Grant Thornton

Manufacturing Benchmarks 2026

Scale as a competitive advantage

Executive summary

Scale is an increasingly important competitive advantage in Australian manufacturing. While strong performance remains achievable across all business sizes, this year's results show manufacturers with greater scale are more consistently converting growth into profitability, supported by stronger investment capacity and improved operational efficiency.

This is reflected across the core benchmarks. Industry sales growth moderated to 4.1% in FY26, while EBITDA margins recovered to 10.6%. Within this, manufacturers above $150m in revenue achieved average growth of 5.6%, compared with a 7.8% decline among businesses under $75m, highlighting the growing performance gap across the sector.

The strongest-performing manufacturers consistently demonstrate an ability to leverage scale through disciplined execution and targeted investment. The top 10 performers achieved average sales growth of 11% and profit before tax margins of 19.2%, alongside continued investment in productivity and capability. This combination of growth, profitability and reinvestment highlights the role of scale in supporting sustained performance.

These dynamics are also evident across working capital and cost structures. Employee costs have risen to 23.6% of revenue on average, while debtor days increased to 54 days and inventory levels rose by 18% over the past two years. Larger manufacturers have been more effective in managing these pressures, supported by stronger systems, processes and capital flexibility.

Performance across sub-sectors broadly reinforces the same pattern with Transport & Automotive Manufacturing leading growth at 7.8%, Food, Beverage & Agribusiness delivering strong earnings outcomes, and Chemicals, Pharmaceuticals & Advanced Materials maintaining structurally higher margins with gross margins above 40%.

This report analyses the financial performance of 100 mid-sized manufacturing businesses across Australia and provides a detailed view of how the sector is tracking across growth, profitability, productivity and capital allocation. It enables leaders to benchmark performance, identify areas of opportunity and understand how scale and operational capability are influencing outcomes across the industry.

We encourage you to explore the findings in detail and consider what they may mean for your business. If you would like to discuss the results or benchmark your performance, please get in touch.

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About the data

The data is largely extracted from audited financial statements, the majority being Grant Thornton clients. There is an element of judgement applied in the analysis, including normalising out of the averages any major outliers.

Data spread	2026	2025	2024
Category A	35%	35%	38%
Category B	25%	31%	28%
Category C	40%	34%	44%
	100%	**100%**	**100%**

Sales revenue categorisation	2026 & 2025	2024 & Prior Years
Category A	< $75m	< $40m
Category B	$75m – $150m	$40m – $100m
Category C	> $150m	> $100m

For the purposes of this report, mid-sized manufacturers generally have an annual turnover of $20m to $600m.

Benchmark for success

What does great look like?

The defining characteristic of this year's highest-performing manufacturers is their ability to leverage scale. While strong performance is not exclusive to larger businesses, manufacturers with greater scale appear better positioned to invest in productivity, absorb cost pressures and sustain profitable growth.

The top 10 performers are determined by Grant Thornton using professional judgement, with emphasis on consistently strong profitability relative to size and sustained revenue growth. This year's cohort has a different profile to prior years with 80% generating revenue in excess of $150m, highlighting the extent to which scale is influencing exceptional profit outcomes.

Key performance outcomes

Sales growth

The top 10 manufacturers have delivered 11% sales growth compared to an industry average of 4%.

Gross margins

Improved from 39% to 42%, reflecting strong operational discipline and effective cost management. Importantly, this indicates growth has been achieved without compromising efficiency and without reliance on price discounting, which would typically place downward pressure on gross margins.

Profit before tax

Increased from 14.6% to 19.2%, driven by a combination of pricing strategy, improvements in product mix and supply chain efficiency, alongside the benefits of scale.

Employment costs

Remained stable at 24.7%, reflecting a sustained investment in workforce capability alongside productivity gains, potentially supported by automation and digital initiatives, enabling growth without a corresponding rise in labour spend.

Debtor days and inventory

Debtor days have increased from 52 to 54, a movement that warrants monitoring given a more modest shift across the broader manufacturing base. Similarly, inventory holdings increased by 23% on the prior year and now represent 23% of annual sales, potentially reflecting strong order pipelines or increased confidence for the year ahead.

Shareholder returns

Higher-performing manufacturers also returned greater value to shareholders with dividend payouts at 32% compared to an industry average of 25%, further reinforcing the link between scale, profitability and capital return capacity.

Top 10 snapshot

Performance measures (% of revenue)	2026	2025
Sales median $000	246,488	218,193
Sales growth (average)	11%	15%
Gross margin (average)	42%	39%
Employee costs (as a % of revenue)	24.7%	25.0%
EBITDA (as a % of revenue)	25.7%	21.7%
Profit margin (as a % of revenue)	19.2%	14.6%
Debtor days (average)	54	52
Inventory turnover (average)	3.5	4.0
Capex (as a % of revenue)	3.0%	2.3%
Dividends paid (overall % of profit)	32%	32%

Top 10 performers – company profiles

60%
private

40%
listed

80%
more than $150m revenue

10%
are $75m to $150m revenue

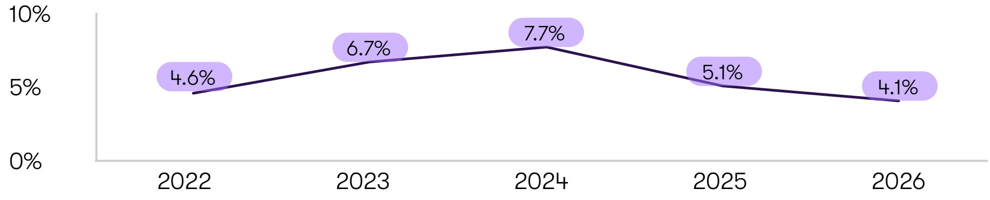
10%
are less than $75m revenue

Sales growth

Sales growth by category	2026	2025	2024
Category A	-7.8%	-0.9%	19.0%
Category B	2.4%	3.5%	6.4%
Category C	5.6%	6.0%	7.5%
Industry average	**4.1%**	**5.1%**	**7.7%**

Sales growth has moderated to 4.1% in FY26, continuing a multi-year deceleration from 7.7% in FY24 and 5.1% in FY25. This reflects sustained interest rate pressure, softer consumer demand and persistent input cost inflation. While the headline number remains positive, it masks a divergence in performance across the sector.

Sales growth: year-on-year industry average



Consecutive growth or decline	1 year each	2 years of growth	2 years of decline
Category A	49%	31%	34%
Category B	66%	44%	12%
Category C	66%	50%	18%
Industry average	**60%**	**40%**	**20%**

A widening performance gap

Top performers and large manufacturers continue to accelerate, while smaller businesses are trending backwards. The data shows the power of scale and reinvestment capacity emerging as differentiating factors between manufacturers that are advancing, and those falling behind.

Manufacturers over $150m delivered average growth of 5.6%, compared to a 7.8% decline in those under $75m – a 13-percentage point gap consistent across most sub-sectors. The top 10 performers continue to outperform at 11% growth, almost three times the industry average.

Growth becoming more concentrated

Manufacturers achieving meaningful growth above 2% in FY26 represented 50% of the cohort, while 31% experienced a meaningful decline. This decline is heavily concentrated in the sub-$75m bracket, where nearly half experienced a material decline in revenue. This reflects greater exposure to demand volatility and more limited pricing power.

By contrast, mid-sized and larger manufacturers remain broadly resilient, with 68% of both cohorts achieving growth and reinforcing the two-speed economy.

A performance gap unlikely to close without strategic action

The widening gap is unlikely to close without deliberate strategic repositioning. Smaller manufacturers will need to consider investment in automation, expansion into export markets or partnership models, while mid-sized and larger players are better positioned to sustain momentum through continued investment in productivity, capability and capacity, alongside selective M&A activity.

Gross margins

	2026	2025	2024
Category A	35.4%	33.7%	36.2%
Category B	35.6%	35.8%	31.2%
Category C	32.3%	30.5%	30.4%
Industry average	**33.1%**	**31.6%**	**31.6%**

Industry gross margins have improved in FY26, lifting from 31.6% to 33.1%.

Input cost pressures remain a constant challenge across energy, labour, raw materials and freight, however the rate of increase has moderated from 2022-2024 peaks. The recovery reflects a full-year benefit from prior repricing actions with a sharper focus on product mix and SKU discipline, and a favourable translation impact on imported inputs.

Smaller manufacturers delivered an improved gross margin result despite an overall revenue contraction. With limited pricing power, the results reflect a deliberate margin protection strategy. Smaller manufacturers have prioritised profitability over volume growth, de-prioritising lower-margin SKUs and reviewing supply chain arrangements to defend margins through a softer trading environment.

Mid-sized manufacturers held gross margins essentially flat at 35.6%, a creditable defence that reflects operational maturity. Larger manufacturers delivered the strongest recovery, lifting margins to 32.3%, as prior pricing actions, supplier consolidation and procurement discipline flow through to full-year results.

Australian manufacturers have consistently demonstrated an awareness of direct costs and pricing dynamics, adjusting commercial settings to remain resilient and defend gross margin. All categories have outperformed the prior year, with a challenge to defend these in the coming year.

Employee costs

	2026	2025	2024
Category A	26.9%	24.6%	27.7%
Category B	25.5%	24.5%	16.7%
Category C	23.0%	22.8%	20.1%
Industry average	**23.6%**	**23.2%**	**20.0%**

Employee costs as a share of revenue have increased across all size categories in FY26, with the industry average rising from 23.2% to 23.6%. This reflects the ongoing skills shortages in trades and engineering, driving wage inflation in technical roles alongside the continued impact of superannuation guarantee increases, now at 12% from 1 July 2025.

Labour cost pressures affecting manufacturers unevenly

The pressure has been most pronounced for the smallest manufacturers (under $75m), whose employee cost ratio increased from 24.6% to 26.9%. With this cohort also experiencing negative revenue growth, weaker operating leverage has amplified the impact of rising labour costs. This suggests smaller manufacturers may have fewer options available to offset labour cost pressures through automation, productivity improvements or operational efficiencies.

Mid-sized manufacturers ($75m-$150m) have also experienced rising employee costs, with the ratio increasing by approximately 1% on the prior year. While less pronounced than the smaller cohort, the trend is notable given revenue growth has also moderated relative to larger peers – placing additional pressure on margins and suggesting mid-sized operators are increasingly caught between the two ends of the market.

Larger manufacturers (over $150m) continue to demonstrate the strongest discipline, with employee costs broadly unchanged at 23.0%, compared to 22.8% in FY25. Greater operating scale, more mature workforce planning, and higher levels of automation-enabled production lines may be contributing factors. Several have publicly outlined productivity initiatives involving collaborative robotics, predictive maintenance and AI-driven quality control as part of broader headcount efficiency programs.

Cost management as a competitive differentiator

Looking ahead, upward pressure on employee costs is expected to continue throughout FY27. Wage growth remaining elevated combined with ongoing competition for skilled trades workers is likely to keep labour costs under pressure. As a result, investment in automation, AI-enabled workflow tools and structured workforce planning will increasingly differentiate operators that can maintain productivity and margin performance from those that cannot.

EBITDA

	2026	2025	2024
Category A	9.4%	9.4%	7.0%
Category B	10.8%	12.8%	13.1%
Category C	10.9%	7.9%	10.4%
Industry average	**10.6%**	**8.7%**	**10.2%**

EBITDA results presented exclude AASB 16 lease adjustments and have been normalised to remove significant non-cash impairments.

After two consecutive years of decline, industry EBITDA margins recovered in FY26 to 10.6%, up from 8.7% in FY25 and above the FY24 level of 10.2%. Given sales growth remained relatively modest, the improvement suggests margin restoration has been supported by operational discipline rather than volume leverage.

Margin recovery driven by larger manufacturers

The recovery has not been uniform. Larger manufacturers with revenue over $150m recorded the strongest improvement, with EBITDA margins increasing from 7.9% to 10.9%. This follows a period of margin compression in prior years and suggests recent price increases, supplier renegotiations and cost control measures are now flowing through to profitability.

Mid-sized manufacturers ($75m–$150m) recorded EBITDA margins of 10.8%, down from 12.8% in FY25 but broadly in line with the industry average. While profitability moderated from the prior year, margins remain relatively resilient by historical standards.

Smaller manufacturers maintaining margins

Manufacturers with revenue under $75m maintained EBITDA margins at 9.4%, unchanged since FY25. Given this cohort experienced negative revenue growth, this suggests cost management initiatives have helped offset some pressures. However, the extent these margins can be sustained may depend on whether future revenue continues to soften.

Impairments

	2026	2025	2024
Category A	1.5%	0.1%	0.9%
Category B	0.0%	0.4%	0.4%
Category C	1.8%	2.0%	0.9%
Industry average	**1.5%**	**1.6%**	**0.9%**

Asset impairments, mandated under the Accounting Standards, can provide insight into management's outlook for the business and sector.

In the FY26 reporting season, 16% of Australian manufacturers reported an impairment of non-current assets – a ratio unchanged from 2025. While the impairments vary in size and span both ASX-listed and private companies, the results point to a more challenging and uneven landscape rather than a broad-based deterioration.

A deeper analysis shows that impairments exceeding 5% of annual revenue affected around 1 in 20 Australian manufacturers, consistent with the prior year. The largest impairments were recorded by publicly listed companies and primarily related to intangible assets, including goodwill, brand names and development costs, as well as property, plant and equipment.

Debtor days

	2026	2025	2024
Category A	61.7	58.2	64.6
Category B	50.6	51.0	47.8
Category C	51.5	48.0	51.6
Industry average	**54.3**	**52.3**	**55.7**

Industry-average debtor days increased to 54.3 days in FY26, up from 52.3 days in FY25 and reversing some of the improvement recorded in the prior year. This may reflect a combination of extended payment terms offered in a softer demand environment, and slower collection cycles as customers manage tighter cash positions in a high-interest rate setting.

Debtor performance diverged across cohorts

The increase has been most pronounced among smaller manufacturers (under $75m) where debtor days rose from 58.2 to 61.7 days. While the movement is relatively modest, it reflects a dynamic of reduced negotiating leverage and more concentrated customer bases. With negative sales growth in this cohort, the impact on working capital efficiency is meaningful.

Mid-sized manufacturers ($75m–$150m) improved debtor days marginally from 51.0 to 50.6 days. Although the improvement is small, this suggests disciplined receivables management, a cohort with generally more mature collection processes and better customer credit assessment capabilities than smaller peers.

Larger manufacturers (over $150m) experienced the equal-most significant lengthening from 48.0 to 51.5 days. While this reverses some of the prior year's improvement, the longer-term picture remains broadly aligned with historical industry averages. The increase may also reflect a greater willingness to offer flexible payment terms to support customer relationships in a competitive market.

Cash conversion remains a focus

Looking ahead, effective working capital management will remain important as trading conditions remain mixed. Manufacturers should continue to focus on credit assessment criteria for new customers, collection processes and customer concentration risk, while monitoring the impact of debtor days on supply chain finance and receivables financing where extended terms cannot be avoided. With increased regulatory scrutiny of payment practices to small business, manufacturers should monitor the impact of lengthening debtor days on their working capital cycle and ensure compliance with the Payment Times Reporting Scheme where relevant.

Inventory

	2026	2025	2024
Category A	3.4	3.4	3.0
Category B	4.8	5.1	4.9
Category C	3.5	3.3	3.6
Industry average	**3.9**	**4.6**	**4.0**

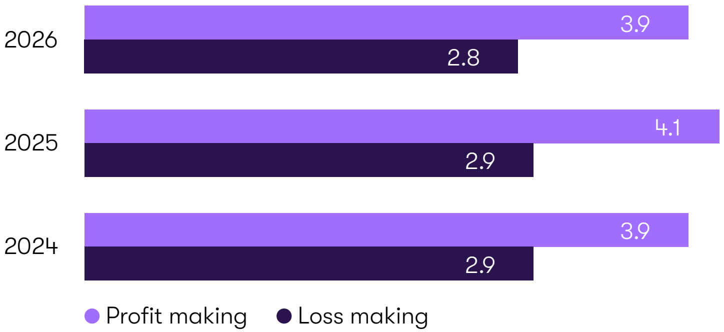
Inventory turnover is calculated based on year-end inventory rather than average monthly inventory levels during the year. The averages have been determined excluding any outliers that might otherwise distort the results.

Average inventory turnover decreased to 3.9 in FY26, down from 4.6 in FY25. Over the two-year period from FY24 to FY26, the total value of inventory held across the sample population increased by 18%, suggesting more capital is being tied up in inventory across the sector.

Larger manufacturers recorded relatively steady inventory turnover, likely reflecting more integrated supply chains and advanced demand planning, supporting more consistent inventory positioning through the cycle.

The average inventory turnover for profit-making manufacturers was 3.9 compared to 2.8 for loss-making manufacturers. This gap highlights the link between inventory discipline and financial performance, particularly in environments where weaker trading conditions place additional pressure on working capital.

Inventory turnover



Plant and equipment

PPE	2026	2025	2024
Category A	10.6%	10.3%	16.4%
Category B	13.0%	11.1%	11.6%
Category C	10.6%	11.2%	11.6%
Industry average	**11.0%**	**11.1%**	**11.5%**

CAPEX	2026	2025	2024
Category A	3.2%	2.1%	7.6%
Category B	4.5%	3.6%	2.8%
Category C	4.3%	3.3%	3.1%
Industry average	**4.3%**	**3.5%**	**3.3%**

Plant & equipment

Plant & equipment (PPE) has remained broadly stable across the industry at 11.0% of revenue (compared to 11.1% in FY25). This reflects the structural step-down following the winding back of Temporary Full Expensing and Instant Asset Write-Off incentives in FY24, which now appears to have largely normalised to a more sustainable level.

Capital expenditure accelerating

Industry-average CAPEX has increased from 3.5% to 4.3% of revenue, representing the most significant year-on-year acceleration since FY23. The divergence to moderating revenue growth suggests capital expenditure is increasingly directed toward asset replacement, maintenance and efficiency enhancements rather than expanding capacity.

This is most evident among smaller manufacturers, where higher CAPEX has not translated into revenue growth. This may reflect more cautious investment behaviour amid ongoing cost pressures and limited visibility over future demand, with capital allocation focused on maintaining current operational capability.

Mid-sized manufacturers recorded the strongest increase in investment intensity, with PPE rising from 11.1% to 13.0% and CAPEX increasing from 3.6% to 4.5%. This suggests a more proactive investment strategy, supported by stronger balance sheets and improved access to funding.

Larger manufacturers continue to demonstrate more stable alignment between capital investment and revenue outcomes, which may reflect more consistent capital deployment through the cycle and the benefits typically associated with scale.

Dividends and debt

Dividends

	2026	2025
Industry average as a % of revenue	1.1%	1.2%
Industry average as a % of PBT	25.1%	23.4%
Industry average as a % of equity	2.5%	2.7%
Total dividends paid (raw number)	**$574m**	**$567m**

Aggregate dividends paid have remained broadly stable in dollar terms – sitting within a narrow $565m to $578m range over the past four years to FY26. However, relative measures have risen sharply, indicating that distributions have been maintained despite softer earnings and a contracting capital base.

This continued shareholder return discipline reflects several underlying dynamics:

1. **Post-pandemic stabilisation**
   Manufacturers are now operating in a relatively stable trading environment and improving balance sheet positions, giving boards confidence to commit to sustained payout levels.

2. **Limited reinvestment opportunities**
   Despite the ongoing Future Made in Australia (FMIA) funding support, some entities face limited high-return reinvestment opportunities domestically due to ongoing labour cost pressure, energy transition uncertainty and import competition. This is particularly evident in mature sub-sectors like building products and consumer goods.

3. **Government support and incentives**
   Programs like the National Reconstruction Fund, FMIA and energy transition funding have eased some financial pressures, reducing the need for internal capital retention and enabling higher distribution levels.

4. **Investor pressure and market signalling**
   With economic growth slowing through FY26 and global capital markets pricing in higher discount rates, sustained dividends are an important signal to investors of underlying earnings quality and management confidence.

5. **Sector-specific outperformance**
   ASX-listed industrial and manufacturing stocks have continued to outperform the broader market through FY26, with several names delivering total shareholder returns well above the index. Dividend stability has been a key contributor.

Taken together, these trends highlight a disciplined approach to capital allocation with manufacturers choosing to reward shareholders rather than over extend while navigating a complex macroeconomic environment.

Debt

Debt to equity ratio	2026	2025	2024
Category A	25%	20%	22%
Category B	8%	8%	8%
Category C	25%	28%	27%
Industry average	**23%**	**25%**	**24%**

The debt-to-equity ratio across the population has remained broadly stable in FY26 at 23.2% (compared to 25.2% in FY25) when measured on a consistent basis. This consistency over multiple periods underlines a stable financial strategy and operating environment for Australian manufacturers.

Manufacturers continue to limit leverage to reduce financial risk in response to elevated interest rates and the operating volatility experienced over recent years. With the RBA cash rate remaining high through FY26, the effective cost of debt has remained material, encouraging boards to favour equity-funded growth and conservative capital structures.

For larger manufacturers, debt-to-equity has eased materially in FY26, reflecting strong free cash flow being used to reduce debt, selective equity raising to fund growth or acquisition activity, and deliberate balance sheet de-risking ahead of potential M&A opportunities. For smaller and mid-sized players, leverage has remained broadly stable but generally lower than longer-term averages, reflecting a continuing risk-averse stance.

Overall, the industry's conservative capital structure provides resilience in a more uncertain environment, the ability to respond in the event of a material downturn, and capacity to fund counter-cyclical growth opportunities. The trade-off is potentially lower returns on equity in a period of moderate growth with manufacturers increasingly reliant on operational efficiency rather than financial leverage to deliver shareholder returns.

Sub-sector benchmarking

Across Australian manufacturing, results show a differentiated sub-sector performance across the data sample, particularly across growth and margin outcomes. Some sectors are continuing to build momentum, while others are seeing growth slow but margins remaining resilient.

Sub-sector benchmarking – revenue growth	2026	2025
Agribusiness, Food & Beverage	7.2%	13.6%
Chemicals, Pharmaceuticals & Advanced Materials	4.3%	9.5%
Industrial Machinery, Equipment & Building Products	2.2%	3.7%
Consumer & Household Goods	1.6%	(1.5%)
Transport & Automotive Manufacturing	7.8%	5.2%
Industry average	**4.1%**	**5.1%**

Sub-sector benchmarking – EBITDA	2026	2025
Agribusiness, Food & Beverage	15.6%	8.5%
Chemicals, Pharmaceuticals & Advanced Materials	11.9%	8.1%
Industrial Machinery, Equipment & Building Products	10.3%	8.5%
Consumer & Household Goods	11.7%	11.5%
Transport & Automotive Manufacturing	10.3%	9.7%
Industry average	**10.6%**	**8.7%**

Sub-sector benchmarking – gross margin	2026	2025
Agribusiness, Food & Beverage	20.8%	20.1%
Chemicals, Pharmaceuticals & Advanced Materials	40.2%	39.7%
Industrial Machinery, Equipment & Building Products	35.8%	34.5%
Consumer & Household Goods	37.5%	25.1%
Transport & Automotive Manufacturing	24.5%	21.3%
Industry average	**33.1%**	**31.6%**

Sub-sector benchmarking

Agribusiness, Food & Beverage

Agribusiness, Food & Beverage remained a strong performer in FY26, delivering revenue growth of 7.2%, well above the industry average of 4.1%. While growth moderated from FY25, the sector continued to benefit from resilient demand for premium and health-oriented food products.

The standout result was profitability, with EBITDA margins increasing to 15.6%, the highest of all benchmarked manufacturing sub-sectors and well above the industry average of 10.6%. This reflects strong operating leverage, scale efficiencies and disciplined cost management.

Despite this, gross margin remained comparatively low at 20.8%, significantly below the industry average of 33.1%, reflecting ongoing pricing pressure, commodity-style economics and input cost volatility.

The sector's ability to generate the highest EBITDA margins despite the lowest gross margins highlights the importance of scale, operational efficiency and cost control. Leading operators are expected to continue investing in automation, premiumisation and export growth to sustain momentum into FY27.

Chemicals, Pharmaceuticals & Advanced Materials

Chemicals, Pharmaceuticals & Advanced Materials recorded revenue growth of 4.3% in FY26, broadly in line with the industry average and a moderation from FY25. Despite the softer topline performance the sub-sector continues to deliver strong profitability with gross margins of 40.2% remaining well above the industry benchmark of 33.1%, reinforcing its position as one of the more structurally attractive segments within Australian manufacturing.

This margin resilience is underpinned by Australia's natural endowment in raw materials, high regulatory barriers across pharmaceuticals and specialty chemicals that help protect pricing power, and ongoing Federal Government support for sovereign capability through initiatives such as the Medical Products Strategy and National Reconstruction Fund.

EBITDA margins of 11.9% were also above the industry average and improved on the prior year – reflecting easing input costs, improved plant utilisation and pricing pass-through in regulated categories, positioning the sub-sector as a key contributor to Australia's long-term manufacturing competitiveness.

Industrial Machinery, Equipment & Building Products

Industrial Machinery, Equipment & Building Products represents the largest cohort in the report. Revenue growth has moderated to 2.2% in FY26, reflecting a softer residential construction environment and cautious capital investment conditions.

Despite slower growth, gross margins remained robust at 35.8%, above the industry average, demonstrating the value of specification-driven products and strong customer relationships. EBITDA of 10.3% remained broadly in line with the industry average.

Sub-sector benchmarking

Consumer & Household Goods

Consumer & Household Goods recorded the weakest revenue growth in FY26 at 1.6%, reflecting the same demand-side pressures evident across the broader retail market, including cost-of-living pressure, more selective discretionary spending, increased competition from online and international platforms, and retail consolidation that continues to shift bargaining power towards major chains. This indicates that revenue growth alone is becoming a less reliable indicator of performance, with stronger operators increasingly distinguished by margin protection, inventory discipline and cash conversion.

Despite softer top-line performance, underlying product economics remained relatively resilient. EBITDA margins of 11.7% and gross margins of 37.5% both sat above the industry average, reflecting disciplined cost management, easing input and freight costs, brand strength and pricing discipline. This mirrors broader retail trends, where gross margins have remained relatively stable despite operating cost pressure; however, profitability remains dependent on labour productivity, cost control and inventory management. Looking ahead, recovery in this sub-sector is likely to be linked to household spending conditions, while manufacturers with stronger direct-to-consumer capability, brand differentiation, product innovation and disciplined inventory management should be better positioned to defend share and protect margins.

Transport & Automotive Manufacturing

Transport & Automotive Manufacturing delivered the strongest revenue growth of any sub-sector in FY26 at 7.8%, well above the industry average. Growth was supported by ongoing defence procurement activity, replacement cycles for ageing commercial vehicle fleets, and early investment in electric vehicle components and related supply chains.

Gross margins of 24.5% remain below the industry average, reflecting exposure to commodity input costs (particularly steel and aluminium) and the capital-intensive nature of production. Despite this, EBITDA margins of 10.3% were broadly in line with the industry, suggesting operators have been effective at converting growth into earnings through scale and disciplined cost control.

Looking ahead, the sector remains well positioned, supported by continued defence spending, fleet renewal demand and the gradual shift toward lower-emissions transport.

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The terms we use

Language is a powerful tool. No single set of definitions can describe how every person experiences life, or how they define themselves. We acknowledge the diversity of self-identity and intersectionality, particularly within gender, culture, sexual orientation, disability and First Nations language groups. It is always our intention to be inclusive and respectful and we acknowledge that not everyone will identify with the terms we have chosen.

AI disclosure

Grant Thornton is committed to transparency in its use of Artificial Intelligence (AI). This report was generated with the help of AI but all subject matter expertise have been formulated by Grant Thornton.

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