

Ai GROUP AUSTRALIAN
INDUSTRY INDEX



AUSTRALIAN INDUSTRY INDEX
Employment constraints ease

Key findings

- The Australian Industry Index® improved by 4.2 points to -11.2 seasonally adjusted in October.
- The employment indicator returned to neutral for the first time in 18 months, led upwards by improving access to labour supply in the construction industry.
- Construction rose in the month, and in trend terms has seen steady improvement over the last year as supply constraints ease while market conditions improve.
- Manufacturing performance continued to weaken, particularly in the metals sector which is struggling with high energy prices and global trade headwinds.
- Pricing indicators suggest that industry is beginning to raise prices again after a year of wearing cost increases on the balance sheet.

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No registration required, open to any Australian business.

October 2025

Australian Industry Group Australian Industry Index® (all industry) -11.2

Australian PMI® (manufacturing) -22.0
▼ 6.3 points

Australian PCI® (construction) -7.1
▲ 4.3 points

Activity/sales -18.1
▼ 0.8 points

Employment 0.0
▲ 10.9 points

New orders -17.7
▼ 2.0 points

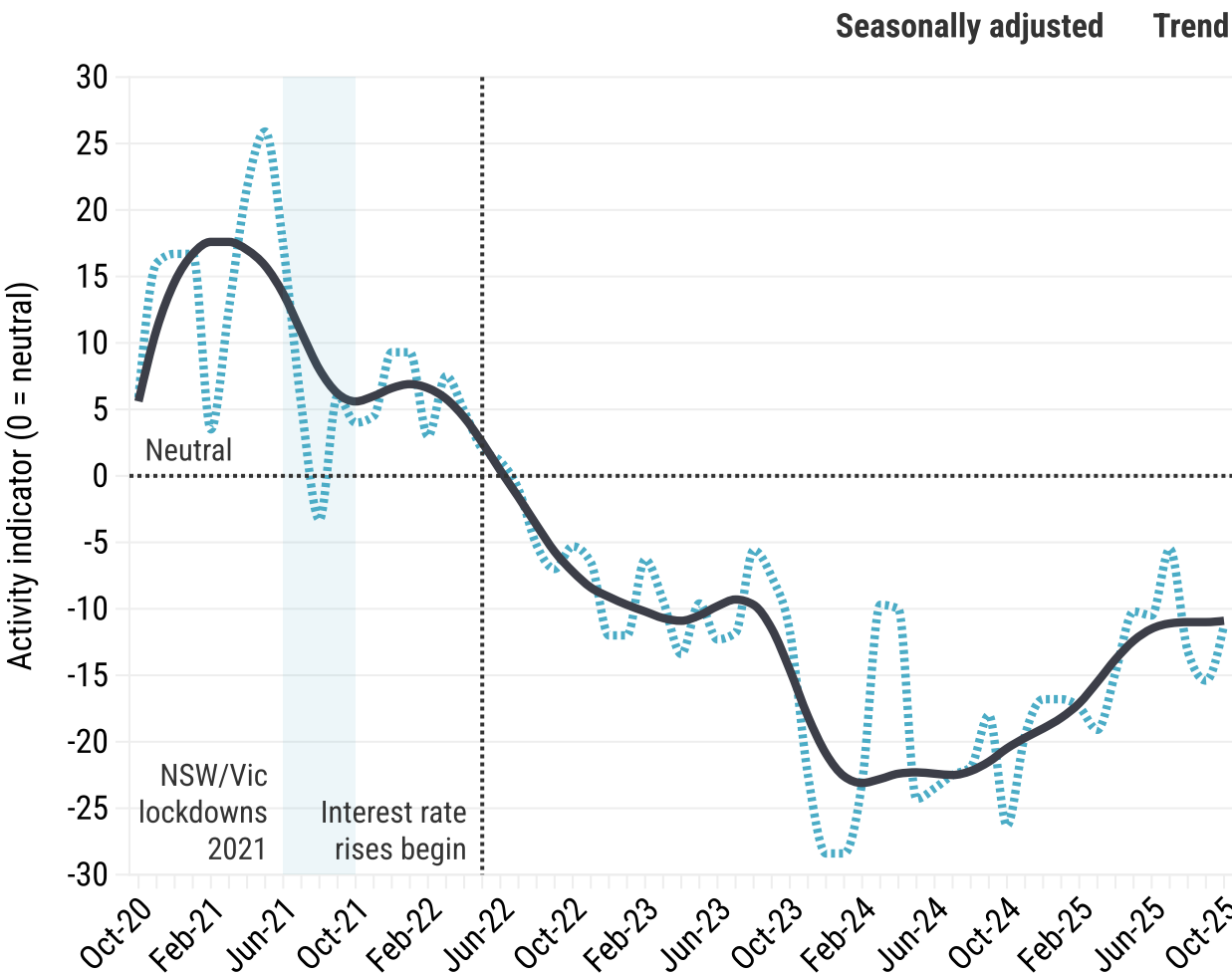
Input volumes -6.2
▲ 7.3 points

Input prices 32.4
▲ 1.9 points

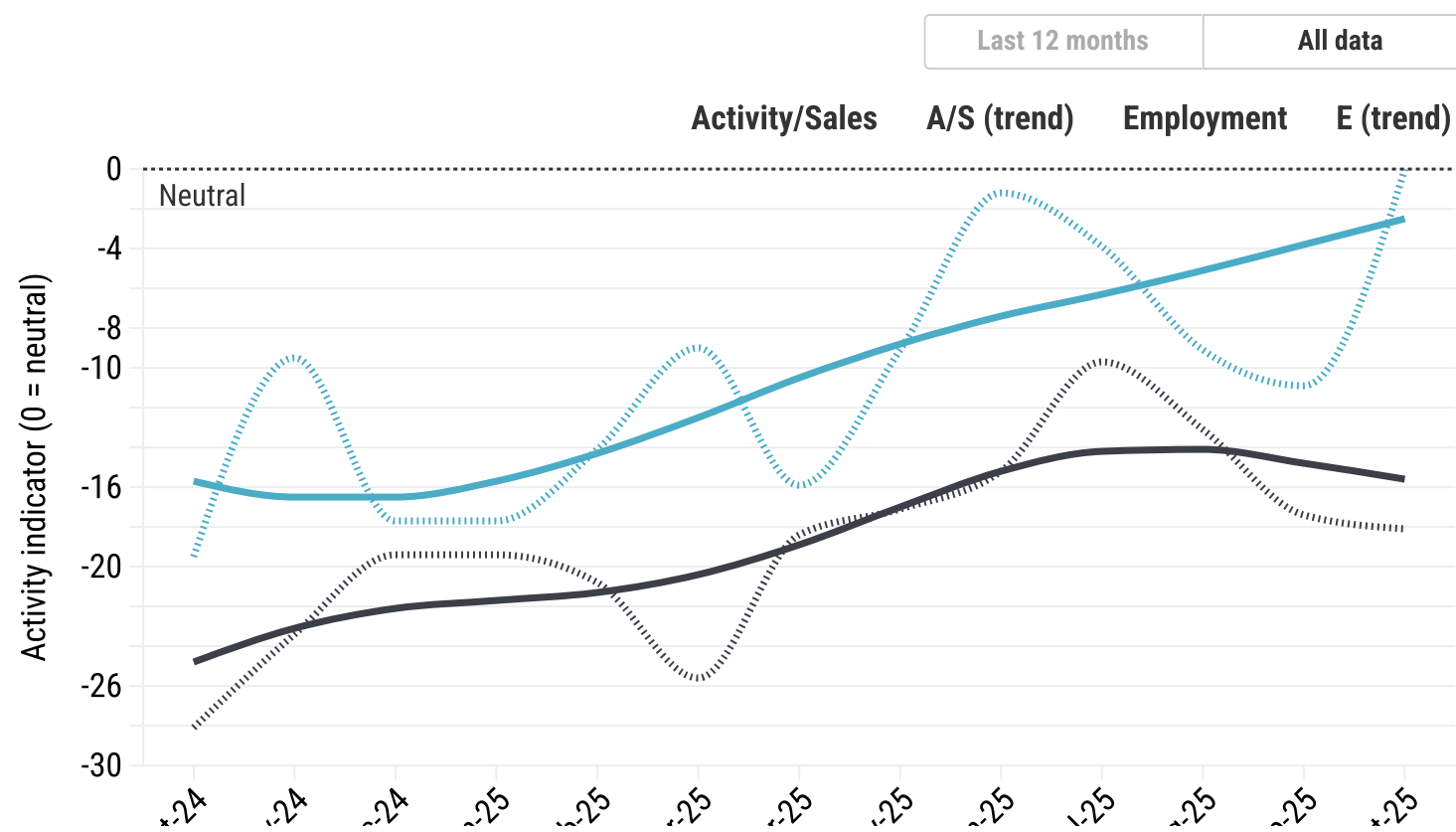
Sales prices 4.9
▼ 1.1 points

Average wages 36.8
▲ 4.0 points

Australian Industry Group Australian Industry Index ®

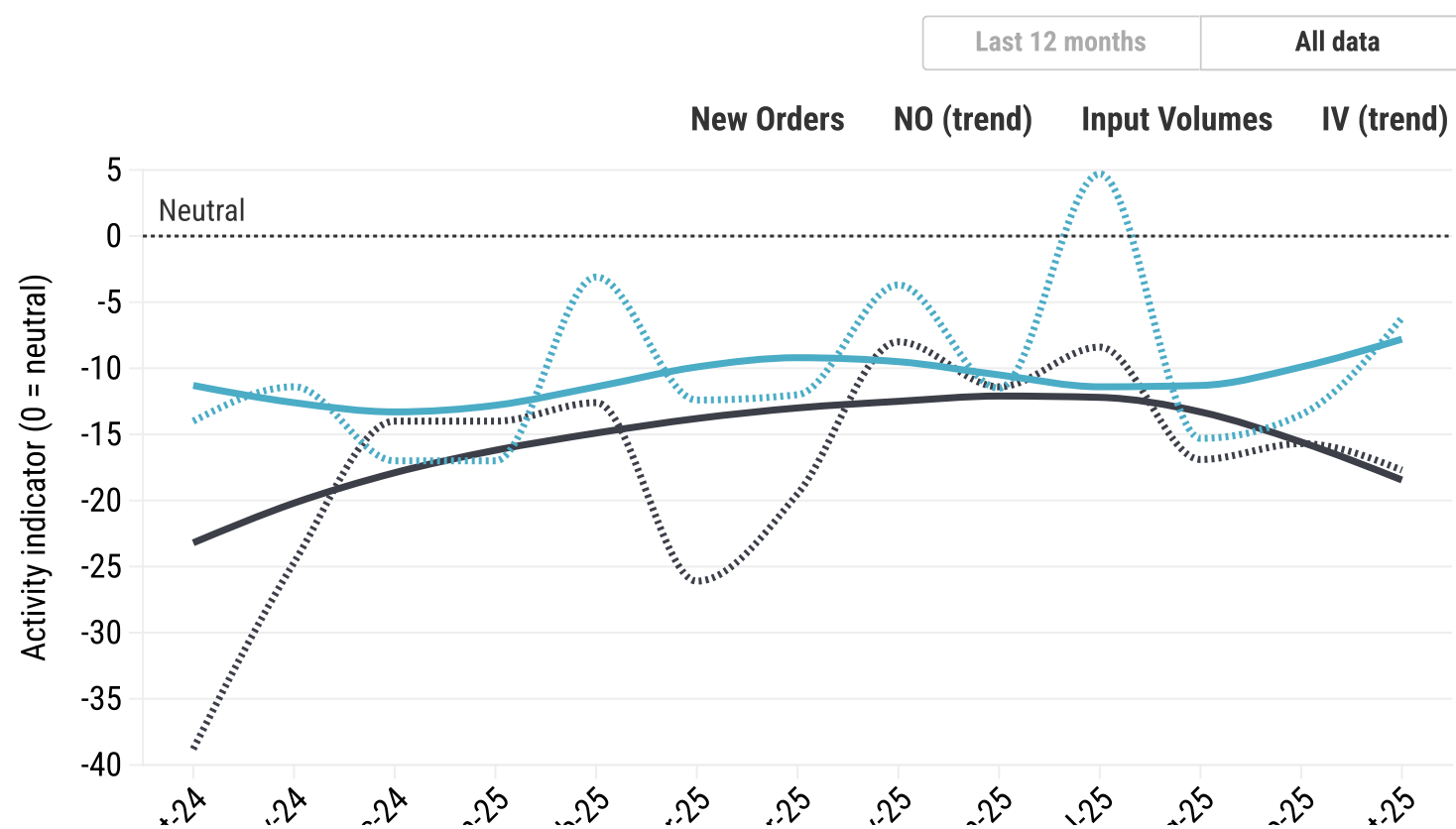


Industry activity



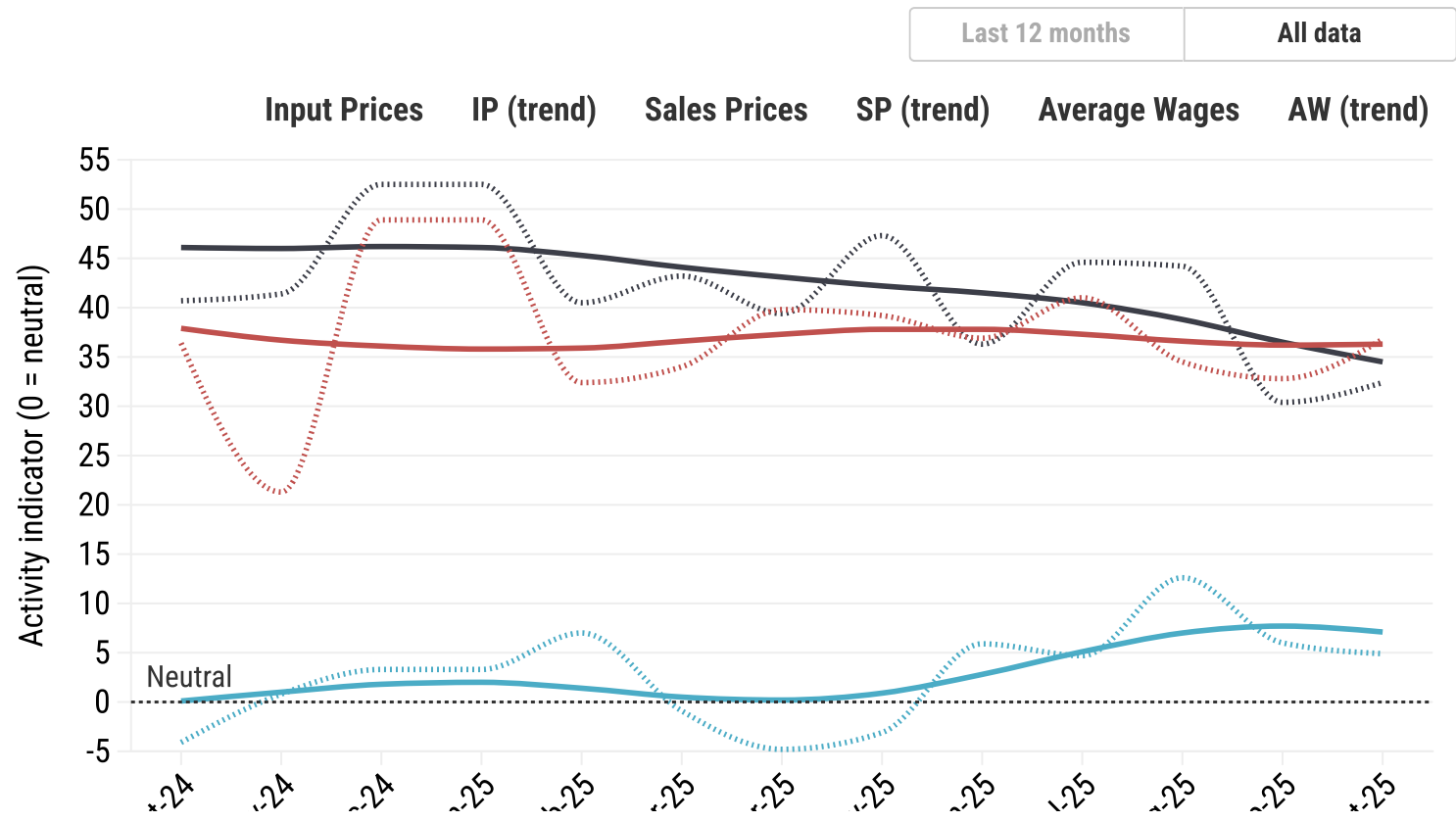
- The seasonally adjusted activity index eased slightly in October, although the trend shows steady improvement across most of 2025.
- Domestic and some export demand was subdued. Concerns are growing over a potential economy-wide slowdown, with some businesses reporting an increase in customers sourcing offshore.
- The employment index rose by 10.9 points to a neutral reading of 0.0 in October — its first move out of contraction since March 2024. Construction led this change, reporting easing supply constraints for labour.
- Despite this, labour shortages continue to constrain operational efficiency and limit productivity gains. Some firms are shedding vacancies until the economic outlook becomes more certain.

Leading indicators



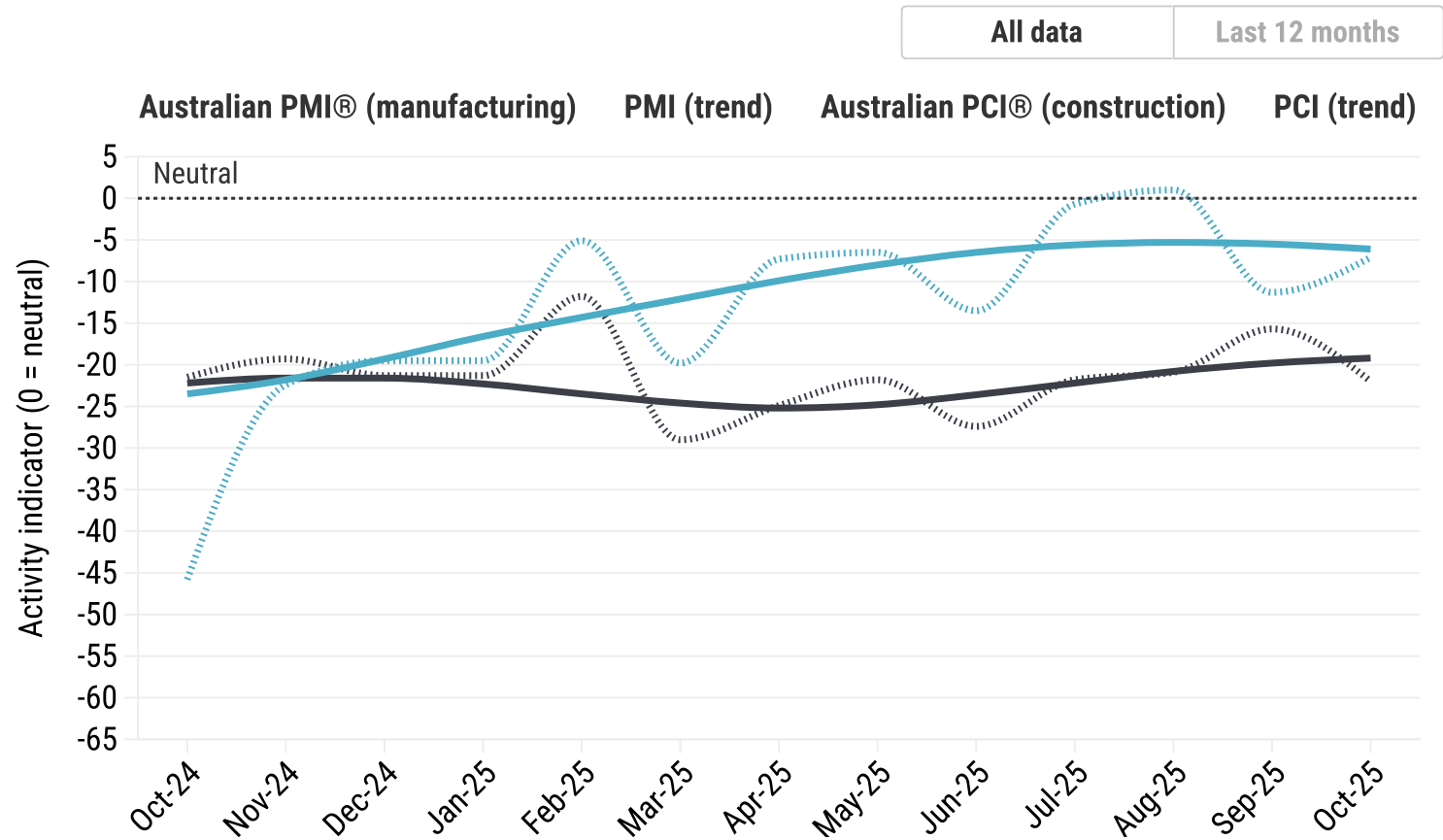
- The new orders index remained steady in October, while input volumes climbed by 7.3 points.
- Trend data indicates the recovery in new orders has been stalling since June, pointing to a weaker outlook for the activity recovery.
- Respondents report customer hesitation due to an uncertain business outlook, with erratic demand and limited new enquiries.
- Some of the respondents are facing weather impacts, increased competition and drought are pressuring margins.

Prices and wages



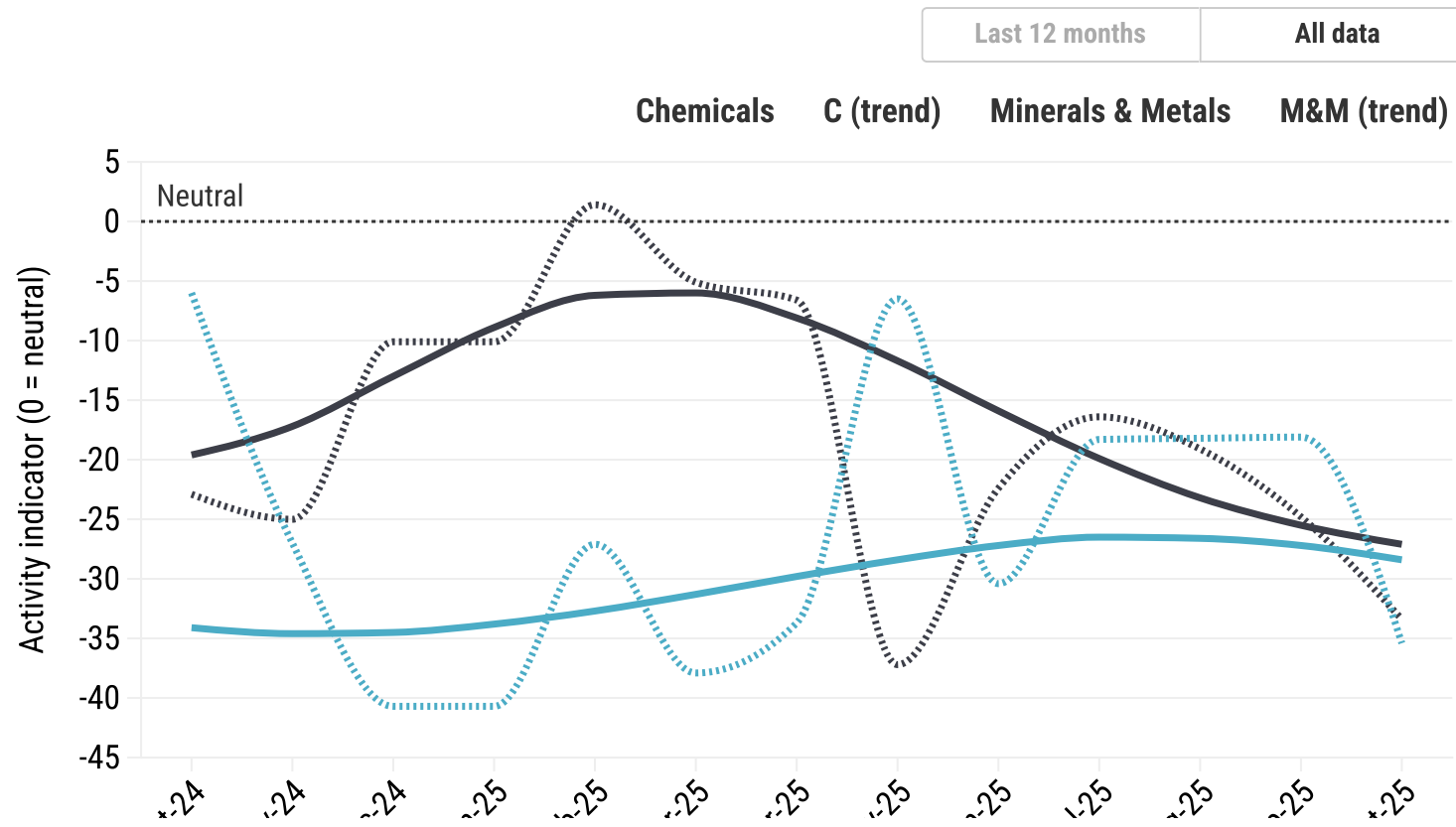
- Pricing indicators were little moved in October. Input costs rose slightly, sales prices eased slightly, and wages increased at a similar pace to September.
- In trend terms, it appears that margin pressure began to ease around the middle of the year, as businesses began to start passing input costs on in sales prices.
- Some businesses reported intensifying price competition, noting a growing trend of customers seeking multiple quotes per job to negotiate lower prices and increase bargaining power.

Australian PMI® and PCI®



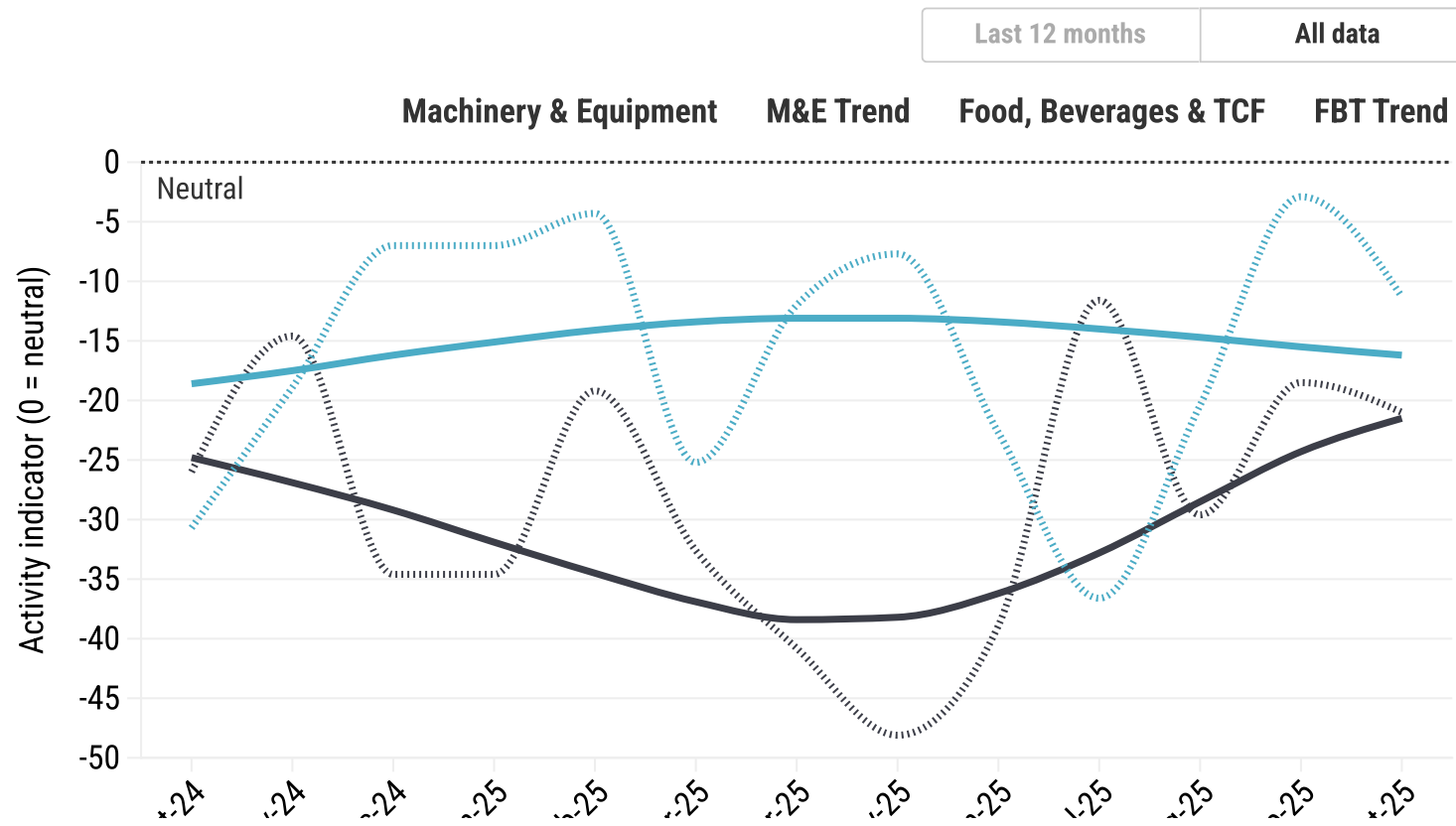
- Manufacturing activity declined by 6.3 points in October, while construction grew slightly.
- In trend terms, manufacturing has remained in material contraction for much of the last year, while construction has recovered towards neutral.
- Some manufacturers reported weaker domestic and overseas sales, citing uncertainty, global competition, U.S. export barriers producing complex outcomes, and rising energy costs.
- Constructors provided mixed feedback: some operating at full capacity on major projects, others reported declining enquiries and fewer orders. Constructors reported easing constraints on skilled labour supply.

Upstream manufacturing



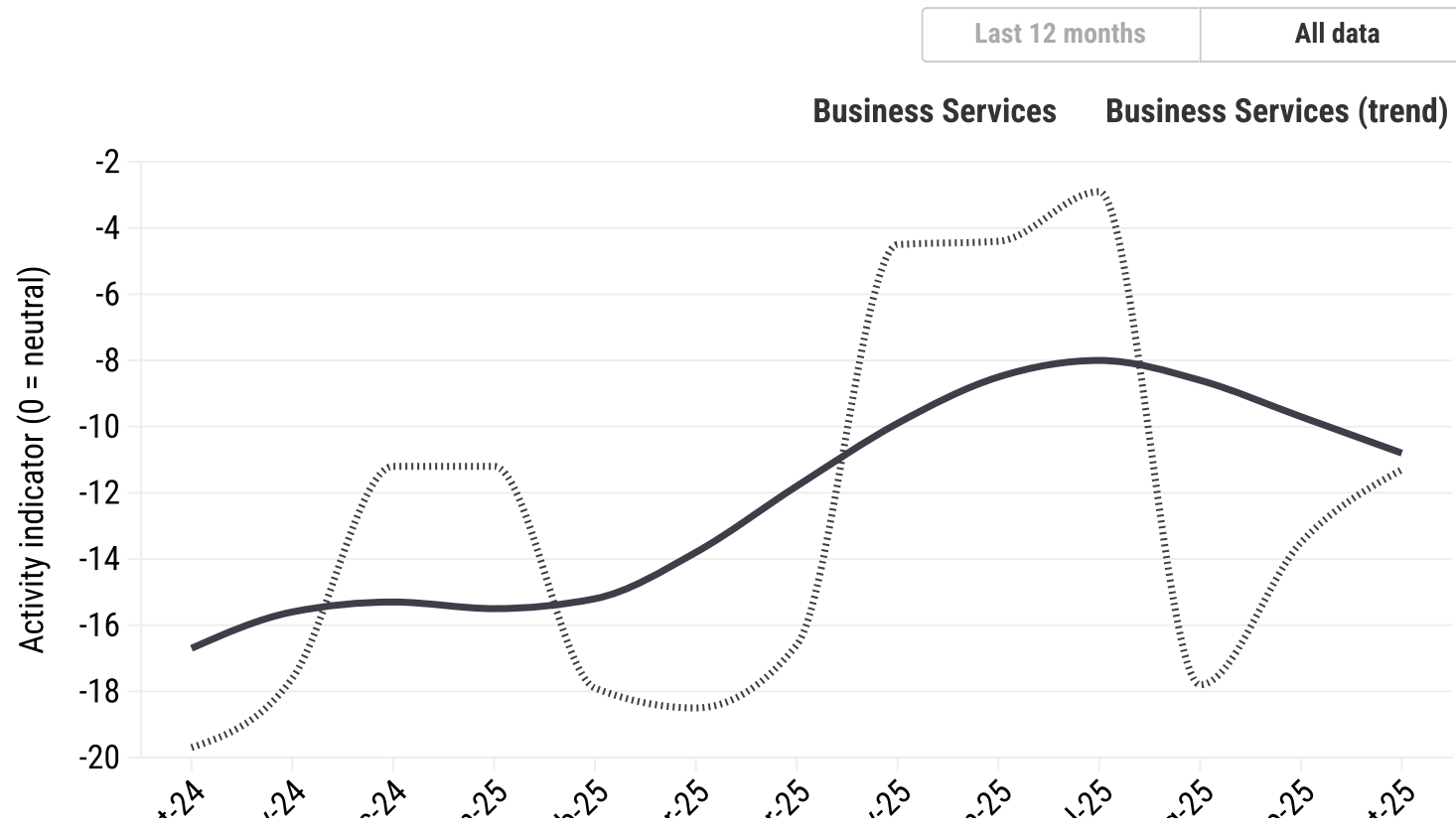
- Upstream manufacturing recorded a significant decline in October. The chemicals index fell by 8.6 points to -33.4, with the downward trend accelerating.
- Chemical manufacturers had reduced investment, due to uncertainty, drought conditions, and regulatory burden. Some noted stable order books and rising export activity.
- The minerals and metals index dropped by 17.3 points to -35.4, the lowest level since March 2025.
- Metal manufacturers reported challenges exporting to the U.S., along with a broader decline in exports due to increased global competition.

Downstream manufacturing



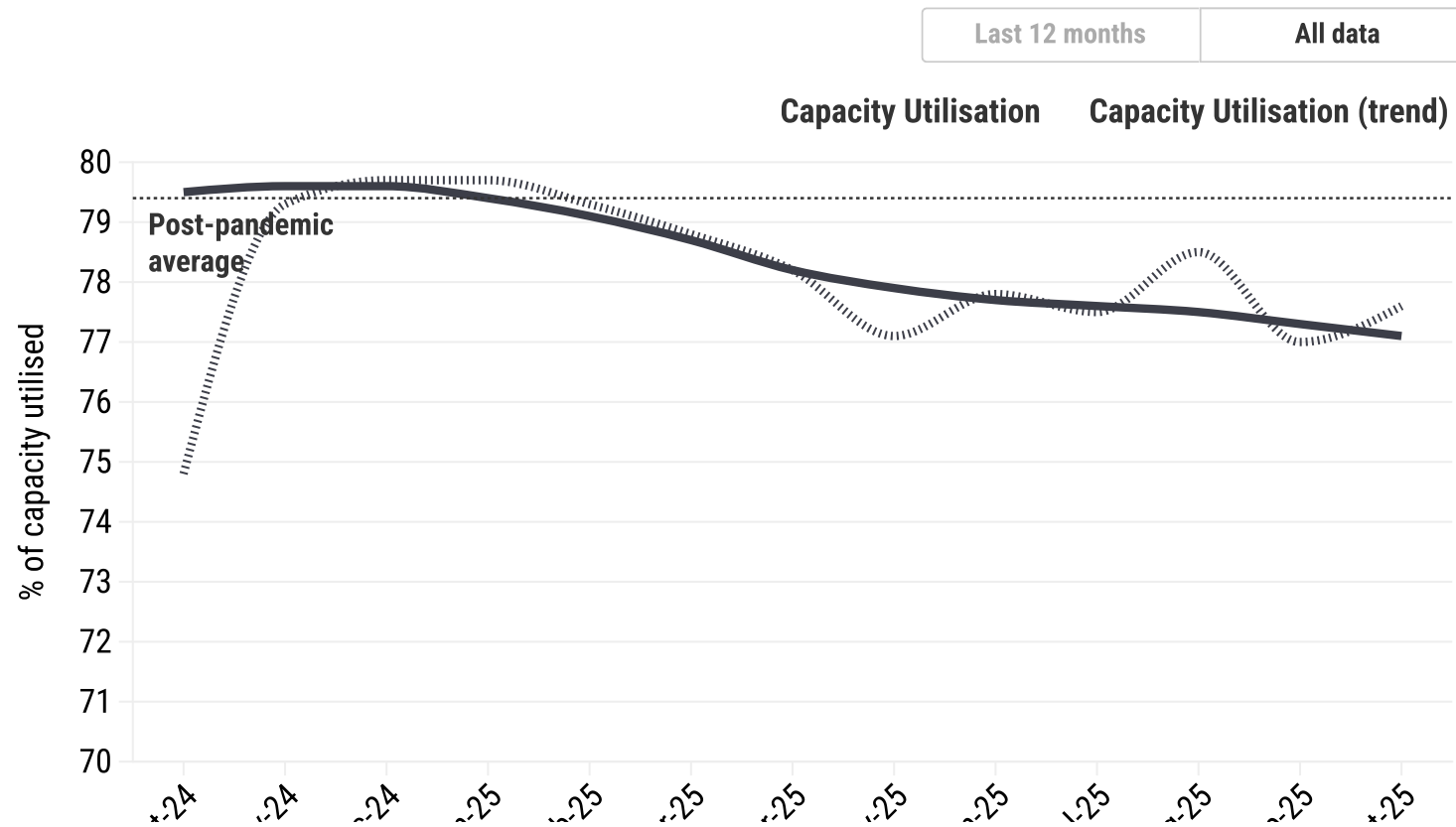
- The machinery & equipment index declined by 2.5 points to -21.0 in October 2025.
- Machinery manufacturers reported soft demand, driven by delayed project releases, reduced freight-related orders, rising input costs, and an increased reliance on imported goods.
- The food, beverages & TCF index fell by 8.4 points, returning to contractionary territory at -11.3 in October.
- Food and beverage firms cited challenges from rising energy and input costs, with raw material supply disruptions caused by adverse weather. However, some businesses reported strong sales performance.

Business services



- The business-oriented services index eased by 2.1 points in October to remain in negative territory at -11.3.
- This indicator covers wholesalers, technical services, and supply chain/transport providers.
- Some respondents reported solid demand, supported by project completions, favourable weather, active sales promotions, and government initiatives in South Australia and Queensland.
- Others cited ongoing challenges, including product availability issues due to supply chain delays, skilled labour shortages, cybersecurity risks, adverse weather, rising costs, and limited capital sales.

Capacity utilisation



- Capacity utilisation in Australian industry edged up slightly to 77.6% in October.
- Since 2024, the utilisation rate has become more volatile, generally fluctuating within the 77–80% range.
- Some businesses reported that increased new orders contributed to higher utilisation, with expectations of further improvement by year-end.
- Despite some easing, skilled labour shortages continue to constrain capacity, while shortages of lower-skilled workers appear to be moderating.

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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