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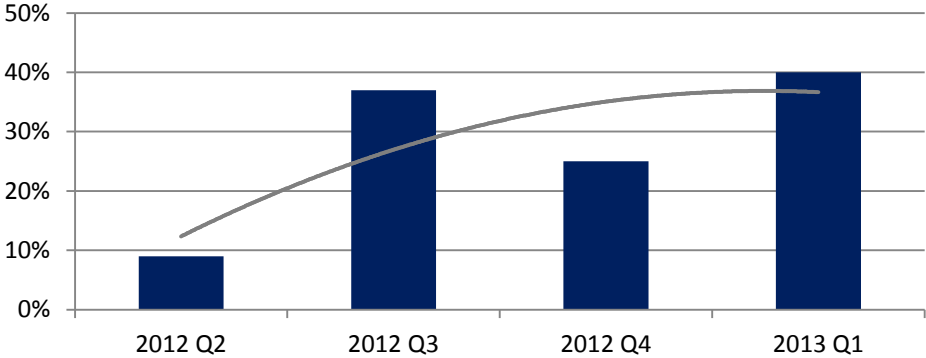
KIWIS TO TAKE ON MORE CREDIT AS CONFIDENCE GROWS

Kiwis are expecting to take on additional credit and increase spending in the early part of 2013, driven by an improved perception of their household finances and a greater ability to cover existing credit obligations. These findings provide further evidence of rising consumer confidence and a recovery in New Zealand’s economy.

These are some of the findings from Dun & Bradstreet’s (D&B) *Consumer Credit Expectations Survey*, which examines expectations for savings, credit usage, spending and debt performance in the March quarter 2013.

The survey reveals that four in 10 people plan to raise their credit limit over the next three months. This compares to one in four during the previous quarter and is up a substantial 35 per cent over the past six quarters.

Expectations of increased credit limit, 2011-2013



A significant proportion of consumers also expect to spend more over the next quarter, with one in four planning to make a major purchase¹. This compares to one in five during the December quarter last year and builds on data released by Statistics New Zealand², which shows three consecutive monthly increases in credit and debit card spending.

The D&B survey also reveals that 48 per cent of New Zealanders are comfortable with their financial situation, up seven per cent from the December quarter 2012. This improved perception is in part a reflection of an increase in the number of people able to manage their existing credit obligations. Sixty two per cent of New Zealanders do not expect to face difficulties paying off their credit accounts during the March quarter, up seven per cent

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quarter-on-quarter, and up four per cent from the June quarter of 2012. Conversely, only five per cent of people expect to find it extremely difficult to meet their credit obligations, unchanged from the previous quarter but down by four per cent from the June quarter last year.

According to D&B New Zealand's General Manager, Lance Crooks, the prudent management of finances which has occurred since the onset of the GFC has put many households in a better financial position.

"Improved expectations of meeting credit obligations, credit appetite and spending indicate resurgence in consumer confidence, which is significant when compared to the sluggish consumer behaviour during and after the GFC. It also points to a shift towards more prudent behaviour as New Zealanders become better at managing their personal finances," said Mr Crooks.

"Consumers are finally beginning to show signs of spending and at the same time are experiencing more positive financial conditions. In light of the encouraging data we're seeing in the domestic economy at the moment, this demonstrates that many consumers are finally feeling the trickle-down effects of improving economic conditions."

The considered approach many consumers are taking is also reflected in the mixture of cash and credit they are using to fund their purchases – 68 per cent of people plan to pay for their purchases from their savings and more than one in five expect to use their credit cards.

"This data reveals that most consumers are spending within their means, with many continuing to rely on their savings as the primary method of paying for a big purchase," said Mr Crooks.

In line with improved consumer sentiment, the *Consumer Credit Expectations Survey* also reveals 28 per cent of consumers expect to lower their debt levels in the coming months. This is up three per cent quarter-on-quarter and up five per cent over the past six months.

According to Dun & Bradstreet's Economic Advisor, Stephen Koukoulas, "the slow but steady improvement in the New Zealand economy continues to be reflected in the behaviour of consumers, who are poised to increase their borrowing and spending. In terms of the economic growth outlook, this is good news."

"While the Reserve Bank of New Zealand will welcome further evidence of an economic pick-up, it will view the likely rise in consumer borrowing with some caution. Over many years, low consumer savings and high consumer debt have been imbalances that have posed a risk to New Zealand's long-run growth performance."

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Note:

This national survey was conducted online on behalf of D&B by TNS Global from 14-18 January, surveying 926 respondents aged 18-64 years.

¹Major purchases refer to big-ticket items such as a car, home improvement, television or a holiday, among others.

²Electronic card transactions: December 2012, Statistics New Zealand,
http://stats.govt.nz/browse_for_stats/businesses/business_characteristics/ElectronicCardTransactions_MRDec12.aspx

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