

ACCI–Westpac Survey of Industrial Trends

Australian Chamber of Commerce and Industry & Westpac Banking Corporation

258th report March 2026 (survey conducted from 27 January to 4 March 2026)

- Manufacturing conditions continued to accelerate in early 2026. The Westpac-ACCI Actual Composite lifted to a fresh cycle high of 59.3 in Q1 from 54.7 in Q4, its strongest result since September 2023. However, the data was recorded before the latest conflict in the Middle East, which threatens to unwind much of the long-awaited improvement in conditions.
- Underpinning the move was a surge in output growth, another solid lift in new orders, renewed expansion in employment and increased use of overtime.
- Such outcomes had been long foreshadowed by the Westpac-ACCI Expected Composite, which for some time was running well above the Actual Composite, reflecting very bullish expectations on the outlook from local manufacturers. The latest result suggests that the long-awaited improvement in conditions has finally arrived before the conflict, which will have changed conditions yet again.
- Indeed, official evidence shows that a genuine upswing in consumer spending was underway, supported by a recovery in real household disposable incomes. At the time, dwelling construction expanded at a robust pace and there are nascent signs that business investment was developing a broader base.
- Exports also continue to perform well, with a net 20% of firms reporting an increase in Q1. Solid demand for Australian agriculture goods, notably beef, across the US and Asia has supported rural goods exports, and while US tariff policy remains a risk, uncertainty has eased and its overall impact has been limited.
- That said, there are still numerous risks to bear in mind. Following the recent lift in inflation, the outlook for official interest rates has shifted materially – moving higher near-term, and remaining there for longer than previously expected over 2026 and 2027.
- As mentioned, this survey was largely in the field prior to the recent developments in the Middle East. While Westpac's analysis suggests a 'base case' scenario of a short-lived disruption will lead to a sharp but temporary lift in headline inflation, price pressures will be varied. Australian manufacturing, particularly refining and metal processing sectors, is exposed to upside risks around energy costs given its high energy intensity at around 88¢ spent on energy per dollar of gross value added. This is important given the starting point is already elevated for unit cost pressures.
- One of the more encouraging results was on employment, where a net 12% of firms reported an increase. This marks a welcome shift away from the two years of readings that were consistent with moderate job shedding, a trend that was also evident in official labour market data. That said, labour continues to be cited as "harder to find" versus three months ago by a net 28%, and on a relative basis, labour is cited as the single factor most limiting production by 24% of respondents.
- The accelerated expansion in output this quarter was met with a greater proportion of manufacturers operating at above average levels of capacity. Although firms are more optimistic on prospects for future hiring, the binding constraints of labour and materials may tighten capacity, hampering the ability of some firms to meet an increase in demand.

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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 258th consecutive survey was closed on Monday, 2 March 2026. A total of **437** 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)

	Q4 2025	Q1 2026
Actual – composite index	54.7	59.3
Expected – composite index	62.2	62.1

- In Q1, the Westpac-ACCI Actual Composite lifted to its strongest level since September 2023, when economic activity was rebounding in the wake of the COVID-19 lockdowns. At 59.3, it is decisively in expansionary territory.
- Underpinning the result was a surge in output growth, another lift in new orders and increases in both numbers employed and overtime.
- This outcome had long been foreshadowed by the Westpac-ACCI Expected Composite, which remains very bullish outlook at 62.1 in Q1. While actual outcomes are now catching up to expectations, in line with official data, material risks to the outlook remain.

Westpac-ACCI Labour Market Composite

	Q4 2025	Q1 2026
Composite index	48.6	51.4

- The Labour Market Composite continued to recover moving in early 2026, rising to 51.4 from 48.6 in Q4, its highest level since June 2019.
- Official data highlights the 'two-speed' nature of the labour market over recent years. Growth in the care economy as 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 might be starting to pick up some steam.

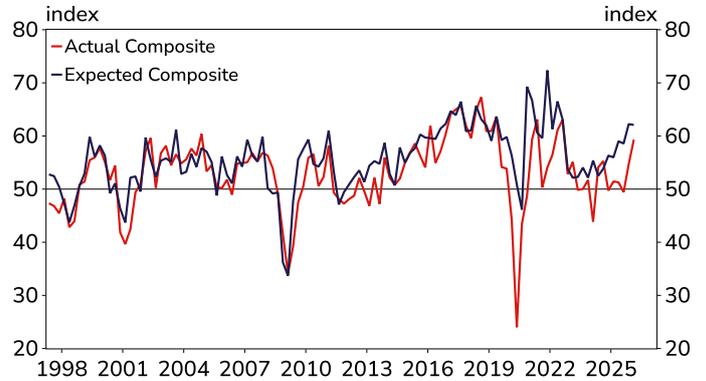
General business situation

	Q4 2025	Q1 2026
Net balance	18	22

- Manufacturing sentiment has staged an impressive recovery from the lows of 2024, when historic cost pressures and weak demand weighed heavily, and has since stabilised at optimistic levels.
- A net 22% of respondents expect the general business situation to improve over the next six months, up from a net 18% in Q4.
- Conditions on the ground are showing clearer signs of recovery, with a second consecutive quarterly rise in manufacturing gross value added in Q4. At the same time, the survey points to a rebound in output growth, while growth in new orders continues to recover at a solid pace.

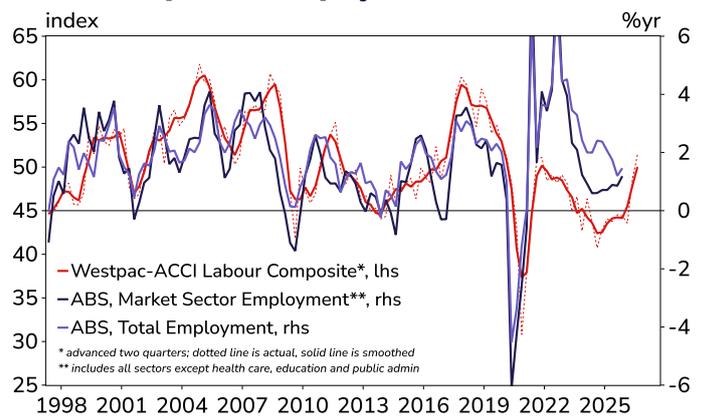
Westpac-ACCI Composite Indexes

Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

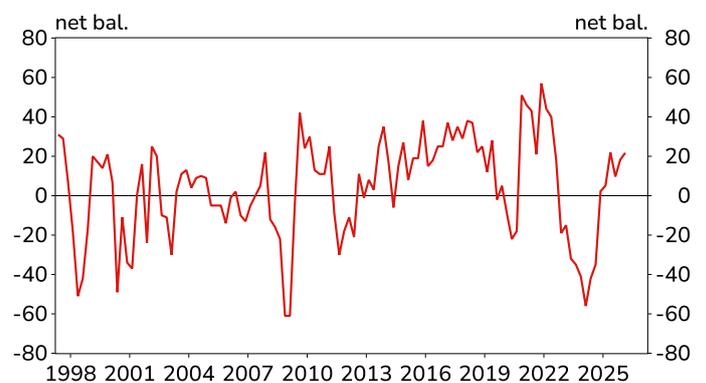
Labour Composite & Employment Trends



Source: ACCI, Westpac Economics, ABS, Macrobond

General Business Situation

Next six months



Source: ACCI, Westpac Economics, Macrobond

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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 provided a more constructive picture around the recovery in private sector demand. An improvement in real disposable income is supporting consumer spending, though momentum remains uneven. At the same time, dwelling construction is expanding at a robust pace and there are nascent signs that business investment is developing a broader base.
- With an economic upswing underway, manufacturers are very optimistic. That said, inflation has picked up recently and the outlook for official interest rates has changed materially – higher and for longer than previously expected over 2026 and into 2027. The Middle East conflict also poses material upside risks for energy costs, which is a particularly acute issue for local manufacturing.

Australian & World manufacturing surveys

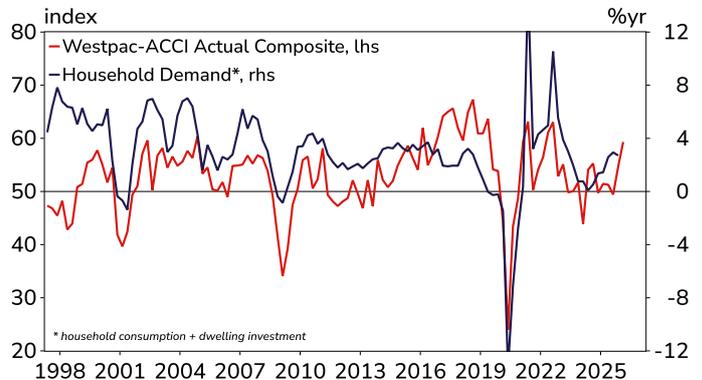
- Global and Australian manufacturing cycles tend to be synchronised, especially at major turning points. The Westpac-ACCI Actual Composite typically moves in line with global manufacturing conditions. That said, there can be some cross-country variation within manufacturing in any given cycle.
- Over the past quarter, there has been a clear improvement across the major economies. Manufacturing in the US has kicked into a higher gear at the start of this year, similar to Australia, with the ISM PMI lifting back into meaningful expansionary territory for the first time since 2022, at 52.4 in February. China has seen a comparable lift, with the RatingDog PMI rising to 52.1, while the Eurozone's HCOB PMI printed 50.8 in February.

Manufacturing & business investment

- The ACCI-Westpac survey has historically provided a broad gauge on equipment spending trends in the manufacturing sector. However, actual spending has persistently underperformed the investment intentions in this survey, suggesting that some plans may be failing to materialise.
- Official data has been more constructive recently, with six-month annualised growth in equipment spending moving back into positive territory. The National Accounts also points to some nascent signs of a broadening investment pulse, though it is still in its early stage.
- Looking forward, evidence of a sustained recovery in consumer demand provides a more supportive backdrop for investment. However, with the recent kick-up in inflation, 'higher for longer' interest rates will dampen growth.

Manufacturing & the Business Cycle

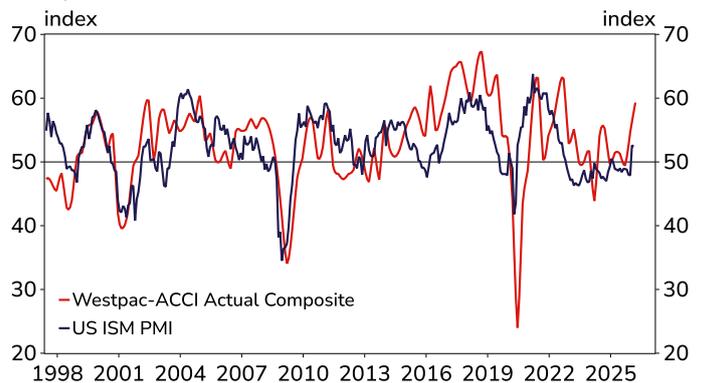
Westpac-ACCI Composite & Household Demand



Source: ACCI, Westpac Economics, ABS, Macrobond

Australian & US manufacturing surveys

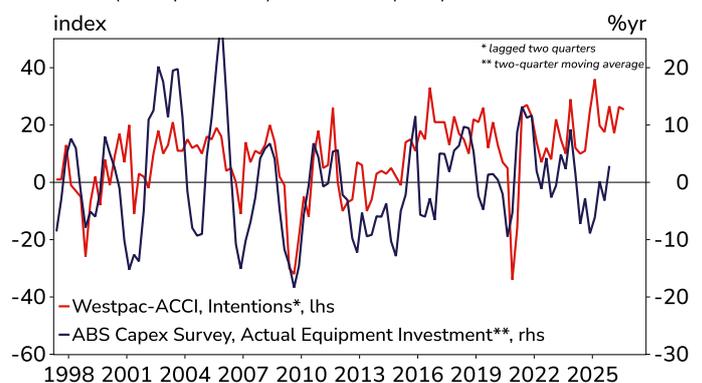
Westpac-ACCI & Global PMI Indexes



Source: ACCI, Westpac Economics, ISM, Macrobond

Manufacturing Equipment Investment

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



Source: ACCI, Westpac Economics, ABS, Macrobond

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Activity & orders

Output (seasonally adjusted)

	Q4 2025	Q1 2026
Actual – net balance	17	31
Expected – net balance	34	26

- The survey reports that output growth continued to build momentum in early 2026, with a net 31% of respondents reporting an increase in Q1, up from a net 17% in Q4. This marks the strongest result since September 2022, when the economy was rebounding after the pandemic.
- Output growth also ran well ahead of new orders, resulting in a build-up of inventories. Expectations remain solid, albeit slightly lower, with a net 26% of firms anticipating another lift in Q2. While expectations have tended to run well ahead of actual outcomes over the past year, the latest result tentatively suggests the gap is beginning to narrow.

New orders (seasonally adjusted)

	Q4 2025	Q1 2026
Actual – net balance	12	18
Expected – net balance	33	33

- The survey shows that growth in new orders lifted again in Q1, with a net 18% of respondents reporting an increase, up from a net 12% in Q4 and slightly above the pre-COVID average of a net 16%.
- Rising new orders are consistent with the uptrend in domestic demand, driven primarily by the consumer but also supported by a robust pace of home building activity and more recently investment.
- Looking ahead, expectations remain very strong, with a net 33% of firms anticipating another rise over the next three months. However, while firms are beginning to lift headcount and overtime, future capacity constraints may limit whether these expectations are realised.

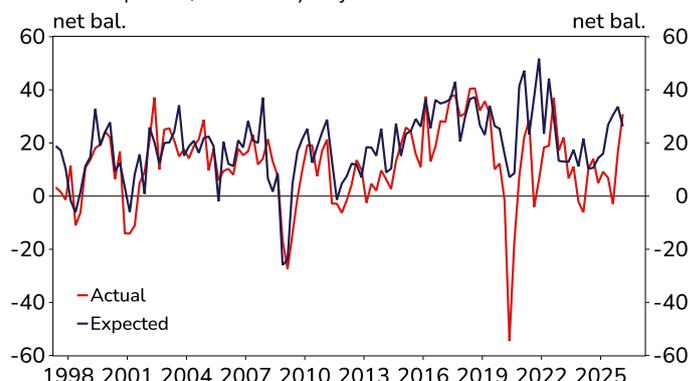
Exports

	Q4 2025	Q1 2026
Actual – net balance	9	20
Expected – net balance	25	31

- Manufacturers continue to report an incredibly constructive view on exports. On balance, a net 20% of firms reported an increase in Q1, up from a net 9% in Q4.
- Solid demand across our Asian trading partners has supported processed food and agriculture exports in particular. While US tariff risks remain, uncertainty has eased and the impact has been limited given Australia held a tariff advantage. Industry-specific tariffs have only had a limited impact on the primary metals to date.
- Expectations have strengthened further, with a net 31% anticipating a lift over the next three months. However, a stronger AUD and possible spillovers from the Middle East may weigh on growth in exports ahead.

Output

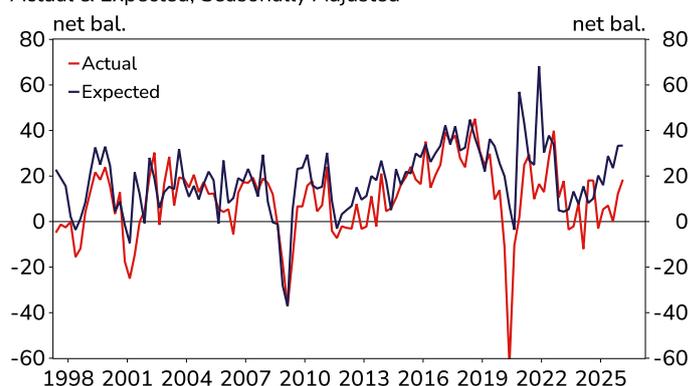
Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

New Orders

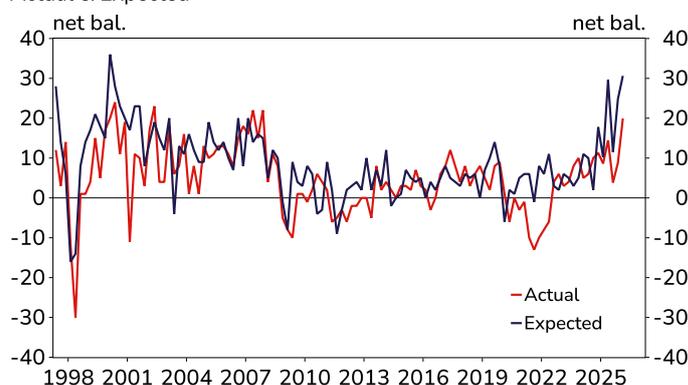
Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

Export Deliveries

Actual & Expected



Source: ACCI, Westpac Economics, Macrobond

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Investment & profitability

Investment intentions

	Q4 2025	Q1 2026
Plant & Equipment – net balance	26	25
Building – net balance	12	15

- Outside of some natural quarter-to-quarter volatility, investment intentions continue to operate around a relatively high level.
- On balance, a net 25% of firms intend to increase plant & equipment spending over the next twelve months, while a net 15% are looking to increase building investment.
- These intentions are likely bolstered by more constructive evidence around new orders of late. But at the same time, the outlook for interest rates has shifted materially compared to last year – with ongoing inflation pressures, interest rates are expected to remain higher for longer, which may put some investment plans at risk over the course of this year.

Capacity utilisation

	Q4 2025	Q1 2026
Net balance	7	11

- Firms continued to operate at above-average levels of capacity in Q1, reflecting another solid rise in new orders and output, albeit with a somewhat more modest lift in employment and overtime.
- In the latest survey, slightly more firms reported operating at above-average capacity (28% up from 31%), while fewer reported below-average capacity (22% to 19%), resulting in a net 11% reporting overutilisation.
- While firms are increasingly optimistic about for future hiring, labour availability remains a key constraint. Material shortages have also become a larger concern of late. Together, these dynamics may see capacity tighten and hamper firms' ability to fully meet demand in a timely manner, adding to order backlogs.

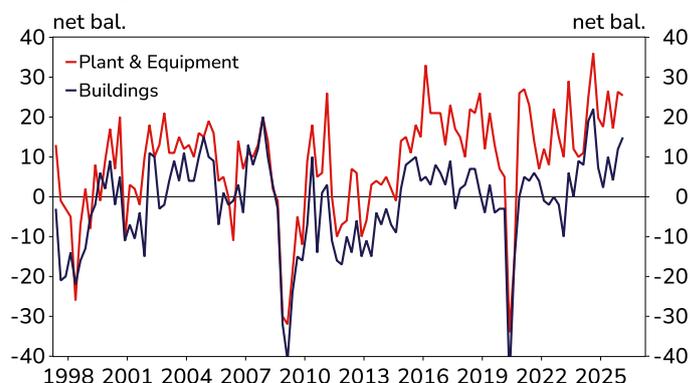
Profit expectations

	Q4 2025	Q1 2026
Net balance	38	43

- Manufacturers have become supremely confident on the year-ahead outlook for profits. A net 43% of firms are anticipating an increase in profits over the next twelve months – the highest since Q3 2017.
- This broad-based confidence in the direction for profits stems from manufacturers' very bullish expectations around output and new orders. This is despite a 'higher for longer' interest rate outlook amid ongoing inflation pressures.
- While the revenue outlook is more constructive, elevated cost pressures and margin compression could continue to weigh on profit growth near-term, especially if upside risks around energy costs materialise.

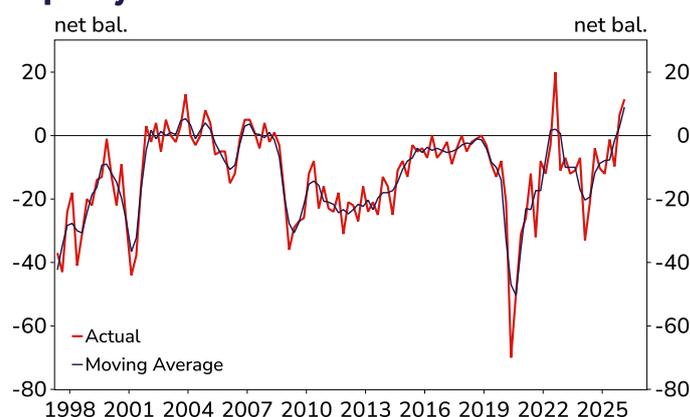
Investment Intentions

Next twelve months



Source: ACCI, Westpac Economics, Macrobond

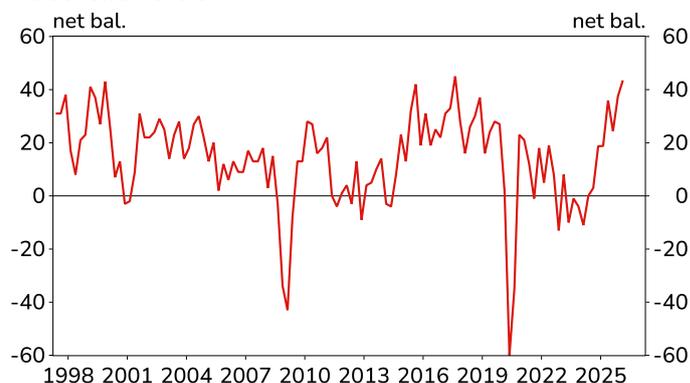
Capacity Utilisation



Source: ACCI, Westpac Economics, Macrobond

Profit Expectations

Next twelve months



Source: ACCI, Westpac Economics, Macrobond

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The labour market

Numbers employed (seasonally adjusted)

	Q4 2025	Q1 2026
Actual – net balance	4	12
Expected – net balance	18	22

- Growth in new orders continue to build momentum, and as a result, manufacturers' views on hiring is finally starting to turn a corner, with a net 12% of firms reporting an increase in the size of their workforce.
- This marks a welcome 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 tighter capacity and expectations of a further gains in new orders, a net 22% of firms anticipate an increase in employment over the next three months. Whether these expectations can be fully realised remains a key question, given manufacturers still report that skilled labour is very difficult to source.

Overtime worked (seasonally adjusted)

	Q4 2025	Q1 2026
Actual – net balance	0	13
Expected – net balance	10	8

- Manufacturers have typically relied on overtime to quickly adjust labour usage in response to shifts in demand, especially during times of acute labour shortages.
- While the last couple of years were defined by weaker demand and lower overtime, this now looks to be turning around, with a net 13% of firms reporting an increase in their use of overtime in Q1.
- Given rising capacity utilisation and lingering difficulty in finding labour, some further increase in overtime may be required in order to meet demand in the near-term, with a net 8% of manufacturers expecting to lift overtime over the next three months.

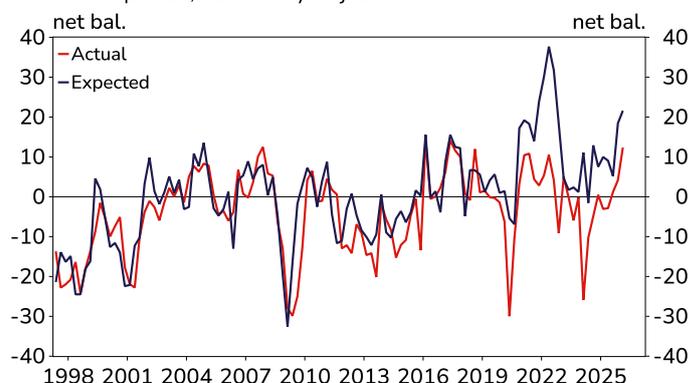
Difficulty of finding labour (seasonally adjusted)

	Q4 2025	Q1 2026
Net balance	21.1	28.2

- 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 Q1, a larger share of manufacturers reported difficulty in sourcing labour, with a net 28.2% 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 encouraging 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

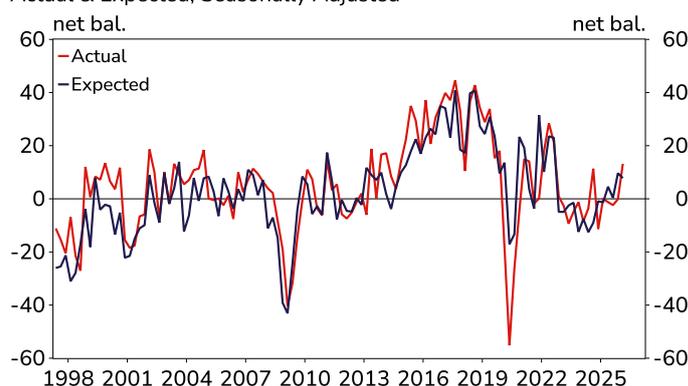
Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

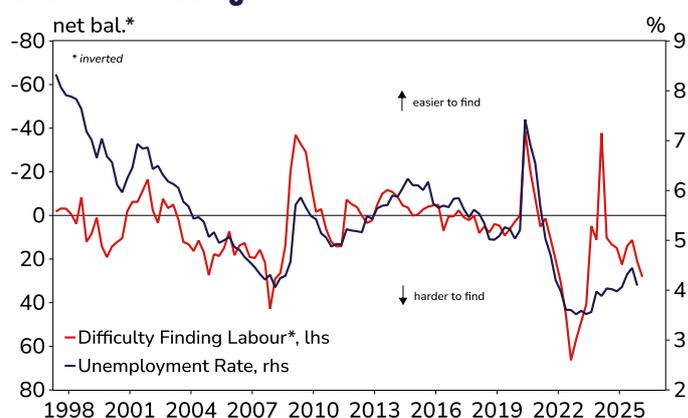
Overtime Worked

Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

Labour Market Tightness



Source: ACCI, Westpac Economics, ABS, Macrobond

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Prices & inflation

Average unit costs

	Q4 2025	Q1 2026
Actual – net balance	35	37
Expected – net balance	39	40

- Manufacturers continued to cite elevated unit cost pressures in early 2026, with a net 37% of firms reporting an increase, up from a net 35% in Q4.
- While upward cost pressures have moderated significantly since 2022/23, the latest results remain around double the pre-pandemic average. Looking ahead, cost pressures are expected to remain elevated, with a net 40% of firms anticipating an increase in average costs over the next three months, little changed from a net 39% from Q4.
- Notably, these results largely pre-date recent developments in the Middle East, which pose additional upside risks to costs given the sector's high exposure to energy.

Average selling prices

	Q4 2025	Q1 2026
Actual – net balance	19	23
Expected – net balance	30	35

- The proportion of firms reporting an increase in average selling prices moved higher, rising from a net 19% in Q4 to a net 23% in Q1 2026.
- Actual outcomes continue to fall short of manufacturers' own expectations. Against the backdrop of lingering unit cost pressures and heightened upside risks, this suggests that manufacturers' may be overestimating their ability to pass on costs, resulting in ongoing margin compression.
- A net 35% of firms anticipate a rise in prices over the next three months. Given recent experience and still-elevated cost expectations, the risk is that margins could remain compressed for longer than manufacturers hope.

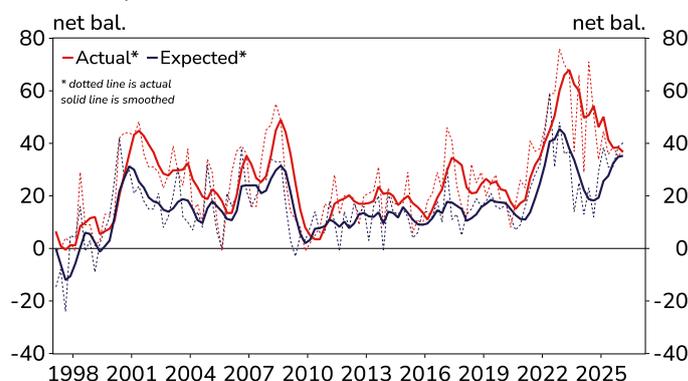
Manufacturing wages

	Q4 2025	Q1 2026
Net balance	35	42

- In Q1, a net 42% of manufacturers indicated they expect their next enterprise wage agreement to deliver an outcome higher than the previous one, the highest proportion since Q4 2023.
- This suggests firms remain concerned about future upward pressure on wages amid ongoing difficulties in finding skilled labour. These concerns are likely to intensify as growth in new orders and output are starting to recover more clearly.
- In contrast, official data on wage growth trends in the manufacturing sector point to a continued moderation, with wages growth now at 2.9%, or ½ppt below the national average.

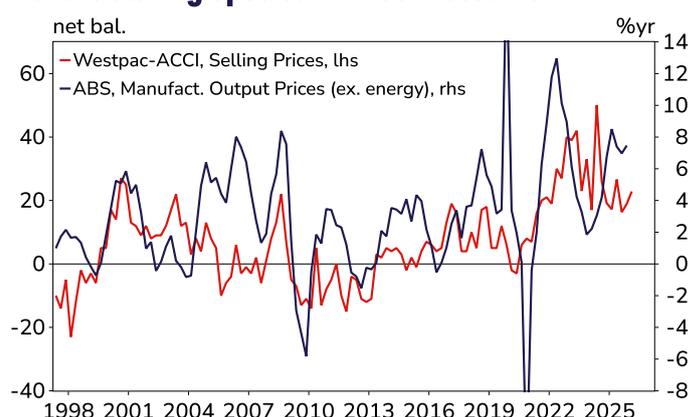
Average Unit Costs

Actual & Expected



Source: ACCI, Westpac Economics, Macrobond

Manufacturing Upstream Price Pressures



Source: ACCI, Westpac Economics, ABS, Macrobond

Manufacturing Wage Growth



Source: ACCI, Westpac Economics, ABS, Macrobond

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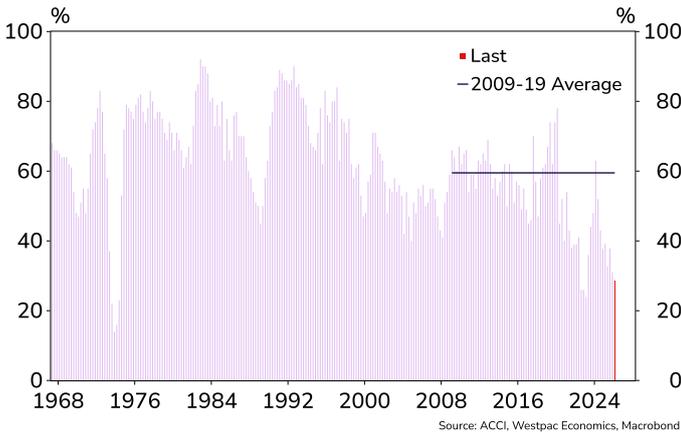
Factors limiting production

- **Orders** have historically been cited by most manufacturers as the single factor most limiting production. At 29% in Q1, though, this is a well below average, reflecting the improvement in demand and relatively more pressing concerns around tightness around other supply factors.
- **Labour** remains a key example here, with 24% citing it as the primary constraint, extending one of the longest stretches of acute labour shortages in the survey's rich history dating back to the 1960s.
- **Materials** have become a more significant constraint of late, at 12% in Q1, well above the pre-pandemic average.
- **Capacity** is still viewed as a moderate constraint, at 11% in Q1. While manufacturers are operating at above average levels of capacity at present, the concern is how long and how far above average manufacturers can continue to meet production before labour and materials constraints start to bite and capacity becomes a more binding limit.

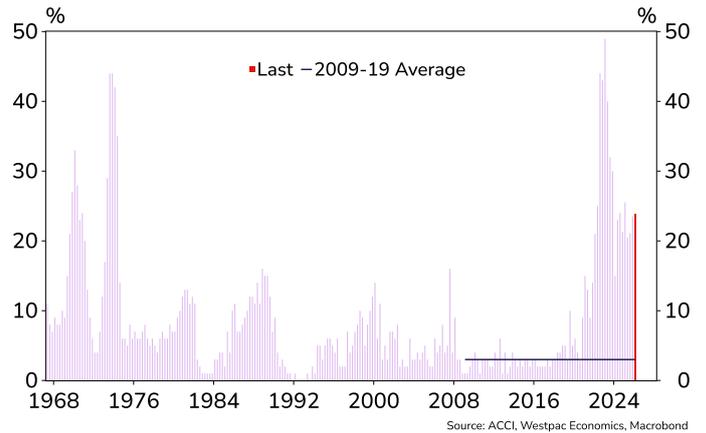
Single factor most limiting production

	Q3 2025	Q4 2025	Q1 2026
Orders (%)	38	31	29
Capacity (%)	10	10	11
Labour (%)	21	24	24
Finance (%)	10	13	12
Materials (%)	7	13	12
Other (%)	6	5	4
None (%)	7	5	8

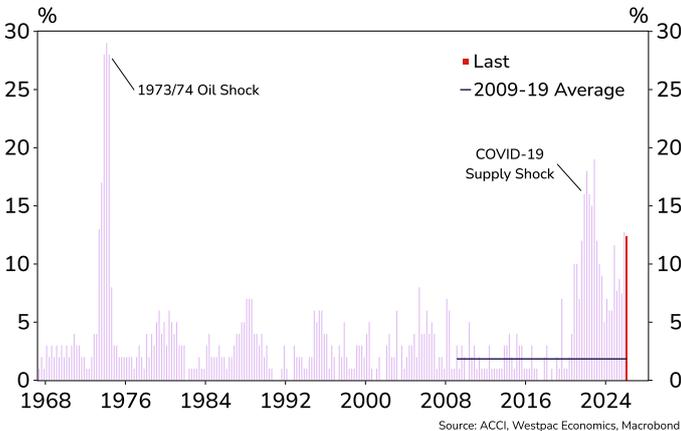
Factors Limiting Production: Orders



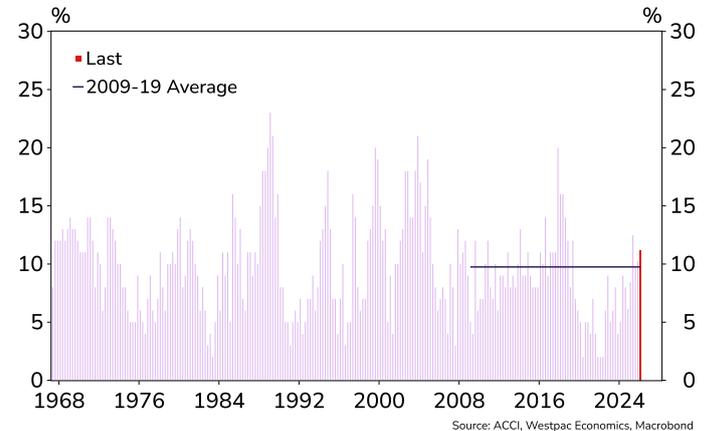
Factors Limiting Production: Labour



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?

Net balance	Improve	Same	Deteriorate
22	43	36	21

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

Net balance	Above Normal	Normal	Below Normal
11	31	50	19

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

None	8	Orders	29
Materials	12	Finance	12
Labour	24	Capacity	11
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?	22	35	51	13
(b)	finance?	16	28	60	12

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?	15	37	41	22
(b)	on plant & machinery?	25	45	35	20

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	9	25	60	15	21	34	53	13
7. Overtime worked	7	30	46	23	9	31	47	22
8. All new orders received	13	34	45	21	37	48	41	11
9. Orders accepted but not yet delivered	8	24	60	16	18	35	49	16
10. Output	18	35	48	17	34	46	42	12
11. Average costs per unit of output	37	45	48	7	40	49	43	8
12. Average selling prices	23	34	55	11	35	44	47	9
13. Export deliveries	20	33	55	13	31	42	46	12
14. Stock of raw materials	8	24	59	17	16	32	53	15
15. Stocks of finished goods	14	30	54	16	19	36	48	16

Summary of results (not seasonally adjusted)

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

(a) Improve?	60
(b) Remain unchanged?	24
(c) Decline?	16
Net balance	43

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?	50
(b) Same?	42
(c) Less?	8
Net balance	42

A. Industry profile of survey:

	(% of respondents)
Food Product Manufacturing	16
Beverage and Tobacco Product Manufacturing	3
Textile, Leather, Clothing and Footwear Manufacturing	8
Wood Product Manufacturing	5
Pulp, Paper and Converted Paper Product Manufacturing	2
Printing (including the Reproduction of Recorded Media)	7
Petroleum and Coal Product Manufacturing	1
Basic Chemical and Chemical Product Manufacturing	7
Polymer Product and Rubber Product Manufacturing	4
Non-Metallic Mineral Product Manufacturing	3
Primary Metal and Metal Product Manufacturing	8
Fabricated Metal Product Manufacturing	10
Transport Equipment Manufacturing	4
Machinery and Equipment Manufacturing	15
Furniture and Other Manufacturing	5
Other	3

B. How many employees are covered by this return?

1-99	100-199	200-999	1000 or more
41	20	22	18

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

WA	SA	VIC	NSW	QLD	TAS	ACT/NT
17	10	25	27	17	4	5

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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