

Industries to Fly and Fall in 2012-13

Changes in global demand, carbon pricing, government funding and technological development will be factors determining which industries will fly and which will fall over 2012-13

IBISWorld's industries to fly in 2012-13

Industry	Growth (%)	Revenue (\$ million)
Diamond and Gemstone Mining	35.6	690.5
Electricity Generation	28.7	24,549.6
Preschool Education	26.0	1,376.4
Superannuation Funds	21.2	232,800.0
Organic Farming	14.9	578.9

IBISWorld's industries to fall in 2012-13

Industry	Change (%)	Revenue (\$ million)
Iron and Steel Manufacturing	-15.6	8,300.0
Cotton Growing	-8.3	2,500.0
Recorded Media Manufacturing and Publishing	-6.1	861.1
Pulp, Paper and Paperboard Manufacturing	-5.2	3,200.0
Gaming and Vending Machine Manufacturing	-5.0	417.0

Industries expected to fly

1. Diamond and Gemstone Mining IBISWorld Industry report B1421

The global financial crisis resulted in far lower demand for resources – including diamonds and gemstones. Demand has started to recover globally and the rebound will be driven by higher production levels (up 39.5%), while prices are also expected to stabilise in 2012.

Significantly, 93% of Australian production is exported and IBISWorld expects this to continue in the face of a very strong Australian dollar – resulting in forecast revenue growth of 35.6% over 2012-13 to reach \$690.5 million.

India has been identified as the key export market for Australia's diamonds and gemstones. India uses the diamonds for industrial tools and jewellery.

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Rising consumer demand and household income will continue to drive organic farming growth

2. Electricity Generation

IBISWorld Industry report D3611

The electricity generation industry is forecast to grow strongly over the coming year, largely driven by the flow-on effects of the carbon tax – as the industry is the largest contributor of carbon dioxide in Australia at 32% of total emissions. Victorian electricity generators that burn brown coal will be hardest hit by carbon pricing, followed by generators that burn black coal (mainly in New South Wales and Queensland).

Trends in electricity demand, production and prices are expected to be broadly reflected in industry performance. Low-cost producers will be able to take advantage of short-term increases in demand and are anticipated to perform well in the coming year.

Overall IBISWorld expects industry profitability will be compressed by the introduction of carbon pricing, meaning profit will rise, but at a much slower rate than revenue. Electricity generation industry revenue is forecast to increase 28.7% over the coming year to reach \$24.6 billion.

3. Preschool Education

IBISWorld Industry report N8410

Over the coming financial year, IBISWorld expects the preschool education industry to grow by 26% to be worth \$1.4 billion. Growth is expected to be driven primarily by additional funding, equating to \$297 million over 2012-13, from the Australian Government to support reforms aimed at standardising preschool education.

The Australian Government's universal access policy is expected to increase demand for preschool services and increase total childcare hours. All state governments have agreed that by the end of 2013 all four-year-old children will have access to 15 hours of preschool per week, 40 weeks of the year. These services are to be delivered by an early childhood teacher with four years of university training.

4. Superannuation Funds

IBISWorld Industry report K7412

After four consecutive poor years, IBISWorld expects a return in confidence and favourable investment conditions in 2012-13. This is expected to result in growth of 21.2% for the superannuation funds industry to reach \$232.8 billion.

This growth will be off a low base, following the revenue decimation experienced during the global financial crisis.

5. Organic Farming

IBISWorld Industry report X0013

Over the past five years, Australia's organic farming industry has grown at a robust pace of 11.6% per annum and IBISWorld expects the industry will continue to soar, increasing its revenue by 14.9% over 2012-13 to be worth \$578.9 million.

Demand for organic produce has been mainly driven by growing consumer interest in sustainable food production and rising disposable incomes. Supermarkets have responded quickly to increasing demand for organic products by increasing organic product ranges to improve accessibility. This has resulted in supermarkets accounting for around 60% of all organic sales.

However, IBISWorld expects supply constraints – particularly in the meat segment due to lack of an organised supply chain in regards to organic feed, abattoirs and processors – will continue to limit industry growth.

Industries expected to fall

1. Iron and Steel Manufacturing

IBISWorld Industry report C2711

Australia's iron and steel manufacturing industry has been in long-term decline due to reduced global demand for Australia's high priced manufactured steel. Australia's steel market has been further disadvantaged globally due to the high Australian dollar, which is expected to remain high, resulting in a forecast

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export decline of about 12.8% over the coming year. BlueScope's decision to exit the export market and reduce production capacity is indicative of this decline.

IBISWorld forecasts Australia's iron and steel manufacturing industry will decline by 15.6% in 2012-13 to be worth \$8.3 billion.

2. Cotton Growing

IBISWorld Industry report A0162

Globally, cotton supply is expected to continue to exceed demand over the coming year, resulting in a fall in global cotton prices. IBISWorld forecasts that decreased demand for cotton from China, coupled with steady, healthy cotton production levels, will result in a fall of 8.3% in industry revenue over the coming year to reach \$2.5 billion.

3. Recorded Media Manufacturing and Publishing

IBISWorld Industry report C2430

Physical media manufacturing is inextricably tied to retail sales. Over the five years to 2012-13, the amount of CDs sold will drop by an estimated 11% annually to about 30 million – as consumers opt to digitally download everything from music, to movies and video games.

To combat this, the industry is looking to reinvent itself by developing music and video players that play digital media files. However, online file downloading and sharing still poses a huge threat for the industry.

In 2012-13, IBISWorld forecasts revenue for Australia's recorded media manufacturing and publishing industry will decline 6.1% to be worth \$861.1 million.

4. Pulp, Paper and Paperboard Manufacturing

IBISWorld Industry report C2331

The increasing digitisation of media has had an adverse affect on a number of downstream industries, including Australia's pulp, paper and paperboard manufacturing industry.

The increasing digitisation of media lowers the need for paper printing and publishing. Confounding this is the continuing high price of woodchips, which further encourages the trend away from paper products.

Delays in the development of several key production sites – due to uncertain economic times and strong lobbying efforts by protest groups – has further affected industry productivity and profitability. In the coming year, industry revenue is forecast to decline by 5.2% to reach \$3.2 billion.

5. Gaming and Vending Machines Manufacturing

IBISWorld Industry report C2868

Over the past five years, the number of poker machines in Australia has contracted as state government caps have come into play – limiting the potential purchases of gaming machines. Like many of Australia's manufacturing industries, production activity has gradually relocated from Australia to countries with lower production costs. This trend is increasing import competition, which is supported by the strong Australian dollar – making imported goods less expensive for local buyers.

This trend is expected to continue over 2012-13, contributing to a forecast industry revenue decline of 5% to reach \$417 million.

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Benchmark your performance against the competition
Make speedy market-ready, profit-maximising decisions



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