Consumer Stress Barometer

Australia | September 2025

Author – Michael Landgraf, Credit Research Manager

This report has been compiled by data sourced from Experian Australia Pty Ltd ("Experian) and illion Australia Pty Ltd ("illion"), an Experian Company, as well as other public sources as referenced where applicable.

Summary observations

While consumer default risk has had seasonal fluctuations, the longer-term trend suggests that it is continuing to rise. This deterioration has been pronounced amongst cardholders, suggesting that consumptive behaviour is becoming riskier.

The Credit Stress Barometer for June 2025 indicates that, as a long-term trend, credit default risk is on the rise, even while the June quarter itself appears to be quite stable. The outlook for the short-term is not likely to show a heightening risk, but as costs continue to rise (especially as we near Christmas), the longer-term outlook suggests that the rise in credit stress is showing no sign of peaking, and instead, is likely to reach a new high.

With delinquency and hardship levels still rising, we consider that credit risk may continue to deteriorate (even becoming entrenched), unless significant cost of living relief (especially from lower interest rates) occurs in the short-term outlook period. To illustrate, while 2024 saw some respite in credit risk, 2025 saw households exposed to higher stress with the overall credit default risk now near 14% above the beginning of 2022 and above at any point post-COVID (even 1.3% above, in absolute terms, the previous peak in July 2023). This risk has risen substantially since November 2024 and while the second half of the year typically sees risk falling, any improvement in the latter part of 2025 will need to be treated cautiously given the long-term trend.

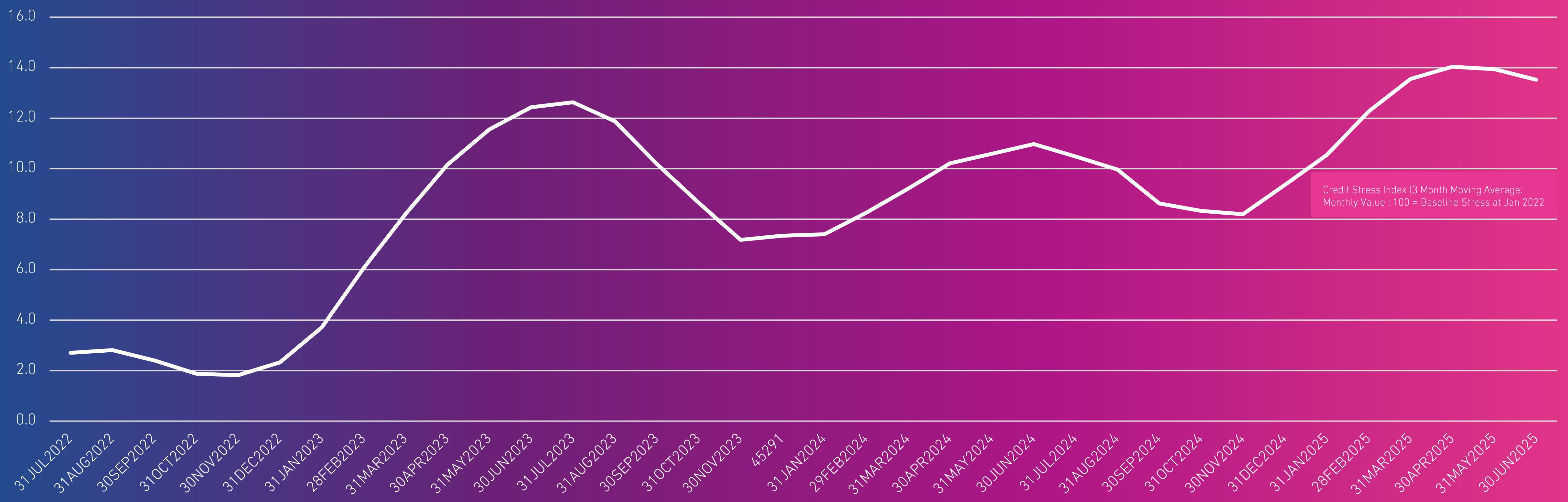
Looking more closely into the credit stress of Australians, we have observed that credit card and mortgage holder risk has continued to climb, with cardholder risk being the most notable rise. This suggests that household consumption shows a notable increase in risk, which may be further validated by a large rise in the number of personal loans being taken out by consumers.

On the plus side, although renters continue to show the highest observed default risk, we have not seen a significant deterioration amongst this cohort in the June quarter, while we have also seen rental costs potentially stabilising. Against this backdrop, we have seen risk rising amongst younger families, frugal households and older sea-change and tree-change families. This seems to be occurring even in households with above-average incomes (likely due to rising debt obligations and higher household expenditure where older parents are supporting children).

Finally, while the default risk of cardholders is rising in several states (suggesting it is a uniform problem), only Victorian mortgage-holders are showing signs of higher default risk (with the risk of borrowers in the other major states improving).

The barometer to June 2025

Credit Stress Index based on consumer credit behaviour – Percentage change in the Consumer Default Risk – July 2022 to June 2025



Overview

Key observations for the June 2025 quarter

Credit stress stable but high	Overall credit stress is at its highest point since COVID although it has remained stable over the June quarter. This apparent stability is in line with normal seasonal fluctuations meaning that default risk is now 14% above the level in January 2022 and 1.3% above the previous peak in July 2023.
Long-term default risk still on the rise	Over the long term, credit default risk has risen consistently year-on-year (after a brief hiatus on 2024). Currently, there is no clear sign of a long-term peak. This rising trend presents a warning sign for higher levels of mortgage stress and credit card defaults.
Victorian mortgage-holders still most vulnerable	The default risk of Victorian mortgage-holders has risen in the June quarter (by 4%) while that of mortgage-holders in other states has improved (in some, by large margins). Victorian home loan borrowers therefore continue to have unique financial problems – from lower incomes, higher costs and lesser capacity to refinance. These problems may only be alleviated by significantly lower interest rates in the immediate term.
Default risk of renters may be stable as savings grow slowly again	In a change from previous barometer reports, while the default risk of renters is still higher than that other consumers, this risk may have begun to stabilise. The June quarter has also seen the smallest rise in rents for an extended period (60-75% lower than the previous three quarters of FY24/25) and savings have slowly begun to climb again (up 10% year-on-year in June).

Cardholder risk is on the rise, while mortgage-holder risk may have slowed in the June quarter

Cardholder risk saw the largest increase in the June quarter, suggesting that consumptive credit risk may be on the rise again as shoppers juggle their financial obligations with their limited funds.

While mortgage-holders have suffered the largest rise in default risk over H1-2025, the rise seen in the June quarter has been greater amongst credit card consumers. From the adjacent graph, we can see that cardholder risk climbed 2.5% in the June quarter, as compared to around 1.5% for mortgage holders and a little over 1% for personal loan borrowers.

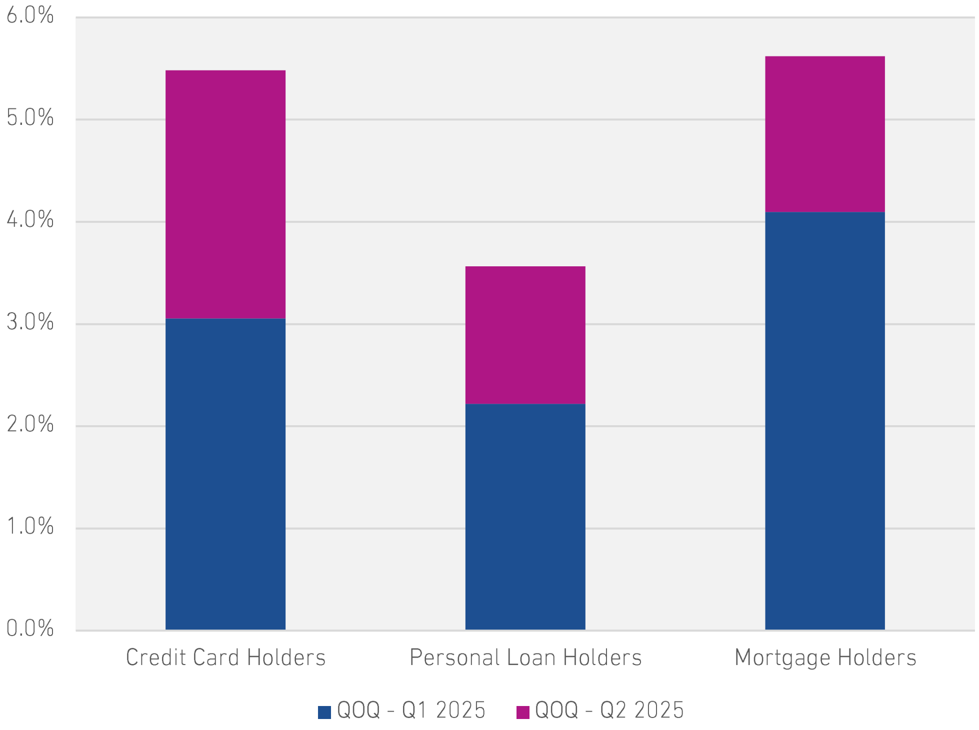
With the resurgence of the credit card as a primary vehicle for financing consumption, this higher risk may indicate potential challenges for the credit economy, as cardholders struggle to finance household expenses and discretionary consumption.

For example, the rise in default risk has been seen in several diverse demographic groups, including middle income Australians, elderly Australians (especially where they are still managing a stay-at-home family), people with longer term housing tenure (most likely, stressed older households), and Australians with a lower accumulation of assets.

In addition, those demographic groups with more entrenched risk include young Australians (under-30), families with small children, people living in lower density areas (i.e. the suburban fringe and regional outskirts), lower-wealth older Australians who have looked for a 'sea-change' and 'tree-change' where social security and part-time income may not have kept pace with rising costs.

Given the diversity of these risk groups, lenders may need to prioritise the risk monitoring of their cardholders through 2025, especially those consumers who hold multiple credit instruments to financing consumption.

Percentage change in credit default risk in 2025



Delinquency and hardship rates are still rising in the June quarter

Credit problems are manifesting themselves amongst cardholders when compared to 12 months ago, while mortgage-holder risk is still rising but at a slower pace.

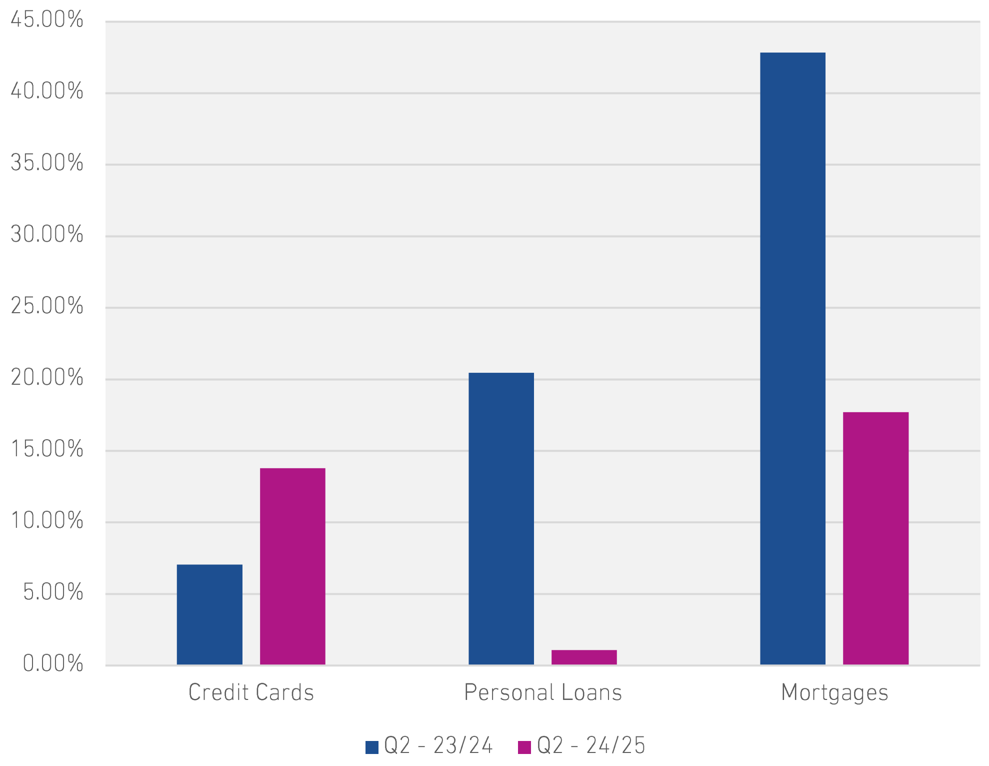
As shown in the adjacent graph, the resurgence in credit card usage was coupled with a small increase in card risk in the 2023/24 financial year, with the 30+ day delinquency rate rising around 7% in Q2-2024, as compared to Q2-2023.

However, moving forward to FY2024/25, we observe that the credit card delinquency rate has deteriorated at twice the rate of the previous year, with the combined 30+ day past-due rate and hardship rate climbing by 14% YOY in the June quarter. As a result, the credit card delinquency rate is now notably higher than in both of the previous two years.

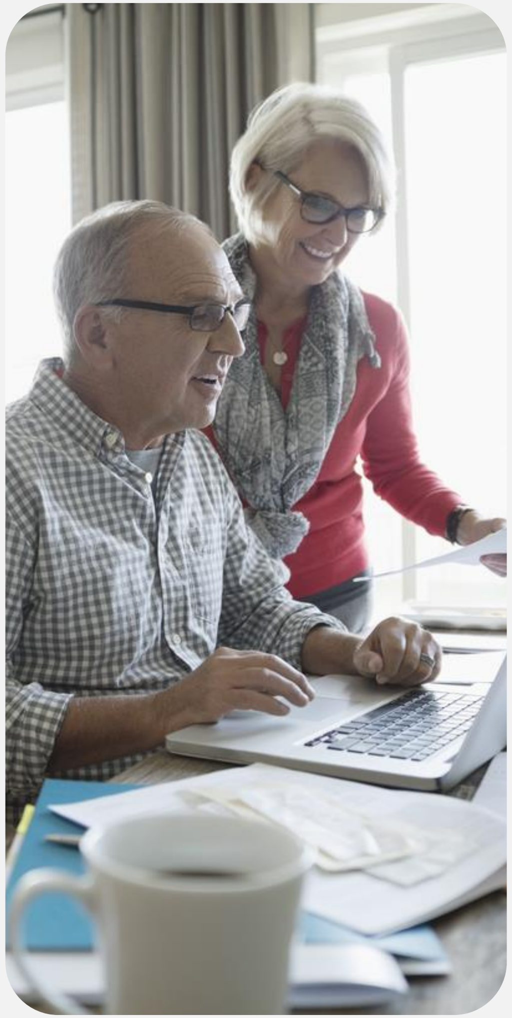
At the same time, we have seen the combined delinquency and hardship rate of home loans rising by 18% YOY in the June quarter, suggesting that financial stress amongst mortgage-holders is still a pressing problem (albeit, that this stress is being managed jointly and pro-actively by consumers and lenders, as there has been a clear slowing in its rate of rise over FY24/25 - down from a 43% rise in the June quarter of FY23/24). The news for mortgage lending is therefore mixed and, as such, requires close monitoring of mortgage stress to gauge the divergent effects of higher property prices and lower interest rates into 2026.

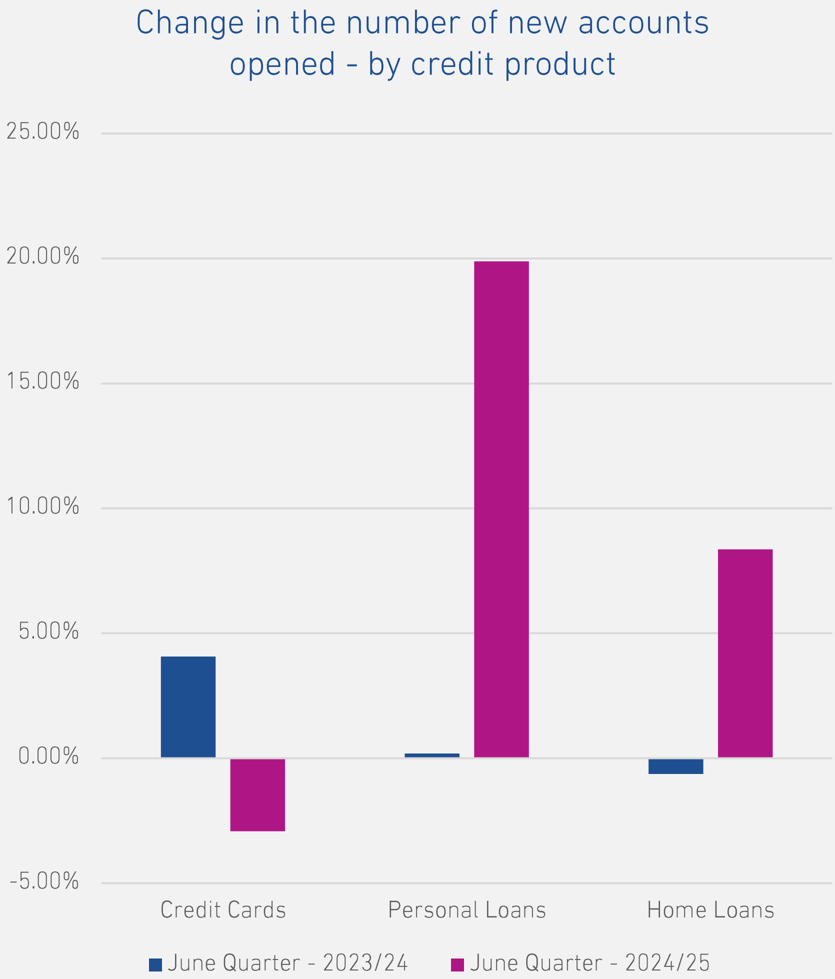
By contrast, the news for personal loan borrowers is more positive, with only a minimal rise in delinquency and hardship rates observed in the June quarter (as compared to FY23/24). That said, the underlying risk associated with personal loans remains a priority for monitoring, given it is greater than that of home loans and credit card accounts.

YOY change in aggregate delinquency and hardship rate by product – June quarter



Is the shift to personal loans also a warning sign of heightened risk?





While stable delinquency and hardship rates are a positive sign for personal loan risk through 2025/26, the adjacent graph paints both a positive picture for the personal loans sector and a potential warning sign of elevated risk.

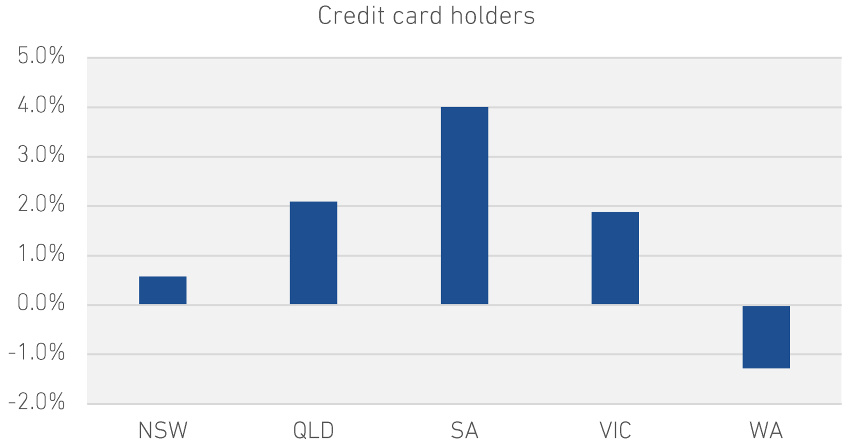
Firstly, focusing on the credit card sector, the diagram shows a slowing in the number of credit cards being opened, which, given the rising credit risk observed may be a sign of prudent risk management – i.e. tight affordability policy may prevent financially burdened consumers from taking out credit card debt.

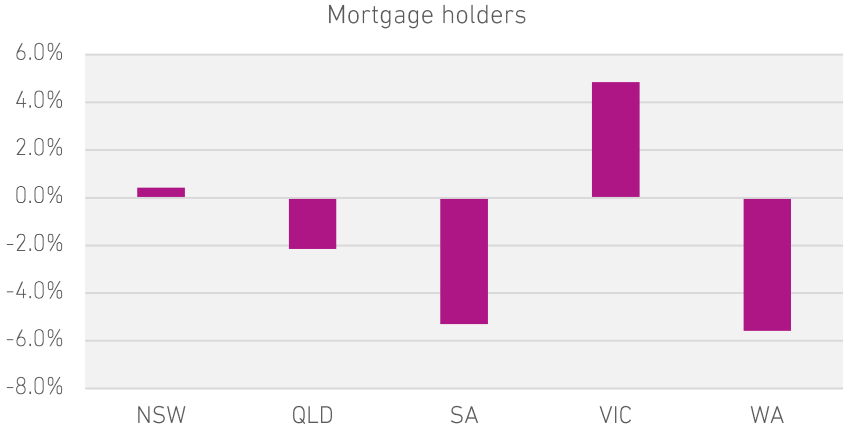
However, against this backdrop, we are seeing a significant rise in new personal loans being opened (20% higher YOY in the June quarter). On the one hand, this may be a positive sign for lending, in that lower interest rates are making credit more affordable, but conversely, this may be a sign that consumers are turning to higher risk finance if they are being locked out of the credit card market. The exact nature of this shift is not yet clear and, as such, illion, an Experian company, will be monitoring the risk of the personal loan sector closely though 2025/26.

The year-on-year rise in new home loans (8% higher) is likely to be a positive sign of higher housing demand, potentially due to lower interest rates, and a higher volume of refinancing requests amongst existing mortgage holders.

Cardholder risk is rising nationally while mortgage-holder risk is rising mainly in Victoria

Change in default risk – year to June 2025



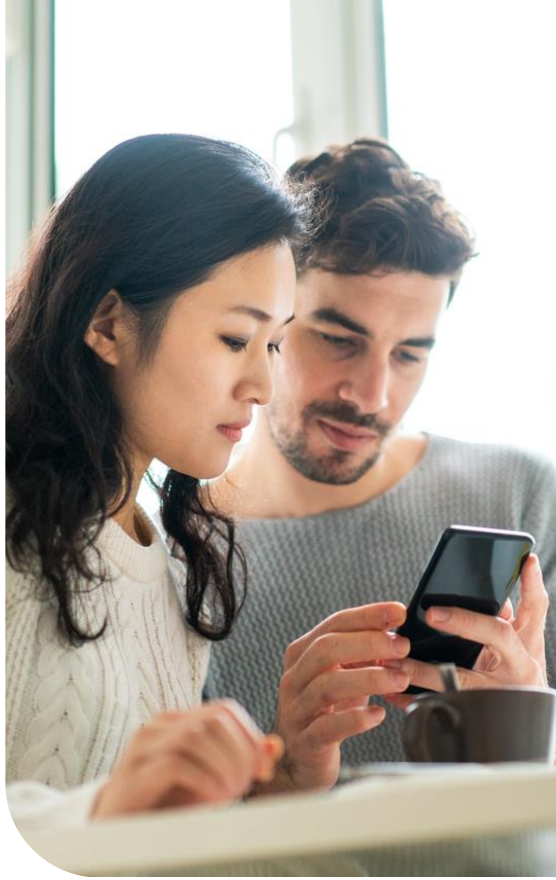


The default risk of cardholders has deteriorated in all mainland states over the last 12 months, apart from Western Australia (where it has fallen 1% in FY2024/25). Cardholder risk has deteriorated by 4% in South Australia (double the nearest deterioration of 2% in Victoria and Queensland, while the risk in New South Wales has increased only marginally). As mortgage-holder risk has fallen by 5% in SA, it appears that the cardholder risk has risen most amongst lower income earners and renters, suggesting a notable polarisation in the financial standing of South Australian home-owners and renters.

Mortgage-holder risk has improved most in South Australia and Western Australia, while it has deteriorated most in Victoria (by 5%). This deterioration is potentially caused by lower incomes relative to higher living costs as well as people being locked into existing mortgage contracts. This however also suggests that Victorian non-mortgage holders may be showing signs of improving financial stability – e.g. the financial risk of renters may be stabilising).

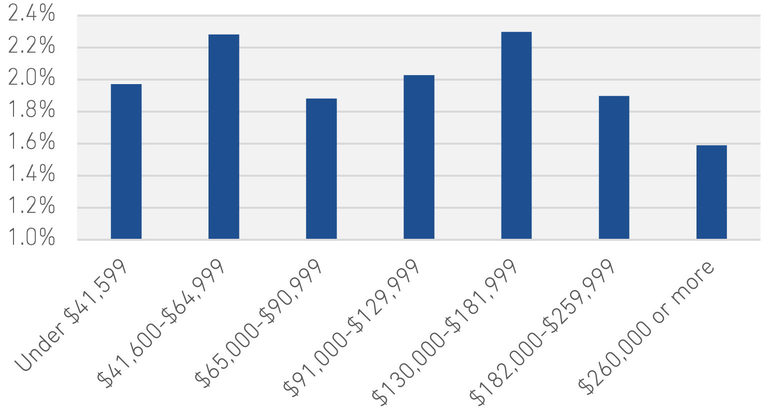
Of the smaller states and territories, the Northern Territory is showing heightened levels of risk, while Tasmania remains stable and ACT has higher mortgage-holder risk but lower non-mortgage holder risk (similar to the trend seen in Victoria).

Nationwide, budget sensitive retirees, people retiring to seaside and regional centres, budget sensitive millennials who are renting (some even with higher incomes) and people living in rural and farming regions of Australia are more likely to account for those Australians whose risk deteriorated the most in FY24/25.

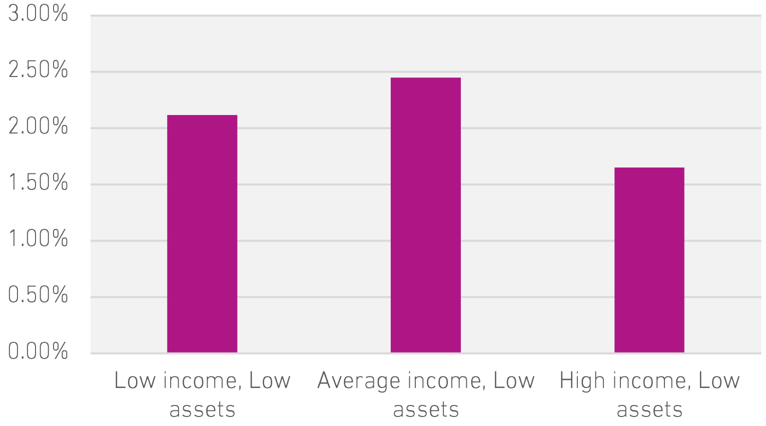


Default risk is not caused solely by lower income

Change in default risk of consumers by their income level over FY2024/25



Change in default risk by level of affluence over FY2024/25



Our geo-demographic analysis suggests that income is not a leading cause of default risk currently. While individuals living in regions with very high incomes are, on average, less likely to default on credit, income is not a strong predictor.

In fact, some higher socio-economic areas are seeing credit default risk deteriorating faster than lower status areas. For example, our data shows that people living in areas with a higher concentration of established families and older age groups with a high socio-economic status have suffered a moderate rise in their credit default risk over the last year. This may indicate that, while their paper wealth is relatively strong, higher home loan borrowing obligations, financial needs of children and potentially large business borrowings may be causing some financial stress.

While these demographic groups are likely to have higher incomes, it Is also feasible that they are carrying higher, than average, debt obligations and higher expenses. To some degree, this is shown in the adjacent diagram, where people likely to be earning around $250K per annum have a similar default risk to those earning in the vicinity of $90K. The diagram also shows that there are some standout risks in both the low and middle-income groups. As noted earlier, lower income groups, who are more likely to be living in sea-change and tree-change regions or in in outer urban areas (some renting and some repaying smaller home loans) have a heightened risk (i.e. those earning around $40K-$65K p.a.).

Equally, households with medium to high income ($130K-$180K) also have a heightened risk, suggesting that higher incomes do not reduce their credit risk if these incomes are coupled with higher expenses (and debts). This is further supported by the bottom diagram, which shows that those middle-income Australians, who tend to spend their income (instead of build wealth), have a 20% higher default risk, as compared to lower income Australians who are less able to build wealth. As such, while their income may indicate better affordability, their higher spending tends to indicate higher risk.

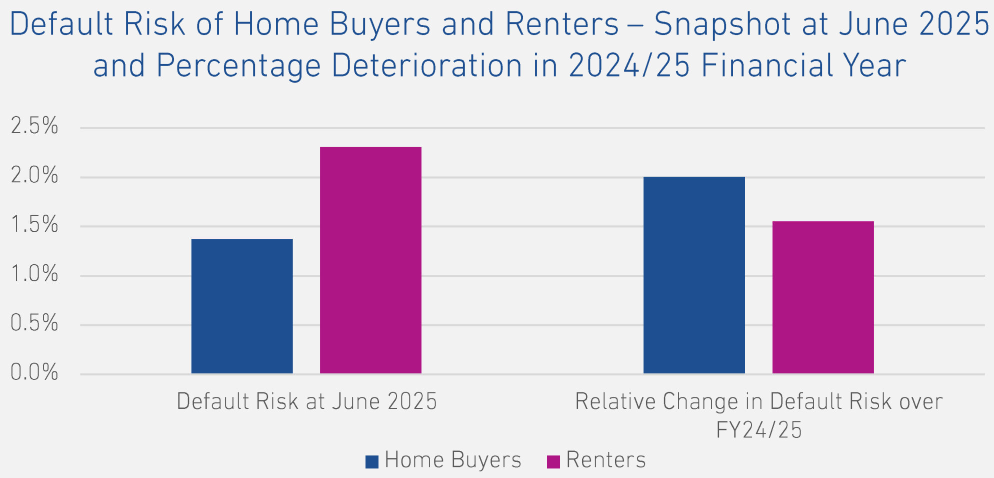
While the credit risk of renters remains high, recent deterioration has been more prevalent amongst home buyers as rents stabilise

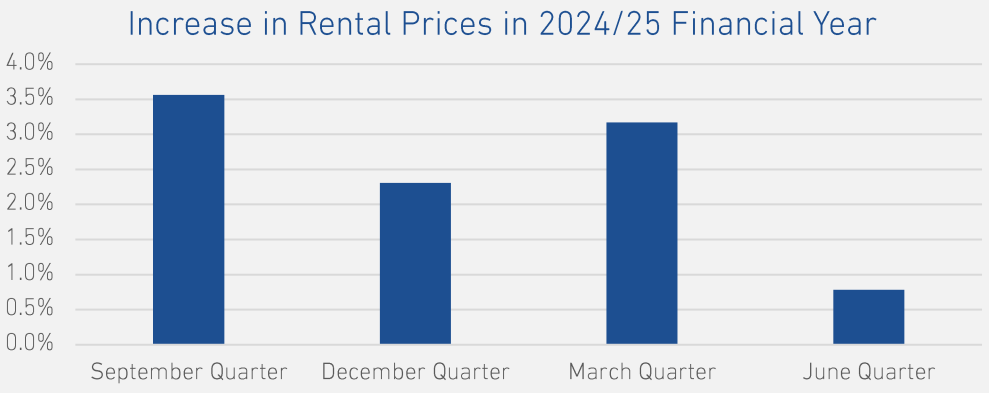
Australians living in areas with a high concentration of renters have a higher risk of credit default than those with a higher concentration of home buyers – their default risk is around two-thirds higher at 2.3% (compared to 1.4%).

However, by contrast, it appears that the default risk of people living in high-rental areas has slowed over the last year, when compared to mortgage-holders (their default risk rising by 25% less than that of mortgagors over FY24/25). Therefore, while lenders will need to stay alert to their generally higher risk, it is feasible that the default risk of renters is beginning to stabilise.

Supporting this view, we have also seen that the financial stability of renters may be improving, as shown by the lower diagram. Looking at the last 12 months, we can see that, after three quarters of sizeable rental price rises (3.5% in the September quarter, 2.5% in December and 3% in March) the June quarter saw only a 0.8% rise. If this were to continue, it would mean that rent rises would drop from circa 12% p.a. to 4% p.a. (close to the RBA's desired CPI target).

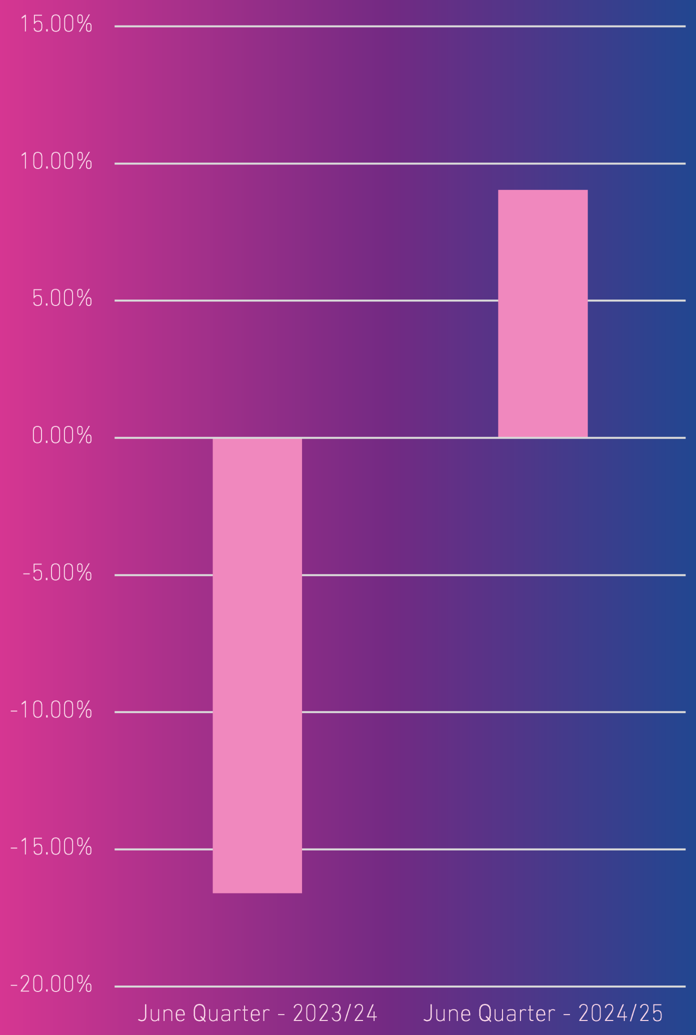
In practical terms, this may mean that the financial position of renters is improving and if this is so, this freeing up of finances may be leading to better credit outcomes – potentially, similar to those we are seeing in the risk of personal loan accounts currently. While not uniform nationwide, the suggestion of falling renter risk in Victoria may be another example of improving financial conditions. Geographic areas with the greatest improvement appear to have a denser concentration of highly educated professional workers, some of whom are middle to upper income earners who are renting in inner suburbs – most notably, in Melbourne and Sydney.





Possible turnaround in personal savings

Change in the Personal Savings of Australian Consumers – compared to 12 months prior



The possibility of stabilising rents may also be leading to an improvement in the savings rates of consumers. In our previous report we had identified that, while savings were being eroded after two years of higher interest rates and household costs, this rate of erosion had begun to slow in the March quarter.

Now focusing on the June quarter, we are seeing further improvement in savings rates, to the point where there has been a net rise in savings. If we compare the June quarter of this year to 2024 (per the adjacent diagram), we can see that average savings grew by 9%. This contrasts well to the previous year, where average savings were 16% lower than in 2023.

While this does still mean that savings are substantially lower than they were during pre inflationary times, it offers the suggestion that households may finally be able to start building wealth again.

As such, although it is too early to say with conviction, that household finances have 'turned the corner', it is possible that we are seeing a 'green-shoot' appear in Australians' budgets. If this continues, there may be the suggestion that a sustainable fall in default risk is possible as we head into 2026. As such, we will continue to monitor the progression of savings rates as interest rates move during the year.

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 in 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 this report was derived from illion's, an Experian company, proprietary credit and expenditure databases.

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We operate across a range of markets, from financial services to healthcare, automotive, agribusiness, insurance, and many more industry segments.

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Experian Australia Pty Ltd
Level 14, 2 Southbank Blvd
Southbank VIC 3006

T 03 8622 1600
E info@au.experian.com

www.experian.com.au

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