

**NAM MANUFACTURERS' OUTLOOK SURVEY**  
**SECOND QUARTER 2024**  
 June 26, 2024

*By Mary Frances Holland<sup>1</sup>*

<p><b>Percentage of Respondents Positive About Their Own Company's Outlook</b></p> <p style="text-align: center;"><b>71.9%</b> (March: 68.7%)</p> <p>Small Manufacturers: 69.8%</p> <p>Medium-Sized Manufacturers: 69.9%</p> <p>Large Manufacturers: 76.5%</p>	<p><b>Overall Facts About the Survey</b>                  Number of Responses: 217                  In the Field: May 14 – June 3, 2024</p> <p>Small Manufacturers: 43 responses (20.1%)                  Medium-Sized Manufacturers: 103 responses (48.1%)                  Large Manufacturers: 68 responses (31.8%)</p> <hr/> <p><b>NAM Manufacturing Outlook Index<sup>2</sup></b>  <b>48.0</b> (March: 45.8)</p>
<p><b>Expected Growth Rate for <u>SALES</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>2.2%</b> (March: ↑ 2.2%)</p>	<p><b>Expected Growth Rate for <u>PRODUCTION</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↑ 2.0%</b> (March: ↑ 1.7%)</p>
<p><b>Expected Growth Rate for <u>FULL-TIME EMPLOYMENT</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↑ 0.9%</b> (March: ↑ 1.0%)</p>	<p><b>Expected Growth Rate for <u>EMPLOYEE WAGES</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↑ 2.8%</b> (March: ↑ 2.8%)</p>
<p><b>Expected Growth Rate for <u>CAPITAL INVESTMENTS</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↑ 1.3%</b> (March: ↑ 1.4%)</p>	<p><b>Expected Growth Rate for <u>EXPORTS</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↑ 0.4%</b> (March: ↑ 0.2%)</p>
<p><b>Expected Growth Rate for <u>PRICES OF COMPANY'S PRODUCTS</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↑ 2.0%</b> (March: ↑ 1.8%)</p>	<p><b>Expected Growth Rate for <u>RAW MATERIAL PRICES AND OTHER INPUT COSTS</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↑ 2.8%</b> (March: ↑ 2.4%)</p>
<p><b>Expected Growth Rate for <u>INVENTORIES</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↓ 1.0% – Falling for the Eighth Straight Quarter</b> (March: ↓ 1.6%)</p>	<p><b>Expected Growth Rate for <u>HEALTH INSURANCE COSTS</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↑ 7.3%</b> (March: ↑ 7.1%)</p>

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<sup>2</sup> The NAM Manufacturing Outlook Index data series is revised each quarter to reflect the mean and standard deviation of the historical data, dating back to the fourth quarter of 1997. Currently, the historical average for those with positive responses in their outlook is 74.75%, with a standard deviation of 14.44%. An index reading of 40 would be consistent with one standard deviation below the mean (60.31% positive), and an index reading of 60 would be one standard deviation above the mean (89.20% positive). As such, the index helps to normalize the outlook data to put them into a historical context.

## Summary of Findings

- **Manufacturing sentiment inched up in Q2 but remained below the historical average.** The NAM conducted the Manufacturers' Outlook Survey for the second quarter of 2024 from May 14 to June 3. In Q2, 71.9% of respondents felt either somewhat or very positive about their company's outlook, edging up from 68.7% in the first quarter (Figures 1 and 2). It was the seventh straight reading below the moving average (74.8%), averaging 68.0% over the past four surveys. The NAM Manufacturing Outlook Index measured 48.0 in the second quarter, up from 45.8 in the first quarter.
- **Workforce challenges continue to dominate.** More than 67% of manufacturers cited the inability to attract and retain employees as their top primary challenge (Figure 3), followed by rising health care costs (66.7%), an unfavorable business climate (59.6%) and a weaker domestic economy (56.8%). While workforce challenges continue to top the list, it was perhaps notable that the percentage citing this as their top concern has been trending down, falling 18.2% since its peak in Q4 2021 (Figure 4). Meanwhile, the next three top challenges have been rising in concern; specifically, concern over rising health care costs has been trending upwards, rising 39.1% over the past 8 quarters after falling consistently since 2018.
- **Manufacturers want Congress to prevent tax increases.** Nearly 94% of respondents agree that Congress should act before the end of 2025 to prevent scheduled tax increases on manufacturers. In addition to the already expired immediate expensing of R&D, pro-growth interest deductibility standard for business loans and 100% full expensing for capital purchases, tax policies critical to the manufacturing sector such as the 20% pass-through deduction, individual tax rates and estate tax exemption threshold will expire or become less favorable at the end of 2025.
- **Tax increases will harm manufacturers in the United States.** If Congress does not act to prevent tax increases, survey respondents say that increased taxes will limit capital investment opportunities (73.0%), decrease job creation (65.4%), increase difficulty competing globally (52.6%) and reduce R&D spending (51.7%) (Figure 5).
- **Small businesses, many of which are organized as pass-throughs, depend on current tax deductions.** Without the 20% pass-through deduction, the rate at which pass-through earnings are taxed will increase. Nearly 93% percent of pass-through manufacturers reported the loss of this deduction would impact their ability to grow, create jobs and invest in their business.
- **Lawmakers need to understand how manufacturers are using artificial intelligence.** As Congress considers legislation and regulations about AI, 86.4% of respondents believe it is important for lawmakers to understand how manufacturers are using these technologies.
- **Manufacturers oppose federal efforts to weaken intellectual property rights.** In light of a recent proposal that would allow the federal government broader authority to "march in" and seize a company's IP if it was developed in any part using federal funding, 8 out of 10 respondents agree that it is important for the federal government to support groundbreaking R&D and incentivize the development of new discoveries, such as lifesaving treatments and cures.

- **A complex permitting system holds back investment.** As with previous surveys, the majority of respondents (72.3%) said that the length and complexity of the current permitting reform process is harmful to their investment decisions. If the process was more streamlined, they would be able to expand business operations (41.9%) and hire more workers (21.9%).
- **Manufacturers are exploring ways to improve recruitment and retention.** Some of these special workforce programs include internships (74.7%), apprenticeships or earn-and-learn models (57.3%), high school partnerships (55.1%) and college partnerships (48.9%) (Figure 6).
- **Manufacturing employment, production and capital spending all rose in the second quarter.** The majority of respondents reported no change in all three categories between the first and second quarters, with some improvements in those suggesting production increased in the second quarter in this release (Figure 7 and the table below).

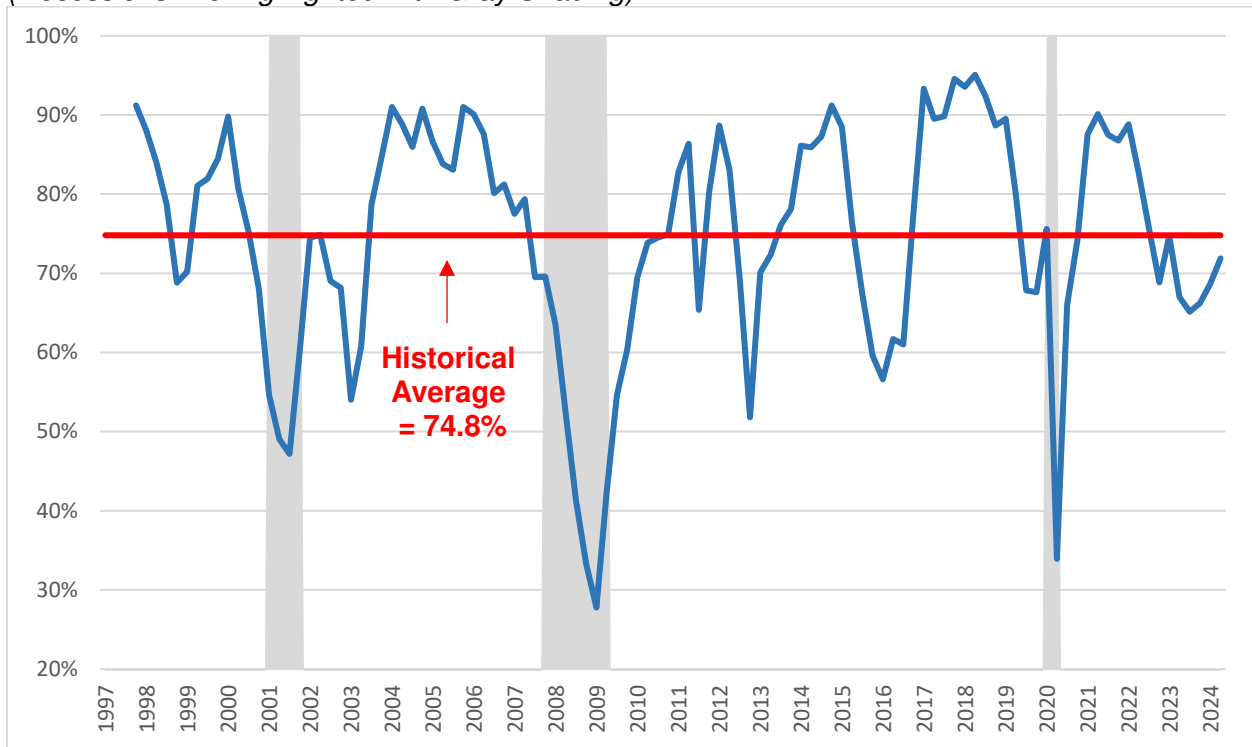
	Previous PMI	Second Quarter 2024 Relative to First Quarter 2024			
		Higher	No Change	Lower	PMI
<b>Production</b>	54.4	35.7%	44.1%	20.2%	<b>57.8</b>
<b>Employment</b>	51.7	20.6%	63.6%	15.9%	<b>52.3</b>
<b>Capital Spending</b>	49.7	22.9%	58.9%	18.2%	<b>52.3</b>

- Some other trends regarding predicted growth rates over the next 12 months (Figure 8):
  - **Sales:** Respondents expect sales to rise 2.2% over the next 12 months, on par with the previous quarter, maintaining the strongest reading in one year (four quarters). Nearly 59% of manufacturers predict sales will increase over the next four quarters, with 32.7% feeling orders will rise 5% or more. In contrast, 19.8% anticipate declining sales, with 21.7% predicting no change. Large firms predicted the strongest growth (3.1%) over the next 12 months, while small and medium-sized firms expect only 1.8% growth.
  - **Production:** Respondents expect production to increase 2.0% over the next 12 months, down slightly from 2.3 in Q1. Nearly 55% of respondents forecast output to rise over the coming months, with 20.3% seeing declining production. More than 31% anticipate production growth of 5% or more over the next year. There was little difference by firm size.
  - **Full-Time Employment:** Respondents expect full-time employment to rise 0.9% over the next 12 months, down from 1.0% in Q1. More than 34% anticipate an increase in full-time hiring over the next year, with 16.9% predicting reduced employment. At the same time, 48.4% see hiring levels remaining the same over the next year. While small and medium-sized firms expect 1.4% growth in employment, large firms predict a marginal 0.2% decline in full-time employment.
  - **Prices:** Respondents expect prices on their company’s product line to increase 2.0% in the next 12 months, up from 1.8% in Q1. Overall, 58.8% anticipate an increase in

prices over the next year, with just 8.3% predicting reduced prices. A minority, 32.8%, see prices remaining the same over the next year. Small firms expect the greatest rise in product prices (3.5%), while medium-sized and large firms predict a 1.6% increase.

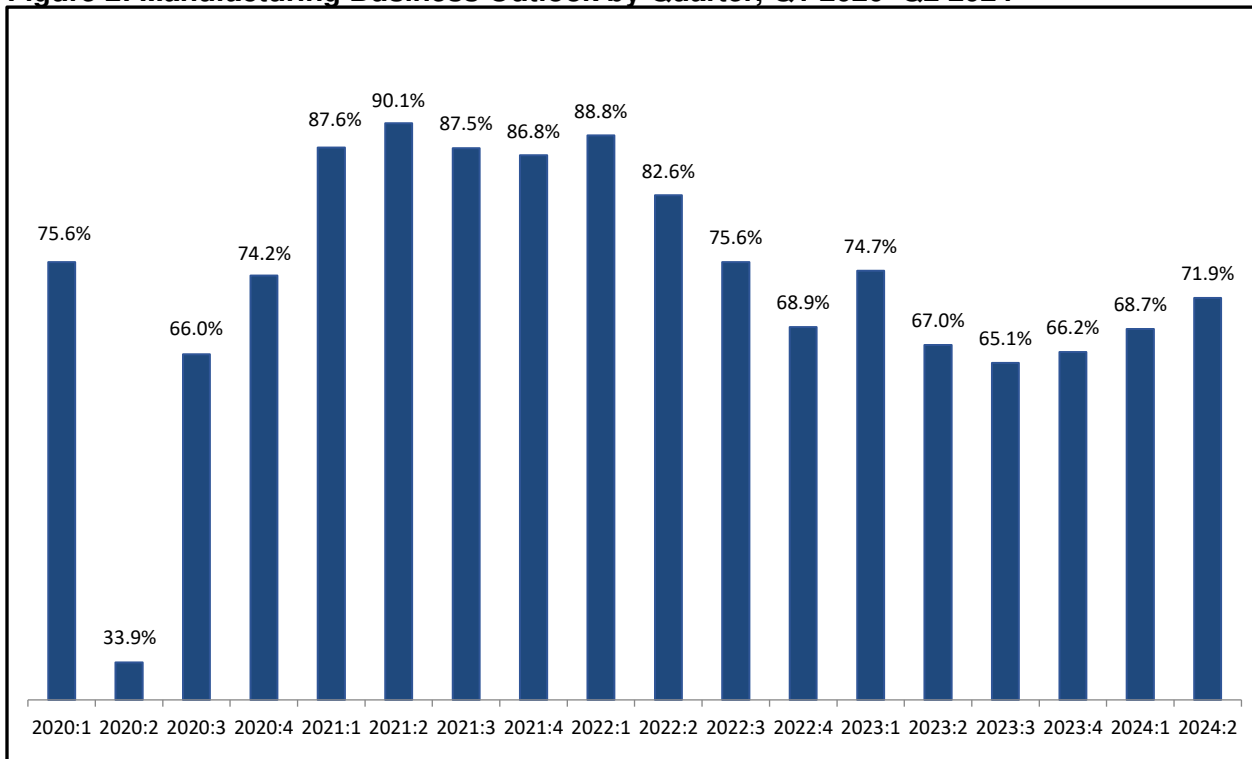
- **Employee Wages:** Respondents anticipate employee wages (excluding nonwage compensation, such as benefits) to rise 2.8% over the next 12 months, remaining in line with last quarter's expectation. Around 53% of manufacturers predict wage growth of 3% or more over the next 12 months, with 7.0% suggesting 5% or more. The majority of respondents (92.1%) expect wages to increase generally. There was little difference by firm size.
- **Capital Investments:** Respondents expect capital spending to rise 1.3% over the next 12 months, falling slightly from 1.4% in Q1. In this survey, 37.4% expect additional capital spending in the next year, with 48.1% predicting no change and 14.5% forecasting reduced capital expenditures. Small manufacturers are less assured about investment plans, predicting just 0.5% growth while medium-sized and large firms expect 1.4% growth.
- **Exports:** Respondents expect exports to increase 0.4% over the next 12 months, increasing from 0.2% in Q1. Overall, 22.1% anticipate higher exports in the next year, with 68.1% seeing no changes but just 9.9% forecasting declines.
- **Inventories:** Respondents anticipate inventories shrinking 1.0% over the next 12 months, declining for the eighth straight quarter. This suggests that manufacturers are continuing to draw down their stockpiles, which should necessitate additional production if demand strengthens. Around 41% of firms expect falling inventories over the next year, with just 15.4% predicting increases and 43.5% seeing no changes.

**Figure 1: Manufacturing Business Outlook by Quarter, Q4 1997 – Q2 2024**  
*(Recessions Are Highlighted with Gray Shading)*



*Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive. Recessions are designated by the National Bureau of Economic Research.*

**Figure 2: Manufacturing Business Outlook by Quarter, Q1 2020–Q2 2024**



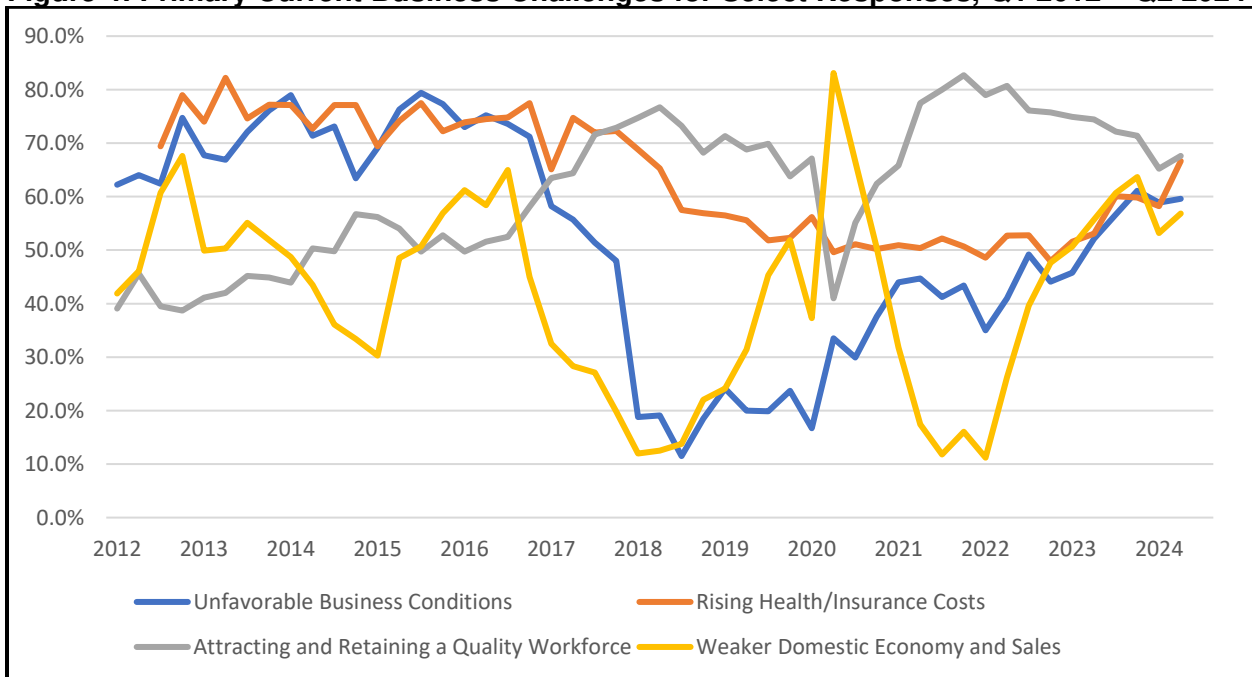
*Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive.*

**Figure 3: Primary Current Business Challenges, Q2 2024**



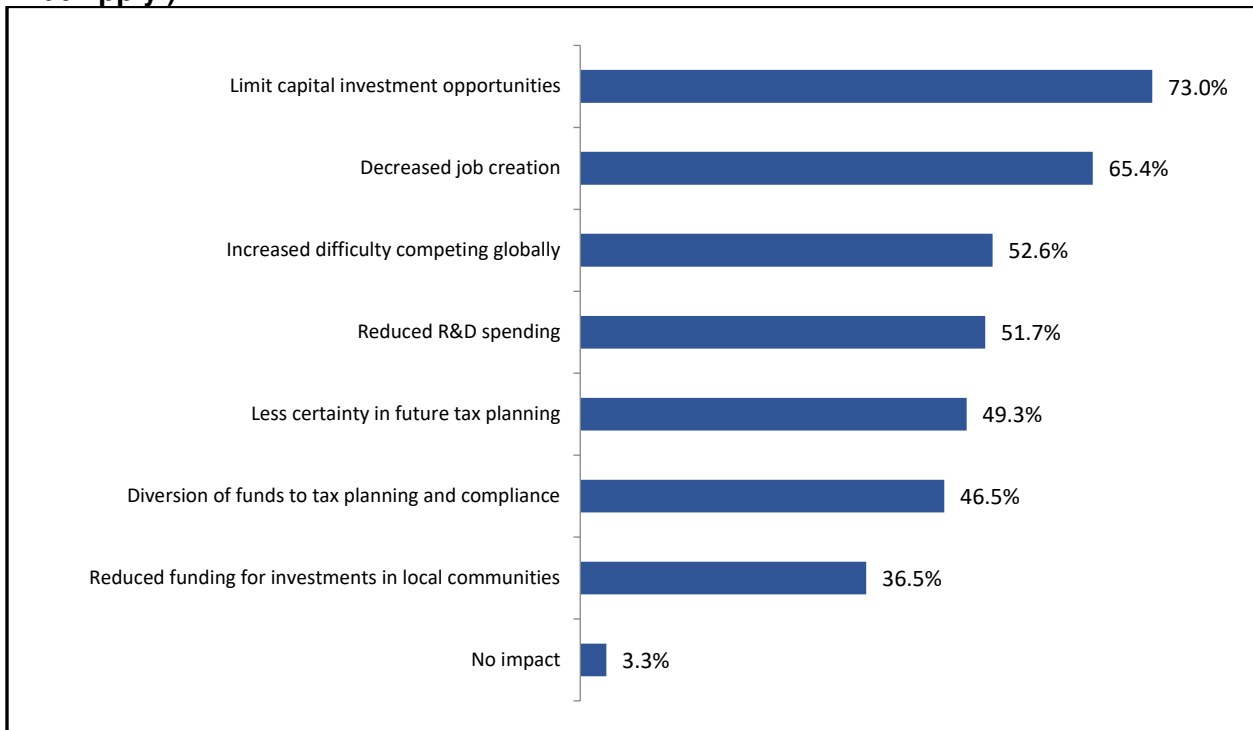
Note: Respondents were able to check more than one response; therefore, responses exceed 100%.

**Figure 4: Primary Current Business Challenges for Select Responses, Q1 2012 – Q2 2024**



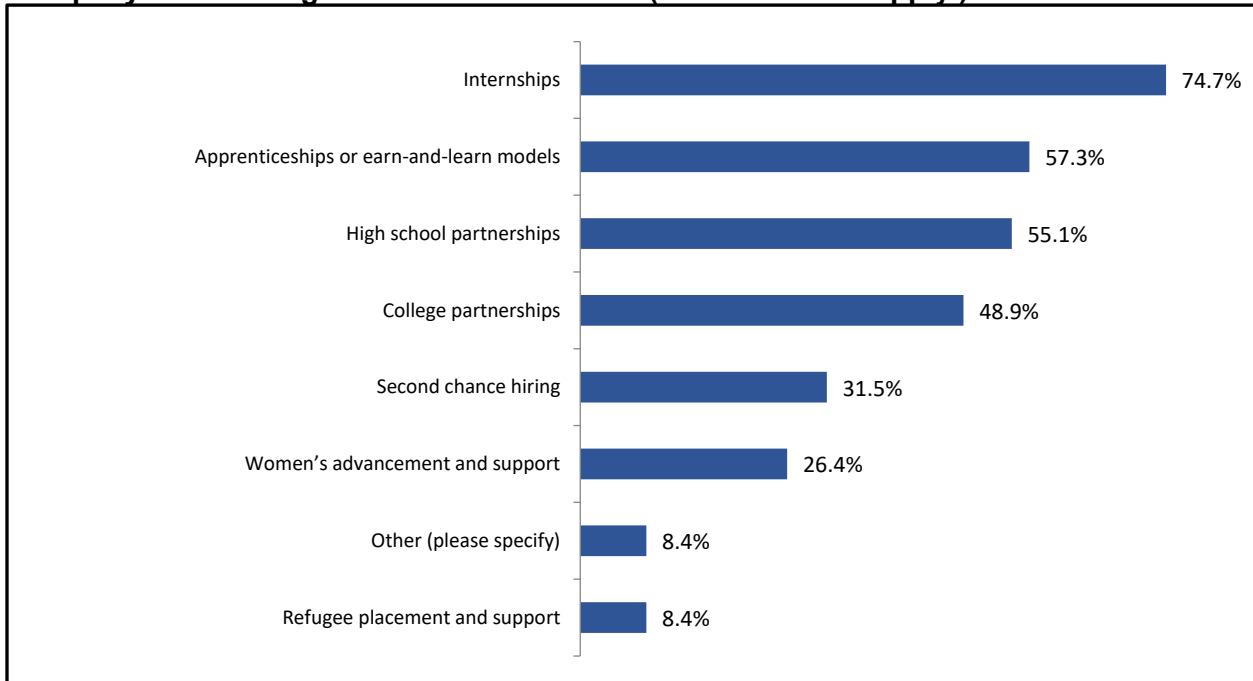
Note: Respondents were able to check more than one response; therefore, responses exceed 100%.

**Figure 5: What Impact Would These Tax Increases<sup>3</sup> Have on Your Business? (Select All That Apply.)**



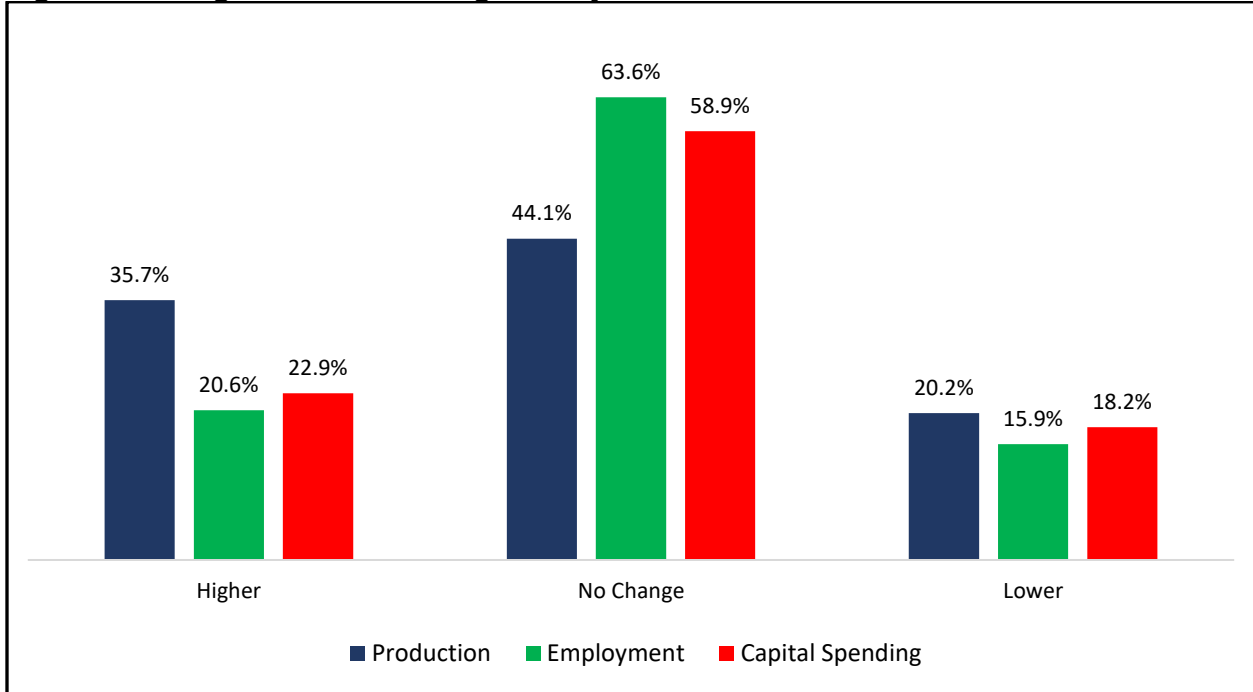
*Note: Respondents were able to check more than one response; therefore, responses exceed 100%.*

**Figure 6: Are You Running Any Special Workforce Programs to Help Address Your Company's Recruiting And Retention Needs? (Select All That Apply.)**

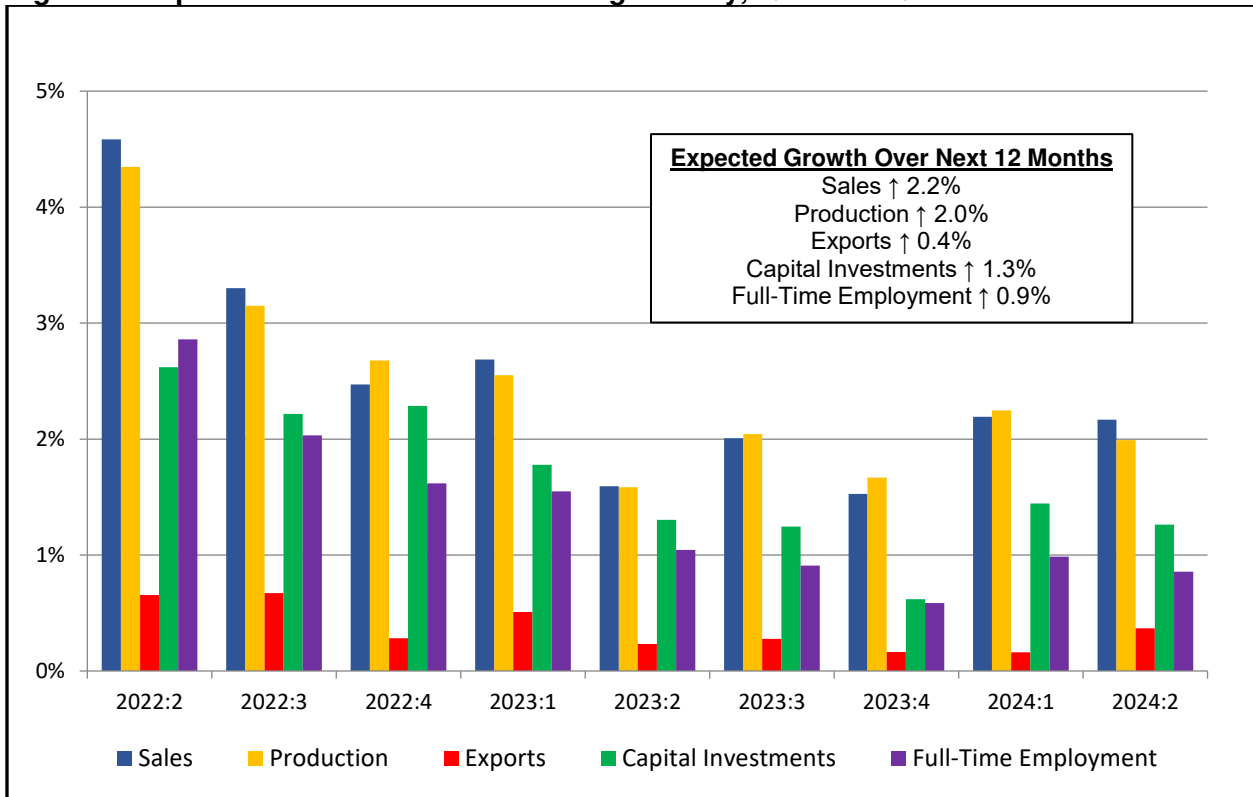


<sup>3</sup> In addition to the already expired immediate expensing of R&D, pro-growth interest deductibility standard for business loans and 100% full expensing for capital purchases, tax policies critical to the manufacturing sector such as the 20% pass-through deduction, individual tax rates and estate tax exemption threshold will expire or become less favorable at the end of 2025.

**Figure 7: Change in Manufacturing Activity in Q2 2024 Relative to Q1 2024**



**Figure 8: Expected Growth of Manufacturing Activity, Q2 2022–Q2 2024**



*Note: Expected growth rates are annual averages.*



## Survey Responses

1. How would you characterize the business outlook for your firm right now?
  - a. Very positive – 10.14%
  - b. Somewhat positive – 61.75%
  - c. Somewhat negative – 23.50%
  - d. Very negative – 4.61%

*Percentage that is either somewhat or very positive in their outlook = 71.89%*

2. Over the next year, what do you expect to happen with your company's overall sales?
  - a. Increase more than 10 percent – 8.76%
  - b. Increase 5 to 10 percent – 23.96%
  - c. Increase up to 5 percent – 25.81%
  - d. Stay about the same – 21.66%
  - e. Decrease up to 5 percent – 9.68%
  - f. Decrease 5 to 10 percent – 4.15%
  - g. Decrease more than 10 percent – 5.99%

*Average expected increase in sales consistent with these responses = 2.16%*

3. Over the next year, what do you expect to happen with your company's overall production levels?
  - a. Increase more than 10 percent – 6.45%
  - b. Increase 5 to 10 percent – 25.35%
  - c. Increase up to 5 percent – 23.04%
  - d. Stay about the same – 24.88%
  - e. Decrease up to 5 percent – 10.60%
  - f. Decrease 5 to 10 percent – 4.15%
  - g. Decrease more than 10 percent – 5.53%

*Average expected increase in production consistent with these responses = 1.99%*

4. Over the next year, what do you expect to happen with the level of exports from your company?
  - a. Increase more than 5 percent – 7.04%
  - b. Increase 3 to 5 percent – 6.57%
  - c. Increase up to 3 percent – 8.45%
  - d. Stay about the same – 68.08%
  - e. Decrease up to 3 percent – 3.29%
  - f. Decrease 3 to 5 percent – 0.00%
  - g. Decrease more than 5 percent – 6.57%

*Average expected increase in exports consistent with these responses = 0.36%*

5. Over the next year, what do you expect to happen with prices on your company's overall product line?
  - a. Increase more than 10 percent – 3.24%

- b. Increase 5 to 10 percent – 13.43%
- c. Increase up to 5 percent – 42.13%
- d. Stay about the same – 32.87%
- e. Decrease up to 5 percent – 5.09%
- f. Decrease 5 to 10 percent – 2.78%
- g. Decrease more than 10 percent – 0.46%

*Average expected increase in product prices consistent with these responses = 2.00%*

6. Over the next year, what do you expect to happen with raw material prices and other input costs?
- a. Increase more than 10 percent – 4.67%
  - b. Increase 5 to 10 percent – 18.69%
  - c. Increase up to 5 percent – 45.33%
  - d. Stay about the same – 23.83%
  - e. Decrease up to 5 percent – 7.01%
  - f. Decrease 5 to 10 percent – 0.47%
  - g. Decrease more than 10 percent – 0.00%

*Average expected increase in raw material prices consistent with these responses = 2.79%*

7. Over the next year, what are your company's capital investment plans?
- a. Increase more than 10 percent – 9.35%
  - b. Increase 5 to 10 percent – 13.55%
  - c. Increase up to 5 percent – 14.49%
  - d. Stay about the same – 48.13%
  - e. Decrease up to 5 percent – 3.74%
  - f. Decrease 5 to 10 percent – 4.67%
  - g. Decrease more than 10 percent – 6.07%

*Average expected increase in capital investments consistent with these responses = 1.26%*

8. Over the next year, what are your inventory plans?
- a. Increase more than 10 percent – 0.47%
  - b. Increase 5 to 10 percent – 2.80%
  - c. Increase up to 5 percent – 12.15%
  - d. Stay about the same – 43.46%
  - e. Decrease up to 5 percent – 22.43%
  - f. Decrease 5 to 10 percent – 12.15%
  - g. Decrease more than 10 percent – 6.54%

*Average expected increase in inventories consistent with these responses = -1.00%*

9. Over the next year, what do you expect in terms of full-time employment in your company?
- a. Increase more than 10 percent – 4.69%
  - b. Increase 5 to 10 percent – 6.57%

- c. Increase up to 5 percent – 23.47%
- d. Stay about the same – 48.36%
- e. Decrease up to 5 percent – 12.21%
- f. Decrease 5 to 10 percent – 3.29%
- g. Decrease more than 10 percent – 1.41%

*Average expected increase in full-time employment consistent with these responses = 0.86%*

10. Over the next year, what do you expect to happen to employee wages (excluding nonwage compensation, such as benefits) in your company?
- a. Increase more than 5 percent – 7.01%
  - b. Increase 3 to 5 percent – 46.26%
  - c. Increase up to 3 percent – 38.79%
  - d. Stay about the same – 7.48%
  - e. Decrease up to 3 percent – 0.47%
  - f. Decrease 3 to 5 percent – 0.00%
  - g. Decrease more than 5 percent – 0.00%

*Average expected increase in employee wages consistent with these responses = 2.78%*

11. Over the next year, what do you expect to happen to health insurance costs for your company?
- a. Increase 15.0 percent or more – 7.58%
  - b. Increase 10.0 to 14.9 percent – 18.96%
  - c. Increase 5.0 to 9.9 percent – 43.13%
  - d. Increase less than 5.0 percent – 23.70%
  - e. No change – 3.79%
  - f. Decrease less than 5.0 percent – 0.95%
  - g. Decrease 5.0 percent or more – 0.00%
  - h. Uncertain – 1.90%

*Average expected increase in health insurance costs consistent with these responses = 7.31%*

12. What are the biggest challenges you are facing right now? (Select all that apply.)
- a. Weaker domestic economy and sales for our products to U.S. customers – 56.81%
  - b. Weaker global growth and slower export sales – 19.72%
  - c. Trade uncertainties (e.g., actual or proposed tariffs, trade negotiation uncertainty) – 34.27%
  - d. Strengthened U.S. dollar relative to other currencies – 15.02%
  - e. Challenges with access to capital or other forms of financing – 7.04%
  - f. Unfavorable business climate (e.g., taxes, regulations) – 59.62%
  - g. Increased raw material costs – 49.77%
  - h. Rising health care/insurance costs – 66.67%
  - i. Transportation and logistics costs – 30.52%
  - j. Supply chain challenges – 25.82%
  - k. Attracting and retaining a quality workforce – 67.61%
  - l. Other – 9.86%

13. How would you characterize **production** in the second quarter of 2024 relative to the first quarter of 2024?

- a. Higher – 35.68%
- b. No change – 44.13%
- c. Lower – 20.19%

*Production Purchasing Managers' Index = 57.75*

14. How would you characterize **employment** in the second quarter of 2024 relative to the first quarter of 2024?

- a. Higher – 20.56%
- b. No change – 63.55%
- c. Lower – 15.89%

*Employment Purchasing Managers' Index = 52.33*

15. How would you characterize **capital spending** in the second quarter of 2024 relative to the first quarter of 2024?

- a. Higher – 22.90%
- b. No change – 58.88%
- c. Lower – 18.22%

*Capital Spending Purchasing Managers' Index = 52.34*

16. What is your company's primary industrial classification?

- a. Chemicals – 4.65%
- b. Computer and electronic products – 3.26%
- c. Electrical equipment and appliances – 6.51%
- d. Fabricated metal products – 25.58%
- e. Food manufacturing – 3.26%
- f. Furniture and related products – 2.33%
- g. Machinery – 11.63%
- h. Nonmetallic mineral products – 2.33%
- i. Paper and paper products – 2.79%
- j. Petroleum and coal products – 0.00%
- k. Plastics and rubber products – 9.77%
- l. Primary metals – 3.26%
- m. Transportation equipment – 4.19%
- n. Wood products – 1.40%
- o. Other – 19.07%

17. What is your firm size (e.g., the parent company, not your establishment)?

- a. Fewer than 50 employees – 20.00%
- b. 50 to 499 employees – 47.91%
- c. 500 or more employees – 32.09%
- d. Uncertain – 0.00%

## **SPECIAL QUESTIONS**

18. In addition to the already expired immediate expensing of R&D, limited deductibility of interest on business loans and full expensing for capital purchases, tax policies critical to the manufacturing sector, such as the 20% pass-through deduction, individual tax rates and the current estate tax threshold, will expire at the end of 2025. Do you agree that Congress should act before the end of 2025 to prevent scheduled tax increases on manufacturers?
- a. Yes – 93.93%
  - b. No – 0.93%
  - c. Uncertain – 5.14%
19. What impact would these tax increases have on your business? (Select all that apply.)
- a. Limit capital investment opportunities – 72.99%
  - b. Reduced R&D spending – 51.66%
  - c. Decreased job creation – 65.40%
  - d. Increased difficulty competing globally – 52.61%
  - e. Reduced funding for investments in local communities – 36.49%
  - f. Diversion of funds to tax planning and compliance – 46.45%
  - g. Less certainty in future tax planning – 49.29%
  - h. No impact – 3.32%
  - i. Other (please specify)
20. Is your company organized as a pass-through?
- a. Yes – 46.63%
  - b. No – 53.37%
21. [Shown if “Yes” was selected in Question 20] Unless Congress acts, at the end of 2025, the 20% deduction for pass-through businesses will expire and the rate at which pass-through earnings will increase. Will these tax increases impact your ability to grow, create jobs and invest in your business?
- a. Yes – 92.71%
  - b. No – 7.29%
22. Congress is considering legislation about artificial intelligence. Do you think it is important for lawmakers to understand how manufacturers use AI?
- a. Yes – 86.38%
  - b. No – 3.29%
  - c. Uncertain – 10.33%
23. Are the length and complexity of the current permitting process harmful to increasing investment?
- a. Very harmful – 30.52%
  - b. Somewhat harmful – 41.78%
  - c. Not too harmful – 10.80%
  - d. Not harmful at all – 1.41%
  - e. Uncertain – 15.49%
24. If the permitting process was more streamlined, how would that change your company's decision-making? (Select all that apply.)
- a. Hire more workers – 21.90%

- b. Expand business operations – 41.90%
  - c. Increase wages – 13.33%
  - d. Expand benefits – 9.52%
  - e. Uncertain – 38.57%
  - f. No effect – 15.24%
25. To help solve your company's recruiting and retention needs, are you running any special programs to fulfill your workforce needs? (Select all that apply.)
- a. Women's advancement and support – 26.40%
  - b. Second chance hiring – 31.46%
  - c. Refugee placement and support – 8.43%
  - d. Apprenticeships or earn-and-learn models – 57.30%
  - e. Internships – 74.72%
  - f. High school partnerships – 55.06%
  - g. College partnerships – 48.88%
  - h. Other (please specify) – 8.43%
26. Recent proposed guidance would allow the federal government to "march in" and seize a company's intellectual property. Do you agree that it is important to support groundbreaking R&D and incentivize the development of new discoveries, such as lifesaving treatments and cures?
- a. Yes – 81.43%
  - b. No – 6.67%
  - c. Uncertain – 11.90%