



# Quarterly Insolvency Trends: Q4 2021

**KPMG Deal Advisory**

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# Insolvency appointments and applications

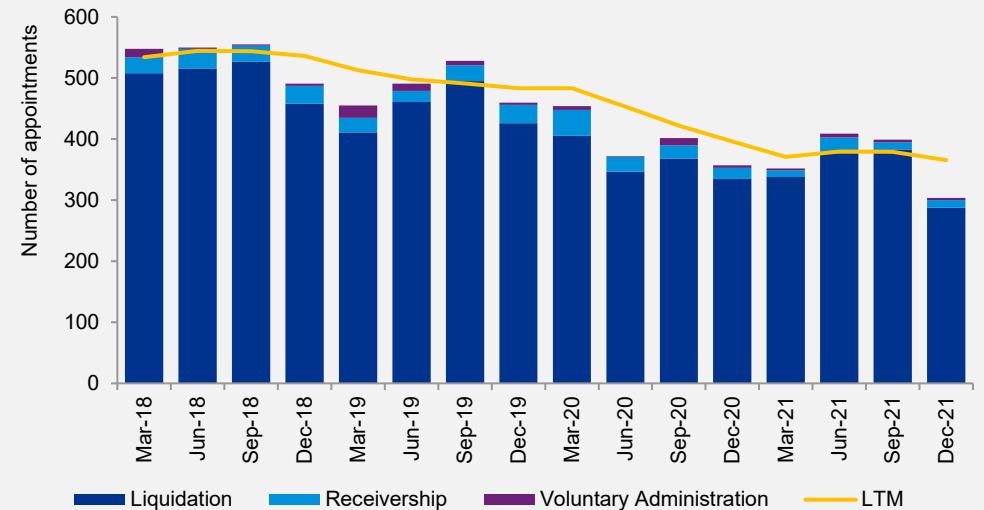


## What were the trends in insolvency appointments and applications in Q4 2021?

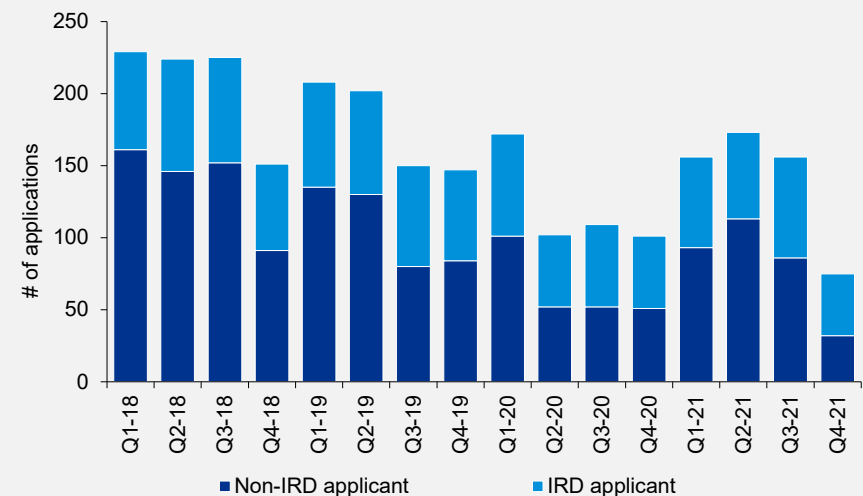
Overall insolvency appointments were lower in 2021 than 2020. Appointments declined materially between Oct-21 and Dec-21, with 304 appointments in Q4 compared with an average of 387 per quarter between Q1 and Q3 2021.

Applications to Court to appoint a liquidator were higher in 2021 compared to 2020 but declined materially in Q4 2021, with only 75 applications across the period compared to 156 in the Q3 period, likely reflecting the impact of the nationwide lockdown in Aug-21.

Insolvency Appointments (Quarterly)



Applications to Court to appoint a Liquidator (Quarterly)



# Non-performing loans and bank provisions

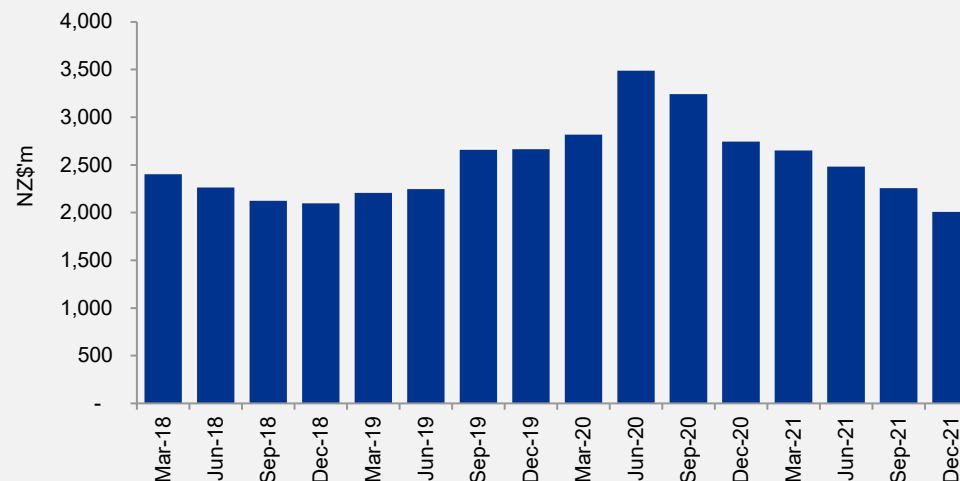


## What did Q4 hold for non-performing loans?

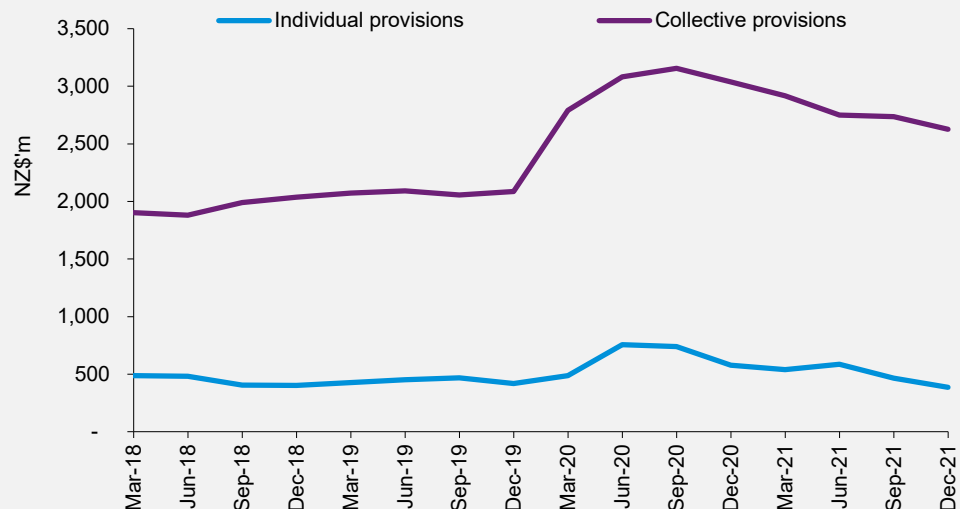
Despite the RBNZ's decision to increase the OCR in Oct-21, Nov-21 and Feb-22 (each by 0.25 points) to combat inflationary pressure, total non-performing loans held decreased from a peak of \$4,300m in Jun-20, down to \$2,628m in Dec-21, a reduction of 39%.

Non-performing loans reduced in 2021, with banks writing back \$200m of impairments, with the total impairment expense markedly lower than 2020. However, the overall provision remains relatively high compared to actual non-performing loans, suggesting many banks are continuing to hold additional provisions to reflect uncertainty regarding the outlook for the economy.

### Non Performing Loans (Quarterly)



### Bank provisions (Quarterly)

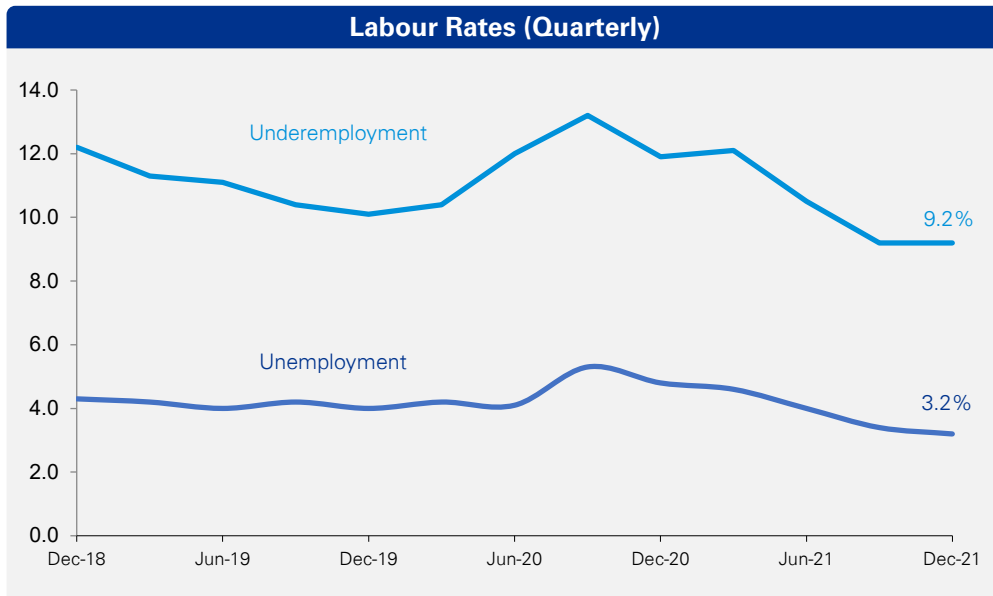


# GDP and labour rates



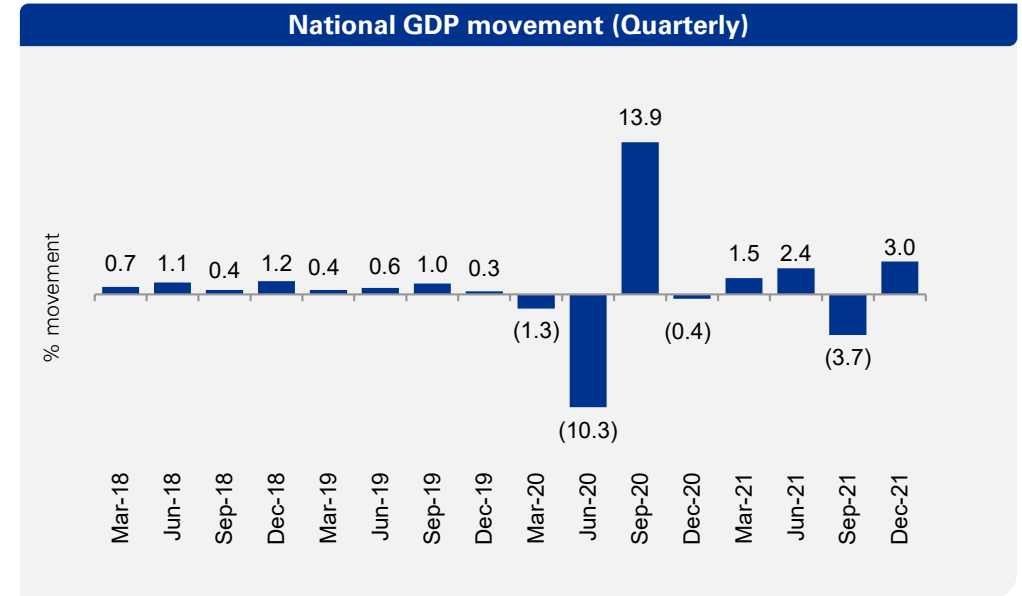
## What was the trend in unemployment levels?

Unemployment levels have continued to drop, with a 0.2% decrease between Sep-21 and Dec-21 to 3.2%, a historical low for New Zealand. The last time New Zealand recorded unemployment close to this level during the past 36 years was in 2007 at 3.4%.



## What happened to GDP in the final quarter of the year?

GDP figures for the quarter ending December 2021 recorded a net increase of 3.0%, countering the fall of (3.7)% in the previous quarter, despite the Auckland region remaining in lockdown the majority of Q4 2021. Annual GDP growth remained positive at 5.6%.



# Retail sales and consumer confidence



## What should I know about retail sales for the quarter?

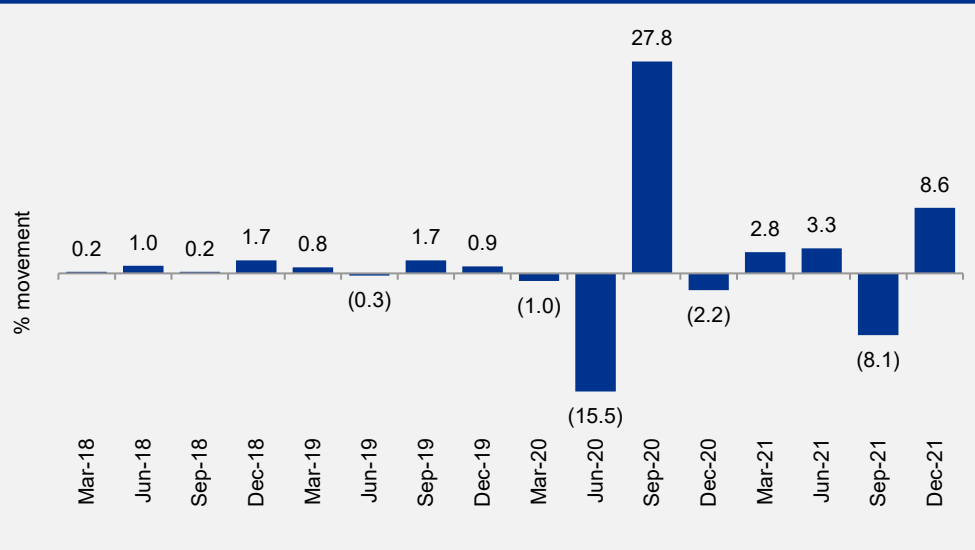
Seasonally adjusted retail sales have largely rebounded to pre-August lockdown levels in the final quarter of 2021, as the majority of regions saw Covid-19 related restrictions easing by mid September. The quarterly increase in Q4 2021 of 8.6% largely offset the decline in Q3 2021 of (8.1)%.



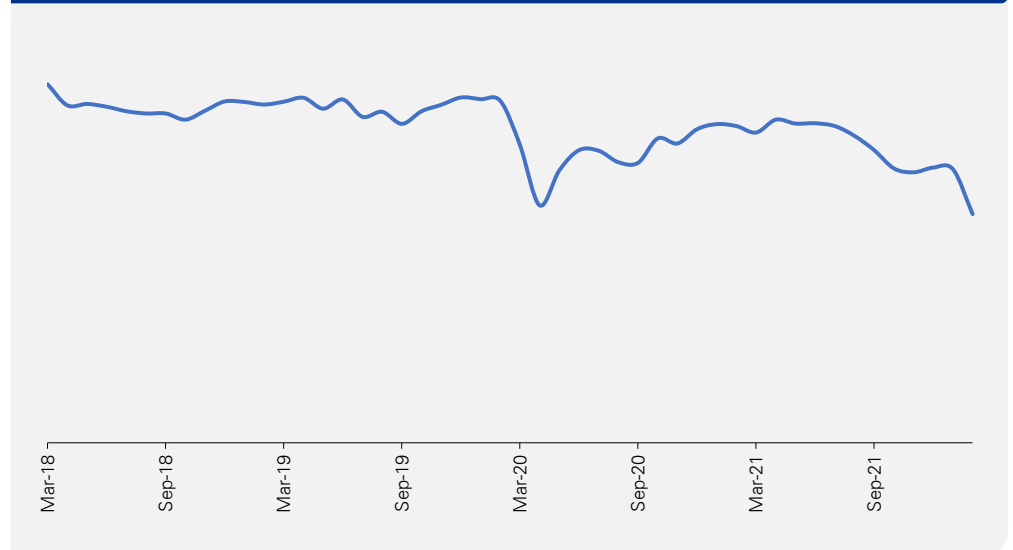
## Where did consumer confidence sit?

Despite the rebound experienced in GDP and retail sales, consumer confidence fell to 98.3% at Dec-21 and further down to 81.7% at Feb-22, which is lower than that recorded in April 2020 following the initial impact of Covid-19 on New Zealand (scoring 84.8%). This illustrates the sentiment of consumers in response to rising inflation, costs of living and geopolitical turmoil.

Retail Sales movement (Quarterly)



Consumer Confidence (Monthly)





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