ACCI–Westpac Survey of Industrial Trends

Australian Chamber of Commerce and Industry & Westpac Banking Corporation

256th report September 2025 (survey conducted from 14 July to 25 August 2025)

- Conditions in the manufacturing sector deteriorated moving into the second half of the year, with the Westpac-ACCI Actual Composite slipping from an expansionary read of 51.5 in Q2 to a contractionary read of 48.8 in Q3. Compositionally, the latest move reflected broad-based softness across output, new orders and labour market components.
- The tone of these results is broadly consistent with private sector demand tracking a gradual but patchy recovery. Household demand is starting to improve, although from a weak base, while business investment remains uneven – a clear theme across production measures in both official data and this survey.
- Manufacturers remain notably optimistic even as actual conditions continue to fall short of expectations. The Westpac-ACCI Expected Composite remained firmly in optimistic territory in Q3, easing only slightly to 58.1 from 59.1 in Q2. There is a risk that manufacturers' strong expectations on the outlook are not met in full, particularly if recovery in private sector demand were to remain gradual and uneven.
- Sentiment around the six-month general business outlook took a step back in Q3 but remained firmly in optimistic territory, with a net 10% anticipating an improvement. The key risk is that the recovery once again proves more gradual than manufacturers anticipate, leaving sentiment precariously positioned.
- Unit cost pressures have trended lower from earlier 'crisis' levels but remain elevated at around double the pre-pandemic average pace. At the same time, manufacturers are finding there is less scope to pass on these costs in the form of higher prices, with the net proportion of firms reporting higher average selling prices (16%) falling well short of those reporting higher average unit costs (39%).
- An ongoing squeeze on margins, coupled with a weaker starting point for orders and production relative to manufacturers expectations, has contributed to a less positive assessment on the profit outlook over the year ahead. Still, the number of firms anticipating an improvement outnumbered those expecting a deterioration by a net 24%, above the survey's long-run average of a net 19%.
- Against manufacturers' expectations for a moderate rise, there was little change in headcount in the latest quarter, with only a net 1% of firms reporting an increase amid underwhelming orders. The availability of skilled labour also remains a key issue facing the sector, although it is gradually easing. A net 10.4% of firms indicated that labour was "harder to find" now versus three months ago, down from a net 22.1% six months ago. Additionally, 21% of manufacturers cited labour as the largest constraint on production. This marks the longest period of severe labour shortages in the survey's rich history dating back to the 1960s.
- Firms are still looking to build capacity and invest. A net 17% of respondents indicated they are seeking to increase plant and equipment investment over the coming year, while a net 4% indicated they are planning to increase building investment.

Contents

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This report was finalised on 12 September 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 256th consecutive survey was closed on Monday, 25 August 2025

A total of **402** responses were received, and provided a reasonable cross–section of Australian manufacturing in respect of industry groups and size of operation.

Key survey results

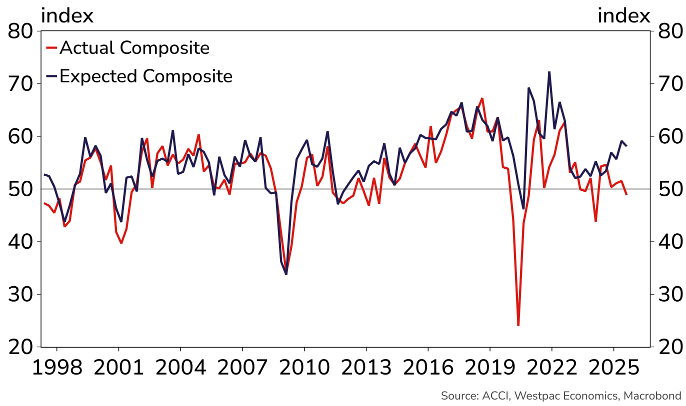
Westpac–ACCI Composites (seasonally adjusted)

	Q2 2025	Q3 2025
Actual – composite index	51.5	48.8
Expected – composite index	59.1	58.1

- The Westpac-ACCI Actual Composite slipped from 51.5 in Q2 to 48.8 in Q3, marking the first contractionary reading for the Composite since March 2024.
- Most components of the index softened in Q3, with output, new orders and overtime all posting modest declines, while the level of employment held nearly flat.
- The Westpac-ACCI Expected Composite remained firmly in optimistic territory, easing only slightly to 58.1 from 59.1 in Q2. The ongoing resilience in sentiment stands in contrast to weakness in activity over the past year, with respondents' premature optimism emerging as a key risk especially against the backdrop of a gradual and uneven recovery in private sector demand.

Westpac-ACCI Composite Indexes

Actual & Expected, Seasonally Adjusted

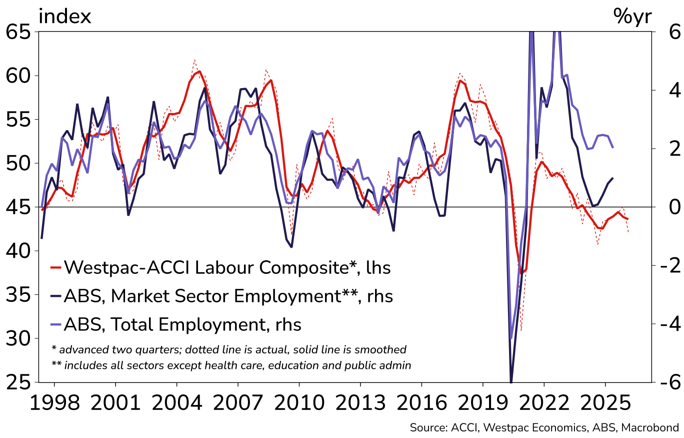


Westpac–ACCI Labour Market Composite

	Q2 2025	Q3 2025
Composite index	45.0	42.1

- The Labour Market Composite deteriorated in the September quarter, falling from 45.0 to 42.1, representing a partial pull-back from the gradual uptrend over the past 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. This is only now slowly reversing.
- Given this 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



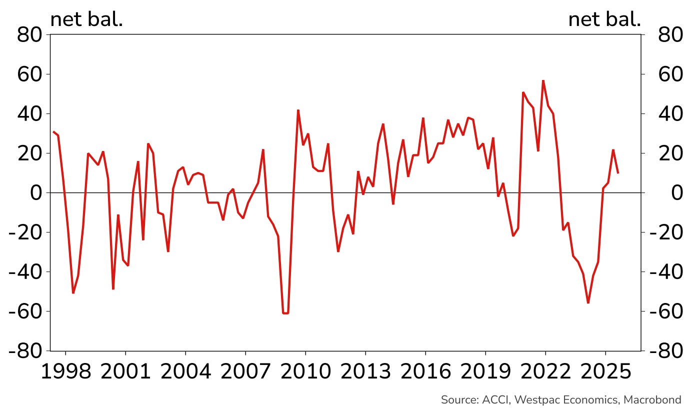
General business situation

	Q2 2025	Q3 2025
Net balance	22	10

- The rebound in manufacturing sentiment looks to have taken a step back moving into the second half of the year. A net 10% of respondents expect the general business situation will improve over the next six months, down from a net 22% three months ago.
- Still sentiment has staged an impressive recovery from earlier lows – associated with historic cost pressures and subdued demand – into outright optimism,
- This stands in contrast to the conditions experienced on the ground by manufacturers – evinced by the results around output, orders and the labour market. The key risk is that the recovery remains more gradual than manufacturers anticipate, leaving sentiment precariously positioned.

General Business Situation

Next six months



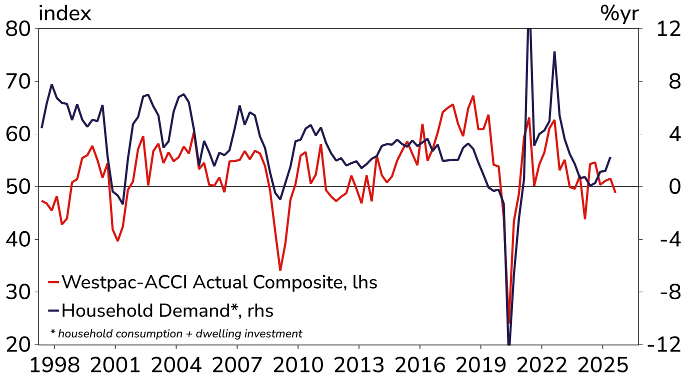
The business cycle & economic outlook

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 Q2 National Accounts provided a more constructive picture around the recovery of private sector demand, though the underlying trend still looks best characterised as being gradual and modest. Real household disposable incomes are recovering after a prolonged and deep period of weakness, and this is slowly translating into higher consumer spending – albeit somewhat patchy. At the same time, the public sector is no longer offering the same robust degree of support as previously, as various large infrastructure projects are reaching completion.
- Despite this backdrop of a 'shaky handover' of growth from the public to private sector, manufacturers remain optimistic on the outlook. Some of this may still prove to be premature, given the gradual and uneven nature of the recovery to date.

Manufacturing & the Business Cycle

Westpac-ACCI Composite & Household Demand



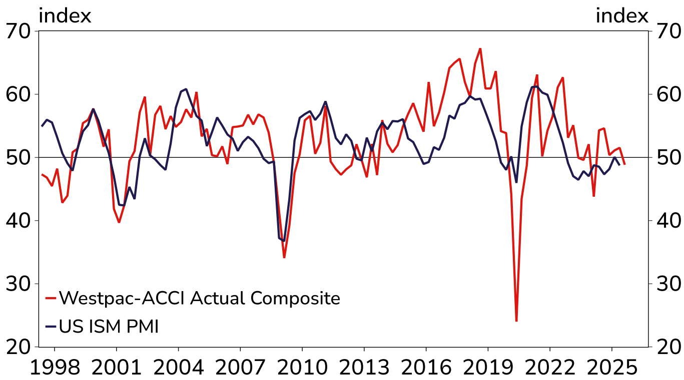
Source: ACCI, Westpac Economics, ABS, Macrobond

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.
- The US ISM PMI remains subdued hovering just below the breakeven threshold at 48.7 in September. In China, the RatingDog (formerly Caixin) PMI continues to oscillate around neutral. Meanwhile, manufacturing conditions in Europe are showing tentative signs of improvement with the HCOB PMI edging up to 50.7 in August.

Australian & US manufacturing surveys

Westpac-ACCI & Global PMI Indexes



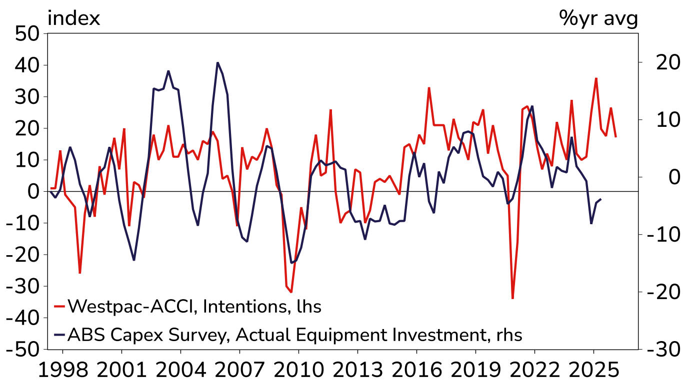
Source: ACCI, Westpac Economics, ISM, Macrobond

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.
- Manufacturers remain quite confident in the prospect of a recovery in orders and output, which is likely feeding into the generally more optimistic plans for investment in this survey, even with a moderate pull-back in the latest quarter.

Manufacturing Equipment Investment

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



Source: ACCI, Westpac Economics, ABS, Macrobond

Activity & orders

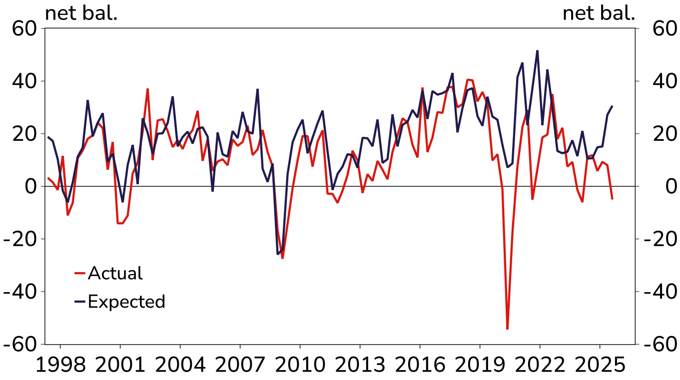
Output (seasonally adjusted)

	Q2 2025	Q3 2025
Actual – net balance	8	–5
Expected – net balance	27	31

- Output disappointed in the September quarter, with a net 5% of manufacturers reporting a decline. This marks the weakest result since March 2024, back when the slowdown in household demand was approaching its nadir.
- Despite the downside surprise relative to manufacturers' expectations, respondents remain surprisingly bullish on the outlook for output, with a net 31% anticipating an increase over the next three months.
- Recent experience suggests manufacturers are over-estimating the speed and degree to which the domestic economic recovery will ensue. How these lags persist in the data will remain a key risk going forward.

Output

Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

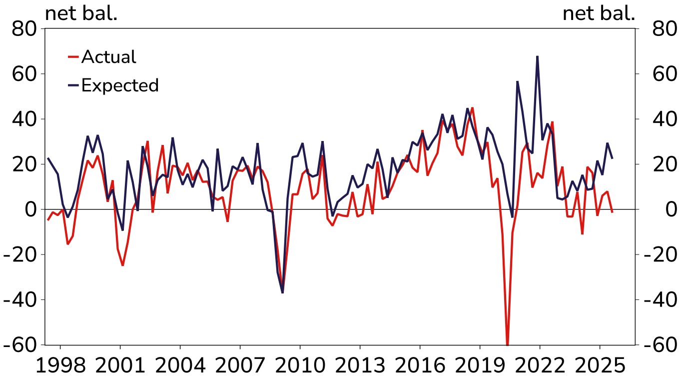
New orders (seasonally adjusted)

	Q2 2025	Q3 2025
Actual – net balance	8	–2
Expected – net balance	29	22

- In the first half of the year, a tentative recovery in new orders was starting to build – albeit on very shaky grounds – reflecting a gradual improvement in domestic demand.
- Moving into the second half of the year, that progress has all but evaporated. A net 2% of firms reported a decline in new orders over Q3. This was in sharp contrast to manufacturers' own expectations, which were looking for a clearer turnaround in demand to take hold.
- Expectations have since moderated but only slightly, with a net 22% of firms anticipating an increase in new orders over the next three months. There remains a large degree of uncertainty over whether these expectations can be met.

New Orders

Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

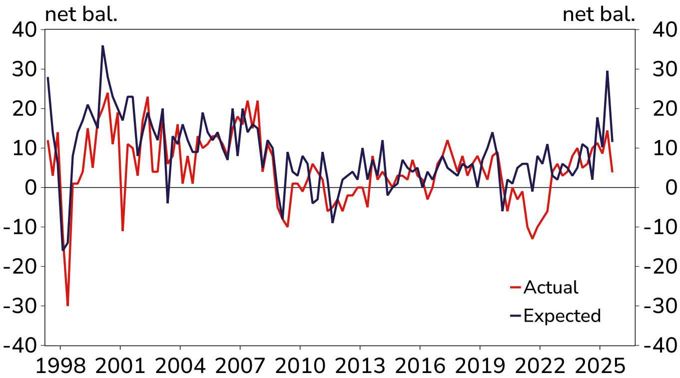
Exports

	Q2 2025	Q3 2025
Actual – net balance	14	4
Expected – net balance	30	12

- Manufacturers reported a pull-back in the recent strength in exports. A net 4% of respondents reported an increase in Q3, down from a net 14% in Q2. Once again this fell well short of manufacturers' own expectations.
- Uncertainty around US tariff policy has eased over recent months, though some degree of volatility is to be expected as global trade networks adapt to new tariff settings. The full impact of this will take more time to appear clearly in the data.
- For domestic manufacturers, the focus will be on the exposures of certain sub-sectors and the extent to which export outlook is impacted by the higher levies on steel, aluminium and some copper products.

Export Deliveries

Actual & Expected



Source: ACCI, Westpac Economics, Macrobond

Investment & profitability

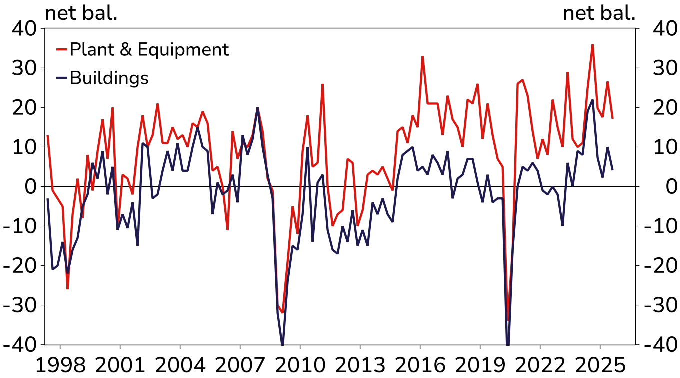
Investment intentions

	Q2 2025	Q3 2025
Plant & Equipment – net balance	27	17
Building – net balance	10	4

- Investment intentions remained fairly choppy moving into the second half of the year, with the latest outcome marking a decrease from a fairly strong level in June.
- On balance, a net 17% of firms intend to increase plant & equipment spending over the next twelve months, while a net 4% are looking to increase building investment.
- The latest results are in line with the decade average. This itself is broadly consistent with firms looking to build capacity and invest with some degree of confidence. Conditions are evidently soft on the ground though, and there remains big question marks around the degree to which manufacturers' positive expectations on the outlook will continue to feed into planned and actual investment.

Investment Intentions

Next twelve months



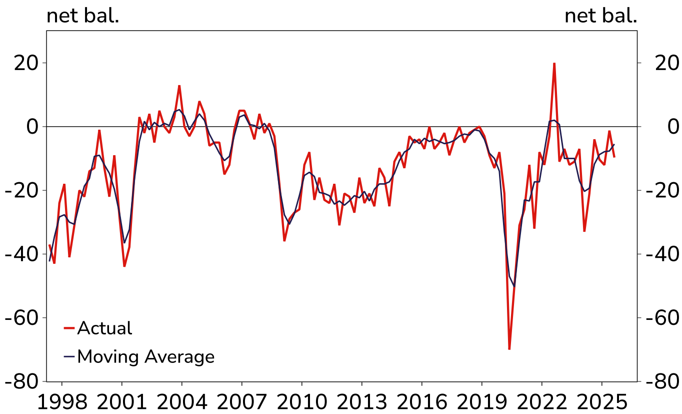
Source: ACCI, Westpac Economics, Macrobond

Capacity utilisation

	Q2 2025	Q3 2025
Net balance	−1	−10

- On balance, a net 10% of firms reported underutilisation, a deterioration from the 'jump' to a net 1% last quarter, but broadly in line with the decade-average of a net 12%.
- Looking at the detail, the results were mixed. A greater proportion of firms reported operating at below average capacity (20% to 33%). At the same time a slightly higher proportion of firms were operating at above average capacity (19% to 23%).
- 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. These may cap the recovery especially if manufacturers' latest expectations for new orders come to fruition.

Capacity Utilisation



Source: ACCI, Westpac Economics, Macrobond

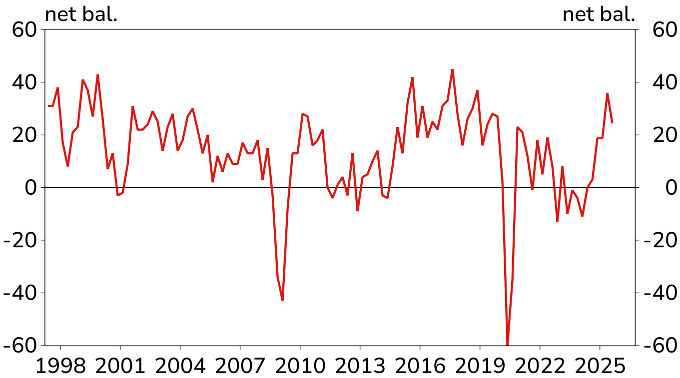
Profit expectations

	Q2 2025	Q3 2025
Net balance	36	24

- Over the past eighteen months, firms have been increasingly confident in the outlook for profits, with expectations rising to a 7½ year high last quarter.
- Move forward to Q3, and some of the gloss has come off manufacturers' assessment of the outlook, with a net 24% of firms expect profitability to improve over the next year.
- This moderation comes alongside evidence of lingering unit cost pressures and ongoing margin squeeze in the sector. The weaker-than-expected starting point for orders and output relative to manufacturers expectations over recent quarters also likely played a role.
- Still, profit expectations are above the long-run survey average of a net 19% expecting a lift.

Profit Expectations

Next twelve months



Source: ACCI, Westpac Economics, Macrobond

The labour market

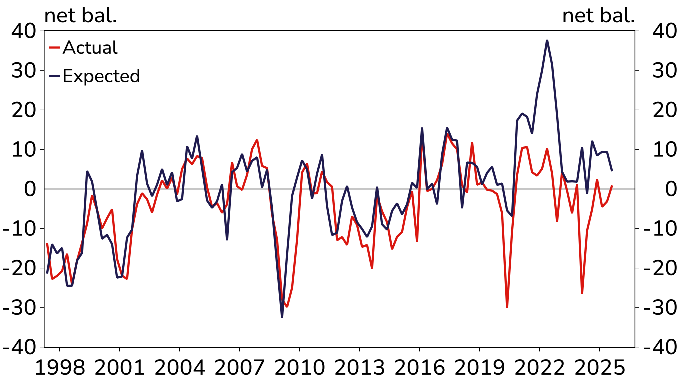
Numbers employed (seasonally adjusted)

	Q2 2025	Q3 2025
Actual – net balance	–3	1
Expected – net balance	9	4

- Employment dynamics in the manufacturing sector remain lacklustre. Only a net 1% of respondents reported an increase in the size of their workforce in Q3. This follows an extended run of subdued reads, averaging a net -4% over the past three years.
- Following a prolonged period of elevated cost pressures, margin squeeze and sluggish demand, manufacturers have reduced headcount. Moreover, even where there are hiring efforts, there have been challenges in finding skilled labour.
- Expectations have pulled back with a net 4% expecting an increase over the next three months, down from 9% in the previous quarter.

Numbers Employed

Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

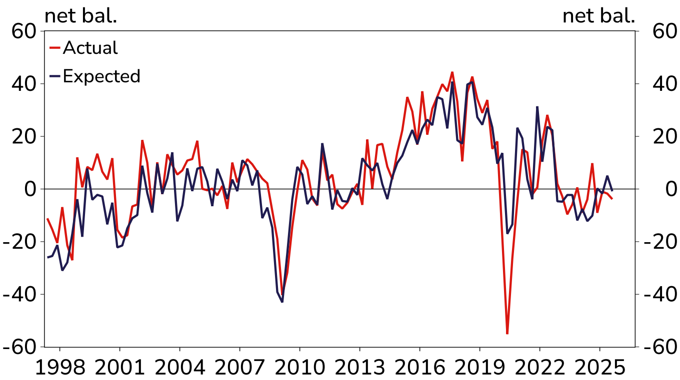
Overtime worked (seasonally adjusted)

	Q2 2025	Q3 2025
Actual – net balance	–2	–4
Expected – net balance	5	–1

- Manufacturers continued to reduce their use of overtime in the latest quarter. A net 4% of firms reporting a decrease, marking the fourth consecutive quarter of decline.
- The latest pullback also fell short of manufacturers' own expectations for a modest increase last quarter, in line with the weaker results around new orders and output growth.
- Expectations for the need for overtime moderated with a net 1% of firms anticipating a decrease in overtime over the next three months, bringing it more in line with recent experience. Despite bullish expectations for orders and output, firms appear to assessed that they have enough spare capacity to respond should demand recover as anticipated.

Overtime Worked

Actual & Expected, Seasonally Adjusted



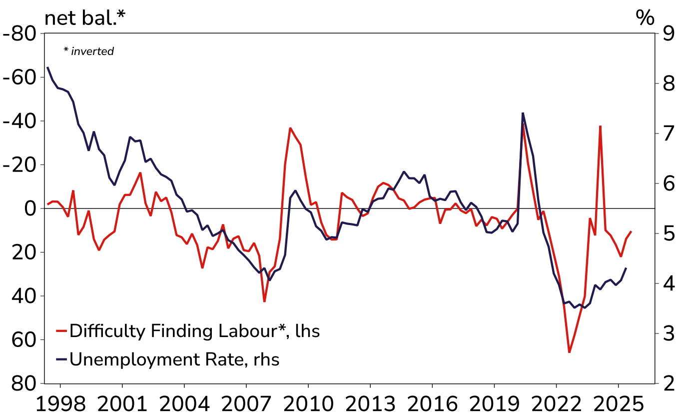
Source: ACCI, Westpac Economics, Macrobond

Difficulty of finding labour (seasonally adjusted)

	Q2 2025	Q3 2025
Net balance	13.9	10.4

- Firms' views on the difficulty of finding labour historically tracks shifts in the Australian unemployment rate. However, it has broken down in the latest economic cycle given the strong labour demand from the care economy.
- In Q3, manufacturers continued to report difficult sourcing labour, though there is some evidence that these pressures are easing. A net 10.4% of firms indicated labour was "harder to find", down from a net 22.1% six months ago.
- Labour market dynamics remain distinct across the economy. While labour supply has expanded strongly in recent years, gains have been concentrated in a few key sectors—particularly the care economy. In contrast, skilled labour shortages persist in manufacturing.

Labour Market Tightness



Source: ACCI, Westpac Economics, ABS, Macrobond

Prices & inflation

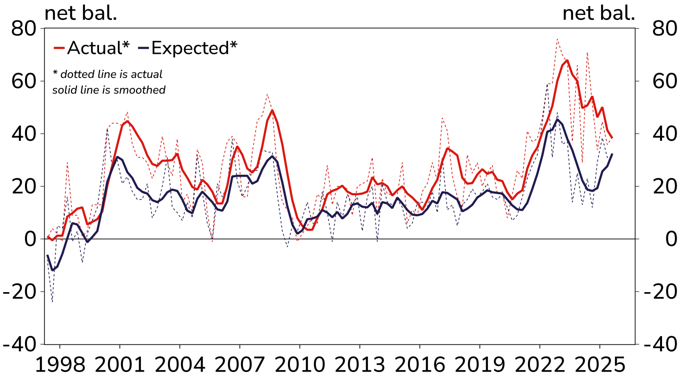
Average unit costs

	Q2 2025	Q3 2025
Actual – net balance	36	39
Expected – net balance	31	31

- Manufacturers reported a broadly similar degree of unit cost pressures in Q3, with a net 39% of firms reporting an increase, up slightly from a net 36% in Q2.
- After smoothing using a year-average measure, we find that the net balance of firms reporting rising average cost pressures continue to move lower – down to a net 38% in September, though this is still around double 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 – unchanged from the previous quarter's result.

Average Unit Costs

Actual & Expected



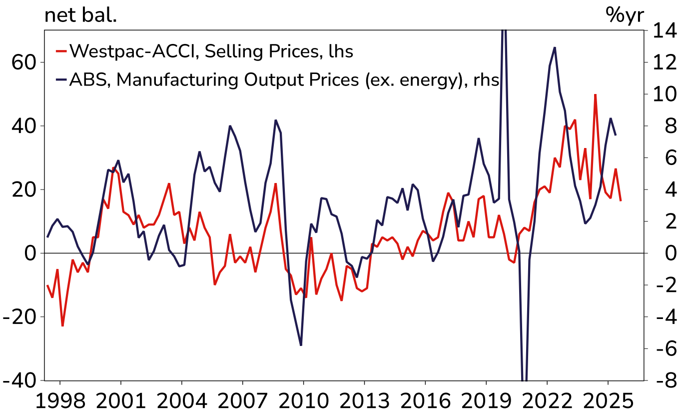
Source: ACCI, Westpac Economics, Macrobond

Average selling prices

	Q2 2025	Q3 2025
Actual – net balance	27	16
Expected – net balance	31	26

- The jump in the proportion of firms reporting an increase in selling prices in the June quarter proved temporary with the net balance falling back to 16% in September, similar to levels seen in December and March.
- This fell well short of manufacturers' own expectations. Against a backdrop of lingering unit cost pressures, this latest result suggests that manufacturers' may be overestimating the degree to which cost pressures can be passed onto consumers, resulting in margin squeeze.
- A net 26% of firms anticipate a rise in prices over the next three months. Together with the expected easing in cost pressures, manufacturers are clearly looking towards improving margins following recent pressures.

Manufacturing Upstream Price Pressures



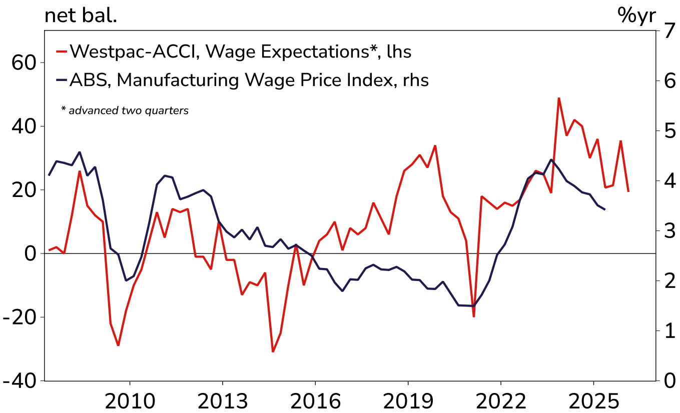
Source: ACCI, Westpac Economics, ABS, Macrobond

Manufacturing wages

	Q2 2025	Q3 2025
Net balance	36	19

- In September, a net 19% of manufacturers indicated they expect their next enterprise wage agreement to deliver an outcome higher than previously.
- Aside from the jump to 36% in June - prior to the announced increase in minimum wages/awards – wage expectations have normalised. The reading has returned to its decade-average reading of 20%, which is still elevated compared to the long run average of 10%.
- Official data on wage growth trends in the manufacturing sector reflects a continued moderation, although it is relatively gradual. Wages growth ticked down from 3.5%yr to 3.4%yr in Q2, to be in line with the economy-wide average.

Manufacturing Wage Growth



Source: ACCI, Westpac Economics, ABS, Macrobond

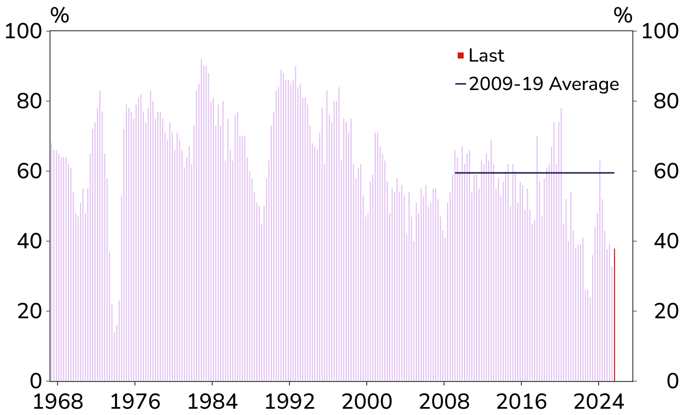
Factors limiting production

- As we move into the second half of the year, manufacturers continue to report a broadly unchanged set of key constraints on production.
- "Orders" remain the number one factor cited by respondents as most limiting production, at 38%. This is up from Q2 but slightly lower versus history – highlighting that supply-side factors remain front-of-mind for many manufacturers.
- "Labour" remains a significant constraint on production – cited as the largest by 21% of manufacturers. This current cycle stands out with respect to the length of severe labour shortages, unlike anything else seen in the survey's rich history dating back to the 1960s.
- "Materials", at 7%, continues to be cited at well above-average rates, also imply lingering supply-side issues.
- Both "Capacity" and "Finance" were similarly cited as relatively moderate constraints on production, though the latter remains above-average.

Single factor most limiting production

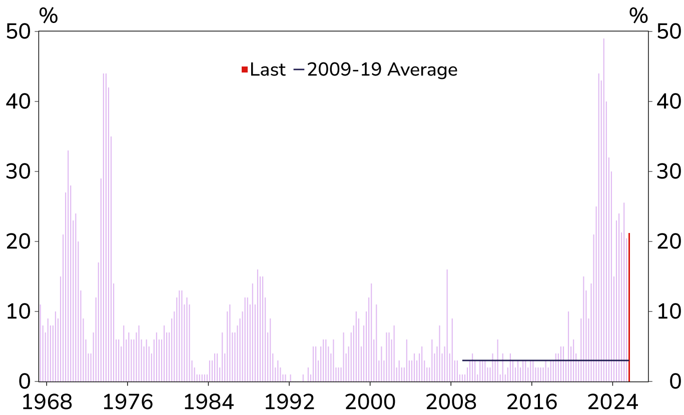
	Q1 2025	Q2 2025	Q3 2025
Orders (%)	39	33	38
Capacity (%)	8	12	10
Labour (%)	26	20	21
Finance (%)	10	14	10
Materials (%)	8	9	7
Other (%)	5	4	6
None (%)	4	7	7

Factors Limiting Production: Orders



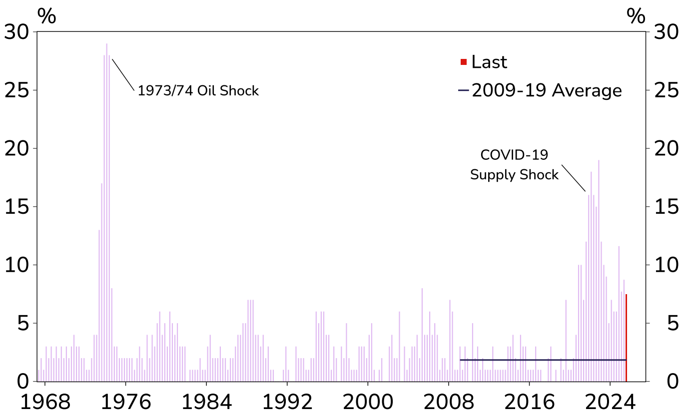
Source: ACCI, Westpac Economics, Macrobond

Factors Limiting Production: Labour



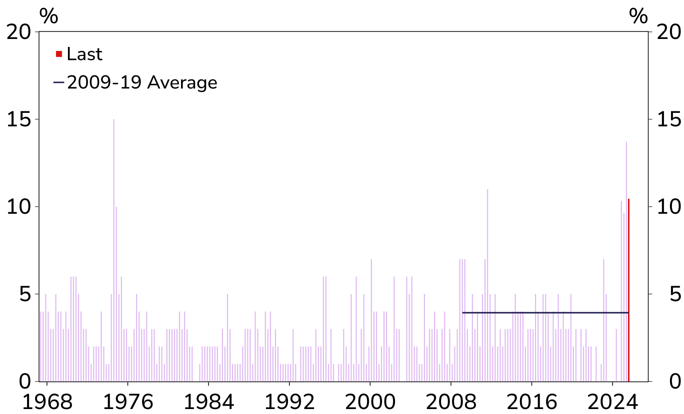
Source: ACCI, Westpac Economics, Macrobond

Factors Limiting Production: Materials



Source: ACCI, Westpac Economics, Macrobond

Factors Limiting Production: Finance



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
10	35	40	25

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

Net balance	Above Normal	Normal	Below Normal
–10	23	44	33

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

None	7	**Orders**	38
Materials	7	**Finance**	10
Labour	21	**Capacity**	10
Other	6		

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?	12	28	55	17
(b)	finance?	13	23	66	10

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?	4	29	47	24
(b)	on plant & machinery?	17	40	38	23

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	18	64	19	7	26	55	19
7. Overtime worked	–6	22	51	27	–2	23	52	25
8. All new orders received	2	28	45	27	22	39	44	17
9. Orders accepted but not yet delivered	0	21	57	21	8	26	57	18
10. Output	3	27	50	24	24	40	44	16
11. Average costs per unit of output	39	47	45	8	31	41	48	10
12. Average selling prices	16	30	56	14	26	39	48	13
13. Export deliveries	4	26	52	22	12	31	50	19
14. Stock of raw materials	2	24	54	22	10	30	49	20
15. Stocks of finished goods	9	26	57	17	11	30	50	20

Summary of results (not seasonally adjusted)

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

(a) Improve?	44
(b) Remain unchanged?	36
(c) Decline?	20
Net balance	24

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?	46
(c) Less?	17
Net balance	19

A. Industry profile of survey:

	(% of respondents)
Food Product Manufacturing	15
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
50	18	20	12

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	27	26	18	4	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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