

CommBank Insight Series 2026

Manufacturing signals

Demand insights and emerging
performance drivers



Manufacturing signals

The *Manufacturing Signals Report* explores macro drivers and change to consumer spending data up to the end of March 2026 to highlight demand trends across Australian manufacturing. These insights provide a view of emerging conditions, particularly in downstream, consumer-linked sectors, to help manufacturers plan, adapt and grow.

Why the insights matter



These insights, alongside other indicators, help manufacturers interpret domestic demand conditions and support planning relating to inventory, utilisation, capacity and resourcing.

The data we use



CommBank iQ data covering de-identified transactions from over 7 million Australians scaled to reflect the population. Public data sources and insights from CommBank's Global Markets and Economics Research (GEMR) team also feature.

The categories we examine



A focus on downstream sectors serving consumer markets including food and beverage, consumer goods, home improvement, clothing and footwear, electronics, and automotive parts.

The metrics in focus



Rolling annual spending growth, changes in participation, frequency and average spend across categories, and variations across Australian locations.

Australian manufacturers have long played a vital role in the nation's economic growth, taking Australian made products to local and global markets, employing generations of Australians, and driving innovation through increasingly advanced manufacturing capabilities.

In recent years, manufacturers have navigated a period of significant volatility, from the surge in activity during the pandemic, to subsequent normalisation, and more recently, ongoing supply chain disruption, rising costs and uncertainty in demand.

At this point in the cycle and amid supply chain headwinds, resilience and operational agility have again become the defining theme for the industry. However, the outlook is closely tied to easing of global geopolitical tensions and inflationary pressures.

As with previous cycles, manufacturers are focused on maintaining competitiveness and financial strength. This includes managing delays in cash flow conversion we are seeing among customers, preserving balance sheet strength, and positioning for long-term growth.

In an environment where activity continues to evolve, a focus on efficiency and clearer signals

of demand is increasingly important. We are committed to providing insights that support manufacturers in navigating disruption and planning ahead.

This report examines the state of Australian manufacturing in early-mid 2026, bringing together macroeconomic perspectives on the forces shaping the sector. It also uses consumer spending data to provide a signal of overall demand among downstream consumer sectors, where end market activity can be observed more directly.

These insights are most relevant for business leaders in finance, operations and strategy within consumer-linked manufacturing. They should be interpreted as a demand-side indicator rather than a complete measure of manufacturing conditions, as they do not capture import competition, input costs, export demand, capacity constraints or margins.

We hope these insights provide a useful perspective on demand and we look forward to continuing to support Australian manufacturers as conditions evolve.

Commonwealth Bank

Insights from CommBank's Australian Economics Team



Ryan Felsman

Senior Economist, Business and Industry
Commonwealth Bank

With the Australian economy gaining momentum in 2025, the manufacturing sector returned to growth, with output expanding by 1.2% over the year to December. However, gross operating profits declined 2.0% in the same period highlighting the pressure of rising costs on margins.

The outlook for 2026 is already impacted by challenges relating to the Middle East conflict and global trade risks. Higher interest rates also play a role as the Reserve Bank of Australia (RBA) responds to persistent inflationary pressures.

Manufacturers, already faced with rising input prices, are now reporting higher fuel, material and freight costs, as well as supply shortages and export challenges linked to supply disruptions around the Strait of Hormuz. In turn, some customers have brought orders forward to build inventories, just as a 'sovereign resilience' pivot is putting more focus on localised inventory stockpiling and production.

The initial impacts of the energy supply shock are being reported by industry. This was observed in the March Australian Industry Group (AIG) Purchasing Managers' Index (PMI), recording its sharpest fall since the onset of the COVID 19 pandemic. While consumer spending picked up in the last half of 2025 and remained resilient into March 2026, we

believe higher inflation will be a large drag on household incomes in the year ahead.

We expect real household disposable income growth to slow which should help bring the economy back into balance and moderate inflation. Following the rate hike in May, we anticipate the RBA will be on hold for the remainder of 2026. The outlook for the consumer will remain critical to the path for interest rates from here.

Despite these domestic and global headwinds, Australian manufacturing has shown resilience with its share of GDP stabilising at around 5.7% as of December 2025 after a long-term decline. The industry is shifting toward higher value exports, including medical devices, advanced food products and specialised materials, alongside accelerating exports of battery inputs. Also, inflation and inflation expectations remain a key concern for central bank policymakers, with risks continuing to be tilted to the upside for both.

Manufacturing also remains a major employer, with 869,000 people or 5.9% of the workforce as of February 2026, and new roles emerging as the sector modernises. As well, Australian manufacturers continue to innovate and adopt new technologies to maintain their competitive edge, streamline production and improve efficiency and quality.

Things you should know:

The information presented in this section is extract of Global Economic and Markets Research (GEMR) Economic Insights reports. GEMR is a business unit of the Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945. This extract provides only a summary of the named reports. Please go to <http://www.commbankresearch.com.au> to access the full report.

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How manufacturers are adapting to change and maintaining resilience

Today's environment reflects volatile demand, rising costs and supply chain disruption. These signals are bringing resilience strategies into sharper focus and help explain why manufacturers may be moving to adjust operations, manage risk, and protect cash flow and working capital.



Navigating demand volatility

Signal

+1.2%

output expansion in calendar 2025ⁱ following 2024 contraction.

Response

After a contraction, manufacturers returned to modest growth. Planning remains cautious, balancing activity against softer consumption, with some customers bringing orders forward.



Operating through energy and geopolitical shocks

Signal

3rd

monthly decline for manufacturing outputⁱⁱ in March 2026 amid supply disruptions.

Response

Geopolitical conflict and energy supply shocks are driving higher costs. Manufacturers are adapting production and investment decisions, focusing on managing risk.



Managing rising costs and margin pressure

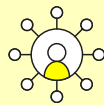
Signal

+45%

increase in input cost inflation since COVID-19.ⁱⁱⁱ

Response

Higher wages, global tariffs and industrial inflation are compressing margins. Manufacturers are prioritising productivity, efficiency and cost discipline over volume-based expansion.



Adapting to labour and skills shortages

Signal

30%

of occupations in national shortage^{iv}, particularly technicians and trades.

Response

Labour constraints are limiting productivity, with major infrastructure projects likely to intensify competition. Businesses are reprioritising roles and redesigning processes.



Reshaping supply chains for resilience

Signal

10 to 14 day

shipping delays^v extending lead times and delivery reliability.

Response

Extended delivery and inventory stockpiling are lengthening cash conversion cycles. Some manufacturers are relying on working capital to manage cash flow.



Investing in technology and automation

Signal

80%

of manufacturers investing or planning AI adoption.^{vi}

Response

Technology adoption has become a practical resilience strategy, with automation and AI supporting productivity gains and new ways of operating amid rising costs and scarce labour.

How we identify downstream signals

Using consumer spending to reflect end-user demand

While manufacturing performance is shaped by many market forces, end-user demand is an important part of the picture. Consumer spending provides an indication of that demand across downstream sectors. By tracking consumer spending, we can identify whether demand is growing, stabilising or slowing, and what this means for manufacturers supplying into those markets.

The metrics below highlight the key spending signals we assess. Together, they provide a view of demand momentum and its relevance to corresponding manufacturing sectors.

1



Spending growth



Metric

National spending total and year-on-year growth



What it shows

Overall demand growth over the past year



Why it matters

Planning and forecasting baseline

2



Monthly trend



Metric

Rolling annual spending growth tracked monthly



What it shows

How demand is changing over time



Why it matters

Short-term operational decisions

3



Growth drivers



Metric

Changes in transaction frequency and average spend



What it shows

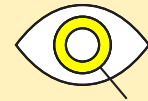
Whether growth is volume or value driven



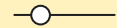
Why it matters

Production and pricing strategy

4



Local views



Metric

Spending by state and territories, and regional and metro areas



What it shows

Where demand is strongest across regions



Why it matters

Market prioritisation and distribution

Signals for food and beverage manufacturers

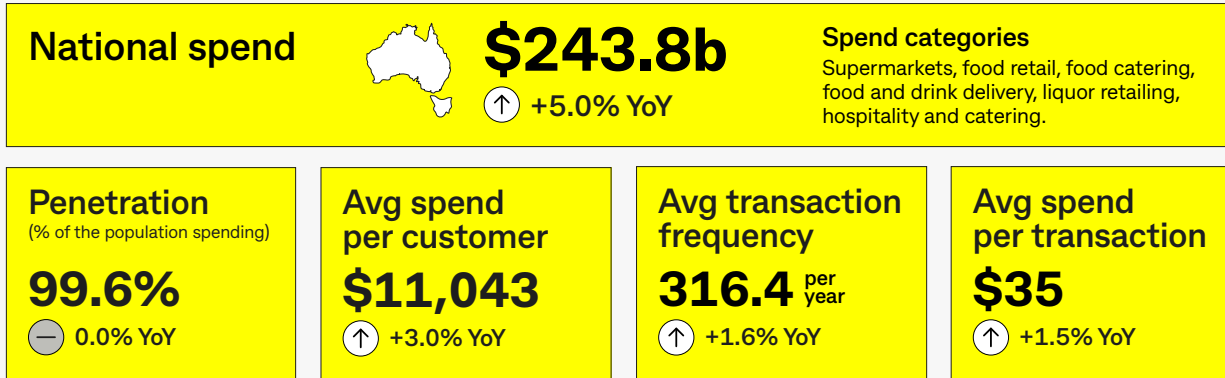
Australia's food and beverage manufacturing sector remains one of the largest and most resilient, supported by essential demand across retail and hospitality categories. However, conditions have softened in early 2026 as manufacturers respond to weaker orders, rising input costs and the impact of interest rate rises on demand^{Viii}.

Higher energy, labour and freight costs also continue to weigh on margins. For this sector, manufacturing outcomes are connected by businesses ability to manage costs, maintain supply and respond to changing demand.



Signals for food and beverage manufacturers

Spending signals

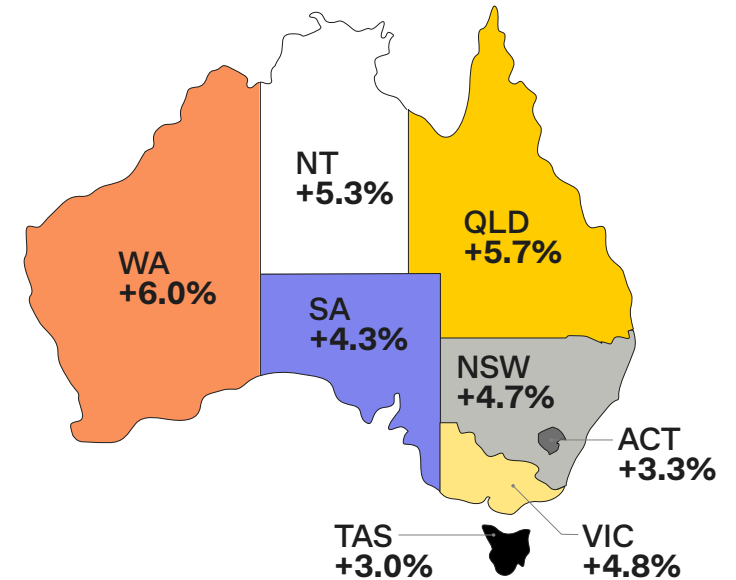


Consumer spending on food and beverage has continued to strengthen in the past year with momentum building over this period. Rolling annual growth has trended upwards and outpaced inflation, pointing to real consumption growth.

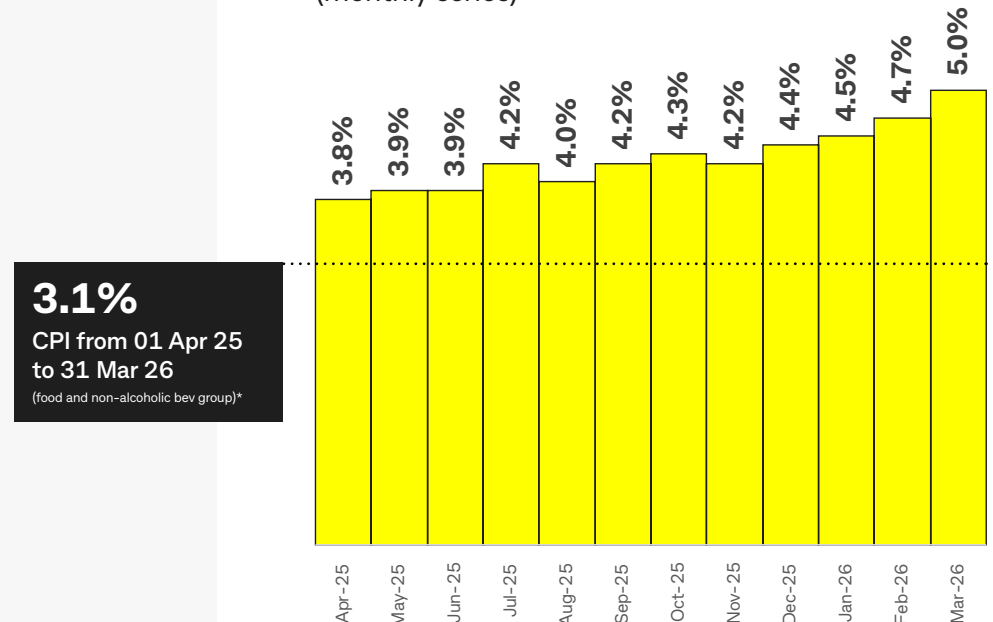
Consumer demand is driven by increased purchasing frequency and higher average spend, with the strongest overall growth in Western Australia and Queensland. While spend is growing, this may not lead to higher domestic output, with competition from overseas competitors, inventory adjustments and cost pressures potentially constraining activity and output.

Growth hotspots

(YoY spending growth by state and territory)



National rolling annual spending growth (monthly series)



All data is based on spending in the 12-month period between 01 April 2025 and 31 March 2026.
 *Australian Bureau of Statistics (March 2026). Consumer Price Index, Australia.

Signals for consumer goods manufacturers

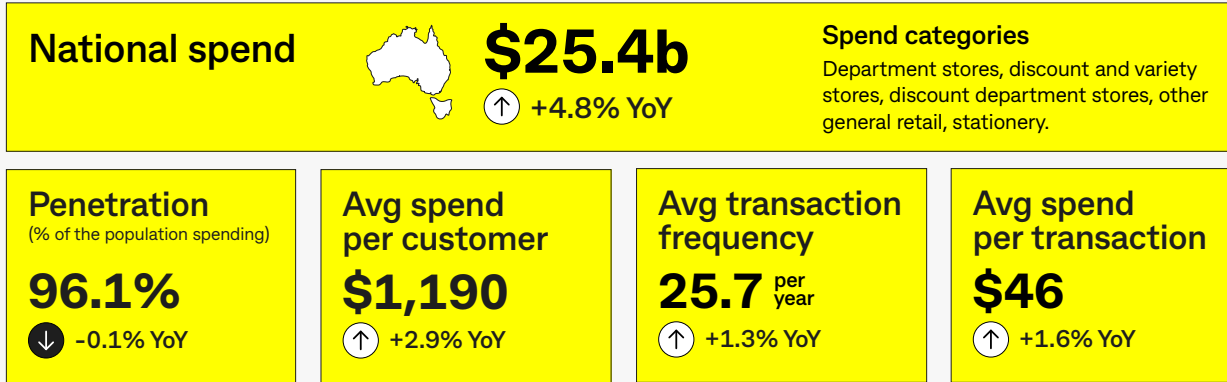
Conditions for consumer goods manufacturers remains uneven, likely influenced by broader manufacturing trends and cautious demand. Despite the diversity of finished goods and sub-sectors, manufacturers are potentially navigating weaker orders and a lack of market confidence reported in parts of the market^{ix}.

In a sector where import competition remains very strong, domestic manufacturers often compete in specialised segments. For these retail-facing manufacturers, consumer spending can offer a underlying view of how end-market demand is evolving.



Signals for consumer goods manufacturers

Spending signals

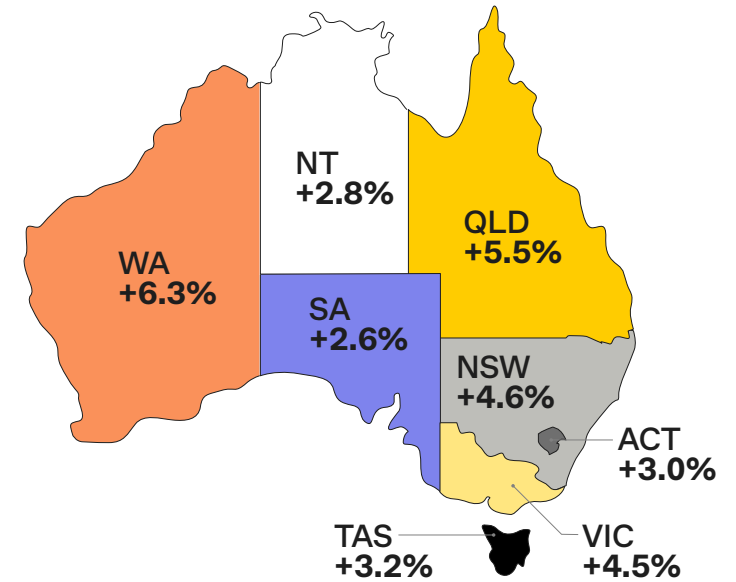


Consumer spending across retail categories has increased steadily over the past year, continuing its momentum into March despite broader uncertainty. This indicates resilient demand for more discretionary retail goods, with consumers increasing both how regularly they purchase and their basket sizes year-on-year.

While WA and QLD again lead spending higher, the larger states of NSW and VIC follow, both recording above-inflation growth. Variability across other locations, combined with offshore competition and inventory dynamics is likely to influence how this demand flows through to domestic manufacturing activity.

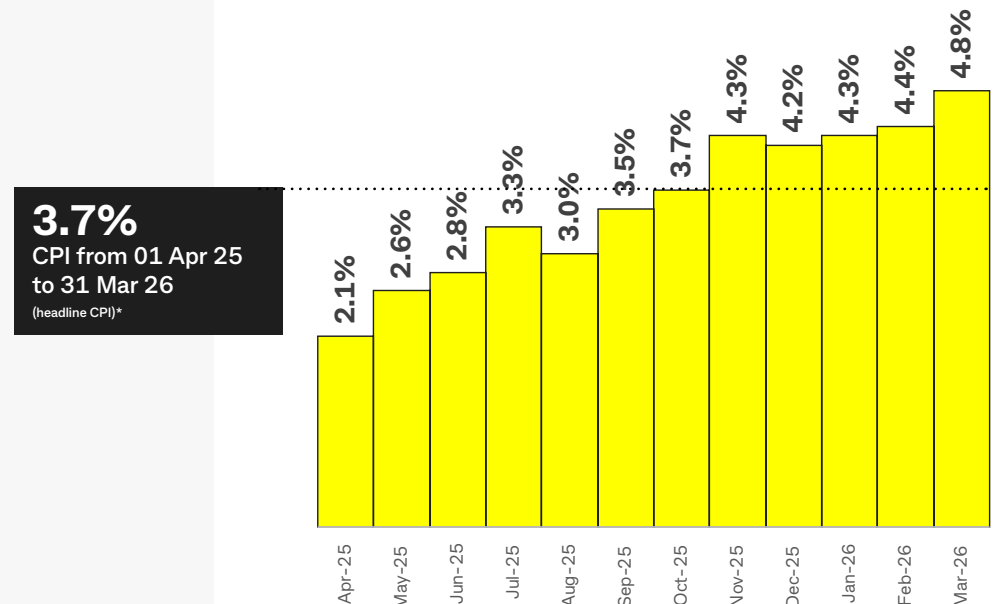
Growth hotspots

(YoY spending growth by state and territory)



National rolling annual spending growth

(monthly series)



All data is based on spending in the 12-month period between 01 April 2025 and 31 March 2026.

*Australian Bureau of Statistics (March 2026). Consumer Price Index, Australia.

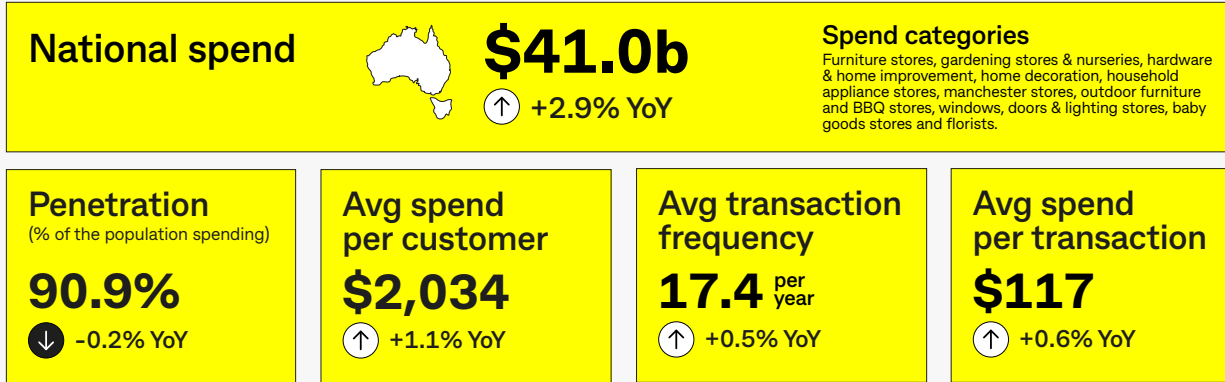
Signals for home improvement manufacturers

Home improvement manufacturing, which is reflected in spending on categories such as hardware and homeware, furnishings and household appliances is often linked to housing and renovation activity. ABS data shows total new dwelling approvals rose in the year to February 2026^x, while demand for renovations may be constrained by sharply rising building materials costs and higher financing costs amid interest rate rises. This may help explain why consumer spending growth on home-related goods has lifted more modestly and gradually over the past year.



Signals for home improvement manufacturers

Spending signals



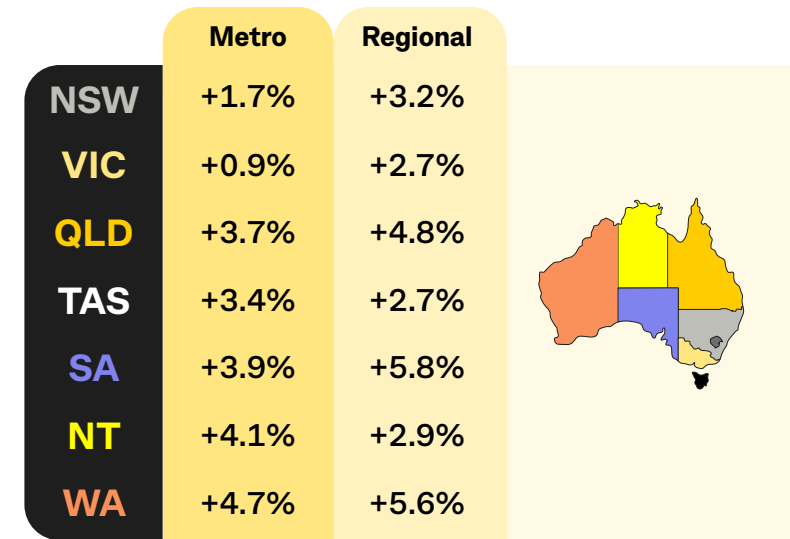
Spending across home improvement categories has grown at a more moderate pace than other consumer sectors, although lower inflation in the related CPI group* suggests real consumption has increased. Growth is being driven by a modest uplift in spending frequency and average spend per transaction, consistent with more selective purchases linked to home renovation activity.

Spending growth in regional areas have outpaced metro locations in several states, including SA and WA, which may support demand for locally produced goods. These trends reflect steady, but more measured, demand conditions.

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 *Australian Bureau of Statistics (March 2026). Consumer Price Index, Australia.

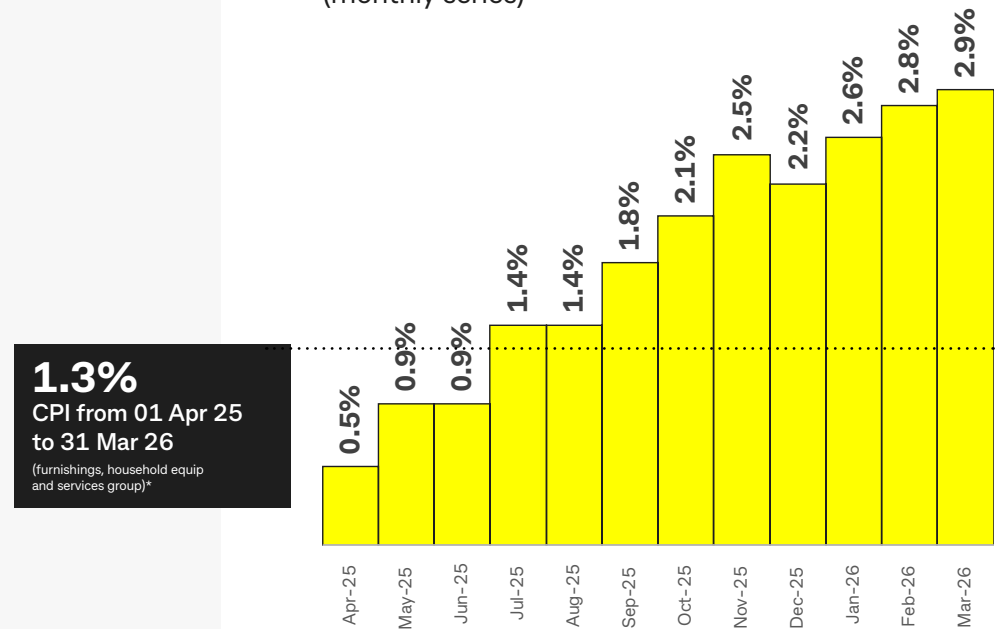
Growth hotspots

(YoY spending growth by state and territory)



National rolling annual spending growth

(monthly series)



Signals for textiles, clothing and footwear manufacturers

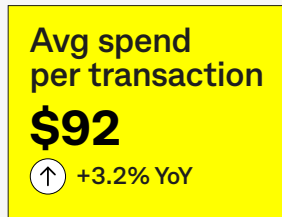
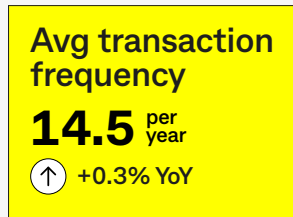
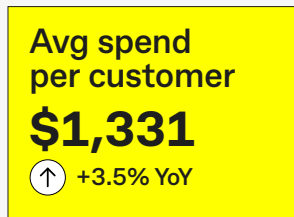
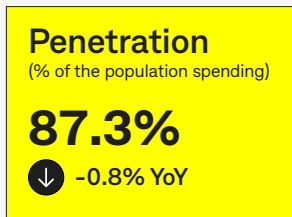
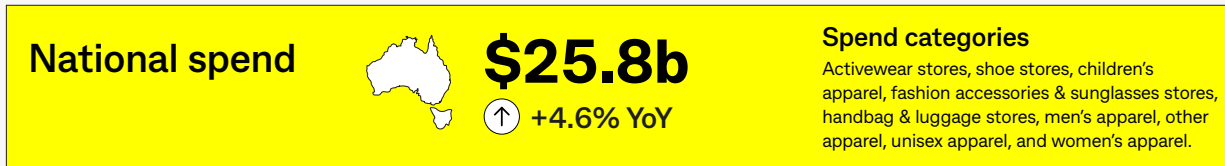
Conditions for clothing manufacturers remain challenging, with recent data reflecting a decrease in activity in the textiles, clothing and footwear sector (TCF). This is likely connected to discretionary apparel demand and is likely influenced by cost of living pressures.

However, the sector has also been the focus of recent industry consultation and the launch of a national strategy to rebuild onshore manufacturing capabilities^{xi}. Demand for ethical, traceable and locally made products may support manufacturers that can compete on quality, flexibility and ethical supply chains.



Signals for textiles, clothing and footwear manufacturers

Spending signals



Consumer spending on clothing has shown mixed momentum, with overall growth slightly below inflation, suggesting a modest decline in real consumption. Rolling annual growth has edged higher in recent months but remained largely flat since November 2025.

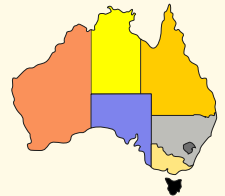
A slight dip in the proportion of the population spending, alongside little change in purchasing frequency, indicates a narrowing of participation with growth driven more by higher average spend per customer. Variation across regions and states highlights uneven demand conditions across the country.

All data is based on spending in the 12-month period between 01 April 2025 and 31 March 2026.
 *Australian Bureau of Statistics (March 2026). Consumer Price Index, Australia.

Growth hotspots

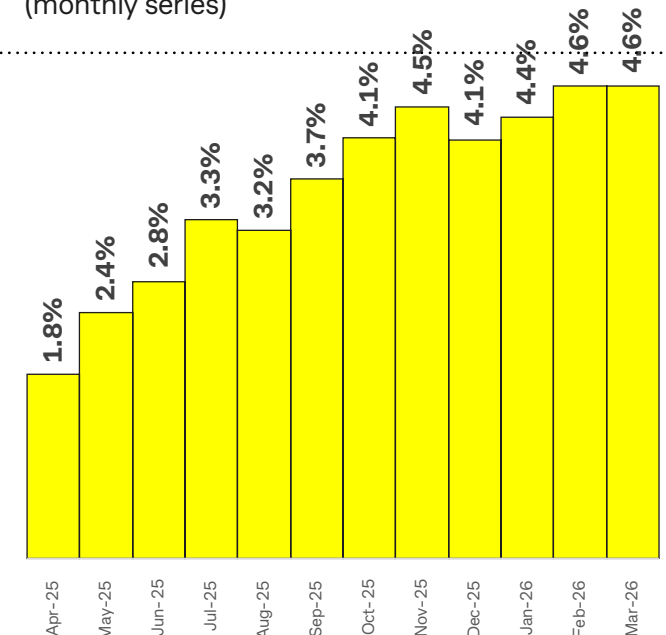
(YoY spending growth by state and territory)

	Metro	Regional
NSW	+4.3%	+4.0%
VIC	+3.1%	+1.9%
QLD	+6.6%	+5.8%
TAS	+3.4%	+4.7%
SA	+4.9%	+3.1%
NT	+1.4%	+7.0%
WA	+7.5%	+6.8%



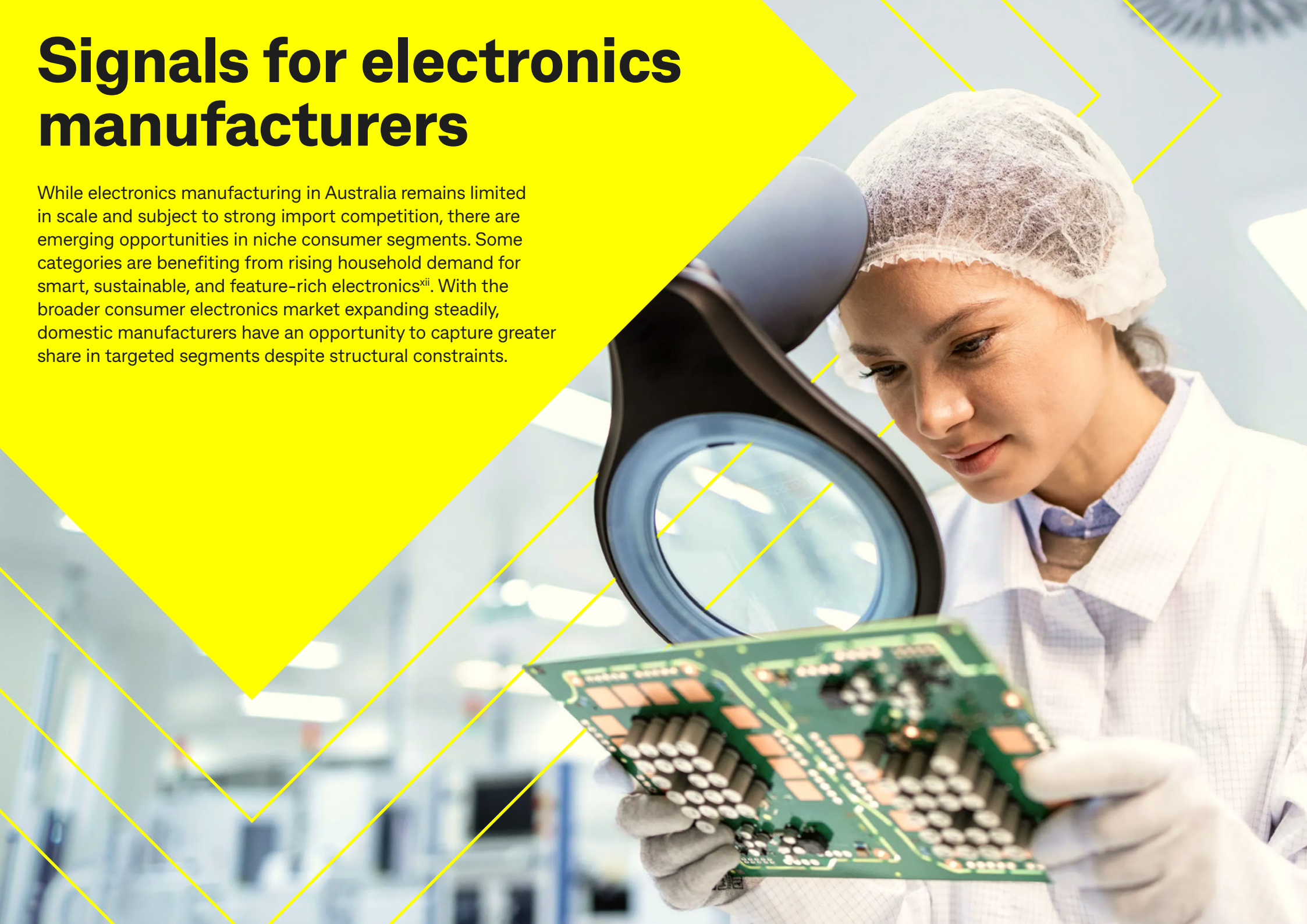
National rolling annual spending growth (monthly series)

4.9%
 CPI from 01 Apr 25 to 31 Mar 26
 (Clothing and footwear group)*



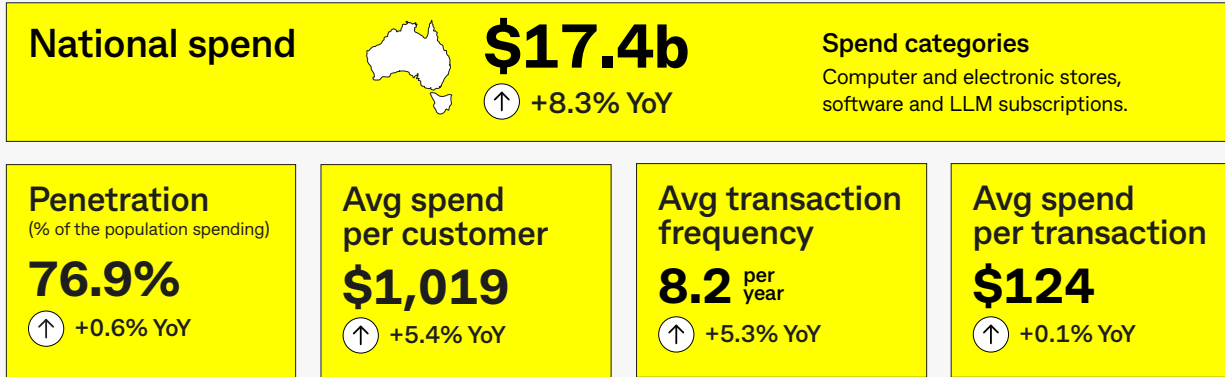
Signals for electronics manufacturers

While electronics manufacturing in Australia remains limited in scale and subject to strong import competition, there are emerging opportunities in niche consumer segments. Some categories are benefiting from rising household demand for smart, sustainable, and feature-rich electronics^{xii}. With the broader consumer electronics market expanding steadily, domestic manufacturers have an opportunity to capture greater share in targeted segments despite structural constraints.



Signals for electronics manufacturers

Spending signals



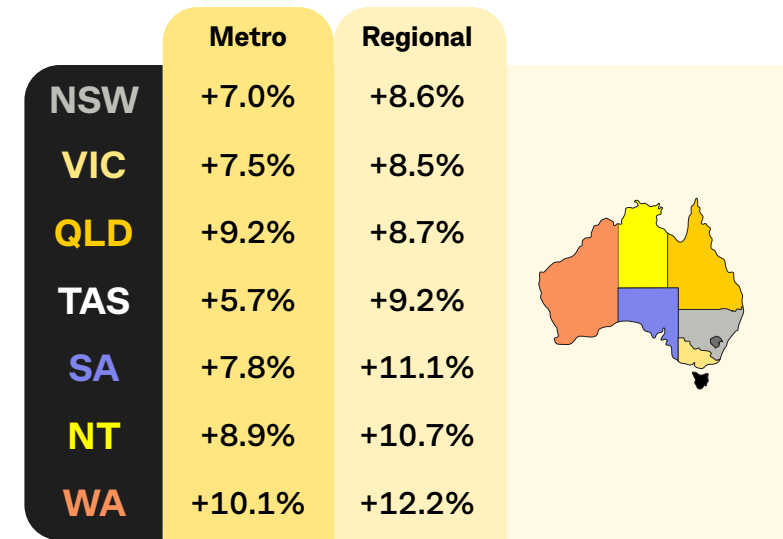
Spending on computer and electronics goods has lifted strongly in the year to date, although momentum has been moderating in recent months. Growth has been driven primarily by a rise in spending frequency, with average spend per transaction practically unchanged year-on-year. Participation has expanded, suggesting more consumers are entering the category, reinforcing demand conditions and signalling a supportive downstream environment for manufacturers.

3.7%
 CPI from 01 Apr 25 to 31 Mar 26
 (headline CPI)*

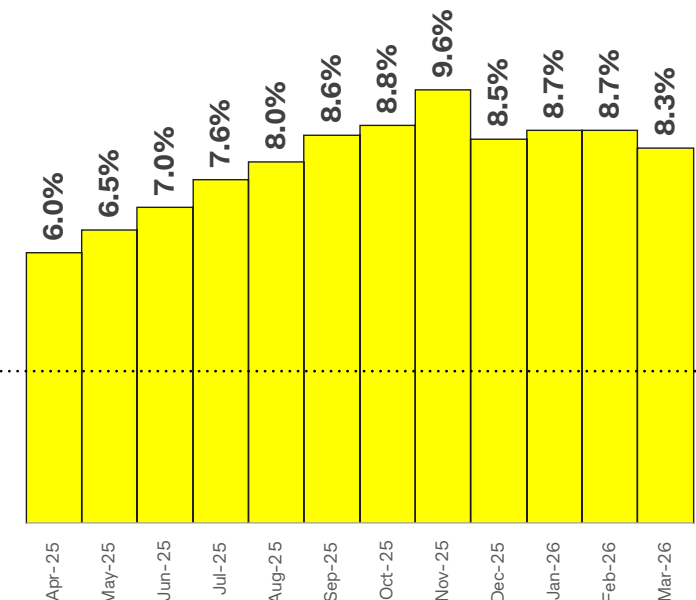
All data is based on spending in the 12-month period between 01 April 2025 and 31 March 2026.
 *Australian Bureau of Statistics (March 2026). Consumer Price Index, Australia.

Growth hotspots

(YoY spending growth by state and territory)



National rolling annual spending growth (monthly series)



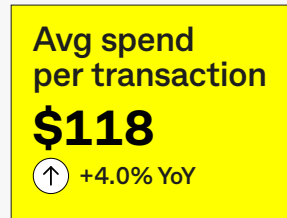
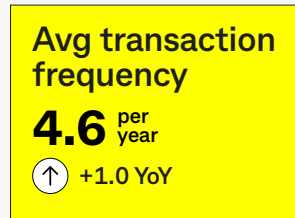
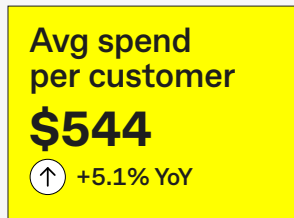
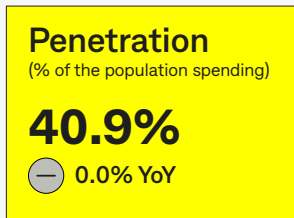
Signals for auto parts manufacturers

The Australian motor vehicle parts and accessories manufacturing sector has maintained a resilient revenue base and is expected to grow moderately over the next five years^{xiii}. Demand is supported by Australia's growing and ageing vehicle fleet, with consumers continuing to invest in maintenance, upgrades, and customisation. This creates targeted growth opportunities for local manufacturers despite long-term growth in import volumes^{vix}.



Signals for motor vehicle parts and accessories manufacturers

Spending signals



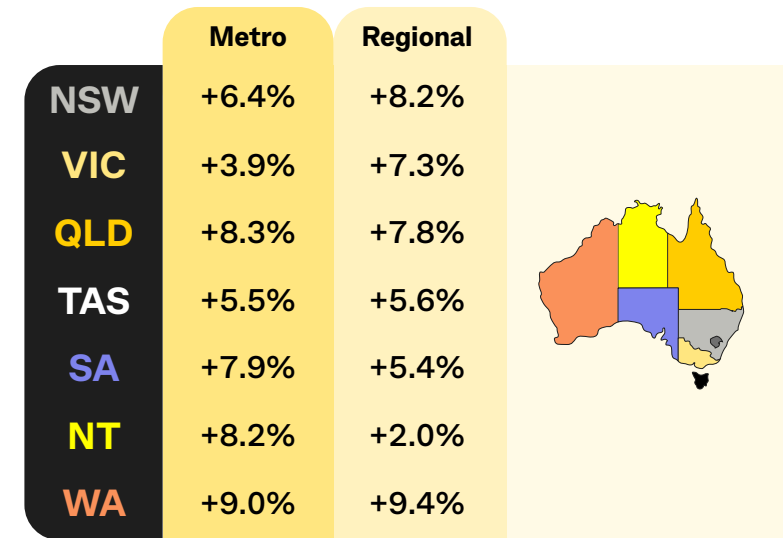
Consumer spending on motor vehicle accessories has strengthened in recent months, with rolling annual growth stepping up since January 2026. Strong growth in year-on-year spending has been driven primarily by higher average spend per transaction, while participation has remained largely stable. This suggests demand is being supported by larger discretionary purchases, rather than an expansion or increase in engagement across the consumer base.

3.7%
CPI from 01 Apr 25 to 31 Mar 26
(headline CPI)*

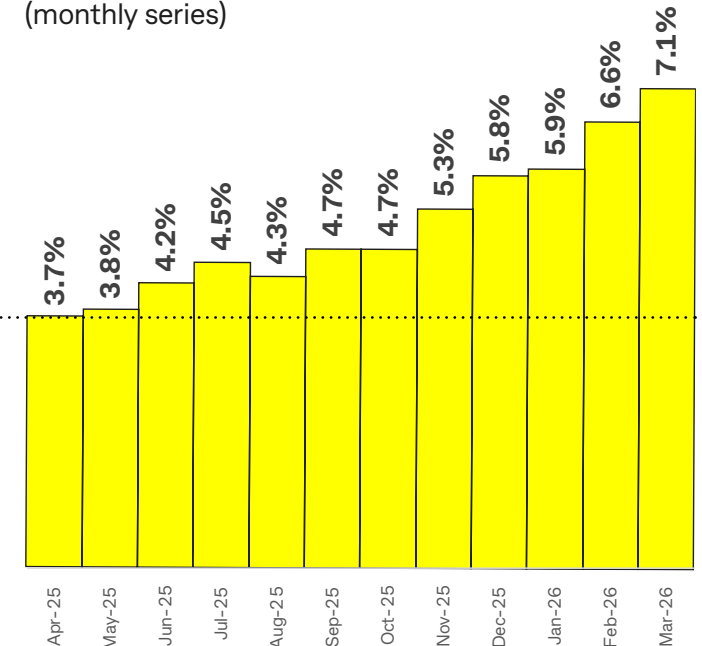
All data is based on spending in the 12-month period between 01 April 2025 and 31 March 2026.
*Australian Bureau of Statistics (March 2026). Consumer Price Index, Australia.

Growth hotspots

(YoY spending growth by state and territory)



National rolling annual spending growth (monthly series)



About CommBank for Manufacturing and Supply Chain

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Unlock funds in unpaid invoices

Manage cash flow fluctuations with our invoice financing solution.

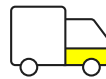
Stream Working Capital



Access additional funds

Bridge the gap between supplier bills and customer payments, and manage unexpected expenses with confidence.

Business Overdraft



Finance vehicles or equipment

From automated machinery to equipment, we've got finance and leasing solutions for you.

Car & equipment finance



Pay international suppliers

Take your business around the world with our international payment solutions.

International payments

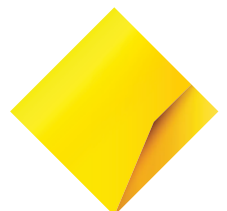
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Commonwealth Bank of Australia ABN 48 123 123 124 (CommBank) partnered with CommBank iQ to produce the Manufacturing Signals report. CommBank iQ, is a joint venture between CommBank and The Quantum Group Pty Ltd ABN 45 102 444 253.

All spending data in the Report is sourced from CommBank iQ, which uses Australia's largest transactional dataset to evaluate spending behaviours. This data includes online and in-store transactions from approximately 7 million Australians. The data covers spending across multiple categories relating to the six manufacturing sectors featured in the report, from 01 April 2025 to 31 March 2026 and, where relevant, compared to the same annual period of 01 April 2025 to 31 March 2025. These sectors include: food and beverage, consumer goods, home improvement, electronics, clothing and automotive parts and accessories.

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Sources

ⁱ Australian Industry Group (March 2026) Australian Industry Index.

ⁱⁱ Australian Bureau of Statistics (ABS), Labour Force Account, March 2023.

ⁱⁱⁱ S&P Global (March 2026). S&P Global Australia Manufacturing PMI.

^{iv} Australian Bureau of Statistics (ABS), National Accounts, June 2025.

^v Jobs & Skills Australia, Occupation and Industry Profiles, 2026.

^{vi} Northline, Impact of the Middle East Crisis on Ocean Freight to Australia, 5 March 2026.

^{vii} ITBrief, Manufacturers embrace AI & automation but face key barriers in 2025, 29 May 2025.

^{viii} Australian Industry Group (March 2026) Australian Industry Index.

^{ix} S&P Global (March 2026). S&P Global Australia Manufacturing PMI.

^x Australian Bureau of Statistics (April 2026). Building Approvals, Australia.

^{xi} Australian Fashion Council (March 2026). AFC & R.M.Williams deliver first ever industry backed plan to scale Australia's fashion and textile manufacturing sector.

^{xii} Ken Research (January 2026). Australia Consumer Electronics Market Size Share Growth Drivers Trends Opportunities & Forecast 2025–2030.

^{xiii} IBIS World (August 2025). Motor Vehicle Parts & Accessories Manufacturing in Australia Industry Data and Analysis.

^{xiv} S&P AftermarketInsight (April 2025). Australia's automotive parts imports surge, reflecting market growth.