

The Economic Impact of Buy Now Pay Later in Australia

June 2024



Australian
Finance
Industry
Association



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OXFORD
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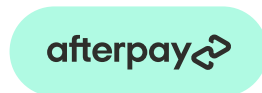
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All figures in this report are stated in Australian Dollars (A\$) unless otherwise indicated.

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BNPL Code Signatories



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CODE COMPLIANT

Foreword

Consumer choice and access is a critical component of a competitive, innovative and healthy financial ecosystem. Digital innovation in recent years has transformed the way consumers participate in our economy, access goods and services, and the expectations consumers have about e-commerce. Technology is shaping the finance industry, with products, services and the marketplace continuing to evolve.

At the start of this reporting period, Australia was in the midst of a period of economic instability, with the official cash rate increasing for the first time in over 11 years in May 2022¹ and global supply chains experiencing a period of turmoil due to the COVID-19 global pandemic. With this instability has come new consumer products, services, and technologies designed to meet the changing needs and expectations of consumers.

Despite ongoing economic challenges and cost of living pressures, consumer sentiment has begun to improve – in the past two months consumer sentiment has risen to its highest point since January 2023.²

As our consumer needs have changed, so too has technology, with 82 per cent of Australian households making an online purchase in 2022.³ Emerging consumer finance products, such as ‘Pay in 4’ on credit cards, interest free credit cards and instalment plans, complement existing payment methods and contribute to a more flexible payments environment. As products, services and technologies evolve, so too must the industry standards and regulations which underpins it.

The Australian Government is currently consulting on new legal and regulatory requirements for the BNPL sector (‘legislative package’). This legislative package proposes to categorise BNPL services as Low Cost Credit Contracts (LCCCs), bringing them under the umbrella of consumer credit laws and the Responsible Lending Obligations (RLOs), introducing a tiered approach through Scalable RLOs (SRLOs).

A number of the consumer protections contained in AFIA’s BNPL Code of Practice will be put into the legal and regulatory framework, showing that well-designed industry practices can promote competition and innovation, while also delivering good consumer outcomes. The BNPL Code was independently reviewed last year, with changes to the BNPL Code to be made concurrently with the adoption of the new legal and regulatory requirements. The seven BNPL code signatories are committed to ensuring that the BNPL Code continues to drive best practices.

Following an increase in BNPL usage over previous years, this year’s results show that BNPL is an important but emerging part of Australia’s payments ecosystem, contributing significantly to the economy with \$22.9 billion in GDP and supporting approximately 149,600 jobs in FY23. Despite a reduction in active accounts, transaction volume has increased, underscoring BNPL’s enduring appeal.

Retailers have experienced significant economic value from BNPL, with nearly \$3.4 billion in new revenue generated and \$1.9 billion in net benefits. Despite a contraction in the merchant network, the benefits of BNPL, including customer acquisition and retention, have remained strong.

The BNPL market is evolving, with a clear trend towards diversification in usage across consumer categories and sustained growth in popularity across different demographics. Despite the decrease in the number of active accounts and the challenging interest rate environment,

the overall transaction volume has increased, indicating a healthy and expanding market.

BNPL is firmly woven into Australia's financial fabric, showing not only its ability to weather economic shifts but also its essential role in creating a more accessible and adaptable financial environment for everyone.



Diane Tate

Chief Executive Officer,
Australian Finance Industry Association

¹ Australian Bureau of Statistics, Interest Rates Chart Pack, <https://www.rba.gov.au/chart-pack/interest-rates.html>.

² RFI Global: Australian BNPL & Instalment Lending Council; DBM Atlas.

³ https://auspost.com.au/content/dam/auspost_corp/media/documents/ecommerce-industry-report-2023.pdf page 11.



Consumers managing cashflow and budgeting better: BNPL usage trends

BNPL services cater to a wide array of customers, allowing simple and fast payments for purchases of goods and services as well as better cashflow and budget management.

Flexibility and choice offered by BNPL providers has lead to three in five BNPL users engaging with multiple BNPL providers. Merchant partners as well as more immediate access and low costs are also drivers for using a particular BNPL provider. This trend could also be attributed to several other factors, including the desire to take advantage of specific features, benefits, or merchant rewards unique to each BNPL service.

Nearly half of BNPL users across the top five BNPL companies surveyed say their main driver of using BNPL was help with budgeting through using regular payment plans. This demonstrates a significant aspect of BNPL's appeal, in that it offers a structured way to spread the cost of purchases over a short period time without immediate financial burden or additional transactions costs, such as interest charges.

The ease of tracking and managing payment plans is considered a primary benefit of BNPL services. This, combined with the absence of interest charges, generally lower fees associated with BNPL products compared to traditional credit options⁴, and simplicity in applying for BNPL services are leading drivers of usage.

The latest industry data shows that the majority (60 per cent) of BNPL users owe less than \$200 on all BNPL services and the average BNPL transaction value is \$132⁵ (compared to an average transaction value of \$136 in 2023), with consumers continuing to utilise BNPL for smaller purchases. Similar to other traditional credit products, BNPL users find BNPL repayments easy to meet, with nearly 70 per cent of users never missing a repayment.⁶

The rise in cost of living pressures has led to consumers identifying better ways to manage their cashflows and budgets. The survey data indicates 70 per cent of consumers intend to reduce their overall spending to manage the cost of living and underscores a concern among consumers about budgeting and the essential role of BNPL services in providing a manageable and flexible payment alternative. The survey data also shows a slight decrease in intention to reduce overall spending from September 2023. This slight shift could indicate a stabilisation in consumer sentiment regarding financial management amidst rising living costs.

⁴ RFI Global: Australian BNPL & Instalment Lending Council, December 2023. Base: BNPL users (n=1,024).

⁵ Based on 143 million transactions and \$19 billion in transaction value in FY23. Based on survey data collected in June 22 – June23 by AFIA, provided by the seven BNPL providers that are Code signatories. Does not include all BNPL services such as bank offered BNPL services or instalment products.

⁶ RFI Global: Australian BNPL & Instalment Lending Council, December 2023. Base: BNPL users (n=1,024).



The Economic Impact of Buy Now Pay Later in Australia

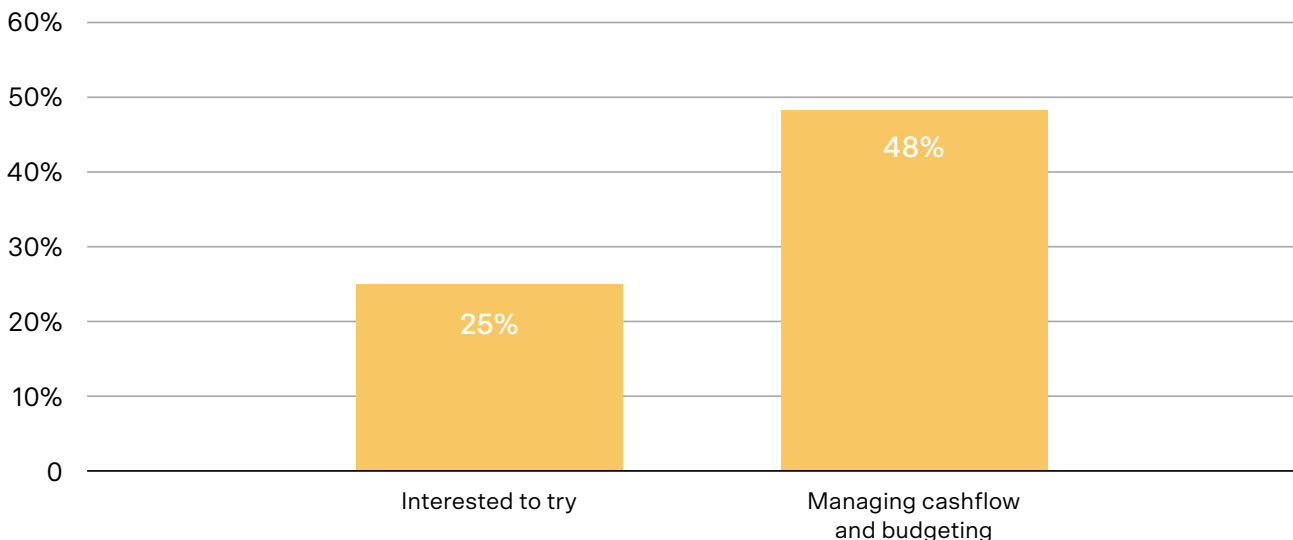
Curiosity and willingness of consumers to try new financial tools is another driver of BNPL usage. Approximately 25 per cent of users indicated their interest in experimenting with BNPL services, demonstrating a growing openness among consumers to explore alternative payment solutions and look beyond traditional credit options, especially where a consumer can achieve multiple benefits, for example, structuring salary into savings accounts to maximise interest earned and using BNPL instead of cash or debit for their retail purchases. Similarly, a consumer can maintain cash in a mortgage offset account and use BNPL to purchase solar for their home, rather than reduce their offset or pay interest on another credit product.

\$132

The average BNPL transaction value in 2023⁷

Budgeting main reason for BNPL use⁸

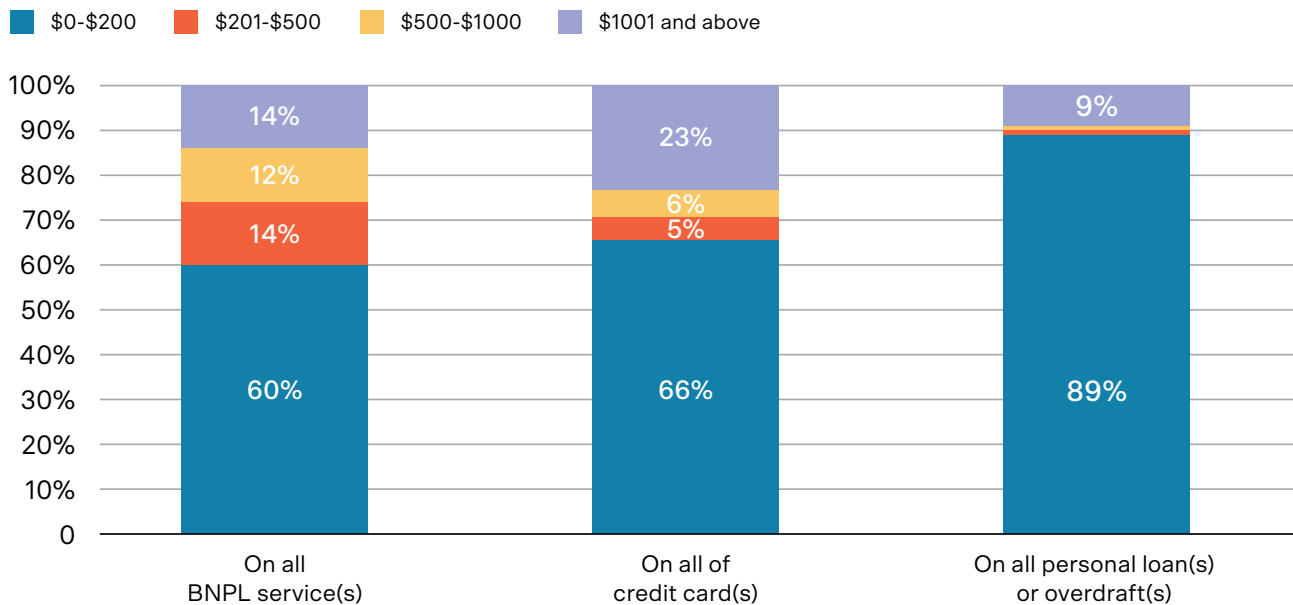
% BNPL consumer base



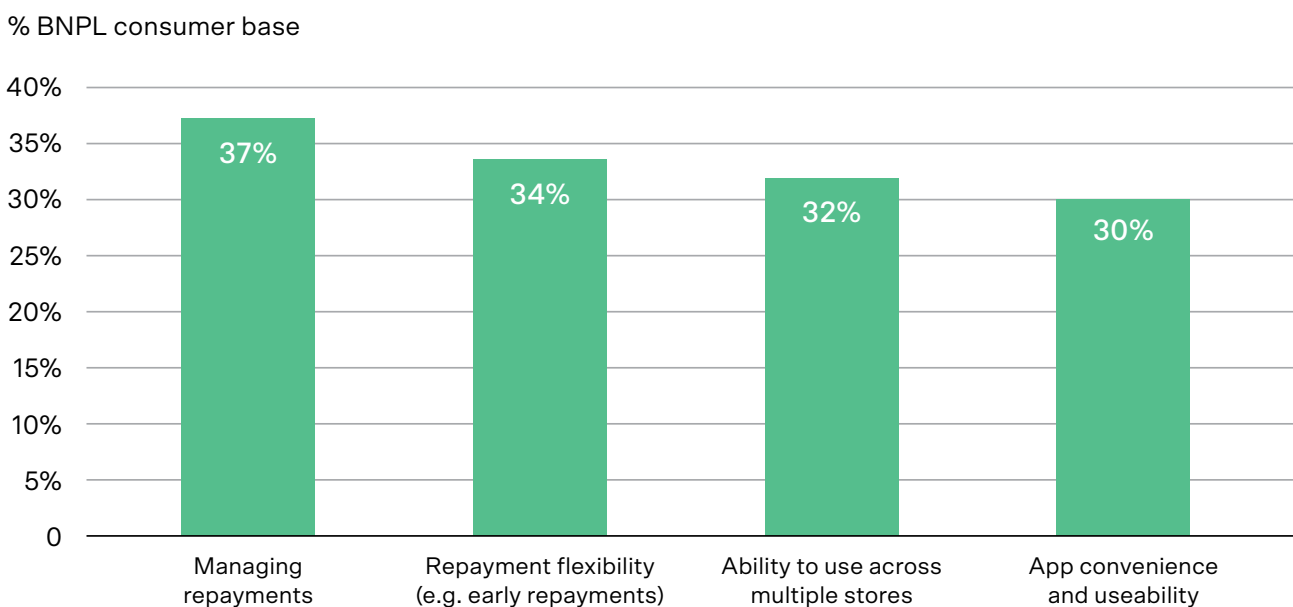
⁷ Based on 143 million transactions and \$19 billion in transaction value in FY23. Based on survey data collected in June 22 – June 23 by AFIA, provided by the seven BNPL providers that are Code signatories. Does not include all BNPL services such as bank offered BNPL services or instalment products.

⁸ RFI Global: Australian BNPL & Instalment Lending Council, December 2023. Base: BNPL users (total n=1,024).

Most BNPL users have less than \$200 owing across all BNPL services⁹



Managing payments is a key benefit for BNPL usage¹⁰



⁹ RFI Global: Australian BNPL & Instalment Lending Council, December 2023. Base: BNPL users (total n=1,024).

¹⁰ RFI Global: Australian BNPL & Instalment Lending Council, December 2023. Base: multiple BNPL users (total n=622).

Technology is a key differentiator for BNPL providers

Technology is a key distinguisher of BNPL services from traditional financial services and credit products, particularly the features that cater directly to consumer preferences and modern shopping habits. Flexibility and simplicity are important benefits to BNPL users.

With consumer-centric features, such as the ability to adjust payment plans for early repayments, the ease of tracking and monitoring purchases and financial commitments, the simplicity of the user interface, and widespread merchant acceptance, BNPL services have carved out a niche that resonates strongly with digital-savvy consumers.¹¹

Has a good app:

A 'good app' was the largest benefit identified in survey data, with 35 per cent of respondents saying their preference for a certain app influenced their BNPL usage. Government research shows close to two-thirds of Australian adults use fintech products,¹² which demonstrates a highly computer-literate and digital-savvy population, who want access to a diverse array of market choices. Australians have historically showed a faster uptake of technology, with the finance industry leading the way in tech-enabled products and services.

Early repayments:

Allowance of early repayments is another highly valued element identified in the survey data, with 33 per cent of respondents stating this was a driver to use BNPL services. By facilitating early repayments easily through the app and without penalties, BNPL services align with a growing consumer desire for financial autonomy and prudent budget management.

¹¹ RFI Global: Australian BNPL & Instalment Lending Council, December 2023. Base: multiple BNPL users (total n=622).

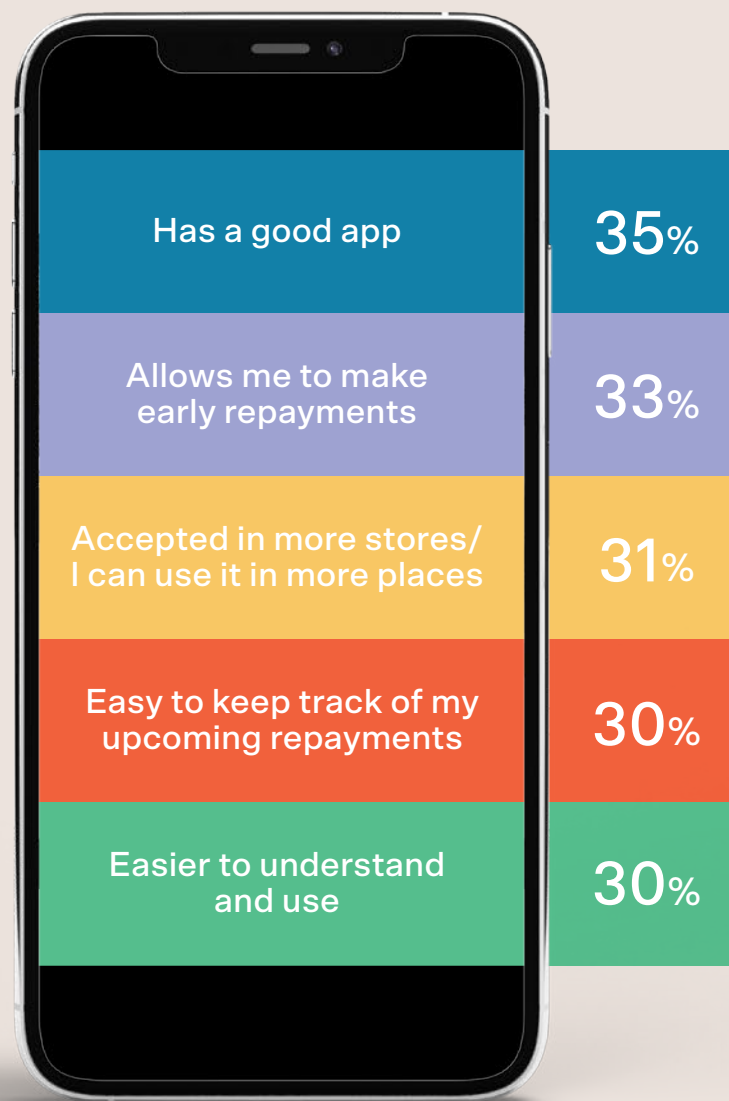
¹² <https://www.globalaustralia.gov.au/industries/digitech>; Fintech section.

Easy payment tracking:

The capability to easily monitor spending and track upcoming repayments is another benefit that BNPL services offer, with 30 per cent of users describing this functionality as a product differentiator. Through user-friendly apps and intuitive online interfaces, customers can monitor their payment schedules and outstanding balances with ease. This transparency contributes to helping consumers stay on top of their purchasing decisions and financial obligations, reducing the risk of missed payments and minimising associated fees.

Accepted in more stores/I can use it in more places:

The increased acceptance by merchants and retailers further encourages use by consumers, with 31 per cent of respondents considering this a benefit of BNPL. This demonstrates the expanding reach of BNPL providers, offering consumers the flexibility to use their preferred payment method across a broad spectrum of retailers. This is especially true for online marketplaces, where consumers prefer to have their purchase and payment solutions easily accessible digitally and integrated.



Consumers use BNPL when best suits them

Over the past year, the average number of purchase categories for which consumers utilise BNPL services has remained steady. This consistency underscores the versatility of BNPL platforms, catering to a broad spectrum of consumer needs and maintaining a stable role in their financial toolkit. The steady range of categories consumers purchase from highlights BNPL's resilience as a preferred payment method across various consumer segments.

The categories purchased from encompass both consumer needs, such as clothing and shoes, and luxuries, such as beauty and cosmetics, and games and toys.

Clothing and shoes, electronics, and household items emerge as the dominant categories, with these preferences reflecting both the value and utility of BNPL in facilitating larger, potentially planned purchases.

In contrast, everyday expenses, such as groceries, alongside discretionary spending on travel bookings or tickets to concerts and music festivals, attract less BNPL usage.

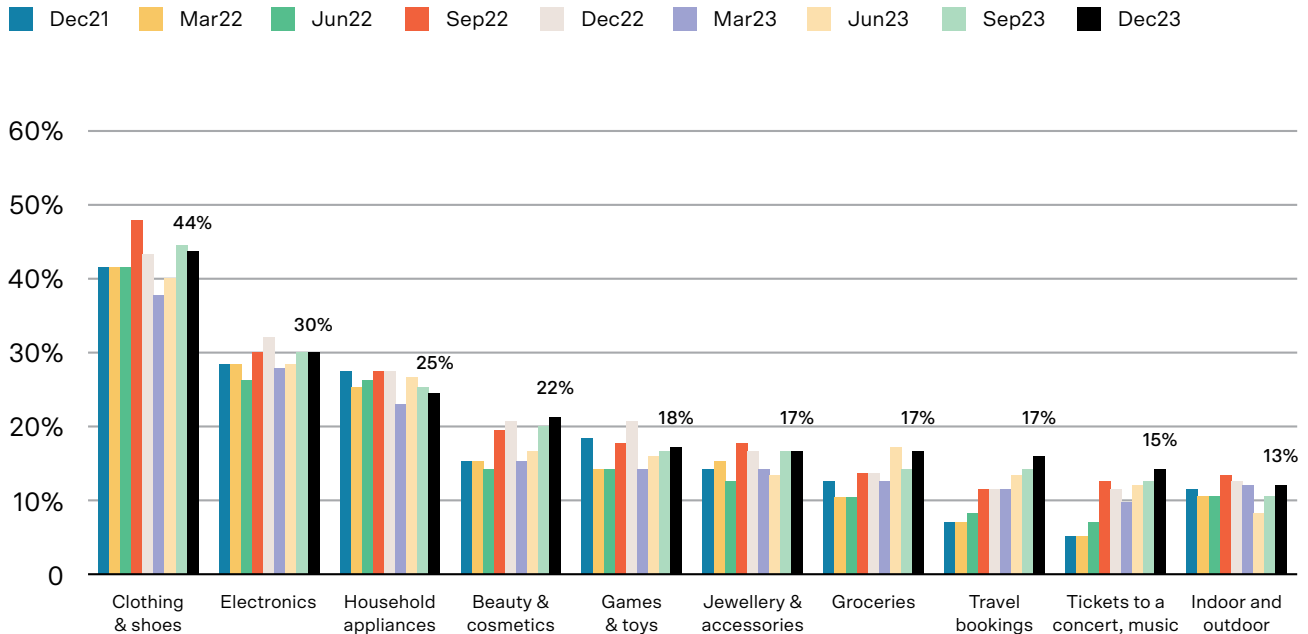
This pattern suggests that consumers are more inclined to leverage BNPL for planned purchases and high-value purchases that require more substantial financial planning and commitment.¹³

Like traditional credit products, industry data shows that BNPL usage is impacted by seasonal factors, with spending increasing around holiday periods. There is a slight influence of seasonal trends on BNPL usage, particularly in the increase of transactions in categories like electronics during end-of-year sales events or clothing and shoes during fashion seasons. Leading up to December 2023, beauty and cosmetics, and games and toys accounted for 22 per cent and 18 per cent of total BNPL purchases, the highest period since December 2022.

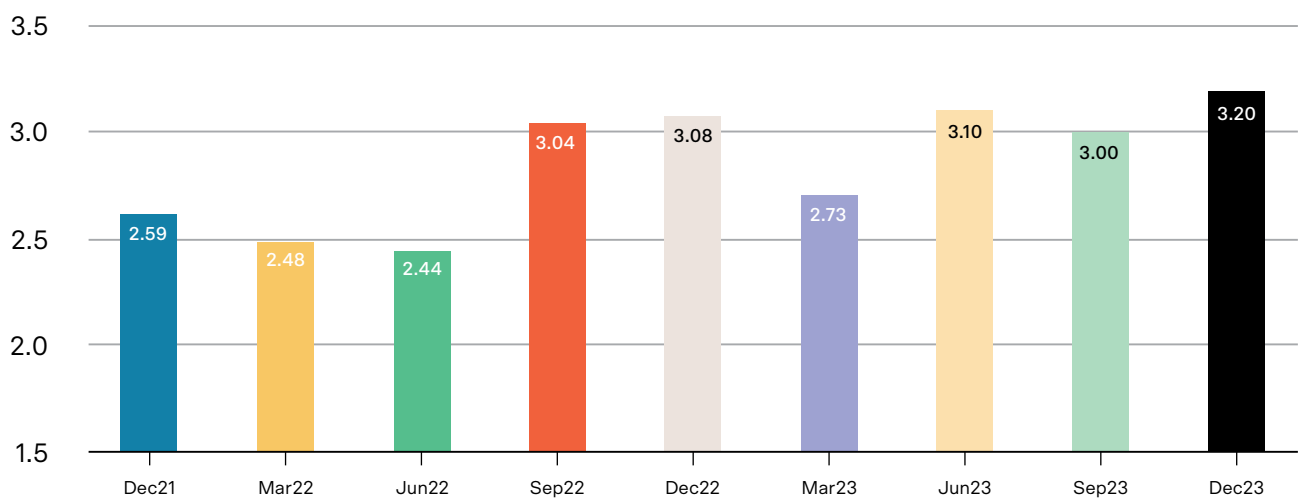
This seasonal variance not only reflects the adaptability of consumers in managing their purchases and expenditure, but also highlights the strategic use of BNPL services to optimise spending during peak shopping periods.

Although the average transaction value has decreased to \$132 over the past few years and generally consumers are using BNPL services to purchase lower value items and planned purchases, such as clothing and shoes, consumers have indicated an interest in using BNPL service to pay for high-value purchases, including electronics, household appliances, or medical costs. This demonstrates BNPL products are becoming part of managing household budgets and minimising transaction costs, rather than just for small, low risk transactions, as has been seen in previous years.

¹³ RFI Global: Australian BNPL & Instalment Lending Council, December 2023. Base: BNPL users (Dec21: n=1,006, Mar-22: n=1,335, Jun-22: n=1,086, Sep-22: n=1,118, Dec-22: n=1,152, Mar-23: n=1,236, Jun-23: n=1,050, Sep-23: n=1,012, Dec-23 n=1,024).

Top 10 BNPL purchase categories¹⁴**Average number of purchase categories BNPL is used for**

This chart refers to the number of different categories consumers use BNPL, for example, in December 23 consumers used BNPL to purchase in 3+ categories, such as clothing, electronics, and games and toys.



¹⁴ RFI Global: Australian BNPL Council, December 2023. Base: BNPL users (Dec-21: n=1,006, Mar-22: n=1,335, Jun-22: n=1,086, Sep-22: n=1,118, Dec-22: n=1,152, Mar-23: n=1,236, Jun-23: n=1,050, Sep-23: n=1,012, Dec-23 n=1,024).

The BNPL market continues to evolve

Australian's awareness of BNPL services has remained stable over the last few years. However, usage of BNPL services has increased by around 8 per cent since 2019 to almost one-third of Australian's using a BNPL service in the past year.¹⁵ Usage of BNPL services continues to be dominated by consumers aged 18–39 years, with those aged 65 and over the least likely to hold a BNPL account even though uptake by older Australians is observable.¹⁶

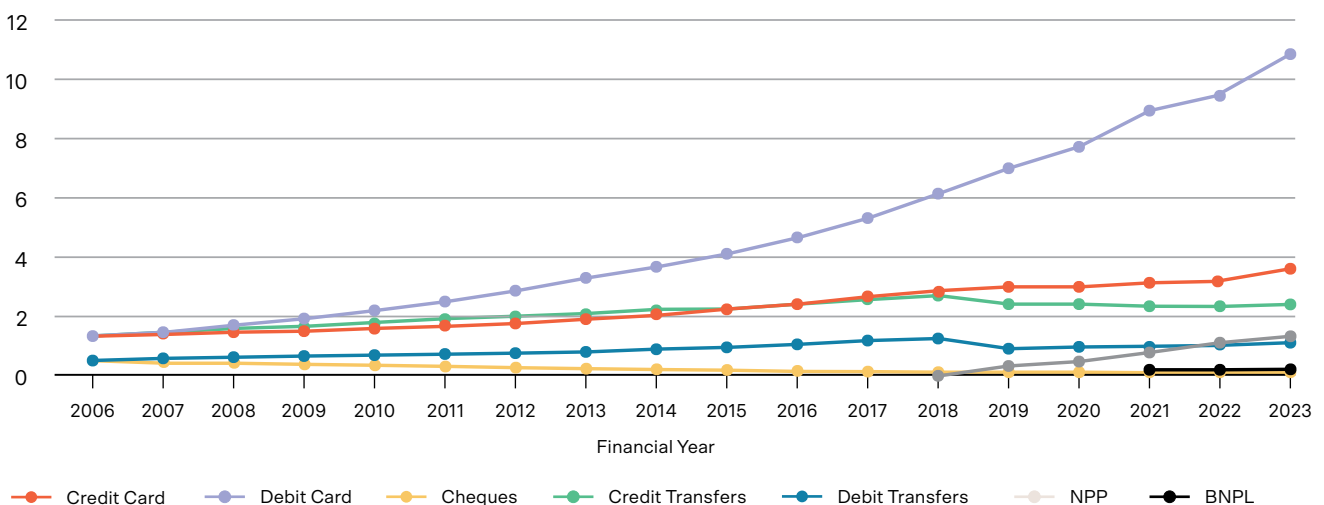
New product innovations on both the consumer and merchant sides are shaping the BNPL market. New features such as personalised payment plans, loyalty and reward programs, and integration with digital wallets are expected to be launched. Adoption by merchants for new payment solutions, such as SoftPOS (tap to pay) and QR code payments, have already increased.

BNPL acceptance as a payment method by merchants has also increased over the last 12 months, particularly with some of the larger retail brands.¹⁷

BNPL usage over time by age group

Across all age groups and genders there has been a general upward trend in BNPL usage between March 2022 and December 2023, indicating the steady growth of popularity of the products, and its entrenchment across demographics as an available payment solution. Notably, 18–34 year olds have the highest usage of BNPL, with usage trending downwards above age 35. This trend matches the increases seen by credit cards, however, there has been a significant increase in debit card usage which out-paces all other payment forms and remains the dominant way Australians pay for purchases.

Number of transactions (billions)¹⁸



¹⁵ RBA, Consumer Payment Behaviour in Australia, Bulletin-June 2023.

¹⁶ How Buy Now, Pay Later (BNPL) Apps Are Changing Retail and Their Business Models - Bloomberg.

¹⁷ RFI Global: Australian Merchant Acceptance Survey H2 2023; Base: Card-accepting merchants (H2 2020: n=977, H1 2021: n=1,010, H2 2022: n=1,070, H2 2022: n=1,024, H1 2023: n=1,030, H2 2023: n=1,001).

¹⁸ RBA, Consumer Payment Behaviour in Australia, Bulletin-June 2023.

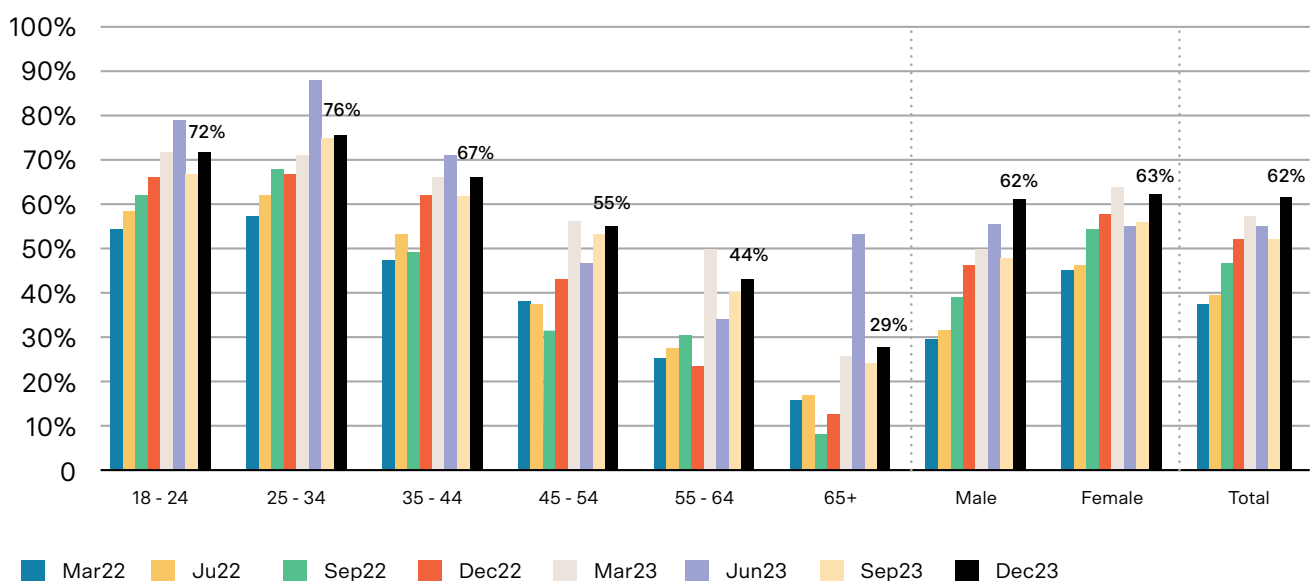
The youngest adult group, those aged 18-24, began with the highest BNPL usage rate at 72 per cent in FY23, but BNPL usage by this cohort has decreased over time. In contrast, all other age groups demonstrated growth in BNPL usage, particularly with 35-44 and 45-54 year olds, which exhibited consistent upward trends.

The demographic of 45-54 years old experienced a marked increase to 55 per cent in December 2023 from around 40 per cent December 2022. In the context of gender, 62 per cent of males and 63 per cent of females were using BNPL services as of December 2023, with some fluctuations in the lead over time.

The survey data also highlighted that the 45-54 years old cohort and the total category notably showed significant growth in December 2023, compared to December 2022. On the other hand, the senior age group of 65 and older had the lowest overall growth, starting from 29 per cent in March 2022 and reaching 44 per cent by December 2023.

Overall, BNPL usage has been relatively stable, especially in the last quarter of 2023, maintaining a usage rate of about 62-63 per cent. This consistency suggests that BNPL has become a mainstream payment solution and choice among Australian consumers.

BNPL usage by age and gender¹⁹



¹⁹ RFI Global: Australian BNPL & Instalment Council, December 2023. Base: All consumers (Mar-22: n=2,022, Jun-22: n=2,123, Sep-22: n=1,068, Dec-22: n=1,152, Mar-23: n=1,070, Jun-23: n=1,291, Sep-23: n=1,283, Dec-23 n=1,251).

BNPL usage over time by category

The survey data also reveals that clothing and shoes and electronics are the most popular BNPL spending categories across all age groups, capturing 44 per cent and 30 per cent of the user base respectively. BNPL users aged 25-34 show the highest inclination towards these categories, particularly in electronics, with 39 per cent opting for BNPL.

The 25-34 and 35-44 year old cohort is more likely to use BNPL for games and toys, a trend that does not carry as strongly into older demographics. This category stands out with 26 per cent for this age group, while it drops to 3 per cent for those aged 65 and over.

Other significant categories include:

- Household Appliances: Steady across the board with a 22 per cent total, but particularly favoured by the 25-34 age group at 31 per cent.
- Beauty and Cosmetics: Overall at 22 per cent, with the highest BNPL usage again seen in the 25-34 age group at 28 per cent.
- Travel bookings: Highlighted by 17 per cent overall usage, with the most being in the 25-34 and 35-44 age groups, both at 21 per cent.

Some categories show less BNPL usage overall but are significant in certain age groups. For example, health and beauty services are used by 17 per cent of the 25-34 age group, whereas home improvements and renovations have an overall usage of 10 per cent, with the highest within the 35-44 age group at 13 per cent. This result is not unexpected and reflects a trend which matches general age of homeownership versus disposable income among younger individuals.

Similarly, groceries was only in the top five categories for the 45-54 age group at 18 per cent, which highlights that use of BNPL services for groceries is not high in purchasing preferences across all age groups.

The diversity of consumer categories purchased with BNPL services demonstrates the wide variety of uses for BNPL, and its growing position as a flexible payment solution for Australian consumers.

Types of purchases consumers have made using BNPL, by age²⁰

18 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65+
Clothing and shoes 38%	Clothing and shoes 52%	Clothing and shoes 49%	Clothing and shoes 43%	Clothing and shoes 45%	Clothing and shoes 25%
Beauty and cosmetics 24%	Electronics 32%	Electronics 39%	Electronics 29%	Electronics 32%	Electronics 22%
Jewellery and accessories 21%	Household appliances 31%	Household appliances 26%	Household appliances 27%	Household appliances 24%	Household appliances 19%
Electronics 20%	Beauty and cosmetics 28%	Games and toys 26%	Beauty and cosmetics 22%	Beauty and cosmetics 17%	Automotive services 12%
Tickets to a concert or other event 20%	Games and toys 26%	Beauty and cosmetics 23%	Groceries 18%	Jewellery and accessories 15%	Medical expenses 12%

²⁰ RFI Global: Australian BNPL & Instalment Council, December 2023. Base: BNPL users (18-24: n=125, 25-34: n=310, 35-44: n=201, 45-54: n=176, 55-64: n=122, 65+: n=90, Total: n=1,024).

The economic impact of BNPL in Australia

Oxford Economics Australia used economic contribution metrics to measure the role of BNPL in supporting national employment and GDP in the Economic Impact of Buy Now Pay Later 2022 report. This methodology was extrapolated to be updated by AFIA (and cross checked by Oxford Economics Australia) for this year's edition of the report. In FY23, allowing for flow-on effects, BNPL helped create or retain some 149,600 jobs throughout Australia and contributed \$22.9 billion in Gross Domestic Product (GDP) to the Australian economy. This is a 24 per cent increase on FY22, which contributed \$18.4 billion in benefits to GDP, and a 60 per cent increase on FY21, which contributed \$14.3 billion.

Consumer benefits

The estimated gross benefit of BNPL to consumers was \$422 million over FY23, an increase of 25 per cent from FY 22 and 60 per cent from FY21. The consistent growth in BNPL new revenue is driven partly by a high awareness of BNPL products, with 96 per cent of Australians aware of at least one BNPL provider, and 5.2 million active accounts.

This widespread awareness and adoption of BNPL services underscores the value consumers place on the unique advantages these platforms offer. One in two BNPL users believe no interest, the ease of repaying larger planned purchases, the ease of monitoring and tracking repayments,

and managing budgets are top benefits when compared with traditional credit products. These benefits collectively reflect that improved technology and integration are key benefits of BNPL services.²¹

Almost 70 per cent of BNPL users found repayments to be either 'very easy' or 'somewhat easy' to meet. In comparison, only 27 per cent of BNPL users identified having difficulty in meeting repayments, the lowest figure recorded of all credit types surveyed. This same survey data found BNPL to have the highest 'very easy' to meet repayments rating at 30 per cent, compared to credit cards (29 per cent), mortgages (25 per cent), and other loan types (21 per cent).²²

*Comparison website, Finder, asked over 700 Australians for feedback on BNPL services for its Buy Now Pay Later Customer Satisfaction Awards 2023. This feedback revealed that across all BNPL brands listed, on average almost 80 per cent of customers surveyed would actively recommend them to other consumers.*²³

In addition, as noted in research published by the University of Sydney, consumers benefit from no cost credit as long as they maintain responsible spending, with BNPL services typically promoting responsible spending for consumers.²⁴

²¹ RFI Global: Australian BNPL & Instalment Lending Council December 2023. Base: BNPL users (Dec-23: n=1,024).

²² *Ibid.*

²³ finder: Buy Now Pay Later Customer Satisfaction Awards 2023 - <https://www.finder.com.au/finder-awards/customer-satisfaction/buy-now-pay-later-2023>.

²⁴ University of Sydney Business School: Buy Now Pay Later: Multiple Accounts and the Credit System in Australia 2022 (pg 8) . https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4216008.

96%

Of Australians are aware
of at least one BNPL provider²⁵

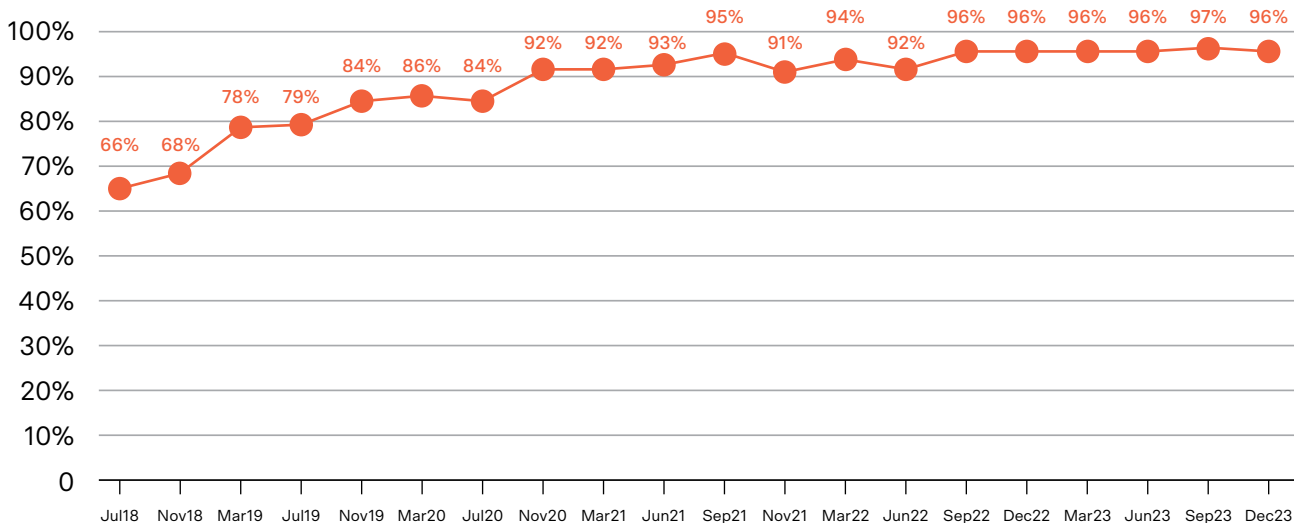
*It's an excellent way to
make purchases when
your budget is tight.*

5.2M

Active BNPL accounts in Australia²⁶
Note: active accounts now lower than 2022 (5.9m)

*I've found it to be really
helpful. It was easy
to set up and easy to
use. I can reschedule
payments as necessary.
No fees. No interest.*

Australian's awareness of BNPL services has remained stable over the past 3 years²⁷



²⁵ RFI Global: Australian BNPL & Instalment Council, December 2023. Base: All consumers (Jul-18: n=2,003, Nov-18: n=2,008, Mar-19: n=2,055, Jul-19: n=2,014, Nov-19: n=2,015, Mar-20: n=2,006, Jul-20: n=2,016, Nov-20: n=2,105, Mar-21: n=2,034, Jun-21: n=2,045, Sep-21: n=2,045, Nov-21: n=1,002, Mar-22: n=1,008, Jun-22: n=2,123, Sep-22: n=1,068, Dec-22: n=1,152, Mar-23: n=1,070, Jun-23: n=1,286, Sep-23: n=1,283, Dec-23: n=1,251).

²⁶ Data provided to AFIA for the Code Compliance Committee by the seven Code signatories. Active accounts are defined as those accounts where the customer has made at least one transaction over the past 12 months.

²⁷ RFI Global: Australian BNPL Council & Instalment Lending Council December 2023. Base: All consumers (Jul-18: n=2,003, Nov-18: n=2,008, Mar-19: n=2,055, Jul-19: n=2,014, Nov-19: n=2,015, Mar-20: n=2,006, Jul-20: n=2,016, Nov-20: n=2,105, Mar-21: n=2,034, Jun-21: n=2,045, Sep-21: n=2,045, Nov-21: n=1,002, Mar-22: n=1,008, Jun-22: n=2,123, Sep-22: n=1,068, Dec-22: n=1,152, Mar-23: n=1,070, Jun-23: n=1,286, Sep-23: n=1,283, Dec-23: n=1,251).

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Retailer benefits

As of 30 June 2023, BNPL's merchant network experienced a contraction, with the number of participating Australian businesses decreasing by 6.9 per cent to 148,000.

Several smaller BNPL providers have exited the market over the past year. Despite this reduction, the BNPL sector delivered substantial economic value, generating nearly \$3.4 billion in new revenue and \$1.9 billion in net benefits for retailers in FY23.

This financial impact was driven by \$3.4 billion in new revenue through customer acquisition, increased transaction sizes, and improved customer satisfaction and retention. Furthermore, retailers utilising BNPL services enjoyed \$1 billion in cost efficiencies during FY23, a 24 per cent change from FY22. This growth is attributed to a reduction in costs associated with customer engagement (acquisition and service costs), diminished fraud rates, and lower marketing expenses.

The peak body for Australian retailer's, the Australian Retailers Association, has also previously stated that with a consistently growing return rate for customers as well as higher sales at the checkout, the survey data shows that, 'the option to pay over time without interest on big-ticket items is a welcome value-add.'²⁸

This highlights the role of BNPL services in supporting Australian businesses by enhancing operational efficiency and fostering economic growth.

It's a great way to pay, it's reliable, easy and trustworthy.

I find the app really easy to navigate. It is accepted in most stores online and in person. You can choose how long you want to pay off your repayment.

²⁸ Australian Retailers Association: Is Buy Now, Pay Later Valuable for Retailers? (June 2017) - <https://www.retail.org.au/news-and-insights/is-buy-now-pay-later-valuable-for-retailers>.

27.4x

Average BNPL
usage per
annum

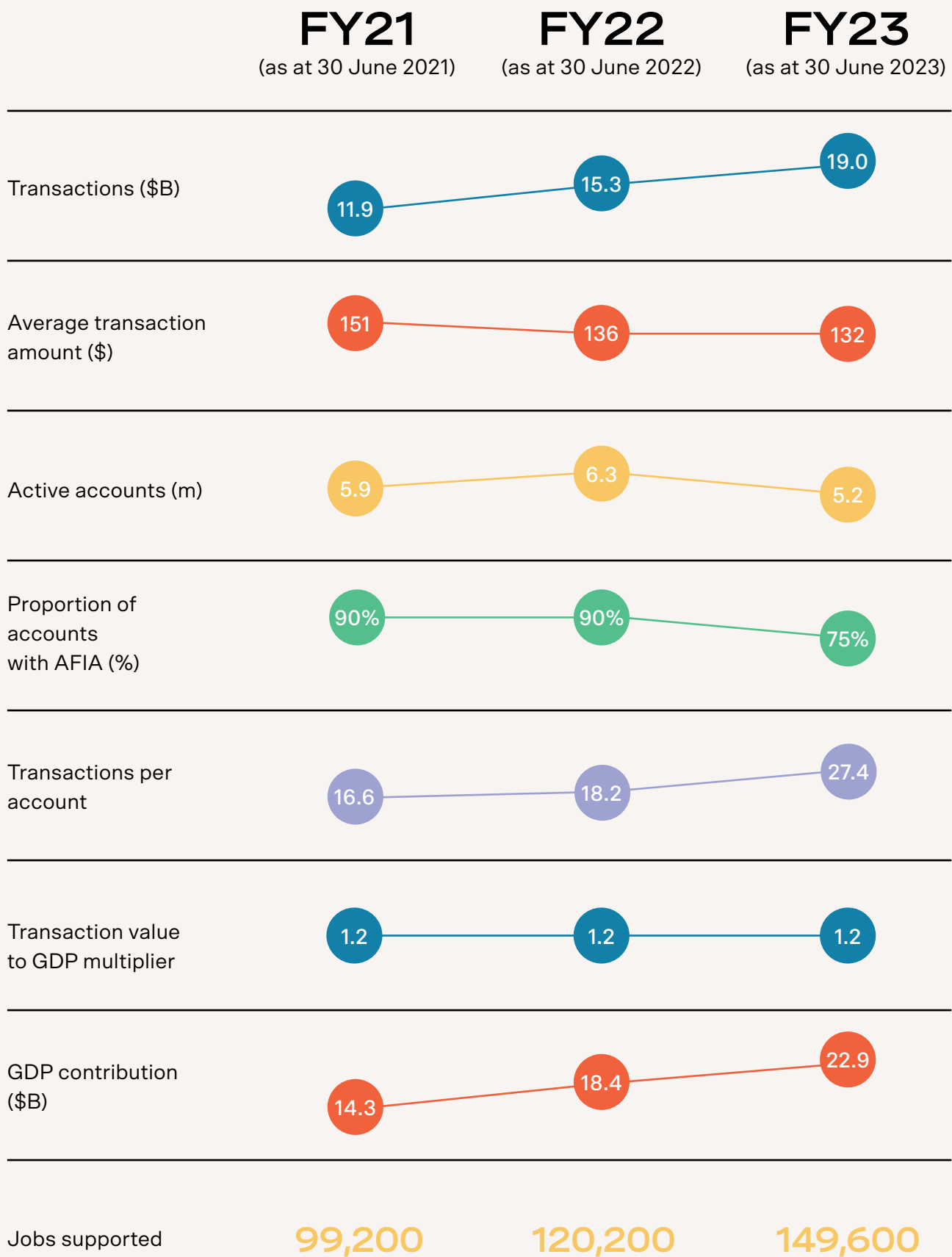
148,000

BNPL accepting
retailers

\$3.4B

New revenue
generated by
BNPL

The Economic Impact of Buy Now Pay Later in Australia



FY21 (as at 30 June 2021) **FY22** (as at 30 June 2022) **FY23** (as at 30 June 2023)

Net overall positive impact (\$B)

Fiscal Year	Net overall positive impact (\$B)
FY21	-
FY22	1.6
FY23	2.0

Gross consumer benefit (\$M)

Fiscal Year	Gross consumer benefit (\$M)
FY21	264
FY22	337
FY23	422

Net consumer benefit (\$M)

Fiscal Year	Net consumer benefit (\$M)
FY21	68
FY22	87
FY23	109

Number of merchants

Fiscal Year	Number of merchants
FY21	135,400
FY22	158,900
FY23	148,000

Gross retailer benefit (\$B)

Fiscal Year	Gross retailer benefit (\$B)
FY21	2.8
FY22	3.5
FY23	4.3

Net retailer benefit (\$B)

Fiscal Year	Net retailer benefit (\$B)
FY21	1.2
FY22	1.5
FY23	1.9

New revenue (\$B)

Fiscal Year	New revenue (\$B)
FY21	2.1
FY22	2.7
FY23	3.4

The Economic Impact of Buy Now Pay Later in Australia

Economic contribution measures^{29,30}

\$22.9 billion

GDP contributed by BNPL to the Australian economy in FY23

149,600

Jobs created or maintained by purchases using BNPL in FY23

Economic welfare measures^{29,30}

\$109 million

Net benefits realised by consumers in FY23 by making purchases with BNPL

\$1.9 billion

Net benefits gained by merchants offering BNPL in FY23

\$2.0 billion

Net overall positive impact to the Australian economy attributed to BNPL in FY23

²⁹ All figures are based on data provided by the seven major Australian BNPL providers that are Code signatories and account for nearly 75 per cent of the BNPL market. Does not include all BNPL services such as bank offered BNPL services or instalment products.

³⁰ Economic welfare measures indicate net benefits to consumers and producers (not all of which are captured in GDP). Economic contribution approaches indicate the gross contribution to the economy, typically in employment and Gross Domestic Product (GDP) terms.



BNPL is a unique part of the payments ecosystem

Despite a 17.5 per cent reduction in active accounts, dropping to 5.2 million by 30 June 2023, the overall transaction value saw a substantial increase of 24.2 per cent, reaching \$19 billion in the FY23 period, equivalent to around 2 per cent of Australian card purchases (credit card and debit card payments only).³¹ In FY22, BNPL accounted for around 1.8 per cent of Australian card purchases.

This growth underscores the enduring appeal and utility of BNPL services among Australian consumers, who reaped \$422 million in gross benefits and \$109 million in net benefits after accounting for various fees, such as late payments.³²

BNPL accounted for an estimated 143 million transactions in FY23, which is close to one per cent of total transactions across the Australian financial system. In this period, the use of most payment types grew, suggesting Australian consumers are not necessarily trading one type for another, but utilising different payment types for different transactions.

The gross consumer benefit from using BNPL was worth A\$422 million in FY23, up from A\$337 million in FY22.

\$19B

The value of transactions made using BNPL in FY23 in Australia³³

\$422M

The estimated gross benefit of BNPL to consumers³⁴

\$109M

The estimated net benefit accruing to BNPL customers in FY23³⁵

³¹ The Evolving Retail Payments Landscape | Payments System Board Annual Report – September 2023 | RBA; Buy Now, Pay Later transactions continue to grow.

³² The methodological approach for this update is based on that outlined in the Economic Impact of BNPL in Australia report published in June 2022. Note: updated RBA data has been applied to the new data where relevant.

³³ Based on survey data collected from the seven BNPL providers by AFIA June 2022 – June 2023.

³⁴ The methodological approach for this update is based on that outlined in the Economic Impact of BNPL in Australia report published in June 2022. This methodology was extrapolated by AFIA to updated data (and cross checked by Oxford Economics Australia) for this year's edition of the report. Note: updated RBA data has been applied to the new data where relevant.

³⁵ *Ibid.*

³⁶ Reserve Bank of Australia, Payments Data, November 2023.



0.8%

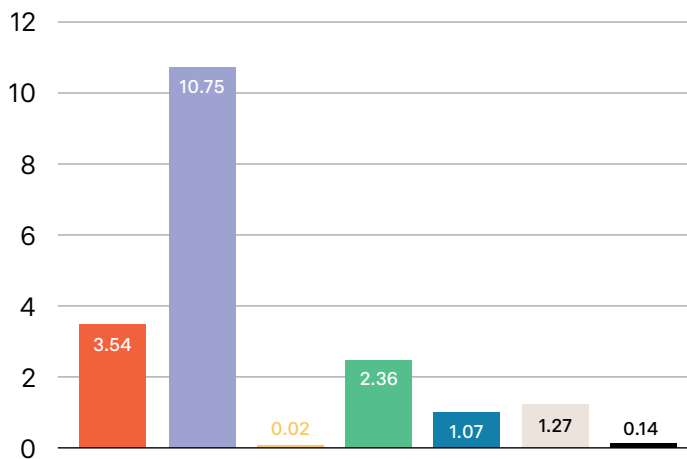
The volume of transactions processed under the Australian payments system in FY23 that were made using BNPL³⁶

The Economic Impact of Buy Now Pay Later in Australia

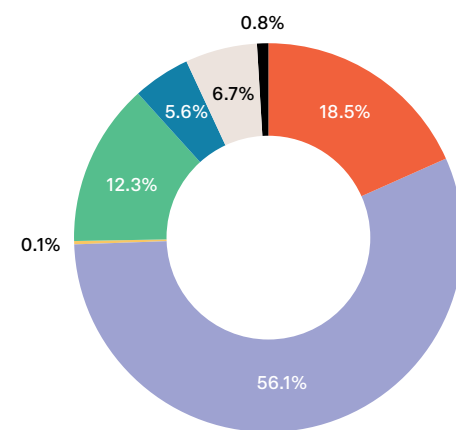
BNPL as a proportion of all transactions and value processed during FY23³⁷

■ Credit Card
 ■ Debit Card
 ■ Cheques
 ■ Credit Transfers
 ■ Debit Transfers
 ■ NPP
 ■ BNPL³⁸

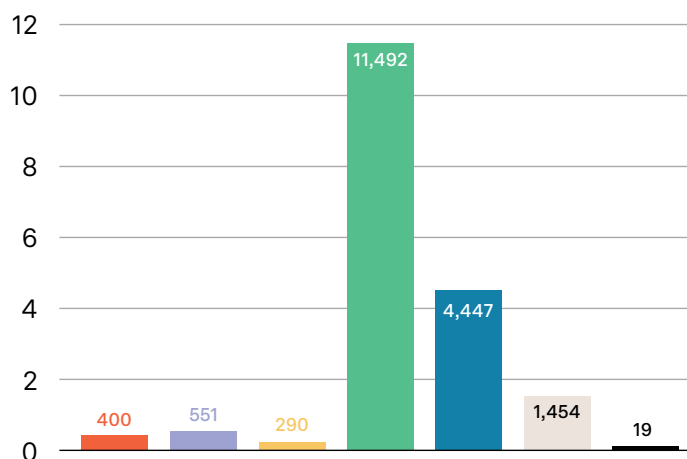
Volume of transactions (billions)



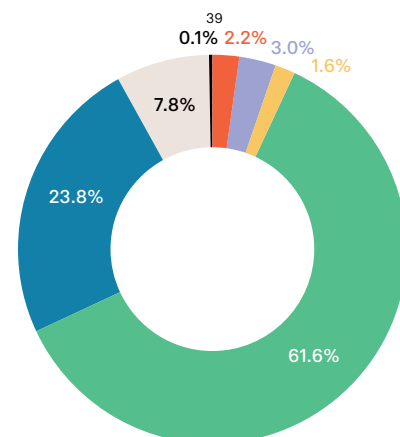
Share of total transaction volume (%)



Value of transactions (A\$ billions)³⁸



Share of total transaction value (%)



³⁷ Based on Reserve Bank of Australia Payments Data (original series) published at <https://www.rba.gov.au/payments-and-infrastructure/resources/payments-data.html> as well as data reported by the seven BNPL providers that are Code signatories who are estimated to account for 75 per cent of the Australian BNPL market.

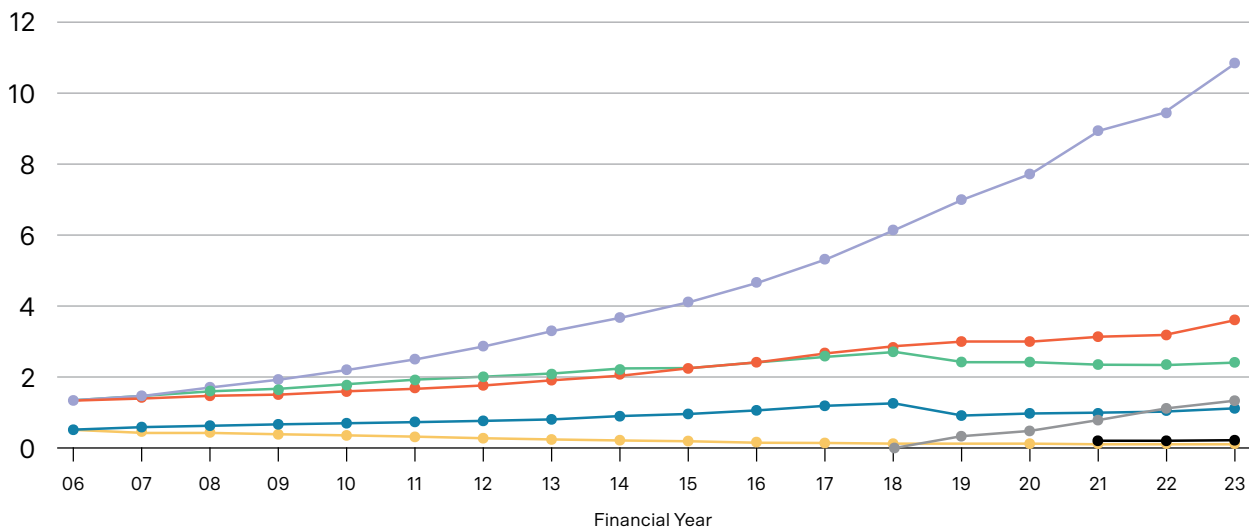
³⁸ Based on data reported by the seven BNPL providers that are Code signatories who are estimated to account for nearly 75 per cent of the Australian BNPL market.

³⁹ Per cent of total non-cash payments.

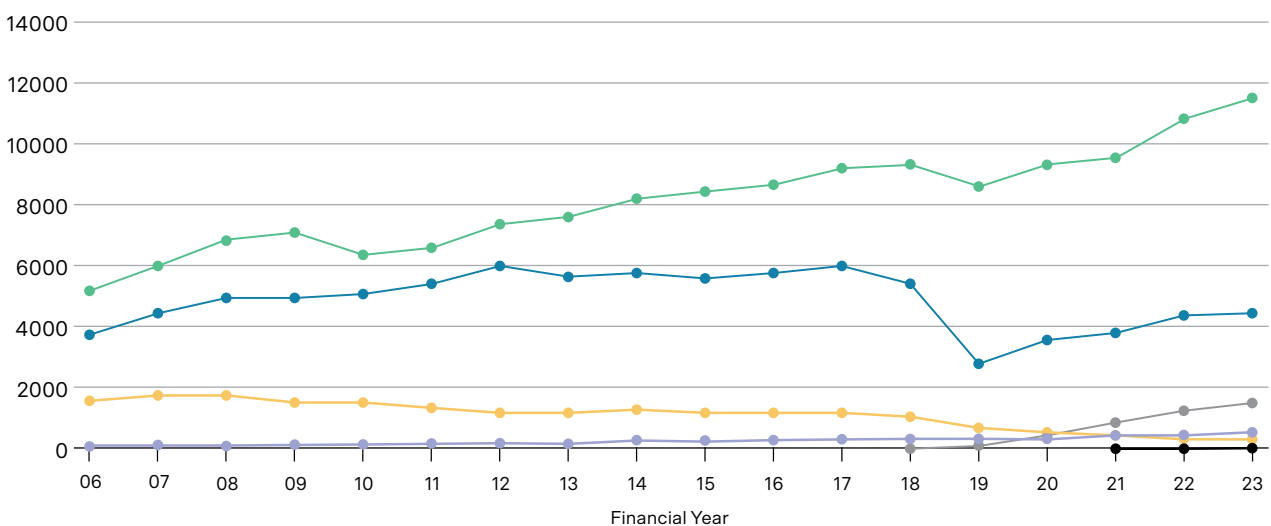
Number and value of annual transactions for different payments methods⁴⁰

● Credit Card
 ● Debit Card
 ● Cheques
 ● Credit Transfers
 ● Debit Transfers
 ● NPP
 ● BNPL

Number of transactions (billions)



Value of transactions (billions)



⁴⁰ Reserve Bank of Australia, Payments Data, March 2024. Note: As the BNPL estimates were provided for FY23, in order to make a proper comparison, data points from the RBA's payments system data have been aggregated by financial year.

Supporting consumers experiencing financial stress

The level of financial hardship relative to the BNPL user base remains very low. Industry data collected from the seven BNPL Code signatories together estimated to account for nearly 75 percent of the BNPL market by volume, indicating around 20,000 hardship arrangements were in place on 30 June 2023.

At the same point in time, there were just over 5.2 million active BNPL accounts, indicating that 0.36 per cent of active BNPL accounts were the subject of hardship arrangements. Positively, the number of accounts in hardship has reduced from FY22 (down 0.03%).

Despite complaints rising slightly from FY22 (up 0.02%), the level of complaints relative to the BNPL user base remains very low.

Data provided by the Australian Financial Complaints Authority (AFCA) indicates that in the period 1 July 2022 to 30 June 2023, AFCA received 1,391 BNPL complaints.⁴¹ Similar to other credit-related complaints at AFCA, BNPL has seen an increase in complaints this year. This reflects the continued cost of living pressures leading to consumers looking for alternate purchasing options.

Given there were just over 5.2 million BNPL accounts held with BNPL providers during the same period, this indicates 0.03 percent of these BNPL accounts were the subject of EDR complaints to AFCA.

AFCA reported⁴² the top five complaint issues were:

- Unauthorised transactions
- Credit enquiry
- Service quality
- Financial firm failure to respond to request for assistance
- Incorrect fees/costs.

In December 2023 AFIA and its BNPL members introduced new industry guidance measures to support vulnerable customers. The guidance strengthens commitments and improve outcomes for vulnerable customers.

⁴¹ AFCA Annual Review 2022-23, Buy Now Pay Later.

⁴² *Ibid.*

⁴³ *Ibid.*

⁴⁴ Data provided for the Code Compliance Committee by the seven signatories, for the period ending 30 June 2023.

5.2M

Number of BNPL accounts

0.80%

Share of total transactions under
the Australian payment system

1,391 for code
members only

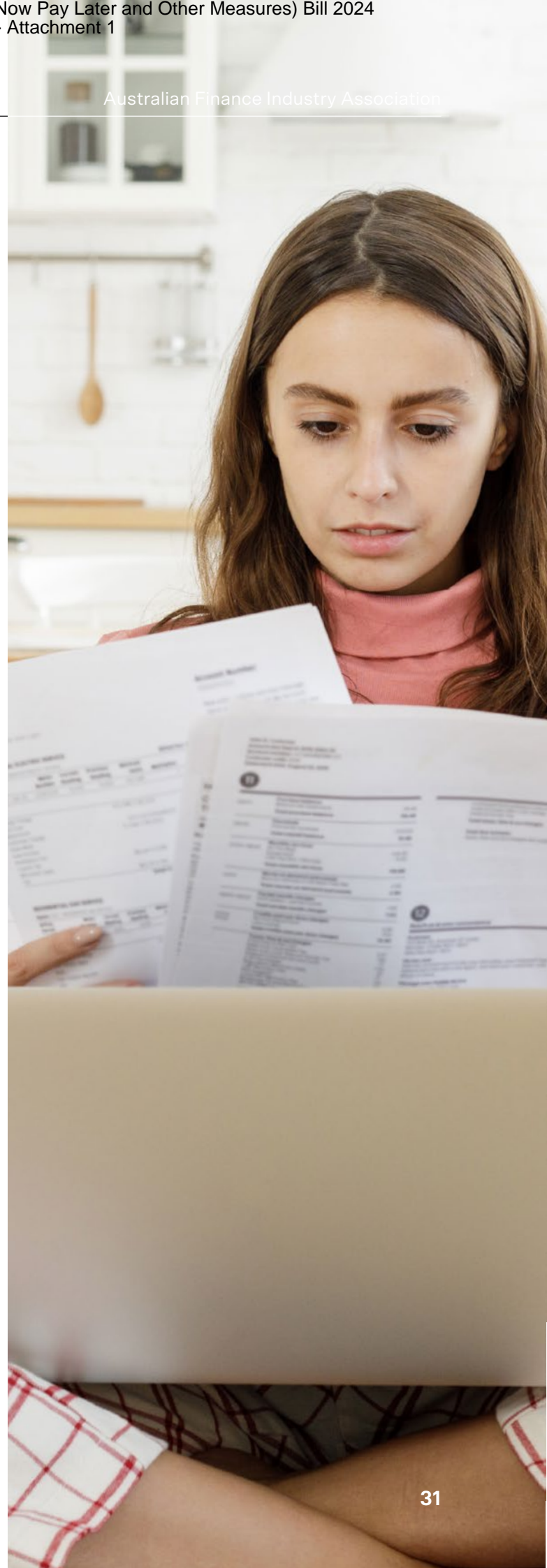
Number of complaints recorded
by AFCA (1,668 for all BNPL)⁴³

0.36%

Of active accounts were in hardship
on 30 June 2023⁴⁴

0.03%

Ratio of BNPL related EDR
complaints to active accounts
as at 30 June 2023

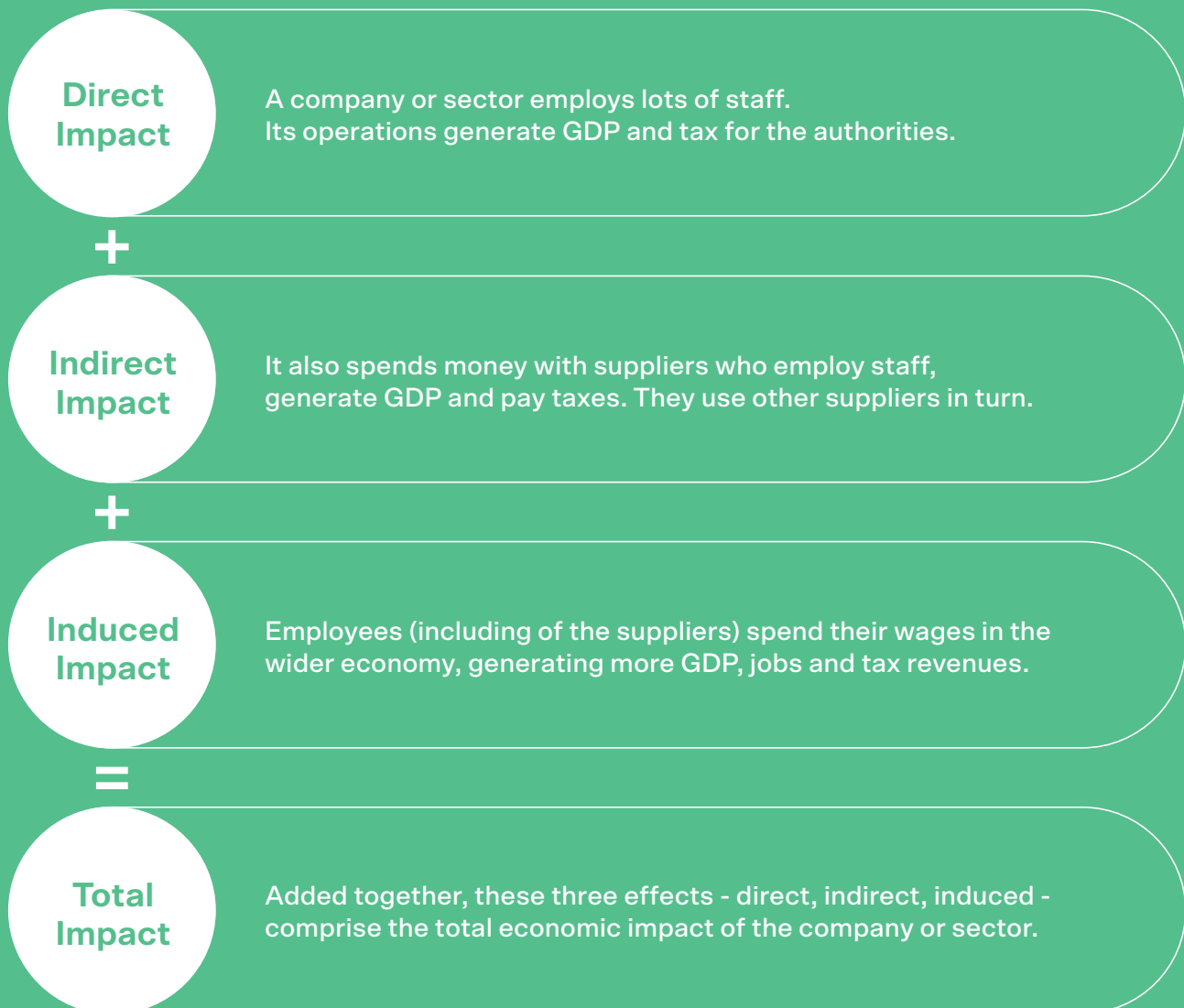


Methodology

This report contains data and information collated from publicly available sources as well as industry data from surveys conducted by RFI Global, industry data collected from the seven BNPL Code signatories⁴⁵, and the economic modelling

conducted by Oxford Economics Australia in 2022 for direct and flow-on effects of BNPL, was extrapolated to updated data (and cross checked by Oxford Economics Australia) for this year's edition of the report.

Calculating the net economic benefit to Australia



⁴⁵ Includes the seven AFIA Code signatories estimated to account for around 75 per cent of the market. Does not include all BNPL services such as bank offered BNPL services or instalment products.



The Economic Impact of Buy Now Pay Later in Australia

About the Australian Finance Industry Association (AFIA)

The Australian Finance Industry Association is a leading advocate for the Australian financial services industry. We support our members to finance Australia's future. We believe our industry can best support Australia's economy by promoting choice in and access to consumer and business finance, driving competition and innovation in financial services, and supporting greater financial, and therefore social, participation across our community.

AFIA represents over 115 providers of consumer, commercial and wholesale finance across Australia. These banks, finance companies, fleet and car rental providers, and fintechs provide traditional and more specialised finance to help businesses mobilise working capital, cashflow and investment. They are also at the forefront of financial and technology innovation in consumer finance.

About Oxford Economics Australia

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college and has become one of the world's foremost independent global advisory firms, providing best-of-class global economic and industry models, reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Oxford Economics provide an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Headquartered in Oxford, England, the company employs over 300 full-time people, including more than 200 professional economists, industry experts and business editors and has access to a contributor network of over 500 economists, analysts and journalists around the world.

In March 2017 Oxford Economics purchased the respected Australian forecasting and consultancy company, BIS Shrapnel to become BIS Oxford Economics and in 2024 rebranded to Oxford Economics Australia. Oxford Economics Australia has an Australian staff of over 70 who combine deep knowledge of the Australian economic environment with access to Oxford Economics' global capabilities to provide powerful insights.

About RFI Global

RFI Global is the only global data & insights company focusing exclusively on financial services. We help clients move quickly and confidently from question to data-driven action.

RFI Global provides actionable and evidence-based insights to clients ranging from Global and Regional Banks to FinTechs, Consultancies and Regulators in 48 markets.

We equip leaders across the finance industry with global and regional insights that pinpoint trends, predict future consumer behaviour, sentiment and identify outliers. Since 2006, our data-driven insights, actionable recommendations and unparalleled intelligence remove uncertainty from the decision-making process of leading financial service providers.

This report is confidential to AFIA and may not be published or distributed without their prior written

permission. The modelling and results presented here are based on information provided by third parties including RFI Global, upon which AFIA has relied in producing its report and forecasts in good faith. Any subsequent revision or update of this data will affect the assessments and projections shown.

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