

# Australian Industry Index

## Construction sector surges into the new year

### Key findings

- The Australian Industry Index® remained in contraction during Dec/Jan at -12.3 (seasonally adjusted).
- Activity, employment, new orders, and input volumes contracted at the same rate as the previous month.
- Construction activity rose with strong project inquiries, with the PCI indicator returning to positive territory for the first time in two years.
- Metals and food industries posted stronger results during the holiday period, while machinery and chemicals reported seasonal slowdowns.
- Most sub industries noted that rising higher input costs, taxes, regulatory pressures, and economic uncertainty impacted activity.

The **Australian Industry Index®** returned a similar result to November in the December/January period, at -12.3 points (seasonally adjusted ).

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No registration required, open to any Australian business.

December / January 2026

**Australian Industry Group**  
**Australian Industry Index® (all industry)**

▼ 0.2 points

**Australian PMI® (manufacturing)**

▼ 1.1 points

**Australian PCI® (construction)**

▲ 22.0 points

**Activity/sales**

▲ 1.4 points

**Employment**

▲ 1.4 points

**New orders**

▲ 4.1 points

**Input volumes**

▼ 3.8 points

**Input prices**

▼ 4.7 points

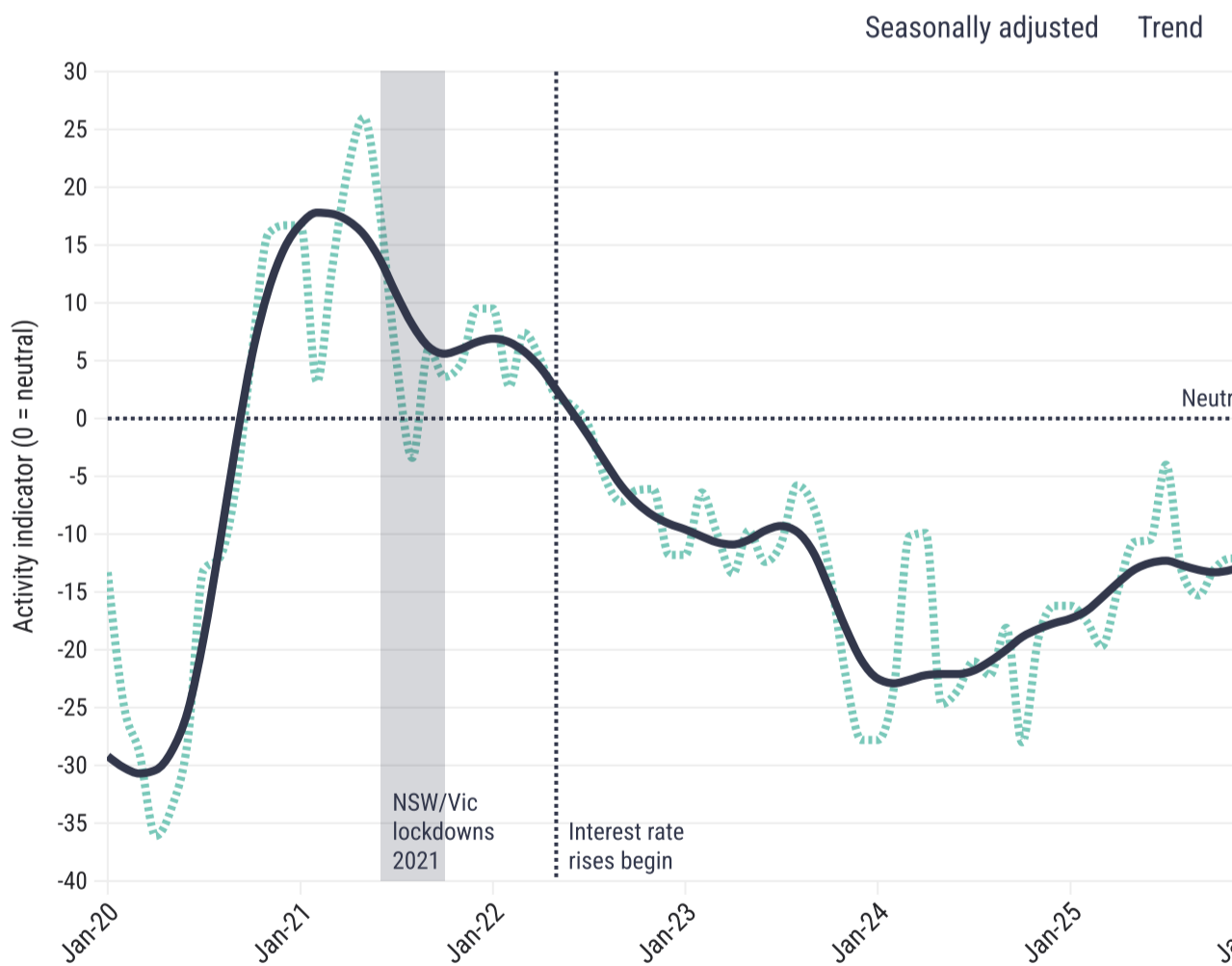
**Sales prices**

▼ 0.7 points

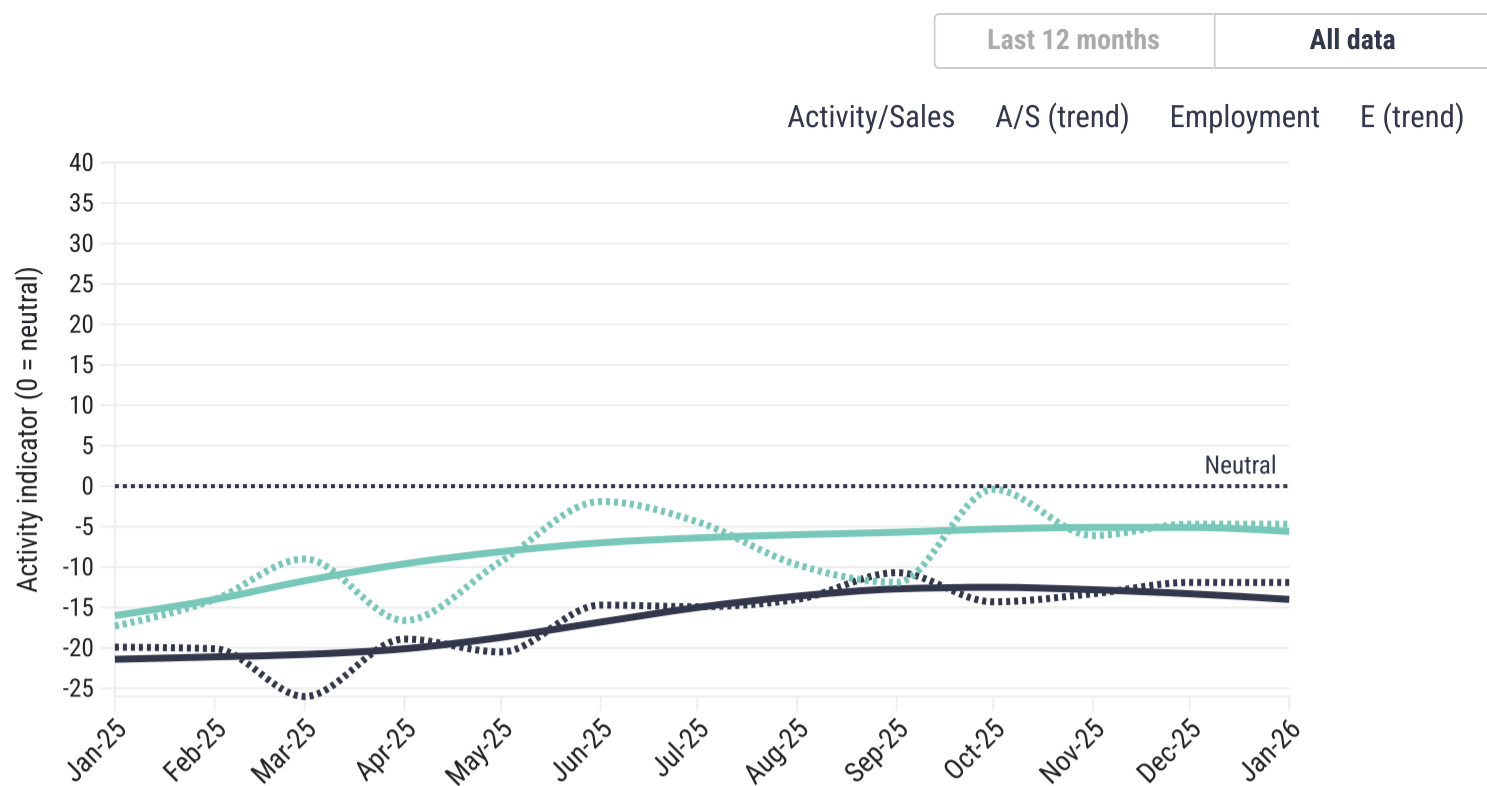
**Average wages**

▲ 1.0 points

## Australian Industry Index ®

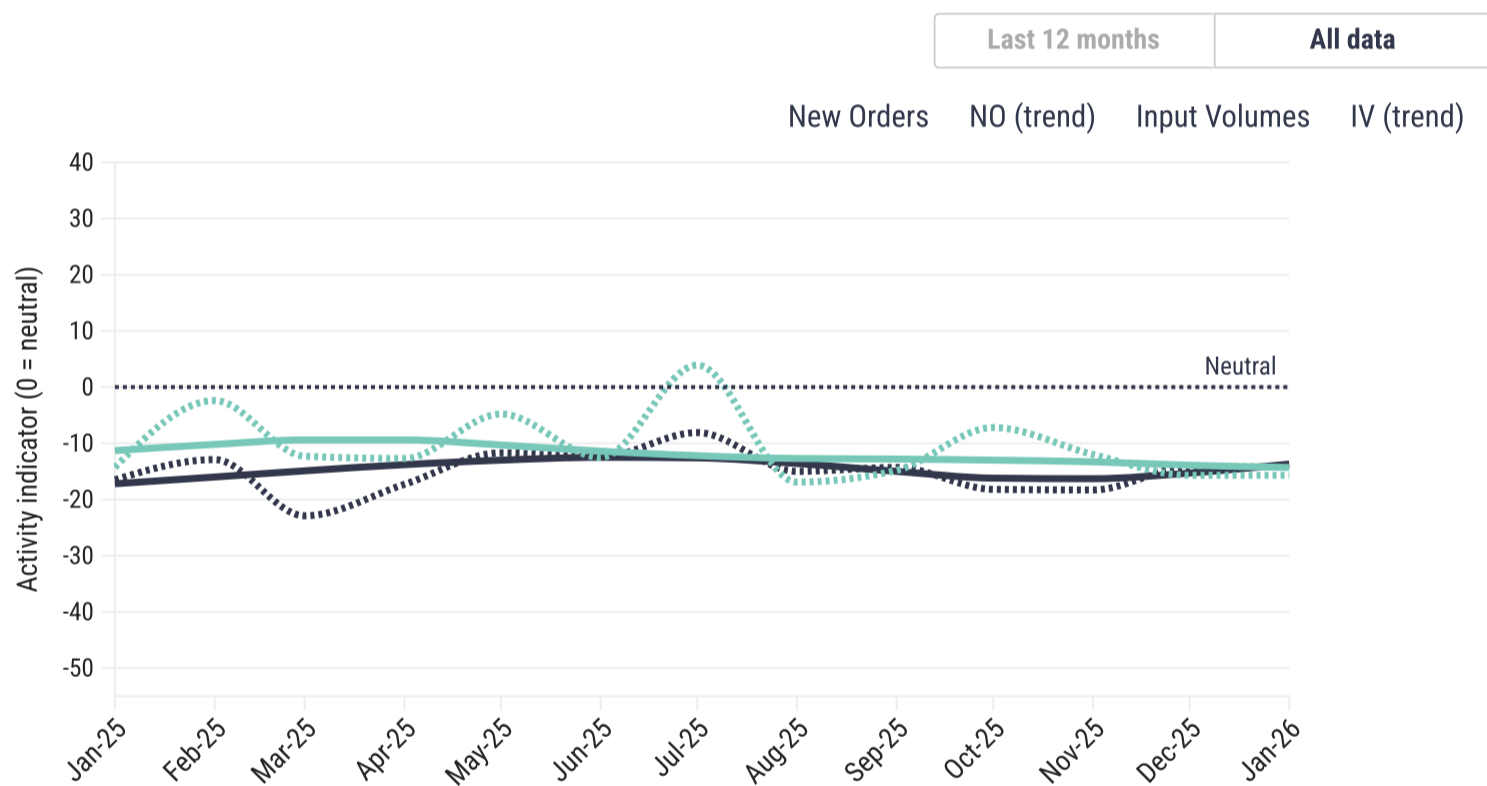


## Industry activity



- The activity/sales indicator contracted at a similar rate to the previous month in the Dec/Jan period, remaining at -11.9. Although negative, in trend terms the indicator has improved steadily over the past year.
- The employment indicator was broadly stable at -4.7. On a trend basis it has remained within the -5.0 to -7.0 range since the second half of 2025.
- Businesses reported subdued market activity, ongoing seasonal demand challenges, and persistent difficulties in securing suitable staff, with some indicating they may need to scale back or even close parts of their operations.

## Leading indicators



- The new orders indicator rose by 4.1 points to -14.2 in Dec/Jan as the 2026 work pipeline began to flow through.
- The new orders index improved steadily over the early part of 2025 but stabilised around its current level over the last six months.
- Input volumes fell slightly to -15.7, shrinking at the same pace as in November. This indicator has contracted slowly over the last two years.
- Many customers report delayed orders due to concerns about the first half of 2026, citing international uncertainty and a general industry slowdown.

## Prices and wages

Last 12 months

All data

Input Prices IP (trend) Sales Prices SP (trend) Average Wages AW (trend)

- Pricing indicators eased slightly in Dec/Jan, continuing a trend that commenced in 2024.
- Both the input prices index and the sales prices index fell, with the gap narrowing to 27.1.
- The wages indicator remained at a similar expansion rate at 39.0, and has been ranging between 36-40 in trend terms for the past year.
- Industry reports strong pricing pressure as competitors undercut bids, while rising operating costs limit businesses' ability to raise prices without losing sales.

## Australian PMI® and PCI®

Last 12 months

All data

Australian PMI® (manufacturing) PMI (trend) Australian PCI® (construction) PCI (trend)

- The Australian PMI® fell slightly in Dec/Jan -19.4 (seasonally adjusted), with trend data showing no significant improvement in manufacturing.
- The Australian PCI® (construction) indicator rose by 22.0 points to 5.2, its first time in positive territory since mid-2023.
- Manufacturers reported that tariffs, rising costs, weak cashflow, low investment, and offshore competition are putting significant pressure on operations.
- Constructors reported an increase in project inquiries, noting that while it is still early in the year for activity to ramp up, they expect further a pickup in the months ahead.

## Upstream manufacturing

Last 12 months

All data

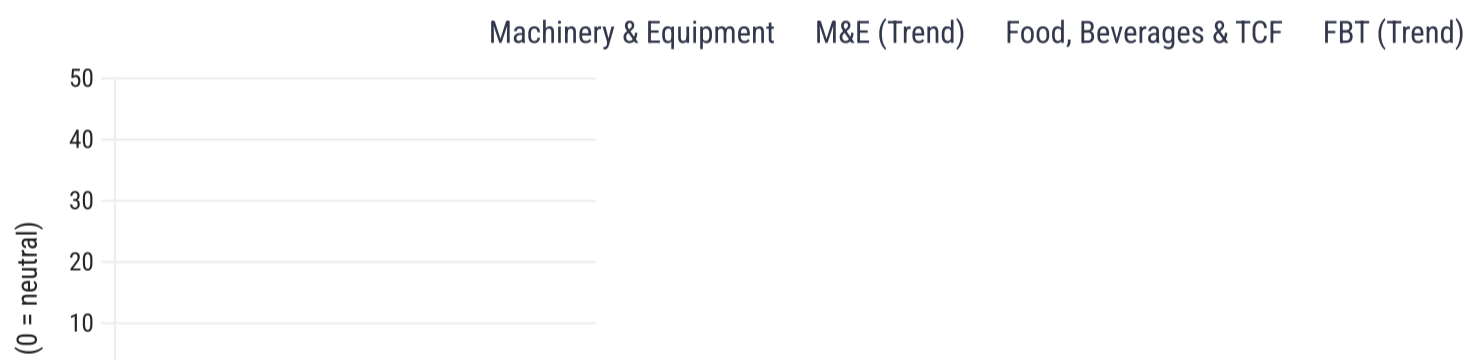
Chemicals C (trend) Minerals & Metals M&M (trend)

- Upstream manufacturing saw mixed results over the holiday period but stayed in negative territory.
- The chemicals indicator fell significantly by 14.3 points to -35.3, however the minerals and metals sector improved by 10.1 points to -25.9.
- Chemical manufacturers experienced reduced sales due to market uncertainty, higher tariffs, and the typical economic slowdown during the Christmas period.
- Some minerals and metals manufacturers reported lower production costs from cheaper imported inputs and lift in new orders, while others noted softer holiday-period demand and growing pressure on exports from higher US tariffs.

## Downstream manufacturing

Last 12 months

All data



- The machinery & equipment index declined by 16.3 points to -22.3.
- Machinery respondents reported lower investment, higher costs, labour constraints, and slower holiday orders, though some recorded modest new order gains.
- Food, beverages & TCF eased by 4.0 points, but remained in contraction at -9.4.
- Food and beverage businesses experienced stronger sales during the festive season and summer period; however, rising wage, input, energy, and tax costs tempered profitability.

## Business services

Last 12 months

All data

Business Services Business Services (trend)

- The business services sector fell by 2.1 points in Dec/Jan, to be deeper in contraction at -13.8.
- This indicator includes utilities, technical services, and supply chain/transport providers.
- Business services reported challenging conditions, citing weaker orders driven by low customer spending confidence, rising wages, energy and input costs, and limited government support for local SMEs.
- Respondents reported a lift in new orders due to changing weather conditions, and improvements in employment due to increased higher skilled labour availability.

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## Capacity utilisation

Last 12 months

All data

Capacity Utilisation Capacity Utilisation (trend)

- Capacity utilisation in Australian industry slightly eased to 74.8% in Dec/Jan.
- Utilisation scores became more volatile across 2025 and trended below the historical range of 79-82%.
- The falling capacity utilisation rate in 2025 reflects demand side weakness facing industry,
- Despite some easing, capacity utilisation remained constrained due to skilled labour shortages, growing prices, and uncertainty about future demand for some respondents.