

NAM MANUFACTURERS' OUTLOOK SURVEY
FIRST QUARTER 2025
 March 6, 2025

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<p>Percentage of Respondents Positive About Their Own Company's Outlook</p> <p style="text-align: center;">69.7% (Q4: 70.9%)</p> <p>Small Manufacturers: 78.7%</p> <p>Medium-Sized Manufacturers: 73.9%</p> <p>Large Manufacturers: 60.5%</p>	<p>Overall Facts About the Survey</p> <p>Number of Responses: 254 In the Field: Feb. 11 – Feb. 28, 2025</p> <p>Small Manufacturers: 48 responses (18.9%)</p> <p>Medium-Sized Manufacturers: 121 responses (47.6%)</p> <p>Large Manufacturers: 81 responses (31.9%)</p> <p>Undisclosed: 4 (1.6%)</p>
<p>Expected Growth Rate for <u>SALES</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 3.4% (Q4: ↑ 2.9%)</p>	<p>Expected Growth Rate for <u>PRODUCTION</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 3.3% (Q4: ↑ 2.8%)</p>
<p>Expected Growth Rate for <u>FULL-TIME EMPLOYMENT</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 1.1% (Q4: ↑ 1.3%)</p>	<p>Expected Growth Rate for <u>EMPLOYEE WAGES</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 2.8% (Q4: ↑ 2.7%)</p>
<p>Expected Growth Rate for <u>CAPITAL INVESTMENTS</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 1.2% (Q4: ↑ 1.6%)</p>	<p>Expected Growth Rate for <u>EXPORTS</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 0.1% (Q4: ↑ 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;">↑ 3.6% (Q4: ↑ 2.3%)</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;">↑ 5.5% (Q4: ↑ 2.9%)</p>
<p>Expected Growth Rate for <u>INVENTORIES</u> Over the Next 12 Months</p> <p style="text-align: center;">↓ 0.1% (Q4: ↓ 0.5%)</p>	

Summary of Findings

- **Manufacturing sentiment slipped slightly from the previous quarter.** The NAM conducted the Q1 2025 Manufacturers' Outlook Survey Feb. 11 – Feb. 28. In Q1, 69.7% of respondents felt either somewhat or very positive about their company's outlook, down slightly from 70.9% in Q4 2024 (Figures 1 and 2). The average over the past four quarters is 68.85%.
- **Trade uncertainties and rising input costs are now at the top of manufacturers' business concerns.** In Q1, 76.2% of manufacturers cited trade uncertainties (e.g.,

actual or proposed tariffs, trade negotiations uncertainty) as their top business challenge, followed by increased raw material costs (62.3%) and rising health care/insurance costs (58.3%) (Figures 3 and 4). When broken down by business size, 90.1% of large (500 or more employees) and 74.4% of medium-sized (50 to 499 employees) manufacturers cited trade uncertainties as their top business challenge. Meanwhile, 60.4% of small manufacturers (fewer than 50 employees) cited increased raw material costs as their top business concern, with trade uncertainties registering as the second highest concern at 58.3%. Respondents were able to check more than one response; therefore, responses exceed 100%.

- **Tariffs are weighing on the overall outlook.** When asked what manufacturers expect to happen with raw material prices and other input costs, respondents expect those costs to increase 5.5% on average, the highest rate of increase since Q2 2022 when the inflation rate was hovering between 8% and 9%. When asked about product price growth, manufacturers anticipate the highest rate of growth since Q3 2022 when inflation was still more than 8%. Meanwhile, export sales are expected to stagnate to the worst levels seen since Q2 2020 at the height of the pandemic.
- **Manufacturers are likely to delay capital equipment purchases if Congress does not act quickly to extend the Tax Cuts and Jobs Act.** In 2025, key provisions of tax reform are set to expire, in addition to the provisions that have already phased out, driving up costs for businesses throughout the manufacturing supply chain. When asked what business decisions respondents were considering if Congress fails to act quickly to extend the TCJA, nearly 7 out of 10 respondents said they will wait to purchase capital equipment. Additionally, 45.2% would hold off on hiring, 44.7% would stall expansion of operations, 41.7% would limit R&D investments and 40.2% would curb increases in employee wages or benefits (Figure 6). Respondents were able to check more than one response; therefore, responses exceed 100%.
- **The pass-through deduction created in the TCJA enabled small manufacturers to increase employee wages and benefits and purchase capital equipment.** With the increased capital provided by the creation of the 20% pass-through deduction, 74.0% of respondents with fewer than 100 employees that are organized as pass-through entities increased employee wages or benefits, while the same percentage used the increased capital to purchase equipment (Figure 7). Additionally, 50.0% expanded operations, 38.0% increased hiring and 38.0% invested in R&D. The pass-through deduction will expire at the end of 2025 if Congress does not act to extend the TCJA.
- **Manufacturers are turning their attention toward digital transformation.** This quarter, the NAM asked a new question to gauge the degree to which manufacturers are emphasizing digital transformation of their operations, with a goal of understanding how the degree of emphasis changes over time. For Q1, more than one-third of respondents (36.8%) intend to place a moderate emphasis on digital transformation in the next year, while 27.2% intend to place only a slight emphasis, 24.8% intend to place a significant emphasis and 11.2% plan to have no emphasis on digital transformation (Figure 8).
- **Manufacturers believe multifaceted policy action needs to be taken to meet their energy needs in the age of artificial intelligence.** Taking into account that 43.2% of respondents said that the U.S. should take an all-of-the-above energy approach, nearly 7 in 10 manufacturers support increasing all forms of energy generation, 61.4% support building more electric transmission and distribution infrastructure, 48.7% support

streamlining the federal permitting process, 47.9% support expanding pipeline and refining infrastructure and 47.0% support mining and processing critical materials domestically (Figure 9).

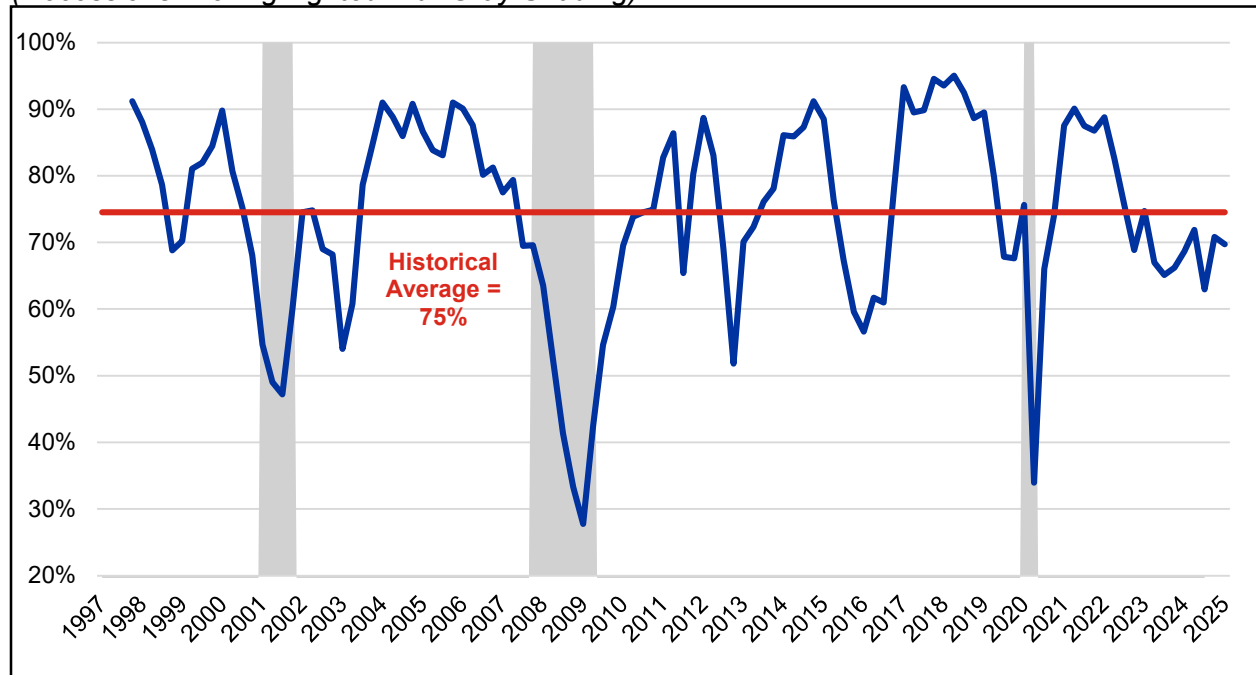
- Some other trends regarding predicted growth rates over the next 12 months (Figure 5):
 - **Sales:** Respondents expect sales to rise 3.4% over the next 12 months, up from the previous quarter (2.9%). Two-thirds of manufacturers (66.7%) predict sales will increase over the next four quarters, with 38.9% anticipating orders will rise 5% or more. In contrast, 12.3% foresee declining sales and 21.0% predict no change. Medium-sized firms forecast the strongest growth (3.9%) over the next 12 months, while small and large firms expect 2.9% growth.

Production: Respondents expect production to increase 3.3% over the next 12 months, up from 2.8% in Q4. More than 6 out of 10 respondents forecast output to rise over the coming months, while 11.5% predict declining production. Small and medium-sized firms anticipate the strongest growth, averaging 3.7% over the next 12 months, while large firms expect 2.4% growth.
 - **Full-Time Employment:** Respondents expect full-time employment to rise 1.1% over the next 12 months, down from 1.3% in Q4. Nearly 40% anticipate an increase in full-time hiring over the next year, while 19.1% predict reduced employment. At the same time, 42.2% forecast hiring levels to remain the same over the next year. While small and medium-sized firms expect 1.8% growth in employment, large firms predict full-time employment will fall 0.2%
 - **Employee Wages:** Respondents anticipate employee wages (excluding nonwage compensation, such as benefits) to rise 2.8% over the next 12 months, just above last quarter's expectation of 2.7%. While more than 90% of manufacturers predict some level of wage growth over the next 12 months, only 5.2% forecast wage growth of 5% or more. Meanwhile, small and large firms expect 2.7% growth, and medium-sized firms anticipate wages to increase 2.8%.
 - **Prices:** Respondents expect prices on their company's product line to increase 3.6% over the next 12 months, up from 2.3% in Q4. Overall, roughly 77.5% anticipate an increase in prices over the next year, while just 4.4% predict reduced prices and 18.1% see prices remaining the same. Small firms expect the greatest rise in product prices (4.1%), and medium-sized firms expect similar growth (3.9%). Meanwhile, large firms predict a 3.1% increase.
 - **Capital Investments:** Respondents forecast capital spending to rise 1.2% over the next 12 months, a decrease from the 1.6% expected in Q4. In this survey, 36.6% anticipate additional capital spending in the next year, while 45.8% predict no change and 17.7% see reduced capital expenditures. Small and medium-sized firms predict about the same growth (1.3%) over the next 12 months, while large firms expect just 1.0% growth.
 - **Exports:** Respondents expect export sales to increase 0.1% over the next 12 months, below the expectation from the previous quarter (0.4%). Overall, 24.6% anticipate higher export sales in the next year, while 53.6% see no changes and

21.8% forecast declines. Small and medium-sized firms predict about the same growth (0.2%) over the next 12 months, while large firms expect a 0.1% decline.

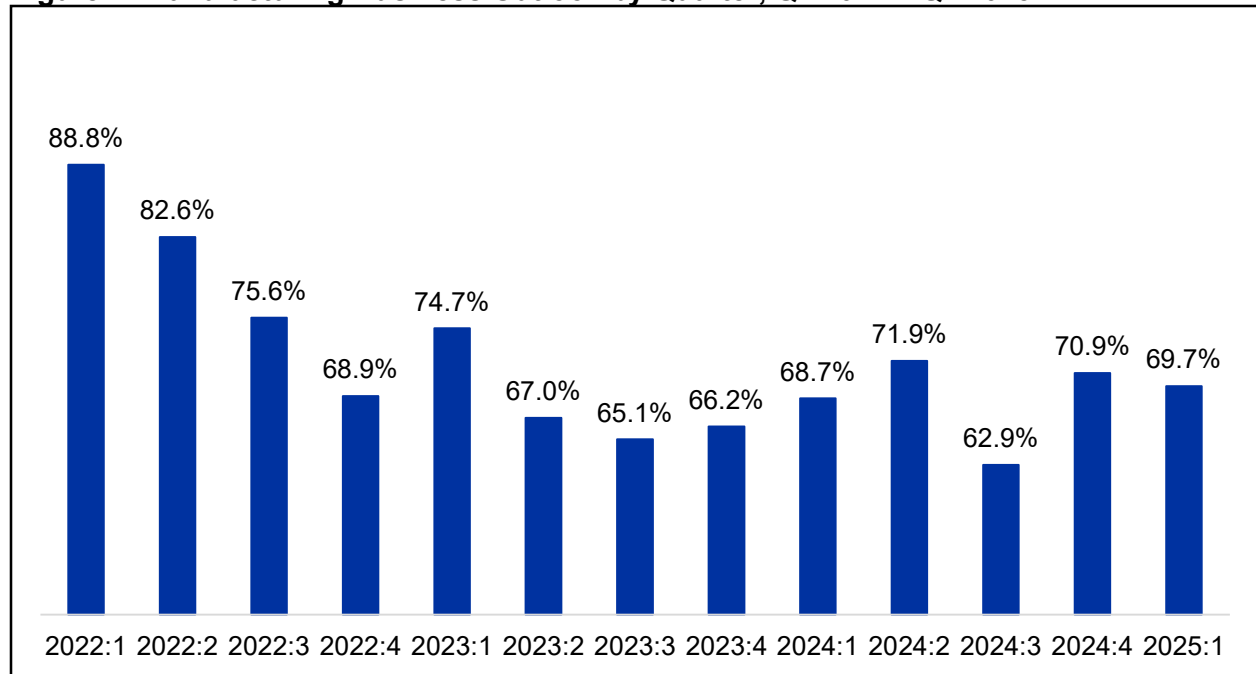
- **Inventories:** Respondents anticipate inventories shrinking 0.1% over the next 12 months, a larger decline than the one forecasted in Q4 (0.5%). For Q1, 27.6% of firms expect inventories to fall over the next year, while just 26.0% predict increases and 46.4% see no changes.

Figure 1: Manufacturing Business Outlook by Quarter, Q4 1997 – Q1 2025
(Recessions Are Highlighted with Gray Shading)



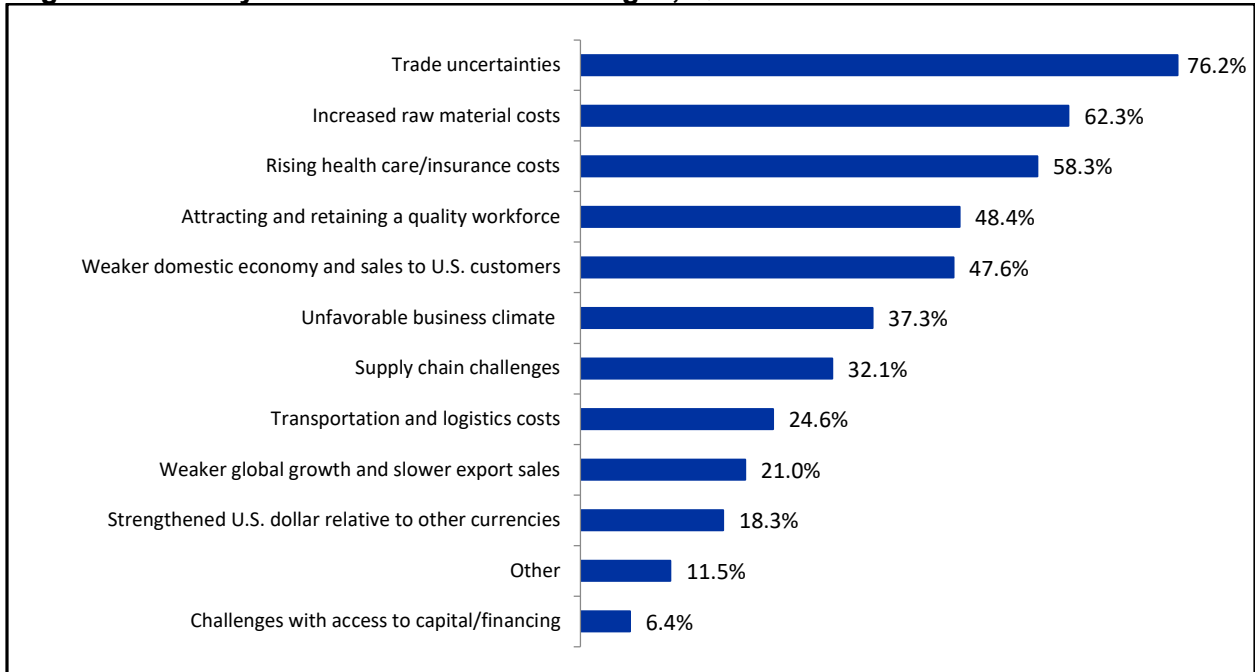
Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive. Recessions are designated by the National Bureau of Economic Research.

Figure 2: Manufacturing Business Outlook by Quarter, Q1 2022 – Q1 2025



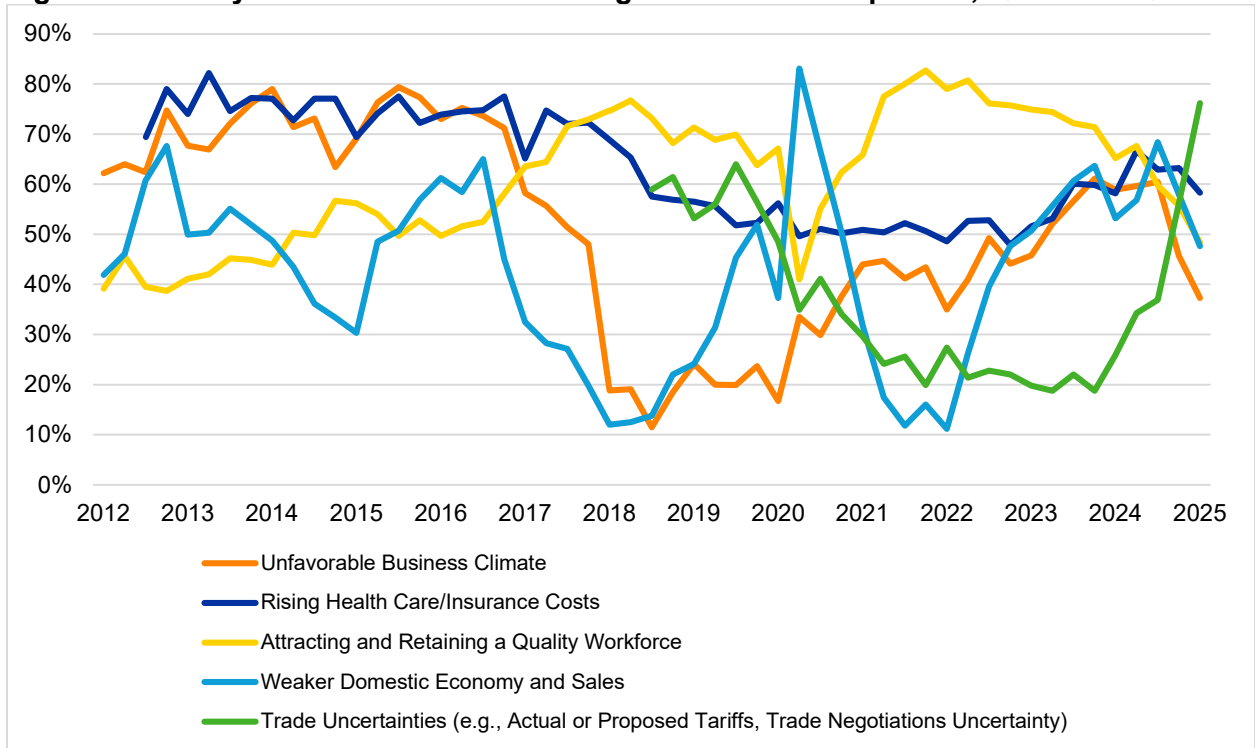
Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive.

Figure 3: Primary Current Business Challenges, Q1 2025



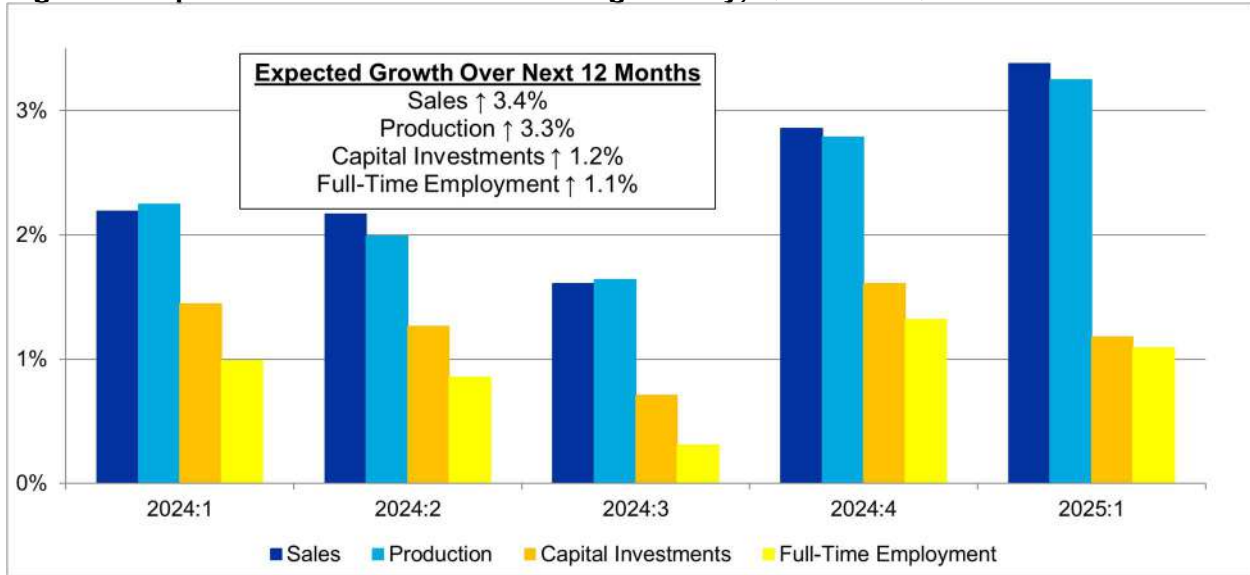
Note: Respondents were able to check more than one response; therefore, responses exceed 100%.

Figure 4: Primary Current Business Challenges for Select Responses, Q1 2012 – Q1 2025



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

Figure 5: Expected Growth of Manufacturing Activity, Q1 2024 – Q1 2025



Note: Expected growth rates are annual averages.

Figure 6: What business decisions are you considering if Congress fails to act quickly to extend the Tax Cuts and Jobs Act? (Select all that apply.)

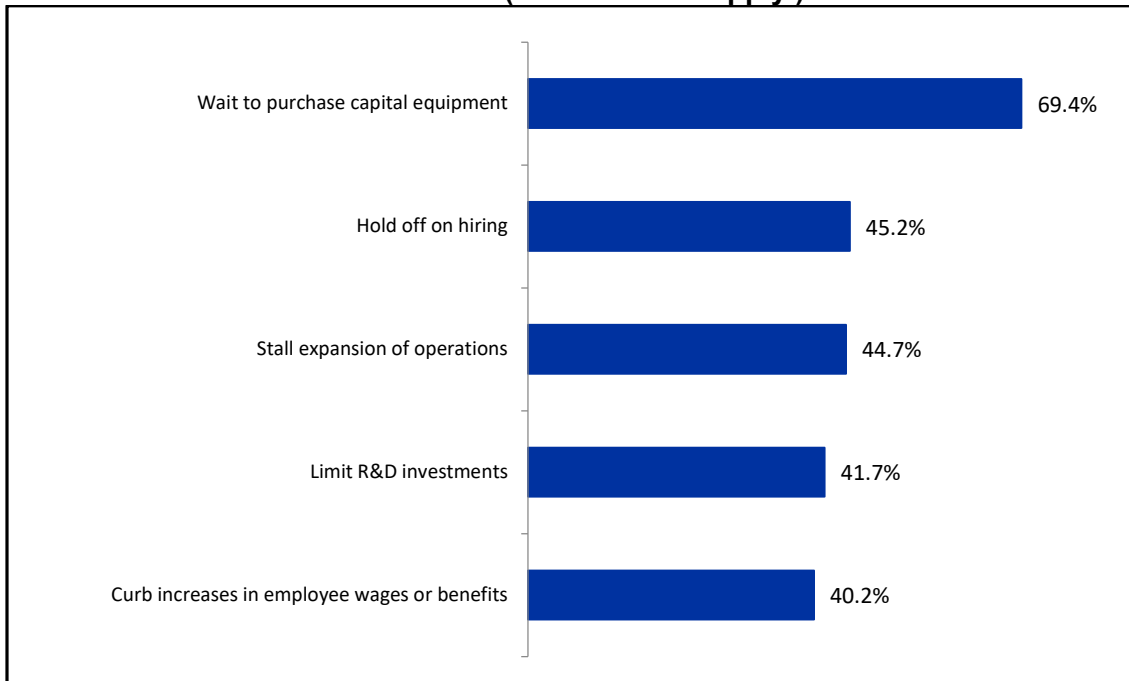


Figure 7: [Only answered if the respondent said they were organized as a pass-through business with fewer than 100 employees] In the years following the creation of the pass-through deduction in the 2017 TCJA, what has your business done with the increased capital? (Select all that apply.)

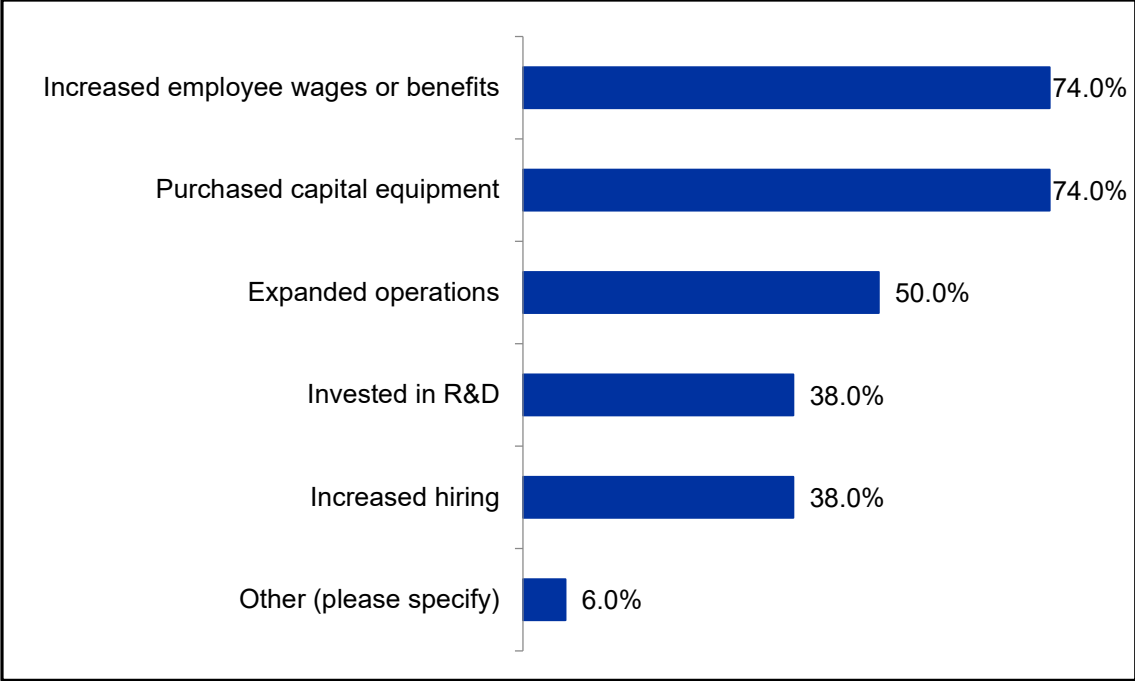


Figure 8: What degree of emphasis will your company be placing on digital transformation of your operations in the next 12 months?

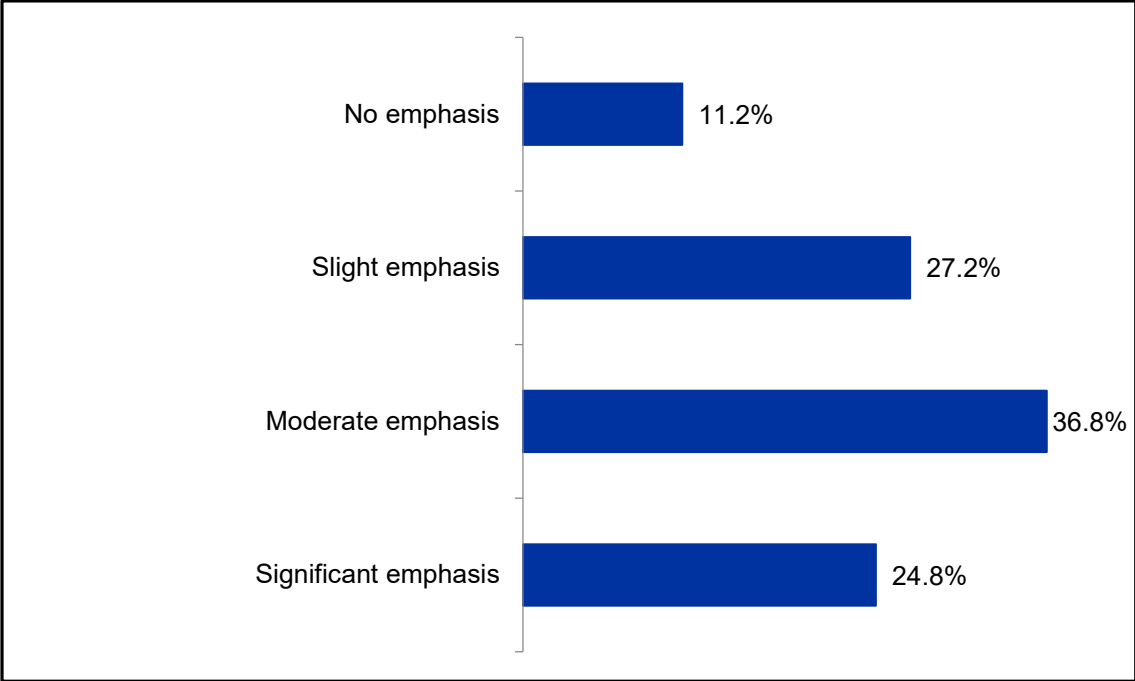
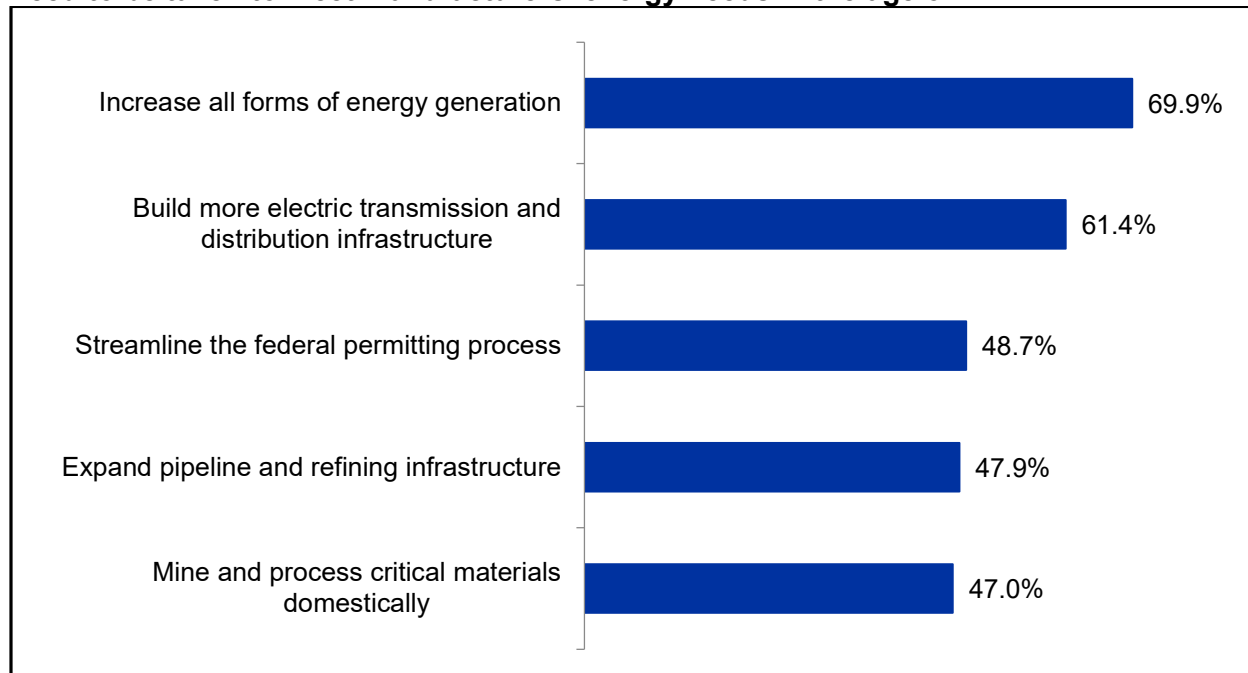


Figure 9: The Department of Energy estimates data centers, which enable AI and other breakthrough technologies, could triple their energy usage by 2028. What policy actions need to be taken to meet manufacturers' energy needs in the age of AI?



Survey Responses

1. How would you characterize the business outlook for your firm right now?
 - a. Very positive – 9.16%
 - b. Somewhat positive – 60.56%
 - c. Somewhat negative – 27.09%
 - d. Very negative – 3.19%

Percentage that is either somewhat or very positive in their outlook = 69.72%

2. Over the next year, what do you expect to happen with your company's overall sales?
 - a. Increase more than 10 percent – 16.67%
 - b. Increase 5 to 10 percent – 22.22%
 - c. Increase up to 5 percent – 27.78%
 - d. Stay about the same – 21.03%
 - e. Decrease up to 5 percent – 7.14%
 - f. Decrease 5 to 10 percent – 1.98%
 - g. Decrease more than 10 percent – 3.17%

Average expected increase in sales consistent with these responses = 3.38%

3. Over the next year, what do you expect to happen with your company's overall production levels?
 - a. Increase more than 10 percent – 15.87%
 - b. Increase 5 to 10 percent – 23.41%
 - c. Increase up to 5 percent – 23.02%
 - d. Stay about the same – 26.19%
 - e. Decrease up to 5 percent – 5.56%
 - f. Decrease 5 to 10 percent – 2.78%
 - g. Decrease more than 10 percent – 3.17%

Average expected increase in production consistent with these responses = 3.25%

4. Over the next year, what do you expect in terms of full-time employment in your company?
 - a. Increase more than 10 percent – 3.59%
 - b. Increase 5 to 10 percent – 12.35%
 - c. Increase up to 5 percent – 22.71%
 - d. Stay about the same – 42.23%
 - e. Decrease up to 5 percent – 13.94%
 - f. Decrease 5 to 10 percent – 3.98%
 - g. Decrease more than 10 percent – 1.20%

Average expected increase in full-time employment consistent with these responses = 1.09%

5. What percentage of jobs remain unfilled in your company?
 - a. Less than 5% – 71.49%
 - b. Between 5% and 10% – 20.48%

- c. Between 10% and 15% – 6.83%
- d. More than 15% – 1.20%

Average number of jobs expected to remain unfilled consistent with these responses = 4.36%

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 – 5.18%
 - b. Increase 3 to 5 percent – 48.21%
 - c. Increase up to 3 percent – 37.45%
 - d. Stay about the same – 9.16%
 - 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 = 2.75%

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 – 7.66%
 - b. Increase 3 to 5 percent – 10.48%
 - c. Increase up to 3 percent – 6.45%
 - d. Stay about the same – 53.63%
 - e. Decrease up to 3 percent – 7.26%
 - f. Decrease 3 to 5 percent – 3.63%
 - g. Decrease more than 5 percent – 10.89%

Average expected increase in exports consistent with these responses = 0.10%

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 – 8.03%
 - b. Increase 5 to 10 percent – 25.30%
 - c. Increase up to 5 percent – 44.18%
 - d. Stay about the same – 18.07%
 - e. Decrease up to 5 percent – 3.61%
 - f. Decrease 5 to 10 percent – 0.40%
 - g. Decrease more than 10 percent – 0.40%

Average expected increase in product prices consistent with these responses = 3.64%

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 – 22.00%
 - b. Increase 5 to 10 percent – 32.00%
 - c. Increase up to 5 percent – 37.20%
 - d. Stay about the same – 8.80%
 - e. Decrease up to 5 percent – 0.00%

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

Average expected increase in raw material prices consistent with these responses = 5.53%

10. Over the next year, what are your company's capital investment plans?
- a. Increase more than 10 percent – 10.04%
 - b. Increase 5 to 10 percent – 12.05%
 - c. Increase up to 5 percent – 14.46%
 - d. Stay about the same – 45.78%
 - e. Decrease up to 5 percent – 8.03%
 - f. Decrease 5 to 10 percent – 3.21%
 - g. Decrease more than 10 percent – 6.43%

Average expected increase in capital investments consistent with these responses = 1.18%

11. Over the next year, what are your inventory plans?
- a. Increase more than 10 percent – 2.40%
 - b. Increase 5 to 10 percent – 9.20%
 - c. Increase up to 5 percent – 14.40%
 - d. Stay about the same – 46.40%
 - e. Decrease up to 5 percent – 16.80%
 - f. Decrease 5 to 10 percent – 6.00%
 - g. Decrease more than 10 percent – 4.80%

Average expected change in inventories consistent with these responses = -0.06%

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 – 47.62%
 - b. Weaker global growth and slower export sales – 21.03%
 - c. Trade uncertainties (e.g., actual or proposed tariffs, trade negotiation uncertainty) – 76.19%
 - d. Strengthened U.S. dollar relative to other currencies – 18.25%
 - e. Challenges with access to capital or other forms of financing – 6.35%
 - f. Unfavorable business climate (e.g., taxes, regulations) – 37.30%
 - g. Increased raw material costs – 62.30%
 - h. Rising health care/insurance costs – 58.33%
 - i. Transportation and logistics costs – 24.60%
 - j. Supply chain challenges – 32.14%
 - k. Attracting and retaining a quality workforce – 48.41%
 - l. Other – 11.51%

13. What is your company's primary industrial classification?
- a. Building materials and supplies – 3.59%
 - b. Chemicals – 5.58%
 - c. Computer and electronic products – 1.59%
 - d. Consumer Goods – 4.38%

- e. Electrical equipment and appliances – 8.37%
- f. Fabricated metal products – 25.50%
- g. Food manufacturing – 3.19%
- h. Furniture and related products – 1.20%
- i. Machinery – 11.55%
- j. Nonmetallic mineral products – 1.59%
- k. Paper and paper products – 1.59%
- l. Petroleum and coal products – 0.40%
- m. Pharmaceuticals and medical devices – 0.40%
- n. Plastics and rubber products – 7.17%
- o. Primary metals – 2.79%
- p. Transportation equipment – 6.37%
- q. Wood products – 1.20%
- r. Other – 13.55%

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

- a. Fewer than 50 employees – 19.20%
- b. 50 to 499 employees – 48.40%
- c. 500 or more employees – 32.40%
- d. Uncertain – 0.00%

SPECIAL QUESTIONS

15. What business decisions are you considering if Congress fails to act quickly to extend the Tax Cuts and Jobs Act? (Select all that apply.)
- a. Hold off on hiring – 45.23%
 - b. Curb increases in employee wages or benefits – 40.20%
 - c. Stall expansion of operations – 44.72%
 - d. Limit R&D investments – 41.71%
 - e. Wait to purchase capital equipment – 69.35%
16. Is your company organized as a pass-through with fewer than 100 employees?
- a. Yes – 20.72%
 - b. No – 79.28%
17. [If yes] In the years following the creation of the pass-through deduction in the 2017 TCJA, what has your business done with the increased capital? (Select all that apply.)
- a. Expanded operations – 50.00%
 - b. Increased hiring – 38.00%
 - c. Invested in R&D – 38.00%
 - d. Purchased capital equipment – 74.00%
 - e. Increased employee wages or benefits – 74.00%
 - f. Other – 6.00%
18. What degree of emphasis will your company be placing on digital transformation of your operations in the next 12 months?
- a. Significant emphasis – 24.80%
 - b. Moderate emphasis – 36.80%
 - c. Slight emphasis – 27.20%
 - d. No emphasis – 11.20%
19. The Department of Energy estimates data centers, which enable AI and other breakthrough technologies, could triple their energy usage by 2028. What policy actions need to be taken to meet manufacturers' energy needs in the age of AI?*
- a. Increase all forms of energy generation – 69.92%
 - b. Expand pipeline and refining infrastructure – 47.88%
 - c. Build more electric transmission and distribution infrastructure – 61.44%
 - d. Mine and process critical materials domestically – 47.03%
 - e. Streamline the federal permitting process – 48.73%
 - f. Other – 7.63%

**Taking into account that 43.2% of respondents selected "All of the above"*