

Industry Outlook | Q1 2026

Optimism across the manufacturing industry peaked last quarter, reflecting renewed resilience heading into 2026. While trade uncertainty, rising insurance costs, and a softer domestic economy remain key challenges, the majority of manufacturers forecast increased sales and production in 2026 (NAM).

To support this growth, many firms plan to increase capital investments and accelerate digital transformation efforts.



SENTIMENT

69%

Last quarter, nearly 7 out of 10 manufacturers reported a positive business outlook.

PRODUCTION

55%

More than half of companies forecast increased output over the next year.

CAPEX

37%

One in three manufacturers plan to increase capital investments in 2026.

MODERNIZATION

60%

Digital transformation is at least a moderate priority for 60% of firms, with 27% considering it a high priority.

Source: NAM - 2025 Fourth Quarter Manufacturers' Outlook Survey

Equipment and Machinery Trends

Global Market Growth

The global industrial machinery sector is projected to reach \$1.31 trillion by 2031, growing at an 8.38% CAGR (2026-2031) driven by greater adoption of smart manufacturing, demand for zero-emission machinery, and reshoring initiatives ([Mordor Intelligence](#)).

Rising Demand and Utilization

Industrial production for machinery manufacturers grew at a 6.0% annualized rate in 2025, with capacity utilization increasing for four consecutive months through December ([Association for Manufacturing Technology](#)). As demand grows, operational visibility and efficient resource allocation will be critical to managing production effectively.

Tariff Pressures Persist

Tariffs cost machinery and equipment manufacturers an estimated \$20.5 billion in 2025 ([Report](#)). With imported motors, gearboxes, control systems, and other inputs affected, manufacturers face greater material costs and supply chain complexity. Modern ERP can help teams stay agile with real-time BOM insights, supplier management, and advanced planning and scheduling.

Digitalization Limited by Data Gaps

Many manufacturers are seeking to adopt AI and automation initiatives but lack the clean data and core systems required for success ([MetalForming Magazine](#)). Companies can capture more value from these initiatives by eliminating data silos, manual processes, and outdated ERP.

Ongoing Talent Shortage

An estimated [1.9 million manufacturing jobs](#) may go unfilled between 2024 and 2033. Modern tech environments can help manufacturers attract new talent, engage their current workforce, and adapt to future transitions. Learn more in our [article](#).

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