MBOS

Manufacturing Business Outlook Survey

FEDERAL RESERVE BANK PHILADELPHIA

July 2026

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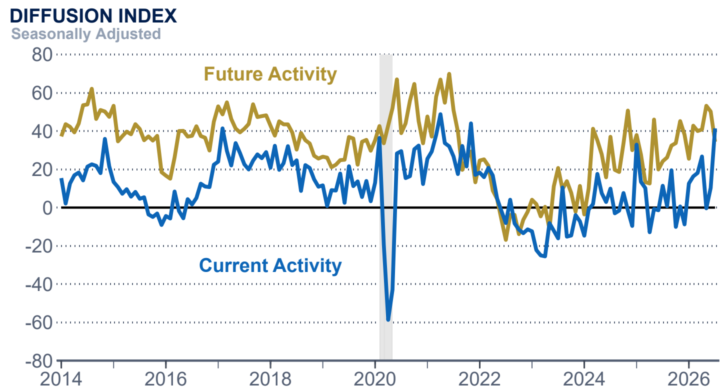
Manufacturing activity in the region continued to expand overall, according to the firms responding to the July *Manufacturing Business Outlook Survey*. The survey's indicators for general activity and new orders both rose this month — to nearly five-year highs — and the shipments index also increased. The employment index was positive for a second consecutive month and continued to suggest overall increases in employment. The prices paid index changed little this month, and the prices received index rose. The firms continue to expect overall growth over the next six months, although most future indicators moved down from elevated levels.

Chart 1. Current and Future General Activity Indexes
January 2014 to July 2026



Notes: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease. Shaded areas indicate NBER recessions.

Current Indicators Rise

The diffusion index for current general activity jumped 31 points to 41.4 in July, its highest reading since November 2021 (see Chart 1). More than 53 percent of the firms reported increases (up from 32 percent), far exceeding the 12 percent reporting decreases (down from 22 percent); 24 percent of the firms reported no change in current activity (down from 45 percent). The index for current new orders increased 10 points to 37.0, also its highest reading since November 2021. The current shipments index rose 19 points to 33.7; its highest reading since April. Almost 45 percent of the firms reported increases in shipments, 11 percent reported decreases, and 44 percent reported no change.

The employment index edged up 2 points to 10.0 in July, its highest reading since December. The share of firms reporting increases (13 percent) exceeded the share reporting decreases (3 percent); most firms (83 percent) reported no change in employment levels this month. The average workweek index rose 21 points to 14.0, its highest reading since January 2025.

Firms Report Overall Increases in Prices

Both price indicators continue to suggest overall increases. The prices paid index ticked up to 53.9 this month (see Chart 2). More than 54 percent of the firms reported increases in input prices, while no firm reported decreases; 46 percent reported no change. The current prices received index rose 7 points to 27.4. Almost 27 percent of the firms reported increases in the prices of their own goods, none reported decreases, and 73 percent reported no change.

Firms Continue to Expect Increases in Wages

In this month's special questions, the firms were asked about changes in wage rates and compensation packages over the past three months, as well as their updated expectations for changes in various input and labor costs for the current year (see Special Questions on page 3). Almost 52 percent of the firms indicated wages and compensation costs had increased over the past three months, 45 percent reported no change, and 4 percent reported decreases. Fifty-four percent of the firms reported adjusting their 2026 plan for wages and compensation since the beginning of the year and that they plan to

Note: Survey responses were collected from July 6 to July 13.
The next *Manufacturing Business Outlook Survey* will be released on August 20, 2026.

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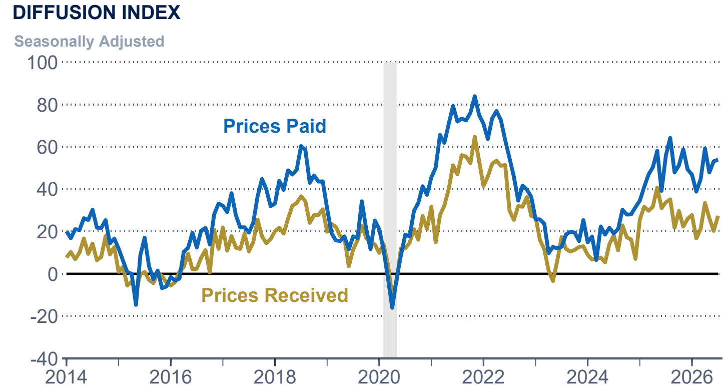
increase wages, 43 percent reported no changes to their 2026 plan, and 4 percent of the firms plan to decrease wages.

The firms continue to expect cost increases across all categories of expenses in 2026, and these expectations either were unchanged or moved lower from those in April. The firms continued to expect cost increases of 3 to 4 percent for wages and 4 to 5 percent for health benefits, but their median expectation for total compensation moved down to 3 to 4 percent from 4 to 5 percent in April. The median expected change in energy costs was 4 to 5 percent, down from 5 to 7.5 percent in April. The firms continued to expect a 3 to 4 percent increase for other raw materials.

Chart 2. Current Prices Paid and Prices Received Indexes
January 2014 to July 2026



Notes: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease. Shaded areas indicate NBER recessions.

Future Indicators Remain Positive

The diffusion index for future general activity fell 16 points this month to 34.4 (see Chart 1). Almost 52 percent of the firms expect an increase in activity over the next six months, exceeding the 17 percent that expect a decrease; 22 percent expect no change. The future new orders index fell 26 points to 35.1, and the future shipments index decreased 21 points to 39.3. The firms continue to expect increases in employment over the next six months, but the future employment index inched down 1 point to 29.5. Both future price indexes declined but remained above their long-run averages: The future prices paid index moved down from 63.2 to 56.7, and the future prices received index dropped 26 points to 41.4. The index for future capital expenditures remained elevated but fell 11 points to 30.1.

Summary

Responses to the July *Manufacturing Business Outlook Survey* suggest overall expansion in the region's manufacturing activity. The indicators for current activity, new orders, and shipments all rose this month, and the firms continued to report an overall increase in employment. Both price indexes remained elevated. The survey's broad indicators for future activity continued to suggest expectations for growth over the next six months, although most readings moderated. ■

MANUFACTURING BUSINESS OUTLOOK SURVEY July 2026	**July vs. June**					**Six Months from Now vs. July**				
	Previous Diffusion Index	Increase	No Change	Decrease	**Diffusion Index**	*Previous Diffusion Index*	Increase	No Change	Decrease	**Diffusion Index**
What is your evaluation of the level of general business activity?	10.3	53.1	24.4	11.7	**41.4**	50.2	51.5	21.7	17.1	**34.4**
Company Business Indicators										
New Orders	27.3	50.4	36.2	13.4	**37.0**	60.8	54.7	24.4	19.5	**35.1**
Shipments	14.9	44.7	44.3	11.0	**33.7**	60.3	53.2	31.3	13.9	**39.3**
Unfilled Orders	10.5	27.4	62.9	9.3	**18.1**	17.3	32.3	56.3	11.4	**20.9**
Delivery Times	-2.6	18.2	73.3	8.6	**9.6**	2.5	25.3	49.3	16.0	**9.3**
Inventories	-8.5	20.3	50.0	20.1	**0.3**	10.0	30.2	42.9	17.7	**12.5**
Prices Paid	53.2	53.9	46.1	0.0	**53.9**	63.2	61.1	32.2	4.4	**56.7**
Prices Received	20.3	27.4	72.6	0.0	**27.4**	67.2	45.2	47.3	3.9	**41.4**
Number of Employees	7.9	13.3	83.3	3.3	**10.0**	30.8	35.1	59.4	5.6	**29.5**
Average Employee Workweek	-6.5	20.7	70.6	6.6	**14.0**	34.3	18.8	74.4	6.8	**12.0**
Capital Expenditures	--	--	--	--	**--**	41.2	34.4	59.7	4.3	**30.1**

NOTES:
(1) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease.
(2) All data are seasonally adjusted.
(3) Percentages may not sum to 100 because of rounding, omission by respondents, or both.
(4) Survey results reflect data received through July 13, 2026.

MBOS Special Questions

1. How have wages and compensation changed at your firm over the past three months?	
	Percent (%)
Increased	51.7
No change	44.8
Decreased	3.5

2. Since the beginning of the year, have you adjusted your plan for wage rates and compensation packages for 2026?	
	Percent (%)
Yes, and we are planning to increase wage rates and compensation packages.	53.6
Yes, and we are planning to decrease wage rates and compensation packages.	3.6
No, we have not made changes to wage rates and compensation packages.	42.8

3. What percentage change in costs do you now expect for the following categories over all of 2026?*

	Energy (%)	**Other Raw Materials (%)**	**Intermediate Goods (%)**	**Wages (%)**	**Health Benefits (%)**	**Nonhealth Benefits (%)**	**Wages + Health Benefits + Nonhealth Benefits (%)**
Decline of more than 1%	10.7	10.7	4.2	3.7	4.0	4.2	8.3
No change	7.1	10.7	20.8	11.1	16.0	45.8	0.0
Increase of 1–2%	0.0	3.6	16.7	3.7	0.0	12.5	8.3
Increase of 2–3%	7.1	10.7	8.3	29.6	20.0	16.7	16.7
Increase of 3–4%	21.4	25.0	16.7	44.4	0.0	4.2	25.0
Increase of 4–5%	10.7	17.9	20.8	7.4	16.0	8.3	20.8
Increase of 5–7.5%	7.1	21.4	8.3	0.0	8.0	8.3	12.5
Increase of 7.5–10%	14.3	0.0	4.2	0.0	4.0	0.0	0.0
Increase of 10–12.5%	3.6	0.0	0.0	0.0	4.0	0.0	0.0
Increase of more than 12.5%	17.9	0.0	0.0	0.0	28.0	0.0	8.3
Median Expected Change	**4–5**	**3–4**	**2–4**	**3–4**	**4–5**	**-1–2**	**3–4**
Median Expected Change (April 2026)	5–7.5	3–4	3–4	3–4	4–5	2–3	4–5

*The firms responded to more detailed changes than shown in the provided ranges.