NAM MANUFACTURERS' OUTLOOK SURVEY
FOURTH QUARTER 2024

Dec.17, 2024

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Percentage of Respondents Positive About Their Own Company's Outlook	Overall Facts About the Survey
70.9% ***(Q3: 62.9%)*** Small Manufacturers: 70.5% Medium-Sized Manufacturers: 72.9% Large Manufacturers: 70.3%	Number of Responses: 273 In the Field: Nov. 15 – Dec. 4, 2024 Small Manufacturers: 62 responses (22.7%) Medium-Sized Manufacturers: 107 responses (39.2%) Large Manufacturers: 101 responses (37.0%) Undisclosed: 3 (1.1%)
Expected Growth Rate for SALES Over the Next 12 Months **↑ 2.9%** ***(Q3: ↑ 1.6%)***	**Expected Growth Rate for PRODUCTION Over the Next 12 Months** **↑ 2.8%** ***(Q3: ↑ 1.6%)***
Expected Growth Rate for FULL-TIME EMPLOYMENT Over the Next 12 Months **↑ 1.3%** ***(Q3: ↑ 0.3%)***	**Expected Growth Rate for EMPLOYEE WAGES Over the Next 12 Months** **↑ 2.7%** ***(Q3: ↑ 2.7%)***
Expected Growth Rate for CAPITAL INVESTMENTS Over the Next 12 Months **↑ 1.6%** ***(Q3: ↑ 0.7%)***	**Expected Growth Rate for EXPORTS Over the Next 12 Months** **↑ 0.4%** ***(Q3: ↑ 0.4%)***
Expected Growth Rate for PRICES OF COMPANY'S PRODUCTS Over the Next 12 Months **↑ 2.3%** ***(Q3: ↑ 1.9%)***	**Expected Growth Rate for RAW MATERIAL PRICES AND OTHER INPUT COSTS Over the Next 12 Months** **↑ 2.9%** ***(Q3: ↑ 2.7%)***
Expected Growth Rate for INVENTORIES Over the Next 12 Months **↓ 0.5%** ***(Q3: ↓ 0.9%)***	

Summary of Findings

- **Manufacturing sentiment rose substantially from the previous quarter.** The NAM conducted the Q4 2024 Manufacturers' Outlook Survey Nov. 15 – Dec. 4. In Q4, 70.9% of respondents felt either somewhat or very positive about their company's outlook, rising significantly from 62.9% in the third quarter (Figures 1 and 2). The average over the past four quarters is 68.6%.

- **After consistently trending upward since 2023, rising health care and insurance costs are now at the top of manufacturers' business concerns.** Manufacturers cited rising health care and insurance costs as their top concern in Q4 2024, with 63.2% claiming it as one of their biggest challenges. This was followed by last quarter's top concern, a weaker domestic economy (58.0%). Attracting and retaining a quality workforce (55.8%) now ranks as the fourth-highest concern after topping this list from Q4 2020 to Q2 2024 (Figure 3). Respondents were able to check more than one response; therefore, responses exceed 100%.

- **Trade uncertainty tops the list of concerns for large manufacturers.** In Q4, 68.7% of manufacturers with 500 or more employees cite trade uncertainty (e.g., actual or proposed tariffs, trade negotiations uncertainty) as a top business challenge, up from 52.2% in Q3. For manufacturers of all sizes, trade uncertainty was the third greatest business challenge at 56.1%, soaring from the level of concern expressed in Q3 at 36.8%.

- **More than seven out of 10 manufacturers have less than 5% of jobs unfilled.** On average, companies reported 4.2% of jobs remain unfilled, down slightly from the 4.4% reported in Q3. This falling rate mirrors what we have seen with the declining level of manufacturing job openings.

- **Manufacturers want Congress to prevent scheduled tax increases next year.** In 2025, key provisions of tax reform are set to expire, driving up costs for businesses throughout the manufacturing supply chain. Nearly 8 out of 10 respondents state that it is extremely important for Congress and the new administration to prevent these tax increases (Figure 6), with less than 2% of respondents saying that it is not important. 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, other tax policies critical to the manufacturing sector, such as the 20% pass-through deduction, individual tax rates and the estate tax exemption threshold, will expire or become less favorable at the end of 2025.

- **Reducing the regulatory burden is also important to manufacturers.** More than 99% of respondents believe it is important that the new administration reduce the regulatory burden on manufacturers, with 65.7% of respondents citing this priority as extremely important (Figure 7). Recent research from the NAM finds that the cost of federal regulations exceeds $3 trillion a year, and the cost for manufacturers to comply with federal regulations amounts to roughly $350 billion a year.

- **More than two-thirds of manufacturers call for streamlining federal permitting.** Of companies with permittable projects planned, 68.3% say they would be able to expand or build new facilities in the U.S. more quickly if Congress and the administration streamline federal permitting by expediting judicial review. This includes updating the Clean Air, Clean Water and Endangered Species Acts; increasing the use of categorical exclusions under the National Environmental Policy Act; and accelerating energy and minerals project reviews.

- **More than 9 in 10 manufacturers support an all-of-the-above energy strategy.** Respondents overwhelmingly support (93.5%) an all-of-the-above energy strategy that encourages investment in a variety of energy sources and enables the development of infrastructure needed to ensure reliable access to energy (Figure 8).

- Some other trends regarding predicted growth rates over the next 12 months (Figure 5):

- **Sales:** Respondents expect sales to rise 2.9% over the next 12 months, up from the previous quarter (1.6%). Well more than half of manufacturers (65.7%) predict sales will increase over the next four quarters, with 36.9% anticipating orders will rise 5% or more. In contrast, 16.2% foresee declining sales, with 18.1% predicting no change. Medium firms predict the strongest growth (3.6%) over the next 12 months, while small and large firms expect 2.5% growth.

- **Production:** Respondents expect production to increase 2.8% over the next 12 months, up from 1.6% in Q3. More than 6 out of 10 respondents forecast output to rise over the coming months, while 15.9% predict declining production. Medium-sized firms anticipate the strongest growth (3.4%) over the next 12 months, while small and large firms expect 2.5% growth.

- **Full-Time Employment:** Respondents expect full-time employment to rise 1.3% over the next 12 months, up from 0.3% in Q3. More than 40% anticipate an increase in full-time hiring over the next year, while 17.0% predict reduced employment. At the same time, 42.0% forecast hiring levels to remain the same over the next year. While small and medium-sized firms expect 1.9% growth in employment, large firms predict only 0.4% growth.

- **Employee Wages:** Respondents anticipate employee wages (excluding nonwage compensation, such as benefits) to rise 2.7% over the next 12 months, the same as last quarter's expectation. While more than 90% of manufacturers predict some level of wage growth over the next 12 months, only 5.9% forecast wage growth of 5% or more. Meanwhile, small and medium-sized firms expect 2.8% growth, and large firms anticipate wages to increase 2.6%.

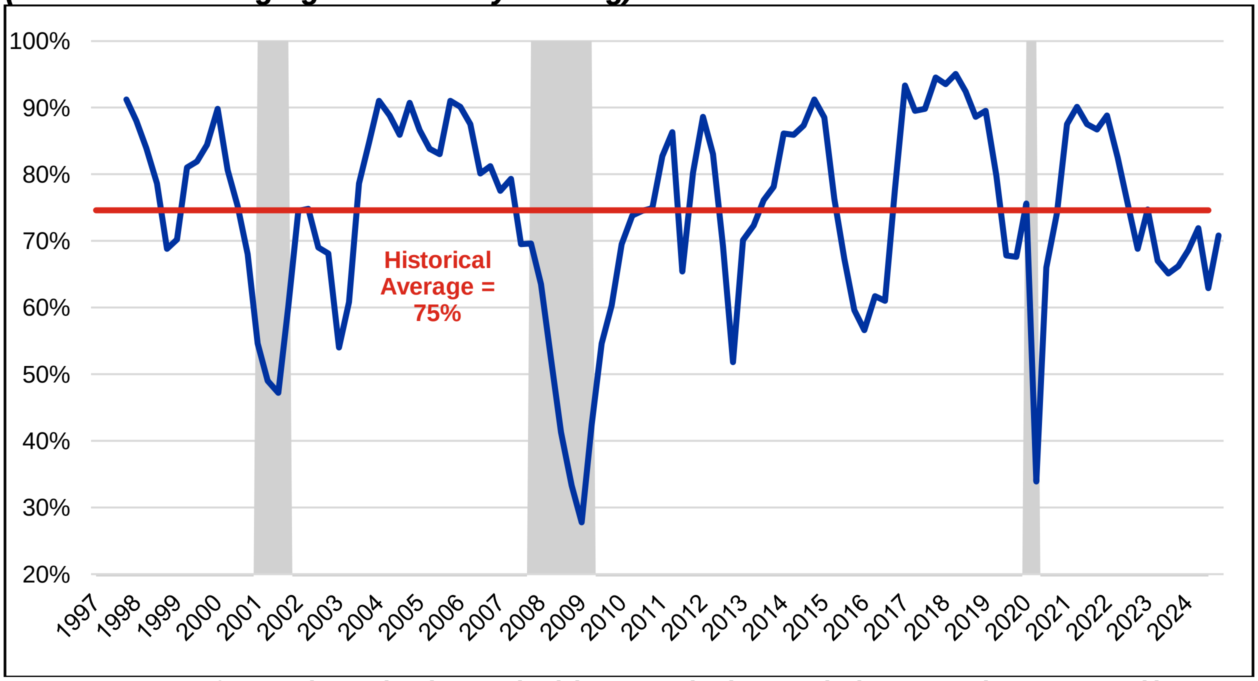
- **Prices:** Respondents expect prices on their company's product line to increase 2.3% over the next 12 months, up from 1.9% in Q3. Overall, almost 60% anticipate an increase in prices over the next year, with just 4.8% predicting reduced prices. In addition, 35.3% of respondents see prices remaining the same over the next year. Small firms expect the greatest rise in product prices (3.0%), while medium-sized and large firms predict a 2.2% increase.

- **Capital Investments:** Respondents forecast capital spending to rise 1.6% over the next 12 months, an increase from the 0.7% expected in Q3. In this survey, 42.4% anticipate additional capital spending in the next year, with 39.9% predicting no change and 17.7% seeing reduced capital expenditures. Medium-sized firms predict the strongest growth (2.3%) over the next 12 months, while small and large firms expect just 1.1% growth.

- **Exports:** Respondents expect exports to increase 0.4% over the next 12 months, in line with the two previous quarters. Overall, 23.1% anticipate higher exports in the next year, with 66.4% seeing no changes and 10.5% forecasting declines. Small manufacturers expect the highest growth (0.51%), while small and large manufacturers predict growth of 0.4%.

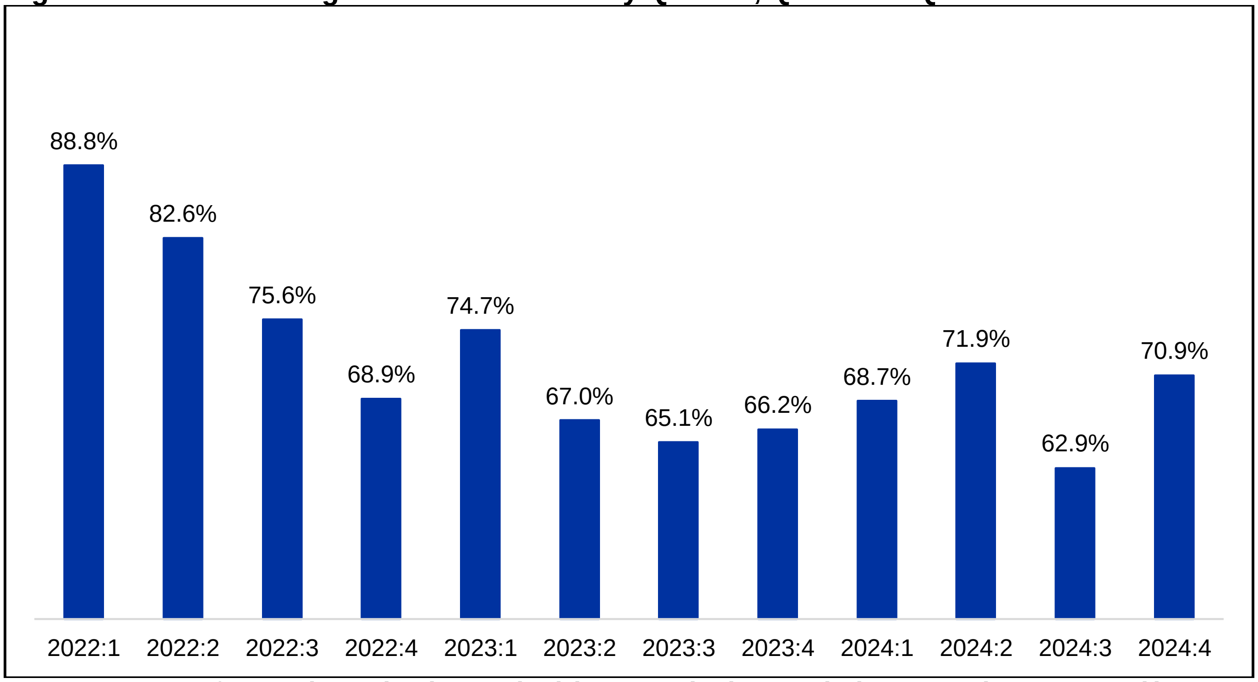
- **Inventories:** Respondents anticipate inventories shrinking 0.5% over the next 12 months, a smaller decline than the one forecasted in Q3 2024. Around 31.0% of firms expect inventories to fall over the next year, with just 21.0% predicting increases and 48.0% seeing no changes.

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



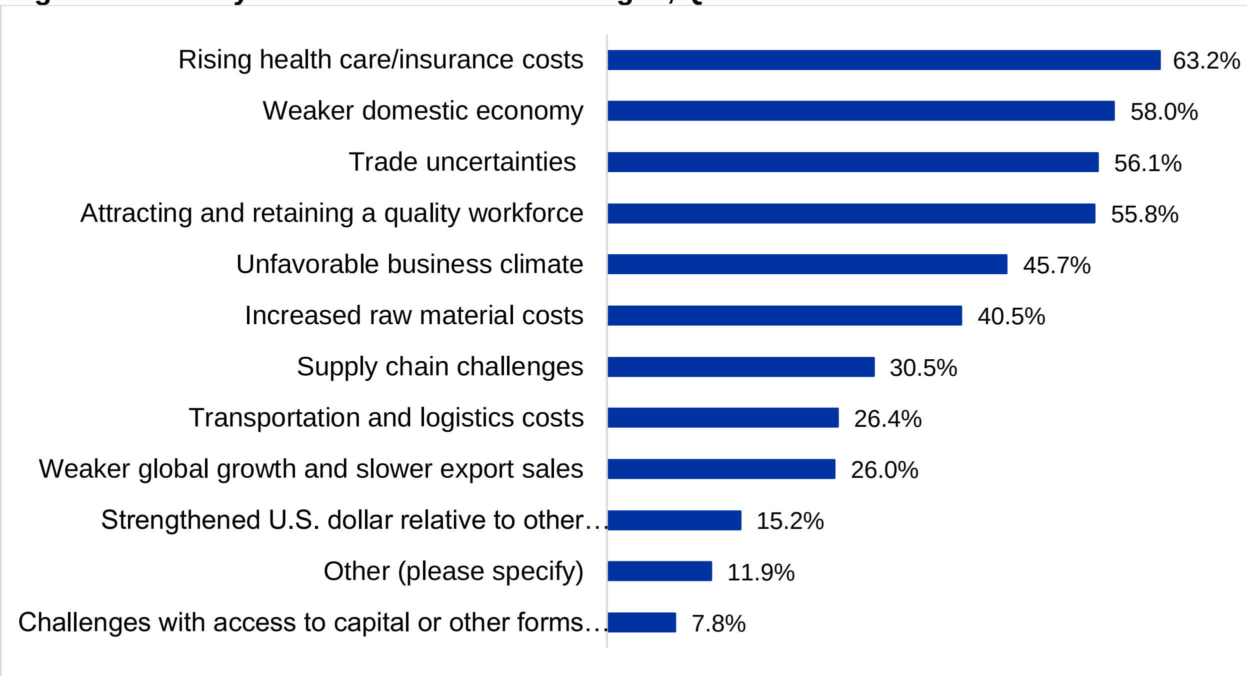
Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive. Recessions are designated by the National Bureau of Economic Research.

Figure 2: Manufacturing Business Outlook by Quarter, Q1 2022 – Q4 2024



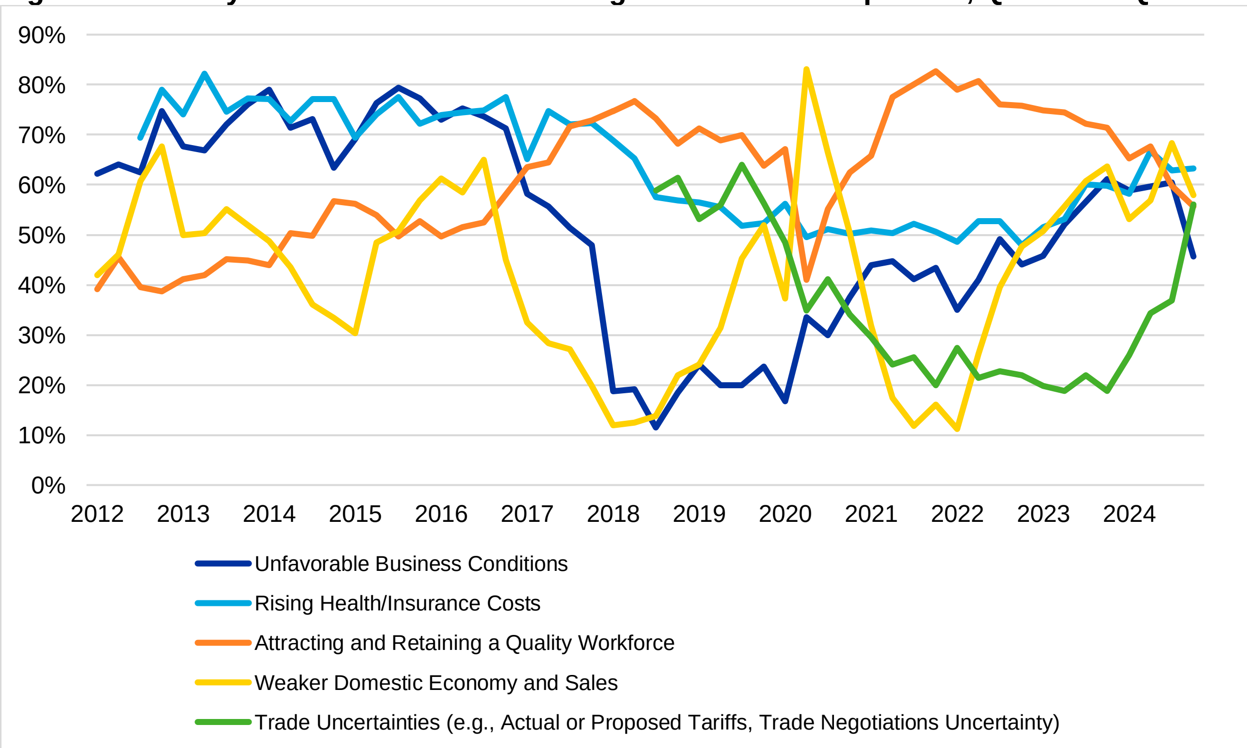
Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive.

Figure 3: Primary Current Business Challenges, Q4 2024



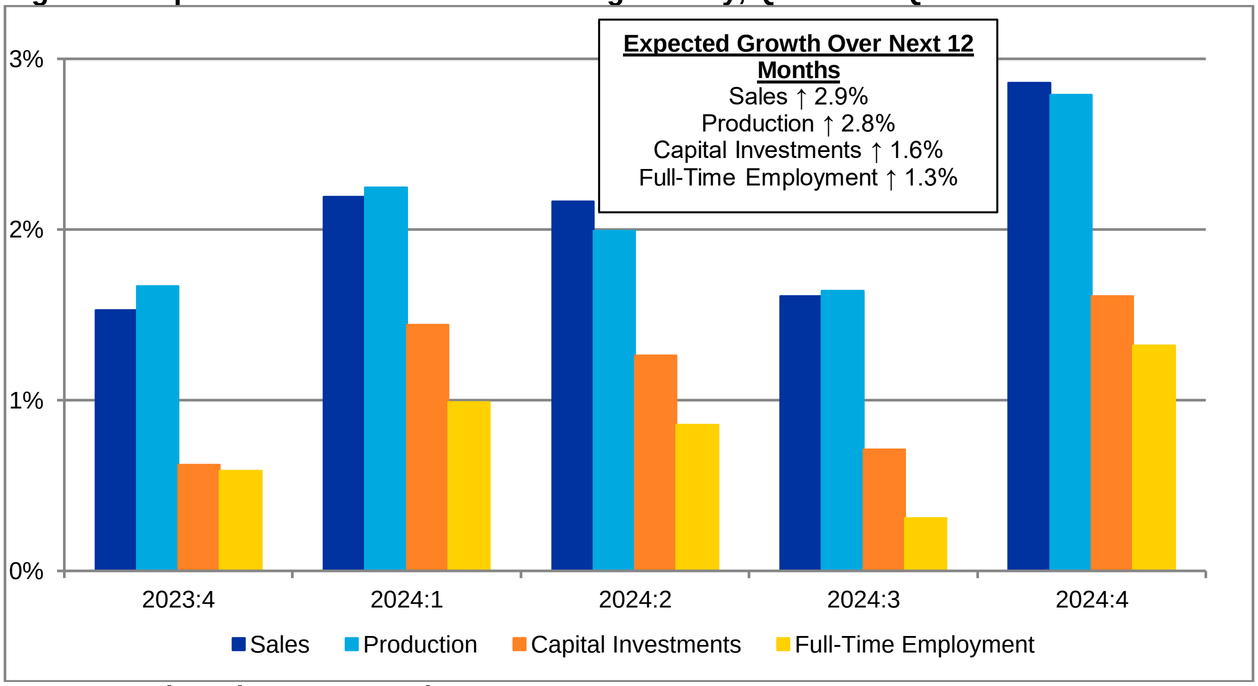
Note: Respondents were able to check more than one response; therefore, responses exceed 100%.

Figure 4: Primary Current Business Challenges for Select Responses, Q1 2012 – Q4 2024



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

Figure 5: Expected Growth of Manufacturing Activity, Q4 2023 – Q4 2024



Note: Expected growth rates are annual averages.

Figure 6: Next Year, Key Provisions of Tax Reform Are Set to Expire, Driving Up Costs for Businesses Throughout the Manufacturing Supply Chain. How Important Is It That Congress and the New Administration Prevent These Tax Increases?

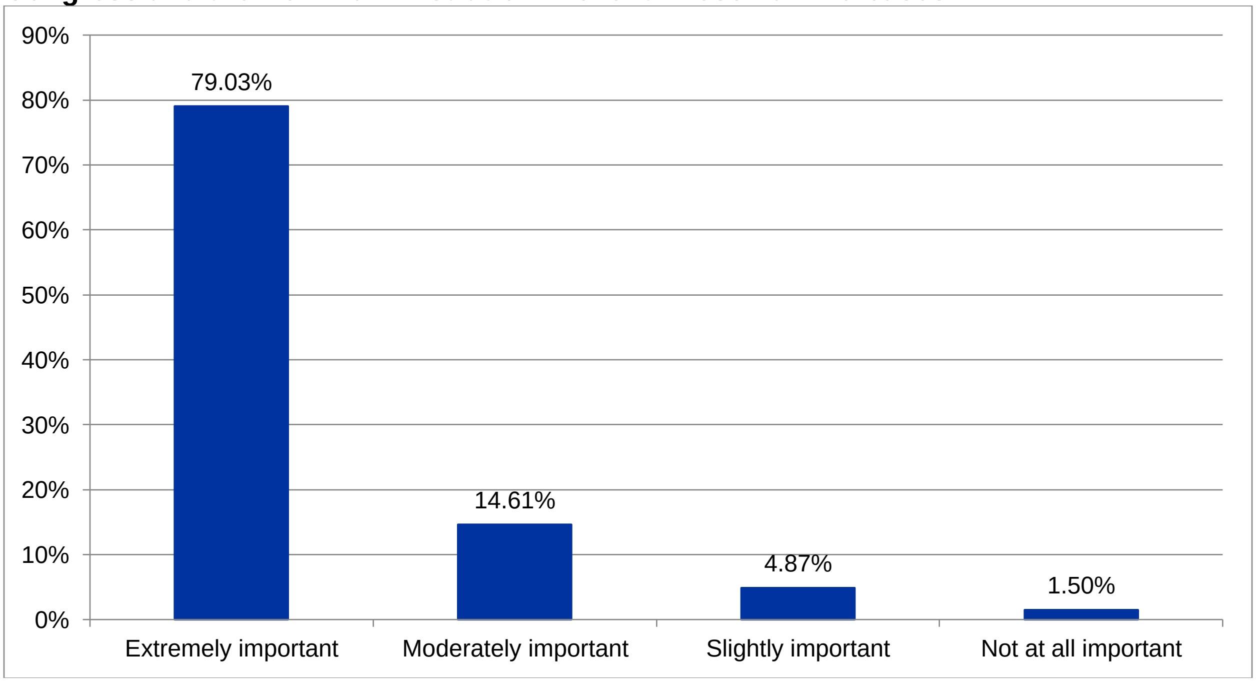


Figure 7: Recent Research Finds That the Cost of Complying with Federal Regulations Exceeds $3 Trillion a Year. How Important Is It That the Next Administration Reduces the Regulatory Burden on Manufacturers?

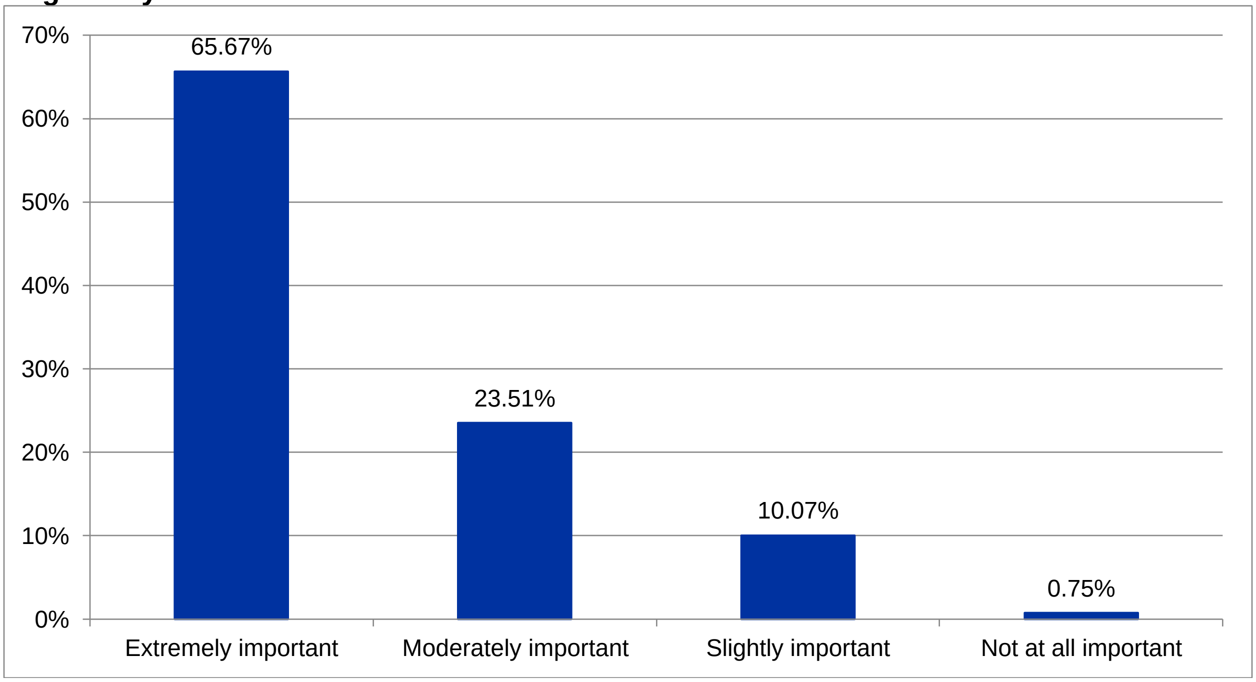
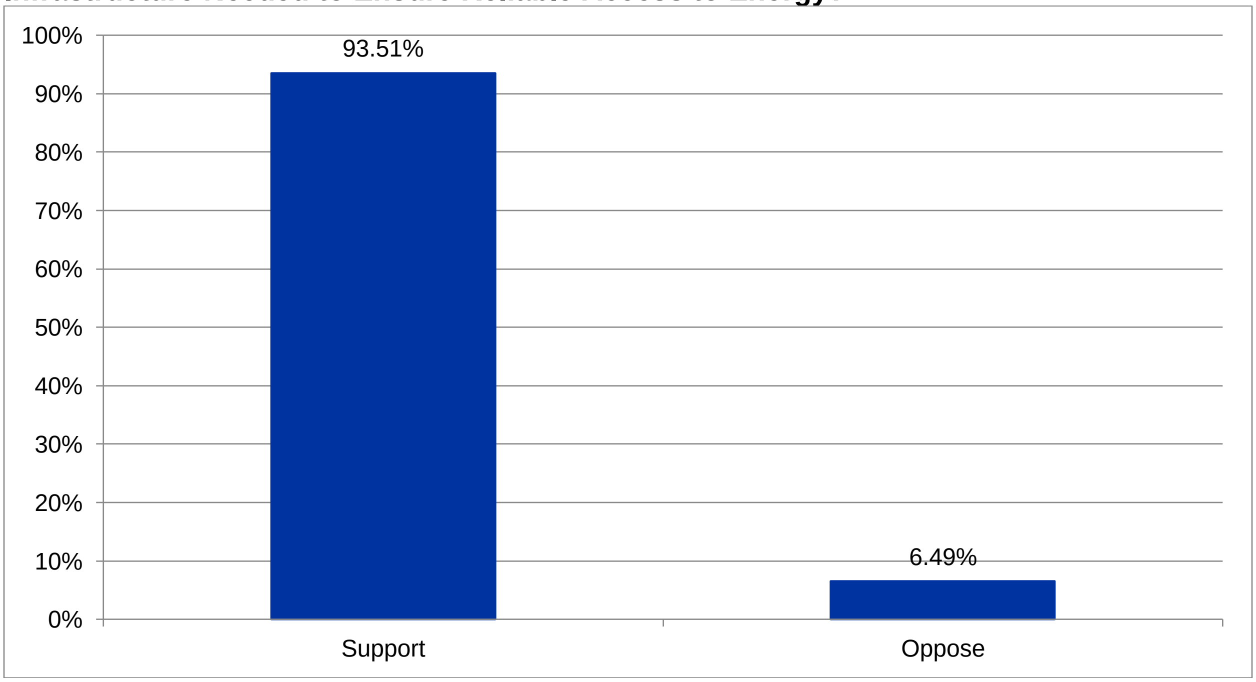


Figure 8: Do You Support or Oppose an All-of-the-Above Energy Strategy That Encourages Investment in a Variety of Energy Sources and Enables the Development of Infrastructure Needed to Ensure Reliable Access to Energy?



Survey Responses

1. How would you characterize the business outlook for your firm right now?
    a. Very positive – 14.02%
    b. Somewhat positive – 56.83%
    c. Somewhat negative – 25.46%
    d. Very negative – 3.69%

    Percentage that is either somewhat or very positive in their outlook = 70.85%

2. Over the next year, what do you expect to happen with your company's overall sales?
    a. Increase more than 10 percent – 11.81%
    b. Increase 5 to 10 percent – 25.09%
    c. Increase up to 5 percent – 28.78%
    d. Stay about the same – 18.08%
    e. Decrease up to 5 percent – 7.75%
    f. Decrease 5 to 10 percent – 4.80%
    g. Decrease more than 10 percent – 3.69%

    Average expected increase in sales consistent with these responses = 2.86%

3. Over the next year, what do you expect to happen with your company's overall production levels?
    a. Increase more than 10 percent – 11.11%
    b. Increase 5 to 10 percent – 25.19%
    c. Increase up to 5 percent – 27.41%
    d. Stay about the same – 20.37%
    e. Decrease up to 5 percent – 7.78%
    f. Decrease 5 to 10 percent – 4.44%
    g. Decrease more than 10 percent – 3.70%

    Average expected increase in production consistent with these responses = 2.79%

4. Over the next year, what do you expect in terms of full-time employment in your company?
    a. Increase more than 10 percent – 2.95%
    b. Increase 5 to 10 percent – 14.02%
    c. Increase up to 5 percent – 23.99%
    d. Stay about the same – 42.07%
    e. Decrease up to 5 percent – 13.65%
    f. Decrease 5 to 10 percent – 1.85%
    g. Decrease more than 10 percent – 1.48%

    Average expected increase in full-time employment consistent with these responses = 1.32%

5. What percentage of jobs remain unfilled in your company?
    a. Less than 5% – 73.78%
    b. Between 5% and 10% – 20.22%
    c. Between 10% and 15% – 4.12%
    d. More than 15% – 1.87%

Average number of jobs expected to remain unfilled consistent with these responses = 4.16%

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 – 5.90%
    b. Increase 3 to 5 percent – 45.76%
    c. Increase up to 3 percent – 38.75%
    d. Stay about the same – 8.86%
    e. Decrease up to 3 percent – 0.37%
    f. Decrease 3 to 5 percent – 0.00%
    g. Decrease more than 5 percent – 0.37%

    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 – 7.84%
    b. Increase 3 to 5 percent – 7.09%
    c. Increase up to 3 percent – 8.21%
    d. Stay about the same – 66.42%
    e. Decrease up to 3 percent – 3.73%
    f. Decrease 3 to 5 percent – 1.87%
    g. Decrease more than 5 percent – 4.85%

    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 – 2.94%
    b. Increase 5 to 10 percent – 15.44%
    c. Increase up to 5 percent – 41.54%
    d. Stay about the same – 35.29%
    e. Decrease up to 5 percent – 4.04%
    f. Decrease 5 to 10 percent – 0.37%
    g. Decrease more than 10 percent – 0.37%

    Average expected increase in product prices consistent with these responses = 2.32%

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 – 4.07%
    b. Increase 5 to 10 percent – 19.26%
    c. Increase up to 5 percent – 46.30%
    d. Stay about the same – 25.93%
    e. Decrease up to 5 percent – 4.07%
    f. Decrease 5 to 10 percent – 0.37%
    g. Decrease more than 10 percent – 0.00%

Average expected increase in raw material prices consistent with these responses = 2.88%

10. Over the next year, what are your company's capital investment plans?
    a. Increase more than 10 percent – 14.39%
    b. Increase 5 to 10 percent – 11.81%
    c. Increase up to 5 percent – 16.24%
    d. Stay about the same – 39.85%
    e. Decrease up to 5 percent – 7.01%
    f. Decrease 5 to 10 percent – 4.80%
    g. Decrease more than 10 percent – 5.90%

    Average expected increase in capital investments consistent with these responses = 1.61%

11. Over the next year, what are your inventory plans?
    a. Increase more than 10 percent – 1.85%
    b. Increase 5 to 10 percent – 7.01%
    c. Increase up to 5 percent – 12.18%
    d. Stay about the same – 47.97%
    e. Decrease up to 5 percent – 18.45%
    f. Decrease 5 to 10 percent – 8.49%
    g. Decrease more than 10 percent – 4.06%

    Average expected change in inventories consistent with these responses = -0.49%

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 – 57.99%
    b. Weaker global growth and slower export sales – 26.02%
    c. Trade uncertainties (e.g., actual or proposed tariffs, trade negotiation uncertainty) – 56.13%
    d. Strengthened U.S. dollar relative to other currencies – 15.24%
    e. Challenges with access to capital or other forms of financing – 7.81%
    f. Unfavorable business climate (e.g., taxes, regulations) – 45.72%
    g. Increased raw material costs – 40.52%
    h. Rising health care/insurance costs – 63.20%
    i. Transportation and logistics costs – 26.39%
    j. Supply chain challenges – 30.48%
    k. Attracting and retaining a quality workforce – 55.76%
    l. Other – 11.90%

13. What is your company's primary industrial classification?
    a. Chemicals – 5.90%
    b. Computer and electronic products – 3.69%
    c. Electrical equipment and appliances – 5.90%
    d. Fabricated metal products – 26.94%
    e. Food manufacturing – 1.85%
    f. Furniture and related products – 1.85%
    g. Machinery – 11.07%
    h. Nonmetallic mineral products – 1.11%
    i. Paper and paper products – 2.58%

j. Petroleum and coal products – 1.85%
k. Plastics and rubber products – 6.64%
l. Primary metals – 2.58%
m. Transportation equipment – 8.49%
n. Wood products – 2.21%
o. Other – 17.34%

14. What is your firm size (e.g., the parent company, not your establishment)?
    a. Fewer than 50 employees – 22.96%
    b. 50 to 499 employees – 39.63%
    c. 500 or more employees – 37.41%
    d. Uncertain – 0.00%

SPECIAL QUESTIONS

15. Next year, key provisions of tax reform are set to expire, driving up costs for businesses throughout the manufacturing supply chain. How important is it that Congress and the new administration prevent these tax increases?
    a. Extremely important – 79.03%
    b. Moderately important – 14.61%
    c. Slightly important – 4.87%
    d. Not at all important – 1.50%

16. Recent research finds that the cost of complying with federal regulations exceeds $3 trillion a year. How important is it that the next administration reduces the regulatory burden on manufacturers?
    a. Extremely important – 65.67%
    b. Moderately important – 23.51%
    c. Slightly important – 10.07%
    d. Not at all important – 0.75%

17. If Congress and the administration streamline federal permitting by expediting judicial review; updating the Clean Air, Clean Water and Endangered Species Acts; increasing the use of categorical exclusions under NEPA and accelerating energy and minerals project reviews, would your company be able to expand or build new facilities in the U.S. more quickly?
    a. Yes – 31.33%
    b. No – 14.50%
    c. No permittable projects planned at this time – 54.28%

18. Do you support or oppose an all-of-the-above energy strategy that encourages investment in a variety of energy sources and enables the development of infrastructure needed to ensure reliable access to energy?
    a. Support – 93.51%
    b. Oppose – 6.49%