



# Commercial Risk Barometer

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# Overview

Solid trading conditions over 2025 helped to reduce business failure risk in the six-months to March 2026. However, restrained spending by year's end slowed this improvement while geopolitical developments in 2026 appear to have damaged the recovery.

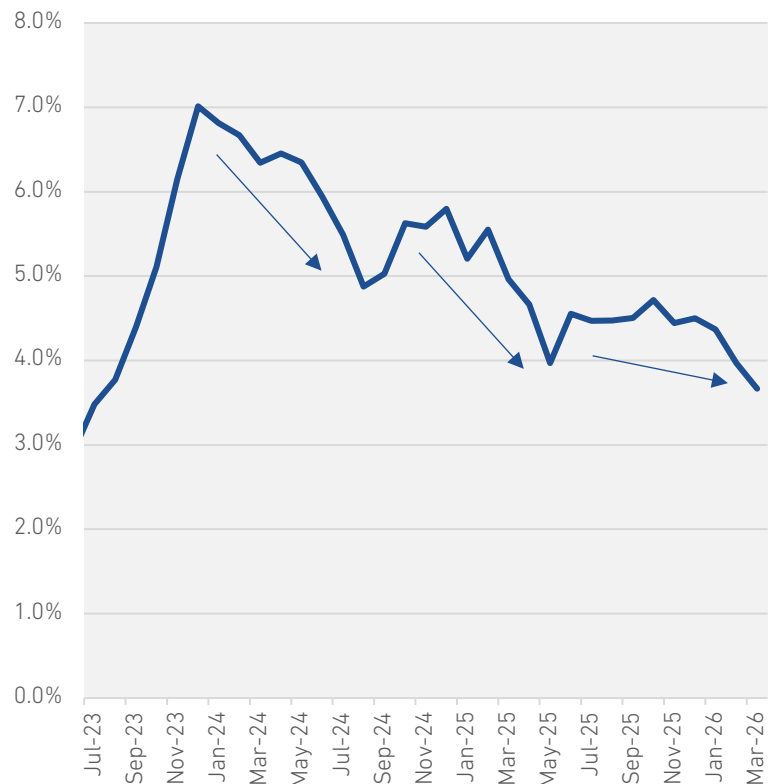
The Commercial Risk Barometer for March 2026 shows that business failure risk has continued to improve since early 2024, after rising interest rates and higher inflation caused business risk to deteriorate by 7% in 2023. This long-term improvement resulted from more stable economic conditions, coupled with higher consumer confidence up to late 2025, resulting in a halving of the rise in 2023 (now only 3.6% higher than its recent peak in Dec-2023).

While the December 2025 quarter saw only slight improvement in business risk, the March 2026 quarter saw a healthy improvement. This was, in part, due to the seasonal Christmas sales and holiday trading effect on business performance (typically seen in March quarter performance). The barometer therefore reflects the solid consumer expenditure seen in 2025 and the seasonal festive/ holiday/ discount spending around Christmas (from Black Friday, through to Boxing Day and into January).

However, much of the recent improvement may be at significant risk of reversal in Q2-2026. This is due to a combination of slowing consumption in the post-holiday period (from higher inflation and rising interest rates), pre-existing climate concerns and productivity issues, and now, from a new threat to the supply of freight (especially, the supply of fuel and fertilizer). Multiple industries appear to be affected, including agriculture, manufacturing, construction, and wholesale trade (most of which, are traditionally stable sectors).

The outlook for businesses will therefore be highly affected by rising input costs, stalling supply of raw materials and worsening household demand. The current barometer may therefore be remembered as the last snapshot of better trading conditions, as the economic stress from lower internal demand and external supply takes hold and adversely affects primary and secondary production.

The Commercial Risk Barometer for Mar 2026 - Percentage change in the likelihood of business failure (Baseline: January 2023)



# Summary observations

Key observations in this iteration of the barometer



**The improvement in insolvency risk slowed in the 6 months to March 2026**

The half-year to March 2026 saw a 0.7% improvement in failure risk, with much of this improvement occurring around the festive trading period. Overall, this improvement was lower when compared to the same time 12 months earlier, suggesting that the 'sugar-hit' from festive trading is unlikely to continue beyond the March quarter. The unrest in the Gulf region suggests that recent improvement may not continue.



**Several key industries saw a large rise in businesses at severe risk of failure**

Traditionally stable industries, while still relatively low-risk, had the highest percentage increase in businesses at severe risk of failure (rising between 12% and 25%). This included industries that support the supply of food; namely, agriculture, transport, manufacturing and wholesale trade. Adverse effects from labour shortages, lower crop-yields, climate impacts and fuel prices appear to be significant contributing factors, already weighing on these sectors prior to the Gulf conflict. In addition, the construction sector saw a return to tougher trading conditions.



**Businesses in Western Australia felt especially tougher conditions from tighter household budgets in 2025/26**

Businesses trading in Western Australia saw especially tough trading conditions, as consumers grappled with a financial hit from substantially higher rents, mortgage repayments and utility bills.



**The half-year saw a rise in the number of small businesses closing**

Australia's small business sector saw the largest rate of closures (5% higher than the average over all businesses). As such, many proprietors who ceased trading were unlikely to have accumulated significant capital when closing the business, which may contribute to higher unemployment.



**Tougher trading conditions hit key sectors even before the unrest in the Gulf was felt**

Businesses in key industry sectors paid their bills later, suggesting that heightened trading stress was affecting their cash-flow. For example, cattle farmers, sheep graziers and grain farmers paid their bills 15% later while fruit, vegetable and cereal producers paid 5-10% later. Similarly, businesses operating in the construction sector, or supplying to it, paid their bills 7-15% later. Businesses operating in the freight sector (6% later) and petroleum producer sector (20% later) also fell further behind.



**Key sectors of Australia's food-bowl are 'feeling the pinch' from tougher trading conditions and lower growth**

Staple industries also saw lower growth, with business trading falling amongst cattle farmers, sheep graziers, fruit, vegetable, grain and dairy farmers, fisheries, food manufacturing, grocery and agricultural wholesaling businesses. This was also seen in the road freight and construction materials sectors (noting that, in the former case especially, this can only have deteriorated further as the Gulf conflict took hold).



# Traditionally stable industries have deteriorated since Sept 2025

Although business failure risk improved in the 6-months to March 2026, this improvement has been softer than at the same time last year, while traditionally low-risk businesses have started to 'feel the pinch'.

While 2025 / 2026 saw a seasonal improvement in business failure risk over the festive / holiday period, the magnitude of this improvement was significantly lower when compared to the previous year. From the adjacent graph, we can see that failure risk fell by 0.7% in the 6 months to March 2026, which reflected the modest, seasonal improvement that typically coincides with better retail trading conditions and higher travel spend (together with summer dining and entertainment expenditure). As such, while any improvement in business conditions is a positive result, a 0.7% improvement in risk would fall within seasonal expectations.

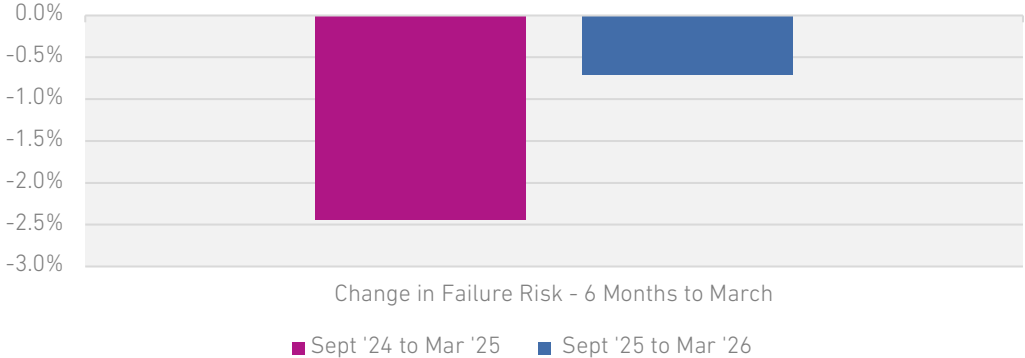
By contrast, the improvement seen in spring/summer 2024 / 2025 was substantially higher - 2.4% - suggesting that the rise in consumption early this year was relatively soft (potentially on the back of higher inflation and recent interest rate rises). Therefore, even before the current geopolitical instability took hold, consumer demand was already affected by higher inflation over 2025, and interest rate rises in early 2026. The subsequent economic impact from geopolitical uncertainty could add a further layer of risk to already vulnerable businesses.

As further validation of a potentially broad downturn, we have also seen trading risks rising in traditionally stable industry sectors. Typically, the hospitality and retail sectors have been quickest to feel the impact of a slowing economy, but recently, we have seen a worsening trend in more stable sectors – namely, the manufacturing, wholesale and agricultural sectors (all underperforming, when compared to the national average over all sectors).

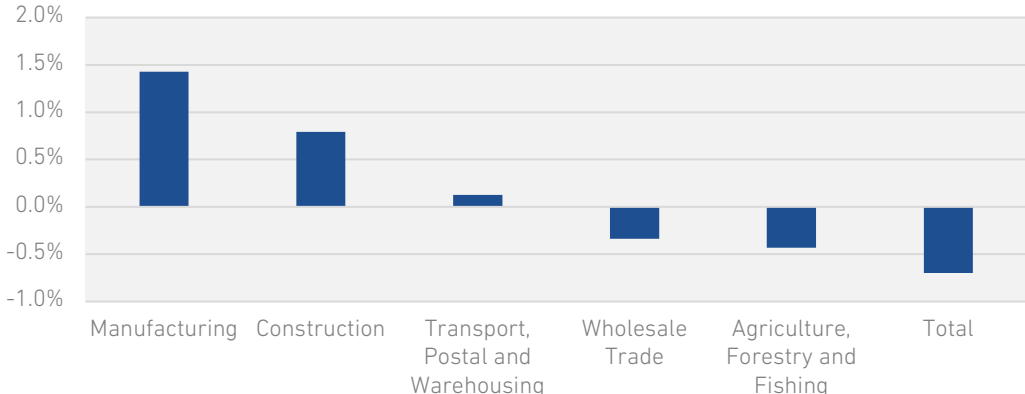
To illustrate, the failure risk of manufacturing businesses was 1.5% higher in March 2026, when compared to the average risk over the last 6 months, while that of wholesale trade businesses was only 0.3% lower and that of agricultural businesses, 0.4% lower (substantially worse than other sectors). At the other extreme, we saw substantial improvement in the mining, education and telecommunications sectors. In fact, from the 19 major industry sectors reviewed, manufacturing deteriorated the most, followed in order, by construction, transport, wholesale and agriculture.

This trend suggests that supply chains to the food, clothing and building sectors has deteriorated; a situation that could be exacerbated by shortages to the supply of fuel (for transport and machinery), fertiliser (for agriculture), raw materials and produce (for construction, wholesale trade and manufacturing). In addition, while the above effects are already likely to add to trading risks, stubbornly rising inflation that leads to further interest rate rises could stifle retail consumption and thereby, aggravate trading conditions further.

Percentage change in failure risk – 6 months to March



Worst performing industries by trend @ March 2026 – Failure risk in March 2026 relative to the average failure risk in the last 6 months



# Businesses at severe risk of failure are on the rise

Although business failure risk improved in the last 6 months, the number of businesses at severe risk of failure has grown (and even in more stable industries). This may mean that insolvencies are on the rise in 2026.

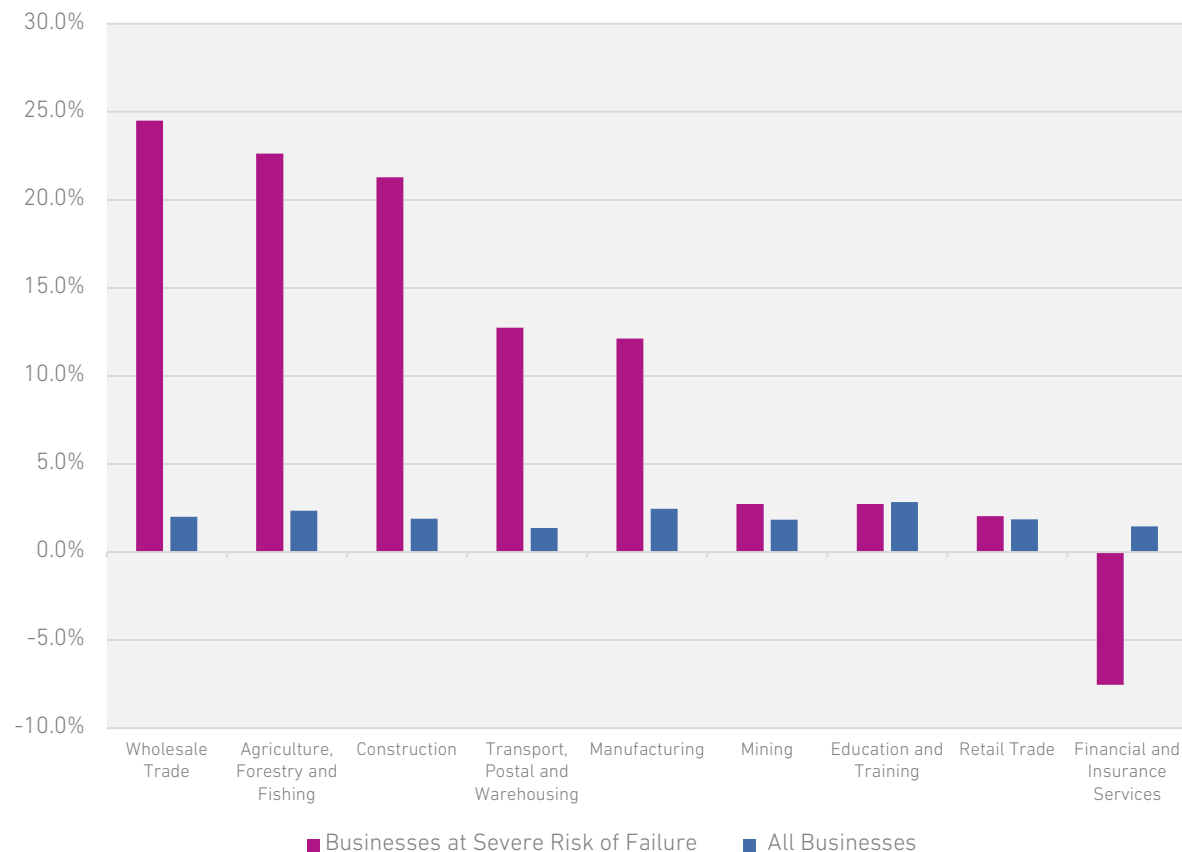
The last 6 months has seen a polarisation in the trading performance of businesses, including those operating in traditionally stable industries. As shown in the adjacent diagram, several industries are seeing a significant increase in the number of businesses at extreme risk of failure, even as we are also seeing a rise in very low risk businesses.

To illustrate, traditionally lower-risk industries, such as wholesale trade, manufacturing and agriculture have seen a significant rise in the number of businesses at severe risk of failure – 25% higher in the wholesale trade sector, 22% higher in the agriculture sector and 12% higher in the manufacturing sector (or around 5-10 times higher than the overall growth in new businesses). Similarly, we are seeing a rise in severe-risk businesses in more volatile industries, such as construction and transport – severe-risk businesses growing by 21% and 13% respectively (again, around 10 times higher than the overall growth in businesses).

These results point to possible contagion, from historically higher-risk sectors, such as hospitality and retail, to industries that are operating in their supply chain - wholesale trade, manufacturing and agriculture. While these risks may be driven by lower consumption on the one hand, they may also be due to lower levels of output within their own industry – e.g. due to ingrained climate / weather risks and resource skill shortages that are leading to a drop in productivity. Looking ahead, the inflationary effects of higher fuel costs and fertiliser shortages could also impact these sectors – i.e. agriculture, manufacturing, transport and wholesale. Equally, delays in the availability of imported building materials and resource skills, coupled with a high financial commitment to new housing projects, may again impact on more vulnerable construction businesses.

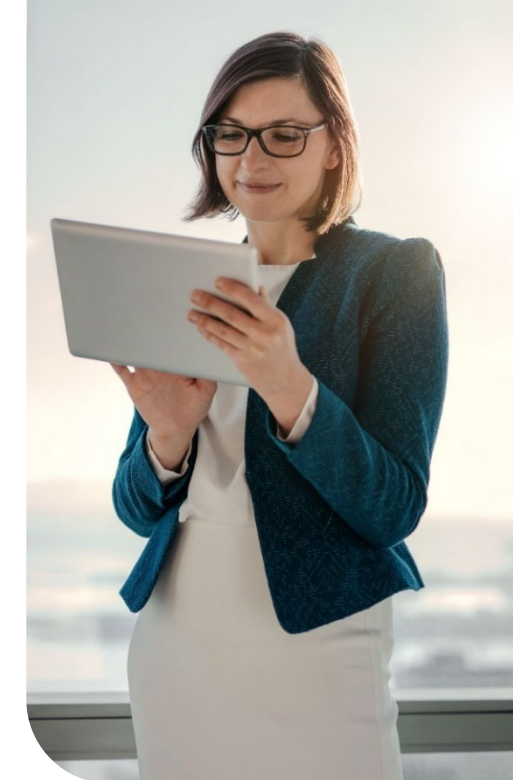
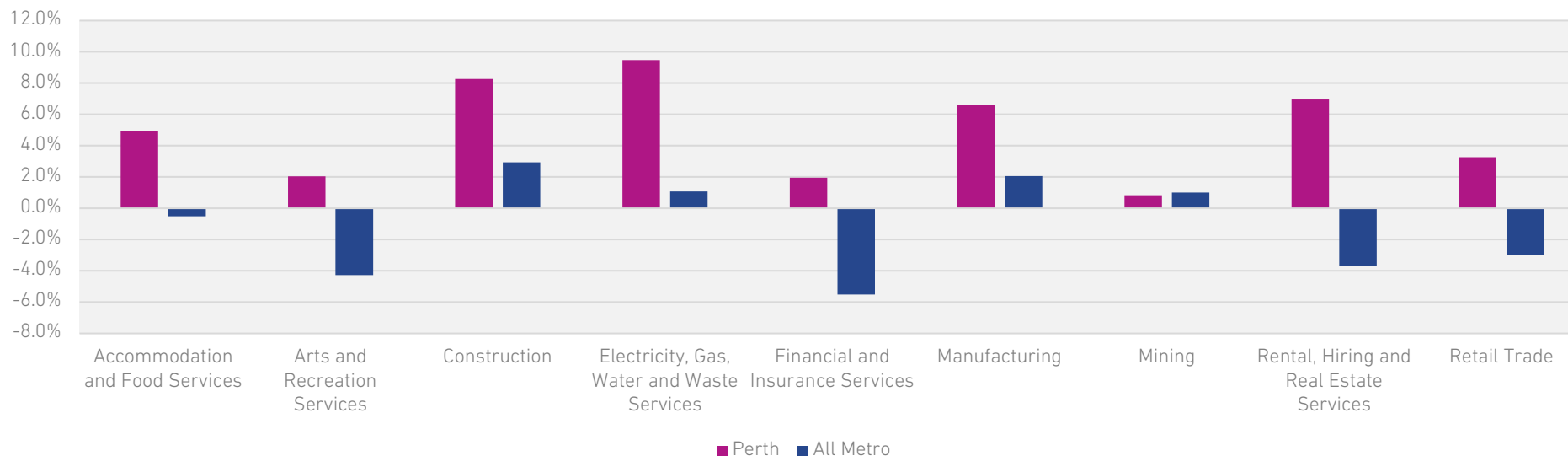
By contrast, the mining and education sectors appear to be showing greater stability currently (making up a sizeable portion of export dollars and internal consumption), but this may change if fuel costs drive up the cost of export freight and slow-down freight capacity, while lower availability of international air-transport may slow temporary migration of overseas students. In the latter case, higher inflation and unemployment may also slow student migration.

Percentage change in operating businesses – 6 Months to March



# Perth is showing materially higher trading stress

Rise in business failure risk – 6 Months to March 2026



After a substantial period of business stability, recent trading activity suggests that businesses in Perth are now experiencing higher trading stress. These tougher trading conditions began prior to the impact of a worsening fuel and freight sector and appear to be linked to the substantial rise in the cost of housing. As background, consumers in Perth have been affected by several economic headwinds in recent times, most notably from a substantial rise in mortgage repayments and housing rents, and we believe that their impact on household budgets is now flowing into the performance of businesses more broadly.

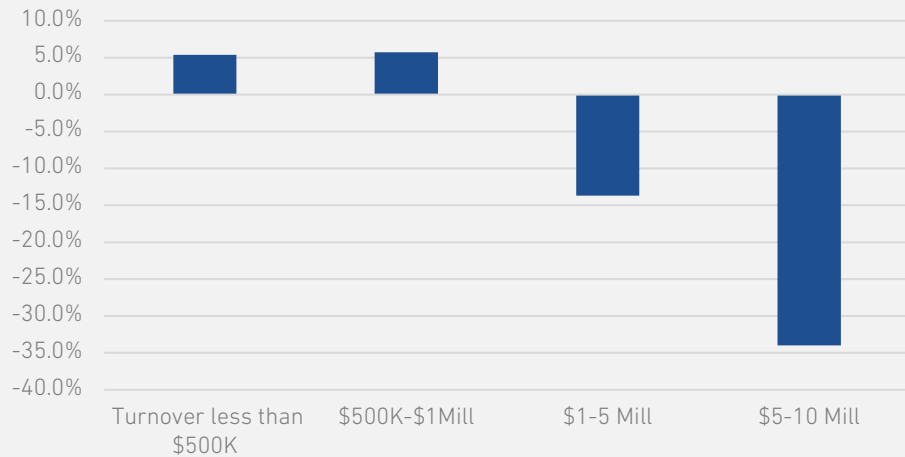
As the budgets of Perth residents have been hit especially hard, tighter household finances have had a flow-on effect on several industries linked to consumer spending. For example, while the hospitality sector has been stable nationally, the trading risk of businesses in Perth has risen 5% in the last 6 months, while a 2% rise has been seen in the arts and entertainment sectors (noting, it has improved 4% elsewhere). Similarly, retail businesses have deteriorated 4%, which has had a flow-on effect on manufacturing (risk rising 6%). More directly aligned to housing, Perth has seen a deterioration in construction business risk (up 8%), financial services risk (up 2%) and real estate business risk (up 7%) – all linked to rising housing prices, increasing interest rates and broader inflationary impacts

While housing costs have risen materially, a perfect storm may have been created where consumers are also being hit with higher utility costs. To illustrate, Perth residents have seen an end to federal and state government led energy subsidies over 2025. Therefore, at a time when they are already struggling with rent and mortgage expenses, consumers are also being hit with substantially larger utility bills. These cost-of-living impacts are now being felt by the utility sector – failure risk rising 10%, when it is rising by only 1% in the rest of metro Australia. In contrast, WA's mining industry appears to be bucking the trend, most likely, because it is not reliant on internal consumer demand.

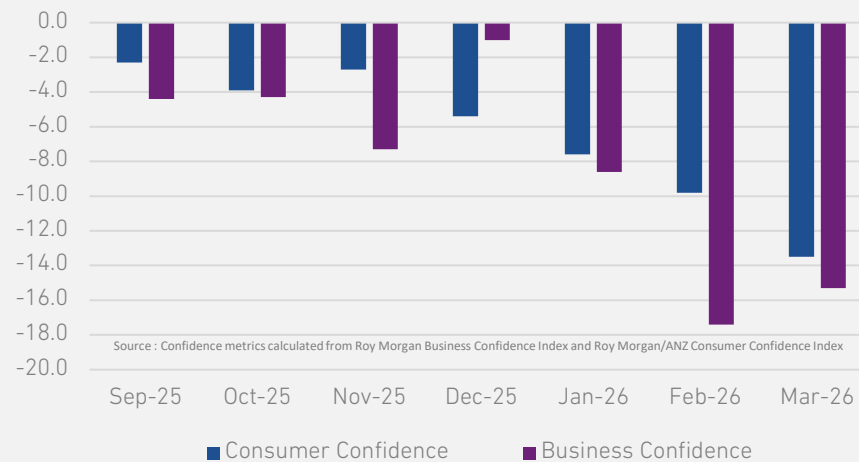


# Smaller businesses were more likely to wind-up in the last 6-months, even if they remained solvent, as confidence took a hit

Businesses finalising trading by annual turnover – Index relative to all finalisations in the 6-months to March 2026



Cumulative change in business and consumer confidence since March 2025



Irrespective of their final solvency status, smaller businesses were more likely to close their doors in the last 6 months. Therefore, although most businesses shut their doors without unpaid debts, lower consumption (YOY) forced their closure.

To illustrate, while businesses with a turnover exceeding \$5 million were around 35% less likely to close their doors in the 6 months to March 2026, businesses turning over less than \$1 million were around 5% more likely to cease trading. As such, the greatest existential stress was suffered by small businesses; typically, sole traders and small family businesses employing fewer than 5 people. The increase in vacant shopfronts on main suburban streets appears to be a recurring theme. Most commonly, these businesses tended to trade for fewer than 3 years, and with limited capital, meaning that closures were likely to add to Australia's unemployment rate, as owners were less likely to have accumulated the means to live off savings and were more likely to have employed a casual workforce.

Looking at March 2026, tougher trading conditions in several business sectors and geographical regions of Australia, were coupled with lower consumer confidence and falling consumption. This meant that business confidence also fell appreciably in early 2026 (down around 16% as compared to 12 months earlier). This occurred even as overall business risk was still quite stable, and prior to the full impact of the current geopolitical conflict being felt – it therefore acts as a bellwether for businesses in 2026.



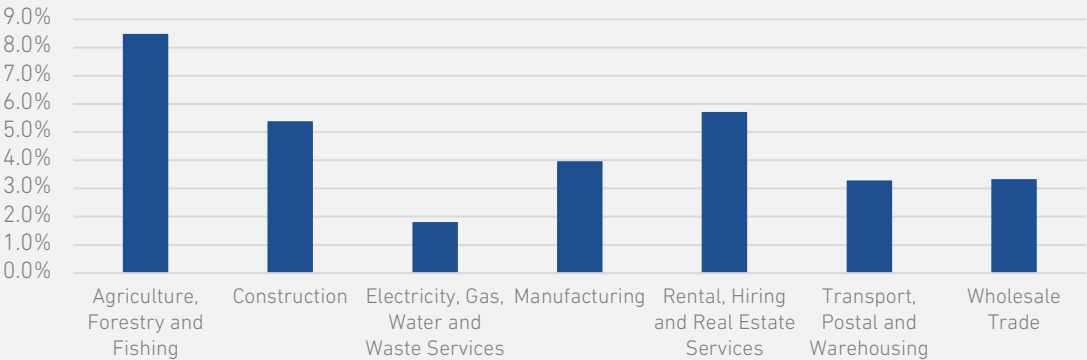
# Overdue bills are climbing in staple industries and large states

Experian's trade payment data highlights the financial stresses that are assailing businesses in traditionally stable industries and strong geographic regions. For example, while generally underpinning Australia's growth, the agriculture sector has seen direct headwinds from severe and longer lasting drought events, from unpredictable storm events and from higher operating and investment costs – e.g. insurance and loan interest. Furthermore, longer lasting and extreme heat conditions in regional Australia may appear to have led to labour force and farming skills shortages in rural Australia, which has affected agricultural production (and productivity levels from higher per-unit production costs). These financial stresses could have contributed to agricultural businesses paying invoices close to 9% later through Q1-2026 (i.e. from Nov 2025 to Feb 2026).

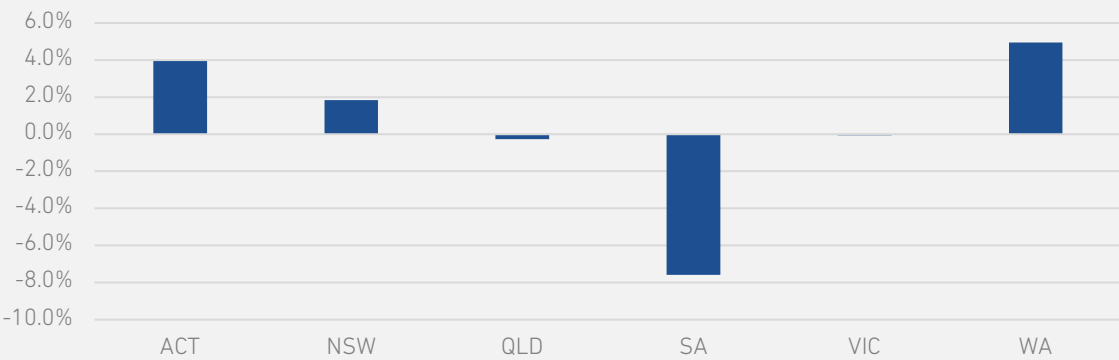
Many of these factors were already affecting agricultural production prior to the global geopolitical unrest, with this latest shock now also potentially affecting transport and freight (for both raw inputs and production outputs); this may contribute to farm output falling further in 2026. With falling production levels, there appears to be a knock-on effect to manufacturing and wholesale trade (invoices being paid 4% and 3% later in Q1-2026). Equally, softening consumer demand from lower confidence and higher inflation may be exacerbating this stress. The construction sector is also affected, with higher interest rates, potentially lower availability of raw materials and higher skills shortages increasing production costs and consumer demand / affordability for new-builds (i.e. the construction sector paying invoices 5% later by Feb 2026). The transport sector, while already traditionally volatile, appears to have been affected by rising fuel costs and potentially, inconsistent supply of goods (which will worsen if Australia experiences fuel shortages going forward).

The broader real-estate market has also seen the impact of softening sales growth on existing properties, while the removal of government subsidies on electricity may have given rise to tougher conditions in the retail energy sector (especially in WA, where both state and federal subsidies ended in 2025). The rising cost of housing (for both buyers and renters) and of energy, as well as the national rise in fuel appears to have affected business trading conditions in WA (trade invoice payments deteriorating 5%) while similarly tougher conditions in the construction sector appear to have affected the trading activity of businesses in NSW. Weaker consumer demand has affected businesses in the ACT. Otherwise, we are now seeing improvement in SA (after a period of deterioration) and broad stability in VIC, albeit from a weaker baseline prior to 2026.

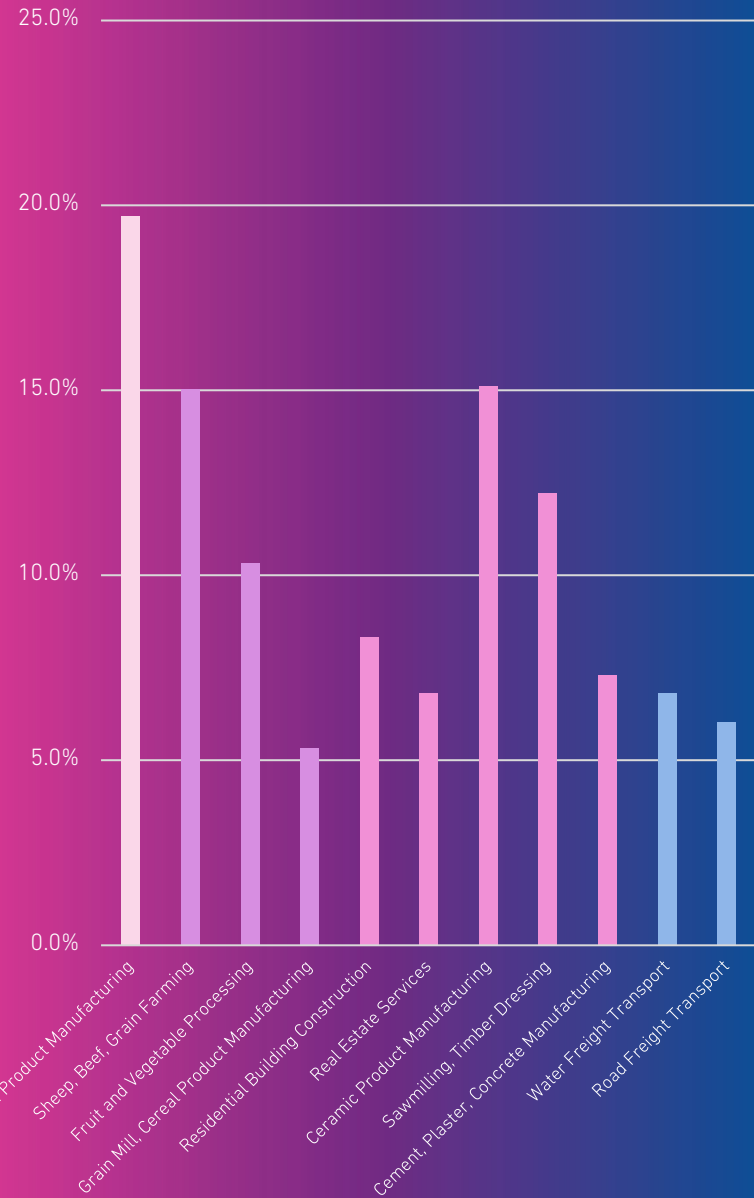
Percentage deterioration in trade invoice payments - By industries that have deteriorated (over the quarter to end Feb 2026)



Percentage deterioration in trade invoice payments – By major mainland state and territory (over the quarter to end Feb 2026)



Late trade payments by fine ANZSIC segment – Percentage deterioration (quarter to Feb 2026)



# Businesses that underpin daily life are showing signs of bill stress

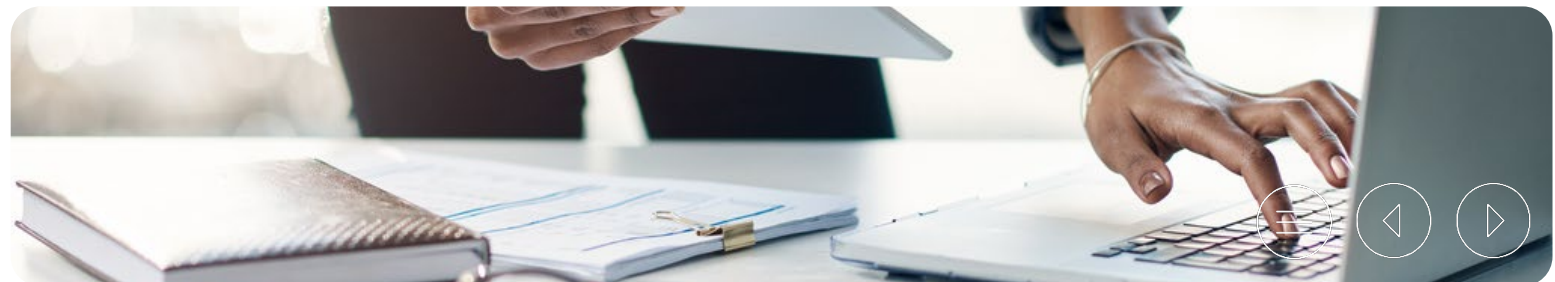
Investigating the insights from the previous slide in more detail, we can validate that suppliers of basic food items, housing and building materials, fuel and transportation of these essential raw goods have shown signs of slower invoice payments, suggesting that financial stress is creeping back into the core economy as inputs become costlier and scarcer. Business cash flows may therefore be at some risk through 2026, meaning that the supply of goods may begin to slow; affecting both internal consumption and exports.

From the perspective of food supply, the adjacent diagram shows the deterioration in overdue invoices of agricultural businesses and manufacturers. Primary producers of lamb, mutton, beef and grain (e.g. wheat) were taking 15% longer to pay invoices by February 2026, as compared to November 2025, while milled grain and cereal manufacturers, and fruit and vegetable processors were taking 5 to 10% longer, suggesting that cash-flows were tightening through the various operating stresses outlined in the previous slide.

Looking forward, the geopolitical problems affecting petroleum supply may become material, as local businesses in the petroleum manufacturing sector were already experiencing increased financial pressure to pay invoices (paying 20% later in 2026, prior to March). This appears to have been a consequence of higher oil prices pre-March and lower production margins, from higher processing costs. Higher fuel prices have also impacted road transport businesses (invoices being paid around 6% later). Similarly, water freight businesses (e.g. businesses in the shipping sector) were also struggling more by February 2026, paying their invoices 7% later, as compared to late 2025.

Partly related and partly independent of these stresses, the building construction and real estate sectors, as well as manufacturers into the building construction and trades sectors, were already seeing tougher times by February, with sawmills, timber-yards, ceramic / tile manufacturers and concrete and plaster manufacturers all paying invoices 7-15% later, while residential housing builders and real-estate businesses (property operators and real estate agents) were paying invoices around 6-7% later.

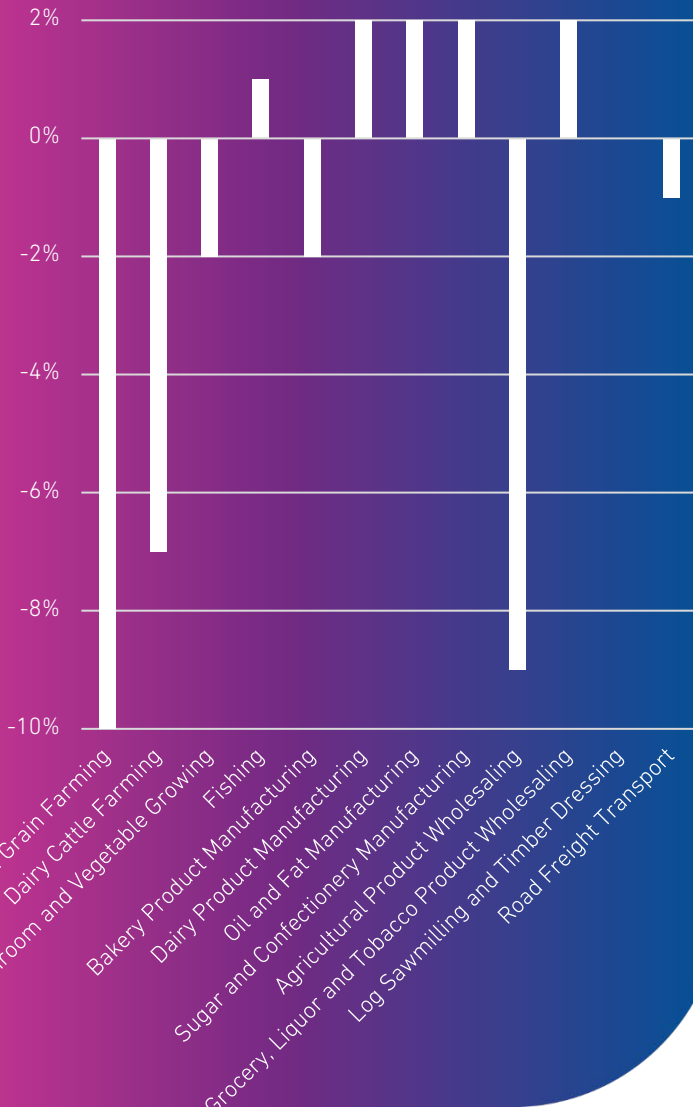
In total, a combination of higher interest rates, inflation, higher fuel costs and supply shortages / delays are all beginning to conspire against businesses that supply basic services and, while not dire yet, the data suggests that a tipping point may be approaching.



## Experian Growth Index

Business trading growth over the 12 Months to March 2026 – Agriculture, food production, construction materials, freight

Index of estimated growth / contraction based on trading activity and consumer spending



# Is Australia's food-bowl struggling?

Consistent with the findings on failure risk and trade payments, broad segments of the agriculture, food wholesaling and production, timber production and freight sectors have struggled to grow in the last year, with several sectors contracting year-on-year. This suggests that some trading difficulties are not wholly based on recent economic and geopolitical events, but on longer-term trends.

As discussed earlier, the Agriculture sector has suffered from several headwinds related to climatic, economic and social factors. The result is that business segments that are central to supplying food for both local consumption and export may be struggling to grow currently. This includes beef, lamb, grain and dairy farming, whose commercial transactions appear to have contracted by 7-10% in absolute terms (and more when factoring in inflation). Less severely affected, but still notable, are the vegetable farming (2% lower activity) and fishing industries (2% higher but contracting after allowing for inflation).

While this may be partly explained by the effects of higher inflation on retail consumption, growth in spending on food appears to be higher than the trading growth of agricultural businesses. As such, there appears to be a misalignment between consumer spending and business growth, which may point to tighter margins in agriculture, and possibly lower supply in future. Consequential effects may be appearing in grocery wholesaling (meat, vegetables, fruit, processed foods), in agricultural wholesaling (grain, wool, livestock, seeds, plants) and, to a lesser extent, in food manufacturing (including oil / fat, bread / bakery, sugar / confectionary and dairy industries).

The contraction in road freight business activity is a further concern for the agricultural sector, as current geopolitical headwinds further impact the supply of foodstuffs and the movement of raw materials (such as fertilisers). In addition, it also has possible ramifications for rural and regional consumers as the movement of manufactured goods becomes more difficult. The same may be true of the housing construction sector, as timber manufacturing and sawmilling also appear to be softening, suggesting that the supply of staple goods may become less predictable.



# Definition of the Commercial Risk Barometer

## Background notes: Basis of the Commercial Risk Barometer

### Tracking

The Commercial Risk Barometer tracks the risk of Australian businesses being unable to trade within the next 12 months with money owing and forced into closure – this includes businesses entering liquidation and/or being involuntarily deregistered. The barometer is:

- A metric, showing the percentage change in the probability of businesses failing with monies owing
- A 12-month forward-looking estimate of this failure risk
- A trend-line, showing the changing nature of this risk, both directionally and in percentage magnitude
- Aggregated over all active businesses operating at the time of risk assessment

### Leading indicators

The barometer is created by modelling leading indicators against subsequent business performance. These indicators include:

- Current and historical legal actions taken out on businesses and their directors
- Current and historical debt collection activity on businesses
- Changes in trading activity including the aggregate value of business invoice payments
- Changes in financial stress through the late payment of trading obligations
- The underlying risk of the business's profile – e.g. industry and geographic business profile
- Credit risk of business directors on their business and consumer credit holdings – including their credit exposure and payment delinquency

### Trends

The barometer is shown as the percentage change in failure risk, with the percentage calculated relative to the risk observed at the baseline point in time – as at January 2023. This baseline has been chosen to a) remove the early biases/effects from COVID and to b) focus on current economic impacts from broad-based inflationary pressures and higher interest rates on consumers and businesses.

To smooth monthly fluctuations, these trends are calculated as moving averages over a rolling 3-month period to the month shown in the trend diagram (page 2).

Additional insights into business trading activity, business and director legal actions, industry risk, business size, consumer confidence and expenditure patterns may be incorporated in this insights pack to show trends that are likely to have an impact on the failure risk of businesses.

The data used to create the risk index is derived from the Experian's proprietary commercial databases, comprising the largest commercial information bureau and trade credit payment program available on Australia's 2.5mill+ active businesses.

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