

New Innovation Index maps Australia's business innovation strengths

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Australian business innovation activity rose over the longer term, reaching its highest point in 2023–24, but was broadly flat between 2021–22 and 2023–24, according to the new CommBank-Melbourne Institute Innovation Index.

Developed by the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne in partnership with Commonwealth Bank, the Index draws on 18 years of data. To the authors' knowledge, it is the first Australian measure available at this combination of consistency, coverage, geographic and time detail.

Built from secure, de-identified Government data sources covering Australian firms and workers rather than a survey sample, the Index brings together measures spanning R&D, skilled employment, intellectual property and knowledge-intensive trade, and tracks them across industries, regions and time.

Melbourne Institute Professor and report author Paul Jensen said: "As a nation, Australia needs to become more innovative to boost productivity. Examples of everyday innovations include embracing new software which saves administrative time, expanding a business interstate or overseas, or modifying processes, products and services. Making innovation investments can lead to something valuable; even if there is failure, the lessons learnt can still provide benefits."

CommBank partnered with the Melbourne Institute to provide better evidence on where innovation is happening and what can help more Australian businesses put ideas into practice.

CommBank Group Executive Business Banking Mike Vacy-Lyle said: "This Index gives us a clearer picture of where Australian businesses are innovating and how that is changing. The opportunity is to help more businesses turn ideas into new products, services and better ways of working, and help successful ideas reach more customers and markets.

"For many businesses, innovation does not mean inventing something from scratch. It might mean adopting new technology, improving a process, using data better or getting a product to customers faster. Those practical changes can save time, reduce costs and help a business compete and grow. When gains like these are repeated across many businesses, they can lift productivity and, over time, support jobs and higher living standards.

"The Index gives us an important foundation. Building on this, we need to better understand how to encourage experimentation, development and commercialisation, so more businesses can turn good ideas into practical outcomes."

Key findings from the CommBank-Melbourne Institute Innovation Index include:

- The national Index reached almost 110 in 2023–24, compared with a 2016–17 benchmark of 100. It rose steadily over the longer term but was broadly flat between 2021-22 and 2023-24.
- Wholesale trade recorded the highest broad-industry Index score, followed by manufacturing and professional, scientific and technical services.
- Victoria recorded the highest state Index score in 2023-24 and has ranked ahead of NSW since 2017–18. Victoria and NSW were the only states consistently above the national benchmark over the full period.
- Western Australia overtook Queensland in 2023-24 and has been a stand-out in recent years with the index growing at a much faster rate than the national average since 2021-22.
- Biotechnology ranked highest among the emerging technology sectors analysed, followed by space, clean energy and quantum.
- The highest-scoring group of firms engaged in complex global value-chain exports ranked alongside biotechnology among the leading groups in the Index, highlighting the link between international trade and innovation activity.

Professor Jensen said the trade findings highlighted the potential for Australian businesses to grow by looking beyond the domestic market. “The Index shows us that the typical Australian firm is small and young. If most companies are only looking to do business in Australia, that will cap their ability to grow over a certain size. We want Australians to be brave and courageous. If businesses start to think about tapping into global markets and how they can adapt and change in the process, that is one way for innovation to start happening,” said Professor Jensen.

Innovation beyond patents, labs and CBDs

- Beyond formal IP: While only 0.38 per cent of firms held a patent, the research shows around one in five introduced a new good or service and more than two in five introduced a new process in the previous two years.
- Unexpected industry leader: Wholesale trade ranked highest among the broad industries analysed. The category can include businesses that design and brand products while outsourcing manufacturing, as well as importers and distributors investing in automated warehouses, digital ordering systems and artificial intelligence.
- Regional hotspots: While activity was concentrated around the major capital cities, the Index also identified pockets of innovation in Far North Queensland, north-western Western Australia, Margaret River and the Tweed River region.

The Index forms part of CommBank Business Innovation, which brings together research, free online training and the CommBank Business Innovation Awards to celebrate businesses already putting ideas into practice and help more businesses take their ideas further.

Read the full report, Trends in Australia’s Innovative Activity and Capability [here](#).

Businesses can access the free online training and enter the CommBank Business Innovation Awards at commbank.com.au/innovation.

About the CommBank-Melbourne Institute Innovation Index

Produced by the Melbourne Institute of Applied Economic and Social Research in partnership with Commonwealth Bank. It tracks innovation activity across Australia from 2006–07 to 2023–24.. The Index draws on the ABS Business Longitudinal Analysis Data Environment and Person Level Integrated Data Asset, known as BLADE and PLIDA.. The Index is benchmarked to 2016–17, where the national average equals 100. A score above 100 indicates higher innovation intensity than the 2016–17 national benchmark. The Index is a relative measure of innovation intensity, not a count of innovations or a measure of innovation quality. The Index combines eight indicators spanning innovation inputs, protected outputs and market translation: R&D expenditure, high-skilled employment, overseas royalty payments, patents, trademarks, design rights and complex global value-chain imports and exports.

About the Melbourne Institute of Applied Economic and Social Research

The Melbourne Institute is a department within the Faculty of Business and Economics at the University of Melbourne, committed to supporting a fair and equitable Australian society. Our work delivers independent and impartial research for government, business and community organisations, while informing discussion on current economic and social policy issues.

About the CommBank Business Innovation Awards

The CommBank Business Innovation Awards recognise and support emerging, scaling and established Australian businesses turning ideas, technology and better ways of working into practical outcomes. Applications are open across three categories for businesses with annual revenue of up to \$50 million. Further information is available at commbank.com.au/innovation

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