

**NAM MANUFACTURERS' OUTLOOK SURVEY**  
**SECOND QUARTER 2025**  
May 30, 2025

*By Victoria Bloom and Mary Frances Holland*

<p><b>Percentage of Respondents Positive About Their Own Company's Outlook</b></p> <p style="text-align: center;"><b>55.4%</b> (Q1: 69.7%)</p> <p>Small Manufacturers: 63.9%</p> <p>Medium-Sized Manufacturers: 51.1%</p> <p>Large Manufacturers: 55.0%</p>	<p><b>Overall Facts About the Survey</b></p> <p>Number of Responses: 299 In the Field: May 8–May 27, 2025</p> <p>Small Manufacturers: 61 responses (20.4%)</p> <p>Medium-Sized Manufacturers: 131 responses (43.8%)</p> <p>Large Manufacturers: 100 responses (33.4%)</p> <p>Undisclosed: 7 (2.3%)</p>
<p><b>Expected Growth Rate for <u>SALES</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↑ 1.3%</b> (Q1: ↑ 3.4%)</p>	<p><b>Expected Growth Rate for <u>PRODUCTION</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↑ 1.4%</b> (Q1: ↑ 3.3%)</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>0.6%</b> (Q1: ↑ 1.1%)</p>	<p><b>Expected Growth Rate for <u>EMPLOYEE WAGES</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↑ 2.5%</b> (Q1: ↑ 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>↑ 0.3%</b> (Q1: ↑ 1.2%)</p>	<p><b>Expected Growth Rate for <u>EXPORTS</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↓ 0.6%</b> (Q1: ↑ 0.1%)</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>↑ 4.3%</b> (Q1: ↑ 3.6%)</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>↑ 5.8%</b> (Q1: ↑ 5.5%)</p>
<p><b>Expected Growth Rate for <u>INVENTORIES</u> Over the Next 12 Months</b></p> <p style="text-align: center;"><b>↓ 0.7%</b> (Q1: ↓ 0.1%)</p>	

**Summary of Findings**

- **Manufacturing sentiment drops significantly from the previous quarter.** The NAM conducted the Q2 2025 Manufacturers' Outlook Survey from May 8 to May 27, 2025. In Q2, 55.4% of respondents felt either somewhat or very positive about their company's outlook, down 14.3 percentage points from Q1 2025 (Figures 1 and 2). The average sentiment over the past four quarters is 64.7%.
- **Trade uncertainties and rising input costs are again at the top of manufacturers' business concerns.** In Q2, 77.0% 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 (66.1%) and rising health care/insurance costs (60.0%) (Figures 3 and 4). When broken down by business size, 89.9% of large (500 or more employees) and 77.9% of medium-sized (50 to 499 employees) manufacturers cited trade uncertainties as their top business challenge. Meanwhile, 67.2% of small manufacturers (fewer than 50 employees) cited rising health care and insurance costs as their top business concern, with a weaker domestic economy and sales coming in as the second highest concern at 59.0%. Respondents were able to check more than one response; therefore, responses exceed 100%.

- **For the second quarter in a row, 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 5.8% on average, the highest rate of increase since Q2 2022 when the inflation rate was between 8% and 9%. When asked about product price growth, manufacturers anticipate the highest rate of growth (4.3%) since Q2 2022 when inflation was still more than 8%.
- **Increased tariffs are already impacting manufacturers' bottom lines.** Of the manufacturers surveyed, 89.0% said that the cost of doing business has increased due to tariffs imposed this year. The average stated cost increase is 7.7% (Figure 6). Meanwhile, when asked how recent changes to tariff rates had impacted their business, the most prevalent response was increased costs (79.7%). This was followed by dampened business growth outlook (57.4%); reduced availability or increased costs of inputs (39.2%); delayed or canceled investments, such as capital expenditures, new facilities or R&D (36.4%); and paused hiring, reduced workforce or decreased workers' hours or pay (33.7%) (Figure 7). Respondents were able to check more than one response; therefore, responses exceed 100%.
- **A majority of manufacturers' export opportunities have been impacted by U.S. tariff policy and other countries' retaliatory tariffs.** Of companies for which tariffs are applicable, 61.8% of respondents said that their export opportunities have been impacted (Figure 8). Meanwhile, manufacturers expect export sales to decline (-0.6%) over the next 12 months. This is the first negative reading since Q2 2020 at the height of the pandemic. When asked which export destinations have been most impacted by tariffs imposed by the U.S. or retaliatory tariffs imposed by other countries, the highest percentage of respondents cited Canada (41.3%), China (26.5%) and Mexico (26.1%) (Figure 9).
- **Given heightened trade uncertainty, it is more urgent than ever for Congress to act quickly to preserve pro-manufacturing tax policies.** While navigating the ever-changing landscape of trade and tariff policy, manufacturers seek certainty in tax policy. To that point, 85.4% of respondents said that it has become more urgent for Congress to act quickly to prevent tax increases on manufacturers (Figure 10). Additionally, when excluding those who were uncertain, 95.5% of respondents oppose increasing the tax rates for corporate and pass-through manufacturers, and 93.1% oppose limiting manufacturers' ability to deduct state and local taxes, which would raise the overall tax burden for manufacturers.
- **Manufacturers continue to prioritize digital transformation.** Of those surveyed, 84.7% of manufacturers plan on emphasizing digital transformation in their operations in

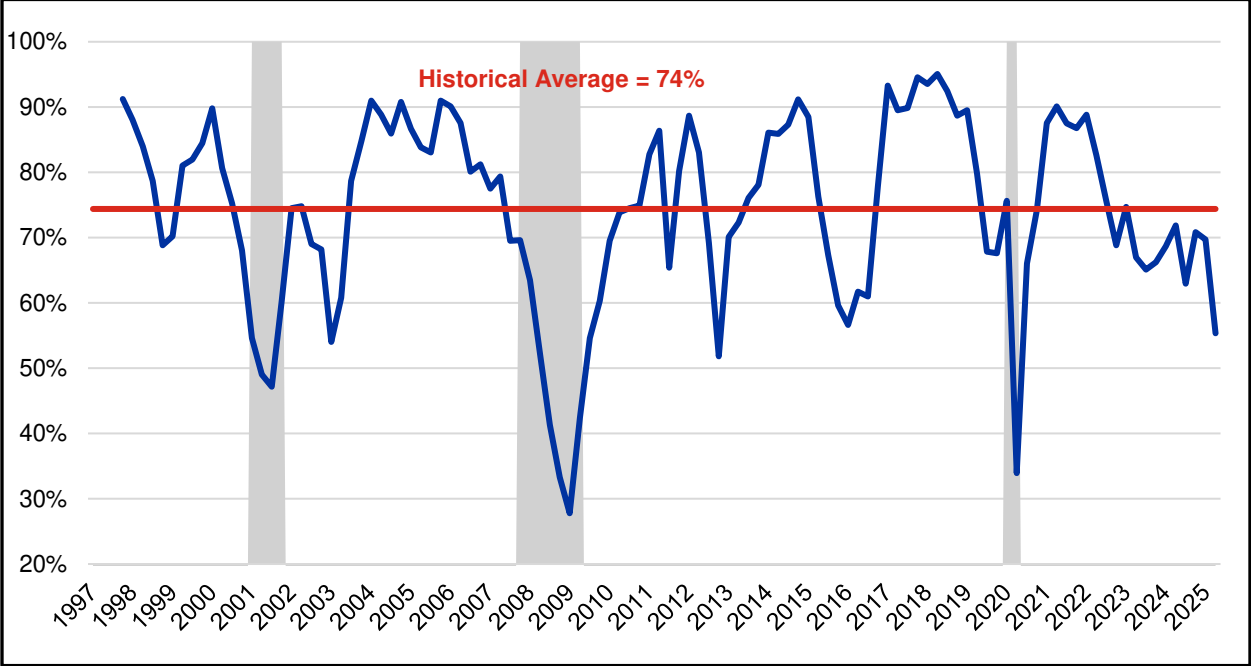
the next 12 months. This includes 21.8% that plan on placing a significant emphasis in their operations (Figure 11).

- Some other trends regarding predicted growth rates over the next 12 months (Figure 5):
  - **Sales:** Respondents expect sales to rise just 1.3% over the next 12 months, down from the previous quarter (3.4%). About half of manufacturers (50.3%) predict sales will increase over the next four quarters, with 31.9% anticipating orders will rise 5% or more. In contrast, 29.2% foresee declining sales, and 20.5% predict no change. Small and medium-sized firms forecast the strongest growth (1.5%) over the next 12 months, while large firms expect just 0.9% growth.
  - **Production:** Respondents expect production to increase 1.4% on average over the next 12 months, down from 3.3% in Q1. On the other hand, less than half of respondents (49.8%) forecast output to rise over the coming months, while 29.0% predict declining production, a significant change from last quarter (11.5%). Meanwhile, 21.2% of respondents anticipate production levels will stay about the same. Small and medium-sized firms forecast the strongest growth, averaging 1.6% over the next 12 months, while large firms expect 1.0% growth.
  - **Full-Time Employment:** Respondents expect full-time employment to rise 0.6% over the next 12 months, down from 1.1% in Q1. Nearly 40% anticipate an increase in full-time hiring over the next year, while 24.0% predict reduced employment. At the same time, 38.9% forecast hiring levels to remain the same over the next year. While small and medium-sized firms expect 1.3% growth in employment, large firms predict full-time employment will fall 0.5%.
  - **Employee Wages:** Respondents expect employee wages (excluding nonwage compensation, such as benefits) to rise 2.5% over the next 12 months, just below the prior quarter's expectation of 2.8%. While 85.2% of manufacturers predict some level of wage growth over the next 12 months, only 6.7% forecast wage growth of 5% or more. Employee wage growth expectations are about the same regardless of firm size.
  - **Prices:** Respondents expect prices on their company's product line to increase 4.3% over the next 12 months, up from 3.6% in Q1. Overall, 84.4% anticipate an increase in prices over the next year, with 41.2% anticipating increases of more than 5%. Meanwhile just 3.4% predict reduced prices, and 12.2% see prices remaining the same. Small and large firms expect similar growth in product prices (4.5%). Meanwhile, medium-sized firms predict a 4.1% increase.
  - **Capital Investments:** Respondents forecast capital spending to stagnate, rising just 0.3% over the next 12 months, a decrease from the 1.2% rise expected in Q1. In this survey, 29.9% of respondents anticipate additional capital spending in the next year, while 43.2% predict no change, and 26.9% see reduced capital expenditures, an increase from last quarter (17.7%). Small firms anticipate flat capital investment in the next year. Medium-sized firms predict the greatest level of investment, while still minimal at 0.4%, over the next 12 months. Large firms expect just 0.1% growth.
  - **Exports:** Respondents expect export sales to decrease 0.6% over the next 12 months, turning negative from the previous quarter's expectation of 0.1% growth and

declining for the first time since Q2 2020. Overall, just 13.8% anticipate higher export sales in the next year, while 56.1% see no changes, and 30.1% forecast declines. Small and medium-sized firms predict a similar decline (0.5%) over the next 12 months, while large firms expect a 0.9% decline.

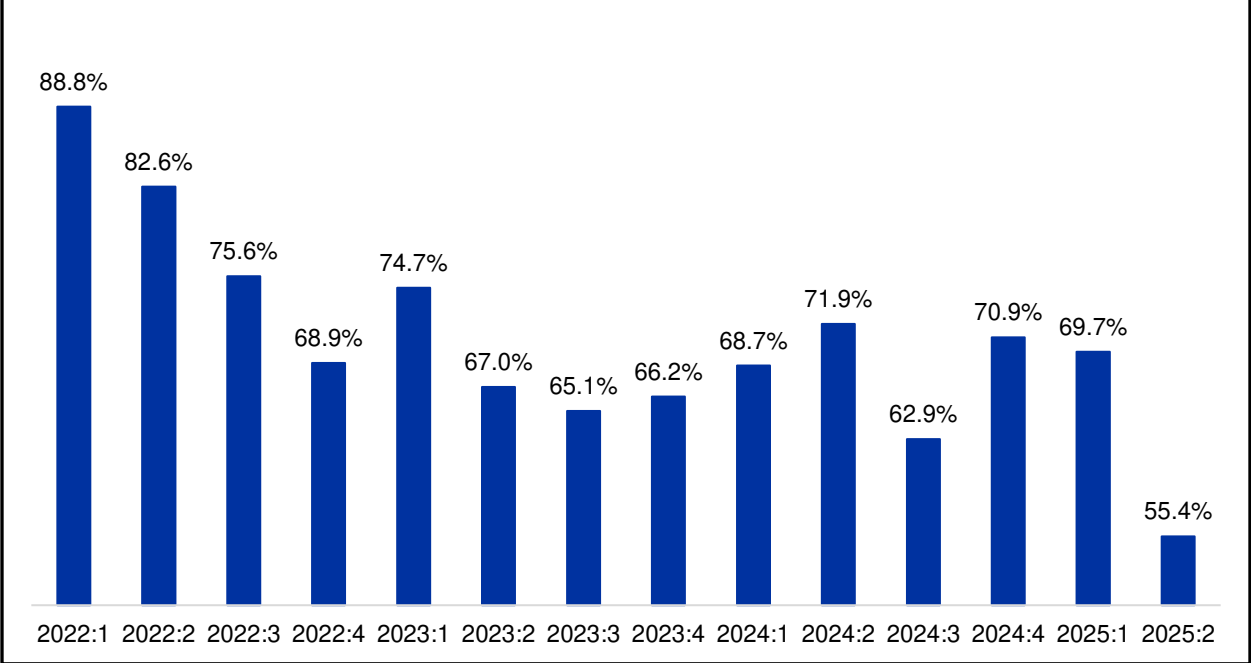
- **Inventories:** Respondents anticipate inventories shrinking 0.7% over the next 12 months, a larger decline than the one forecasted in Q1 (0.1%). For Q2, 32.5% of firms expect inventories to fall over the next year, while just 21.4% predict increases, and 46.1% see no changes.

**Figure 1: Manufacturing Business Outlook by Quarter, Q4 1997–Q2 2025**  
*(Recessions Are Highlighted with Gray Shading)*



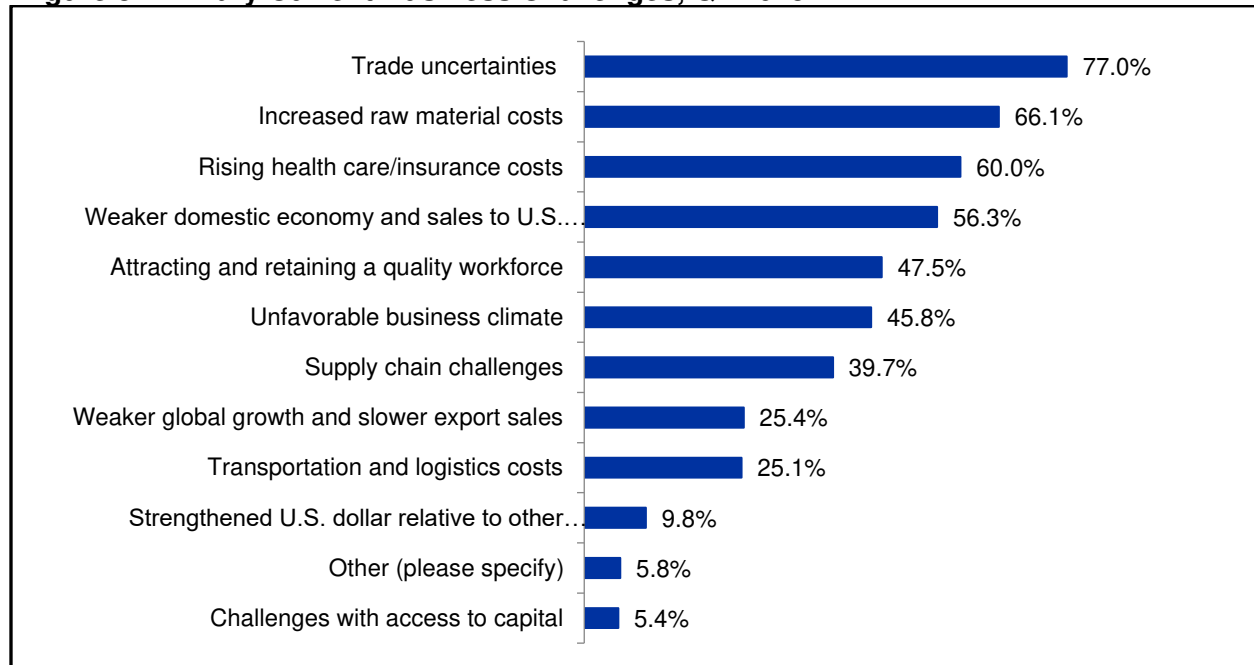
*Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive. Recessions are designated by the National Bureau of Economic Research.*

**Figure 2: Manufacturing Business Outlook by Quarter, Q1 2022–Q2 2025**



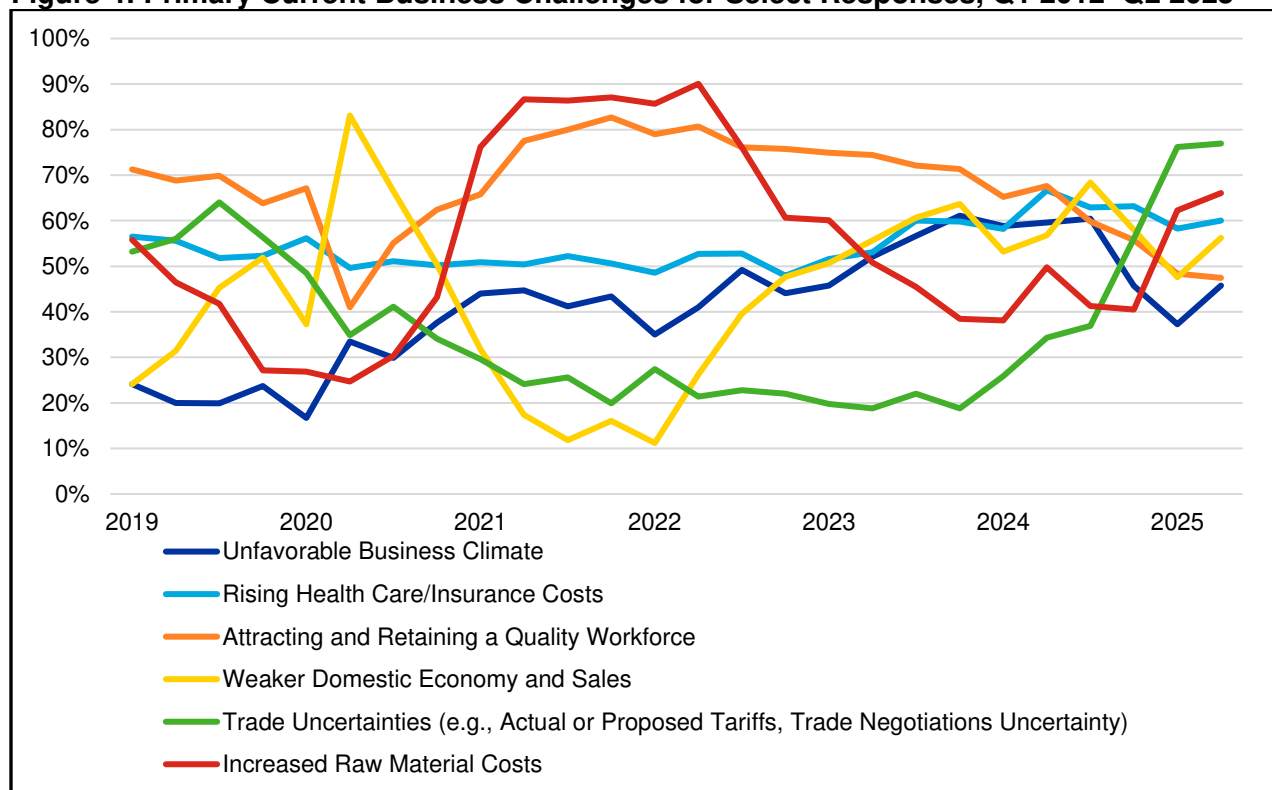
*Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive.*

**Figure 3: Primary Current Business Challenges, Q2 2025**



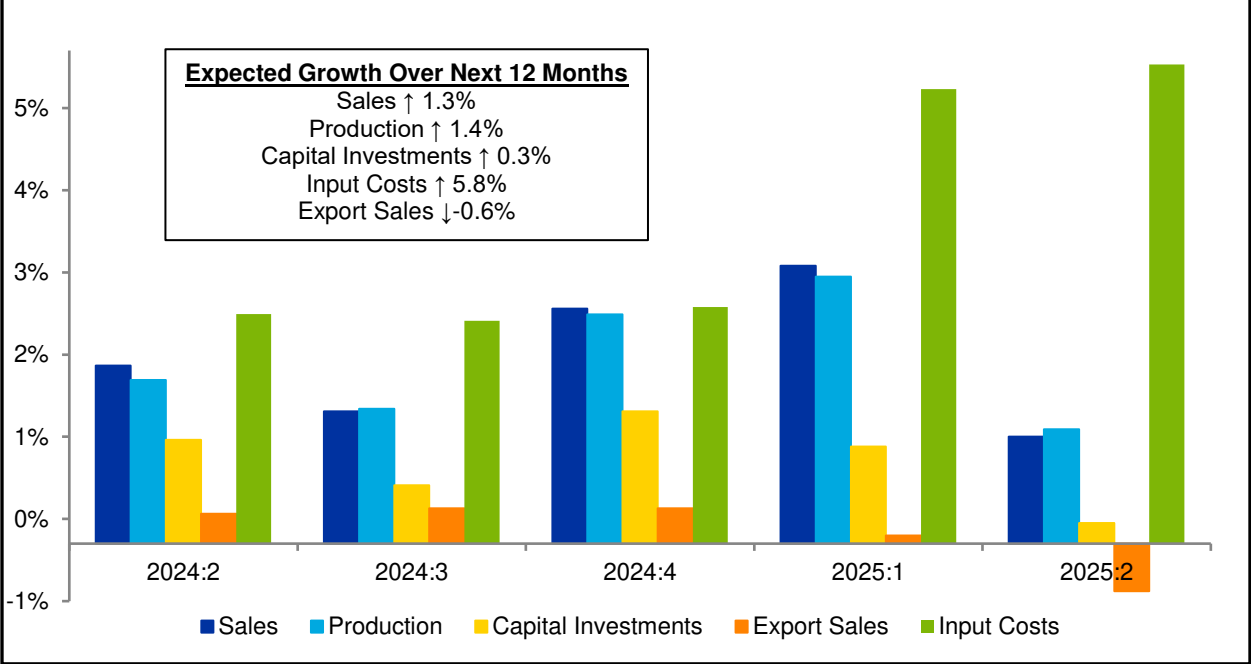
*Note: Respondents were able to check more than one response; therefore, responses exceed 100%.*

**Figure 4: Primary Current Business Challenges for Select Responses, Q1 2012–Q2 2025**



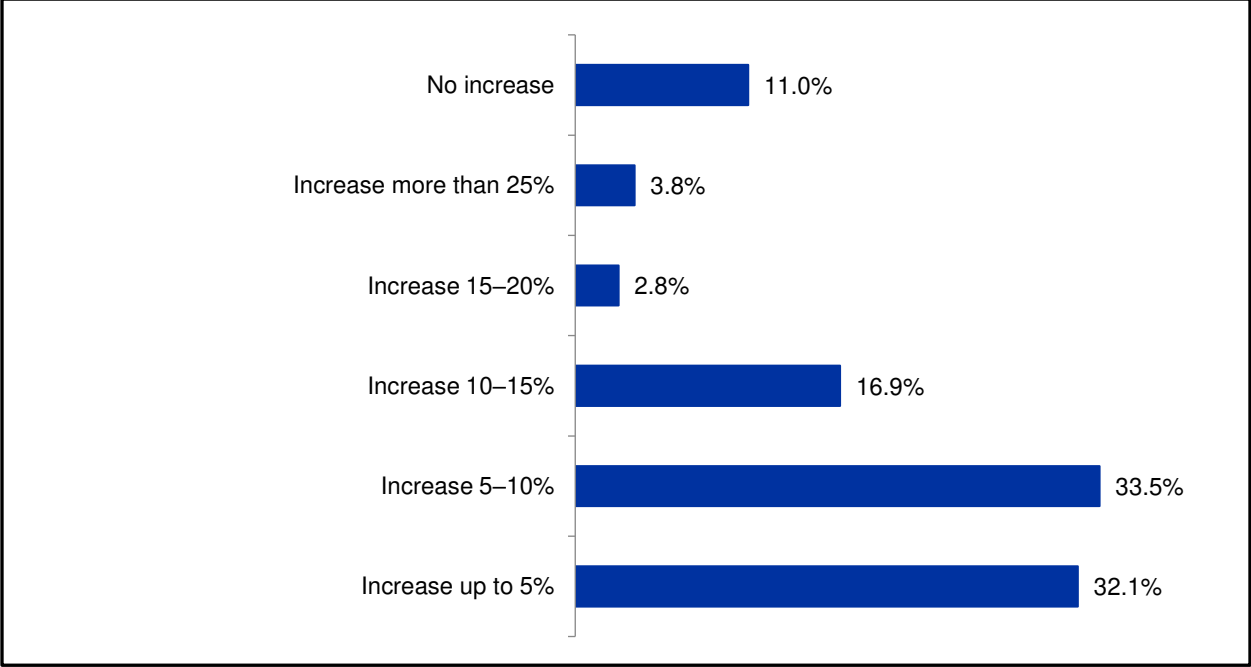
*Note: Respondents were able to check more than one response; therefore, responses exceed 100%.*

Figure 5: Expected Growth of Manufacturing Activity, Q1 2024–Q2 2025

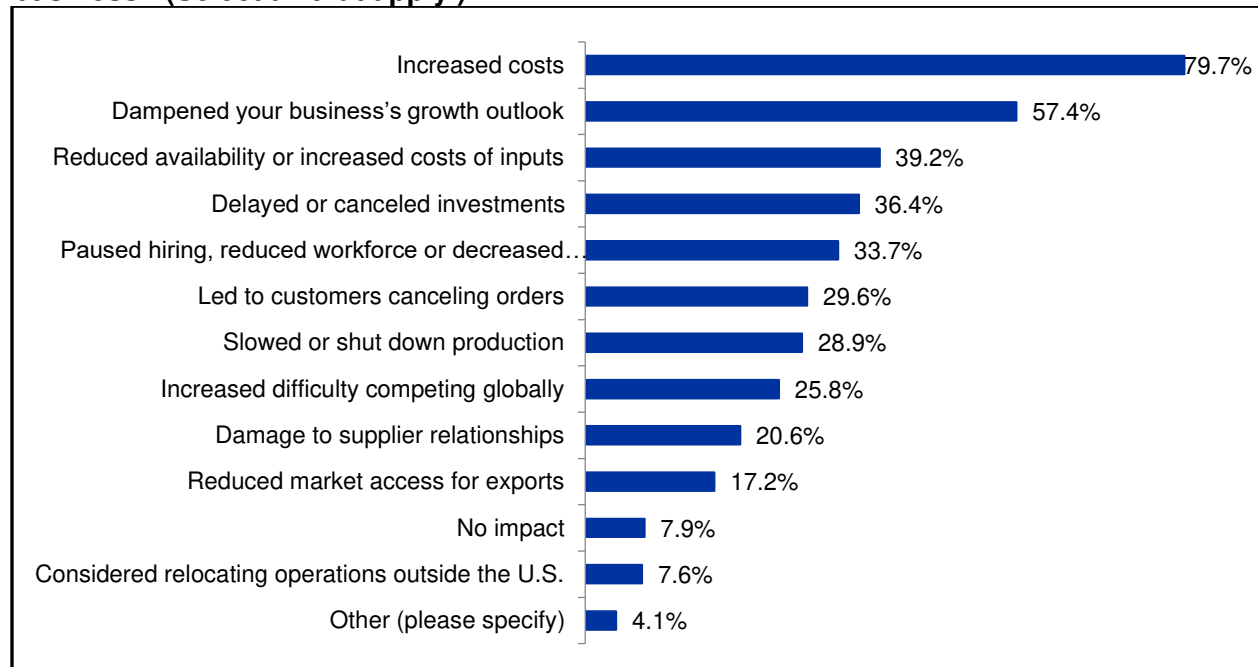


Note: Expected growth rates are annual averages.

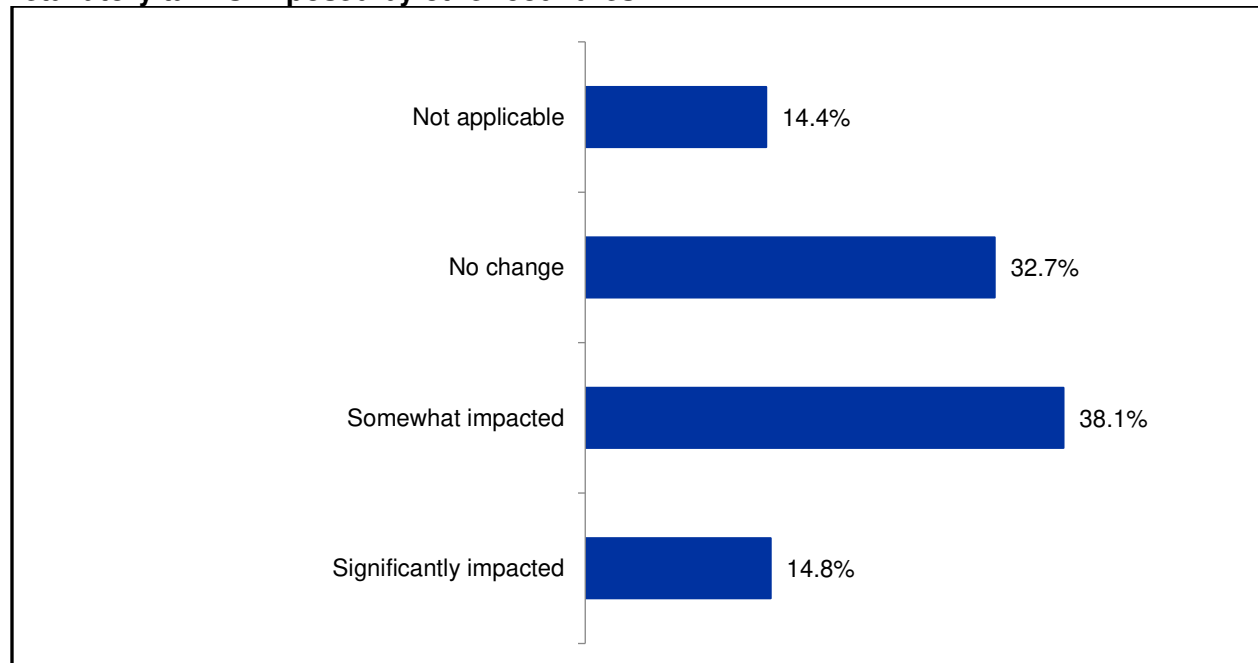
Figure 6: By what percentage have your costs of doing business increased due to tariffs imposed this year?



**Figure 7: Have the recent changes to tariff rates had any of the following effects on your business? (Select all that apply.)**

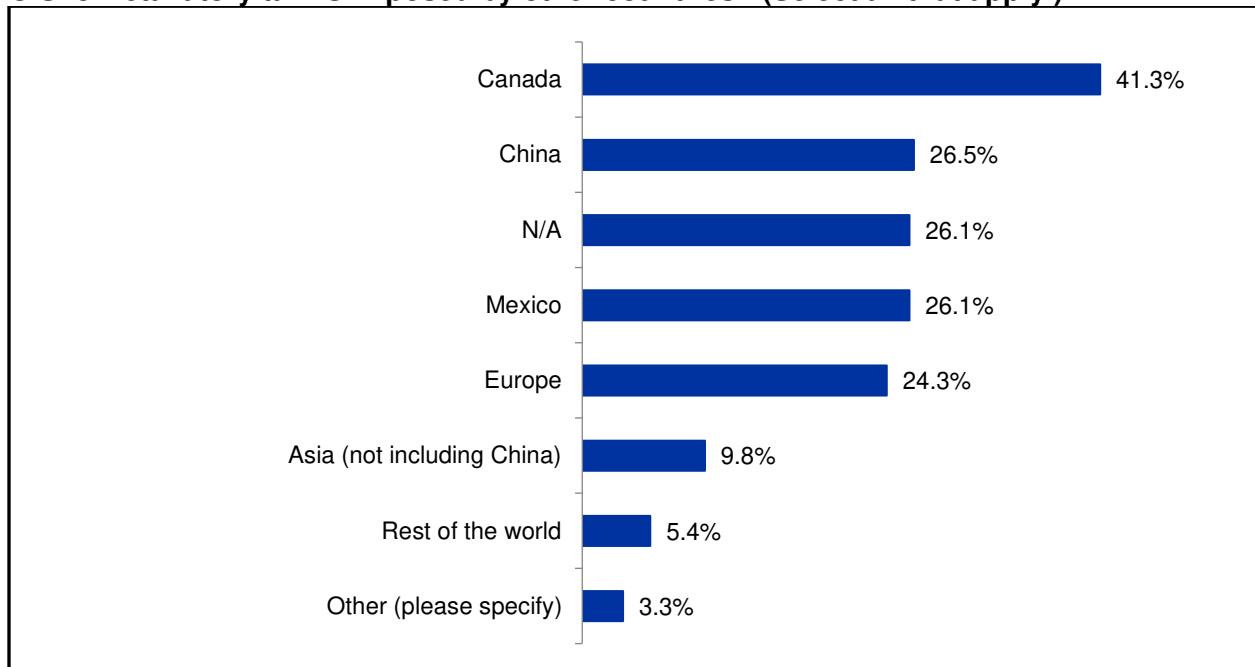


**Figure 8: Have your export opportunities been impacted by tariffs imposed by the U.S. or retaliatory tariffs imposed by other countries?**

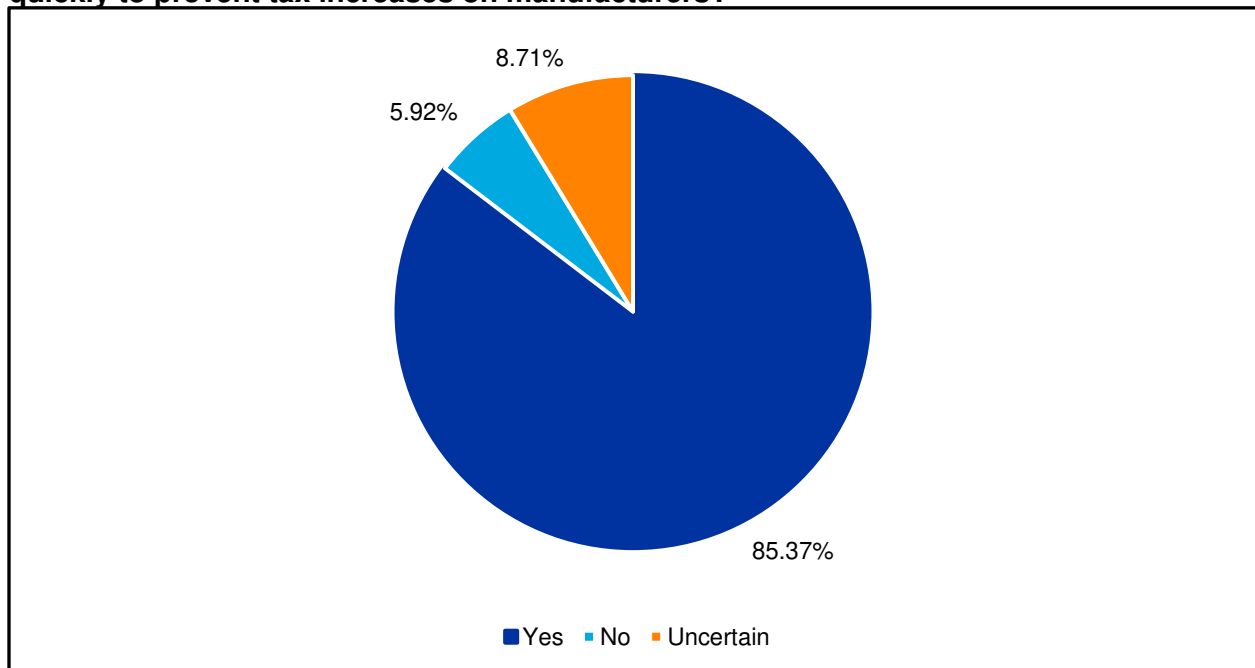




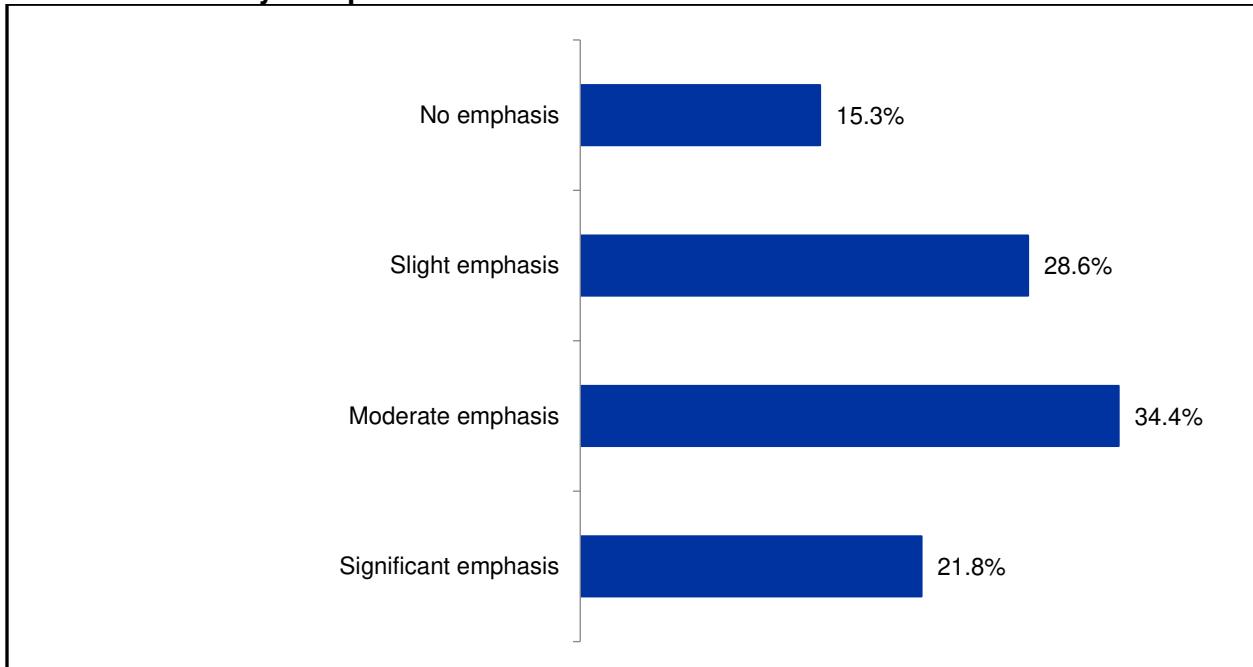
**Figure 9: Which export destinations have been most impacted by tariffs imposed by the U.S. or retaliatory tariffs imposed by other countries? (Select all that apply.)**



**Figure 10: Given already increased tariff rates and the uncertainty around the changing landscape regarding future tariff rates, has it become more urgent for Congress to act quickly to prevent tax increases on manufacturers?**



**Figure 11: What degree of emphasis will your company be placing on digital transformation of your operations in the next 12 months?**



## **Survey Responses**

1. How would you characterize the business outlook for your firm right now?
  - a. Very positive – 11.07%
  - b. Somewhat positive – 44.30%
  - c. Somewhat negative – 39.26%
  - d. Very negative – 5.37%

*Percentage that is either somewhat or very positive in their outlook = 55.37%*

2. Over the next year, what do you expect to happen with your company's overall sales?
  - a. Increase more than 10 percent – 11.74%
  - b. Increase 5 percent to 10 percent – 20.13%
  - c. Increase up to 5 percent – 18.46%
  - d. Stay about the same – 20.47%
  - e. Decrease up to 5 percent – 10.07%
  - f. Decrease 5 percent to 10 percent – 12.75%
  - g. Decrease more than 10 percent – 6.38%

*Average expected increase in sales consistent with these responses = 1.30%*

3. Over the next year, what do you expect to happen with your company's overall production levels?
  - a. Increase more than 10 percent – 13.13%
  - b. Increase 5 percent to 10 percent – 19.19%
  - c. Increase up to 5 percent – 17.51%
  - d. Stay about the same – 21.21%
  - e. Decrease up to 5 percent – 10.44%
  - f. Decrease 5 percent to 10 percent – 12.46%
  - g. Decrease more than 10 percent – 6.06%

*Average expected increase in production consistent with these responses = 1.39%*

4. Over the next year, what do you expect in terms of full-time employment in your company?
  - a. Increase more than 10 percent – 1.69%
  - b. Increase 5 percent to 10 percent – 12.84%
  - c. Increase up to 5 percent – 22.64%
  - d. Stay about the same – 38.85%
  - e. Decrease up to 5 percent – 15.54%
  - f. Decrease 5 percent to 10 percent – 4.39%
  - g. Decrease more than 10 percent – 4.05%

*Average expected increase in full-time employment consistent with these responses = 0.58%*

5. What percentage of jobs remain unfilled in your company?
  - a. Less than 5 percent – 72.11%
  - b. Between 5 percent and 10 percent – 19.05%

- c. Between 10 percent and 15 percent – 6.12%
- d. More than 15 percent – 2.72%

*Average number of jobs expected to remain unfilled consistent with these responses = 4.40%*

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 – 6.71%
  - b. Increase 3 percent to 5 percent – 38.59%
  - c. Increase up to 3 percent – 39.93%
  - d. Stay about the same – 13.76%
  - e. Decrease up to 3 percent – 0.67%
  - f. Decrease 3 percent to 5 percent – 0.34%
  - g. Decrease more than 5 percent – 0.00%

*Average expected increase in employee wages consistent with these responses = 2.45%*

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 – 6.92%
  - b. Increase 3 percent to 5 percent – 3.46%
  - c. Increase up to 3 percent – 3.46%
  - d. Stay about the same – 56.06%
  - e. Decrease up to 3 percent – 7.96%
  - f. Decrease 3 percent to 5 percent – 5.54%
  - g. Decrease more than 5 percent – 16.61%

*Average expected increase in exports consistent with these responses = -0.64%*

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 – 9.86%
  - b. Increase 5 percent to 10 percent – 31.29%
  - c. Increase up to 5 percent – 43.20%
  - d. Stay about the same – 12.24%
  - e. Decrease up to 5 percent – 2.72%
  - f. Decrease 5 percent to 10 percent – 0.68%
  - g. Decrease more than 10 percent – 0.00%

*Average expected increase in product prices consistent with these responses = 4.29%*

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 – 18.43%
  - b. Increase 5 percent to 10 percent – 44.03%
  - c. Increase up to 5 percent – 29.35%
  - d. Stay about the same – 6.83%
  - e. Decrease up to 5 percent – 1.02%

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

*Average expected increase in raw material prices consistent with these responses = 5.83%*

10. Over the next year, what are your company's capital investment plans?

- a. Increase more than 10 percent – 8.84%
- b. Increase 5 percent to 10 percent – 11.56%
- c. Increase up to 5 percent – 9.52%
- d. Stay about the same – 43.20%
- e. Decrease up to 5 percent – 10.54%
- f. Decrease 5 percent to 10 percent – 6.12%
- g. Decrease more than 10 percent – 10.20%

*Average expected increase in capital investments consistent with these responses = 0.25%*

11. Over the next year, what are your inventory plans?

- a. Increase more than 10 percent – 3.39%
- b. Increase 5 percent to 10 percent – 6.78%
- c. Increase up to 5 percent – 11.19%
- d. Stay about the same – 46.10%
- e. Decrease up to 5 percent – 15.25%
- f. Decrease 5 percent to 10 percent – 10.85%
- g. Decrease more than 10 percent – 6.44%

*Average expected change in inventories consistent with these responses = -0.71%*

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

- a. Significant emphasis – 21.77%
- b. Moderate emphasis – 34.35%
- c. Slight emphasis – 28.57%
- d. No emphasis – 15.31%

13. 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 – 56.27%
- b. Weaker global growth and slower export sales – 25.42%
- c. Trade uncertainties (e.g., actual or proposed tariffs, trade negotiation uncertainty) – 76.95%
- d. Strengthened U.S. dollar relative to other currencies – 9.83%
- e. Challenges with access to capital or other forms of financing – 5.42%
- f. Unfavorable business climate (e.g., taxes, regulations) – 45.76%
- g. Increased raw material costs – 66.10%
- h. Rising health care/insurance costs – 60.00%
- i. Transportation and logistics costs – 25.08%
- j. Supply chain challenges – 39.66%
- k. Attracting and retaining a quality workforce – 47.46%
- l. Other – 5.76%

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

- a. Building materials and supplies – 3.40%
- b. Chemicals – 6.12%
- c. Computer and electronic products – 3.40%
- d. Consumer goods – 3.74%
- e. Electrical equipment and appliances – 6.12%
- f. Fabricated metal products – 24.83%
- g. Food manufacturing – 3.40%
- h. Furniture and related products – 1.36%
- i. Machinery – 11.22%
- j. Nonmetallic mineral products – 1.02%
- k. Paper and paper products – 2.72%
- l. Petroleum and coal products – 0.68%
- m. Pharmaceuticals and medical devices – 1.70%
- n. Plastics and rubber products – 5.44%
- o. Primary metals – 3.06%
- p. Transportation equipment – 7.48%
- q. Wood products – 0.34%
- r. Other – 13.95%

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

- a. Fewer than 50 employees – 20.89%
- b. 50 to 499 employees – 44.86%
- c. 500 or more employees – 34.25%
- d. Uncertain – 0.00%

### **SPECIAL QUESTIONS**

16. By what percentage have your costs of doing business increased due to tariffs imposed this year?
- a. Increase up to 5 percent – 32.07%
  - b. Increase 5 percent to 10 percent – 33.45%
  - c. Increase 10 percent to 15 percent – 16.90%
  - d. Increase 15 percent to 20 percent – 2.76%
  - e. Increase more than 25 percent – 3.79%
  - f. No increase – 11.03%
17. Have the recent changes to tariff rates had any of the following effects on your business? (Select all that apply.)
- a. Increased costs – 79.73%
  - b. Delayed or canceled investments, such as capital expenditures, new facilities or R&D – 36.43%
  - c. Slowed or shut down production – 28.87%
  - d. Paused hiring, reduced workforce or decreased workers' hours or pay – 33.68%
  - e. Dampened your business's growth outlook – 57.39%
  - f. Reduced availability or increased costs of inputs – 39.18%
  - g. Led to customers canceling orders – 29.55%
  - h. Increased difficulty competing globally – 25.77%
  - i. Damage to supplier relationships, resulting in loss of inputs or increased prices – 20.62%
  - j. Reduced market access for exports – 17.18%
  - k. Considered relocating operations outside the U.S. – 7.56%
  - l. No impact – 7.90%
  - m. Other (please specify) – 4.12%
18. Have your export opportunities been impacted by tariffs imposed by the U.S. or retaliatory tariffs imposed by other countries?
- a. Significantly impacted – 14.78%
  - b. Somewhat impacted – 38.14%
  - c. No change – 32.65%
  - d. Not applicable – 14.43%
19. [If 18 answered] Which export destinations have been most impacted by tariffs imposed by the U.S. or retaliatory tariffs imposed by other countries? (Select all that apply.)
- a. Mexico – 26.09%
  - b. Canada – 41.30%
  - c. China – 26.45%
  - d. Asia (not including China) – 9.78%
  - e. Europe – 24.28%
  - f. Rest of the world – 5.43%
  - g. N/A – 26.09%
  - h. Other (please specify) – 3.26%

20. Given already increased tariff rates and the uncertainty around the changing landscape regarding future tariff rates, has it become more urgent for Congress to act quickly to prevent tax increases on manufacturers?
- a. Yes – 85.37%
  - b. No – 5.92%
  - c. Uncertain – 8.71%
21. Congress could consider raising the corporate tax rate or the individual income tax rate for pass-through businesses as part of a tax reform legislative package. Do you support or oppose increasing the tax rates for corporate and pass-through manufacturers?
- a. Support – 3.86%
  - b. Oppose – 82.81%
  - c. Uncertain – 13.33%
22. Congress is potentially considering a proposal to limit the deductibility of state and local taxes paid by businesses, including but not limited to income, sales and property taxes. This change would raise the overall tax burden for manufacturers. Do you believe Congress should limit manufacturers' ability to deduct state and local taxes?
- a. Yes – 6.25%
  - b. No – 84.38%
  - c. Uncertain – 9.38%