

# S&P Global Australia Manufacturing PMI<sup>®</sup>

## Manufacturing sector contracts for the first time in 2025 so far

### October 2025

First fall in manufacturing output in four months...

...driven by the fastest reduction in new orders since December 2024

Headcounts decline for the first time since February

Australia's manufacturing sector shrank for the first time so far this year, according to PMI<sup>®</sup> data from S&P Global. Lower new work inflows, including from abroad, underpinned a marginal fall in production. Consequent of subdued demand, manufacturers lowered their staffing levels and reduced their purchasing activity. Overall confidence slipped to a four-month low.

On the price front, selling price inflation eased in October even as costs rose to the strongest degree in six months.

The headline seasonally adjusted S&P Global Australia Manufacturing Purchasing Manager's Index™ (PMI) posted 49.7 in October, down from 51.4 in September. Falling past the 50.0 no-change mark, the latest reading signalled that manufacturing sector conditions deteriorated for the first time since December 2024, albeit only marginally.

Central to the latest contraction of the manufacturing sector was worsening demand conditions. Incoming new orders fell at the quickest pace in ten months amid reports of weakening market conditions and adequate stock holdings at clients. New orders from abroad also declined in October, notably from other Asia-Pacific markets, according to panellists. As a result of falling demand, Australia's goods production contracted for the first time since June.

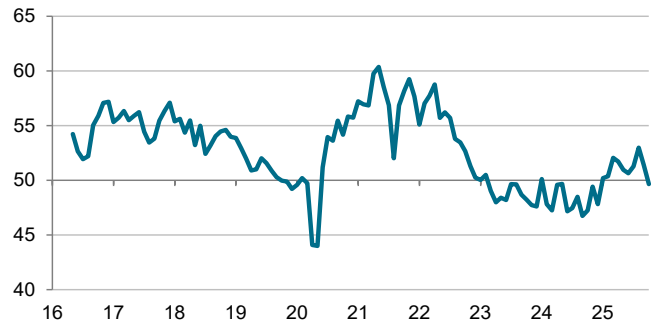
Lower new work inflows also spurred the first reduction in headcounts in eight months. Job shedding was also partly attributed to the absence of capacity pressures as the level of unfinished orders further receded in October.

In response to lower new orders, goods producers also cut back on their purchasing activity, which contributed to a modest fall in stocks of inputs. This marked the first contraction in three months for both buying activity and stocks of purchases.

Meanwhile, in contrast to the trend for pre-production inventory, stocks of finished goods continued to accumulate in October. Anecdotal evidence suggested that holdings of finished items increased due to a lack of new orders and delays in outbound shipments. Indeed, lead times lengthened at the sharpest pace so far this year reportedly due to shipment delays, made worse by port

S&P Global Australia Manufacturing PMI

Index, sa, >50 = improvement m/m



Data were collected 9-27 October 2025.

Source: S&P Global PMI. ©2025 S&P Global.

### Comment

Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence

“October’s Australia Manufacturing PMI indicated that conditions in the goods producing sector deteriorated for the first time so far in 2025. Demand for Australian manufactured goods worsened both domestically and abroad, dampened by subdued market conditions and destocking among clients.

“Compared to the relatively shallow and brief reduction in manufacturing output mid-year, the latest downturn in production was accompanied by the first fall in headcounts in eight months, altogether suggesting that goods producers have become more cautious regarding the outlook for growth. This was alongside indications of reduced optimism via the Future Output Index.

“Manufacturers notably faced heightened margin pressures in October, as output price inflation eased despite an intensification of cost inflation, reflecting the impact of intense competition going into the fourth quarter.”

congestions and challenging weather conditions.

Turning to prices, average input costs continued to increase in October and at a pace unsurpassed since April. Higher prices for raw materials, electricity, and shipping were often cited as factors contributing to the uptick in cost pressures. Despite a quicker rise in costs, Australian manufacturers raised their selling prices at a more modest pace in October. Subdued demand and strong competitive pressures limited their ability to fully share their cost burdens.

Finally, sentiment regarding the prospects for output growth in the next 12 months remained positive in October, as reflected by the Future Output Index posting above the 50.0 neutral mark. That said, the level of confidence slipped to a four-month low amid rising concerns about the economic outlook.

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## Methodology

The S&P Global Australia Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in May 2016.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

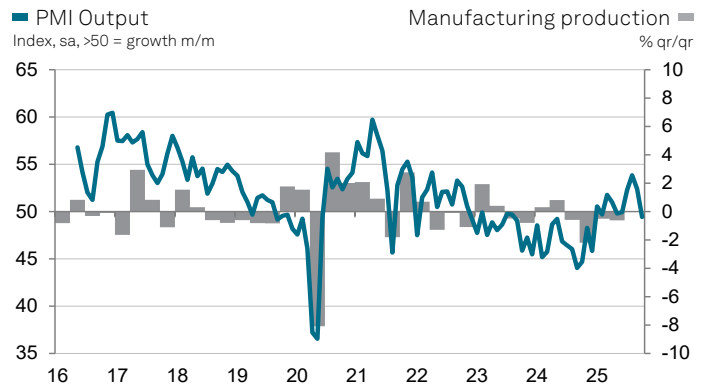
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

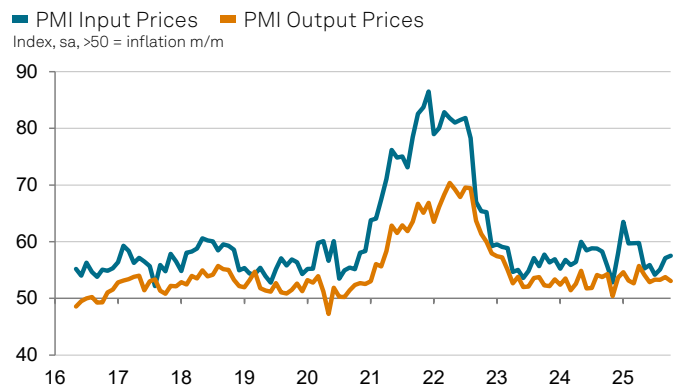
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