



# Financial Advice NZ

Webinar 23 August 2023

# Agenda

- About Equifax
- Key market themes and economics
- NZ and International Credit Insights
- Improving customer experience

# About Equifax

# About Equifax

- Global data, analytics, and technology company
- Help Kiwis live their financial best
- 13,000 employees worldwide
- Presence in 27 countries
- Recently acquired BVS (Brazil)

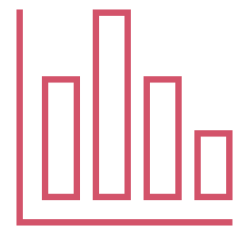


# Key market themes and economics

# Key Market themes – senior executive



CCCFA,  
compliance



Provisioning,  
stress testing



Cyber Security



Housing  
market



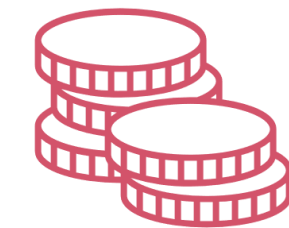
ComCom  
review



Fraud, scams



Talent scarcity



Inflation &  
cost pressure

# Megatrends driving market and investment activity



Lending  
digitisation



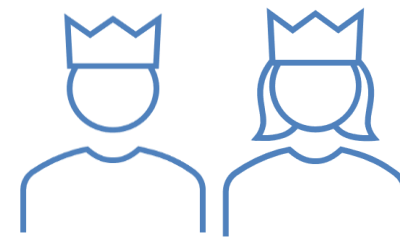
Credit & payments  
intersection



Customer  
experience



Rise of the  
intermediary



Consumer  
empowerment



Trust

# Economic Stats Overview

## GDP

Quarterly  
Q1 2023

Annual  
Q1 2023



**-0.1%** **2.9%** Next update  
21 Sept 23

## Consumer Price Index

As at June 2023



**6.0%** Annual  
change Down from 6.7% as at Q1 23  
Next update 17 October 23

## Unemployment

As at Q2 2023



**3.6%** Up from 3.4% at at Q1 23  
Next update 1 November 23

## Official Cash Rate

As at August 2023



**5.5%** Next review  
4 October 23

## Consumer Confidence

As at July 2023



**83.7** July 23 **85.5** June 23

## Business Confidence

As at July 2023



**-13.0** July 23 **-18.0** June 23





# Commentary

- **Consumer confidence dipped in July 2023 to 83.7** (from 85.5 in June 2023). Retailers may feel the impact of the sharp fall in consumers who believe it's good time to buy a major household item (from -27% to -39%). However, the proportion of consumers who expect to be better off in 12 months time remains unchanged at 11%.
- The **August 16 Monetary Policy Committee agreed to the OCR at 5.5%**; this is reflective of the Committee's view that the rate is constraining inflationary pressures appropriately. There is mixed view as to whether this will prove successful or if a further OCR increase is likely before the end of the year.
- While the NZ Government initially proposed a full affordability assessment on Buy Now, Pay Later (BNPL) applications above \$600, **BNPL providers will be brought under Credit Contracts and Consumer Finance Act (CCCFA) umbrella, but will now be required to complete a credit report for new customers.**
- There was a **5 point gain in business confidence in July to -13**, the highest since September 2021. While inflation indicators reduced slightly lower, cost expectations lifted. Also, the proportion of firms expecting to raise wages increased.
- For the second quarter in a row, the number of **new homes consented** in Q2 2023 was down 20% (to 9,888) vs Q2 2022. This reduction is across both multi-unit houses and stand-alone homes. While the numbers of consents remains strong, the slowdown is easing pressure on the construction materials supply chain. However, operating costs remain a concern together with reducing house prices.
- The **agri sector is struggling with reduced milk prices combined with higher costs and regulations putting profitability pressure on farmers.** As China has expanded its dairy herd (which is now in excess of 6.4m cows), and with a stockpile of milk powder, there is an expected negative impact to the NZ economy of \$1.4bn.



# Local and Global Insights



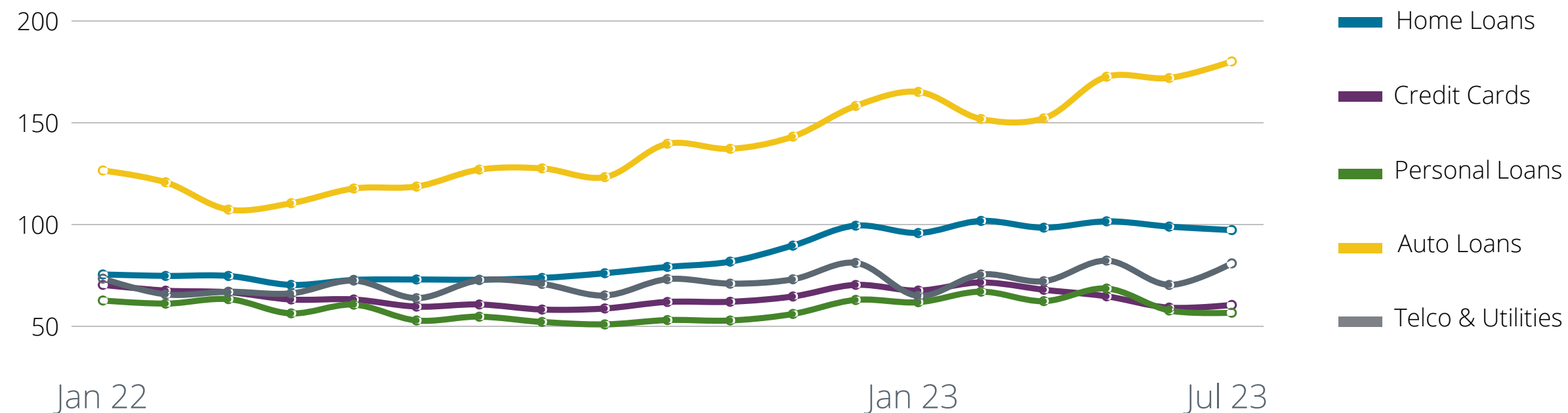
# Consumer Credit Commentary

- Average weekly **consumer demand for 2023 to-date is now slightly above 2022** levels at +0.6%.
- **Credit quality (application scores) continue to improve:** trend established post the revised CCCFA legislation (Dec 2021)
- Consistent with global trends, the number of **missed payments on auto loan accounts continues to increase** and is circa 120% of pre-pandemic volumes.
- The number of home loan accounts in arrears (by 1+ days) **has reduced month-over-month for both June and July 2023** by -2.9% and -1.8%, respectively.
- **Home loan accounts in hardship** continue to trend upwards (since Feb 2023)
- The +2.3% uplift in overall credit card arrears for July 2023 (vs June 2023) is influenced by a +3.8% increase in early arrears (1-29 days past due).
- Credit card accounts in hardship have nudged slightly above pre-pandemic volumes, with mixed influences by credit card providers.



**Consumer Accounts in Arrears by 1 or more days**

Indexed to Jan 20



# Consumer Credit Enquiry Score Observations

2023 to-date

 **Home Loans**

 **Personal Loans**

 **Credit Cards**

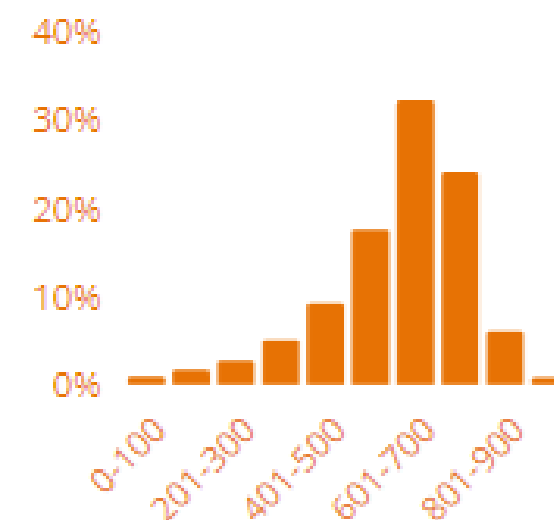
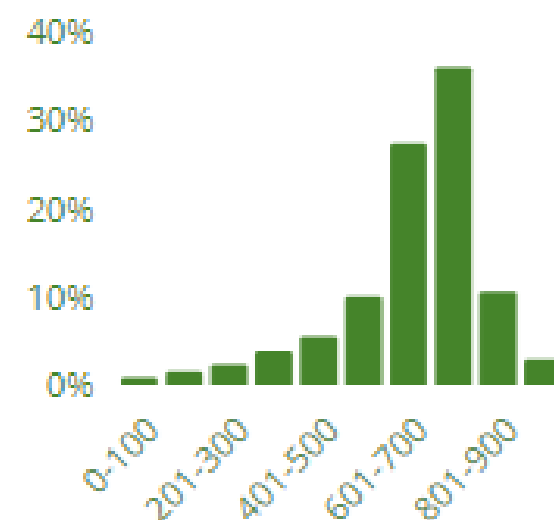
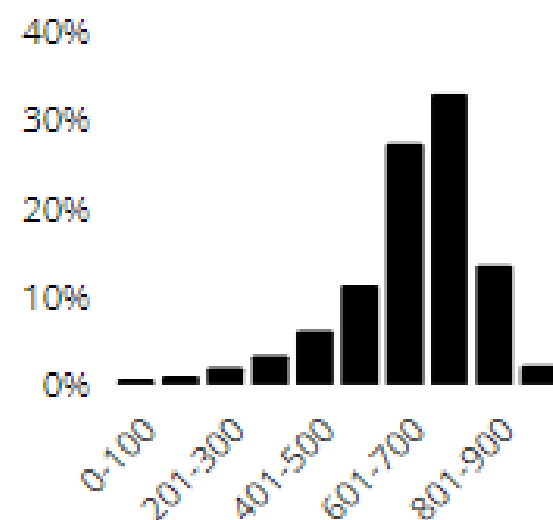
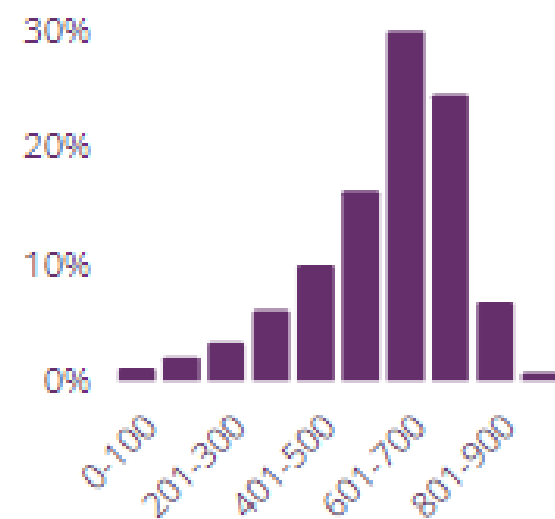
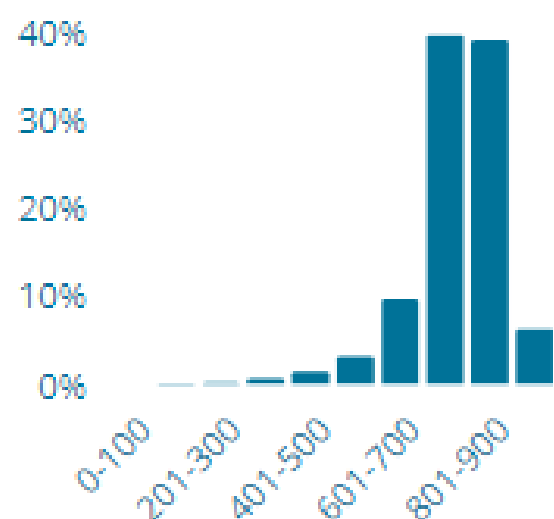
 **Telco & Utilities**

 **Auto Loans**

Average Annual Score



Equifax Apply Enquiry Score Distribution, 2023 to-date



A **enquiry score** measures the creditworthiness of Kiwis who have applied for credit

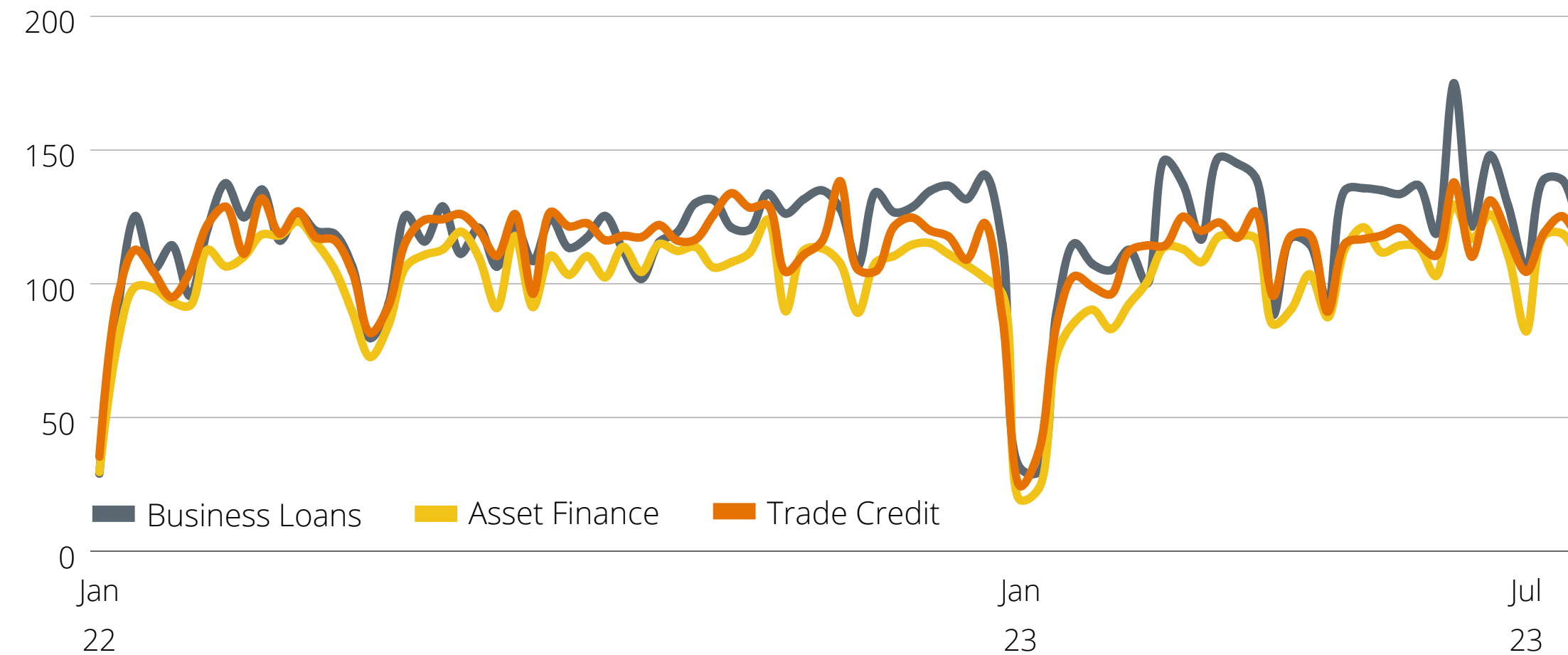


# Commercial Credit Demand

Average overall weekly commercial enquiries continues to improve as the year progresses and is down -1.5% for the year to-date against volumes in 2022. However, volumes are -12.4% below 2019 weekly averages.

## Weekly Commercial Credit Demand by Business Lending Product

Indexed to Jan 20



### Change in average weekly demand 2023 to-date vs 2022

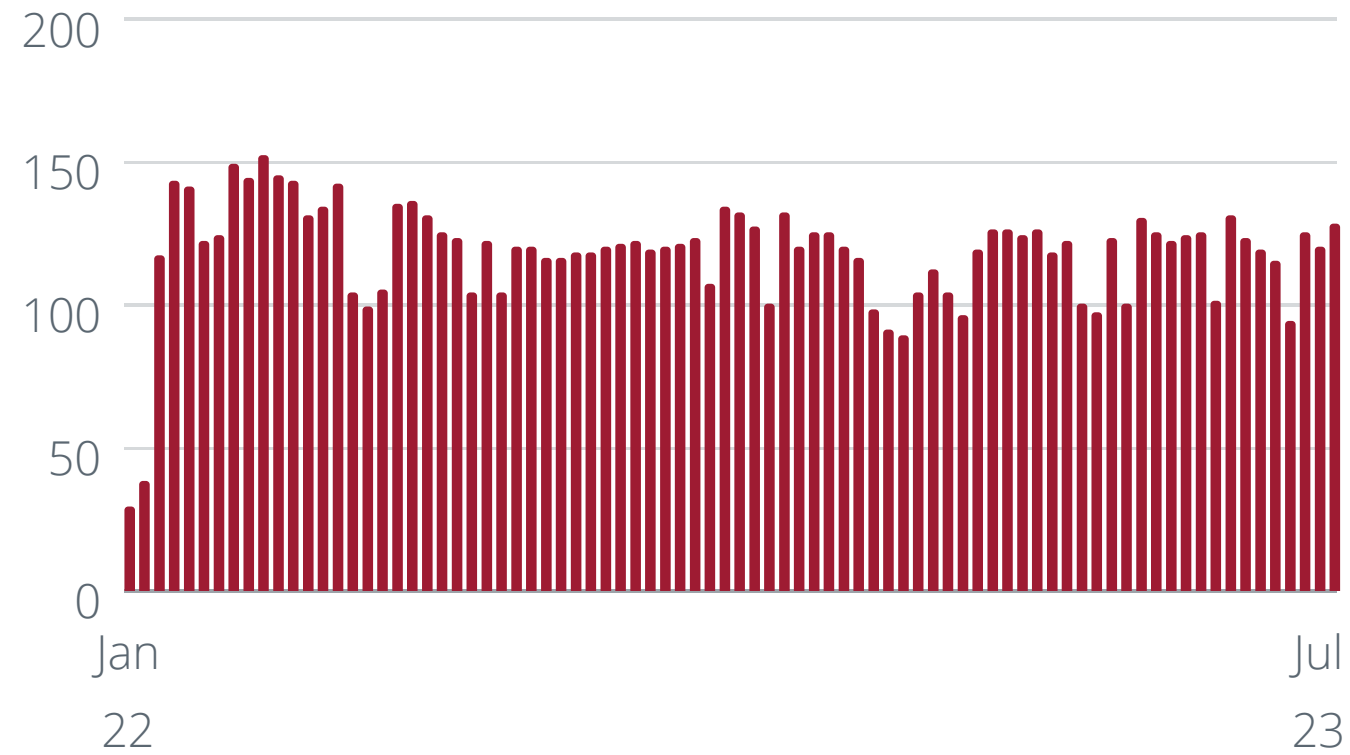
<b>Construction</b>	<b>-0.6%</b>
<b>Rental, Hiring &amp; Real Est Services</b>	<b>-5.8%</b>
<b>Retail Trade</b>	<b>-3.3%</b>
<b>Prof, Scientific &amp; Tech Services</b>	<b>-3.8%</b>
<b>Accommodation &amp; Food Services</b>	<b>+7.1%</b>
<b>Agriculture, Forestry &amp; Fishing</b>	<b>+0.8%</b>
<b>Transport, Postal &amp; Warehousing</b>	<b>+17.8%</b>
<b>Wholesale Trade</b>	<b>-1.9%</b>
<b>Manufacturing</b>	<b>+3.7%</b>

# Home Loans



## Enquiries

Weekly, indexed to Jan 20

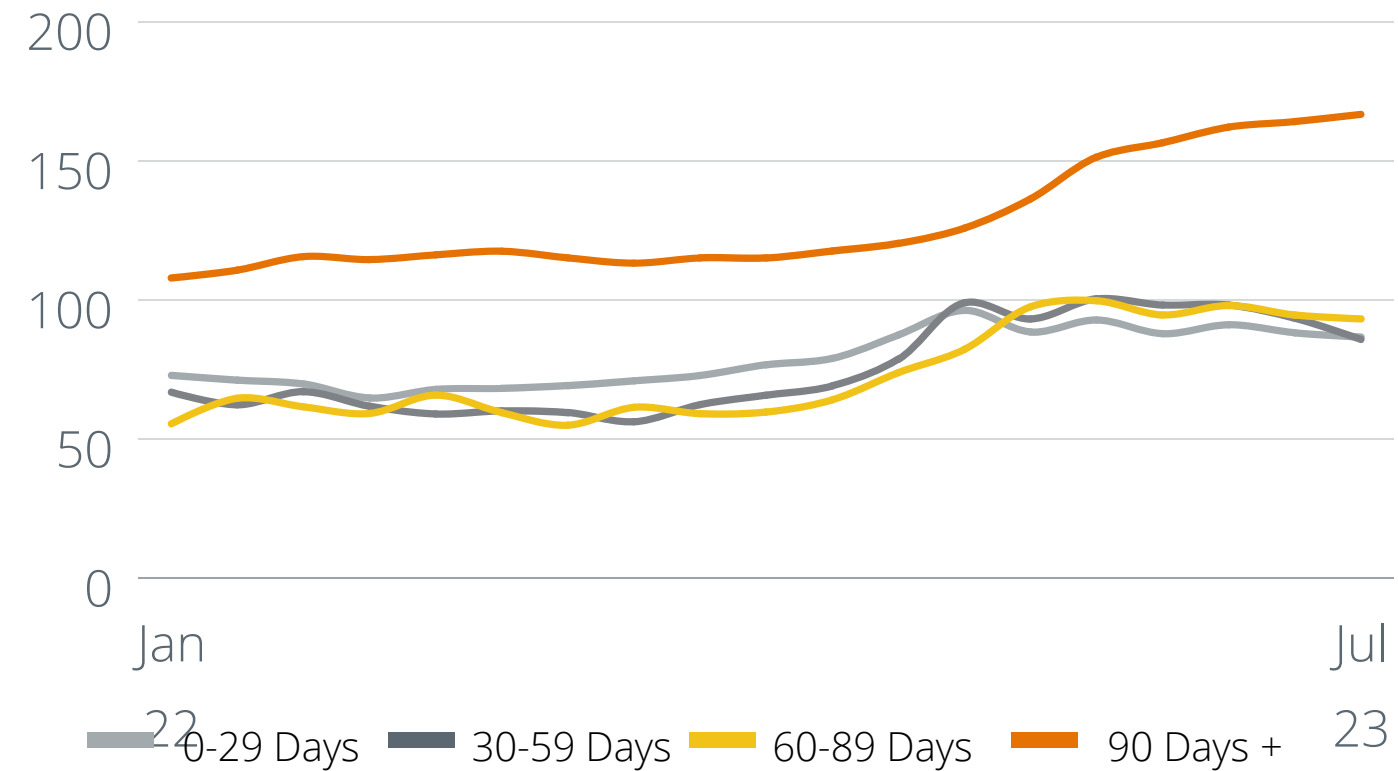


- The average number of weekly enquiries for 2023 to-date is currently -10% below 2022 volumes, and -14.8% below pre-pandemic volumes (for 2019).



## Home Loan Account Health

'Days Past Due' bands, indexed to Jan 20



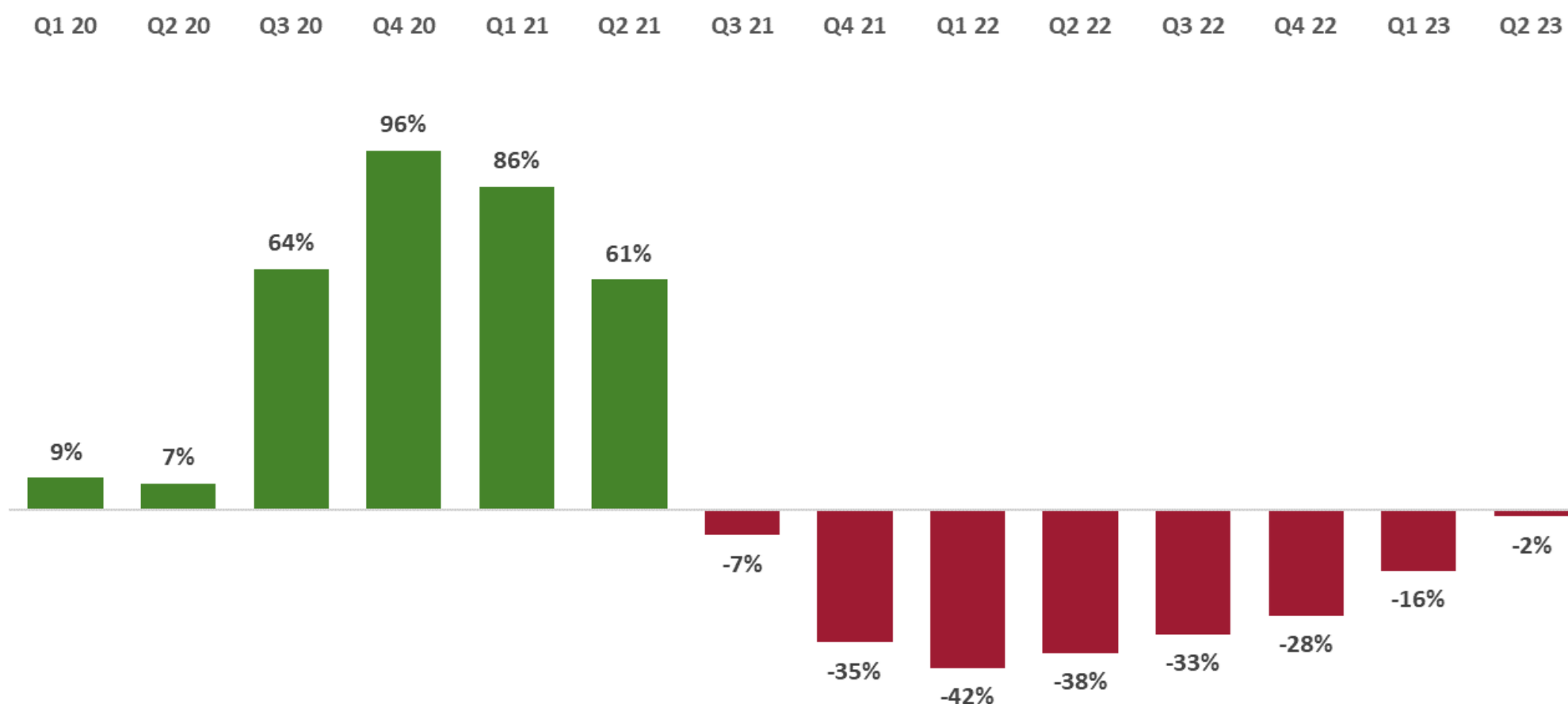
- Month-over-month for Jul 2023, there was a -1.8% reduction in overall home loan arrears vs June 2023 volumes; this drop was influenced by reductions across early to mid-arrears bands experienced across the majority of DPD bands. There continues to be mixed arrears performance by home loan provider.
- Year-on-year, the number of home loan accounts with missed payments is +33.4% above June 2022 levels, and +33.7 above July 2022 levels.





# Q2 Mortgage Applications - Demand is stabilising

**CHART: Mortgage Credit Demand Index, Year-on-Year Changes (%)**



**Major centres**

Auckland	-3.8%
Canterbury	+1.1%
Otago	+7.0%
Waikato	-1.3%
Wellington	0.0%

**Regions on the rise**

Marlborough	+9.9%
West Coast	+8.5%
Otago	+7.0%
Taranaki	+6.9%
Bay of Plenty	+2.0%

**Regions still to recover**

Nelson	-15.0%
Gisbourne	-7.2%
Hawke's Bay	-6.8%
Tasman	-6.5%
Manawatu	-4.5%



# Who's applying for Home Lending?

Since pre-COVID, the proportion of home loan enquiries has increased at a reasonably steady pace for consumers aged between 26 and 45, from 56% in Q1 19 to 61.6% in Q2 23. By comparison, home loan enquiries from consumers aged 46 and above have been reducing over time, down to 34.1% in Q2 23 from 39.1% in Q1 19.

Across all age bands, there is a continual improvement in average enquiry score, with a higher proportion of enquiries now coming from consumers with an Equifax Apply Score of 700-900. There is also some movement of consumers into the Equifax Apply Score band 900-100, with most of those gains from consumers aged 56 and above.



**18-25 year olds**



**26-35 year olds**



**36-45 year olds**



**46-55 year olds**



**56-65 year olds**



**66+ year olds**

**Proportion of 2023 home lending enquiries**

4.1%

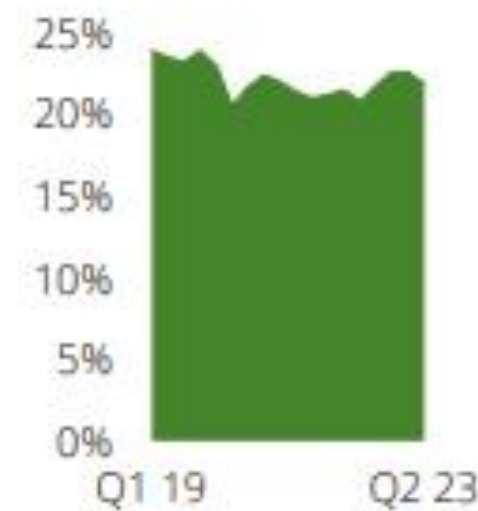
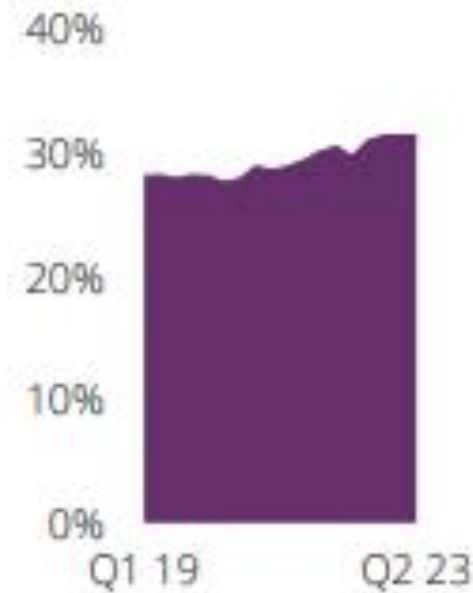
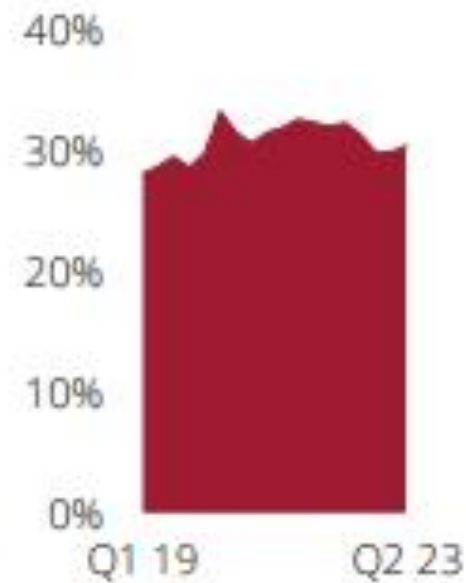
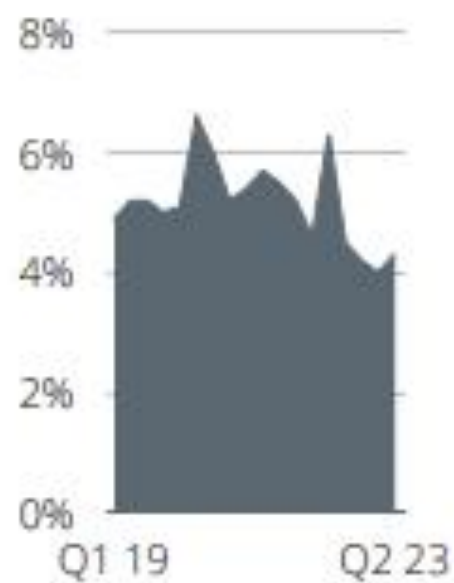
30.1%

31.3%

22.2%

10.8%

1.5%

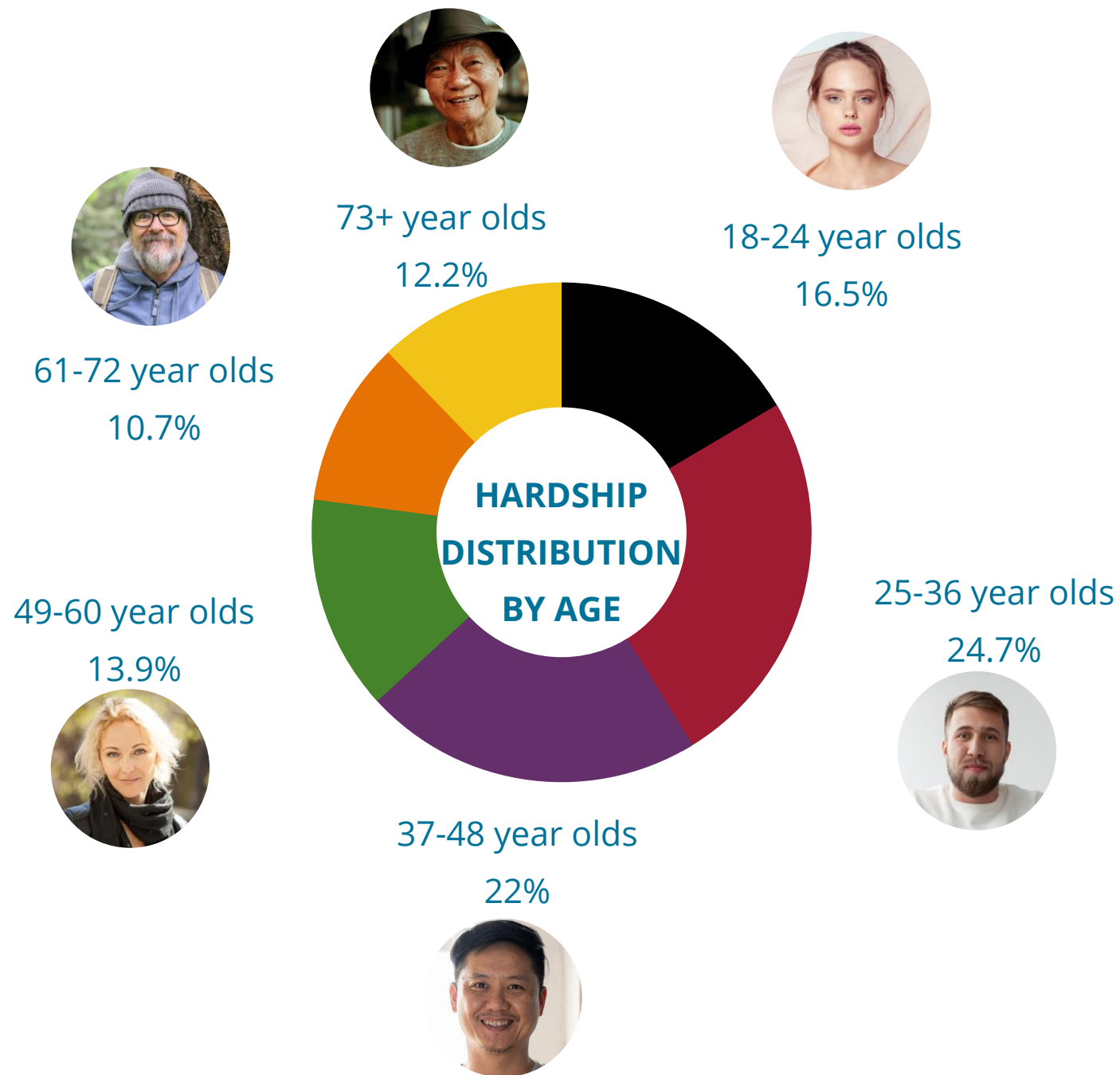






# Consumer Hardship - Deep Dive Insights

While Hardship can impact all consumer segments, most Hardship requests are from 'under banked' in terms of lines of credit. Also, while 85.9% of consumers in hardship have no prior credit defaults, 14.1% have one or more prior credit defaults.



**82% of consumers in hardship don't have a home loan**

**1/3 of the consumers in hardship WITH a home loan have opened their home loan account within that last 7 months**



**64% of consumers in hardship have no credit card**

**Almost 3/4 of the consumers in hardship WITH a credit card have their card less than 7.5 years**



# Housing Insights

## Powered by Valocity

- House values declined in **13 of the 16 regions** continued to see values decline in Q2. Overall rate of decline was **-1.9%**. These declines are suggesting a pent up demand from buyers when conditions improve in their favour.
- **Rolling 3 month (May/June/July) sales volume in 2023 fell by 2,200** compared to the same three months in 2022. Sales volumes are at historically low levels compared with the same quarter a year ago and even the immediate post-GFC period.
- **Median sales prices also fell below \$800k**, a level last seen in 2021. This figure would be lower still if considered as a percentage of housing stock.
- Difficulties in the construction sector limit 'Off the plan' pre-sales - critical to future housing market supply.

### Outlook

- New home pipeline will be slower; longer builds, less risk appetite, higher cost of funding
- Net migration returned to the 2010s high. However, most arrivals are on temporary visas and cannot buy – will drive rental instead of purchasing demand.
- General Election in October, investors are taking a “wait-and-see” approach, particularly with interest rates at their current levels and other costs such as insurance seeing recent steep increases.



# Demand

Strong growth in **card and personal loan demand** across multiple regions



## Canada

- Non-mortgage credit demand is **going up, driven by credit cards**
- Mortgage broker inquiries are **slowing down** with rising interest rates



## United Kingdom and Spain

- Credit demand has now reached pre-pandemic levels in the **UK** compared to 2019, although it is not in the same situation in **Spain** (~90%)
- **UK** annual growth rate for all lending at 7.9% in March (12.8% for credit cards)
- **Spain** shows a slightly increase in Q1 2023 from previous quarter



## Australia and New Zealand

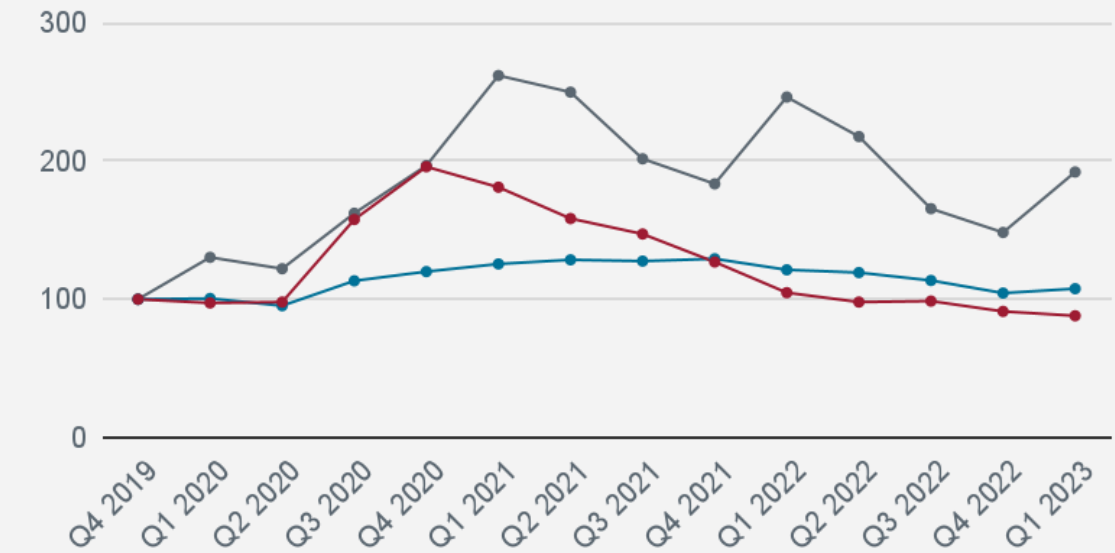
- Both **AU** and **NZ** are showing increasing demand in credit cards as BNPL market continue to consolidate. In AU, Q1 '23 saw an increase of 21% in credit card applications compared to the same quarter last year, card demand in NZ is stronger, growing 28% in comparison
- Some improvement in NZ home weekly lending demand as we progress through 2023. However, overall mortgage demand for Q1 '23 fell 16% compared to last year



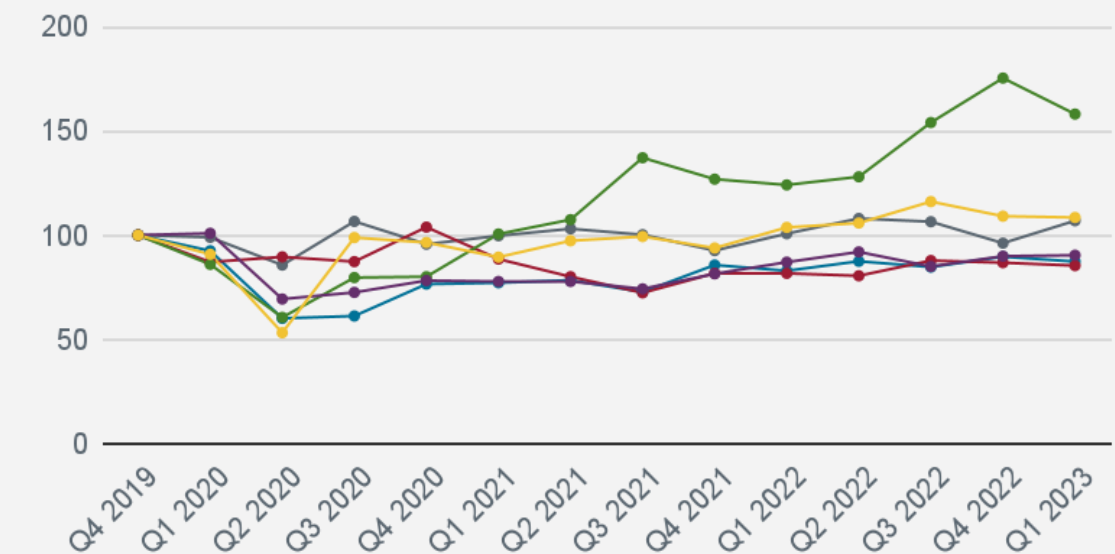
## Argentina and Ecuador

- **ARG: Non-mortgage inquiries** have remained stable at Q3 levels. Despite the unstable economic context, we remain at strong historical levels of inquiries
- **ECU: Non-mortgage inquiries** are stable at pre-pandemic levels after the recovery process during 2020-2021

Mortgage Inquiries



Non-mortgage Inquiries



● US ● Canada ● AU ● NZ ● UK ● ARG ● ES ● ECU

# Arrears

Delinquency rates continue to rise, with some regions surpassing pre-pandemic levels



## Canada

- Delinquencies are fast approaching pre-pandemic levels for all credit products
- Last quarter the impact was more visible for consumers with no mortgage but now we are starting to see more delinquencies coming from mortgage holders. The number of mortgage holders missing payments on a non mortgage product is up by 15.7% from the first quarter of 2022



## United States

- **Non-mortgage** delinquency (removing student loans) have reached pre-pandemic levels, while **mortgage** delinquency remains much lower, despite an uptick in Q1 '23
- **Consumer loans, auto and credit card** delinquency are exceeding pre-pandemic delinquency levels, with auto loans also showing signs of increased early delinquency levels in recent vintages



## United Kingdom

- **Mortgage** arrears rates still at low levels with households still transitioning from pre-interest rate rise fixed agreements
- **Unsecured** arrears rates are starting to rise uniformly, with most product types approaching pre-pandemic levels of delinquency



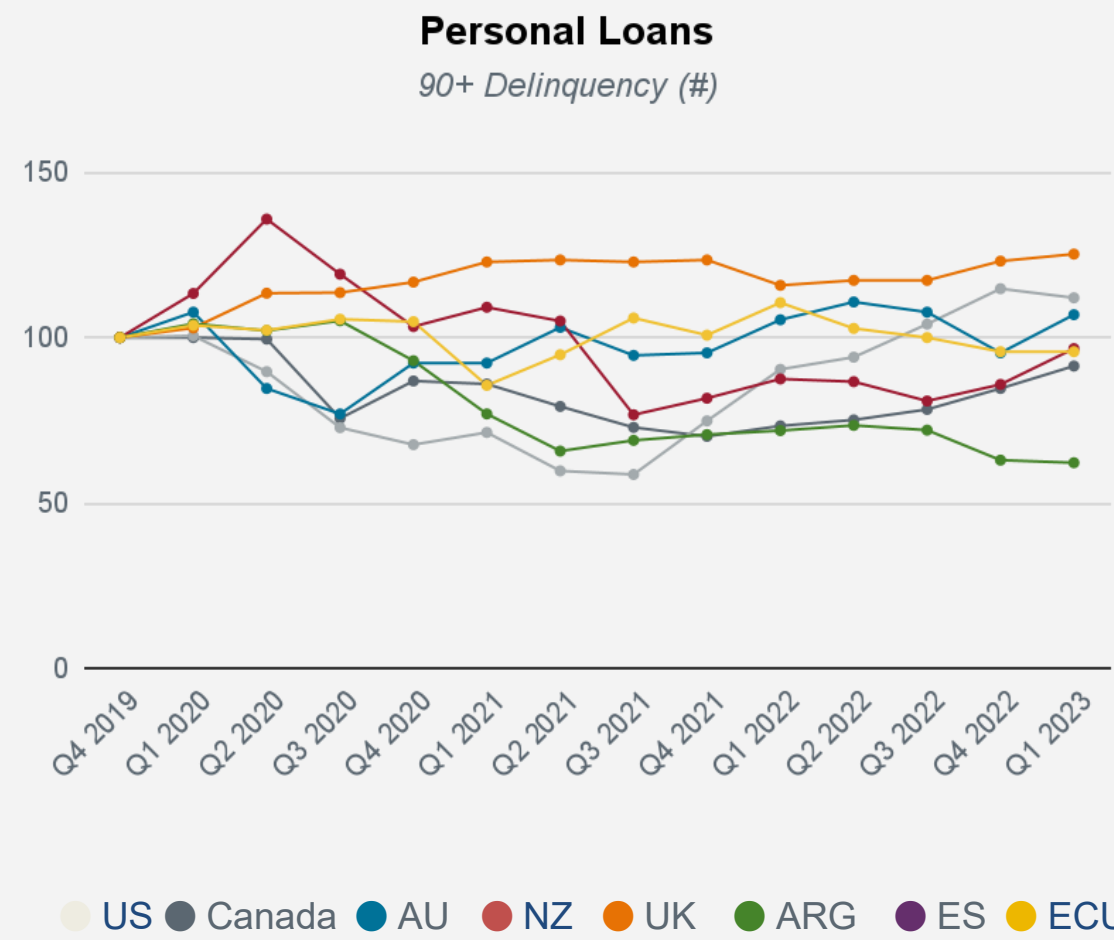
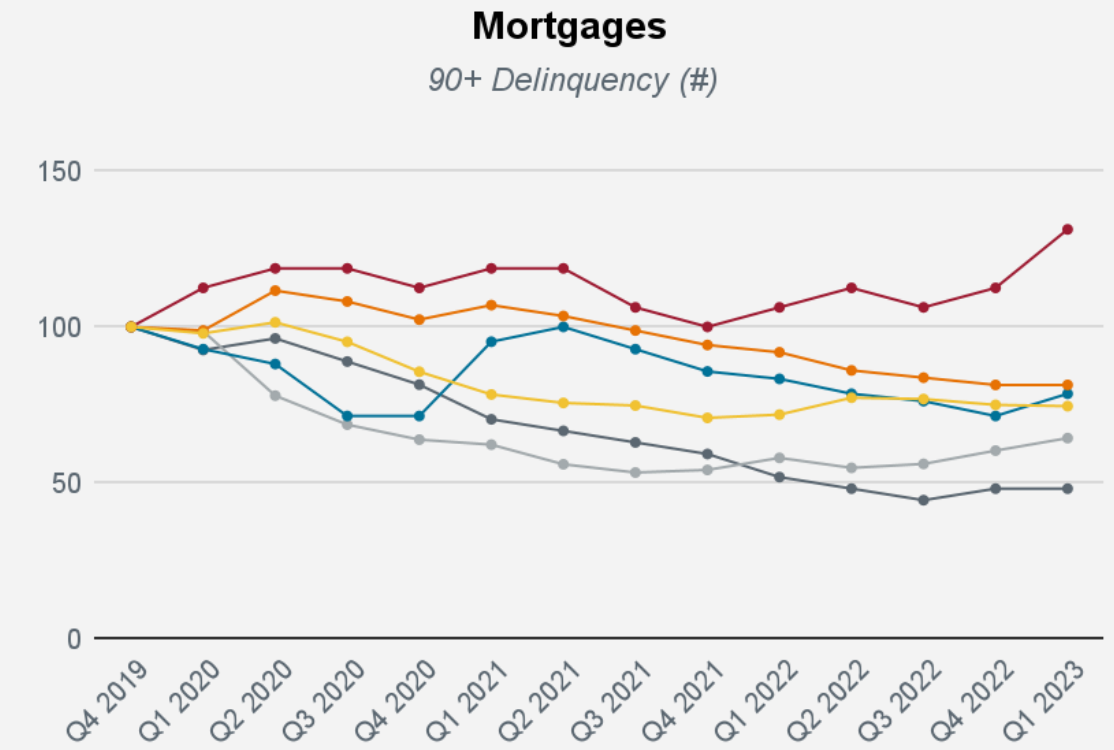
## Argentina and Ecuador

- **ARG: Delinquency** remains stable. This market behavior shows the same trend since 2021, according to historical loan delinquency levels
- **ECU: Delinquency** remains stable the first quarter of 2023 despite the growth in microcredit sector in 2022



## Australia and New Zealand

- **AU:** Improvements in arrears >90 days compared to Q1 '22 but growth in earlier arrears. There is growth in early account delinquencies that may indicate in the coming quarter
- **NZ:** Year-on-year for March '23, overall mortgage arrear volumes are +35.5% above March '22 levels; however, this is the 9th consecutive month experiencing increasing year-on-year volume uplift



# Summary



Financial stress for Australian consumers remained largely stable in Q2 23. Late arrears for mortgages, credit cards and personal loans was similar across Q1 and Q2 23; however, prolonged challenges in the auto industry are taking a toll with auto loan arrears hitting a 5-year high.

The effect of rate hikes are flowing through to mortgage arrears with a +33% year-on-year increase in accounts falling 30-89 days past due in Q2 23 vs Q2 22.

Consumers reliance on unsecured credit facilities slowed down as inflation cooled for the quarter.

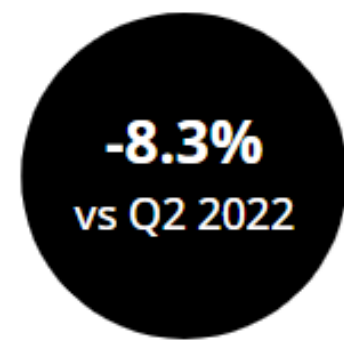
Overall, unsecured credit demand growth fell by -8.3% in Q2 23 vs Q2 22. Credit card demand, however, grew by +5.9% during the same period; by comparison, personal loan enquiries dropped by -5.9% across the same period. Market consolidation continued to dampen BNPL demand, with enquiries falling -26% in Q2 23 vs Q2 22.

## Quarterly Demand Change | Q2 2023




Mortgage		-2.8%
Auto Loans		-5.4%



**Secured**  
Credit Demand



**Unsecured**  
Credit Demand

Credit Card		+5.9%
Buy Now Pay Later		-26.3%
Personal Loans		-5.9%

# Australia

## Consumer Demand



# Improving customer experience

# Helping Advisors access credit information

Enables you to act on behalf of your customer to unlock their comprehensive credit history, getting them the best rates and credit provider fit.



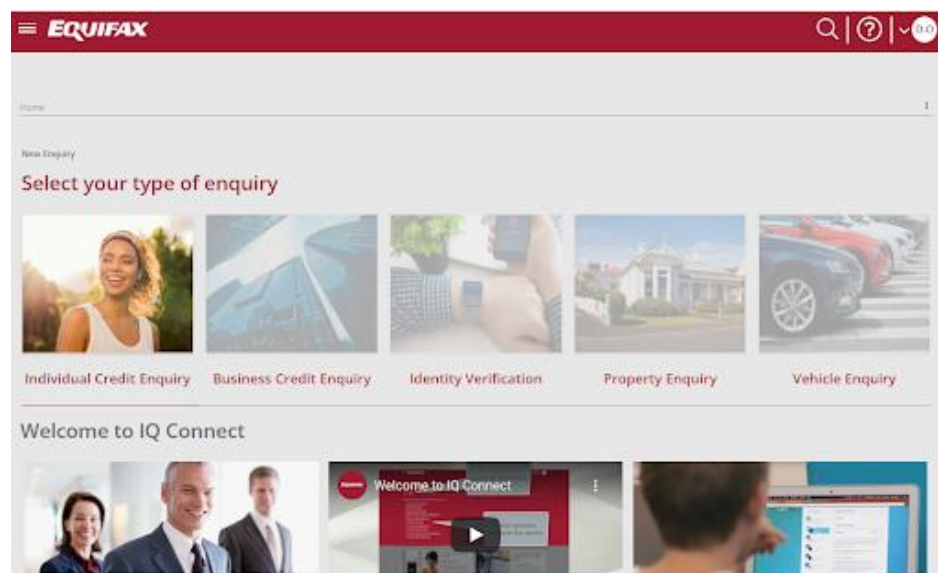
See the same accurate, complete and up to date information that credit providers will base their decisions on.



Access your customers' credit information without impacting their score or displaying on their report



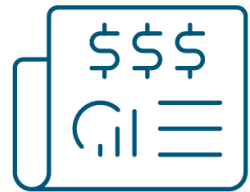
Streamlined path to fulfillment, ultimately delivering better conversion rates and customer experiences



## How to access?

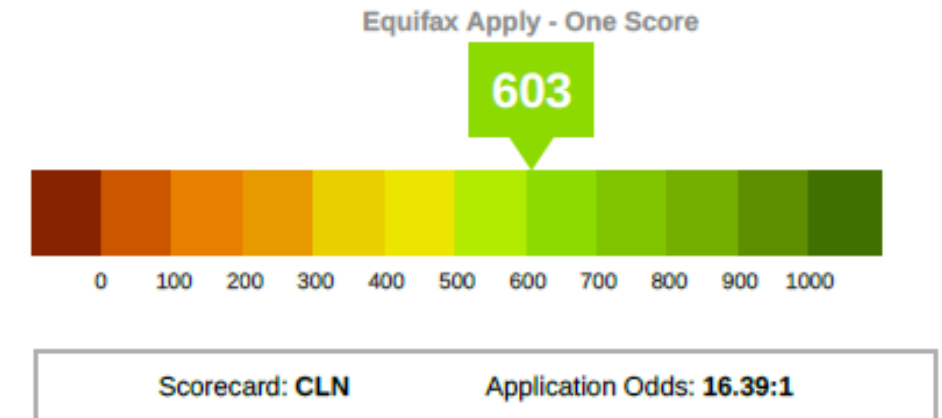
Broker Enquiry can be accessed by Equifax subscribers through our new IQ Connect service in the individual credit section, or XML.

# Helping Advisors access credit information



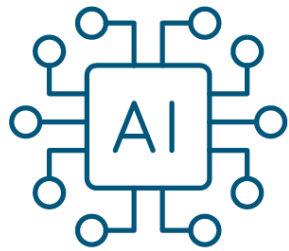
Most comprehensive credit data set, across positive and negative

Additional data promotes financial inclusion for thin credit profiles



## Equifax One Score

Our most predictive score ever.



Patented Equifax AI / ML techniques address complex data relationships

Consistency: lenders and consumers get the same score



Fairness and bias detection



### Key Contributing Factors      Impact

	Key Contributing Factors	Impact
1	<b>Clean credit history</b> There are no previous adverse credit events such as defaults or judgments, indicating responsible use of credit.	Positive
2	<b>Enquiries - few unsecured</b> Limited use of unsecured personal loans is an indicator of lower credit risk.	Positive
3	<b>Enquiries - lower risk types</b> The lenders and type of credit applied for show more responsible use of credit.	Positive
4	<b>Recent address change</b> Recent or multiple address changes may indicate higher credit risk.	Negative



# Helping Advisors access digitised Affordability

Lenders need to make sure that consumers will be able to meet the future repayments



## MARKET NEED

- Simple and efficient application journey

- Account Verification
- Income and expenses Verification
- Bank transaction data retrieval
- WINZ data capture

- Categorisation and insights with high accuracy
- Affordability assessment
- Responsible lending (CCCFA) compliance
- Risk assessment

# Benefitting you and your customer



Reduce loan application processing time & costs.



Improve conversion rates & maximise efficiency, make more informed decisions.



Get ahead on CCCFA requirements for borrowers (specific template).



Improve customer service & deliver value. Streamline your customer's experience. Facilitate **multi bank** and **joint applications**.

# Want to know more?

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



[NZsales@equifax.com](mailto:NZsales@equifax.com)



[Equifax New Zealand](#)

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