

Housing Market Key Facts and Figures

FOI 3692
Document 1

HEADLINE RESPONSE

- The Government understands safe and affordable housing is central to the security and dignity of all Australians.
- We want every Australian to have the security of having a roof over their head.
- It's important that we're upfront about the combination of challenges we confront.
- The Government recognises that high interest rates and the tight rental market are difficult news for Australians who are already facing skyrocketing costs of living, including spiking energy prices.

KEY FACTS

- *A placemat of housing market and social housing data is attached below.*
- Dwelling investment fell by 0.5 per cent in the March quarter 2024. High interest rates and elevated construction costs have weighed on the flow of new activity, consistent with recent weakness in building approvals. (Source: ABS, National Accounts).
- Despite a large pipeline of detached houses in the wake of the pandemic supporting residential construction, this pipeline has been largely worked through, with the number of dwellings under construction slowing since September 2022.
 - In the year to December 2023, there was a 6.7 per cent reduction in dwelling commencements and a 4.8 per cent reduction in dwellings under construction.
- In 2024, 450,000 fixed rate mortgages will roll off onto higher variable rates, raising borrowers' debt servicing costs.

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|-----------------------------|--|-----------------------|------|
| Office Responsible | Minister for Housing, Homelessness and Small Business - The Hon Julie Collins MP | Adviser | s 22 |
| Contact Officer | s 22 | Contact Number | s 22 |
| Division responsible | Housing Division | | |
| Date of Update | 03 July 2024 | | |

Housing Market Key Facts and Figures

- Rises in interest rates, dwelling prices and rental prices have contributed to worsening home ownership affordability.
 - Australia is the least affordable it has been since 2008 according to the HIA Affordability Index which measures the ratio of income to mortgage repayments. The index fell 1.9 per cent in the December quarter 2023, and 13.3 per cent compared to the previous year.
 - It now takes on average 11.1 years for the median household to save for a 20 per cent deposit for a house (as at March 2024). This is above the 10 year average of 10.2.
 - However, in its March 24 Quarterly Housing Affordability Report, REIA found that the the proportion of income required to meet the average loan payments fell 1.1 percentage points to 46.6%, attributed to strong wage growth.

s 47(1)(b)

- In its March 24 Quarterly Housing Affordability Report, REIA found that the proportion of income required to meet median rents increased by 0.4 percentage points over the quarter to 24.3 per cent.

Population forecasts

- In the 2024–25 Budget, Australia’s estimated resident population is forecast to grow from 26.7 million at 30 June 2023 to 28.7 million by 30 June 2028, and to 31.3 million by 30 June 2035.

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Housing Market Key Facts and Figures

- Australia's population growth was 2.5 per cent in 2022–23, and is expected to remain elevated at 2.0 per cent in 2023–24, before gradually slowing from 2024–25 to reach 1.2 per cent by 2034–35.
- In the 2024–25 Budget, net overseas migration is forecast to be 395,000 in 2023–24, 260,000 in 2024–25 and 255,000 in 2025–26, before returning towards the pre-pandemic levels of 235,000 in 2026–27 and beyond.

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Housing Market Key Facts and Figures

Housing market at a glance

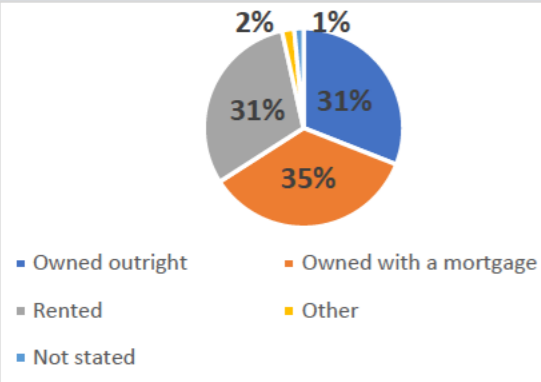
- Value of Australia's dwelling stock (Mar-24): \$10.7 trillion
- Number of residential dwellings (Mar-24): 11.2 million
- Housing loans outstanding (May-24): \$2.3 trillion
- Property transactions per year (2022): 500,000
- Median dwelling price (July-24): \$793,883
- Households with a mortgage: 35 per cent

Tenure type as a share of all households

- HIA Affordability index (Dec-23): fell by 1.9 percent, to now be below 2008 GFC lows
- Share of first home buyer purchases supported by HGS FY2022-23: 33 per cent

Households include homeowners (with and without mortgages), renters and other tenure types.

ABS 2021 Census



#Rolling 3 month average

| Dwelling Activity as at Mar-24* | | | |
|---|-------------------|---------|---------|
| | Value (quarterly) | QoQ (%) | TTY (%) |
| Total dwelling investment | \$28.4bn | -0.5% | -3.4% |
| Building Approvals (as at May-24)* | | | |
| | Number (monthly) | MoM (%) | TTY (%) |
| Total dwellings approved | 14,021 | 6.6% | -8.3% |
| Private sector houses | 9,163 | 2.1% | 12.0% |
| Private sector dwellings excluding houses | 4,858 | 16.3% | -31.7% |

#Rolling 3 month average

| Dwelling Activity as at Mar-24* | | | |
|---|--------------------|----------------|---------|
| | Number (quarterly) | QoQ (%) Dec-23 | TTY (%) |
| Total dwellings commenced (Dec-23) | 37,604 | 1.1% | -6.7% |
| Total dwellings under construction (Dec-23) | 222,397 | -3.1% | -4.8% |
| Total dwelling completions (Dec-23) | 42,081 | -2.3% | -1.8% |

*Note: all data is total private and seasonally adjusted, except for dwellings under construction which is original.

Household Financial Ratios

- Household debt to disposable income (Dec-23): 185.3%
- Housing assets to household disposable income (Dec-23): 607.3%
- Housing debt to housing assets (Dec-23): 22.7%

Key housing interest rates and mortgage repayments

- RBA Cash Rate: 4.35%
- Owner-occupied average variable rate (outstanding mortgages) (Mar-24): 6.39%
- Owner-occupied average new variable rate (new mortgages) (Mar-24): 6.28%
- Average size of new mortgages (Apr-24): \$625,791
- Number of fixed rate mortgages rolling off in 2024: 450,000

Upcoming housing data releases

- ABS Building Approvals (June-24): 30 July
- ABS Construction Work Done (Mar-24): 28 August
- ABS Private Capital Expenditure (Mar-24): 29 August

Scenario analysis: Effect of interest rate increases on existing mortgages, by loan size

| Outstanding Loan Balance (Existing borrowers) | Monthly Repayment at 3 May 2024 with 25 years remaining @ retail rate of 7.11% | Cumulative Increase in Monthly Repayment since 1 May 2022 | Increase in monthly repayment if changes by: | | | |
|---|--|---|--|------------------|------------------|------------------|
| | | | -25 basis points | -50 basis points | +25 basis points | +50 basis points |
| \$200,000 | \$1,428 | \$1,428 | -\$32 | -\$63 | \$32 | \$65 |
| \$300,000 | \$2,141 | \$2,141 | -\$48 | -\$95 | \$48 | \$97 |
| \$400,000 | \$2,855 | \$2,855 | -\$64 | -\$127 | \$64 | \$129 |
| \$420,000 | \$2,998 | \$2,998 | -\$67 | -\$133 | \$68 | \$136 |
| \$500,000 | \$3,569 | \$3,569 | -\$80 | -\$159 | \$80 | \$162 |
| \$600,000 | \$4,283 | \$4,283 | -\$96 | -\$190 | \$97 | \$194 |
| \$700,000 | \$4,997 | \$4,997 | -\$112 | -\$222 | \$113 | \$226 |
| \$800,000 | \$5,710 | \$5,710 | -\$128 | -\$254 | \$129 | \$259 |
| \$900,000 | \$6,424 | \$6,424 | -\$143 | -\$285 | \$145 | \$291 |

Note: Assumes 25 years left on mortgage, 100% of loan is on variable rates, retail banks pass-through 100% of the cash rate change, and current mortgage rate as at 3 May 2024 is 7.11% (mean April 2022 retail variable rate of 2.86%, plus a 425 basis point increase in the cash rate). We estimate that the average existing owner occupier loan is approximately \$420,000 (Treasury estimate from ABS and APRA data). The average new owner-occupier loan in February 2024 2023 was \$598,624 (ABS).

Housing Market Key Facts and Figures

| Social Housing Waitlists at 30 June 2023 | | | | | Social housing dwellings by state at 30 June 2023 (excludes Indigenous community housing) | | |
|--|----------------|---------------|-------------------|----------------|---|---------------|-------------------|
| State | Public Housing | SOMIH* | Community Housing | Total | Public Housing | SOMIH* | Community Housing |
| NSW | 50,419 | 3,715 | N/A | 54,134 | 95,765 | 3,737 | 53,913 |
| Vic | 53,956 | n/a | 443 | 54,399 | 64,720 | n/a | 16,363 |
| Qld | 18,608 | 6,672 | 25,365 | 50,645 | 53,010 | 3,226 | 11,665 |
| WA | 19,069 | n/a | 51 | 19,120 | 32,694 | n/a | 7,978 |
| SA | 14,335 | 1,512 | 13,092 | 28,936 | 31,577 | 1,315 | 12,333 |
| Tas | 4,598 | n/a | 427 | 5,025 | 4,997 | 164 | 9,715 |
| ACT | 3,174 | n/a | 661 | 3,835 | 10,827 | n/a | 1,695 |
| NT | 5,050 | 3,180 | N/A | 8,230 | 4,814 | 5,586 | 488 |
| Australia | 169,209 | 15,079 | 40,038 | 224,324 | 298,404 | 14,028 | 114,150 |

Data sourced from Table 18A.27 to 18A.7, Report on Government Services 2024, Productivity Commission
 * State Owned and Managed Indigenous Housing

Data sourced from Table 18A.3, Report on Government Services 2024, Productivity Commission
 Note: SOMIH does not operate in Victoria, WA or the ACT.
 Note: Totals do not add up to a social housing dwelling figure in this table as it excludes Indigenous community housing
 * State Owned and Managed Indigenous Housing

| Housing Australia Programs | | | | |
|--|--------------------------|---------------|-----------------------|--------------|
| Home Guarantee Scheme | | | | |
| The HGS has supported more than 118,000 Australians to purchase or build a home from May 2022. | | | | |
| Scheme | Available places 2023-24 | Issued | Australians supported | On hold |
| FHBG | 35,000 | <u>26,364</u> | <u>43,267</u> | <u>5,170</u> |
| FamHG | 5,000 | <u>1,029</u> | <u>1,029</u> | <u>152</u> |
| RFHBG | 10,000 | <u>7,853</u> | <u>12,799</u> | <u>1,144</u> |

Data as at 24 June 2024
 FHBG: First Home Guarantee
 FamHG: Family Home Guarantee
 RFHBG: Regional First Home Buyer Guarantee

| Affordable Housing Bond Aggregator | National Housing Infrastructure Facility |
|--|---|
| <ul style="list-style-type: none"> Issued over \$2.6 billion in bonds. 7 bond issuances with tenors up to 15 years. Housing Australia has approved \$4.1 billion in long term loans to 41 CHPs supporting over 18,800 new and existing homes. This has saved CHPs an estimated \$740 million in financing costs. | <ul style="list-style-type: none"> Approved over \$730 million in facilities. Unlocked over 11,200 projected new dwellings. |

Data sourced from Housing Australia's website in the *Our Contribution* page. Data is from establishment to 31 May 2024.

| Homelessness Statistics | | | | | | | | | |
|--|--------|---------|--------|--------|--------|-------|-------|--------|---------|
| Clients assisted by Specialist Homelessness Services agencies by State and Territory from 2016-17 to 2022-23 | | | | | | | | | |
| Year | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Total |
| 2022-23 | 64,970 | 93,863 | 43,607 | 24,132 | 19,422 | 6,570 | 3,887 | 9,999 | 266,450 |
| 2021-22 | 68,473 | 101,675 | 41,587 | 24,707 | 18,030 | 6,977 | 3,811 | 10,096 | 272,694 |
| 2020-21 | 70,588 | 105,510 | 41,227 | 24,470 | 18,610 | 6,567 | 4,012 | 10,122 | 278,275 |
| 2019-20 | 70,372 | 115,306 | 43,094 | 24,956 | 19,218 | 6,444 | 4,143 | 10,277 | 290,462 |
| 2018-19 | 73,549 | 112,919 | 43,087 | 24,871 | 19,637 | 6,623 | 3,808 | 9,646 | 290,317 |
| 2017-18 | 71,628 | 116,872 | 41,118 | 23,739 | 19,641 | 6,508 | 4,026 | 9,285 | 288,795 |
| 2016-17 | 74,216 | 109,901 | 41,438 | 24,626 | 20,771 | 7,789 | 4,585 | 9,187 | 288,273 |

Data sourced from Specialist homelessness services annual report (published annually around December), AIHW

| Census estimates of homelessness by state and territory from 2001 to 2021 | | | | | | | | | | |
|---|--------|--------|--------|-------|-------|-------|-------|--------|---------|----------------|
| Year | NSW | VIC | QLD | WA | SA | TAS | ACT | NT | Total | Rate (per 10k) |
| 2021 | 35,011 | 30,660 | 22,428 | 9,729 | 7,428 | 2,350 | 1,777 | 13,104 | 122,494 | 48.2 |
| 2016 | 37,715 | 24,817 | 21,671 | 9,005 | 6,224 | 1,622 | 1,596 | 13,717 | 116,427 | 49.8 |
| 2011 | 27,479 | 22,306 | 19,039 | 9,191 | 5,816 | 1,537 | 1,738 | 15,330 | 102,439 | 47.6 |
| 2006 | 22,219 | 17,410 | 18,859 | 8,277 | 5,607 | 1,145 | 949 | 15,265 | 89,728 | 45.2 |
| 2001 | 23,041 | 18,154 | 19,316 | 9,799 | 5,844 | 1,264 | 943 | 16,948 | 95,314 | 50.8 |

Data sourced from Census of Population and Housing: Estimating Homelessness, ABS, 2001, 2006, 2011, 2016, 2021

| Total social housing dwellings by state over time | | | | | | | | | |
|---|---------|--------|--------|--------|--------|--------|--------|--------|---------|
| Year | NSW | VIC | QLD | WA | SA | TAS | ACT | NT | Total |
| 2022 | 159,113 | 82,010 | 72,580 | 42,450 | 46,052 | 14,526 | 12,389 | 12,603 | 441,723 |
| 2021 | 158,103 | 80,611 | 72,086 | 42,615 | 46,371 | 14,361 | 11,829 | 12,591 | 438,567 |
| 2020 | 153,877 | 80,599 | 71,424 | 43,113 | 46,375 | 14,274 | 11,921 | 12,407 | 433,990 |
| 2019 | 155,490 | 81,121 | 71,429 | 43,584 | 46,205 | 14,034 | 11,862 | 12,526 | 436,251 |
| 2018 | 154,750 | 80,488 | 71,045 | 44,059 | 46,423 | 13,288 | 12,076 | 12,373 | 434,502 |
| 2017 | 152,597 | 80,168 | 71,331 | 44,332 | 47,234 | 13,479 | 11,960 | 12,665 | 433,766 |

Data sourced from Table 18A.3m Report on Government Services 2024, Productivity Commission

Small Business Conditions

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HEADLINE RESPONSE

- Inflationary pressures, market conditions and elevated operating costs are significant challenges for small businesses, which is why the Government has implemented a range of targeted small business support measures.
- The Government's economic plan also responds directly to these challenges. The Government is:
 - repairing the supply side of our economy to better bolster us against future global price-shocks; and
 - exercising restraint in our spending, with many revenue upgrades banked to help improve the bottom line.
- The Government continues to work hard to improve the operating environment for small businesses to reduce costs and support them to invest, grow and create new jobs. This includes:
 - Targeted relief for small businesses through the Energy Bill Relief Fund
 - Extending the \$20,000 instant asset write-off until 30 June 2025, and
 - The provision of mental and financial wellbeing supports for business owners.

KEY FACTS

- According to the Australian Bureau of Statistics (ABS), there are approximately 2.5 million actively trading small businesses as at 2022-23, representing 97.3 per cent of all Australian businesses.

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| Office Responsible | Minister for Housing, Minister for Homelessness, Minister for Small Business - The Hon Julie Collins MP | Adviser | s 22 |
| Contact Officer | s 22 | Contact Number | s 22 |
| Division responsible | Small and Family Business Division | | |
| Date of Update | 02 July 2024 | | |

Small Business Conditions

- Small businesses employed 5.4 million people and contributed \$589.8 billion to the Australian economy. This equates to around one third of private sector output in 2022-23.

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Small Business Conditions

BACKGROUND

Small business conditions

- According to the National Australia Bank, in recent quarters, small to medium enterprise (SME) conditions have been below the conditions for all businesses (whole economy) - more than at any other time recorded.
- In the March 2024 quarter, SME conditions fell 3 points to +2 index points and dropped to 8 index points lower than business conditions across the whole economy.
 - For the smallest SMEs (turnover between \$2-3 million), conditions were 15 index points lower than business conditions across the economy.
- In the March 2024 quarter, SME business confidence increased 2 points to -6 index points. This is the sixth consecutive quarter that SME confidence was negative.
- According to the Westpac Business Snapshot, business income and expenses both declined in the March 2024 quarter, continuing the trend since the middle of 2023. However, expenses have fallen at a faster rate than income flows, driving an improvement in cash flow conditions for businesses.
 - There was a growing divergence between the cash flow conditions of SMEs and larger businesses. SMEs are typically more sensitive to economic cycles and experienced a sharper decline in income flows. The drawdown of savings buffers among SMEs has left their cash levels below pre-pandemic levels, while larger businesses maintained their strong cash buffers.

Small business costs

Inflation

- Inflation has passed its peak and recent data confirms it is moderating.
 - Higher inflation leads to added pressure on business commencement and operating costs.

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Small Business Conditions

- According to ABS, producer price indexes were 4.3 per cent higher through the year to the March 2024 quarter, and 0.9 per cent higher over the quarter.
 - Quarterly growth is primarily driven by higher prices for building construction outputs due to ongoing skilled labour and material shortages, higher property operator fees due to increased rents, and higher tuition fees and operating costs for tertiary education.
- We expect inflation to fall toward the RBA’s target band.

Energy

- The Energy Bill Relief Fund is providing energy rebates to each of the approximately one million businesses on small customer electricity plans to help cover their electricity bills. The 2024-25 Budget will provide additional energy bill relief of \$325 to eligible small businesses.
 - It is estimated that around one million small businesses are eligible to receive the rebate in 2024-25. This includes an estimated:
 - : 322,000 businesses in New South Wales
 - : 236,000 businesses in Victoria
 - : 205,000 businesses in Queensland
 - : 90,000 businesses in Western Australia
 - : 86,000 businesses in South Australia
 - : 35,000 businesses in Tasmania
 - : 11,000 businesses in the Northern Territory, and
 - : 18,000 businesses in the Australian Capital Territory.
 - The Government increase in Energy Bill Relief is in addition to other state government bill support.
 - : Currently, only Western Australian and Queensland small business are eligible for state-based Energy Bill support.

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Small Business Conditions

- : Announced on 9 May 2024, the Western Australian Government announced a one-off credit of \$400 to reduce electricity bills for small business on embedded networks. Combined with the Commonwealth's \$325 in small business energy bill relief, Western Business small businesses will receive a total of \$725.
- : The Queensland Government announced small businesses will receive a one-off credit of \$325 off their electricity bills in 2024-25 which will be automatically credited to eligible small business customer bills from 1 July. Combined with the Commonwealth's \$325 in small business energy bill relief, which will be credited in quarterly instalments, this brings the total relief for small businesses in 2024–25 to \$650.
- The Government is also investing \$1.8 million to progress regulatory reforms to retail energy markets that will support consumers experiencing hardship and ensure small businesses are on electricity contracts that work better for them.
- The Government is delivering a further \$41 million in Energy Efficiency Grants for Small and Medium Enterprises to improve energy efficiency, save on energy bills and lower emissions.
 - This takes our investment to support small businesses through these grants to \$62 million. The grants between \$10,000 and \$25,000 can be used to upgrade to more efficient equipment.
- The Mandatory Gas Code of Conduct is being enforced to shield Australian households and businesses from rising domestic gas prices. The Code is ensuring that east coast gas users can contract for gas at reasonable prices, on reasonable terms.
- The fuel tax credit scheme is available to eligible businesses and aims to remove the tax burden on fuel used by businesses as an input when producing goods and services. The scheme provides a credit for the fuel tax (excise or customs duty) that is included in the price of fuel used in: machinery, plant, equipment, heavy vehicles and light vehicles travelling off public roads or on private roads.

Business cash flow

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Small Business Conditions

- As announced in the 2024-25 Budget, the Government is extending the \$20,000 instant asset write-off by 12 months, until 30 June 2025, to improve cash flow and reduce compliance costs for small businesses (QB24-000035 for the Treasurer refers).

Wages

- The ABS' Wage Price Index rose 4.1 per cent through the year to the March 2024 quarter. This was a decrease from the annual growth of 4.2 per cent in the December 2023 quarter, which was the highest annual growth recorded for the Wage Price Index since the March quarter of 2009.
- Wage growth is expected to remain at 4 per cent through the year to the June 2024 quarter, before easing to 3¼ per cent in the June 2025 quarter.

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Small Business Conditions

Loans

- As at the end of April 2024, data from the Reserve Bank of Australia indicates that collectively small businesses have outstanding loans amounting to \$170.1 billion. Of this, \$54.4 billion or around one third are fixed rate loans.
- In April 2024, ABS' Lending Indicators reported that new fixed term loan commitments made to small businesses totalled \$3.8 billion, an increase of 46.2 per cent through the year (excluding loan refinances).
- Since August 2023, the premium for small business lending, compared to large business lending, has been on a broadly upward trend. As at April 2024, this premium was 9 basis points higher than the year before.

Business related insolvencies

- There are two types of business-related insolvency – corporate insolvency (i.e. a company becomes insolvent) and business-related personal insolvency (i.e. an individual who is or has been in business becomes insolvent).
 - Available data covers all business sizes. Neither corporate insolvency nor business-related personal insolvency data is available by size of the underlying business.
- Provisional data shows that there were 1,249 corporate insolvencies in May 2024. This is 44.2 per cent higher than the level of corporate insolvencies in May 2023*.

**Note that as insolvencies are seasonal, monthly trend analysis needs to be interpreted with caution.*

- Levels of corporate insolvency are above historical pre-pandemic levels. During the 12-month period from May 2023 to April 2024, there were 10,395 corporate insolvencies. This is 30.5 per cent higher than the average annualised number of corporate insolvencies occurring in the period leading up to the pandemic (May 2016 to April 2019).
 - This increased corporate insolvency activity largely reflects an unwinding of paused insolvency activity during the COVID-19 period (2020-21 and 2021-22).

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Small Business Conditions

- Corporate insolvencies during the COVID-19 period were suppressed due to creditor leniency and the provision of temporary COVID-19 relief.
- Despite the recent increase, the level of corporate insolvencies as a proportion of total companies was 0.32 per cent for the period from June 2023 to May 2024, which is lower than the long-term historical average of 0.43 per cent (from June 2001 to May 2023). See *QB24-000130 Insolvency* for further details on corporate insolvency.
- In the March 2024 quarter, there were 758 business-related personal insolvencies, around 32.3 per cent higher than in the March 2023 quarter. The level of business-related personal insolvencies increased over recent quarters but remains at around 49.8 per cent of pre-COVID levels in 2019 (December 2019 quarter).
 - Data on business-related personal insolvencies captures those individuals who are entering insolvency and have declared on their statement of affairs that they have operated a business in the last 5 years, or 2 years for a debt agreement. This does not directly imply that the individual's insolvency is driven primarily by the business activity in all cases.
- Corporate insolvency and business-related personal insolvency data is collected and published by the Australian Securities and Investments Commission and the Australian Financial Security Authority, respectively.

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| Date of Update | 02 July 2024 | | |

Small Business Payment Times

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HEADLINE RESPONSE

- The Albanese Government is committed to improving payment times for small businesses by ensuring large businesses treat their small business suppliers fairly.
- The Payment Times Reporting Amendment Bill 2024 overhauls the *Payment Times Reporting Act 2020* towards delivering the Government's response to the recommendations from the Emerson Review.
- The Government agreed to amendments moved in the Senate to include a way to recognise *fast small business payers* and the amended Bill passed both the Senate and the House of Representatives on 3 July 2024.
- These reforms gives the Payment Times Reporting Regulator the appropriate tools to deliver better payment outcomes for small businesses while reducing regulatory burdens and streamlining the processes for the big businesses required to report.
- The Government took another step in delivering initiatives from the Emerson Review on 2 July, announcing the Council of Small Business Organisations Australia (COSBOA) as one of three advocacy bodies approved as designated complainants to the ACCC for significant or systemic issues facing small businesses.
- In the May Budget, we committed \$25.3 million over 4 years from 2024-25 for the Regulator to implement the reforms identified through the Review and fund a fit-for-purpose IT system to deliver the reformed Payment Times Reporting Scheme (the Scheme).
- This builds on our 2023-24 MYEFO commitment of \$8.1 million to fund a range of initiatives to ensure continuous improvement of payment practices by large businesses operating in Australia.

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| Division responsible | Small and Family Business Division | | |
| Date of Update | 4 July 2024 | | |

Small Business Payment Times

- Better payment times benefit everyone, with resulting gains to productivity, supporting higher wages and profits, and expanding employment opportunities.

KEY FACTS

- The Emerson Review identified the need for continued government intervention to improve payment times to small businesses and the need to reform the current Scheme as payment times had not materially improved since it began in January 2021.
- The Government has committed to a range of initiatives to implement the Review's recommendations. These include:
 - overhauling the Act and associated Rules to simplify and streamline reporting, adding proportionate regulatory powers and improve transparency for entities reporting under the Scheme
 - increasing pressure on large businesses with poor payment practices by highlighting the best and worst payment performers and strengthening communication channels to promote prompt payment as an environmental, social and governance (ESG) obligation
 - considering payment times to small business in unfair trading practice reforms and Government procurement
 - including a small business advocacy body as a designated complainant under the Australian Competition and Consumer Commission (ACCC)'s Designated Complaints function
 - increasing the uptake of eInvoicing for small businesses, and
 - ensuring Commonwealth agencies continue to demonstrate leadership in payment practices.
- The Treasury is implementing the Review recommendations through a range of further legislative amendments, including the:
 1. *Competition and Consumer Amendment (Fair Go for Consumers and Small Business) Act 2024*
 - i. passed Parliament on 26 March 2024

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- ii. introduced a designated complaints function to be established in the ACCC from July 2024.
 - iii. On 2 July the Government announced the approved designated complainants are:
 - Australian Consumers' Association (CHOICE)
 - Consumer Action Law Centre (CALC)
 - COSBOA.
2. *Treasury Laws Amendment (More Competition, Better Prices) Act 2022*
- i. Effective from 9 November 2023
 - ii. introduces penalties for businesses that include unfair contract terms in their standard form contracts with small businesses.

BACKGROUND

Payment Times Reporting Scheme

- The Scheme, enabled by the Act, commenced on 1 January 2021. The Payment Times Reporting Regulator within Treasury administers the Scheme.
- Under the Act, large businesses (> \$100m in income) and government enterprises (known as reporting entities) must submit payment times reports to the Regulator every 6 months. These reports include information on standard payment terms to small business suppliers, actual payment performance, and the use of supply chain financing arrangements.
- The Regulator publishes payment times reports on the Payment Times Reports Register (the Register), which is freely accessible on the Payment Times Reporting website.

Statutory Review of the Act

- The Review was tabled in Parliament on 31 August 2023 and found that:
 - without government intervention there are limited incentives for large businesses to improve payment times, and small businesses often lack the market power to choose their customers and negotiate better terms, and
 - the Scheme has merit but current legislative requirements impose unnecessary regulatory burdens on reporting entities, compromise the

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accuracy and accessibility of the payment times data and limit the Regulator's effectiveness.

- The Government released its response to the Review on 5 December 2023, accepting all 14 recommendations with 23 actions around those recommendations.

Legislative overhaul of the Act

- 29 May 2024 - Payment Times Reporting (Amendment) Bill 2024 introduced to the House of Representatives.
- 6 June 2024 - Bill passed the House of Representatives.
- 24 June 2024 - introduced in the Senate.
- 2 July 2024 – Opposition moved amendments to add a *fast small-business payer* designation (payment times of 20 days or less over 2 consecutive 6 month reporting cycles).
- 3 July 2024 - amended Bill passed the Senate and the House.
- Key amendments include:
 - Revisions to the objects of the Act and functions of the Regulator to focus on changing large businesses conduct for the benefit of small businesses and enable research and identification of poor payment practices
 - Simplifying and streamlining reporting by consolidating reporting requirements to subordinate legislation (Rules) and reducing the number of reporting fields
 - Empowering the Minister to make a direction to require slow paying large businesses to provide enhanced disclosure by identifying as a 'slow small business payer' on their website, and in procurement and environmental, social and governance (ESG)-related documentation
 - Expanding the compliance tools available to the Regulator to efficiently gather information and action non-compliance including powers to gather information under statutory notice and enable acceptance of enforceable undertakings, and
 - Requiring an independent review of the operation of the Act.

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Payment Times Reporting Regulator

- The Regulator's core functions are to receive payment times reports from reporting entities and to publish those reports on the Register. The Regulator does not mandate or enforce payment terms or times.
- Where reporting entities fail to report, or provide false or misleading information, there are a range of enforcement tools available to the Regulator, ranging from publishing non-compliance on the Register through to seeking civil penalties.

Payment Times Reports Register

- At 31 May 2024 (the most recent update), the Register contained 60,842 payment times reports.
- Statutory Review recommendation 5.1: revamp the Register and dashboard to make them more user friendly.
 - Implementation of this recommendation is underway. Treasury is looking at ways to improve the context for reports and functionality to compare and rank entities to support the identification of entities with poor payment practices.

Insights and trends

- Insights and trends on the payment practices of large businesses are reported in the Regulator's Update, which the Regulator publishes twice a year (in January and July).
 - The most recent publication of the Regulator's Update occurred on 31 January 2024, the next edition is late July 2024.
- Following publication of each Regulator's Update, a liaison forum for stakeholders occurred to discuss the update and provide feedback on reporting.
 - The last liaison forum was on 28 February 2024. The next is planned for August 2024.

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Repeal of New Zealand regime

- On 6 April 2024, New Zealand repealed its Business Payment Practices Act 2023 (NZ's equivalent regime).
 - On 22 February 2024, the NZ Government referred to Australia's scheme as not having reduced payment times as a key reason for the repeal, along with the costs of compliance.
 - The repeal was expected, given the opposition to the Bill during its passage and was in line with their election commitment. Disclosures under NZ's Act were due to commence from 1 July 2024.
- Despite NZ's change in policy direction, the Australian Government remains committed to improving payment times and practices to small businesses as outlined in the Government's response to the Statutory Review of the Payment Times Reporting Act 2020.
- There were key differences between the NZ repealed and Australian schemes, which made NZ's Act more burdensome than Australia's.
 - Reporting entity thresholds were lower in NZ, where public and private entities with more than \$33 million in annual revenue and \$10 million in third party expenditure are required to disclose information about their payment practices (compared to Australia's thresholds of \$100 million in total income or \$10 million total income for an entity within a group of a controlling corporation).
 - Under our Amendment Bill, this burden would be further eased with the controlling entity in a consolidated group with consolidated revenue over \$100 million reporting for that group.
 - Disclosures in NZ extended beyond payments to small business. In contrast, Australia requires disclosures on how long it takes to pay small business invoices and payment terms for small business suppliers.

Other international approaches to improving payment times

- Comparable international jurisdictions recognise that government action is necessary.

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- On 5 April 2024, the **UK Parliament** passed regulations including new requirements for companies to report the proportion of payments due and are unpaid within an agreed payment period; the proportion that are unpaid within the agreed period due to a dispute; a breakdown of invoices paid by payment periods; and reporting on supply chain financing.
 - : The UK consider the regulation’s estimated implementation cost of up to £5 million was reasonable with the potential benefits to SMEs.
 - : The UK is considering how to use its Small Business Commissioner to enforce reporting. The regulations did not create enforcement mechanisms despite the UK Government committing to increase transparency and introduce more active and visible enforcement of payment practice reporting of large businesses in a review of its regime in November 2023.
- On 23 April 2024, the former **European Parliament** passed a legislative resolution to adopt proposed Regulations to replace its Late Payment Directive. The European Parliament newly elected on 9 June 2024 is yet to consider these proposed Regulations.
 - : The proposed Regulations would introduce a maximum payment term of 30 days for all business-to-business and government-to-business transactions (stricter than the current 60 days) but would allow parties to contractually negotiate up to 60 days, or in the retail sector up to 120 days.
 - : The proposed Regulation would prohibit contractual terms that disadvantage the creditor and that do not conform with the Regulation. This would replace the ambiguous concept of ‘grossly unfair’ contractual provisions under current law. Payment of interest is compulsory on late payments and the Regulation requires creation of enforcement authorities.

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