



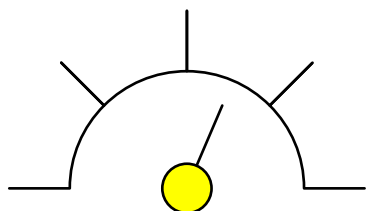
# Gearing up for growth

CommBank Manufacturing  
Insights 2024





Most Australian manufacturers and distributors are striving for higher output in 2024. However, CommBank's new report shows that achieving it will rely on overcoming ongoing issues relating to costs, customers and capacity and finding new pathways to productivity.

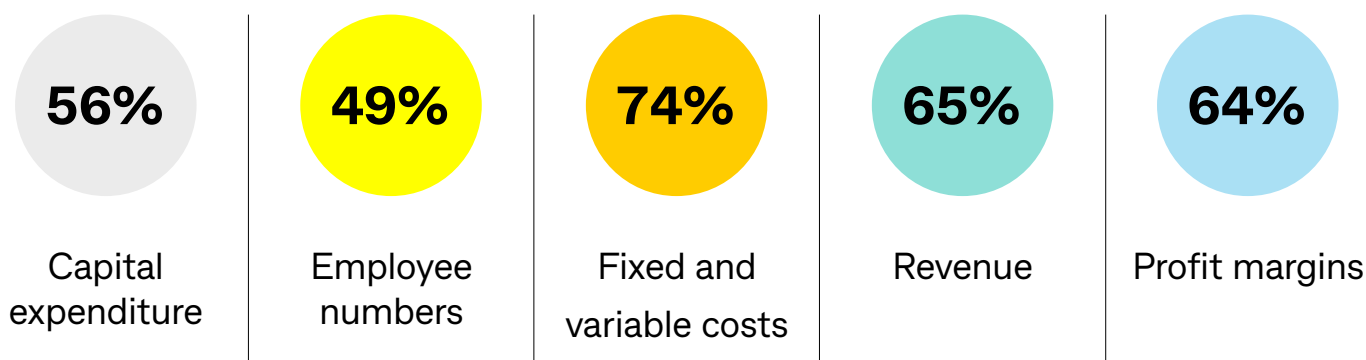


## Performance drivers and outlook

### Steady growth outlook buoys cautious optimism

Despite economic uncertainty and rising costs, most manufacturers and distributors grew production volumes and revenue at least modestly in 2023. In addition, 51% of the industry is operating with a capacity utilisation rate of 85% or above. From here, a steady growth trajectory is expected to continue, and 83% have some degree of confidence in business conditions in the year ahead.




### Expectations for slight or significant increase in 2024

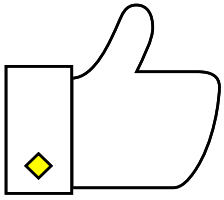


# Adapting to challenges and change

In pursuit of their growth targets, manufacturers and distributors will be navigating a range of ongoing challenges. The market and economic forces pushing up costs and competition are expected to impact the industry most in the next 12 months.

To effectively adapt to change, manufacturers and distributors are mounting a range of strategies. This includes planning initiatives and investments to optimise operations and improve productivity, competitiveness, and supply chain resilience.

 <b>Costs and inflation</b>	 <b>Customer-led change</b>	 <b>Productivity</b>
<b>Moderate to high impact issues in next year</b> <ul style="list-style-type: none"> <li>80% Increased energy costs</li> <li>74% Persistent inflation</li> <li>72% Higher interest rates</li> </ul>	<b>Moderate to high impact issues in next year</b> <ul style="list-style-type: none"> <li>32% Increased demand for lower pricing</li> <li>31% Need for faster, flexible delivery</li> <li>30% Higher expectations for product quality and reliability</li> </ul>	<b>Top barriers to productivity</b> <ul style="list-style-type: none"> <li>41% Labour skill level</li> <li>36% Labour availability</li> <li>29% Outdated plant and equipment</li> </ul>
<b>Top responses to inflationary pressures in next year</b> <ul style="list-style-type: none"> <li>48% Increase prices</li> <li>47% Improve productivity and internal cost management</li> <li>41% Innovate with cost-effective products</li> </ul>	<b>Top responses to changing customer expectations</b> <ul style="list-style-type: none"> <li>40% Improve product or service quality</li> <li>33% Streamline supply chain for efficiency</li> <li>29% Focus on product development and innovation product quality and reliability</li> </ul>	<b>Top tactics to improve productivity</b> <ul style="list-style-type: none"> <li>43% Reskilling staff</li> <li>39% Tighter inventory management system</li> <li>34% Reviewing production KPIs</li> </ul>



## Enabling business outcomes

### Technology as a productivity accelerant

Just over 8 in 10 manufacturers and distributors plan to increase technology investment in the next 12 months. The top-rated goals of adoption are enhanced productivity and financial performance, as well as improving the employee and customer experience.

### Highest impact technologies in next three to five years (ranked in top three)



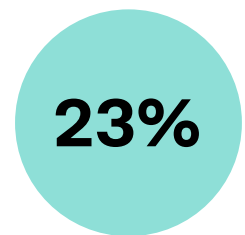
Supply chain integration platforms



Track and trace for supply chain visibility



Artificial intelligence and machine learning



Intelligent automation



### Did you know?

82% of businesses have some awareness of the Australian Government's mandatory climate-related disclosure regime. If implemented as planned, 37% say ESG investment will rise, and around one-third will significantly change their business strategy

## Boosting digital adoption and readiness

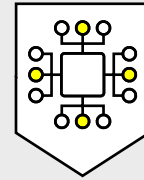
With a lack of expertise seen as a barrier to digital adoption, most manufacturers and distributors run in-house training to reskill and upskill staff. Training is also being used to strengthen business's cyber defences, but keeping hardware and software up-to-date is most common.



### Preparing people

**56%**

are conducting internal training to uplift digital skills



### Cyber protection

**38%**

are ensuring software and hardware is updated

## Advancing sustainability and business outcomes

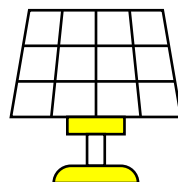
Manufacturers and distributors are progressing their sustainability journeys, targeting business outcomes including operational efficiencies (51%), reduced costs (48%) and a competitive advantage (41%). Among the barriers to delivering sustainability initiatives, financial constraints are the top-rated.



### Sustainability journey

**81%**

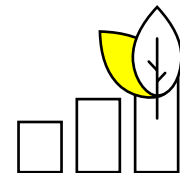
of businesses have implemented at least some sustainability initiatives



### Renewable energy

**33%**

of business' energy mix is currently supplied by renewable sources



### Fastest-growing initiative

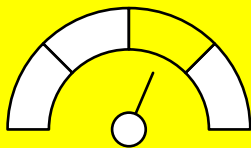
**47%**

are planning to adopt sustainable procurement practices



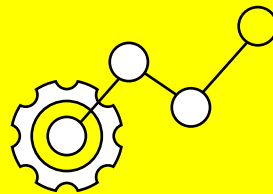
## Access more supply chain insights

This provides just a snapshot of the findings from the CommBank Manufacturing and Supply Chain Insights Report 2024, with the full report examining these and other trends in depth. This includes:



### Performance indicators

Financial and operational performance and outlook across manufacturing and distribution sectors.



### Productivity tactics

Productivity enablers and detractors, and areas earmarked for capital investment.



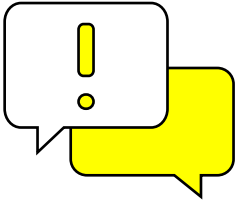
### Digital opportunities

Challenges and opportunities of emerging technologies such as AI, and cyber security initiatives.



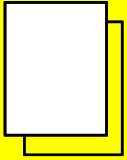
### Sustainability imperatives

Existing and planned sustainability initiatives and the impact of the changing regulatory landscape.



## About the research

The research is based on a survey of 464 manufacturers and distributors across Australia conducted in February 2024. The research examines current and future financial and operational performance drivers to support decision-makers as they develop their growth strategies.



To read the full report and access additional resources, case studies and other information visit [CommBank.com.au/manufacturing](https://CommBank.com.au/manufacturing)

### Things you should know:

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The survey was undertaken by Fifth Quadrant on behalf of the Commonwealth Bank and the analysis was undertaken by Fifth Quadrant and the Commonwealth Bank.

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