



Commercial Risk Barometer

Australia | October 2025

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Experian Public

Overview

Business failure risk stabilised in the September quarter, remaining around 4.5% higher than in January 2023. However, we have observed a wide variation in the risk of businesses based on their industry segment and geographic region. Likewise, we have found some possible contagion into previously low-risk segments.

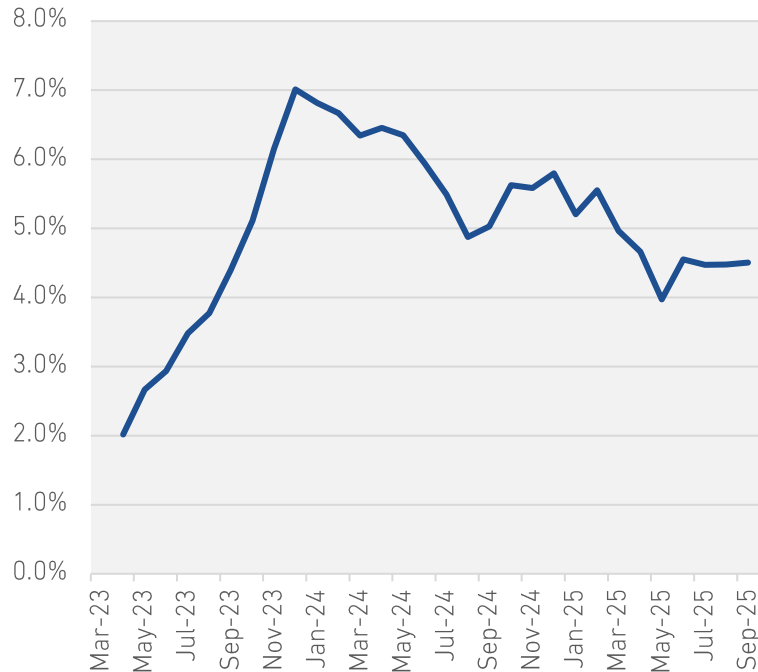
The Commercial Risk Barometer for September 2025 shows that business failure risk has been stable over the 3rd quarter. On the positive side, there is no clear sign of an imminent rise in business risk, when averaged over all industries, but on the negative side, there is no sign of continuing improvement, as seen up to the 2nd quarter.

The outlook for 2026 is therefore uncertain and additionally, is aggravated by the variable nature of failure risk when viewed over different business segments and geographic regions.

Notably, the slow improvement that was seen in traditionally high-risk sectors up to early 2025 (i.e. Hospitality, Retail, and Construction) appears to have come to a halt, as the waiving and/or deferral of tax debts may have ceased. Instead, we are again seeing a return to higher stress and slowing growth (even contraction) in the September quarter. In addition, there is also some indication of longer delays to the payment of invoices in parts of these industries. The stress being faced by these consumer-facing sectors also appears to be impacting their suppliers, with some manufacturing segments showing signs of tougher trading conditions.

In addition, while businesses in NSW and VIC continue to lag their counterparts in QLD and WA, we have seen businesses in SA deteriorating over 2025 and especially, in the September quarter. Therefore, while the default risk of consumers remains low in SA, these deteriorating business conditions suggest that financially stable consumers may be keeping 'their wallets in the pocket'. If so, this may pose a challenge for policymakers in SA when attempting to stimulate consumption – that is, how to promote consumption without adversely affecting the financial wellbeing of consumers?

The Commercial Risk Barometer for Sept 2025 - Percentage change in the likelihood of business failure (Baseline: January 2023)



Overview

Key observations in this iteration of the barometer



Insolvency risk is stable in the last 3 months

The September quarter saw business failure risk remaining stable, with no definite sign that a broad-based improvement, nor deterioration is in sight, although rising problems are being seen in some business pockets.



The improvement over 12 months has come to a halt

The gradual improvement seen over the previous 12 months may have come to a halt, as some sectors are showing signs of stress again. Whether this weakness spreads further into previously lower-risk sectors remains to be seen, but creditors are advised to monitor risks closely in several key sectors.



Agriculture is performing while hospitality is weakest; manufacturing is possibly weakening

Based on the growth in new businesses openings and in the trading activity of existing businesses, the agricultural sector appears to be performing well, whereas the construction, hospitality and parts of the retail sectors are showing a return to tougher trading conditions. There may also be some indication that these tougher conditions are slowly spreading into the manufacturing and wholesale trade sectors.



NSW and VIC continue to struggle, while SA has deteriorated recently

Overall, NSW and VIC businesses continue to show worse than average trading risks, however, the risk observed in VIC may be stabilising. By contrast, while SA has the lowest consumer default risk at present, business trading risk is relatively high and growing. SA's deterioration is out-pacing that of all other states.



Higher risk in food services businesses offer a possible warning for manufacturing and agriculture

The relatively high business failure risk and lower growth seen in the food services sector may be spilling over into the food manufacturing sector; especially in bakeries, beverage manufacturers and fruit and vegetable markets. Similarly, we are seeing later payment of invoices in the dairy and meat industries (even though the latter is seeing high growth relative to other sectors).



Property Development / Building Construction / Materials Manufacturing appear to be stressed

The property sector is seeing a divergence in the trading conditions, between those that support new housing developments and those that support the maintenance and transfer of properties. The former are showing signs of tougher conditions, while the latter are showing signs of growing business activity.

Underlying business stress is apparent in the September quarter

The September quarter saw businesses continuing to slip into moderate (or worse) failure risk, with the hospitality sector being the weakest performer, while the agricultural and manufacturing sectors showed resilience.

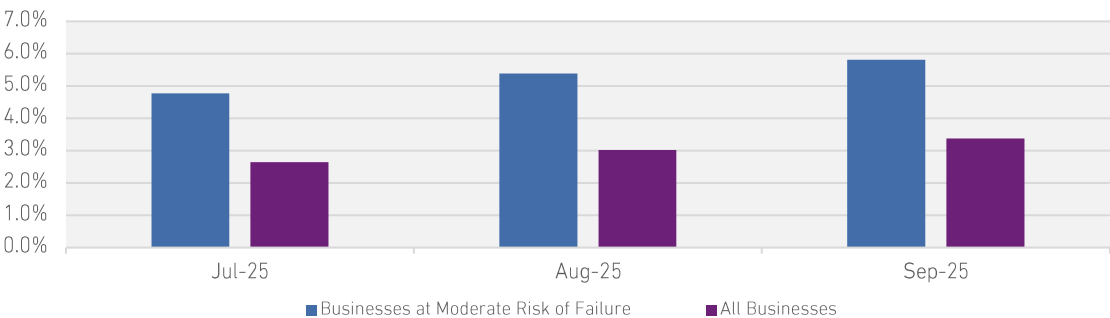
The September quarter saw a slight improvement in the percentage of businesses that slipped into moderate (or worse) failure risk. However, when viewed over the last 12 months, the rise in higher-risk businesses still outstripped the overall rise in businesses (5.8% to 3.4%). Therefore, while Q3 offered a glimmer of improvement, the continuing rise in higher-risk businesses continues to act as a warning for creditors and lenders.

When viewed at an industry level, the hospitality sector stands out as the industry with the highest likelihood of failure, with its risk being some 40% higher than that of other industries. Therefore, while there has been some sign of stability in this sector over 2024 and early 2025, this consistently higher risk means that lenders may need to again, pay special attention to this sector when pricing and managing risk.

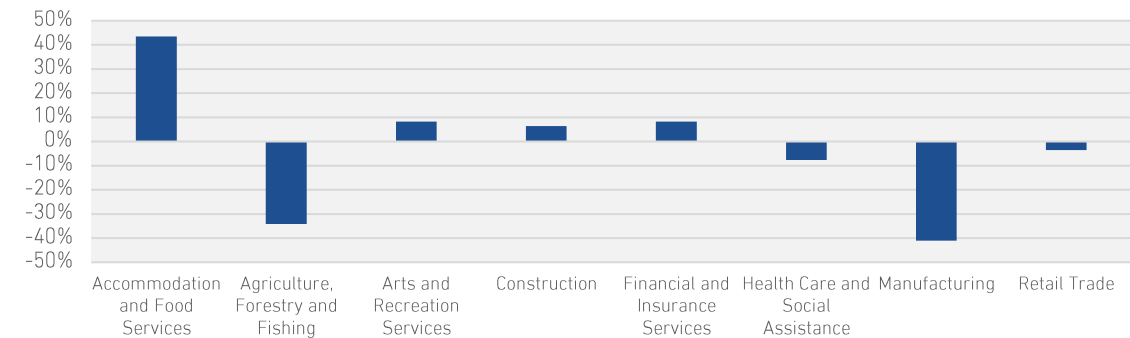
Likewise, while they are lower risk than their peers in the hospitality sector, businesses in the entertainment, construction and financial services sectors also need close monitoring – their risk being near 10% higher than their peers.

Conversely, the agriculture and manufacturing sectors continue to be safer-havens for creditors – businesses in these industries being around 30-40% lower risk on average. That said, while their overall risk makes them preferred candidates for lenders, some business segments within the manufacturing sector especially, are showing signs of heightened risk. Similarly, business segments that are trading in the construction and retail sectors are also showing signs of a higher trading risk, as are businesses trading in the allied-health and non-depository finance sectors. Therefore, while the overall failure risk of Australian businesses is quite stable, there are significant inconsistencies at an industry level. Risk-based pricing and risk-monitoring therefore remain essential tools for lenders wanting to allocate lending capital efficiently.

Percentage Increase in Actively Trading Businesses since September 2024
(Metrics: All Business, Businesses at Moderate (or worse) Risk of Failure)

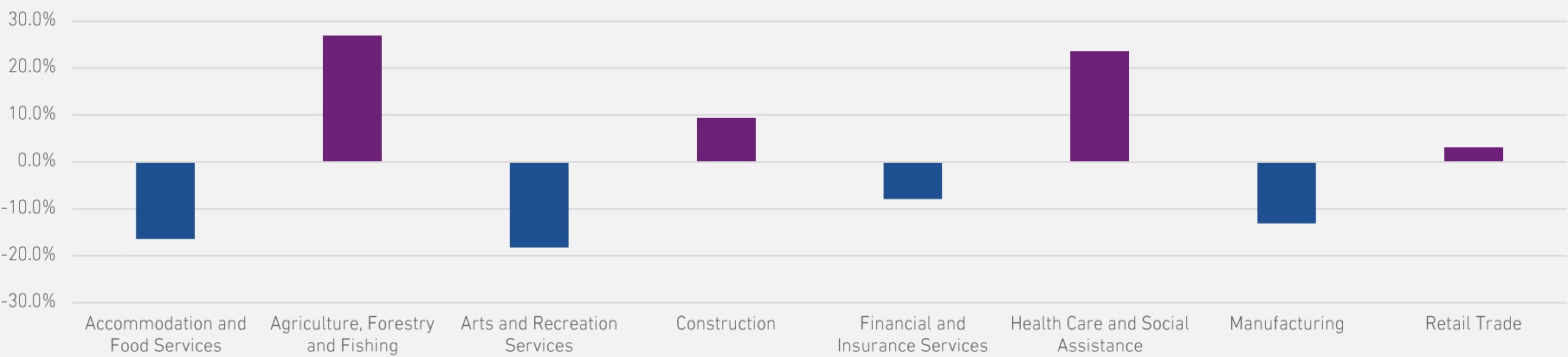


Failure Risk by Industry in September 2025 –
Index higher/lower relative to all industries nationally



Hospitality/Entertainment have the slowest rise in new business openings, while Manufacturing is now also showing signs of slowing

Net Businesses Openings during September 2025 Quarter –
Index relative to Net Businesses opened nationally over all Industries



At the same time as hospitality and entertainment businesses continue to show the greatest failure risk, entrants into these sectors are showing a reticence to open new businesses and existing business owners are showing a propensity to close their existing businesses. While many of these businesses will trade effectively (opting to close voluntarily, without owing creditors), the lower growth observed in new business openings suggests that there are underlying economic problems in these sectors. Conversely, we are seeing significant new-business growth in the health care and agricultural sectors, suggesting that consumption of certain foods and health care services is in relatively high demand. Segments to note include manufacturers of meat products and providers of some core health services (i.e. where they have not been affected by changes to NDIS funding).

While businesses in the manufacturing sector have a lower business failure risk, growth in new manufacturing businesses is near 15% lower than that of other sectors. While proprietors may be deterred from opening these businesses because of the relatively large investment capital required to start trading, we are seeing the early signs of trading stress within certain segments as well; especially in those that are servicing retail food and hospitality businesses, construction firms, automotive repairers and clothing, textiles and footwear retailers. These findings may suggest that lower demand and/or rising material costs in these consumer-facing sectors are now having an impact on their supply-chain.



NSW with highest business trading stress and SA with highest deterioration

NSW and VIC businesses continue to struggle with invoice payments; however, the largest deterioration has been seen in businesses trading in SA (especially in the September quarter).

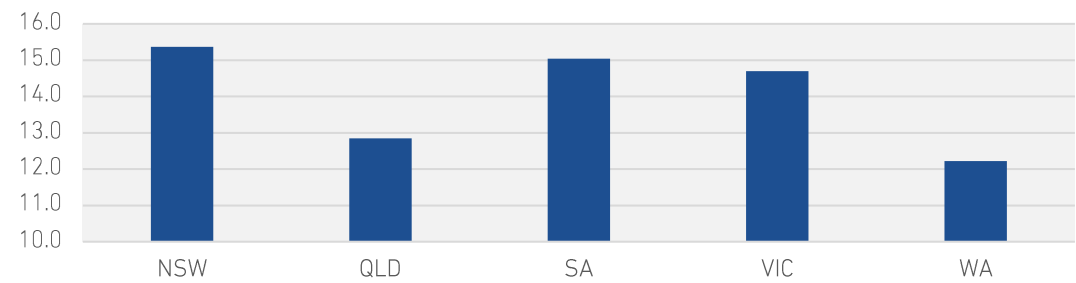
While the September quarter saw relatively stable failure risk, some possible signs of deteriorating trading conditions were identified; especially with respect to the timely payment of invoices. This deterioration can be seen in the bottom graph, which shows that across all five major states, businesses were paying their bills between 5-10 per cent later in September 2025 than 3-months earlier and 10-20 per cent later than 12-months earlier. This is not translating into higher failure risk yet, but if it were to continue in the December quarter, we could see failure risk rising again as 2025 closes out. Either way, creditors should monitor this late-payment risk now so that any possible solvency risks can be managed before they become entrenched.

Although this payment-stress is apparent in all major states, the diagram also shows that Victorian businesses have deteriorated more over the longer-term but have shown relatively greater resilience recently (i.e. 2nd worst over 12 months but best over 3 months). This raises a question, as to whether Victorian businesses may slowly be turning a corner.

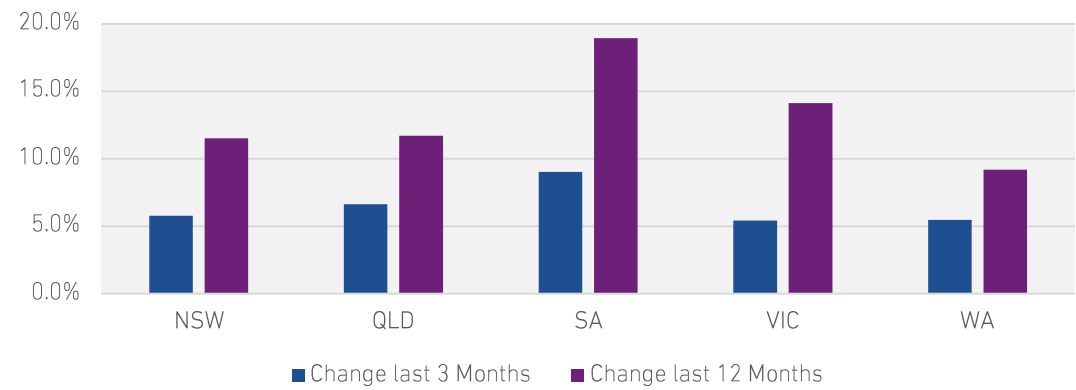
Conversely, the standouts, in terms of overdue trade payments, are businesses trading in SA, which are taking 10% longer to pay invoices today, as compared to 3 months ago, and 20% longer, as compared to 12 months ago. Their payment-stress is now close to the worst in Australia (eclipsed only by businesses in NSW at 15.4 days compared to 15.0 days). This may be largely due to the inflation on furniture, clothing/footwear and health (noted as 6%, 4% and 2.4% respectively in Adelaide over the quarter and near double that of most other capital cities).

Businesses in QLD and WA continue to fare best (average 12-13 days overdue), reflecting the concentration of more buoyant industries, such as mining and agriculture. Even with WA's high inflation (mainly due to the completion of government electricity subsidies), we are seeing substantial resilience (possibly due to inflation hitting mainly high-value, discretionary spending, such as international travel).

Trade payments - average days overdue in September quarter 2025 by state



Percentage deterioration in average overdue days of trade payments (last 3 months/ last 12 months)



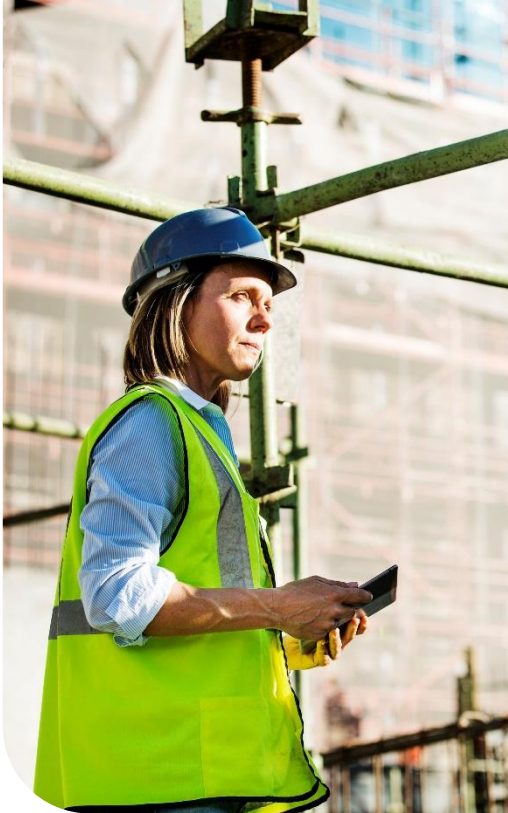
NSW/SA are showing high stress in four key sectors

While hospitality businesses in NSW and VIC continue to show the highest payment stress in Australia (paying bills 20 days late on average), businesses in SA are catching up (18 days overdue). This may be due to Sydney and Adelaide having seen some of the highest food inflation nationally in the September quarter. Similarly, VIC businesses suffered from significantly higher vegetable prices, which will have had a knock-on effect to food services businesses.

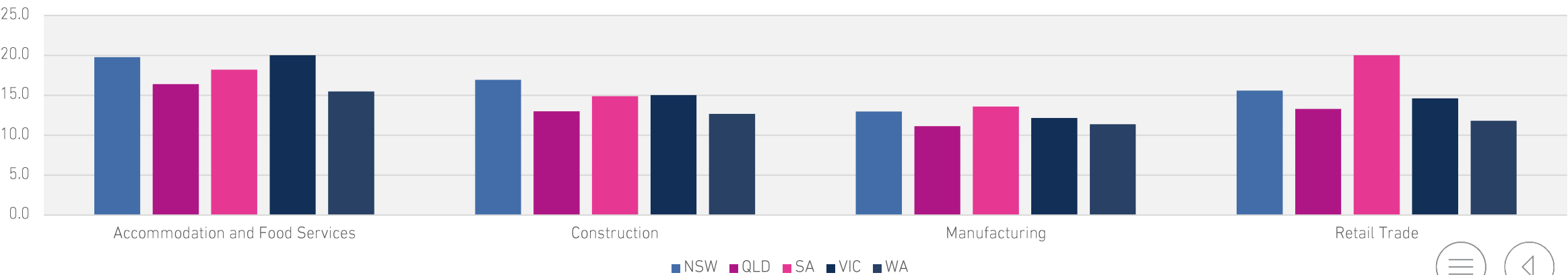
Within the construction sector we are seeing the highest payment-stress in NSW. This will be largely because of higher input costs and labour shortages, which are adversely affecting work completion rates and business revenues, as fixed contracts are adhered to.

With respect to the manufacturing and retail trade sectors, while we continue to see later payment of invoices by businesses in NSW and VIC, we are now also seeing later payment by businesses in SA. In both sectors, SA businesses are taking the longest to pay bills – i.e. 14 and 20 days overdue, respectively. As we will see later in the document, this rise in 'overdue days' will be partly caused by higher inflation and lower trading growth in the clothing, footwear, textiles and furniture sectors, which appear to have affected SA businesses disproportionately. Similarly, higher inflation on furniture and household products in NSW will have contributed to their trade-payment problems.

While Victorian businesses also struggle to pay their invoices, their payment stress is generally lower than that of businesses in NSW and SA. This may be due to lower inflation, as compared to other states (Melbourne's CPI being only 0.4% in the September quarter, 33% lower than Sydney's and 50% lower than Adelaide's), resulting in better trading conditions from higher demand, lower input costs and lower labour costs than other states.



Trade Invoice Payments – Average Days Overdue in September 2025 Quarter



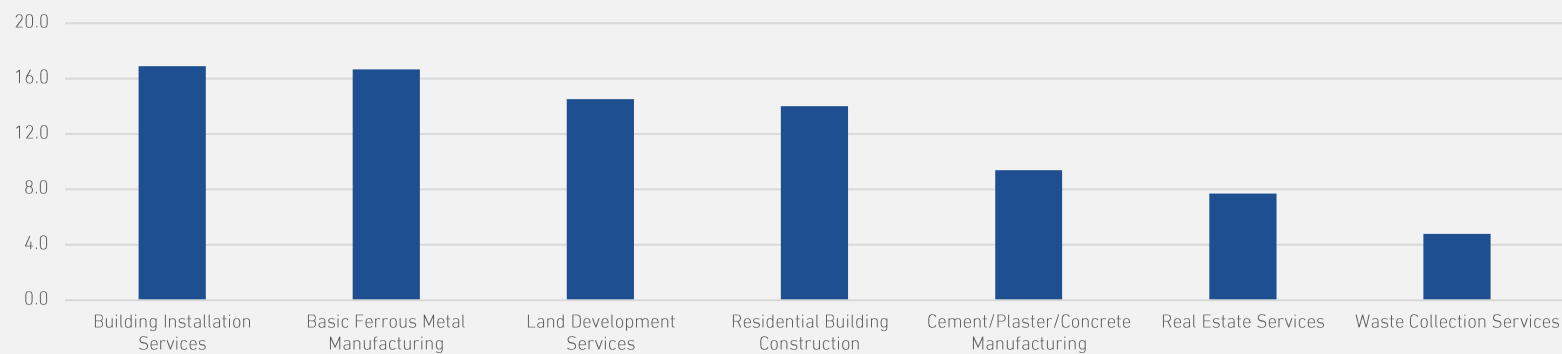
Overdue bills in construction/building materials/auto parts sectors

Experian's trade payment data shows that businesses involved in building and construction, including those in property development and even in the manufacturing of underlying materials, are showing greater signs of invoice-payment stress than businesses operating in the real estate sales sector. For example, the building installation and construction sectors, land development sector and even steel manufacturing sector are, on average, paying bills 14-16 days late. Also, while they are paying bills earlier than other building materials firms, even businesses in the cement, plaster and concrete manufacturing sector are showing signs of slightly higher payment stress (compared to other manufacturing businesses), as they pay bills around 10 days late. This contrasts with the real estate sector, whose businesses are paying invoices, on average, only 7.5 days late.

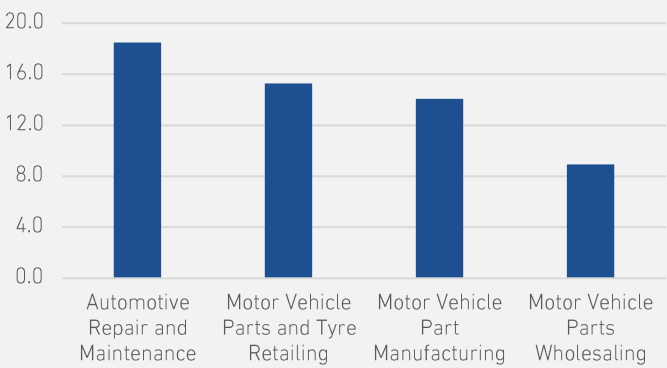
The stress being felt by the construction sector and its support industries may be due, in part, to their higher input costs and less stable cash flows (i.e. because of higher materials and labour costs as well as from shortages that cause building delays). Conversely, the lower stress on real estate businesses may be a result of high real-estate turnover, as interest rates fall and vendors look to upscale. This may indicate an economic imbalance, between the lower risk faced from financing a real estate franchise's growth, which provides no net increase in housing, and the higher risk faced from financing a property development, which adds to the new stock available to home-buyers. Staple industries, such as waste disposal firms, also offer good prospects for creditors, as inelastic demand for these services, as well as lower input costs, create stable cash-flows from which invoice obligations can be met – i.e. noting that businesses in this sector pay their bills 5 days late on average.

The automotive repairs and parts industries also appear to be showing some signs of payment stress (paying invoices 14-19 days overdue). This is affecting both the retail and manufacturing sectors, but not yet, the wholesale parts market (possibly due to imported goods being more prevalent in this sector). While this result appears to be inconsistent with broader industry data available publicly, our information may be showing the early signs of problems. Possibly, this is aligned to the lower growth being seen in the used car sector (as compared to the new car sector). Closer monitoring of the automotive parts industry may therefore be recommended to pre-empt a possible downturn through 2026.

Trade Payments of Property, Construction and Real Estate Businesses - Days Paid Overdue in September Quarter 2025



Trade Payments of Automotive Businesses – Days Paid Overdue in September Quarter 2025



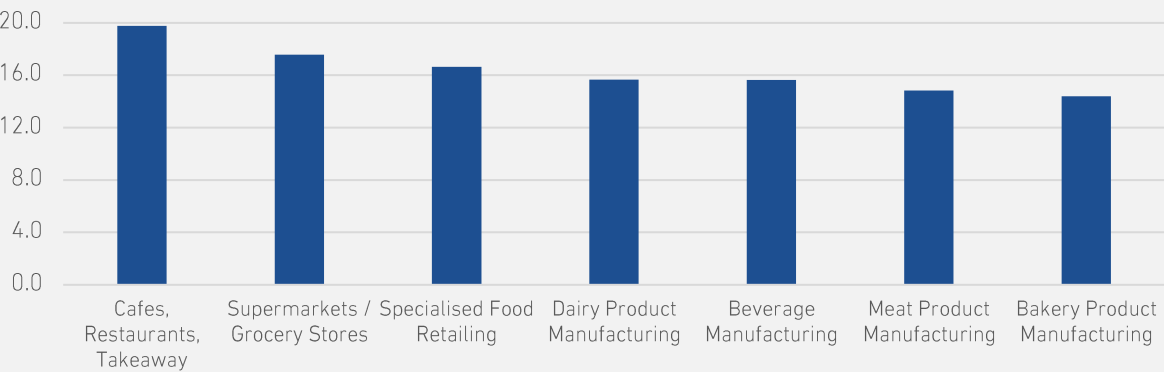
Overdue bills are highest in food, clothing and furniture sectors

Experian's trade payment data shows that businesses trading in the food industry are presently experiencing the greatest payment stress. This includes several diverse business segments along the food supply chain, from hospitality and retail food stores to food manufacturers. From the diagram (below left), we can see that cafes, restaurants, grocery stores and specialist food stores are struggling most (typically, paying their bills 16-18 days late), while food manufacturing businesses are now also showing signs of higher payment stress – i.e. the meat, dairy, bakery and beverage sectors paying bills 14-16 days late. The meat sector offers an interesting contrast, where higher growth has been observed at the same time as the later payment of invoices. This may mean that there is a mis-alignment between consumer demand and meat production (which may result in an over-supply of goods in future) or that there is a two-tier economy operating in this sector, with a large percentage of businesses doing very well while an equally large percentage is struggling.

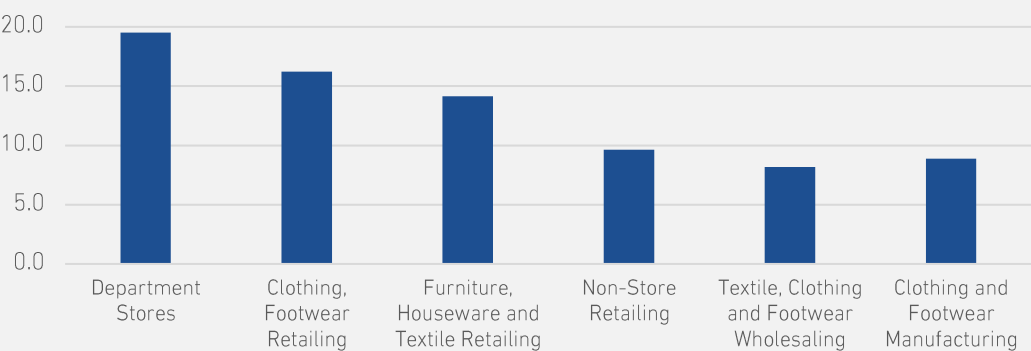
This result may be a warning for other food services businesses (namely, in wholesale trading and agriculture sectors) who are today amongst the lowest-risk businesses. For example, if we see further inflation on fresh food produce, beyond that already experienced in the last 2-3 years, and if this leads to a further erosion in fresh food consumption (noting that Australia has already seen a shift away from fresh food consumption to processed foods), we may also start to see the wholesale trade and agricultural sectors beginning to struggle. If so, this would further dent the supply of fresh food in Australia, potentially affecting the broader national economy and the welfare of Australians.

Another staple industry affected by lower consumer demand today is the clothing and footwear sector, where retailers (including department stores) are paying bills 15-20 days late. Similarly, the retail furniture sector is also struggling to pay its bills. While these weaker cash-flows have not spilled over into the wholesale and manufacturing sectors yet (invoices being paid only 8 days late), the results seen in the food sector offer a cautionary note. By contrast, on-line retailing continues to offer stronger cash-flows, when compared to 'street' retailing, with invoices being paid at least 33% faster. As such, lower input costs from physical real-estate and retail fit-outs are helping these businesses, as is higher demand for on-line shopping by consumers.

Trade invoice payments of food services businesses - days paid overdue in September quarter 2025

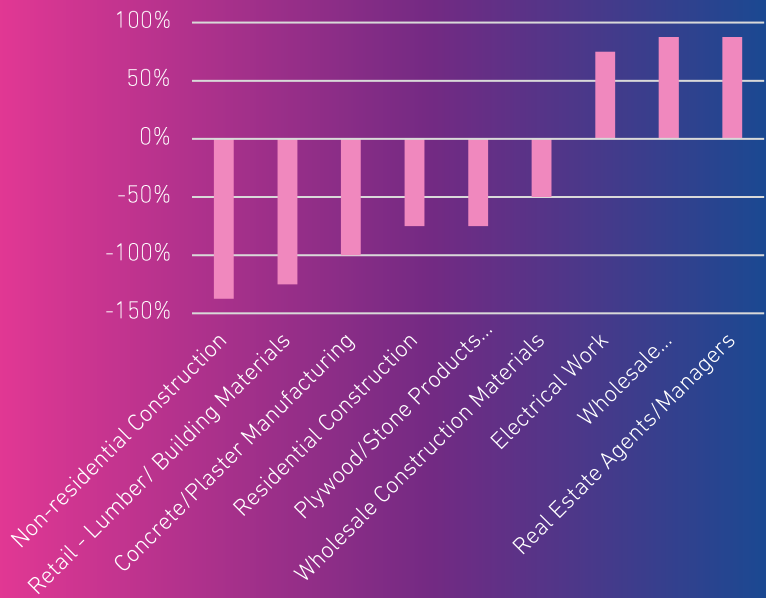


Trade invoice payments of clothing, footwear, furniture businesses - days paid overdue in September quarter 2025

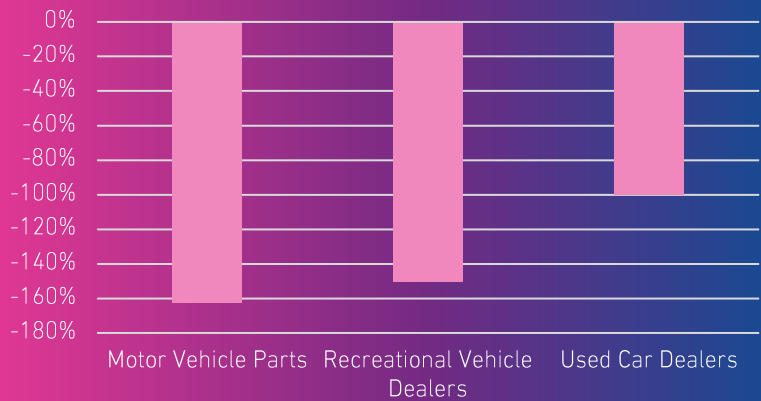


Experian Growth Index 12 Months to August 2025 –
Housing and Automotive Related Sectors
Index Value 0 = Average National Growth over all Industries

Housing Related Sectors



Automotive Related Sectors

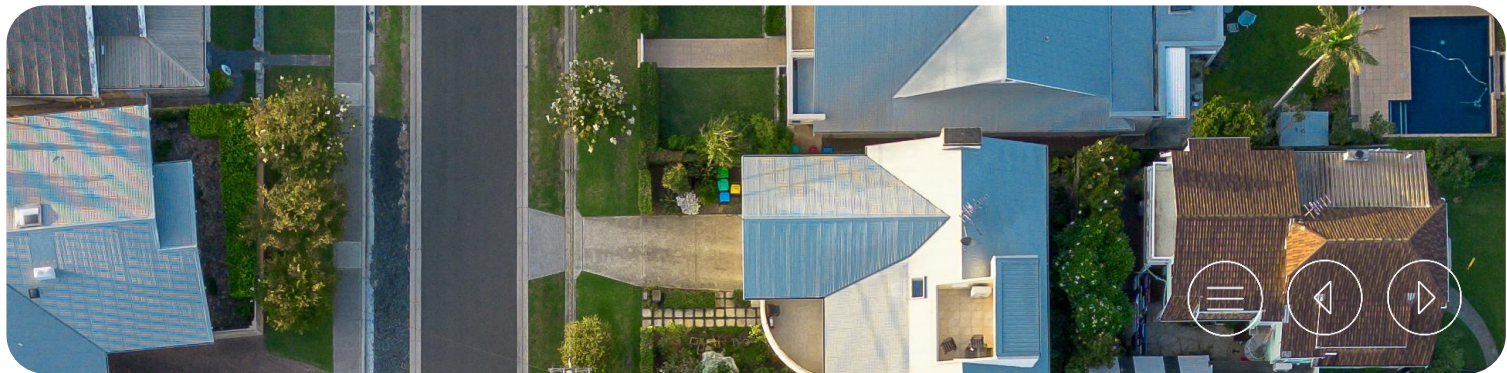


Housing construction slows as home maintenance and property trading grows

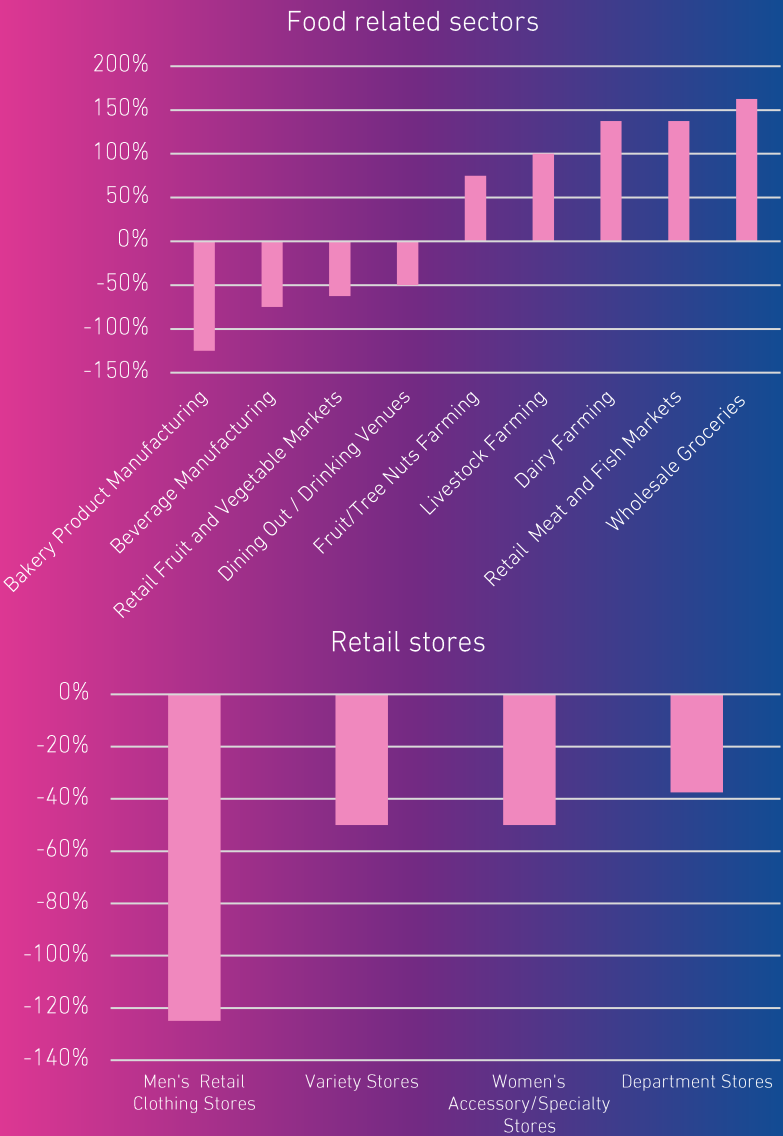
Consistent with our findings on overdue trade payments, Experian's Growth Index shows that housing construction and its allied industries, have either grown at below-average pace or have contracted in the last 12 months. This suggests that consumer-spending and business trading activity may have been faltering in the housing sector, even though it is necessary for addressing the housing shortage. This is shown in the adjacent diagram, where a value of 0% and above, denotes average to 'above average' growth, when compared to all Australian industries on average, -100% to 0% denotes 'below average' growth and under -100% denotes business contraction.

Specifically, the diagram shows that business contraction has occurred in the timber, wood framing, concreting, plastering and broader building material sectors, while weak growth (mainly sub-CPI growth) has occurred in the residential construction, plywood and stonework manufacturing sectors. In addition, the non-residential construction sector as seen businesses contracting, while the wholesale building materials sector has seen weak growth. To further quantify these results, residential construction businesses have grown by 75% less than the average Australian business, while the non-residential construction business have contracted (growing at -140% to the national average). By contrast, the electrical maintenance, plumbing and hardware sales sectors have grown healthily, which may imply that home maintenance and home improvement have been preferred by consumers over building construction.

Also, the above-average growth in real estate agencies (together with home maintenance/improvement growth) suggests that existing home-owners may be using tradespeople to renovate homes, from which they may be trading-up to acquire new properties, whereas entrants into the housing market may be finding it difficult to start new projects. The question is whether this shows a widening in the wealth gap. Similarly, the automotive parts, recreational vehicle and used car sectors also appear to be contracting, which suggests that consumers may be buying new, practical cars rather than maintaining older cars. If so, does this mean that Australians are slowly moving away from fully petrol driven vehicles?



Experian Growth Index 12 Months to August 2025 –
Food and Retail Related Sectors
Index Value 0 = Average National Growth over all Industries



Farming and food distribution grows while some food and retail consumption falters

Experian’s commercial trading data and consumer spending data shows that the agriculture sector continues to perform well. We are seeing net new business openings as well as above average trading growth in pre-existing businesses in this sector. From the adjacent diagram, we see this strong growth in the dairy, livestock, fruit and nut farming – each growing by between 75 and 140 per cent more than the national average over all industries. The growth in livestock farming appears to be aligned with consumer demand, as we are also seeing growth in the retail meat and fish sectors. While this will be partly due to the inflationary effects on raw produce and value adding services, the rate of growth suggests that it is also largely driven by higher consumer demand.

By contrast, the news may not be as buoyant for the fruit and vegetable farming sector, for while we are seeing growth in agriculture, we are seeing much slower growth in the retail fruit and vegetable sector (50% below average). On the one hand, this may be due to higher inflation on vegetables (as seen in Victoria recently) but may also be due to lower demand for fresh produce in favour of processed goods (as the price of fresh foods rises). As such, the high-growth seen in the wholesale groceries (150% above average) and fruit farming sectors (75% above average) may be a warning sign of over-supply. Similarly, the materially slower growth in the hospitality, beverage and bakery sectors may also be a warning sign of harder business conditions for the food supply-chain in future.

Turning our attention to retail, we are seeing a contraction in the retail menswear sector together with the slower growth in the variety store, department store and women’s specialty retail sectors.

Slower growth (and in some cases, slower payment of invoices as well) may mean that these sectors are struggling to cope with the prevailing economic conditions.



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 prediction 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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