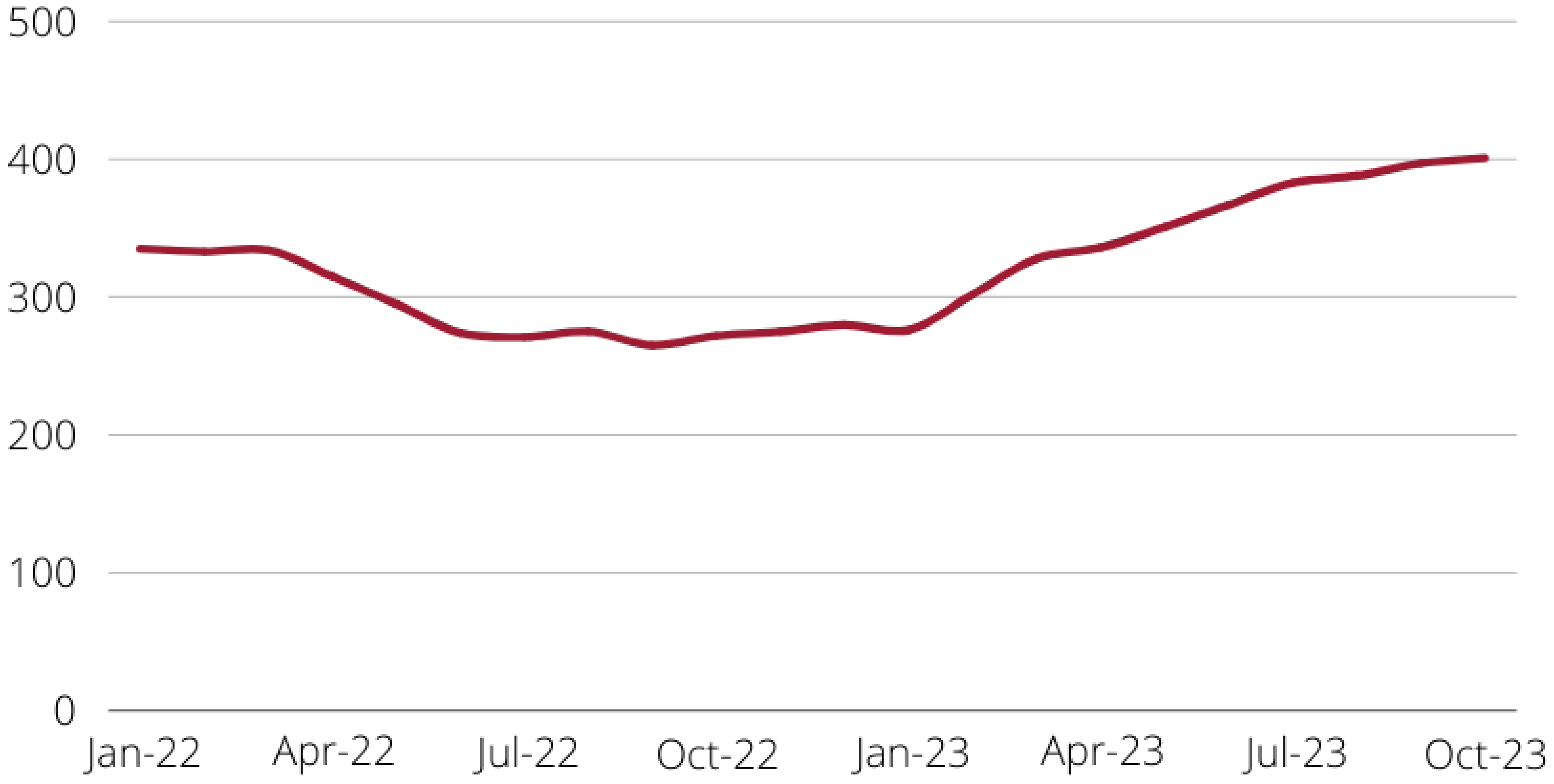
We continue to see signs of increasing stress for home loan accounts, with hardship volumes experiencing nine consecutive month-over-month increases since February 2023. Year-over-year, home loan accounts in hardship have increased +47.7% from October 2022 to October 2023.

Credit card accounts in hardship have increased by +29.8% year-over-year in October 2023 (vs October 2022). However, hardship volume has been trending down since August 2023 and are relatively subdued over the long-term, down -7.8% vs. pre-pandemic levels (October 2019).

Personal Loan accounts have increased by +57.0% year-over-year in October 2023 (vs October 2022). This comes after a marked increase in volume in August 2023, underpinned by the non-Big 5 lender cohort, which remain elevated (currently up 170% year-on-year vs. October 2022).

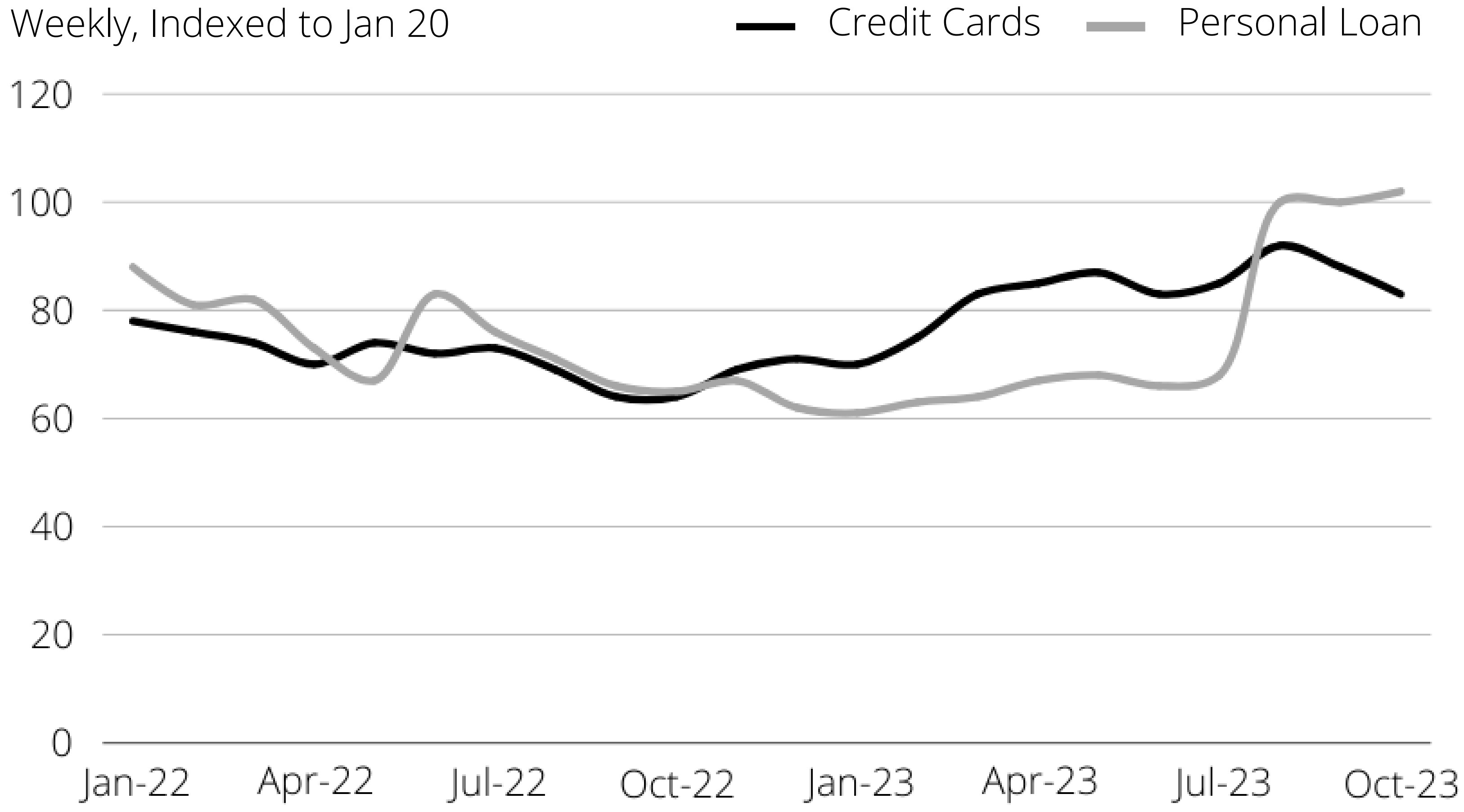
Home Loans Hardship Volume (#)

Weekly, Indexed to Jan 20



Credit Card & Personal Loan Hardship Volume (#)

Weekly, Indexed to Jan 20



Commercial
Credit Update

Commercial Commentary

- **Business confidence saw another post election uplift in November 2023, up to +30.8 (from +23.4 in October 2023),** the highest since March 2015. Overall, the Business Outlook survey fits the narrative that a softer landing is in play, but questions remain over the stubbornness of inflation and how long will the higher OCR levels be around. Inflation measures were mixed again, with the headline inflation expectations falling from 4.94% to 4.79%. Economy-wide intention to raise prices in the next three months has stalled around 46%, but critically, there is an easing in the retail sector (expectations down from 61% to 46% from October to November 2023). Business' own activity expectations rose 3pts to +26.3 and investment intentions rose from +3.8 to +4.5 net.
- **Month-over-month for October 2023, the number of commercial accounts in arrears increased +1.1% against September 2023 volumes**, with upward movement across most key industries. Most of the increase was observed within the 30-59 and 60-89 days past due buckets.
- **Commercial credit demand continues to build,** with average overall weekly commercial enquiries for 2023 to-date now +1.1% ahead of volumes in 2022. This continues to be supported by **strong asset finance demand**, with 2023 average weekly demand up +7.1% against 2022. However, **trade credit remains soft**, with 2023 average weekly demand down -2.5% against 2022.

#1 ANZ Business Outlook survey

EQUIFAX

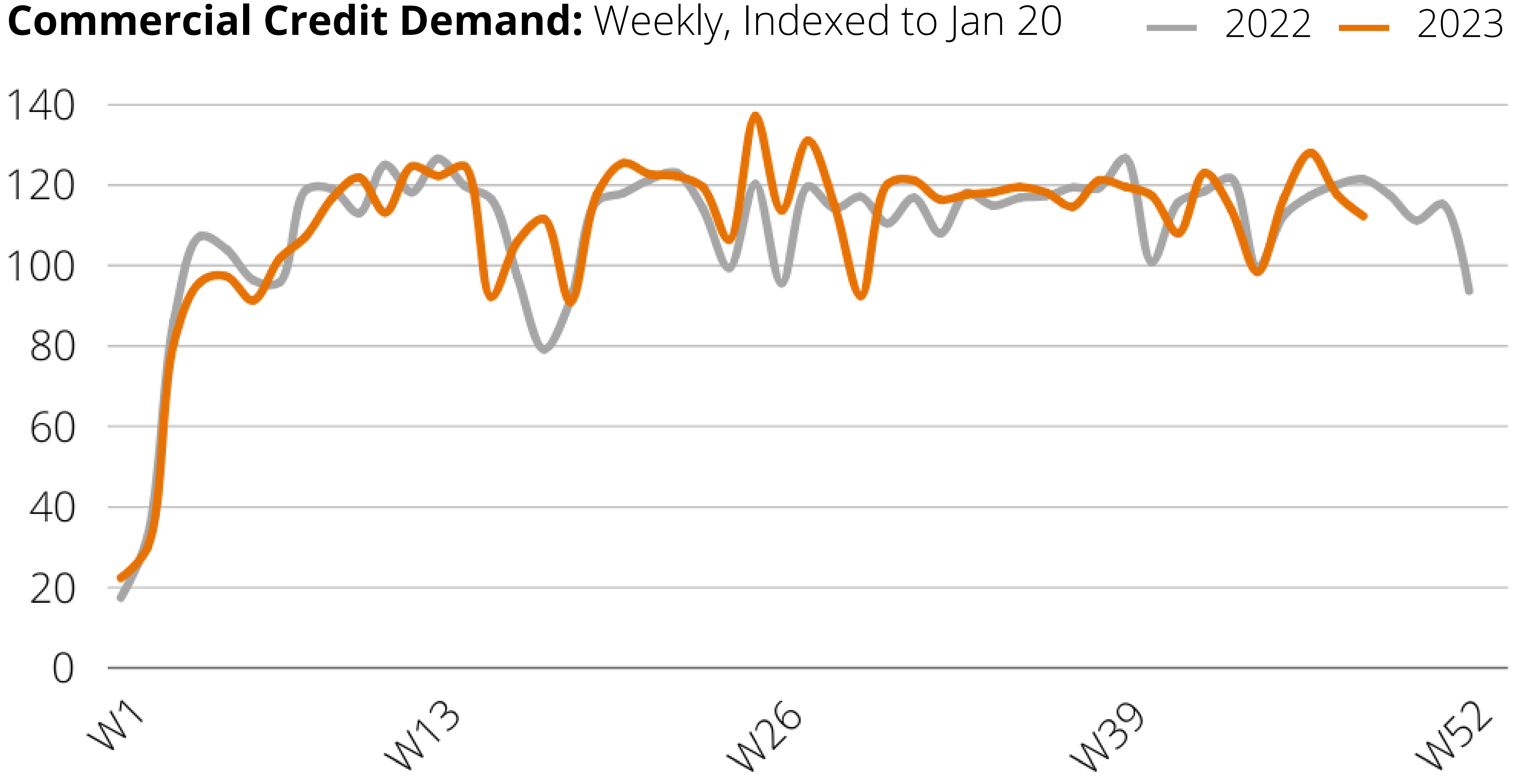
Commercial Credit Demand

Overall Commercial Credit Demand:

1.1% ↑

Commercial credit demand continues to gradually build as the year progresses, with average weekly enquiries for 2023 to-date now +1.1% higher compared to volumes in 2022.

Commercial Credit Demand: Weekly, Indexed to Jan 20

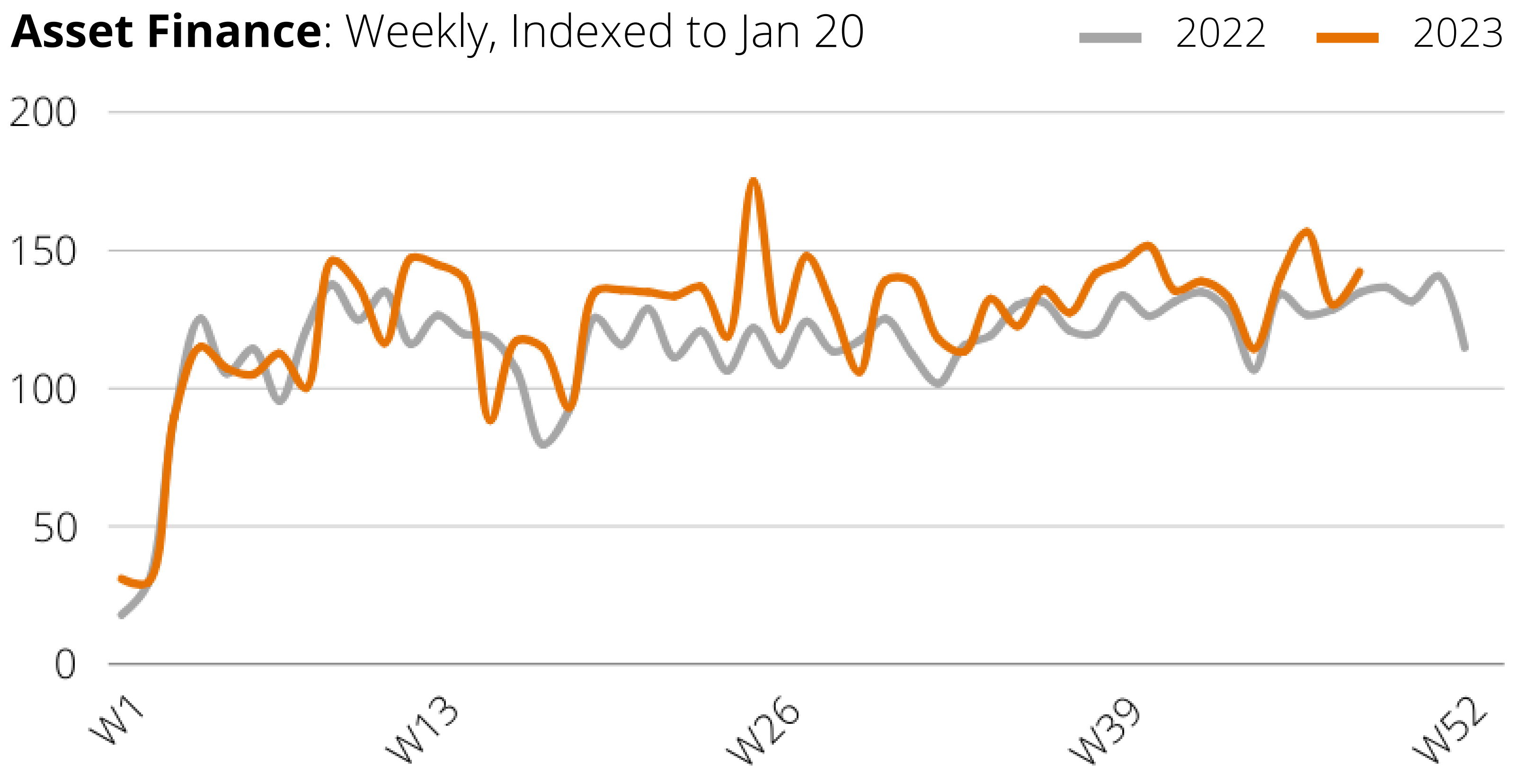


Change in Average Weekly Demand 2023 to-date vs 2022 by Sector:

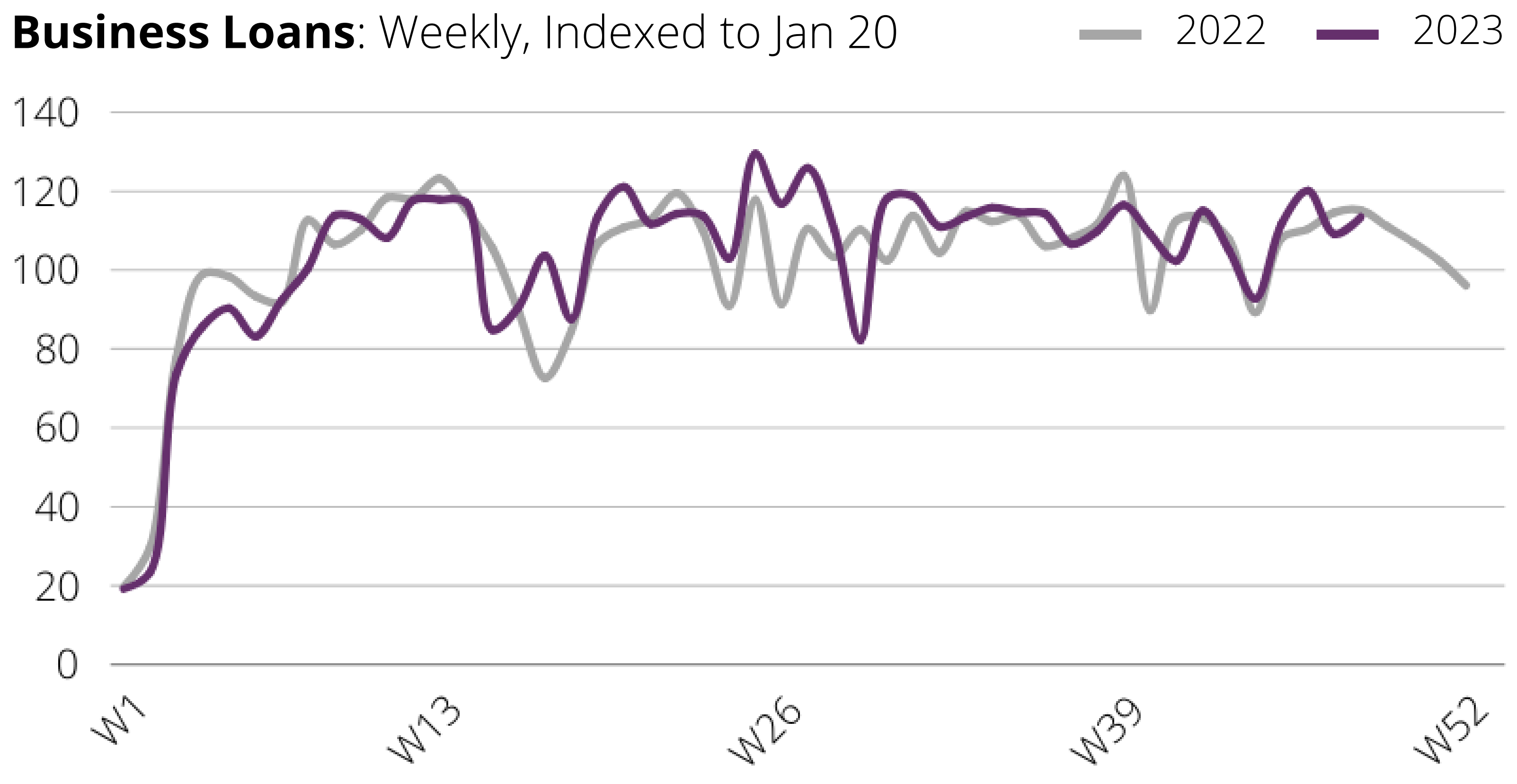
Construction	+1.7%
Rental, Hiring & Real Est Services	-2.1%
Retail Trade	+3.7%
Prof, Scientific & Tech Services	-0.6%
Accommodation & Food Services	+15.9%
Agriculture, Forestry & Fishing	-0.1%
Transport, Postal & Warehousing	+22.5%
Wholesale Trade	+0.5%
Manufacturing	+8.2%

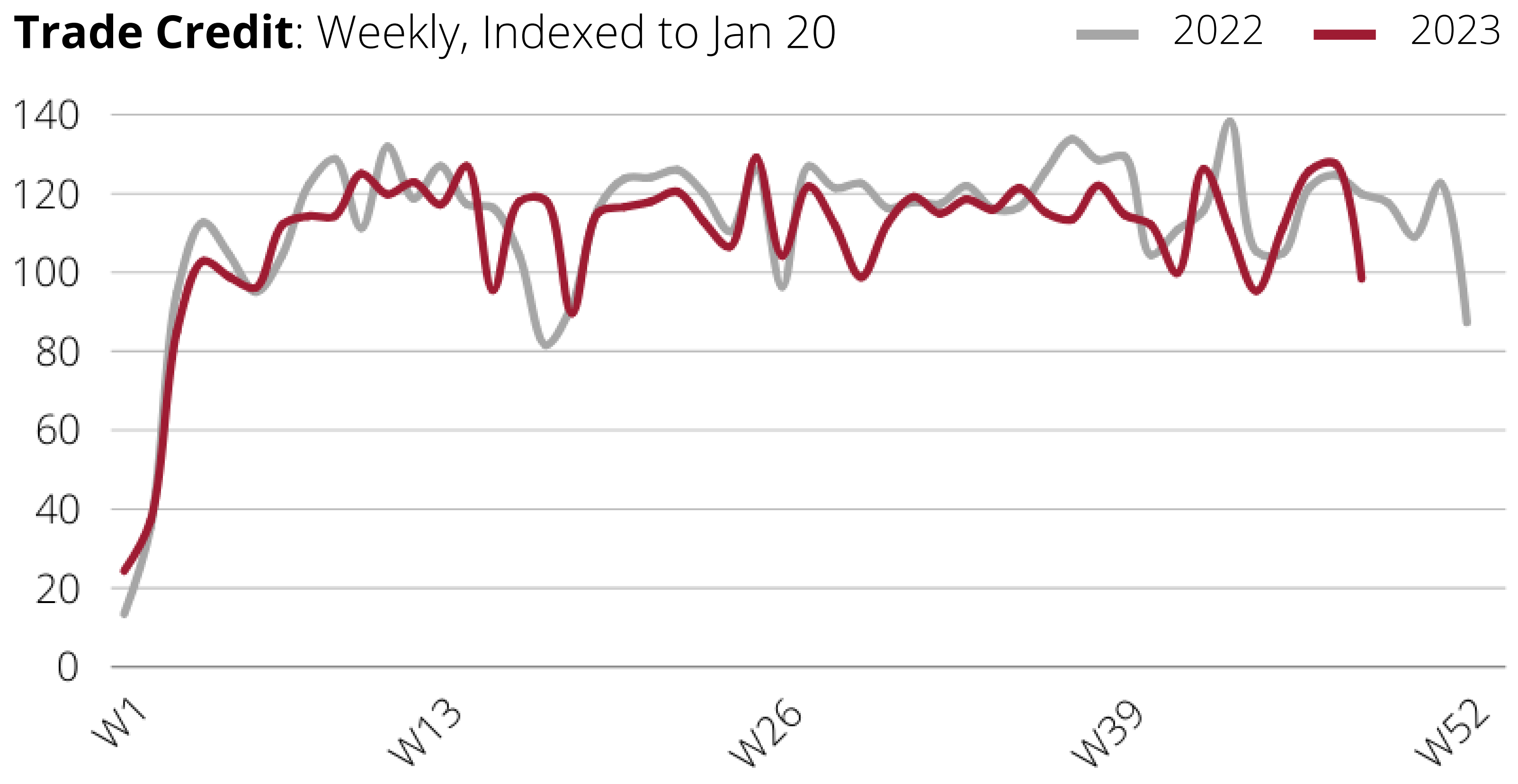
- The Accommodation & Food Services sector continues its recovery through 2023, with weekly average enquiry volumes higher than average weekly volumes for all years since 2019.
- Transport, Postal, & Warehousing also continues to perform well against prior years.
- The Rental, Hiring & Real Estate Services and Professional Services sectors continue to be marginally softer, with 2023 weekly averages down -2.1% and -0.6%, respectively - however, the gap has closed in recent weeks.

Commercial Credit Demand by Lending Product



- **Asset finance demand continues to improve**. Average weekly enquiries in 2023 to-date are currently +7.1% above 2022 volumes (+5.7% in the previous report).
- The average weekly enquiry **volumes for Business Loans in 2023 to-date have nudged ahead of 2022 volumes**, up +1.1%.
- However, **trade credit demand continues its weakening run** with average weekly enquiry volumes in 2023 to-date -2.5% below 2022 levels.

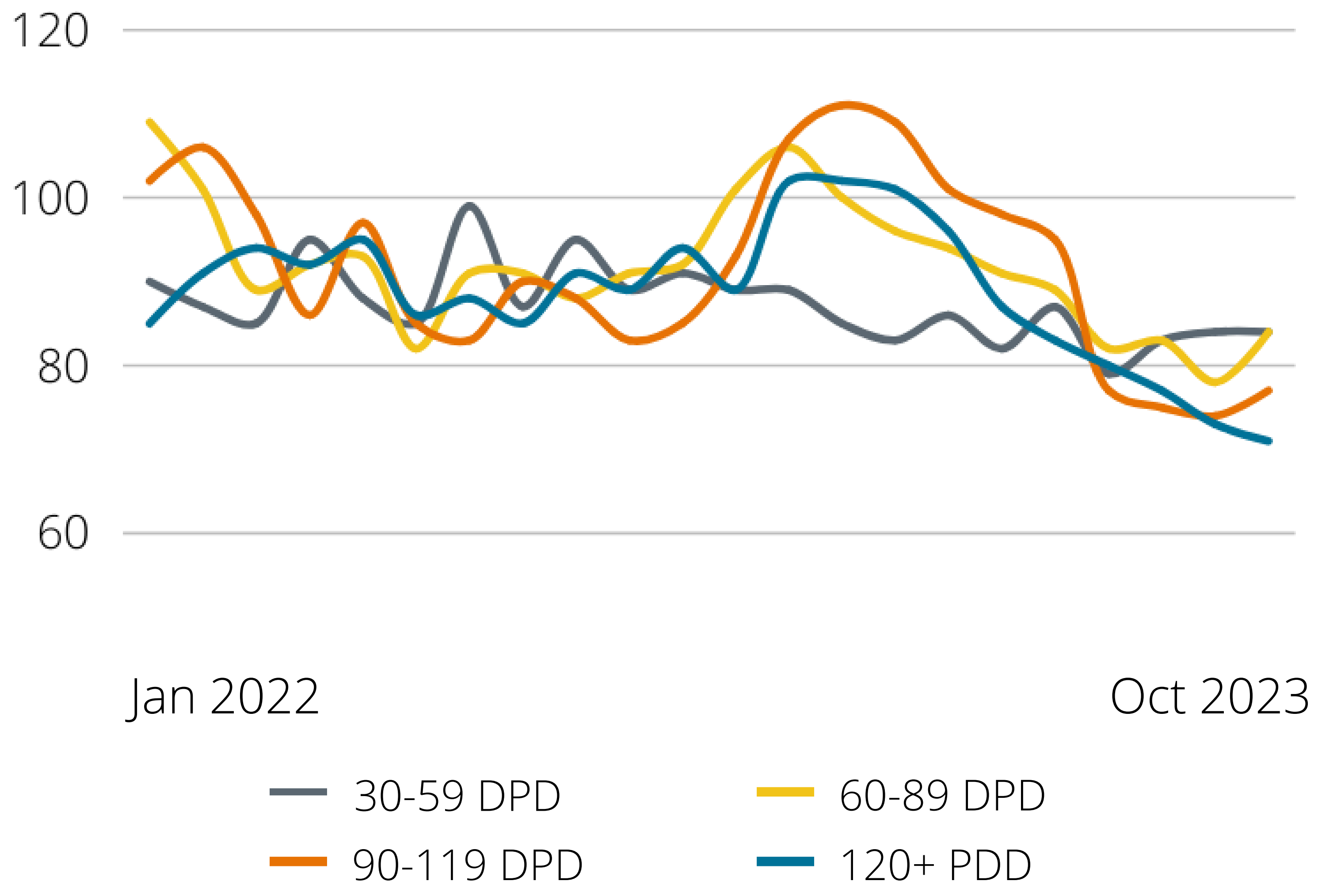




Commercial Credit Health by Key Sectors

All Commercial Accounts in Arrears

Indexed to January 2020



Commercial Accounts in Arrears by Key Sectors

Month-over-Month movement, October 2023

	Construction	Rental, Hiring & Real Estate Services	Retail Trade	Prof, Scientific & Technical Services	Accom & Food Services
30-59 DPD	-4.9%	-1.4%	+11.3%	+3.5%	+6.8%
60-89 DPD	+9.9%	+5.4%	+36.6%	+2.9%	-3.9%
90-119 DPD	-8.0%	16.4%	+23.3%	+36.4%	+7.8%
120+ DPD	-5.1%	-16.7%	-8.1%	+9.8%	+7.8%
Overall	-2.7%	+0.1%	+14.7%	+5.4%	+4.7%

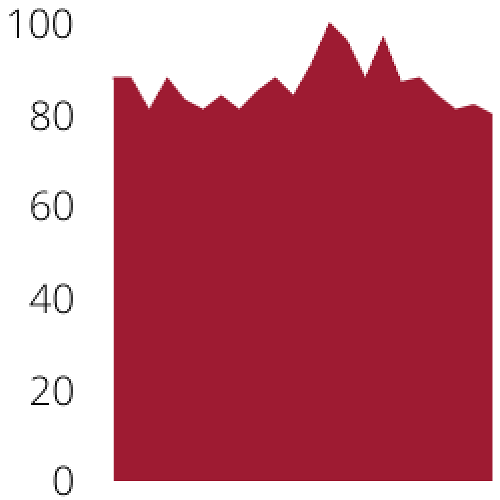
Commercial Arrears

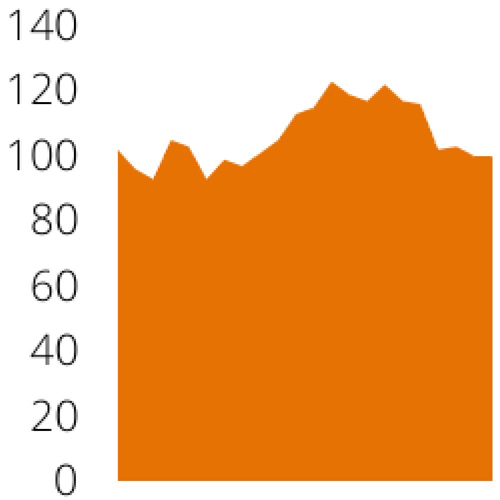
Top Five Sectors by overall industry significance

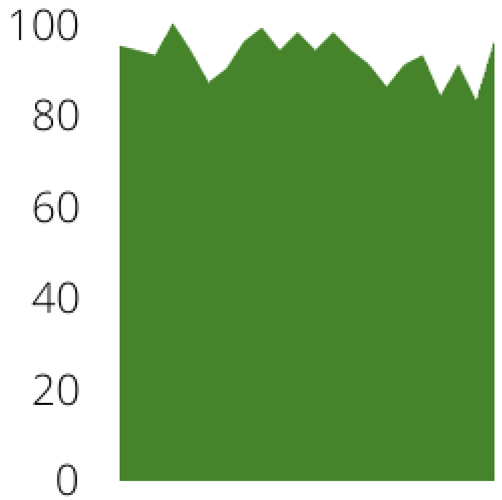
While construction represents a larger proportion of commercial arrears when compared with proportion of construction enquiries vs the market, this has remained reasonably steady in recent months - with proportion of enquiries across all key sectors also remaining relatively stable over time. As consumers face financial capacity constraints, and despite uplifts in international tourism, we are beginning to see more signs of strain on the hospitality sector.

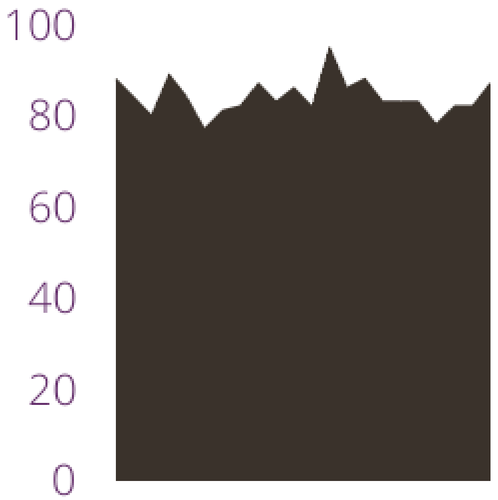
	Construction	Rental, Hiring & Real Estate Services	Retail Trade	Professional, Scientific & Technical services	Accomodation & Food Services
Proportion of total enquiries for 2023 to-date	21%	11%	9%	9%	8%
Proportion of total arrears for October 2023	33%	4%	9%	8%	9%

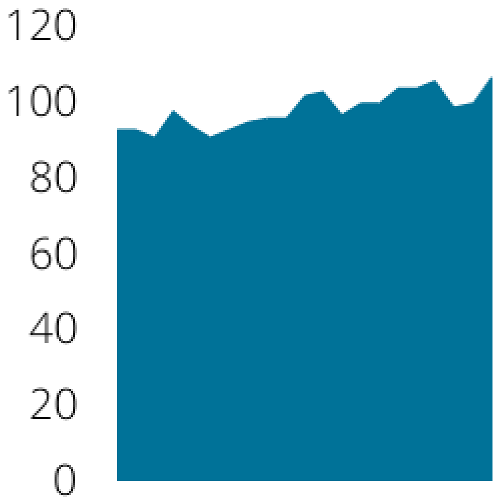
Total arrears trend since Jan 2022, Indexed to Jan 2020











Global Insights
Q3 2023

Demand

Non-mortgage credit demand **remain strong** across multiple regions

Canada

Non mortgage demand primarily being driven by higher immigration

Mortgage demand up year over year- First time home buyers as well as upcoming renewals driving inquiries

United Kingdom and **Spain**

UK annual growth rate for all consumer credit rose to 8.0% in September, the highest since November 2018, primarily driven by the annual growth rate for credit card borrowing reaching 12.5% in September

Spain shows a slight increase in credit demand in the summer period (Q3) compared to the second quarter

Australia and **New Zealand**

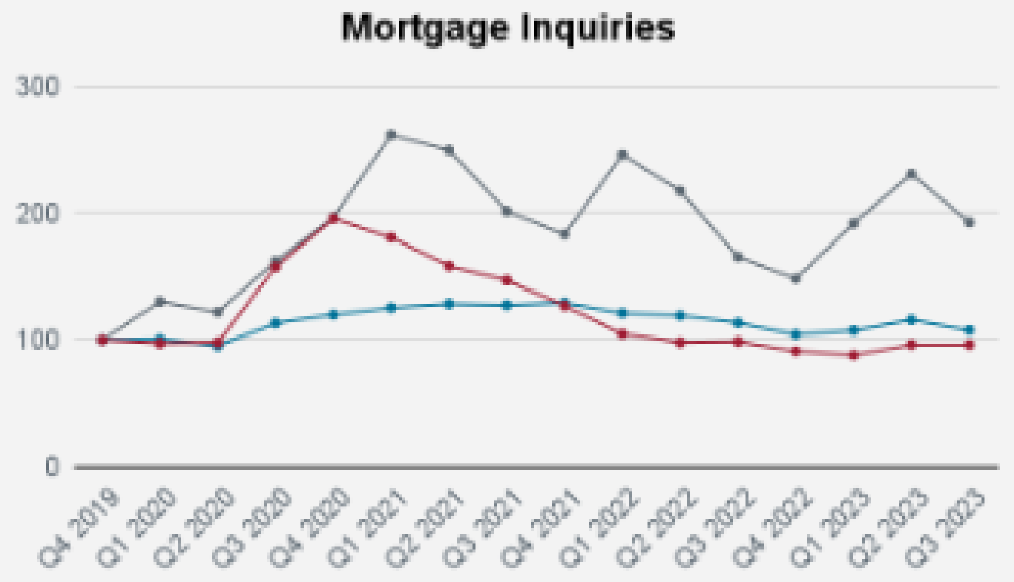
Overall mortgage demand fell -5% compared to last year. Recent relief from inflation and cash rates meant relatively stable mortgage demand for September quarter. BNPL dampened overall healthy unsecured credit growth as providers focusing on portfolio quality over new accounts

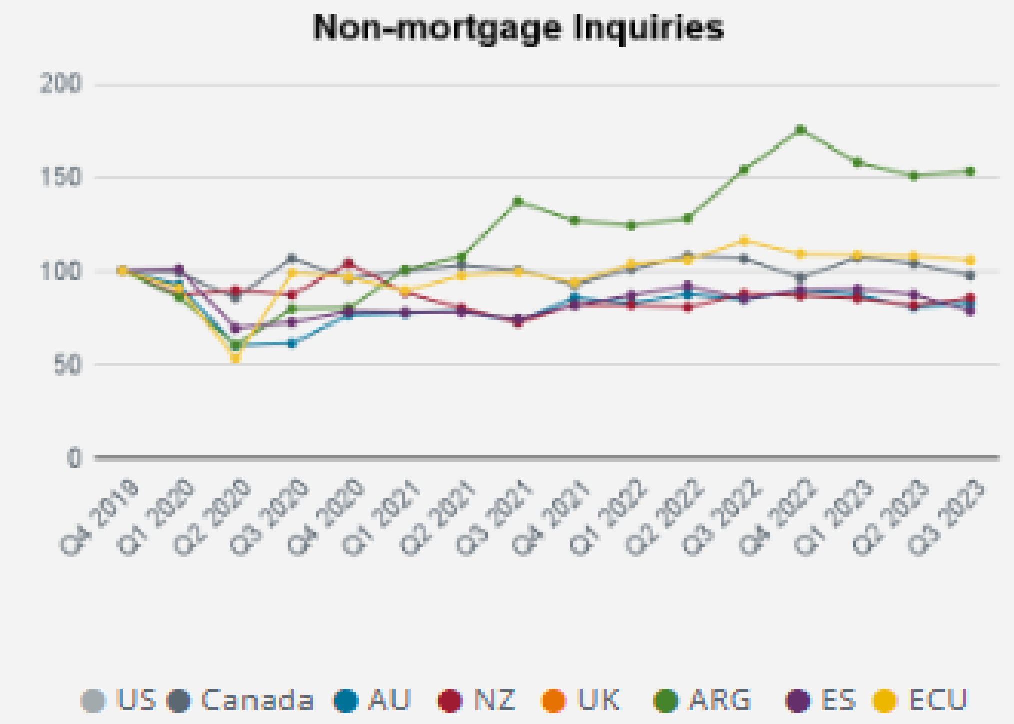
New Zealand The September quarter saw further stabilisation of retail credit demand, with solid growth in July and August, tempering through September in the run up to the election

Argentina and **Ecuador**

ARG: Non-mortgage inquiries have remained stable despite the economic context. Online inquiries remain strong in order to retain existing clients and focus on portfolio quality over new clients in open market

ECU: Non-mortgage inquiries present a slightly slowdown (-2%) due to political instability, fiscal and financing risks





Arrears

Pronounced rise in personal loan arrears across multiple regions, with some areas surpassing pre-pandemic levels

Canada

Delinquencies and **Insolvencies** rising across the board

Over 130k more consumers missed at least 1 payment than 12 months ago

United States

Non-mortgage delinquency (removing student loans) have reached pre-pandemic levels on all product categories, while **mortgage** delinquency remains much lower, despite an uptick in Q1 '23

Auto portfolio delinquency is continuing to increase, in addition to early delinquency for recent cohorts continuing to rise

United Kingdom

Mortgage arrears showing sustained increases as mortgage customers transition out of low interest fixed rate periods on to new higher interest fixed or variable rate products

Unsecured arrears rates generally stable despite consumer cost pressures

Australia and **New Zealand**

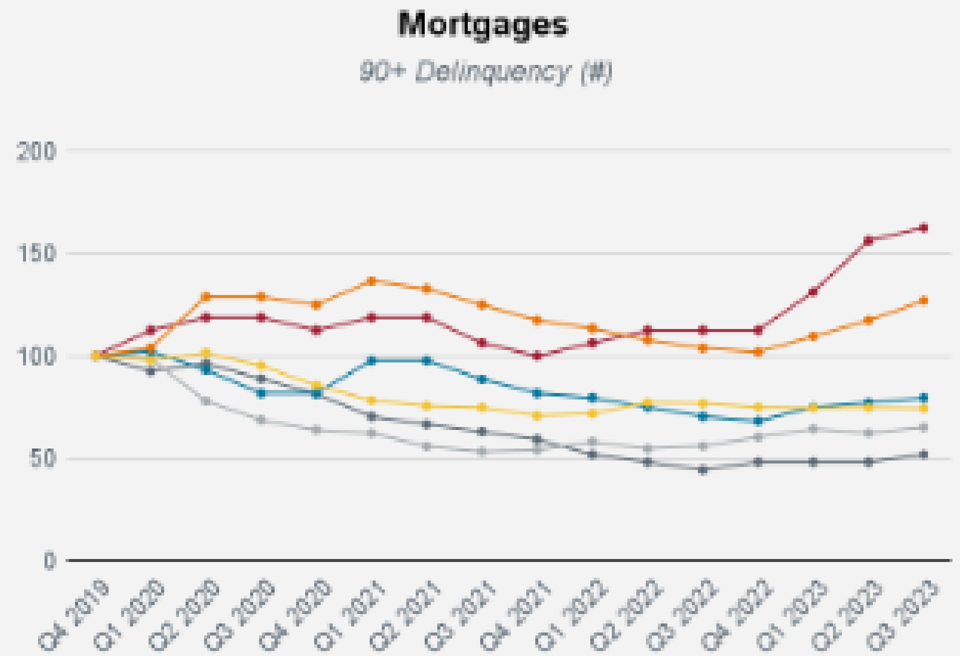
AU: Cost of living pressures are impacting household budgets with rising arrears across portfolios at various levels but still under pre covid levels.

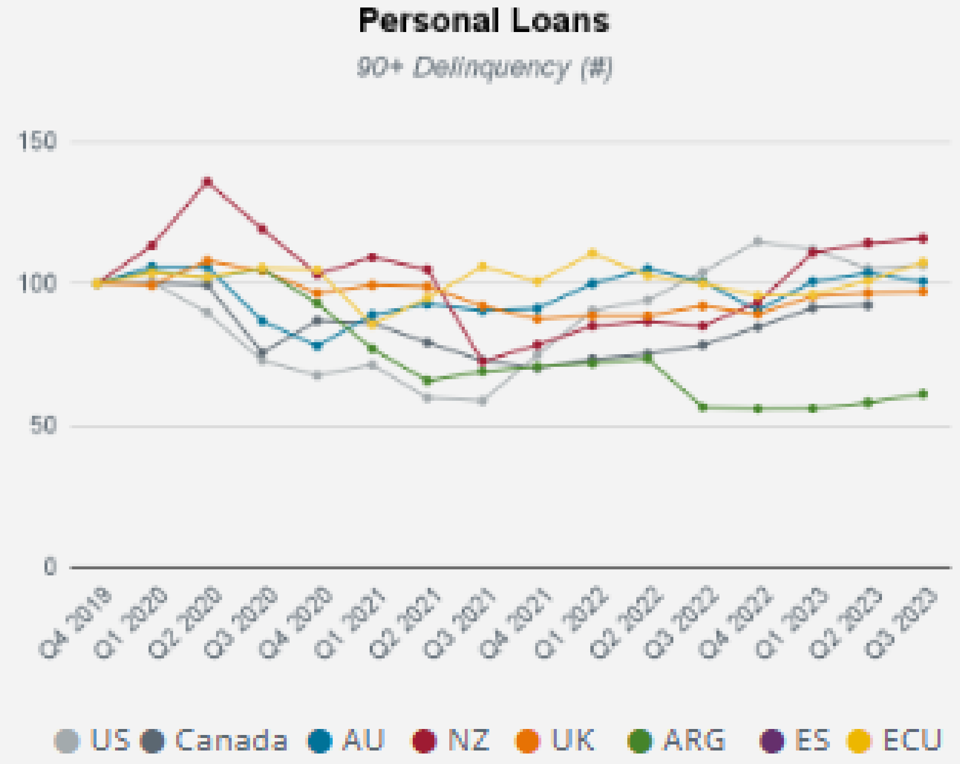
NZ: Delinquencies are rolling off a benign environment pre-COVID with low and stable arrears.

Argentina and **Ecuador**

ARG: Delinquency is starting to rise since economic uncertainty and high interest rates is affecting payment capacity.

ECU: Personal Loans delinquency is starting to rise since liquidity problems and economic uncertainty are affecting payment capacity.





Accelerating first mortgage delinquencies

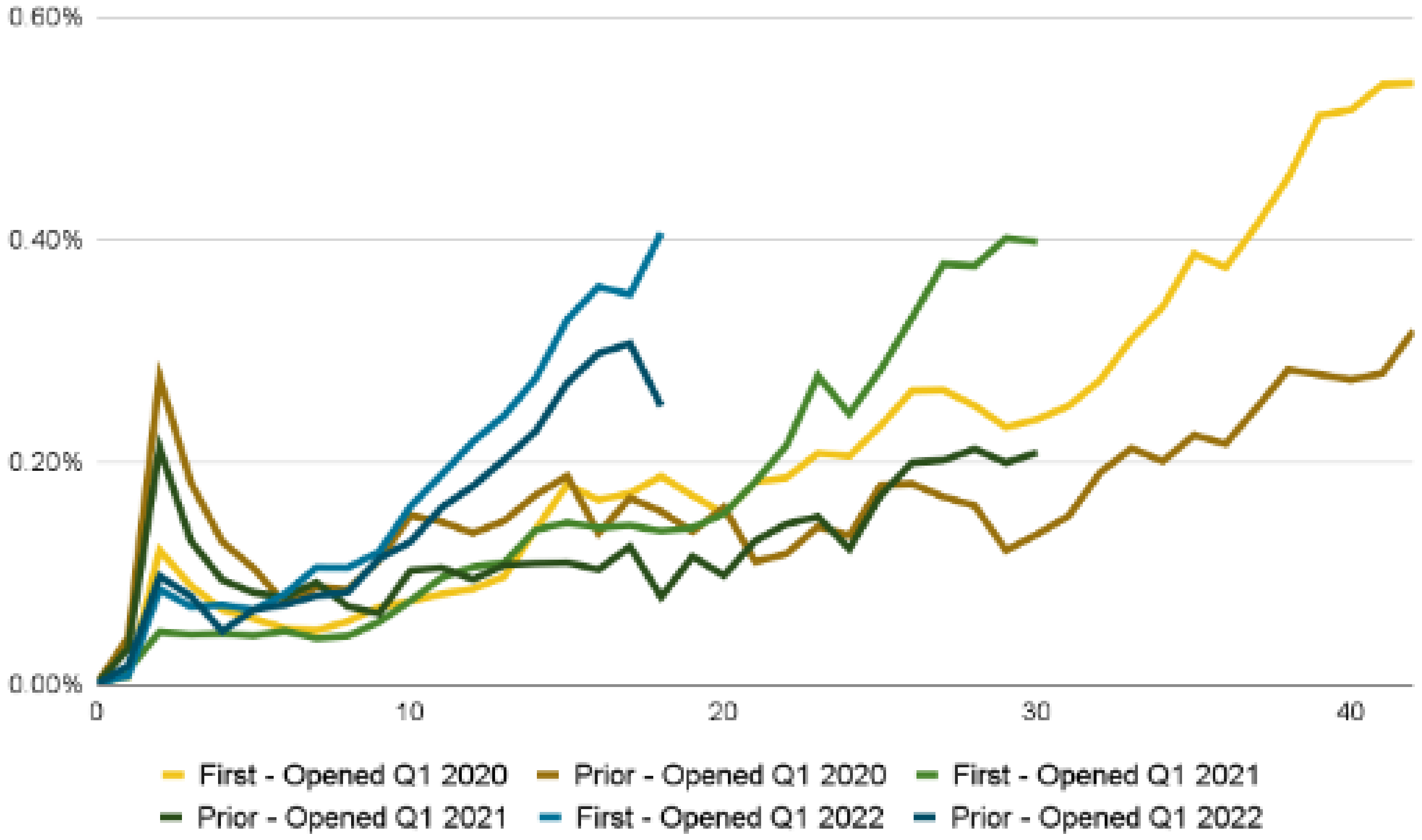
2022 first home buyers are going delinquent 3 times faster than previous cohorts

Delinquency rates double for first mortgage holders compared to consumers with previous mortgages. Cash rate increases affected all mortgage holders but household budget squeeze is tougher for less experienced borrowers

Mortgages opened early 2022 are going delinquent as early as 10 months on book. This is significantly faster than mortgages opened when interest rate levels were low

Stable cash rates since June 23 brought visible relief for some mortgage cohorts

Months on book by opening date by presence of existing mortgage:



What does this mean for customers?

- Portfolio management monitoring should take effect soon after customer onboarding to keep up with rapid market changes
- Whilst traditional bespoke models help predict and avoid risks. Lenders can consider score based solutions to help to manage portfolio quickly and effectively.

Sustained Auto Arrears Growth

Auto supply issues and wider consumer cost pressures leading to persistent long-term arrears growth in the sector

Increased average debt levels as a result of elevated vehicle prices leading to further repayment pressures for consumers, culminating in continued arrears growth within the sector.

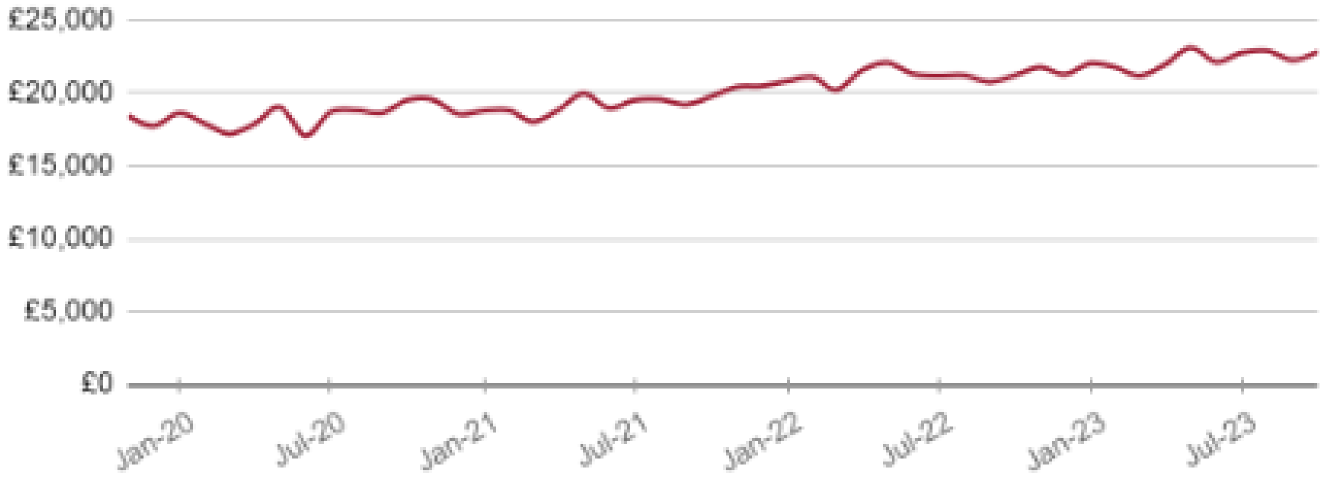
The UK Auto lending market consists of two distinct lender types - Captive & Non-Captive.

Captive: Financing subsidiaries of auto manufacturers

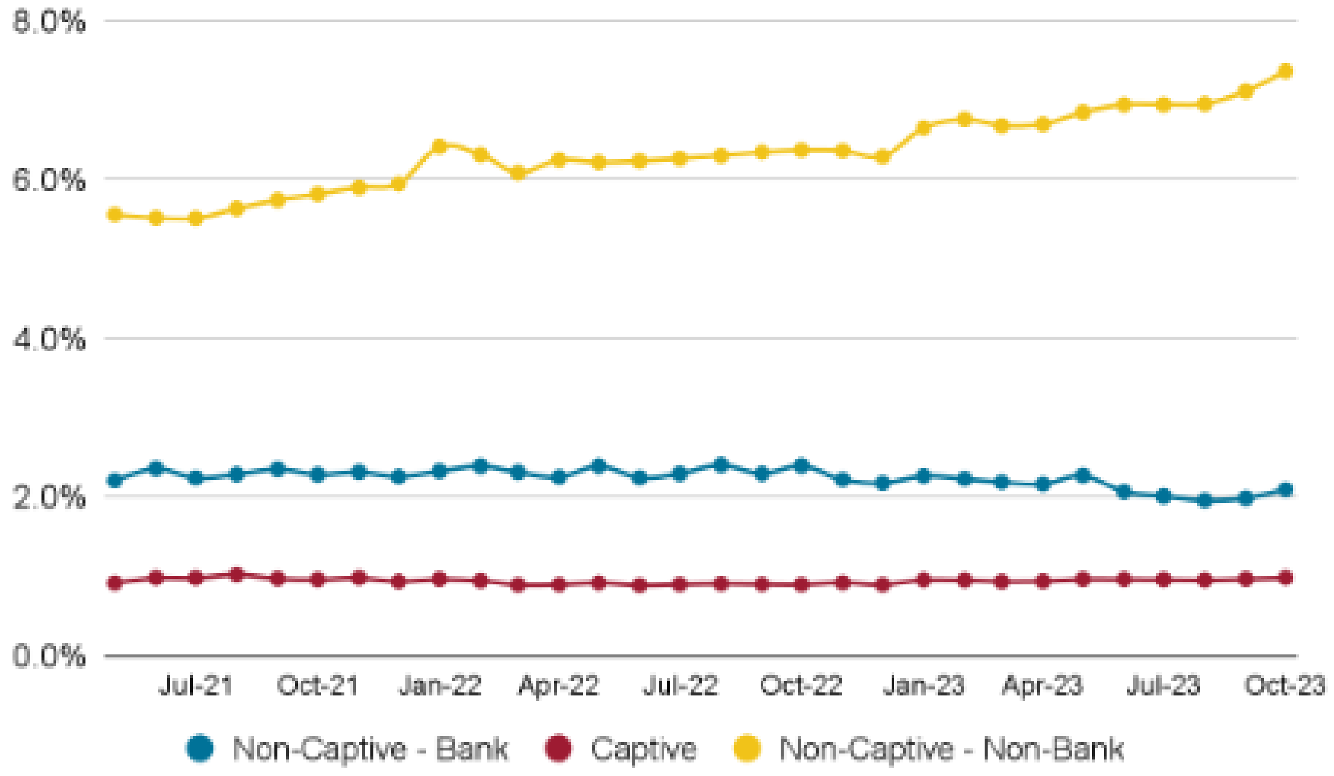
Non-Captive: Cross-market lenders that are not aligned to specific vehicle brands, can be broadly split into Banks & Non-Banks.

Arrears growth driven by Non-Captive & Non-Bank lenders, primarily working the subprime sector of the market.

New Lending - Average Auto Loan Amount:



Arrears Rate (1+) by Portfolio Type:

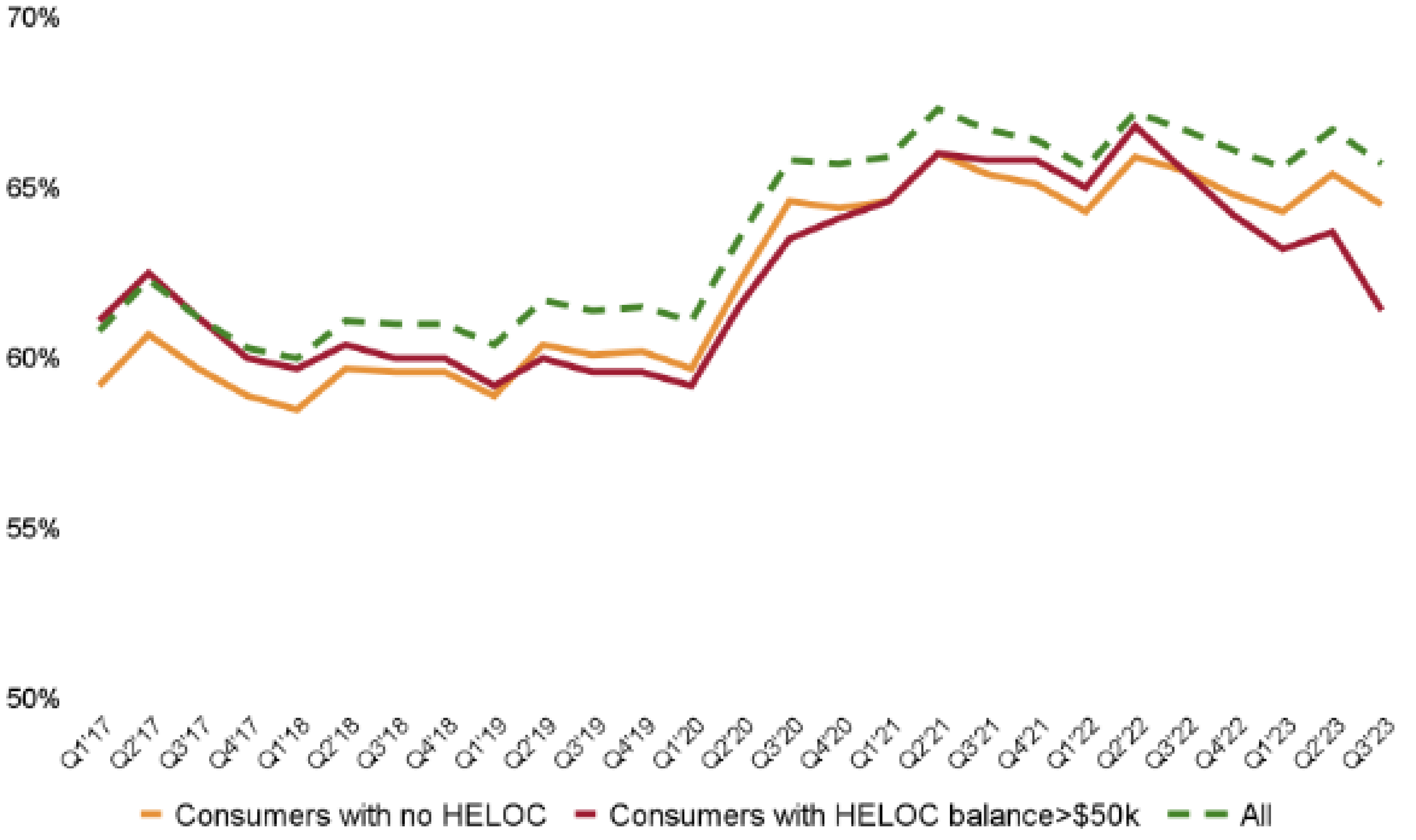


What does this mean for customers?

- Alongside increased insurance premiums, motorists could be experiencing cost pressures on two fronts
- Robust and flexible affordability assessment remains key in supporting responsible lending in the face of continued consumer expenditure challenges.

Increasing financial stress more visible as credit card pay rates decline

% Transactors
(Credit card consumers paying more than 90% of their balance)



More consumer revolving credit card balance: Consumers struggling to keep up with rising costs are revolving their credit card balance.

High interest rates impacting consumers with high balance on home equity line of credit. Minimum payment requirements for heloc consumers has gone up by ~$1000 in the last 12 months.

Credit card delinquencies nearing pre- pandemic levels: A clear shift in credit card payments visible. More consumers are making just minimum payments or missing payments.

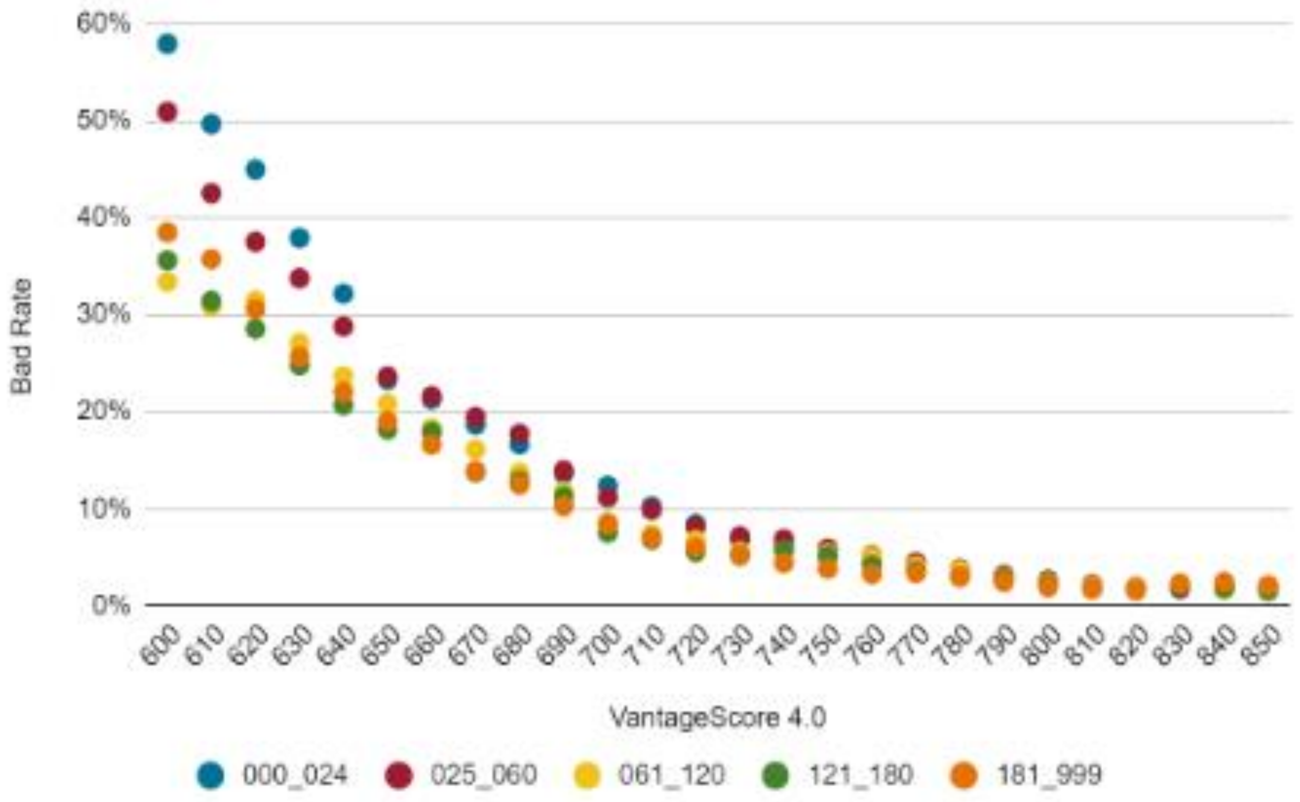
What does this mean for customers?

- Monitor consumer portfolio health by identifying customers most impacted by high interest.
- Learning from past rate hikes. Consumers with high balance home equity line of credit were more impacted and many filed for insolvencies in 2018-2019, especially older customers.
- Assessing risk appetite by monitoring change in credit card portfolio - revolver vs transactor.

Finding consumer segments in distress

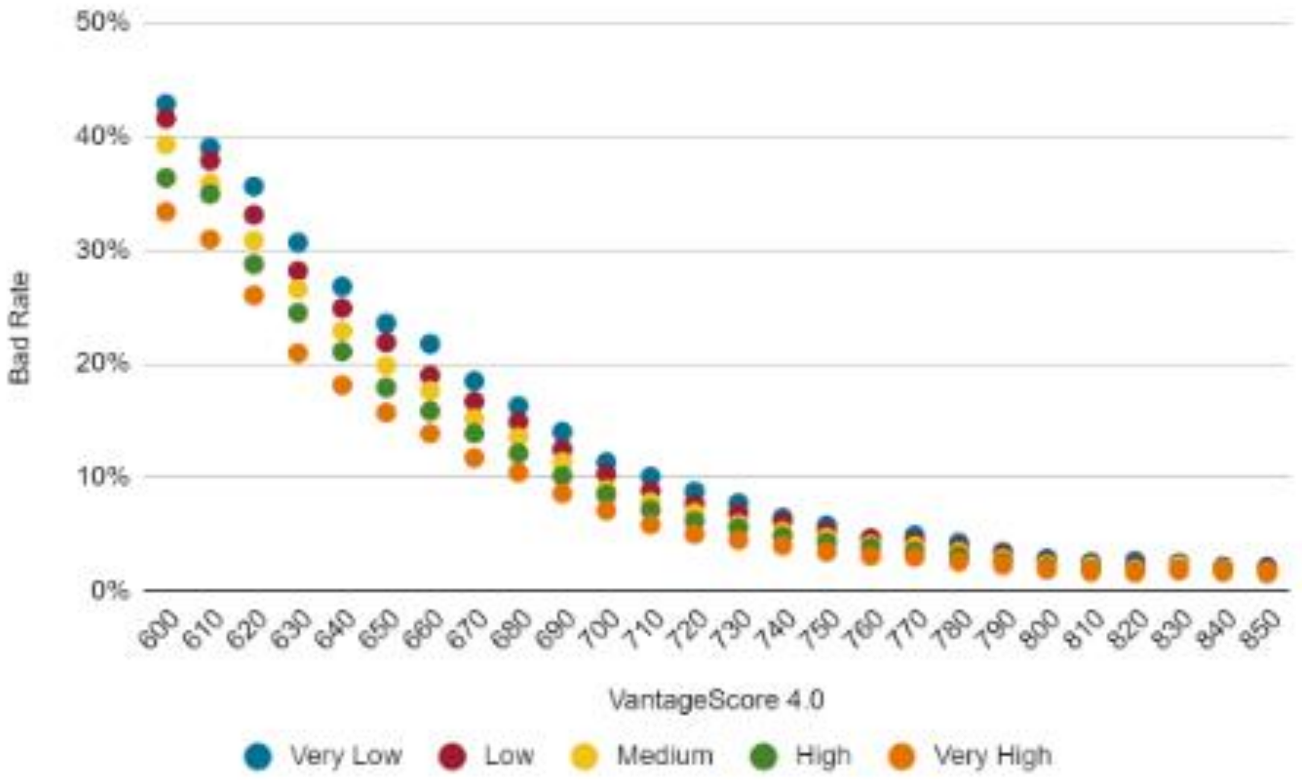
Despite overall increases in delinquency, some consumers continue to do well and expand debt. Consumers with low financial durability or a recent mortgage show increased risk compared to consumers with the same credit score.

Recency of Mortgage Impact on Delinquency:



While prime and super prime consumers are showing no increased pressure from a recent mortgage, consumers in the lower score bands are vulnerable
to this additional pressure.

Financial Durability Impact on Delinquency:



Consumers with a high or very high financial durability perform better than peers within the same risk band, indicating increased resilience to financial stress.

What does this mean for customers?

- Continued or increased account management activities to segment consumers into different treatment buckets may be helpful to early identify consumers in distress.
- While recent economic indicators was reason for cautious optimism, a K-shaped recovery means that certain pockets of consumers will continue to face increasing financial stress.

Want to know more?

Contact us to discover more market insights or to harness the power of data to make better decisions.

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