



ISM Manufacturing Rebounded to Open 2026

Headlines

- **The Institute for Supply Management (ISM) reported that topline manufacturing activity** bounced to 52.6 in January 2026.
- **New Orders and Production components rebounded** strongly to open the new year.
- **Employment among manufacturers increased** to a still-contractory 48.1 reading.
- **Pricing pressures were up modestly in January 2026** at 59.0.
- **Manufacturing Imports and Exports both posted gains** in January 2026.

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Details

The ISM Manufacturing PMI survey rose to 52.6 in January 2026, rebounding from a three-month slide through the fourth quarter of last year. Production and New Orders drove topline gains for the month after trending weaker throughout the fourth quarter of last year. Metrics indicating the level of Customers Inventories among manufacturers fell to their lowest levels since June 2022, and since June 2010 excluding the extraordinary conditions experienced following the COVID-19 pandemic. The survey's Employment metric remained in contractionary territory even as Production and New Orders ramped up for the month.

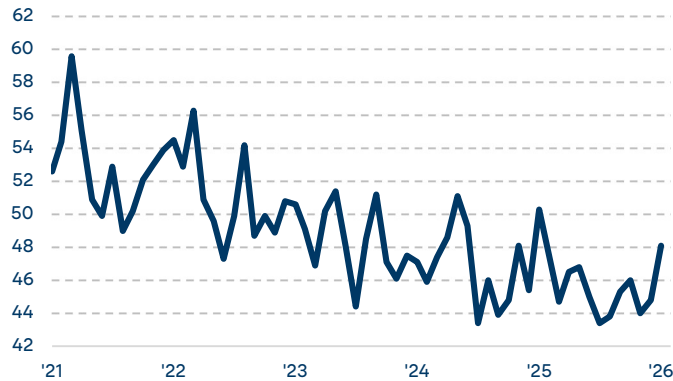
The ISM Manufacturing PMI diffusion index indicates the net percentage of manufacturers who are experiencing expanding or contracting activity across various categories, with a reading below 50 indicating net contraction. January 2026's topline

reading of 52.6 is the first expansionary result for the index since January 2025 (50.9).

The Employment component of the ISM Manufacturing Survey came in at 48.1 in January 2026 (see Figure 1)—rising from December (44.8) but continuing to demonstrate hiring weakness across the sector. Tariff concerns continue to litter survey respondents' comments, lending a rationale for dampened job growth as businesses navigate uncertainty and inability to effectively plan future growth efforts. U.S. tariff policy rhetoric intensified to open the new year on multiple fronts, which will likely weigh on hiring in the early months of the new year. Without job creation among manufacturers, U.S. import tariffs will ultimately have simply raised consumer prices, thus failing to achieve the policy shift's goals.



Figure 1: ISM Manufacturing – Employment (SA)



Source: Institute for Supply Management

New Orders among U.S. manufacturers posted an outsized gain in January 2026, jumping to 57.1—the component index’s strongest showing since February 2022 (61.7) as the U.S. economy was rebuilding from pandemic-induced supply disruptions. The New Orders result pairs with an ongoing shortfall in manufacturers’ Customer Inventories, which fell to 38.7 for the month. U.S. businesses are demonstrating an ability to operate under tight inventory conditions given that consumers continue to spend, even despite persistently above-trend inflation. At 51.6, the Backlog of Orders sub-index rose above the expansionary threshold of 50 in January 2026 for the first time since September 2022 (50.9).

Production among manufacturers posted a third consecutive month of expansion in January 2026 with a reading of 55.9 for the month. Manufacturing activity was volatile throughout the year as consumer demand pushed ahead while manufacturers appeared to pursue something resembling a “just in time” operational philosophy. The Production sub-index bounced back and forth across the expansionary threshold of 50 (see Figure 2). Planning was made difficult by U.S. fiscal policy, the U.S. Federal government’s shutdown, and tariff related uncertainty. As their customers’ inventories appear to be at a local nadir, Production numbers should have support in the coming months even if overall manufacturing trends remain plagued by uncertainty.

Figure 2: ISM Manufacturing – Production (SA)



Source: Institute for Supply Management

U.S. manufacturers’ Imports and Exports both rose in January 2026, posting readings of 50.0 and 50.2, respectively. This is the first time that both trade-related indicators from the ISM Manufacturing survey have been at 50 or higher simultaneously since February 2025 (52.6, 51.4). Providing context to manufacturers’ pre-Liberation Day conditions and prior to the impact of the pandemic, March 2019 ended a 26-month streak of simultaneous Imports and Exports expansionary conditions.

Positive individual readings for ISM Manufacturers’ trade conditions must be taken with a grain of salt, however. Even under the most optimistic of conditions it will take time for U.S. manufacturers to restructure supply chains away from the newly unpredictable imports that the U.S. sector has traditionally relied upon. Until that transformation begins in earnest—or until U.S. manufacturers alternatively implement other cost-cutting efforts to accommodate higher-cost and less-predictable import availability—trade-dependent businesses will continue to lack the capacity to contribute to broader economic strength over the near-term horizon.



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