



## U.S. Manufacturing Shows Signs of Recovery in January

**The January PMI offers early signs that manufacturing conditions are improving in the U.S.**

**A**s if waking up from a long winter's nap that lasted a full year, the U.S. manufacturing sector showed signs of improvement and growth in January. According to the January 2026 **ISM Manufacturing PMI Report**, the volume of new orders and production both grew during the first month of the year. That's a good sign for a sector that's been contracting for the last 12 months.

The news gets better: The index reached its highest point since February 2022, according to ISM, which says PMI hit 52.6% in January, a 4.7-percentage-point increase compared to the seasonally-adjusted reading of 47.9% in December. A PMI reading below 50 indicates contraction in manufacturing activity, while those above 50 signal expansion. Over time, ISM notes that a PMI above approximately 47.5 is generally consistent with expansion in the overall U.S. economy.

"In January, U.S. manufacturing activity returned to expansion territory, with improvements in all five subindexes that make up the PMI (new orders, production, employment, supplier

deliveries and inventories)," Susan Spence, chair of the ISM Manufacturing Business Survey Committee, said [in the report](#), "though the employment and inventories indexes still remain in contraction."

Here's how the other metrics played out in January:

- The New Orders Index expanded for the first time since August, with a reading of 57.1%, up 9.7 percentage points over December's seasonally adjusted figure of 47.4% and its highest since February 2022 (59.7%).
- The Production Index (55.9%) was 5.2 percentage points higher than December's seasonally adjusted figure of 50.7% and the highest since reaching 58.1% in February 2022.
- The Prices Index remained in expansion (or "increasing" territory), registering 59%, or 0.5 percentage point higher than December's reading of 58.5%.

- The Backlog of Orders Index registered 51.6%, up 5.8 percentage points compared to the 45.8% recorded in December and the highest reading since August 2022 (when it was 53%).
- And, the Employment Index registered 48.1%, up 3.3 percentage points from December's seasonally-adjusted figure of 44.8%.

### Getting Ahead of Expected Increases

According to Spence, three key demand indicators (new orders, backlog of orders and new export orders indexes) all expanded in January, although the customers' inventories Index remains in "too low" territory and is contracting at a faster rate. "A 'too low' status for the Customers' Inventories Index is usually considered positive for future production," she explained.

"Although these are positive signs for the start of the year, they are tempered by commentary citing that January is a reorder month after the holidays," she cautioned, "and some buying appears to be [focused on] getting ahead of expected price increases due to ongoing tariff issues."

ISM says the nine manufacturing industries reporting growth in January were printing & related support activities; apparel, leather & allied products; fabricated metal products; primary metals; transportation equipment; machinery; chemical products; food, beverage & tobacco products; and computer & electronic products.

And the eight industries reporting contraction in January were textile mills; wood products; nonmetallic mineral products; electrical equipment, appliances & components; petroleum & coal products; plastics & rubber products; furniture & related products; and miscellaneous manufacturing.

### What the Manufacturers Had to Say

Manufacturing purchasing and supply chain professionals shared their thoughts on the current state of the industry, with one computer and electronics products maker mentioning tariff uncertainty as the biggest roadblock right now.

"Another round of emotionally charged tariffs seems imminent, changing the landscape once more. Movement of custom product out of China continues, but the progress is slow with new qualifications required for transitioned materials and assemblies."

Another transportation equipment manufacturer said that "hope" is the word of the year for its sector. "Across the board, buyers continue to stand on the sidelines. As we enter 2026, every conversation revolves around hope that the second half of 2026 starts the turnaround. It's hard to set strategy on hope, but thanks to the uncertainty brought about by this administration, here we are."