



Commercial Credit Insights

Q1
2026

Executive Summary

- **Overall Market** demand flattened YoY in 26Q1, despite marginal improvements in Asset Finance. While company insolvencies fell 5.7% YoY, tightening conditions drove a 10% rise in small business failures. Regional stress remains concentrated in the eastern states, highlighted by an 19% surge in SME insolvencies. Furthermore, rising nationwide ATO defaults signal widespread, compounding cash flow constraints.
- **Small and Medium Enterprises** SME credit demand fell 7% YoY in 26Q1 as borrowers retreated following consecutive rate hikes. Conversely, credit shopping among high-risk SMEs has resurged to 2023 levels, now occurring at three times the rate of their low-risk counterparts.
- **Construction** sector credit demand flattened for Large Companies YoY while SMEs saw reducing demand, with economic pressures being more pronounced for smaller businesses. While overall company insolvencies saw a moderate decline of 6.4% YoY in 26Q1, business insolvencies surged by 16% over the same period. The sector is facing severe cash flow distress, evidenced by the market's sharpest rise in new ATO defaults at a staggering 49% YoY.
- **Logistics** sector is experiencing significant difficulties, and we've observed a tactical pivot towards the increase use of Trade Credit to mitigate fuel and price volatility. Increased demand for Asset Finance was also observed as the sector looks towards strategic investment in electrification of their fleets. Logistics companies experienced a 5% increase in insolvencies YoY, with a 27% surge in small business failures. These financial difficulties are further evidenced by an 11% YoY increase in ATO defaults, and non-insolvency exits increased by 16% on last year.
- **Hospitality** sector navigated mixed operating conditions in 26Q1, characterised by flat year-over-year demand from large enterprises and a noticeable decline in SME activity. While the sector experienced a 15% YoY drop in company insolvencies, broader market pressures persist, resulting in a 10% increase in non-insolvency exits since 25Q1. Additionally, the tightening economic conditions (eg. lower consumer discretionary spend, inflation etc.) squeeze smaller operators, driving a 10% YoY rise in business insolvencies.
- **Retail** sector navigated a cautious 26Q1 as overall credit demand fell 6.5% to three-year lows, driven by a sharp SME pullback (-10.2%) amid rate hikes and weakened consumer spending. Interestingly, the SMEs still actively applying for credit had better application scores, outperforming large companies. While the sector saw company and business insolvencies reducing 8.1% and 33% YoY respectively, underlying strains persist, evidenced by lengthening trade payment times and a 3% rise in tax debt disclosures. This mixed economic environment has fueled elevated market churn, ultimately driving a 2% net contraction in active retail businesses since 25Q1.

Total Demand

-0.4% vs 25Q1



Asset Finance

+3.1% vs 25Q1



Business Loans

+0.8% vs 25Q1



Trade Credit

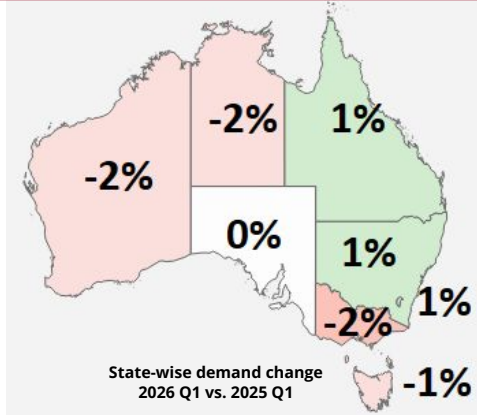
-11.9% vs 25Q1

Commercial Demand

Flattening Commercial Demand Amidst Uncertain Economic Conditions

Despite strong tailwinds from 25Q4, rising labour and operational costs, exacerbated by the recent global uncertainties and surging fuel prices, together with rising inflation and interest rates have kept overall 26Q1 demand subdued

Overall Demand Change
▼ -0.4% vs 25Q1



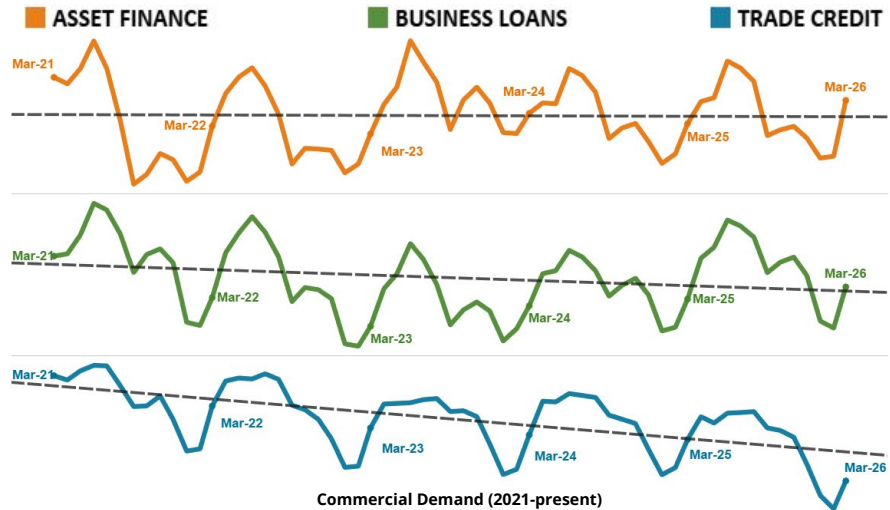
Business Confidence reduced to a 2 year low of 88.6 in 26Q1 due to geopolitical factors impacting market confidence. RBA rate rise and inflationary conditions cause a mixed commercial demand at a sector and state level in 26Q1.

In the east, NSW and QLD have marginally improved demand over 25Q1 while borrowers in VIC have made 2.4% fewer enquiries, seeing the greatest reduction in overall enquiries out of all states. The west (WA) observed a 1.8% reduction over the same period.

Asset Finance
▲ 3.1% vs 25Q1

Business Loans
▲ 0.8% vs 25Q1

Trade Credit
▼ 11.9% vs 25Q1



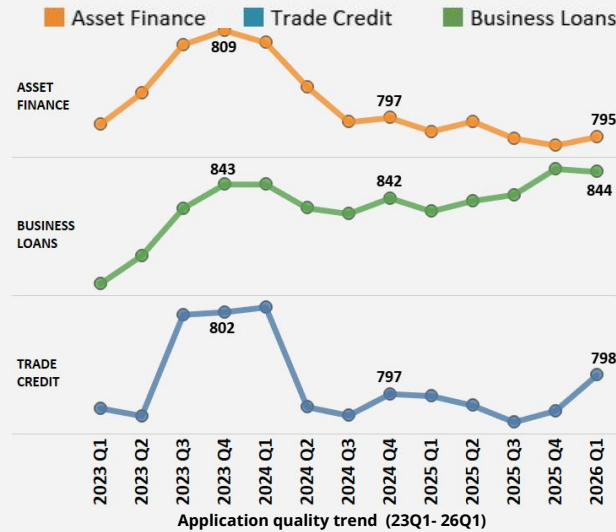
- ❖ Despite an overall reduction of 11.9% in trade credit demand for the quarter, some sectors (i.e. Logistics and Construction) have observed elevated levels of trade credit demand, following recent fuel price volatility and cost inflation.
- ❖ Asset Finance demand improved 3.1%, although the volume of enquiries varied amongst sectors and states.

Application Quality

Application Quality Remains Resilient

Despite softer overall demand, tightening economic conditions have spurred a noticeable shift toward higher-quality applicants. Business Loans hit peak average scores (up 4 points YoY), and Trade Credit quality rebounded for the first time in nearly two years, lifting the average portfolio score.

Quarterly Score Change ▲ 2 points vs 25Q1

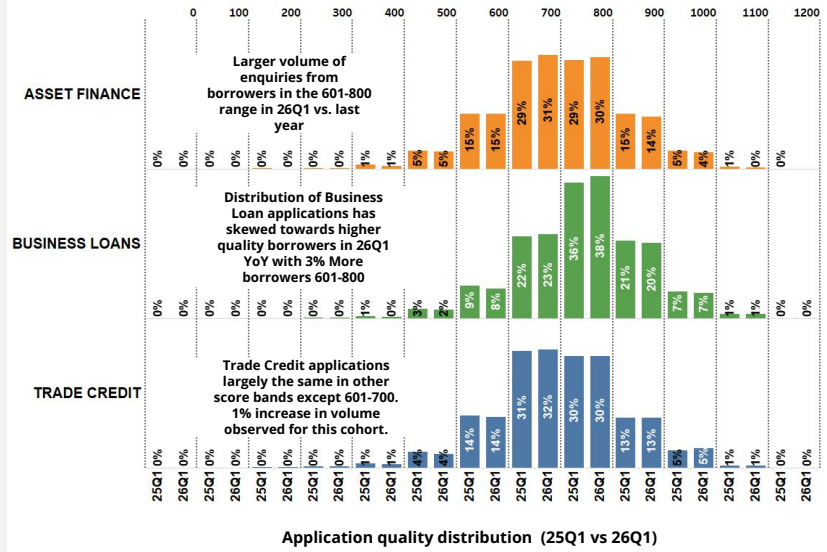


Asset Finance
▼ 1 points vs 25Q1

Business Loans
▲ 4 points vs 25Q1

Trade Credit
▼ 1 point vs 25Q1

Business loan average scores are at peak levels in Q1 2026, driven by higher volume of enquiries from borrowers with scores over 700. Trade credit enquiry customer quality is increasing for the first time in 7 quarters, up 2 points from the Q3 2025 low. Asset finance enquiries, however, remain near Q1 2023 levels after dropping from their Q4 2023 peak.



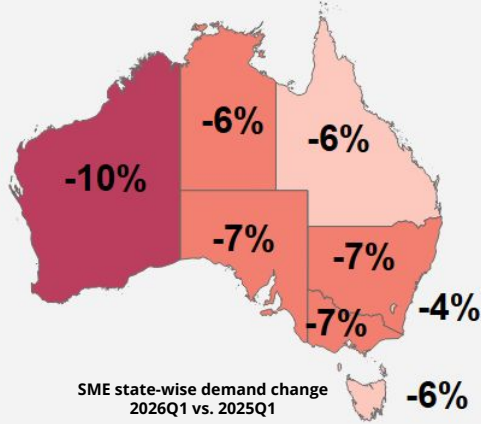
As conditions tightened over 26Q1, there was a general trend in the market for higher scoring borrowers seeking being the main drivers of commercial credit. This is evidenced by Business Loans having a rather soft increase in demand (0.8% YoY in 26Q1) and yet still the overall application quality increased to peak levels in the same quarter.

Small & Medium Enterprises

Higher Sensitivity To Economic Conditions Dampened Overall SME Demand

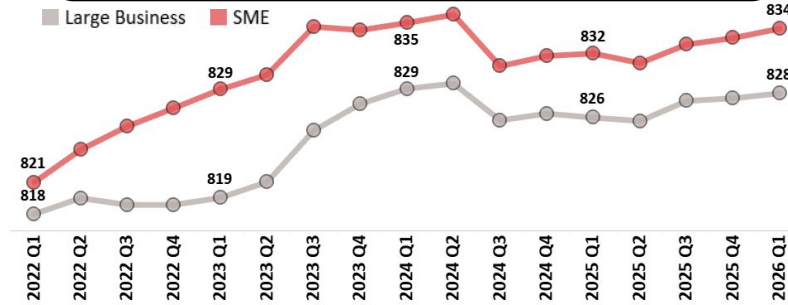
Changes in economic conditions resulted in a 7.0% nationwide demand contraction for SMEs and a significant drop against historical seasonality. Conversely, the narrowed pool of SMEs still applying have higher credit scores than their Large Business counterparts.

SME Cohort Demand Change ▼ -7.0% vs 25Q1

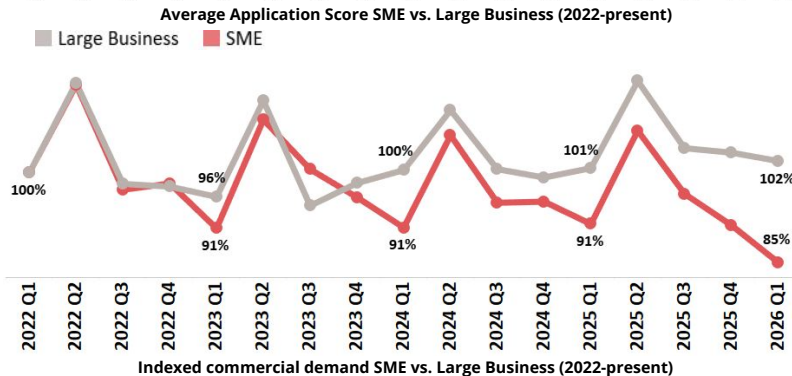


SMEs across all states in Australia had a moderate reduction in commercial credit demand in 26Q1, due to reduced regional demand from key states such as VIC (-7.3%), QLD (-6.1%), WA (-9.5%) and NSW (-6.9%). The recent challenges in the global market contributed towards softer demand from the SME cohort, which was further exacerbated by two consecutive rate rises in 26Q1.

SME Cohort Score Change ▲ 2 points vs 25Q1



SMEs currently seeking credit are of higher credit quality out of the last 6 quarters, and are higher compared to Large Businesses



SME credit demand in 26Q1 reduced 15% compared to levels observed in 22Q1. This is after 3 consecutive years of consistent seasonality, suggesting that recent market conditions are impacting SME confidence, and thus impacting credit seeking decisions.

Small & Medium Enterprises

Credit Shopping Rates Diverge as Risk Increases

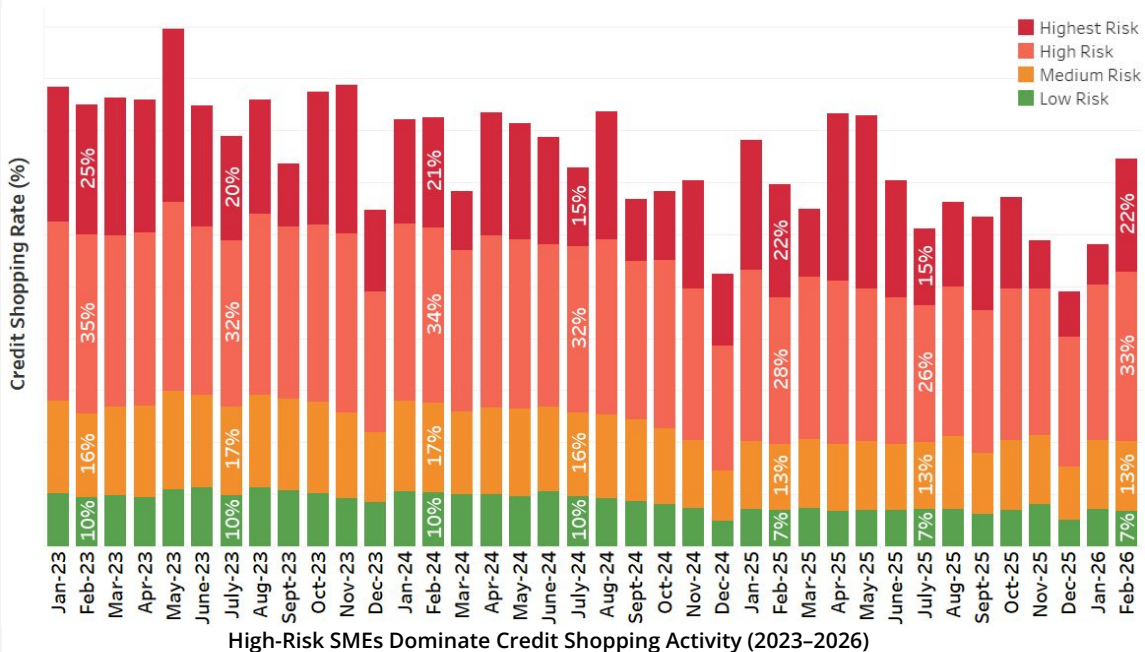
High-Risk borrower's credit shopping climbed back to early 2023 levels, while credit shopping among low and medium-risk borrowers has continued to stabilise over the last 18 months. Overall credit shopping activity is driven by the High Risk SMEs, with current rates 3x higher than the rate of their low-risk counterparts in Q1 2026.

Volatility in credit shopping rates among high-risk SMEs indicates the behaviour is influenced by interest rate shifts. After easing to 26% in mid-2025, this tier's shopping rate surged to 33% in 26Q1.

This rapid acceleration highlights that compounding macroeconomic shocks (such as rate hikes, inflation, rising costs etc.) impact the subprime borrower's ability to secure credit, resulting in increased shopping enquiries as they search for low rates in the market.

Borrower behavior is diverging sharply by risk tier. Between early 2023 and February 2026, credit shopping rates steadily contracted for Low (10% to 7%) and Medium (16% to 13%) risk segments, while high-risk bands remained elevated.

This indicates lower-risk borrowers readily secure primary funding, while high-risk profiles tend to shop for approvals. However, the stable baseline of low-risk shopping reveals a distinct, rate-sensitive sub-segment deliberately seeking competitive terms.



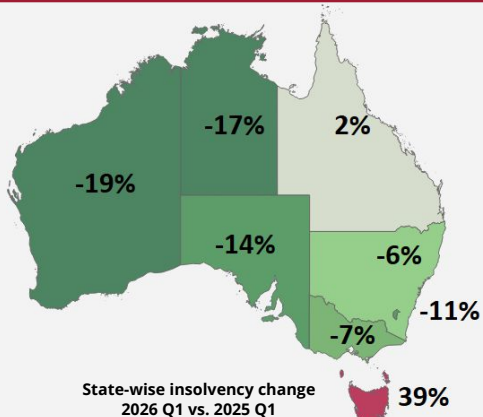
Insolvency

National Company Insolvencies Ease (-5.7%) as Western States Improve, Yet Sector Risks Persist

Overall insolvency volumes have decreased year-over-year, tracking just below the peak levels of 2025 thanks to strong recoveries in WA and SA. However, localized increases in QLD, coupled with increases in business related personal insolvencies from the Logistics and Construction, highlight ongoing pockets of vulnerability in the market.

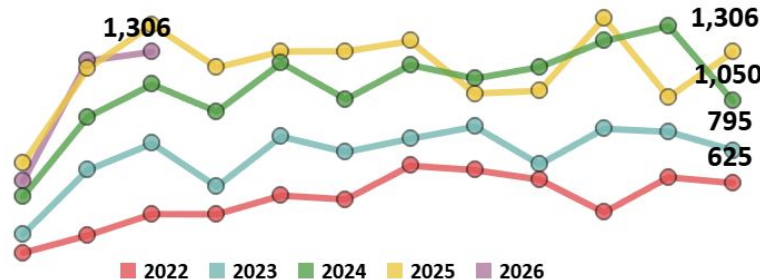
Company Insolvency Change

▼ 5.7% vs 25Q1



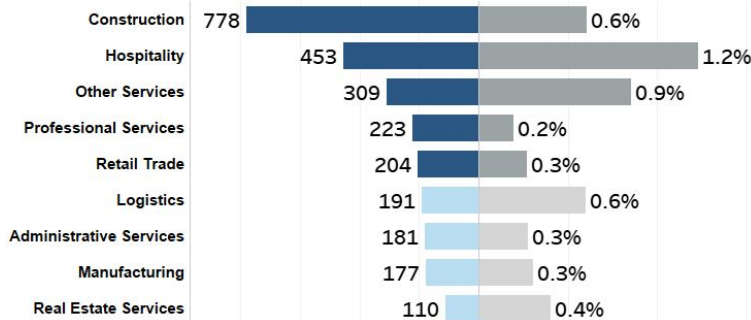
While overall insolvencies reduced nearly 6% YoY in 26Q1, current volumes remain near peak levels. Additionally, Business related personal insolvencies increased 10% nationally, indicating that small businesses and SMEs are getting impacted by the worsening market conditions.

Churn rate of active entities remains elevated in 26Q1, with other business exits rising 10% yoy and entries improving 16% over the same period. As market conditions evolved through the latter part of 2025, the net number of active entities in the market reduced slightly, shrinking 2% YoY in 26Q.



While company insolvencies softened in the eastern states, underlying pressures in the SME cohort is evident through rising number of business insolvencies. Significant YoY growth in business insolvencies were seen in NSW (21%), QLD (19%) and VIC (14%), while company insolvencies softened over the same period.

Monthly insolvencies (2022 - Present)



The Construction sector recorded the highest volume of insolvencies, affecting approximately 0.6% of active companies.

Conversely, the Hospitality sector experienced the highest impact of insolvencies on credit active* companies in Q1 2026, reaching 1.2%. This rate represents the fourth consecutive period of stabilisation for the Hospitality sector insolvency rate.

Construction

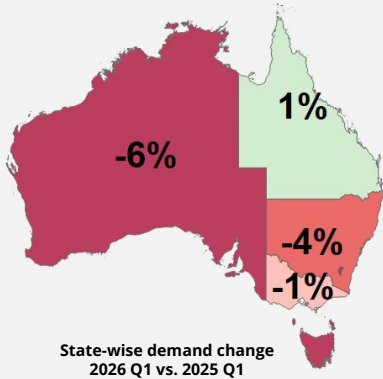
Construction Demand Dips 2.8% YoY, Infrastructure Works Provides a Regional Boost

While construction credit volumes reduced slightly, pre-Olympic preparations in QLD drove localised growth for large businesses. Overall, SMEs saw a steeper pullback (-5.6%) than large enterprises (-1.5%). Borrower quality has equalized across both cohorts, indicating that SMEs now share a similar risk profile to Large Businesses.

Overall Demand Change
 ▼ 2.8% vs 25Q1

Large Business Demand
 ▼ 1.5% vs 25Q1

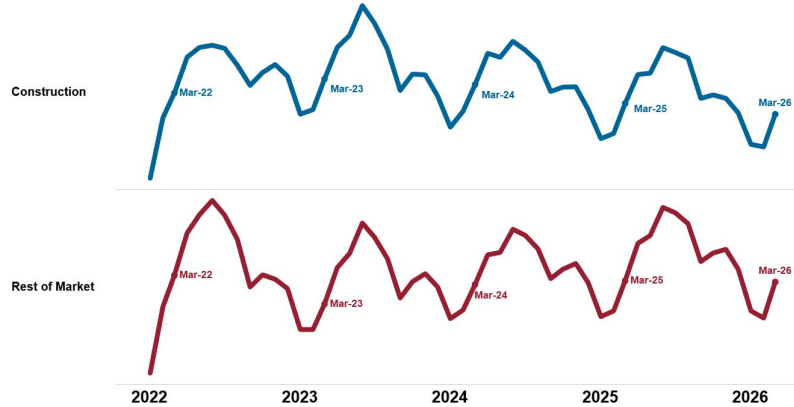
SME Demand
 ▼ 5.6% vs 25Q1



State-wise demand change
 2026 Q1 vs. 2025 Q1

Overall enquiries declined for both Large Business and SME cohorts, regional variations were notable. Large Businesses in QLD saw a 3.6% increase in enquiries, leading to a 1% overall rise, as heavy infrastructure projects continues.

The SME segment experienced a 5.6% reduction in credit demand, though SMEs in NSW, WA and QLD had increased Asset Finance enquiries in 26Q1.



Long run demand trend suggests that construction demand still follows the same seasonality, however the volume of enquiries has more recently decreased.

ASSET FINANCE
 2026 Q1

BUSINESS LOANS
 2026 Q1

TRADE CREDIT
 2026 Q1



Average Scores of 25Q4 Enquiries for credit products

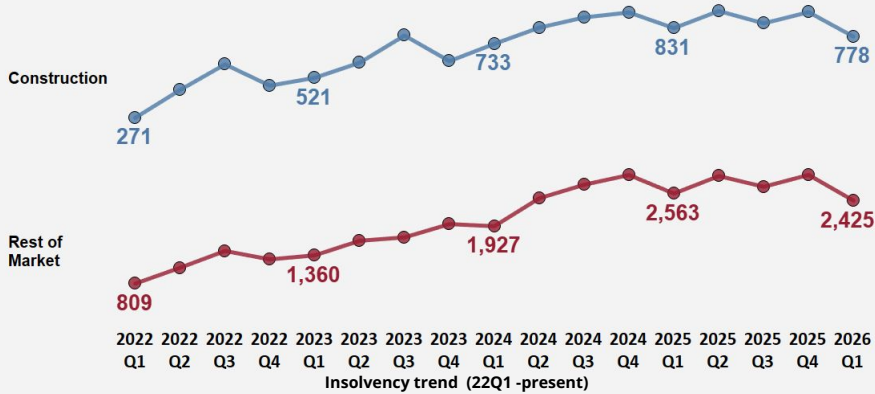
The average quality of borrowers seeking credit equalised for both Large business and SME cohorts in 26Q1 after 4 consecutive quarters where SME average application scores outperformed Large Business scores. This indicates SMEs seeking credit right now are of similar risk profiles as large businesses

Construction Stress Persists: Insolvencies Hold Near Peaks Amidst Mounting Tax Debts

Despite a 6.4% YoY drop in total insolvencies, the construction sector remains under intense pressure, plateauing near peak levels for a sixth straight quarter. Rising trade payment delays and a 49% spike in new tax debt disclosures signal ongoing cash flow constraints, further reflected by a 10% yoY increase in non insolvency exits.

Company Insolvency Change

▼ 6.4% vs 25Q1

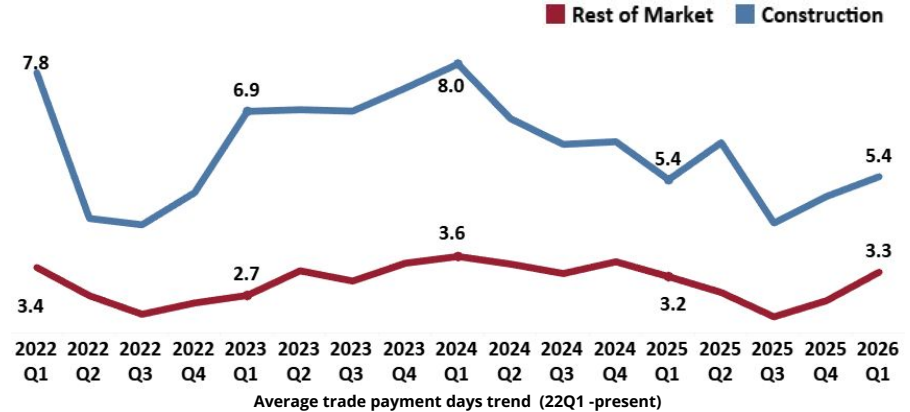


Quarterly insolvency levels are continuing to plateau near peak levels since 24Q4, now for 6th consecutive quarter. Business Insolvencies in the construction sector increased 16% YoY in 26Q1, as adverse market conditions increasingly impact SMEs in the sector. Additionally :

- There was a 49% increase in new tax debt disclosures across the construction sector.
- Net number active construction entities shrank 1% from 25Q1, as rate of new entrants flatten to 5% YoY in 26Q1
- The shrink in net number of entities driven by elevated levels of business exit rates over the last 12 months, with 26Q1 having 10% more YoY exits.

Trade Payment Days Change

No change vs 25Q1



Signs of stress detected in the rising number of days to pay amongst businesses in the construction sector. Current levels are on par with 25Q1 levels, rising once again after a brief dip in 25Q3.

Hospitality

Hospitality Demand Flattens Across All States as SMEs Pull Back

Adverse economic conditions in Q1 2026 drove a 3.6% overall contraction in hospitality sector credit demand, with SMEs reducing enquiries across all major states and product types (-5.9%). Conversely, Large Businesses leaned heavily into Business Loans to secure operational cash flow.

Overall Demand Change

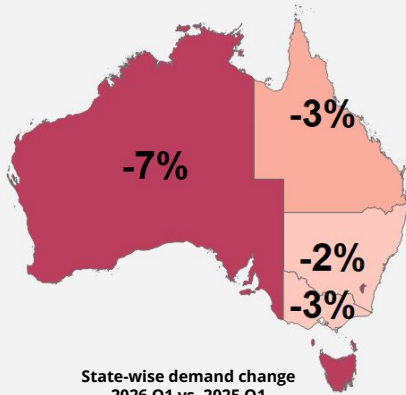
▼ -3.6% vs 25Q1

Large Business Demand

▼ 1.3% vs 25Q1

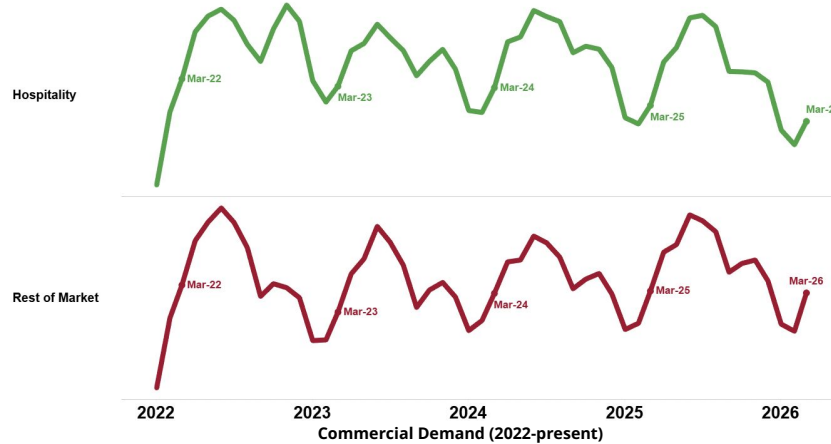
SME Demand

▼ 5.9% vs 25Q1



State-wise demand change
2026 Q1 vs. 2025 Q1

In Q1 2026, Large Businesses in the hospitality sector showed a 3.7% increase in demand for Business Loans, even as overall credit enquiries dropped 1.3%. This trend suggests that businesses still seeking credit are prioritizing operational cash flow. Conversely, SMEs have seen a reduction in credit demand across all product types, a trend observed in all major states, including NSW, VIC, QLD, and WA.

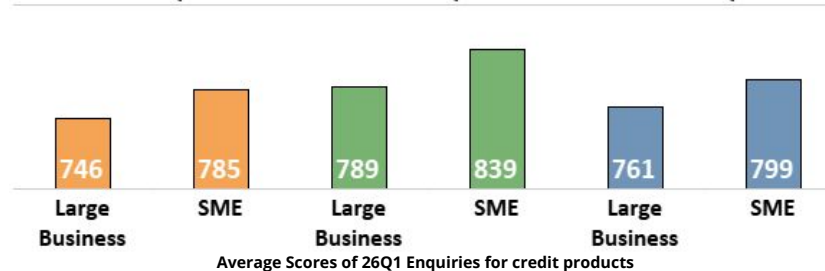


Long term credit demand indicates shrinking credit demand from the hospitality industry from levels observed in March 2024. Though some improvements in demand was observed mid year in 2025, recent adverse developments in economic conditions contributed to slowing demand in 26Q1

ASSET FINANCE 2026 Q1

BUSINESS LOANS 2026 Q1

TRADE CREDIT 2026 Q1



Average application scores of SMEs continue to slightly outperform Large Businesses in 25Q1. Scores of SME Business Loan enquiries have improved 0.7% YoY in 25Q1 and are at peak levels.

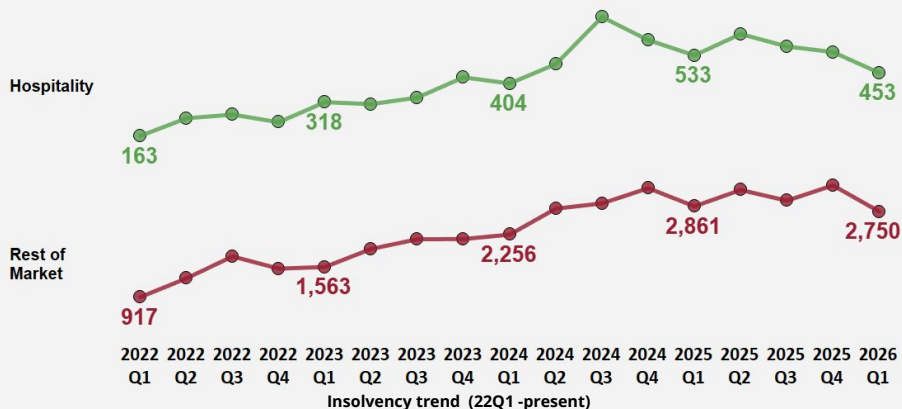
Hospitality

While Company Insolvencies Dropped 15%, Business Insolvencies Rose by 10%

Despite welcome YoY improvements across company insolvency volumes, tax debt disclosures, and overall adverse rates, the hospitality sector continues to hover near peak distress levels. Short-term cash flow stress is beginning to surface as trade payment days tick upward from their recent Q4 lows. New entrants have slowed, with 26Q1 recording a soft 4% growth

Company Insolvency Change

▼ 15% vs 25Q1

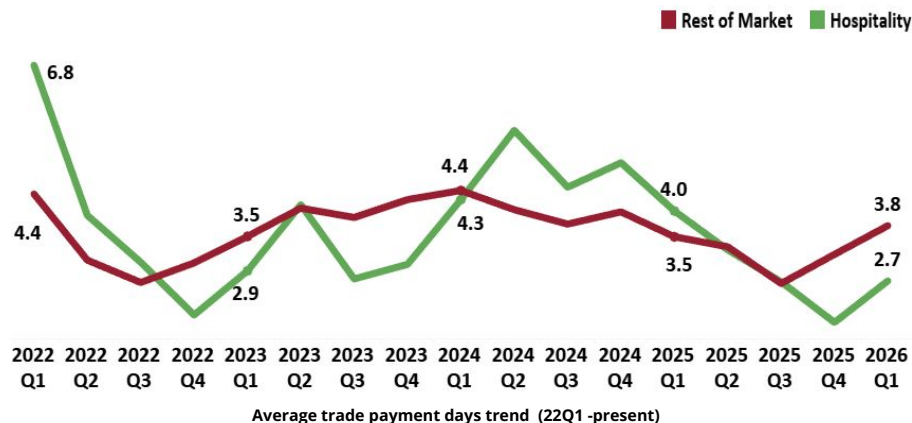


While company insolvency levels are continuing to plateau near peak levels for 6th consecutive quarter, 26Q1 hospitality businesses insolvencies have risen 10% YoY, indicating survivability is still a concern for this sector :

- There was a 4.4% decrease in new tax debt disclosures across the hospitality sector.
- Active hospitality entities shrank 1% YoY in 26Q1, driven by sustained insolvencies and a 10% rise in non-insolvency exits amid deteriorating conditions.
- New business formations are decelerating, recording a moderate 4% YoY increase in 26Q1.

Trade Payment Days Change

▼ 1.3 days vs 25Q1



Days beyond terms reduce 1.3 days in the hospitality sector. Current levels in the hospitality sector are below the market average, however short term stress is evident as the average DBT increased from the lowest level ever recorded (1.9days in 25Q4) to 2.7days in 26Q1.

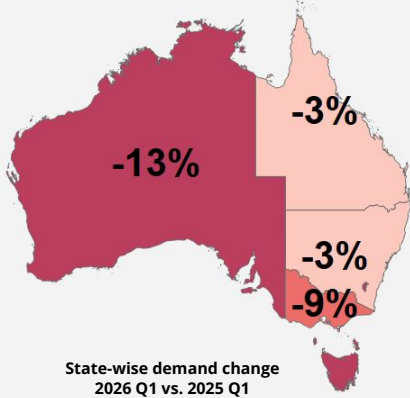
Retail Trade

Retail Demand Drops 6.5% as SMEs React to Economic Pressures

Retail credit demand has regressed to three-year lows. While Large Businesses found some resilience through Asset Finance growth, SMEs pulled back sharply (-10.2%) across the board. However, this shrinking market has a silver lining; Not only are the SMEs in the market for credit are of higher quality than last year, they also have lower risk than their large business counterparts.

Overall Demand Change
▼ 6.5% vs 25Q1

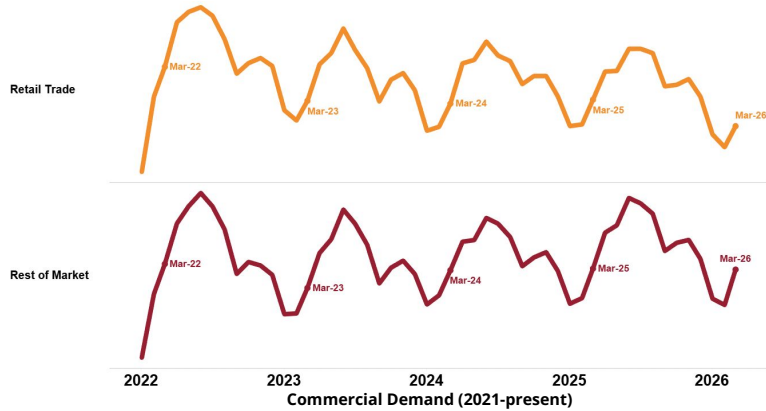
Large Business Demand
▼ 3.8% vs 25Q1



SME Demand
▼ 10.2% vs 25Q1

Retail sector was also marked by Large businesses having improved demand for asset finance (+4% yoy) products, while business loan (-4.4%) and trade credit (-8.3) demand reduced.

SME demand reduced 10.2% over the same period, the recent interest rate rises and reducing discretionary expenditure by consumers, impacting this cohort across all regions in Australia

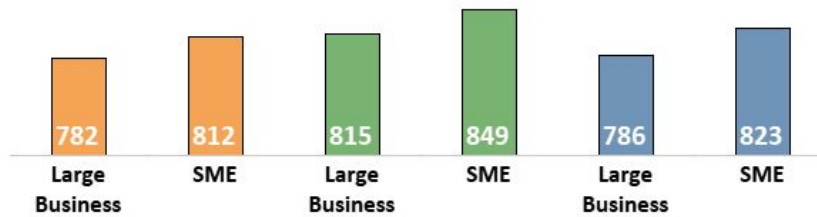


Retail sector demand has fallen below volumes observed 3 years ago. This regression in demand is after 2 years of stabilising demand in the sector, as business confidence fell after stabilising over much of 2025.

ASSET FINANCE
2026 Q1

BUSINESS LOANS
2026 Q1

TRADE CREDIT
2026 Q1



SME score quality for all 3 credit products remain at higher levels and outperform large businesses. The high average score despite shrinking demand suggests that those out in the market for credit have good credit history with a lower rate of default or missed payments.

Average Scores of 25Q4 Enquiries for credit products

Retail Trade

Retail Insolvencies Retreat from Peaks, Yet Rising Payment Days and Falling Formations Signal Caution

While retail trade insolvencies dropped 8.1% YoY in Q1 2026, retreating from recent peaks, overall volumes remain comparable to last year. Despite a welcome 0.7% reduction in adverse rates (dropping to 3.6%), underlying market pressures are evident. Trade payment days have gradually increased to 1.7 days, breaking a three-year streak of historic lows coupled with a 3% rise in tax debt disclosures the sector reflects a highly cautious operating environment.

Company Insolvency Change

▼ 8.1% vs 25Q1

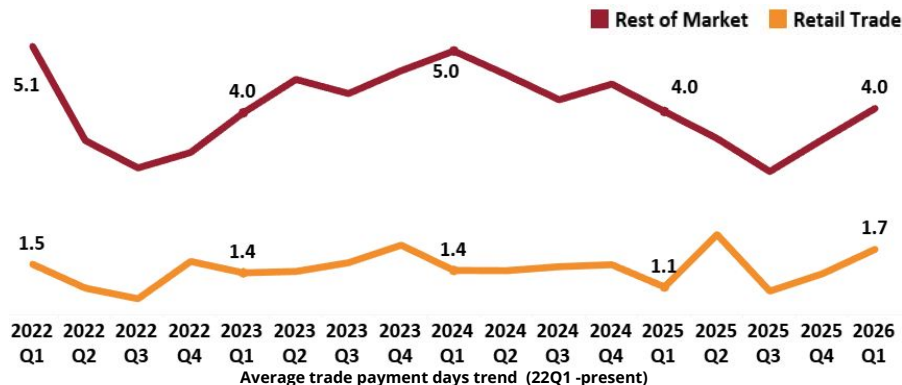


Quarterly insolvency levels reduced from peak levels observed last quarter, however current volumes of retail sector insolvencies remain comparable to last year. Retail businesses insolvencies also saw a relief from 12 months ago, with levels falling 33% in 26Q1. Additionally:

- There was a 3% increase in new tax debt disclosures across the retail sector.
- The sector experienced high churn in 26Q1, marked by an 8% YoY increase in new entrants and a 7% rise in non-insolvency exits.
- The net number of active retail entities shrank by 2% YoY in 26Q1.

Trade Payment Days Change

▲ 0.6 days vs 25Q1



Retail trade sector had historically low levels of days beyond terms, averaging around 1.3 days between 2022 to 2025. However recent market conditions have caused a gradual increase in the days taken to pay back dues, now at 1.7 days in 26Q1.

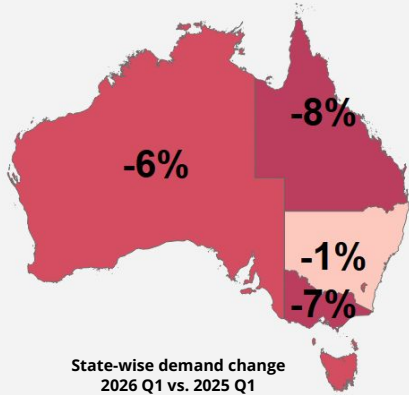
Logistics

Logistics Demand Drops 5.2%, But Fuel Costs and Electrification Spark Late-Quarter Surges

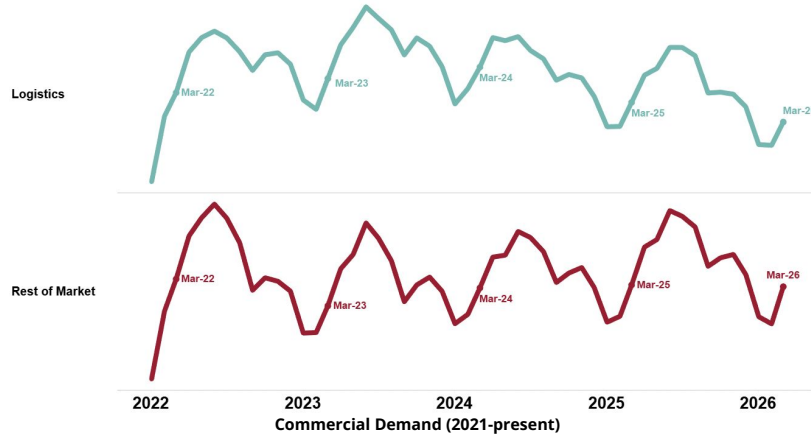
While fuel price volatility and low business confidence drove a 10.4% pullback in SME demand, Large Businesses maintained stable demand. The close of 26Q1 saw a distinct pivot towards the tactical use of credit across both cohorts, marked by a surge in Trade Credit to manage immediate operational expenses and a significant spike in Asset Finance as large fleets accelerate their transition to electrification.

Overall Demand Change
▼ 5.2% vs 25Q1

Large Business Demand
▲ 0.3% vs 25Q1



SME Demand
▼ 10.4% vs 25Q1

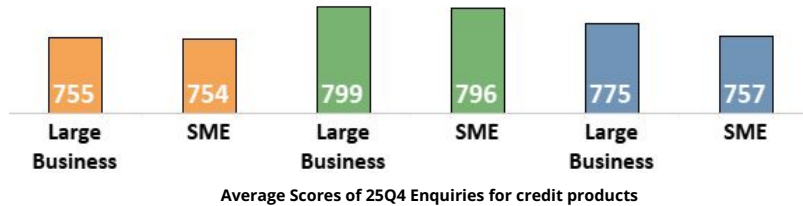


Long term demand trends towards negative in the logistics sector, as business confidence more recently deteriorated. As electrification of fleets become a viable option, the sector is expected to increase investments, as observed through the surge in Asset Finance in March 2026.

ASSET FINANCE
2026 Q1

BUSINESS LOANS
2026 Q1

TRADE CREDIT
2026 Q1



Application quality of SMEs and Large Businesses converge as the credit score gap closes between the two cohorts in 26Q1 vs. last year.

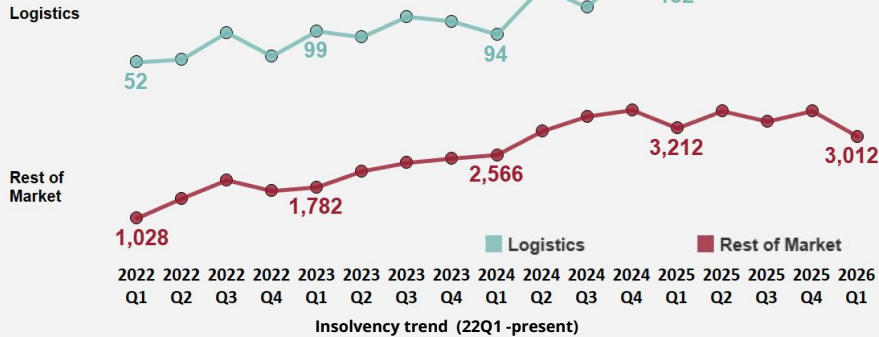
Fuel price volatility is impacting credit decisions in the Logistics sector. Although overall demand was down year-over-year, the close of the quarter showed a significant uptick in demand for Asset Finance and Trade Credit from both SMEs and Large Businesses in logistics. Specifically, Large Business enquiries for Asset Finance increased 11.4% YoY, as they accelerate towards electrification of their fleet. To mitigate high fuel prices and manage operational costs, demand for Trade Credit saw strong growth in March 2026 for both SMEs (up 17.8% YoY) and Large Businesses (up 26.2% YoY).

Logistics Insolvencies Surge to 3.7x Historical Levels as Cash Flow Pressures Mount

As the logistics sector navigates severe market headwinds, overall insolvency volumes have grown 4.9% YoY. Underlying financial stress is accelerating rapidly, highlighted by an 11% rise in new tax debt disclosures and trade payment delays increasing by nearly a full day over the last six months. With 16% increase in company exits for reasons other than insolvency and adverse rates creeping higher, the sector is demonstrating significant operational strain.

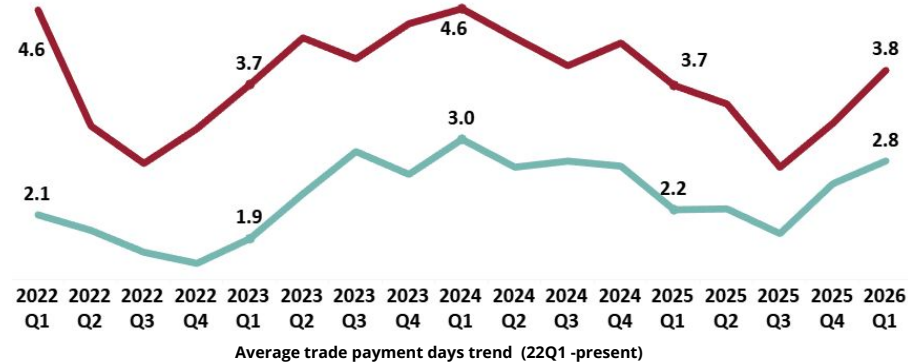
Company Insolvency Change

▲ 4.9% vs 25Q1



Trade Payment Days Change

▲ 0.6 days vs 25Q1



Quarterly Insolvencies are growing at an increasing rate among companies in the Logistics sector. Current levels of insolvencies 3.7x higher than 22Q1 as the sector is faced with increasingly difficult market conditions. Survivability was a challenge amongst the SME segment also, business insolvencies in logistics increasing 27% vs. 25Q1. As the logistics market responds to the latest conditions:

- There was a 11% increase in new tax debt disclosures across the logistics sector.
- The net number of active companies in the logistics sector reduced 2% from 25Q1 levels, due to increasing number of exits over the last 12 months.
- 26Q1 saw a 16% YoY increase in exits while the rate of new entrants has slowed, increasing 2% YoY in the latest quarter

While days beyond terms in the logistics sector are below the market average, at 2.8 days past due, current levels are a 0.6 day increase on 25Q1 levels. Moreover the average days to pay has reduced from lowest levels in 25Q3 at 1.9 days and has rising almost 1 full day in just 6 months.

Professional Services

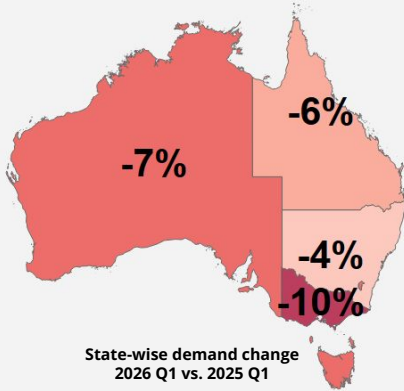
Professional Services Demand Weakens (-6.5%) as SMEs Drastically Reduce Enquiries (-11%)

Following consistent growth over the last two years, lower business confidence has driven a distinct contraction in sector credit demand. While Large Businesses saw a marginal 1.1% decline thanks to regional offsets in NSW and QLD, SMEs pulled back drastically (-11%). However, those still seeking credit represent a low-risk cohort, with application scores across all business sizes remaining on par and scoring above 800.

Overall Demand Change
▼ -6.5% vs 25Q1

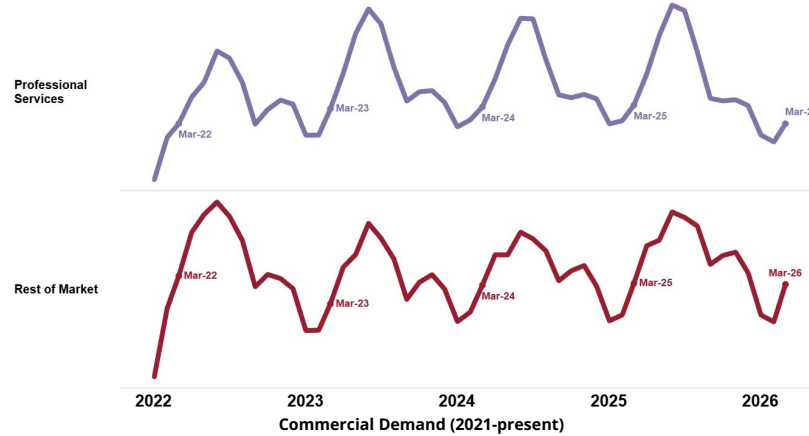
Large Business Demand
▼ -1.1% vs 25Q1

SME Demand
▼ -11% vs 25Q1



Professional services experienced an overall reduction in demand, though at different speeds based on business size.

- **Large Businesses:** Demand softened by 1.1% YoY in 26Q1, driven by reduced demand in most states, partially offset by improvements in NSW (+1.4%) and QLD (+2.5%).
- **SMEs:** Credit demand change was more drastic, shrinking 11% YoY in 26Q1, led by significant reductions in VIC (-11.8%), QLD (-11.2%), and NSW (-7.6%).

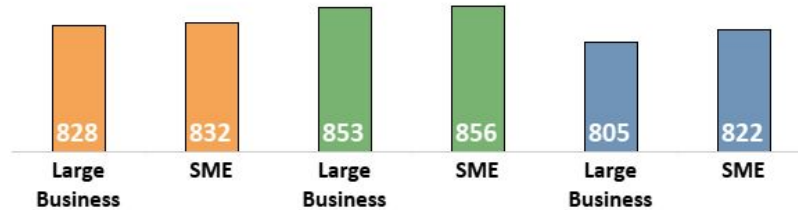


Professional services sector demand is starting to weaken on prior year levels after consistent growth over the last 2 years. While the sector has also seen a surge in new businesses over the last 4 quarters, current market conditions and lower business confidence resulted in the lower demand from borrowers in this sector

ASSET FINANCE
2026 Q1

BUSINESS LOANS
2026 Q1

TRADE CREDIT
2026 Q1



Average Scores of 25Q4 Enquiries for credit products

Average score of enquiries from the SMEs and Large businesses in professional services sector are on par with each other.

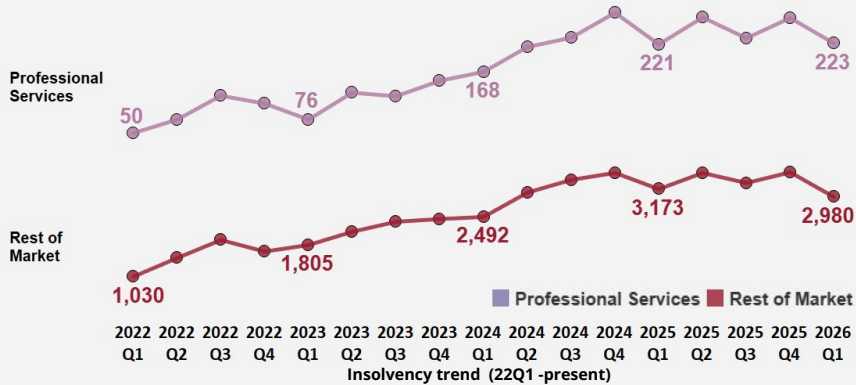
Professional Services

Sector Stabilizes After Growth Boom, Boasting Strong Payment Health Despite Plunging New Formations

After years of significant growth driven by new entrants, the professional services sector is entering a period of stabilization. While insolvencies are flattening near their 2024 peaks (+0.9% YoY), overall financial health is strong, evidenced by declining tax debts, improving adverse rates, and trade payment days that sit comfortably below broader market averages.

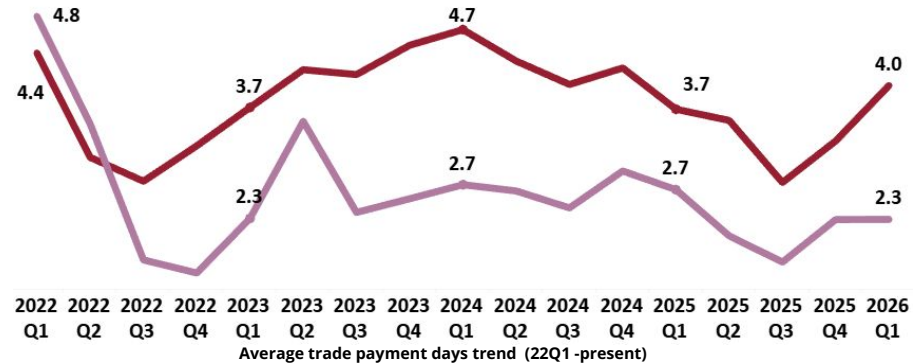
Company Insolvency Change

▲ 0.9% vs 25Q1



Trade Payment Days Change

▲ 0.4 days vs 25Q1



Professional services sector has seen a wave of new entrants since 2022 and has seen significant growth in the volume of businesses and companies in the sector. 26Q1 company insolvency levels flatten from 25Q1 levels while business insolvencies increase 92% over the same period. Additionally:

- There was a reduction in YoY tax debt disclosure volumes in the Professional Services sector, reducing 1.2% in 26Q1.
- Following a period of recent growth, new company formations dropped sharply by 27% YoY.
- The net number of active entities shrank by 4%, due to rising YoY exit rates over the last 4 quarters, rising to 26% in 2Q1.

Days beyond term levels in the professional services sector are well under the market average, and have reduced upon prior year levels by 0.2 days. Current levels are on par with average DBT levels from 23Q1 with the sector demonstrating long term stability in paying dues.



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