ACCI–Westpac Survey of Industrial Trends

Australian Chamber of Commerce and Industry & Westpac Banking Corporation

255th report June 2025 (survey conducted from 28 April to 2 June 2025)

- Manufacturing conditions continued to move higher into mid-year, with the Westpac-ACCI Actual Composite lifting to 51.6 from 50.8 in March. The gradual improvement in new orders and stable, but positive, output growth were key to the result. However, conditions for employment and overtime remain soft.
- The production sub-component suggests that the recovery in private sector demand likely remained lukewarm in Q2. Notably, households remain cautious while business investment intentions, at least outside of the manufacturing sector, have been soft.
- Notwithstanding the economic backdrop, manufacturers have become far more optimistic on the prospect for recovery. The Westpac-ACCI Expected Composite bounced from 55.6 in Q1 to 59.3 in Q2, largely on the expectation that new orders will grow strongly in Q3 leading to an increase in manufacturing output, employment and overtime. With inflation back in the target range and interest rates slowly coming off earlier highs, manufacturers have grown more confident that household demand will improve.
- As a result, the overall mood about the general business outlook for the next six months has also moved decisively into optimistic territory. The number of firms expecting an improvement outnumbered those expecting a deterioration by a net 22%. This marks a stellar turnaround from the deep pessimism observed this time last year. This is also an encouraging result in the context of heightened uncertainty with regards to global trade and growth, with Australia being a relatively small target of US tariff policy, at least for now.
- Manufacturers' are also reporting a trend easing in unit cost pressures, albeit from prior historic highs. Once smoothed on a year-average basis, a net 41% of respondents reported an increase in unit cost pressures in Q2 – while still a multiple of the pre-pandemic average, it is the lowest result recorded on this measure since the onset of the post-pandemic cost shock.
- Still, firms are evidently struggling to meet their own expectations when it comes to increasing the size of their workforce, with a net 4% of manufacturers reporting a decline in headcount in the latest quarter. Respondents still clearly cite ongoing concerns with the availability of skilled labour. A net 14.1% cited labour as "harder to find" now versus three months ago. While down from the last survey, 20% of respondents continue to cite it as the single factor most limiting production.
- There remains questions over the ability for firms to respond to a further lift in demand. Indeed, in response to the gradual lift in new orders, firms reported a notable increase in capacity utilisation in the June quarter, and there is an increasing share of firms noting it as a constraint to production.
- Against this backdrop of an expected recovery in demand and tight capacity, manufacturers are looking to invest with a greater degree of confidence. A net 27% of respondents indicated they are seeking to increase plant and equipment investment over the coming year, while a net 10% indicated they are planning on increase building investment.

Contents

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This report was finalised on 20 June 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 255th consecutive survey was closed on Monday, 2 June 2025

A total of **401** 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 August and September 2025.

Key survey results

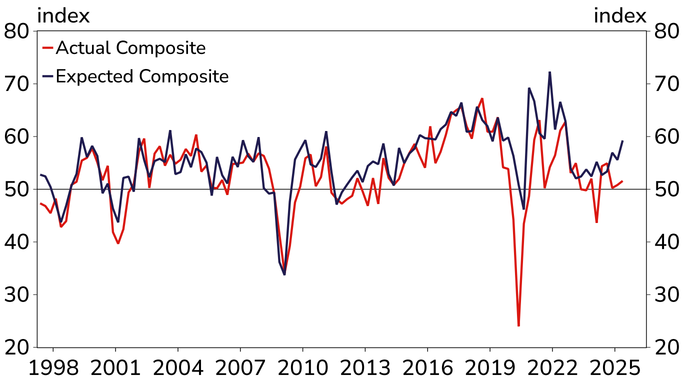
Westpac–ACCI Composites (seasonally adjusted)

	Q1 2025	Q2 2025
Actual – composite index	50.8	51.6
Expected – composite index	55.6	59.3

- The Westpac-ACCI Actual Composite continued to lift into mid-year, from a slightly expansionary reading of 50.8 in Q1 to a moderately expansionary 51.6 in Q2.
- The underlying drivers of the improvement were a pick-up in new orders and stable, but positive, output growth. Offsetting this, measures pertaining to the labour market (employment and overtime) remained weak.
- The Westpac-ACCI Expected Composite has moved firmly into optimistic territory, bouncing to 59.3 from 55.6, to be only a touch below the five-year pre-pandemic average of 61.3. This largely reflects more bullish expectations around new orders and output growth.

Westpac-ACCI Composite Indexes

Actual & Expected, Seasonally Adjusted



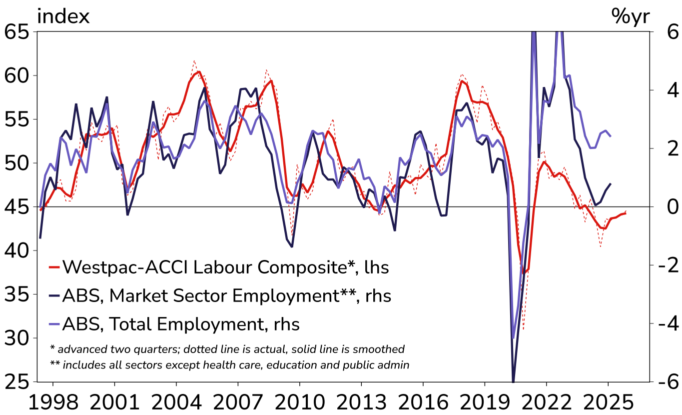
Source: ACCI, Westpac Economics, Macrobond

Westpac–ACCI Labour Market Composite

	Q1 2025	Q2 2025
Composite index	44.0	44.6

- The Labour Market Composite improved marginally, lifting to 44.6 from 44.0, reflecting a continued but modest turn-around since the start of last year.
- Official data highlights the 'two-speed' nature of the labour market over recent years. Gains in the non-market sector (driven by health care) were an immense support to total employment growth, while the market sector (driven by the private economy) cooled rapidly following the reopening.
- Given the sheer scale of this divergence, the Composite has proven to be a useful signal for market sector employment. The Composite suggests the employment recovery in this segment is likely to remain gradual over the period ahead.

Labour Composite & Employment Trends



Source: ACCI, Westpac Economics, ABS, Macrobond

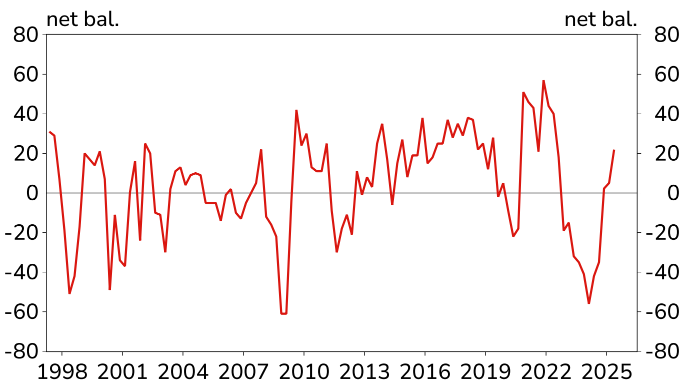
General business situation

	Q1 2025	Q2 2025
Net balance	5	22

- The rebound in manufacturing sentiment looks to have shifted into a higher gear. A net 22% of respondents expect the general business situation to improve over the next six months, up from a net 5% three months ago.
- This marks a stellar turnaround from the deep pessimism a year ago, when manufacturers were dealing with historic cost pressures and elevated interest rates.
- Manufacturers' optimism around the domestic outlook look to be outweighing concerns over the global backdrop, which is plagued by uncertainty over trade policy and geopolitical risks. Domestic policy uncertainty has also waned following the federal election result.

General Business Situation

Next six months



Source: ACCI, Westpac Economics, Macrobond

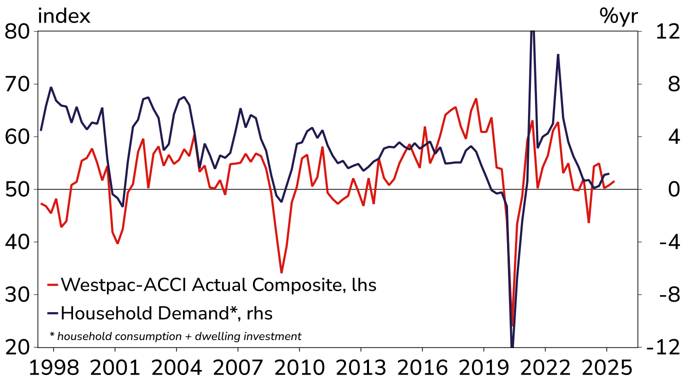
The business cycle & economic outlook

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 Q1 National Accounts confirmed the Australian economy started the year on soft footing, with the recovery in growth remaining gradual and modest. Households are looking to rebuild savings buffers rather than spend, after having experienced a severe and prolonged shock to real per capita incomes. At the same time, the public sector is looking stretched in its ability to provide as much support to economic growth as it has over recent years.
- Despite this backdrop of a 'shaky handover' of growth from the public to private sector, manufacturers are optimistic. With inflation easing and interest rates falling, we are seeing manufacturers grow more confident in the prospect of a recovery in new orders and output growth.

Manufacturing & the Business Cycle

Westpac-ACCI Composite & Household Demand



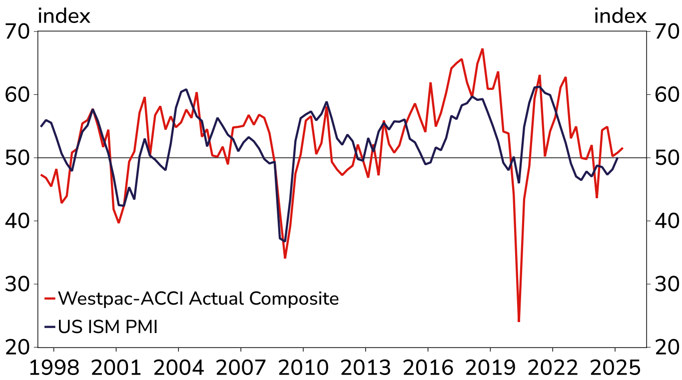
Source: ACCI, Westpac Economics, ABS, Macrobond

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 have previously flagged, 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.
- As trade tensions escalated between the US and China in May, the US ISM PMI lost momentum, falling to 48.5 – modest contractionary territory. Meanwhile, China's Caixin PMI fell sharply to 48.3 in May from expansionary territory just the month prior. In contrast, there has been some improvement in conditions in Europe, with the S&P Global PMI rising to 49.4 in May. This increase is despite still elevated global uncertainty around tariffs.

Australian & US manufacturing surveys

Westpac-ACCI & Global PMI Indexes



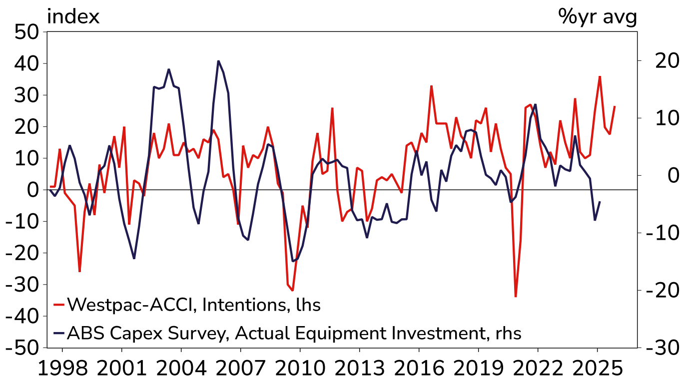
Source: ACCI, Westpac Economics, ISM, Macrobond

Manufacturing & business investment

- The ACCI-Westpac survey has historically provided a broad gauge on equipment spending trends in the manufacturing sector.
- More recently though, investment intentions reported in this survey have exceeded actual investment in the manufacturing sector. According to official data, equipment spending is beginning to recover after experiencing a sharp decline last year but remains comparatively soft. Official data is prone to significant volatility even after smoothing – just a few quarters of sharp declines have been enough to drive down the growth rate in equipment investment over the past two years.
- Manufacturers' are growing more confident in the prospect of a recovery in orders and output, which together with tighter capacity, is likely feeding into their more optimistic plans for investment in this survey.

Manufacturing Equipment Investment

Intentions (Westpac-ACCI) vs. Actuals (ABS)



Source: ACCI, Westpac Economics, ABS, Macrobond

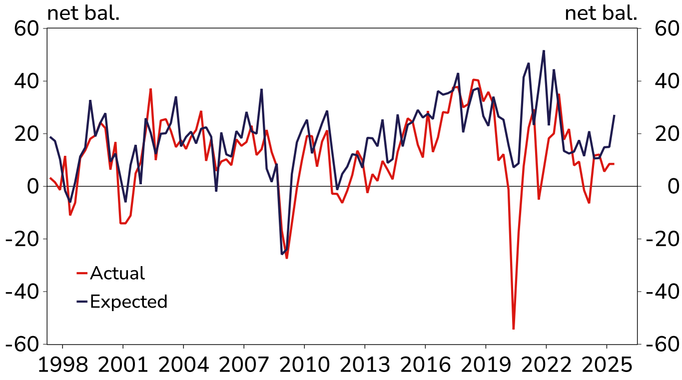
Activity & orders

Output (seasonally adjusted)

	Q1 2025	Q2 2025
Actual – net balance	9	9
Expected – net balance	15	27

- The survey reports that output growth held steady in June, with a net 9% of manufacturers' reporting an increase in Q2, the same as what was observed in Q1.
- This increase came alongside an increase in new orders, a reduction of the order backlog and a further build up of inventory stocks. This dynamic was underpinned by a notable increase in capacity utilisation.
- Expectations improved for the fourth consecutive quarter, with a net 27% anticipating an increase in output growth over the next three months. If such an increase were to materialise, it would likely require an increase in headcount and/or hours, in line with manufacturers' own expectations.

Output
Actual & Expected, Seasonally Adjusted



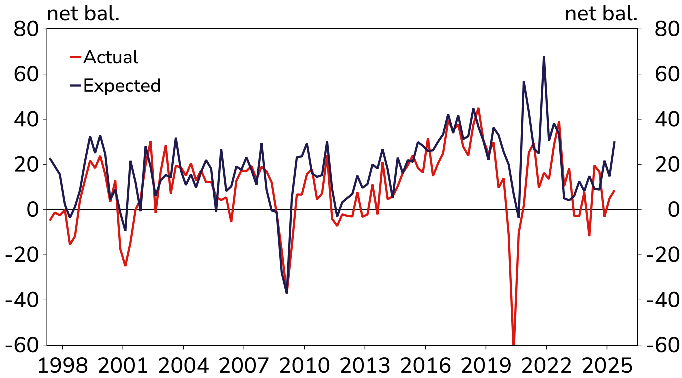
Source: ACCI, Westpac Economics, Macrobond

New orders (seasonally adjusted)

	Q1 2025	Q2 2025
Actual – net balance	5	9
Expected – net balance	15	30

- The recovery in new orders continued into mid-year, with a net 9% of respondents reporting an increase in June, up from a net 5% in March and a decline toward the end of last year.
- These results are consistent with a gradual and modest improvement in domestic demand taking hold, which is broadly reflected in official data.
- That said, manufacturers have turned very optimistic on the near-term recovery in domestic demand. A net 30% of firms anticipate an increase in new orders over the next three months. Whether these expectations can be met in full remains an open question.

New Orders
Actual & Expected, Seasonally Adjusted



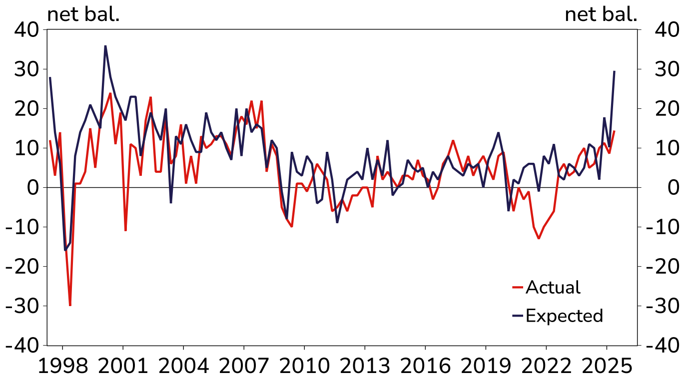
Source: ACCI, Westpac Economics, Macrobond

Exports

	Q1 2025	Q2 2025
Actual – net balance	9	14
Expected – net balance	10	30

- Manufacturers continue to report, on net, a positive view on exports despite the more challenging external backdrop over Q2. A net 14% of firms reported an increase in exports in June, up from a net 9% in March.
- Firms' near-term expectations for export orders have surged. A net 30% of respondents indicate they expect an increase in export orders over the next three months, marking the strongest read since March 2000.
- Since our last report, there has been a de-escalation from the US's initially announced tariffs. Still, they remain higher than before and the global trade backdrop is challenging Whether the scale of manufacturers' expectations can be met will depend closely on how this evolves.

Export Deliveries
Actual & Expected



Source: ACCI, Westpac Economics, Macrobond

Investment & profitability

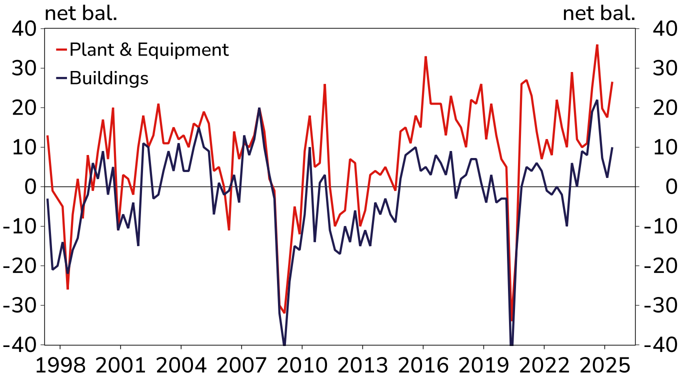
Investment intentions

	Q1 2025	Q2 2025
Plant & Equipment – net balance	18	27
Building – net balance	2	10

- Investment intentions posted a solid bounce higher moving into mid-year.
- On balance, a net 27% of firms intend to increase plant/ equipment spending over the next twelve months, while a net 10% are looking to increase building investment.
- The latest improvement was mostly driven by less firms looking to decrease investment. Still, there were also relatively more firms looking to build capacity. Overall, manufacturers are more confident on the prospect for an economic recovery – as inflation eases and interest rates are reduced further – and this looks to be feeding into investment plans. Still, there is a degree of uncertainty that looms over the strength of the recovery.

Investment Intentions

Next twelve months



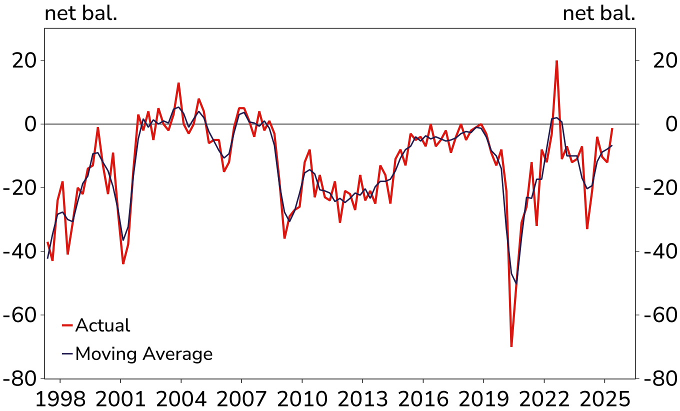
Source: ACCI, Westpac Economics, Macrobond

Capacity utilisation

	Q1 2025	Q2 2025
Net balance	–12	–1

- The mix of continued growth in output and new orders, alongside further declines in employment and overtime, drove a bounce in capacity utilisation.
- In the latest survey, there were fewer firms operating at below-average capacity (29% to 20%) and slightly more firms operating at above-average capacity (17% to 19%), resulting in a mere net 1% reporting underutilisation.
- Firms continue to 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. Trends in new orders will be key, especially if manufacturers' latest expectations come to fruition.

Capacity Utilisation



Source: ACCI, Westpac Economics, Macrobond

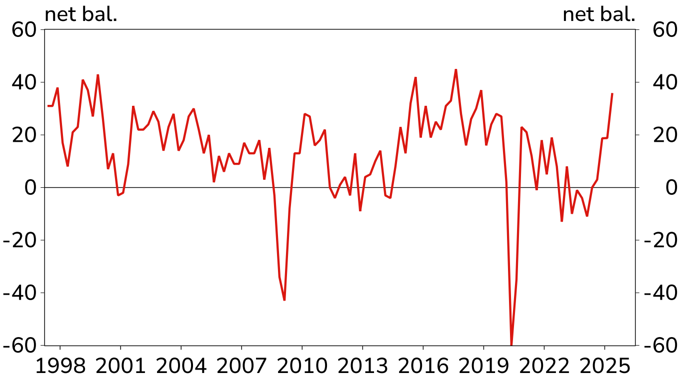
Profit expectations

	Q1 2025	Q2 2025
Net balance	19	36

- Firms have become increasingly confident on the year-ahead outlook for profits, with a net 36% of firms anticipating an increase in profits. This is the highest result since December 2018 and well above the survey's long-run average.
- Based on responses across other areas of the survey, manufacturers have become far more optimistic on the outlook for domestic demand, which is expected to drive an improvement in turnover.
- A key question is whether activity meets these expectations, given recent outcomes have tended to undershoot. Additionally, there remains some concerns over lingering cost pressures and margin squeeze, which may temper the pace and scale of recovery in profits.

Profit Expectations

Next twelve months



Source: ACCI, Westpac Economics, Macrobond

The labour market

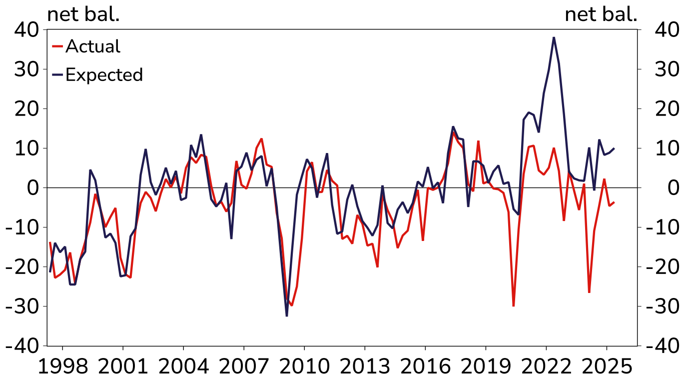
Numbers employed (seasonally adjusted)

	Q1 2025	Q2 2025
Actual – net balance	–5	–4
Expected – net balance	9	10

- Employment dynamics in the manufacturing sector remain weak. A net 4% of firms reported a decrease in the size of their workforce in Q2 2025.
- Following a prolonged period of elevated cost pressures, margin squeeze and sluggish demand, manufacturers have reduced headcount. Moreover, even where they have tried to expand the size of their workforce there have been challenges in finding skilled labour.
- While it is encouraging to see expectations remain positive – broadly stable at a net 10% anticipating an increase over the next three months – these expectations have not been meet over recent quarters, with difficulty in finding labour still a lingering issue.

Numbers Employed

Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

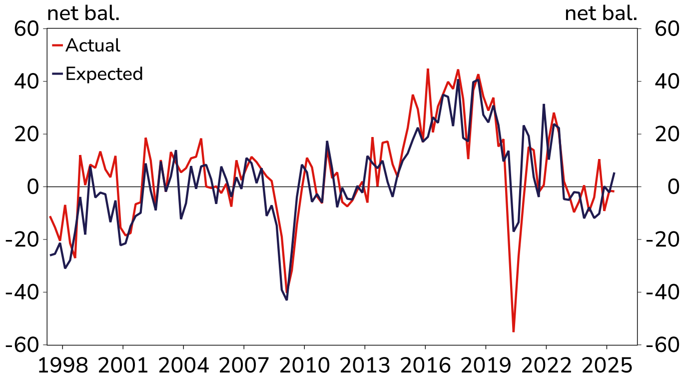
Overtime worked (seasonally adjusted)

	Q1 2025	Q2 2025
Actual – net balance	–2	–2
Expected – net balance	–2	5

- Manufacturers continued to gradually reduce their use of overtime in the latest quarter, with a net 2% of firms reporting a decrease in overtime, the same as last quarter's actual result and expectation of respondents.
- Over recent quarters, manufacturers have been reporting reductions in overtime despite continued, but modest, growth in new orders. This suggests that firms assess they have enough capacity to respond to demand at the moment.
- However, with both new orders and output expected to rise solidly next quarter, manufacturers anticipate that an increase in overtime will be needed, with a net 5% of respondents anticipating a lift in the next three months.

Overtime Worked

Actual & Expected, Seasonally Adjusted



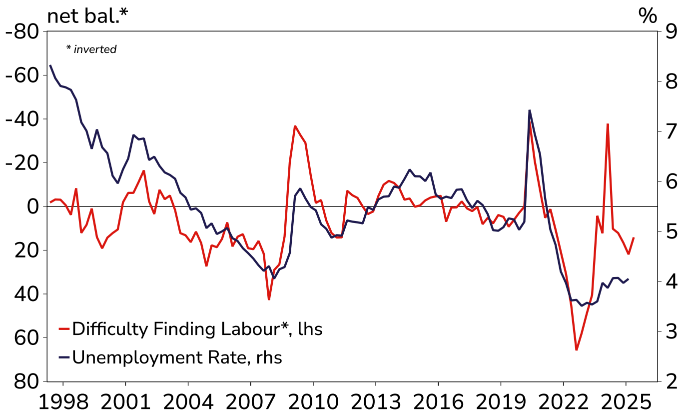
Source: ACCI, Westpac Economics, Macrobond

Difficulty of finding labour (seasonally adjusted)

	Q1 2025	Q2 2025
Net balance	21.9	14.1

- 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 continued to report difficulty in sourcing labour. However, there is some evidence that these pressures may be easing. A net 14.1% indicated it was "harder to find" versus three months ago.
- Our survey highlights that labour market dynamics remains distinct across the economy. At the same time as non-market sector employment growth booms – dominated by the health care industry – shortages of skilled labour remain front-of-mind for manufacturers.

Labour Market Tightness



Source: ACCI, Westpac Economics, ABS, Macrobond

Prices & inflation

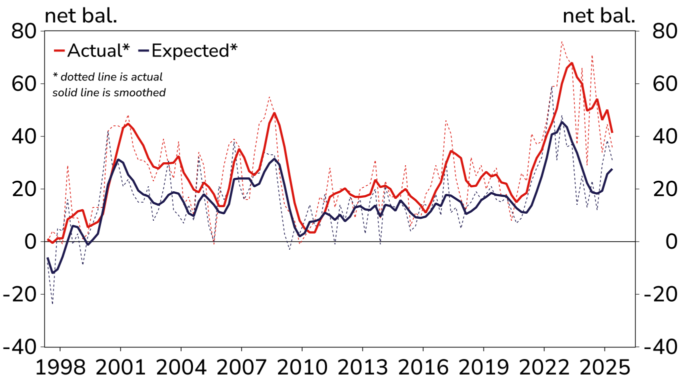
Average unit costs

	Q1 2025	Q2 2025
Actual – net balance	45	36
Expected – net balance	38	31

- The latest survey provided a more encouraging read on unit cost pressures. In June, a net 36% of firms reported a rise, below the net 45% from the prior quarter.
- After smoothing using a year-average measure, we find that the net balance of firms reporting rising average cost pressures has moved to its lowest reading since the onset of the post-pandemic inflation shock, currently at a net 41%. However, this is still above the pre-pandemic average pace.
- Manufacturers remain circumspect on the outlook given recent experience, with a net 31% of firms anticipating an increase in average costs over the next three months – though this is an improvement on last quarter's net 38%.

Average Unit Costs

Actual & Expected



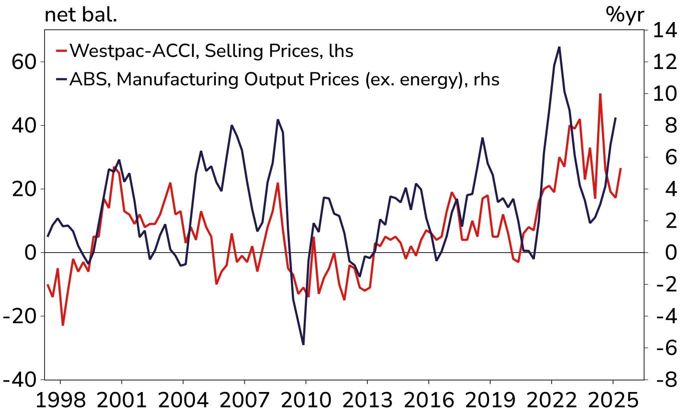
Source: ACCI, Westpac Economics, Macrobond

Average selling prices

	Q1 2025	Q2 2025
Actual – net balance	17	27
Expected – net balance	28	31

- The proportion of firms reporting an increase in selling prices rose into mid-year, from a net 17% in Q1 to a net 27% in Q2. This broadly met expectations from respondents last quarter, as did the result around cost pressures.
- Manufacturers have experienced a prolonged period of margin squeeze amid intense cost pressures, to which lingering uncertainty over how long it will persist remains. In this environment, manufacturers continue to increase their selling prices.
- A net 31% of firms anticipate a rise in prices over the next three months, matching the net proportion anticipating an increase in unit costs over the same period.

Manufacturing Upstream Price Pressures



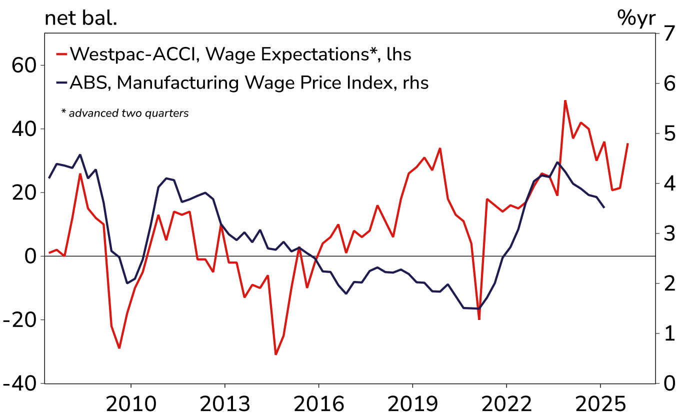
Source: ACCI, Westpac Economics, ABS, Macrobond

Manufacturing wages

	Q1 2025	Q2 2025
Net balance	21	36

- In June, a net 36% of manufacturers indicated they expect their next enterprise wage agreement to deliver an outcome higher than previously.
- This represents a notable uptick from the net 21% observed over the previous six months suggesting firms are still somewhat concerned over future upward pressure on wages amid lasting shortages of skilled labour.
- Official data on wage growth trends in the manufacturing sector reflects a continued easing, although it is relatively gradual. Wages growth is printed 3.5%yr pace in Q1, which is currently the second-highest out of similar industries within the goods production space.

Manufacturing Wage Growth



Source: ACCI, Westpac Economics, ABS, Macrobond

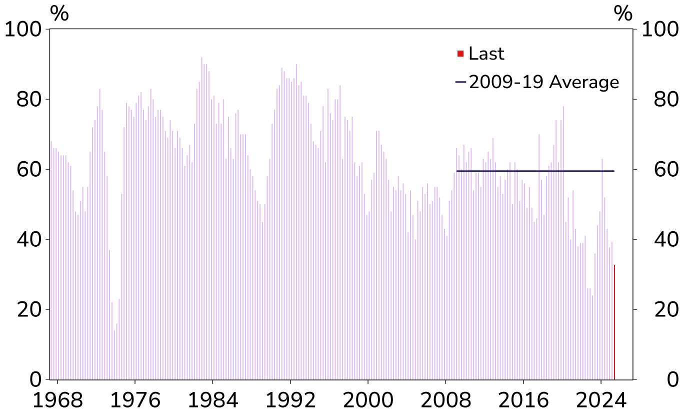
Factors limiting production

- "Orders" remain the number one factor that is most limiting production, but at 33%, it leads by a far narrower margin than what has been seen historically, suggesting other factors remain front-of-mind for manufacturers.
- "Labour" remains a key factor, cited by 20% of firms as the largest relative constraint, well above the 2009-19 average of 3%. Issues around skilled labour shortages continue to loom, as evinced by the 'difficulty of finding labour'.
- "Capacity" emerged as an important concern of late, with 12% citing it as the most limiting factor, highlighting the difficulty in managing the recovery in orders amid intense and lingering labour shortages.
- At 9%, it is notable that "materials" is still viewed as a constraint on production relative to pre-pandemic norms (2%), flagging the risk of lingering supply-side issues.

Single factor most limiting production

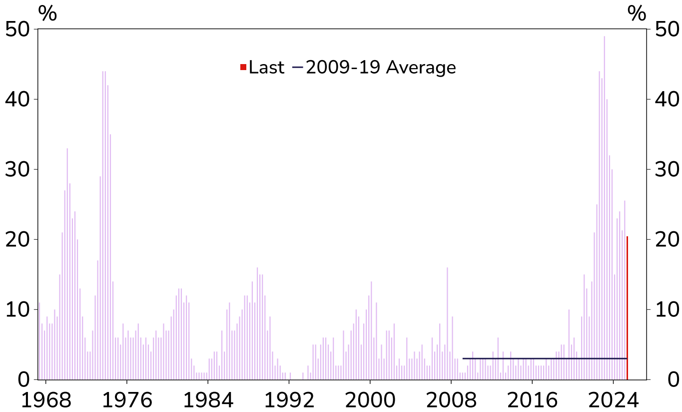
	Q4 2024	Q1 2025	Q2 2025
Orders (%)	38	39	33
Capacity (%)	6	8	12
Labour (%)	21	26	20
Finance (%)	10	10	14
Materials (%)	12	8	9
Other (%)	6	5	4
None (%)	6	4	7

Factors Limiting Production: Orders



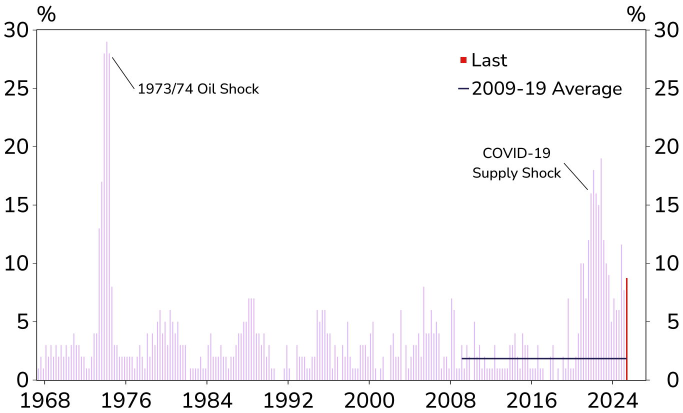
Source: ACCI, Westpac Economics, Macrobond

Factors Limiting Production: Labour



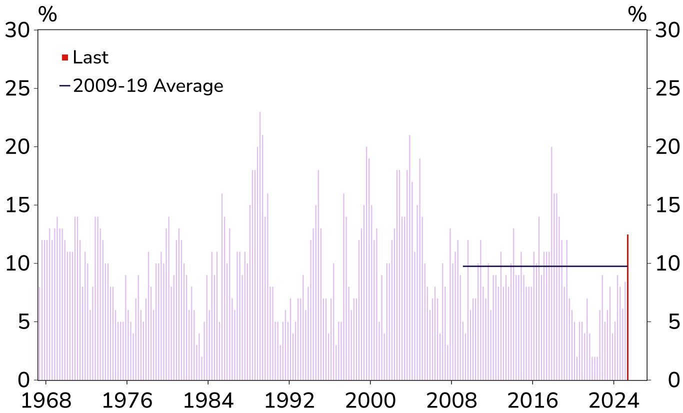
Source: ACCI, Westpac Economics, Macrobond

Factors Limiting Production: Materials



Source: ACCI, Westpac Economics, Macrobond

Factors Limiting Production: Capacity



Source: ACCI, Westpac Economics, Macrobond

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
22	41	39	19

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

Net balance	Above Normal	Normal	Below Normal
–1	19	60	20

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

None	7	**Orders**	33
Materials	9	**Finance**	14
Labour	20	**Capacity**	12
Other	4		

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?	19	33	53	14
(b)	finance?	31	39	54	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?	10	29	53	19
(b)	on plant & machinery?	27	42	42	16

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	1	17	67	16	11	28	54	17
7.	Overtime worked	0	25	51	25	9	29	51	20
8.	All new orders received	8	32	44	24	33	48	36	15
9.	Orders accepted but not yet delivered	-2	21	57	22	4	26	52	22
10.	Output	8	30	48	22	29	43	43	14
11.	Average costs per unit of output	36	44	48	8	31	44	44	13
12.	Average selling prices	27	37	53	10	31	41	49	10
13.	Export deliveries	14	31	52	17	30	43	44	13
14.	Stock of raw materials	3	25	54	22	13	32	49	19
15.	Stocks of finished goods	8	26	55	18	18	35	48	17

Summary of results (not seasonally adjusted)

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

(a) Improve?	52
(b) Remain unchanged?	32
(c) Decline?	16
Net balance	36

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?	46
(b) Same?	43
(c) Less?	11
Net balance	36

A. Industry profile of survey:

	(% of respondents)
Food Product Manufacturing	17
Beverage and Tobacco Product Manufacturing	2
Textile, Leather, Clothing and Footwear Manufacturing	7
Wood Product Manufacturing	6
Pulp, Paper and Converted Paper Product Manufacturing	2
Printing (including the Reproduction of Recorded Media)	4
Petroleum and Coal Product Manufacturing	1
Basic Chemical and Chemical Product Manufacturing	9
Polymer Product and Rubber Product Manufacturing	3
Non-Metallic Mineral Product Manufacturing	2
Primary Metal and Metal Product Manufacturing	12
Fabricated Metal Product Manufacturing	11
Transport Equipment Manufacturing	4
Machinery and Equipment Manufacturing	9
Furniture and Other Manufacturing	5
Other	4

B. How many employees are covered by this return?

1–99	100-199	200-999	1000 or more
45	22	19	14

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

WA	SA	VIC	NSW	QLD	TAS	ACT/NT
15	10	28	29	15	2	4

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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