

TRANSCRIPT: Ai Group Chief Executive, Innes Willox on Sky News Business

Friday 1 June 2018

On Australian PMI®, Manufacturing, US Tariffs and Superannuation

WILLOX: Twenty consecutive months of growth for manufacturing in Australia is really positive. We're now seeing some really solid roots being put down within the sector. You've got to take into account that this has been through the period of the automotive assembly industry coming to an end, and we're starting to see that wash through parts of manufacturing as companies that were involved in that sector either adjust or get into other sectors. What you see is strong growth around production, around exports, and around employment and that is really what is driving the sector across the board. We think there's real reason to be optimistic. What's really pleasing is that new orders are very strong and that tells us that going forward we should continue, all things being equal, to see continued growth within the manufacturing sector, which is a very positive thing for the economy overall

What we are seeing is some moderate wage growth, but employers are concerned is around import costs. There are two main components here, one is wages, one is energy costs. They're keeping a very close eye on those as they continue to be of concern to manufacturers across the board. That's why decisions like today's decision around the minimum wage is going to be so important in terms of wage growth going forward. That's something we need to keep an eye on. But we've had a lot of discussion around wage growth, what we're seeing is it's largely across the board, keeping in step with inflation.

Edit – minimum wage comment superseded by [FWC announcement](#) –

JOURNALIST: Can we move on and Innes we'd really like to get your thoughts on the latest tariff announcement from President Trump. What have you made of it and the potential impact and whether it has implications for Australia.

WILLOX: The steel tariffs will have an impact in Australia, and part of the problem here is what we're seeing out of the United States is some fairly inconsistent policy, some things happening one day and then the opposite happening the next. Promises being made and then not being delivered on. We've had a lot of issues here with Australian steel producers exporting into the United States, trying to get guarantees around their market access. That still needs to be worked through and completely clarified. The most recent thing earlier this week was around auto parts manufacturers perhaps facing tariffs or closures or restrictions on their activities in the United States. These are not good messages for business around free flow of goods and services. It's policy making which is really running contrary to what we've seen for a very long time. It sends messages to business that they need to be very careful, increasingly careful about their relationships with the United States because the ground is shifting all the time. What this is going to do is really knock confidence out and around global trade, because you're going to see retaliation. We've already heard that from the Europeans, we'll hear from the Canadians, and yes that will flow through to Australia. These are messages coming out from the US which ultimately will be damaging to trade. How damaging, we don't know. We'll just have to see what the retaliation is. At a time when the global economy overall is doing a bit better, we don't need these sorts of messages to come out of one of the global trading power houses. It is going to impact on Australia, we just don't know how, but it will, on Australian manufacturers and Australian exporters.

REPORTER: We want to get your thoughts on superannuation. For those not aware, you are on the board of AustralianSuper, at least those not reading Will Glasgow in the Australian. Your thoughts on what came out of the draft report from the Productivity Commission, in particular the idea of a best in class list of ten from which I understand AustralianSuper would most likely be on. But also the issue around multiple accounts, multiple fee charging and just the performance that we are seeing be it on both sides, retail and industry.

WILLOX: Look it's a huge issue – don't believe everything you read in newspapers by the way but..and in the backdrop of all of this is the Royal Commission which is into the financial services sector too. Superannuation will come up as part of that in the next of couple of months and we'll see where that goes. There's a lot there from the Productivity Commission to digest in terms of ideas. The beauty of the PC is that often they're un-PC, and they do put ideas out into the marketplace to consider. There are a few issues here, multiple accounts is a big issue and that does need to be cleaned up, no doubt about that. I would be very supportive of mechanisms to do that. Fees is a big issue. In the industry funds we tend to keep our fees lower and that's been recorded and recognised and we work very hard at doing that because we have a very much a not-for-profit members first ethos, and I can only talk for AustralianSuper, and that's really what drives all that we do with the money we have under investment. I think it's difficult when you're looking at who should be on a list of ten, what criteria are you looking at? How often do you review it? What happens if you were on a list and then taken off? How does that impact on your business? I think there's a lot there that we need to digest and work through, so I'm reluctant to give a quick reaction, because we're still and I'm still absorbing it. But look it's an area where I'm pretty pleased that there's been an examination of the sector because it's good to have that sense of review and looking at what could be done better. I don't want to get into the industry versus retail funds battle. I think each side, each component of that, can make their own arguments but I would just say from an AustralianSuper perspective we're about members first, we're about best return, and we're about keeping our fees lowest and that should be the criteria for all super funds, no matter where they sit.