Manufacturing PMI® at 55.5%

October 2026 ISM® *Manufacturing PMI® Report*

New Orders Growing
Production Growing
Employment Growing
Supplier Deliveries Slowing
Raw Materials Inventories Growing; Customers' Inventories Too Low
Prices Increasing; Imports Growing; Exports Growing

(Tempe, Arizona) — Economic activity in the **manufacturing sector expanded in October for the 10th consecutive month**, say the nation's supply executives in the latest **ISM® *Manufacturing PMI® Report***.

The report was issued today by Susan Spence, MBA, Chair of the Institute for Supply Management® (ISM®) Manufacturing Business Survey Committee.

"The Manufacturing PMI® registered 55.5 percent in October, 1 percentage point above the September figure of 54.5 percent. The overall economy expanded for the 24th month in a row. (A Manufacturing PMI® above 47.5 percent, over a period of time, generally indicates an expansion of the overall economy.) The New Orders Index expanded for the 10th consecutive month after four straight readings in contraction, registering 55.5 percent, up 0.2 percentage point compared to September's figure of 55.3 percent. The October reading of the Production Index (59 percent) is 2.3 percentage points higher than the 56.7 percent recorded in September and the highest since November 2021 (60.5 percent). The Prices Index remained in expansion (or 'increasing' territory), registering 75.2 percent, a 2.7-percentage point decrease compared to September's reading of 77.9 percent. The Backlog of Orders Index registered 54.6 percent, down 1.8 percentage points compared to the 56.4 percent recorded in September. The Employment Index reading of 52.4 percent is down 0.3 percentage point from September's figure of 52.7 percent," says Spence.

"The Supplier Deliveries Index indicated slowing performance for the 11th month in a row after one month in 'faster' territory. The reading of 59.1 percent is up 0.1 percentage point from its September reading of 59 percent. (Supplier Deliveries is the only ISM® PMI® Reports index that is inversed; a reading of above 50 percent indicates slower deliveries, which is typical as the economy improves and customer demand increases.)

"The Inventories Index registered 51.4 percent, returning to expansion and up 2.8 percentage points compared to September's reading of 48.6 percent. The Customers' Inventories Index reading of 41.6 percent is the same as in September.

"The New Export Orders Index gained 0.3 percentage points in October for a reading of 51.2 percent versus 50.9 percent in September. The Imports Index registered 52.9 percent, an increase of 1.9 percentage points compared to September's reading of 51 percent."

Spence continues, "In October, U.S. manufacturing activity remained in expansion territory. Of the five subindexes that make up the PMI®, four (New Orders, Production, Supplier Deliveries and Inventories) grew faster than the previous month, while Employment growth slowed down by 0.3 percentage point. In October, general sentiment

got worse for a third month in a row, with 34 percent of the comments positive and 66 percent negative (a 1-to-2 ratio of positive to negative sentiment). Among negative comments, pricing volatility was mentioned in 62 percent, longer lead times 41 percent, tariffs 25 percent and the Iran war 21 percent; most comments mentioned multiple factors.

"In October, three of four **demand indicators** (the New Orders, Backlog of Orders and New Export Orders indexes) remained in expansion, and the Customers' Inventories Index remained in 'too low' territory, contracting at the same rate as last month. A 'too low' status for the Customers' Inventories Index is usually considered positive for future production.

"Regarding **output**, the Production Index expanded for the 12th month in a row, with the positive-to-negative comment ratio improving to 2 positive comments for every negative one (compared to the 1.6-to-1 ratio in September). The Employment Index remained in expansion but lost 0.3 percentage point. The positive-to-negative comments ratio on Employment was 1.8-to-1 in October.

"Finally, **inputs** (defined as supplier deliveries, inventories, prices and imports) were mixed, with the Supplier Deliveries Index increasing 0.1 percentage point, the Inventories Index gaining 2.8 percentage points and returning to expansion, and the Prices Index decreasing 2.7 percentage points. The Imports Index gained 1.9 percentage points, to 52.9 percent versus 51 percent in September.

"Looking at the manufacturing economy, 6 percent of the sector's gross domestic product (GDP) contracted in October, compared to 2 percent in September, and 6 percent of manufacturing GDP was in strong contraction (defined as a composite PMI® of 45 percent or lower), compared to 2 percent in September. The share of sector GDP with a PMI® at or below 45 percent is a good metric to gauge overall manufacturing weakness. Of the six largest manufacturing industries, five (Machinery; Computer & Electronic Products; Transportation Equipment; Chemical Products; and Food, Beverage & Tobacco Products) expanded in October."

The 12 manufacturing industries reporting growth in October — listed in order — are: Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Machinery; Computer & Electronic Products; Textile Mills; Primary Metals; Transportation Equipment; Fabricated Metal Products; Furniture & Related Products; Chemical Products; Miscellaneous Manufacturing; and Food, Beverage & Tobacco Products. The three industries reporting a contraction in October are: Printing & Related Support Activities; Paper Products; and Nonmetallic Mineral Products.

WHAT RESPONDENTS ARE SAYING

"Negative, inflation, in the red' are the three words or phrases that best describe our strategic sourcing for 2026. We generally assume inflation at 2 percent to 3 percent year over year, and we usually do a great job keeping costs under the 2-percent increase. This year, costs are up more than 6 percent, and we are not doing much to keep any of the spend categories under the target. Of the tracked items, only nine are lower, 24 are higher and six are neutral. The red is a bit disturbing. Despite the cost pressures, sales have been OK. It won't be a great year. It's hard to get excited about OK or just getting by. U.S.

economic policy has suffered another year, making it impossible to make sound long-term decisions." [Chemical Products]

"Global demand for capital scientific instrumentation assets has slowed due to continued uncertainty in the Middle East, Eastern Europe and China. Anticipation over the midterm elections and impact to funding for scientific research and the National Institutes of Health also is impacting customers' purchasing behavior, making them focus on optimizing existing technology and tools." [Computer & Electronic Products]

"Economic policies coming out of Washington continue to weigh on business conditions. Customers are unwilling to make commitments to anything other than the shortest term due to the vast uncertainty. Canadian tariffs continue to damage small U.S. businesses selling into that important market." [Fabricated Metal Products]

"Inflationary pressures and volatile commodity markets continue to create challenging scenarios and unfavorable impact to purchase price variance. Diesel rates and the trucker shortage are impacting costs beyond the raw material inputs to levels I have never seen." [Food, Beverage & Tobacco Products]

"Business remains strong, largely driven not only by data centers and mission critical infrastructure, but also the continued replacement of municipal infrastructures particularly related to water. Mining continues to be strong as well." [Machinery]

"Explosive growth in the semiconductor and government/defense spaces has put us on our heels as we try to work through demand. The long-awaited wave has arrived for our company, and it seems the global supply chain is in similar straits. Lead times and prices are increasing, and some carry COVID-19 era delays — four weeks is now 50 weeks; a US$2,000 item six months ago is now $4,000. We are hand-to-mouth. All the while, our customers are breaking down the doors complaining about our delivery delays." [Machinery]

"New month, same trends: Any commodity consumed by AI/data centers is in a crunch, both for supply and pricing. We keep wondering when the madness will stop. In spite of these challenges, our demand remains strong and the supply chain is getting by, albeit with a lot of work. As we plan next year's budget, it's sobering to roll up the annualized impact of (1) remaining tariffs, (2) AI-impacted commodity price increases and (3) price increases related to geopolitically influenced commodities." [Miscellaneous Manufacturing]

"Customers continue to be in a wait-and-see mode. There is no momentum to purchase, as our customers' customers aren't in urgent need of equipment. There has been tentative talk of 2027 purchases, but no discussion of larger-than-historical needs moving into the new year. Customers continue to be gobsmacked by the high price of equipment when they

ask for quotes. Typically, we see a fourth-quarter bump as customers use up end-of-year budgets. This year, that bump does not exist." [Transportation Equipment]

"The trucking industry is experiencing mixed signals. While major companies are making significant strategic investments and consolidations (acquisitions, autonomous technology and electric vehicle infrastructure), underlying freight demand appears softer. Truck tonnage metrics are declining year-over-year, new-vehicle sales are falling, and consumer confidence is weakening. However, elevated diesel prices continue to support trucking company revenues through fuel surcharges, even as freight volumes remain challenged. The economy is growing at a moderate pace, with inflation concerns persisting." [Transportation Equipment]

"Material shortages abound. Fuel remains high. Uncertainty remains constant. Though not a presidential election, the election-year dynamic has begun to take hold a bit. Canadian tariffs continue to have a negative impact on steel." [Primary Metals]