

2026-4-20

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WSJ Print Edition

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America Is Seeing A Stealth Boom In Manufacturing

BY GREG IP

You won't hear this from either critics or fans of President Trump's tariffs, but there's a manufacturing revival going on.

The reason you haven't heard is that it doesn't easily fit either political narrative. Critics have focused on the fact that factory jobs have steadily slid since Trump took office last year.

Unlike jobs, though, actual factory output has risen briskly, and may even be picking up speed. This stealth recovery, though, isn't because of tariffs. Instead, credit goes to the most basic economic force of all: demand. The U.S. is good at making things that happen to be in big demand right now. Note

Therein lies a critical lesson in reindustrialization, which has become a bipartisan priority. Governments can help the process along. But that involves painstaking efforts across multiple fronts that, wherever possible, need to move with, not against, market forces. It doesn't mean the indiscriminate application of brute tariff force.

First, a few data points. Since January 2025, manufacturing jobs have indeed fallen by about 100,000 workers, or roughly 0.6%. In the same period, though, manufacturing production rose 2.3%, and manufacturing shipments, unadjusted for inflation, climbed 4.2%. - Note

Yes, these figures are modest, and volatile. And it's not like Cleveland suddenly became Shenzhen: American factories are still pumping out less than they did at the start of the global financial crisis in 2007. - Note

Yet it is an improvement over the declines of the prior two years, and there are signs the recovery may be accelerating.

Because the recovery coin-

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cides with Trump's arrival, it raises the question: Are tariffs or reshoring the reason? The McKinsey Global Institute looked at production, imports and investment, reasoning that reshoring would be associated with lower imports and more investment. ? Note

While no uniform pattern emerged, they did find in several sectors that where domestic production was strong, so were imports. Where production was down, so were imports. - ?]

For example, domestic production of computer and electronic products last year was up 7.7%. (All its figures are from the fourth quarter compared with a year earlier.) But imports in this sector were up even more, by 40.5%.

Behind this: an artificial intelligence revolution that requires hundreds of billions of dollars of semiconductors, networking, power generation and cooling equipment, some made in the U.S. and a lot imported. "U.S. AI-linked manufacturing isn't substituting imports, it's complementing ever-increasing U.S. imports of AI-related goods," said Olivia White, director of the McKinsey Global Institute.

One beneficiary is Columbus, Ohio-based Vertiv, which produces power-management, cooling and server rack infrastructure, primarily for data centers. Business has been "crazy," said Executive Chairman Dave Cote, who in a previous life ran Honeywell.

Sales in the Americas region, which includes the U.S., jumped 42% in 2025 from 2024. In September 2024, before Trump was re-elected, it announced a new factory in Pelzer, S.C., with 300 more jobs to produce prefabricated power and heating management systems. Vertiv serves American customers from both domestic factories and factories in Mexico (it also manufactures in China, India and Europe).

Cote said tariffs provide a marginal financial advantage to U.S. production but don't determine who sells the most. "Because the tech is changing so rapidly in our industry, you gain or lose market share more based on your tech advances than anything else."

Note

Aerospace and transportation equipment (which excludes trucks and cars) also boomed last year, with domestic output up 28%. No mystery here. SpaceX's forthcoming initial public offering attests to the boom in space travel. Boeing's jetliner deliveries soared 72% last year to 600 as production, curtailed over safety scrutiny, recovered. A new global arms race is lifting orders for jet fighters, missiles and helicopters. Meanwhile, aerospace imports rose 3%.

AI- and aerospace-related manufacturing had a great year not because of tariffs—both were largely exempt—but because underlying conditions played to existing American strengths.

Now consider motor vehicles and parts, around which Trump erected steep tariff barriers. Imports duty fell 14%. But domestic output also dropped 3%. In furniture and related products, imports were down 22% while domestic output fell 3%. Relatively high interest rates last year were likely a factor.

Production of primary metals, including steel and aluminum, did benefit from tariffs that are now as high as 50%. Production rose, and imports fell. With prices well above global levels, capacity utilization, profits and investment should all rise. But Trump's first-term tariffs didn't yield sustained prosperity. Even now, primary metals production is more or less back to 2023 levels, White says.

And there is a big downside: Steel and aluminum are key inputs to countless other industries that became less competitive because of those higher prices.

In other industries, McKinsey found no clear signal of shifting production. Manufacturing is too diverse for any single factor to explain its performance. Food and beverages contribute the largest share of domestic manufacturing output at 18%. It's not glamorous, high-tech stuff: Think meatpacking, canned goods, packaged foods and so on. Foreign competition isn't that consequential. And production last year was basically flat.

Note Note

White adds that production can rise simply because existing factories are ramping up capacity. But durable improvement requires investment in new capacity, which is visible in semiconductors, pharmaceuticals and aerospace. If tariffs have led to new investment, the effect on production might not show up for a while.

The lesson isn't that tariffs were disastrous. American Compass, a think tank that supports Trump's reshoring drive, notes many manufacturing indicators have improved since Trump's so-called Liberation Day tariffs a year ago, despite some predictions of calamity.

Rather, the lesson is that industrial policy—that is, government intervention to help sectors deemed vital to national interest—should work in the direction of economic gravity, rather than against it, using many tools, not just one.

For example, semiconductor capacity has been kickstarted by the Trump and Biden administrations, state and local governments, and colleges using subsidies, workforce training, export controls, and, yes, the threat of tariffs. They weren't starting from scratch: They built on an existing base of manufacturers, suppliers and expertise and the presence of major customers such as Nvidia and Apple.

By contrast, reshoring of apparel and furniture is a fight against economic gravity, namely the massive labor cost advantage in other countries. It isn't clear what benefit to productivity or security the country gets in exchange for consumers' paying more for both.

Note

"Do you want a facility that makes snow globes or one that makes semiconductors?" asked White. "Each takes money and time. It's better to be skating to where the puck is going. Nobody is talking about the snow globe of the future."