2026 Manufacturing Industry Predictions

The year 2026 will be a defining moment for manufacturers. Economic volatility and shifting policies are forcing companies to retool how they plan, operate, and compete. Artificial intelligence (AI) and automation are emerging as critical tools for achieving both operational agility and resilience in this uncertain environment. At the same time, attractive markets like defense and infrastructure are creating new growth opportunities, while private equity firms are accelerating their investment in mid-market players. To capitalize on these shifts, manufacturers must work to solve geographic labor constraints, forge deeper partnerships with customers, and deploy technology that enables enhanced decision-making while continuing to improve quality without inflating working capital.

Here are BDO's **five industry predictions for manufacturing in 2026.** ▶

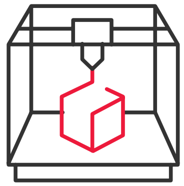
1 2 3 4 5

Operational Agility Becomes the New Competitive Advantage in an Era of Uncertainty

Manufacturers are facing an economic environment where the only certainty is uncertainty, as shifting policies, fluctuating interest rates, evolving tax incentives, and supply chain disruptions make long-term planning increasingly complex. In 2026, operational agility will shift from a competitive advantage to a survival requirement. Achieving it will demand new technological capabilities that enable real-time responsiveness and help manufacturers sustain a stronger resilience posture.

AI and automation adoption will be necessary for manufacturers looking to maintain both agility and stability in 2026. Manufacturers will increasingly turn to predictive modeling and analytics tools to simulate scenarios, assess outcomes, and maintain visibility across their operations. These technologies will be critical for identifying supply chain risks, projecting stock-outs, and adjusting production schedules dynamically in response to shifts in supply availability and market conditions.

In particular, manufacturers will look to increase operational agility on the shop floor. They must be able to pivot production schedules in response to supply availability and lead times while minimizing impact on customer delivery, manufacturing throughput, and working capital. The companies that succeed will be those that can balance speed with precision, using technology to maintain flexibility and reinforce their ability to withstand disruption.



Technologies such as **3D printing and automated metal cutting** will become increasingly critical for creating agile manufacturing operations in 2026. These technologies will allow companies to customize on-site and reduce excess inventory needs, while maintaining quality standards and enhancing shop floor efficiency.

With automated metal-cutting technology, manufacturers now need only sheet metal on-site rather than racks of precuts. While these machines require an initial investment, they enable last-minute customization and significantly reduce the need for excess inventory. Innovative thinking like this will allow manufacturers to maintain quality standards while greatly enhancing efficiency in 2026.

Reshoring Supply Chains Will Accelerate Growth in Mission-Critical Sectors

Domestic reshoring and regional supply chains will rise significantly in 2026, driven by favorable tax policy, supply chain security priorities, and national interest concerns. Manufacturers will see accelerated demand and investment in domestically-produced components previously sourced internationally — specifically in mission-critical areas including defense and security, electrical transmission, solar panels, rail infrastructure, data centers, and building materials.

Manufacturers that move away from sprawling global networks and toward smaller supplier groups will see more controllable pools of suppliers that offer greater visibility and reduced risk. This shift will create opportunities in less traditional manufacturing markets that were previously dominated by imports, such as trucking components, bridges, and other infrastructure materials. Companies that can successfully pivot into these sectors or expand their presence in them will be well-positioned to capture growth.

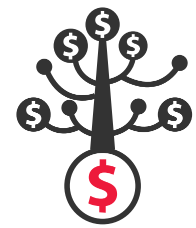
47,000 megawatts

Manufacturers who enable data centers will represent a particularly significant growth area, as AI adoption continues to place unprecedented demand on domestic infrastructure. With more than 47,000 megawatts of new capacity under construction worldwide, resource management will become incredibly important. While manufacturers that can help data centers overcome energy and water limitations will be at an obvious advantage, sustainability concerns and water scarcity in key regions mean energy and water consumption will be under scrutiny. To stay competitive, manufacturers should factor capacity and energy allocation into production costs and business decisions.

Expect Accelerating PE Interest in Mid-Market Manufacturing

Private equity firms will accelerate their focus on mid-market manufacturers in 2026, attracted by stable cash flows, scalable operations, and multiple operational levers for margin expansion. PE investors have a specific investment thesis **when acquiring manufacturing firms**: they seek companies with solid data infrastructure but incomplete technology integration, allowing them to deploy standardized technology stacks across portfolio companies for immediate operational synergies.

This standardized approach makes it easier to merge portfolio entities and scale manufacturing businesses without adding physical footprint or headcount. The ability to generate efficiencies and extend capacity through technology implementation rather than capital-intensive expansion will be particularly attractive to PE investors targeting margin improvement in the sector, leading to an expected uptick in PE investment next year.



Demographic shifts will create additional tailwinds for PE investment in manufacturing. Generational wealth transfer is accelerating as baby boomers look to exit family-owned companies, and in many cases, do not have a successor lined up, which creates significant opportunities for PE firms to step in.

Many family-owned businesses view PE firms as an attractive exit strategy, especially when clear succession plans are not in place. As a result, sales to PE firms are expected to increase in 2026, driving higher dealmaking activity across the sector as owners seek liquidity while preserving both equity and engagement in the businesses they built.

Manufacturers Will Shift to a Customer-Centric R&D Strategy

Customer centricity, the practice of placing existing customer needs at the center of business strategy, will shift how manufacturers approach research & development (R&D) in 2026. While exploring new markets and developing new products will still have its place in helping manufacturers expand their business, next year more will focus on solutions for their current clients. Such will be necessary to remain agile with the markets. This approach follows a clear path: identify existing customer pain points, develop solutions for those specific needs, then commercialize offerings. This approach de-risks innovation investments while delivering faster, more effective multi-faceted solutions that directly address real customer challenges.

Smaller, more regionally aligned supply chains and increased vertical integration will help drive this customer-centric approach in 2026. Tighter supply chain proximity and value chain consolidation gives manufacturers more control over production timelines, material availability, responsiveness, and quality consistency. Together, these strategic changes and approach to R&D will strengthen competitive positioning by tightening the connection between manufacturers, their suppliers, and their customers.

Geographic Labor Constraints Will Heighten Workforce Challenges

Labor market challenges will intensify in 2026 as manufacturers struggle to attract workers for both skilled trades and basic line operations. While approximately **409,000 open manufacturing jobs** exist alongside **571,000 unemployed manufacturing workers** nationwide, geographic misalignment will continue to drive workforce shortages as manufacturing hubs struggle to find regionally-located talent. This problem is particularly acute in states with favorable tax credit policies — including Michigan, North Carolina, and Ohio — that have successfully attracted new manufacturing projects and developments but lack the local labor force to support them.

To maximize regionally limited talent pools, companies will continue to experiment with unconventional staffing strategies that tap into different worker availability patterns. This could include 3am shift times, off-hour lunch breaks, and other creative scheduling approaches. Larger manufacturers in smaller towns will also increasingly partner with technical schools, securing first access to graduates through internship programs and pipeline development initiatives. Expect these partnerships to become more widespread in 2026 as manufacturers recognize that developing their local talent pipelines is essential to long-term sustainability in markets where labor supply cannot keep pace with demand.

Want to learn how BDO can help your manufacturing business take advantage of strategic opportunities in 2026?

Contact us to get started. ▶

Are You Ready for the Year Ahead?

Even the most diligent organizations can't predict every shift in industry and market trends. The key to success lies in building resilience and agility, enabling your business to adapt to unexpected changes with confidence. Explore our curated resources to learn how strategic resilience can position you for a successful year.

An Agile Framework for Navigating Economic Shifts

Read now. ▶

Activate Resilience in Your Organization

Read now. ▶

How AI Drives Strategic Resilience and Business ROI

Read now. ▶

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