



Hygiene, Personal Care and Specialty Products industry: Economic State of the Industry report

Accord Australia Ltd

Final report

15 October 2019



EY

Building a better
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It is important to note that the identification of economic impact and contribution is not a precise science. The data collection approach and limitations are set out on page 23 and 24 of the Report.

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Foreword from the Accord Executive Director

This inaugural State of the Industry Economics Report highlights the importance of the hygiene, personal care and specialty products industry for the Australian economy.

Australia's hygiene, personal care and specialty products sector is a resilient and forward-looking industry. It is comprised of hundreds of innovative businesses ranging from large multinational businesses to smaller Australian-owned enterprises. Binding all these businesses together are commitments to innovation, quality, sustainability and customer service and a general sense of optimism about the future.

There will always be a place for products that make life easier, safer and more enjoyable. And that is exactly what our industry's thousands of hygiene, personal care and specialty products do. Where would we all be without products like sunscreen, toothpaste, tampons, homecare cleaners, industrial sanitisers, household pest control products and medical disinfectants? And what would our world be like without the quality products we use every day for grooming, self-expression and personal care such as soaps, shampoos, deodorants, perfume, skincare treatments and beauty products?

For too long the full scale of our industry's contribution within Australia has seemingly only been noticed in passing by the nation's policymakers or, at best, given a cursory nod, especially in terms of the industry's economic value. Though to be fair, this is an unsurprising situation given the lack, until now, of published local data cataloguing the industry's economic footprint within the Australian economy.

This report sets out to redress this situation. Through working with EY's Economics, Regulation and Policy team, Accord is pleased this *State of the Industry Economics Report* publishes reliable data on the economic value our industry adds. Significantly, this covers the

industry's total economic turnover, indirect economic value-add, jobs creation, wages value and product exports.

The report also profiles two important case studies where businesses rely heavily on our industry's products. The first is the hair salon sector, a significant small business service sector operating in almost every town in Australia. And the second case study outlines the many industries which are kept safe and hygienic through use of our industry's business-to-business sanitiser products. These include dairy farming, food and beverage manufacturing, water treatment and healthcare institutions.

Before commending the report to you, a couple of words about this report's scope and how this data have been calculated. Plus, some clarifications that are necessary because of the manner in which the ANZSIC classification industry descriptors relied on by the report's ABS and IBISWorld data sources bundle together products from across several distinct industries. For example, including homecare detergents and cleaners under the ANZSIC descriptor, 'Cosmetics and Toiletry Wholesaling'.

While Accord's membership represents the solid core of the mainstream industry in Australia in terms of iconic and branded products, this report looks at the entire value of the hygiene, personal care and specialty products industry. So, this means it includes all market segments such as retailer private label products, as well as economic activity from hundreds of micro and niche companies outside of Accord's membership.



Foreword from the Accord Executive Director

It is a top-down economic report, not a bottom-up market value report. This is an important distinction. Over the last decade Accord has published retail-level sales estimates for our membership calculated in a bottom-up manner, based on available but sometimes incomplete sales data sources. Such estimates may provide a market value but fall short of properly measuring the entire industry sector and of painting the real picture of the industry's economic turnover.

Much effort was applied by both EY and Accord on ensuring the industry definitions and coverage were justifiably appropriate. Where doubt existed in attributing known industry products into an ANZSIC classification data point we adopted a strictly conservative approach and excluded the data from the methodology. For those ANZSIC categories where industry products could be reliably proportioned to a calculated percentage of the value, this value was calculated. Details on how the methodology has been applied in specific instances and for which ANZSIC categories is outlined in the report.

For the reasons stated above, the total values reported are conservative but credible and likely to therefore understate of the actual industry value. Certainly, they understate the value of our industry to the nation in a broader sense, as the value we add goes far beyond balance sheets and economic data.

The Hygiene, Personal Care and Specialty Products industry, as represented by Accord, is a forward-looking and progressive industry championing an evidence-based approach to public policy based on sound science. Rather than sitting back and waiting for directions from governments, our industry has a long history of taking the lead on important sustainability, consumer education and social contribution initiatives. These include almost 30 years of support for Australian

cancer patients via the Look Good Feel Better program, the Recognised® environmental credentials scheme for commercial cleaning products, the successful BeadRecede campaign for phase-out of solid plastic microbeads and Accord's five consumer education websites covering issues ranging from sun protection and sustainable laundry washing. For more information on our industry's social and environmental contribution visit www.accord.asn.au and www.lgfb.org.au.

It is with great pleasure that Accord in partnership with EY launches this inaugural "*State of the Industry Economics Report for the Australian Hygiene, Personal Care and Specialty Products industry*". We hope that these data help policymakers engage with the industry to foster and harness its growth potential.

Bronwyn Capanna

Executive Director

October 2019



Industry products

The Hygiene, Personal Care, and Specialty Products industry covers a wide range of products across the supply chain, including.....

Adhesives	Building maintenance products	Eucalyptus oil	Glues	Make up	Skincare products
Aftershave	Candles	Exfoliants	Grease trap cleaners	Manicure products	Soaps (bar)
After-sun products	Carpet cleaners	Eye liner	Hair dye (consumer)	Mascara	Soaps (liquid)
Aged care facility cleaners	Carpet deodorisers	Eye make up	Hair dye (salon)	Medical grade disinfectants	Solvent cleaners
Air fresheners	Ceramic tile/grout cleaner	Eye make up remover	Hair gel	Medical grade hand sanitisers	Specialty cleaners
Ammonia bleach	Chlorine bleach	Eye masks	Hair removal products	Metal cleaners	Stain removers
Anti-acne treatments	Cleaners	Eye moisturisers	Hair spray	Metal degreasers	Stainless steel cleaners
Anti-ageing skincare	Coffee Machine Cleaners	Eye shadow	Hand moisturisers	Methylated spirits	Sugar soap
Anti-dandruff shampoo	Cologne	Eyebrow pencil	Hand sanitisers (consumer)	Mineral turpentine	Sun-care products
Antiperspirants	Colour cosmetics	Fabric cleaners	Hand soap (liquid)	Mousses	Sunscreen
Aromatherapy candles	Commercial laundry cleaners	Fabric softener	Hand soap (solid)	Mouthwash	Surfactant ingredients
Aromatherapy oils	Concealers	Fabric stain repellents	Hard surface cleaners	Nail polish	Tampons
Automotive clean/wash products	Conditioners	Face cleansers	Hard surface disinfectants	Nail polish removers	Tea tree oil
Baby wipes	Cuticle treatments	Face serums	Healthcare facility cleaners	Operating theatre disinfectants	Teeth whitening products
Baby-care products	Dairy sanitisers	Facial wipes	Hospitality industry cleaning products	Oral hygiene products	Tinting products
Bath oils	Degreasers	Facial hydrating products	Household cleaning products	Oven cleaners	Toilet bowl cleaners
BB creams	Dentifrices	Facial masques	Household pest control products	Perfumes	Toners
BBQ cleaners	Deodorants	Facial moisturisers	Insect repellent	Pet shampoo	Toothpaste
Beard oil/wax	Deodorisers	Farm production sanitisers	Janitorial cleaners	Personal lubricants	Volumisers
Beer line cleaner	Depilatory creams	Feminine hygiene products	Kerosene	Poultry sanitisers	Water treatment chemicals
Beverage manufacturing sanitisers	Detergents	Floor cleaners	Laundry bleach	Rust inhibitors	Wetting agents
Bleach	Dish-wash (auto)	Floor polish/wax	Laundry detergents	Rust removers	Window cleaners
Blush	Dish-wash (manual)	Flying insect spray	Laundry pre soaks	School and educational facility cleaners	Windshield cleaners
Body balms	Disinfectants	Food manufacturing sanitisers	Laundry sanitisers	Self tan products	Wipes (homecare)
Body moisturisers	Drain cleaner	Food processing aids	Lavender oil	Shampoos	Wipes (personal care)
Body scrubs	Dry cleaning fluids	Foot balms	Leather care products	Shaving foams	Wipes (specialty)
Body soaps	Dry shampoo aerosols	Foundation	Lip balms	Shower and bath cleaners	Wood polishes
Body wash	Dust control sprays	Fragrance	Lip glosses	Silver polish	Wooden floor cleaners
Brass polish	Eau de toilette	Fruit wax	Lipsticks		
Bronzers	Enzymes	General purpose cleaners	Lubricants (industrial)		
	Essential oils	Glass cleaners			

1. Executive summary



Report purpose

The purpose of the report is to gain an understanding of the size and scale of the Hygiene, Personal Care and Specialty Products industry and understand the industry's broader economic contribution.

To do this, this report is divided into three sections which focus on:

1. Defining the Hygiene, Personal Care and Specialty Products industry.
2. Providing an economic profile of the Hygiene, Personal Care and Specialty Products industry by outlining the key economic indicators over the last five years. Turnover, Industry Value Add (IVA), Employment, Wage growth, and Trade.
3. Identifying the economic contribution of the Hygiene, Personal Care and Specialty Products industry to the economy.

This is the first time that the Hygiene, Personal Care and Specialty Products group of businesses have been defined as a specified industry. It is also the first time that the size and scale of the supply chain has been measured in this way. A key part of the report's development has been understanding the parameters of the industry (i.e. drawing conclusions as to what products are part of or are excluded from it).

This report has been prepared for Accord, the organisation that represents businesses across the supply chain for Hygiene, Personal Care and Specialty Products in Australia. Accord members are involved in operations across the supply chain from production through to retailing.

The industry definition process therefore involved identifying which subsectors make up this supply chain and which products within each of the subsectors represent a part of Accord's membership base, given that this is not an industry that has been defined previously. The Australia New Zealand Standard Industry Classification system (ANZSIC) was used to identify the subsectors covered by Accord's members.

For the purpose of this report the Hygiene, Personal Care and Specialty Products industry is defined by the aggregation of identified subsectors. This is depicted at a high level in the diagram on the following page. The details of the definition process can be found in Part 2, page 16 of this report.

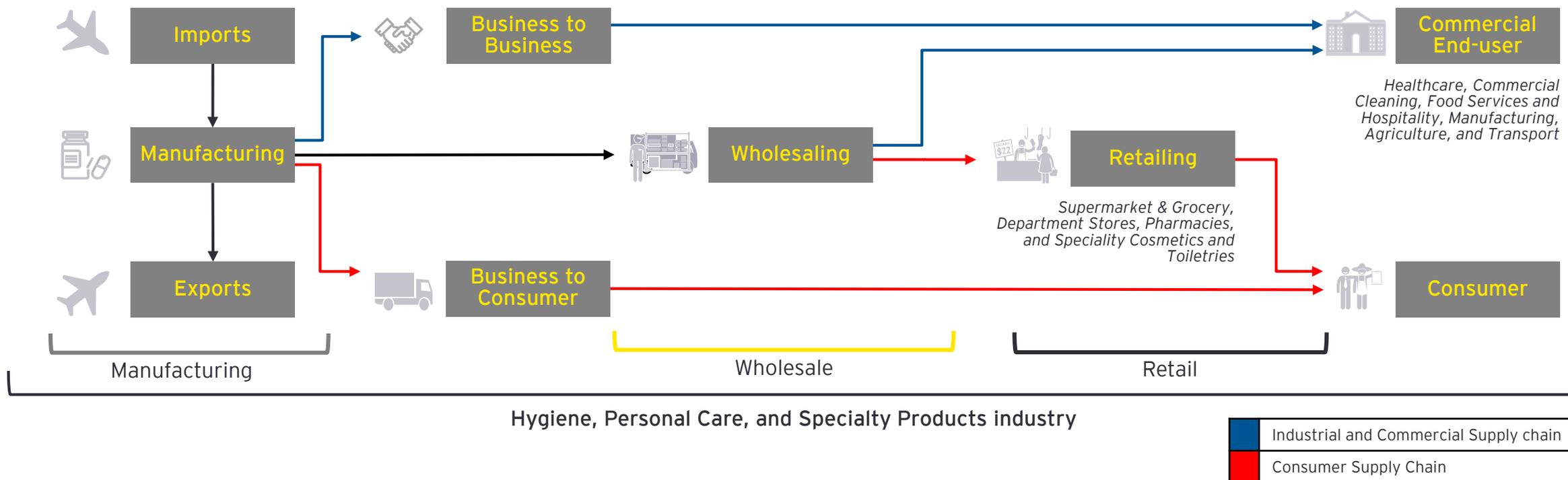


The industry

The Hygiene, Personal Care and Specialty Products industry covers all aspects of the supply chain from manufacturing to final consumer. These supply chain components have been aggregated into three broad groupings; Manufacturing, Wholesaling, and Retail.

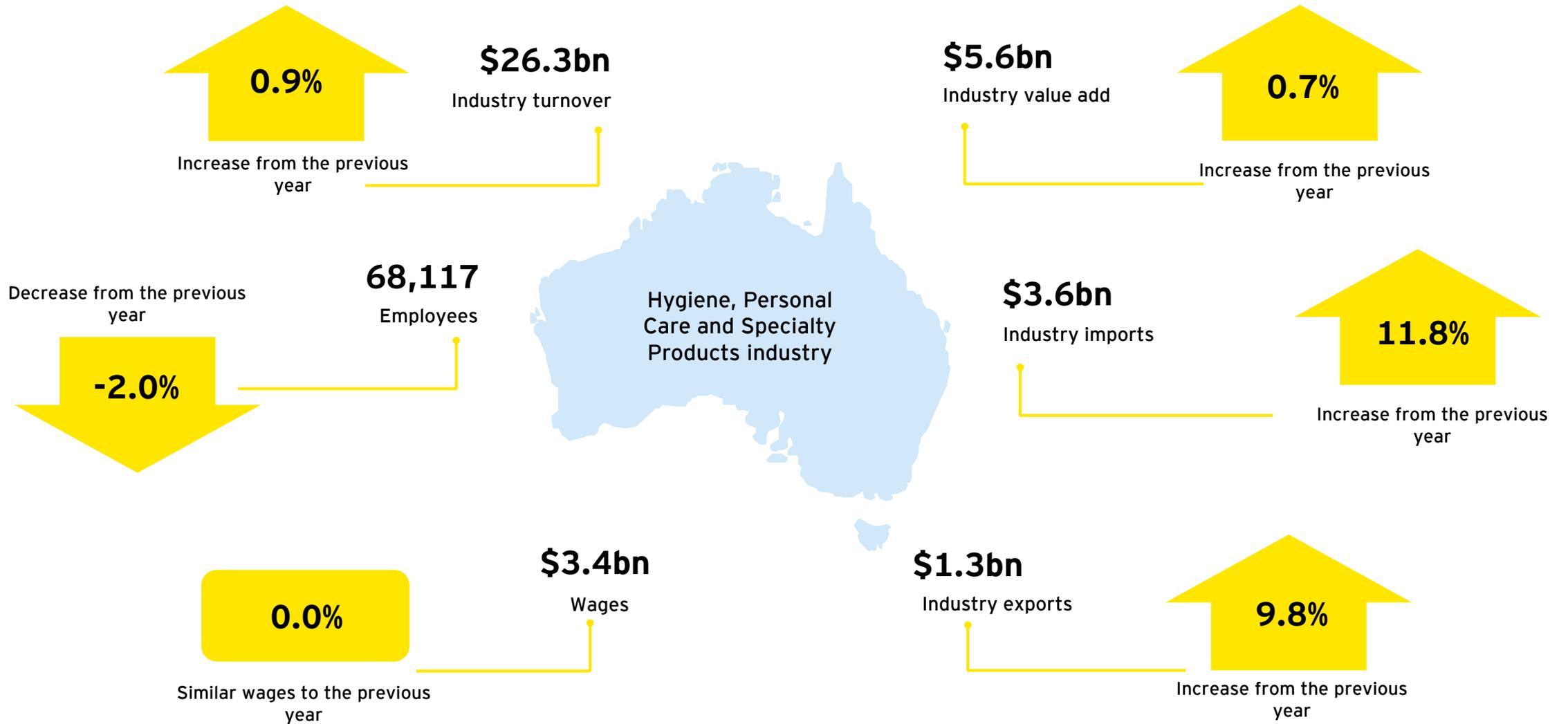
The manufacturing group contains subsectors that are involved directly in the production of hygiene, personal care and specialty products. Businesses in the manufacturing group sell directly to businesses, consumers, and on-sell to wholesalers. Subsectors in the wholesaling industry purchase from the manufacturing group and sell to commercial end-users and the retailing group. Retailers sell to consumers of the final product.

The subsectors included in each of these stages can be found on pages 17 and 18.



Online sales are included in both production and wholesale. However online sales in the retail sector are only included if the point of sale has both a physical and an online presence. Those that operate solely online are not included in the analysis.

Key economic indicators across the industry in 2018

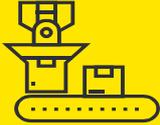


Data was collected from IBISWorld on the Hygiene, Personal Care and Specialty Products industry for FY18

Key economic indicators across the supply chain

The industry definition covers all aspects of the Hygiene, Personal Care and Specialty Products industry. The table below displays the value of each stage of the supply chain and their average growth rates over the last five years.

Retailing is the largest component for the majority of the economic indicators. The exception to this is turnover where wholesaling is the largest aspect of the supply chain.

	 Manufacturing		 Wholesaling		 Retailing	
	2018	Avg growth rate (2014-18)	2018	Avg growth rate (2014-18)	2018	Avg growth rate (2014-18)
Turnover	\$3.6bn	6.0%	\$12.8bn	2.6%	\$10.0bn	0.3%
Industry Value Add	\$1.1bn	5.2%	\$2.2bn	2.9%	\$2.3bn	-0.7%
Employment	8,172	1.9%	18,794	-0.9%	41,151	-2.2%
Wages	\$0.6bn	6.2%	\$1.2bn	0.8%	\$1.6bn	-0.5%

Data was collected from IBISWorld on the Hygiene, Personal Care and Specialty Products industry for FY18

Overview of the industry during 2018-19 period and economic outlook of Australia

Outlook

The Australian economy has faced a relatively poor economic outlook over 2018 with:

- ▶ Slow income growth which has impacted household consumption,
- ▶ Declining residential property values,
- ▶ Below target GDP growth, and
- ▶ Low interest rates.

The results of these changes have included:

- ▶ Slow income growth has resulted in less disposable income for consumers while declining property values lead to a reduction in household wealth. The combination of these declines has led to a fall in consumer spending over the past year. This impacts the consumer retailing industry and other industries dependent on consumer spending as the main source of revenue. The steady decline in the retailing industry since 2015 is linked to both this overall reduction in consumer spending and an increase in online sales.
- ▶ In 2018, the mortgage default rate rose to its highest level in the past two decades. This can largely be attributed to slow income growth, declining property values and the conversion of many interest-only loans to principal and interest this year. These factors lead to financial pressure within households due to high levels of personal debt. The combination of the above leading to a rise in the number of Australians unable to meet their mortgage payments and thus defaulting.
- ▶ Quarter two of 2019 GDP growth rate was below expectation, with a year on year pace growth slipping to 1.7%, the slowest this decade. This is below the RBA's target growth rate of 2-3% per annum. This is driven by reduced consumer confidence and spending, a weak international economy, and a weak Australian dollar (AUD). While the weak AUD is beneficial for Australian export markets, it increases the price of imports. The slow growth in consumers' disposable income and the increase in the price of many household goods imported from overseas further exacerbates the slowing of GDP.
- ▶ Over the past months, the RBA has lowered the cash rate to a record low of 1.0% in an attempt to stimulate the economy. Low interest rates are designed to stimulate spending in an economy through making investments a more affordable option. This affects both businesses and consumers in a similar manner. Consumers are able to access lower mortgage rates - relieving financial pressures of high interest mortgages while businesses are able to access cheap funding of their capital investments. This should see increases in construction activity and spending over the coming quarters. However, recent months have seen tightening of access to consumer and commercial loans which counteracts the reduction of interest rates.



What does this mean for the Hygiene, Personal Care and Specialty Products industry?

- ▶ Considering the difficult economic environment the Hygiene, Personal Care and Specialty Products industry is facing, it has performed considerably well, with an average turnover growth rate of 2.0% over the past five years.
- ▶ The industry has generated a growth rate in IVA of above that of GDP, which highlights that the industry is growing as a share of GDP.
- ▶ The industry has had steady industry turnover combined with consistent employment and relatively strong imports and exports, considering the weak AUD.

Key observations

The key observations from this report are below. These observations reflect the findings of both the economic profile and the economic contribution analysis to put the Hygiene, Personal Care, and Specialty Products industry in a broader economic context.

- ▶ **Diverse in production:** Industry businesses in the sector operate across all aspects of the supply chain from production through to the retail of final goods. The diversity in supply chain elements means that the industry is able to continue performing throughout sector supply chain from manufacturing to retail.
- ▶ **Varied client base:** In addition to a diverse membership base, the Hygiene, Personal Care, and Specialty Products industry produces products that are used by a wide range of consumers. These consumers are both commercial end users and general customers. The end users demand goods from basic consumer necessities to janitorial cleaning supplies to luxury cosmetic goods. The variety in the client base ensures that the Hygiene, Personal Care and Specialty Products industry has demand for their goods in all phases of Australian economic performance.
- ▶ **Resilient:** The Hygiene, Personal Care, and Specialty Products industry is resilient to changes in economic conditions. This is due to both diversity in the subsectors comprising the client base of the industry. The industry as a whole is able to survive sector specific downturn. The diversity in the client base allows the industry to capitalise on good economic conditions and survive poor business operating environments.
- ▶ **IVA grows faster than GDP:** Over the past five years, the Hygiene, Personal Care, and Specialty Products industry grew consistently faster than the Australian GDP. This means that the industry is adding proportionately more than other industries in the economy.
- ▶ **Industry interlinkages:** The Hygiene, Personal Care, and Specialty Products industry is closely linked to the Professional Services & Technical Services industry in terms of direct inputs and outputs of production including employment.



The industry's economic contribution

Section three of this report outlines the economic contribution of the industry, using Input Output modelling to identify the industry's upstream and downstream impacts. This is a method of identifying the direct and flow on impacts of industry spending in an economy.

Input Output modelling relies on a series of multipliers to determine the value of the direct and indirect effects of employment or spending in a industry. These multipliers are produced by an economic impact software called REMPLAN. Further details on this can be found on page 40.

This method can also be used to identify the strength of the interlinkages between industries by examining the size of the flow on impacts of employment or spending in a given industry. The Hygiene, Personal Care and Specialty Products industry sits across all stages of the supply chain. The industry has upstream and downstream links to many of the industries in the Australian economy.

Input Output modelling captures the following:

Direct effect → e.g. the number of people employed by the Hygiene, Personal Care and Specialty Products industry.

Indirect effect → e.g. the amount of revenue generated in other industries as a result of employment on the Hygiene, Personal Care and Specialty Products industry.

The sum of the direct and indirect effects yield the total impact of spending or employment in the Hygiene, Personal Care and Specialty Products industry.

In 2018, the employment in the Hygiene, Personal Care and Specialty Products industry resulted in a total employment of over 79,000 (68,100 directly and 10,900 indirectly) people, the turnover generated over \$30.4bn (\$26.3bn directly and \$4.1bn indirectly) of total output, and the Industry Value Add resulted in a contribution of \$6.1bn (\$5.6bn directly and \$0.5bn indirectly) to the Australian economy.



**Industries can be both upstream and downstream contributors, for example administration such as taxes and payroll occurs in both upstream and downstream of the economy.*

2. Defining the Hygiene, Personal Care and Specialty Products industry

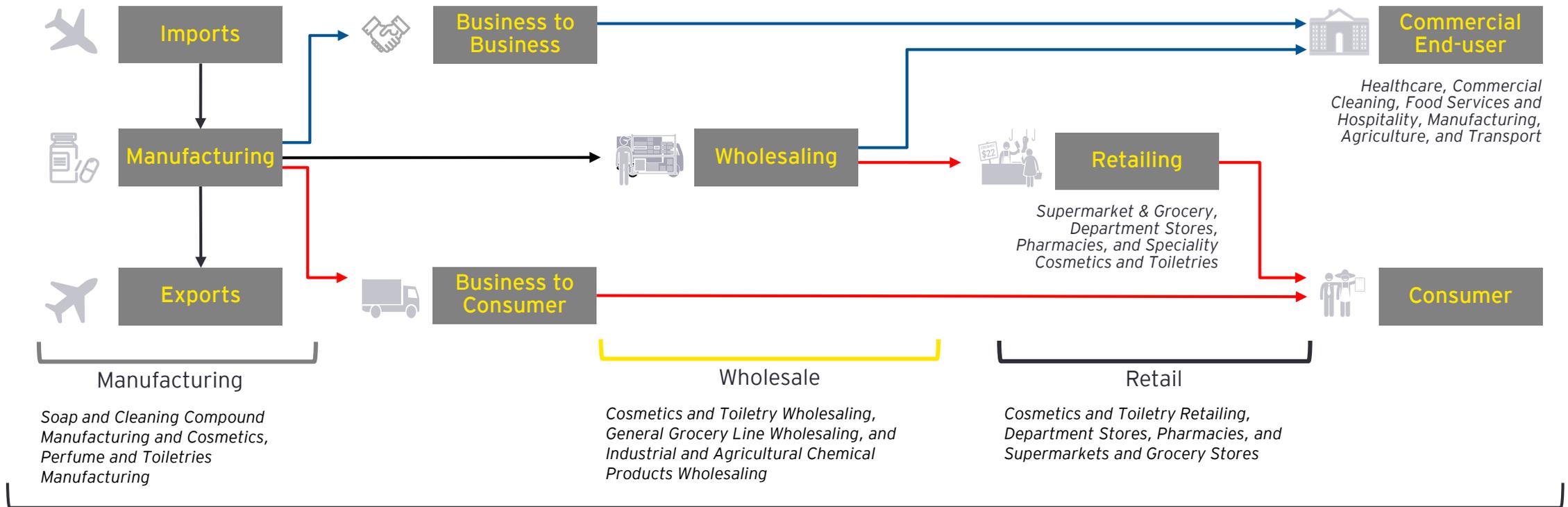


2. Defining the Hygiene, Personal Care and Specialty Products industry

Defining the industry

For the purposes of this report, the aggregation of the subsectors detailed below will be referred to as the Hygiene, Personal Care and Specialty Products industry and comprises components of the manufacturing, wholesaling, and retailing aspects of the supply chain in the Australian economy. This reflects the fact that Accord members are involved in operations across the supply chain from production through to retailing in Australia.

A detailed description of the products included in this analysis can be found on pages 17 and 18. There are two case studies on the impact of Hygiene, Personal Care and Specialty Products industry can be found on pages 19, 20, and 21. The first case study highlights how the Hygiene, Personal Care and Specialty Products industry supports local beauty and hair salons and the second case study shows the wider impacts of hand sanitiser and hygiene safety across all industries.



Hygiene, Personal Care, and Specialty Products industry

2. Defining the Hygiene, Personal Care and Specialty Products industry

Industry inclusions by IBISWorld product

Supply Chain	ANZSIC Industry Name	Included	Detailed inclusions	Not included
Manufacturing	Soap and Cleaning Compound Manufacturing	<ul style="list-style-type: none"> Laundry Care Products (100%) Surface Care Products (100%) Oral Hygiene Products (100%) Dishwashing Products (100%) Surface-Active Agents (100%) Soap and Soap Based Products (100%) Glycerine (100%) 	<ul style="list-style-type: none"> Laundry detergents, laundry aids and bleaches, commercial and domestic Abrasive cleaners, scouring compounds, degreasing compounds, and disinfectants Cleaning polishes, creams and waxes Toothpaste, dental floss Four main groups: anionic, cationic, non-ionic and organic Traditional hand washing detergents, and automatic dishwasher detergents and rinse agents Industrial soaps, and household and toilet soaps Glycerine is a key intermediary product used in the manufacture of other industry products like toothpaste 	
	Cosmetics, Perfume and Toiletries Manufacturing	<ul style="list-style-type: none"> Beauty, Make-Up and Skincare Products (100%) Personal-Care Products (100%) Hair-Care Products (100%) Perfumes and Fragrances (100%) 	<ul style="list-style-type: none"> Lipsticks, manicure products, face powders, skincare products and sunscreens Personal deodorants and room deodorisers, depilatories, shaving products, perfumed bath salts and other bath preparations Products containing fruits, keratin, and argan or Moroccan oils; green, organic or other natural ingredients; dry shampoo products Professional salon-style products produced for mass-market retail through supermarkets 	
Wholesaling	Cosmetics and Toiletries Wholesaling	<ul style="list-style-type: none"> Cosmetics, Perfumes, and Fragrances (100%) Household Care Products (100%) Personal Care Products (100%) Hair Care Products (100%) Other Products (100%) Oral Hygiene Products (100%) Talcum Powders and Deodorants (100%) 	<ul style="list-style-type: none"> A variety of household care items such as soaps and detergents, polishes and other household cleaning agents Skincare products, along with bath, body and soap products Talcum powders, deodorants and antiperspirants Products containing various oils, such as argan or Moroccan oil, hair straightening products and dry shampoos All other toiletry items, such as shavers, feminine hygiene products and male-specific grooming products Toothpaste, dental floss, and other oral hygiene products 	
	General Grocery Line Wholesaling	<ul style="list-style-type: none"> Other Products (100%) 	<ul style="list-style-type: none"> Some cosmetic and toiletry goods 	<ul style="list-style-type: none"> Meat, Poultry, Fish, and Smallgoods Pre-Packaged Foods Fruit and Vegetables Bread and Bakery Products Beverages Dairy Produce Liquor and Tobacco

2. Defining the Hygiene, Personal Care and Specialty Products industry

Industry inclusions by IBISWorld product

Supply chain	ANZSIC Industry Name	Included	Detailed inclusions	Not included
Wholesaling	Industrial and Agricultural Chemical Products Wholesaling	<ul style="list-style-type: none"> Fertiliser, Herbicide and Pesticide Wholesaling (11% only¹) Speciality Chemical Product Wholesaling (100%) Other Agricultural Chemical Product Wholesaling (11% only¹) 	<ul style="list-style-type: none"> Crop-protection products, such as pesticides, herbicides and insecticides, and fertilisers Speciality Chemical Product Wholesaling Adhesives, sealants, detergents, bleaches, catalysts, and industrial and institutional cleaning compounds 	<ul style="list-style-type: none"> Pigment and colour chemical wholesaling Explosives wholesaling Polymer and plastic product wholesaling Industrial Chemical and gas wholesaling Other basic Chemical product Wholesaling
Retailing	Cosmetics and Toiletry Retailing	<ul style="list-style-type: none"> Make-up and Skincare Products (100%) Hair Care Products (100%) Fragrances (100%) Men's Grooming Products (100%) Other Products (75% only¹) Bath and Shower Products (100%) Talcum Powders and Deodorants (100%) 	<ul style="list-style-type: none"> Concealers, eyebrow make-up, mascara, lip colours and 'no make-up' make-up products Products containing particular oils (such as argan and macadamia) and new products such as dry shampoos and products containing natural ingredients and new sulphate-free products Traditional products in this category and unisex fragrances, body sprays and mists Toothpaste, teeth-whitening, manicure and pedicure preparations Bath and shower products Talcum powders and deodorants 	
	Department Stores	<ul style="list-style-type: none"> Cosmetics and Toiletries (100%) 	<ul style="list-style-type: none"> Cosmetics and toiletries, make-up, skincare products, perfume and nail polish 	<ul style="list-style-type: none"> Clothing, Footwear and Accessories Furniture, Housewares and Textile Goods Household Appliances and Consumer Electronics Toys, Games, Books, Magazines, and Other Printed Materials
	Pharmacies	<ul style="list-style-type: none"> General Retailing (100%) 	<ul style="list-style-type: none"> Baby products, bandages, body- and hair-care products, sun-care products, general health items, optical products, and herbal, aromatherapy and homeopathic products 	<ul style="list-style-type: none"> Prescription Medicines Scheduled Non-Prescription Medicines
	Supermarkets and Grocery Stores	<ul style="list-style-type: none"> Toiletries, Health Products, and General Merchandise (3% only¹) 	<ul style="list-style-type: none"> Sunscreen, toothbrushes, toothpaste, soaps, deodorants, shampoos and cleaning agents 	<ul style="list-style-type: none"> Dry and Packaged Foods Fresh Fruit and Vegetables Meat Products Bread and Bakery Products Milk and Other Dairy Products Tobacco Products Beverages Vitamins

1: Please see Appendix D for further information on how these proportions were calculated. Due to data limitations alternative data sources had to be used to find the appropriate proportions attributable to the Hygiene, Personal Care, and Specialty Products industry.

Hairdressing industry

The purpose of this case study is to highlight the importance of the Hygiene, Personal Care and Specialty Products industry to the Hairdressing industry.



Hairdressing is a key service provided to Australian consumers. Hairdressing added \$1.7bn of value to the Australian economy in FY18. The Hygiene, Personal Care and Specialty Products industry supplies professional use shampoos, conditioners, hair dyes and tints, and treatments and associated products to the Hairdressing industry. Without these products, the number of services the Hairdressing industry could perform would be severely limited.

\$3.6bn
Industry Turnover



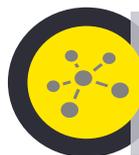
Increasing numbers of men are returning to traditional barbers and causing an increase in the demand for hairdressing services. This is seeing a growing demand for male grooming products supplied to the Hairdressing industry by the Hygiene, Personal Care and Specialty Products industry.

\$1.7bn
Industry Value Add



The Hairdressing industry comprises significant numbers of small businesses and self employed specialists. The average business in the Hairdressing industry had 2.4 employees. Small businesses and self employed professionals are a key strategic priority of both the federal and state governments as they account for over 90% of actively trading businesses in Australia. Small businesses have access to grants and tax breaks that are aimed at helping them succeed. These small businesses would not be able to function effectively in their current manner without the contribution of the Hygiene, Personal Care and Specialty Products industry.

42,035
Employees



The interlinkages to the Hygiene, Personal Care and Specialty Products industry's wholesale and retail sales of professional use shampoos, conditioners, hair dyes and tints, and treatments and associated products supplied are integral to the continued success of these small businesses and sole traders.

17,484
Businesses



Data was collected from IBISWorld on the Hairdressing industry for FY18

Product investigation into sanitisers and disinfectant cleaning products

The purpose of this case study is to focus on the impact of the Sanitiser and Disinfectant Cleaning Products industry. Many industries are required by law to maintain a sterile environment, requiring sanitisers and disinfectant cleaning products as an integral input.



The Sanitisers and Disinfectant Cleaning Products industry added \$1.9bn of turnover to the Australian economy in 2018. The industry produces products including laundry care products, surface care products, dishwashing products, surface-active agents, soap and soap based products, glycerine, and other agricultural chemical products. These are predominantly used to sanitise and clean on an industrial level.

\$1.9bn
Industry Turnover



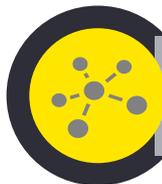
Sanitisers and disinfectant cleaning products are integral to the operations of many key Australian industries. Components of the agriculture, food and beverage manufacturing, healthcare, janitorial services, education, food services, water treatment, and food and beverage wholesaling and retailing industries amongst others rely on maintaining a sterile and sanitised environment to undertake routine operations. In many cases this is required by regulation. Without these grades of sanitisers and disinfectant cleaning products, many businesses would not be able to operate.

\$0.6bn
Industry Value Add



The production and wholesale of sanitisers and disinfectant cleaning products facilitates the operations of these industries. Without sanitisers and disinfectant cleaning products, these operations would likely cease. The Sanitisers and Disinfectant Cleaning Products industry facilitates the operation of components of each two digit industry. For example, the Sanitisers and Disinfectant Cleaning Products industry supports the meat and livestock and animal husbandry components of the Agriculture industry.

3,145
Employees



Agriculture, food and beverage manufacturing, healthcare, janitorial services, education, food services, water treatment, and food and beverage wholesaling and retailing industries rely on the products of the Sanitisers and Disinfectant Cleaning Products industry to provide clean and sterile environments for their customers.

407
Businesses

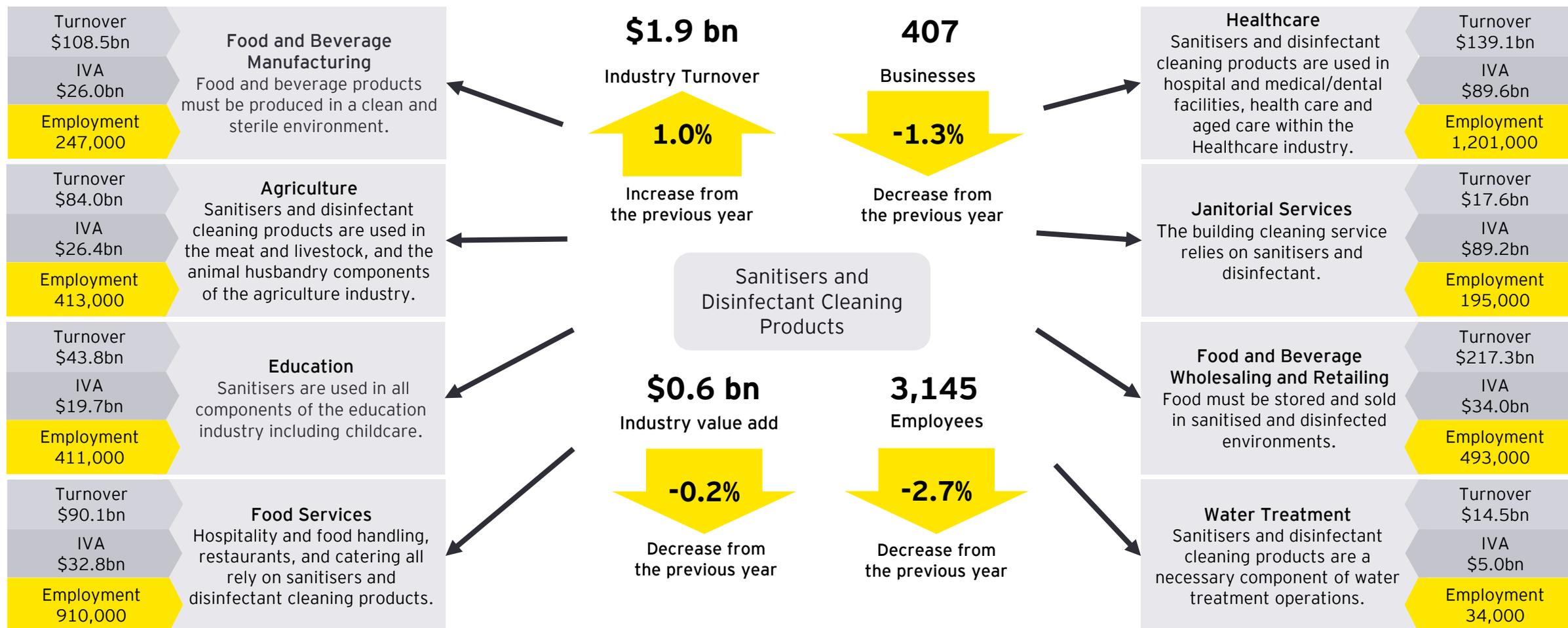


IBISWorld data was used to find the total value of production and wholesaling industries. The relevant product proportions were then applied to these values to capture only the relevant amounts of the economic indicator value. These values were then aggregated across the different products to find the total economic indicator value for the Sanitisers and Disinfectant Cleaning Products industry.

2. Defining the Hygiene, Personal Care and Specialty Products industry

Product investigation into sanitisers and disinfectant cleaning products

Sanitisers and disinfectant cleaning products are integral to the operations of many key Australian industries. While the Sanitisers and Disinfectant Cleaning Products industry does not capture the value of these industries it does enable their operations, as a required input of the operating process. The values of these industries is detailed below.



Data was collected from the ABS up to FY2017. Due to data availability, two digit industry is the most granular level of data available.

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3. The economic profile of the Hygiene, Personal Care and Specialty Products industry



Data collection approach and limitations

Economic Indicators Analysed

The approach used for this report captures key economic indicators over the last five years: Turnover, Number of businesses, Industry Value Add, Employment, Wage growth, and Trade. Data has been collected from IBISWorld, the Australian Bureau of Statistics (ABS), APVMA, REMPLAN, Retail World, and from Accord Survey data from 2013 to 2018. It is noted that IBISWorld undertook a large scale product reclassification in 2013 and a selective product rescaling in 2015. To provide the most complete historic data, the findings are therefore presented from 2014 to 2018. All results are presented in financial years.

The industry definition including product inclusion was undertaken by EY in consultation with Accord. The industry definition is reflective of the data categories available which may not reflect standard product groupings used within the industry.

The following approach was undertaken for each of the subsector analyses:

- ▶ IBISWorld reports provided data by subsector over time.
- ▶ In some circumstances data is aggregated to include products not part of the Hygiene, Personal Care and Specialty Products industry. Therefore, for each subsector, the proportion of the subsector not relevant to the Hygiene, Personal Care and Specialty Products industry was excluded from the analysis (where required). These proportions are presented as the individual product's proportion of total subsector revenue.
- ▶ These proportions are then used as a proxy to decompose all other economic indicators (IVA, employment, etc.).

Data Sources

The data was gathered and analysed as per the below approach.

1. Data was collected from IBISWorld at the four digit (most granular) industry level. IBISWorld collects data on the key economic indicators of interest providing the requisite granularity to identify the Hygiene, Personal Care and Specialty Products industry's economic performance.
2. IBISWorld also produces information on the products produced by each four digit ANZSIC industry. This is used to remove products not covered by the Hygiene, Personal Care and Specialty Products industry. The data for each four digit industry is scaled by the proportion of relevant end product produced in that industry.
3. Data collected from the ABS is available at the one or two digit (less granular) industry level. As the data is available only in aggregate, it is inappropriate to estimate the value of the Hygiene, Personal Care and Specialty Products industry solely using ABS data. This data is appropriate for contextualising the Industry Products in the broader economy (comparing to other ABS defined industries).



Data collection approach and limitations

Data Limitations

Due to data limitations the findings presented in this report form a conservative estimate of the contributions to the economy. Data in relation to some products was not available.

The following product categories are excluded from the analysis despite including relevant products as the value of these products can not be robustly determined:

- ▶ Other complementary medicines in Pharmaceutical Product Manufacturing,
- ▶ Other Products in General Line Grocery Wholesaling, and
- ▶ Household Goods in Consumer Goods Retailing.

For those where the value of a product category was material but could not be isolated using IBISWorld proportions, alternative methods were used to identify the value of these product categories. A list of the assumptions used can be found on page 48 and 49.

Further, conservative assumptions have been applied in areas where it was difficult to isolate products. For example, there is a lack of granular information at the product level on the "Other Product" category. This product category acts as a catch-all in many retailing and wholesaling subsectors.

The lists of product category inclusions by subsector are found on page 17 and 18.

Online Sales

Online sales are included in both production and wholesale. However online sales in the retail sector are only included if the point of sale has both a physical and an online presence. Those that operate solely online are not included in the analysis.

This impacts all economic indicators including imports and exports.

It should be noted that trade values are only captured for businesses that have at least one physical store. Online only retailers and wholesalers are not captured in this analysis. The international trade figures are therefore a conservative estimate of the level of trade.

Turnover and Industry Value Added

Turnover is defined as the total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the business (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

Industry Value Added (IVA) is defined as the market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to Gross Domestic Product, or profit plus wages and depreciation.

IVA isolates the additional value added to the Australian economy by an industry. It does this by removing the value of inputs into the industry's production.

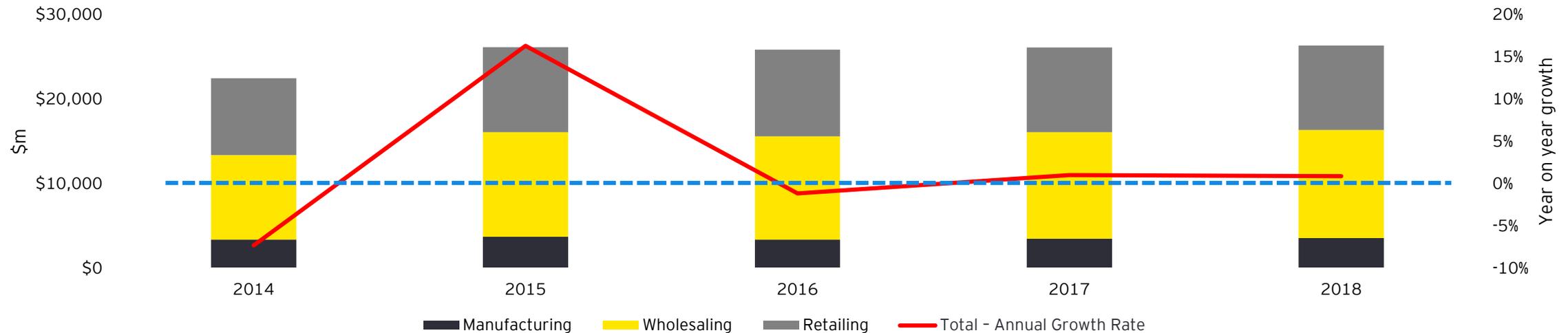
Conversely, turnover captures the revenue generated by an industry. The revenue is the value of the goods sold by the industry. This includes the value of inputs to the good or service sold in addition to the mark up by businesses in the industry.

By design, turnover captures the price of inputs in the value of the goods sold by an industry. This does not double count the turnover of each industry as the cash inflow to each industry is separate from the preceding and following industries. However, the additional value added to the economy is found using the IVA value.

Turnover represents cash flow while IVA represents value added to the economy.

3. The economic profile of the Hygiene, Personal Care and Specialty Products industry

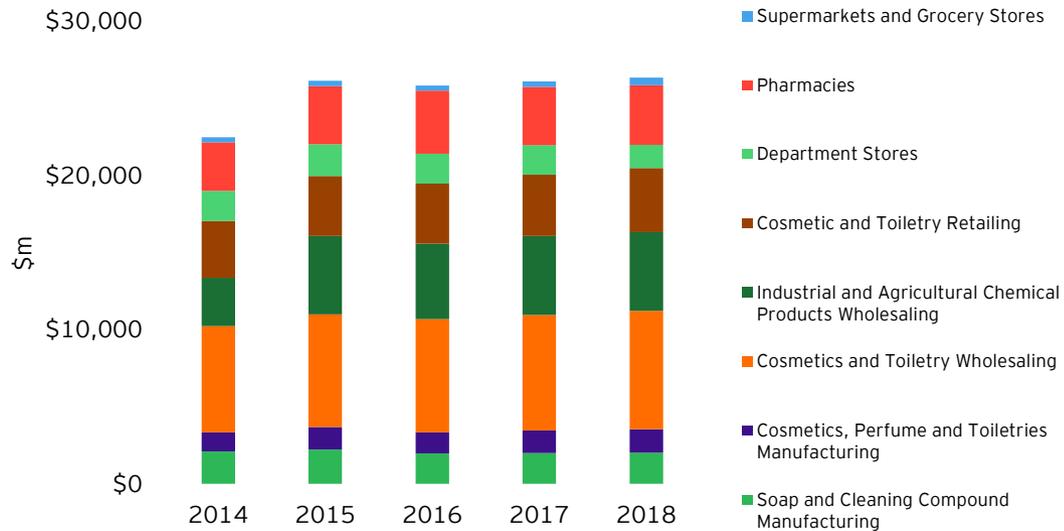
Industry turnover - overview



- ▶ In 2018, the total turnover in the Hygiene, Personal Care and Specialty Products industry reached \$26.3bn. This is an increase of 0.9% on the 2017 turnover level and represents an increase of \$235m.
- ▶ The average annual growth rate of turnover in the Hygiene, Personal Care and Specialty Products industry was 1.6% per annum across the five years analysed (2014-2018).
- ▶ Industry turnover growth peaked in 2015 before experiencing a rapid decline in 2016 and has remained relatively constant since. This growth path is consistent across all economic indicators analysed in this report.
- ▶ Wholesaling is the largest contributor to industry turnover accounting for 48.5% of the total industry turnover in 2018. This contribution has grown 0.7% on 2017 levels. Additionally, wholesaling turnover grew 27.6% on 2014 levels making it the fastest growing contributor to industry turnover over the past five years. This goes against broader industry trends of declining manufacturing activity.
- ▶ Retailing is the second largest contributor to the industry. In 2018, retailing accounted for 37.9% of the industry turnover. Retailing declined by 0.2% between 2017 and 2018 but grew 10.0% on the 2014 level. This also goes against the broader industry trend of declining growth in retailing activity.
- ▶ Manufacturing has remained the smallest contributor to industry turnover. In 2018, the manufacturing component contributed \$3.6bn to industry turnover, accounting for 13.6% of the total industry turnover. The manufacturing component grew 2.2% on the 2017 level and 5.6% on the 2014 turnover levels.
- ▶ In 2018 there were 8,000 businesses in the industry, this represented a 1.4% growth rate on 2017 levels. Retailing represented 59.7% of the total number of businesses making it the largest contributor to the number of businesses, conversely manufacturing was the smallest accounting for 13.6% of the industry.

3. The economic profile of the Hygiene, Personal Care and Specialty Products industry

Industry turnover - by subsector



	2014	2015	2016	2017	2018
Soap and Cleaning Compound Manufacturing	19%	6%	-11%	1%	1%
Cosmetics, Perfume and Toiletries Manufacturing	32%	16%	-6%	8%	4%
Cosmetics and Toiletry Wholesaling	2%	6%	1%	2%	2%
Industrial and Agricultural Chemical Products Wholesaling	-35%	63%	-4%	5%	-0.2%
Cosmetic and Toiletry Retailing	1%	6%	0%	2%	4%
Department Stores	2%	5%	-6%	-1%	-21%
Pharmacies	-23%	20%	8%	-7%	2%
Supermarkets and Grocery Stores	6%	4%	-1%	2%	41%

Subsector analysis

- ▶ Cosmetic and Toiletry Wholesaling was the largest contributor to turnover in 2018, accounting for 29.1% of the Hygiene, Personal Care and Specialty Products industry's turnover.
- ▶ The 'Other products' category within the Supermarkets and Grocery Stores subsector were the smallest contributor to Hygiene, Personal Care and Specialty Products industry turnover, accounting for 1.8% of turnover in 2018. However, the subsector has seen the fastest growth rate of 41.1% in turnover of all subsectors between 2017 and 2018.
- ▶ Cosmetics, Perfume, and Toiletries Manufacturing had the highest average annual growth rate over the five years between 2014 and 2018.

Commentary

- ▶ The consistent but small growth rates suggests that this is a mature industry. Industries that grow consistently at approximately the same rate as GDP are normally well established in an economy as they do not display the extreme turnover growth of a new industry nor the fall in turnover growth of a failing industry.
- ▶ Supermarkets and Grocery Stores was the fastest growing subsector between 2017 and 2018. The subsector grew 41% on its 2017 turnover. However, this was due to a product reclassification rather than subsector growth.
- ▶ The 'Cosmetics and Toiletries' product category within the Department Stores subsector experienced the largest decline in growth between 2017 and 2018. The decrease in the 'Cosmetics and Toiletries' product category within the Department Stores subsector may explain the increase in turnover seen in the Cosmetic and Toiletry Retailing subsector. This may be due to some sellers moving from concessions within Department Stores to focus on stand-alone stores.

3. The economic profile of the Hygiene, Personal Care and Specialty Products industry

Comparing industry turnover to other industries

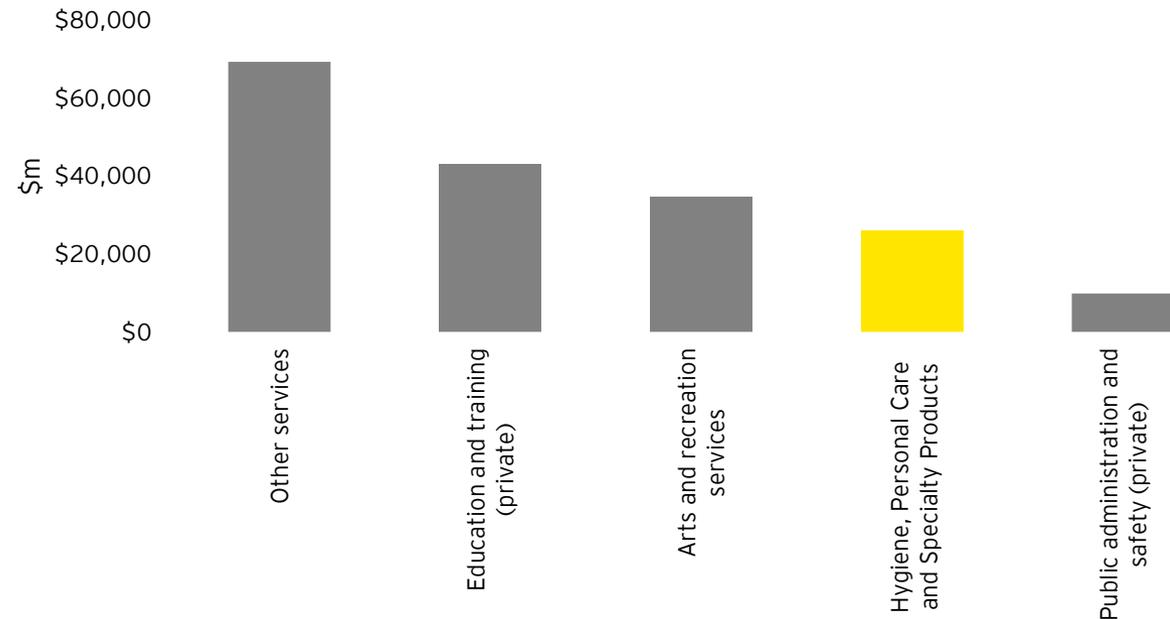
While the Hygiene, Personal Care and Specialty Products industry is not defined in its own right (its subsectors are categorised by the ABS as falling within the manufacturing, wholesaling, and retailing industries), its turnover is comparable to other industries within Australia indicating its importance to the economy.

It is noted that 2017 data is the most up to date industry size data for Australia and thus has been used for this analysis.

The Hygiene, Personal Care and Specialty Products industry value is reported as its absolute value, as such the values in the charts below cannot be added together to find the total value of the Australian economy as this would double count the Hygiene, Personal Care and Specialty Products industry's contribution to manufacturing, wholesaling, and retailing.

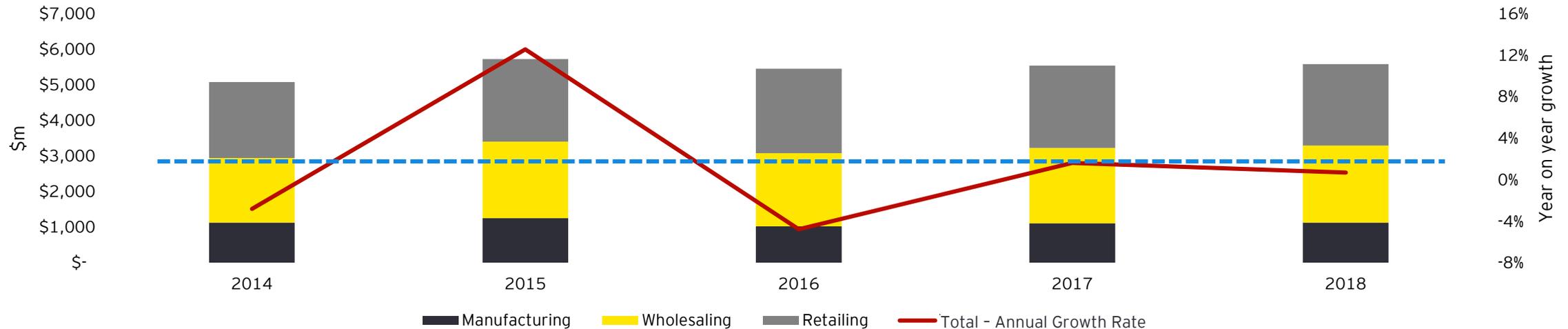
The chart to the right displays the 14th-18th largest industries in Australia. The largest industry was Wholesale Trade with a turnover of \$497.3bn in 2016-17. Key findings are:

- ▶ In 2017, the Hygiene, Personal Care and Specialty Products industry was the 17th largest industry.
 - ▶ The Hygiene, Personal Care and Specialty Products industry was larger than Public Administration and Safety (private).
 - ▶ The Hygiene, Personal Care and Specialty Products industry was of comparable size to the Arts and Recreation Services.



3. The economic profile of the Hygiene, Personal Care and Specialty Products industry

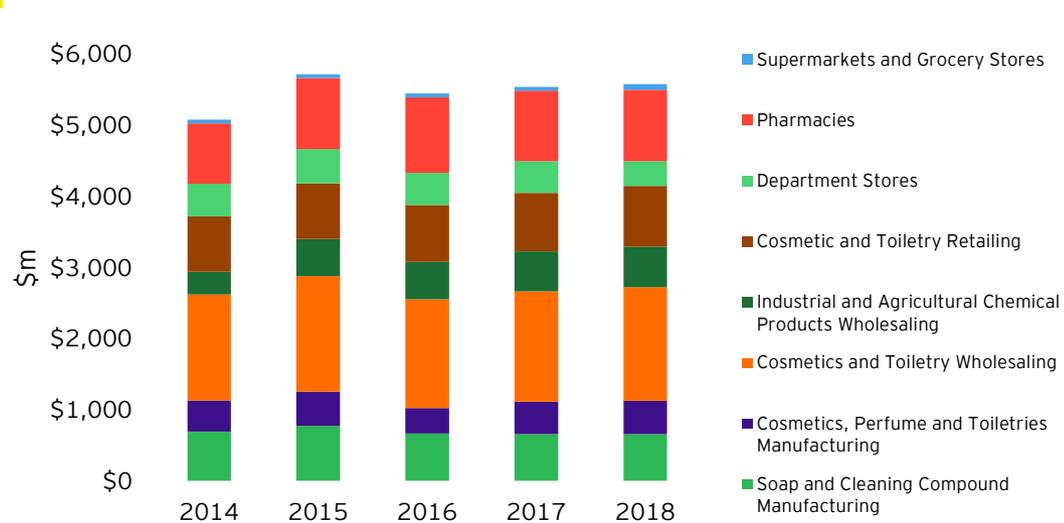
Industry Value Add - overview



- ▶ In 2018, the IVA was \$5.6bn. This was an increase of 0.7% on the 2017 IVA level, representing an increase of \$40.4m.
- ▶ The average growth rate between 2014 and 2018 in IVA was 1.5% per annum. The annual growth rate follows the same growth path as turnover.
- ▶ Retailing has been the largest contributor to the Hygiene, Personal Care and Specialty Products industry's IVA averaging 40.9% of the total IVA between 2014 and 2018. Despite this, retailing's contribution saw a decline of 1.1% between 2017 and 2018. Overall, it increased 7.0% on 2014 levels.
- ▶ Wholesaling has contributed an average of 38.7% of the Hygiene, Personal Care and Specialty Products industry's IVA over the past five years. Wholesaling drove the spike in IVA in 2015 with an annual growth rate of 18.5% on the 2014 level.
- ▶ Manufacturing is the smallest contributor to the Hygiene, Personal Care and Specialty Products industry's IVA accounting for an average of 20.4% of the industry's IVA between 2014 and 2018.
- ▶ The growth rate shows a peak in 2015 growing 11.0% on the 2014 level. As mentioned above, this is largely due to an increase in wholesaling's contribution to Hygiene, Personal Care and Specialty Products industry's IVA. This was followed by a sharp decline in the growth rate between 2015 and 2016.
- ▶ When measuring IVA against turnover, for every \$1.00 of turnover there was \$0.20 of value added to the overall GDP by the Hygiene, Personal Care and Specialty Products industry in 2018. The ratio of IVA to turnover for the Retail industry in 2016-17 was 0.19. For every \$1.00 of turnover, an average of \$0.19 IVA was generated in the Retail industry.

3. The economic profile of the Hygiene, Personal Care and Specialty Products industry

Industry Value Add - by subsector



	2014	2015	2016	2017	2018
Soap and Cleaning Compound Manufacturing	16%	12%	-14%	-1%	0%
Cosmetics, Perfume and Toiletries Manufacturing	38%	9%	-25%	26%	4%
Cosmetics and Toiletry Wholesaling	5%	9%	-6%	2%	3%
Industrial and Agricultural Chemical Products Wholesaling	-35%	64%	0%	7%	1%
Cosmetic and Toiletry Retailing	-4%	1%	3%	2%	4%
Department Stores	4%	5%	-7%	0%	-22%
Pharmacies	-23%	18%	7%	-7%	2%
Supermarkets and Grocery Stores	3%	4%	0%	0%	45%

Subsector analysis

- ▶ Cosmetics and Toiletry Wholesaling has been the largest contributor to the Hygiene, Personal Care and Specialty Products industry's IVA between 2014 and 2018. Contributing an average of 28.6% of the total IVA over this period.
- ▶ The 'Other products' category within the Supermarkets and Grocery Stores subsector are the smallest contributor to IVA, contributing an average of 1.4% of the total Hygiene, Personal Care and Specialty Products industry's IVA between 2014 and 2018. Despite this, the subsector was the fastest growing subsector between 2017 and 2018 where the contribution to IVA increased from \$53m to \$77m.
- ▶ The 'Cosmetics and Toiletries' product category within the Department Stores subsector saw the largest decline in growth between 2017 and 2018 of the component subsectors, decreasing 22.0% on it's 2017 level. The subsector's IVA decreased from \$446m to \$348m over the period.

Commentary

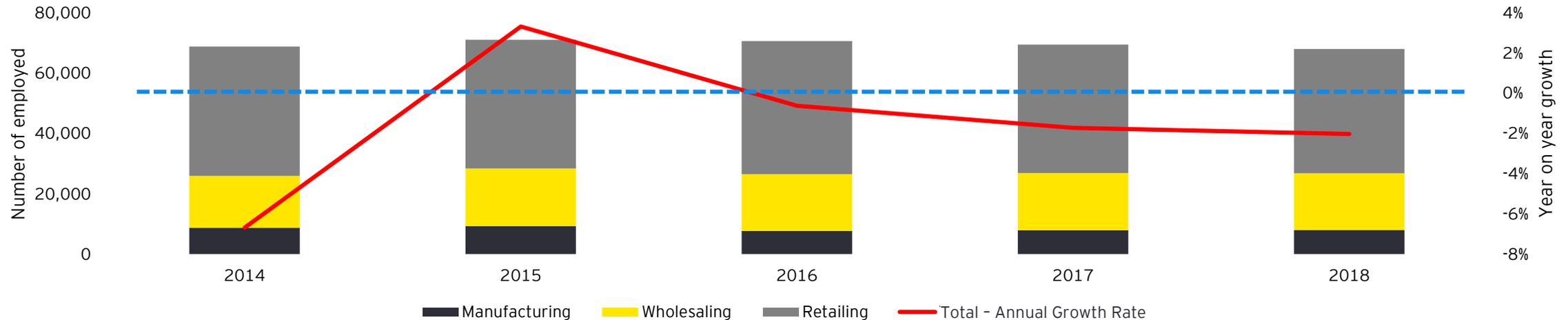
With the exception of three subsectors (Soap and Cleaning Compound Manufacturing, Industrial and Agricultural Chemical Products Wholesaling, and Department Stores) each component of the Hygiene, Personal Care and Specialty Products supply chain has grown faster than GDP over the last five years. As a result of the increase in consumption of cosmetic goods, the Hygiene, Personal Care and Specialty Products industry has increased in its share of Australian economic performance.

The retailing portion of the Hygiene, Personal Care and Specialty Products industry has been capitalising on the consumer trend towards beauty products, driven by the increased presence and use of products on social media.¹ Further, these online influencers are driving consumers towards more environmentally sustainable products through promotion of them. These products generally have a higher value.

The Hygiene, Personal Care and Specialty Products industry has not been as susceptible as other industries to broader economic fluctuations. This has largely been due to the industry's product base being comprised of necessities and every day goods (i.e. soap and dish wash).

3. The economic profile of the Hygiene, Personal Care and Specialty Products industry

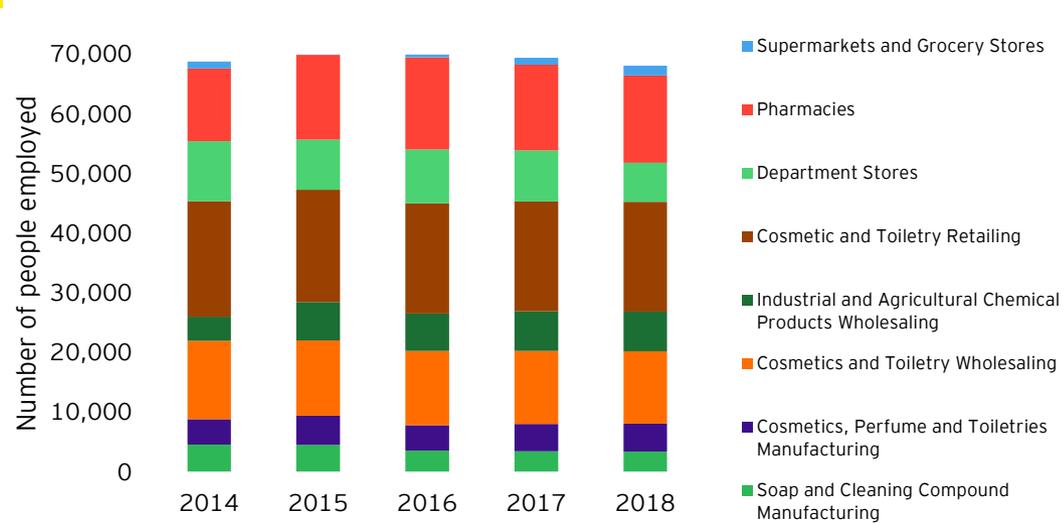
Employment - overview



- ▶ In 2018, employment in the Hygiene, Personal Care and Specialty Products industry was 68,117. This is a decrease of 2.0% from 2017 representing a total decrease of 1,392 jobs in the industry.
- ▶ The average year on year growth rate of employment in the Hygiene, Personal Care and Specialty Products industry was -1.5% between 2014 to 2018.
- ▶ Employment has remained relatively consistent compared to other industry factors such as turnover and IVA. However, the indicator follows the same shape and growth path as both turnover and IVA between 2014 and 2018.
- ▶ Between 2016 and 2018 the employment level has remained relatively constant with an average year on year decline of 0.5% per year.
- ▶ Retailing is the largest contributor to employment accounting for 64.0% of total employment in 2018 and has experienced 3.1% decline since 2017.
- ▶ Wholesaling is the second largest employer accounting for 27.6% of the industry's employment and has experienced 0.6% growth on the 2017 level.
- ▶ Manufacturing is the smallest contributor to employment accounting for 12.0% of total industry employment and has experienced 0.7% growth on the 2017 employment level.
- ▶ When measuring employment against turnover, for every one person employed in the Hygiene, Personal Care and Specialty Products industry there was \$380,893 of turnover generated in 2018. The average employment to turnover measure across other one digit ANZSIC industries in 2016-17 was \$396,600.

3. The economic profile of the Hygiene, Personal Care and Specialty Products industry

Employment - by subsector



	2014	2015	2016	2017	2018
Soap and Cleaning Compound Manufacturing	7%	-1%	-20%	-3%	-3%
Cosmetics, Perfume and Toiletries Manufacturing	30%	14%	-13%	7%	3%
Cosmetics and Toiletry Wholesaling	-3%	-4%	-2%	-2%	-1%
Industrial and Agricultural Chemical Products Wholesaling	-37%	57%	-2%	6%	0%
Cosmetic and Toiletry Retailing	-1%	-3%	-2%	0%	0%
Department Stores	2%	-16%	7%	-5%	-23%
Pharmacies	-22%	17%	9%	-7%	2%
Supermarkets and Grocery Stores	3%	0%	3%	-2%	41%

Subsector analysis

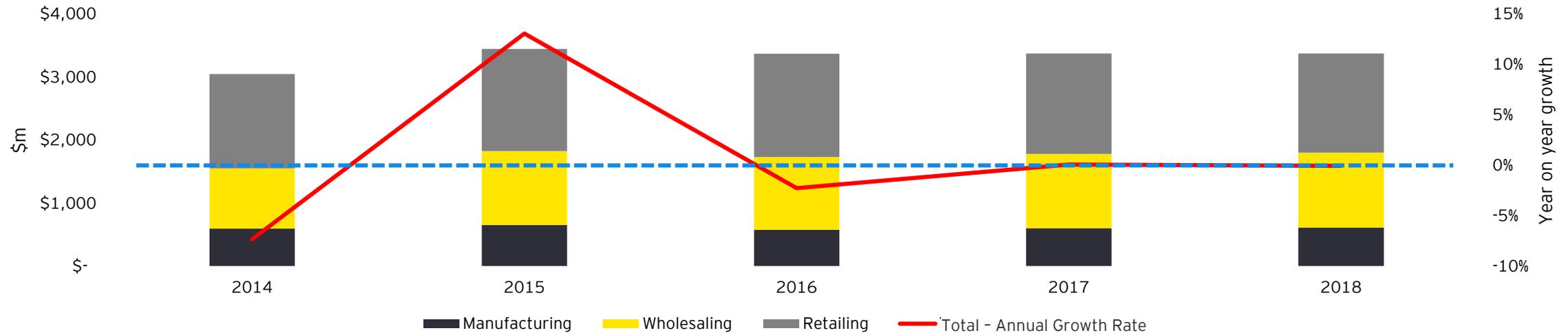
- ▶ The industry's employment has declined since 2015 from 79,509 to 78,117.
- ▶ Cosmetic and Toiletry Retailing is the largest employer in the Hygiene, Personal Care and Specialty Products industry, in 2018 it accounted for 27.0% of total employment.
- ▶ The 'Other products' category within the Supermarkets and Grocery Stores subsector are the smallest contributor to the Hygiene, Personal Care and Specialty Products industry's employment, it accounts for only 2.3% of employment in 2018.
- ▶ Cosmetics, Perfume and Toiletries Manufacturing and Industrial and Agricultural Chemical Products Wholesaling were the only two subsectors that experienced positive growth in the number of employees between 2017 and 2018. The remaining eight subsectors saw declining or neutral employment over this period.

Commentary

- ▶ The Hygiene, Personal Care and Speciality Products industry has large fluctuations in employment levels. This is exhibited in the employment levels in the retailing subsectors including Supermarkets and Grocery Stores, Department Store, and Pharmacies where it is likely that there are high levels of casual and seasonal employees in these subsectors.
- ▶ Manufacturing and wholesaling subsectors employment remained relatively constant in comparison to the retailing subsectors over the period. This suggests that there are higher numbers of permanent staff in these positions.

3. The economic profile of the Hygiene, Personal Care and Specialty Products industry

Wages - overview

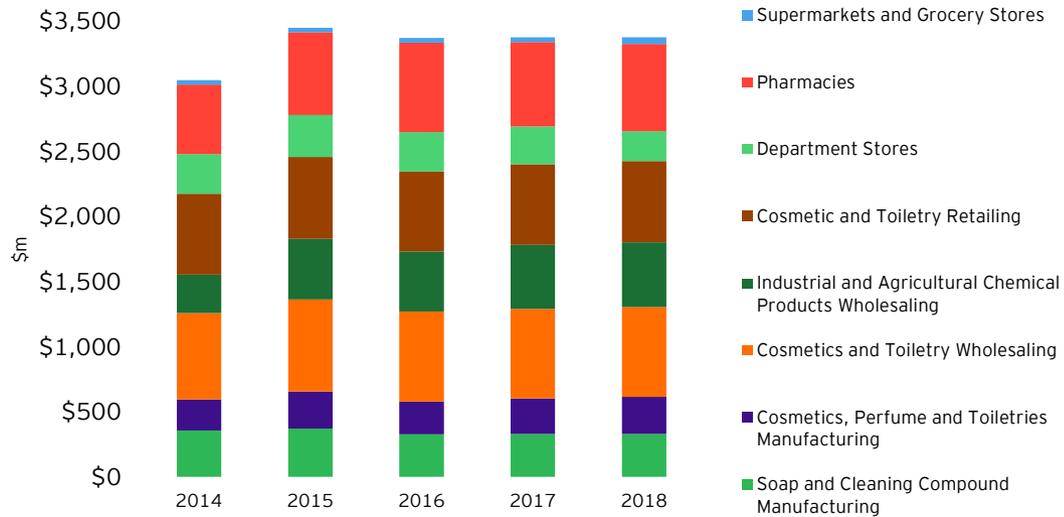


The gross total wages and salaries of all employees in the Hygiene, Personal Care and Specialty Products industry and additional benefits (bonuses, etc.) and on-boarding costs are included in this figure. Wage growth shows the contribution to the Australian economy from the worker income generated in the Hygiene, Personal Care and Specialty Products industry.

- ▶ Total wages were \$3.4bn in 2018.
 - ▶ This is an increase of \$1m from 2017.
- ▶ Over the past five years wages paid have increased 10.7% representing \$327m.
- ▶ The annual wage growth rate increased sharply in 2015, rising to 13.1% and has been relatively flat since 2016.
- ▶ The retailing sector is the largest contributor to the wage bill level accounting for 46.6% of the total wages paid in 2018.
- ▶ Manufacturing was the largest driver of growth between 2017 and 2018; growing from \$608m to \$620m over this time.
- ▶ Wholesaling was also the fastest growing sector in terms of wage growth over the past five years. The sector grew 24.1% over the five year time period.
- ▶ Conversely, retailing saw declines of 1.1% over the period. This is consistent with broader industry trends of decline in retailing. Wages in the Hygiene, Personal Care and Specialty Products industry have grown slower than the wage price index over the last five years, with the exception of 2015 where the Hygiene, Personal Care and Specialty Products industry wages grew five percentage points faster than the wage price index.

3. The economic profile of the Hygiene, Personal Care and Specialty Products industry

Wages - by subsector



	2014	2015	2016	2017	2018
Soap and Cleaning Compound Manufacturing	25%	4%	-12%	1%	-1%
Cosmetics, Perfume and Toiletries Manufacturing	29%	19%	-12%	8%	5%
Cosmetics and Toiletry Wholesaling	-9%	7%	-2%	-1%	0%
Industrial and Agricultural Chemical Products Wholesaling	-37%	58%	-1%	7%	1%
Cosmetic and Toiletry Retailing	0%	1%	-3%	1%	1%
Department Stores	2%	5%	-5%	-4%	-22%
Pharmacies	-20%	19%	8%	-6%	4%
Supermarkets and Grocery Stores	3%	-1%	6%	0%	42%

Subsector analysis

- ▶ Cosmetics and Toiletry Wholesaling is the largest contributor to wages paid accounting for 20.4% of total wages paid in the industry for 2018. The subsector had an average wage of approximately \$57,000 per employee per annum which is the fourth highest average wage across the subsectors in 2018.
- ▶ The 'Other products' category within the Supermarkets and Grocery Stores subsector was the fastest growing subsector growing at a rate of 42.2% from 2017 wages paid. This represents an increase of \$14.7m over two years.
- ▶ Soap and Cleaning Compound Manufacturing had the highest average wages of \$99,100 per annum across the subsectors. This is likely due to the high skill level requirements of occupations in this subsector.
- ▶ The manufacturing subsectors had the highest average wages, while the retailing subsectors had the lowest.

Commentary

The average annual wages by supply chain component in 2018 are detailed below:

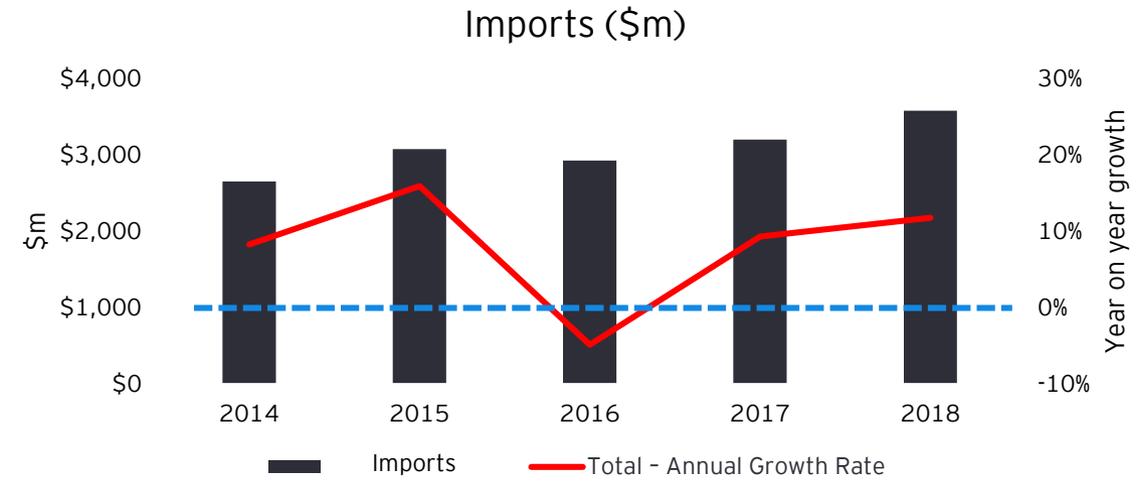
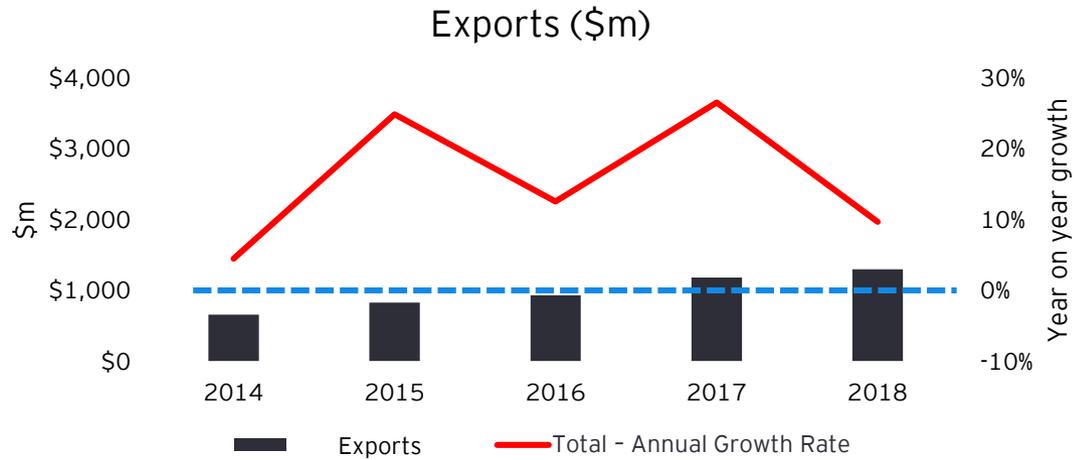
- ▶ Manufacturing \$75,800,
- ▶ Wholesaling \$63,100, and
- ▶ Retailing \$38,300.

Average annual wages are indicative of the skill level required by an industry or occupation, the risk of physical harm and the nature of the employment contract (full time permanent versus casual).

The average wage was highest in manufacturing. This was likely due to the skills required for chemical manufacturing such as chemicals, system and operations engineers.

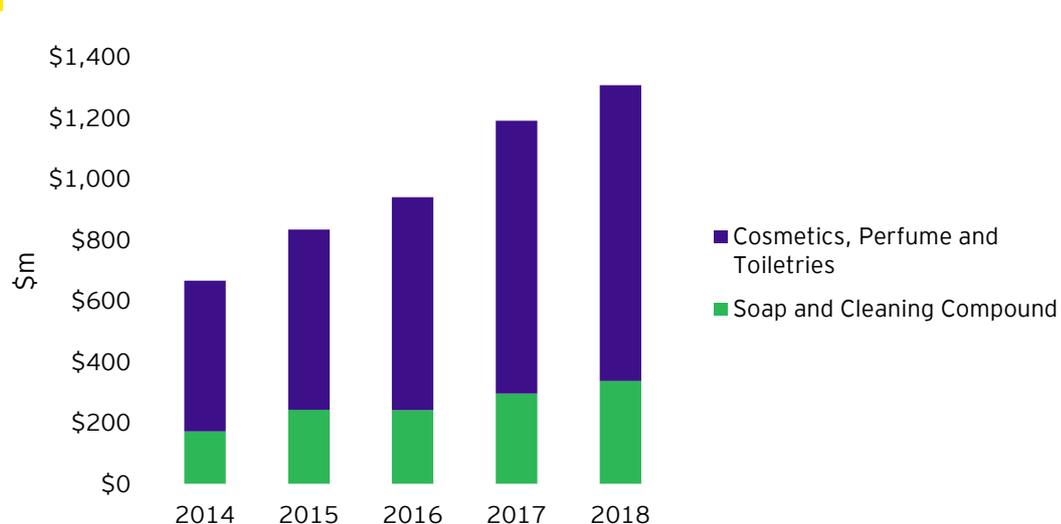
Retailing had the lowest average wage. This was likely due to the high number of part time and casual workers in this sector.

International Trade - overview



- ▶ The Hygiene, Personal Care and Specialty Products industry was a net importer of Hygiene, Personal Care and Specialty Products in 2018. The industry imported \$3.6bn and exported \$1.3bn in 2018. The industry had an export:import ratio of 0.37 in 2018. This means that for every \$1.00 of imports there were \$0.37 of exports.
- ▶ Both exports and imports saw a spike in trade in 2015 that then declined in 2016. Both imports and exports have continued to grow on the 2016 level to 2018.
- ▶ The growth rate in imports increased since 2016, reaching 9.4% in 2017 and 11.8% in 2018. The growth rate in exports spiked at 26.6% in 2017 before for falling to 9.8% in 2018.
- ▶ Exports almost doubled, increasing by 95.7% since 2014, increasing from \$0.7bn in 2014 to \$1.3bn in 2018.
- ▶ Imports increased 11.8% on 2014 levels increasing from \$2.7bn to \$3.6bn in 2018.
- ▶ Online sales are included in both production and wholesale. However online sales in the retail sector are only included if the point of sale has both a physical and an online presence. Those that operate solely online are not included in the analysis.
- ▶ Due to a statistical convention of the data collection process, the international trade figures are reported on the following pages at the total Hygiene, Personal Care and Specialty Products industry level. The products are grouped into two main categories; Soap and Cleaning Compounds and Cosmetics, Perfume and Toiletries.
 - ▶ **Soap and Cleaning Compounds:** Dishwashing Products, Fertiliser, Herbicide and Pesticides, Fragrances, Glycerine, Household Care Products, Laundry Care Products, Other Products, Soap and Soap Based Products, Speciality Chemical Products, and Surface Care Products.
 - ▶ **Cosmetics, Perfume, and Toiletries:** Bath and Shower Products, Beauty, Make-Up and Skincare Products, Cosmetics, Perfume, and Fragrances, Hair Care Products, Make-up and Skincare Products, Men's Grooming Products, Oral Hygiene Products, Perfume and Fragrances, Personal Care Products, and Talcum Powders and Deodorants.

International Trade: exports - by subsector



	2014	2015	2016	2017	2018
Soap and Cleaning Compounds	20%	41%	-1%	22%	14%
Cosmetics, Perfume and Toiletries	0%	19%	18%	28%	8%

Soap and Cleaning Compounds¹: Dishwashing Products, Fertiliser, Herbicide and Pesticides, Fragrances, Glycerine, Household Care Products, Laundry Care Products, Other Products, Soap and Soap Based Products, Speciality Chemical Products, and Surface Care Products.

Cosmetics, Perfume, and Toiletries: Bath and Shower Products, Beauty, Make-Up and Skincare Products, Cosmetics, Perfume, and Fragrances, Hair Care Products, Make-up and Skincare Products, Men's Grooming Products, Oral Hygiene Products, Perfume and Fragrances, Personal Care Products, and Talcum Powders and Deodorants.

Subsector analysis

- ▶ Cosmetics, Perfume, and Toiletries were the largest exporter in the Hygiene, Personal Care and Specialty Products industry. The subsector exported \$970m in 2018. This was an increase of 8.4% on the 2017 level and an increase of 96.0% on the 2014 level. These growth rates represented increases of \$75m and \$475m respectively. This subsector accounted for an average of 74.0% of total over the period analysed.
- ▶ Soap and Cleaning Compounds were the second largest exporter accounting for an average of 26.0% of total Hygiene, Personal Care and Specialty Products industry exports between 2014 and 2018. The subsector exported \$340m in 2018 an increase of 14.0% on the 2017 level and 95.0% on the 2014 level. These increases represented \$42m and \$166m respectively.
- ▶ Export growth in the Soap and Cleaning Compounds subsector spiked in 2015 before falling in 2016 and has since returned to positive growth.

Commentary

The Terms of Trade decreased between 2015 and 2016 before steadily improving to 2018. This means that the price of Australian exports decreased on the international market while the price of imports in Australia rises.

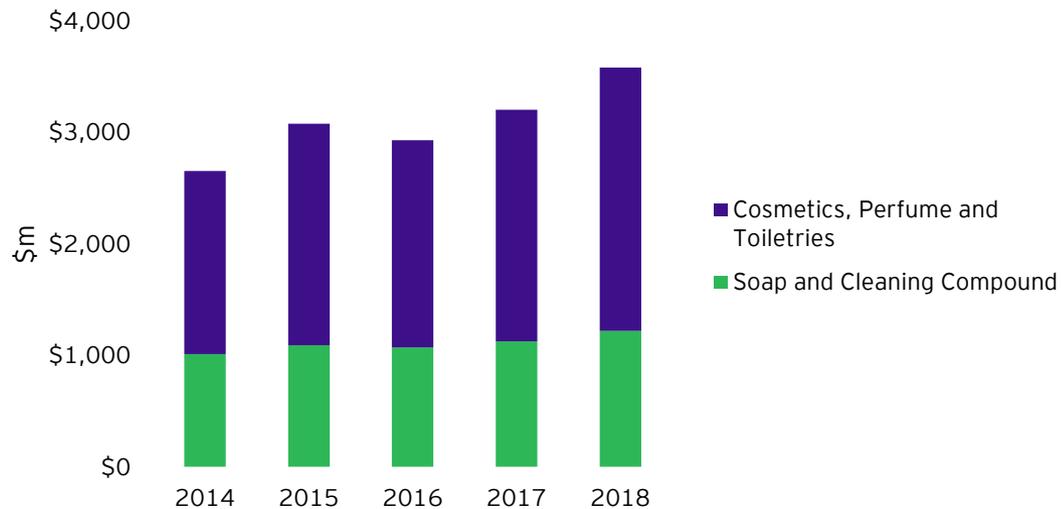
Growth in exports in both Soap and Cleaning Compounds and Cosmetics, Perfume and Toiletries declined in 2016. The growth rate fell below zero meaning that there was a reduction in the level of export occurring. Cosmetics, Perfume and Toiletries had a slowing in the growth rate while the growth remained positive.

This suggests that international consumers were more price sensitive to exports from the Soap and Cleaning Compound subsector than exports from the Cosmetics, Perfume, and Toiletries subsector. This may be due to the price of these Cosmetics, Perfume, and Toiletries products increasing in the destination country without a reduction in the volume of the purchases, suggesting that these are luxury goods.

1. The relevant product proportions for these products can be found on pages 48 and 49.

3. The economic profile of the Hygiene, Personal Care and Specialty Products industry

International Trade: imports - by subsector



	2014	2015	2016	2017	2018
Soap and Cleaning Compounds	10%	8%	-2%	5%	8%
Cosmetics, Perfume and Toiletries	7%	21%	-7%	12%	14%

Soap and Cleaning Compounds¹: Dishwashing Products, Fertiliser, Herbicide and Pesticides, Fragrances, Glycerine, Household Care Products, Laundry Care Products, Other Products, Soap and Soap Based Products, Speciality Chemical Products, and Surface Care Products.

Cosmetics, Perfume, and Toiletries: Bath and Shower Products, Beauty, Make-Up and Skincare Products, Cosmetics, Perfume, and Fragrances, Hair Care Products, Make-up and Skincare Products, Men's Grooming Products, Oral Hygiene Products, Perfume and Fragrances, Personal Care Products, and Talcum Powders and Deodorants.

Subsector analysis

- ▶ Cosmetics, Perfume, and Toiletries were the largest importer in the Hygiene, Personal Care and Specialty Products industry. The subsector imported \$2.6bn in 2018. This was an increase of 13.7% on the 2017 level and an increase of 43.9% on the 2014 level. These represented increases of \$284m and \$719m respectively. This subsector accounted for an average of 64.7% of total exports in the Hygiene, Personal Care and Specialty Products industry over the period analysed.
- ▶ Soap and Cleaning Compounds were the second largest importer accounting for an average of 35.3% of total Hygiene, Personal Care and Specialty Products industry imports between 2014 and 2018. The subsector imported \$1.2bn in 2018, an increase of 8.3% on the 2017 level and 20.4% on the 2014 level. These increases represented \$94m and \$208m respectively.
- ▶ Both subsectors had declines in import growth to 2016 and have since increased to 2018.

1. The relevant product proportions for these products can be found on pages 48 and 49.

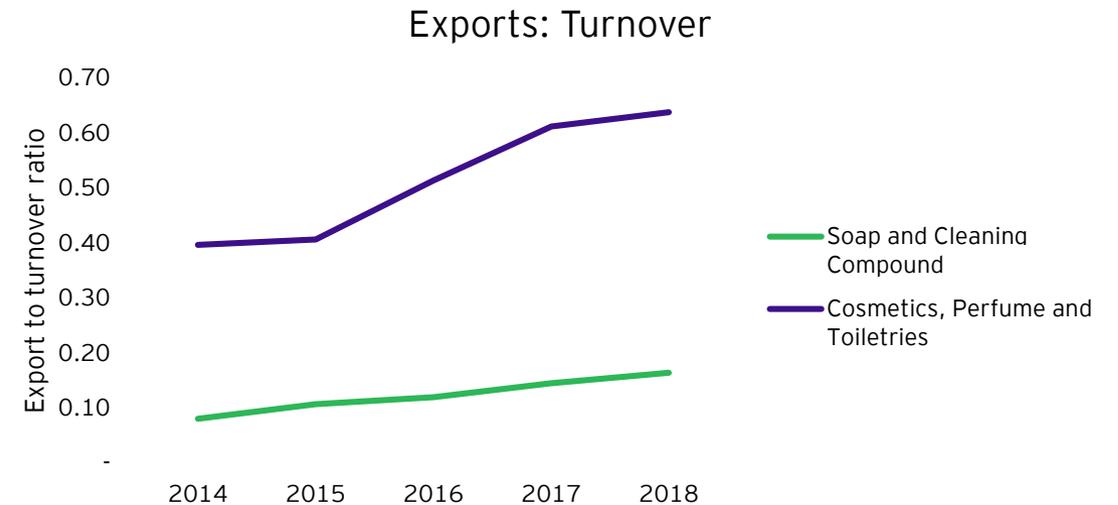
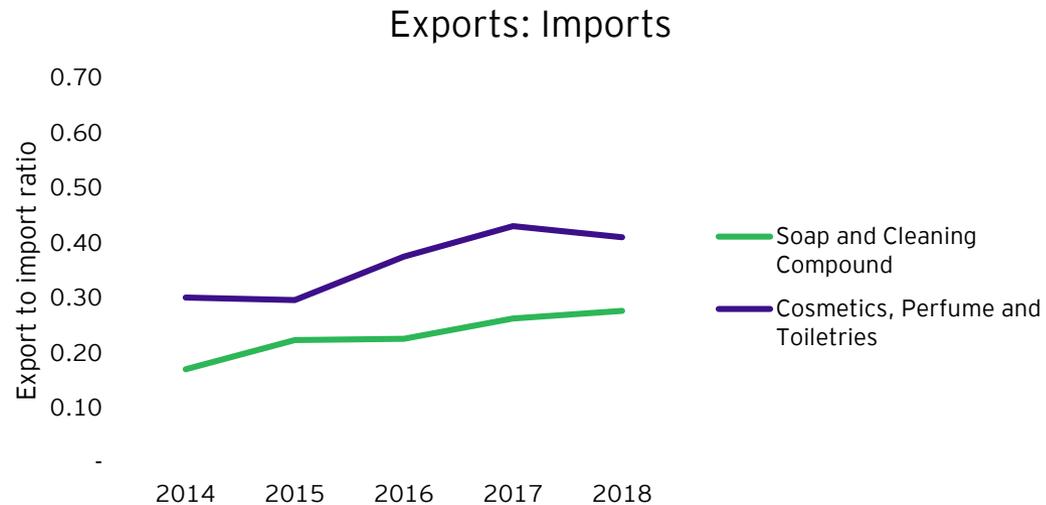
Commentary

Imports fell in 2016 with the tightening in Terms of Trade. These then increased from 2016 to 2018 with the appreciation of the Australian dollar over this time. The worsening Terms of Trade caused a rise in the price of imports in both subsectors engaging in international trade.

This indicates that the Australian market is price sensitive to its imports. The likely result of this is a switch from consumption of imported goods to domestically produced goods used in the manufacturing process.

However, this decrease in the growth rate of imports also captures the return to trend from the large spike in 2015. The compounded effect of these two changes suggests that the impact of Terms of Trade is slightly less than may be thought. This can be seen in the smaller response of Soap and Cleaning Compound Manufacturing.

International Trade: comparing exports, imports and turnover



Subsector analysis

- ▶ The export to import ratio was 0.28 in the Soap and Cleaning Compound subsector in 2018. This means that for every \$1.00 of imports there were \$0.28 of exports. This was an increase of 5.2% from 0.26 in 2017.
- ▶ Cosmetic, Perfume, and Toiletries had an export to import ratio of 0.41 in 2018. This was an decrease of 4.6% from 0.43 in 2017.
- ▶ The export to turnover ratio was 0.17 in the Soap and Cleaning Compounds in 2018. This means that for every \$1.00 of turnover there was \$0.17 of exports. This was an increase of 12.8% from 0.15 in 2017.
- ▶ Cosmetic, Perfume, and Toiletries had an export to turnover ratio of 0.64 in 2018. This was an increase of 4.3% from 0.61 in 2017.
- ▶ Both subsectors saw increases in both ratios over the past five years.

Commentary

Soap and Cleaning Compounds saw a decline in the exports:imports and in the exports:turnover. This suggests that exports declined as a proportion of trade and total industry activity. As the reduction of Terms of Trade reduced the price of Australian exports, this change is counter intuitive unless there has been a substitution from imported goods towards the consumption of these goods domestically.

Conversely, the Cosmetic, Perfume, and Toiletries subsector saw an increase in the export:import ratio and the export:turnover ratio in 2016. This suggests that imports fell more than exports in this subsector when it experienced the reduction in Terms of Trade.

This directly implies a movement towards consuming domestically produced goods instead of importing the products.

4. The economic contribution
of the Hygiene, Personal Care
and Specialty Products
industry



4. The economic contribution of the Hygiene, Personal Care and Specialty Products industry

Understanding economic contribution

Input Output modelling is a method of identifying the direct and flow on impacts of industry spending in an economy. This can also be used to identify the interlinkages between industries by examining the size of the flow on impacts of employment or spending in a given industry.

The Hygiene, Personal Care and Specialty Products industry sits across all stages of the supply chain. The industry has upstream and downstream links to many of the industries in the Australian economy. These links can be identified using Input Output modelling.

Input Output modelling captures both the direct impact of an industry as well as the flow on impacts.

1. Direct effect - the number of people directly employed by the Hygiene, Personal Care and Specialty Products industry.
2. Indirect (flow-on) effect - e.g. the number of people or the amount of revenue generated in other industries as a result of employment or spending in the Hygiene, Personal Care and Specialty Products industry.

The indirect effect can be broken down into two separate effects:

- Consumption effect - this is the increase in consumption as a result of employment/spending in the Hygiene, Personal Care and Specialty Products industry. For example, if the industry employs an individual, this individual has a salary which will be spent or saved. If the employee spends this salary on groceries, there will be an increase in the revenue of the retailing sector. However, if this person does not spend all their salary on groceries, it will be divided amongst other industries instead.
- Supply chain effect - this is an increase in industry activity as the result of employment and spending in the Hygiene, Personal Care and Specialty Products industry. Every new employee in the industry requires a certain number of resources in order to perform their duties. For example, a bricklayer can not do their job without bricks. For each additional person employed as a bricklayer, more bricks are needed. This requires increases in manufacturing, wholesaling, and transport activity as the additional bricks must be produced, sold, and transported to the new bricklayer.

The sum of the direct and indirect effects yield the total impact of spending or employment in the Hygiene, Personal Care and Specialty Products industry.



4. The economic contribution of the Hygiene, Personal Care and Specialty Products industry

Economic contribution methodology

Input Output modelling relies on a series of multipliers to determine the value of the direct and indirect effects of employment or spending in an industry. These multipliers are produced by an economic impact software called REMPLAN. REMPLAN calculates these multipliers based on ABS data using their own calculation method.

REMPAN uses its core data set which are based on ABS national accounts figures of the Australian economy and the latest Census data, to calculate the Input Output multipliers. REMPLAN's key advantage over other Input Output models or "off-the shelf multipliers" is that it can be region specific.

Industry interlinkages are calculated at a granular level of industry activity. Activity is modelled at the four digit ANZSIC level, ANZSIC is used by the ABS and other government bodies as a way of identifying industries.

To calculate the values of these multipliers for a given industry, these four digit ANZSIC industries must be grouped into a defined industry. In this case, the four digit industries included can be found on slides 17 and 18 in the industry definition section. This grouping is then used to calculate the remaining multipliers using REMPLAN software. The total Hygiene, Personal Care and Specialty Products industry employment turnover and IVA figures were then used to find the direct and flow on impacts of the industry in the Australian economy.

An important limitation of input-output analyses such as this is that they do not consider capacity constraints in the economy (e.g. full employment). Such constraints limit the extent to which economic impacts can increase in a linear fashion with changes in demand. The alternative Computable General Equilibrium (CGE) approach addresses some of these issues, although the nature and scale of this project did not warrant the use of a detailed CGE analysis at this time.

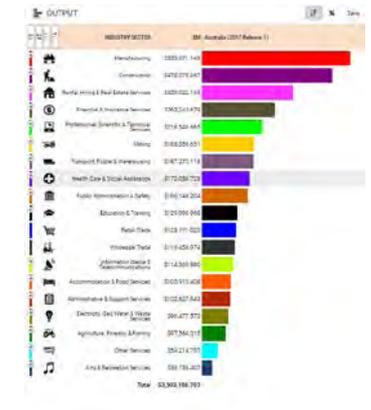
Input coefficients

Impact multipliers

Impact GDP Report

GDP Expenditure Method	Before SM	Impact SM	Change %
Household Consumption	\$1,093,123.129	\$1,093,124.181	0.00%
Government Consumption	\$350,644.402	\$350,644.491	0.00%
Private Gross Fixed Capital Expenditure	\$430,006.907	\$430,007.060	0.00%
Public Gross Fixed Capital Expenditure	\$85,922.197	\$85,922.225	0.00%
Gross Domestic Expenses	\$1,959,696.635	\$1,959,697.957	0.00%
plus Exports	\$435,700.658	\$435,700.885	0.00%
minus Domestic Imports	-\$346,495.377	\$0.000	-100.00%
minus Overseas Imports	-\$294,177.915	-\$640,673.519	117.78%
balancing item	\$0.000	\$0.067	
GDP	\$1,754,724.000	\$1,754,725.389	
Population	23,356,682		
Per Capita GDP (\$'000)	\$75.127	\$75.127	0.00%

Total economy effect

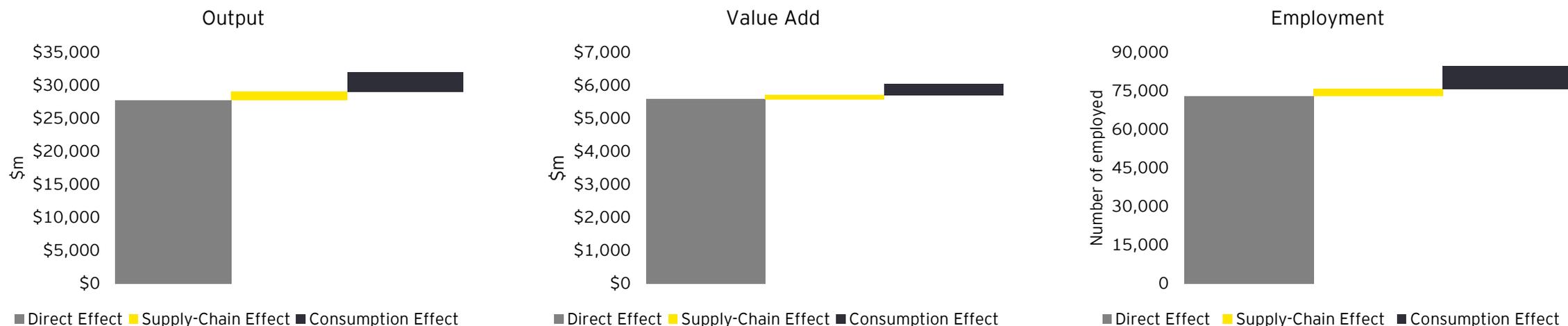


Total effect by one digit ANZSIC industry

4. The economic contribution of the Hygiene, Personal Care and Specialty Products industry

Economic contribution of the industry in 2018

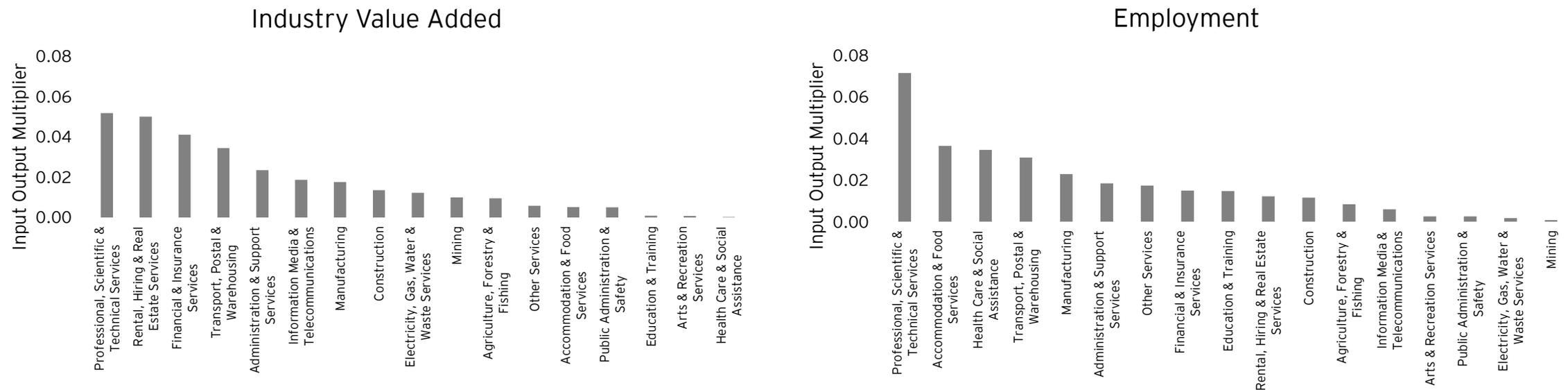
- ▶ The subsectors within the Hygiene, Personal Care and Specialty Products industry sit across the supply chain and have direct effects on the supply chain as the industry provides inputs and outputs at different stages along its own supply chain. As a result of defining the industry in this way, a variety of supply chain linkages are already captured in the economic indicator analysis and the additional contribution of the industry is not as large as if only one element of the supply chain was assessed.
- ▶ As an example, in a hypothetical industry that is comprised of wholesaling, there will be strong linkages to manufacturing subsectors upstream (as a result of use of inputs) and to retailing subsectors downstream (as a result of the sale of products to consumers). The supply chain effect on direct employment in the hypothetical wholesaling industry would be much larger than the supply chain effect for an industry that sits across the supply chain.
- ▶ In 2018, the Hygiene, Personal Care and Specialty Products industry generated \$26.3bn of turnover. This led to an additional \$4.1bn of turnover in upstream and downstream industries. Turnover has a multiplier of 0.1538, which means that for every \$1.00 of turnover \$0.15 is generated in upstream and downstream industries. This turnover effect is generated through increased demand for inputs and outputs of production and increased consumption by people working in the Hygiene, Personal Care and Specialty Products industry.
- ▶ The IVA of the Hygiene, Personal Care and Specialty Products industry was \$5.6bn in 2018. This led to a supply chain impact of \$136m and a consumption impact of \$336m. IVA has a multiplier of 0.1544, which means that for every \$1.00 of IVA \$0.15 is generated in upstream and downstream industries.
- ▶ The employment contribution gives an indication of the volume of people that were employed as a result of the existence of the Hygiene, Personal Care and Specialty Products industry. In 2018 the Hygiene, Personal Care and Specialty Products industry employed 68,000 people and as a result of this employment a further 2,579 people were employed in upstream and downstream industries to support the Hygiene, Personal Care and Specialty Products industry. A further 8,334 people were employed in industries outside of the defined industry as a result of increased consumption by the industry's employees.



4. The economic contribution of the Hygiene, Personal Care and Specialty Products industry

Supply-Chain effect multipliers in 2018

- ▶ The charts present the supply chain effect multipliers for the Hygiene, Personal Care and Specialty Products industry for both employment and IVA in 2018.
- ▶ A higher multiplier implies a stronger relationship between the relevant industry and the Hygiene, Personal Care and Specialty Products industry. Employment and IVA have different multiplier rankings due to the differences in resource requirements and the impact of the industry's production.
- ▶ IVA multipliers in the Professional Scientific and Technical Services, Rental, Hiring and Real Estate Services, and Financial and Insurance Services have the strongest linkages to the Hygiene, Personal Care and Specialty Products industry in 2018. This means that for every \$1.00 of value added to the economy by the Hygiene, Personal Care and Specialty Products industry, there are corresponding increases of between \$0.04 and \$0.05 in these industries' IVA.
- ▶ Employment multipliers in the Professional Scientific and Technical Services, Accommodation and Food Services, and Health Care and Social Assistance Services have the strongest linkages to the Hygiene, Personal Care and Specialty Products industry in 2018. This means that for every one person employed in the Hygiene, Personal Care and Specialty Products industry, there are corresponding increases of between 0.03 and 0.07 employees in these industries.
- ▶ The Hygiene, Personal Care and Specialty Products industry has strong linkages to the Professional Scientific and Technical Services industry in both employment and IVA suggesting that the two industries are relatively intertwined.



Appendices



Project methodology

The methodology consisted of four main phases which are detailed below.

	Phase 1	Phase 2	Phase 3	Phase 4	
	Industry definition	Data collection	Data analysis	Economic contribution	Reporting
Key activities	<ul style="list-style-type: none"> ▶ Worked with Accord to confirm the subsectors to be included in reporting. 	<ul style="list-style-type: none"> ▶ Compile list of assumptions to be used in the modelling. ▶ Collection of data for key economic indicators (REMPAN, ABS, IBISWorld, Industry stakeholders, Accord survey data, Frost and Sullivan, etc.). ▶ Data was collected on employment, turnover, industry value add, number of businesses, trade, industry inter-linkages, size and scale of businesses, investment, and R&D activity. 	<ul style="list-style-type: none"> ▶ Undertake industry economic analysis including industry interlinkages. ▶ Undertake trend analysis to capture industry performance. 	<ul style="list-style-type: none"> ▶ Undertake economic contribution analysis to capture economic value add. ▶ Complete qualitative case studies into key supporting (upstream downstream) industries. 	<ul style="list-style-type: none"> ▶ Draft report combining both industry economic analysis and trend analysis submitted to Accord for review and feedback. ▶ Final report written incorporating comments from Accord.
Outcomes	<ul style="list-style-type: none"> ▶ Defined industry. 	<ul style="list-style-type: none"> ▶ Complete data book for economic performance. ▶ Data for economic contribution and supply chain links collected. ▶ Confirmed assumptions list. 	<ul style="list-style-type: none"> ▶ Industry economic analysis. ▶ Trend analysis. 	<ul style="list-style-type: none"> ▶ Industry value add analysis. ▶ Supporting case studies. 	<ul style="list-style-type: none"> ▶ Draft report. ▶ Final report.

Glossary

Term	Definition
Hygiene, Personal Care and Specialty Products industry	The manufacturing, wholesaling, and retailing components of the Hygiene, Personal Care and Specialty Products supply chain in Australia.
Australia New Zealand Standard Industry Classification	Australia New Zealand Standard Industry Classification (ANZSIC) is a well recognised method of classifying industries. There are six levels of granularity beginning at one digit (least granular) and ending at six digit (most granular). Most Australian Bureau of Statistics (ABS) and IBISWorld productions are at either the one or four digit level.
Business	A division that is separately managed and keeps management accounts. Each business consists of one or more establishments that are under common ownership or control.
Employment	The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.
Gross Domestic Product	Gross Domestic Product (GDP) is the total value of goods produced and services provided in a country during one year.
Industry Value Add	The market value of goods and services produced by the industry minus the cost of goods and services used in production. Industry Value Add (IVA) is also described as the industry's contribution to Gross Domestic Product, or profit plus wages and depreciation. IVA isolates the additional value added to the Australian economy by an industry. It does this by removing the value of inputs into the industry's production.
International Trade	The local currency value of importing and exporting activity occurring in an industry or subsector.
Turnover	The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the business (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded. Turnover captures the price of inputs in the value of the goods sold by an industry. This does not double count the turnover of each industry as the cash inflow to each industry is separate from the preceding and following industries.

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Assumptions table

The following product categories were identified as being important to the value of the Hygiene, Personal Care and Specialty Products industry. However, proportions were unavailable from IBISWorld. The approaches used are detailed in the table below.

Model Item	Assumption	Source	Methodology applied
Other Product Category - Grocery Retail	3%	Retail World data and IBISWorld Turnover figures	<p>IBISWorld data does not have a sufficient product break-up of the "Other Product Category" in relation to grocery retailing to identify the proportion of this category which should be attributable to the Hygiene, Personal Care and Specialty Products industry.</p> <p>Retail World data contains an equivalent categorisation of turnover for Toiletries and Cosmetics as IBISWorld. However, since these are different data sources, the total values are different.</p> <p>To account for these differences a scaling factor was identified to ensure that the total value of this data set is the same as the total value of the IBISWorld data set. To do this, the proportional difference between turnover in the Retail World category (\$245.8 m) and the IBISWorld category (\$1,907.2m) were compared and the scaling factor calculated.</p> <p>Then using this multiplier, the remaining Retail World turnover figures were scaled to meet IBISWorld levels.</p> <p>The next step entailed identifying the proportion of Retail World turnover attributable to the "Other products". The proportion of Grocery Retail turnover attributable to the Hygiene, Personal Care and Specialty Products industry was found to be 3% in FY18.</p> <p>This assumption was then applied to the "Other Product Category - Grocery Retail" IBISWorld data to ensure the appropriate proportion of the IBISWorld category was included in the economic indicator calculations. It is noted that the turnover proportion was used as a proxy in calculating all economic indicators.</p>
Other Product Category - Cosmetics and Toiletry Retailing	75%	Retail World data and IBISWorld Turnover figures	<p>IBISWorld data does not have a sufficient product break-up of the "Other Product Category" in relation to Cosmetics and Toiletry Retailing to identify the proportion of this category which should be attributable to the Hygiene, Personal Care and Specialty Products industry.</p> <p>Retail World data contains an equivalent categorisation of turnover for Toiletries and Cosmetics as IBISWorld. However, since these are different data sources, the total values are different.</p> <p>To account for these differences a scaling factor was identified to ensure that the total value of this data set is the same as the total value of the IBISWorld data set. To do this, the proportional difference between turnover in the Retail World category (\$245.8 m) and the IBISWorld category (\$1,907.2m) were compared and the scaling factor calculated.</p> <p>Then using this multiplier, the remaining Retail World turnover figures were scaled to meet IBISWorld levels.</p> <p>The next step entailed identifying the proportion of Retail World turnover attributable to the "Other products". The proportion of Cosmetics and Toiletry Retailing turnover attributable to the Hygiene, Personal Care and Specialty Products industry was found to be 72% in FY18.</p> <p>This assumption was then applied to the "Other Product Category - Cosmetics and Toiletry Retailing" IBISWorld data to ensure the appropriate proportion of the IBISWorld category was included in the economic indicator calculations. It is noted that the turnover proportion was used as a proxy in calculating all economic indicators.</p>

Assumptions table

The following product categories were identified as being important to the value of the Hygiene, Personal Care and Specialty Products industry. However, proportions were unavailable from IBISWorld. The approaches used are detailed in the table below.

Model Item	Assumption	Source	Methodology applied
Fertiliser, Herbicide and Pesticide Wholesaling and Other Agricultural Chemical Product Wholesaling - Industrial and Agricultural Chemical Products Wholesaling	11%	APVMA and IBISWorld Turnover figures	<p>IBISWorld does not produce a data at a granular enough level to determine the amount of the 'Other Agricultural Chemical Product Wholesaling' in Industrial and Agricultural Chemical Products Wholesaling attributable to the Hygiene, Personal Care and Specialty Products industry.</p> <p>APVMA data contains the equivalent categorisation of turnover for the broader Industrial and Agricultural Chemical Products Wholesaling as IBISWorld. However, since these are different data sources, the total values are different.</p> <p>To account for these differences a scaling factor needs to be identified to ensure that the total value of this data set is the same as the total value of the IBISWorld data set. To do this, the proportional difference between revenue in the APVMA category (\$2,611.8m) and the IBISWorld category (\$2,520.9m) were compared and the scaling factor calculated.</p> <p>Then using this multiplier, the remaining APVMA turnover figures were scaled to meet IBISWorld levels.</p> <p>The next step entailed identifying the proportion of APVMA data turnover attributable to the "Other products". The proportion of Industrial and Agricultural Chemical Products Wholesaling turnover attributable to the Hygiene, Personal Care and Specialty Products industry was found to be 11% in FY18.</p> <p>This assumption was then applied to the "Other Product Category - Industrial and Agricultural Chemical Products Wholesaling" and to the "Fertiliser, Herbicide and Pesticide Wholesaling - Industrial and Agricultural Chemical Products Wholesaling" IBISWorld data to ensure the appropriate proportion of the IBISWorld category was include in the economic indicator calculations. It is noted that the revenue proportion as used was a proxy in calculating all economic indicators.</p>
Hardware Retailing	0%	Accord	Turpentine, White Spirit and Other Solvents sold in Hardware Wholesaling and Hardware Retailing are a relatively small subcategory of Hardware Wholesaling and have not been counted in the industry total figure for this study.

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