

Manufacturing Momentum

Regional Manufacturers in Focus

The latest CommBank Manufacturing Insights Report shows the industry is familiar with disruption. Many are investing in becoming even more efficient, productive, and sustainable and setting up for success beyond the current uncertainty. Assessing the priorities and perspectives of regional manufacturers highlights the distinct operating conditions and areas of strategic focus.

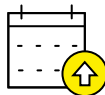
Financial performance outlook spurs confidence

More than four in five manufacturers in regional locations expect increased revenues in the year ahead. While most also anticipate rising costs, particularly in wages and capital equipment, this isn't holding back confidence in business conditions.



82%

of regional manufacturers expect revenues to increase in the next 12 months



82%

of regional manufacturers expect costs to increase in the next 12 months



57%

of regional manufacturers are very confident in business conditions, and 42% are quite confident

Top opportunities and challenges

While both regional and metropolitan manufacturers ranked cost pressures as some of their top challenges, capacity constraints also ranked highly for regional players. Examining the priorities ahead reveals many regional manufacturers have a strong focus on sustainability initiatives.

Key challenges (next 12 months)		Strategic priorities (next 12 months)	
Regional	Metropolitan	Regional	Metropolitan
<ol style="list-style-type: none">1. Increasing overheads2. Increasing transport and distribution costs3. Increasing capacity to keep up with demand	<ol style="list-style-type: none">1. Increasing supplier costs2. Increasing overheads3. Increasing transport and distribution costs	<ol style="list-style-type: none">1. Increase investment in environmental initiatives2. Increase investment in social initiatives3. Adapt processes and systems to drive efficiency, productivity, quality and capacity	<ol style="list-style-type: none">1. Invest in new technology2. Invest in sales and marketing to improve customer acquisition and retention3. Review partnerships with suppliers and partners

Growth orientation for the year ahead

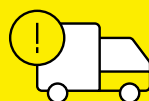
In the next 12 months, a similar proportion of regional and metropolitan manufacturers are focused on growth as well as maintaining their current trajectory.

Responding to persistent hurdles



Mitigating rising costs

The tactics manufacturers use to offset operational cost increases vary depending on location. For regional manufacturers, there is a skew towards finding alternative suppliers and materials, more efficient staff rostering and reducing overheads and restructuring debt.



Supply chain issues

Relative to metropolitan manufacturers, regional businesses are more than twice as likely to say supply chain issues significantly impact their ability to operate at full capacity. Many also say it is constraining cash flow. In response, they are improving liquidity and diversifying their supply chains.

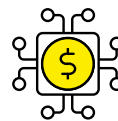
Setting the pace for technology investment

Almost every regional manufacturer plans to lift technology spending in the year ahead, and two in three intend to significantly increase investment. Across the industry, process controls, implementing cloud-based applications and supply chain and logistics technologies are the top targets for investment in the year ahead.



67%

of regional manufacturers plan to significantly increase technology investment, and **32%** expect to slightly increase digital budgets.



41%

of metropolitan manufacturers plan to significantly increase technology investment, and **40%** expect to slightly increase digital budgets.

An outsized focus on sustainable manufacturing

Manufacturers across the industry are investing in initiatives that tackle environmental, social and governance issues and drive better business outcomes. Most regional manufacturers have targets in place for diversity and carbon mitigation and are on track to achieve them. The top 3 targets that have already been adopted:



48%

already adopted increasing the use of recycled materials in the production cycle



41%

already adopted implementing technologies to accelerate sustainability improvements



37%

already adopted adhering to fixed replacement cycles to ensure old/inefficient equipment is updated regularly



About the research

The Manufacturing Insights Report is based on the perspectives of 300 business decision-makers and influencers across Australia. Almost one in three are located in regional and rural areas.

To view more insights from regional manufacturers and the tactics the industry is using to navigate emerging challenges and opportunities, read the full report [\[here\]](#).

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