

Ai GROUP AUSTRALIAN INDUSTRY INDEX



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Price competition at pandemic levels

Key findings

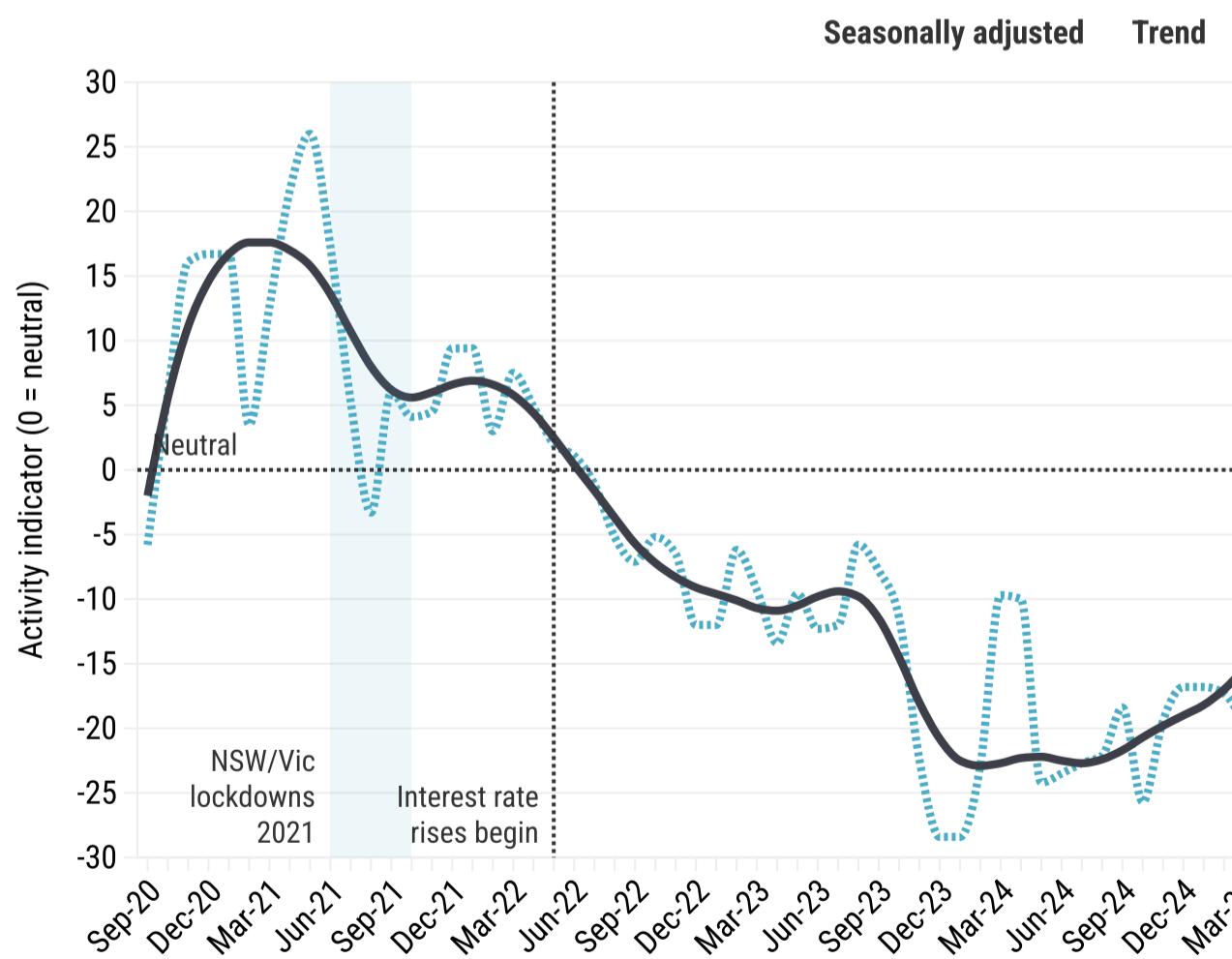
- The Australian Industry Index® fell by 2.4 points to -16.0 seasonally adjusted in September.
- Activity weakened in September, with declines in both sales and employment, while new orders and input volumes were stable.
- All pricing indicators eased, with a large drop in the sales price index reflected increasing pressure from import-driven competition and intensified pricing strategies.
- Upstream manufacturers reported lower demand and increased competition, while construction orders were weak in the month.
- Downstream manufacturers and business services continued to improve in trend terms but are struggling with significant market volatility.

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No registration required, open to any Australian business.

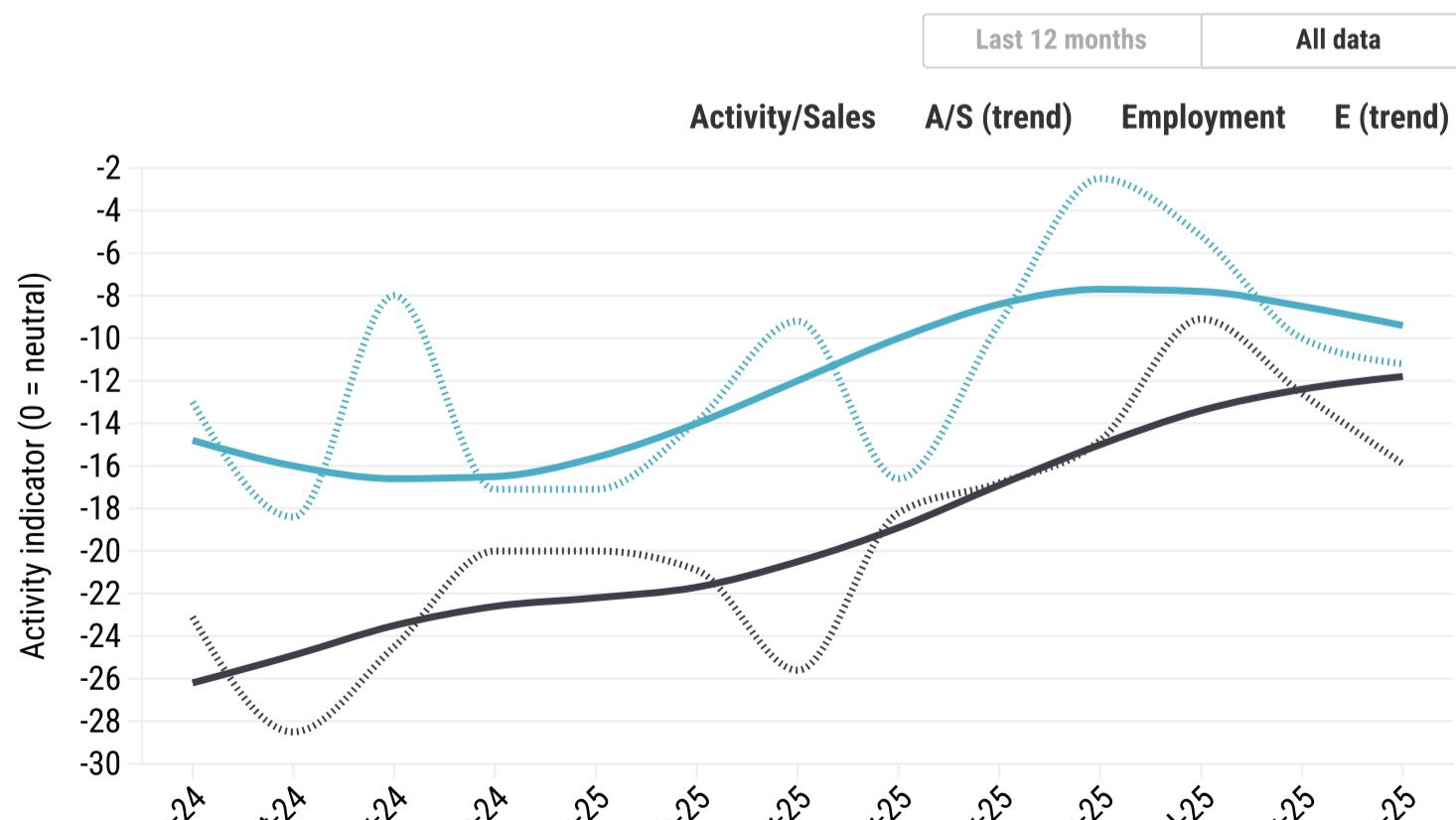
September 2025

Australian Industry Group Australian Industry Index ®



Australian Industry Group Australian Industry Index® (all industry)	-16.0
▼ 2.4 points	
Australian PMI® (manufacturing)	-13.2
▲ 7.6 points	
Australian PCI® (construction)	-12.3
▼ 12.4 points	
Activity/sales	-15.8
▼ 3.2 points	
Employment	-11.2
▼ 1.2 points	
New orders	-13.7
▲ 0.8 points	
Input volumes	-13.5
▲ 2.1 points	
Input prices	27.2
▼ 17.6 points	
Sales prices	6.4
▼ 6.7 points	
Average wages	32.0
▼ 1.9 points	

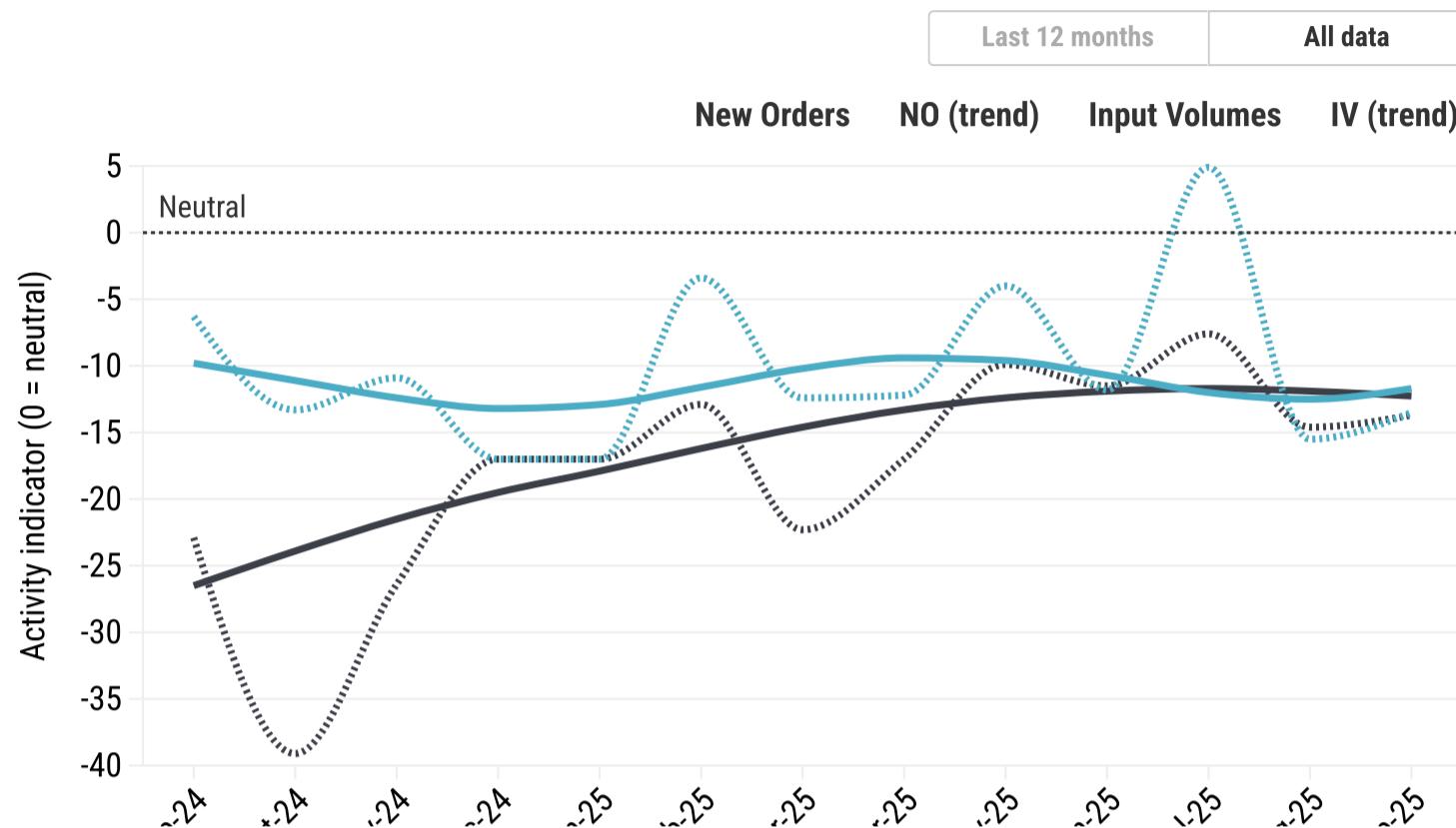
Industry activity



- The activity index fell to -15.9 in September. In trend terms the indicator has been improving across 2025.
- Sales activity remains mixed, with weak demand, project delays, and labor shortages offsetting some sector gains.

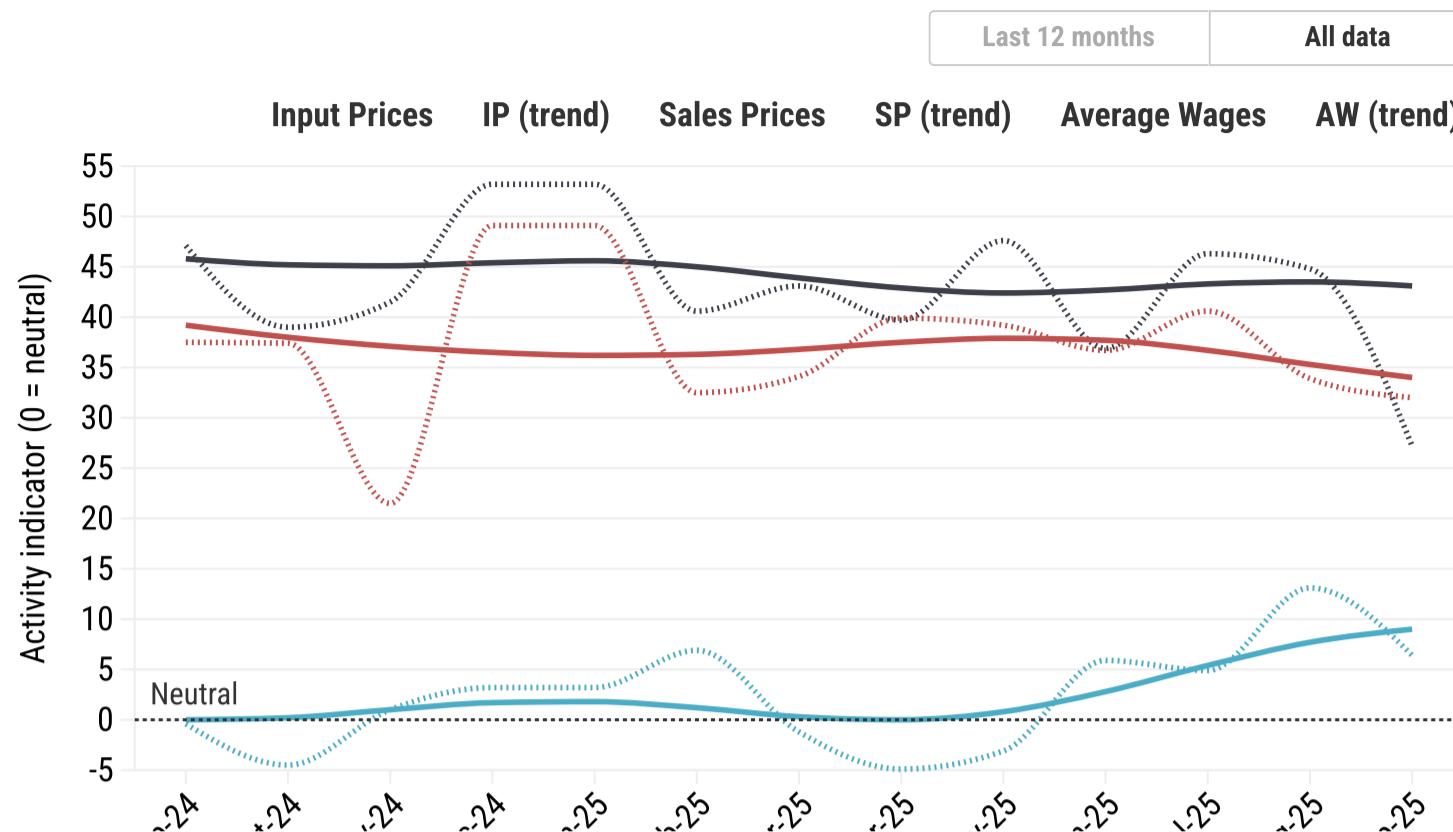
- The employment index declined to -11.2 in September, with the trend series reversing direction following a high in June.
- Employment conditions remain challenging, with widespread labour shortages, wage pressures, and difficulties attracting and retaining skilled staff across industrial sectors.

Leading indicators



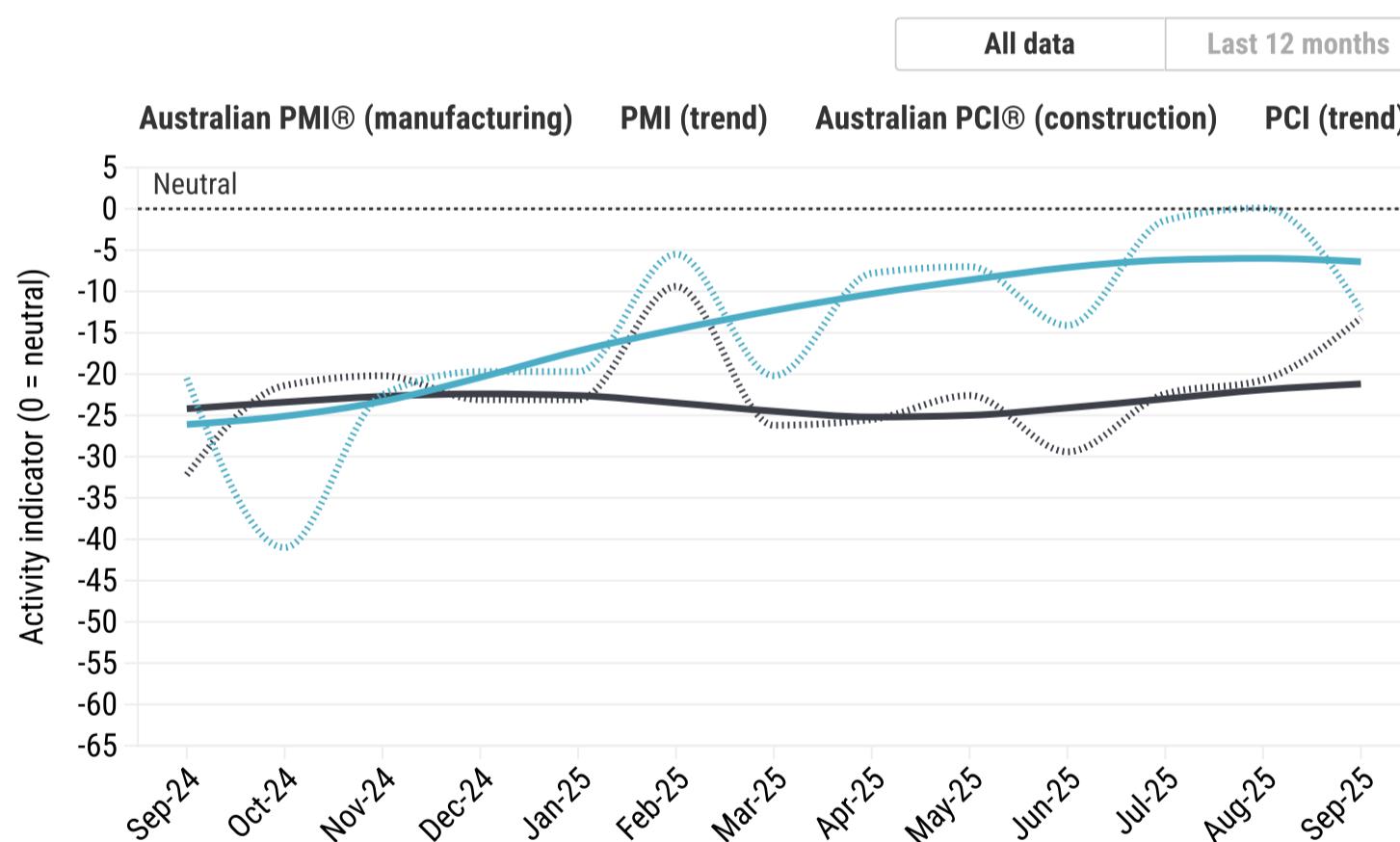
- Both new orders and input volumes were broadly stable in September, around the -13 mark. Trend data shows both indicators have been flat across 2025.
- New orders and enquiries have generally weakened, with modest increases in specific areas such as exports and larger pr
- Delays, low demand, and economic uncertainty continue to suppress overall order volumes across industries.
- Competition is rising due to soft demand and increase in imported products coming into the Australian market.

Prices and wages



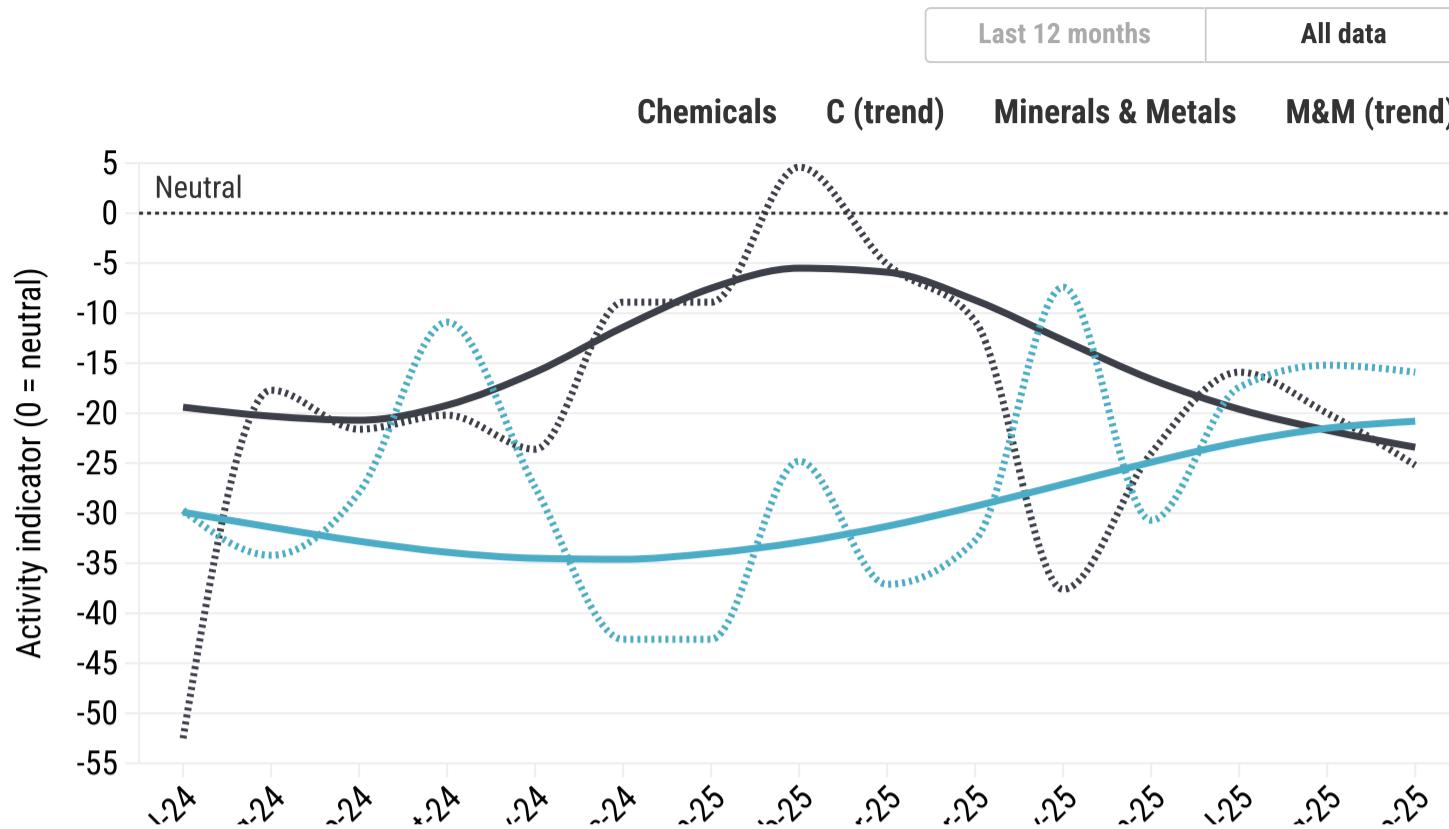
- All pricing indicators fell in September, with increased price competition evident in the data.
- The input costs index dropped 17.6 point to the lowest level since August 2020. The sales price and wages indicators also fell to their lowest levels for two years.
- Respondents indicated that price competition was intensifying, with increasing import penetration seeing mounting pricing pressure.
- This has provided cost relief on the material inputs side for industrials, but imposes pressure on the sales side for those competing with imports in the local market.

Australian PMI® and PCI®



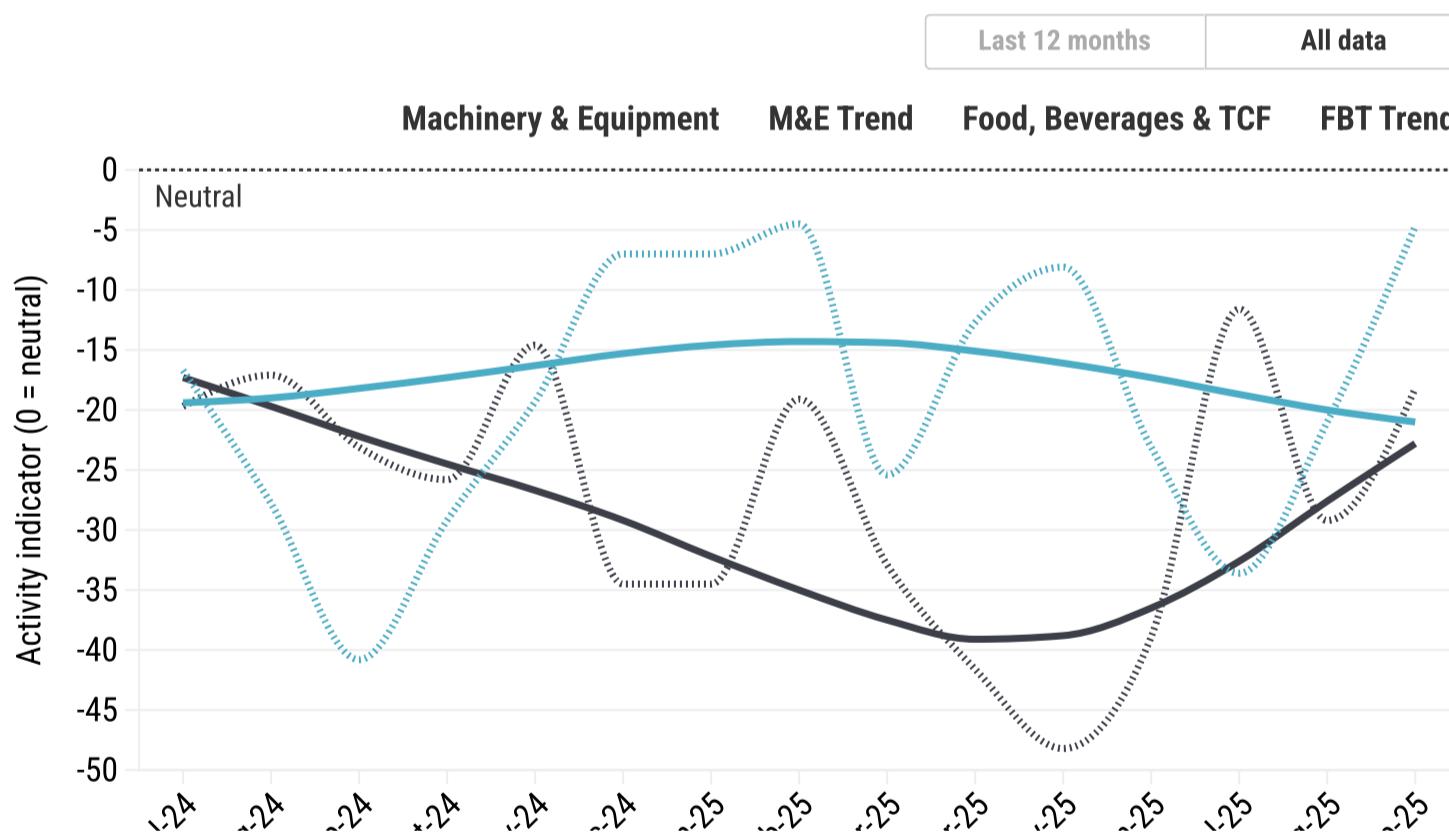
- Manufacturing showed a slight improvement but remained below growth levels, while construction slipped back into contraction in September.
- In trend terms manufacturing has remained consistent this year; while construction has been recovering across 2025.
- Manufacturers are reporting soft demand, rising costs, and labour shortages. Exports and pockets of strong local orders offered relief for some businesses amid widespread uncertainty.
- Some construction sector respondents reported a slowdown in new enquiries, others reported steady repeat business, with improvement in activity and sales.

Upstream manufacturing



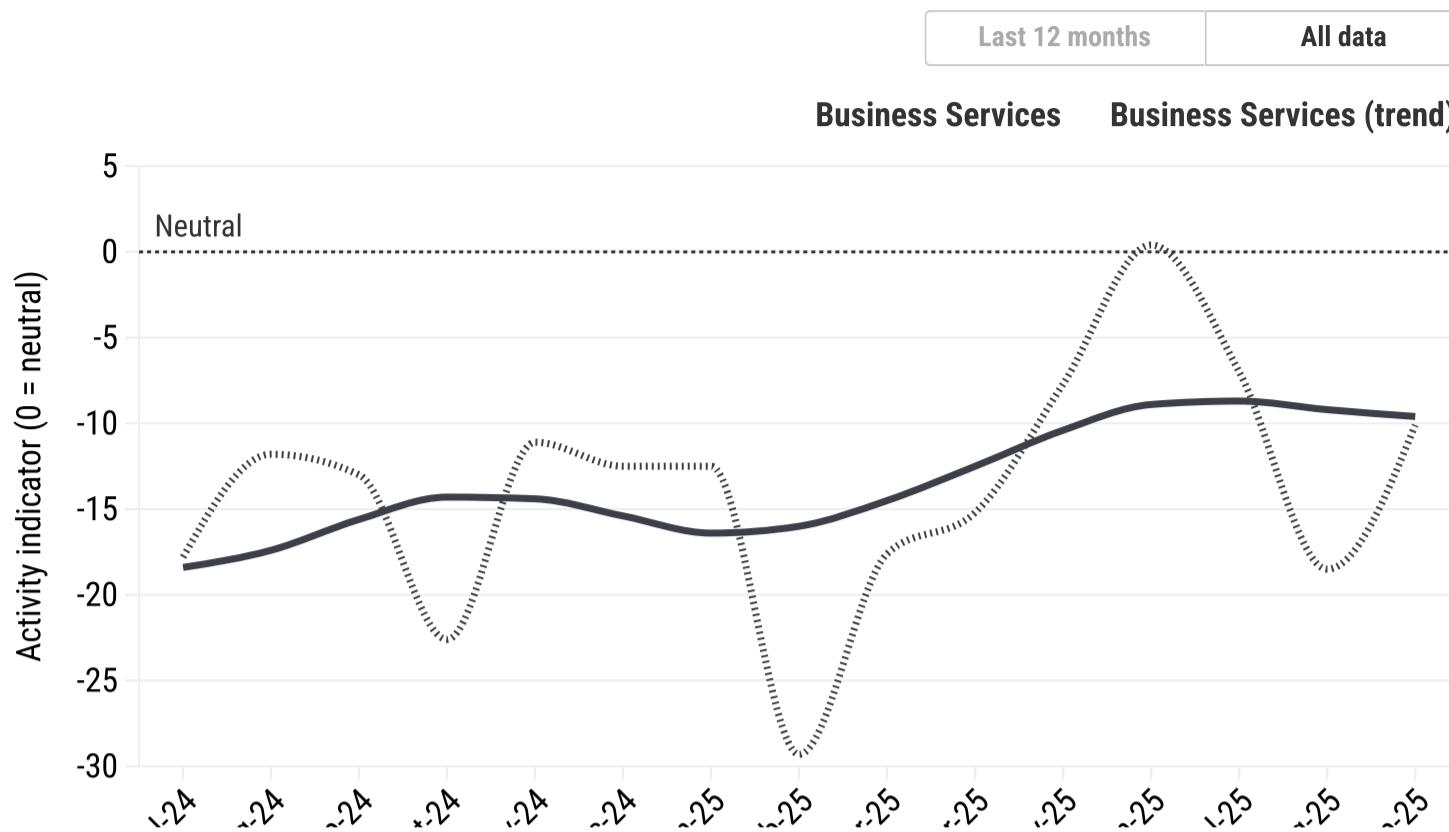
- Upstream manufacturing indicators continued to contract in September. The chemicals index fell by 5.1 points to -25.2, with the trend pointing down this year.
- Chemical manufacturers reported rising competition, skill shortages, drought-related disruptions and regulatory pressures. Some had an increase in export demand especially to the middle east and Asia.
- Minerals & metals declined slightly by 0.7 points to -15.9 in September to continue a trend improvement.
- Metal manufacturers reported lower revenue as rising energy and wage costs, weak customer confidence, and raw material disruptions continued to impact sales.

Downstream manufacturing



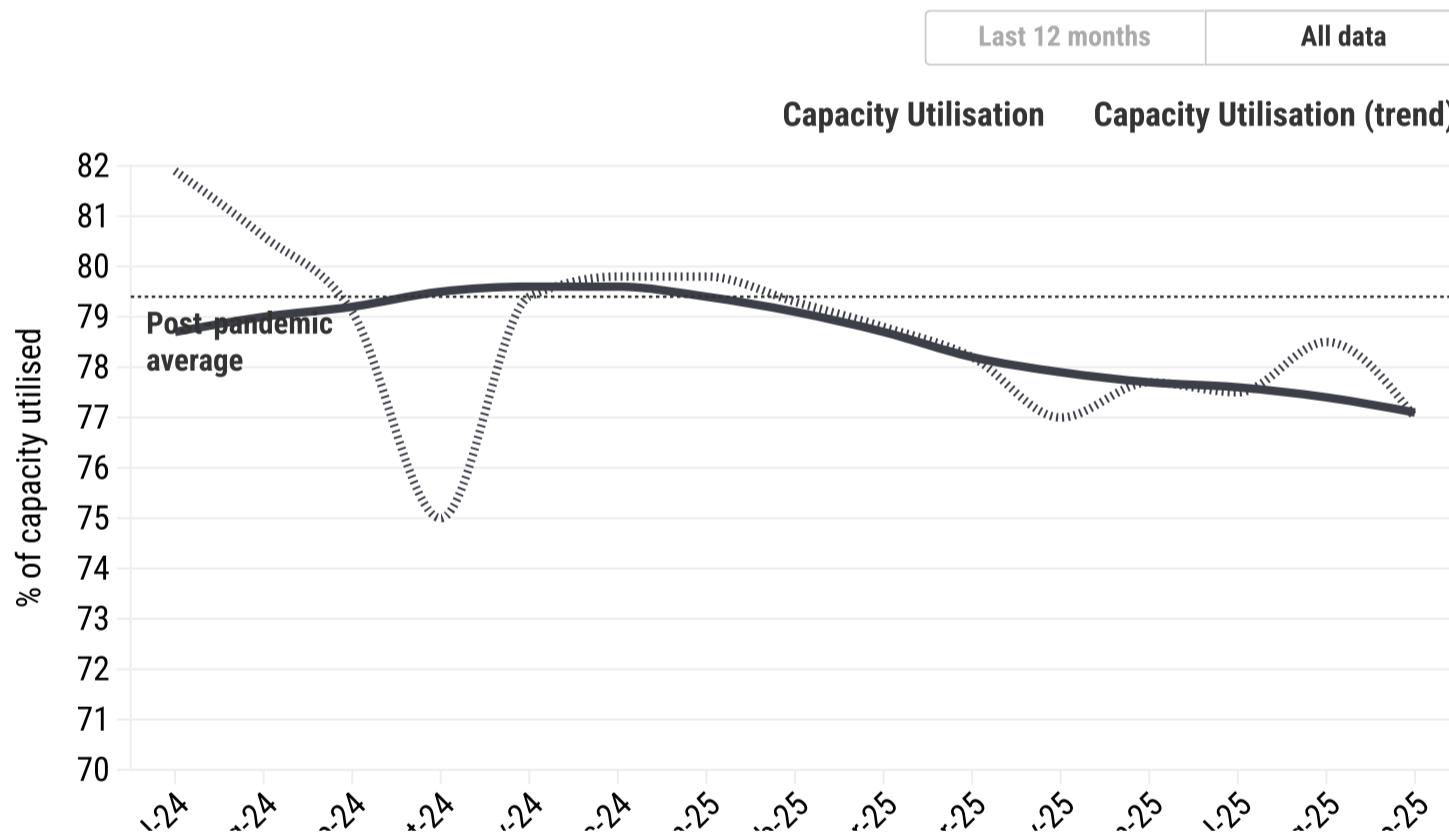
- The machinery & equipment indicator improved by 11.0 points to -18.2 in September 2025.
- Strong demand from new construction projects drove orders for machinery manufacturers, while staff shortages limited some activity.
- Food, beverages & TCF improved by 16.3 points, to be broadly stable at -4.7, the highest result since Feb 2025.
- Food and beverage firms increased orders and introduced promotional activities. However, some reported slower trading despite lower interest rates, along with concerns about the impact of US tariffs.

Business services



- The business-oriented services sector improved by 8.4 points, continued to be in contraction at in September.
- This indicator includes wholesalers, technical services, and supply chain/transport providers.
- Some services businesses reported rising new orders due to ongoing and large projects.
- Some respondents highlighted challenges including supply chain disruptions, weak capital equipment sales, adverse weather conditions, staff shortages, and exchange rate pressures affected overall productivity.

Capacity utilisation



- Capacity utilisation in Australian industry moved down to 77.0% in September.
- The utilisation score has been trending down since the third quarter of 2024, and it fell significantly from the longe-term range of 79-82%.
- High-capacity utilisation continued to reflect supply-side constraints, particularly for labour supply and transportation.
- With reduced employment in September, it is likely that capacity utilisation will increase in coming months.

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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