

# Australian Industry Outlook 2024

Ai Group Research & Economics  
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[https://www.aigroup.com.au/resourcecentre/  
research-economics/](https://www.aigroup.com.au/resourcecentre/research-economics/)



# Key findings of the Ai Group CEO Survey 2024

Productivity will be the key for industry success in an uncertain, supply-constrained and slowing economy.

- Australian industry leaders are concerned about the year ahead, with uncertainty, inflation and weakening demand the main risks for 2024.
- Technology and innovation will be a top priority for industry leaders.
- Investment efforts will focus on productivity.
- Supply chain strategies will focus on controlling costs.
- Growth strategies will focus on the product offering.
- Staff shortages will continue in 2024, with 87% of industry leaders expecting to be affected.

## Key outlook indicators

In 2024, the main inhibitors for Australian industry will be:

38%

Of businesses expect to face **falling demand**

34%

Of businesses expect to face **increased costs**

28%

Of businesses expect **shortages of skilled labour** to inhibit business growth

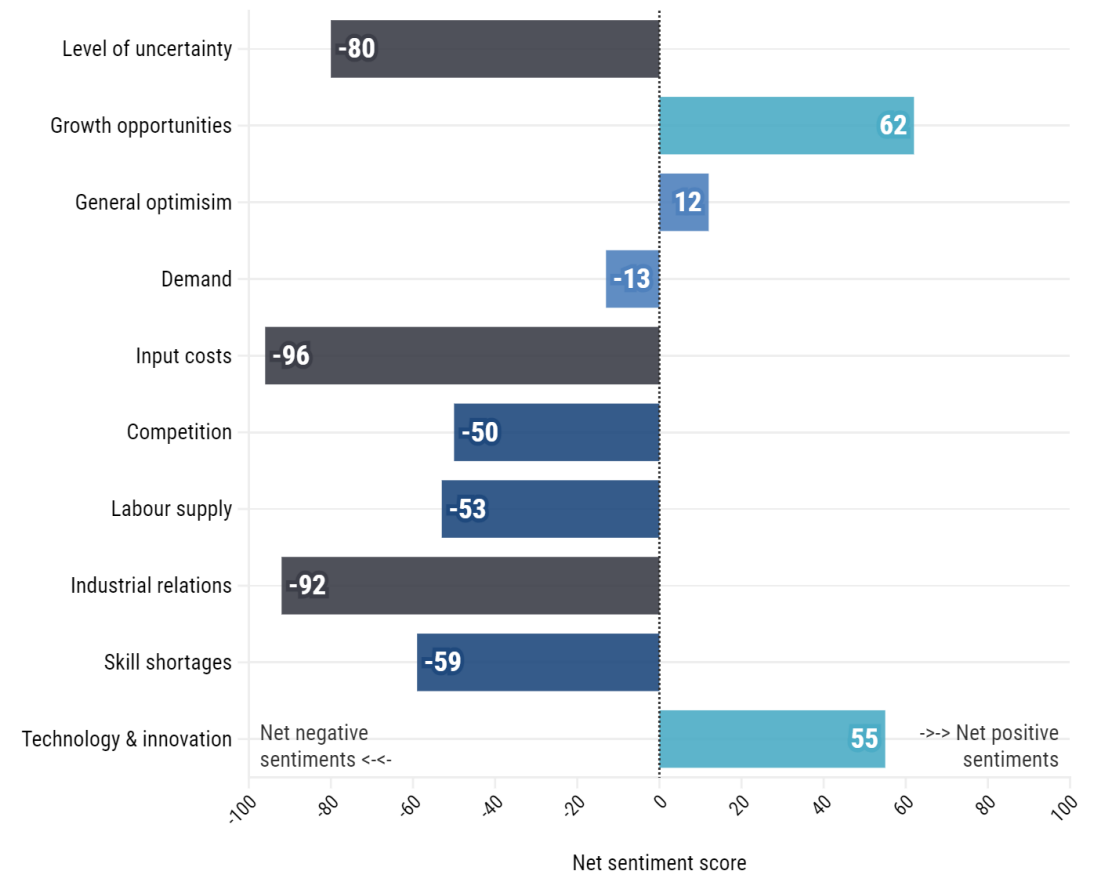
# Industry sentiments: Uncertainty dominate the outlook

Eight of the ten sentiments were negative, showing more concerns than confidence for 2024.

- **Uncertainty: -80 net balance** Businesses expect to face 'known unknowns' in 2024: geopolitical uncertainties, slow global growth, inflation, and rising interest rates.
- **Growth: +62 net balance.** This came from expectations of revenue growth, process efficiency improvements, sustained employment, and high-tech investment.
- **Tech & innovation: +55 net balance.** Expectations of inflation and wage growth drive industry leaders to see technology as a cost-saving solution.
- **Demand: -13 net balance.** This net balanced score signals a clear shift to downside expectations compared 2023.

## Australian Industry Outlook - Sentiment Factors for 2024

Uncertainty and cost pressures dominated the industry outlook



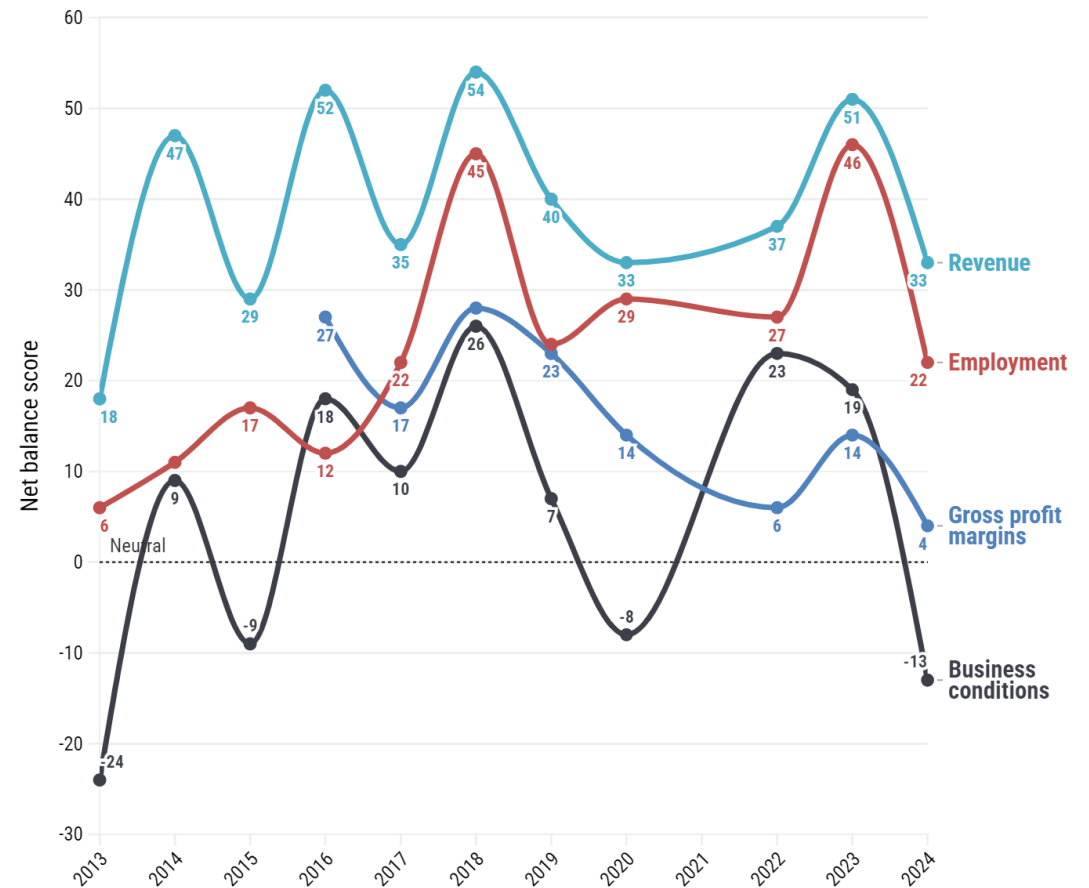
# Business conditions: Industry leaders report lowest outlook expectations in a decade

Industry leaders are cautiously optimistic about 2024. However, this year expectations are somewhat lowest in a decade.

- **Overall business conditions: -13 net balance.** This score is lower than late 2019 net expectations, when Australia and peers faced rapidly declining economies.
- **Revenue: +33 net balance.** This revenue indicator score is as low as 2019 pessimism.
- **Employment: +22 net balance.** Modest score for this indicator, less than prior years but greater than post-mining boom job growth.
- **Gross profit margins: +4 net balance.** This is the lowest in the survey's history, indicating industry expects minimal margin increase in 2024 owing to inflation.

## Australian Industry Outlook - Conditions Expectations for 2024

Industry expectations for 2024 the lowest in a decade



# Business challenges: Slowing demand and cost pressures will inhibit industry in 2024

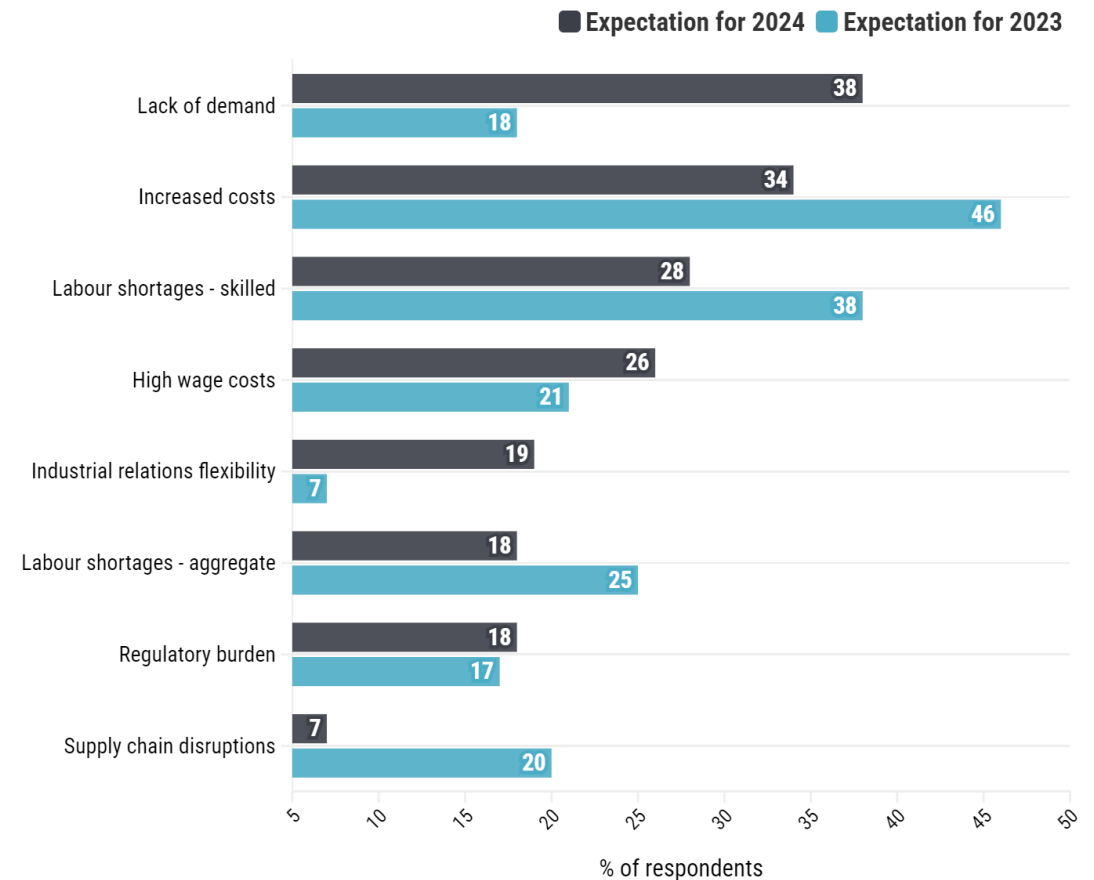
Falling demand, inflationary pressures and tight labour markets were identified as the greatest barriers to growth in the year ahead:

- **Lack of demand:** -38% of respondents consider this as their primary concern– much higher than the 18% in 2023.
- **Increased costs:** Second-highest barrier, recognised by 34%. It is down from 46% last year, indicating that inflation has peaked but will stay high.
- **Skilled labour shortages:** Third highest constraint (28%), due to ongoing skills gaps caused by very tight labour markets.

## Australian Industry Outlook - Inhibitor Expectations 2023 and 2024



Slowing demand and cost pressures will need to be managed

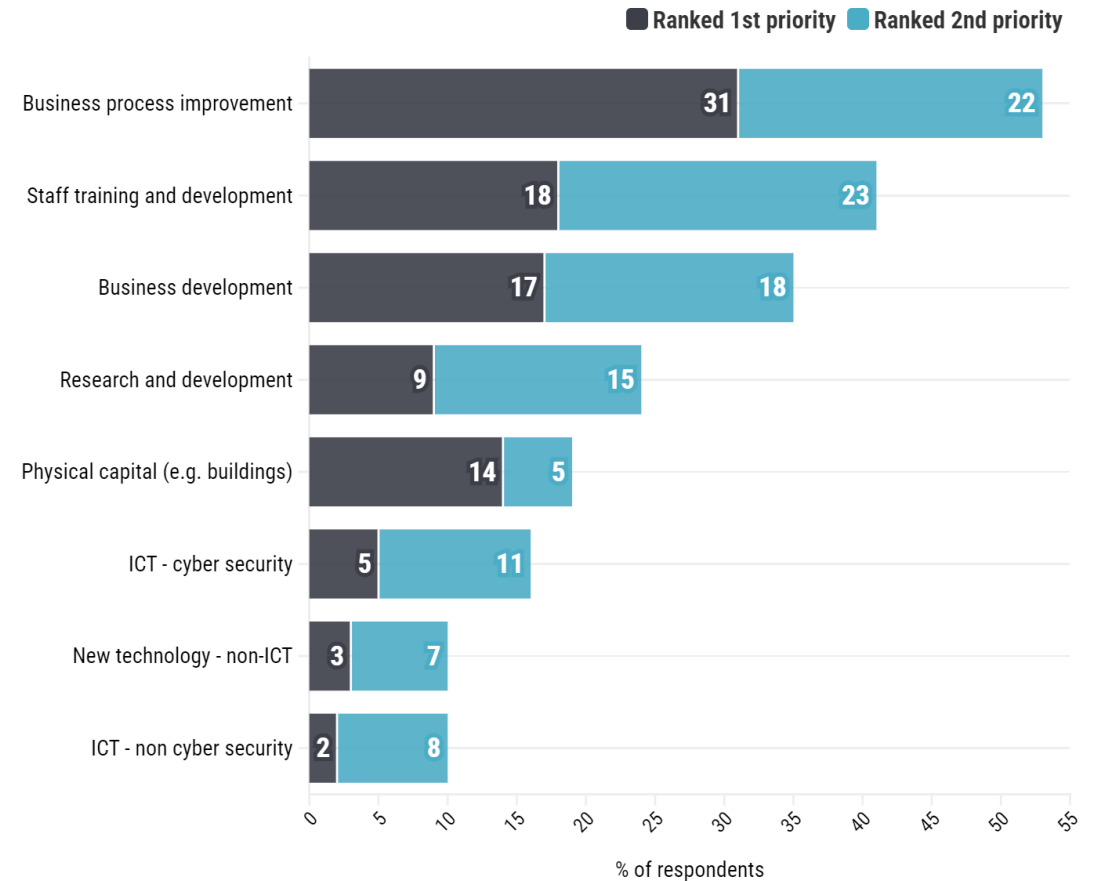


# Investment orientation: Expectations for a slower 2024 lead to focus on productivity over growth

- Expectations for a slower 2024 have led industry to focus their investments on consolidation:
- **Productivity-oriented investments** – process improvement (53%) and staff training (41%) – are the highest-ranked priorities for 2024.
- **Growth-oriented investments** – such as business development (35%), R&D (24%) and capex (19%) are rated comparatively lower.
- Amongst **technology investments**, cyber-related ICT will be the highest priority, reflecting the growing challenge of industrial cybersecurity.
- Most industry leaders are focused on protecting the business and workforce that they currently have, with fewer orienting their investment towards growth opportunities.

## Australian Industry Outlook - Investment Priorities for 2024

Investment plans will focus on augmenting productivity

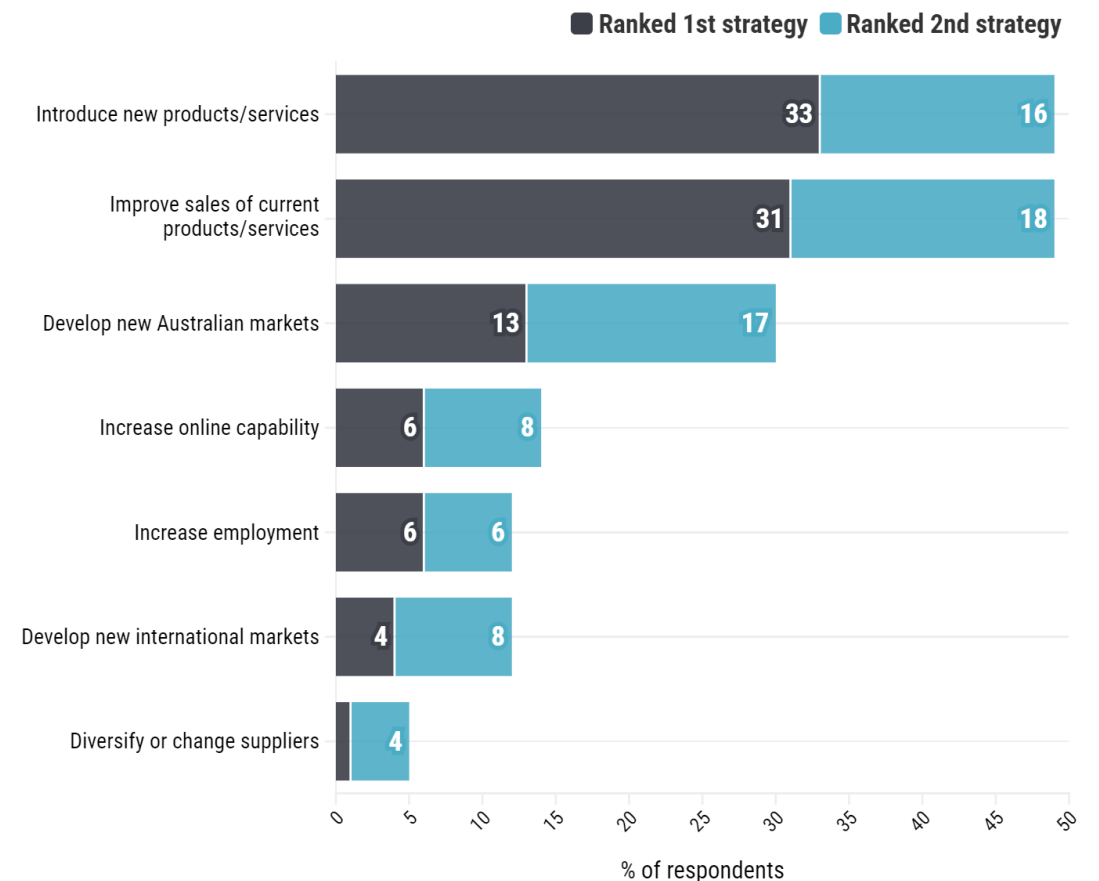


# Growth strategies for 2024: Focus on improving market offering to compete in tougher environment

- Focus on product offering will be the key driver for growth in 2024.
- Nearly half (49%) consider **developing new products and services** as their primary growth strategies while the same amount plan to **improve sales of current offerings**.
- **Local focused**– 30% of businesses identified new Australian markets as a priority, compared to only 12% for overseas markets.
- Only 12% of firms plan to **increase employment** to expand. This reflects Australia’s tight labour markets and the need to use the current workforce more efficiently for growth.
- 5% of firms plan to **switch suppliers**. This is far lower than 2023 study, when 20% of firms sought new suppliers. The focus has switched from supply-side constraints to product innovation under uncertain demand.

## Australian Industry Outlook - Growth Strategies for 2024

Growth strategies will focus on product and service offerings

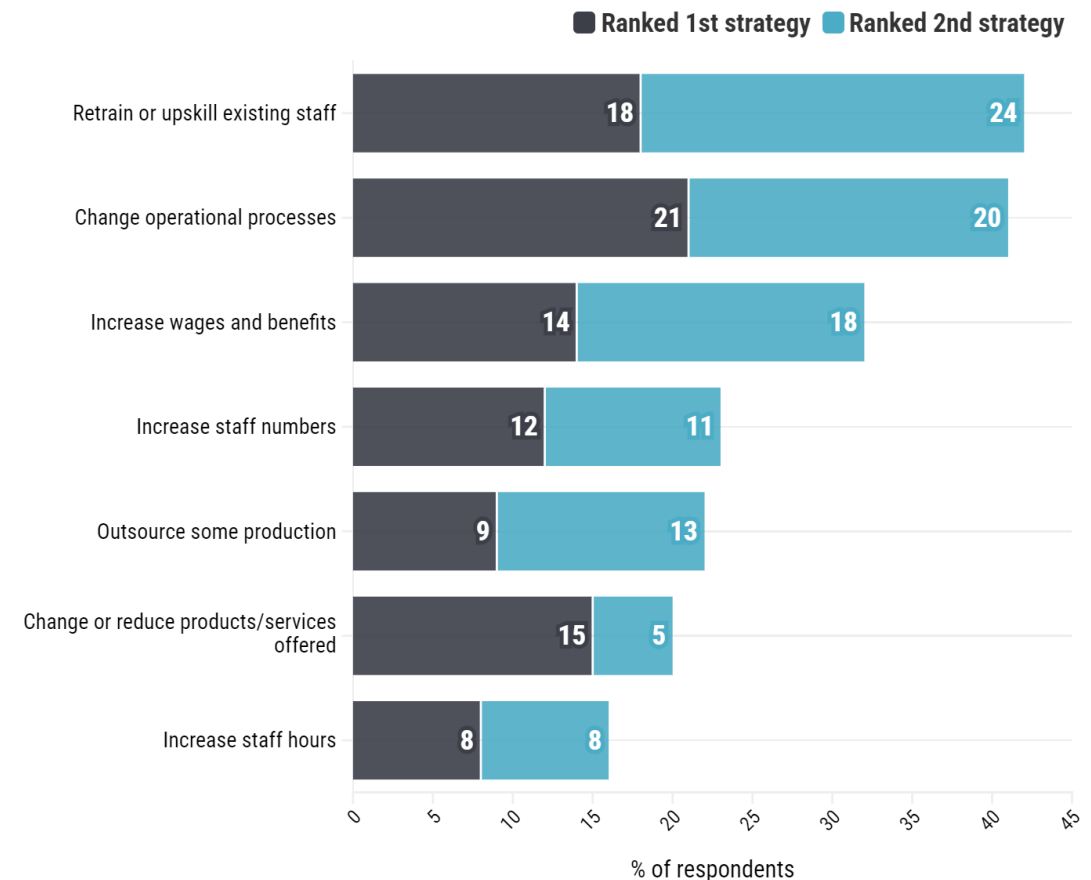


# Workforce strategies for 2024: Training, wages and efficiency all deployed to combat labour shortages

- 87% of leaders expect to be impacted by staff shortages in 2024. They plan to focus on three major strategies to manage this chronic problem:
- **Retrain or upskill** – (42%) 2 advantages of in-house skills development; training fills skills shortages without recruiting and it helps retain employees since they are less inclined to quit.
- **Increase wages and benefits** – (32%) attractive employment benefits are essential for recruitment and retention in tight labour market.
- **Efficiency-** To adapt labour shortages, 41% of businesses will change **operating processes**, 22% will **partially outsource production**, and 20% will change their product offers.
- In 2024, 23% of firms plan to **employ more** to expand, which is down from 38% in 2023. This reflects rising uncertainty and weaker growth projections for the year.

## Australian Industry Outlook - Workforce Strategies for 2024

Industry will focus on better utilisation of existing workforce





# Australian Industry Outlook for 2024

- For more information, read our *Australian Industry Outlook for 2024* report at:
- [aigroup.com.au/news/reports/2024-economics/australian-ceo-expectations-2024/](https://aigroup.com.au/news/reports/2024-economics/australian-ceo-expectations-2024/)
- Look out for additional research from our team in coming months.
- [economics@aigroup.com.au](mailto:economics@aigroup.com.au)

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Ai Group CEO Expectations Survey

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for 2024

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