

ST.GEORGE MANUFACTURING:

Australian manufacturing: Bringing on productivity and profits in 2024

March 2024



The industry gears up for growth

Manufacturers are rising to challenges and looking to a raft of new opportunities.

Australian manufacturers have faced a steady round of challenges in recent years, from the doldrums of the pandemic to a tough economic environment and ongoing geopolitical disruptions. But major opportunities and potential for businesses are on the horizon in 2024.

Many manufacturers have entered the new year with strong cashflow, after a series of Reserve Bank rate rises in 2023. A lot of St.George manufacturing clients are gearing up for significant investments in machinery and property, or seeking growth through business acquisitions.

Digital technologies also present huge growth opportunities for Australian manufacturers, but accessing the relevant tech talent is just one of the industry's workforce hurdles.

Our latest manufacturing report outlines five vital themes impacting manufacturers for the year ahead. These include the vast opportunities of the AUKUS alliance, the different dynamics impacting the labour market, the ongoing quest for digitisation and the need to stay ahead of cyber security risks, as well as the potential – and pain points – of the energy transition and

how manufacturers can navigate the road ahead.

In this extended report, St.George Senior Economist Jarek Kowcza also delivers insight and foresight on the outlook for the manufacturing sector. Cyber security firm [Eftsure](#), a St.George partner, offer a fresh view on cyber threats and the need for ongoing vigilance by manufacturing businesses, while [Sloanebuilt Trailers](#) opens up on how smart manufacturers are seizing opportunities in the current economic climate.

There's plenty to think about and inspire action on the pages that follow.

Wishing you all the best for a new year of opportunities in 2024. We look forward to hearing from you.

Matthew Kelly
*Head of Manufacturing and
Wholesale NSW, St.George Bank*



At a glance - Counting on change

1

AUKUS opens a world of opportunity

20,000

Direct jobs over the next 30 years across industry, the Australian Defence Force and the Australian Public Service as a result of the AUKUS strategic defence alliance between Australia, the United Kingdom and the United States.



8,500

Direct jobs in the industrial workforce building and sustaining the submarine fleet in Australia.

SOURCE: AUKUS Submarine Workforce and Industry Strategy

2

A shifting labour market

Job vacancies have fallen to around 2.5% of the manufacturing labour force.

Manufacturing was a significant driver of employment growth across Australia in 2023 adding over 56,000 jobs.

69%

The percentage of employers in manufacturing still experiencing recruitment challenges, although this has eased from 75% this time last year.

Wages across the manufacturing sector rose 4.2% in the 12 months to December quarter 2023.

SOURCE: Recruitment Experiences and Outlook Survey February 2024

3

Riding the high-tech revolution

\$5,203m

Manufacturing had the second highest business R&D spend of any Australian industry in 2021-22.

\$10.6bn

Research partnerships between Australian businesses and universities generate significant annual revenue.

\$1bn

The Federal Government's National Reconstruction Fund will direct significant investment toward advanced manufacturing.

SOURCE: ABS; Universities Australia; Australian Government DISR

4

Growing cyber threats

Cybercrime costs are growing. In FY22/23:

\$71,600

for large businesses

\$97,200

for mid-size businesses

\$46,000

for small businesses



SOURCE: ASD Cyber Threat Report 2022 - 2023

5

Climate transition creates the perfect storm

Australia's manufacturing industry accounted for almost 18% of energy consumption in 2021-22.

62%

have suffered significant negative impact of rising energy costs.



Australia's target of 82% renewables in the electricity grid by 2030 requires huge investment in the local manufacture of infrastructure.

SOURCE: DCCEEW; Ai Group Research and Economics August 2022



AUKUS opens a world of opportunity

The scope of possibilities is widening for local manufacturers, increasing capabilities for businesses & workers.

The AUKUS strategic defence alliance between Australia, the United Kingdom and the United States, announced in September 2021, presents new market opportunities for Australian manufacturers.

The pact will boost industrial capacity to produce and sustain eight submarines and will see increased trilateral cooperation across artificial intelligence, quantum technologies, hypersonic capabilities, and more.

At its peak, building and sustaining the fleet of submarines in Australia is expected to create up to 8,500 direct jobs in the industrial workforce.

Michael Sharpe is Director of AUKUS Forum, a member-based organisation aimed at helping companies realise AUKUS-related growth opportunities. He sees huge scope for Australian manufacturers to contribute not only to constructing and sustaining Australia's new submarine fleet, but to the supply chains of partner nations.

AUKUS Forum includes programs such as AUKUS Connect, which seeks to foster partnerships, promote knowledge-sharing and leverage innovative technologies to

address defence industry needs.

“They’re using the same workforce with the same manufacturing facilities, but increasing their market share in the defence market.”

Michael Sharpe, *Director of AUKUS Forum*

“We’re seeing the emergence of dual-use technologies, with several of our members who are involved in fabricating for the mining sector now having an opportunity to enter the defence sector,” says Sharpe.

Dual-use manufacturing technologies go beyond mining. For example, Andromeda Industries, located in Moonbi in regional NSW, manufactures steel cables and slings for lifting operations across a range of industries. Through the AUKUS Connect program, it is now strengthening its collaboration with defence organisations.

Sharpe also cites the example of Tamworth-based start-up Yesi Water, which has developed new technology to harvest water ►



from the air for the agricultural sector.

"When I visited their factory, I saw that it was fantastic technology to extract water from air for agriculture, so surely there must be a defence application," says Sharpe.

"Vesi Water spoke at a recent AUKUS Forum event, which got them in front of Thales, the global defence manufacturer that makes the Bushmaster vehicle. Now they're exploring opportunities to fit these water units to defence vehicles. AUKUS is broadening the horizons of Australian manufacturers."

Sharpe adds that a range of contracts will arise from the AUKUS alliance. He describes the AUKUS Connect program as the key enabler.

"That's where we're able to introduce manufacturers to new opportunities," he says. "Through our various AUKUS Forum events, we have a range of industry speakers to share information and to help connections.

"We're criss-crossing the country and engaging with industry, large and small, to demonstrate AUKUS capabilities and then joining with our partners in the US and the UK to create those potential exports."

St.George recently formed a partnership with AUKUS Forum to help connect clients

"It presents so many opportunities, and we want St.George clients to have the first bite."

Matthew Kelly, Head of Manufacturing and Wholesale NSW, St.George Bank

with opportunities for contracts.

"We've already had clients setting up defence areas within their existing businesses and getting themselves ready as a result of connections through the AUKUS Forum," says Matthew Kelly, Head of Manufacturing and Wholesale, St.George. "It presents so many opportunities, and we want St.George clients to have the first bite."



Customer Case Study: Sloanebuilt Trailers

Western Sydney-based Sloanebuilt has been making heavy vehicle trailers for more than three decades. CEO Fred Marano says the success and the longevity of the business is based on two core values: building a high-quality product and providing first class customer service.

"Our trailers are unique, and the difference is our people and how we put them together. We have a passion to be the best in the industry and deliver trailers that exceed the customer's expectations," Marano says.

In business, Marano makes a point of aligning with customers and suppliers that share the same commercial values, whether that be a tyre or aluminium supplier or the company's long-time banker Westpac.

It's a relationship that goes both ways.

"It's a real privilege for Westpac to be supporting a business like Sloanebuilt," said Anthony Miller, Westpac Group Chief Executive, Business & Wealth. "They're a very large local employer here in Western Sydney, they bring on a lot of apprenticeships and they train and develop their staff. They're also doing something which is really important for Australia which is to help build out our manufacturing capacity."

Sloanebuilt was named business of the year in 2023 by Australian Owned, the body that certifies businesses as fully Australian owned. But it's not the awards that motivate Marano.

"We don't benchmark ourselves on awards. We benchmark ourselves on recurring customers, on having a good customer base, and being known in the industry for good quality."



Wrangling the workforce opportunity

Pressures are easing but sourcing relevant digital skills remains a challenge - and wages continue to rise

Like many other industries, manufacturing continues to feel the challenge of a tight labour market. Job vacancies have fallen to around 2.5% of the manufacturing labour force. This is down from a peak of over 3.1% in early 2022 – a decline in line with the broader economy but still well-above pre-pandemic averages.

Just over 18% of manufacturing businesses reported vacancies in November 2023 – down from a peak of almost 30% in February 2022. While more workers are being engaged, it has been a bumpy ride for manufacturing businesses with many still looking to hire to meet current and expected future demand.

Some positive signs emerging

Labour supply has been growing faster than demand following the reopening of the international border and record net overseas migration in 2023. This has contributed to the gradual easing in workforce pressures, in addition to a slowing in economic activity.

Manufacturing was a significant driver of employment growth across Australia in 2023. Over the 12 months to November

2023, the sector added over 56,000 jobs – the fourth highest of all 19 sectors.

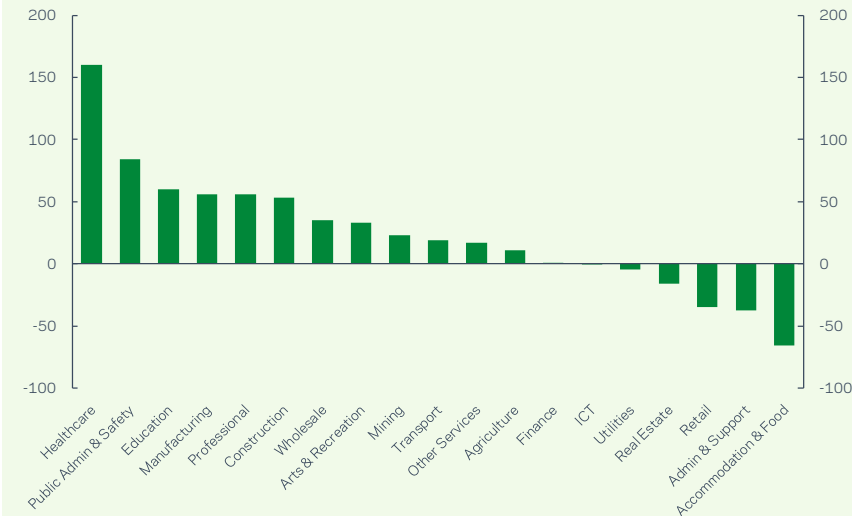
However, many manufacturing firms continue to have trouble recruiting staff. The latest [Recruitment Experiences and Outlook Survey](#) from Jobs and Skills Australia showed that 68% of recruiting manufacturing firms experienced difficulty hiring staff, a drop from 75% a year earlier.

Finding the right people is just one part of the workforce dilemma. Rising labour costs are also adding to the strain. The Wage Price Index (WPI) rose 4.2% for manufacturing firms in the 12 months to the December quarter of 2023.

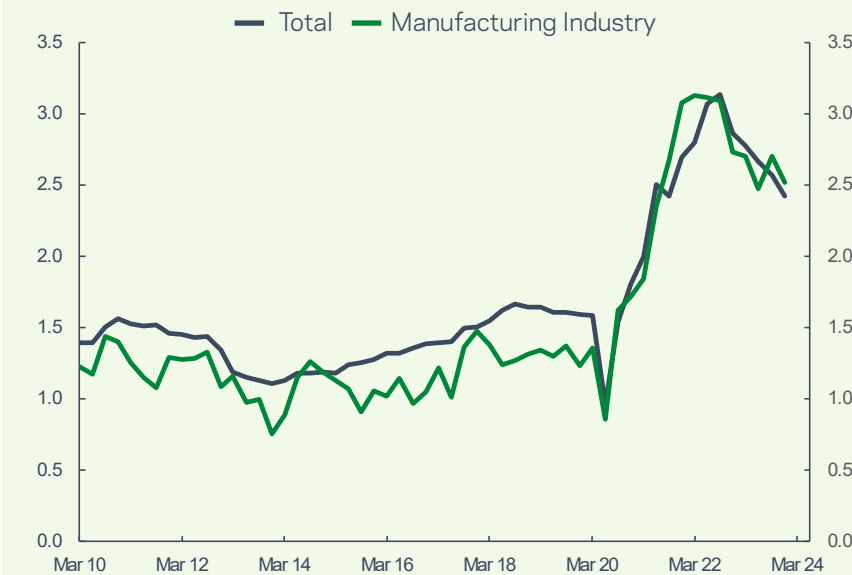
Wage pressures are expected to ease through 2024 and beyond, but are likely to remain higher than pre-pandemic averages.

Easing labour market pressures are unlikely to be enough to allay the skills gap brought on by the industry's digital transformation in the near term. Access to workers with relevant Industry 4.0 skills, such as data analytics and robotic engineering, is expected to remain a challenge in 2024.

Employment by Industry
(Annual change, '000s)



Job Vacancies
(% of employed workers)



DEEP DIVE 1: Policies to tackle labour market challenges

Federal and state governments have announced a range of policy measures in recent years aimed at improving skills across the economy which should make hiring and training easier for manufacturing firms over the long term.

Among these are changes to Australia's skilled migration settings to attract more highly skilled people to Australia, and more training initiatives to help workers develop the necessary expertise to succeed in a digitised economy.

Following a review into the effectiveness of Australia's migration program, the Federal Government announced a raft of proposed changes to the migration system in late 2023. It's a staged rollout, with some changes already applied, while consultation around the majority is slated for early this year with implementation expected in mid to late 2024.

On the reform agenda is moving to a system with three targeted pathways, each with different requirements and levels of oversight. Specifically, in 2024, the Temporary Skill Shortage visa will be replaced with the Skills in Demand visa.

An important distinction between the pathways is the salary of the role, with salary thresholds between the pathways initially set at \$70,000 and \$135,000. Fewer administrative requirements will be placed on pathways with higher salaries.

Such changes aim to assist firms in streamlining the process of recruiting migrants with the right skills and improving the long-term sustainability of the migration program.

In addition to attracting the best and brightest from overseas, governments have also made a range of announcements around skills and training initiatives.

The [Manufacturing Industry Skills Alliance](#) seeks to address the challenge by supporting the development of a skilled workforce, while state-based initiatives, such as the Victorian Government's [Digital Jobs for Manufacturing Program](#), may also narrow the gap through the provision of funding to train existing staff in high-demand digital skills.

Jarek Kowcza
St. George Bank Senior Economist



SOURCE: ISTOCK



Riding the high-tech revolution

Spending up on R+D as collaborations is helping manufacturers realise greater potential.

Manufacturing is undergoing rapid transformation, with technologies such as artificial intelligence, robotics, 3-D printing, materials engineering and the Internet of Things delivering cost savings and fuelling innovation.

In 2021-22, the manufacturing industry had the second highest business R&D spend of any Australian industry at \$5.2 billion, according to ABS data. Investment in technology looks set to increase with initiatives such as the Federal Government's National Reconstruction Fund directing \$1 billion toward advanced manufacturing.

Sharpe sees huge growth opportunities for manufacturers who embrace technology. "My experience shows that the companies that adopt this technology actually grow, and the workforce grows with it," he says.

"Safety for workers improves, and robots are more accurate with precision welding or fabrication, so quality improves, too. When a customer gets a better product, it keeps them coming back."

Collaboration with universities is also

helping manufacturers to unlock innovation. Modelling by Cadence Economics for Universities Australia shows formal collaborations between Australian businesses and universities generate \$10.6 billion a year in revenue directly for the businesses that forge partnerships.

St.George has partnered with universities such as UNSW to give manufacturing clients greater access to advanced manufacturing facilities, technologies and researchers. UNSW's Centre for Sustainable Materials Research and Technology (SMaRT), for example, has developed a process to make 'Green Alloys' using end-of-life rubber tyres and waste plastic as an alternative to coking coal.

"We have a number of clients that have programs with universities to assist them to develop bespoke technology," says Matt Kelly.

"Wherever we can, we help clients to forge collaborations. As an example, we recently took researchers from the University of Wollongong to Sloanebuilt Trailers to look at potential opportunities."



DEEP DIVE 2: Customer Case Study - Weathertex

There aren't many manufacturing businesses as exciting to visit as timber cladding company Weathertex, located just outside Newcastle, where the full, end-to-end manufacturing process happens on site.

When the factory is in full flight, trucks deliver loads of hardwood eucalyptus logs, which become piles of wood chips that are fed into huge high-pressure mason guns (the only company left in the world to use such guns).

These massive 'guns' turn the chips into pulp, which is then washed to remove all the sugars and starch, and a small amount of wax is added to form a wet lap, not dissimilar to soggy cardboard. The wet lap is formed into sheets, the water squeezed out and the sheets heated in presses. There, they're imprinted with the company's signature surface styles and sent through to the final stages of becoming the external timber planks and panel cladding Weathertex is known for.

It's a marvel to watch the whole process and owner Paul Michael never tires of it. "The process is actually 85 years old, so a factory tour is a bit like walking around a museum," he says.

When Michael, who has an engineering background, bought the masonite factory with a business partner in 1998, it had been manufacturing Weathertex since 1964 but was still 'old school'. Operators used sound and vibration to determine whether equipment and the production processes were working properly, and the measuring equipment was analogue with no computers or workstations.

Michael and his engineering team set about modernising the factory floor by computerising all processes, although the machines remain the same as they were all those decades ago. Now, almost all of the production equipment and process parameters are monitored by a computer system and displayed on screens in the control rooms at the plant, in the main office and online.

The factory runs continuously during the week (apart from scheduled maintenance 'down' weeks), and supervisors meet each morning to assess and discuss the constantly incoming data displayed on monitors in the main office. Although he knew he could handle the engineering side of things, he realised the company needed a different shot in the arm in terms of sales.



Scan the qr code to learn more about Weathertex's manufacturing process:



A vital strategic shift

Weathertex had always been the little brother to the large fibre cement manufacturers in Australia, their main competitors in the cladding industry, who had been aggressively marketing their products and building significant market share.

After the global financial crisis hit, Michael says a strategic review determined that they needed to change “from a manufacturing organisation that happens to sell the products it makes, to a sales and marketing business that happens to make the product it sells”.

“That change is where a lot of manufacturing businesses struggle, as they're focused on the product, not necessarily on the sales and marketing,” says Matt Kelly, St.George Bank's Head of Manufacturing and Wholesale in NSW, who has worked with Weathertex for a number of years.

Paul Michael says he knew he didn't have the skillset to focus on that shift, so hired the former National Sales Manager for Bunnings Trade, Jason O'Hagan, now Managing Director of Weathertex.

It was a savvy move. Since coming on board in 2012, O'Hagan and the Weathertex team have significantly increased Weathertex's annual turnover and, equally importantly,

their brand recognition and trust within the Australian building industry.

They did it by changing the focus of the sales effort to target architects, designers and builders – the point-of-sale customers – rather than the distribution end of the supply chain.

“It was all about getting back to basics and creating demand for the Weathertex product,” says O'Hagan.

The company also undertook a makeover of its website and catalogues, with O'Hagan making sure the brand trumpeted its sustainability credentials: a 100% natural product, sourced from Australian hardwood timber, the “ultimate renewable building material”. Weathertex also changed its tagline to “A better choice, naturally ¹”.

“The whole sustainability trend was kicking in with architects and designers, and people in general wanted to use more sustainable building products,” O'Hagan says

Weathertex has long boasted a sustainable pedigree, but just how sustainable they are was brought home in 2008, when Kevin Rudd proposed a Carbon Pollution Reduction Scheme that would impact manufacturers.

“Weathertex engaged a third-party certifier Global Greentag to verify its 'green'

credentials and in doing so became the first cladding manufacturer globally to achieve Platinum Certification for its natural range products.

Weathertex was also voted the most trusted brand in the 2016 and 2018 Architecture and Design Brand survey, beating a number of iconic and well-respected brands within the building industry.

In a construction market where a lot of building materials are imported, Weathertex exports 20% percent of the company's products, usually to medium-to-large sized family businesses overseas selling niche building materials.

It's not bad for an Australian manufacturing business that employs only 150 people and still has plenty of room to ramp up its production as sales grow.

“We're currently at 50% of our production capacity and we're seeing plenty of upside in volume throughout Australia and around the world,” says O'Hagan.

The St.George partnership

The company has weathered financial ups and downs, as many other businesses have, but its relationship with St.George Bank has been a crucial and flexible mainstay for two decades.

“We wouldn't be here today if it wasn't for St.George,” says Michael.

Weathertex established an initial relationship with the bank – which specialises in manufacturing finance – in Michael's early days, when he was going through the difficult process of buying out his business partner, an accountant, in 2003.

Another financier who Michael was with at the time told him he couldn't get refinancing unless he had an accountant working for him. But, in order to make a deal and hire another accountant, they had to have the finance there. It was a Catch-22. “They made it impossible,” relates Michael.

“We've provided Weathertex and Paul with funding since then, including through the tough times of the GFC,” says St.George's Matt Kelly.

Weathertex' success, says Kelly, really lies in the way the company took the brand by the horns and grew it.

“Manufacturers always underestimate the value of the brand, and that's one of their biggest challenges because that's probably your biggest asset for a sale. If everyone recognises the brand, then obviously the profits will follow.”



Growing cyber threats

Cyber criminals are targeting manufacturers with increasingly sophisticated methods.

Digitalised industrial processes are revolutionising the manufacturing sector through higher productivity and performance. A downside, however, is the escalating threat of cyber attacks.

The latest [Cyber Threat Report](#) from Australian Signals Directorate (ASD) shows the average cost of cybercrime has risen by 14% from 2021-22, to \$71,600 for large businesses, \$97,200 for mid-size businesses and \$46,000 for small businesses.

Ransomware remained the most harmful cybercrime threat in 2022-23, with ASD recording 118 ransomware incidents for the year. Manufacturing was among the top three industries to report ransomware-related cyber security incidents during this period.

More than 40% of manufacturing respondents reported malicious emails or phishing as the root cause of attacks. This compares to the cross-sector average of 30%, which suggests that manufacturing is particularly vulnerable to email-based attacks.

"We've had a number of clients impacted by cyber events, and criminals are getting more sophisticated in the way that they attack systems, but it often falls to human error when staff don't follow processes," says Matt Kelly. "This is why things like invoice fraud are becoming more prevalent.

"Compromised credentials are the most common cause of the most significant cyber attacks in the manufacturing sector."

[Sophos](#), *The State of Ransomware in Manufacturing and Production 2023*

"We've partnered with cyber security firm [Eftsure](#) to put a system in place on our online platform to assist clients in identifying where bank account details have been changed to help them detect invoice fraud. We're also hearing of more clients training staff to become more aware of cyber threats."

In Deep Dive #4, Eftsure CEO Mark Chazan gives his take on the ongoing cyber threats to manufacturing businesses and need for vigilance.

CYBERCRIME AT A COST TO BUSINESS



+14%

average cost of cybercrime from 2021 to 2022



\$46,000

average cost of cybercrime to small businesses*



\$97,200

average cost of cybercrime to mid-size businesses*



\$71,600

average cost of cybercrime to large businesses*



DEEP DIVE 3: Control procedures critical as financial crime booms

The industry's vulnerability to email-based attacks is critical because business email compromise (BEC) tactics are on the rise.

According to the [latest scam report](#) from the Australian Competition and Consumer Commission, Australian businesses lost \$224 million to BECs in 2022, part of a 73% increase in scam losses across the Australian business community that year.

Eftsure, a payment protection platform that crossmatches verified vendor details, has seen a similar trendline. Eftsure's Chief Executive Officer, Mark Chazan, notes that the platform detected a nearly three-fold increase in fraud attempts during 2023, compared to 2022.

"There are numerous factors behind this growing volume of fraud attempts, and one of them is that financial crime is booming. It puts AP and finance employees on the frontline of defending their organisation's money and reputation," says Chazan.

"Businesses need to ask themselves if they're actually equipping these employees in ways that are commensurate with growing threats.

"Unfortunately, many cybercrime groups have unlimited time and resources to try to infiltrate your business. They don't need a high success rate to be profitable, either – as a result, cybercriminals only need to succeed once, whereas an organisation's employees and security procedures need to prevent 100% of fraud attempts. It's not a fair fight."

Many organisations are failing to incorporate the control procedures that can dramatically reduce these scam risks.

According to an [Eftsure survey](#), 40% of organisations are skipping critical control procedures such as segregation of duties, while more than half are foregoing verbal verifications. Nearly a quarter of small businesses aren't using any control procedures at all.

In larger or more complex organisations such as manufacturing businesses, there is often limited visibility across the business as to whether appropriate financial control procedures that address modern cyber challenges are being followed. Eftsure survey data further indicates that over 25% of businesses are using

mostly manual procedures, making them vulnerable to human error.

Even more worrying for manufacturers is that their organisations are popular targets for scammers, according to Eftsure. This is due to their large, complex supply chains, where responsiveness to supply shortages or inflation pressures means there are often rapid changes in suppliers. Combined with frequent high-value transactions, these factors create fertile ground for fraudsters to intercept onboarding processes, capitalise on manual processes or deceive time-poor staff.

This can be even more risky as cybercriminals leverage and develop deceptive tactics with the help of generative artificial intelligence (AI) and deepfake technology. For instance, large language models such as ChatGPT can help fraudsters polish the perfect phishing messages.

And, even when workers manage to spot phishing emails or BECs, deepfake technology gives fraudsters an edge by replicating employees' voices and faces. [In one example from Hong Kong](#), fraudsters

stole \$39 million (USD) after using deepfake videos to imitate their target's co-workers on a video call.

In other words, financially motivated cybercrime is growing in frequency, volume and sophistication, while businesses' defences are largely remaining static – and were already vulnerable to payment fraud to begin with.

Cybercriminals are always amongst the first to adopt new technology and it gives them an immediate advantage over slower moving companies.

Echoing Matt Kelly's nod to staff training, Chazan says employee education is an increasingly common and important approach, as is the cultivation of a broader security-aware culture.

"Amid escalating cyber threats, businesses also need to be looking for processes and technology solutions that will arm employees with the right information and guardrails to make safer decisions," says Chazan.



Climate transition creates the perfect storm

Finding ways to crunch costs and innovate are dual transition priorities.

As the race to net-zero gathers pace, manufacturers face both challenges and opportunities.

Businesses continue to feel the pressure of soaring energy costs, with the [Australian Energy Regulator](#) announcing that small businesses would face price increases of up to 29%, depending on their region, from 1 July 2023.

Australia's manufacturing industry accounted for almost 18% of energy consumption in 2021-22. Research into the impacts of the energy price shock on Australian manufacturers by [Ai Group](#) shows almost 80% adjusted operations to minimise energy use, while 18% have reduced production.

Michael Sharpe, Director of [AUKUS Forum](#), is involved in a wide range of organisations across engineering, infrastructure, energy and environmental sustainability and says diversifying their energy sources can help manufacturers to alleviate the cost crunch. "Energy is a big input to manufacturing, and so any opportunities for manufacturers to install batteries and solar panels will be a benefit for their company."

The clean energy transition is also creating new opportunities for manufacturers, with the Federal Government's target of 82% renewables in the electricity grid by 2030 requiring significant investment in the local manufacture of infrastructure such as wind turbines and solar panels.

Sharpe adds that critical minerals required for renewable energy production also present potential for Australian manufacturers.

"We have so many rare earth materials in the ground and AUKUS Forum will be holding a series of workshops with local industry and fabrication firms in Broken Hill in NSW about how we can add more value to those critical minerals," he says.

"Rather than digging and shipping, let's create value in places like Broken Hill. Let's build renewable energy in Australia that can support manufacturing for years to come"

Michael Sharpe, Director of [AUKUS Forum](#)



DEEP DIVE 4: Understanding scenarios to support net-zero

Manufacturing is a high-energy sector and understanding the big picture plans for the energy transition is important for our customers.

The Australian Energy Market Operator's (AEMO) 2022 Integrated System Plan (ISP) is a roadmap for supplying affordable and reliable power to households and businesses within the National Electricity Market (NEM), while supporting Australia's net-zero emissions ambition.

"Given the manufacturing sector's dependency on energy markets, understanding the scenarios that inform the ISP, such as the Step Change Scenario or the Hydrogen Superpower Scenario, will help manufacturers plan as the power system transforms," says Nick Wandke, Head of ESG at Westpac's Business & Wealth Division.

The Step Change Scenario is in line with limiting the global temperature rise to below 2°C compared to pre-industrial levels. This scenario forecasts a significant increase in renewable generation and storage while reducing reliance on coal generation from 2043.

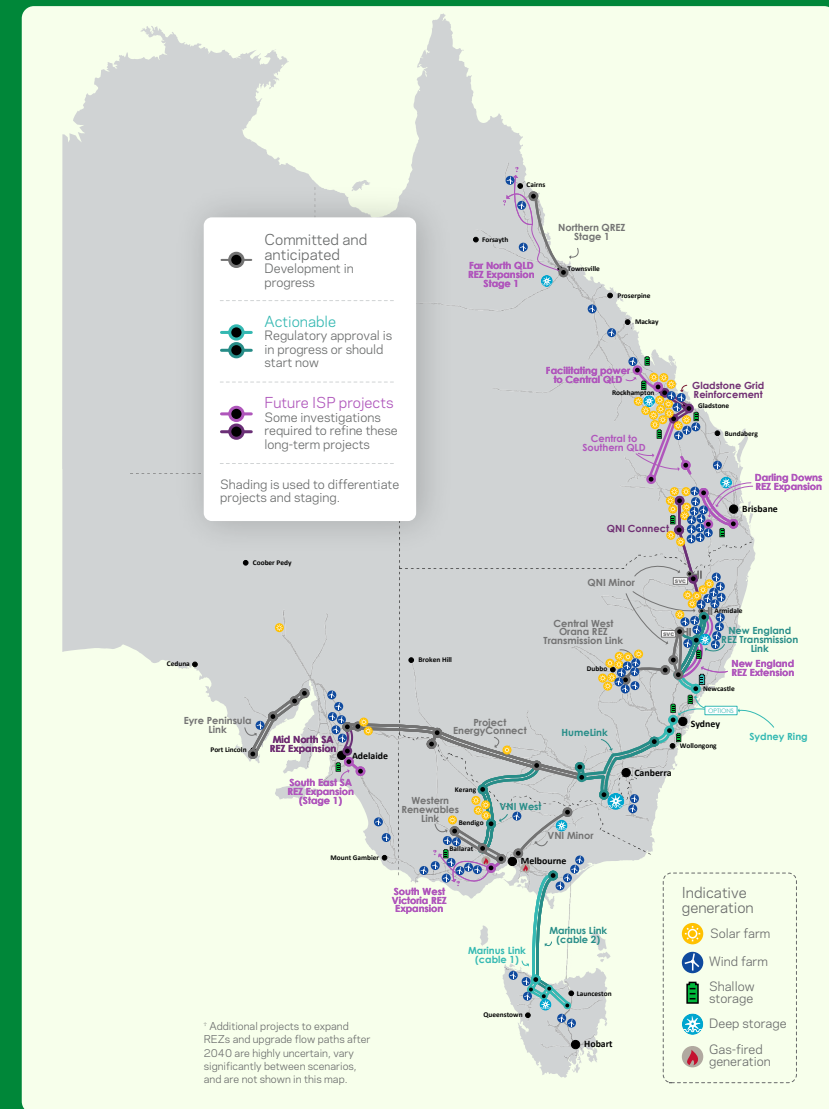
The Hydrogen Superpower Scenario is more ambitious and results in faster emissions reduction in line with limiting a global temperature rise to below 1.5°C compared to pre-industrial levels. This scenario forecasts a significant increase in energy consumption to support a hydrogen export industry, and opportunities to transform domestic manufacturing, as this scenario would see Australia well positioned as a renewable energy supplier.

Wandke adds that "AEMO is scheduled to release the 2024 ISP later this year. Although there are no changes expected to the overall framing of the ISP, AEMO has noted the impacts of stronger legislated emissions reduction policies, an accelerated retirement of the coal fleet (and the consequent need for earlier renewable rollout), higher costs for transmission, generation and storage, as well as supply chain and social licence risks.

"While the emissions footprint of our manufacturing clients will passively benefit from grid decarbonisation," he adds, "additional actions may also be needed to reduce their own direct operational emissions. We're here to support our clients understand, plan and implement those changes in their businesses."

NETWORK PROJECTS IN THE OPTIMAL DEVELOPMENT PATH

SOURCE: Australian Energy Market Operator 2022 Integrated System Plan



A new era of transformation

Manufacturers can transform Australia's future - and their own - as they embrace change and opportunity.

Obstacles to growth may continue in 2024, but there's much cause for optimism with new markets emerging through initiatives like the AUKUS Forum, manufacturing opportunities in renewables and the huge potential that comes with digital transformation.

To seize the opportunities, manufacturers must navigate the challenges presented by escalating cyber security risks, a talent squeeze and soaring energy costs.

St.George is focused on helping manufacturers to prosper, and Matt Kelly says banking is just one part of this. "We're doing things in the industry that no other bank is doing," he says. "We consistently talk to government agencies about grants, we connect clients to industry partners at universities and via our partnership with the AUKUS Forum.

"We've also partnered with accounting firms to provide free R&D and tax reviews for clients, and we've been working with insurance companies to provide free review to help clients strip out insurance costs. We are committed to the growth of Australian manufacturing."

Matthew Kelly, Head of Manufacturing and Wholesale NSW, St. George Bank



READY FOR ACTION?

Speak to a St.George Manufacturing banking specialist today:

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