

NAM MANUFACTURERS' OUTLOOK SURVEY
THIRD QUARTER 2024
 October 4, 2024

By Victoria Bloom and Mary Frances Holland

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|---|---|
| <p>Percentage of Respondents Positive About Their Own Company's Outlook</p> <p style="text-align: center;">62.9% (Q2: 71.9%)</p> <p>Small Manufacturers: 61.8%</p> <p>Medium-Sized Manufacturers: 65.9%</p> <p>Large Manufacturers: 58.9%</p> | <p>Overall Facts About the Survey</p> <p>Number of Responses: 294 In the Field: Sept. 5–20, 2024</p> <p>Small Manufacturers: 76 responses (25.9%)</p> <p>Medium-Sized Manufacturers: 123 responses (41.8%)</p> <p>Large Manufacturers: 90 responses (30.6%)</p> <p>Undisclosed: 5 (1.7%)</p> |
| <p>Expected Growth Rate for <u>SALES</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 1.6% (Q2: ↑ 2.2%)</p> | <p>Expected Growth Rate for <u>PRODUCTION</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 1.6% (Q2: ↑ 2.0%)</p> |
| <p>Expected Growth Rate for <u>FULL-TIME EMPLOYMENT</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 0.3% (Q2: ↑ 0.9%)</p> | <p>Expected Growth Rate for <u>EMPLOYEE WAGES</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 2.7% (Q2: ↑ 2.8%)</p> |
| <p>Expected Growth Rate for <u>CAPITAL INVESTMENTS</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 0.7% (Q2: ↑ 1.3%)</p> | <p>Expected Growth Rate for <u>EXPORTS</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 0.4% (Q2: ↑ 0.4%)</p> |
| <p>Expected Growth Rate for <u>PRICES OF COMPANY'S PRODUCTS</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 1.9% (Q2: ↑ 2.0%)</p> | <p>Expected Growth Rate for <u>RAW MATERIAL PRICES AND OTHER INPUT COSTS</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 2.7% (Q2: ↑ 2.8%)</p> |
| <p>Expected Growth Rate for <u>INVENTORIES</u> Over the Next 12 Months</p> <p style="text-align: center;">↓ 0.9% (Q2: ↓ 1.0%)</p> | |

Summary of Findings

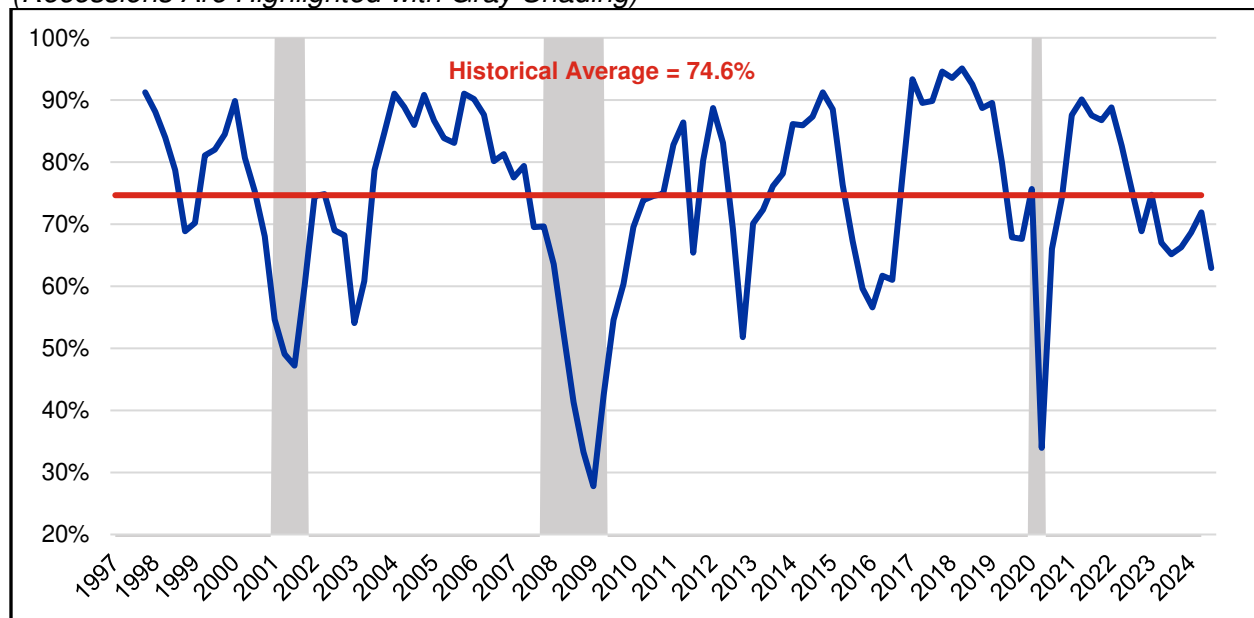
- Manufacturing sentiment fell to its lowest point since Q2 2020 at the height of the COVID-19 pandemic.** The NAM conducted the Q3 2024 Manufacturers' Outlook Survey Sept. 5–20. In Q3, 62.9% of respondents felt either somewhat or very positive about their company's outlook, falling from 71.9% in the second quarter (Figures 1 and 2). The average over the past four quarters is 67.4%.

- **The NAM Manufacturing Outlook Index measured 41.9 in the third quarter, down from 48.1 in the second quarter.** This index uses historical data to help normalize the outlook data to put them into a historical context.¹
- **A weaker domestic economy has risen to the top of manufacturers' business concerns, while workforce challenges persist.** A weaker domestic economy was cited as manufacturers' top concern in Q3 2024, with 68.4% claiming it is their primary challenge. This was followed by rising health care costs (62.9%) and an unfavorable business climate (60.5%). Attracting and retaining a quality workforce now ranks as the fourth-highest concern after topping this list since Q4 2017, with the exception of a weaker domestic economy rising to the top of the list in Q3 2020 and Q4 2020 (Figure 3). Respondents were able to check more than one response; therefore, responses exceed 100%.
- **Seven out of 10 manufacturers have less than 5% of jobs unfilled.** Medium-sized companies reported an average of 6.9% of jobs remain unfilled.
- **Manufacturers want Congress to prevent tax increases.** Nearly 9 out of 10 respondents agree that Congress should act before the end of 2025 to prevent scheduled tax increases on manufacturers (Figure 7). 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 growth in manufacturing in the United States.** 92.3% of manufacturers believe that the corporate rate should remain at or below 21%. If the corporate rate is increased from 21% to 28%, more than 71% of respondents said this increased tax burden will negatively impact their business. More specifically, respondents said it would limit capital investment in the U.S. (57.3%), slow job creation (54.2%), reduce R&D investments (49.8%) and prevent wage increases (44.7%) (Figure 6). Respondents were able to check more than one response; therefore, responses exceed 100%.
- **Lawmakers need to act to address health care costs for manufacturing workers.** 72.4% of respondents support congressional action to reduce health care costs by reforming pharmacy benefit managers, while less than 6% oppose and 21.7% are uncertain. PBMs have the direct effect of increasing health care costs at the expense of manufacturers and manufacturing workers.
- Some other trends regarding predicted growth rates over the next 12 months (Figure 5):
 - **Sales:** Respondents expect sales to rise 1.6% over the next 12 months, down from the previous quarter (2.2%). Half of manufacturers predict sales will increase over the next four quarters, with 28.3% feeling orders will rise 5% or more. In contrast, 23.2% anticipate declining sales, with 26.6% predicting no change. Medium firms predicted the strongest growth (2.4%) over the next 12 months, while small and large firms expect only 1.0% growth.

¹ The historical average for those with positive responses in their outlook is 74.64%, with a standard deviation of 14.42%. An index reading of 40 would be consistent with one standard deviation below the mean (60.22% positive), and an index reading of 60 would be one standard deviation above the mean (89.07% positive).

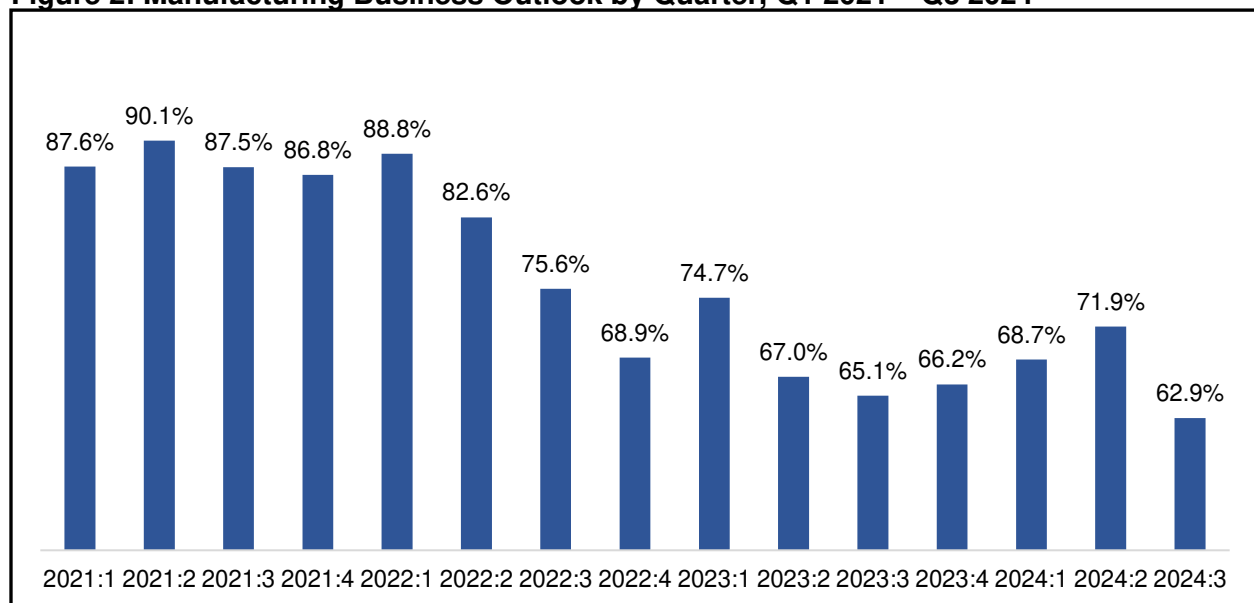
- **Production:** Respondents expect production to increase 1.6% over the next 12 months, down from 2.0% in Q2. Half of the respondents forecast output to rise over the coming months, with 22.5% seeing declining production. Medium-sized firms predicted the strongest growth (2.4%) over the next 12 months, while small and large firms expect only 1.0% growth.
- **Full-Time Employment:** Respondents expect full-time employment to rise only 0.3% over the next 12 months, down from 0.9% in Q2. More than 32% anticipate an increase in full-time hiring over the next year, with 22.1% predicting reduced employment. At the same time, 45.2% anticipate hiring levels remaining the same over the next year. While small and medium-sized firms expect 0.9% growth in employment, large firms predict full-time employment to decline 1.0%.
- **Employee Wages:** Respondents anticipate employee wages (excluding nonwage compensation, such as benefits) to rise 2.7% over the next 12 months, just shy of last quarter's expectation (2.8%). Around 51% of manufacturers predict wage growth of 3% or more over the next 12 months, with 9.5% suggesting 5% or more. The majority of respondents (86.7%) expect wages to increase generally. There was little difference by firm size.
- **Prices:** Respondents expect prices on their company's product line to increase 1.9% over the next 12 months, down slightly from 2.0% in Q2. Overall, almost 60% anticipate an increase in prices over the next year, with just 8.2% predicting reduced prices. Nearly 32% see prices remaining the same over the next year. Small firms expect the greatest rise in product prices (2.6%), while medium-sized and large firms predict a 1.7% increase.
- **Capital Investments:** Respondents expect capital spending to rise 0.7% over the next 12 months, falling from 1.3% in Q2. In this survey, 34.7% expect additional capital spending in the next year, with 43.6% predicting no change and 21.6% forecasting reduced capital expenditures, up from 14.5% in the last quarter. Medium-sized manufacturers report capital investment growth expectations, but small and large companies are less assured about investment plans, predicting a decline of around -0.2%.
- **Exports:** Respondents expect exports to increase 0.4% over the next 12 months, in line with the previous quarter. Overall, 23.2% anticipate higher exports in the next year, with 64.7% seeing no changes and 12.1% forecasting declines, up from 9.9% in Q2. Medium-sized manufacturers expect the highest growth, but at just 0.8%, while small and large manufacturers expect growth of a marginal 0.2%.
- **Inventories:** Respondents anticipate inventories shrinking 0.9% over the next 12 months, declining since Q3 2022. Around 35.6% of firms expect falling inventories over the next year, with just 20.8% predicting increases and 43.5% seeing no changes.

Figure 1: Manufacturing Business Outlook by Quarter, Q4 1997 – Q3 2024
(Recessions Are Highlighted with Gray Shading)



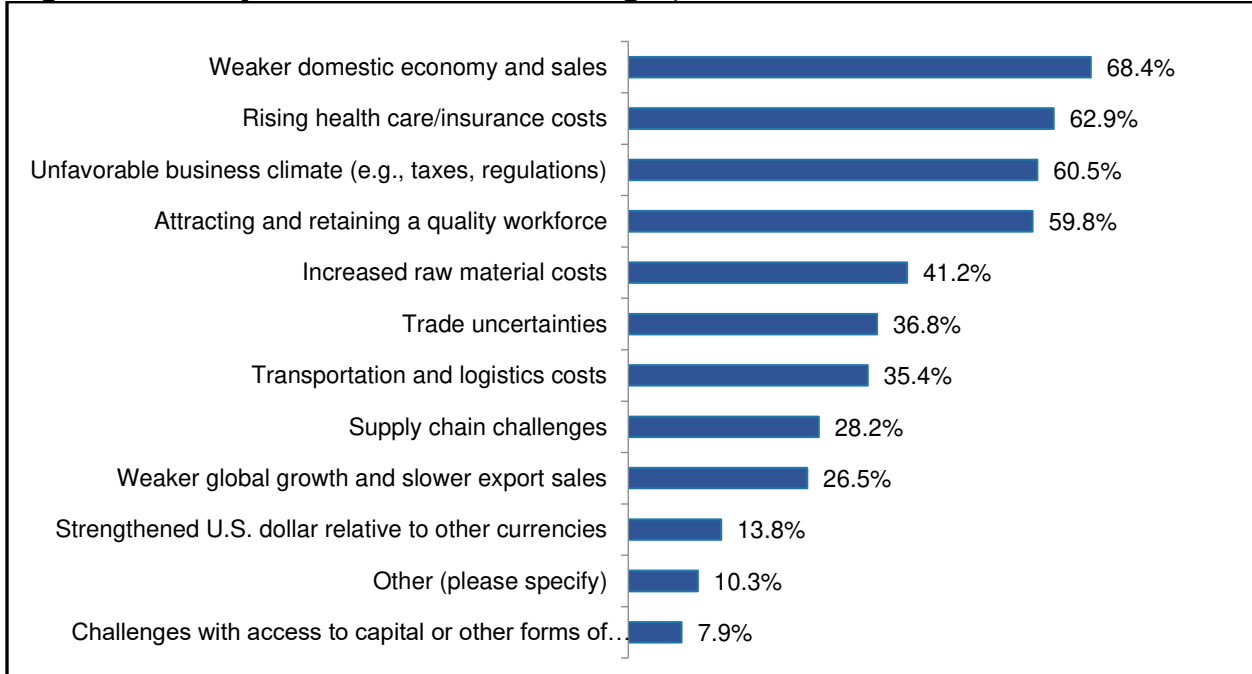
Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive. Recessions are designated by the National Bureau of Economic Research.

Figure 2: Manufacturing Business Outlook by Quarter, Q1 2021 – Q3 2024



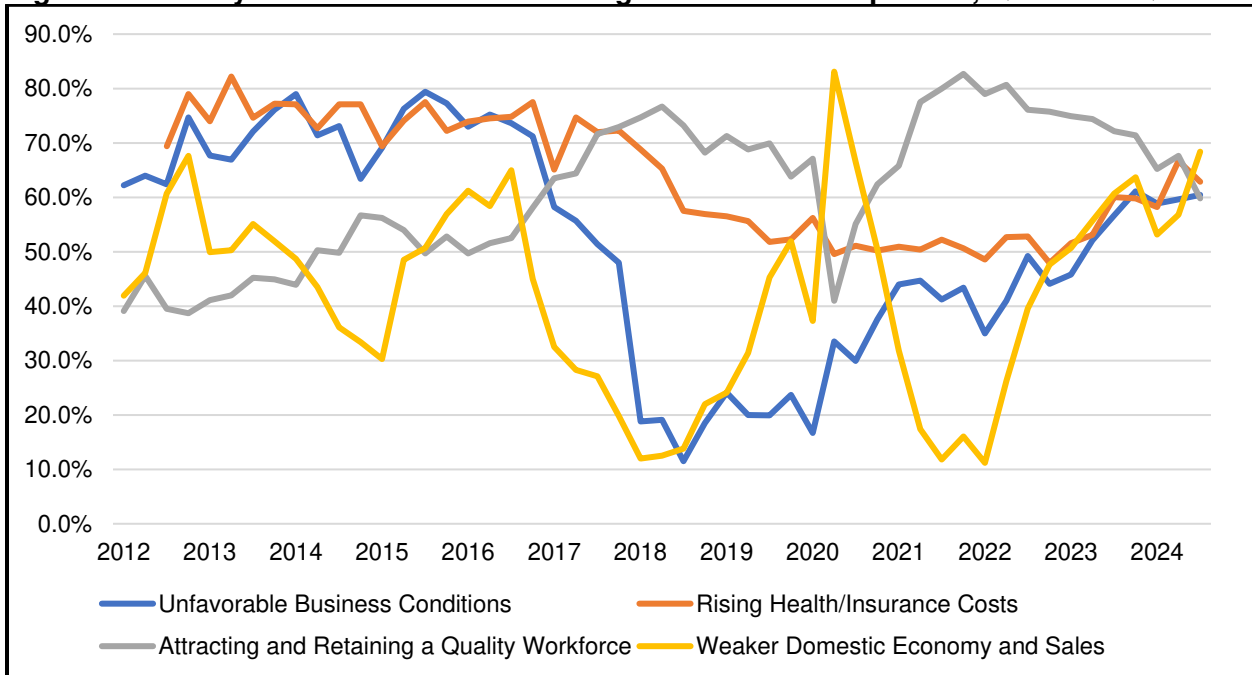
Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive.

Figure 3: Primary Current Business Challenges, Q3 2024



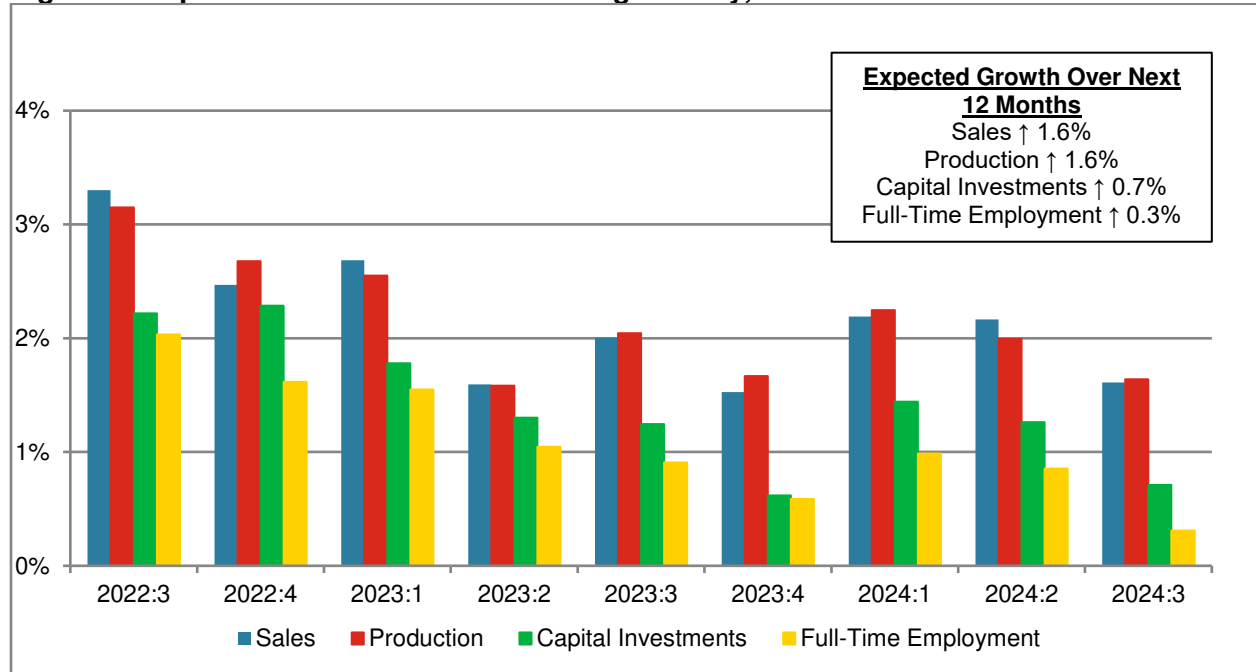
Note: Respondents were able to check more than one response; therefore, responses exceed 100%.

Figure 4: Primary Current Business Challenges for Select Responses, Q1 2012 – Q3 2024



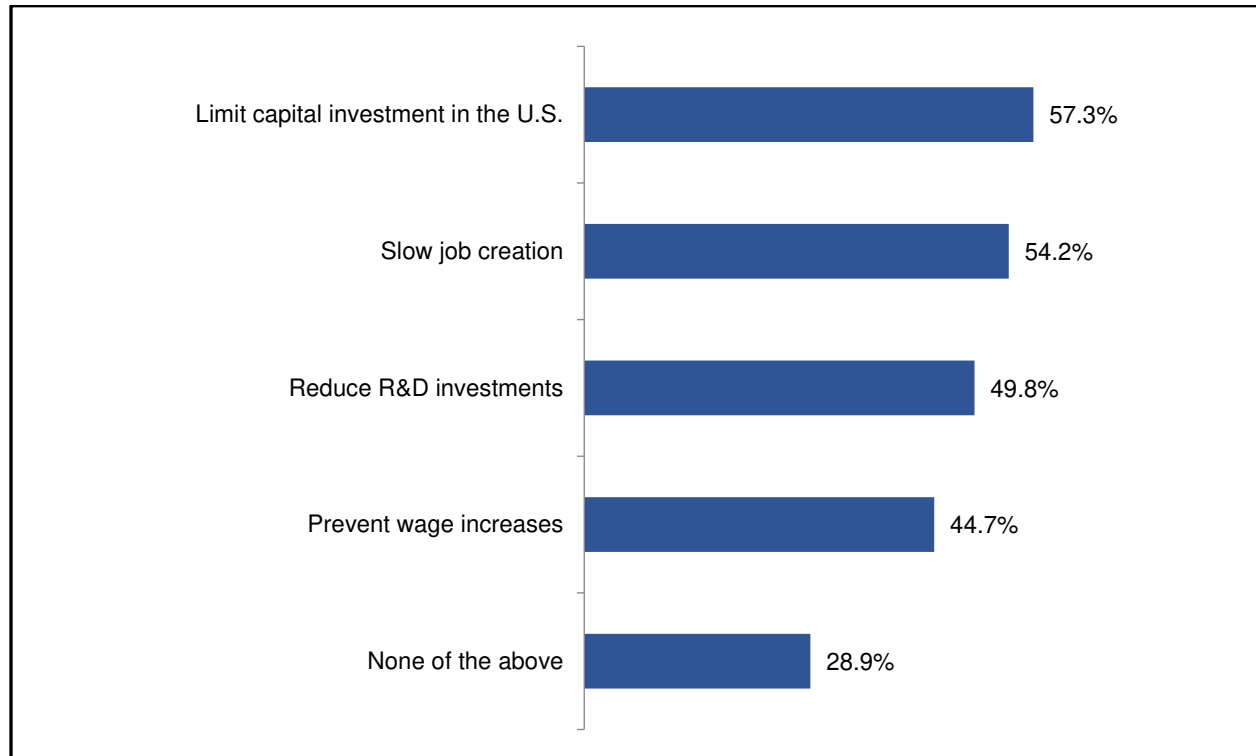
Note: Respondents were able to check more than one response; therefore, responses exceed 100%.

Figure 5: Expected Growth of Manufacturing Activity, Q3 2022 – Q3 2024



Note: Expected growth rates are annual averages.

Figure 6: Vice President Kamala Harris, the Democratic Presidential Nominee, Has Proposed Raising the Corporate Tax Rate from 21% to 28%. If You Are Organized as a C-Corporation, How Would Raising the Corporate Tax Rate to 28% Impact Your Business? (Select All That Apply.)



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

Figure 7: Should the Next President and Congress Act to Prevent Tax Increases on Manufacturers in 2025?

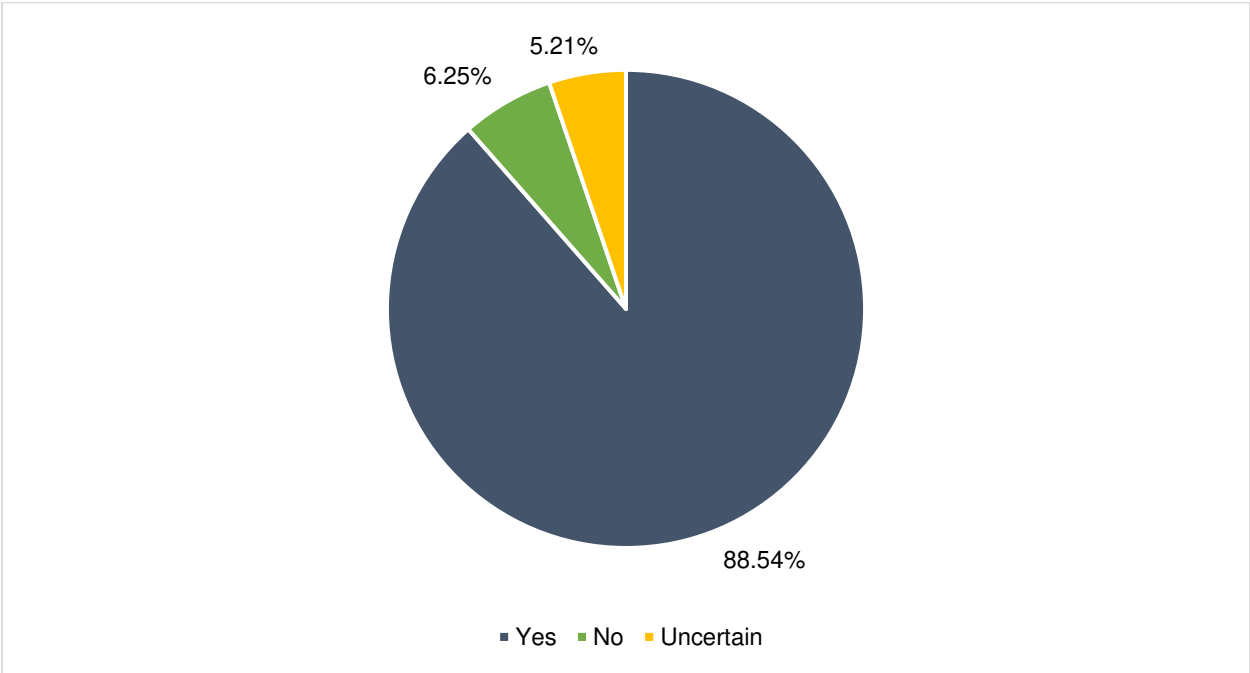
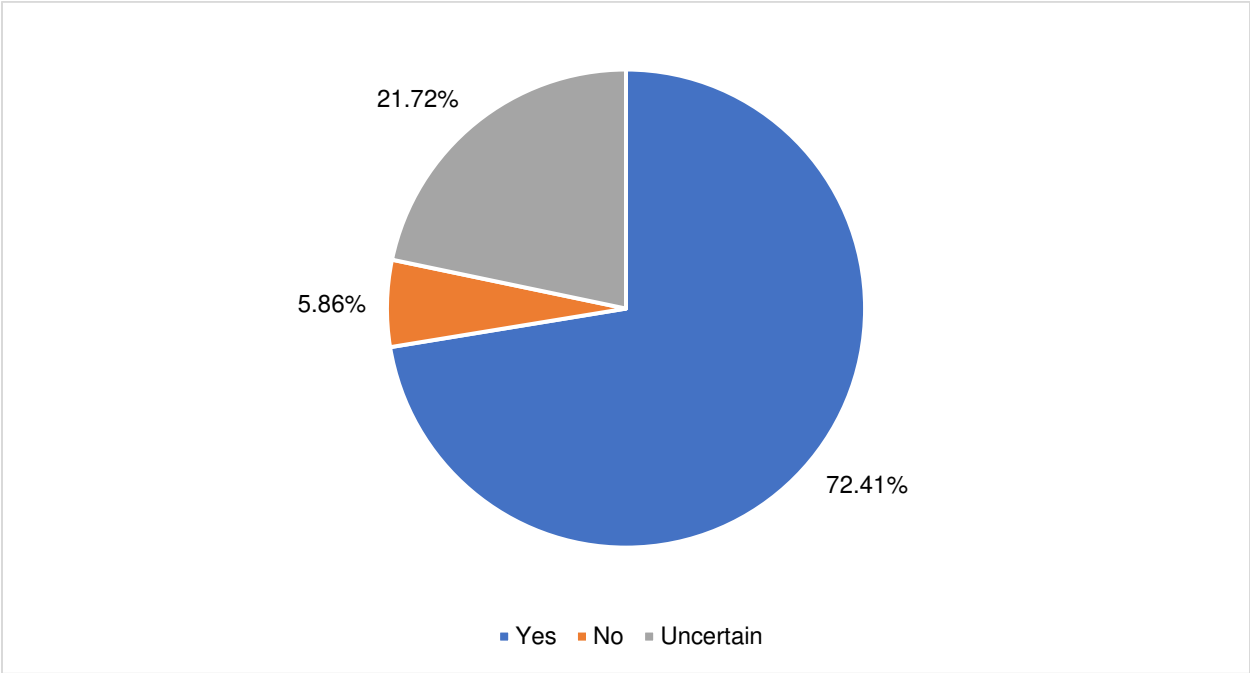


Figure 8: Should Congress Take Steps to Reduce Health Care Costs for Manufacturing Workers Participating in Employer-Sponsored Plans, Including by Reforming PBMs in the Commercial Insurance Market?



Survey Responses

1. How would you characterize the business outlook for your firm right now?
 - a. Very positive – 13.61%
 - b. Somewhat positive – 49.32%
 - c. Somewhat negative – 31.97%
 - d. Very negative – 5.10%

Percentage that is either somewhat or very positive in their outlook = 62.93%

2. Over the next year, what do you expect to happen with your company's overall sales?
 - a. Increase more than 10 percent – 9.90%
 - b. Increase 5 to 10 percent – 18.43%
 - c. Increase up to 5 percent – 21.84%
 - d. Stay about the same – 26.62%
 - e. Decrease up to 5 percent – 11.60%
 - f. Decrease 5 to 10 percent – 5.80%
 - g. Decrease more than 10 percent – 5.80%

Average expected increase in sales consistent with these responses = 1.61%

3. Over the next year, what do you expect to happen with your company's overall production levels?
 - a. Increase more than 10 percent – 10.58%
 - b. Increase 5 to 10 percent – 17.41%
 - c. Increase up to 5 percent – 22.18%
 - d. Stay about the same – 27.30%
 - e. Decrease up to 5 percent – 11.26%
 - f. Decrease 5 to 10 percent – 5.12%
 - g. Decrease more than 10 percent – 6.14%

Average expected increase in production consistent with these responses = 1.64%

4. Over the next year, what do you expect in terms of full-time employment in your company?
 - a. Increase more than 10 percent – 2.72%
 - b. Increase 5 to 10 percent – 9.52%
 - c. Increase up to 5 percent – 20.41%
 - d. Stay about the same – 45.24%
 - e. Decrease up to 5 percent – 11.56%
 - f. Decrease 5 to 10 percent – 6.12%
 - g. Decrease more than 10 percent – 4.42%

Average expected increase in full-time employment consistent with these responses = 0.31%

5. What percentage of jobs remain unfilled in your company?
 - a. Less than 5% – 70.65%
 - b. Between 5% and 10% – 21.50%

- c. Between 10% and 15% – 5.12%
- d. More than 15% – 2.73%

Average number of jobs expected to remain unfilled consistent with these responses = 2.68%

6. 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 – 9.52%
 - b. Increase 3 to 5 percent – 41.84%
 - c. Increase up to 3 percent – 35.37%
 - d. Stay about the same – 13.27%
 - e. Decrease up to 3 percent – 0.00%
 - 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 = 2.68%

7. Over the next year, what do you expect to happen with the level of exports from your company?
- a. Increase more than 5 percent – 9.34%
 - b. Increase 3 to 5 percent – 7.27%
 - c. Increase up to 3 percent – 6.57%
 - d. Stay about the same – 64.71%
 - e. Decrease up to 3 percent – 3.81%
 - f. Decrease 3 to 5 percent – 4.50%
 - g. Decrease more than 5 percent – 3.81%

Average expected increase in exports consistent with these responses = 0.43%

8. 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 – 1.37%
 - b. Increase 5 to 10 percent – 11.99%
 - c. Increase up to 5 percent – 46.58%
 - d. Stay about the same – 31.85%
 - e. Decrease up to 5 percent – 6.16%
 - f. Decrease 5 to 10 percent – 2.05%
 - g. Decrease more than 10 percent – 0.00%

Average expected increase in product prices consistent with these responses = 1.89%

9. Over the next year, what do you expect to happen with raw material prices and other input costs?
- a. Increase more than 10 percent – 3.77%
 - b. Increase 5 to 10 percent – 19.52%
 - c. Increase up to 5 percent – 41.78%
 - d. Stay about the same – 28.77%
 - e. Decrease up to 5 percent – 5.82%

- f. Decrease 5 to 10 percent – 0.34%
- g. Decrease more than 10 percent – 0.00%

Average expected increase in raw material prices consistent with these responses = 2.71%

10. Over the next year, what are your company's capital investment plans?
- a. Increase more than 10 percent – 11.68%
 - b. Increase 5 to 10 percent – 9.28%
 - c. Increase up to 5 percent – 13.75%
 - d. Stay about the same – 43.64%
 - e. Decrease up to 5 percent – 6.87%
 - f. Decrease 5 to 10 percent – 5.87%
 - g. Decrease more than 10 percent – 8.93%

Average expected increase in capital investments consistent with these responses = 0.71%

11. Over the next year, what are your inventory plans?
- a. Increase more than 10 percent – 3.08%
 - b. Increase 5 to 10 percent – 3.42%
 - c. Increase up to 5 percent – 14.38%
 - d. Stay about the same – 43.49%
 - e. Decrease up to 5 percent – 19.52%
 - f. Decrease 5 to 10 percent – 10.96%
 - g. Decrease more than 10 percent – 5.14%

Average expected increase in inventories consistent with these responses = -0.90%

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 – 68.38%
 - b. Weaker global growth and slower export sales – 26.46%
 - c. Trade uncertainties (e.g., actual or proposed tariffs, trade negotiation uncertainty) – 36.77%
 - d. Strengthened U.S. dollar relative to other currencies – 13.75%
 - e. Challenges with access to capital or other forms of financing – 7.90%
 - f. Unfavorable business climate (e.g., taxes, regulations) – 60.48%
 - g. Increased raw material costs – 41.24%
 - h. Rising health care/insurance costs – 62.89%
 - i. Transportation and logistics costs – 35.40%
 - j. Supply chain challenges – 28.18%
 - k. Attracting and retaining a quality workforce – 59.79%
 - l. Other – 10.31%

13. What is your company's primary industrial classification?
- a. Chemicals – 7.59%
 - b. Computer and electronic products – 1.38%
 - c. Electrical equipment and appliances – 5.17%
 - d. Fabricated metal products – 30.34%

- e. Food manufacturing – 3.45%
- f. Furniture and related products – 2.07%
- g. Machinery – 9.66%
- h. Nonmetallic mineral products – 1.38%
- i. Paper and paper products – 1.72%
- j. Petroleum and coal products – 1.03%
- k. Plastics and rubber products – 7.93%
- l. Primary metals – 3.10%
- m. Transportation equipment – 4.83%
- n. Wood products – 2.07%
- o. Other – 18.28%

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

- a. Fewer than 50 employees – 26.21%
- b. 50 to 499 employees – 42.41%
- c. 500 or more employees – 31.03%
- d. Uncertain – 0.34%

SPECIAL QUESTIONS

18. Vice President Kamala Harris, the Democratic presidential nominee, has proposed increasing the corporate tax rate from 21% to 28%. If you are organized as a C-corporation, how would raising the corporate tax rate to 28% impact your business? (Select all that apply.)
- a. Slow job creation – 54.15%
 - b. Prevent wage increases – 44.66%
 - c. Reduce R&D investments – 49.80%
 - d. Limit capital investment in the U.S. – 57.31%
 - e. None of the above – 28.85%
19. Since 2017, the U.S. corporate tax rate has been 21%. As Congress considers tax legislation in 2025, what should the U.S. corporate tax rate be?
- a. 20% or lower – 48.60%
 - b. 21% – 43.71%
 - c. 22% or higher – 7.69%
20. Should the next president and Congress act to prevent tax increases on manufacturers in 2025?
- a. Yes – 88.54%
 - b. No – 6.25%
 - c. Uncertain – 5.21%
21. Should Congress take steps to reduce health care costs for manufacturing workers participating in employer-sponsored plans, including by reforming pharmacy benefit management in the commercial insurance market?
- a. Yes – 72.41%
 - b. No – 5.86%
 - c. Unsure – 21.72%