

JANUARY 2026

# How's Business

## 4TH QUARTER 2025



# 4th Quarter 2025 HOW'S BUSINESS



**PMMI** The Association for Packaging and Processing Technologies  
12930 Worldgate Drive, Suite 200 Herndon, VA 20170  
Phone: (571) 612-3200 [pmmi.org/research](http://pmmi.org/research)

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Jorge Izquierdo, Vice President, Market Development, PMMI  
Rebecca Marquez, Director, Custom Research, PMMI  
Andrea Admana, Manager, Market Development, PMMI  
Grace Lee, Manager, Business Intelligence, PMMI

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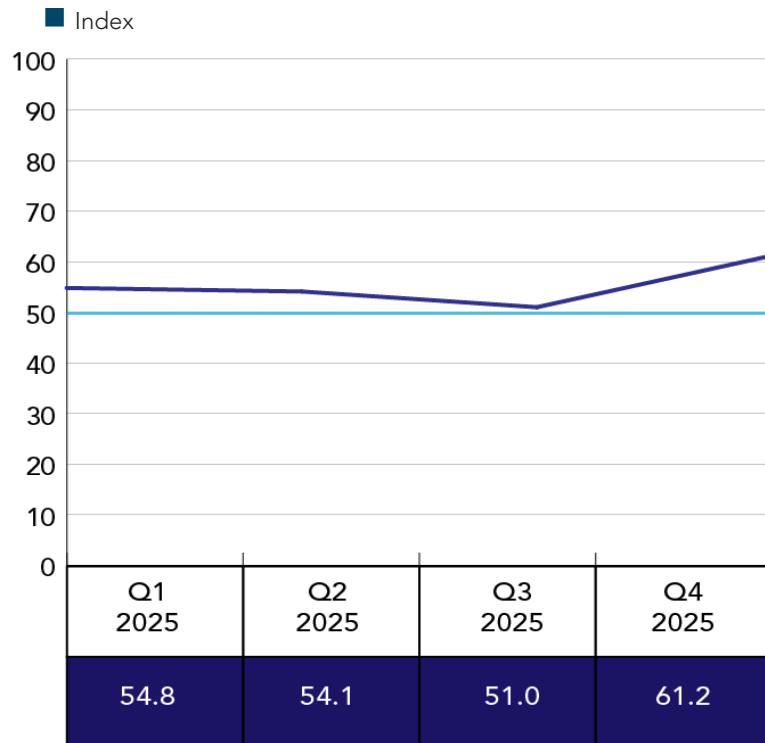
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# WHAT MEMBERS ARE SAYING - HOW'S BUSINESS

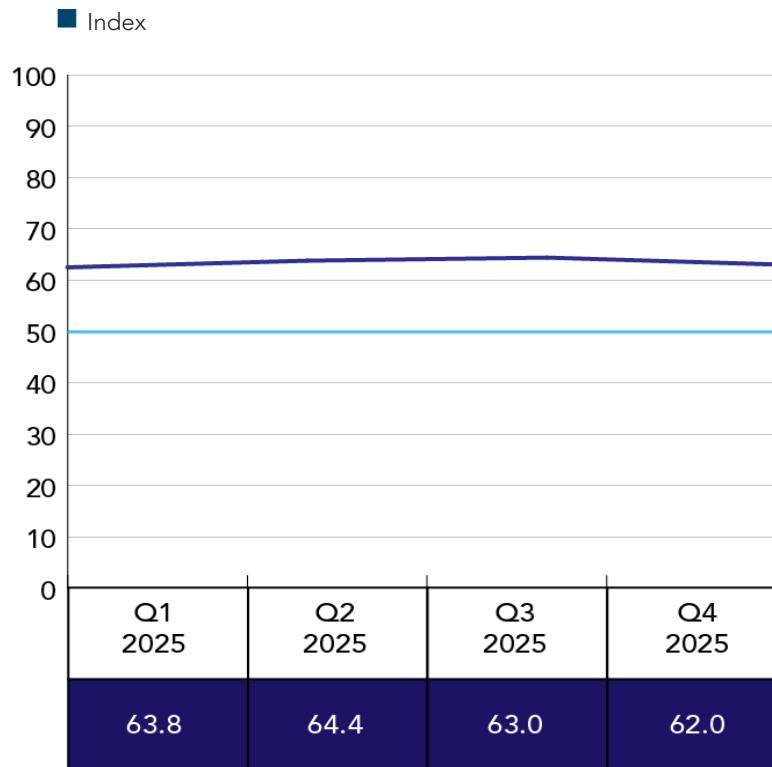
The following charts compare quarter-over-quarter activity in NEW ORDERS, QUOTATIONS/PROPOSAL ACTIVITY, LATE PAYMENTS, BACKLOG, and SUPPLY CHAIN DISRUPTIONS as reported by Members in PMMI's How's Business Survey.

## NEW ORDERS Q1 2025 TO Q4 2025



- The New Orders Index came in at 61.2 for Q4 2025, jumping 10.2 points from Q3 2025.
- This marks another consecutive quarter of expansion, supporting a more optimistic outlook for the first half of 2026.
- Members should view this as a positive signal after the last few quarters of slow expansion.

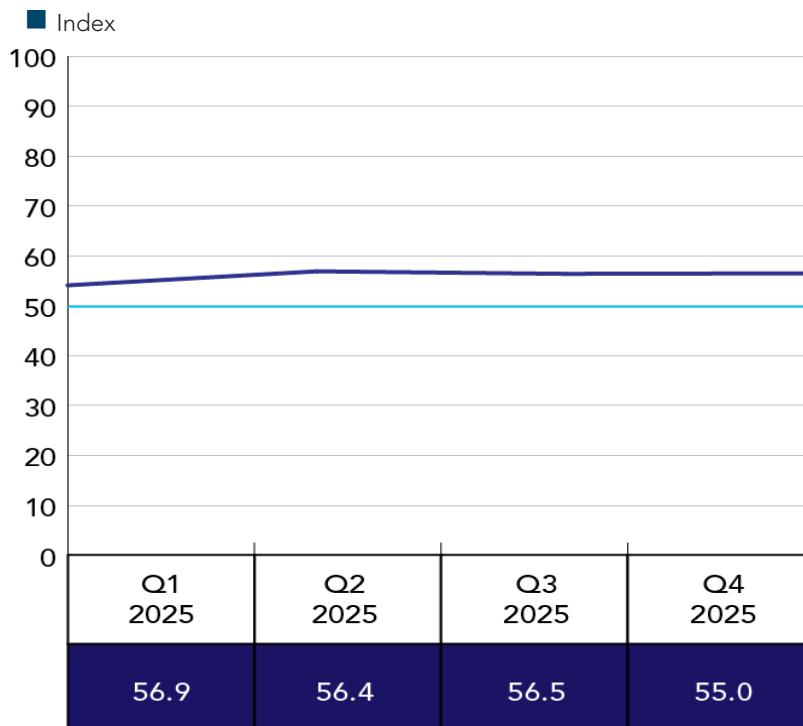
## QUOTATIONS/PROPOSAL ACTIVITY Q1 2025 TO Q4 2025



- The Quotations/Proposal Activity Index slightly declined to 62.0 in Q4 2025.
- Although activity declined slightly in the fourth quarter, the index has remained above the midpoint since Q4 2024, suggesting that quotations and proposals continue to expand.
- While the outlook remains positive, members are encouraged to stay alert to evolving trade and tariff dynamics, which could affect quoting activity and purchasing confidence in the months ahead.

An index of 50 represents the midpoint, no change. A reading above 50 indicates that activity is generally expanding. Below 50 indicates that it is generally contracting.

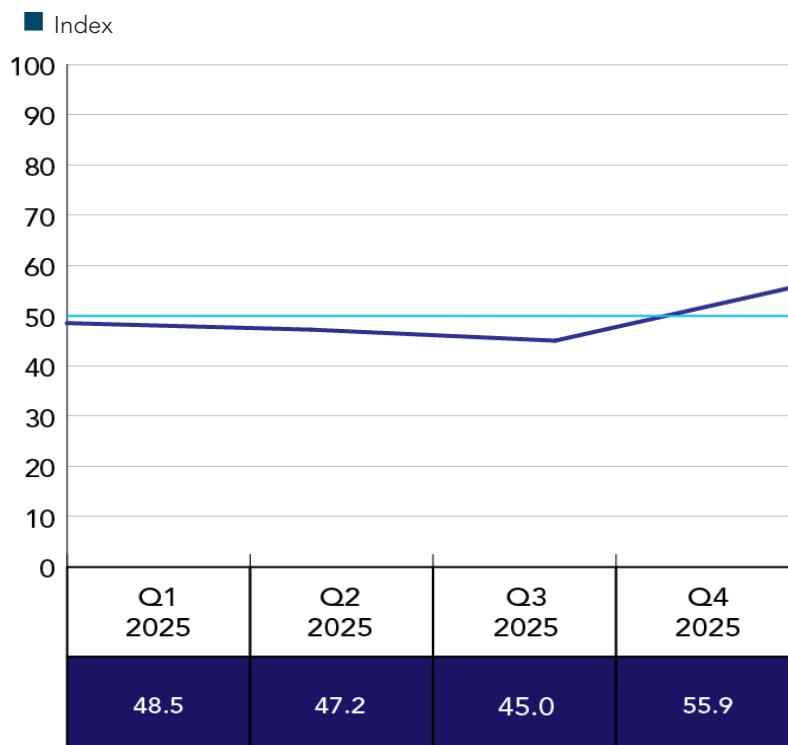
## LATE PAYMENTS Q1 2025 TO Q4 2025



- The Late Payments Index is 55.0 in Q4 2025, showing only a slight decrease from Q3 2025.

- The index indicates that late payments continue to be more common than desired.

## BACKLOG Q1 2025 TO Q4 2025



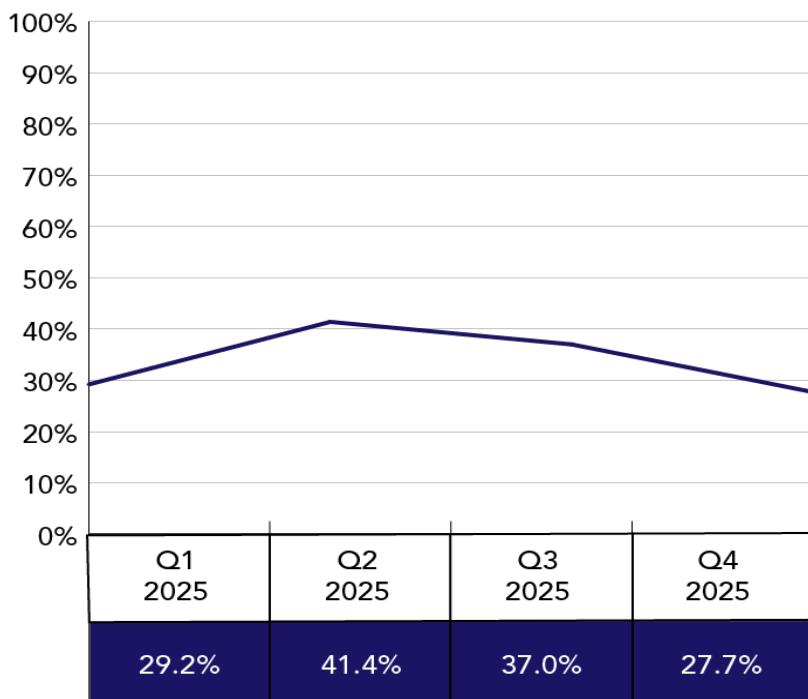
- The Backlog Index increased to 55.9 in Q4 2025, jumping 10.9 points from the previous quarter.

- This marks expansion in this activity after consecutive quarters of contraction.
- After consecutive quarters of decline for most of 2025, the increase of both new orders and backlog indicate strengthening demand and improved business conditions heading into early 2026.

An index of 50 represents the midpoint, no change. A reading above 50 indicates that activity is generally expanding. Below 50 indicates that it is generally contracting.



## SUPPLY CHAIN DISRUPTION Q1 2025 TO Q4 2025

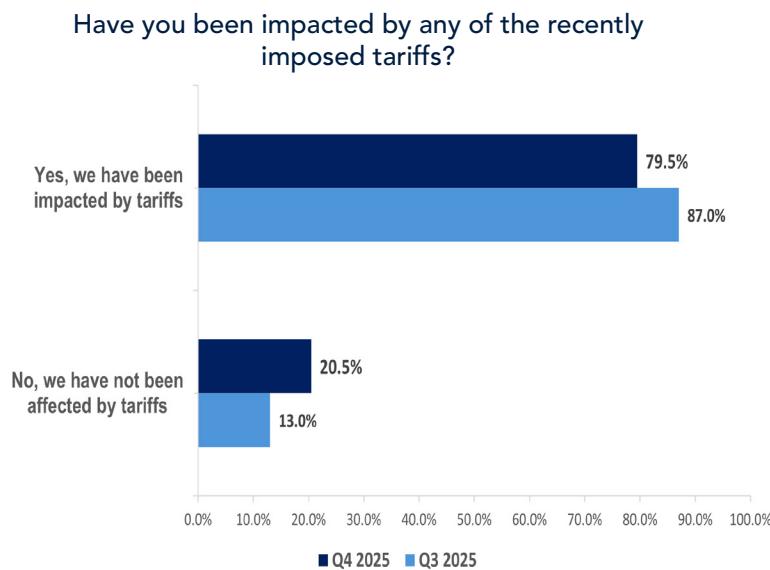


- 27.7% of members reported experiencing supply chain disruptions in Q4 2025, down 9.3 percentage points from Q3 2025.

- This marks the second consecutive quarter of decline, indicating fewer members are experiencing supply chain disruptions.

## TARIFF IMPACTS - SELECT INSIGHTS FROM PMMI'S QUICKIE SURVEY

Given the current economic climate, a few tariff-related questions were included in PMMI's Q4 How's Business Survey. Below are select findings. For more detailed insights, PMMI members can access the full "[2025 QS Q4 Tariffs Report](#)" at [pmmi.org](#).

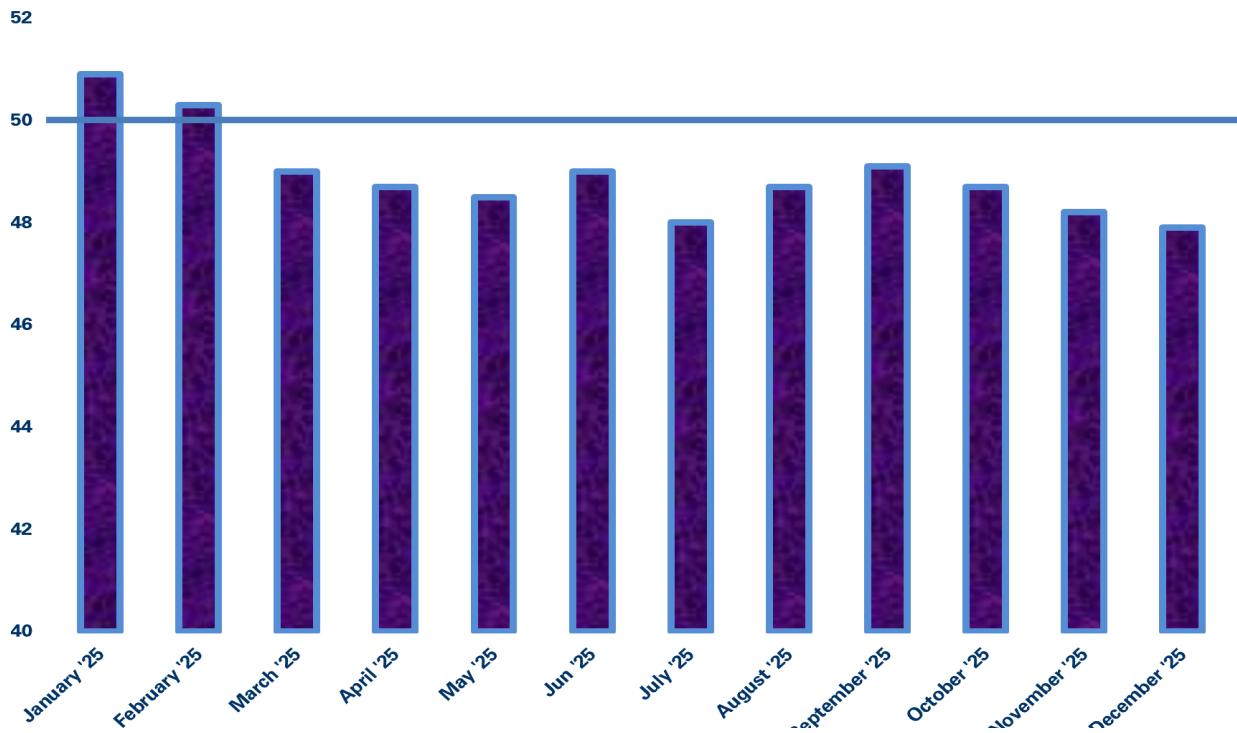


- 79.5% of PMMI members who participated in the "2025 Q4 Tariffs Quickie Survey (January 2026)" indicated they have been impacted by the recently imposed tariffs, a decrease from 87.0% in Q3 2025.
- The top reported impacts include, 'increased cost of procurement for imported parts (86.2%)', 'price increases for domestic customers (59.8%)', and 'higher cost of domestic parts (52.9%).'
- For more insights —including what actions member companies are taking and current member outlook — refer to the full "[2025 QS Q4 Tariffs Report](#)".

# THE STATE OF MANUFACTURING

## ISM Report on Business (PMI) - Purchasing Managers Index

December 2025 PMI 47.9



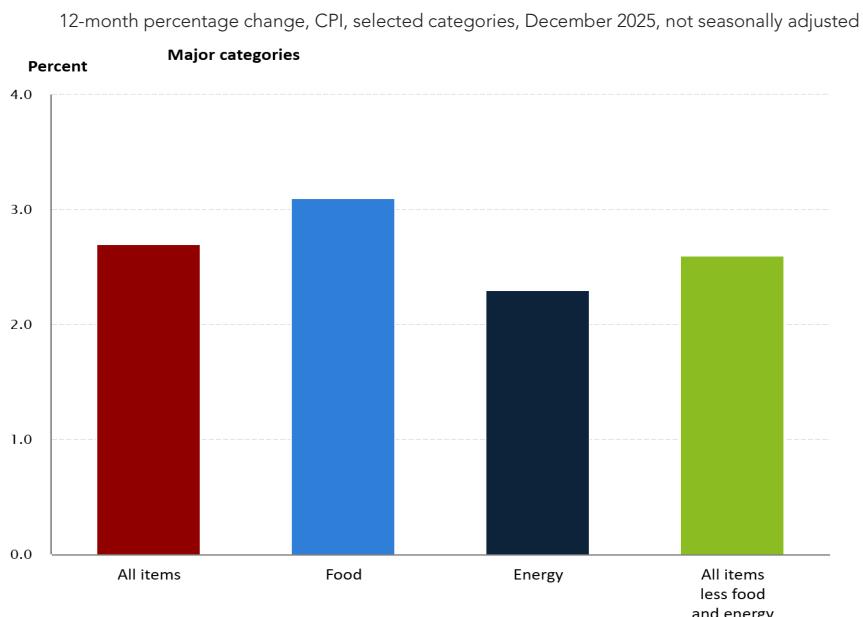
- The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. The headline PMI is a number from 0 to 100. A PMI above 50 represents an expansion when compared with the previous month. A PMI reading under 50 represents a contraction, and a reading at 50 indicates no change. The further away from 50 the greater the level of change.
- The Manufacturing PMI® registered 47.9 percent in December, a 0.3-percentage point decrease compared to the reading of 48.2 percent in November and the lowest reading of 2025. The overall economy continued in expansion for the 68th month after one month of contraction in April 2020.

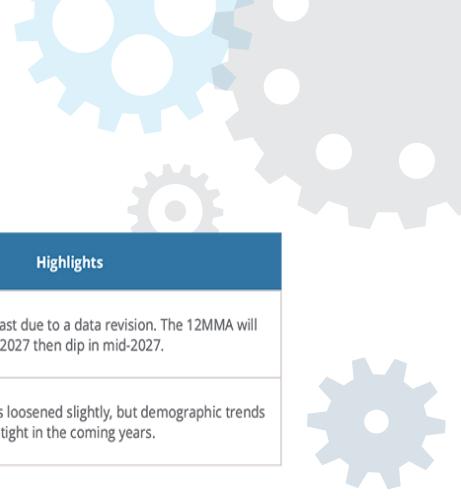
[www.ismworld.org](http://www.ismworld.org)

## Consumer Price Index

- CPI for all items rises 0.3% in December; shelter and food up.
- In December, the Consumer Price Index for All Urban Consumers rose 0.3 percent, seasonally adjusted, and rose 2.7 percent over the last 12 months, not seasonally adjusted. The index for all items less food and energy increased 0.2 percent in December (SA); up 2.6 percent over the year (NSA).

[www.bls.gov/cpi](http://www.bls.gov/cpi)





## 3-Year U.S. Outlook

	Historical 12/12	Historical 12MMA	Current 12/12	2025	2026	2027	Highlights
<b>US Industrial Production Index</b>			0.4	1.2	1.5	-0.3	We revised the forecast due to a data revision. The 12MMA will rise mildly into early 2027 then dip in mid-2027.
<b>US Private Sector Employment</b>			1.1	1.0	1.4	1.7	The labor market has loosened slightly, but demographic trends will keep it generally tight in the coming years.

	Historical 12/12	Historical 12MMT	Current 12/12	2025	2026	2027	Highlights
<b>US Nondefense Capital Goods New Orders (excluding aircraft)</b>			2.1	2.1	3.2	0.8	Rise in inventory turns bodes well for next year. Plan for New Orders 12MMT rise through 2026 and a plateau in 2027.
<b>US Total Retail Sales</b>			4.1	3.5	4.8	3.0	Retail Sales will rise through at least 2027, but we expect margin pressures amid a mixed consumer base and inflation.
<b>US Wholesale Trade of Durable Goods</b>			6.4	6.2	4.6	0.9	Mid-single digit growth rates in 2026 will be followed by noticeably sluggish growth in 2027.
<b>US Wholesale Trade of Nondurable Goods</b>			1.2	-0.2	6.1	3.2	Wholesale Trade will rise through at least 2027, but the petroleum segment is likely to underperform in the near term.

Note: Forecast color represents what Phase the market will be in at the end of the year.

### Phase Key



Phase A:  
Recovery



Phase B:  
Accelerating Growth



Phase C:  
Slowing Growth



Phase D:  
Recession

- Most core indicators are already in Phase B, Accelerating Growth, despite lingering caution after 2025. Employment remains a laggard but should improve later in 2026 as confidence builds. Middle- and upper-income consumers are in good shape and will support rising Retail Sales in the years ahead. The Federal Reserve Board revised Industrial Production historical data, showing that activity is still about 2.6% below record highs. We revised our Industrial Production outlook. Our growth expectations for 2025–26 are largely unchanged, with mild acceleration into mid-to-late 2026. 2027 is now expected to be flatter, with outcomes varying by end market. Trends are diverging between durable and nondurable goods.

[www.itrondemand.com/insider/3-year-us-outlook](http://www.itrondemand.com/insider/3-year-us-outlook)

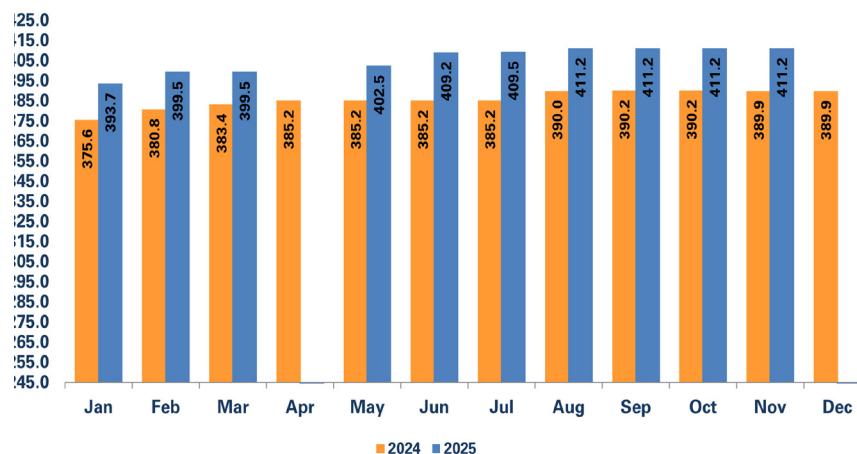
## Producer Price Index

December 2025 PPI 411.2

- The Producer Price Index for final demand increased 0.2 percent in November, seasonally adjusted, the U.S. Bureau of Labor Statistics reported today. Final demand prices edged up 0.1 percent in October and advanced 0.6 percent in September.
- On an unadjusted basis, the index for final demand rose 3.0 percent for the 12 months ended in November.

[www.bls.gov](http://www.bls.gov)

## Producer Price Index Commodity Code 11-67 Packaging Machinery





PMMI HEADQUARTERS  
12930 Worldgate Dr., Suite 200  
Herndon, Virginia 20170  
(571) 612-3200  
businessintelligence@pmmi.org  
www.pmmi.org

PMMI LATIN AMERICA  
Homero 418 Piso 7  
Col. Miguel Chapultepec  
Miguel Hidalgo, D.F. 11570 Mexico  
+ (52 55) 5545 4254

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For more information, contact:

Contact Rebecca Marquez, Director, Custom Research  
Phone: 571-612-3205 Email: [rmarquez@pmmi.org](mailto:rmarquez@pmmi.org)

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