



## U.S. Manufacturing Sector Flexes Its Muscles

After more than a year of contraction, new data shows U.S. manufacturing expanding again, with stronger orders, growing backlogs and rising production activity.

After months of declining numbers and stagnant growth, the U.S. manufacturing sector is springing back to life with vigor according to two different industry indexes. The positive momentum started in January, when the ISM Manufacturing PMI Report showed a positive reading for a sector that had been in contraction mode for the prior 12 months.

The latest ISM report did track a slight dip in the PMI compared to January, but it still paints an encouraging picture for the domestic manufacturing industry. It says the U.S. manufacturing sector expanded in February for the second time since January 2025, registering 52.4%. A PMI above 47.5% over a period of time generally indicates an expansion of the overall economy.

“Therefore, the February Manufacturing PMI indicates the overall economy grew for the 16th straight month,” Susan Spence, chair the ISM Manufacturing Business Survey Committee, says in the report. “The past relationship between the Manufacturing PMI and the overall economy indicates

that the February reading (52.4%) [equates] to a 1.7% increase in real gross domestic product (GDP) on an annualized basis.”

### Key Numbers

Other key findings from the report include:

- **The New Orders Index** expanded for the second straight month after four straight readings in contraction, registering 55.8% down 1.3 percentage points compared to January’s figure of 57.1%.
- **The Production Index** (53.5%) is 2.4 percentage points lower than January’s reading of 55.9%.
- **The Prices Index** remained in expansion territory, registering 70.5%, or an 11.5-percentage-point jump from January’s reading of 59% and its highest reading since June 2022 (78.5%).
- **The Backlog of Orders Index** registered 56.6%, up 5 percentage points compared to the 51.6% recorded in January and its highest reading since May 2022 (58.7%).
- **And the Employment Index** registered 48.8%, up 0.7 percentage point from January’s figure of 48.1%.

“In February, U.S. manufacturing activity remained in expansion territory, although growing at a slower pace than the month before,” Spence explains. “Three demand indicators (the New Orders, Backlog of Orders and New Export Orders indexes) are in expansion, and the Customers’ Inventories Index remains in ‘too low’ territory, contracting at a slightly slower rate (a ‘too low’ status for the Customers’ Inventories Index is usually considered positive for future production).”

### Upbeat Views in 12 Sectors

According to ISM, the 12 manufacturing industries reporting growth in February include printing & related support activities; textile mills; primary metals; nonmetallic mineral products; chemical products; machinery; electrical equipment, appliances & components; fabricated metal products; transportation equipment; plastics & rubber products; miscellaneous manufacturing; and computer & electronic products.

The five industries reporting contraction were apparel, leather & allied products; furniture & related products; petroleum & coal products; wood products; and food, beverage & tobacco products.

One chemical products manufacturer said that January sales continued to provide positive indications for growth opportunities. “Data center, health care, and food and beverages remain positive growth areas. We continue to receive price increase notifications from suppliers based on unsupported tariff claims and are expanding corporate staff to support sales growth.”

Reuters says some of the “most upbeat views” in the report came from the fabricated metal products sectors, where some manufacturers said business was improving by the week, and that backlog was growing, and new opportunities are everywhere. “Some said they had hired experienced engineers, computer numerical control operators, and young people wanting to become CNC machinists,” the publication notes.

### There’s More to Come

The ISM Manufacturing PMI Report wasn’t the only good news to come out of the manufacturing sector in the last couple of weeks. Not to be outdone, the February 2026 Logistics Manager’s Index Report (LMI) also showed positive signs of growth on the manufacturing front, albeit mostly through the lens of the logistics and transportation networks that support the industry.

The LMI score is a combination of eight unique components that make up the logistics industry, including inventory levels and costs; warehousing capacity, utilization and prices; and transportation capacity, utilization and prices. The February Logistics Manager’s Index came in at 61.5, up from January’s reading of 59.6. “This is the fastest level of expansion since February 2025’s reading of 62.8,” Colorado State University’s Zac Rogers says in the report.

“Tariffs have led to significant uncertainty over the last year. The way supply chains have adapted to this uncertainty is nothing short of impressive,” he continues. “With the recent ruling by the U.S. Supreme Court, it seems likely this uncertainty will continue through 2026. It will be interesting to continue observing the effects of this on logistics activity.”

Asked to predict the conditions over the next 12 months, LMI respondents foresee a rate of expansion of 66.3, which is up slightly (+0.5) from January’s future predictions of 65.8 and would be above the all-time average of 61.3.

“Respondent expectations are consistent across the supply chain,” it says, “with upstream respondents (manufacturers, component suppliers, parts producers, etc.) predicting an overall expansion of 63.3 and downstream respondents (wholesalers, distributors and retailers) predicting a similar rate of expansion of 62.5.”