



creditworks

January 2023 **Credit Insights**

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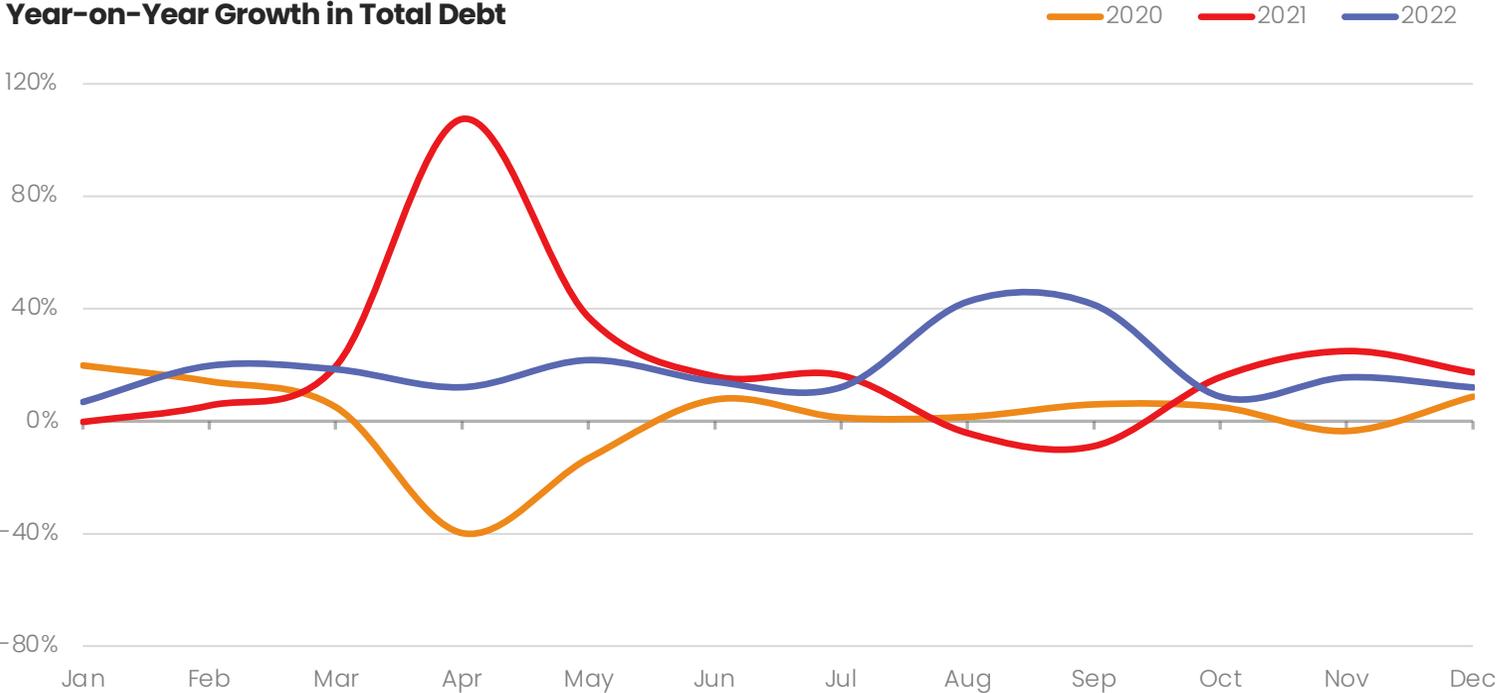


Key Credit Risk Insights.

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Growth in Total Debt Balance Has Slowed but Remains Positive

Year-on-Year Growth in Total Debt



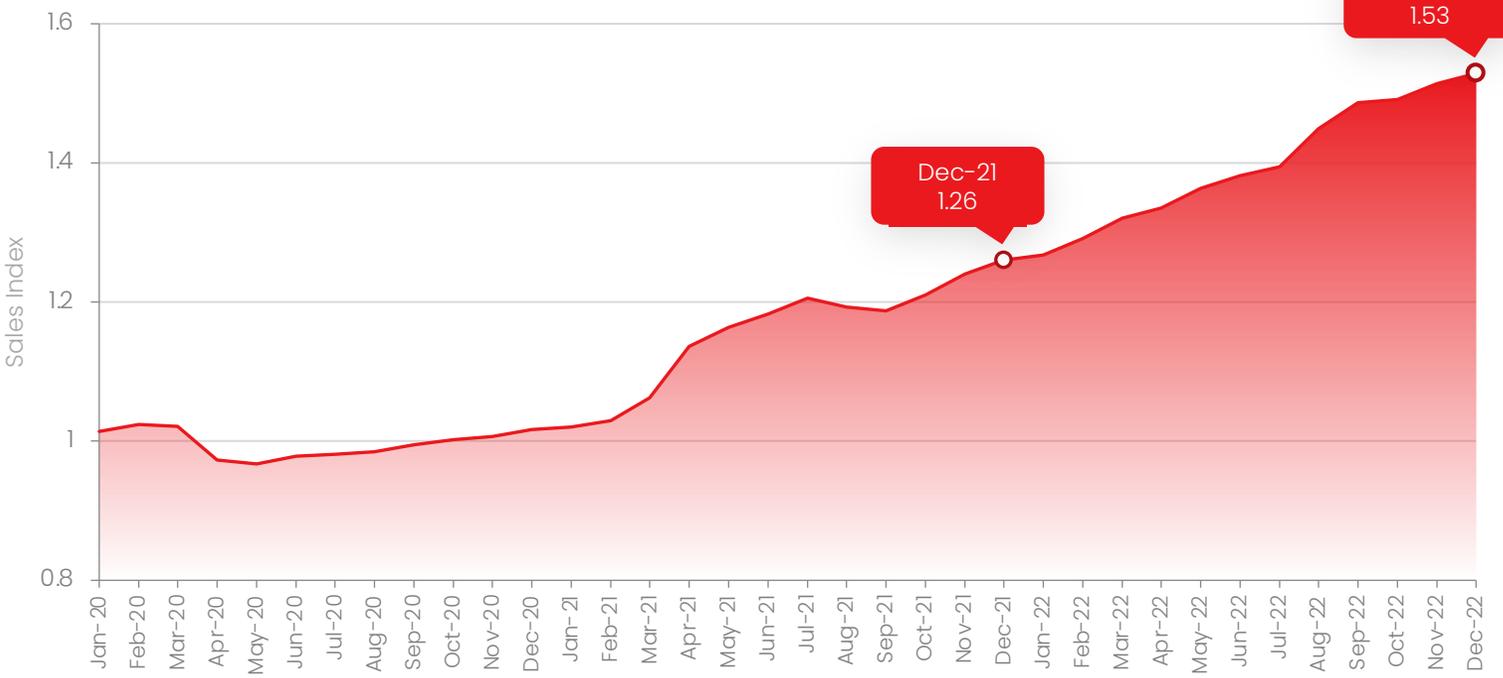
December 2022

↑ **12.0%**

Total Debt Balance has increased 12.0% year-on-year in December 2022. Growth has notably slowed in recent months but remains positive.

Growth in Annual Sales Remains Positive but Is Starting to Wane

Annual Sales (Indexed to December 2019)



Month-on-Month

↑ **1.0%**

Annual sales increased marginally month-on-month in December 2022.

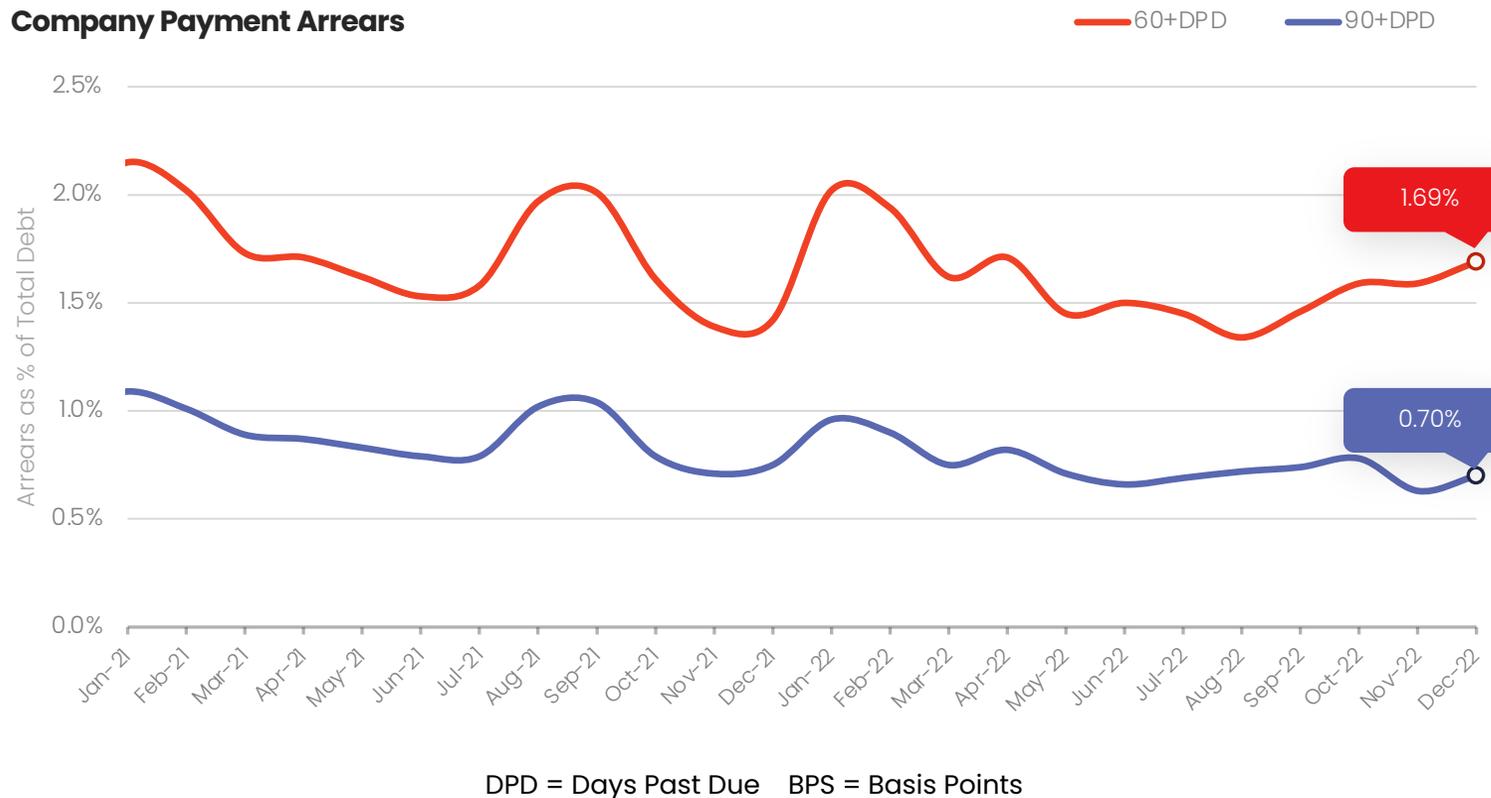
Year-on-Year

↑ **21.3%**

Annual sales are up 21.3% in December 2022 compared to December 2021.

Company Payment Arrears Remain Low but Are Turning

Company Payment Arrears



60+DPD Arrears

↑ **27bps**

60+DPD arrears are 27bps higher than the same time last year and trending up.

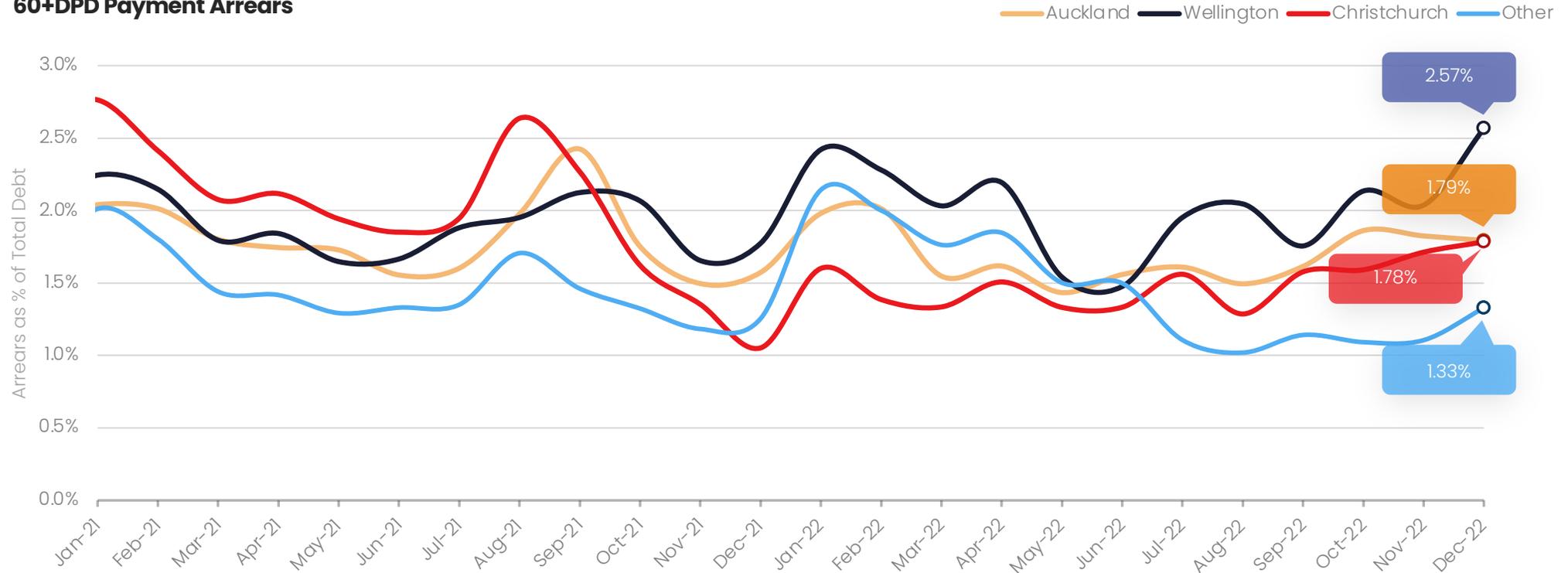
90+DPD Arrears

↓ **5bps**

90+DPD arrears are effectively flat year-on-year, down a nominal 5bps.

60+DPD Arrears Rising the Quickest in Wellington

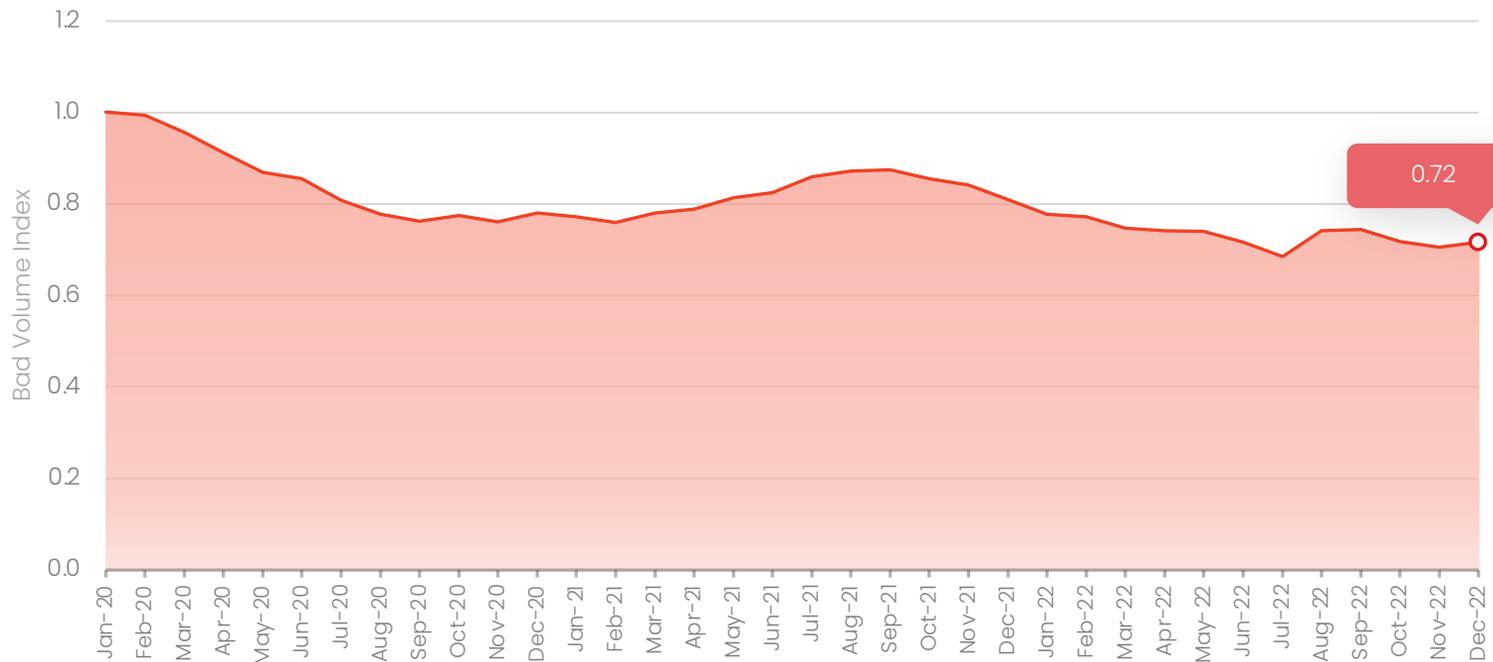
60+DPD Payment Arrears



The Number of Debtors Going 'Bad' Continues to Be Stable

(Default, Judgement, Administration, Receivership, Liquidation)

Annual Volume of 'Bad' Debtors (Indexed to December 2019)



Annual Bad Volume

↓ **11.5%**

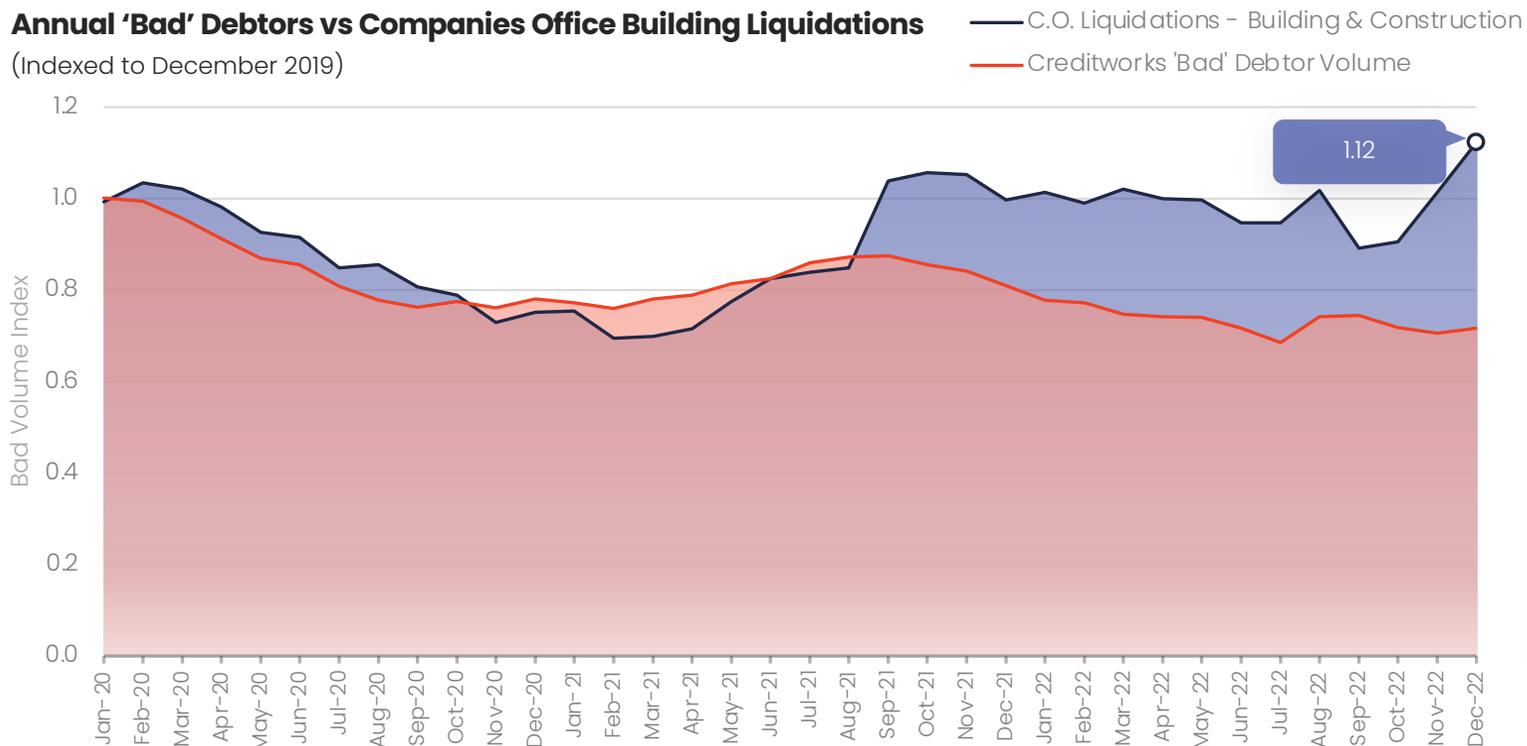
The annual volume of debtors going bad is down 11.0% year-on-year in December 2022, and relatively flat month-on-month.

Overlaying Building & Construction Liquidations

(Appointed Liquidators for Building & Construction Related ANZSIC Codes from the Companies Office)

Annual 'Bad' Debtors vs Companies Office Building Liquidations

(Indexed to December 2019)



Liquidations

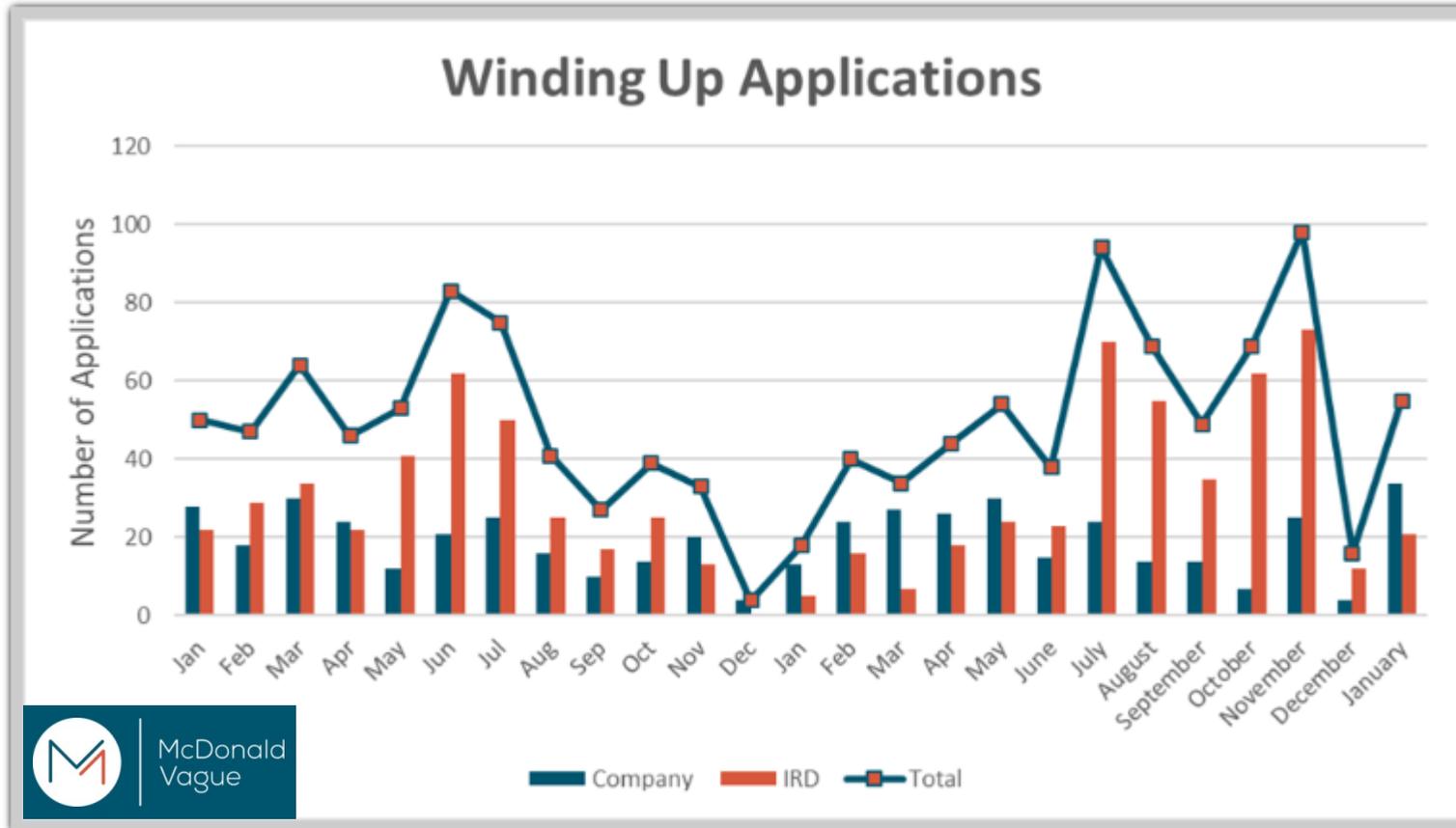
↑ **12.7%**

The annual volume of liquidations for companies with Building & Construction related ANZSIC classifications has risen 12.7% year-on-year in December 2022.

Note – Liquidations defined as Liquidator Appointed, voluntary or enforced.

Winding Up Applications

(Corporate vs. IRD applications, as per the McDonald Vague Insolvency report Jan-23)



IRD Applications

 **25%**

The annual volume of IRD Winding Up Applications has risen approximately 25% year-on-year in January 2023.

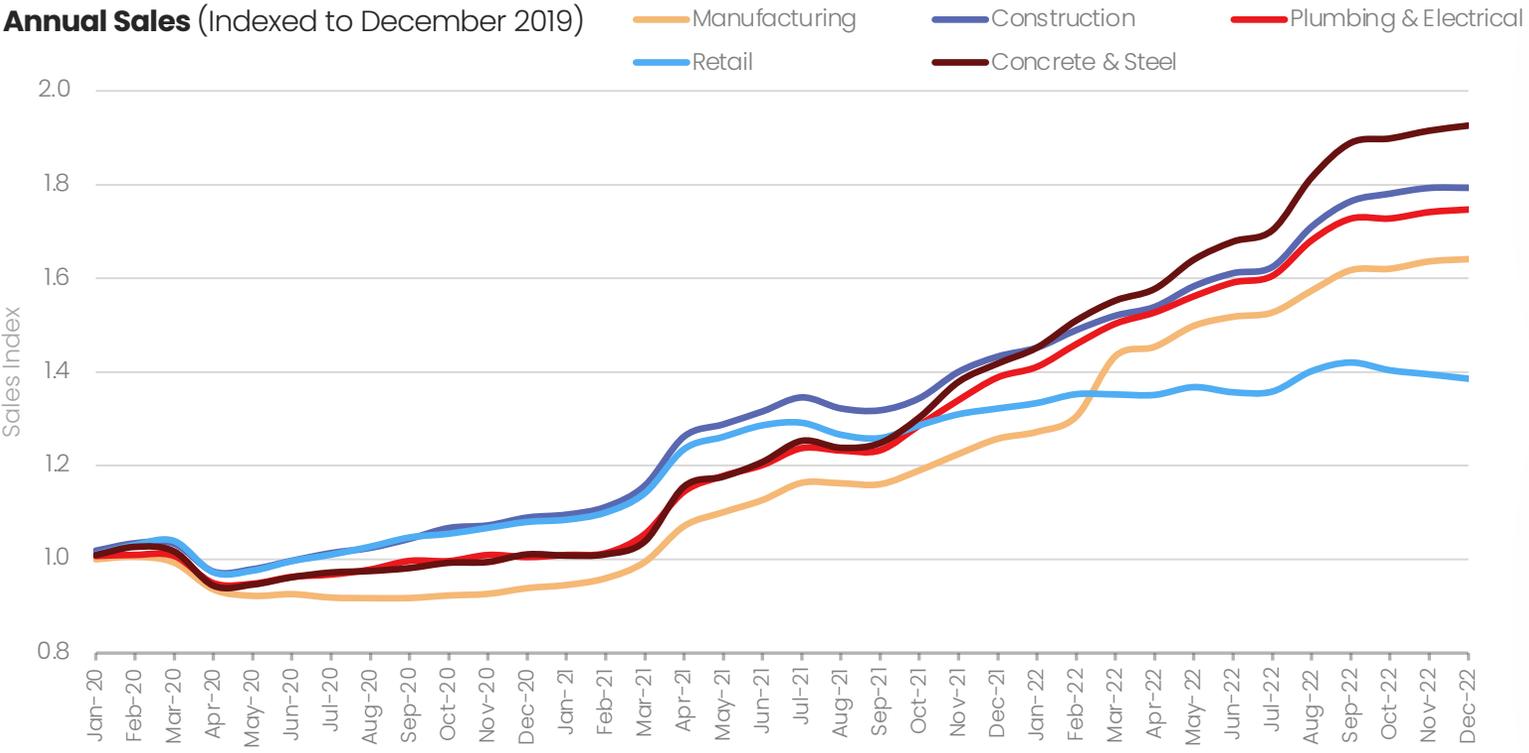
Corporate applications have remained at similar levels.



Debtor Industry Insights.

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Sales Have Flattened Across the Board, Retail Continues to Struggle



Retail Sales

↓ **0.7%**

Annual Retail sales are down 0.7% month-on-month in December 2022.

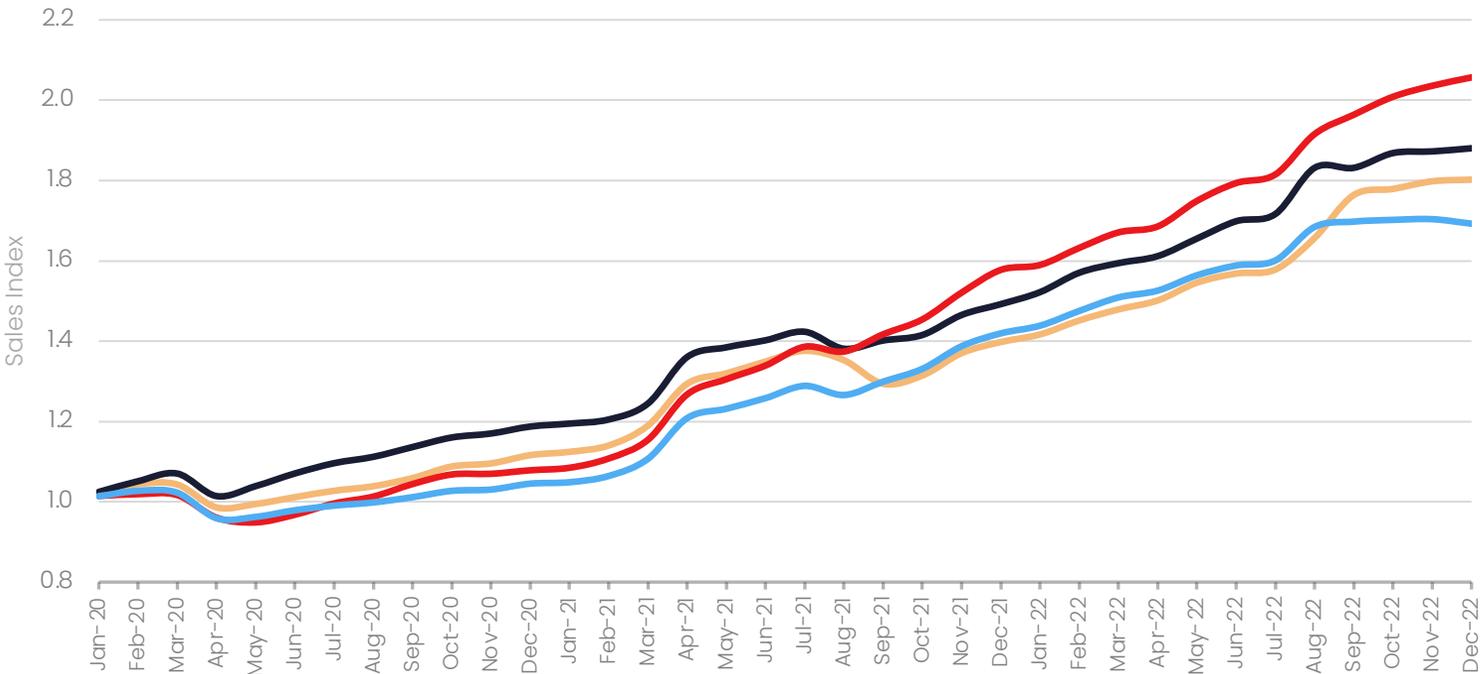
Construction Sales

→ **0.0%**

Annual Construction sales are unchanged month-on-month in December 2022.

Construction in Christchurch Has Held Up Longer, but is Beginning to Slow

Annual Construction Sales (Indexed to December 2019) — Auckland — Wellington — Christchurch — Other



Christchurch Construction

↑ **1.0%**

Annual Construction sales in Christchurch are up 1.0% MoM in December 2022, but are beginning to flatten.

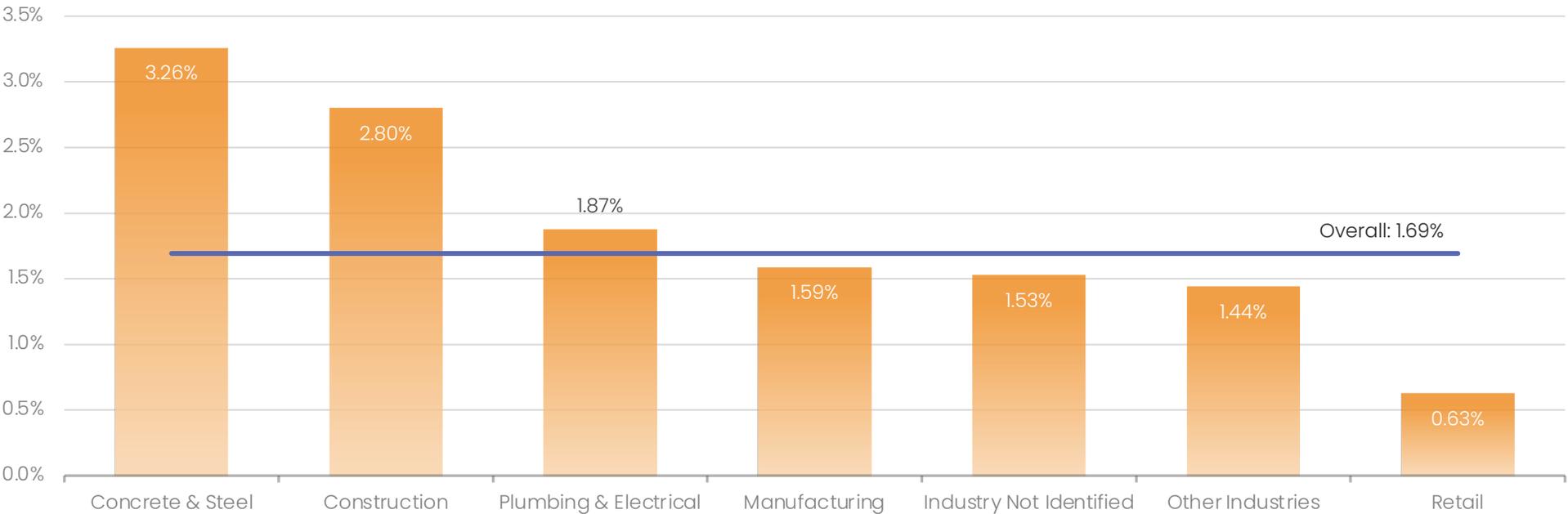
Everywhere Else

↓ **0.1%**

Annual Construction sales ex-Christchurch are down 0.1% MoM in December 2022.

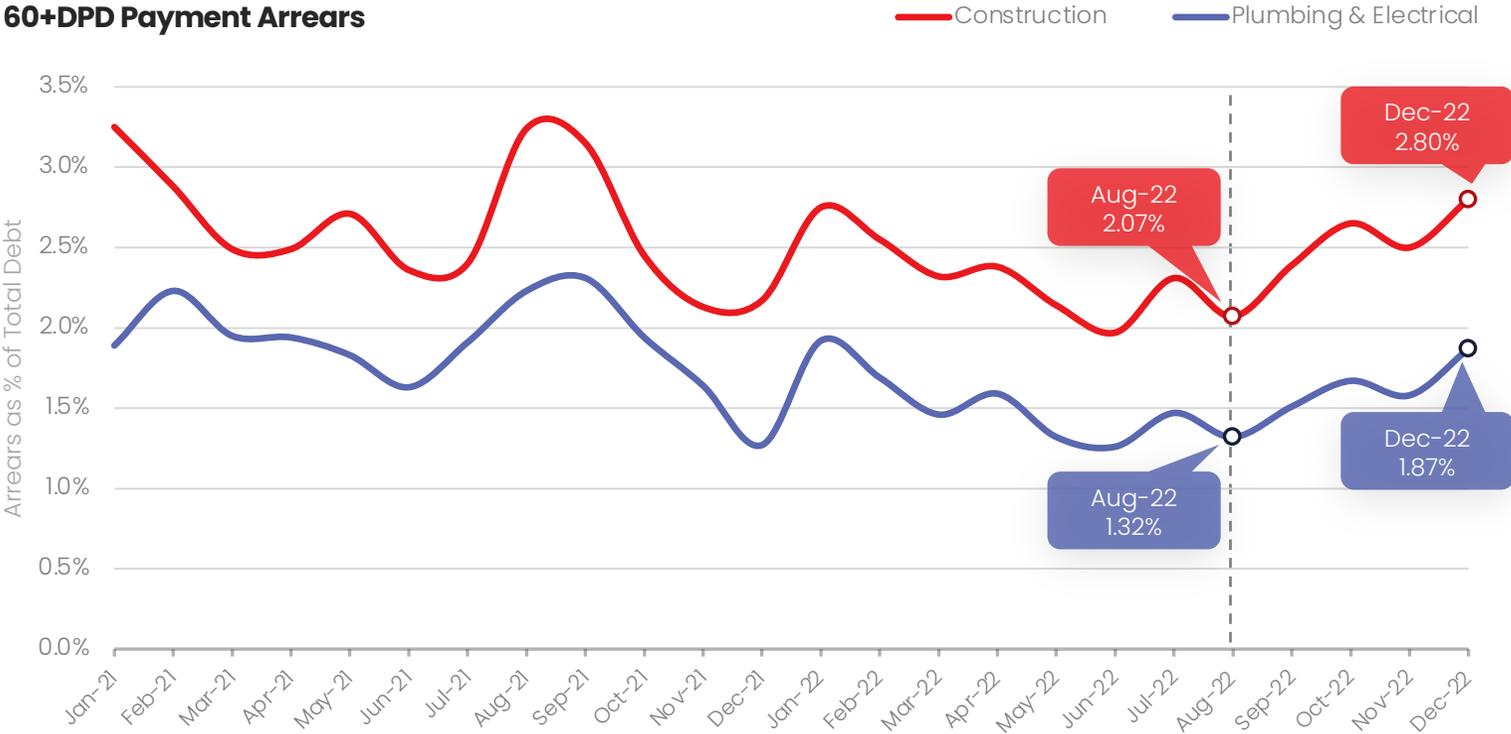
Concrete & Steel Top Arrears Rates, Retail the Lowest

60+DPD Arrears by Industry as at December 2022



Construction, Plumbing & Electrical Arrears Continue to Deteriorate

60+DPD Payment Arrears



Construction

↑ **73bps**

Construction 60+DPD arrears have risen 73bps since August 2022.

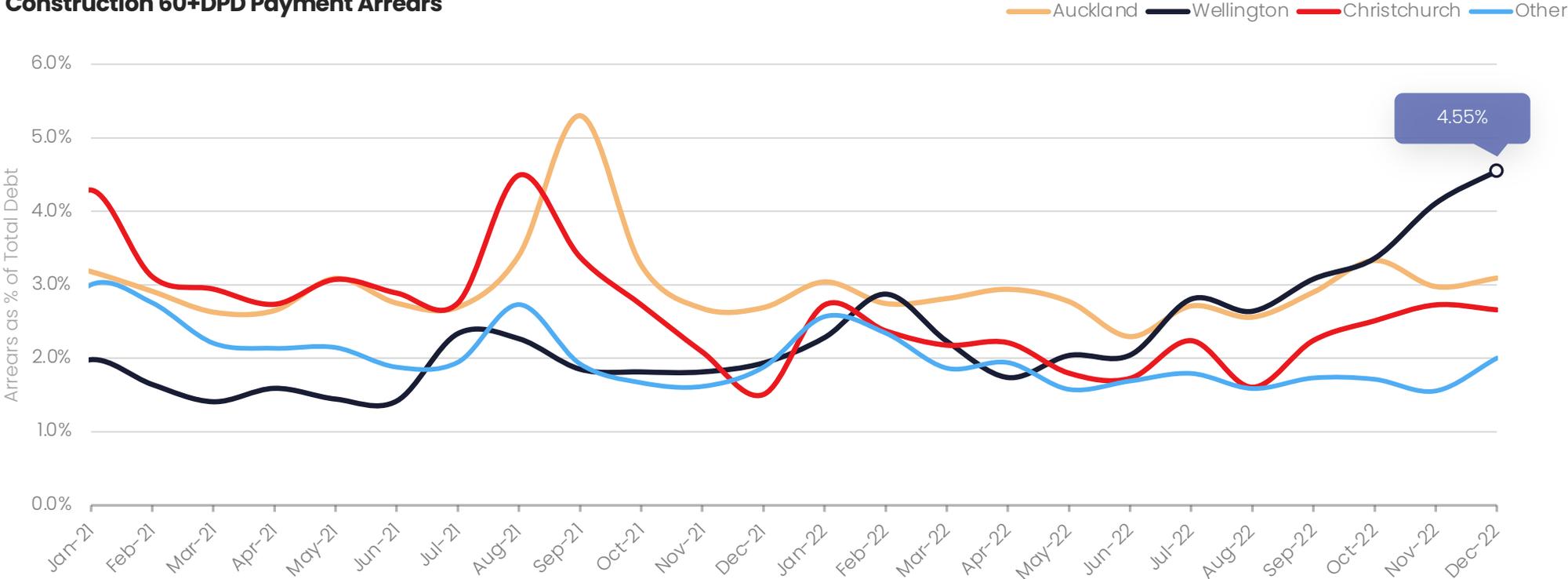
Plumbing & Electrical

↑ **55bps**

Plumbing & Electrical 60+DPD arrears have risen 55bps since August 2022.

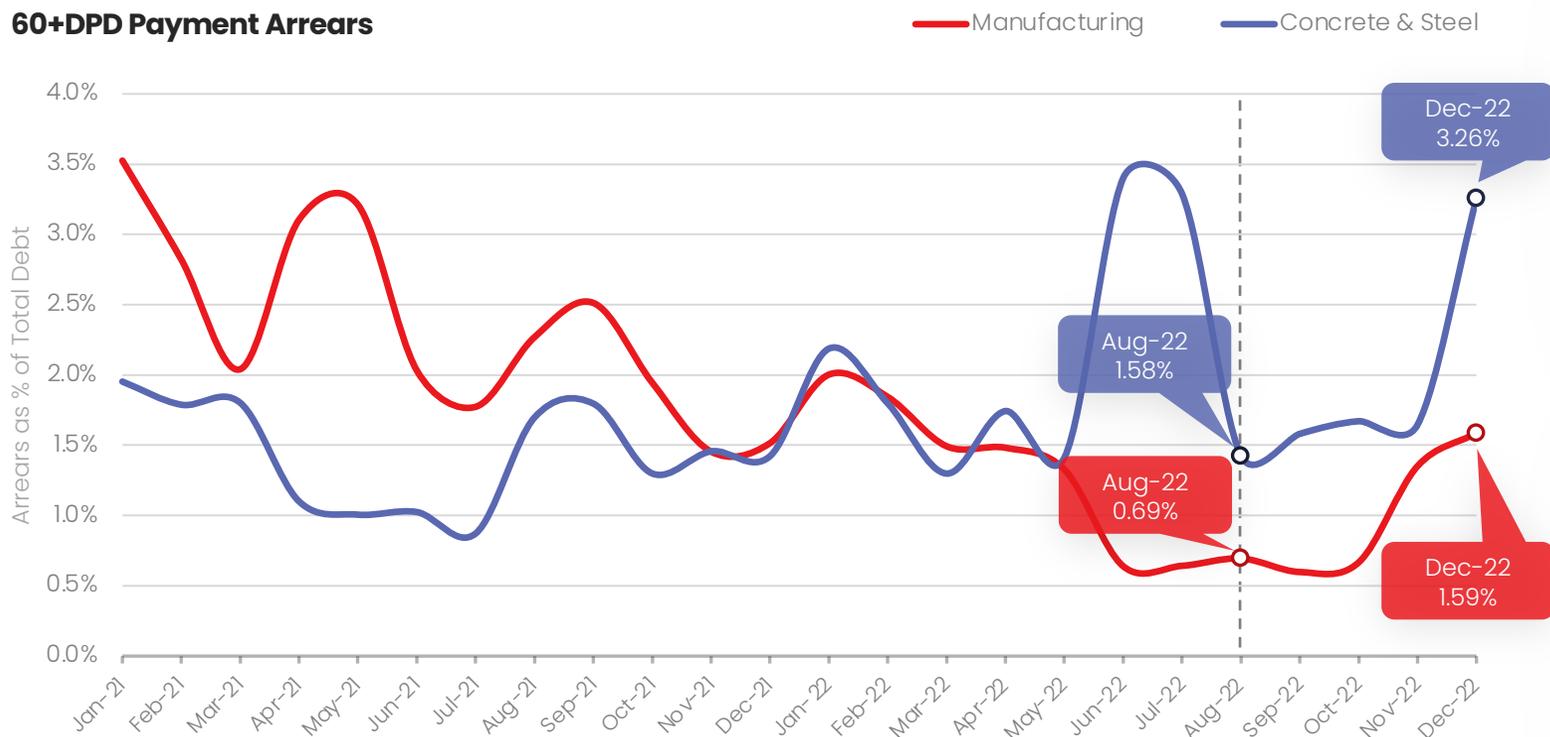
Rise in Construction Arrears Most Prevalent in Wellington

Construction 60+DPD Payment Arrears



Arrears for Manufacturing, Concrete & Steel Have Increased Abruptly

60+DPD Payment Arrears



Concrete & Steel

↑ **183bps**

60+DPD arrears have sharply increased since August 2022, up 183bps.

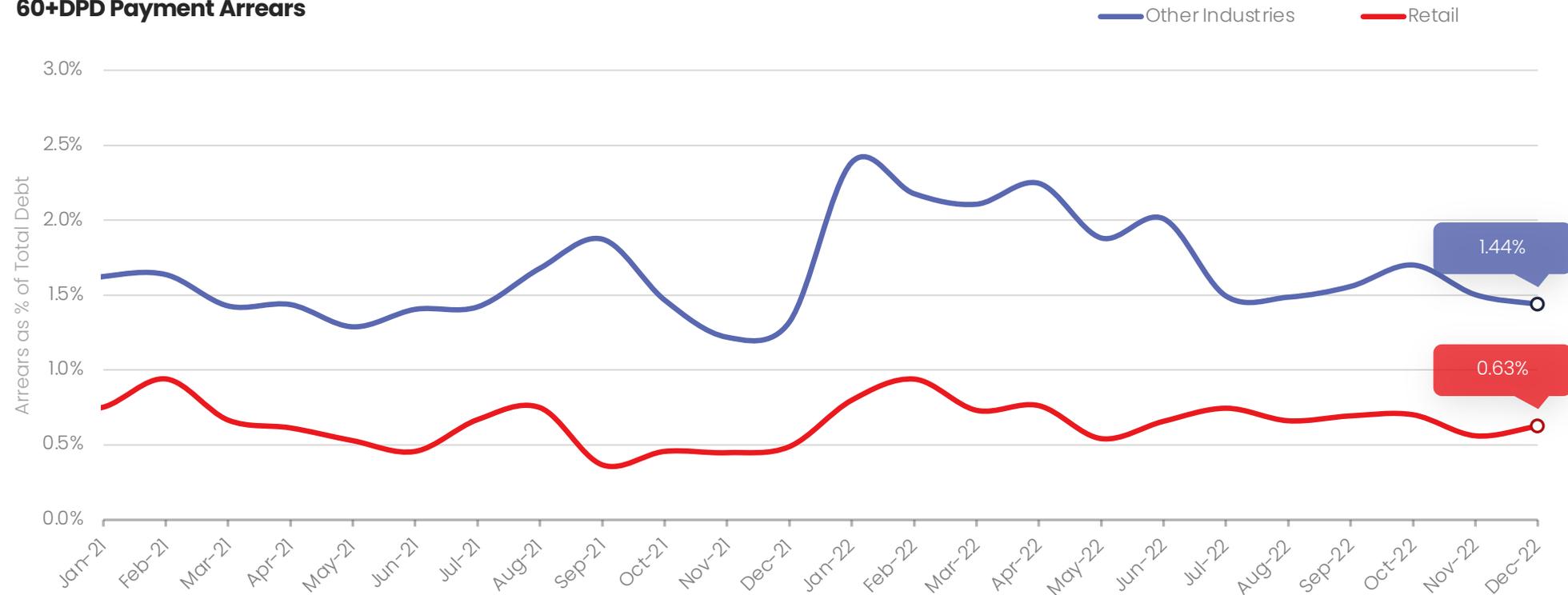
Manufacturing

↑ **89bps**

60+DPD arrears have sharply increased since August 2022, up 89bps.

Retail, Other Industries Arrears Remain Low and Stable

60+DPD Payment Arrears

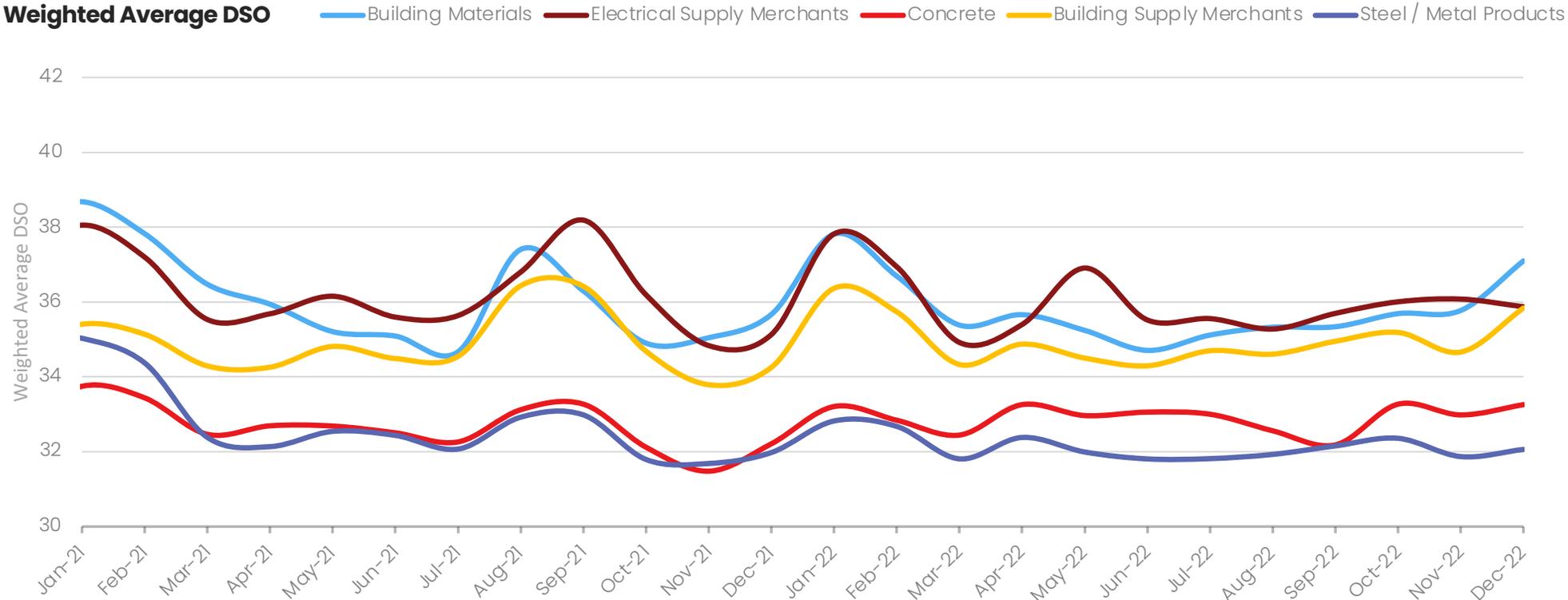




Vendor Industry DSO Insights.

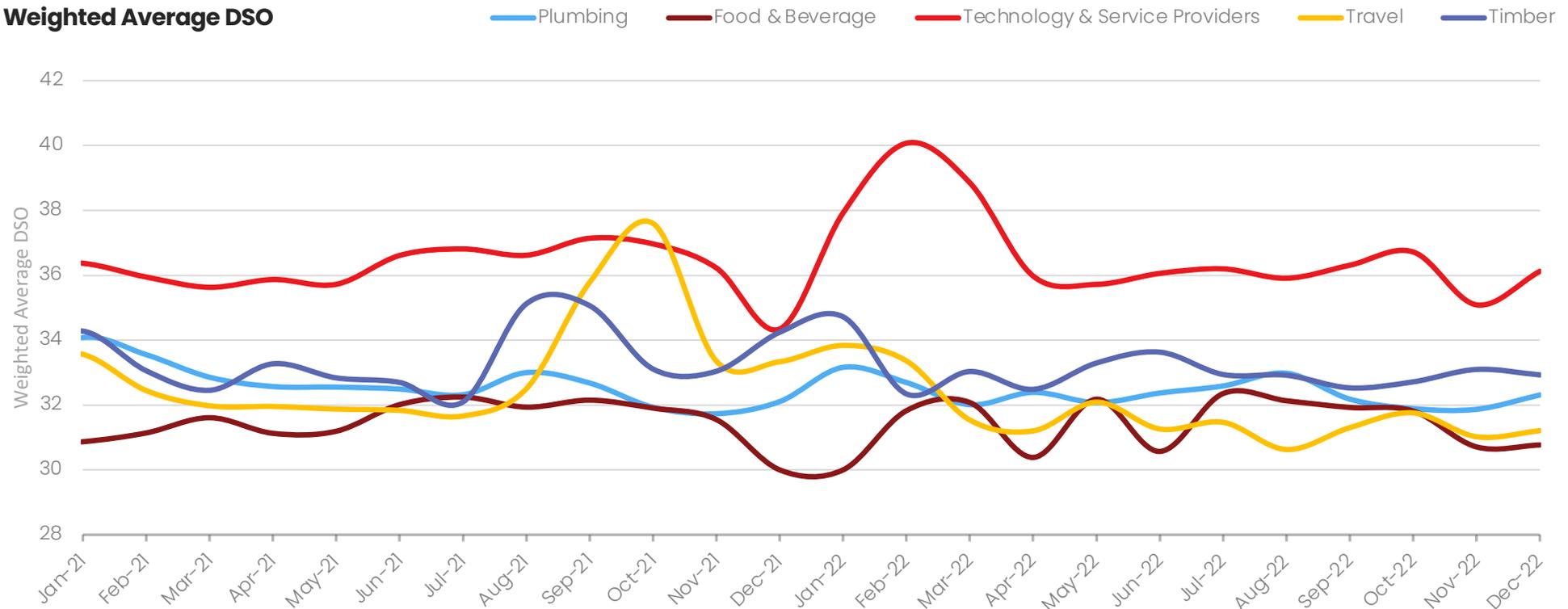
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Days Sales Outstanding by Vendor Industry (1 of 4)



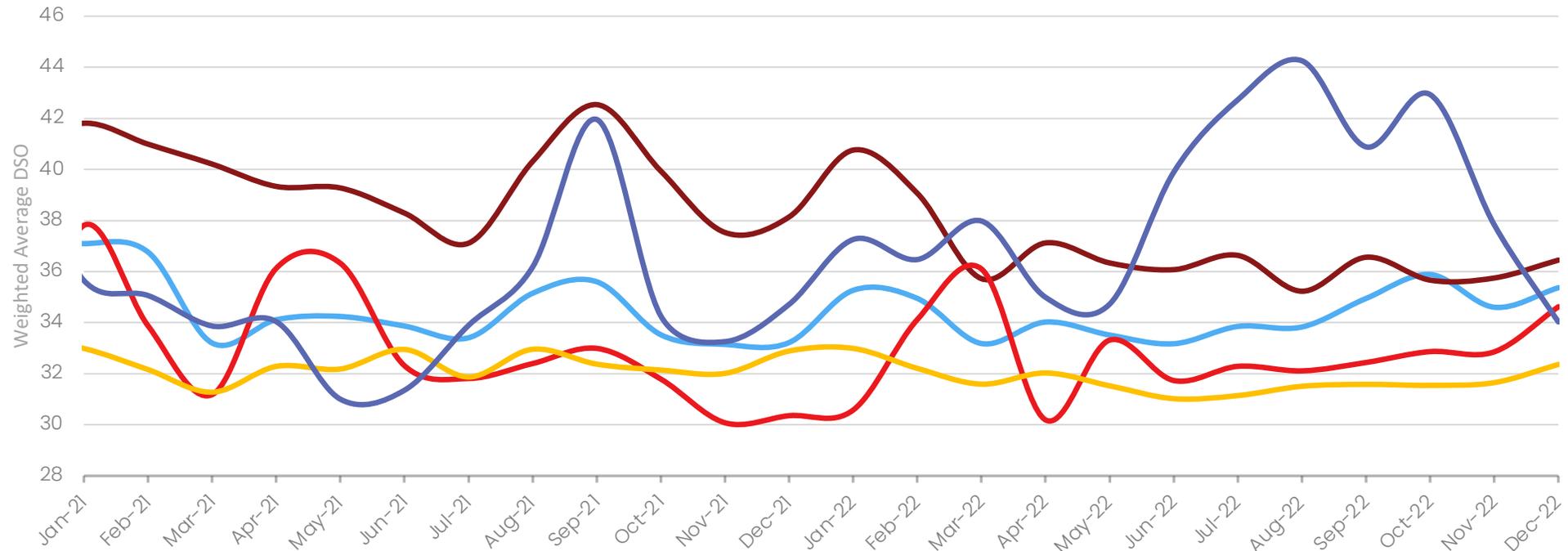
Days Sales Outstanding by Vendor Industry (2 of 4)

Weighted Average DSO

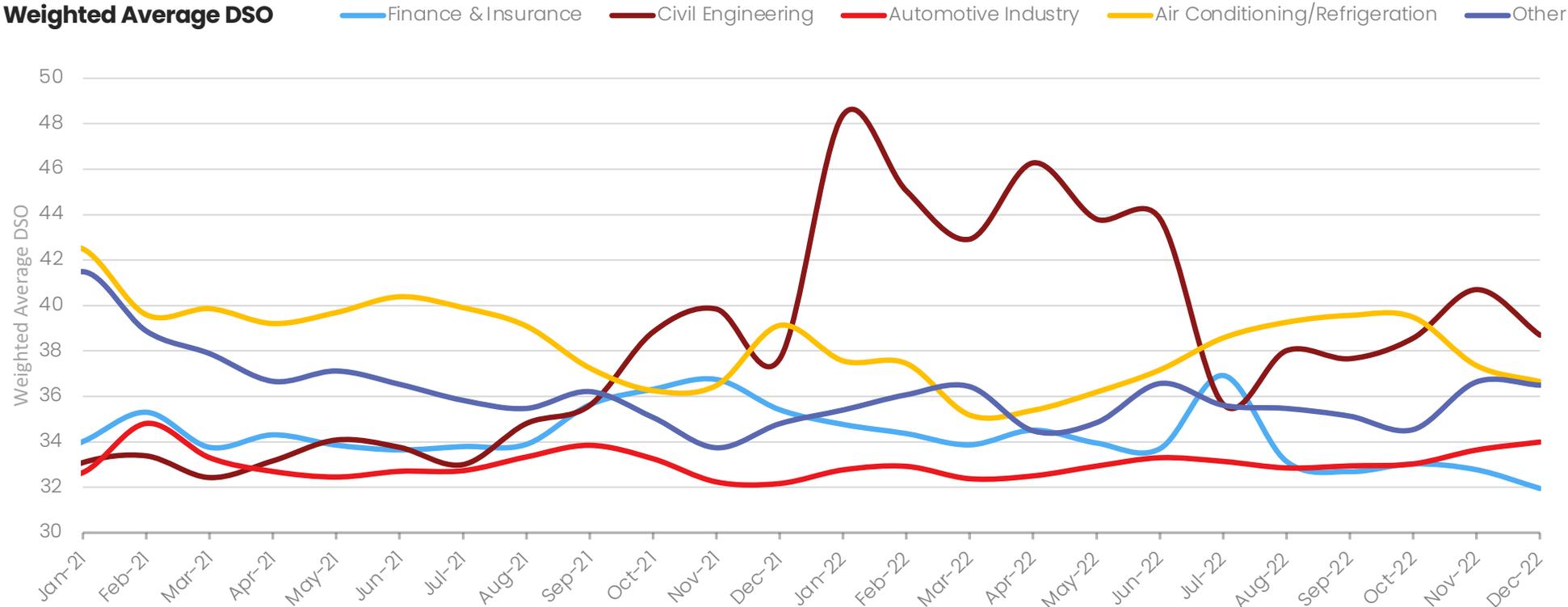


Days Sales Outstanding by Vendor Industry (3 of 4)

Weighted Average DSO — Roofing — Building Sub-Trades — Aluminium - Wholesale/Extrusion — Energy & Fuel Resources — Pulp, Paper & Printing



Days Sales Outstanding by Vendor Industry (4 of 4)

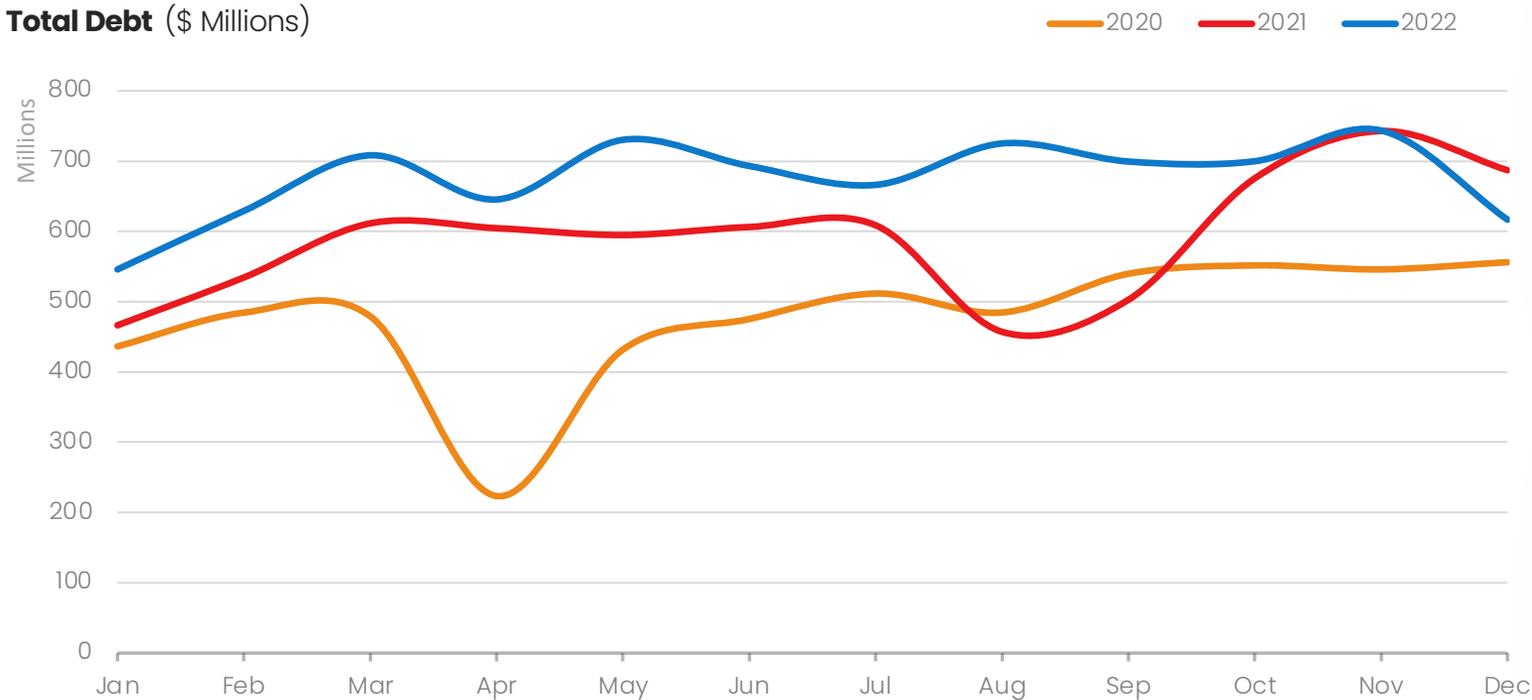




Building Merchant Insights.

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Building Merchants Total Debt



Month-on-Month

↓ 17.1%

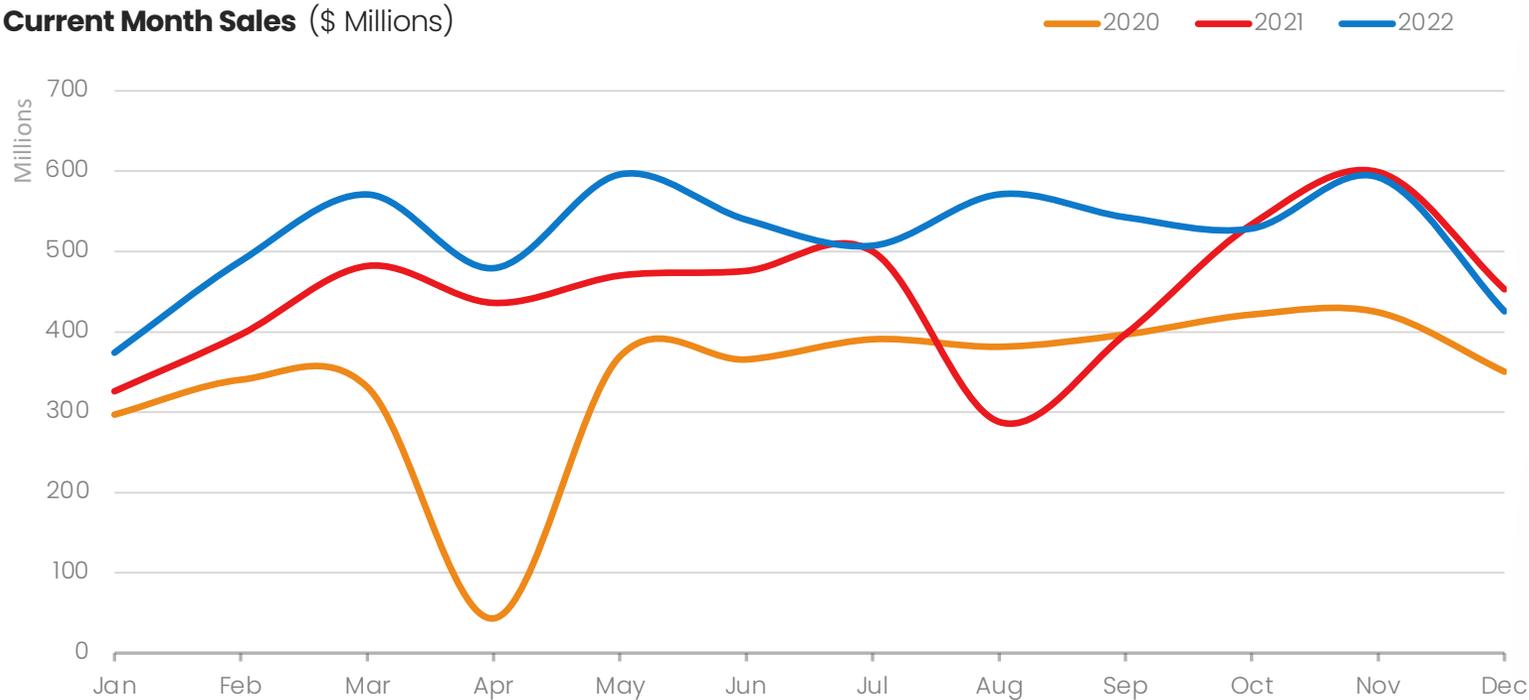
Total Debt decreased 17.1% from November 2022 to December 2022.

Year-on-Year

↓ 10.2%

Total Debt decreased 10.2% from December 2021 to December 2022.

Building Merchants Current Month Sales



Month-on-Month

↓ **28.2%**

Monthly sales decreased 28.2% from November 2022 to December 2022.

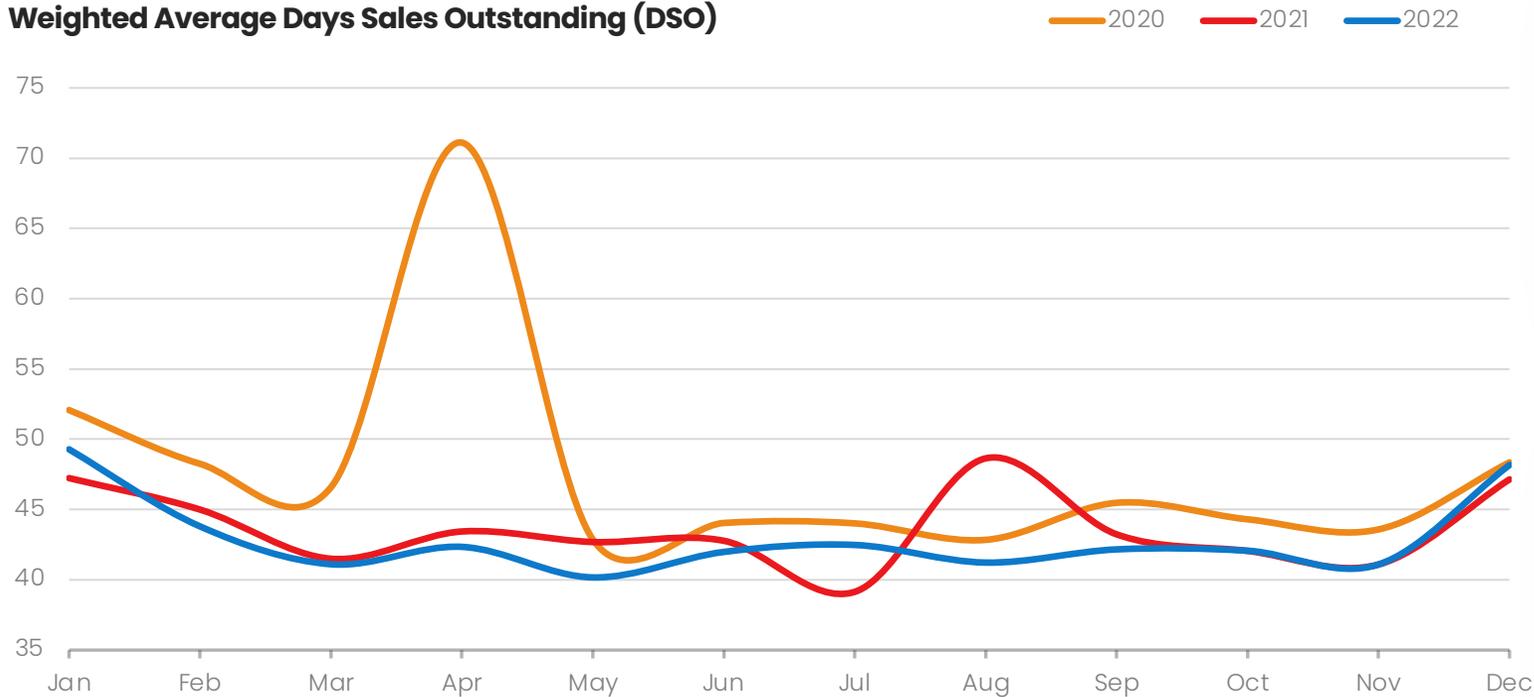
Year-on-Year

↓ **6.1%**

Monthly sales was 6.1% lower in December 2022 vs. December 2021.

Building Merchants Days Sales Outstanding

Weighted Average Days Sales Outstanding (DSO)



Month-on-Month

↑ **17.2%**

Weighted average DSO are up 17.2% from November 2022 to December 2022.

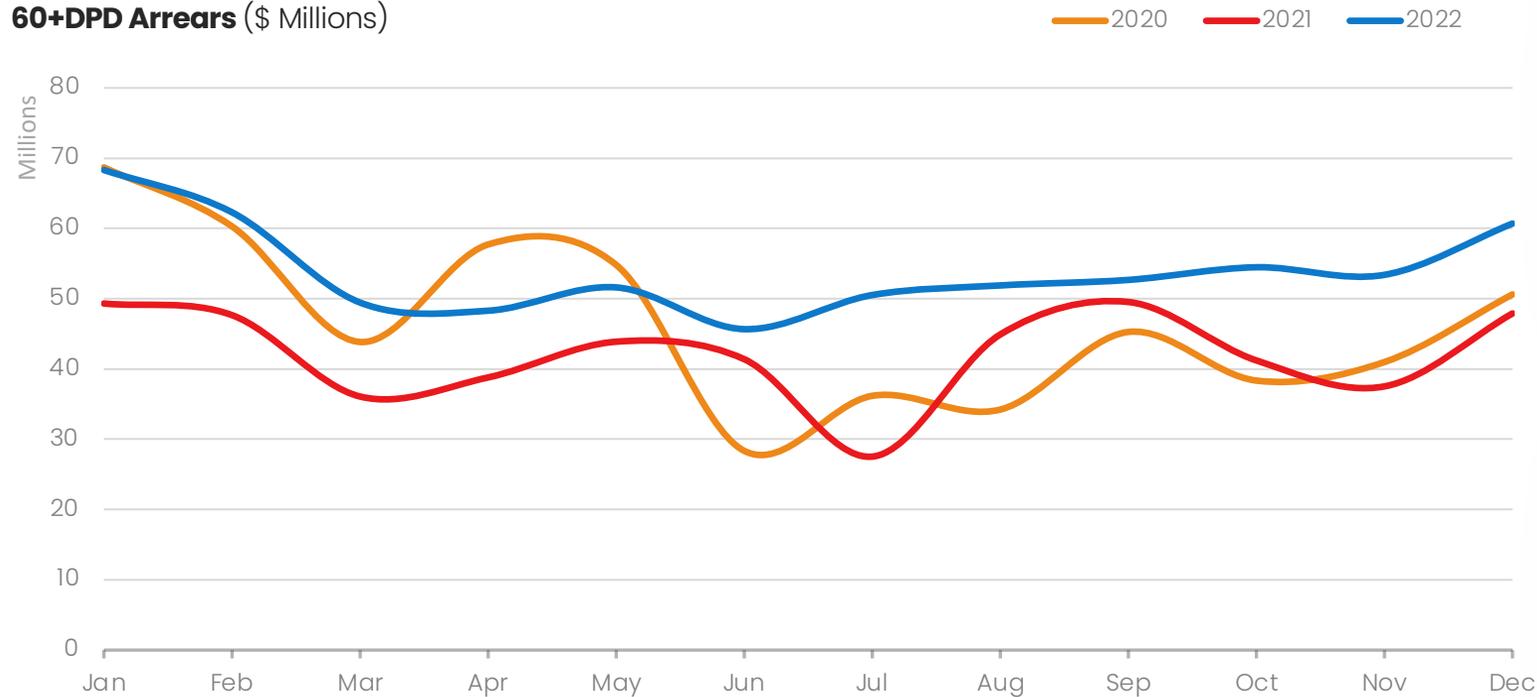
Year-on-Year

↑ **2.2%**

Weighted average DSO are 2.2% higher in December 2022 vs December 2021.

Building Merchants Arrears in Dollars (60+DPD)

60+DPD Arrears (\$ Millions)



Month-on-Month

↑ **13.7%**

60+DPD arrears are up 13.7% from November 2022 to December 2022.

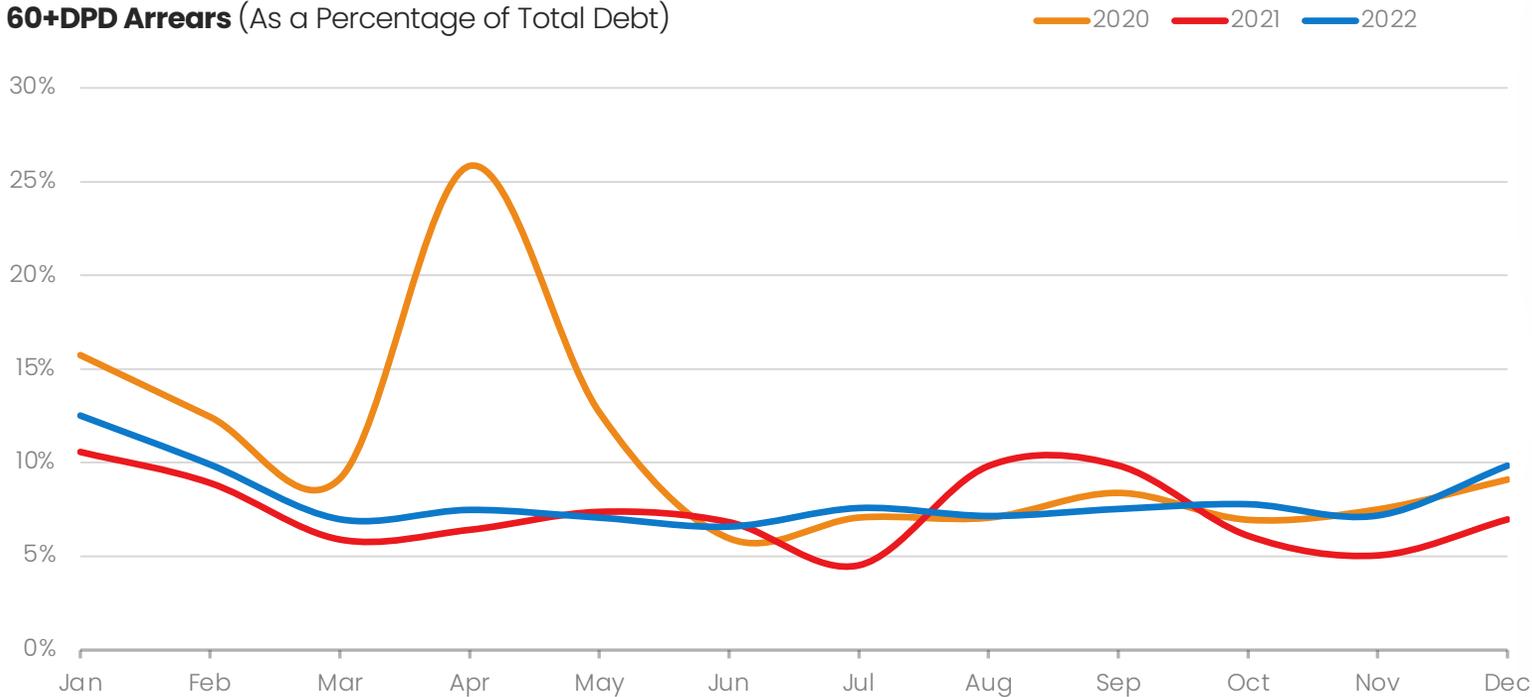
Year-on-Year

↑ **26.7%**

60+DPD arrears are up 26.7% from December 2021 to December 2022.

Building Merchants Arrears in Percentages (60+DPD)

60+DPD Arrears (As a Percentage of Total Debt)



Month-on-Month

↑ 266bps

60+DPD arrears are 266bps higher in December 2022 compared to November 2022.

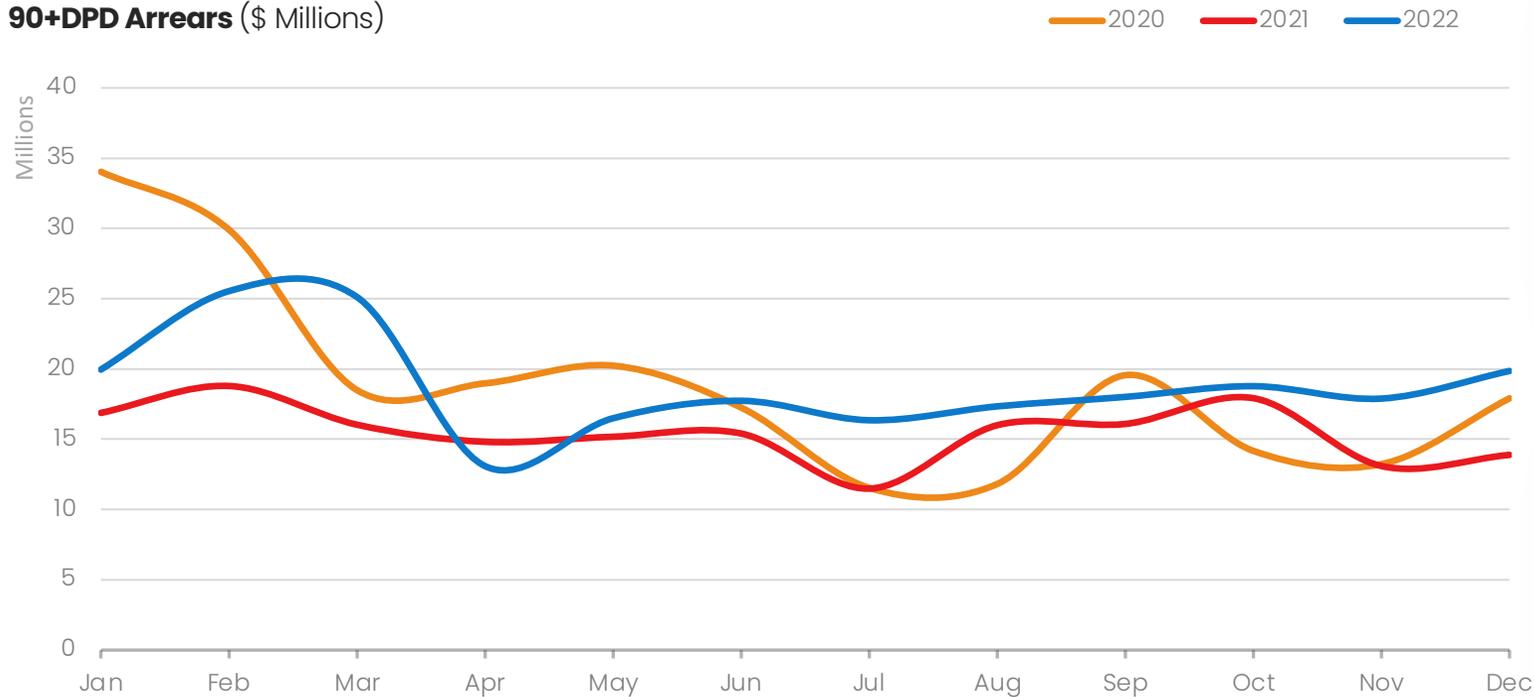
Year-on-Year

↑ 287bps

60+DPD arrears are 287bps higher in December 2022 compared to December 2021.

Building Merchants Arrears in Dollars (90+DPD)

90+DPD Arrears (\$ Millions)



Month-on-Month

 **11.0%**

90+DPD arrears are up 11.0% from November 2022 to December 2022.

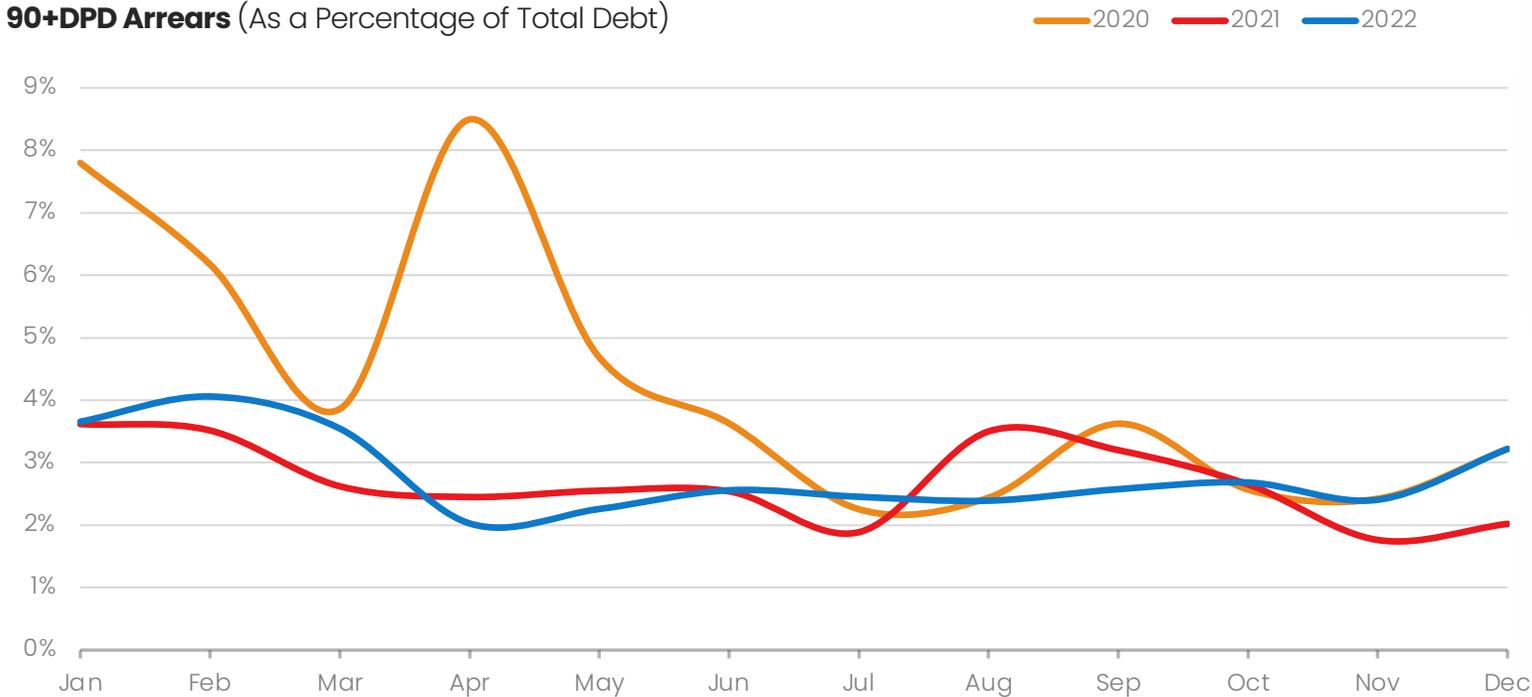
Year-on-Year

 **43.0%**

90+DPD arrears are up 43.0% from December 2021 to December 2022.

Building Merchants Arrears in Percentages (90+DPD)

90+DPD Arrears (As a Percentage of Total Debt)



Month-on-Month

↑ 81bps

90+DPD arrears are 81bps higher in December 2022 compared to November 2022.

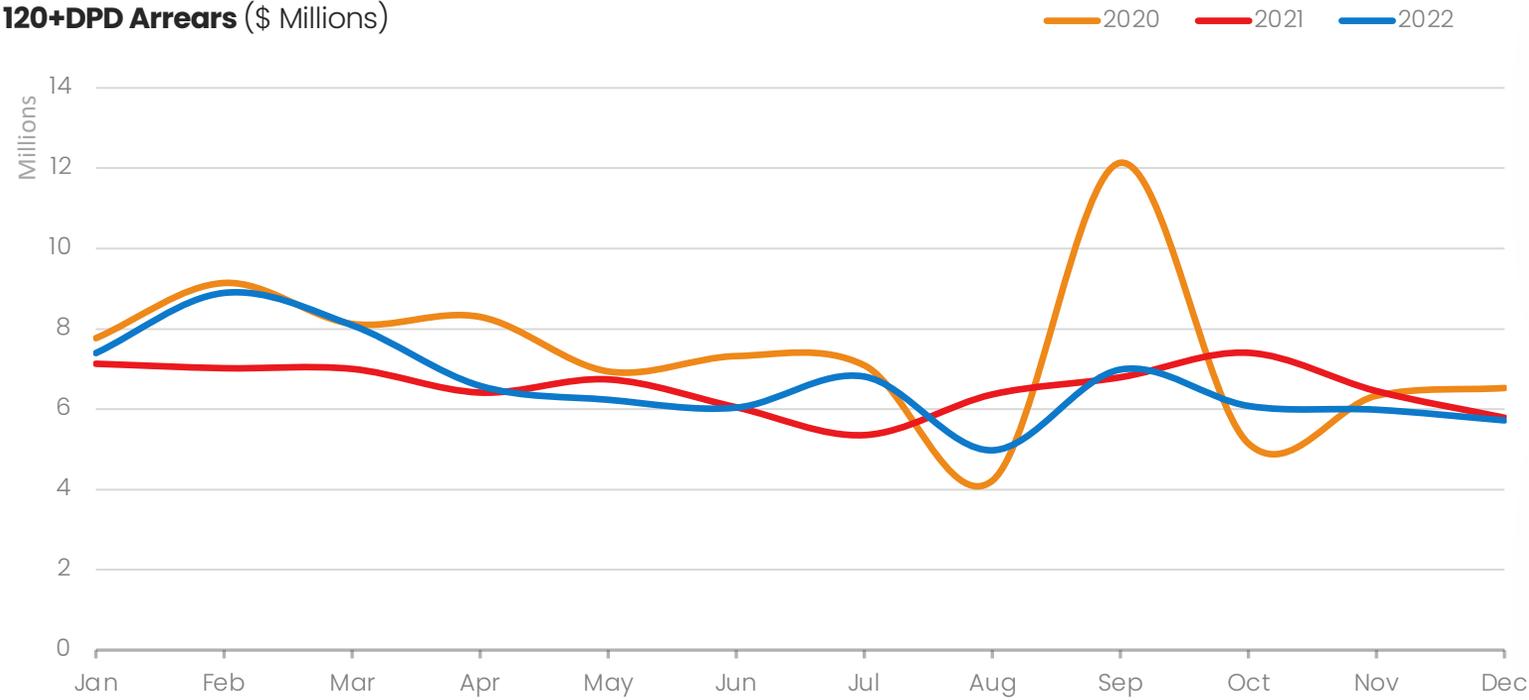
Year-on-Year

↑ 120bps

90+DPD arrears are 120bps higher in December 2022 compared to December 2021.

Building Merchants Arrears in Dollars (120+DPD)

120+DPD Arrears (\$ Millions)



Month-on-Month

↓ **4.4%**

120+DPD arrears are down 4.4% from November 2022 to December 2022.

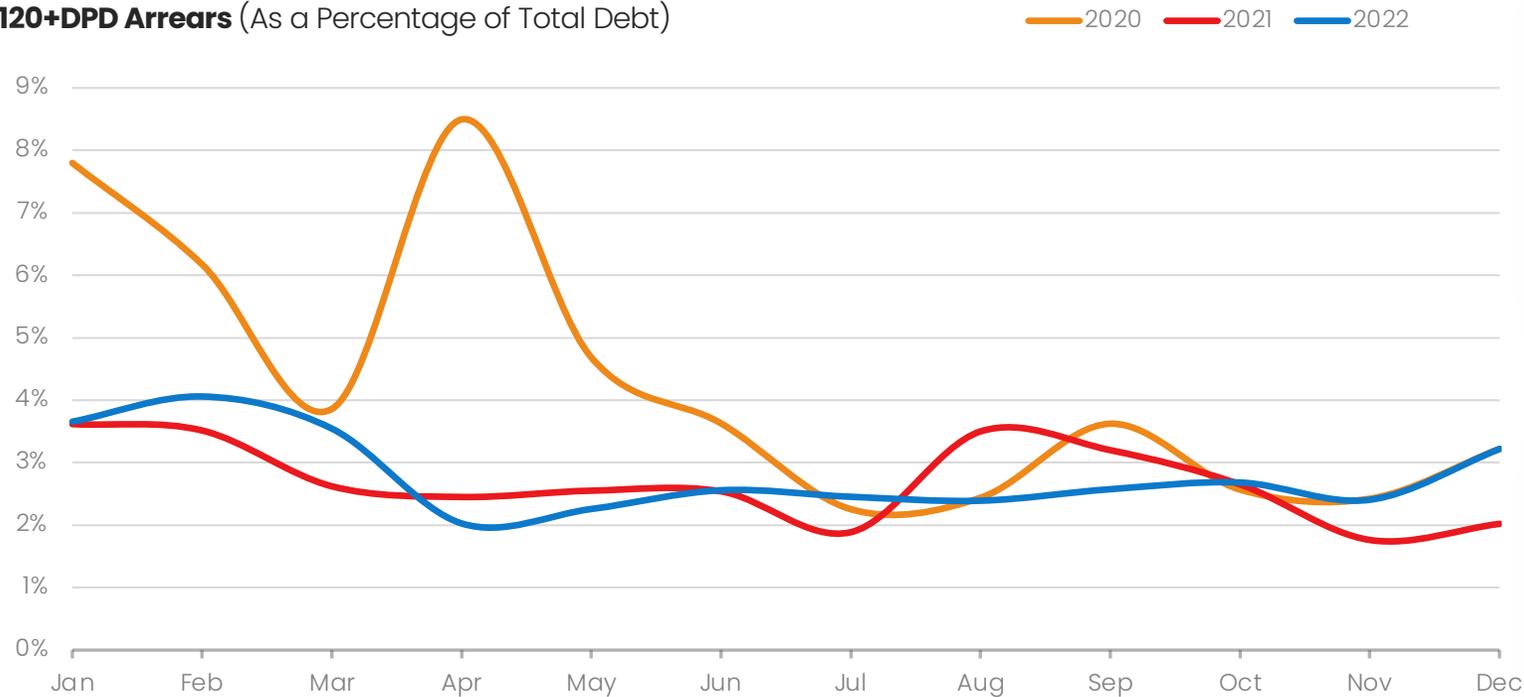
Year-on-Year

↓ **1.1%**

120+DPD arrears are down 1.1% from December 2021 to December 2022.

Building Merchants Arrears in Percentages (120+DPD)

120+DPD Arrears (As a Percentage of Total Debt)



Month-on-Month

↑ **12bps**

120+DPD arrears are 12bps higher in December 2022 compared to November 2022.

Year-on-Year

↑ **9bps**

120+DPD arrears are 9bps higher in December 2022 compared to December 2021.