

ACCI–Westpac Survey of Industrial Trends

Australian Chamber of Commerce and Industry & Westpac Banking Corporation

259th report June 2026 (survey conducted from 1 May to 29 May 2026)

- Momentum in Australia's manufacturing sector stalled heading into mid-year, with conditions slipping back neutral after a short-lived recovery. After a brief stint of expansion over the last couple of quarters, the Westpac-ACCI Actual Composite eased to 50.5 in Q2, signalling that activity is now flat.
- The main theme evident throughout the survey is a growing squeeze on both demand and costs. The Middle East conflict is compounding the inflation challenge that was already present earlier in the year, further compressing household incomes and spending. At the same time, rising input costs are intensifying margin pressure on manufacturers.
- Growth in new orders effectively evaporated in Q2, with only a net 1% of respondents reporting an increase. Against a backdrop of cooling demand and an earlier build-up in inventories, production slowed considerably in Q2 with only a net 6% of firms reporting an increase in output, down from a net 27% in Q1.
- The Middle East conflict has reignited cost pressures across the industry, with a net 51% of firms reporting a rise in average unit costs, the highest since Q3 2024. Pressures are particularly acute in sub-sectors with more direct exposure to fuel, fertiliser and other supply chain stresses, including food products, machinery and equipment, chemicals, wood and furniture.
- To date, manufacturers are partially absorbing the increase in costs with a net 30% of firms reporting higher selling prices during the quarter, lower than the share of firms reporting an increase in costs over the same period. This gap points to a squeeze on margins, which is consistent with the sharpest drop in profit expectations since the pandemic.
- Manufacturers expect cost pressures to remain acute in the period ahead, with a net 54% anticipating a further rise over the next three months, the highest since the 2022 post-pandemic inflation shock. Firms expect further material increases in selling prices as a result, suggesting that some pass-through of higher costs will persist into the second half of the year.
- The Westpac-ACCI Expected Composite has moderated significantly, from a bullish 60.8 in Q1 to 52.3 in Q2, reflecting expectations for higher costs, subdued demand and slower growth in production. More broadly, manufacturing sentiment about the general business outlook has turned deeply pessimistic, with a net 21% now anticipating a deterioration over the next six months versus a net 22% anticipating an improvement in Q1.
- Heightened uncertainty, surging costs and a more downbeat outlook for demand has made manufacturers more cautious about the investment outlook and new hiring. On balance, a net 12% of firms intend to increase plant and equipment spending over the next twelve months, while a net 1% intend to reduce building investment, with the bulk of these moves driven by firms delaying/cancelling plans to increase investment. Additionally, a net 4% of manufacturers reduced the size of their workforce in Q2, pointing to a more abrupt cooling in labour demand within the sector.

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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 259th consecutive survey was closed on Monday, x June 2026. 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)

	Q1 2026	Q2 2026
Actual – composite index	57.6	50.5
Expected – composite index	60.8	52.3

- After a brief stint of robust expansion, momentum in Australia's manufacturing sector has cooled notably. The Westpac-ACCI Actual Composite pulled back to a broadly neutral reading of 50.5 in Q2, from 57.6 in Q1.
- Underpinning the result was a flattening in new orders, a deceleration in output growth, a decline in numbers employed and steady overtime hours worked.
- The Westpac-ACCI Expected Composite also moderated significantly, from a bullish 60.8 in Q1 to 52.3 in Q2, consistent with modest expansion. This paints a very different picture on the manufacturing sector from last quarter as the headwinds associated with higher costs and interest rates have continued to intensify.

Westpac-ACCI Labour Market Composite

	Q1 2026	Q2 2026
Composite index	47.7	44.1

- The Labour Market Composite lost momentum moving into mid-year, falling to 44.1 in Q2 from 47.7 in Q1, and is back around the levels recorded a year ago.
- Recent results in the Labour Market Composite foreshadowed the trends in official labour market data: jobs growth in the market sector started to pick-up last year, following on from the recovery in the broader economy but have since eased.
- Inflation and interest rate pressures have reemerged amid the ongoing Middle East conflict. While the labour market is further downstream from these forces, our Composite indicates that momentum in the labour market is already starting to shift back into a lower gear.

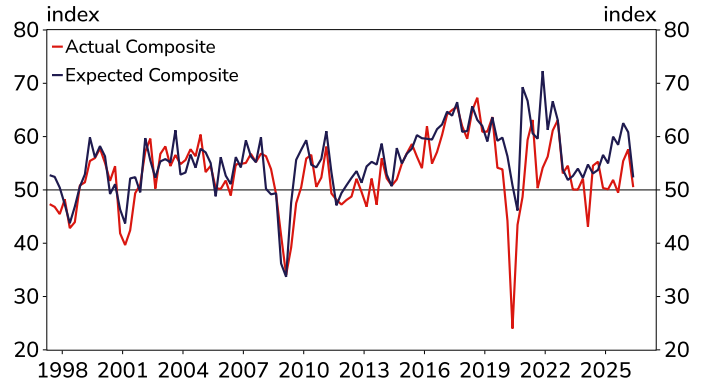
General business situation

	Q1 2026	Q2 2026
Net balance	22	-21

- Manufacturing sentiment about the general business outlook has turned sharply. The optimism built through 2025, following on from the broader economic recovery, has given way to renewed pessimism.
- A net 21% of respondents expect the general business situation to deteriorate over the next six months, a sharp turnaround from the net 22% anticipating an improvement in Q1.
- This pronounced weakening in sentiment is a foreboding signal that manufacturers are bracing for weaker conditions over the rest of the year, as acute cost pressures bite and elevated inflation and interest rates weigh on demand.

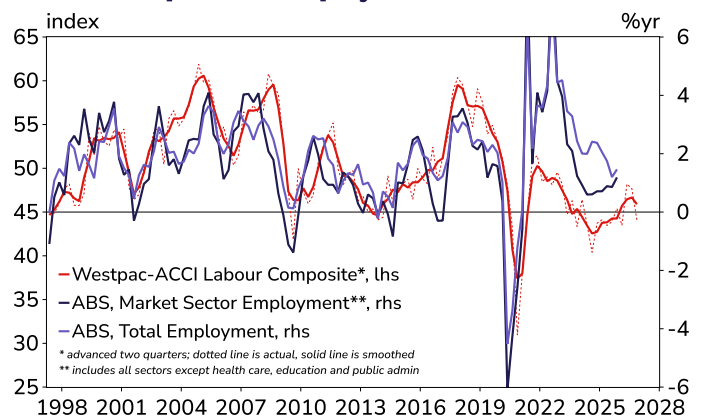
Westpac-ACCI Composite Indexes

Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

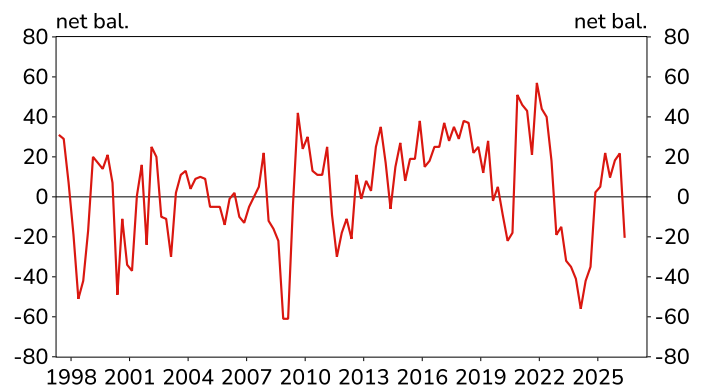
Labour Composite & Employment Trends



Source: ACCI, Westpac Economics, ABS, Macrobond

General Business Situation

Next six months



Source: ACCI, Westpac Economics, Macrobond

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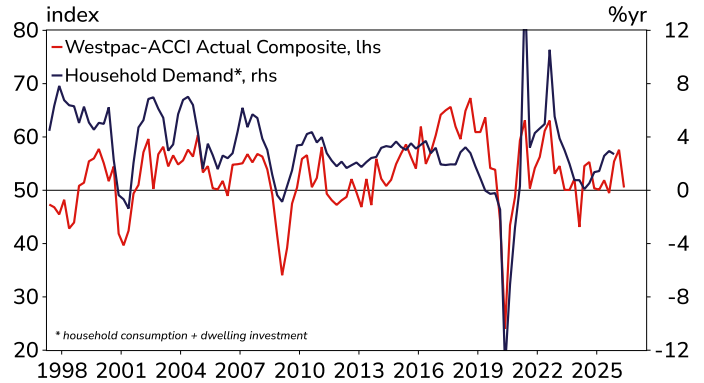
The business cycle & economic outlook

Manufacturing & the business cycle

- The Westpac-ACCI Actual Composite has a solid track record as a timely indicator of near-term domestic economic conditions and turning points in the cycle.
- The Q1 National Accounts painted a more mixed picture on the domestic economy. Growth was buoyed by investment in data centres, but outside of this, momentum was more subdued. Higher inflation and interest rates are eroding household income growth, weighing on consumer spending. At the same time, higher input costs stemming from the Middle East conflict is starting to weigh on residential construction activity and some areas of business investment.
- This survey suggests that conditions turned abruptly in Q2, with demand softening and cost pressures continuing to mount. These dynamics will continue to shape momentum in local manufacturing and the domestic economy more broadly over the periods ahead.

Manufacturing & the Business Cycle

Westpac-ACCI Composite & Household Demand



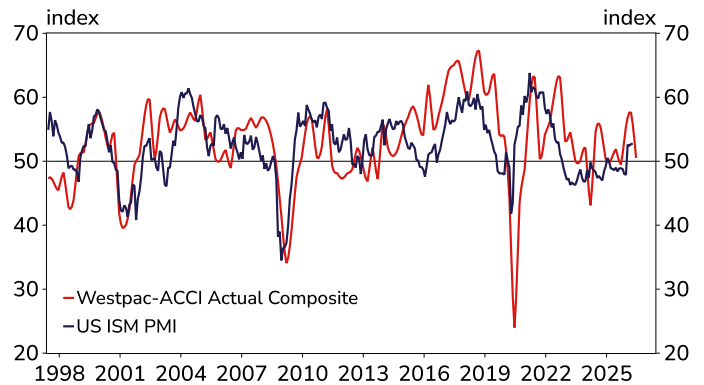
Source: ACCI, Westpac Economics, ABS, Macrobond

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. That said, there can be some cross-country variation within manufacturing in any given cycle.
- Over recent months, momentum has broadly stabilised across the major manufacturing hubs, but to varying degrees. The US has bucked the wider trend and continued to kick into a higher gear, with the ISM PMI lifting up to 54.0 in May, driven by demand and orders. In contrast, the Eurozone's HCOB PMI is holding around modestly expansionary territory, at 51.6 in May, while China, manufacturing sector is tracking around breakeven territory, with the RatingDog PMI at 50.0.

Australian & US manufacturing surveys

Westpac-ACCI & Global PMI Indexes



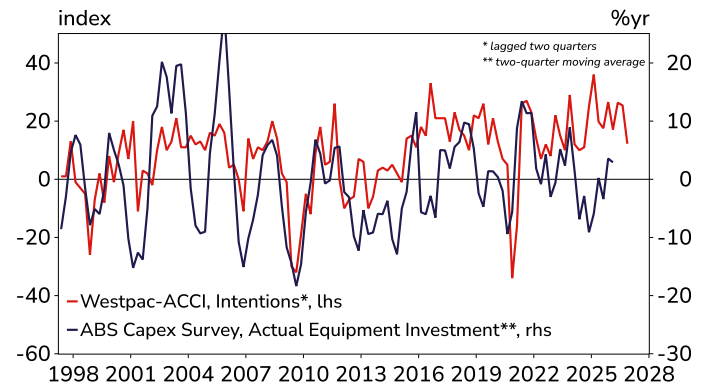
Source: ACCI, Westpac Economics, ISM, Macrobond

Manufacturing & business investment

- The ACCI-Westpac survey has historically provided a broad gauge on equipment spending trends in the manufacturing sector. However, actual spending has persistently underperformed the investment intentions in this survey, suggesting that some plans may be failing to materialise.
- That said, official data has been more constructive recently, with six month annualised growth in equipment spending within the manufacturing sector back into positive territory. The National Accounts showed most of the current investment pulse in Australia being driven by data centres, with growth in equipment spending outside of that sector more subdued.
- Looking forward, manufacturers have become much more cautious about the investment outlook, with heightened uncertainty around the Middle East conflict and recent interest rate rises clearly impacting investment intentions.

Manufacturing Equipment Investment

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



Source: ACCI, Westpac Economics, ABS, Macrobond

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Activity & orders

Output (seasonally adjusted)

	Q1 2026	Q2 2026
Actual – net balance	27	6
Expected – net balance	25	12

- Momentum in output growth slowed considerably in Q2. Only a net 6% of manufacturers reported an increase in output in Q2, down from a net 27% in Q1, which had marked the highest since the post-pandemic rebound.
- Cooling demand and a larger build-up in inventories last quarter, saw manufacturers pull back production in Q2.
- Expectations continued to cool significantly, from a net 25% to a net 12% now anticipating an increase in output over the next three months. Given the subdued outlook for new orders and no real intention to increase headcount or overtime, there is a risk that output growth could remain more subdued over the period ahead.

New orders (seasonally adjusted)

	Q1 2026	Q2 2026
Actual – net balance	15	1
Expected – net balance	30	6

- Growth in new orders stalled in Q2, with only a net 1% of respondents reporting an increase, down from a net 14% and 15% increase in Q4 and Q1 respectively.
- As the Middle East conflict has continued to unfold, the environment for domestic demand has become increasingly fragile. Elevated inflation and higher interest rates are eroding households' incomes, weighing on consumer spending, while surging input costs are set to weigh more heavily on the building sector.
- Looking ahead, expectations have shifted down from earlier highs. Now, only a net 6% of firms expect a lift in new orders over the next three months, pointing to demand remaining subdued.

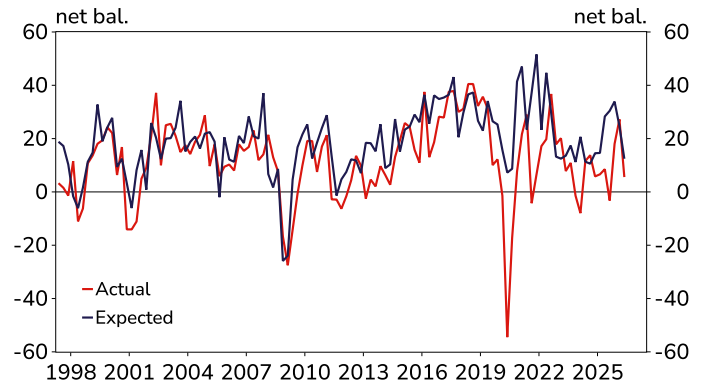
Exports

	Q1 2026	Q2 2026
Actual – net balance	20	9
Expected – net balance	31	11

- Growth in exports has slowed moving into mid-year, with a net 9% of manufacturers reporting an increase in Q2, from a net 20% increase in the previous quarter.
- While solid demand across our Asian trading partners has continued to support processed food and agriculture exports, the combination of a stronger AUD, disruptions to some supply chains and renewed uncertainty from the Middle East conflict have all hampered growth in the quarter. US tariff risks remain a wildcard, but it has had little impact to date.
- Expectations have cooled but remain positive overall, with a net 11% expecting an increase over the next three months.

Output

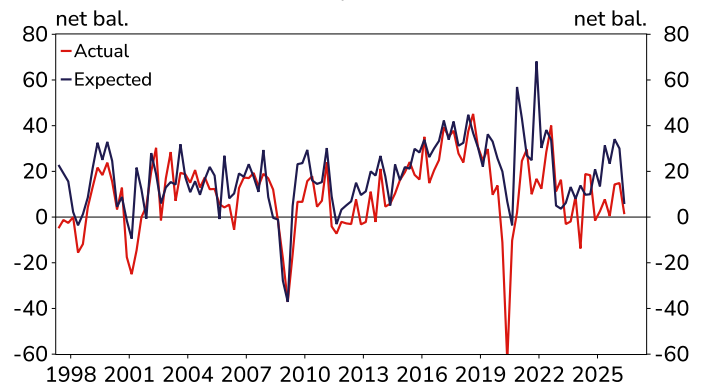
Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

New Orders

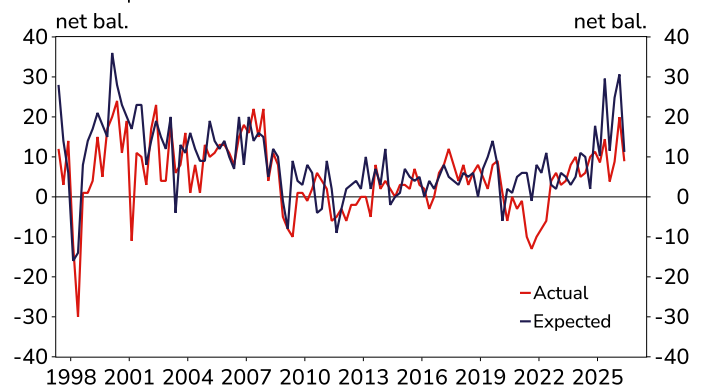
Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

Export Deliveries

Actual & Expected



Source: ACCI, Westpac Economics, Macrobond

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Investment & profitability

Investment intentions

	Q1 2026	Q2 2026
Plant & Equipment – net balance	25	12
Building – net balance	15	-1

- Manufacturers have turned more cautious about their investment plans. On balance, a net 12% of firms intend to increase plant and equipment spending over the next twelve months, down from 25 in Q1, while a net 1% intend to reduce building investment.
- The bulk of the move was due to firms delaying/cancelling plans to invest *more* than in the past twelve months, while there was a relatively smaller increase in those planning to actively reduce investment.
- The cooling in investment intentions reflects heightened uncertainty around the economic outlook amid the ongoing Middle East conflict, with firms expecting high inflation and subdued demand to persist near-term.

Capacity utilisation

	Q1 2026	Q2 2026
Net balance	11	-2

- Capacity utilisation has normalised, with manufacturers now operating broadly around average levels, after a period of above-average capacity utilisation that stemmed from an earlier recovery in new orders and output.
- In the latest survey, there were fewer firms operating at above-average capacity (31% to 23%) and more firms operating at below-average capacity (19% to 25%), resulting in only a net 2% reporting underutilisation.
- This follows on from the cooling in new orders and pull-back in output growth, reflecting an easing in consumer demand as the pressure from interest rate rises and higher inflation weigh on activity.

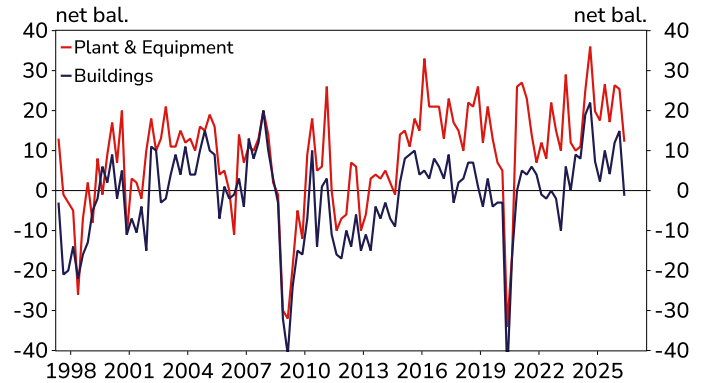
Profit expectations

	Q1 2026	Q2 2026
Net balance	43	9

- Following on from the recovery in economic growth last year, manufacturers became increasingly confident on the prospects for profit growth over the period ahead.
- Move forward to Q2, the outlook for profits has taken a significant hit. On balance, only a net 9% of firms expect an improvement in profits over the coming year, down from a net 43% in Q1, the sharpest drop since the pandemic.
- This comes amid a tidal shift in the economic outlook – the RBA had already started raising interest rates earlier in the year in response to local inflation pressures, and the Middle East conflict has compounded this challenge. Consumer demand is looking more fragile, while acute cost pressures continue to squeeze manufacturers' margins.

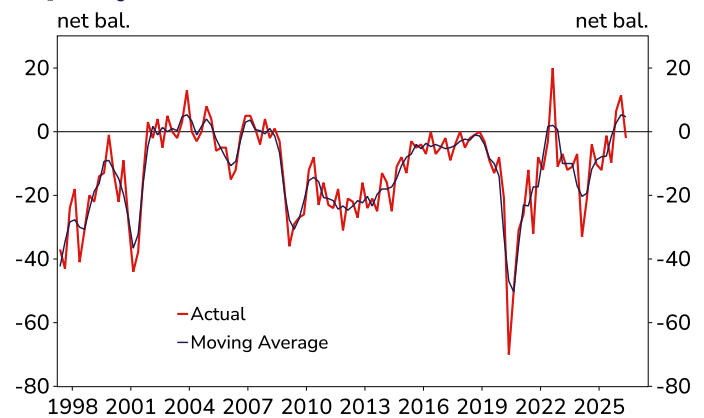
Investment Intentions

Next twelve months



Source: ACCI, Westpac Economics, Macrobond

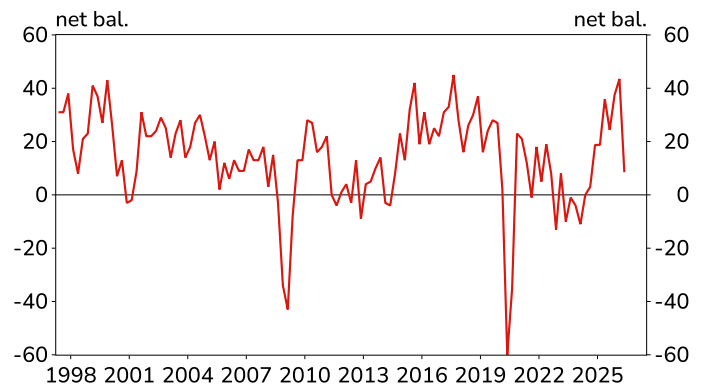
Capacity Utilisation



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)

	Q1 2026	Q2 2026
Actual – net balance	9	-4
Expected – net balance	18	1

- After a fleeting period of expanding headcount at the start of the year, manufacturers' views on hiring has soured once again, with a net 4% of firms reporting a decline in the size of their workforce.
- This coincides with an evaporation in momentum for new orders and a much more downbeat outlook for consumer demand amid high inflation and interest rate rises. Against this backdrop, manufacturers have little scope to increase the number of employed.
- Expectations suggest firms broadly do not anticipate changes to the size of their workforce, with only a net 1% expecting an increase over the next three months.

Overtime worked (seasonally adjusted)

	Q1 2026	Q2 2026
Actual – net balance	11	0
Expected – net balance	6	-5

- Manufacturers neither increased nor decreased overtime hours worked in Q2, a turnaround from earlier in the year when a net 11% reported an increase.
- Hours worked usually adjusts more quickly to shifts in demand conditions than employment. The fact that both eased materially at the same time points to a more abrupt cooling in labour demand within the sector.
- Over the next three months, a net 5% of firms anticipate a reduction in overtime. More pronounced weakness in overtime expectations compared to employment expectations highlights a preference to adjust hours worked where needed over the period ahead.

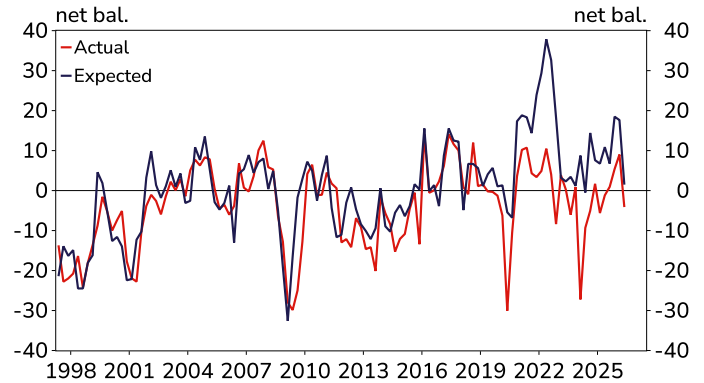
Difficulty of finding labour (seasonally adjusted)

	Q1 2026	Q2 2026
Net balance	25.9	16.2

- 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 Q2, a smaller share of manufacturers reported difficulty in sourcing labour, with a net 16.2% indicating labour was "harder to find" compared to three months ago.
- Earlier official data pointed to a labour market in sound health, driven by a recovery in private sector activity. The impact from the Middle East conflict and recent interest rate rises are expected to see jobs growth slow. For manufacturing, this comes from an already weak base. While labour availability may no longer be the primary constraint, it continues to limit production.

Numbers Employed

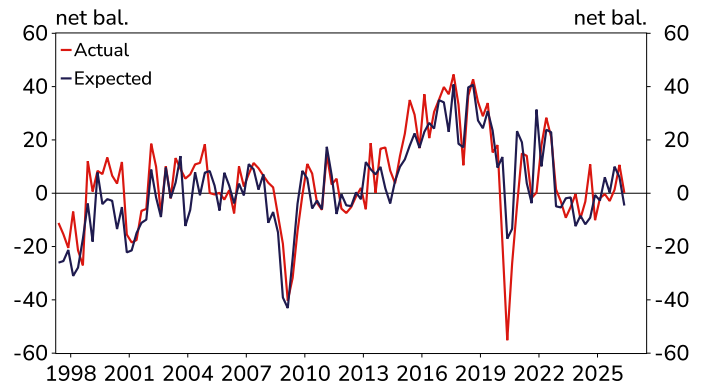
Actual & Expected, Seasonally Adjusted



Source: ACCI, Westpac Economics, Macrobond

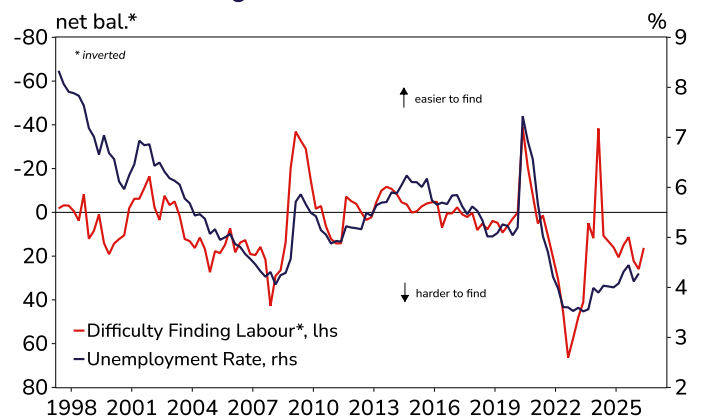
Overtime Worked

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

	Q1 2026	Q2 2026
Actual – net balance	37	51
Expected – net balance	40	54

- The Middle East conflict has reignited cost pressures across the manufacturing sector. In Q2, a net 51% of firms reported a rise in average unit costs, the highest since Q3 2024.
- Sub-sectors with more direct exposure to fuel, energy intensive goods such as fertilisers, plastics and metals are reporting more acute pressure, including food products, machinery and equipment, chemicals, wood and furniture.
- Expectations also saw a sharp lift, with a net 54% anticipating an increase in costs over the next three months, the highest result since the peak of the 2022 post-pandemic inflation shock. This points to a clear risk that cost pressures will remain over the period ahead.

Average selling prices

	Q1 2026	Q2 2026
Actual – net balance	23	30
Expected – net balance	35	43

- Following a rise in unit cost pressures, the proportion of firms reporting an increase in prices also rose, from a net 23% in Q1 to a net 30% in Q2.
- Despite the rise, it is still well below the net 51% reporting an increase in average unit costs over the same period. This implies margins are being squeezed as firms are only partially passing through higher costs to customers at this stage. This is broadly consistent with other official data.
- However, firms expect further material increases in selling prices, with a net 43% anticipating a rise over the next three months, reflecting expectations of further cost pressures ahead and pointing to some additional pass through into the second half of the year.

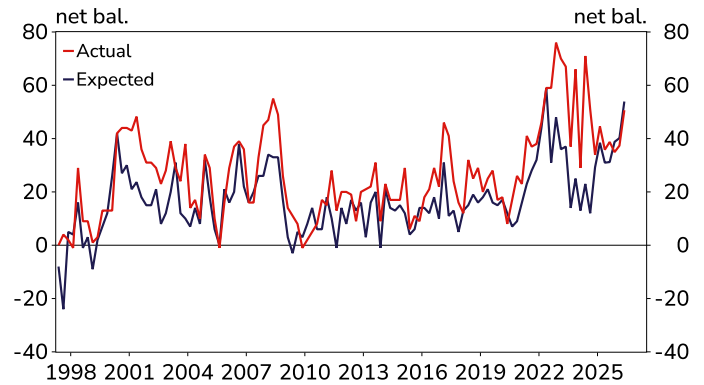
Manufacturing wages

	Q1 2026	Q2 2026
Net balance	42	32

- In Q2, a net 32% of manufacturers indicated they expect their next enterprise wage agreement to deliver an outcome higher than the previous one.
- This is a moderation from the latest high of a net 42% in Q1, reflecting the recent easing in labour market conditions. However, it is still consistent with concerns about future upward pressure on wages.
- This result pre-dates the recent Fair Work Commission 2026 Annual Wage Review, which handed down a 4.75% increase in award wages, higher than the decision from 2025 (3.75%) and 2024 (3.50%). This will present an additional challenge for manufacturers facing renewed cost pressures throughout their supply chain.

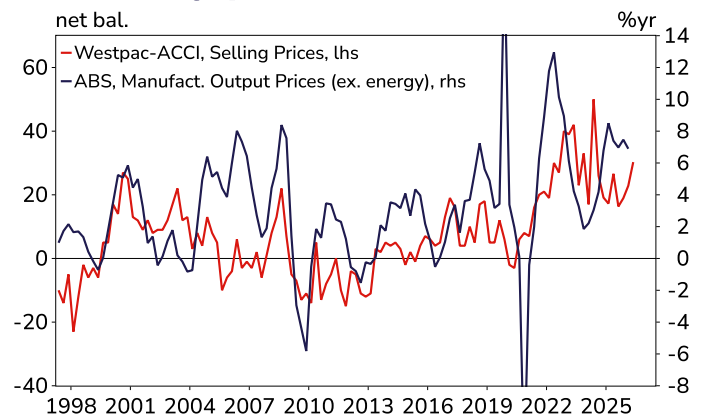
Average Unit Costs

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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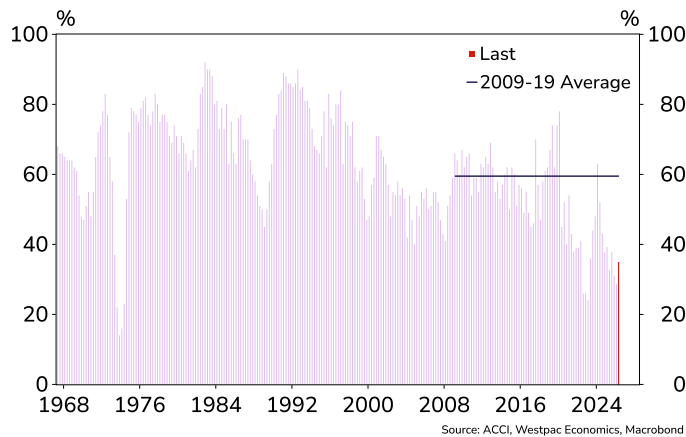
Factors limiting production

- **Orders** were cited by 35% of manufacturers as the single factor most limiting production, up from 29% in Q1, reflecting weaker domestic demand. This proportion is still well below recent averages, reflecting rising concerns around other supply-side factors.
- **Materials** are a notable example, with 14% citing it as the primary constraint. While shortages aren't as severe as in the immediate aftermath of the pandemic, it has become an increasingly significant constraint more recently.
- **Labour** is still a significant constraint at well above average rates, but at 17% in Q2, this represents the smallest share in around two years. Labour is still difficult to find but weaker demand and cost pressures have taken slightly greater precedence more recently.
- **Capacity** is still viewed as a moderate constraint, at 10% in Q2, broadly in line with the pre-pandemic average. Given softer demand conditions, capacity utilisation has moved back to around average levels.

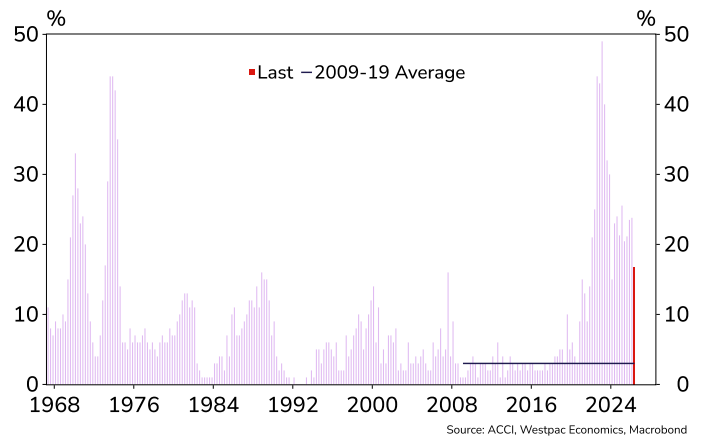
Single factor most limiting production

	Q4 2025	Q1 2026	Q2 2026
Orders (%)	31	29	35
Capacity (%)	10	11	10
Labour (%)	24	24	17
Finance (%)	13	12	10
Materials (%)	13	12	14
Other (%)	5	4	5
None (%)	5	8	9

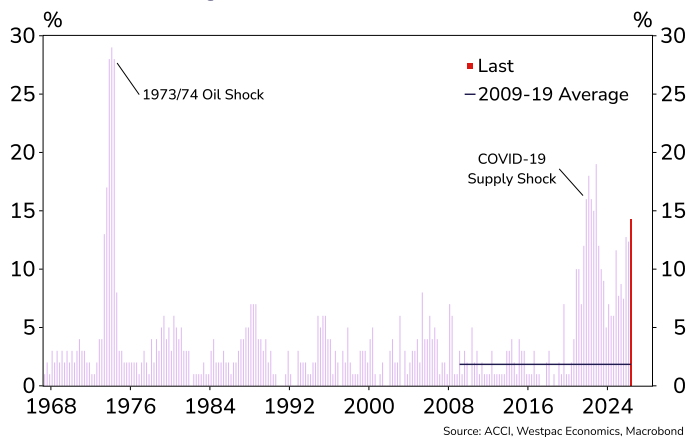
Factors Limiting Production: Orders



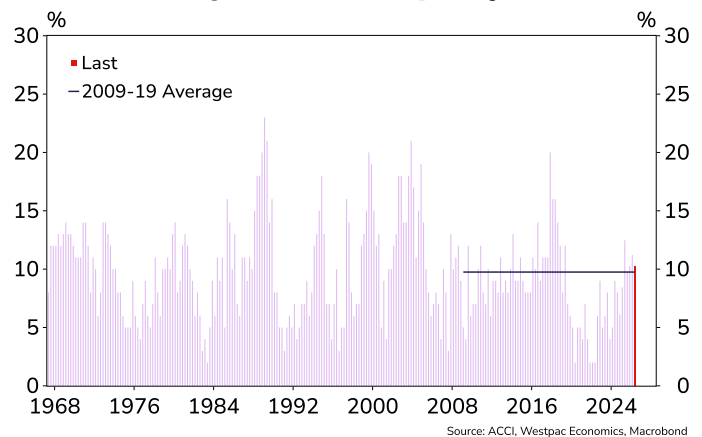
Factors Limiting Production: Labour



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
-21	24	32	45

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

Net balance	Above Normal	Normal	Below Normal
-2	23	53	25

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

None	9	Orders	35
Materials	14	Finance	10
Labour	17	Capacity	10
Other	5		

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

		Net balance	Harder	Same	Easier
(a)	labour?	21	31	59	10
(b)	finance?	21	28	65	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?	-1	26	47	27
(b)	on plant & machinery?	12	37	39	24

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	-3	16	66	18	1	22	57	21
7. Overtime worked	1	24	53	23	-1	23	52	25
8. All new orders received	2	29	44	27	7	33	42	26
9. Orders accepted but not yet delivered	2	23	57	21	-1	24	51	25
10. Output	6	28	49	23	13	34	45	21
11. Average costs per unit of output	51	56	39	5	54	61	31	8
12. Average selling prices	30	41	48	11	43	51	41	8
13. Export deliveries	9	27	55	18	11	30	52	19
14. Stock of raw materials	2	23	55	22	5	27	50	22
15. Stocks of finished goods	3	23	56	20	6	27	52	21

Summary of results (not seasonally adjusted)

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

(a) Improve?	39
(b) Remain unchanged?	31
(c) Decline?	30
Net balance	9

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?	42
(b) Same?	49
(c) Less?	9
Net balance	32

A. Industry profile of survey:

	(% of respondents)
Food Product Manufacturing	21
Beverage and Tobacco Product Manufacturing	3
Textile, Leather, Clothing and Footwear Manufacturing	7
Wood Product Manufacturing	7
Pulp, Paper and Converted Paper Product Manufacturing	2
Printing (including the Reproduction of Recorded Media)	4
Petroleum and Coal Product Manufacturing	2
Basic Chemical and Chemical Product Manufacturing	7
Polymer Product and Rubber Product Manufacturing	5
Non-Metallic Mineral Product Manufacturing	3
Primary Metal and Metal Product Manufacturing	9
Fabricated Metal Product Manufacturing	8
Transport Equipment Manufacturing	3
Machinery and Equipment Manufacturing	10
Furniture and Other Manufacturing	7
Other	5

B. How many employees are covered by this return?

	1-99	100-199	200-999	1000 or more
	50	19	17	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	8	28	26	20	3	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.

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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