

Manufacturing Outlook

Global Insights Center

Q2 2026

Key Takeaways

US domestic manufacturing is seeing signs of growth, driven by three distinct factors: the AI boom and the energy needed to power it, defense exports, and pharmaceutical reshoring.

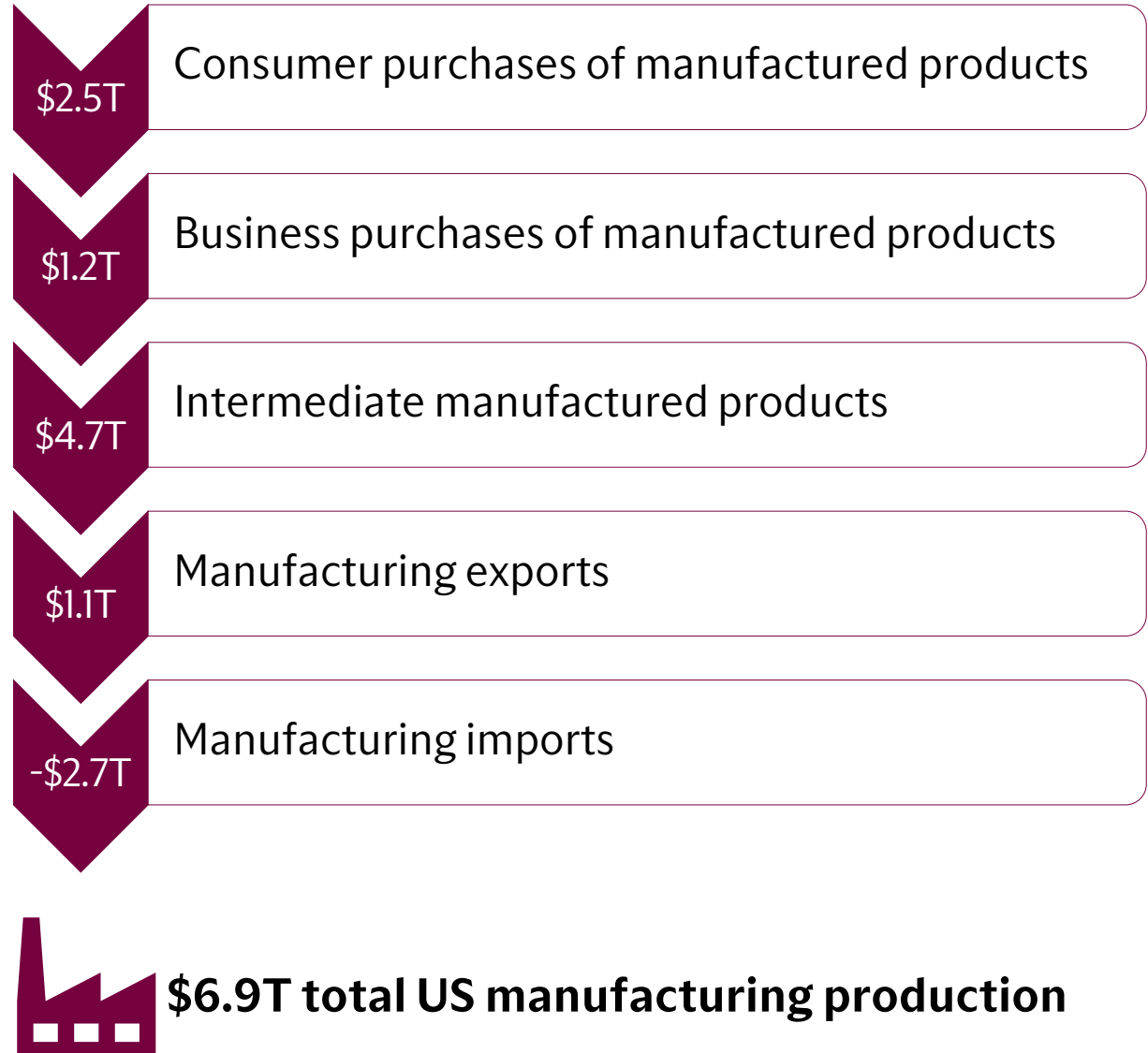
Despite growth in manufacturing shipments, the industry's employee headcount hasn't expanded, although the current workforce is working more hours.

Input prices are rising rapidly, which will put cost pressures on manufacturers even as demand increases.

The Manufacturing Economy

U.S. manufacturers employ 7.9% of all workers and use 19.5% of all equipment to produce 13.6% of all economic activity

- The US produces about \$6.9 trillion in manufactured goods per year, representing 13.6% of the economy.
- The largest share of this is intermediate products, which are a step beyond raw materials but require further refinement before reaching the final customer.
- The prevalence of intermediate products reflects the long supply chains needed to produce final goods.
- The U.S. imports more manufactured goods (\$2.7 trillion) than it exports (\$1.1 trillion), creating a “trade deficit.”

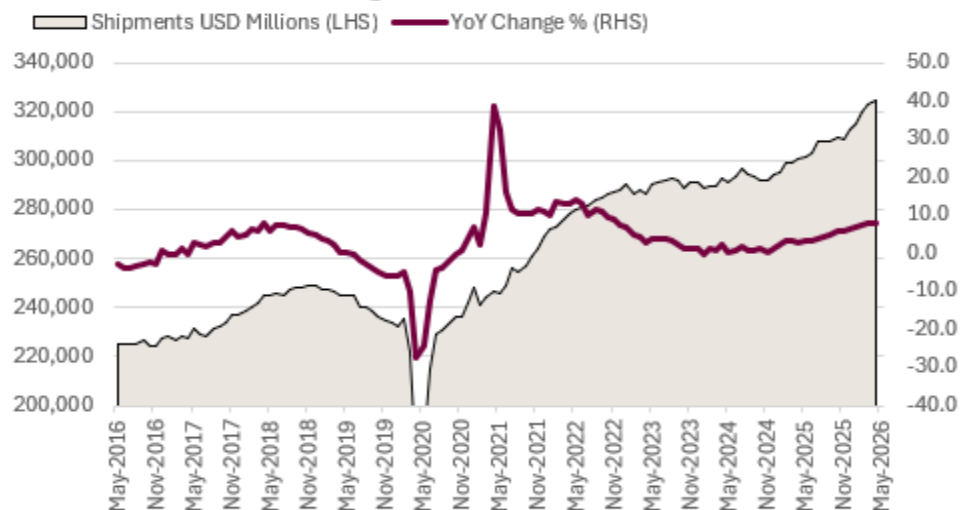


Manufacturing Output: Signs of growth

Durable goods have seen accelerating growth over the past year.

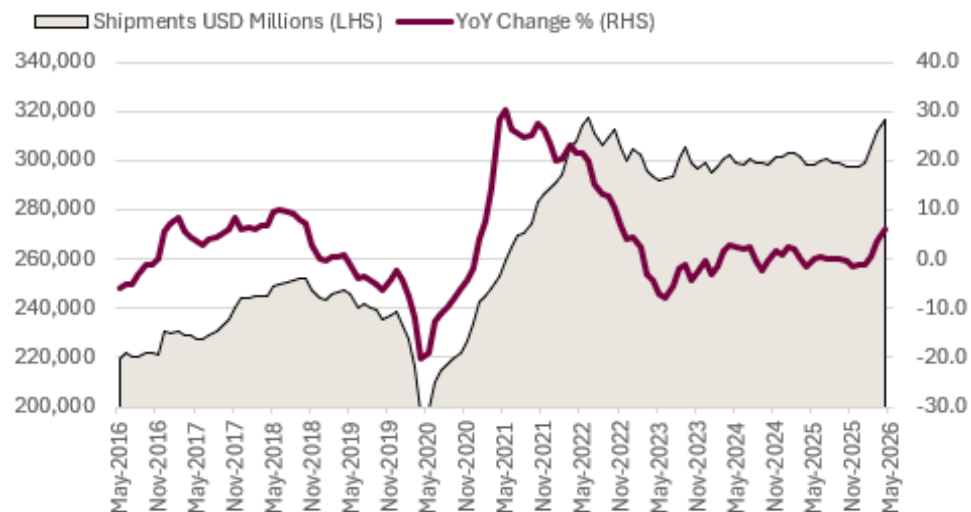
- Factory shipments of durable goods – long-lasting products like machinery and appliances – saw rapid growth coming out of the pandemic, but then stagnation from 2022-2024.
- **Growth in durables has returned over the past year**, accelerating to 8.0% YoY, largely due to demand for IT products like semiconductors.
- Shipments of nondurable goods – products that are quickly consumed like food and gasoline – plateaued earlier and for longer.
- The recent uptick in nondurables comes from energy commodities. **More energy has been extracted and refined in 2026 because petroleum prices increased.**

Durable Goods Manufacturing



Source: US Census Bureau, Haver Analytics

Nondurable Goods Manufacturing



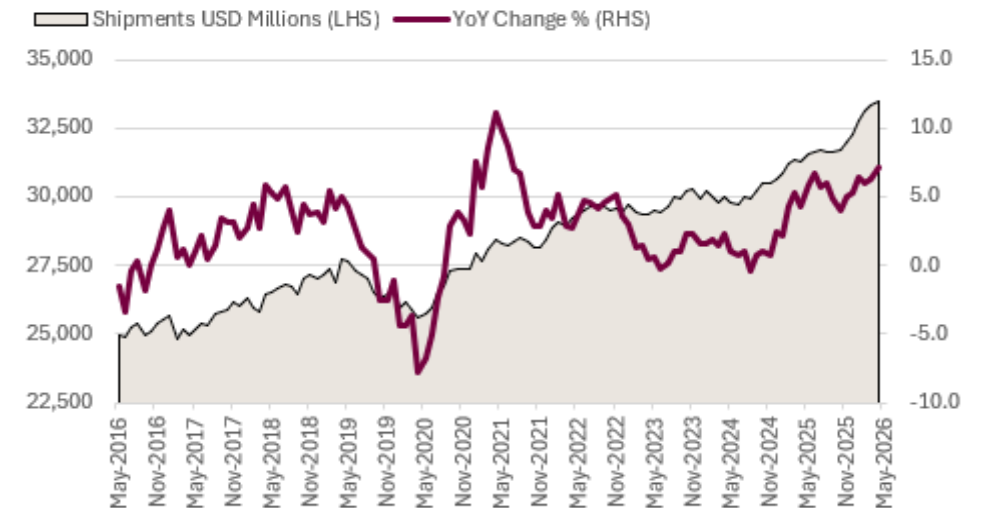
Source: US Census Bureau, Haver Analytics

Manufacturing Output: IT infrastructure

Domestic production of IT goods is growing, and the machinery needed to make more is surging.

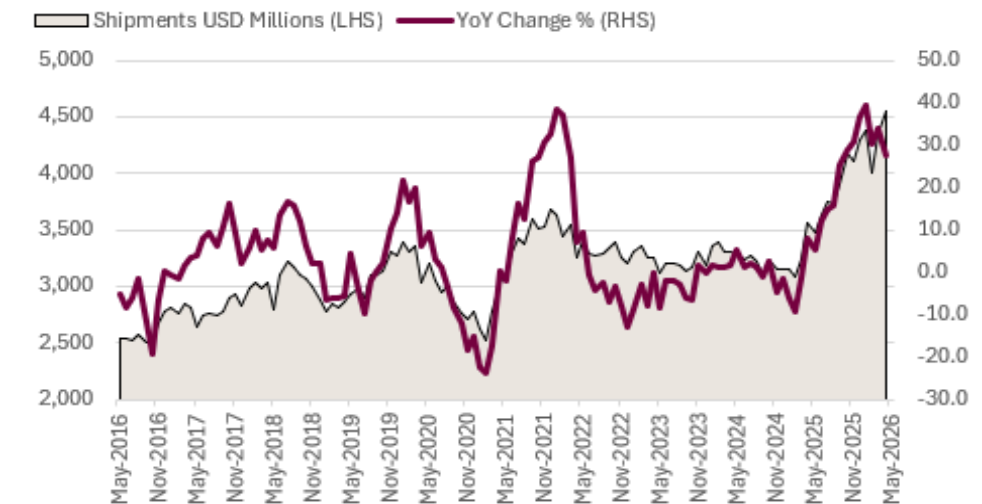
- US IT firms are **investing heavily in building out computing infrastructure for AI**.
- The semiconductor industry has expanded quickly. Semiconductors are needed for data centers, which are rapidly being built to run AI models.
- While imports are growing rapidly, with Taiwan remaining the hub of world semiconductor production, **domestic production of IT goods is also growing quickly** at 7.1% YoY.
- In addition, the industrial **machinery used in cutting-edge chip plants is up 27.7% YoY**, supporting continued development of domestic production capacity.

Computer and Electronics Manufacturing



Source: US Census Bureau, Haver Analytics

Industrial Machinery Manufacturing



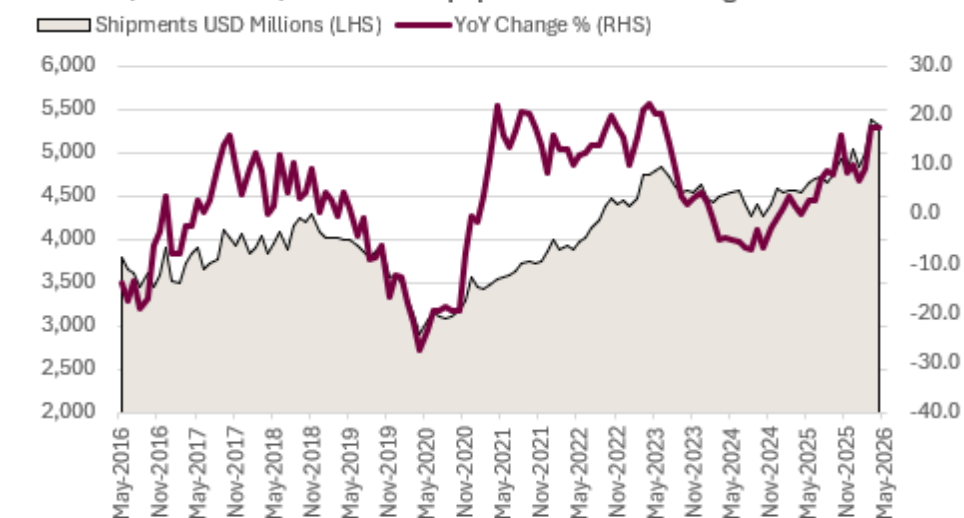
Source: US Census Bureau, Haver Analytics

Manufacturing Output: Power for data centers

Power equipment manufacturing is growing by 17.3% to support the electricity needs of data centers.

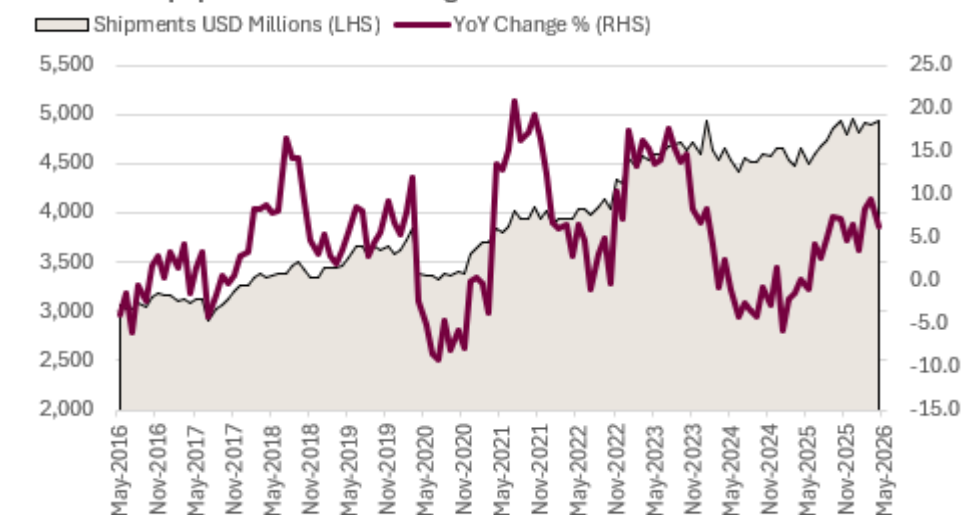
- The machinery used in power plants is in demand to support data centers. **Data centers currently consume 7% of all US electricity**, a high usage rate for a new industry.
- Some of this machinery is being used to expand the electrical grid, but **many large data centers are also being built with on-site generation** due to delays in making grid connections.
- Data center electricity needs are expected to grow by about 70% over the next 5 years, according to the Energy Information Agency, making power equipment manufacturing a continued growth sector.

Turbines, Generators, and Power Equipment Manufacturing



Source: US Census Bureau, Haver Analytics

Electrical Equipment Manufacturing



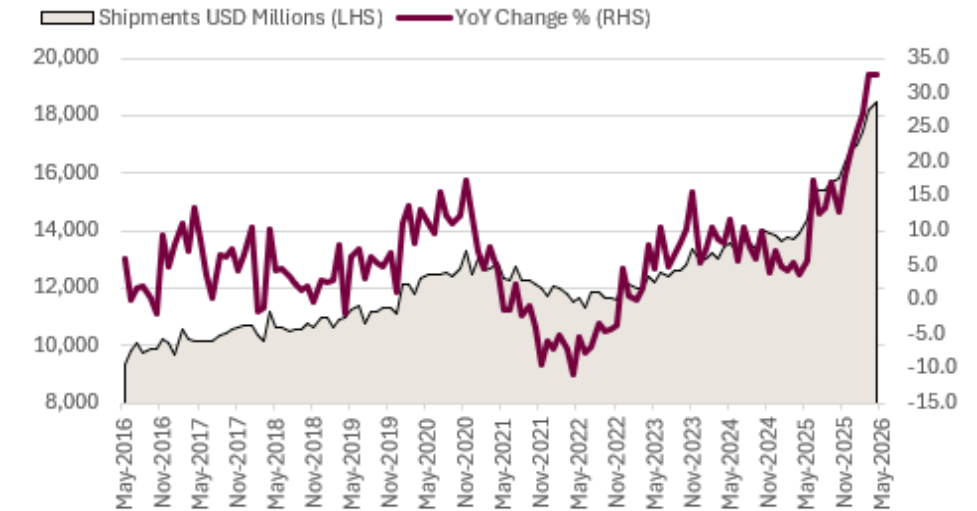
Source: US Census Bureau, Haver Analytics

Manufacturing Output: Defense goods growing strongly

Defense goods manufacturing has risen rapidly over the past year in tandem with conflict in the Middle East.

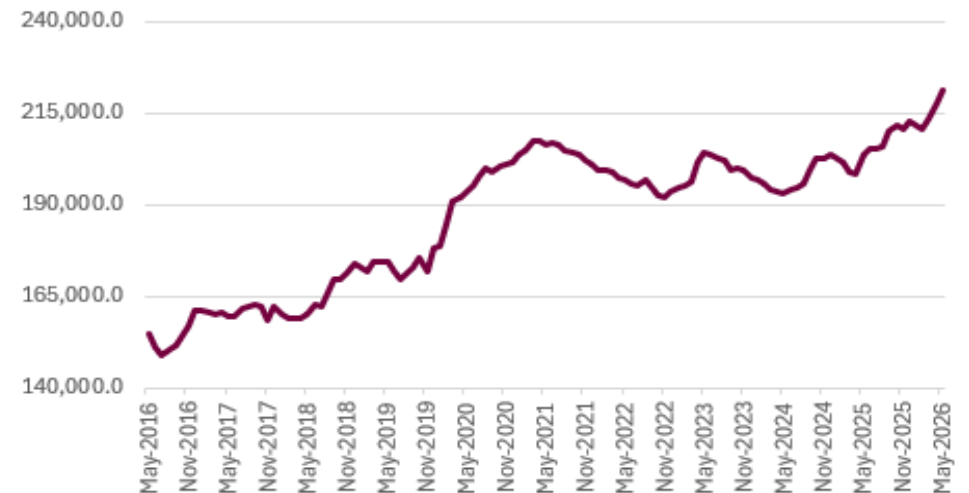
- The 2025-2026 wars in the Middle East kicked off a surge in U.S. defense manufacturing production.
- **Shipments of defense capital goods**, products like munitions and navigation systems, **are up 32.5% YoY** as of May 2026.
- Unfilled orders for defense capital goods have increased as well, indicating the recent rise in shipments may continue.

Defense Capital Goods Manufacturing



Source: US Census Bureau, Haver Analytics

Defense Capital Goods Unfilled Orders (USD Millions)



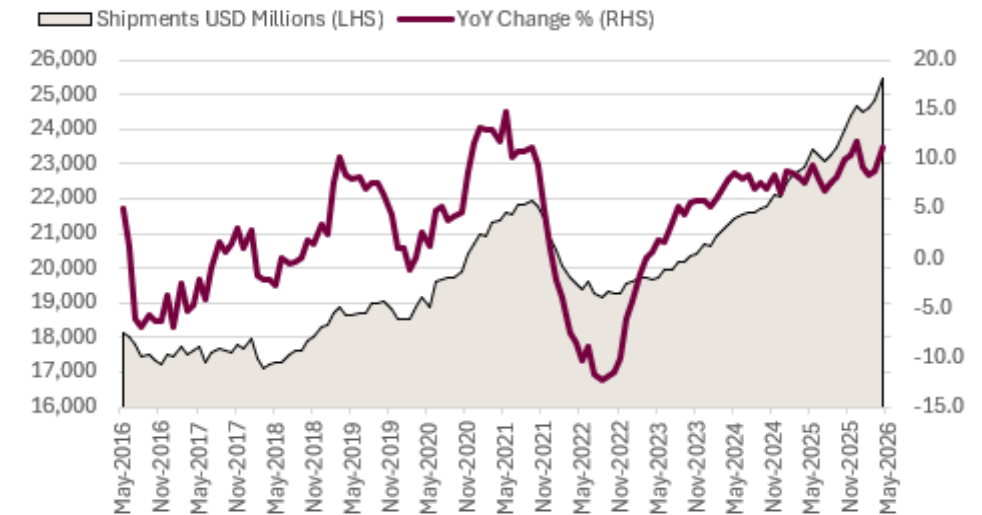
Source: US Census Bureau, Haver Analytics

Manufacturing Output: Pharmaceutical reshoring

Investments in domestic manufacturing are leading to more production of pharmaceuticals in the US.

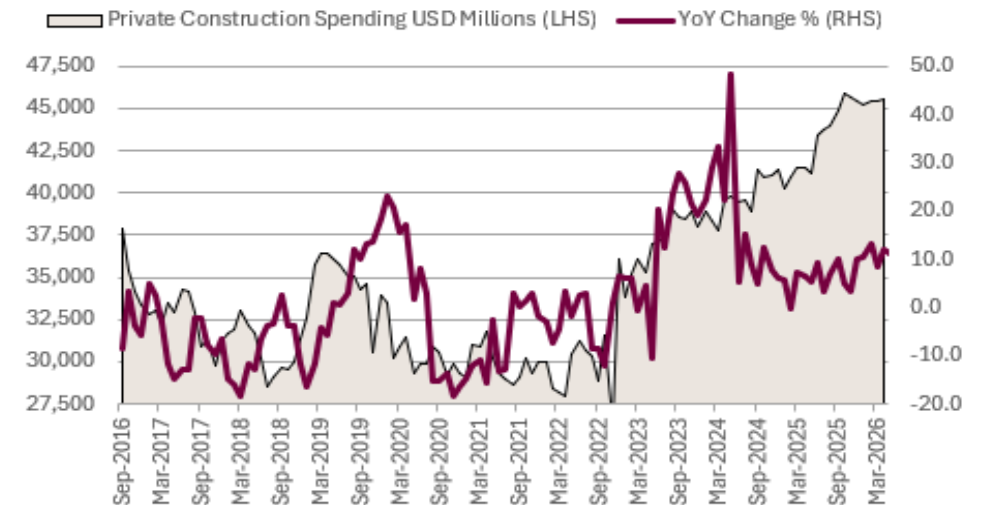
- Domestic pharmaceutical manufacturing had a brief surge in 2021, driven by COVID vaccines, and then entered a period of sustained growth in 2023.
- **Pharmaceutical shipments are up 11.1% YoY**, supported by a surge in construction of pharma manufacturing plants, which are categorized as “chemical manufacturing” plants.
- Increased U.S. production is the result of technological advancements that make it cost effective to manufacture in the U.S., and policy incentives to build and upgrade pharmaceutical plants.
- These new plants have **reduced reliance on imported pharmaceuticals**, which are at a **4-year low**.

Pharmaceuticals & Medicines Manufacturing



Source: US Census Bureau, Haver Analytics

Chemical Manufacturing Construction



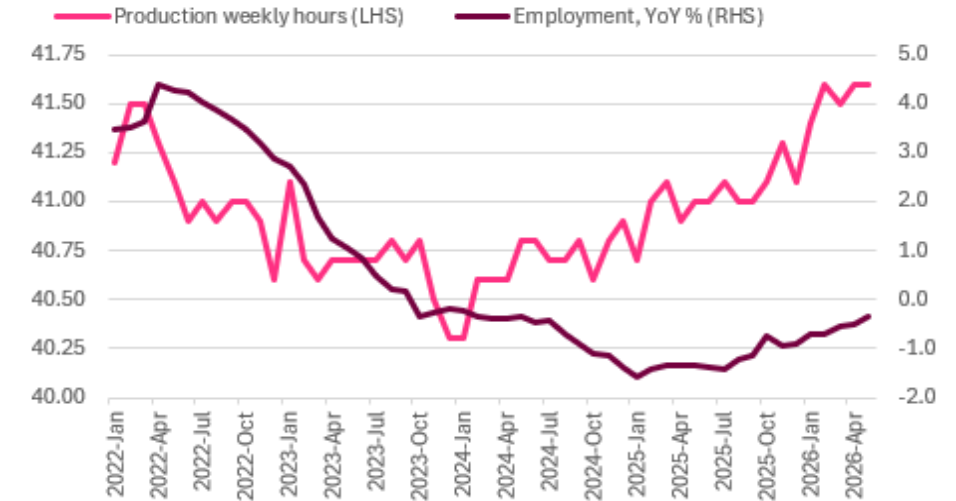
Source: US Census Bureau, Haver Analytics

Manufacturing Labor: Hours up, but not jobs

Manufacturing growth has not yet led to sustained job growth.

- Employment in manufacturing has stopped declining but **has not seen sustained growth** yet. Manufacturing layoffs began in 2024 and persisted into early 2026.
- However, **hours worked are up**. Manufacturers often respond to initial increases in demand with longer shifts and more overtime, adding workers only after growth is proven to be sustained.
- Manufacturing workers have seen **faster hourly wage growth** than the rest of the economy for the past 3 years, the longest recent stretch of overperformance.

Manufacturing Employment and Hours



Source: Bureau of Labor Statistics, Haver Analytics

Hourly Wage Growth, YoY %



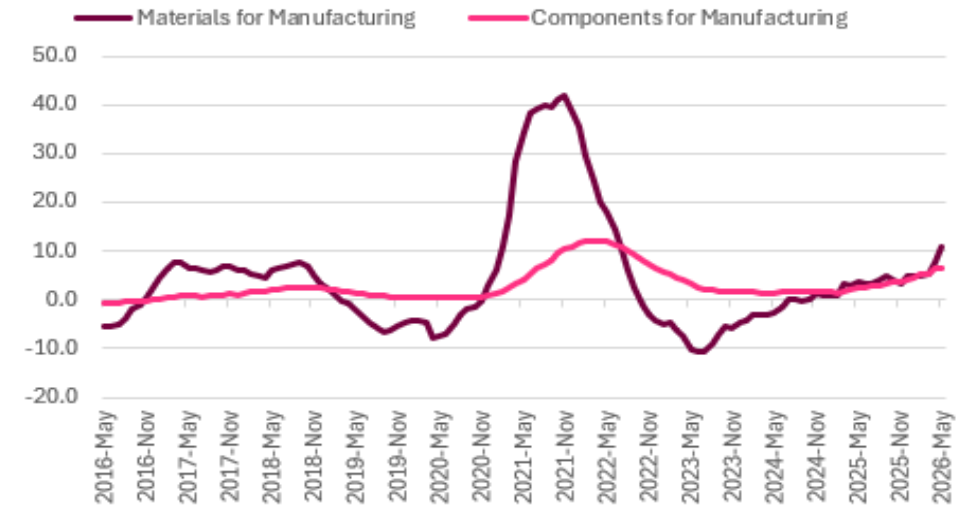
Source: Bureau of Labor Statistics, Haver Analytics

Manufacturing Prices: Accelerating input costs

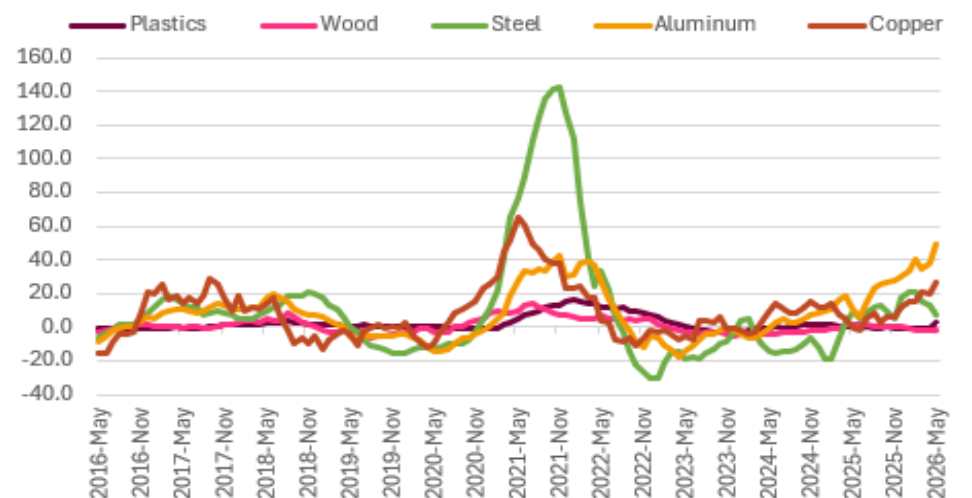
Input prices are rising, particularly for metals like aluminum and copper.

- Overall costs for raw materials used in manufacturing are rising, with **aluminum and copper** seeing the largest spikes.
- Costs for non-metal inputs **have remained contained**, although higher oil prices have started to put **pressure on plastics**.
- Intermediate component prices are also starting to rise; these prices tend to be **less volatile but reflect input price increases with a lag**.
- So far, input cost increases are rising, but remain below the uptick seen in 2021 and 2022.

Manufacturing Input Costs (% YoY)



Manufacturing Material Costs (% YoY)



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