

Economic impacts of the manufacturing and services sectors 2012

Industry Capability Network (ICN) is an Australian and New Zealand-based organisation that helps local suppliers gain access to the supply chains of major projects.

Since 1984, ICN has monitored the economic impact of its services and the benefits to the economy when a local supplier wins or keeps business. It uses these studies to report benefits to the Australian economy including:

- job creation
- revenue to governments in taxes and statutory charges
- economic value adding.

In 2012, ICN commissioned AECgroup to update these economic indicators for the manufacturing and services sectors. The updated data is based primarily on ABS information on Australian industries to 30 June 2010, published in June 2011. Other ABS data sets (regarding price indices and labour force information) are also used where relevant.

The significance of manufacturing

The manufacturing industry has been under pressure from a number of global macro-economic issues, such as a weakened global economy following the global financial crisis (GFC), competitive pressure from increasing wages and the strong Australian dollar, and competition for

labour from the resource industry. The industry is likely to face additional pressure in the future from the introduction of a carbon tax and rising energy costs.

Over the last six years, the manufacturing industry contributed an average of 9.5% to gross value added (GVA) and an average of 9.5% of total employment in Australia. In the period 2004-05 to 2009-10, turnover grew in absolute terms by 19.5%, GVA increased in absolute terms by 10.3% and total employment decreased by 7.3%.

Economic benefits – manufacturing

For every \$1 million that is new or retained manufacturing business for Australia, the following effects flow through the economy:

- \$713,400 worth of gross value added (GVA) generated
- 6 full-time equivalent jobs created
- \$64,900 worth of welfare expenditure saved
- \$225,300 worth of tax revenue generated.

Economic impacts of the manufacturing and services sectors 2012

The significance of services

The Australian services sector makes up more than half of Australian gross domestic value added (GVA). The services sector has been affected by the global financial crisis (GFC), the strengthening of the Australian dollar, and rising wages. Retail services have experienced increased competition due to changing spending habits and the affects of the GFC.

Over the last four years, the services sector contributed an average of 52.7% to GVA and an average of 76.2% of total employment in Australia. From 2006-07 to 2009-10, turnover in the sector grew at an average of 3.8% per annum, employment increased by 7.9%, wages rose slightly by 1.1% and labour productivity grew by 6.7%

Economic benefits – services

For every \$1 million that is new or retained services business for Australia, the following effects flow through the economy:

- \$837,500 worth of gross value added generated
- 8 full-time equivalent jobs created
- \$85,300 worth of welfare expenditure saved
- \$264,500 worth of tax revenue generated.

Flow-on benefits to the wider economy

Every dollar spent on new or retained business in the services and manufacturing sectors creates benefits to not only those sectors but also the wider Australian economy. Industries that meet the consumption demands of the manufacturing and service sectors also benefit which results in more jobs, wages and salaries.

For full copies of the AECgroup reports go to www.icn.org.au or call your local ICN office on 1300 961 139.