ACCI–Westpac
Survey of Industrial Trends

Australian Chamber of Commerce and Industry & Westpac Banking Corporation

254th report March 2025 (survey conducted from 12 February to 4 March 2025)

- Manufacturing conditions edged slightly higher entering 2025 with the Westpac-ACCI Composite index lifting to 50.7 from 50.2 in December. The improvement was supported by increases in both new orders and output. That said, employment conditions remained soft, and more firms reported an acceleration in input costs. Despite the recent upgrade, output and new orders were still lower than six months ago, indicative of the manufacturing sector's struggle to regain sustained momentum against a backdrop of still elevated cost pressures and interest rates.
- Business conditions across sub-sectors remained uneven. Conditions were relatively robust for machinery & equipment and some more consumer discretionary dependent sectors. In contrast, conditions were softer in some of the sectors related to construction. Sluggish demand played a role but those sectors that experienced a deterioration in their current situation also, in the main, reported a larger share of increasing in average unit costs.
- Input costs remained elevated in March. A net 45% of firms reported an increase in the average unit price compared to 34% in December. This prompted firms to pass on a portion of these higher costs to customers. Nonetheless, there was continued evidence of profit margins being compressed with the number of firms reporing an increase in input costs exceeding those that raised final prices.
- Amid questions over the sustainability of the recovery and ongoing reported difficulties in finding skilled labour, manufacturers remained cautious about hiring. The overall labour market composite held steady at 43.9, still below its pre-pandemic average of 53, with a net 4% of firms reducing employment.
- Following a strong outcome last quarter, manufacturers pared back their expectations for business conditions over the next six months. Overall, the Expected Composite edged down to 55.4 in March from 57.1 in December, reflecting a more cautious degree of optimism around the outlook for demand and output. In particular, the highly uncertain outlook for trade given the prospect of wider US tariffs, saw manufactures pull back their expectations for exports.
- Still, the overall mood about the general business outlook for the next six months remained upbeat. The number of firms expecting an improvement outnumbered those expecting a deterioration by a net 5% in March, the second consecutive positive reading. Moreover, expectations for output and new orders are still consistent with a projected gradual recovery in demand. In anticipation of this expected recovery, manufacturers are seeking to expand the size of their workforce with a net 9% of firms looking to increase headcount over the next three months.
- On balance, the fiscal boost, an improving inflation situation, and lower interest rates, should support firmer demand over the coming year. Still, the recovery in demand is likely to be relatively modest and uneven and risks remain. Notably, trade tensions and policy uncertainity have risen. The direct effect on Australia from US trade tariff hikes, announced thus far, is expected to be limited, given the minor share of exports to the US and the ability for the majority of these to be redirected. Nonetheless, manufacturers could still be impacted indirectly if trade tensions lead to a sharp slowdown in global growth and/or a weaker Australian dollar and higher import prices.
- The manufacturing sector also continues to face several headwinds from high, albeit easing, cost pressures and evidence of a somewhat worsening in labour shortages. A net 26% of respondents indicated that labour was more difficult, the highest in more than a year, signalling that supply factors remain a larger constraint on production than before the pandemic.

Contents

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This report was finalised on 14 March 2025.

The Survey of Industrial Trends produced by the Australian Chamber of Commerce and Industry & Westpac Banking Corporation is a quarterly publication.

It is Australia's longest running business survey dating from 1966, providing a timely update on manufacturing and insights into economy-wide trends.

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Net response or "balance" is calculated by the proportion of "ups" less "downs" on individual questions, thereby yielding the net balance. A positive balance indicates a net upward or improving trend and a minus balance a net downward or deteriorating trend.

The 254th consecutive survey was closed on Monday, 4 March 2025

A total of **415** responses were received, and provided a reasonable cross–section of Australian manufacturing in respect of industry groups and size of operation.

The next survey will be conducted over May and June 2025.

Key survey results

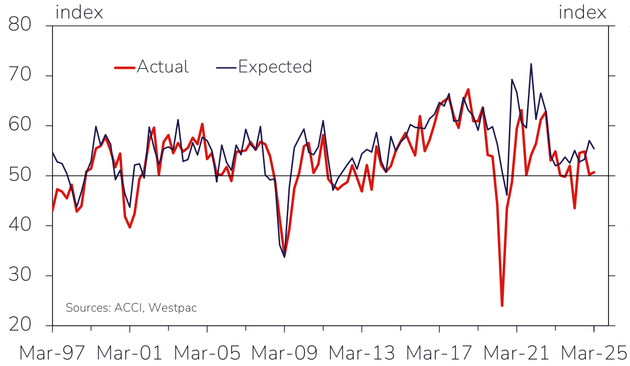
Westpac–ACCI Composites (seasonally adjusted)

	Q4 2024	Q1 2025
Actual – composite index	50.2	50.7
Expected – composite index	57.1	55.4

- The Westpac-ACCI Actual Composite edged slightly higher entering 2025, from a broadly neutral reading of 50.2 in Q4 to a slightly expansionary reading of 50.7 in Q1.
- The underlying drivers of the improvement were a pick-up in new orders and output, an encouraging sign of firming demand. Meanwhile, measures pertaining to the labour market (employment and overtime) remained weak.
- The Expected Composite pared back from a very strong print at year-end, falling from 57.1 to 55.4. There remains questions about whether these optimistic expectations can be fully realised given the wide range of uncertainties that still cloud the domestic and global economic outlook.

Westpac-ACCI Composite indexes

Actual & expected, sa

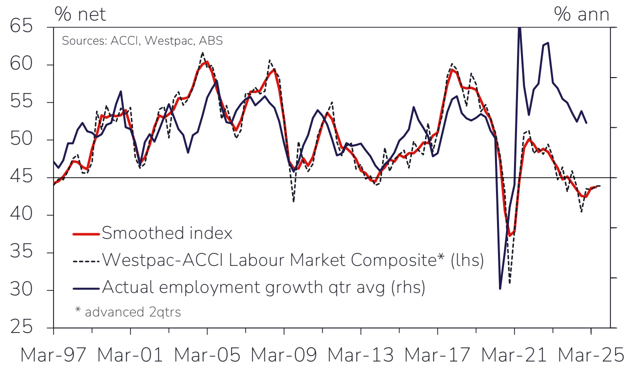


Westpac–ACCI Labour Market Composite

	Q4 2024	Q1 2025
Composite index	43.9	43.9

- Historically, the survey has provided insights into economy-wide employment growth, highlights the linkages between manufacturing sector and the broader economy.
- More recently, the Composite has undershot nationwide employment growth, reflecting the two-speed nature of growth across the economy. This has driven very strong gains in employment growth in the care economy, while other industries, including manufacturing, have contended with sluggish private demand and issues around the availability of skilled labour.
- There was no change to the Labour Market Composite at the start of the year, holding steady at 43.9. This stabilisation is broadly consistent with trends in official data.

Labour composite & employment trends



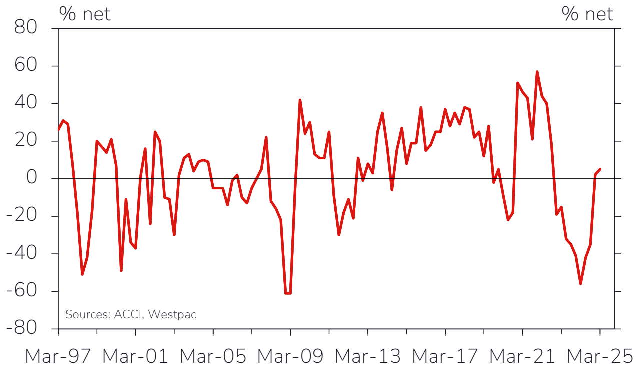
General business situation

	Q4 2024	Q1 2025
Net balance	2	5

- This time last year, manufacturers were deeply pessimistic around the general business outlook, as the impact of weaker demand, rising cost pressures and elevated interest rates worked its way through the sector.
- Sentiment has exhibited an encouraging rebound over the past six months and remained in positive territory in March, with a net 5% of respondents expecting the general business situation to improve over the next six months.
- Amid an increasingly uncertain backdrop for global growth and policy, manufacturers are cueing off what looks to be firming prospects for a recovery in the local economy. Tax cuts, a further easing in inflation and the start of the RBA's easing cycle are expected to stimulate demand while cost pressures on businesses will also continue to moderate.

General business situation

Next six months

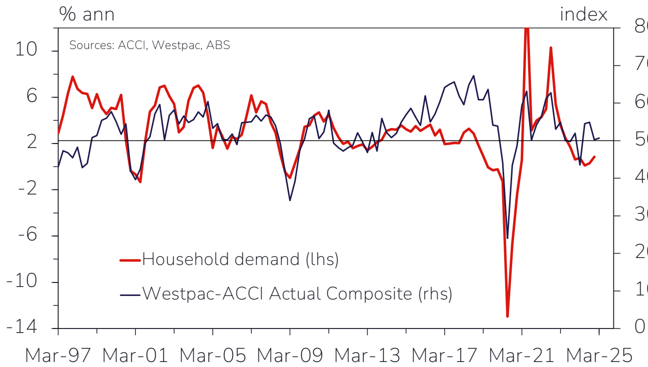


The business cycle & economic outlook

Manufacturing & the business cycle

- The Westpac-ACCI Actual Composite has a solid track record of predicting near-term domestic economic conditions and identifying turning points in the cycle.
- The Q4 National Accounts confirmed that the Australian economy is starting to recover after a prolonged period of sluggish growth. In this context, manufacturers are facing a constructive outlook against a still challenging backdrop. Nonetheless, the recovery in private demand is still likely to be subdued and possibly uneven. Households appear to be focused on rebuilding savings buffers after having experienced sharp declines in real per capita incomes over recent years.
- The manufacturing sector also continues to face several headwinds, particularly around the availability of labour and lingering cost pressures. For certain sub-sectors, the impact of US tariffs on global trade networks is an added obstacle, adding uncertainty to investment plans.

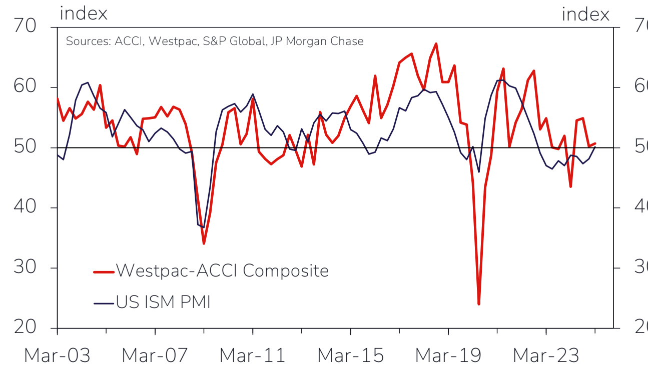
Manufacturing & the business cycle
Westpac-ACCI Composite & household demand



Australian & World manufacturing surveys

- Global and Australian manufacturing cycles tend to be synchronised, especially at major turning points. The Westpac-ACCI Actual Composite typically moves in line with global manufacturing conditions.
- Nonetheless, as we flagged last year, there has and will likely continue to be a greater degree of cross-country variation within manufacturing over the coming period given the uncertainties around global trade dynamics.
- In the US, the ISM PMI continued to make-up ground into the new year, recovering to a broadly neutral level of 50.3 as of February. Meanwhile in Europe, the S&P Global PMI suggests the manufacturing sector has been stuck in contractionary territory, currently at 47.6. China's Caixin PMI has held up a little better, still in expansionary at 50.8.

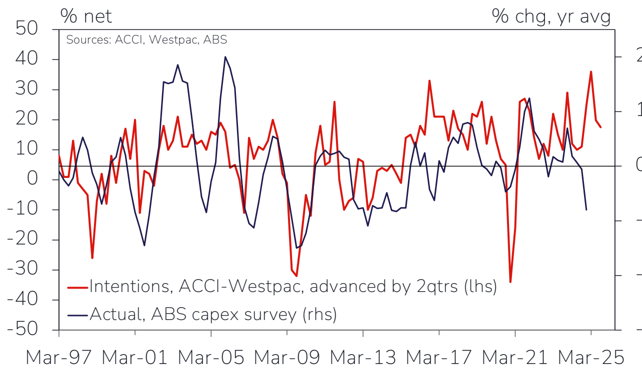
Australian & US manufacturing surveys
Westpac-ACCI & ISM PMI indexes



Manufacturing & business investment

- The ACCI-Westpac survey has historically provided a broad gauge on equipment spending trends in the manufacturing sector.
- Recently, investment intentions in this survey have overshot actual investment in the manufacturing sector. According to official data, equipment spending fell back sharply over last year, slowing to a year-average pace of –8.0%yr. Official data is prone to significant swings even after smoothing; despite having grown in five out of eight quarters, a few interspersed quarters of significant declines have driven down the growth rate in equipment investment.
- While there still looks to be some drive to expand capacity, domestic factors – such as the recovery in consumer demand and an upcoming federal election – combined with a greater degree of uncertainty on the global outlook are likely contributing to a moderation in spending plans.

Manufacturing equipment investment
Intentions (survey) vs actuals (ABS data)



Activity & orders

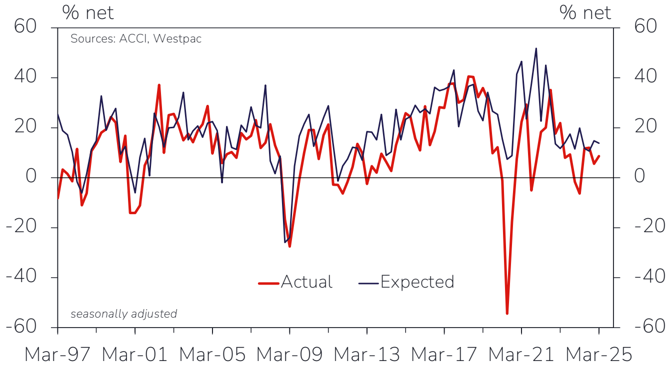
Output (seasonally adjusted)

	Q4 2024	Q1 2025
Actual – net balance	6	9
Expected – net balance	15	14

- The survey reports there was a slight pick-up in output growth moving into the new year, with a net 9% of firms reporting an increase in Q1, up from a net 6% in Q4.
- The latest increase in output coincided with a lift in new orders, no change in the order backlog and an up-tick in inventory stocks. Together, this suggests that firms are currently well positioned to handle a steady recovery in consumer demand, provided they find scope to expand the size of the workforce as anticipated.
- Expectations were broadly unchanged, with a net 14% of respondents anticipating an improvement in output growth over the next three months, similar to what was seen over the course of last year.

Output growth

Actual & expected



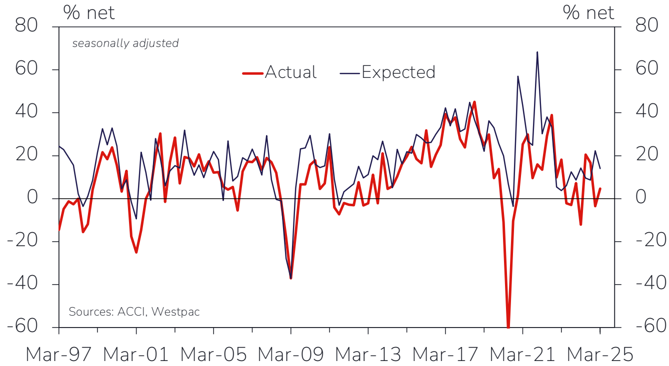
New orders (seasonally adjusted)

	Q4 2024	Q1 2025
Actual – net balance	–4	5
Expected – net balance	22	14

- Growth in new orders managed to recover from a soft finish last year, with a net 5% reporting an increase in Q1.
- The net balance measure provides us with a sense of direction rather than scale, and the latest results are consistent with the gradual recovery in domestic demand currently taking hold, mirroring the trends in official data.
- That said, manufacturers did recalibrate their expectations down from last quarter, with a net 14% anticipating an increase over the next three months compared to 22% previously.

New orders

Actual & expected



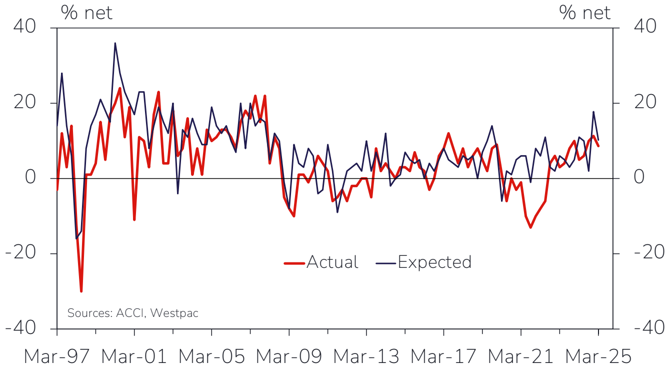
Exports

	Q4 2024	Q1 2025
Actual – net balance	11	9
Expected – net balance	18	10

- Exports remained positive over the opening quarter, with a net 9% of firms reporting an increase.
- Meanwhile, as experienced globally, the highly uncertain outlook for trade given the prospect of wider US tariffs, saw manufacturers pull back their expectations for exports ahead. Still, it remained in positive territory.
- The US is only responsible for around 3% of Australia's export earnings, most of which is agricultural goods, but certain manufacturing sub-sectors may be more exposed to the broader shifts in trade dynamics. Whatever impact that may eventuate will depend on the specific shape of the tariff policy, how trade networks redirect in response, and the cushioning effect provided by the exchange rate.

Export deliveries

Actual & expected



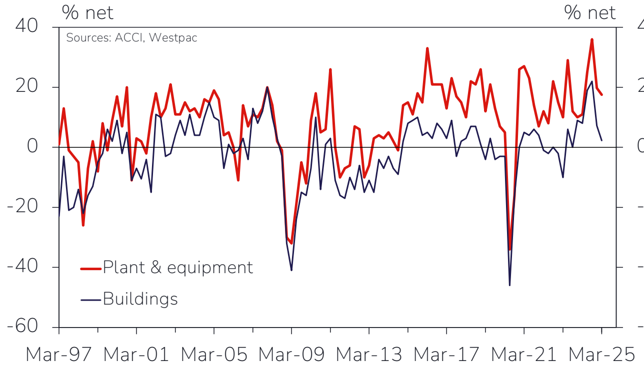
Investment & profitability

Investment intentions

	Q4 2024	Q1 2025
Plant & Equipment – net balance	20	18
Building – net balance	7	2

- Investment intentions continue to pull back from recent highs, with investment in buildings remaining much softer than in plant/equipment.
- On balance, a net 18% of firms intend to increase plant/equipment spending over the next twelve months, while only a net 2% are looking to increase building investment.
- A large proportion of firms still look to increase equipment investment to build capacity (39%). However, this quarter saw a larger proportion of firms looking to reduce investment (22%). This is likely due to uncertainties around the domestic and global outlook, a theme consistent with official data.

Investment intentions
Next twelve months

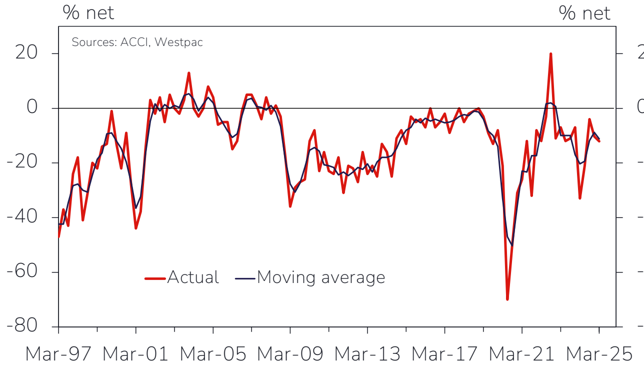


Capacity utilisation

	Q4 2024	Q1 2025
Net balance	–10	–12

- Capacity utilisation in the manufacturing sector continues to exhibit a trend easing, moving closer to its pre-pandemic 'norm'.
- The latest survey suggests that most firms are still operating at average levels of capacity. However, on either side, there were fewer firms operating at above-average capacity (21% to 17%) and at below-average capacity (32% to 29%), resulting in a net 12% reporting underutilisation.
- Firms still report difficulties in sourcing skilled labour and materials, suggesting that supply-side issues are still impacting the ability of some firms to operate at capacity. Looking ahead, the trend in new orders will be key.

Capacity utilisation

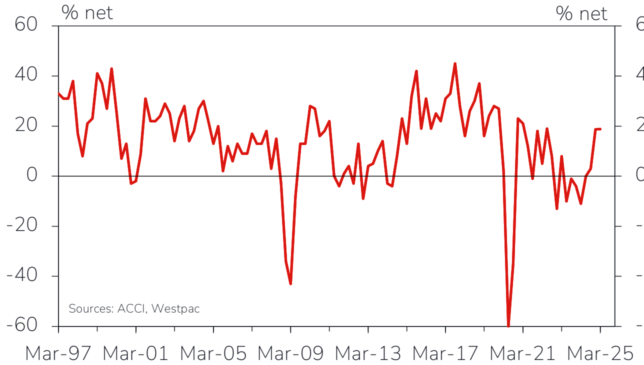


Profit expectations

	Q4 2024	Q1 2025
Net balance	19	19

- Unchanged from last quarter, firms expect that 2025 will be a better year for profits, with a net 19% of firms anticipating an increase in profits over the coming year, in line with the survey's long-run average dating back to 1988.
- Based on responses across other areas of the survey, manufacturers see a sustainable recovery in consumer demand taking hold this year that is expected to drive an improvement in turnover.
- However, margins have been under pressure for some time, reflecting still-elevated unit cost pressures and relatively little scope for manufacturers to pass on increased costs, suggesting the recovery in profits may be more gradual.

Profit expectations
Next twelve months



The labour market

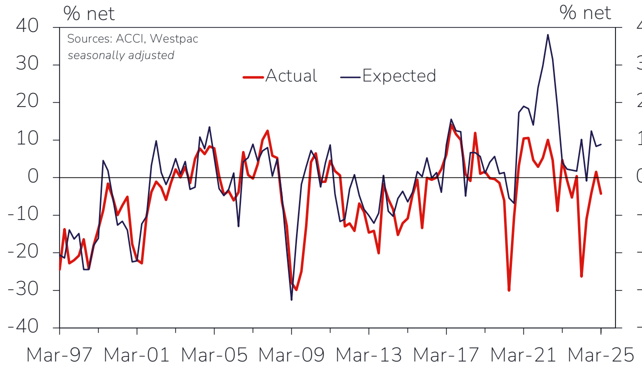
Numbers employed (seasonally adjusted)

	Q4 2024	Q1 2025
Actual – net balance	2	–4
Expected – net balance	8	9

- Employment dynamics in the manufacturing sector remain lacklustre, with a net 4% of firms reporting a decrease in the size of their workforce at the start of the year.
- This marks a continuation of a weak trend over the past two years, with manufacturers having little appetite, nor ability, to expand the size of their workforce against the backdrop of weak consumer demand.
- While it is encouraging to see expectations remain positive, with a net 9% anticipating an increase over the next three months, it remains an open question whether these expectations can be met. Even if demand were to recover at a faster pace, sourcing skilled labour remains a challenge.

Numbers employed

Actual & expected



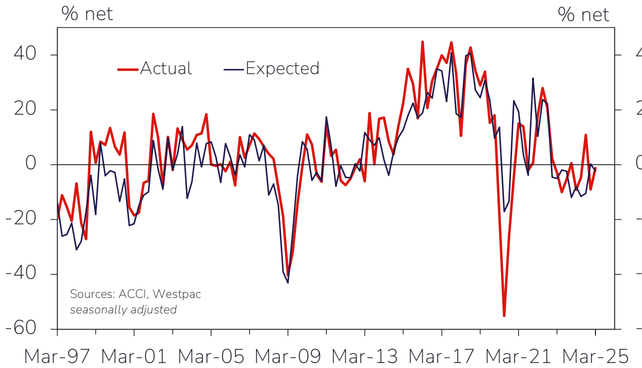
Overtime worked (seasonally adjusted)

	Q4 2024	Q1 2025
Actual – net balance	–9	–1
Expected – net balance	0	–2

- At the margin, firms slightly pulled back on their use of overtime in the quarter, with only a net 1% of respondents reporting a decrease in overtime, meeting manufacturers' own expectations from the prior quarter.
- Over the business cycle, firms often utilise overtime to quickly respond to shifts in demand conditions. In recent quarters, manufacturers sought to reduce overtime as firms felt they already had enough capacity given sluggish demand and only a modest lift in new orders in the latest quarter.
- Overtime expectations remain soft but not nearly as weak as over last year. A net 2% of firms anticipate a decrease in overtime over the next three months.

Overtime worked

Actual & expected

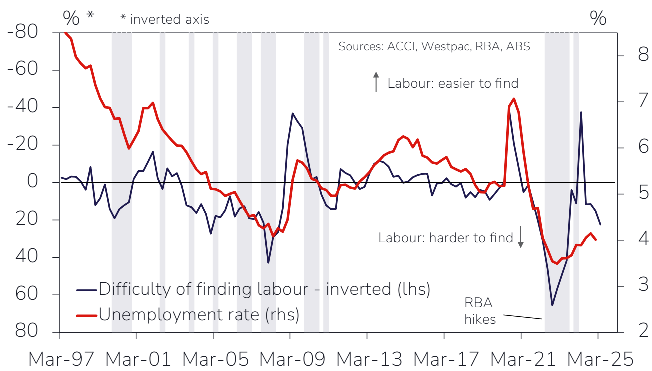


Difficulty of finding labour (seasonally adjusted)

	Q4 2024	Q1 2025
Net balance	15.2	22.4

- The survey provides insights into the tone of the overall labour market. Firms' views on the difficulty of finding labour broadly tracks shifts in the unemployment rate for the Australian economy in the long-run.
- In the latest quarter, manufacturers reported another moderate increase in the difficulty to find labour, with a net 22.4% indicating that labour was "harder to find" than it was three months ago.
- Our survey highlights that labour market dynamics are distinct across the economy – while labour availability has improved in aggregate following the surge in population growth, certain industries, such as manufacturing, continue to face difficulties in sourcing skilled labour.

Labour market tightness



Prices & inflation

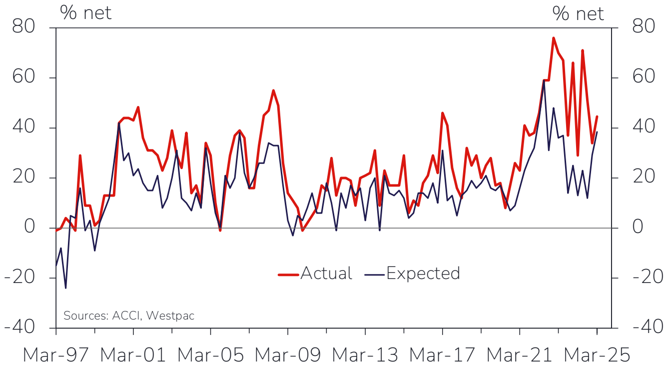
Average unit costs

	Q4 2024	Q1 2025
Actual – net balance	34	45
Expected – net balance	29	38

- The latest survey finds that manufacturers continued to face elevated cost pressures at the start of the year, with a net 45% reporting a rise in average unit costs, up from a net 34% in the prior quarter.
- Greater volatility has made it more difficult to assess underlying trends on a quarter-to-quarter basis. After smoothing using a year-average measure, we find that the average cost pressures remain intense, with an average net 50% reporting an increase, the same as this time last year.
- Manufacturers remain understandably circumspect on the outlook for costs given recent experience, with a net 38% of firms anticipating an increase in average costs over the next three months, up from a net 29% last quarter.

Average unit costs

Actual & expected

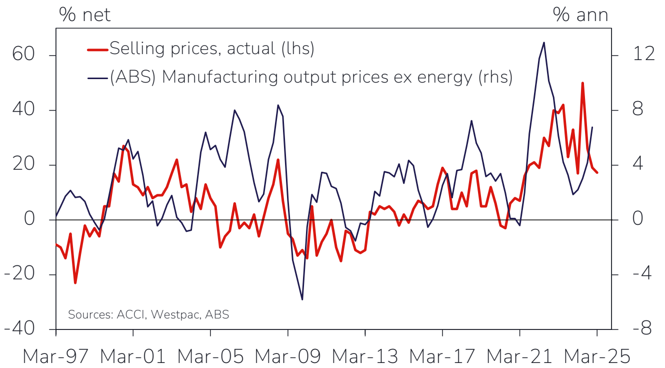


Average selling prices

	Q4 2024	Q1 2025
Actual – net balance	19	17
Expected – net balance	24	28

- Despite an up-tick in unit cost pressures, the proportion of firms reporting an increase in selling prices eased modestly, down from a net 19% in Q4 to a net 17% in Q1.
- That proportion is well below the net 45% reporting a rise in average costs over the same period, highlighting that manufacturers have little scope to pass on rising costs to customers, implying margins continue to be squeezed.
- The lift in selling price expectations was also not commensurate to the lift in cost pressure expectations, implying that this dynamic is set to persist moving forward. A net 28% of firms anticipate a rise in prices over the next three months.

Manufacturing upstream price pressures

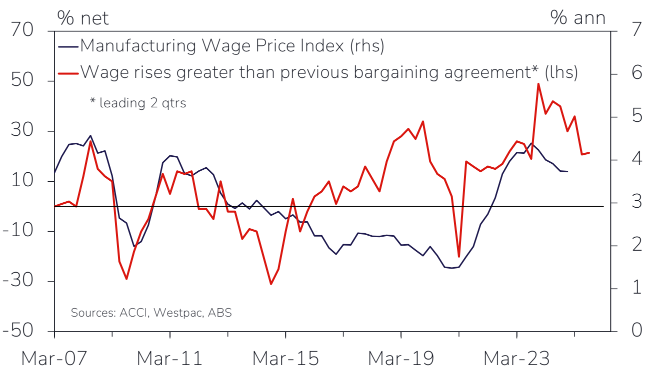


Manufacturing wages

	Q4 2024	Q1 2025
Net balance	21	21

- In March, a net 21% of manufacturers expect their next enterprise wage agreement to deliver an outcome above their last, holding steady from December but down notably from the net 40% reported a year ago.
- Labour market conditions have eased slightly, and firms have accordingly adjusted their expectations. However, firms are still somewhat concerned over future upward pressure on wages as shortages of skilled labour continue to loom.
- This is consistent with official data on wages in the sector. The ABS reports manufacturing wages growth eased only slightly from 3.8%yr to 3.7%yr, with the sector now running at the third-hottest pace across the economy.

Manufacturing wage growth



Factors limiting production

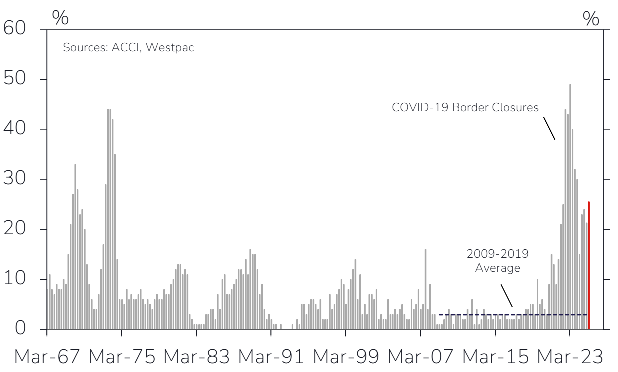
Factors limiting production

- "Orders" remain the number one factor that is most limiting production, however at 39%, it leads by a far narrower margin than what has been seen historically, suggesting other factors remain front-of-mind for manufacturers.
- That is especially true for "labour", cited by 26% of firms as the largest relative constraint, the highest since Q4 2023 and still notably above the 2009-19 average of 3%, pointing to lasting issues around skilled labour shortages.
- "Finance" remains an important concern in the current high interest rate environment, holding at 10%. This is consistent with firms reporting finance was more difficult to obtain now vs three months ago, seen in the bottom-right chart.
- At 8%, "materials" are still viewed as a constraint on production relative to pre-pandemic norms (2%), flagging that the lingering repercussions of intense supply-side disruptions after the pandemic.

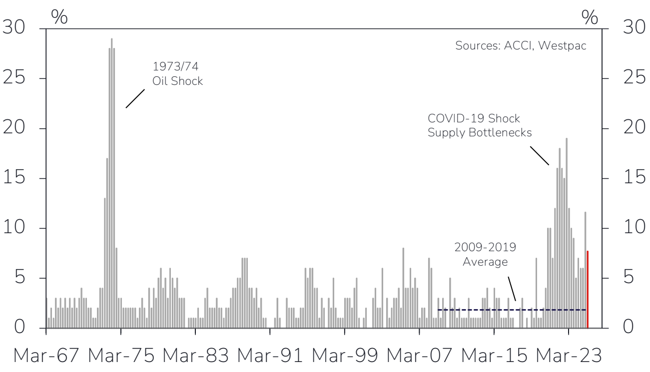
Key factors limiting production

	Q3 2024	Q4 2024	Q1 2025
Orders (%)	43	38	39
Capacity (%)	8	6	8
Labour (%)	24	21	26
Finance (%)	0	10	10
Materials (%)	6	12	8
Other (%)	2	6	5
None (%)	17	6	4

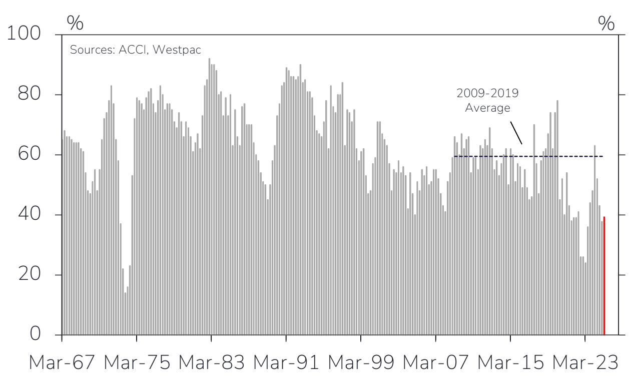
"Labour": single most limiting factor



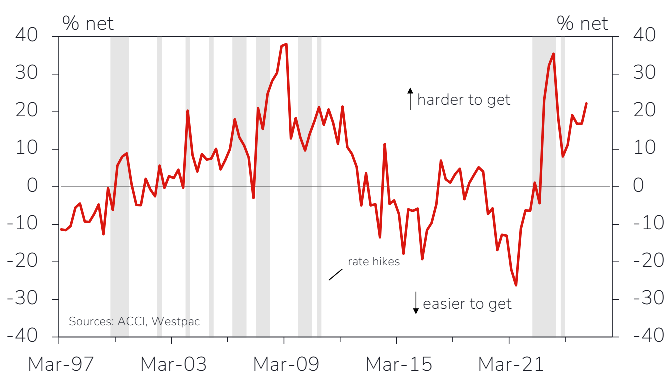
"Materials": single most limiting factor



"Orders": single most limiting factor



Difficulty in obtaining finance (seasonally adjusted)



Summary of results (not seasonally adjusted)

1. Do you consider that the general business situation in Australia will improve, remain the same, or deteriorate in the next six months?

Net balance	Improve	Same	Deteriorate
5	30	45	25

2. At what level of capacity utilisation are you working?

Net balance	Above Normal	Normal	Below Normal
–12	17	55	29

3. What single factor is most limiting your ability to increase production?

None	4	**Orders**	39
Materials	8	**Finance**	10
Labour	26	**Capacity**	8
Other	5		

4. Do you find it is now harder, easier, or the same as it was three months ago to get:

		Net balance	Harder	Same	Easier
(a)	labour?	17	32	54	15
(b)	finance?	21	28	66	7

5. Do you expect your company's capital expenditure during the next twelve month to be greater, the same, or less than the past year:

		Net balance	Greater	Same	Less
(a)	on buildings?	2	27	48	25
(b)	on plant & machinery?	18	39	39	22

Excluding normal seasonal changes, what has been your company's experience over the past three months & what changes do you expect during the next three months in respect of:

	Change in position in the last three months				*Expected change during the next three months*			
	Net balance	Up	Same	Down	Net balance	Up	Same	Down
6. Numbers employed	–5	17	60	22	10	27	55	18
7. Overtime worked	–5	26	44	30	0	24	52	24
8. All new orders received	1	27	47	26	19	37	45	18
9. Orders accepted but not yet delivered	–5	17	61	22	10	26	58	16
10. Output	–1	24	51	25	23	38	47	15
11. Average costs per unit of output	45	52	41	7	38	46	46	8
12. Average selling prices	17	32	54	15	28	38	52	10
13. Export deliveries	9	28	53	19	10	29	53	19
14. Stock of raw materials	3	24	55	21	11	27	56	17
15. Stocks of finished goods	4	25	55	21	15	31	53	16

Summary of results (not seasonally adjusted)

16. Over the next twelve months do you expect your firm's profitability to:

(a) Improve?	43
(b) Remain unchanged?	33
(c) Decline?	24
Net balance	19

17. Do you expect your firm's next wage enterprise deal will produce annual rises which vis–a–vis the previous deal are:

(a) Greater?	36
(b) Same?	49
(c) Less?	15
Net balance	21

A. Industry profile of survey:

	(% of respondents)
Food Product Manufacturing	19
Beverage and Tobacco Product Manufacturing	5
Textile, Leather, Clothing and Footwear Manufacturing	4
Wood Product Manufacturing	4
Pulp, Paper and Converted Paper Product Manufacturing	4
Printing (including the Reproduction of Recorded Media)	4
Petroleum and Coal Product Manufacturing	3
Basic Chemical and Chemical Product Manufacturing	4
Polymer Product and Rubber Product Manufacturing	10
Non-Metallic Mineral Product Manufacturing	4
Primary Metal and Metal Product Manufacturing	10
Fabricated Metal Product Manufacturing	5
Transport Equipment Manufacturing	12
Machinery and Equipment Manufacturing	9
Furniture and Other Manufacturing	1
Other	0

B. How many employees are covered by this return?

1–100	101–200	201–1000	Over 1000
71	9	9	11

C. In which state (or states) is the main production to which this return relates? *

WA	SA	VIC	NSW	QLD	TAS	ACT/NT
13	10	38	39	23	5	6

In Questions 1–17, non-responses are excluded from net balance calculations and note that percentages might not add up to 100% due to rounding.
* In the state breakdown, note that percentages might not add up to 100% due to overlap.

The Westpac–ACCI Composite Indices

The Westpac–ACCI Actual and Expected Composite indices are weighted averages of the activity measures in the survey. The weights are as follows: employment 20%; new orders 30%; output 25%; orders accepted but not delivered 15%; overtime 10%.

The Westpac–ACCI Labour Market Composite is a function of actual employment, with a weight of almost 50%, as well as: expected employment; expected overtime; new orders; order backlog; and expected order backlog.

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