



U.S. Manufacturing Growth Hits a New High for the Year

The U.S. manufacturing sector grows at the fastest clip since August 2022 even as tariff, supply chain disruptions and geopolitical headwinds prevail.

It's been more than three-and-a-half years since the U.S. manufacturing sector posted the kind of growth it saw in March, according to the latest Institute of Supply Management Manufacturing PMI report. That's good news for a sector that hasn't seen this kind of growth since August 2022, and that is now solidly in growth territory after its third month in a row of positive results.

According to ISM, the PMI registered 52.7% in March, a 0.3-percentage point increase compared to the reading of 52.4% in February. The overall economy continued in expansion for the 17th month in a row. A Manufacturing PMI above 47.5%, over a period of time, generally indicates an expansion of the overall economy.

Other key findings:

- The new orders index expanded for the third straight month after four straight readings in contraction, registering 53.5%, down 2.3 percentage points compared to February's figure of 55.8%.

- The March reading of the production index (55.1%) is 1.6 percentage points higher than February's reading of 53.5%.
- The prices index remained in expansion territory, registering 78.3%, a 7.8-percentage point jump from February's reading of 70.5%.

"In the last two months, the prices index has increased 19.3 percentage points to reach its highest level since a reading of 78.5% in June 2022," says Susan Spence, chair of ISM's Manufacturing Business Survey Committee. "The backlog of orders index registered 54.4%, down 2.2 percentage points compared to the 56.6% recorded in February."

New Concerns Emerge

ISM says March was the first month where the manufacturers it interviewed cited the Iran war as a new impact to their business, along with ongoing uncertainty with U.S. economic policy. "In March, 64% of comments overall were negative,"

Spence says. "Among the negative comments, about 20% cited tariffs and about 40% the war in the Middle East."

For example, one manufacturer said that "current Middle East unrest is already starting to impact business operations by increasing lead times, costs, container delays and the like." Another maker of transportation equipment said that changes in the tariff structure are bringing "cautious opportunities" to offset significant costs for the balance of 2026. "The actions in Iran, however, add a new wrinkle to energy costs throughout the world, including India. We continue to try and plan for the unpredictable and unexpected."

Cautiously Optimistic

According to ISM, the 13 manufacturing industries reporting growth in March included printing & related support activities; primary metals; transportation equipment; miscellaneous manufacturing; electrical equipment, appliances & components; textile mills; computer & electronic products; fabricated metal products; machinery; paper products; nonmetallic mineral products; wood products; and chemical products.

And the three industries reporting contraction were plastics & rubber products; furniture & related products; and food, beverage & tobacco products. Based on the write-in comments, the overall sentiment seems to be "cautiously optimistic" across the sector, which has faced some tough challenges over the last 12-24 months. Still, the geopolitical climate and issues like the War in Iran continue to put new challenges in front of producers.

"This is expected to be a transition year for the U.S. trucking market, with gradual stabilization driven by capacity tightening and replacement demand instead of growth," one transportation equipment manufacturer commented. "Demand should stay constrained by weak carrier profitability and high equipment costs but improve modestly late in the year."

"Customer orders have increased considerably as the construction market remains strong, resulting in higher production volume and increased forecasts to suppliers," a machinery producer said, while a plastics and rubber products maker was decidedly less optimistic.

"The Middle East war has created domestic and global turmoil for the olefins and polyolefins business. Feedstocks and finished product pricing are accelerating dramatically

as Middle Eastern and Asian producers suffer from shipping blockages," it said. "Global customers for packaging resins are scrambling to cover needs from North America and South America in the face of supply chain complications."