



Consumer Stress Barometer

Australia | June 2026

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Summary observations

The Consumer Stress Barometer continues to show a heightened, but stable level of consumer credit risk overall, while also showing increasing levels of credit stress amongst lower-wealth households today.

The Credit Stress Barometer for June 2026 (based on Experian's bureau data up to March 2026) indicates that, credit default risk has remained relatively high, but stable. The change, since Sep-2025, follows the typical post-Christmas trend (i.e. a seasonal rise in credit risk), while also showing a slight improvement year-on-year. Nevertheless, it remains higher than at any point prior to its peak 12 months ago.

The underlying trend therefore continues to paint a sobering picture of credit risk, being 12% higher than in Jan-2022 and 4% higher than Mar-2023, when inflation and multiple interest rate rises adversely affected household budgets. That said, on the positive side, credit risk is circa 1% lower to its peak in mid-2025, while the March-quarter deterioration has been slightly lower than at the same time last year.

Looking at the change in credit risk more closely, the report shows that it is diverging geographically and demographically. Consumers with a stronger financial standing are remaining resilient to tougher economic conditions while many other consumer segments are showing the strain from higher inflation, rising interest rates and from geo-politically influenced economic shocks. For example, we are seeing greater stability amongst home loan borrowers and credit card-holders, but deterioration amongst lower-wealth consumers (such as Personal Loan borrowers and holders of overdrafts) – typically, these are consumers that hold fewer real assets or have minimal equity in assets.

In addition, consumers from higher-growth, resources-led states have felt greater stress lately; these consumers having been hit with higher household costs, such as property prices, rents, insurance premiums and energy costs. Also, lower-wealth consumers, living in regional Australia, are showing signs of rising credit risk – this includes mature and older Australians.

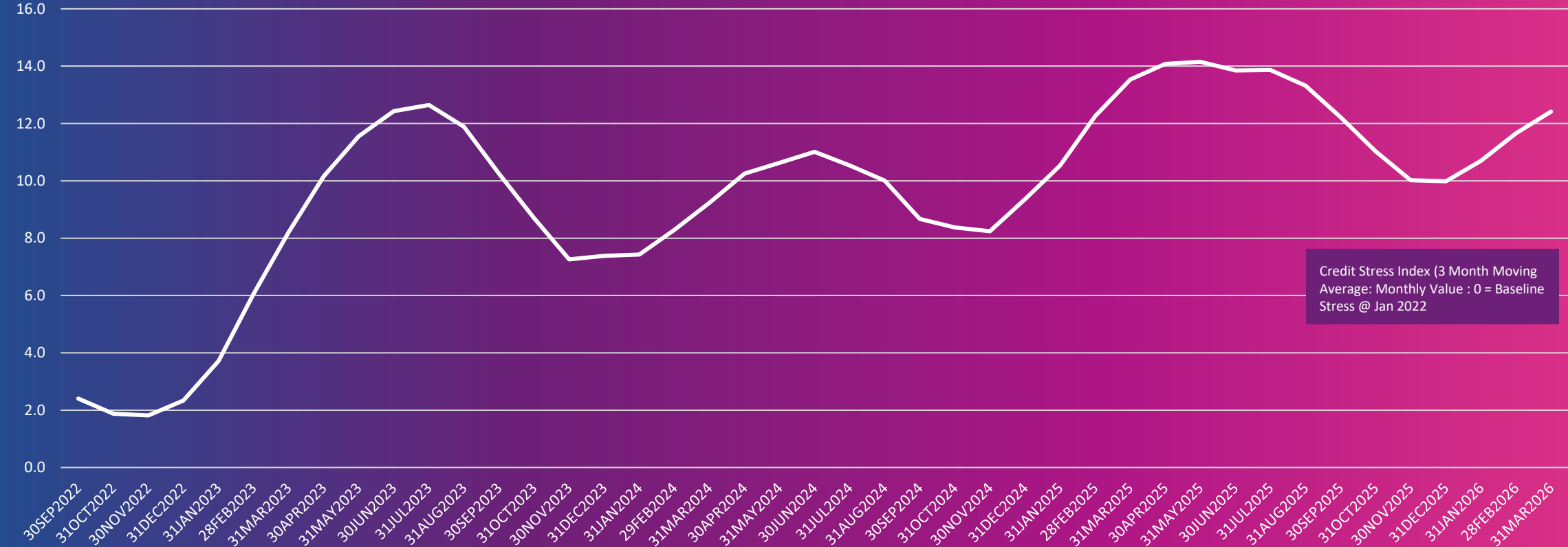
Although consumers had already been affected by several economic headwinds since mid-2025, interest rate rises in 2026 and, especially, the fuel price shock in March 2026, have had a particularly strong impact on consumer confidence (down 25% in 2026). This has led to lower retail spending, as consumers move to using BNPL services instead, as well as lower spending on groceries and travel.

Furthermore, while consumers appear to be curtailing consumption and trading down to cheaper consumables, they are also taking on greater financial risks by lowering insurance cover. They are also reducing their philanthropic spend (potentially, impacting communities in need of financial assistance) while, most compellingly, they are using more of their available funds to pay overdue bills, with debt collection payments rising to 1.8% of essential spending in March 2026.



The Credit Barometer from September 2022 to March 2026

Credit Stress Index based on consumer credit behaviour – Percentage change in the Consumer Default Risk – Sept 2022 to Mar 2026



Credit Stress Index (3 Month Moving Average: Monthly Value : 0 = Baseline Stress @ Jan 2022



Overview

Key observations for the six months to March 2026



Credit stress is following a seasonal trend but remains high over the longer term.

Overall credit risk has risen in the March quarter, in line with the usual post-Christmas fluctuation. While credit risk is slightly lower in March 2026 when compared to the same time last year, it is still at a relatively high point over a longer history (and similar to the previous peak reached in mid-2023 when households were coping with high inflation and multiple interest rate rises).



Lower wealth consumers are showing significantly higher credit risk.

Overdraft holders and personal loan borrowers are showing an especially high deterioration in credit risk. Having fewer assets and limited savings, the risk of these debtor segments is deteriorating while that of their cardholder and home loan borrower counterparts is improving. Overdraft holder risk is 4% higher than two years ago, while personal loan borrower risk is 2% higher. In contrast, home loan borrower and cardholder risk is 2% lower than it was in March 2024.



Mature consumers are showing heightened credit risk.

The default risk of overdraft holders in their 30s and 40s has risen in the March quarter while that of younger consumers has fallen. Similarly, the default risk of personal loan borrowers in their 30s and 50s has deteriorated. As such, economically driven stresses appear to be affecting mature consumers today.



Rising expenses and price shocks have substantially affected households, leading to falling consumption and an increase in overdue bills.

Several economic events have affected Australian households, ranging from higher inflation since mid 2025 to rising interest rates in 2026 and fuel price shocks in March 2026. Each has adversely affected consumer sentiment (down 25% in 2026) and led to households having to curtail their spending. This has especially affected retail, travel, grocery and philanthropic expenditure. Consumers also appear to be taking on higher risks by reducing insurance cover, as they also allocate more funds to the servicing of substantially overdue bills (rising to 1.8% of average household spend in March 2026, from 1% 12 months ago).

Credit holder risk defined by household economics rather than individual choices today

While credit holder risk has not yet risen universally, household finances of battling households appear to be stretched as cashflow finance and term credit risk have risen substantially in the March quarter

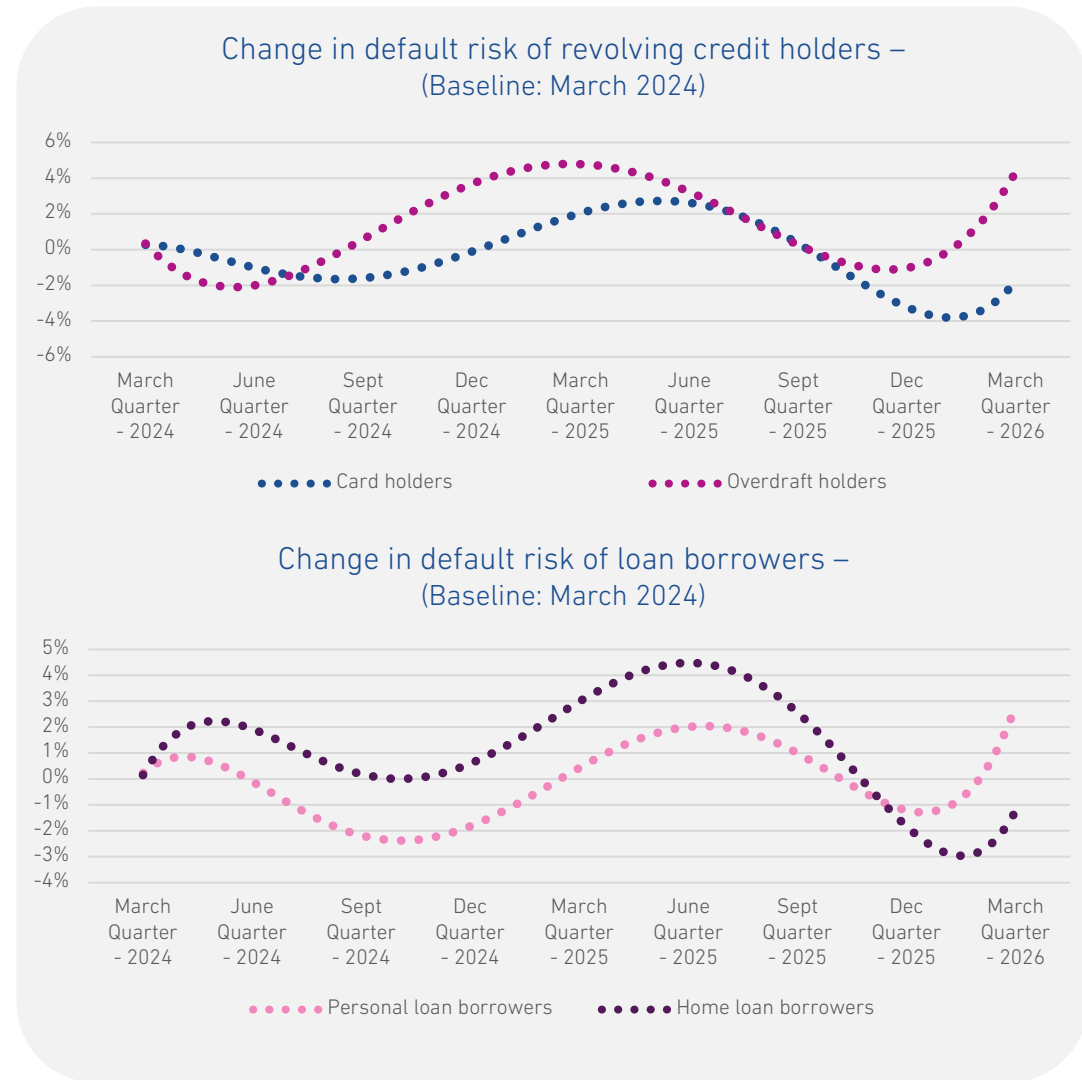
While the overall credit risk of consumers has followed the usual seasonal pattern – i.e. pre-Christmas improvement followed by moderate post-Christmas deterioration – the post-Christmas deterioration has been especially evident amongst lower-wealth credit consumers. This is noticeable from the large deterioration in overdraft holder and personal loan borrower risk.

As shown in the adjacent diagram, the default risk of overdraft holders has risen over 5% in the March quarter while that of credit-card holders has risen by less than 2%. Similarly, the risk of home loan borrowers has barely risen in the March quarter while that of personal loan holders has risen by close to 4%.

In each case, it is apparent that the default risk of consumers who are holding lifestyle credit and productive or investment credit has remained relatively stable (both products being typically associated with higher wealth consumers). In contrast, the default risk of consumers with cash-flow management credit and/or structured, consumptive credit has risen appreciably; their risk trajectory being higher today, as compared to the same time last year.

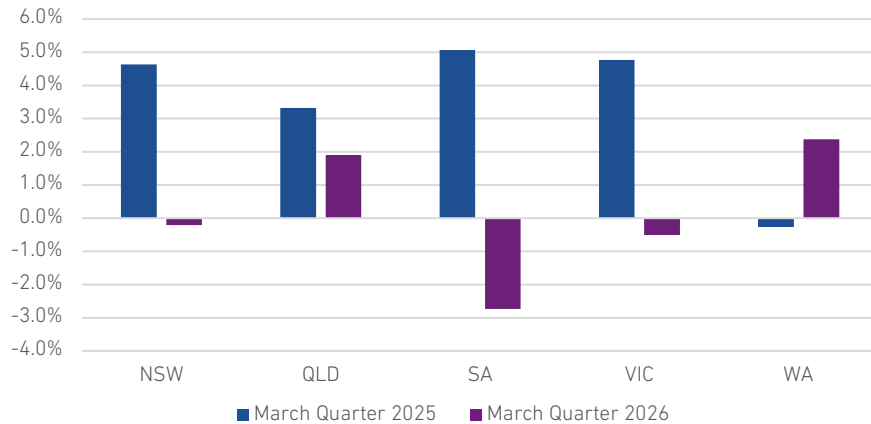
This suggests that households who have used credit to cushion themselves from higher inflation are, today, particularly vulnerable to credit risk – i.e. by having minimal capacity for meeting their rising debts, while also managing higher inflation since 2025 and rising interest rates in 2026.

In addition, while possibly a temporary issue, the substantial rise in fuel prices in the March quarter may have exacerbated the financial strain on lower-wealth households, as some consumers may have needed to trade-off debt obligations against essential spending.

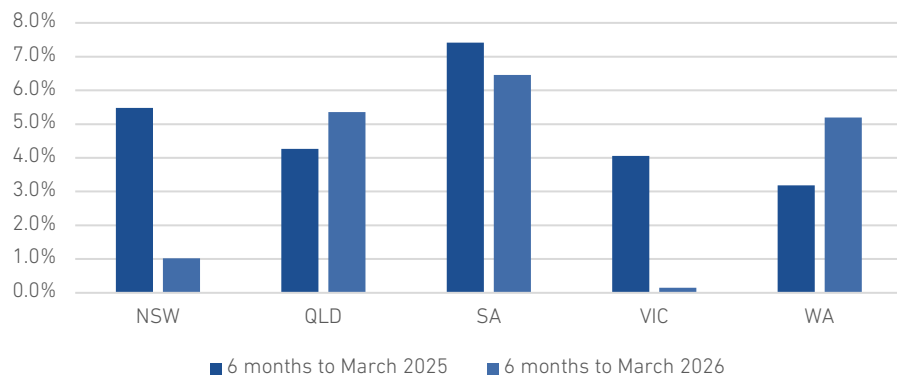


Higher risk is now apparent amongst consumers in Western Australia and Queensland

Change in default risk of credit card holders
- March quarter



Change in default risk of personal loan borrowers
- Half-year to March 2026



Queensland and Western Australia saw the highest rise in several household costs in 2025. Housing loan exposure and rents rose significantly, as did home and contents insurance premiums and electricity prices (in the latter case, this was due to the completion of both state and federal government energy subsidies). Separate analysis by Experian noted that this may have contributed to a fall in discretionary spending amongst Western Australians, especially as the rising cost of living bit into household finances.

From the adjacent diagrams, we can see that, after a period of superior credit performance when compared to most other states, credit consumers in Queensland and Western Australia are, today, showing a notable deterioration in credit risk. This heightened risk appears to contrast with that seen in New South Wales and Victoria especially, where risk appears to have (at least temporarily) stabilised.

To illustrate these findings, we can see that the default risk of lower-risk consumers (credit card holders), rose in both Western Australia and Queensland over the March quarter (2% higher), while it either remained stable or fell in the other major Australian states. This suggests that the higher cost-of-living experienced in the two economically better performing states has had a detrimental effect on even higher-wealth credit consumers.

Lower-wealth consumers in Queensland and Western Australian are also struggling more than 12 months ago, with the default risk of personal loan holders rising around 5% in the 6 months to March 2026; up from 4% and 3%, respectively, 12 months earlier. Similarly, lower-wealth consumers from South Australia have also seen a rise this year (although it remains consistent with the previous year). Therefore, higher costs in the better performing economies appear to be affecting household budgets more generally today, acting as a warning sign of further rises in credit risk over 2026.



Default risk is rising amongst less wealthy, mature-aged consumers

Credit default risk is not confined to younger Australians, as established and mature households are now showing signs of elevated levels of financial stress.

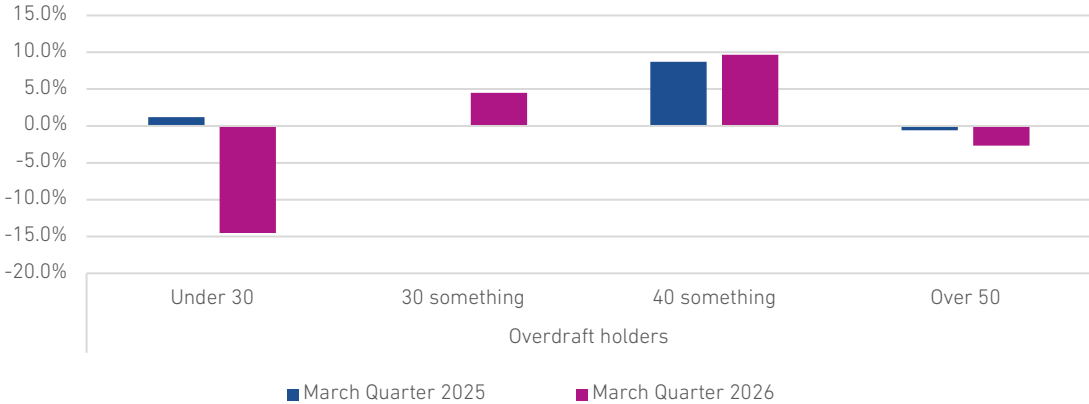
The March quarter has seen a rise in the default risk of Australians across all age-groups, although this depends on the type of credit product held. Of those who hold cash-flow finance, the credit risk of established credit consumers and mature-aged credit consumers has risen the most (the risk of Australians in their 30s and 40s rising 5% and 10% respectively).

This result is especially concerning as it suggests that some mature-aged Australians may not be able to service their general living costs through income alone. Instead, they may be leaning on cashflow finance to help with these costs (at least, over the short-term). Furthermore, this may also imply that some established households have not amassed sufficient savings (living instead, from 'hand to mouth' after potentially 10-20 years in the workforce).

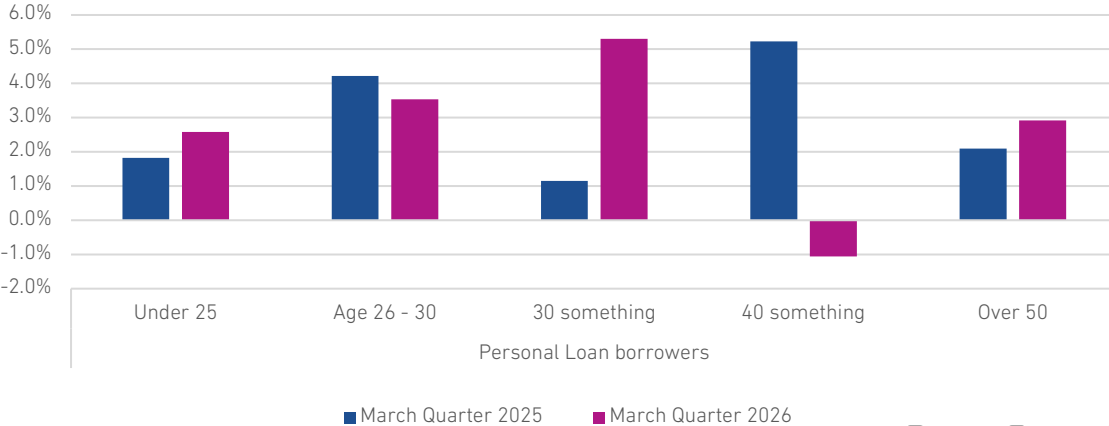
Turning the attention to personal loan holders, we have seen deterioration in both the youngest and oldest age-groups; the credit risk of people under 40 rising between 2-5% and that of people over 50 rising 3%. While the deterioration amongst the youngest Australians may be expected (due perhaps to having low savings buffers), the rise amongst the 30-something and 50-something age-groups is more concerning (the former rising 5% in 2026, as compared to 1% in 2025; the latter by 3%, as compared to 2%). Much like the overdraft population, it may also suggest that some mature households have few savings to guard against rising costs.

Given the above observations, if consumers are increasing their use of credit during tougher economic times and if, as a result, they are finding it harder to meet these credit obligations this may be an early indication that indebtedness is creeping into budgets. Monitoring this financial risk before consumers are 'under water' may therefore need to be undertaken by lenders as a priority.

Change in the default risk of overdraft holders by age-group (over March quarter 2026)



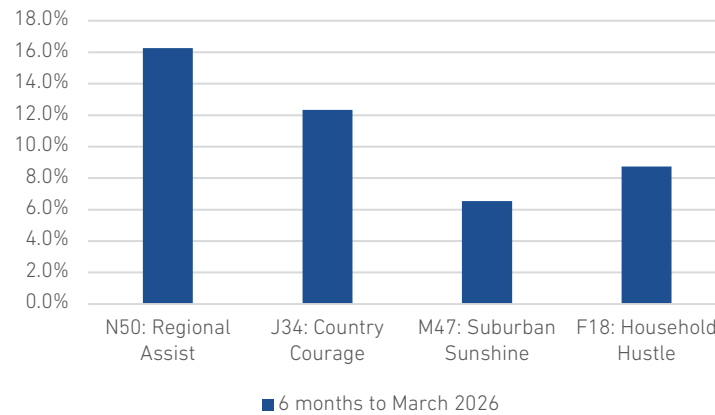
Change in the default risk of personal loan borrowers by age-group (over March quarter 2026)



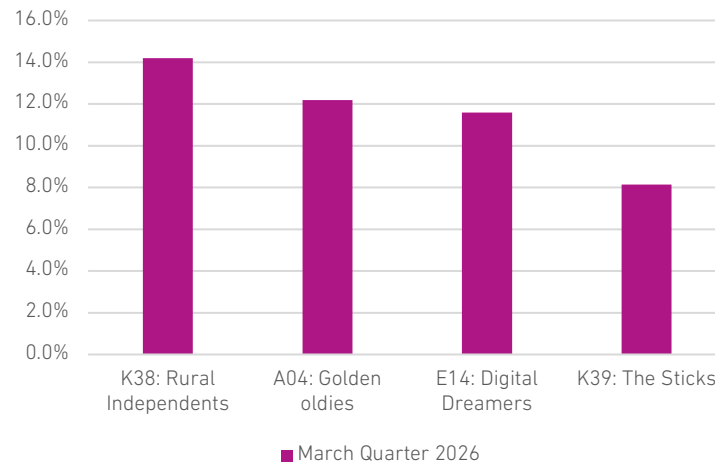
Credit stress may be rising amongst older, lower-income and regional Australians



Significant rise in default risk in the 6 months to March 2026 (by geo-demographic group)



Significant rise in default risk in the 3 months to March 2026 (by geo-demographic group)



Analysing the previous finding in more detail, we used Experian's geo-demographic profiling service (MOSAIC) to isolate geographic regions with consumers who were particularly vulnerable to this deterioration in credit risk. We looked at areas with a longer-term trend as well as those with a recent shift to higher risk.

In summary, the most vulnerable areas were in regional Australia or on the outer suburban fringe. They had a higher concentration of established or mature singles, single parents, families or retirees, earning lower incomes and with lower levels of wealth - ultimately, they had a higher proportion of economic "battlers". That said, in very recent times, some higher income groups also showed elevated credit stress.

Notable areas with a significant rise in default risk over the last six months include those with a higher concentration of the following profiles.

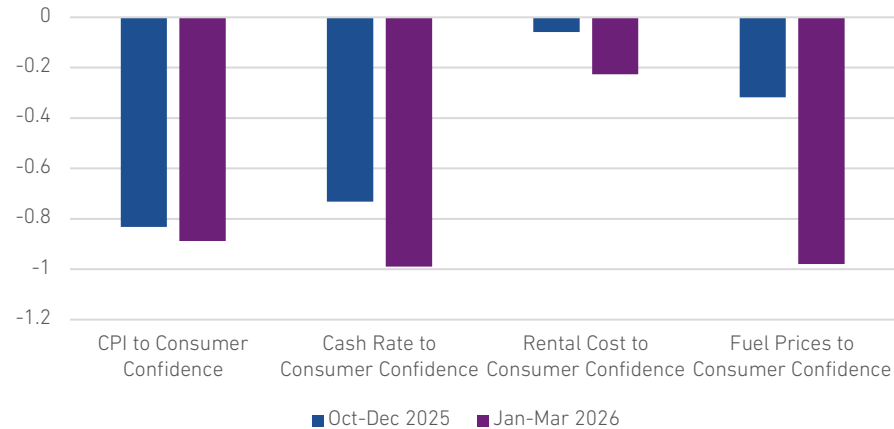
- N50 "Regional Assist" (Single, older consumers living in rural areas)
- J34 "Country Courage" (Singles and single parents living in regional centres, employed, but with some financial difficulties)
- M47 "Suburban Sunshine" (Retired singles and couples living on the suburban fringe on modest incomes)
- F18 "Household Hustle" (Mid-life families and single parents, living in regional Australia on above-average incomes)

Notable areas with a significant recent rise in default risk over the last three months include those with a higher concentration of the following profiles.

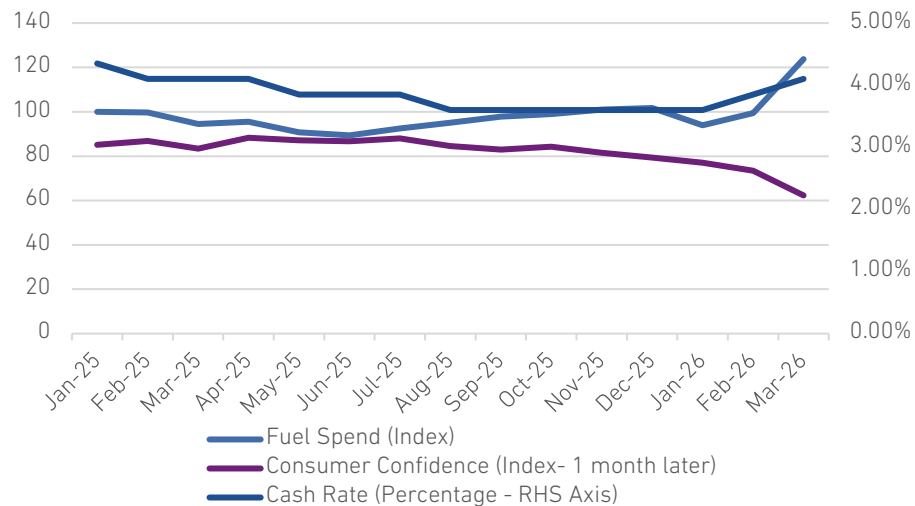
- K38 "Rural Independents" (Home sharers and singles with lower incomes, in lower-skilled jobs, renting in rural NSW and QLD)
- A04 "Golden Oldies" (Wealthy, retirement aged consumers, living on substantial properties)
- E14 "Digital Dreamers" (Millennial parents with multiple young children with high incomes and recent mortgages)
- K39 "The Sticks" (Labourers and retirees on low incomes, living in modest areas in rural towns)

Consumer confidence haunted by fuel prices

Correlation between price rises and consumer confidence¹ since Sept-2025



Change in household costs² and consumer confidence since January 2025



Economic events over 2025/26 have had a direct impact on household budgets, affecting both the financial wellbeing and optimism of consumers. Three key factors have had a particularly powerful impact - namely, rising CPI in H2-2025, a return to higher interest rates in Q1-2026 and substantially higher fuel prices in March-2026 (due to geo-political events).

The adjacent graph shows this strong relationship between economic events and consumer confidence; firstly, from higher inflation in Q4-2025 (correlation at -0.8), and then, most profoundly, from rising interest rates and fuel prices in early 2026 (correlation -1.0). Rising interest rates and higher fuel prices may appear to have caused (rather than just influenced) the recent change in consumer sentiment.

Interestingly, the cost of renting has had little direct impact on consumer confidence. While this may be attributed, in part, to more stable rental pricing in Melbourne and Sydney currently, we have found that the spending behaviour of mortgage-holders tends to be more sensitive to fluctuations in household costs (this has been shown in a separate Experian analytical report).

Having assessed the strong relationship between certain economic events and consumer sentiment, we then assessed the severity of this impact. The bottom diagram shows that, over Q1-2026, spending on fuel rose by 25% while the cash rate rose by 25 basis points (a relative rise in interest servicing cost of 6%). Comparing these economic events to consumer confidence one-month later, we saw that confidence fell 25% over the quarter; nearly 2.5-times greater than the total fall in confidence over the previous 9 months. Therefore, while higher inflation slowly eroded consumer confidence in 2025, one interest rate rise in Q1-2026 and the fuel shock of March 2026 damaged consumer confidence almost immediately.

¹Consumer Confidence is taken from the Roy Morgan-ANZ Consumer Confidence Index.

²Household Costs are shown as the RBA Cash Rate and the Fuel Spend taken from Experian's Spend Analytics Data Universe (Index value 100 = Fuel Spend baseline @ January 2025)



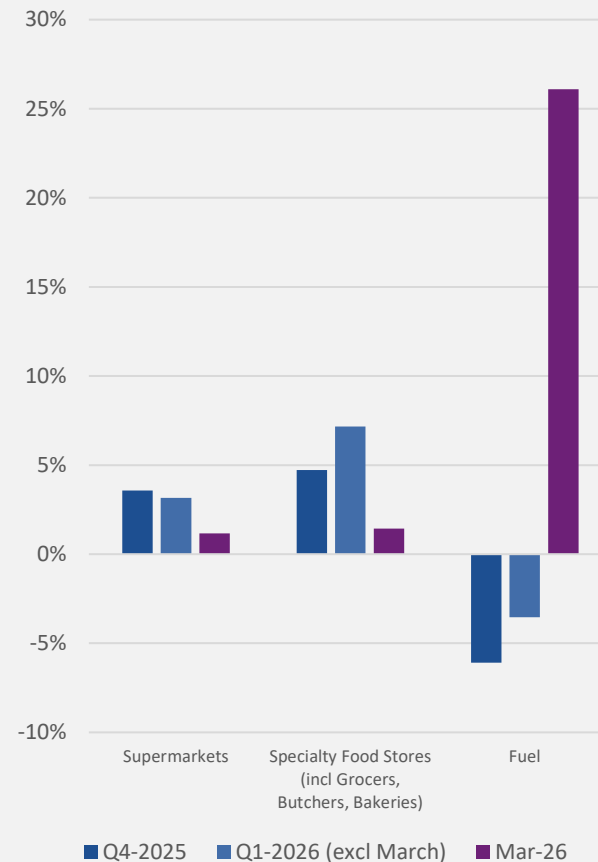
The March fuel shock has caused significant stress, causing large falls in basic food and insurance expenditure

While higher mortgage payments and rents have had a significant impact on household budgets over a longer period, the recent fuel price shock has had an immediate impact (causing an almost reflex reaction by householders). By magnitude, the impact has been substantial, affecting expenditure on both staple and discretionary items. For example, coping with these higher fuel prices has meant that households have had to significantly reduce spending on food, groceries and insurance cover.

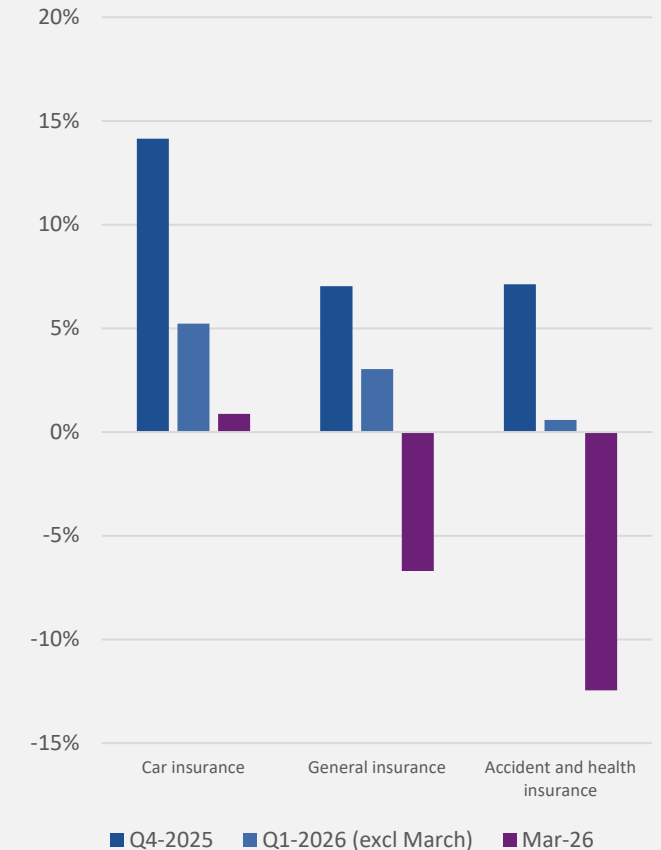
This is illustrated in the adjacent diagram, which firstly shows that lower fuel costs prior to March coincided with stronger grocery spending (fuel spend falling at a similar rate to the rise in grocery spend – circa 3-6% year-on-year). However, as the fuel price rose sharply in March (the expense rising 25% YOY), grocery spend slowed appreciably; rising only around 1% in March (YOY) and contracting in real terms when accounting for the 3.8% inflation rate. This may therefore imply that households have had to significantly change their consumption decisions, either by possibly trading-down to cheaper grocery options or alternatively, by cutting consumption of certain lines altogether.

Similarly, consumers have had to trade-down when choosing insurance cover, with car insurance spend remaining flat (i.e. higher insurance premiums most likely being offset by higher excesses and lower insurance cover options), while home and contents insurance cover has fallen (6% YOY). Health insurance cover may have been curtailed altogether in some cases (spend falling by 12%).

Change in Grocery and Fuel Spend (YOY)



Change in Insurance Spend (YOY)



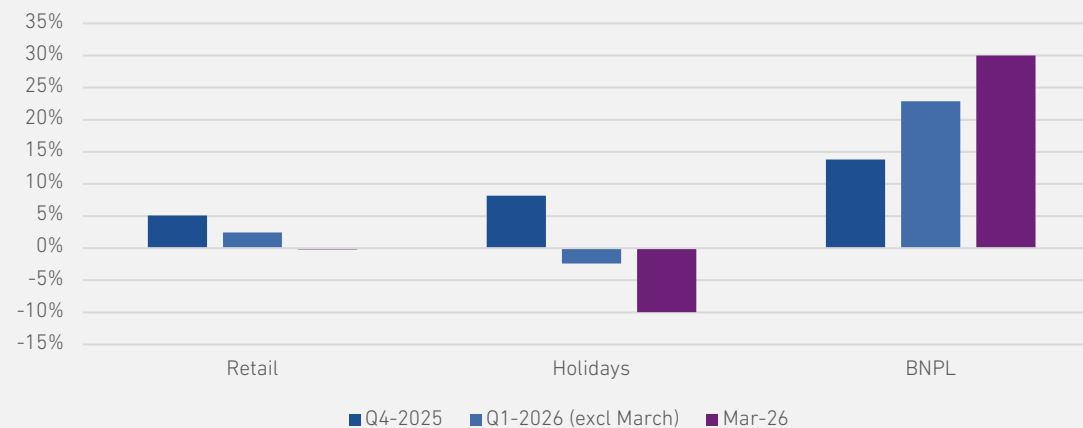
Household budget stress has impacted shopping, travel and philanthropy while overdue debts are rising

Rising household costs appear to have had a marked impact on retail and travel spending since the start of 2026. As shown in the top diagram, retail spend flatlined in March (YOY) and barely grew in the lead up to March, meaning that retail spending, in real terms, contracted throughout Q1. At the same time, BNPL spending rose appreciably (peaking at 30% higher in March (YOY) after only rising 14% (YOY) in Q4-2025). When seen together, these observations appear to indicate that rising inflation more generally, followed by rising fuel costs specifically, changed retail spending decisions in Q1 – i.e. away from direct retail spending to 'payment on terms' (a logical spending strategy when trying to combat the effects of price rises on short-term cash-flows).

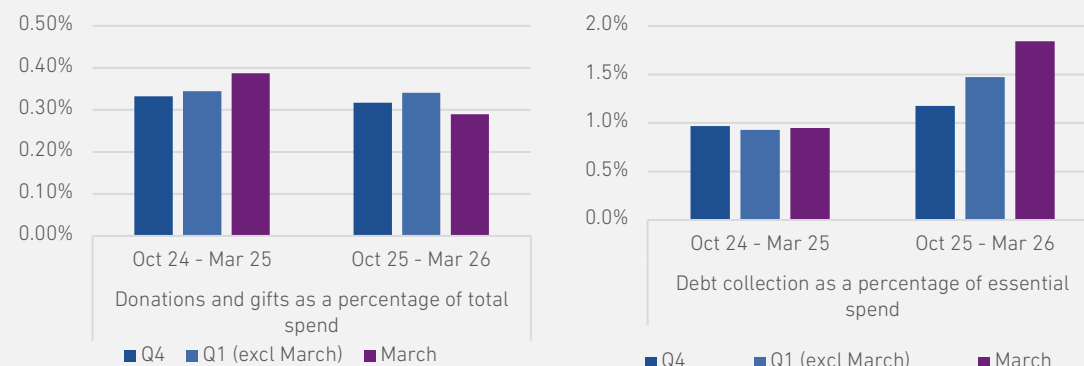
Similarly, spending on travel was curtailed in Q1; at first, just moderately in the lead-up to March and then substantially in March itself (down 2% and 10% YOY respectively). This fall in travel spending occurred at a time when it ordinarily rises, indicating that travelling became a low priority for households in Q1. While this was already apparent before fuel prices rose and the risk of fuel shortages affected consumer confidence, it intensified in March, when the risk of travel cancellations rose. Nonetheless, as travelling appeared to be deprioritised as early as the summer holidays, it indicates that budgets may have already been impacted by the rise in household costs before the March fuel price shock.

We also observed that households opted to reduce spending on donations and broader philanthropic activity; falling from 0.4% of total spending in March 2025 to 0.3% in March 2026 – down 25%. This fall may mean that vulnerable Australians have been hit twice by stressed budgets; once by rising prices and then by a fall in charitable assistance. Evidence of growing financial stress can also be seen from the percentage of household funds used to repay overdue debts. The adjacent diagram shows that this has risen from around 1% of essential spend in Q1-25 to 1.5% in Q1-26 (prior to March) and to 2% in March, suggesting that some budgets are weighed down by growing debt commitments.

Change in discretionary spend (YOY)



Expenditure allocated to gifts/donations and overdue debt obligations



Definition of the Credit Stress Barometer

Background notes: Basis of the Credit Stress Barometer

Tracking

The Credit Stress Barometer shows the risk of Australian consumers defaulting on Consumer Credit contracts in the next 12 months. The barometer is a:

- Metric, showing the percentage of consumers at risk of defaulting on their credit agreements
- Forward looking prediction of this default risk
- Trend-line, showing the changing nature of credit stress, both directionally and in magnitude.

Leading indicators

The barometer is created by modelling the risk of credit default from a consumer's:

- Current and historical credit performance – i.e.. trends in credit repayment performance across various types of credit contracts
- Current and historical credit demand – i.e. the appetite for credit by considering application volumes and loan take-up; this is across different types of credit, including housing, investment and consumptive credit agreements.
- Financial exposure to different types of credit products – fixed loans, revolving loans, housing finance, car finance, investment loans
- Demand for credit in various industry risk sectors – e.g. the level of credit demand and repayment performance on borrowings from the Prime, Near Prime and Sub Prime lenders segments.

Trends

The Credit Stress Barometer is shown as the change in the percentage of consumers at risk of credit default, with the percentage calculated relative to a baseline at January 2022. 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 inflation and higher interest rates on borrowings.

In order 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 3).

Additional insights into savings and expenditure patterns are incorporated in this Credit Stress Barometer pack to show financial trends that are likely to have an impact on the Credit Risk of Australian consumers.

The source data used in the creation of the barometer report was primarily derived from Experian's proprietary credit and expenditure databases (unless commented otherwise).

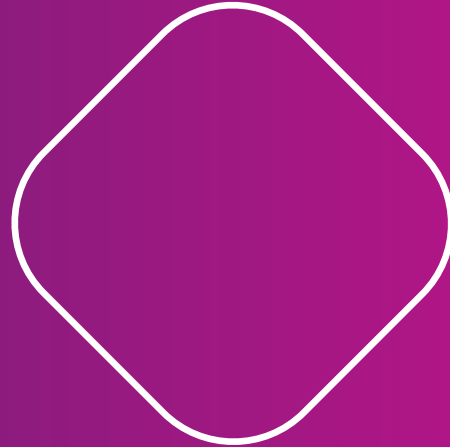
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