



EQUIFAX®

Ngā Māramatanga

6 December 2022



Economic Observations

Quarterly
GDP growth
Q2 2022

Annual GDP
growth
Q2 2022



1.7% 1.0%

Official Cash Rate

As at November 2022



4.25%

Unemployment

As at Q3 2022



3.3%

Consumer Price Index

As at November 2022



7.2%

Consumer Confidence^{*}

As at November 2022



80.7 November 2022 85.7 October 2022

Business Confidence[#]

As at November 2022



-57.1 November 2022 -42.7 October 2022

Sources:

1. ANZ-Roy Morgan Consumer Confidence Index in NZ
2. ANZ Business Outlook Index in New Zealand

Economic Observations

Gross Domestic Product (GDP)

Economic activity (measured by GDP) Increased by +1.7 % in Q2 2022. The is a reverse of the Q1 2022 GDP reduction of -0.2%.

International Tourism & Migration

In recent months, most visitor arrivals are non-Kiwis. While still below pre-pandemic levels, overseas visitor arrivals for September were 151,300, up from 129,800 in August 2022.

At September 2022, while there have been 11 consecutive months of net migration losses of NZ citizens (totalling 13,500), there have been 6 consecutive months of net migration gains of non-NZ citizens (totalling 10,900). #4

Business conditions

For Q3 2022, goods imports increased 19% to \$22.bn, while goods exports rose 21% to \$17.5bn. These increases were driven by rising prices, with import prices (up 25 % against Q3 2021) rising faster than export prices (up 18% against 2021).

Interest rates

The official cash rate (OCR) increased by 75 bps to 4.25% in November 2022. #5

Inflation

OECD analysis indicates inflation turning a corner in 2023, dropping to 3.6% in Q4 2023. #2

Consumer & commercial credit health

Mixed arrears experience across the consumer and commercial market. Early delinquencies have increased recently for home lending and auto. Overall, unsecured lending remains benign.

Commercial sectors such as hospitality and construction will be a watching brief as we move into 2023.

Housing

House valuations continued to decline in October 2022, with the national average average at August 2021 levels.

Moving towards the holiday period, there are uplifts in new home listings, exacerbating a property over-supply, making this a buyer's market.

Consumer Insights

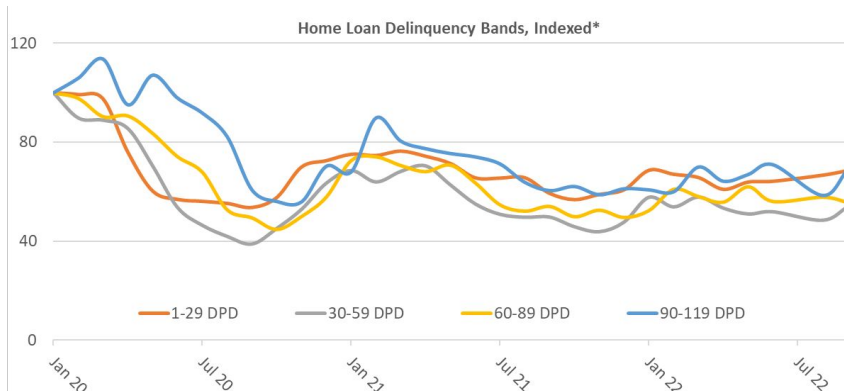
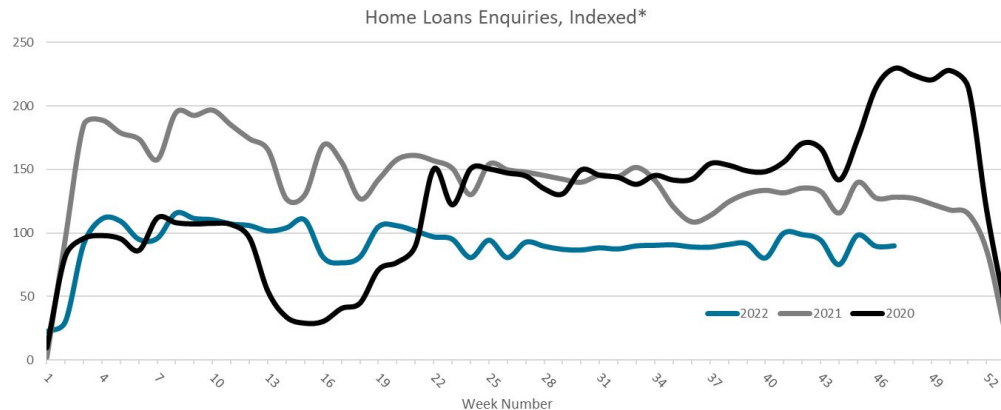


Consumer Credit

- As consumers are coming towards the end of their **existing fixed rate home loans**, we're seeing evidence of shopping around amongst home loan providers to identify the best pricing options available.
- Expect some dampening of the seasonality uplift in **personal loan enquiries** we typically see during this period with a forced rethink by many of spending habits in light of inflation and OCR rates.
- **Performance is mixed across the market**; this is reflective, in part, of credit provider risk appetite.
- **Overall home loan accounts in arrears** are up 3% month-over-month for September 2022. Year-on-year, volumes are up +12% in September 2022 against September 2021 (and up +21.9% against September 2020).
- **Auto loan early arrears** (1-29 DPD^{#1}) volumes have been nudging upwards since early 2022; however for September 2022, volumes are down -12.1% on August 2022 volumes.
- With inflation at 7.2%^{#2}, lower income families are increasingly feeling the pinch most as they scramble to cover the cost of essentials such as housing, fuel and food. A resultant recession from large OCR increases will start to show more strain across all segments beyond more vulnerable consumers. Expect pockets of consumers to be in reasonably good space where there has been opportunity during pandemic lockdowns to reassess and review financial circumstances. Given expectations around consumer use of unsecured lending in times of financial strain, we'll keep a watching brief for patterns around enquiry amounts and possible stress indicators.

Home Lending - Enquiries & Credit Health^{#1}

- Home lending enquiries are maintaining a consistent momentum. Despite OCR rate hikes curbing enthusiasm in the market, there remains some activity with potential home buyers.
- As consumers are coming towards the end of their existing fixed rate home loans, we're seeing evidence of more shopping around amongst home loan providers to identify the best pricing options available.
- Proportions of home loan enquiries from the Auckland region have dipped slightly in recently weeks, with a slight uplift from the South Island.



Home Loan Delinquencies

- Overall home loan accounts in arrears is up 3% month-over-month for September 2022. Year-on-year, volumes are up 12% in September 2022 against September 2021 (and up 21.9% against September 2020).
- Early delinquencies continue an upward trend since mid-2022. Month-over-month for September, there has been a 2.7% increase in accounts in the 1-29 DPD^{#2} band, and a 11% increase for the 30-59 DPD band.

Housing Insights – powered by Valocity

VALUATIONS

Drop in average housing valuations from the peak at the start of 2022



-8.9%

WORST PERFORMER

692,000	754,000
Q3 2022	Q2 2022



Masterton

-9.4% QUARTERLY CHANGE

14 OUT OF 16 COUNCILS

Experienced housing valuation declines recently.



87.5%

BEST PERFORMER

676,000	618,000
Q3 2022	Q2 2022



Opotiki

9.4% QUARTERLY CHANGE

MIGRATION IMPACTS

The return of international students and workers is expected to spur rental demands in some cities; this may lessen the gap between property supply and demand.

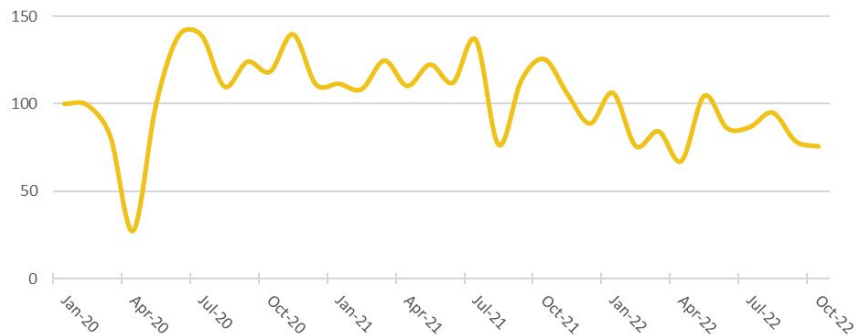


Housing Insights – powered by Valocity

- House valuations continued to decline in October 2022, with the national average August 2021 levels, down -8.9% from the market peak at the start of 2022.
- However, the NZ economy is in good shape, growing by +1.7% in the June 2022 quarter*, with unemployment low at 3.3%. These factors mean we are unlikely to see prices falling rapidly.
- As we move towards the holiday period, listings are increasing leading to an over-supply. This gives more power to buyers, giving more time to complete due diligence, and a greater negotiating power.
- While lower house prices mean lower deposits and lower repayments, the Official Cash Rate (OCR) increases are negatively impacting consumer affordability.
- 14 of 16 regions experienced valuations declines recently. All five of the lowest performing local councils were in the Wellington region, an area that is struggling with high listing numbers and a low pool of potential buyers.

Auto Lending - Enquiries & Credit Health^{#1}

Monthly Auto Loan Enquiries, Indexed

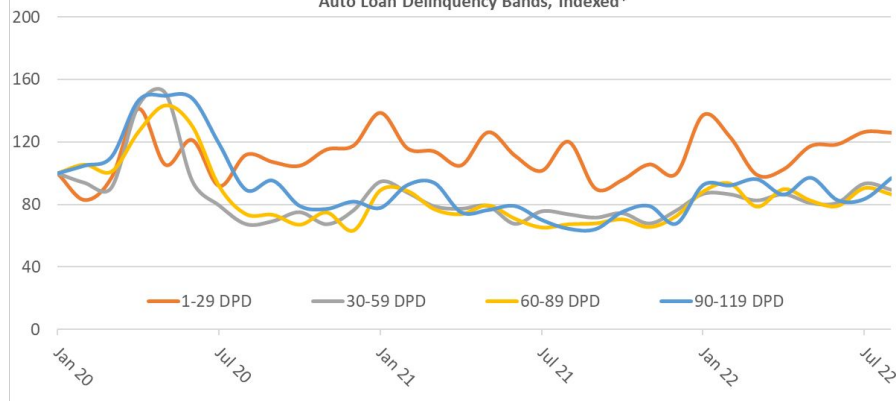


Auto Loan Delinquencies and Hardships

- Early arrears (1-29 DPD^{#2}) volumes have been nudging upwards since early 2022; however for September 2022, volumes are down 12.1% on August 2022 volumes.
- Year-on-year for September 2022, overall auto loan arrears are up 26% on September 2021 volumes, but are only up 6% against September 2020 volumes.
- Auto lending hardship volumes are typically low. There have been some increases since mid-2021; this is likely to be influenced by a mix of credit health and lender process refinement.

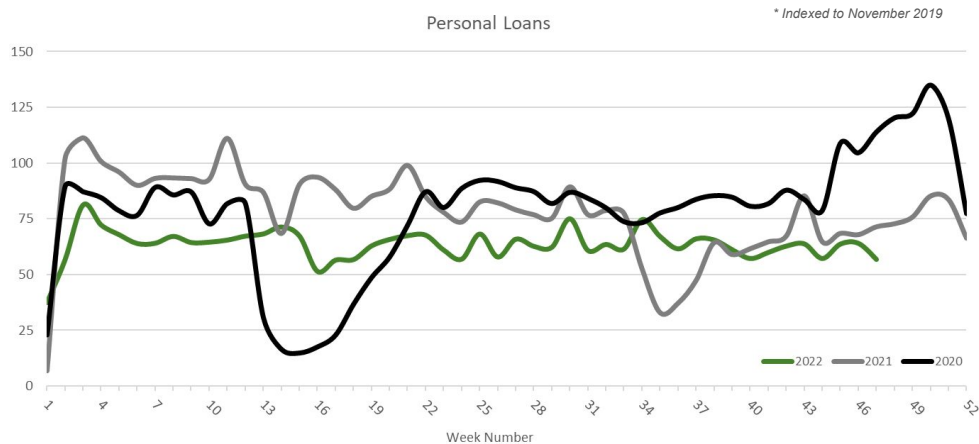
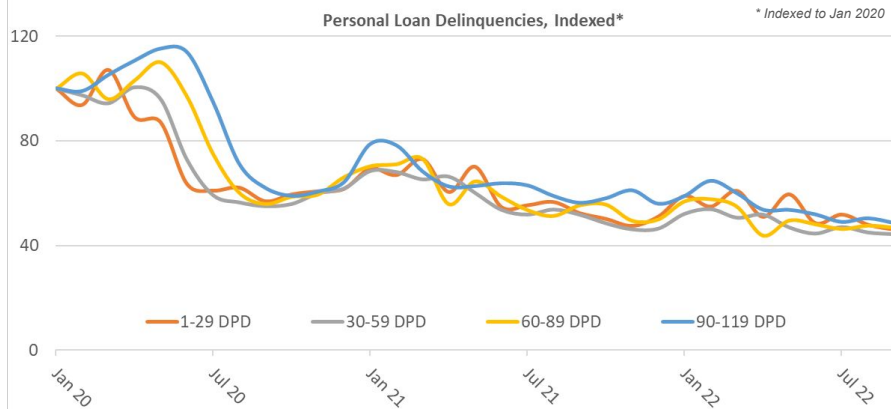
- Auto loan demand for H2 2022 is below pre-pandemic levels. However, the demand experience is mixed across car dealers and credit providers, with a proportion of consumers prioritising spend on food, fuel and accommodation.
- Month-over-month for October 2022, auto loan enquiry volumes are down 4% against September volumes.

Auto Loan Delinquency Bands, Indexed*



Personal Loans - Enquiries & Credit Health^{#1}

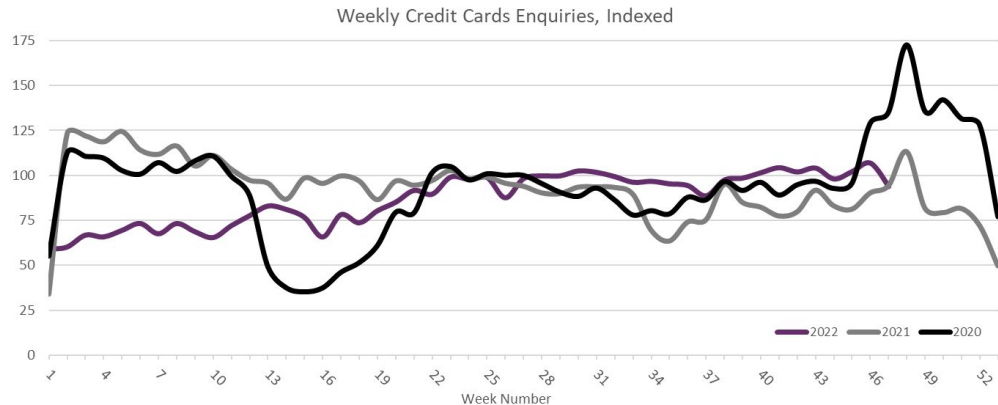
- Average weekly personal loan enquiries for 2022 are 19% below 2021 equivalent volumes.
- Expect some **dampening of the seasonality uplift** we typically see during this period with a forced rethink by many of spending habits in light of inflation and OCR rates.



Personal Loan Delinquencies & Hardships

- With the exception of accounts 180+ DPD^{#2}, personal loan arrears are trending well below pre-pandemic levels.
- Arrears across most DPD bands reduced between August 2022 and September 2022, with overall volumes down -3% month-over-month for September 2022.
- Personal loan accounts in hardship are continuing to reduce; year-on-year for September 2022, volumes are down -45% on September 2021 volumes.

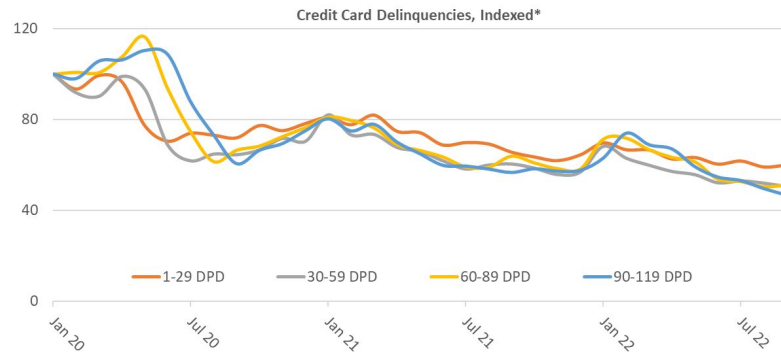
Credit Cards - Enquiries & Credit Health^{#1}



- Since the second half of this year, weekly credit cards enquiries are above levels for the equivalent time in 2021 and 2020.
- With anecdotal evidence of many Kiwis planning overseas trips in the next 6 to 9 months, we may see volumes holding reasonably steady for a period of time.

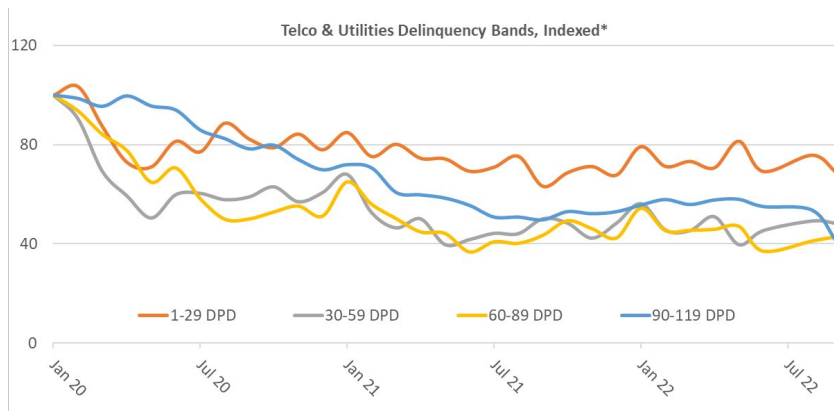
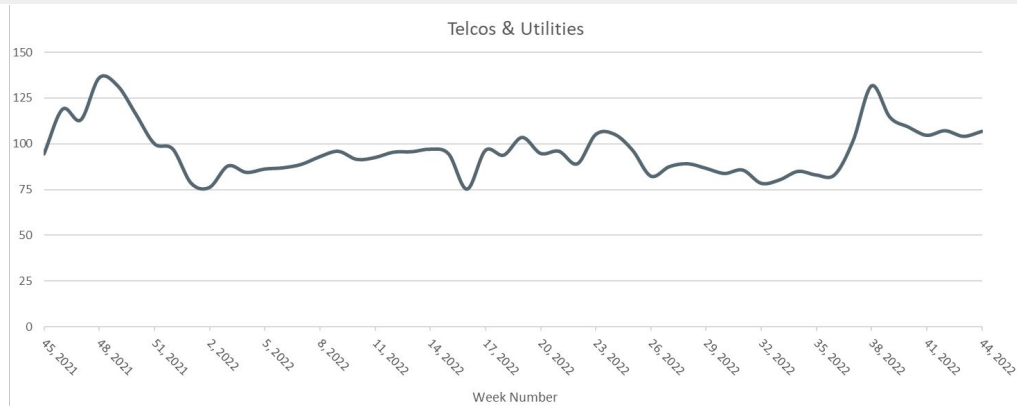
Credit Card Delinquencies

- Overall credit cards arrears are up +1% month-over-month for September 2022, with early arrears (1-29 DPD^{#2}) up +1.5% and 180+ DPD up 18% for the month.
- There can be ebbs and flows in arrears trends which is reflective of difference delinquency management across credit card providers.



Telco & Utilities - Enquiries & Credit Health^{#1}

- The September spike in credit demand aligns with the iPhone 14 release into New Zealand.
- Weekly enquiry volumes have remained above pre-pandemic levels since this spike.



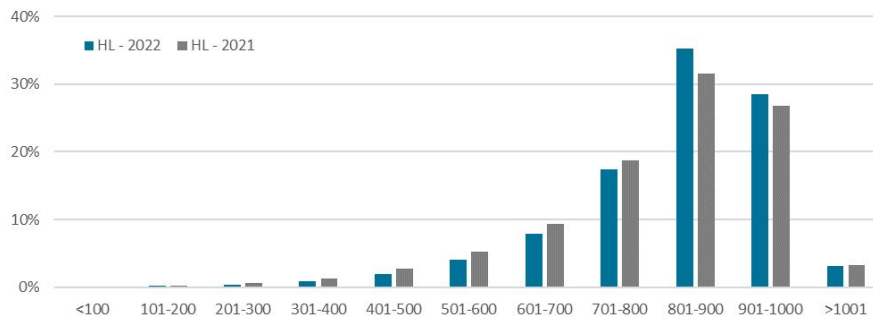
Telco & Utility Delinquencies

- Month-over-month for September 2022, overall delinquency volumes are down -8%. By volume, this reduction has been most influenced by early delinquencies which have reduced by -9.4% for the period.
- Year-on-year analysis shows an overall +6% uplift in delinquencies for September 2022 against September 2021; however, volumes for September 2022 are down -18% when compared with September 2020.

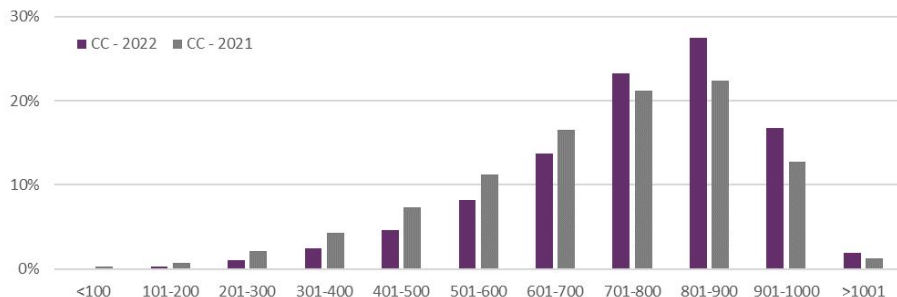
Consumer Accounts by Equifax Manage (Behavioural) Score

- When comparing the distribution of existing key consumer account types by behavioural score in 2021 and for 2022 to-date, there is evidence of an overall improved performance.
- This is likely to be as a result of a number of influences, including LVR restrictions (for home lending) and CCCFA changes, which excluded consumers with financial capacity constraints.

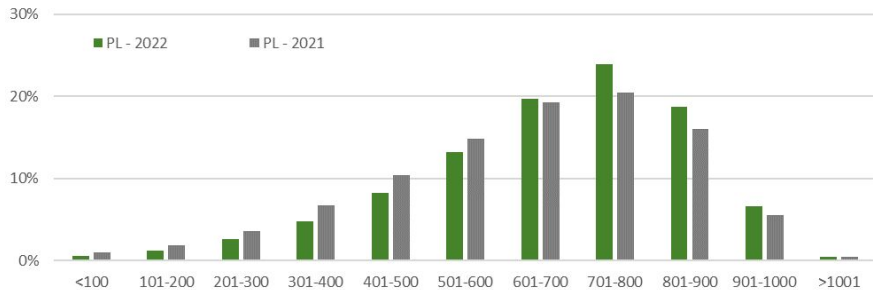
Distribution of Home Loan Consumers by Behavioural Score, 2022 vs 2021



Distribution of Credit Card Consumers by Behavioural Score, 2022 vs 2021

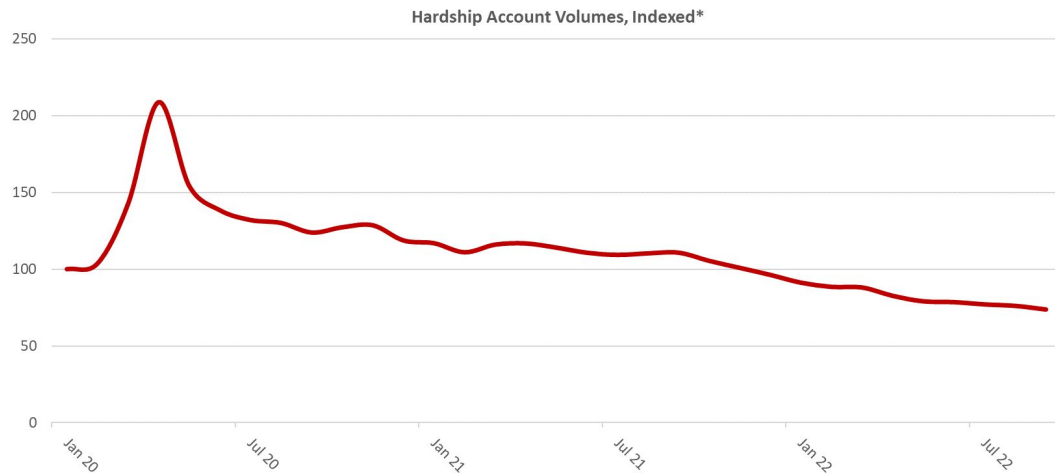


Distribution of Personal Loan Consumers by Behavioural Score, 2022 vs 2021



Consumer Accounts in Hardships*

- Year-on-year for September 2022, hardship are down -33% against September 2021 volumes (and down -41% against September 2020).
- As we come towards the end of 2022, hardship volumes continue to decline with a -3% drop in volume in September 2022 against August 2022 numbers.
- Personal loans represent the largest proportion of hardship account reduction; year-on-year for September 2022 there has been a drop of -45% within this consumer lending product.



Key Commercial Insights

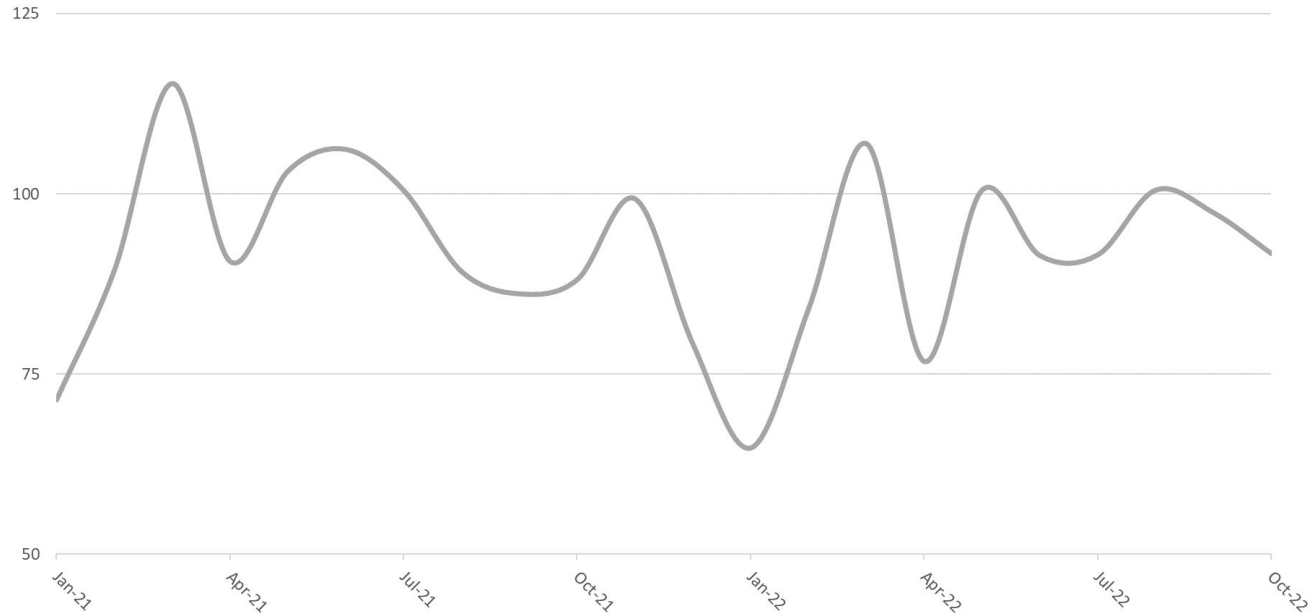


Commercial Credit

- World shipping costs continue to reduce, and are 78% below the peak in September 2021. While this is positive news, they are 61% above average rates in 2019.
- Migrations to NZ are displaying more consistency with pre-pandemic patterns. The net migration loss of 8,400 in the 12 months to September 2022 was made up of a net loss of 12,700 NZ citizens, and a promising net gain of 4,200 non-New Zealand citizens. With staff shortages a concerns for most sectors, there is continued hope of rising inflows of people to support BAU and growing business operations.
- **Overall monthly commercial credit demand** is down -5.3% in 2022 against 2021 monthly averages. While seasonality-driven downwards trends in commercial enquiries are starting to show through, asset finance remains resilient.
- **Commercial delinquency volumes** broadly remain at or below pre-pandemic levels; however, there have been some recent upward movements in early delinquencies for hospitality sectors and construction.

Commercial Credit Demand*

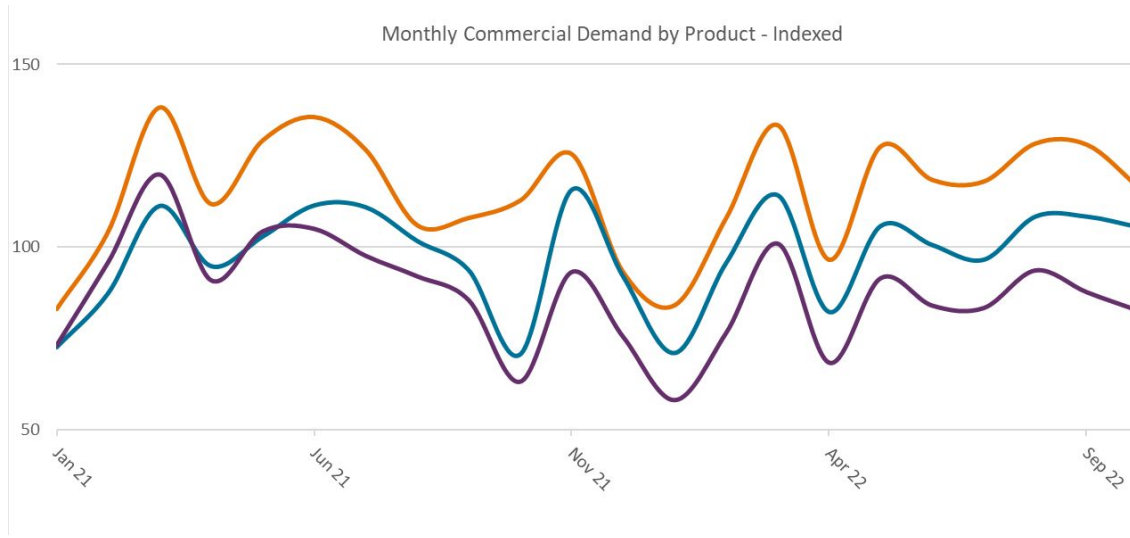
Overall Commercial Credit Demand, Indexed*



- Average overall monthly commercial demand is down -5.3% in 2022 against 2021 monthly averages.
- Also, 2022 average volumes for Retail trade, Manufacturing and Construction are at or slightly above 2021 monthly volumes.
- Broadly, we expect that the overall dip in commercial demand we're starting to see is influenced by seasonality trends.

Commercial Credit Demand*

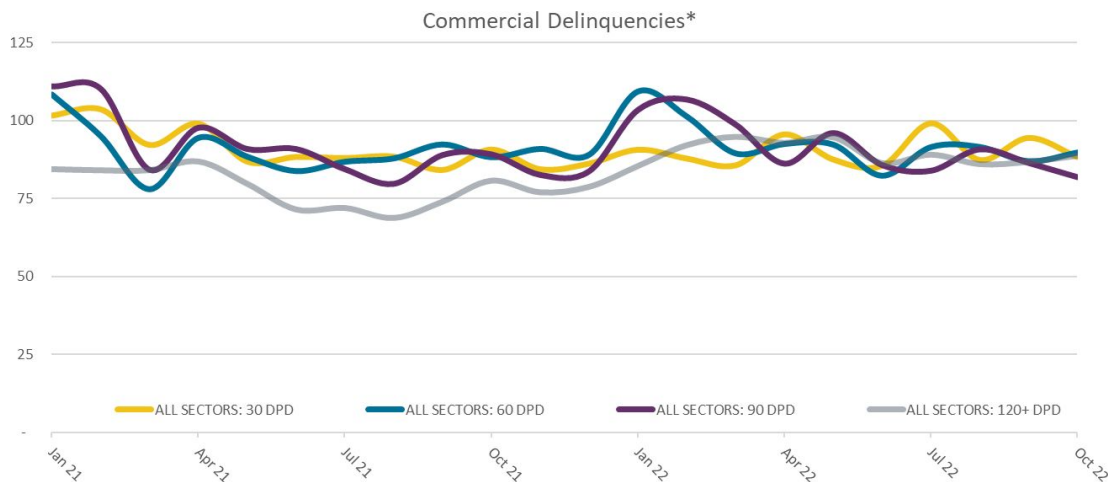
Trade Credit Asset Finance Business Loan



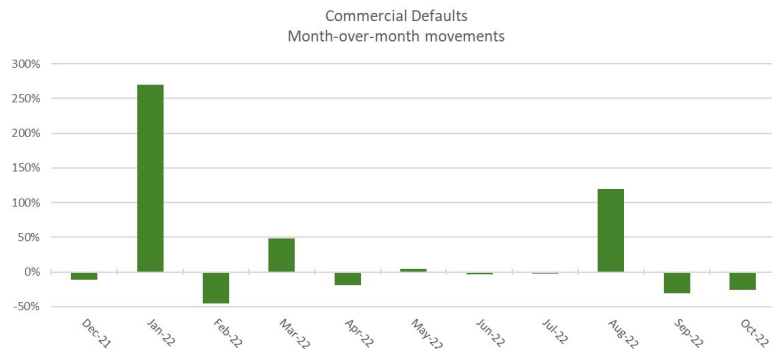
- Despite some recent month-over-month declines in Trade Credit volumes, year-on-year for October 2022, enquiries are up +3% against volumes in October 2021.
- This experience is similar for Business Loans, which are up 30.9% year-on-year for October 2022. This is reflective, however, of the reduced activity from the August 2021 lockdown.
- Asset Finance is the strongest lending type at the moment with monthly volumes above pre-pandemic levels. However, there has been a slight downward trend in enquiries between September and October 2022 of -2.7%.

Commercial Credit Health^{#1}

- Month-over-month for October 2022, commercial delinquency volumes are down -4% against September 2022.
- Year-on-year analysis for October 2022 shows an overall reduction in delinquency volumes of -2%.
- These reductions are influenced by early delinquency (30 DPD^{#2}) and also 90 DPD bands.

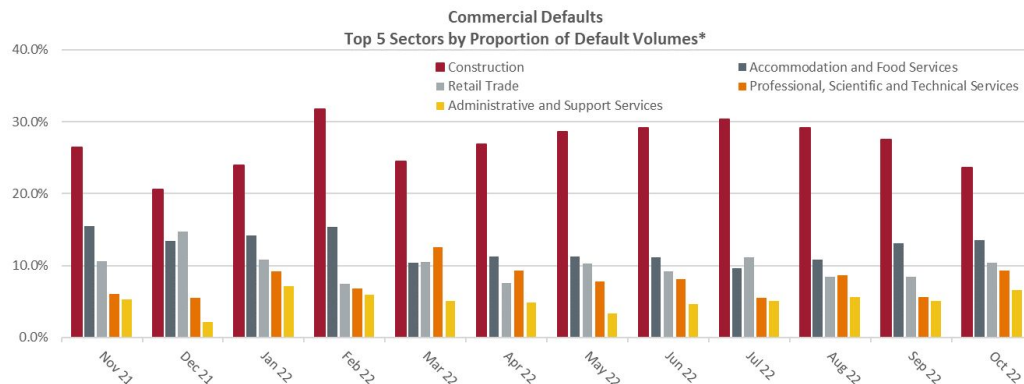


Commercial Credit Health - Defaults*



- Over time, the trend in main sectors experiencing commercial defaults has been consistent, with construction topping the list..
- As consumers face into financial capacity constraints, and despite uplifts in international tourism, we may see more signs of strain on areas such as hospitality sectors in 2023.

- There is mixed movement in commercial defaults over time, some of this trend being expected seasonality influences.
- Given tax payment obligations at the start of the year, there may be more evidence at this time around business health direction for 2023.



Equifax Global Insights



Insights from Australian Consumer Credit Demand Index, Q3 2022

Summary



- Year-on-year, consumer credit demand increased by +17.1% in Q3 2022 against Q3 2021 (and is up +38.9% against Q3 2020 volumes).
- Home lending demand reduced in Q3 2022, impacted by 5 cash rates rises between May and Sep 2022. A continuing downward trend is expected in anticipation of further tightening in the market.
- Unsecured credit showed strong demand growth, likely to be influenced by a mix of factors including return to international travel and cost of living pressures. Credit card enquiries rose +31.5% and personal loan enquiries increased +22% in Q3 2022 against Q3 2021 demand.
- Year-on-year BNPL growth slowed to +9.9% in Q3 2022 as consumer demand for traditional lending products returned
- Arrears
 - Personal loans: 90+ DPD volumes rose by +0.2% in Q3 2022 against Q3 2021, with possible indications of consumers impacted by rising cost of living.
 - Credit card arrears remain at similar levels in Q3 2022 to Q3 2021 volumes but are above Q3 2020 levels.
 - Home lending: arrears volumes for Q3 2022 look similar to Q3 2021 levels. The cash rate increases across 2022 are yet to show an impact on home lending arrears.

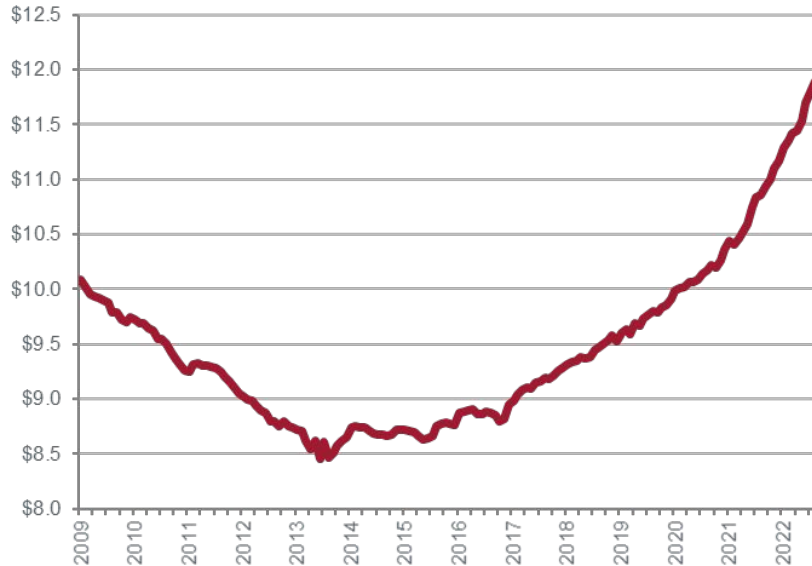


Overall US Consumer Debt Observations

Mortgage debt at \$11.9T; Non-mortgage debt has returned to keeping pace with increasing trend aligned to pre-recession

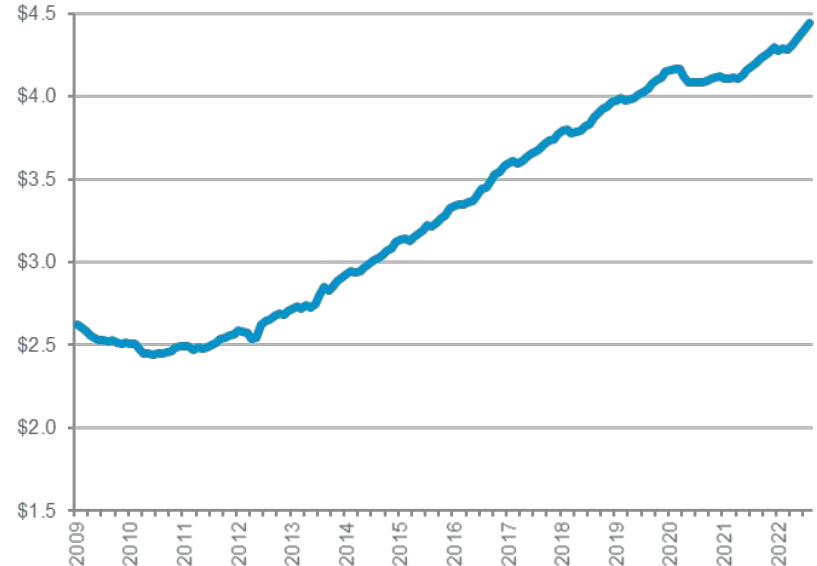
Mortgage Debt

First Mortgage, Home Equity Lines and Loans;
Balances in \$Trillions; NSA



Non-Mortgage Debt

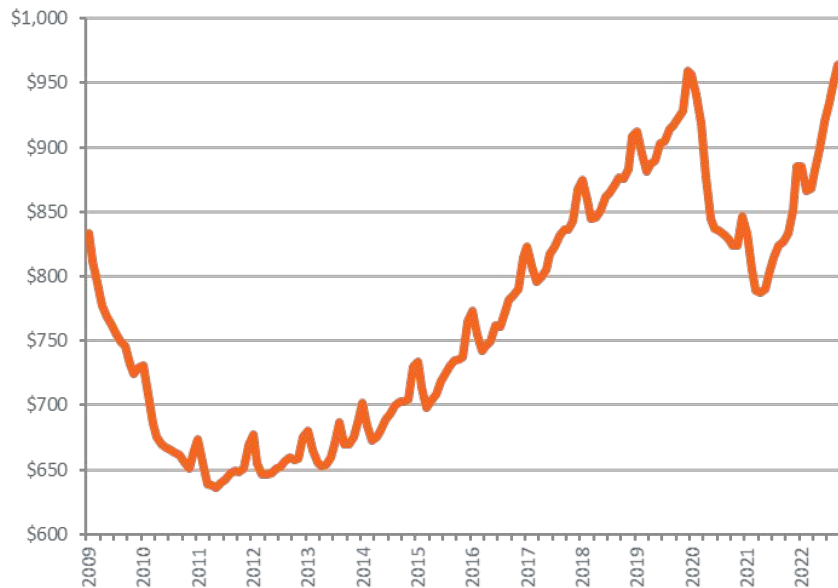
Auto, Bankcard and Private Label Credit Card, Student Loan, Other;
Balances in \$Trillions; NSA



Revolving debt in September 2022 was above 2019 levels; Non-revolving debt is continuing to rise

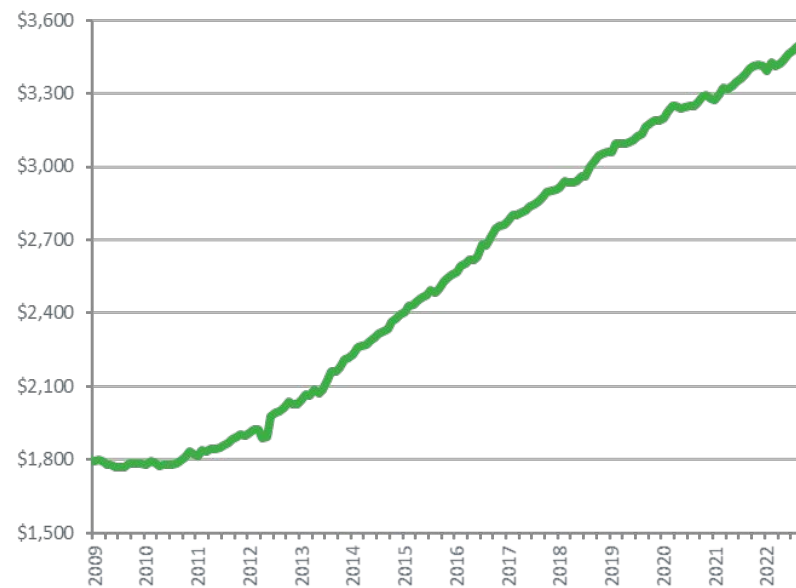
Revolving Debt

Bankcard and Private Label Card;
Balances in \$Billions; NSA



Non-Revolving Debt

Auto, Student Loan, and Other;
Balances in \$Billions; NSA

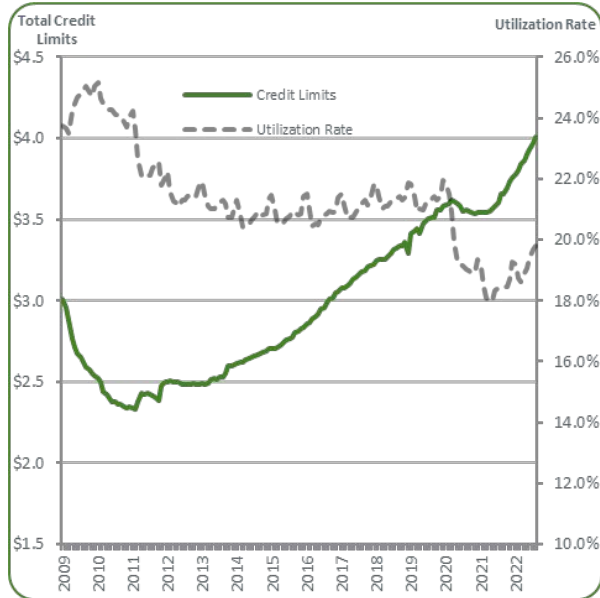


Credit limits and utilisation have started to slowly increase for both Bankcard and Private Label Card; Home Equity Line utilisation continues to increase.

Credit Limits and Utilization Rates

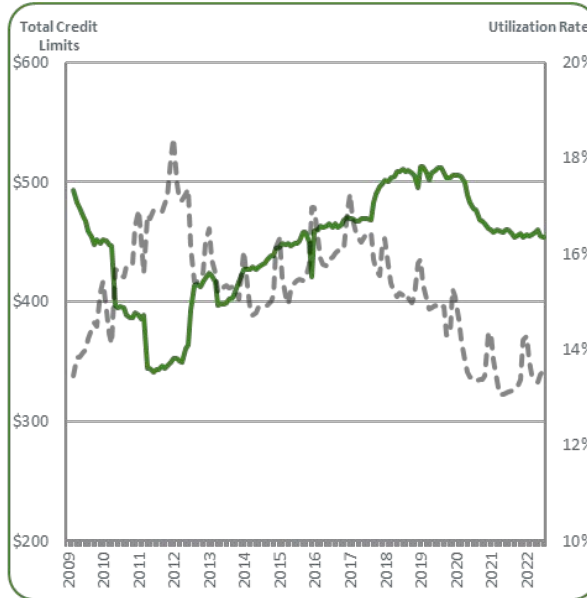
Bankcard

Credit Limits in \$ Billions and Utilization Rate %; NSA



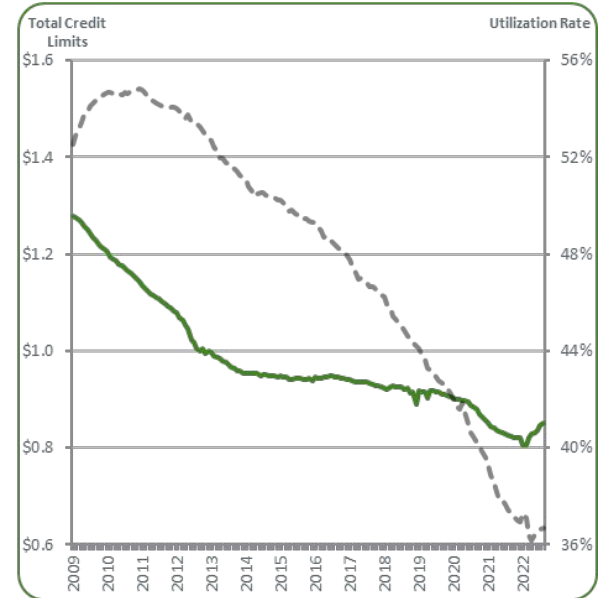
Private Label Card

Credit Limits in \$ Billions and Utilization Rate %; NSA



Revolving Home Equity

Credit Limits in \$ Trillions and Utilization Rate %; NSA



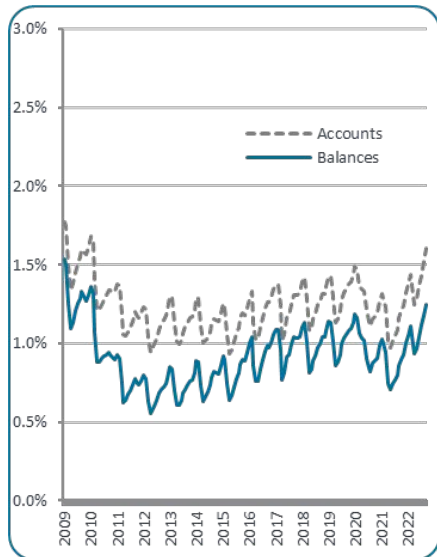
Auto loan delinquencies rising; Bankcard and Private Label delinquencies are below pre-pandemic levels;
First mortgage delinquencies remain at historic lows

Severe Delinquency Rates

Percentage of Accounts and Balances, Excluding Severe Derogatory, NSA

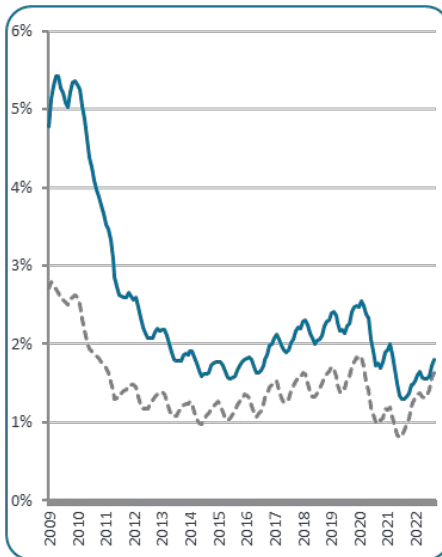
Auto

60+ Delinquency Rate



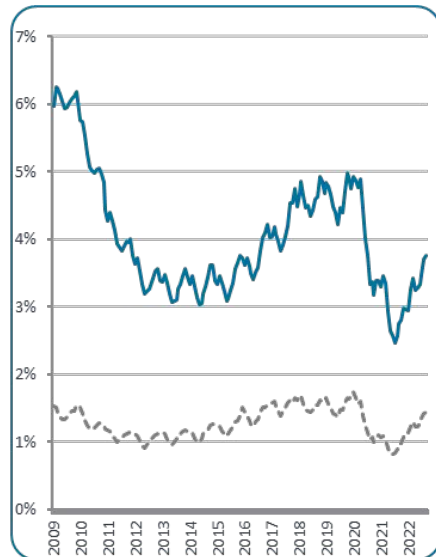
Bankcard

60+ Delinquency Rate



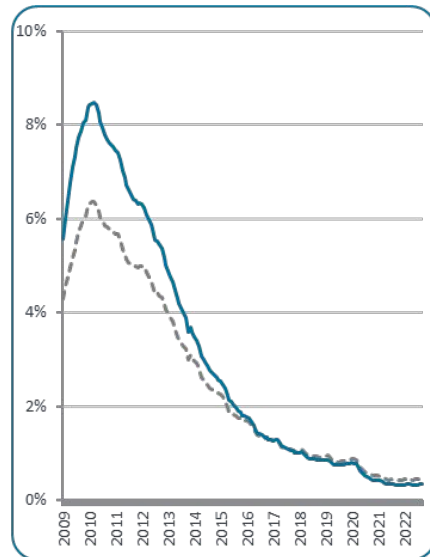
Private Label Card

60+ Delinquency Rate

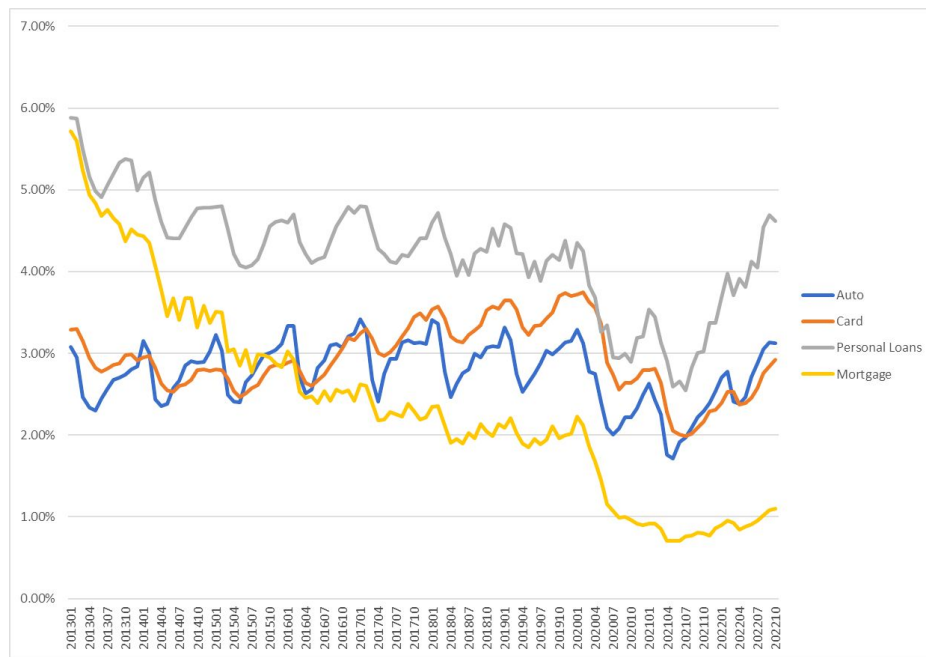


First Mortgage

90+ Delinquency Rate

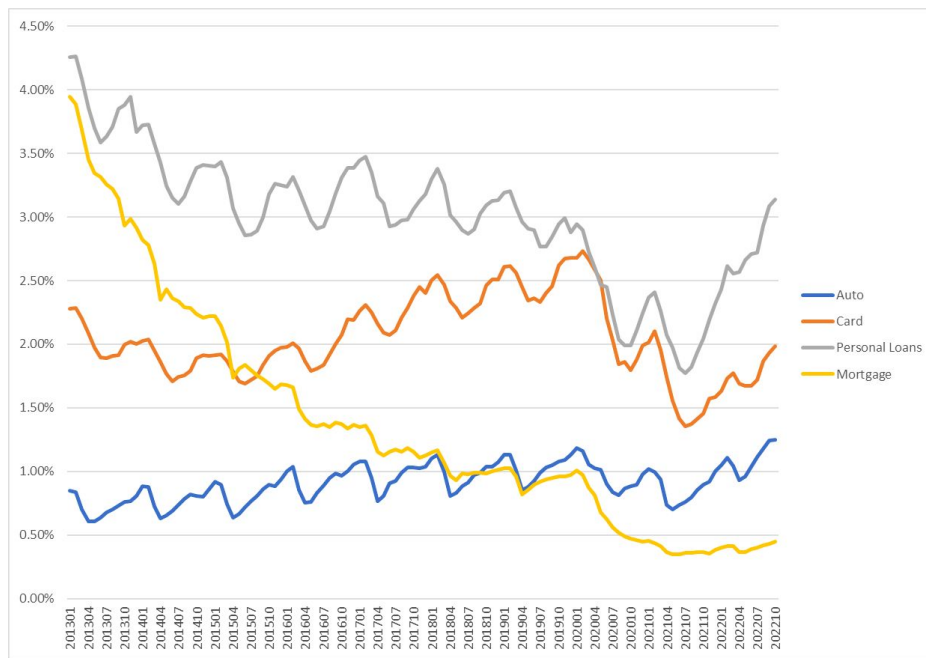


Consumer Credit Health: 30+ Days Past Due (DPD), Dollars



- 30+ delinquencies increases in dollars are most significant in personal loans
- Card and Auto rising yet not quite where these statistics were in 2019
- Mortgage operating near the 2006 all-time low

Consumer Credit Health: 60+ Days Past Due (DPD), Dollars



- 60+ delinquencies increases in dollars are most significant in personal loans
- Auto 60+ dollar delinquency is at all-time high
- Mortgage operating near the 2006 all-time low



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