

Machine Tool/Manufacturing Industry Insight (Summer 2026)

This document examines several key trends affecting the machine tool and manufacturing industries, including the growing role of artificial intelligence, the ongoing recovery of the machine tool market, the heightened emphasis on energy efficient investments, the continuing reshoring of production, and the impact of skilled labor shortages. It also provides a brief assessment on the current performance and outlook of the manufacturing sector.

Hot Topics

Artificial Intelligence Accelerates Manufacturing Productivity: Artificial intelligence (AI) is rapidly transforming the manufacturing sector in 2026. What began as experimental projects is now becoming a core business strategy for many manufacturers. Companies are increasingly using AI-powered tools to improve production scheduling, predict equipment failures, optimize inventory management, and enhance quality control.

One of the fastest-growing applications is predictive maintenance, where AI analyzes machine performance data to identify potential problems before they result in costly downtime. Manufacturers are also deploying digital twins, virtual replicas of physical equipment and processes, to test production changes and improve operational efficiency without disrupting actual operations.

According to industry surveys, manufacturers investing in AI are reporting measurable improvements in productivity, asset utilization, and decision-making speed. AI is also helping address ongoing labor shortages by automating routine tasks and allowing skilled workers to focus on higher-value activities.

While implementation challenges remain, including workforce training, cybersecurity concerns, and integration with legacy systems, industry leaders increasingly view AI as a competitive necessity rather than an optional technology investment.

As adoption continues to expand, AI is expected to play a central role in shaping the future of manufacturing operations, helping companies improve efficiency, reduce costs, and maintain competitiveness in an increasingly demanding global marketplace.

Machine Tool Orders Continue Their Recovery: During the first quarter of 2026, the U.S. machine tool industry continued its recovery, reflecting increased confidence among manufacturers and growing demand for production capacity. According to the Association for Manufacturing Technology (AMT), March orders for metalworking machinery increased 40.3% from February 2026 and 31.5% from March 2025, signaling renewed investment in manufacturing operations.

Manufacturers are purchasing new equipment to improve productivity, expand capacity, and incorporate advanced automation technologies into their operations. Demand has been particularly strong among aerospace, defense, automotive, and precision manufacturing sectors, all of which require sophisticated machining capabilities.

Many companies delayed equipment purchases during periods of economic uncertainty. As market conditions improve, those deferred investments are now moving forward. In addition, reshoring initiatives and domestic manufacturing expansion are creating new opportunities for machine tool builders and equipment suppliers.

Despite concerns about tariffs, inflation, and global economic conditions, the overall outlook remains positive. Industry experts believe continued investment in advanced manufacturing technologies will support future growth and help strengthen U.S. industrial competitiveness. The recent increase in machine tool orders is widely viewed as an important indicator of manufacturing confidence because companies typically invest in capital equipment only when they anticipate sustained production demand.

Energy-Efficiency Investments Gain Momentum: Manufacturers are placing increased emphasis on energy efficiency as rising utility costs and sustainability goals drive investment decisions. Companies are upgrading equipment, modernizing facilities, and implementing energy management systems to reduce operating expenses and improve environmental performance.

Machine tool manufacturers are responding by developing equipment with lower power consumption, improved standby modes, and enhanced process efficiency. Many facilities are also investing in smart sensors and monitoring systems that provide real-time visibility into energy usage patterns.

In addition to reducing costs, energy efficiency initiatives help manufacturers meet customer expectations regarding sustainability and environmental stewardship. Many large customers now evaluate suppliers based partly on environmental performance metrics.

Federal and state incentive programs continue to support investments in energy-efficient technologies, helping offset capital costs and accelerate adoption. Industry analysts expect these investments to remain a priority as companies seek both economic and environmental benefits.

For many manufacturers, energy efficiency has evolved from a sustainability initiative into a strategic business objective that supports profitability, competitiveness, and long-term operational resilience.

Reshoring Continues to Drive Manufacturing Investment: Reshoring continues to be one of the most significant trends affecting the manufacturing industry in 2026. Faced with supply chain disruptions, geopolitical uncertainty, and transportation challenges in recent years, many companies are reevaluating their global sourcing strategies and investing more heavily in domestic production.

Manufacturers increasingly recognize the benefits of locating production closer to customers, including improved supply chain reliability, shorter lead times, and greater operational flexibility. As a result, new investments are being made in production facilities, automation systems, and workforce development throughout the U.S.

The trend is creating opportunities across multiple sectors, including machine tools, automation equipment, industrial robotics, and advanced manufacturing technologies. Suppliers capable of supporting domestic production growth are experiencing increased demand for their products and services.

Although reshoring often requires higher initial capital investment, many companies believe the long-term benefits outweigh the costs. Reduced supply chain risk, improved quality control, and enhanced responsiveness to market changes are frequently cited as key advantages.

Industry analysts expect reshoring activity to remain strong throughout 2026 as manufacturers continue seeking ways to improve resilience and reduce dependence on overseas suppliers.

Skilled Labor Shortages Remain a Major Challenge: Despite increased automation and productivity improvements, manufacturers continue to face significant workforce challenges in 2026. The shortage of

skilled machinists, CNC programmers, maintenance technicians, welders, and manufacturing engineers remains one of the industry's most pressing concerns. According to a 2026 report from CADDi, a manufacturing technology company, 79% of manufacturing leaders report the skilled labor shortage as a major external challenge, a 7% increase over the 72% reported in 2025.

Many experienced workers are reaching retirement age, while fewer young people are entering skilled trades. As a result, manufacturers are competing aggressively for qualified employees and expanding investments in apprenticeship programs, technical education partnerships, and internal training initiatives.

To address these challenges, companies are increasingly implementing automation technologies that allow existing employees to oversee more equipment and processes. Manufacturers are also working with community colleges and vocational schools to develop specialized training programs aligned with industry needs.

Industry leaders emphasize that automation is not eliminating the need for skilled workers. Instead, the skills required are evolving. Modern manufacturing increasingly demands employees who can operate advanced machinery, analyze production data, troubleshoot automated systems, and work alongside robotics and AI-powered technologies.

Experts predict workforce development will remain a top priority for manufacturers throughout the remainder of the decade. Companies that successfully attract, train, and retain skilled employees are expected to gain a significant competitive advantage as labor market pressures continue.

Collectively, these trends are helping shape the current performance and future direction of the manufacturing sector.

Manufacturing Industry Performance and Outlook

The U.S. manufacturing sector has shown renewed strength in 2026 after facing significant challenges during the previous year. According to the ISM, manufacturing activity reached a four-year high in May, with the PMI rising to 54.0. Sixteen manufacturing industries reported growth, reflecting stronger demand, increased production, and improved business confidence. Recent gains have been supported by increased domestic investment, infrastructure spending, and continued reshoring of manufacturing operations.

Looking ahead, the outlook for the industry remains cautiously optimistic. Deloitte's 2026 Manufacturing Industry Outlook identifies continued investment in smart manufacturing, artificial intelligence, automation, digital supply-chain tools, and semiconductor production as key drivers of future growth. Manufacturers are increasingly leveraging advanced technologies to improve productivity, enhance operational resilience, and address ongoing labor shortages. Deloitte also notes that investments in data centers, automation, and advanced manufacturing technologies are expected to support industry expansion over the coming year.

Despite these positive developments, several challenges remain. Manufacturers continue to face uncertainty related to trade policies, tariffs, supply-chain disruptions, rising material costs, and workforce shortages. Employment growth within the sector remains weak, and many companies are preparing for multiple economic scenarios ranging from continued expansion to potential slowing of

demand. Nevertheless, most industry analysts believe that technology investment, reshoring initiatives, and increased capital spending will continue to support manufacturing growth through the remainder of 2026.

Continue the Conversation at AVS 2026

The trends shaping equipment values, market activity, and asset performance continue to evolve across industries. To explore even more pressing topics, we invite you to join us at the 2026 Asset Valuation Summit (AVS), taking place September 9–11, 2026, at Hotel Cleveland in Cleveland, Ohio.

AVS brings together equipment finance professionals, asset managers, lenders, appraisers, and industry leaders for market insights, valuation discussions, and networking opportunities. Attendees gain valuable perspectives on the factors influencing asset values across a plethora of industries. Attendees are also eligible to gain CE hours.

Through expert-led presentations, panel discussions, and peer-to-peer conversations, AVS provides a forum for exploring the trends, challenges, and opportunities shaping today's equipment markets.

We hope you'll join us this September as we continue the conversation.

Asset Valuation Summit 2026

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