NAM MANUFACTURERS' OUTLOOK SURVEY
FIRST QUARTER 2022
MARCH 17, 2022

Percentage of Respondents Positive About Their Own Company's Outlook	Overall Facts About the Survey
88.8% *(Dec.: 86.8%)* Small Manufacturers: **80.3%** *(Dec.: 76.7%)* Medium-Sized Manufacturers: **91.2%** *(Dec.: 85.2%)* Large Manufacturers: **87.8%** *(Dec.: 93.9%)*	Number of Responses: 290 In the Field: Feb. 11–25, 2022 Small Manufacturers: 61 responses (21.0%) Medium-Sized Manufacturers: 114 responses (39.3%) Large Manufacturers: 115 responses (39.7%) **NAM Manufacturing Outlook Index[1]** **59.2** *(Dec.: 57.8, revised)*
Expected Growth Rate for SALES Over the Next 12 Months **↑ 6.1%** *(Dec.: ↑ 5.2%)*	**Expected Growth Rate for PRODUCTION Over the Next 12 Months** **↑ 5.6%** *(Dec.: ↑ 4.8%)*
Expected Growth Rate for FULL-TIME EMPLOYMENT Over the Next 12 Months **↑ 3.7%** *(Dec.: ↑ 3.4%)*	**Expected Growth Rate for EMPLOYEE WAGES Over the Next 12 Months** **↑ 3.9% – Record High (Dating to First Survey, 1997:4)** *(Dec.: ↑ 3.8%)*
Expected Growth Rate for CAPITAL INVESTMENTS Over the Next 12 Months **↑ 3.8% – Highest Since 2018:2** *(Dec.: ↑ 3.3%)*	**Expected Growth Rate for EXPORTS Over the Next 12 Months** **↑ 1.1%** *(Dec.: ↑ 1.0%)*
Expected Growth Rate for PRICES OF COMPANY'S PRODUCTS Over the Next 12 Months **↑ 6.1% – Record High (Dating to First Survey, 1997:4)** *(Dec.: ↑ 5.9%)*	**Expected Growth Rate for RAW MATERIAL PRICES AND OTHER INPUT COSTS Over the Next 12 Months** **↑ 7.1%** *(Dec.: ↑ 6.5%)*
Expected Growth Rate for INVENTORIES Over the Next 12 Months **↑ 2.4%** *(Dec.: ↑ 2.6%)*	**Expected Growth Rate for HEALTH INSURANCE COSTS Over the Next 12 Months** **↑ 7.9%** *(Dec.: ↑ 8.1% – Highest Since 2017:4)*

[1] The NAM Manufacturing Outlook Index data series is revised each quarter to reflect the mean and standard deviation of the historical data, dating back to the fourth quarter of 1997. Currently, the historical mean for those with positive responses in their outlook is 75.1%, with a standard deviation of 15.0%. An index reading of 40 would be consistent with one standard deviation below the mean (60.1% positive), and an index reading of 60 would be one standard deviation above the mean (90.1% positive). As such, the index helps to normalize the outlook data to put them into a historical context.

Summary

Demand for manufactured goods has remained strong despite a multitude of headwinds in the global economy. The challenge for manufacturing firms has been in meeting that demand, with sizable hurdles from supply chain disruptions, workforce shortages, soaring costs and COVID-19. The labor market remains tight, with job growth in the sector in 2021 rising at the best pace since 1994. Companies cite difficulties in finding sufficient workers to meet their capacity needs, despite experiencing wage growth for production and nonsupervisory workers in manufacturing that has been at a 40-year high. At the same time, manufacturers have had around 800,000 job openings or more—a very elevated rate—for 10 straight months. And that was all before the Russian invasion of Ukraine. The severe disruptions caused by the war and the resulting sanctions add significant uncertainty in the global marketplace, likely exacerbating supply chain issues, energy costs and inflationary problems for manufacturers. The effects of the war in Ukraine are largely not reflected in this survey—as most responses were received before the invasion.

The NAM conducted the Manufacturers' Outlook Survey for the first quarter of 2022 from Feb. 11–25, and 88.8% of respondents felt either somewhat or very positive about their company outlook, up from 86.8% in the fourth quarter (Figures 1 and 2). Over the past five quarters, this headline index has averaged 88.1%, a very solid reading and one that is consistent with the strong demand cited above. The NAM Manufacturing Outlook Index measured 59.2 in the first quarter, up from 57.8 in the fourth quarter (Figure 3).

Small manufacturers (those with fewer than 50 employees) remained less upbeat in their outlook, with 80.3% positive, than their medium (50 to 499 employees) and large (500 or more employees) manufacturing counterparts, which were 91.2% and 87.8% positive, respectively (Figure 3). Their expected growth rates for sales, production, employment and capital spending were also lower than their larger peers.

For the past seven reports, manufacturers were asked about production, employment and capital spending in the current quarter relative to the previous one (Figure 4 and the following table). This information can be expressed as purchasing managers' indices. The data were consistent with an acceleration in activity in the first quarter, bouncing back from some softness in the second half of last year. For instance, the percentage reporting higher production rose from 41.0% in the fourth quarter to 54.2% in the first quarter, with similar trends for employment (up from 34.2% to 42.3%) and capital spending (up from 30.7% to 34.2%). More than half of respondents said that hiring and capital expenditures had no change for the first quarter.

	Previous PMI	**First Quarter 2022 Relative to Fourth Quarter 2021**			
		Higher	**No Change**	**Lower**	**PMI**
Production	60.4	54.2%	33.8%	12.0%	**71.1**
Employment	60.8	42.3%	52.5%	5.3%	**68.5**
Capital Spending	59.6	34.2%	56.7%	9.2%	**62.5**

Manufacturers expect full-time employment to rise 3.7% over the next 12 months (Figure 5), just shy of the record in September (3.8%). With that in mind, respondents also anticipate employee wages rising over the next year at 3.9% on average, the fastest pace in the survey's history, which dates to the fourth quarter of 1997 (Figure 6).

Meanwhile, manufacturers expect raw material costs to rise 7.1% (Figure 7), which is up from 6.5% in the fourth quarter and not far from the 7.5% reading in June of last year. Manufacturing companies forecast 6.1% growth in prices for their products over the next 12 months, a record inflation rate for the survey.

Supply chain challenges topped the list of primary business challenges in the first quarter (Figure 9), cited by 88.1% of respondents. Once again, those completing the survey were asked when they expect supply chain disruptions to abate. Just 2.6% anticipate these disruptions to end in the first half of 2022, but 40.4% expect them to improve in the second half of this year (Figure 10). Overall, roughly three-quarters of respondents predict that supply chain disruptions will abate by the end of the first half of 2023. Almost 15% believe that supply chain problems will not get better until at least the second half of 2023 or later, with 9.7% uncertain.

In addition to supply chain issues, other top challenges in the first quarter include increased raw material costs (85.7%), the inability to attract and retain a quality workforce (79.0%), transportation and logistics costs (72.7%) and rising health care and insurance costs (48.6%). Respondents anticipate health insurance costs to rise 7.9% on average over the next year, pulling back from the 8.1% reading in the prior survey, which was the most in four years.

Over the course of the past two years, manufacturers have had to grapple with and react to a variety of challenges. Respondents were asked about how these issues have changed their companies (Figure 11). More than 83% of manufacturers said that they have had to increase wages and benefits for existing and new employees to meet demand. In addition, companies have had to increase inventories of raw materials and other inputs (68.4%), brought in additional staffing to meet demand (61.4%), utilized alternative modes of transportation or logistics (58.8%), explored more domestic U.S. sourcing or production (57.9%) and reevaluated their company's entire supply chain (52.6%).

With Congress considering legislation that would increase taxes on income from manufacturing activities, 88.6% of respondents said their company would find it more difficult to expand their workforce, invest in new equipment or expand facilities if the tax burden on income from manufacturing activities increased.

On the topic of workforce, 89.4% had unfilled positions within their companies for which they were struggling to find qualified applicants. To address the tight labor market, 93.2% said that they have had to increase wages and salaries (Figure 12). Moreover, two-third of manufacturers say that they have needed to increase worker flexibility in terms of scheduling, with 45.5% increasing benefits and 43.4% instituting signing bonuses to attract new employees. Nearly 65% of manufacturers would be interested in employing refugees living in their community if they were available to work. More than 26% were uncertain.

In a special question, 92.9% of respondents said that they have had to increase prices in the past six months. For those companies that did so, the largest factor was increased raw material costs (97.8%, Figure 8). Other contributing factors to inflation in the sector included higher wages and salaries (80.4%), increased freight and transportation costs (80.1%), increased health care and other benefit costs (47.8%) and higher energy costs (44.2%), among others.

Some other trends regarding predicted growth rates over the next 12 months:

- **Sales:** Respondents expect sales to rise 6.1% over the next 12 months, up from 5.2% in the fourth quarter. More than 86% of manufacturers predict sales will increase over the next four quarters, with nearly 70% feeling that orders will rise 5% or more. Firm size mattered in the data. Medium and large manufacturers anticipate sales rising 6.4%, whereas small firms forecast increases of 4.8%.

- **Production:** Respondents expect production to increase 5.6% over the next 12 month, up from 4.8% in the previous survey. Almost 83% forecast output to rise over the coming months, with 7.0% seeing declining production. Medium and large manufacturers felt the most optimistic, anticipating 6.0% growth in production over the next 12 months. In contrast, small businesses expect output to rise 4.0%.

- **Full-Time Employment:** Respondents expect full-time employment to rise 3.7% over the next 12 months, up from 3.4% in the fourth quarter and just shy of the 3.8% reading in the third quarter, which was the highest rate in the survey's history. More than 71% anticipate more full-time hiring over the next year, with 36.4% predicting employment growth of 5% or more. Just 4.2% expect employment reductions. Medium manufacturers felt the most upbeat in their hiring plans, predicting 3.8% growth over the next 12 months. In contrast, small and large firms expect employment to rise 2.4% and 3.5%, respectively.

- **Employee Wages:** Respondents anticipate employee wages (excluding nonwage compensation, such as benefits) to rise 3.9% over the next 12 months, the fastest rate in the survey's history (Figure 6). Overall, 33.5% see wages rising by more than 5%, with 84.2% predicting an increase of at least 3%. The expected wage increases were slightly larger for medium manufacturers, up 4.0% over the next year, with small and large firms predicting 3.8% and 3.7%, respectively.

- **Capital Investments:** Respondents expect capital spending to rise 3.8% over the next 12 months, up from 3.3% in the previous survey and the best pace since the second quarter of 2018. In this survey, 55.7% expect additional capital spending in the next year, with 35.1% predicting no change and 9.2% forecasting reduced capital expenditures. By firm size, small, medium and large manufacturers see capital spending increasing 2.8%, 4.1% and 3.9%, respectively.

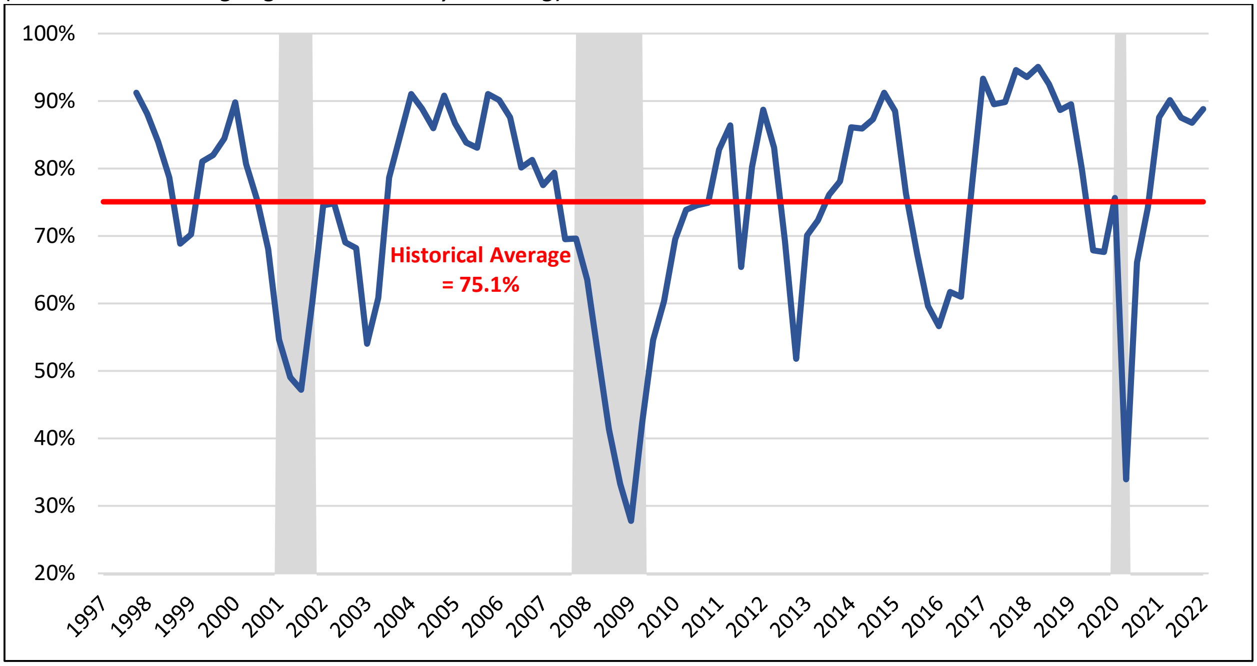
- **Exports:** Respondents expect exports to increase 1.1% over the next 12 months, inching up from 1.0% in the previous survey. Overall, 34.5% anticipate higher exports in the next year, with 58.6% seeing no changes.

- **Inventories:** Respondents anticipate 2.4% growth in inventories over the next 12 months, down from 2.6% in the fourth quarter and increasing for the sixth straight quarter. More than 51% of manufacturers expect increased inventories over the next year, with 17.7% predicting decreases and 31.1% seeing no changes.

- **Health Insurance Costs:** Manufacturers predict health insurance costs will rise 7.9% over the next 12 months, down from 8.1% in the fourth quarter, which was the fastest pace in four years. In the latest figures, roughly three-quarters expect costs to increase 5% or more, including one-third seeing costs rising 10% or more.

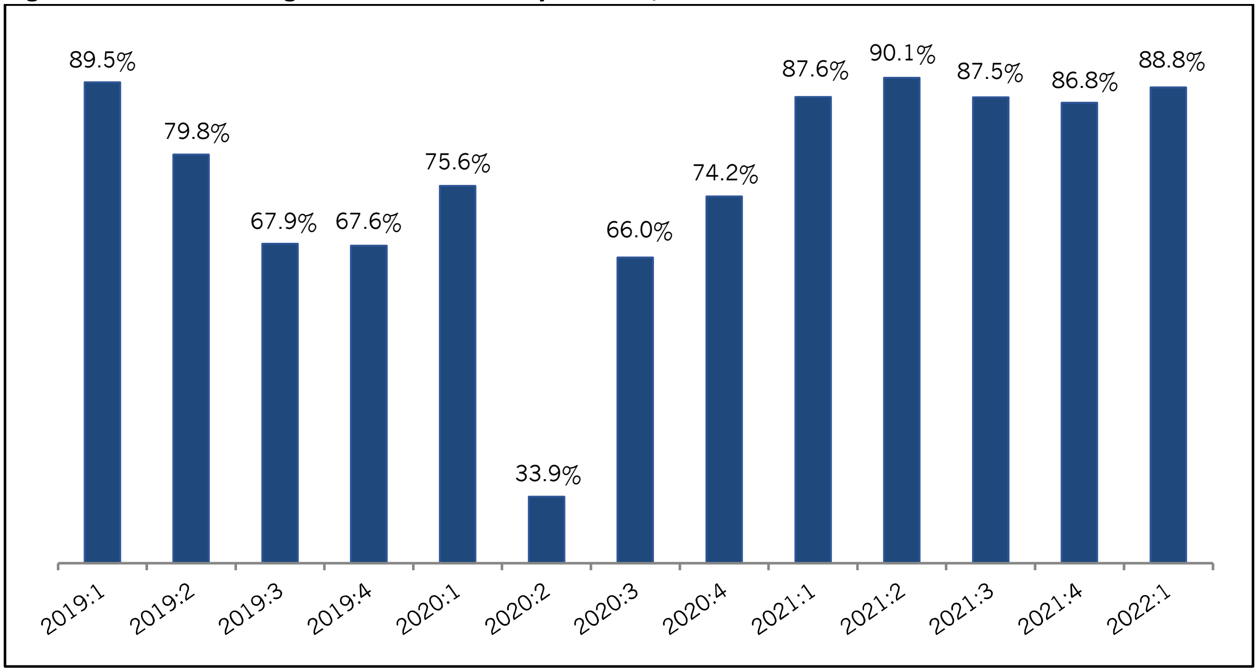
Figure 1: Manufacturing Business Outlook by Quarter, 1997–2022

(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, 2019–2022



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

Figure 3: NAM Manufacturing Outlook Index, 2019–2022

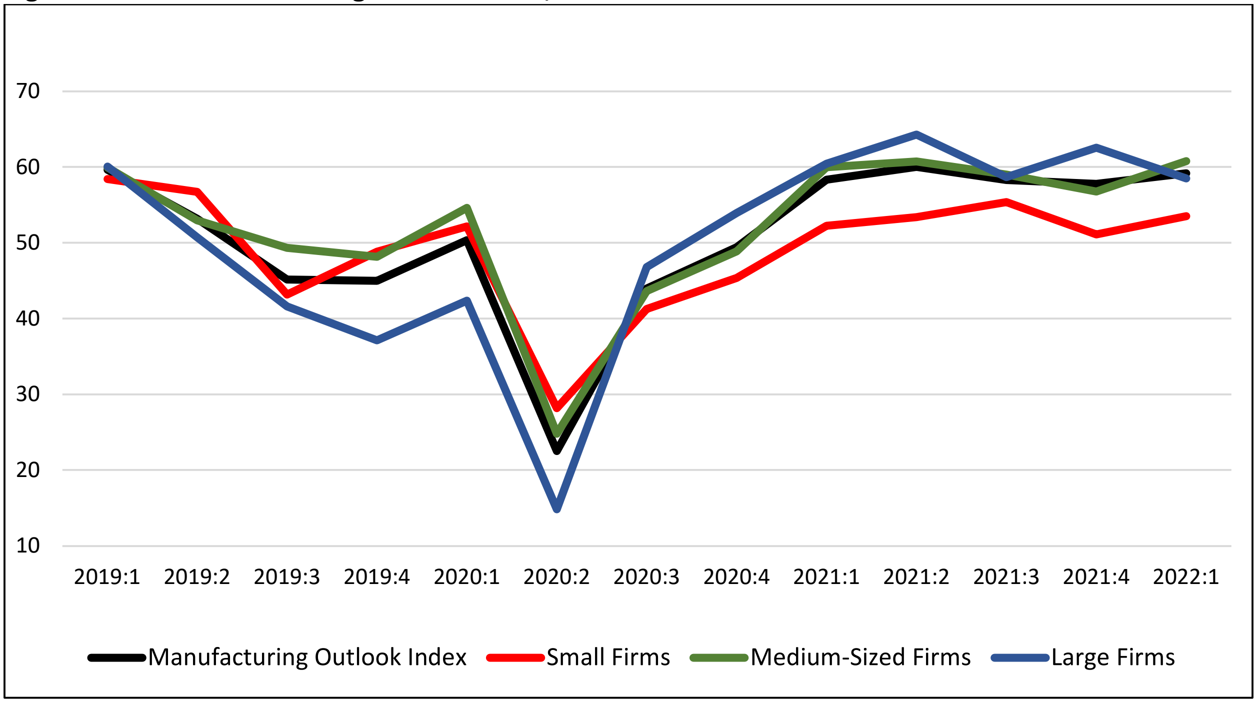


Figure 4: Change in Manufacturing Activity in First Quarter 2022 Relative to Fourth Quarter 2021

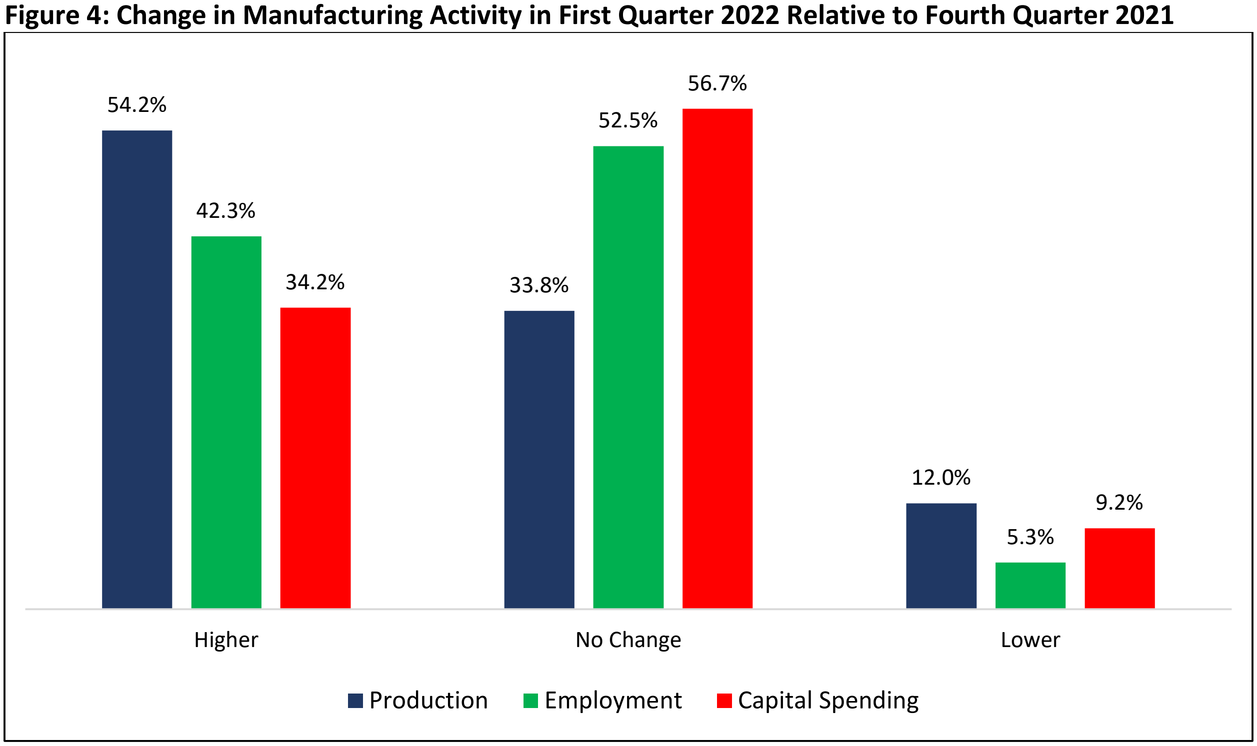
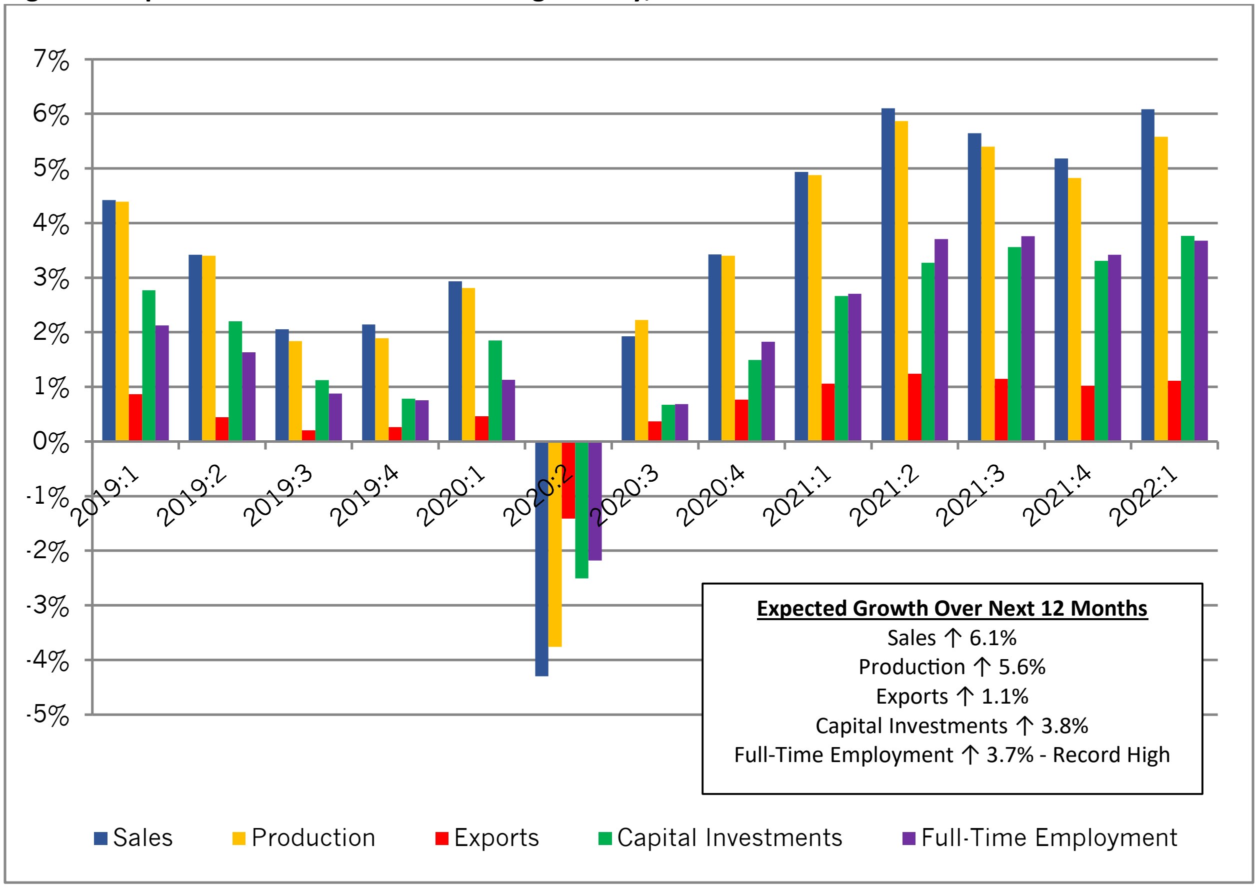
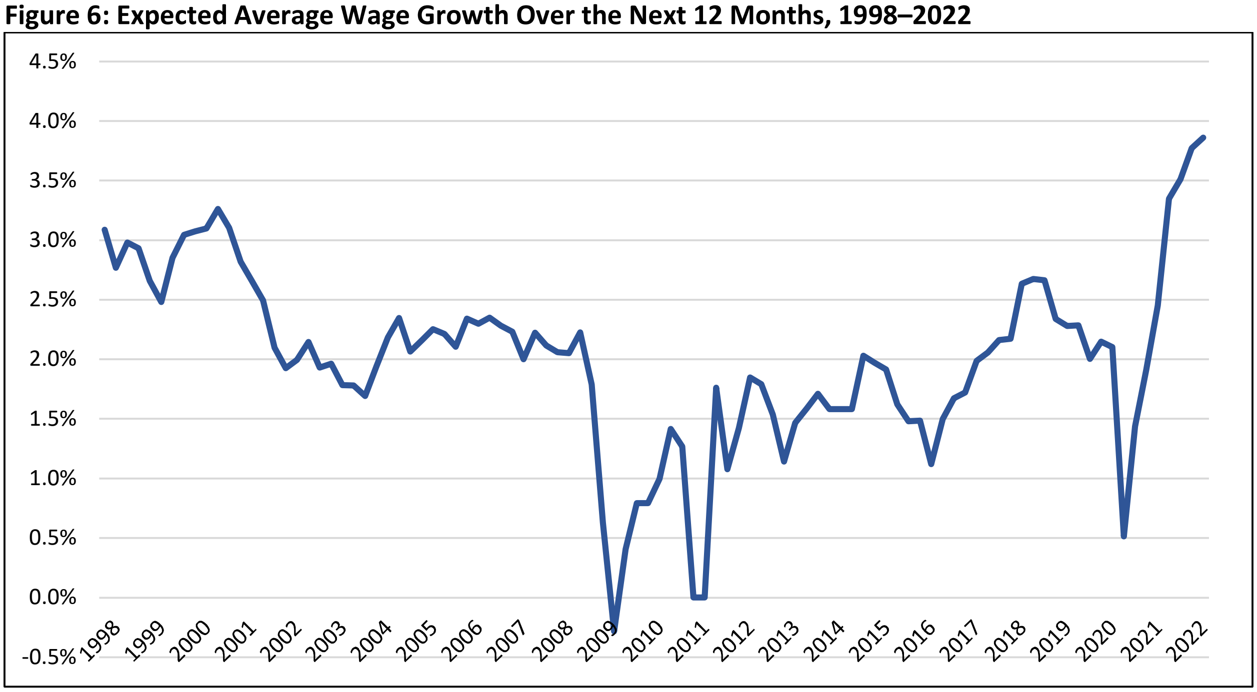


Figure 5: Expected Growth of Manufacturing Activity, 2019–2022



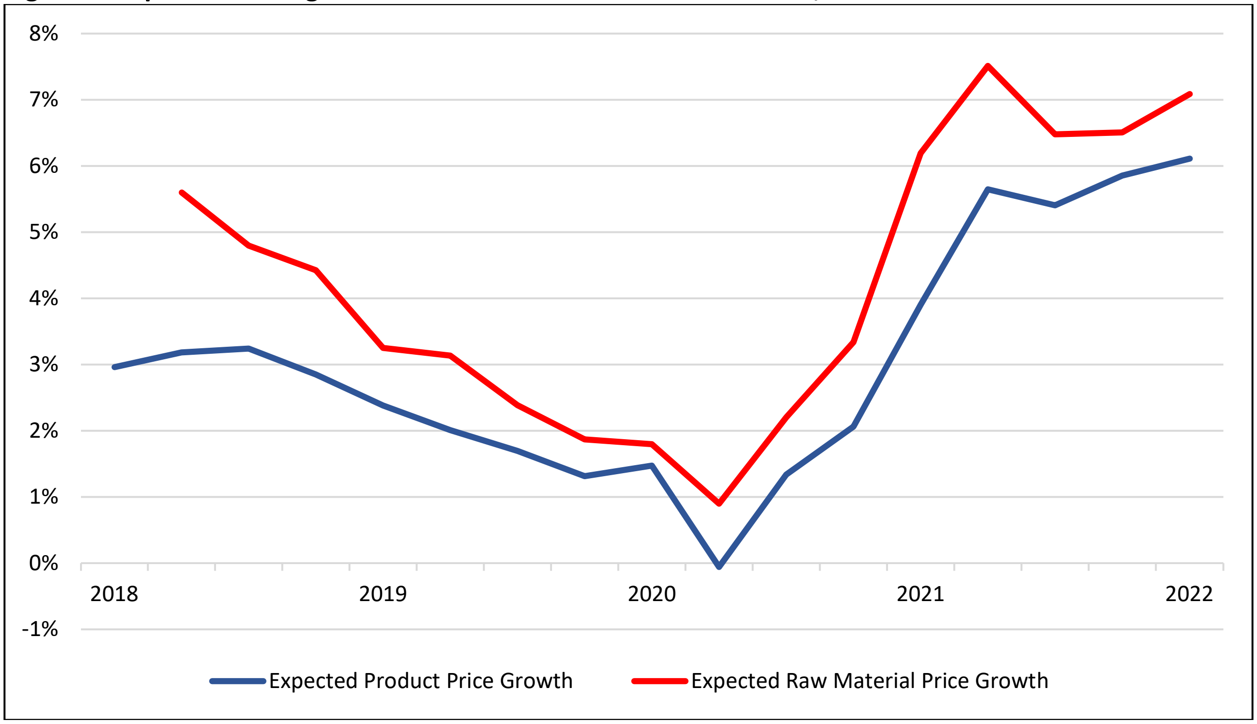
Note: Expected growth rates are annual averages.

Figure 6: Expected Average Wage Growth Over the Next 12 Months, 1998–2022



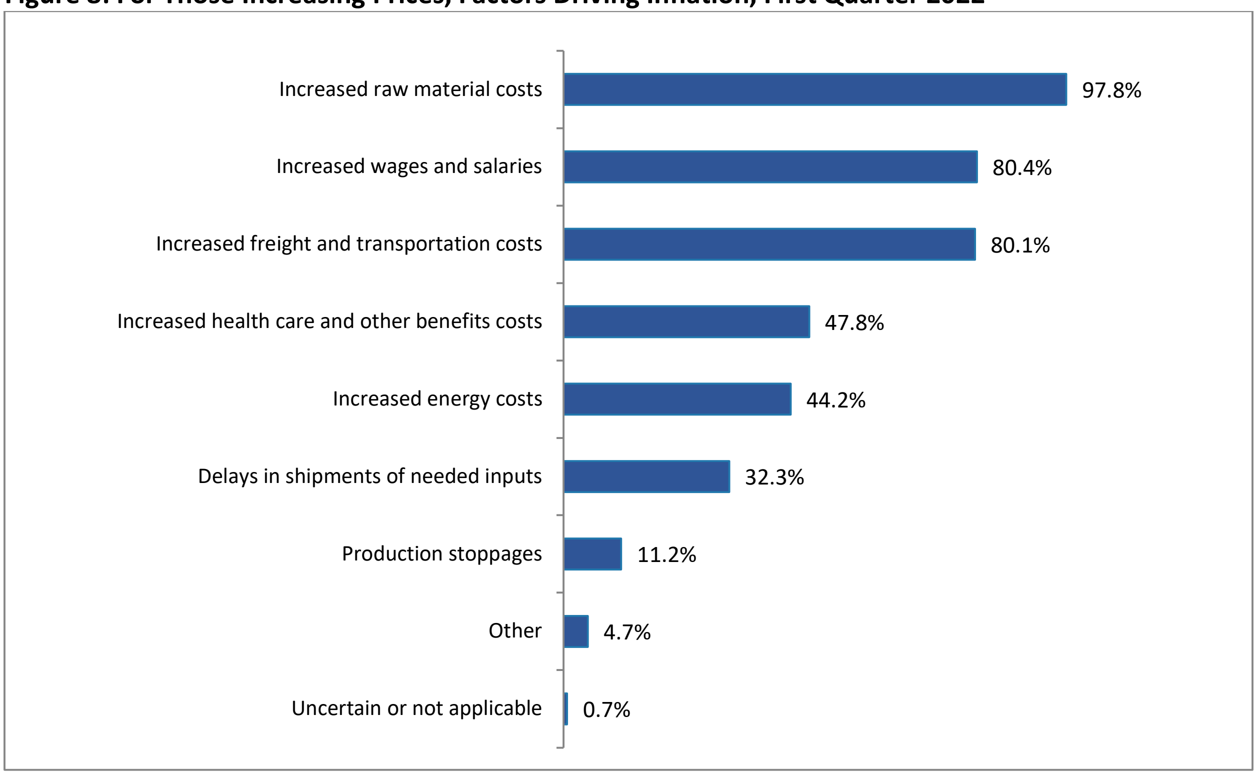
Note: Respondents were able to check more than one response; therefore, responses exceed 100%.

Figure 7: Expected Average Price Growth Over the Next 12 Months, 2018–2022



Note: Expected growth rates are annual averages. Expected raw material price growth data begin in Q2:2018.

Figure 8: For Those Increasing Prices, Factors Driving Inflation, First Quarter 2022



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

Figure 9: Primary Current Business Challenges, First Quarter 2022

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

Figure 10: When Firms Expect Supply Chain Disruptions to Abate

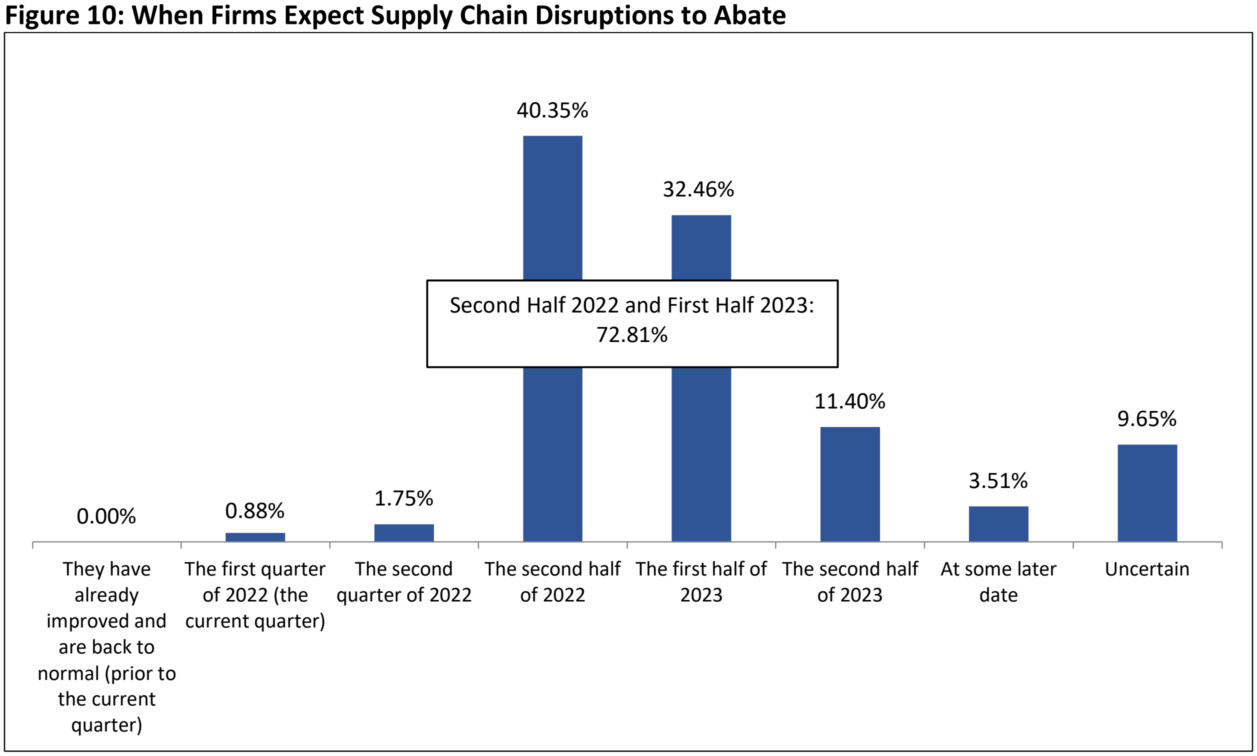
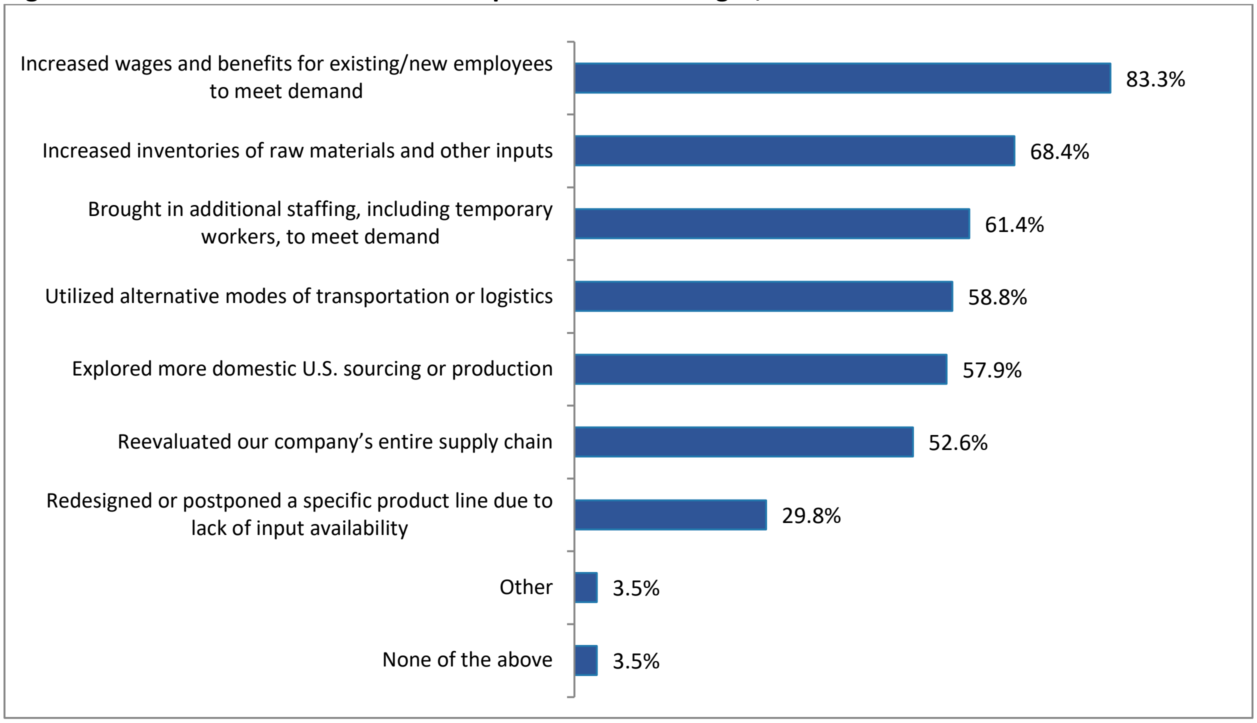
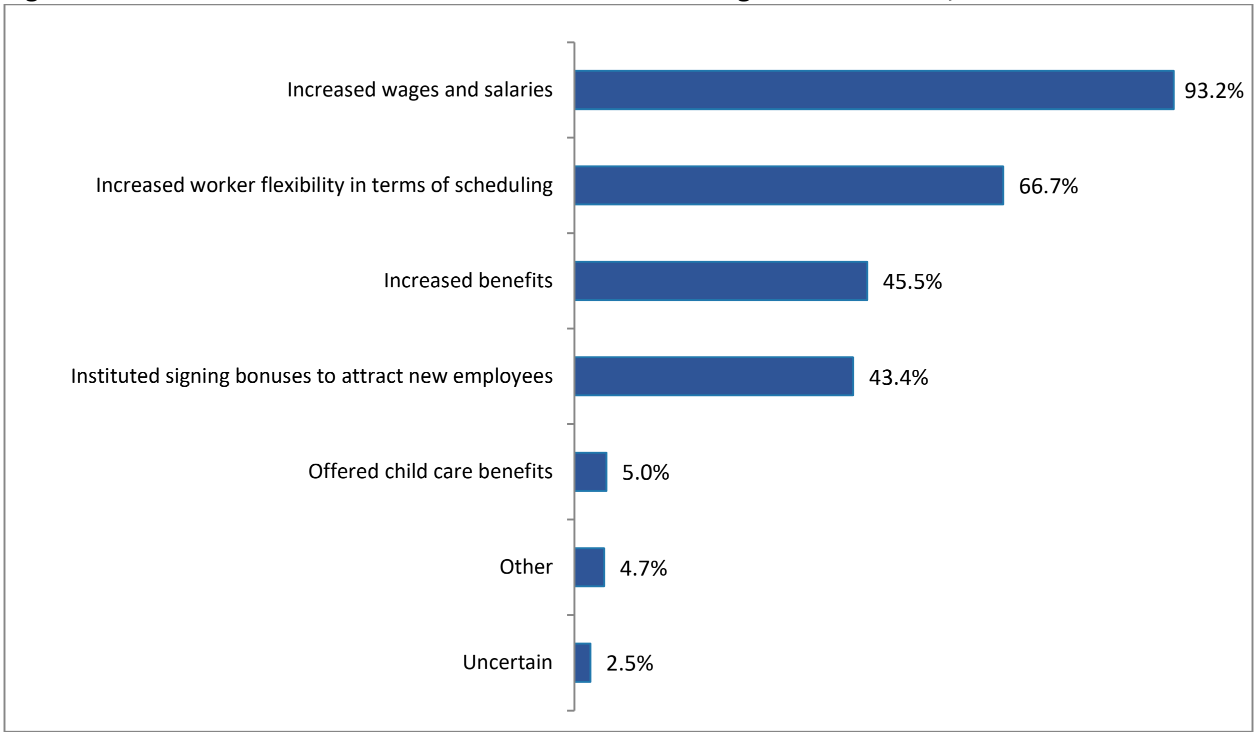


Figure 11: How Manufacturers Have Responded to Challenges, First Quarter 2022



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

Figure 12: What Manufacturers Have Done to Address the Tight Labor Market, First Quarter 2022



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

Survey Responses

1. How would you characterize the business outlook for your firm right now?
    a. Very positive – 28.67%
    b. Somewhat positive – 60.14%
    c. Somewhat negative – 10.49%
    d. Very negative – 0.70%

    Percentage that is either somewhat or very positive in their outlook = 88.81%

2. Over the next year, what do you expect to happen with your company's overall sales?
    a. Increase more than 10 percent – 32.27%
    b. Increase 5 to 10 percent – 37.59%
    c. Increase up to 5 percent – 16.31%
    d. Stay about the same – 7.45%
    e. Decrease up to 5 percent – 2.84%
    f. Decrease 5 to 10 percent – 2.13%
    g. Decrease more than 10 percent – 1.42%

    Average expected increase in sales consistent with these responses = 6.08%

3. Over the next year, what do you expect to happen with your company's overall production levels?
    a. Increase more than 10 percent – 28.17%
    b. Increase 5 to 10 percent –34.51%
    c. Increase up to 5 percent – 20.07%
    d. Stay about the same – 10.21%
    e. Decrease up to 5 percent – 4.23%
    f. Decrease 5 to 10 percent – 2.46%
    g. Decrease more than 10 percent – 0.35%

    Average expected increase in production consistent with these responses = 5.58%

4. Over the next year, what do you expect to happen with the level of exports from your company?
    a. Increase more than 5 percent – 16.55%
    b. Increase 3 to 5 percent – 9.71%
    c. Increase up to 3 percent – 8.27%
    d. Stay about the same – 58.63%
    e. Decrease up to 3 percent – 2.88%
    f. Decrease 3 to 5 percent – 1.08%
    g. Decrease more than 5 percent – 2.88%

    Average expected increase in exports consistent with these responses = 1.11%

5. 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 – 23.24%
    b. Increase 5 to 10 percent – 46.13%
    c. Increase up to 5 percent – 22.18%
    d. Stay about the same – 4.93%
    e. Decrease up to 5 percent – 1.41%
    f. Decrease 5 to 10 percent – 0.70%
    g. Decrease more than 10 percent – 1.41%

Average expected increase in product prices consistent with these responses = 6.11%

6. Over the next year, what do you expect to happen with raw material prices and other input costs?
    a. Increase more than 10 percent – 36.75%
    b. Increase 5 to 10 percent – 43.82%
    c. Increase up to 5 percent – 11.66%
    d. Stay about the same – 4.59%
    e. Decrease up to 5 percent – 1.77%
    f. Decrease 5 to 10 percent – 0.71%
    g. Decrease more than 10 percent – 0.71%

    Average expected increase in raw material prices consistent with these responses = 7.08%

7. Over the next year, what are your company's capital investment plans?
    a. Increase more than 10 percent – 31.91%
    b. Increase 5 to 10 percent – 10.99%
    c. Increase up to 5 percent – 12.77%
    d. Stay about the same – 35.11%
    e. Decrease up to 5 percent – 3.90%
    f. Decrease 5 to 10 percent – 2.48%
    g. Decrease more than 10 percent – 2.84%

    Average expected increase in capital investments consistent with these responses = 3.77%

8. Over the next year, what are your inventory plans?
    a. Increase more than 10 percent – 15.90%
    b. Increase 5 to 10 percent – 18.02%
    c. Increase up to 5 percent – 17.31%
    d. Stay about the same – 31.10%
    e. Decrease up to 5 percent – 8.83%
    f. Decrease 5 to 10 percent – 4.59%
    g. Decrease more than 10 percent – 4.24%

    Average expected increase in inventories consistent with these responses = 2.39%

9. Over the next year, what do you expect in terms of full-time employment in your company?
    a. Increase more than 10 percent – 11.31%
    b. Increase 5 to 10 percent – 25.09%
    c. Increase up to 5 percent –34.98%
    d. Stay about the same – 24.38%
    e. Decrease up to 5 percent – 2.47%
    f. Decrease 5 to 10 percent – 1.06%
    g. Decrease more than 10 percent – 0.71%

    Average expected increase in full-time employment consistent with these responses = 3.68%

10. 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 – 33.45%
    b. Increase 3 to 5 percent – 50.70%
    c. Increase up to 3 percent – 11.97%
    d. Stay about the same – 3.52%
    e. Decrease up to 3 percent – none

f. Decrease 3 to 5 percent – none
g. Decrease more than 5 percent – 0.35%

Average expected increase in employee wages consistent with these responses = 3.86%

11. Over the next year, what do you expect to happen to health insurance costs for your company?
    a. Increase 15.0 percent or more – 8.77%
    b. Increase 10.0 to 14.9 percent – 24.56%
    c. Increase 5.0 to 9.9 percent – 41.40%
    d. Increase less than 5.0 percent – 16.84%
    e. No change – 5.26%
    f. Decrease less than 5.0 percent – 1.05%
    g. Decrease 5.0 percent or more – 0.35%
    h. Uncertain – 1.75%

    Average expected increase in health insurance costs consistent with these responses = 7.87%

12. What are the biggest challenges you are facing right now? (Check all that apply.)
    a. Weaker domestic economy and sales for our products to U.S. customers – 11.19%
    b. Weaker global growth and slower export sales – 8.74%
    c. Trade uncertainties (e.g., actual or proposed tariffs, trade negotiation uncertainty) – 27.27%
    d. Strengthened U.S. dollar relative to other currencies – 9.44%
    e. Challenges with access to capital or other forms of financing – 4.55%
    f. Unfavorable business climate (e.g., taxes, regulations) – 34.97%
    g. Increased raw material costs – 85.66%
    h. Rising health care/insurance costs – 48.60%
    i. Transportation and logistics costs – 72.73%
    j. Supply chain challenges – 88.11%
    k. Attracting and retaining a quality workforce – 79.02%
    l. Other – 8.39%

13. What is your company's primary industrial classification?
    a. Chemicals – 8.04%
    b. Computer and electronic products – 3.15%
    c. Electrical equipment and appliances – 7.69%
    d. Fabricated metal products – 24.43%
    e. Food manufacturing – 2.45%
    f. Furniture and related products – 2.10%
    g. Machinery – 13.99%
    h. Nonmetallic mineral products – 1.40%
    i. Paper and paper products – 1.05%
    j. Petroleum and coal products – 0.70%
    k. Plastics and rubber products – 6.99%
    l. Primary metals – 4.90%
    m. Transportation equipment – 3.85%
    n. Wood products – 2.45%
    o. Other – 17.83%

14. What is your firm size (e.g., the parent company, not your establishment)?
    a. Fewer than 50 employees – 20.63%
    b. 50 to 499 employees – 39.51%
    c. 500 or more employees – 39.86%
    d. Uncertain – none

15. How would you characterize **production** in the first quarter relative to the fourth quarter?
    a. Higher – 54.23%
    b. No change – 33.80%
    c. Lower – 11.97%

Production Purchasing Managers' Index = 71.13

16. How would you characterize **employment** in the first quarter relative to the fourth quarter?
    a. Higher – 42.25%
    b. No change – 52.46%
    c. Lower – 5.28%

Employment Purchasing Managers' Index = 68.48

17. How would you characterize **capital spending** in the first quarter relative to the fourth quarter?
    a. Higher – 34.15%
    b. No change – 56.69%
    c. Lower – 9.15%

Capital Spending Purchasing Managers' Index = 62.50

SPECIAL QUESTIONS

18. When do you expect that supply chain disruptions will abate?
    a. They have already improved and are back to normal (prior to the current quarter) – none
    b. The first quarter of 2022 (the current quarter) – 0.88%
    c. The second quarter of 2022 – 1.75%
    d. The second half of 2022 – 40.35%
    e. The first half of 2023 – 32.46%
    f. The second half of 2023 – 11.40%
    g. At some later date – 3.51%
    h. Uncertain – 9.65%

19. Has your company done any of the following over the past two years? (Select all that apply.)
    a. Reevaluated our company's entire supply chain – 52.63%
    b. Explored more domestic U.S. sourcing or production – 57.89%
    c. Utilized alternative modes of transportation or logistics (e.g., air cargo, new sources) – 58.77%
    d. Increased inventories of raw materials and other inputs – 68.42%
    e. Brought in additional staffing, including temporary workers, to meet demand – 61.40%
    f. Increased wages and benefits for existing and new employees to meet demand – 83.33%
    g. Redesigned or postponed a specific product line due to lack of input availability – 29.82%
    h. Other – 3.51%
    i. None of the above – 3.51%

20. Have you increased prices for your products in the past six months?
    a. Yes – 92.86%

    b. No – 5.26%
    c. Uncertain – 0.88%

21. If you have increased prices, what has driven this inflation? (Select all that apply.)
    a. Increased raw material costs – 97.83%
    b. Delays in shipments of needed inputs – 32.25%
    c. Increased freight and transportation costs – 80.07%
    d. Increased energy costs – 44.20%
    e. Increased wages and salaries – 80.43%
    f. Increased health care and other benefits costs – 47.83%
    g. Production stoppages – 11.23%
    h. Other – 4.71%
    i. Uncertain or not applicable – 0.72%

22. Would you be less likely to utilize federal incentives to increase domestic manufacturing investment if they included conditions such as a requirement to stay neutral in union-organizing efforts, limitations on executive compensation or prohibitions on specific uses of company funds (e.g., stock buybacks)?
    a. Yes – 65.59%
    b. No – 15.41%
    c. Uncertain – 19.00%

23. If the tax burden on income from manufacturing activities increased, would your company find it more difficult to expand its workforce, invest in new equipment or expand facilities?
    a. Yes – 88.57%
    b. No – 11.43%

24. Do you have unfilled positions within your company for which you are struggling to find qualified applicants?
    a. Yes – 89.36%
    b. No – 7.45%
    c. Uncertain – 3.19%

25. Given the tight labor market, have you had to do any of the following? (Select all that apply.)
    a. Increased wages and salaries – 93.19%
    b. Increased benefits – 45.52%
    c. Instituted signing bonuses to attract new employees – 43.37%
    d. Increased worker flexibility in terms of scheduling – 66.67%
    e. Offered child care benefits – 5.02%
    f. Other – 4.66%
    g. Uncertain – 2.51%

26. If refugees are living in your community and available to work, would you be interested in employing them at your company?
    a. Yes – 64.75%
    b. No – 8.99%
    c. Uncertain – 26.26%