

NAM MANUFACTURERS' OUTLOOK SURVEY
FIRST QUARTER 2026
 March 12, 2026

By Victoria Bloom and Michael Green

<p>Percentage of Respondents Positive About Their Own Company's Outlook</p> <p style="text-align: center;">75.3% (Q4: 69.9%)</p> <p>Small Manufacturers: 70.5%</p> <p>Medium-Sized Manufacturers: 79.0%</p> <p>Large Manufacturers: 73.0%</p>	<p>Overall Facts About the Survey</p> <p>Number of Responses: 240 In the Field: Feb. 10–26, 2026</p> <p>Small Manufacturers: 44 responses (18.3%)</p> <p>Medium-Sized Manufacturers: 100 responses (41.7%)</p> <p>Large Manufacturers: 89 responses (37.1%)</p> <p>Undisclosed: 7 (2.9%)</p>
<p>Expected Growth Rate for <u>SALES</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 3.8% (Q4: ↑ 2.8%)</p>	<p>Expected Growth Rate for <u>PRODUCTION</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 3.5% (Q4: ↑ 2.4%)</p>
<p>Expected Growth Rate for <u>FULL-TIME EMPLOYMENT</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 1.3% (Q4: ↑ 1.0%)</p>	<p>Expected Growth Rate for <u>EMPLOYEE WAGES</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 2.7% (Q4: ↑ 2.7%)</p>
<p>Expected Growth Rate for <u>CAPITAL INVESTMENTS</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 1.7% (Q4: ↑ 1.4%)</p>	<p>Expected Growth Rate for <u>EXPORTS</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 0.1% (Q4: ↑ 0.1%)</p>
<p>Expected Growth Rate for <u>PRICES OF COMPANY'S PRODUCTS</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 3.1% (Q4: ↑ 3.0%)</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;">↑ 4.1% (Q4: ↑ 4.1%)</p>
<p>Expected Growth Rate for <u>INVENTORIES</u> Over the Next 12 Months</p> <p style="text-align: center;">↑ 0.3% (Q4: ↓ 0.2%)</p>	

Summary of Findings

- Manufacturing sentiment improves from the previous quarter.** The NAM conducted the Q1 2026 Manufacturers' Outlook Survey Feb. 10–26, 2026. In Q1, 75.3% of respondents felt either somewhat or very positive about their company's outlook, up 5.4 percentage points from Q4 2025 (Figures 1 and 2) and back above the historical average for the first time since Q1 2023. The average sentiment over the past four quarters is 66.4%.

- Trade uncertainties and rising health care costs are at the top of manufacturers' business concerns.** In Q1, 70.6% of manufacturers cited trade uncertainties as their top business challenge, followed by rising health care/insurance costs (69.8%) (Figures 3 and 4). When broken down by business size, 80% of large manufacturers (500 or more employees) cited trade uncertainties as their top business challenge. Meanwhile, 78% of medium manufacturers (50 to 499 employees) and 75% of small manufacturers (fewer than 50 employees) cited rising health care and insurance costs as their top business concern, with trade uncertainties coming in as the second-highest concern at 67% and 61%, respectively. Respondents were able to check more than one response; therefore, responses exceed 100%.
- The majority of manufacturers' supply chains rely on Canada or Mexico.** More than half (54.6%) of respondents reported relying on either Canada or Mexico for critical parts of their supply chain. Of those whose businesses utilize Canada or Mexico for critical parts of their supply chain, exactly half rely on both countries. Furthermore, 82.2% said they source raw materials or other inputs from either country, 62.7% rely on a customer base from across the border and 53.4% use production or distribution facilities there (Figure 5).
- Manufacturers are seeing the benefits of tax reform.** More than half (61.0%) of respondents anticipate specific benefits for their company from H.R. 1, with the largest share expecting reduced tax liability or the prevention of an increased tax liability (41.3%) (Figure 6). Furthermore, 29.1% expect their overtime-eligible employees to have a higher after-tax income, and nearly a quarter (23.9%) anticipate a reduced cost for research.
- Manufacturers want Congress to pass federal labor law reform.** When asked if there is a need for federal labor law reform to increase transparency into labor union activities and ensure accountability, 75.0% of manufacturers agreed there was.
- A significant share of manufacturers are starting to feel the positive impacts of regulatory reform.** When asked to what extent the "right-sizing" of the regulatory environment has benefited their business over the past 12 months, nearly one-half (46.6%) of manufacturers are already feeling the benefits. Furthermore, the smallest share (33.19%) of manufacturers listed an unfavorable business climate (e.g., taxes, regulations) as a top concern since Q1 2020.
- Supply chain volatility is increasing for manufacturers.** When asked how risks and volatility in their supply chains have changed in the past 12 months, about two-thirds (63.3%) of respondents reported increased volatility (Figure 7). Furthermore, roughly a quarter (25.3%) of manufacturers said that risks and volatility to their supply chain have increased significantly. Meanwhile, only 7.9% of respondents cited decreased volatility in the past 12 months.
- Some other trends regarding predicted growth rates over the next 12 months (Figure 8):

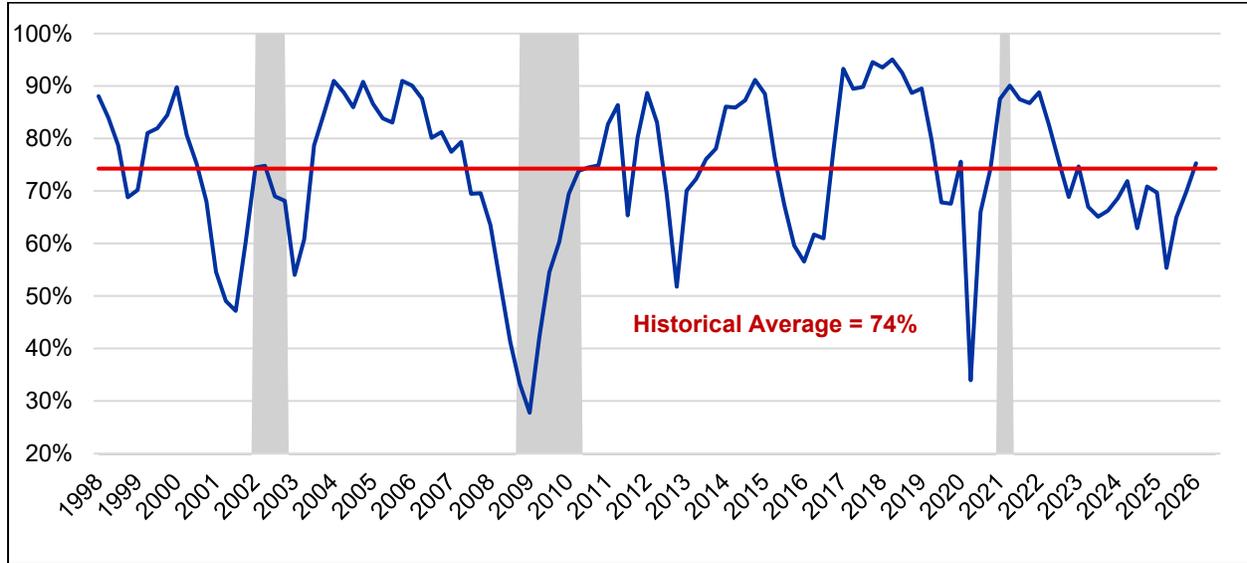
 - **Sales:** Respondents expect sales to rise 3.8% over the next 12 months, up from the previous quarter (2.8%). More than 70% of manufacturers predict sales will increase

over the next four quarters, with 47.7% anticipating orders will rise 5% or more. In contrast, 10.9% foresee declining sales, and 18.4% predict no change. Small and medium-sized firms forecast the strongest growth (4.0%) over the next 12 months while large firms expect 3.5% growth.

- **Production:** Respondents expect production to increase 3.5% on average over the next 12 months, up from 2.4% in Q4. About two-thirds of respondents (66.0%) forecast output to rise over the next year, while 10.5% predict declining production, below last quarter's expectation (16.2%). Meanwhile, 23.5% of respondents anticipate production levels will stay about the same. Small and medium-sized firms forecast the strongest growth, averaging 3.9% over the next 12 months, while larger firms expect 2.9% growth.
- **Full-Time Employment:** Respondents expect full-time employment to rise 1.3% over the next 12 months, up slightly from 1.0% in Q4. While 43.1% anticipate an increase in full-time hiring over the next year, 14.7% predict reduced employment. At the same time, 42.3% forecast hiring levels to remain the same over the next year. Small and medium-sized firms forecast the strongest growth, averaging 1.7% over the next 12 months, while larger firms expect 0.8% growth.
- **Employee Wages:** Respondents forecast employee wages (excluding nonwage compensation, such as benefits) to rise 2.7% over the next 12 months, in line with the prior quarter's prediction. While 91.2% of manufacturers predict some level of wage growth over the next year, only 3.8% forecast wage growth of 5% or more. Small and medium-sized firms anticipate employee wage growth to be the greatest, averaging 2.8% over the next 12 months, while large firms expect 2.6% growth.
- **Input Costs:** Respondents anticipate raw material prices and other input costs to rise 4.1% over the next 12 months, consistent with the projected cost increases in Q4. Overall, 83.3% expect an increase in raw material prices over the next year, with more than one-third (35.6%) anticipating increases exceeding 5%. Although 16.3% see input costs remaining the same, only 0.4% predict reduced input costs. Large and medium-sized firms expect the most significant growth in raw material costs, averaging 4.2% over the next year. Meanwhile, small firms predict a 3.7% increase.
- **Prices:** Respondents expect prices on their company's product line to increase 3.1% over the next 12 months, up slightly from 3.0% in Q4. Overall, 72.2% forecast an increase in prices over the next year, with 23.9% anticipating increases of more than 5%. Meanwhile, just 1.3% predict reduced prices, and 26.5% see prices remaining the same. Small and medium-sized firms expect the largest increase in prices, averaging 3.2% over the next year. Meanwhile, large firms predict a 2.9% increase.
- **Capital Investments:** Respondents forecast capital spending to improve slightly, rising 1.7% over the next 12 months, an increase from the 1.4% boost expected in Q4. In this survey, 41.0% of respondents anticipate additional capital spending in the next year, an increase from last quarter (37.3%), while 42.7% predict no change, and 16.2% see reduced capital expenditures. Large firms forecast the greatest level of investment, expecting 2.2% growth over the next 12 months. Small and medium-sized firms anticipate 1.4% growth.

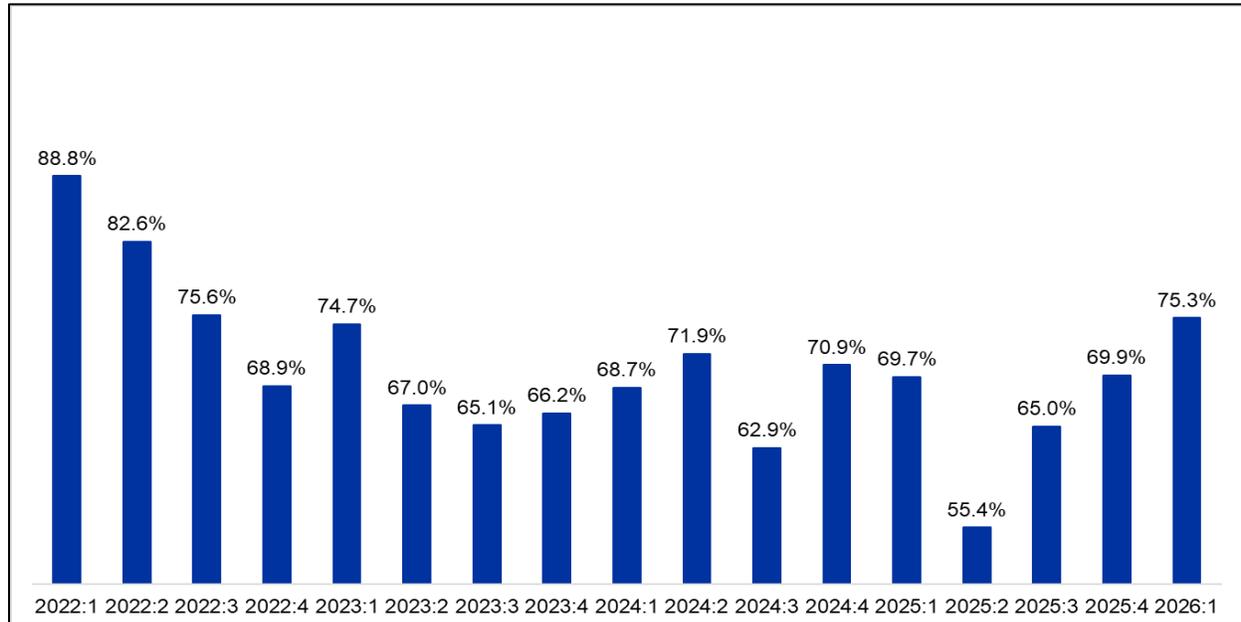
- **Exports:** Respondents predict export sales to increase 0.1% over the next 12 months, the same as the growth predicted in Q4. Nearly one-quarter (21.3%) anticipate higher export sales in the next year, while 63.5% see no changes, and 15.2% forecast declines. Large and medium-sized firms predict a small increase, averaging 0.2% over the next 12 months, while small firms expect less than a 0.1% increase in exports.

Figure 1: Manufacturing Business Outlook by Quarter, Q1 1998 – Q1 2026
(Recessions Are Highlighted with Gray Shading)



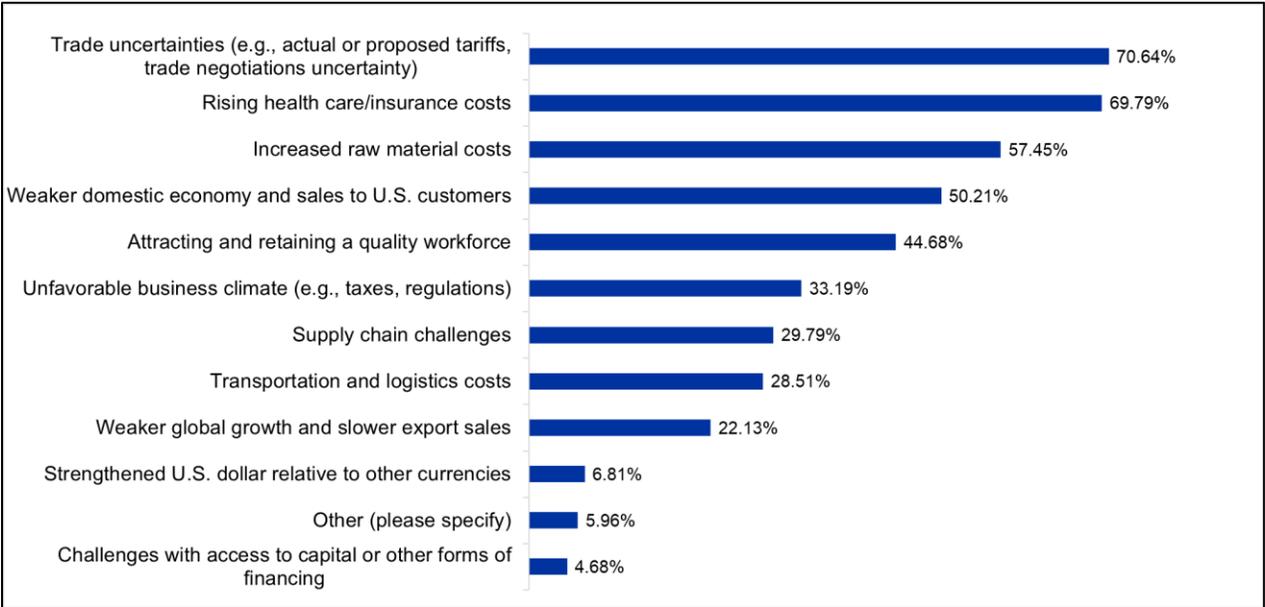
Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive. Recessions are designated by the National Bureau of Economic Research.

Figure 2: Manufacturing Business Outlook by Quarter, Q1 2022 – Q1 2026



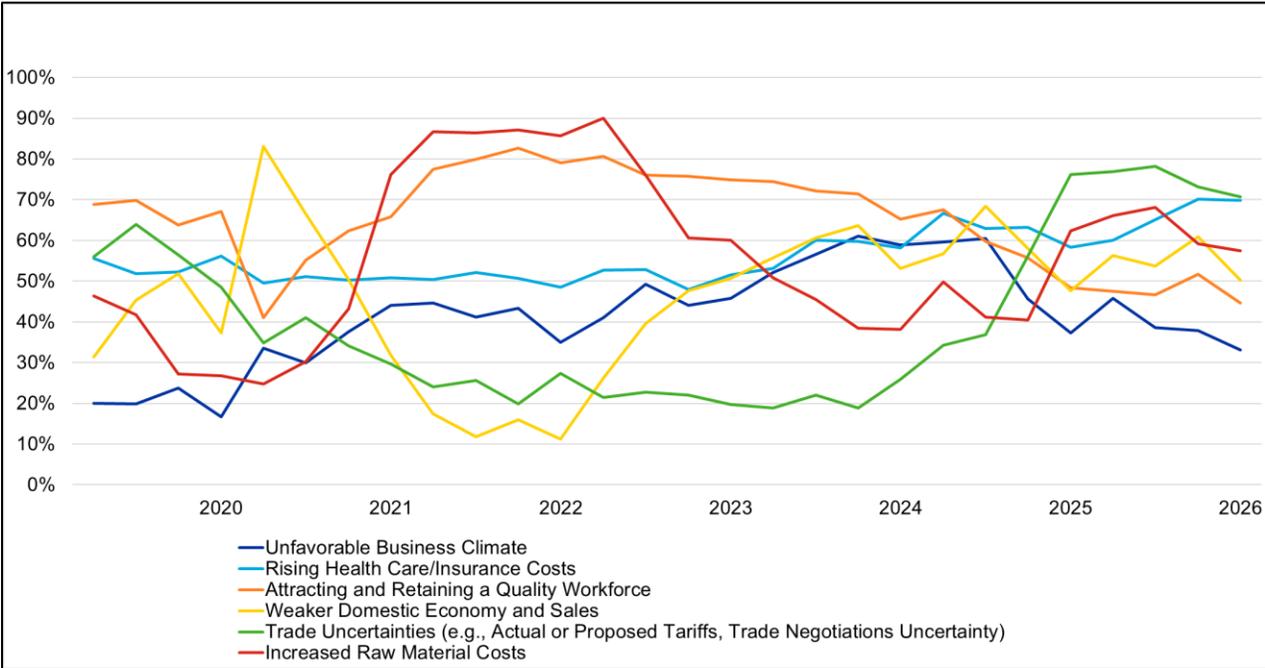
Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive.

Figure 3: Primary Current Business Challenges, Q1 2026



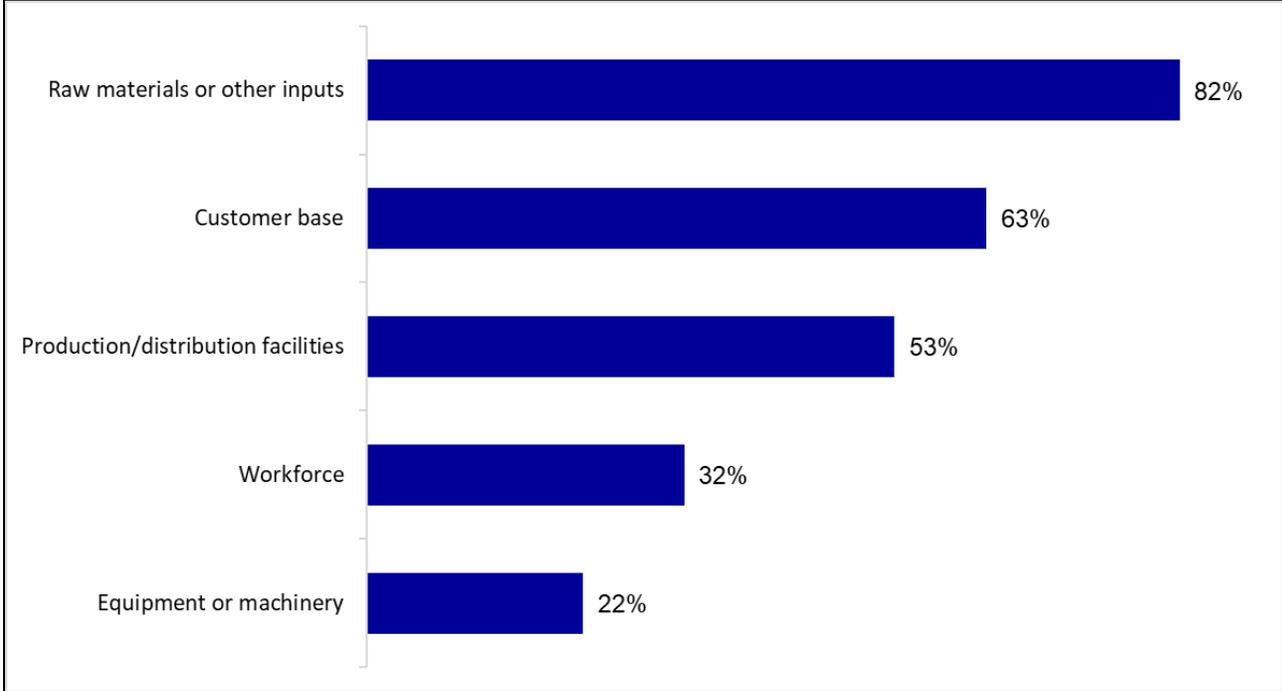
Note: Respondents were able to check more than one response; therefore, responses exceed 100%.

Figure 4: Primary Current Business Challenges for Select Responses, Q1 2019 – Q1 2026



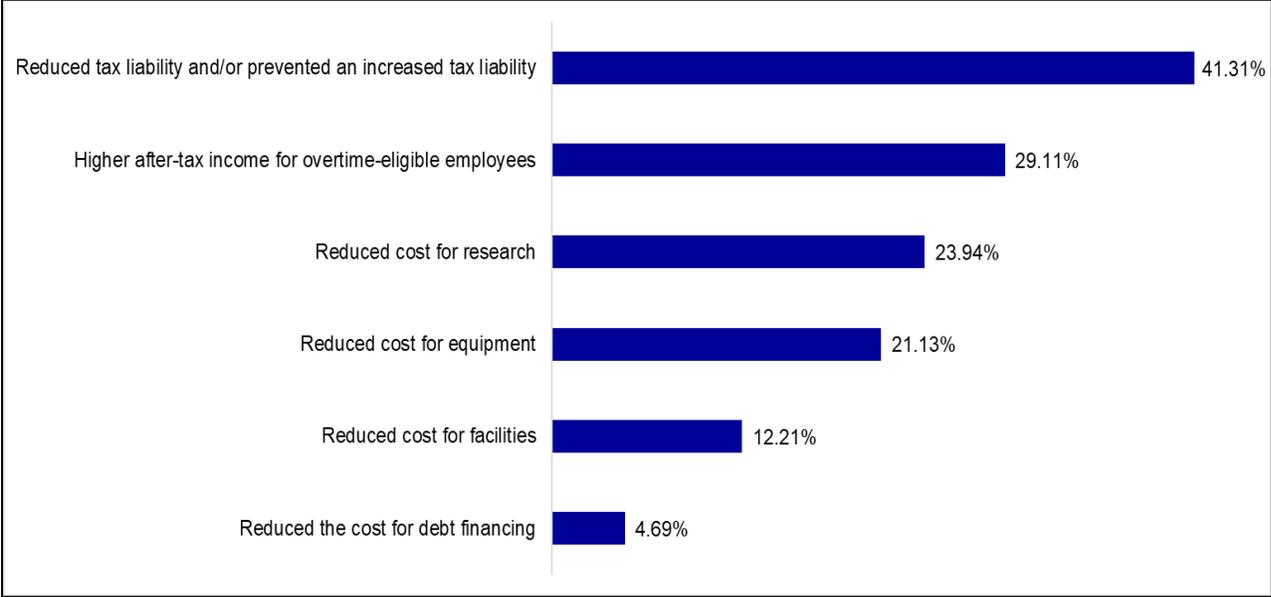
Note: Respondents were able to check more than one response; therefore, responses exceed 100%.

Figure 5: In What Ways Does Your Business Utilize Canada or Mexico?



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

Figure 6: Do You Anticipate the H.R. 1 Tax Law Will Have Any of the Following Impacts on Your Business?



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

Figure 7: How Have Risks and Volatility to Your Supply Chain Changed in the Past 12 Months?

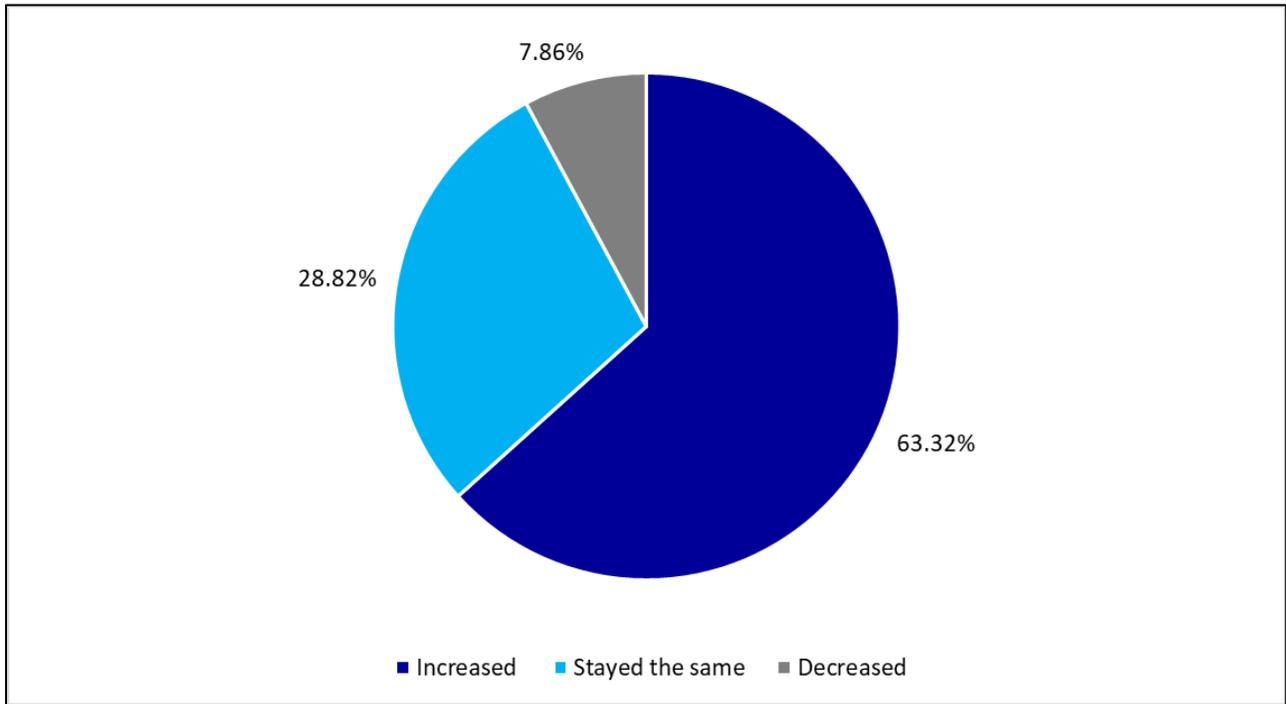
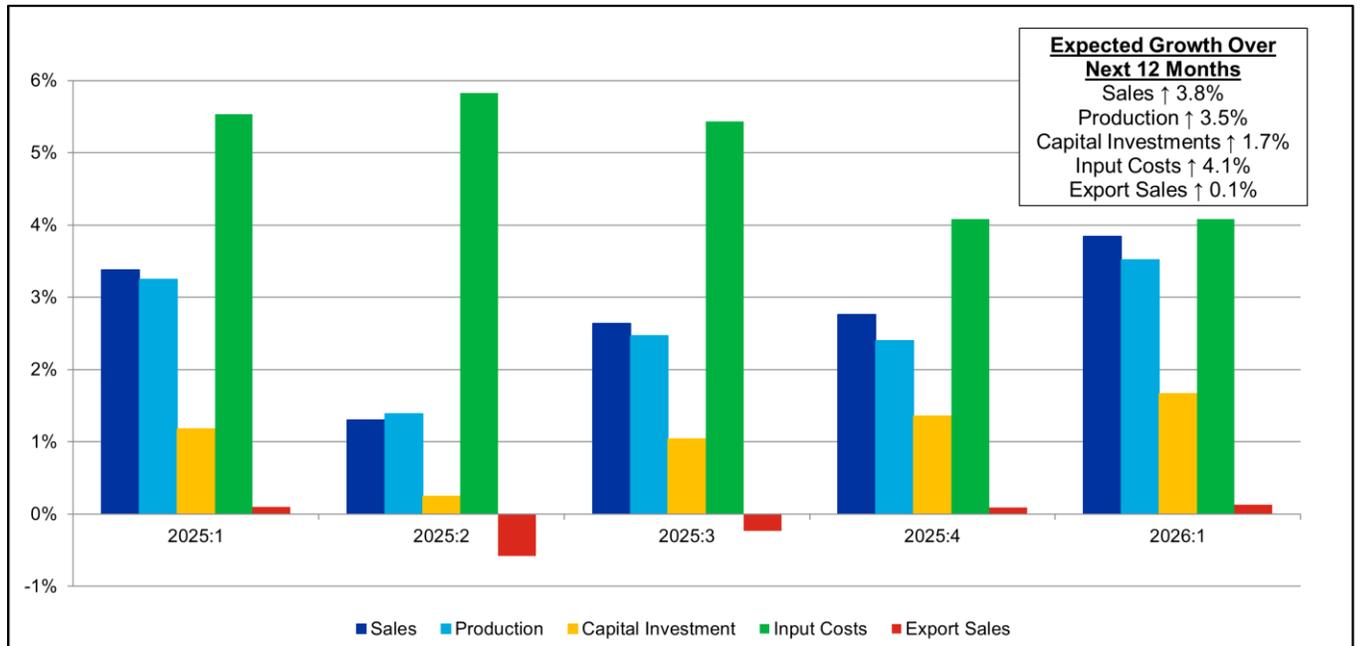


Figure 8: Expected Growth of Manufacturing Activity, Q1 2025 – Q1 2026



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 – 12.55%
 - b. Somewhat positive – 62.76%
 - c. Somewhat negative – 20.92%
 - d. Very negative – 3.77%

Percentage that is either somewhat or very positive in their outlook = 75.31%

2. Over the next year, what do you expect to happen with your company's overall sales?
 - a. Increase more than 10% – 12.13%
 - b. Increase 5–10% – 35.56%
 - c. Increase up to 5% – 23.01%
 - d. Stay about the same – 18.41%
 - e. Decrease up to 5% – 5.44%
 - f. Decrease 5–10% – 2.51%
 - g. Decrease more than 10% – 2.93%

Average expected increase in sales consistent with these responses = 3.84%

3. Over the next year, what do you expect to happen with your company's overall production levels?
 - a. Increase more than 10% – 13.45%
 - b. Increase 5–10% – 28.57%
 - c. Increase up to 5% – 23.95%
 - d. Stay about the same – 23.53%
 - e. Decrease up to 5% – 5.46%
 - f. Decrease 5–10% – 2.94%
 - g. Decrease more than 10% – 2.10%

Average expected increase in production consistent with these responses = 3.52%

4. Over the next year, what do you expect in terms of full-time employment in your company?
 - a. Increase more than 10% – 4.18%
 - b. Increase 5–10% – 12.97%
 - c. Increase up to 5% – 25.94%
 - d. Stay about the same – 42.26%
 - e. Decrease up to 5% – 8.79%
 - f. Decrease 5–10% – 3.77%
 - g. Decrease more than 10% – 2.09%

Average expected increase in full-time employment consistent with these responses = 1.33%

5. What percentage of jobs remain unfilled in your company?
- a. Less than 5% – 73.73%
 - b. 5–10% – 21.19%
 - c. 10–15% – 2.54%
 - d. More than 15% – 2.54%

Average number of jobs expected to remain unfilled consistent with these responses = 4.13%

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% – 3.77%
 - b. Increase 3–5% – 48.54%
 - c. Increase up to 3% – 38.91%
 - d. Stay about the same – 7.95%
 - e. Decrease up to 3% – 0.42%
 - f. Decrease 3–5% – 0.42%
 - g. Decrease more than 5% – 0.00%

Average expected increase in employee wages consistent with these responses = 2.69%

7. Over the next year, what do you expect to happen to the level of export sales at your company?
- a. Increase more than 5% – 6.52%
 - b. Increase 3–5% – 6.96%
 - c. Increase up to 3% – 7.83%
 - d. Stay about the same – 63.48%
 - e. Decrease up to 3% – 3.91%
 - f. Decrease 3–5% – 3.48%
 - g. Decrease more than 5% – 7.83%

Average expected increase in exports consistent with these responses = 0.13%

8. Over the next year, what do you expect to happen to prices on your company's overall product line?
- a. Increase more than 10% – 5.98%
 - b. Increase 5–10% – 17.95%
 - c. Increase up to 5% – 48.29%
 - d. Stay about the same – 26.50%
 - e. Decrease up to 5% – 0.85%

- f. Decrease 5–10% – 0.00%
- g. Decrease more than 10% – 0.43%

Average expected increase in product prices consistent with these responses
= 3.09%

9. Over the next year, what do you expect to happen to raw material prices and other input costs?

- a. Increase more than 10% – 9.01%
- b. Increase 5–10% – 26.61%
- c. Increase up to 5% – 47.64%
- d. Stay about the same – 16.31%
- e. Decrease up to 5% – 0.43%
- f. Decrease 5–10% – 0.00%
- g. Decrease more than 10% – 0.00%

Average expected increase in raw material prices consistent with these responses = 4.08%

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

- a. Increase more than 10% – 14.53%
- b. Increase 5–10% – 12.39%
- c. Increase up to 5% – 14.10%
- d. Stay about the same – 42.74%
- e. Decrease up to 5% – 6.41%
- f. Decrease 5–10% – 2.99%
- g. Decrease more than 10% – 6.84%

Average expected increase in capital investments consistent with these responses = 1.67%

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

- a. Increase more than 10% – 4.29%
- b. Increase 5–10% – 7.30%
- c. Increase up to 5% – 14.16%
- d. Stay about the same – 54.08%
- e. Decrease up to 5% – 11.16%
- f. Decrease 5–10% – 6.44%
- g. Decrease more than 10% – 2.58%

Average expected change in inventories consistent with these responses = 0.31%

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

- a. Significant emphasis – 24.79%
- b. Moderate emphasis – 38.89%
- c. Slight emphasis – 28.21%
- d. No emphasis – 8.12%

13. What are the biggest challenges you are facing? (Select all that apply.)

- a. Weaker domestic economy and sales to U.S. customers – 50.21%
- b. Weaker global growth and slower export sales – 22.13%
- c. Trade uncertainties (e.g., actual or proposed tariffs, trade negotiation uncertainty) – 70.64%
- d. Strengthened U.S. dollar relative to other currencies – 6.81%
- e. Challenges with access to capital or other forms of financing – 4.68%
- f. Unfavorable business climate (e.g., taxes, regulations) – 33.19%
- g. Increased raw material costs – 57.45%
- h. Rising health care/insurance costs – 69.79%
- i. Transportation and logistics costs – 28.51%
- j. Supply chain challenges – 29.79%
- k. Attracting and retaining a quality workforce – 44.68%
- l. Other _____ – 5.96%

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

- a. Building materials and supplies – 5.13%
- b. Chemicals – 4.70%
- c. Computer and electronic products – 4.70%
- d. Consumer goods – 1.71%
- e. Electrical equipment and appliances – 8.12%
- f. Fabricated metal products – 23.50%
- g. Food manufacturing – 2.14%
- h. Furniture and related products – 1.28%
- i. Machinery – 12.82%
- j. Nonmetallic mineral products – 1.28%
- k. Paper and paper products – 1.28%
- l. Petroleum and coal products – 0.85%
- m. Pharmaceuticals and medical devices – 1.71%
- n. Plastics and rubber products – 7.69%
- o. Primary metals – 1.28%
- p. Transportation equipment – 6.84%
- q. Wood products – 0.85%
- r. Other _____ – 14.10%

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

- a. Fewer than 50 employees – 18.88%

- b. 50 to 500 employees – 42.92%
- c. More than 500 employees – 38.20%
- d. Uncertain – 0.00%

Special Questions

16. Do you anticipate the H.R. 1 tax law will have any of the following impacts on your business? (Select all that apply.)

- a. Reduced tax liability and/or prevented an increased tax liability – 41.31%
- b. Reduced cost for equipment – 21.13%
- c. Reduced cost for research – 23.94%
- d. Reduced cost for facilities – 12.21%
- e. Reduced cost for debt financing – 4.69%
- f. Higher after-tax income for overtime-eligible employees – 29.11%
- g. None of the above – 38.97%

17. As a result of the H.R. 1 tax law passage, would you say that the tax code is more competitive, less competitive or about the same as it was in 2024?

- a. More competitive – 41.10%
- b. About the same – 32.42%
- c. Less competitive – 2.74%
- d. Uncertain – 23.74%

Taking into account that 23.74% of respondents selected “uncertain,” for those who responded definitively, 53.89% said “more competitive,” while 3.59% answered “less competitive,” and 42.51% stated “about the same.”

18. Do you rely on Mexico or Canada for critical parts of your supply chain (i.e., raw materials, production/distribution facilities, workforce, export market, etc.)?

- a. Canada – 11.30%
- b. Mexico – 15.65%
- c. Both – 26.96%
- d. Neither – 44.78%
- e. Uncertain – 1.30%

Taking into account that 1.30% of respondents selected “uncertain,” for those who responded definitively, 54.63% said they rely on Canada, Mexico or both for critical parts of their supply chain.

19. (IF YES) In what ways does your business utilize Canada/Mexico? (Select all that apply.)

- a. Raw materials or other inputs – 76.98%
- b. Equipment or machinery – 20.63%
- c. Production/distribution facilities – 50.00%

- d. Workforce – 30.16%
- e. Customer base – 58.73%
- f. Other (please specify) – 3.97%
- g. None – 2.38%

Taking into account that 6.35% of respondents selected “none” or “other,” for those who responded definitively, 82.20% said they utilize Canada/Mexico for “raw materials or other inputs,” 22.03% for “equipment or machinery,” 53.39% for “production/distribution facilities,” 32.20% for “workforce” and 62.71% for “customer base.”

20. Have you made any changes to your business over the past year to utilize United States–Mexico–Canada Agreement preferences on your products in the face of tariff exposure? (Select all that apply.)

- a. New documentation requirements to claim preferences – 12.56%
- b. Requested additional info not required previously from suppliers to claim preferences – 12.11%
- c. Changed suppliers to meet requirements to claim preferences – 16.14%
- d. Made no changes (I was already utilizing USMCA preferences) – 33.63%
- e. Unable to claim USMCA preferences (paying the tariffs) – 10.76%
- f. Not applicable – 38.12%

21. How have risks and volatility to your supply chain changed in the past 12 months?

- a. Increased significantly – 25.33%
- b. Increased moderately – 37.99%
- c. Stayed the same – 28.82%
- d. Decreased moderately – 6.99%
- e. Decreased significantly – 0.87%
- f. Uncertain – 0.00%

22. To what extent has the “right-sizing” of the regulatory environment benefited your business over the past 12 months?

- a. Significant benefit – 3.49%
- b. Some benefit – 32.75%
- c. No benefit – 41.48%
- d. Uncertain – 22.27%

Taking into account that 22.27% of respondents selected “uncertain,” for those who responded definitively, 46.63% said their business has benefited from the “right-sizing” of the regulatory environment over the past 12 months.

23. Congress is potentially considering legislation to modernize the U.S. chemical safety law—the Toxic Substances Control Act. Which TSCA-related barriers impact your operations? (Select all that apply.)

- a. Access to new chemical inputs – 6.11%
- b. Maintaining reliable domestic supply chains – 16.16%
- c. Product reformulation or substitution decision – 10.92%
- d. Compliance planning uncertainty – 19.65%
- e. Unsure – 43.67%
- f. Not applicable – 31.00%

Taking into account that 74.67% of respondents selected “unsure” or “not applicable,” for those who are affected by TSCA-related barriers, 77.59% said “compliance planning uncertainty” has impacted their operations, while 63.79% noted “maintaining reliable domestic supply chains,” 43.10% mentioned “product reformulation or substitution decision” and 24.14% cited “access to new chemical inputs.”

24. Congress may consider federal labor law reform this year to increase transparency into collective bargaining units. Do you believe there is a need for federal labor law reform to increase transparency into labor union activities and ensure accountability?
- a. Yes – 51.97%
 - b. No – 17.03%
 - c. Unsure – 31.00%

Taking into account that 31.00% of respondents selected “unsure,” for those who responded definitively, 75.32% responded “yes,” while 24.68% said “no.”