ISM Manufacturing Index Rebounded in October, In Expansion Throughout 2026

Headlines

- **The Institute for Supply Management's manufacturing purchasing managers index rose in October to its second-strongest reading in 2026.**
- **The index has been in expansion every month this year, after being in contraction for most of the previous three years.**
- **The details were solid, with production at its highest level in almost five years.**
- **Most manufacturing industries expanded in October, in part thanks to very strong tech investment.**
- **The manufacturing expansion should continue in the near term.**

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Details

The Institute for Supply Management's manufacturing purchasing managers index rose to 55.5 in October from 54.5 in September; a reading of above 50 indicates expansion in manufacturing. This was the second-highest reading of 2026, just barely below July's 55.6. After being below 50 (in contraction) almost all of the time from late 2022 to the end of 2025, the index has been in expansion every month this year.

Four of the five subcomponents used to calculate the overall index rose in October, and all five were above 50. Production jumped to 59.0 from 56.7, the highest reading since late 2021. The inventories subcomponent moved to expansion (51.4) from contraction (48.6). The new orders and supplier deliveries subcomponents also rose in October. The employment subcomponent fell to 52.4 from 52.7 but remained in expansion for a fourth straight month.

Among the reported subindices that are not used to calculate the overall index, two rose (imports and new export orders), two fell (order backlog and prices paid), and customer inventories was flat. Four of the five were in expansion in October, with customer inventories the exception.

Twelve of the eighteen industries covered reported expansion, with the strongest growth in plastics and rubber products; electrical equipment, appliances, and components; machinery; and computer and electronic products. Much of the growth in manufacturing is coming from very strong tech investment, but there are signs that growth is broadening out to other manufacturing industries. Three industries reported contractions in October:

printing, paper products, and non-metallic mineral products.

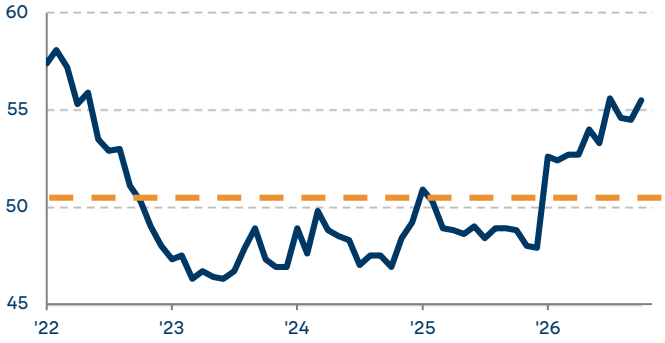
Although the overall PMI was solid in October, the comments from respondents were generally negative. They cited strong AI-related demand, but also high prices for fuel and other inputs and elevated uncertainty.

The October PMI manufacturing report was a solid one. After contracting for the previous few years, the sector has expanded every month in 2026, with very strong production and solid demand. Demand for labor is also picking up. Price pressures remain a concern.

The solid PMI is consistent with manufacturing output as measured in industrial production, which has gradually increased since late 2024, although it remains slightly below its level in late 2021, when the economy was coming out of the pandemic, and its pre-pandemic level. Further evidence of manufacturing expansion comes from industry employment, which is up by 72,000 so far in 2026, although it is still down by 250,000 from early 2023.

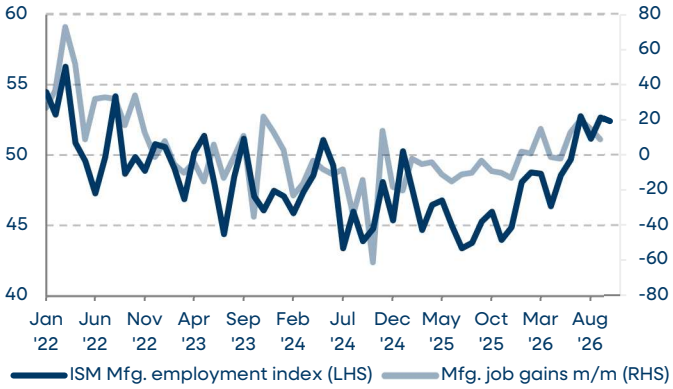
Given continued strong growth in AI-related business investment, increasing indications that business capital spending outside of AI is starting to improve, and continued solid growth in consumer demand, manufacturing should continue to expand through the rest of 2026 and into 2027.

Figure 1: ISM manufacturing index (SA)



Sources: ISM, BLS, PNC

Figure 2: ISM mfg. employment index (SA) and monthly mfg. payroll gains (thousands, SA)



Sources: ISM, BLS, PNC

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