

A man wearing a white hard hat and a blue quilted jacket is looking upwards and to the right. He is holding a silver tablet computer. The background is a blurred industrial setting with metal structures and lights. A large yellow graphic element, resembling a stylized arrow or checkmark, is overlaid on the image, pointing towards the top right.

# CommBank Manufacturing Momentum

How manufacturers leverage innovation, agility, and resilience to drive operational and financial performance.

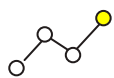
May 2023



# Manufacturing Momentum

How manufacturers leverage innovation, agility, and resilience to drive operational and financial performance.

Our new Manufacturing Insights Report is a reminder that navigating disruption and fluctuating demand cycles are familiar territories for Australian manufacturers. Despite the prospect of a slowdown in global economic growth, the vast majority are forecasting increased revenues and profits in the year ahead. They are directing investment into efficiency, productivity, and sustainability to achieve it.



## Gearing up for a strong performance

76%

of manufacturers expect revenue to increase in the next 12 months

74%

of manufacturers expect profit to increase in the next 12 months

92%

of manufacturers express optimism in business conditions over the next 12 months

In early 2022, revenue and profit forecasts began to improve following the disruption of the pandemic. Since then, manufacturers have outpaced their predictions for financial and production performance and expect these metrics to strengthen from here.

## Optimistic yet grounded

Manufacturers aren't ignoring the headwinds, including widespread predictions for further operational cost increases, and keeping pace with technology, regulations and a tight labour market. The majority are also navigating persistent supply chain challenges and constrained cash flows. As a result, 58% are targeting growth in the year ahead, down from 65% last year.

### Rising costs

75%

expect an increase in operating costs in the next 12 months. 60% are taking actions that focus on improving the supply chain.

- Top responses
1. Finding alternative materials or suppliers (37%)
  2. Negotiating better terms with suppliers (33%)
  3. More efficient staff rostering (33%)

### Supply chain issues

92%+

say supply chain issues are holding back capacity or growth. 98% are implementing at least one strategy to combat these issues.

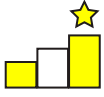
- Top responses
1. Implementing technology to more effectively monitor supply chain (32%)
  2. Increase levels of raw materials or inventory (32%)
  3. Increase supplier numbers (30%)

### Cash flow constraints

86%

say supply chain issues have negatively impacted cash flow. 70% are responding by increasing or extending financing.

- Top responses
1. Increased prices (35%)
  2. Increased use of asset finance and lending facilities when purchasing (29%)
  3. Using or extending trade finance (26%)



## Investing where it matters

Manufacturers are investing and reinvesting in ensuring they are agile and resilient, directing budgets towards driving:

### Efficiency and productivity

The top two strategies in the year ahead are investing in new technology and adapting processes to drive efficiency and productivity.

### Sustainability

The vast majority of manufacturers link sustainability initiatives with improved competitiveness. Most have emissions and diversity targets.



## Doubling down on digital

Almost nine in ten manufacturers expect to increase technology investment in the next year. Among regional manufacturers, that's 99%. The top areas relate to process efficiencies, migration to the cloud and better customer experiences. The adoption of emerging technologies is expected to grow fastest in the following areas, which will also require stronger cyber security processes and safeguards.

**31%**

plan to adopt next-generation ERP systems in the next two years

**31%**

plan to adopt autonomous systems, vehicles, and equipment in the next two years

**30%**

plan to adopt artificial intelligence and machine learning in the next two years



## The impact of sustainable practices

Sustainable practices have come into focus as manufacturers seek to improve impact and business performance. This is evidenced by the 88% of manufacturers that believe sustainability is an important part of their overall business strategy. It's encouraging that sustainability initiatives span the environmental, social and governance spectrum, which are also supporting the following outcomes:

**77%**

say they are targeting at least one objective that improves their competitive position

**73%**

say they are targeting at least one objective that improves compliance and stakeholder engagement

**49%**

say they are targeting at least one objective that improves their financial position

# About the 2023 CommBank Manufacturing Insights Report

The underlying research is based on a quantitative survey of 300 decision-makers and influencers in Australian manufacturing businesses across metropolitan and regional locations.

The CommBank Manufacturing Insights Report examines how manufacturers are navigating the industry's emerging challenges and opportunities with a focus on trends in business performance, inflation and supply chain management, digital transformation, and sustainable manufacturing.



To read the full report visit the CommBank website and search Manufacturing Insights 2023 to discover:

- The financial and operational performance outlook across the sector
- The strategies being employed to combat cost increases, supply chain and cash flow issues
- Cyber security initiatives and adoption levels among manufacturers
- The fastest-growing sustainability initiatives and alignment with business outcomes
- Profiles of manufacturers effectively navigating supply chain and cash flow constraints and driving better outcomes through technology and sustainable practices.

## Things you should know:

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Commonwealth Bank of Australia ABN 48 123 123 124 AFSL and Australian Credit Licence 234945.