

Ai GROUP AUSTRALIAN
INDUSTRY INDEX



AUSTRALIAN INDUSTRY INDEX

New financial year boost stalls in August

Key findings

- The Australian Industry Index® fell by 7.9 points to -13.9 seasonally adjusted in August, falling back from last month's peak.
- Activity declined in August, with sales, employment, new orders and input indicators all shedding gains from a new financial year boost which occurred in July.
- Construction continues its recovery with the PCI indicator returning to positive territory. Business services had a weak month while manufacturing remains deep in contraction.
- The sales price indicator has begun to rise, indicating industrials are regaining the ability to pass rising costs onto customers.
- Softening employment and wages indicators point to further easing in the labour market, offering some relief for industrial employers.

August 2025

Australian Industry Group Australian Industry Index® (all industry) **-13.9**
▼ 7.9 points

Australian PMI® (manufacturing) **-20.9**
▲ 2.1 points

Australian PCI® (construction) **1.0**
▲ 1.5 points

Activity/sales **-12.1**
▼ 3.3 points

Employment **-9.8**
▼ 4.9 points

New orders **-17.8**
▼ 11.0 points

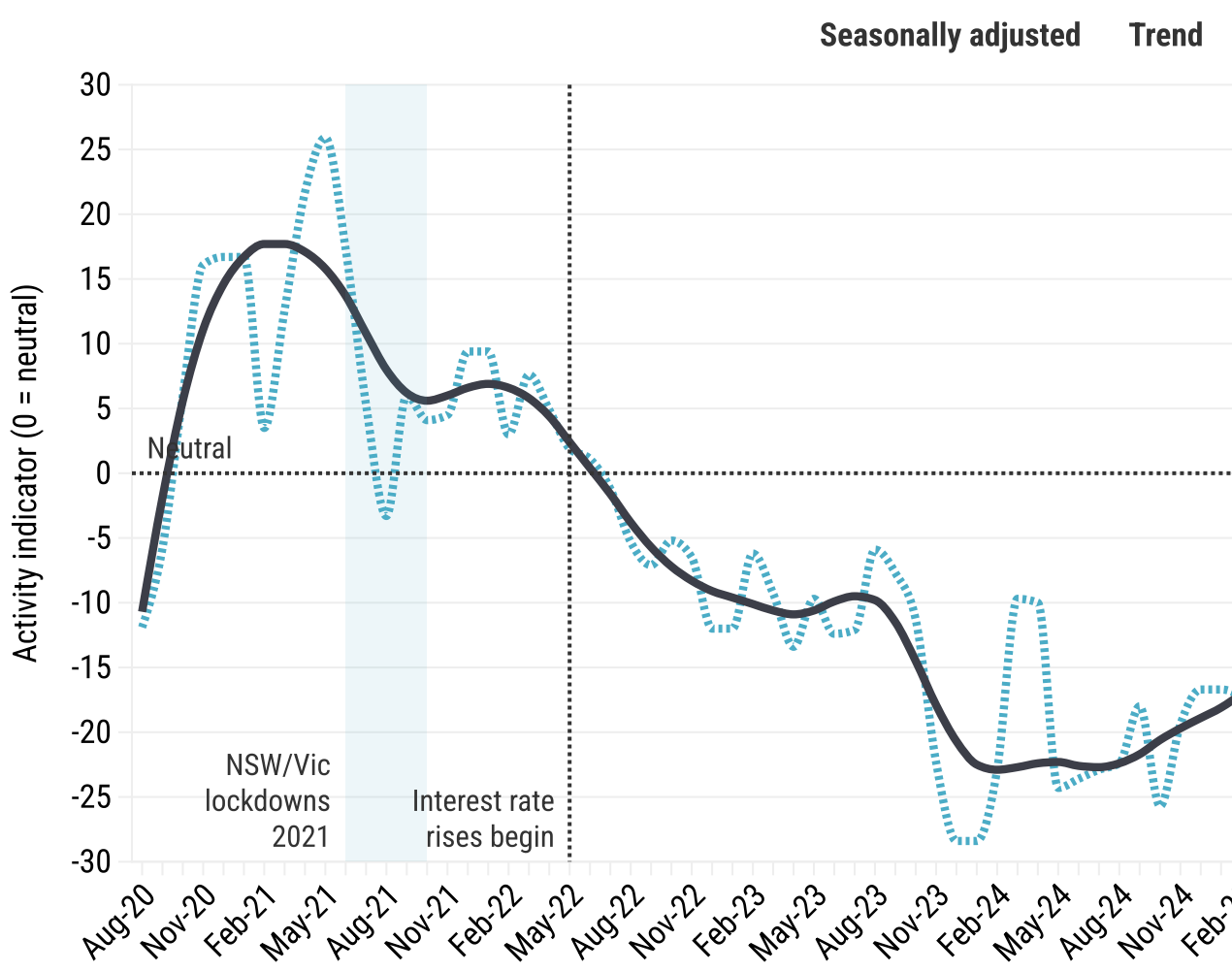
Input volumes **-14.8**
▼ 20.3 points

Input prices **45.4**
▼ 2.6 points

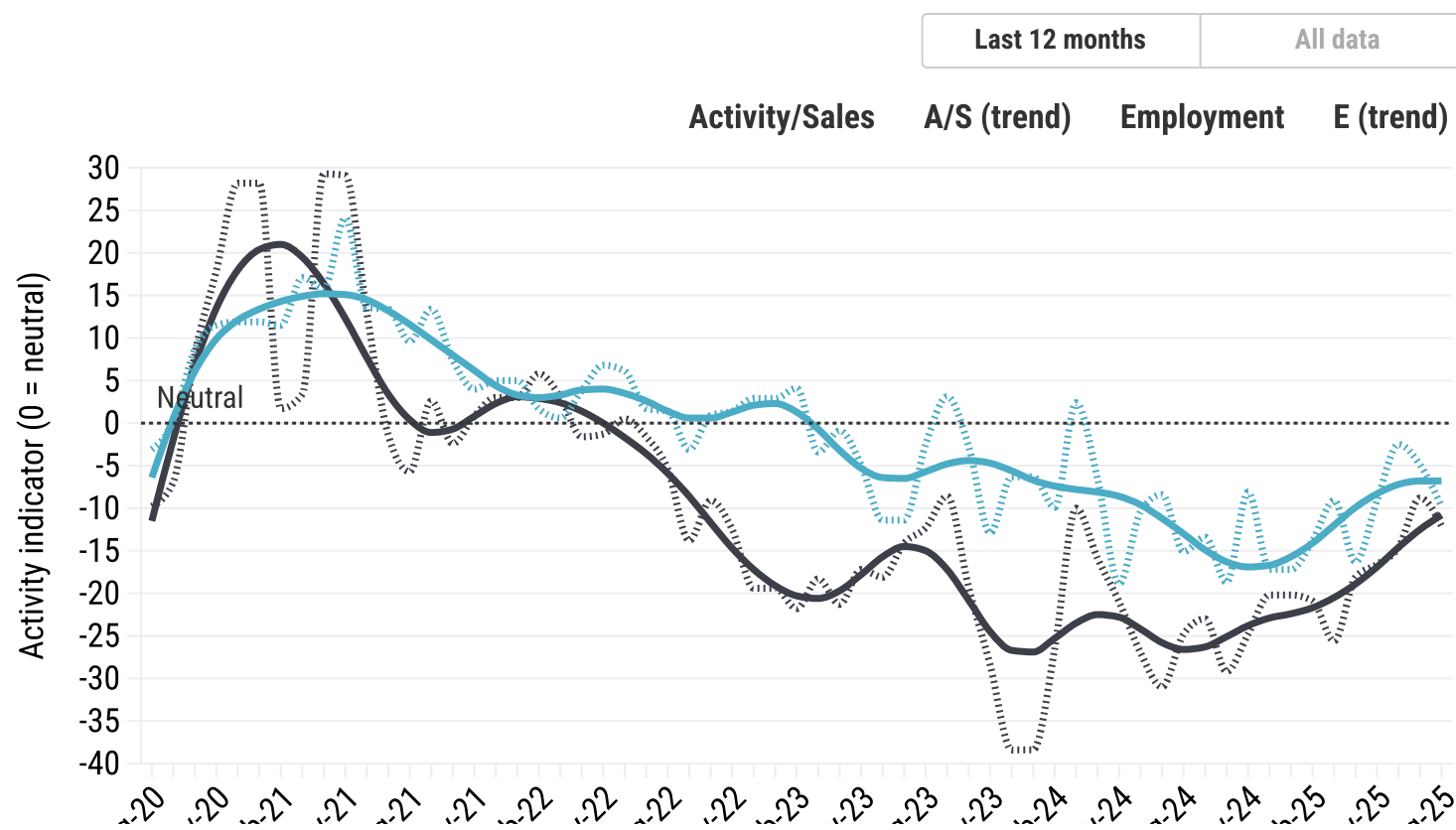
Sales prices **14.4**
▲ 8.8 points

Average wages **34.7**
▼ 6.5 points

Australian Industry Group Australian Industry Index ®

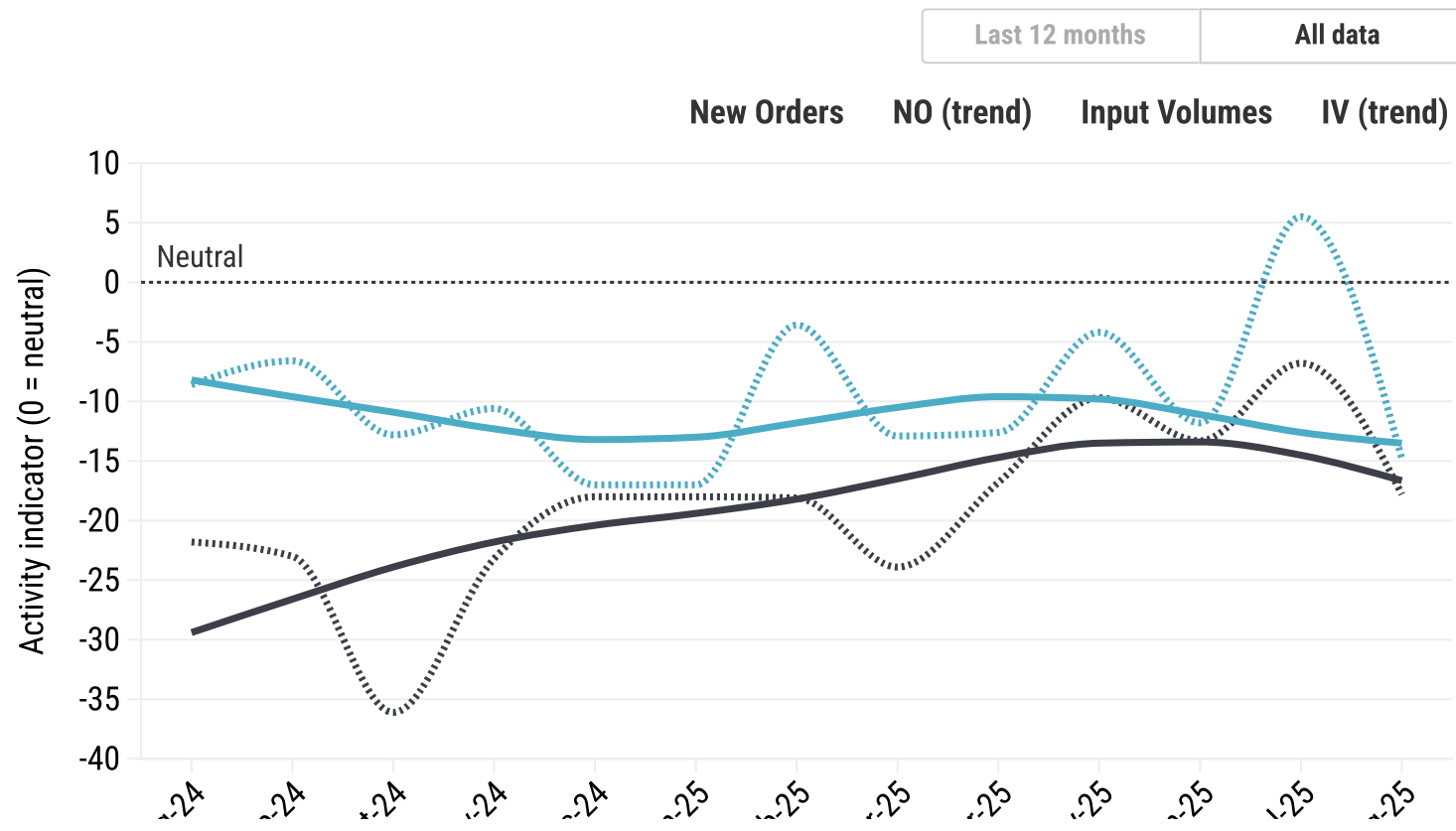


Industry activity



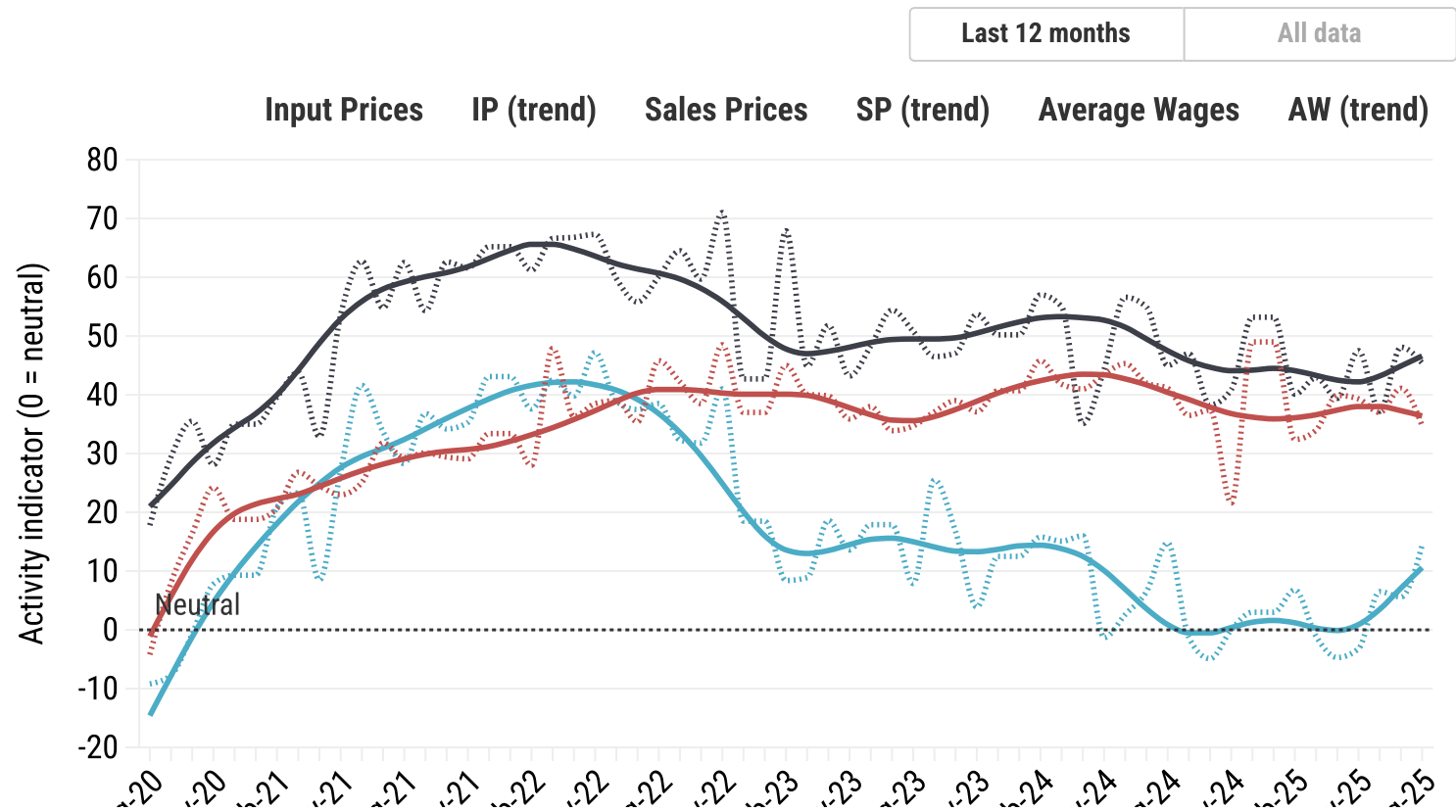
- The sales indicator declined to -12.1 in August, a similar rate the previous month. The underlying trend continues to reflect an improvement in activity observed since April 2025.
- The employment index fell to -9.8 in August, down from -4.9 in July. The overall trend continues to reflect gradual softening in labour market conditions.
- Sales performance varied in August. Export demand exceeded expectations for some businesses who reported sales to new markets. Domestic sales were weaker as local orders lagged.
- Employment challenges continue, with businesses citing skilled labour shortages, staff turnover driven by wage competition, and rising absenteeism.

Leading indicators



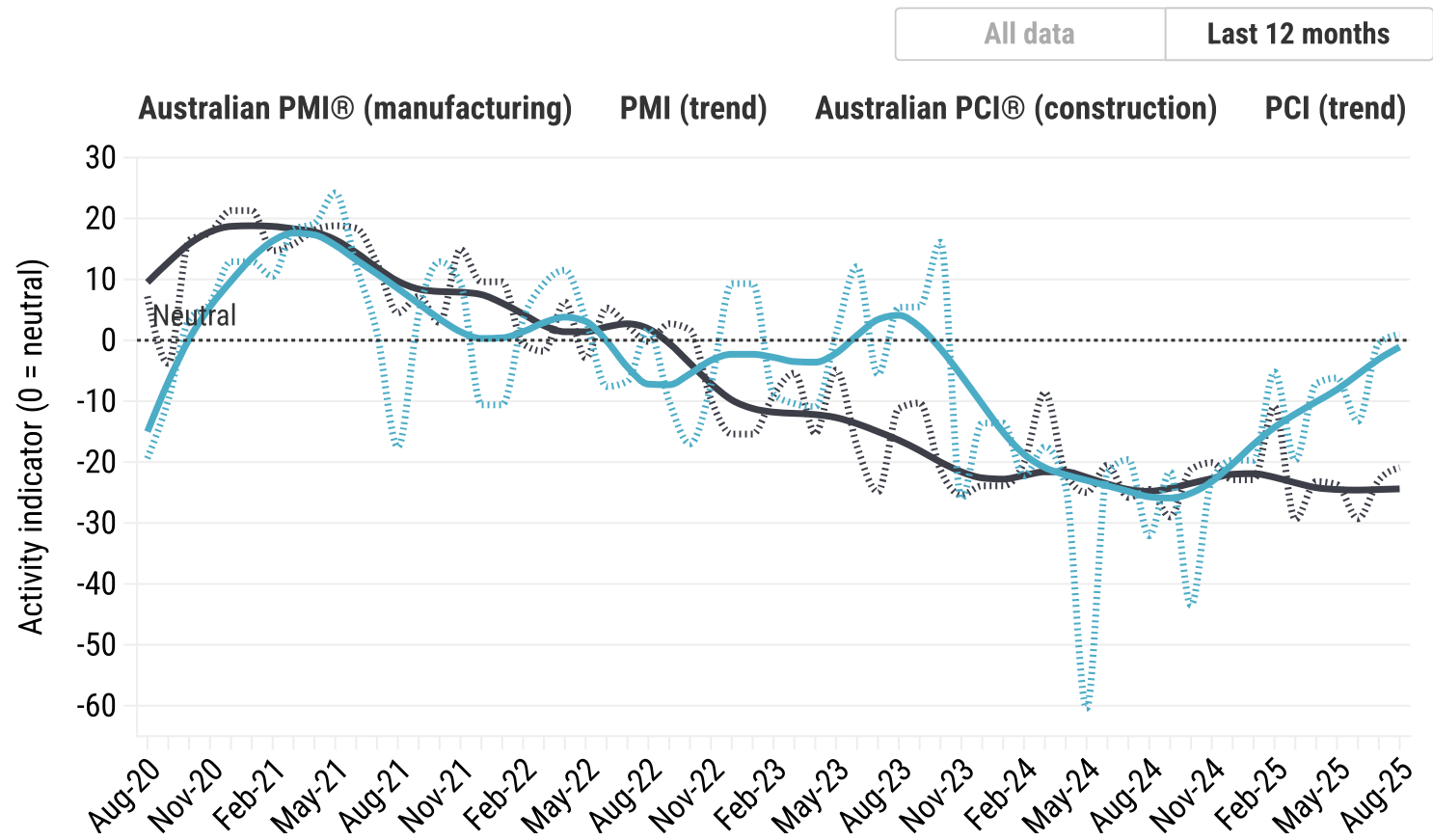
- The new orders index fell by 11.0 points to -17.8 in August, reversing the gains made in July.
- Input volumes dropped sharply by -20.3 points, reaching -14.8. The trend has shifted away from the improvements recorded earlier in 2025.
- Some businesses reported slowing order intake and delays in customer investment. Demand was anemic, with cost-of-living pressures weighing on enquires.
- Market sentiment remains weak amid slowing demand, rising uncertainty, and strong import competition from overseas, compounded by broader economic and geopolitical pressures.

Prices and wages



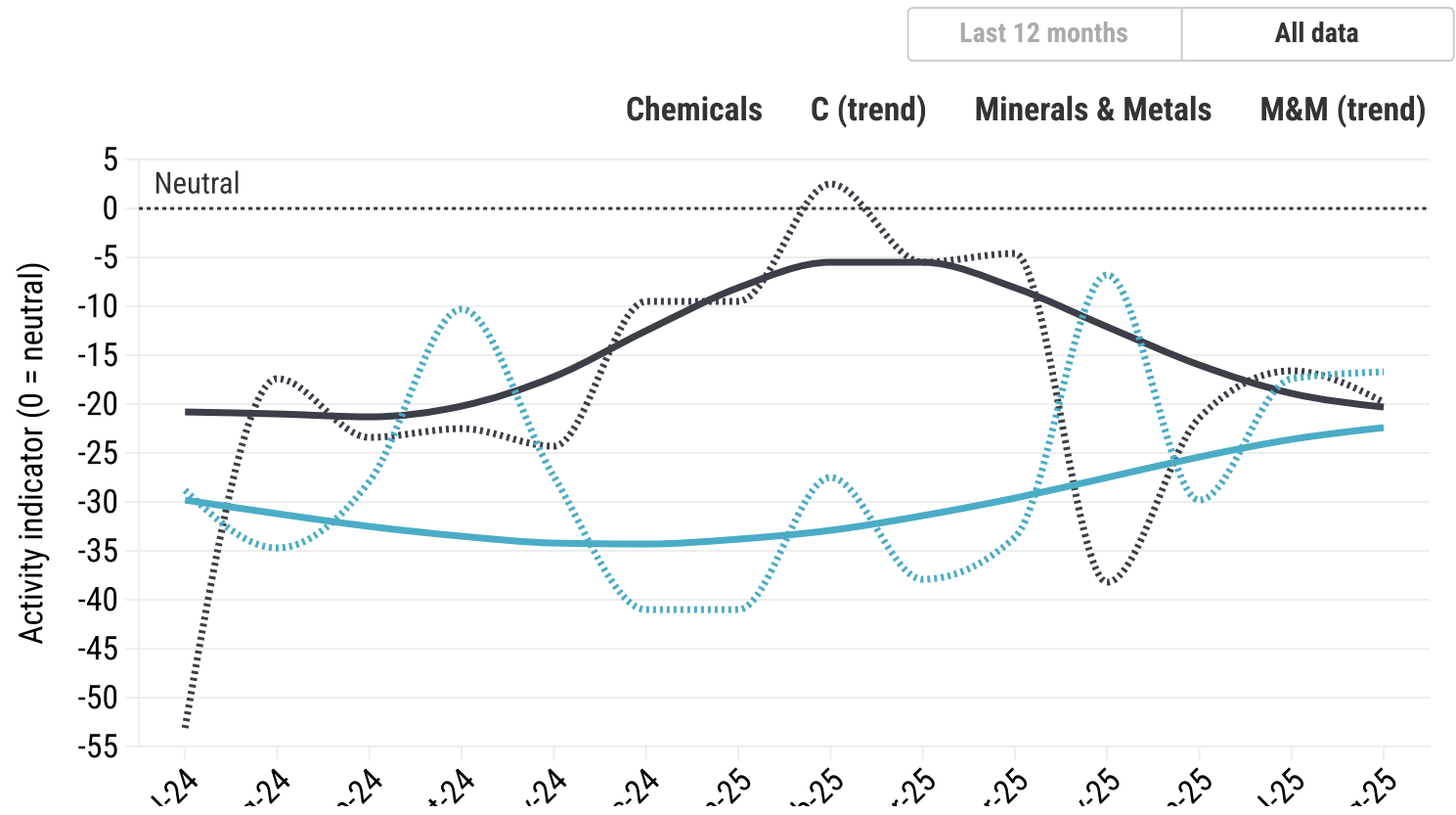
- Pricing indicators showed mixed results in The sales price indicator increased by 8.8 to 14.4, while input prices and average wages eased.
- The gap between sales prices and input costs narrowed to 31.0. The wages indicator decreased to 7, trend data shows it has been growing at a steady pace over the past quarter.
- Businesses reported rising costs across insurance, rent and energy. Some businesses reported the impact of minimum wage and super guarantee increases have flowed through to increased wages costs.

Australian PMI® and PCI®



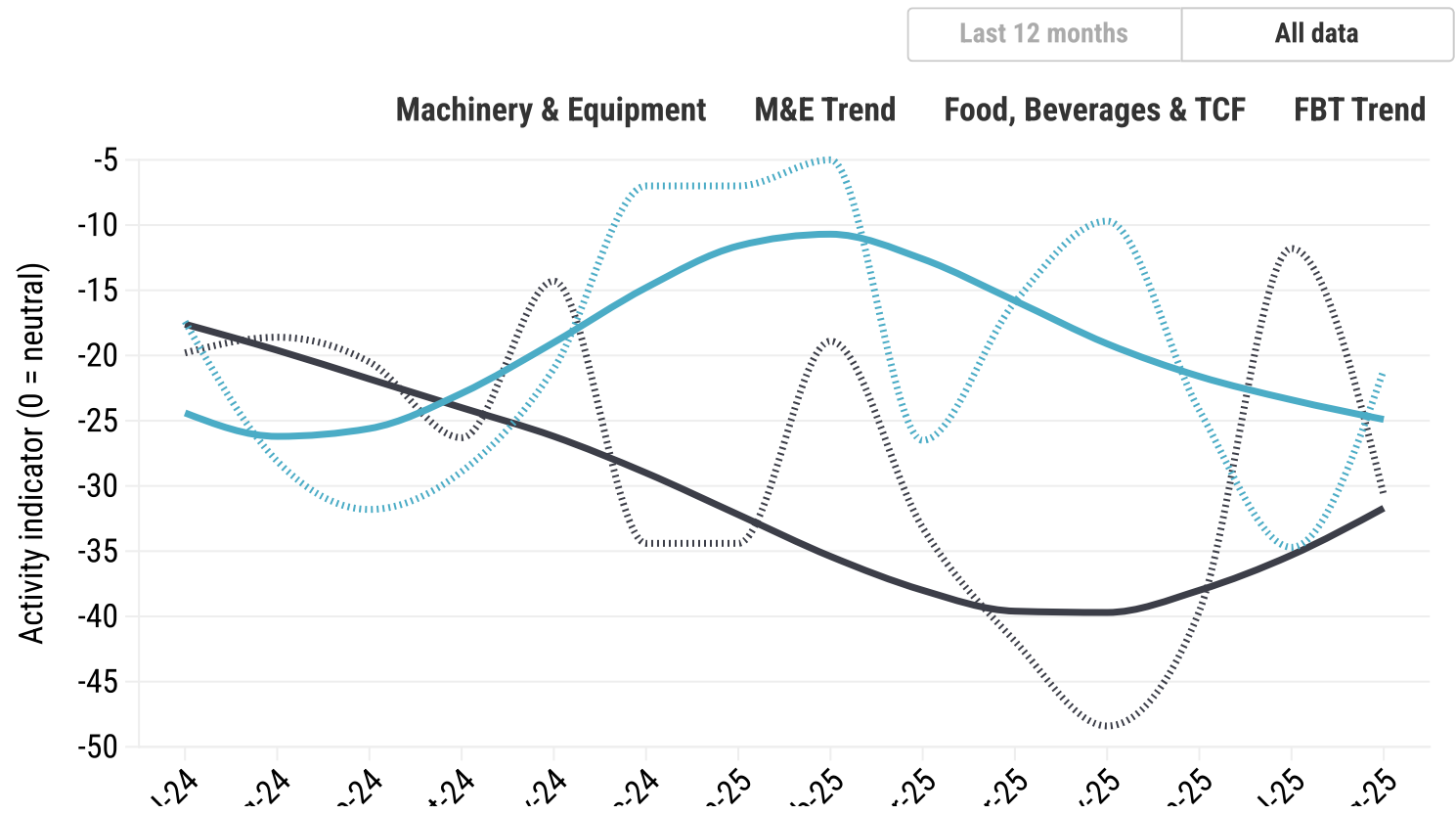
- Manufacturing showed signs of recovery but remained in negative territory, whereas construction strengthened to 1.0, marking its first expansionary reading since October 2023.
- In trend terms manufacturing has been flat over the last year, whereas construction has been gaining pace since the middle of 2024.
- Manufacturers are dealing with rising costs, weak demand, delayed projects, and policy uncertainty, despite some export gains and sector support.
- Construction activity rose with new projects and renovations, offset by slowing enquiries, cost and employment concerns.

Upstream manufacturing



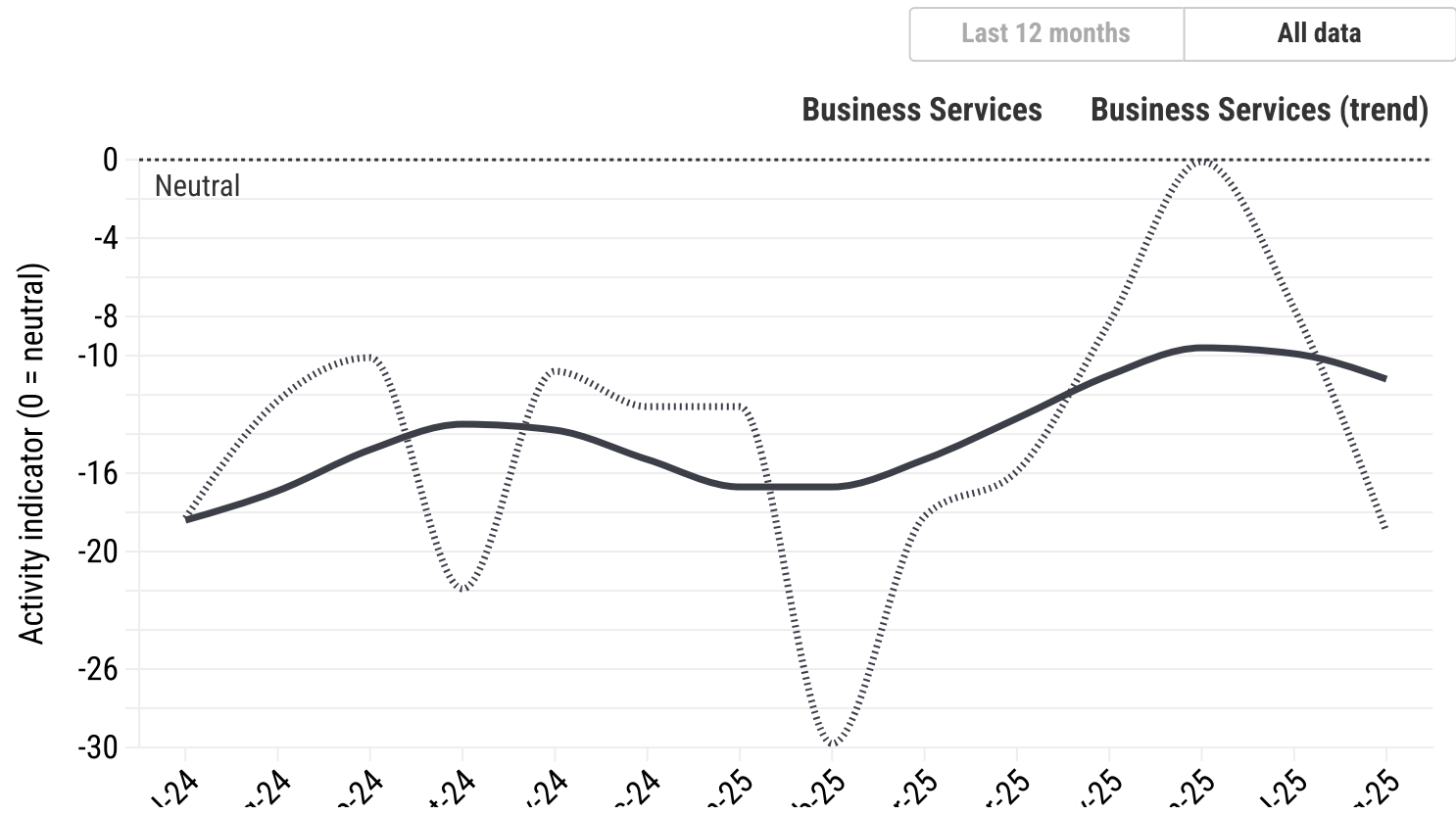
- Upstream manufacturing indicated mixed results in August but stayed in negative territory.
- The chemicals index declined by 3.2 points to -19.8 and also weakened in trend terms.
- While some respondents highlighted market uncertainty, regulatory burden, and rising cost pressures including wages, shipping, and exchange rates, others noted a seasonal uptick in product demand.
- Minerals & metals eased slightly by 0.7 points to -16.7 in August. Some firms reported a rise in materials orders, driven by housing construction projects. Others encountered competition on prices, skilled shortages and weakening sales.

Downstream manufacturing



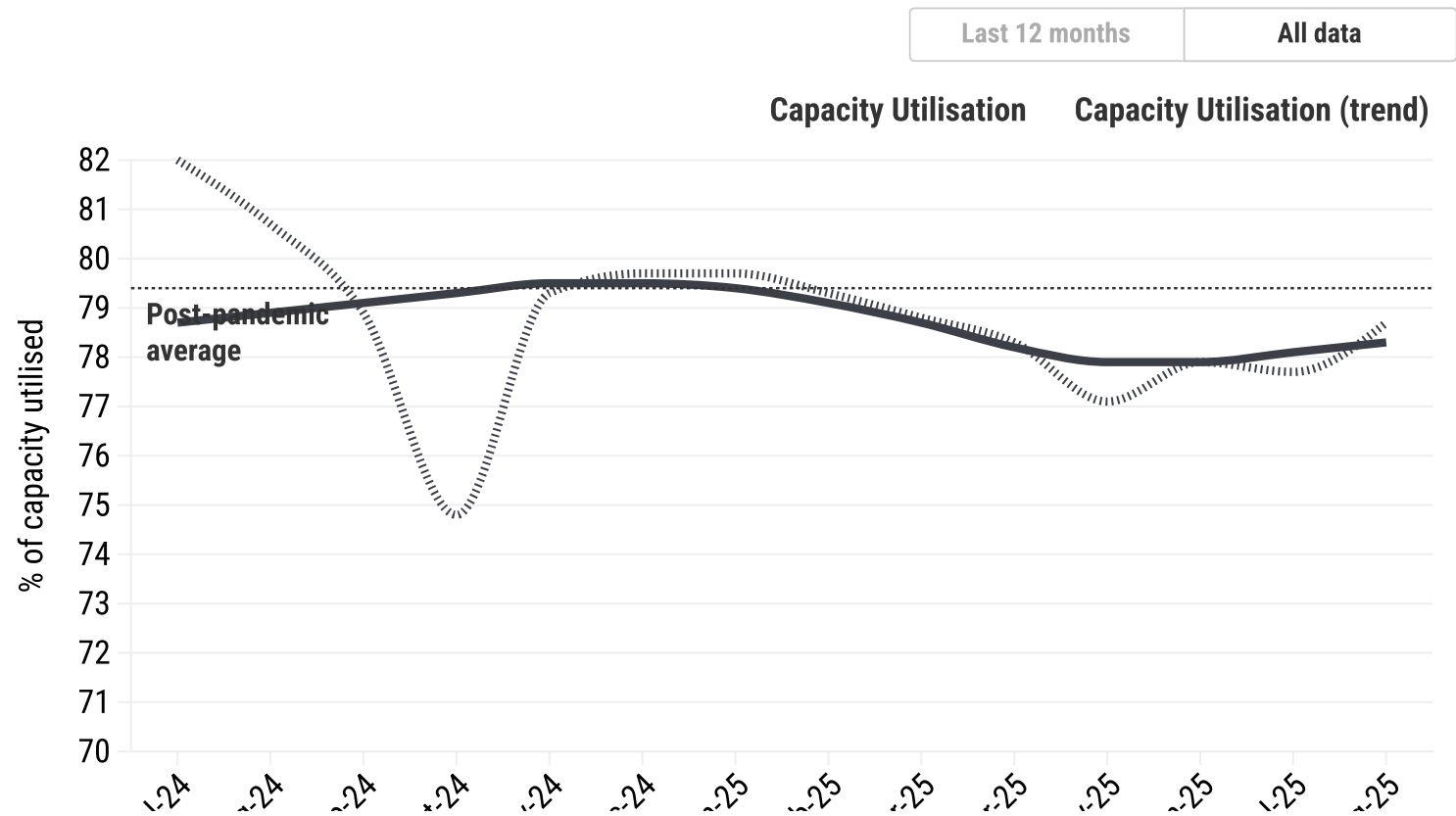
- The machinery & equipment indicator declined heavily by 18.9 points to -30.7 in August 2025.
- Machinery manufacturers reported ongoing supply chain pressures, rising costs, reduced imports of raw materials, and softening demand.
- Food, beverages & TCF improved by 13.7 points, but remained in contraction at -21.1.
- Food and beverage firms had increased orders ahead of the Christmas season, supported by improved access to imported equipment. Local market uncertainty and dampened demand, while rising energy costs posed additional challenges.

Business services



- The business-oriented services sector fell 11.4 points in August, to be deeper in contraction at -19.0.
- This indicator includes wholesalers, technical services, and supply chain/transport providers.
- The business services index has been volatile over the past three years and has mainly been trending in contraction since mid-2022.
- Some respondents cited challenges such as adverse weather, soft demand, rising living costs, inconsistent workflows affecting productivity, and higher taxes including payroll and land levies.

Capacity utilisation



- Capacity utilisation in Australian industry moved slightly upward to 78.7% in August.
- Utilisation scores have become stabilized across 2025 and are trending within the range of 77-79%.
- Some respondents reported increased new orders driven by the festive season and renewed large-scale projects, boosting capacity utilisation with expectations of further growth in the coming months.
- Although there was some improvement, capacity utilisation remained limited for certain respondents due to rising costs, shortages of skilled labour, and intensifying competition over future demand.

About the Australian Industry Index

The Australian Industry Index is a monthly index that measures changes in activity in Australia's industrial sectors. It provides diffusion indices which measure rates of changes in the level of industrial activity – expansion, stability or contraction. A positive reading indicates the activity is expanding; negative indicates contraction. The distance from 0 indicates the strength of the expansion or decline.

The Australian Industry Index is based on monthly surveys from a national sample of Australian businesses. It uses ANZSIC industry codes for classifying sectors, and weights survey results using ABS data on gross value added by sector. Seasonal adjustment and trend calculations follow ABS methodology. [Read more on our detailed methodology.](#)

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