### Percentage of Respondents Positive About Their Own Company’s Outlook

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>87.5%</td>
<td>(June: 90.1% – Highest Since 2018:3)</td>
</tr>
<tr>
<td>Small Manufacturers</td>
<td>83.1%</td>
<td>(Highest Since 2019:2)</td>
</tr>
<tr>
<td>Medium-Sized Manufacturers</td>
<td>88.6%</td>
<td>(June: 91.1% – Highest Since 2018:3)</td>
</tr>
<tr>
<td>Large Manufacturers</td>
<td>88.1%</td>
<td>(June: 96.5% – Record High)</td>
</tr>
</tbody>
</table>

### Overall Facts About the Survey

- **Number of Responses:** 453
- **In the Field:** Aug. 19–30, 2021

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Manufacturers</td>
<td>83 responses (18.3%)</td>
</tr>
<tr>
<td>Medium-Sized Manufacturers</td>
<td>219 responses (48.3%)</td>
</tr>
<tr>
<td>Large Manufacturers</td>
<td>151 responses (33.3%)</td>
</tr>
</tbody>
</table>

### NAM Manufacturing Outlook Index

<table>
<thead>
<tr>
<th>Index</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>58.4</td>
</tr>
<tr>
<td>Revised</td>
<td>(June: 60.2)</td>
</tr>
</tbody>
</table>

### Expected Growth Rates

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>↑ 5.6%</td>
<td>(June: ↑ 6.1% – Record High)</td>
</tr>
<tr>
<td>Full-Time Employment</td>
<td>↑ 3.8%</td>
<td>– Record High (Dating to First Survey, 1997:4)</td>
</tr>
<tr>
<td>Capital Investments</td>
<td>↑ 3.6%</td>
<td>– Highest Since 2018:2 (June: ↑ 3.3%)</td>
</tr>
<tr>
<td>Prices of Company’s Products</td>
<td>↑ 5.4%</td>
<td>(June: ↑ 5.6% – Record High)</td>
</tr>
<tr>
<td>Inventories</td>
<td>↑ 2.7%</td>
<td>(June: ↑ 2.8% – Record High)</td>
</tr>
<tr>
<td>Production</td>
<td>↑ 5.4%</td>
<td>– Record High (June: ↑ 5.9% – Record High)</td>
</tr>
<tr>
<td>Employee Wages</td>
<td>↑ 3.5%</td>
<td>– Record High (Dating to First Survey, 1997:4)</td>
</tr>
<tr>
<td>Exports</td>
<td>↑ 1.1%</td>
<td>(June: ↑ 1.2% – Highest Since 2018:2)</td>
</tr>
<tr>
<td>Raw Material Prices and Other Input Costs</td>
<td>↑ 6.5%</td>
<td>(June: ↑ 7.5% – Record High)</td>
</tr>
<tr>
<td>Health Insurance Costs</td>
<td>↑ 7.7%</td>
<td>– Highest Since 2018:2 (June: ↑ 7.6%)</td>
</tr>
</tbody>
</table>

---

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 74.8%, with a standard deviation of 15.0%. An index reading of 40 would be consistent with one standard deviation below the mean (59.8% positive), and an index reading of 60 would be one standard deviation above the mean (89.8% positive). As such, the index helps to normalize the outlook data to put them into a historical context.
Summary

Manufacturing activity remains robust, especially demand, with the U.S. and global economy continuing to rebound from the sizable declines in spring 2020. Real GDP and manufacturing production now exceed pre-pandemic levels, which is encouraging. And yet, significant challenges remain, including supply chain disruptions, worker shortages and soaring costs. In addition, the delta variant of COVID-19 is spreading rapidly in many markets, resulting in renewed restrictions and dampening activity, particularly in the hard-hit service sector, which is struggling to regain a sense of normalcy and recovery.

With that as context, the NAM conducted the Manufacturers’ Outlook Survey for the third quarter of 2021 from Aug. 19 to 30, and 87.5% of respondents felt either somewhat or very positive about their company outlook, down from 90.1% in the second quarter (Figures 1 and 2). The NAM Manufacturing Outlook Index measured 58.4 in the third quarter, down from 60.2 in the second quarter but still a solid reading (Figure 3). The data are consistent with solid growth in manufacturing activity, but with some easing from more rapid paces in the second quarter, when the outlook had registered the best reading in nearly three years and some measures had reached record highs.

At the same time, the labor market remains tight, with respondents predicting employment and wage growth to rise at the fastest rates in Outlook Survey history, which dates to the fourth quarter of 1997. Respondents anticipate capital spending to increase by the most since the second quarter of 2018. As such, manufacturers are continuing to invest in their companies—both in workers and in capital—at paces that would indicate an extremely positive outlook in their businesses moving into next year.

Small manufacturers (those with fewer than 50 employees) had the strongest outlook since the second quarter of 2019, with 83.1% positive, up from 80.2% in June. In contrast, medium (50 to 499 employees) and large (500 or more employees) manufacturers experienced some easing in confidence in the latest survey, with both pulling back from strong readings in the second quarter report. For instance, 96.5% of large manufacturers felt positive in their outlook in the second quarter, a record, with 88.1% saying the same thing now.

Rising raw material costs once again topped the list of primary business challenges in the third quarter (Figure 6), cited by 86.4% of respondents. In addition, manufacturers predict 6.5% growth on average for input costs over the next 12 months, down from 7.5% in the prior report, which was the fastest pace since the question was added to the survey in the second quarter of 2018. Respondents expect product prices to rise 5.4% on average between now and this time next year, pulling back slightly from the record 5.6% rate in June.

In addition to rising costs, other top challenges in the third quarter include the inability to attract and retain a quality workforce (80.0%), supply chain challenges (79.8%), transportation and logistics costs (69.1%) and rising health care and insurance costs (52.2%).

While manufacturers felt mostly optimistic in their economic outlook, they were asked about the biggest downside risks in that forecast (Figure 7). Respondents cited workforce shortages as their top downside risk (81.5%). Previous surveys have illustrated that companies are often unable to pursue opportunities because they would not have enough workers to be able to do so successfully. In addition, respondents also cited supply chain disruptions (78.6%), increased cost pressures (69.8%) and rising COVID-19 cases (47.6%) as significant risks to the economic outlook.
With Congress expected to consider legislation that would increase taxes on income from manufacturing activities, 93.6% of respondents said that higher taxes would be harmful to their businesses. More specifically, 90.4% said that 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. Similarly, 90.7% said that higher taxes would also make it more difficult to raise employee wages.

For the past five 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 percentage change in those suggesting that production growth was higher dropped from 62.9% in the second quarter to 47.6% in the third quarter, the biggest change in these data, but each measure suggests healthy expansions in activity overall.

<table>
<thead>
<tr>
<th>Third Quarter 2021 Relative to Second Quarter 2021</th>
<th>Higher</th>
<th>No Change</th>
<th>Lower</th>
<th>PMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>47.6%</td>
<td>38.8%</td>
<td>13.6%</td>
<td>67.0</td>
</tr>
<tr>
<td>Employment</td>
<td>43.3%</td>
<td>49.0%</td>
<td>7.7%</td>
<td>67.8</td>
</tr>
<tr>
<td>Capital Spending</td>
<td>37.7%</td>
<td>54.4%</td>
<td>7.9%</td>
<td>64.9</td>
</tr>
</tbody>
</table>

Respondents were asked when they expect revenues to return to pre-pandemic levels. Encouragingly, 58.6% said that their revenues had recovered by the end of the second quarter of 2021 (Figure 5). Nearly 69% of manufacturers completing this survey anticipate that their revenues will be back to pre-pandemic levels by the end of 2021, with 86.9% saying the same thing by the end of 2022.

Some other trends regarding predicted growth rates over the next 12 months (Figure 8):

- **Sales**: Respondents expect sales to rise 5.6% over the next 12 months, easing from the record pace of 6.1% in the second quarter survey but still a very solid reading. Nearly 83% of manufacturers predict that sales will increase over the next four quarters, with 63.3% feeling that orders will rise 5.0% or more. Firm size mattered in the data. Medium and large manufacturers anticipate sales rising 5.9%, whereas small firms forecast increases of 4.4%.

- **Production**: Respondents expect production to increase 5.4% over the next 12 months. While this declined from 5.9% in the second quarter survey, which was the highest since the question was added six years ago, output growth continued to be healthy. More than 79% forecast output to rise over the coming months, with 6.0% seeing declining production. Medium and large manufacturers felt the most optimistic, anticipating 5.8% growth in production over the next 12 months. In contrast, small businesses expect output to rise 3.8%.

- **Full-Time Employment**: Respondents expect full-time employment to rise 3.8% over the next 12 months, the highest rate in the survey’s history. More than 68% anticipate more full-time hiring over the next year, with 36.6% predicting employment growth of 5% or more. Just 4.4% expect employment reductions. Medium manufacturers felt the most upbeat in their hiring plans, predicting 4.4% growth over the next 12 months. In contrast, small and large firms expect employment to rise 2.7% and 3.5%, respectively.
• **Employee Wages:** Respondents anticipate employee wages (excluding nonwage compensation, such as benefits) to rise 3.5% over the next 12 months, the fastest rate in the survey’s history. Nearly 73% see wages rising 3% or more, with 22.3% predicting an increase of up to 3%. The expected wages increases were largest for medium manufacturers, up 3.7% over the next year, with small and large firms predicting 3.4% and 3.2%, respectively.

• **Capital Investments:** Capital spending expectations were the strongest since the second quarter of 2018, with respondents anticipating an average increase of 3.6% over the next 12 months, up from 3.3% in the second quarter. In this survey, 56.4% expect additional capital spending in the next year, with 37.2% predicting no change and 6.4% forecasting reduced capital expenditures. By firm size, small, medium and large manufacturers see capital spending increasing 2.0%, 3.7% and 4.1%, respectively.

• **Exports:** Respondents expect exports to increase 1.1% over the next 12 months, inching down from 1.2% in the previous survey, which had been the best in three years. More than 35% anticipate higher exports in the next year, with 58.9% seeing no changes. Medium and large manufacturers forecasted export growth of 1.3% over the next year, with small firms predicting 0.7% growth on average.

• **Inventories:** Respondents anticipate 2.7% growth in inventories over the next 12 months, pulling back from the record pace of 2.8% in the prior survey. More than 52% of manufacturers expect increased inventories over the next year, with 9.7% predicting decreases and 38.2% seeing no changes.

• **Health Insurance Costs:** Manufacturers predict health insurance costs will rise 7.7% over the next 12 months, up from 7.6% in the previous survey and the fastest pace since the second quarter of 2018. In the latest figures, nearly 76.4% expect costs to increase 5% or more, including 28.9% seeing costs rising 10% or more.
Figure 1: Manufacturing Business Outlook by Quarter, 1997–2021
(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, 2019–2021

Note: Percentage of respondents who characterized the current business outlook as somewhat or very positive.
Figure 3: NAM Manufacturing Outlook Index, 2019–2021

Figure 4: Change in Manufacturing Activity in Third Quarter 2021 Relative to Second Quarter 2021
**Figure 5: When Firms Expect Revenues to Return to Pre-COVID-19 Levels**

<table>
<thead>
<tr>
<th>Back to Pre-COVID-19 Levels of Revenue by the End of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2: 2021: 58.6%</td>
</tr>
<tr>
<td>2021: 68.9%</td>
</tr>
<tr>
<td>2022: 86.9%</td>
</tr>
</tbody>
</table>

- They have already returned to normal levels (prior to the current quarter) 58.6%
- The third quarter of 2021 (the current quarter) 4.4%
- The fourth quarter of 2021 5.9%
- The first half of 2022 11.2%
- The second half of 2022 6.8%
- At some later date 6.4%
- Uncertain 6.8%

**Figure 6: Primary Current Business Challenges, Third Quarter 2021**

- Increased raw material costs 86.4%
- Attracting and retaining a quality workforce 80.0%
- Supply chain challenges 79.8%
- Transportation and logistics costs 69.1%
- Rising health care/insurance costs 52.2%
- Unfavorable business climate (e.g., taxes, regulations) 41.2%
- Trade uncertainties 25.4%
- Other 12.5%
- Weaker domestic economy and sales for our products 11.8%
- Weaker global growth and slower export sales 10.1%
- Strengthened U.S. dollar relative to other currencies 8.6%
- Challenges with access to capital or other forms of financing 2.9%

*Note: Respondents were able to check more than one response; therefore, responses exceed 100%.*
Figure 7: Biggest Downside Risks to the Economic Outlook, Third Quarter 2021

- Workforce shortages: 81.5%
- Supply chain disruptions: 78.6%
- Increased cost pressures: 69.8%
- Rising COVID-19 cases (e.g., the delta variant): 47.6%
- Other: 6.8%
- Uncertain: 4.2%

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

Figure 8: Expected Growth of Manufacturing Activity, 2019–2021

- Sales: ↑5.6%
- Exports: ↑1.1%
- Capital Investments: ↑3.6%
- Full-Time Employment: ↑3.8%

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 – 35.53%
   b. Somewhat positive – 51.97%
   c. Somewhat negative – 11.84%
   d. Very negative – 0.66%

   *Percentage that is either somewhat or very positive in their outlook = 87.50%*

2. Over the next year, what do you expect to happen with your company’s overall sales?
   a. Increase more than 10 percent – 26.37%
   b. Increase 5 to 10 percent – 36.92%
   c. Increase up to 5 percent – 19.56%
   d. Stay about the same – 11.87%
   e. Decrease up to 5 percent – 3.30%
   f. Decrease 5 to 10 percent – 1.10%
   g. Decrease more than 10 percent – 0.88%

   *Average expected increase in sales consistent with these responses = 5.64%*

3. Over the next year, what do you expect to happen with your company’s overall production levels?
   a. Increase more than 10 percent – 27.15%
   b. Increase 5 to 10 percent – 32.67%
   c. Increase up to 5 percent – 19.65%
   d. Stay about the same – 14.57%
   e. Decrease up to 5 percent – 3.97%
   f. Decrease 5 to 10 percent – 1.55%
   g. Decrease more than 10 percent – 0.44%

   *Average expected increase in production consistent with these responses = 5.40%*

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 – 14.51%
   b. Increase 3 to 5 percent – 12.28%
   c. Increase up to 3 percent – 8.26%
   d. Stay about the same – 58.93%
   e. Decrease up to 3 percent – 2.46%
   f. Decrease 3 to 5 percent – 2.01%
   g. Decrease more than 5 percent – 1.56%

   *Average expected increase in exports consistent with these responses = 1.15%*

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 – 19.60%
   b. Increase 5 to 10 percent – 38.55%
   c. Increase up to 5 percent – 28.63%
   d. Stay about the same – 10.35%
   e. Decrease up to 5 percent – 1.32%
   f. Decrease 5 to 10 percent – 0.88%
   g. Decrease more than 10 percent – 0.66%
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 – 31.06%
   b. Increase 5 to 10 percent – 42.29%
   c. Increase up to 5 percent – 17.84%
   d. Stay about the same – 3.96%
   e. Decrease up to 5 percent – 2.64%
   f. Decrease 5 to 10 percent – 1.54%
   g. Decrease more than 10 percent – 0.66%

   Average expected increase in raw material prices consistent with these responses = 6.48%

7. Over the next year, what are your company’s capital investment plans?
   a. Increase more than 10 percent – 23.79%
   b. Increase 5 to 10 percent – 15.42%
   c. Increase up to 5 percent – 17.18%
   d. Stay about the same – 37.22%
   e. Decrease up to 5 percent – 2.86%
   f. Decrease 5 to 10 percent – 0.66%
   g. Decrease more than 10 percent – 2.86%

   Average expected increase in capital investments consistent with these responses = 3.56%

8. Over the next year, what are your inventory plans?
   a. Increase more than 10 percent – 13.69%
   b. Increase 5 to 10 percent – 18.54%
   c. Increase up to 5 percent – 19.87%
   d. Stay about the same – 38.19%
   e. Decrease up to 5 percent – 5.30%
   f. Decrease 5 to 10 percent – 1.99%
   g. Decrease more than 10 percent – 2.43%

   Average expected increase in inventories consistent with these responses = 2.73%

9. Over the next year, what do you expect in terms of full-time employment in your company?
   a. Increase more than 10 percent – 15.35%
   b. Increase 5 to 10 percent – 21.27%
   c. Increase up to 5 percent – 31.58%
   d. Stay about the same – 27.41%
   e. Decrease up to 5 percent – 3.51%
   f. Decrease 5 to 10 percent – 0.66%
   g. Decrease more than 10 percent – 0.22%

   Average expected increase in full-time employment consistent with these responses = 3.76%

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 – 26.21%
    b. Increase 3 to 5 percent – 46.70%
    c. Increase up to 3 percent – 22.25%
    d. Stay about the same – 4.85%
    e. Decrease up to 3 percent – none
f. Decrease 3 to 5 percent – none
g. Decrease more than 5 percent – none

Average expected increase in employee wages consistent with these responses = 3.51%

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 – 7.93%
   b. Increase 10.0 to 14.9 percent – 20.93%
   c. Increase 5.0 to 9.9 percent – 47.58%
   d. Increase less than 5.0 percent – 15.64%
   e. No change – 4.41%
   f. Decrease less than 5.0 percent – 0.44%
   g. Decrease 5.0 percent or more – 0.44%
   h. Uncertain – 2.64%

Average expected increase in health insurance costs consistent with these responses = 7.73%

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 – 11.84%
   b. Weaker global growth and slower export sales – 10.09%
   c. Trade uncertainties (e.g., actual or proposed tariffs, trade negotiation uncertainty) – 25.44%
   d. Strengthened U.S. dollar relative to other currencies – 8.55%
   e. Challenges with access to capital or other forms of financing – 2.85%
   f. Unfavorable business climate (e.g., taxes, regulations) – 41.23%
   g. Increased raw material costs – 86.40%
   h. Rising health care/insurance costs – 52.19%
   i. Transportation and logistics costs – 69.08%
   j. Supply chain challenges – 79.82%
   k. Attracting and retaining a quality workforce – 80.04%
   l. Other – 12.50%

13. What is your company’s primary industrial classification?
   a. Chemicals – 9.43%
   b. Computer and electronic products – 3.07%
   c. Electrical equipment and appliances – 6.14%
   d. Fabricated metal products – 26.54%
   e. Food manufacturing – 3.07%
   f. Furniture and related products – 1.75%
   g. Machinery – 9.87%
   h. Nonmetallic mineral products – 2.19%
   i. Paper and paper products – 2.41%
   j. Petroleum and coal products – 0.44%
   k. Plastics and rubber products – 7.02%
   l. Primary metals – 3.51%
   m. Transportation equipment – 5.26%
   n. Wood products – 1.97%
   o. Other – 17.32%
14. How would you characterize production in the third quarter relative to the second quarter?
   a. Higher – 47.59%
   b. No change – 38.82%
   c. Lower – 13.60%

   Production Purchasing Managers’ Index = 67.00

15. How would you characterize employment in the third quarter relative to the second quarter?
   a. Higher – 43.27%
   b. No change – 49.01%
   c. Lower – 7.73%

   Employment Purchasing Managers’ Index = 67.78

16. How would you characterize capital spending in the third quarter relative to the second quarter?
   a. Higher – 37.67%
   b. No change – 54.41%
   c. Lower – 7.93%

   Capital Spending Purchasing Managers’ Index = 64.88

17. What is your firm size (e.g., the parent company, not your establishment)?
   a. Fewer than 50 employees – 17.88%
   b. 50 to 499 employees – 48.34%
   c. 500 or more employees – 33.55%
   d. Uncertain – 0.22%

18. When do you expect your firm’s revenues to return to normal (pre-COVID-19) levels?
   a. They have already returned to normal levels (prior to the current quarter) – 58.55%
   b. The third quarter of 2021 – 4.39%
   c. The fourth quarter of 2021 – 5.92%
   d. The first half of 2022 – 11.18%
   e. The second half of 2022 – 6.80%
   f. At some later date – 6.36%
   g. Uncertain – 6.80%

SPECIAL QUESTIONS

19. What are the biggest downside risks to your economic outlook? (Select all that apply.)
   a. Supply chain disruptions – 78.63%
   b. Increased cost pressures – 69.82%
   c. Rising COVID-19 cases (e.g., the delta variant) – 47.58%
   d. Workforce shortages – 81.50%
   e. Other – 6.83%
   f. Uncertain – 4.19%

20. 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 – 90.44%
   b. No – 9.56%

21. If the tax burden on income from manufacturing activities increased, would your company find it more difficult to raise wages for your employees?
a. Yes – 90.65%
   b. No – 9.35%

22. Congress is expected to consider legislation that would increase taxes on income from manufacturing activities. Would higher taxes help or harm your firm?
   a. Very helpful – 0.22%
   b. Somewhat helpful – 0.89%
   c. Neutral – 5.32%
   d. Somewhat harmful – 32.82%
   e. Very harmful – 60.75%