

Top 5 Industries at Risk of Insolvency in Australia in 2026, According to Restructuring Experts

Not all sectors of the Australian economy are feeling the current wave of financial distress equally.

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/EINPresswire.com/ -- Not all sectors of the Australian economy are feeling the current wave of financial distress equally. While insolvency risk is elevated broadly, five industries are carrying a disproportionate share of the pressure in 2026 — and directors operating in these sectors face a particularly urgent need to [understand their options before circumstances deteriorate further](#).

ReStructure Partners helps Australian directors navigate every stage of ATO and financial distress, from overdue BAS and tax debt through to Director Penalty Notices, restructuring solutions, voluntary administration, and broader insolvency options. Drawing on its advisory experience across the Australian business landscape, the firm has identified the five industries presenting the highest levels of insolvency risk in the current environment. The firm provides insolvency advice to small business directors across all major sectors, helping them assess their financial position and identify which pathways may be available depending on the circumstances.



Industry One: Building and Construction

No analysis of Australian business insolvency would be complete without prominent reference to the construction sector. It has accounted for the largest share of formal insolvency appointments nationally for many years — and in 2026, that position is unchanged.

Fixed-price contracts that locked builders into delivering projects at costs estimated before the post-pandemic inflation surge have left many businesses completing work at a loss. Combined

with the payment cascade risks inherent in a sector where head contractors, subcontractors, and suppliers are financially interdependent, the failure of one business can precipitate distress across many others.

ATO debt is widespread in the sector, with significant PAYG withholding and superannuation guarantee charge obligations accumulated during the pandemic period now subject to active enforcement. Director Penalty Notice exposure is common.

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Small Business Restructuring
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- New initiative to help small businesses avoid liquidation
- Free assessment for SMEs
- Rising ATO pressure → demand for restructure options
- Early intervention can save companies restructure options

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Industry Two: Hospitality and Food Services

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Australia's cafes, restaurants, bars, and catering businesses are experiencing sustained margin pressure from two directions simultaneously: rising labour costs driven by award wage increases, and softening consumer demand from households managing their own budget pressures.

Many hospitality operators also carry ATO debts from the pandemic period that were deferred under informal arrangements and have never been fully resolved. These legacy obligations, combined with the current trading

environment, are driving a significant number of hospitality businesses toward formal insolvency processes.

Industry Three: Retail Trade

Bricks-and-mortar retail faces both structural disruption from online competitors and cyclical weakness in consumer demand. Retailers carrying significant lease liabilities and inventory financing — commitments taken on during more buoyant periods — are finding those obligations increasingly difficult to service.

ATO debt is prevalent in the retail sector, reflecting both the cash-intensive nature of many retail operations and the compliance challenges of the pandemic period.

Industry Four: Road Transport and Freight

Rising fuel costs, driver shortages, and softening freight volumes have created a challenging environment for transport operators. Owner-operators and small fleet businesses are particularly exposed, as their asset-heavy, capital-intensive model leaves little margin for error when revenue softens unexpectedly.

Industry Five: Labour Hire and Employment Services

The labour hire sector expanded rapidly during post-pandemic labour market tightness and is now experiencing rationalisation as client businesses reduce their use of contract staff. Businesses that built cost structures around high contractor volumes are finding the rapid reversal in demand extremely difficult to absorb.

What Directors in These Sectors Should Do

A common thread across all five industries is a high prevalence of ATO debt and elevated Director Penalty Notice exposure. Directors in any of these sectors experiencing financial difficulty are encouraged to seek qualified advice about the options that may be available.

Guidance on ATO debt management is available at <https://restructurepartners.com.au/ato-debt-help>, and information on the small business restructuring process is available at <https://restructurepartners.com.au/small-business-restructuring>.

ReStructure Partners works with Australian directors and business owners experiencing financial pressure, including ATO debt, cash flow issues, and creditor stress. The firm provides support across the full spectrum of financial distress, from early-stage tax arrears and compliance issues through to Director Penalty Notices, small business restructuring, voluntary administration, and other insolvency pathways, depending on the circumstances.

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