

# HOW WILL Manufacturing PERFORM IN 2018?

A JPABUSINESS 2018 INDUSTRY ECONOMIC SNAPSHOT

## Australian Manufacturing industry performance 2006/07-2015/16

Source: ABS/JPAbusiness



## BACKGROUND

- Total industry revenue has declined from 2012 to present.
- Subsectors in the manufacturing industry which experienced sharp declines in Australia include petroleum and coal product manufacturing, fabricated metal manufacturing and transport equipment manufacturing.
  - ✦ This was likely due to weakened coal and oil prices, and increased imports from lower-cost producers and manufacturers.
- Subsectors in the manufacturing industry which experienced solid growth in Australia include wood product manufacturing, furniture and other manufacturing, and non-metallic mineral manufacturing.
  - ✦ A key contributor to this growth was likely the recent boom in building construction and strong housing markets.



## DRIVERS OF INDUSTRY GROWTH

- A lower-valued Australian dollar will likely support domestic consumption and reduce import demand, supporting Australian industry growth.
- Population growth.
- Improving global economy, and rising socio-economic status in some developing economies.



## OUTLOOK

- Manufacturing industry broadly anticipated to remain relatively flat.
- The recent strong demand for wood product manufacturing, furniture and other manufacturing, and non-metallic mineral manufacturing, will likely be pressured by slowdown in residential building construction and cooling housing markets, however government investment in infrastructure may moderate this effect.
- Food product manufacturing subsector, one of key contributors to the broader industry, anticipated to grow as population grows and demand strengthens both domestically and internationally.
- Tobacco and alcohol manufacturing anticipated to continue a contraction and drag on manufacturing industry growth due to increasing health concerns and government regulations.



## RISKS TO INDUSTRY GROWTH

- Easing housing market and building and construction, reducing demand for products.
- Increase in import demand over domestic consumption.

