

# ACCI–Westpac Survey of Industrial Trends

**Australian Chamber of Commerce and Industry & Westpac Banking Corporation**

**257<sup>th</sup> report December 2025** (survey conducted from 3 November to 1 December 2025)

- Conditions in the manufacturing sector improved significantly heading into year-end. The Westpac-ACCI Actual Composite moved decisively into positive territory, up from 49.4 in Q3 to 55.1 in Q4, marking the strongest reading since mid-2024. The increase was driven primarily by an expansion in output and a lift in new orders. Employment also rose, albeit more modestly, while overtime usage was unchanged.
- This improvement echoes trends in official data. There is a genuine upswing in consumer spending underway, coming off the back of an improvement in real household disposable incomes. Moreover, there were some early signs of a broader pick-up in investment across the economy.
- The latest improvement still fell short of expectations, however, manufacturers remain increasingly optimistic. The Westpac-ACCI Expected Composite climbed to a post-pandemic high of 62.8 in Q4. This optimism is broadly based across production, demand and labour market sub-components, underscoring manufacturers confidence in the current economic upswing.
- Still, there remain some risks. Inflation has recently picked up, and there is some uncertainty over the trajectory for interest rates. How these dynamics unfold and the impact on consumer demand and/or investment, will be key.
- Cost pressures have eased notably since 2022/23, but they remain elevated at around double the pre-pandemic average pace. Against this backdrop, manufacturers are finding there is limited scope to pass on these costs in the form of higher prices. Although profit expectations have improved recently, this appears to reflect a greater degree of confidence over the direction, rather than magnitude.
- The increase in headcount in Q4 marks a tentative shift from the moderate job shedding environment over the past two years. However, the availability of skilled labour remains a pressing issue, with a net 22.4% of manufacturers indicating that labour was "harder to find" now versus six months ago. Additionally, 24% of respondents cited labour as the single factor most limiting production – continuing one of the longest stretches of acute labour shortages in the survey's rich history dating back to the 1960s.
- Capacity utilisation bounded higher in Q4, supported by firmer new orders and output and a modest lift in employment. There is a risk that labour unavailability, together with material shortages, keeps capacity relatively tight for longer, hampering firms' ability to meet demand in full.
- Firms still expect to expand investment and capacity. A net 26% of respondents indicated they intend to increase plant and equipment investment over the coming year, while a net 12% intend to lift building investment.

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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 257<sup>th</sup> consecutive survey was closed on Monday, 1 December 2025. A total of **400** 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)

	Q3 2025	Q4 2025
Actual – composite index	49.4	55.1
Expected – composite index	58.3	62.8

- The Westpac-ACCI Actual Composite has moved decisively into expansionary territory, up from 49.4 in Q3 to 55.1 in Q4, the strongest reading since mid-2024.
- The lift was chiefly driven by an increase in output and new orders. Employment also lifted, albeit more modestly, and overtime usage was unchanged from last quarter.
- Despite the extended period of underperformance relative to expectations, manufacturers are unwavering in their belief of a sustained upswing. The Westpac-ACCI Expected Composite advanced further into strongly optimistic territory, up from 58.3 to 62.8 – the highest since the reopening period.

## Westpac-ACCI Labour Market Composite

	Q3 2025	Q4 2025
Composite index	43.4	47.7

- The Labour Market Composite moved notably higher in the December quarter, rising from 43.4 to 47.7, its highest level in around three years.
- Official data highlights the 'two-speed' nature of the labour market over recent years. Growth in the care economy were an immense support to total employment growth, while the market sector (driven by the private economy) cooled rapidly. Although these dynamics have started to normalise, jobs growth remains varied across these sectors.
- 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 starting to pick up some steam.

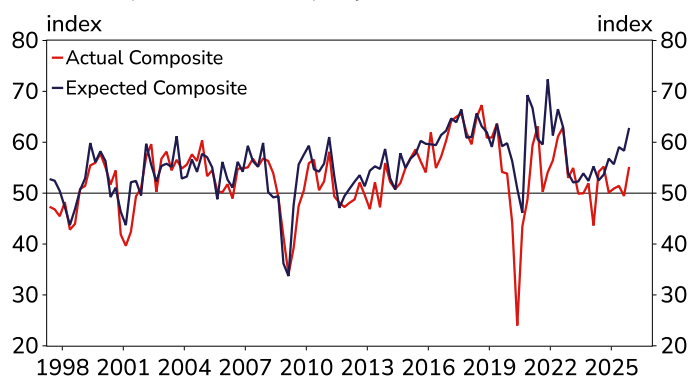
## General business situation

	Q3 2025	Q4 2025
Net balance	10	18

- Manufacturing sentiment has staged an impressive recovery from the lows of 2024, which were marked by historic cost pressures and subdued demand. Since then, confidence has stabilised around levels consistent with outright optimism.
- A net 18% of respondents expect the general business situation to improve over the next six months, up from a net 10% in Q3, but still below Q2's high of a net 22%.
- Conditions on the ground are showing some tentative signs of recovery with the first quarterly rise in manufacturing gross value added in Q3 in more than two years. However, actual outcomes around output and new orders have still fallen well short of manufacturers' bullish expectations, and there is a risk that this could continue.

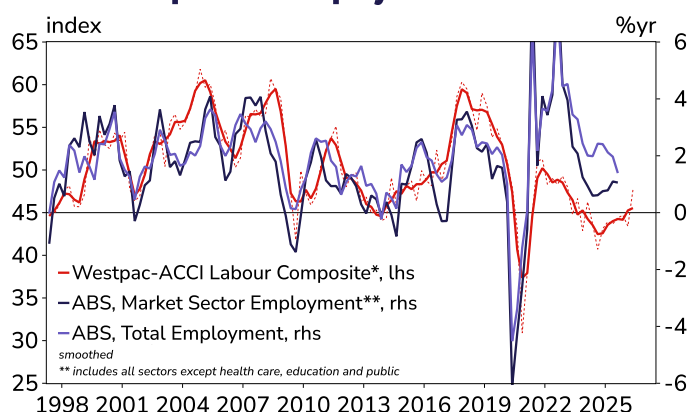
## Westpac-ACCI Composite Indexes

Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

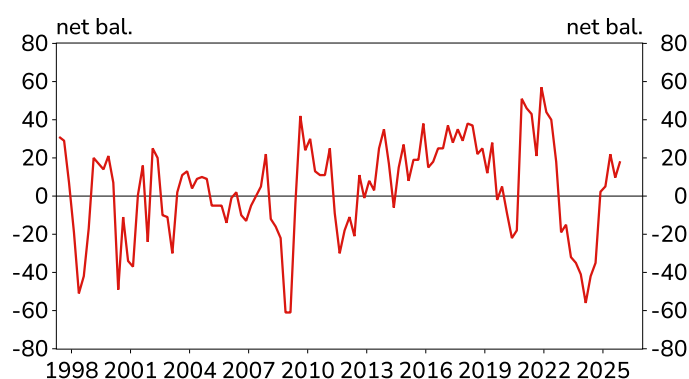
## Labour Composite & Employment Trends



Source: ACCI, Westpac Economics, ABS, Macrobond

## General Business Situation

Next six months



Source: ACCI, Westpac Economics, Macrobond

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

# 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 Q3 National Accounts provided a more constructive picture around the recovery in private sector demand. A genuine upswing in consumer spending is unfolding off the back of an improvement in real household disposable incomes. And while the surge in new business investment was mostly driven by lumpy categories such as data centres and civil aircraft purchases, private capex intentions bodes well for broader pick-up across other sectors too.
- With an economic upswing clearly underway, manufacturers remain very optimistic. There are some risks to be wary of though – inflation has picked up recently, and there is some uncertainty over the trajectory for interest rates. How these dynamics unfold, and the extent to which they could impact consumer demand and/or investment, will be key.

## Australian & World manufacturing surveys

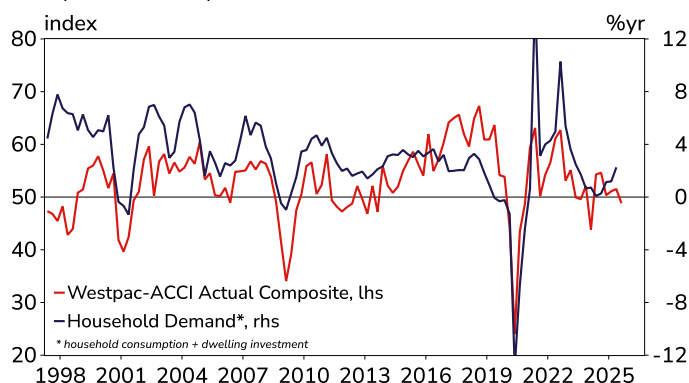
- Global and Australian manufacturing cycles tend to be synchronised, especially at major turning points. The Westpac-ACCI Actual Composite typically moves in line with global manufacturing conditions.
- Nonetheless, as we have previously flagged, there has and will likely continue to be a greater degree of cross-country variation within manufacturing given the uncertainties around global trade dynamics.
- The US ISM PMI remains subdued hovering below the breakeven threshold at 48.2 in November. In China, the RatingDog (formerly Caixin) PMI continues to oscillate around neutral. Meanwhile, manufacturing conditions in Europe are stabilising around neutral territory after staging a solid recovery earlier in the year, with the HCOB PMI printing 49.6 in November.

## Manufacturing & business investment

- The ACCI-Westpac survey has historically provided a broad gauge on equipment spending trends in the manufacturing sector. However, such spending has been much weaker than predicted by investment intentions in this survey.
- An atypical mix of growth over recent years, with public demand moving into the drivers seat, and greater than usual uncertainty, both domestically and globally have played a part in weaker investment outcomes.
- Although official data shows a modest paring back in equipment spending ahead, there were some nascent signs of a broadening investment pulse in the latest National Accounts, but it still looks to be in its early stages. Looking forward, evidence of a sustained recovery in consumer demand provides a more supportive backdrop for investment. However, uncertainty over the trajectory for interest rates could be a headwind.

## Manufacturing & the Business Cycle

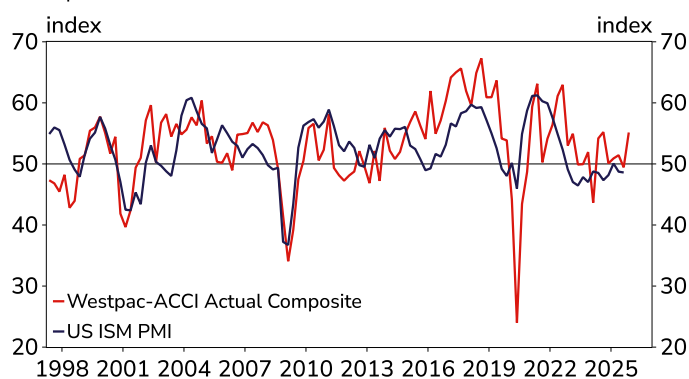
Westpac-ACCI Composite & Household Demand



Source: ACCI, Westpac Economics, ABS, Macrobond

## Australian & US manufacturing surveys

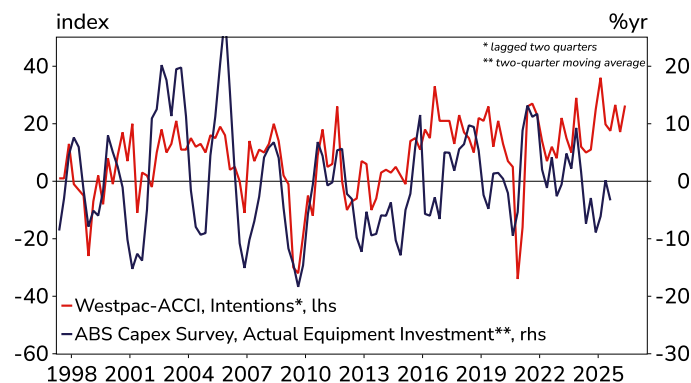
Westpac-ACCI & Global PMI Indexes



Source: ACCI, Westpac Economics, ISM, Macrobond

## Manufacturing Equipment Investment

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



Source: ACCI, Westpac Economics, ABS, Macrobond

# Activity & orders

## Output (seasonally adjusted)

	Q3 2025	Q4 2025
Actual – net balance	-3	17
Expected – net balance	30	35

- The survey reports that output growth finally gained solid momentum heading into year-end, with a net 17% of respondents reporting an increase in Q4 – exactly in line with the decade average prior to the pandemic.
- This marks the strongest result since Q1 2023, when the economy was still recovering after the pandemic. While very encouraging, it still fell short of manufacturers' bullish expectations.
- The share of firms anticipating an uplift over the coming quarter continued to climb, with a net 35% of firms expecting output to lift. A continued upswing in private activity bodes well on this front, but whether output can match these strong expectations remains a key question.

## New orders (seasonally adjusted)

	Q3 2025	Q4 2025
Actual – net balance	0	14
Expected – net balance	23	35

- The survey shows it has been a somewhat mixed year for demand in the manufacturing sector, but recently, orders have moved decisively into positive territory.
- In Q4, with a net 14% of respondents reporting an increase. Expectations continued to advance, with a net 35% of firms anticipating another rise over the next three months, still outpacing the recovery in actual orders.
- Rising new orders for the manufacturing sector is consistent with the uptrend in domestic demand, driven by the consumer. Home building activity is also increasing, though growth is expected to ease from the recent very strong pace.

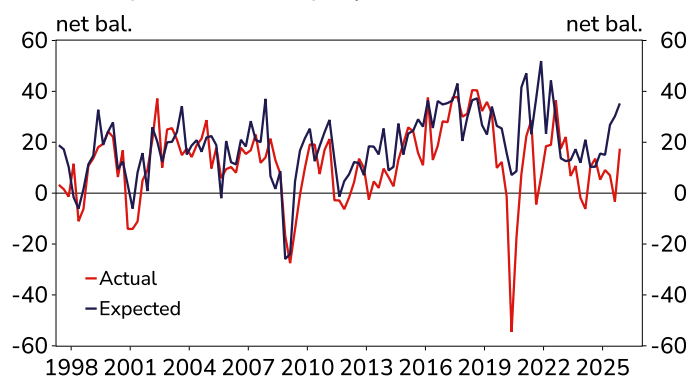
## Exports

	Q3 2025	Q4 2025
Actual – net balance	4	9
Expected – net balance	12	25

- Manufacturers continue to report a positive view on exports, on balance. A net 9% of respondents reported an increase in Q4, up from a net 4% in Q3. Uncertainty around US tariff policy has eased compared to the earlier this year, though some degree of volatility is to be expected going forward.
- Firms' near-term expectations for export orders remains very bullish, with a net 25% of respondents indicating they expect a lift in export orders over the next three months.
- This optimism is shared across most major sub-sectors – including the primary metal space, where the US followed through on tariffs for steel, aluminium and some copper products – suggesting the direct impacts on Australian manufacturers have been fairly limited to date.

## Output

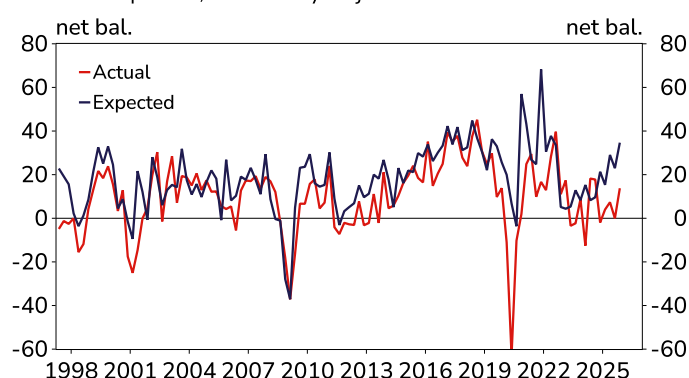
Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

## New Orders

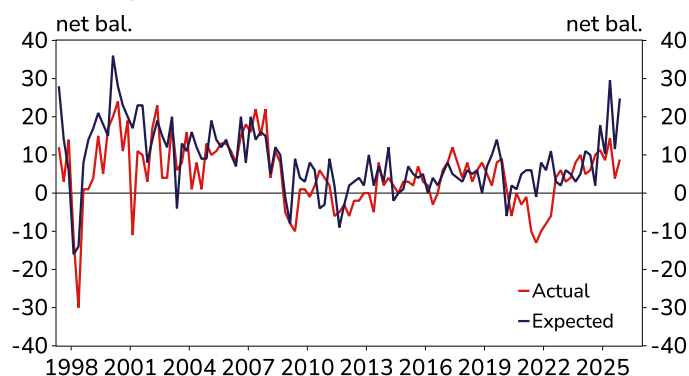
Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

## Export Deliveries

Actual & Expected



Source: ACCI, Westpac Economics, Macrobond

# Investment & profitability

## Investment intentions

	Q3 2025	Q4 2025
Plant & Equipment – net balance	17	26
Building – net balance	4	12

- Investment intentions moved back up to levels from six months ago in Q4. On balance, a net 26% of firms intend to increase plant & equipment spending over the next twelve months, while a net 12% are looking to increase building investment.
- These results echo a manufacturing sector that remains resolute in its confidence over the current economic recovery, unperturbed by the somewhat patchy and subdued results around orders over the past year.
- The outlook for interest rates is looking more uncertain compared to last quarter. The risk is that this could hamper some firms' plans for investment.

## Capacity utilisation

	Q3 2025	Q4 2025
Net balance	-10	7

- The combination of a firmer new orders and output, but a relatively more modest lift in employment, meant that capacity utilisation bounced higher in Q4.
- In the latest survey, there were slightly more firms operating at above-average capacity (28% up from 23%), but there were markedly less firms operating at below-average capacity (down to 22% from 33%), resulting in a net 7% reporting overutilisation in the quarter.
- Although firms are more optimistic on prospects for future hiring, labour availability remains a key constraint. Material shortages have become a larger concern of late too. These dynamics may keep capacity tight, hampering firms' ability to meet demand in full, adding to order backlogs.

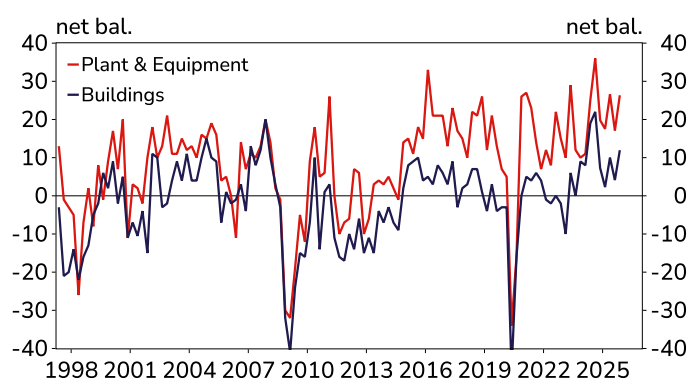
## Profit expectations

	Q3 2025	Q4 2025
Net balance	24	38

- Manufacturers have become increasingly confident on the year-ahead outlook for profits, with a net 38% of firms anticipating an increase in profits over the next year, the highest result since Q3 2017.
- This comes against the backdrop of rising new orders and output, although actual results still fall short of expectations. From this weaker starting point, recent strength in the profit outlook reflects greater confidence that profits are more likely to lift than fall.
- However, key questions remain over the scale of the recovery given persistent evidence of unit cost pressures and margin compression.

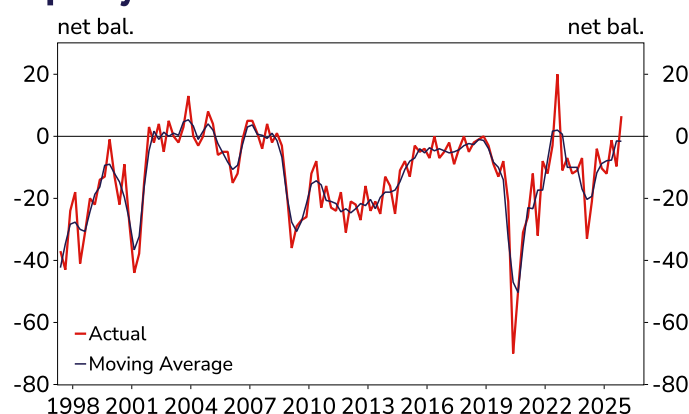
## Investment Intentions

Next twelve months



Source: ACCI, Westpac Economics, Macrobond

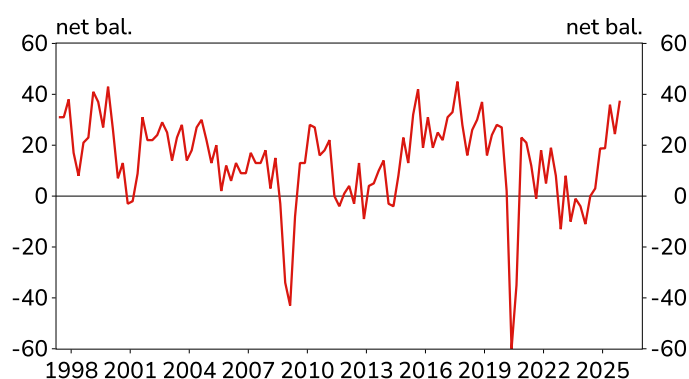
## Capacity Utilisation



Source: ACCI, Westpac Economics, Macrobond

## Profit Expectations

Next twelve months



Source: ACCI, Westpac Economics, Macrobond



# The labour market

## Numbers employed (seasonally adjusted)

	Q3 2025	Q4 2025
Actual – net balance	1	5
Expected – net balance	6	19

- In response to a more assured lift in new orders, manufacturers' views on hiring has turned slightly more positive, with a net 5% of firms reporting an increase in the size of their workforce.
- This marks a welcome, albeit tentative, shift away from around two years of readings broadly consistent with moderate job shedding, a trend that was also evident in official labour market data.
- Against the backdrop of tight capacity and expectations of a further gains in new orders, a net 19% of firms anticipate an increase in employment over the next three months. Whether these expectations can be fully realised, given the difficulty in sourcing labour, remains a key question.

## Overtime worked (seasonally adjusted)

	Q3 2025	Q4 2025
Actual – net balance	-2	0
Expected – net balance	0	11

- Respondents reported, on balance, no significant change in their use of overtime in the December quarter, in line with expectations from the prior quarter.
- Manufacturers have typically relied on overtime to quickly adjust labour usage in response to shifts in demand. While the lift in employment may have reduced the need for additional overtime in Q4, rising capacity utilisation suggests some increase may be required in future.
- This aligns with manufacturers' expectations, with a net 11% anticipating an increase in overtime over the next three months, the strongest result since the surge in new orders in mid-2022.

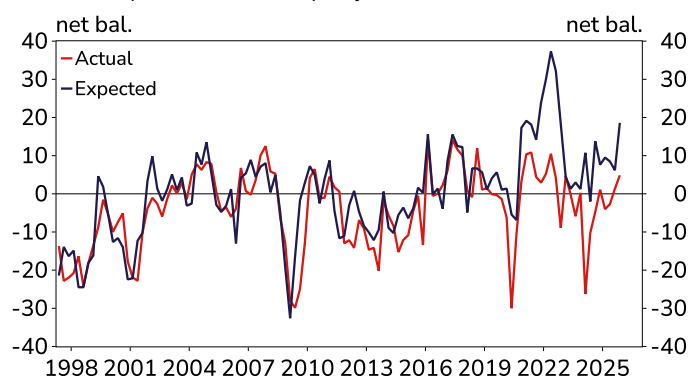
## Difficulty of finding labour (seasonally adjusted)

	Q3 2025	Q4 2025
Net balance	11.3	22.4

- Historically, firms' views on the difficulty of finding labour tracks shifts in the Australian unemployment rate. In the latest cycle, however, strong labour demand in the care economy has obscured this relationship.
- In Q4, manufacturers continued to report difficulty in sourcing labour, with a net 22.4% indicating labour was "harder to find" compared to three months ago.
- Official data points to a slowing of jobs growth in the care economy, alongside nascent signs of a broadening recovery in the market sector. Yet, manufacturing employment is starting from a particularly weak base, and with labour supply growth slowing, availability is likely to remain a key concern for foreseeable future.

## Numbers Employed

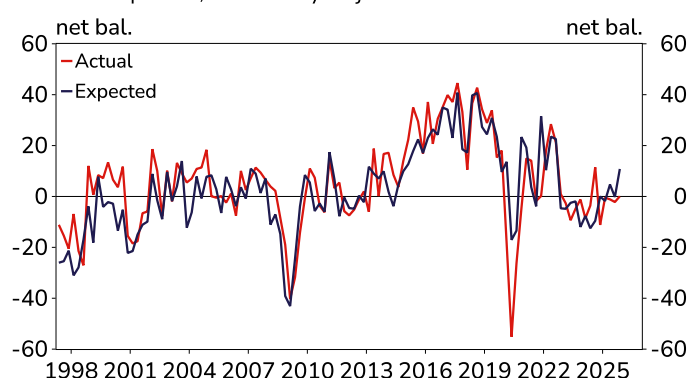
Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

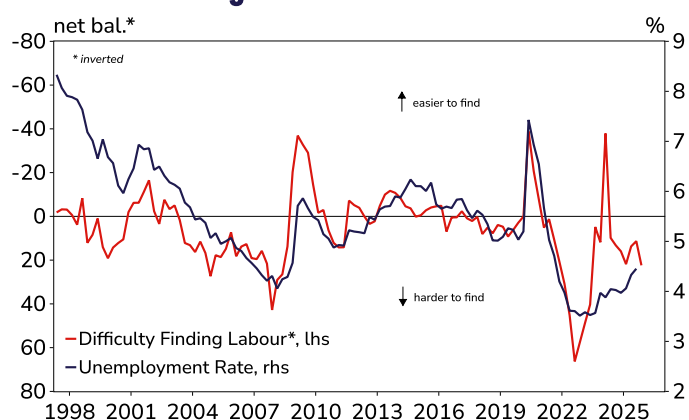
## Overtime Worked

Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

## Labour Market Tightness



Source: ACCI, Westpac Economics, ABS, Macrobond

# Prices & inflation

## Average unit costs

	Q3 2025	Q4 2025
Actual – net balance	39	35
Expected – net balance	31	39

- Manufacturers reported a slight easing in unit cost pressures heading into year-end, with a net 35% of firms reporting an increase, down from a net 39% in Q3.
- While upward cost pressures have moderated significantly since 2022/23, the latest results remain around double the pre-pandemic average, underscoring that costs remain a pre-eminent concern for manufacturers.
- Looking ahead, firms outlook on cost pressures remains bleak. A net 39% of firms anticipate an increase in average costs over the next three months – up from a net 31% in Q3.

## Average selling prices

	Q3 2025	Q4 2025
Actual – net balance	16	19
Expected – net balance	26	30

- The proportion of firms reporting an increase in average selling prices edged slightly higher into year-end, rising from a net 16% in Q3 to a net 19% in Q4.
- Still, this once again fell short of manufacturers' own expectations. Against a backdrop of lingering unit cost pressures, this latest result suggests that manufacturers' may be overestimating their ability to pass on costs to consumers, resulting in margin squeeze.
- A net 30% of firms anticipate a rise in prices over the next three months. Given recent experience and rising cost expectations, the risk is that margins could remain compressed for longer than manufacturers hope.

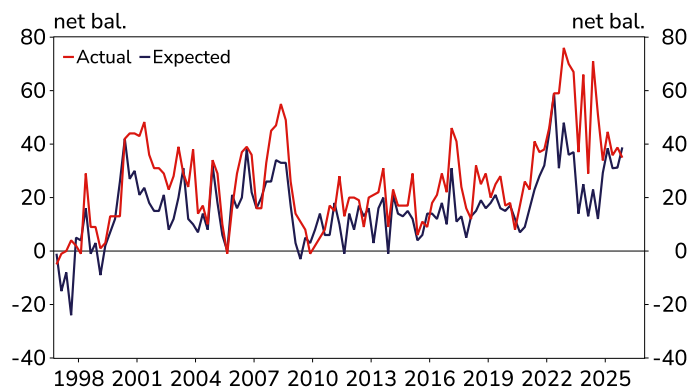
## Manufacturing wages

	Q3 2025	Q4 2025
Net balance	19	35

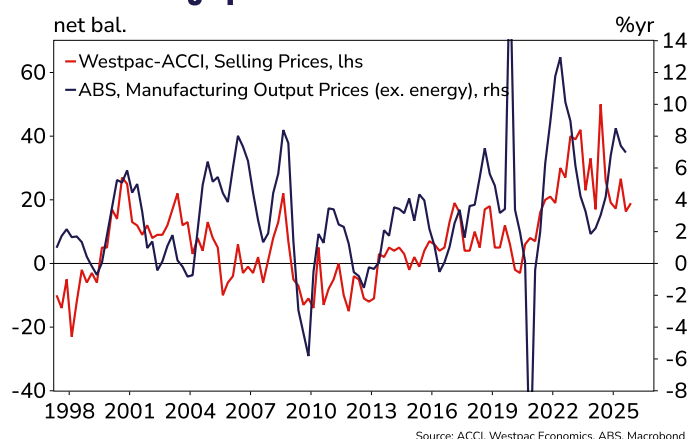
- In December, a net 35% of manufacturers indicated they expect their next enterprise wage agreement to deliver an outcome higher than the previous one.
- While this segment has shown greater volatility of late, on average it suggests that firms remain concerned about future upward pressure on wages amid ongoing difficulties in finding skilled labour.
- Official data on wage growth trends in the manufacturing sector points to a continued gradual moderation, with the ABS reporting an annual pace of 3.2%yr, down from 3.4%yr, which is now the current national average.

## Average Unit Costs

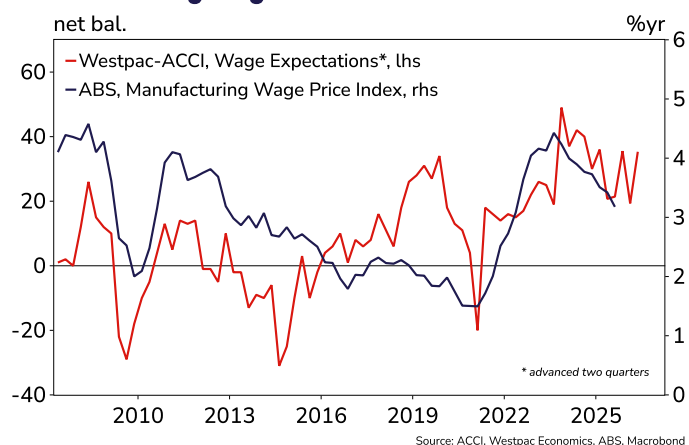
Actual & Expected



## Manufacturing Upstream Price Pressures



## Manufacturing Wage Growth





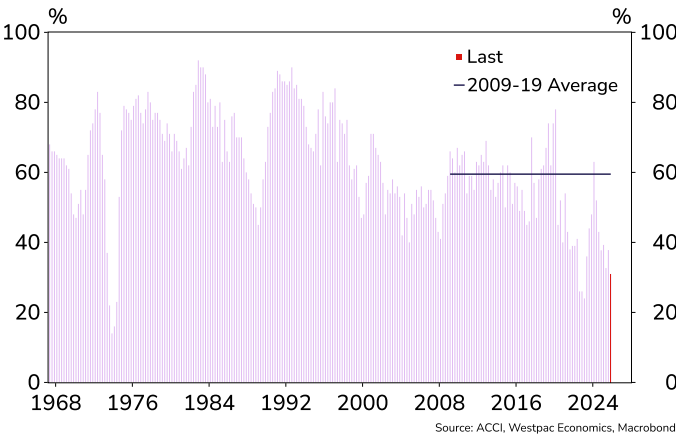
# Factors limiting production

- **Orders** has historically been cited by most manufacturers as the single factor most limiting production given persistent supply side constraints. However, while this remains the case at 31% in Q4, it is now by a much slimmer margin reflecting the nascent improvement in demand.
- **Labour** remains a key constraint on production, with 24% of respondents citing it as the number one limiting factor, extending one of the longest stretches of acute labour shortages in the survey's rich history dating back to the 1960s.
- **Materials** became a more significant constraint heading into year-end, rising from 7% in Q3 to 13% in Q4, well above average and the highest since December 2022.
- **Capacity** remains a moderate constraint, with 10% of manufacturers citing it as largest factor limiting production, broadly in line with the pre-pandemic average.

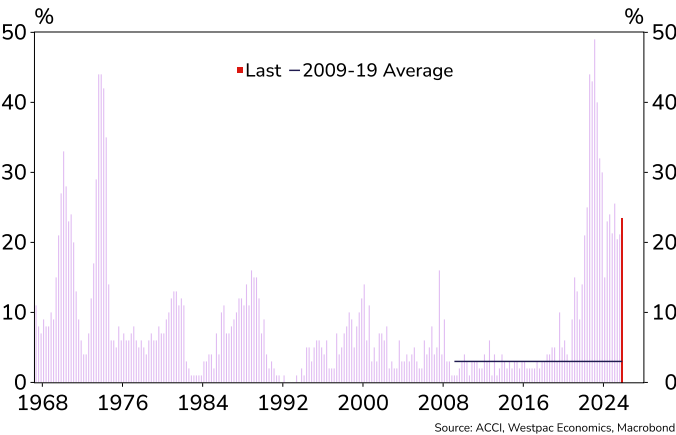
## Single factor most limiting production

	Q2 2025	Q3 2025	Q4 2025
Orders (%)	33	38	31
Capacity (%)	12	10	10
Labour (%)	20	21	24
Finance (%)	14	10	13
Materials (%)	9	7	13
Other (%)	4	6	5
None (%)	7	7	5

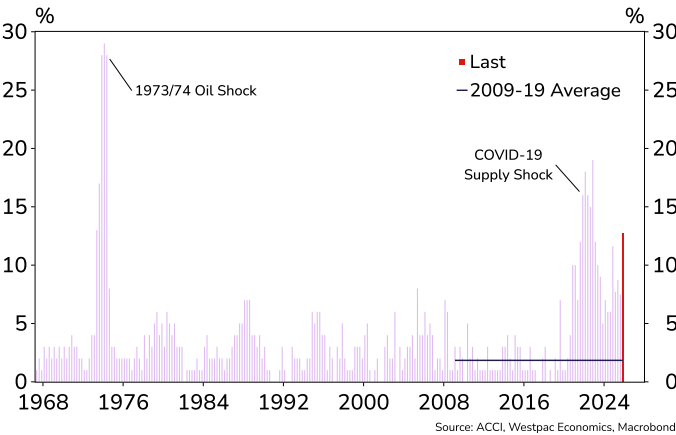
### Factors Limiting Production: Orders



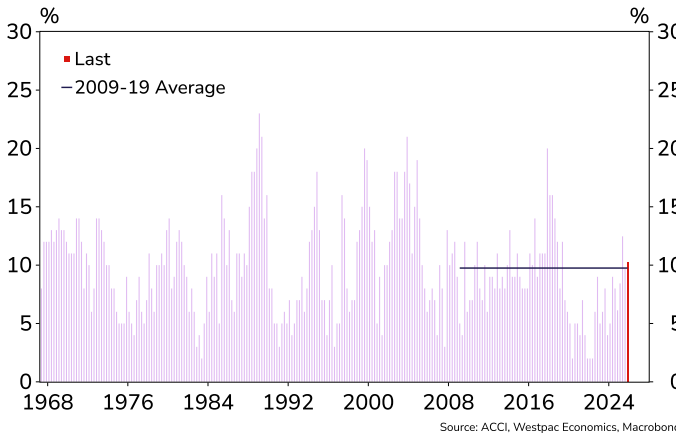
### Factors Limiting Production: Labour



### Factors Limiting Production: Materials



### Factors Limiting Production: Capacity



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# 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?

<b>Net balance</b>	Improve	Same	Deteriorate
<b>18</b>	42	35	23

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

<b>Net balance</b>	Above Normal	Normal	Below Normal
<b>7</b>	28	50	22

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

<b>None</b>	5	<b>Orders</b>	31
<b>Materials</b>	13	<b>Finance</b>	13
<b>Labour</b>	24	<b>Capacity</b>	10
<b>Other</b>	5		

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

		<b>Net balance</b>	Harder	Same	Easier
(a)	labour?	<b>21</b>	34	53	13
(b)	finance?	<b>15</b>	26	63	11

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:

		<b>Net balance</b>	Greater	Same	Less
(a)	on buildings?	<b>12</b>	32	49	20
(b)	on plant & machinery?	<b>26</b>	45	37	18

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	22	61	17	15	30	55	15
7. Overtime worked	7	28	51	21	5	28	49	23
8. All new orders received	14	37	40	23	27	45	36	19
9. Orders accepted but not yet delivered	3	25	54	22	9	30	49	21
10. Output	20	38	44	18	30	45	39	15
11. Average costs per unit of output	35	43	49	8	39	48	43	9
12. Average selling prices	19	31	56	12	30	40	51	9
13. Export deliveries	9	26	58	17	25	38	48	13
14. Stock of raw materials	2	25	53	22	10	31	47	21
15. Stocks of finished goods	5	26	53	21	10	31	49	21

# Summary of results (not seasonally adjusted)

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

(a) Improve?	55
(b) Remain unchanged?	28
(c) Decline?	17
<b>Net balance</b>	<b>38</b>

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

(a) Greater?	46
(b) Same?	44
(c) Less?	10
<b>Net balance</b>	<b>35</b>

A. Industry profile of survey:

	(% of respondents)
Food Product Manufacturing	15
Beverage and Tobacco Product Manufacturing	3
Textile, Leather, Clothing and Footwear Manufacturing	6
Wood Product Manufacturing	4
Pulp, Paper and Converted Paper Product Manufacturing	3
Printing (including the Reproduction of Recorded Media)	6
Petroleum and Coal Product Manufacturing	2
Basic Chemical and Chemical Product Manufacturing	6
Polymer Product and Rubber Product Manufacturing	4
Non-Metallic Mineral Product Manufacturing	2
Primary Metal and Metal Product Manufacturing	8
Fabricated Metal Product Manufacturing	12
Transport Equipment Manufacturing	5
Machinery and Equipment Manufacturing	15
Furniture and Other Manufacturing	4
Other	8

B. How many employees are covered by this return?

1-99	100-199	200-999	1000 or more
45	21	23	12

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

WA	SA	VIC	NSW	QLD	TAS	ACT/NT
14	7	29	31	17	3	3

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.

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.



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