MBOS

FEDERAL RESERVE BANK PHILADELPHIA

Manufacturing Business Outlook Survey

August 2026

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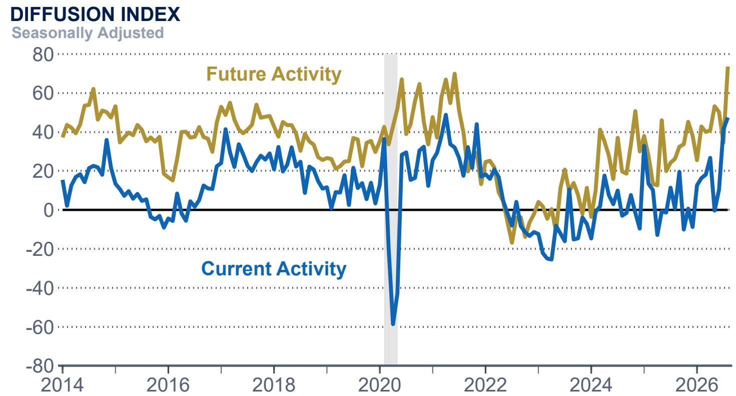
Manufacturing activity in the region continued to expand overall, according to the firms responding to the August *Manufacturing Business Outlook Survey*. The survey's indicator for general activity rose to a five-year high. The new orders and shipments indexes moved lower but remained elevated. The employment index rose, continuing to suggest overall gains in employment. Both price indexes declined this month but remained elevated. Most future indicators jumped higher this month, suggesting widespread expectations for overall growth over the next six months.

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

Most Current Indicators Remain Elevated

The diffusion index for current general activity rose from 41.4 in July to 47.4 in August, its highest reading since April 2021 (see Chart 1). Nearly 57 percent of the firms reported increases in activity, while 10 percent reported decreases; 29 percent of the firms reported no change in activity. The current new orders and shipments indexes both declined but remained above their long-run nonrecession averages. The new orders index fell 7 points to 30.1. Almost 46 percent of the firms reported an increase in new orders, 16 percent reported a decrease, and 36 percent reported no change. The shipments index declined from 33.7 to 27.7 in August.

The employment index rose 18 points to 27.9, its highest reading since April 2022. Nearly 33 percent of the firms reported an increase in employment levels (up from 13 percent last month), 5 percent reported decreases (up from 3 percent), and 62 percent reported no change (down from 83 percent), the lowest share in two years. The average workweek index rose from 14.0 to 26.5.

Firms Report Overall Increases in Prices

Both price indexes declined this month to their lowest readings since February but remained above their long-run nonrecession averages. The prices paid index fell 13 points to 40.9 in August (see Chart 2). Nearly 41 percent of the firms reported increases in input prices (down from 54 percent last month), while none reported decreases (unchanged); 59 percent reported no change (up from 46 percent). The current prices received index declined 10 points to 17.7. More than 21 percent of the firms reported increases in the prices of their own goods, 3 percent reported decreases, and 74 percent reported no change.

Less Than Half of the Firms Expect Near-Term Changes to Industry Costs

In this month's special questions, the firms were asked about changes in core customer price sensitivity and anticipated cost changes (see Special Questions on page 3). Nearly 38 percent of the firms reported that customers have become more price sensitive since last quarter, while 58 percent reported customers' sensitivity was about the same. Almost 44 percent of the firms indicated they anticipate changes in their industry's costs in the near term (down from 48 percent last quarter), and 80 percent of those firms expect their competitors to raise prices in response. Regarding when these price changes will occur,

Note: Survey responses were collected from August 10 to August 17.
The next *Manufacturing Business Outlook Survey* will be released on September 17, 2026.

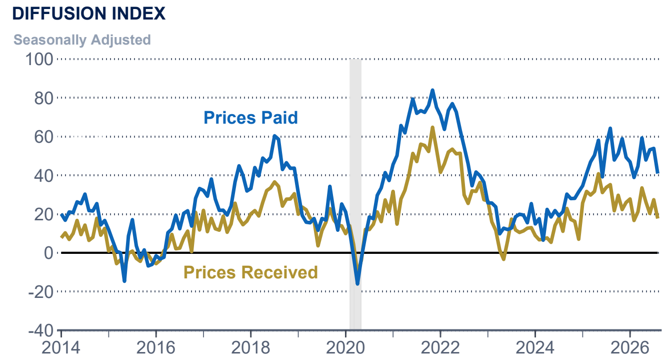
The 2026 Q2 Price and Inflation Expectations Survey will be released on Wednesday, August 26, 2026.

the firms' median expectation was for competitors to change prices in the next four months.

Most Future Indicators Jump Higher

The diffusion index for future general activity climbed 39 points to 73.6 this month, its highest reading since August 1983 (see Chart 1). Almost 75 percent of the firms expect an increase in activity over the next six months (up from 52 percent last month), far exceeding the 1 percent that expect a decrease (down from 17 percent); 22 percent expect no change (unchanged). The future new orders index increased 31 points to 66.0, and the future shipments index rose 24 points to 63.5, each reaching its highest reading in more than five years. The firms continue to expect increases in employment over the next six months, and the future employment index rose 6 points to 35.4, after declining for four consecutive months. Both future price indexes moved higher above their long-run averages, mostly offsetting last month's declines. The future prices paid index moved up 6 points to 62.9, and the future prices received index rose 18 points to 59.8. The index for future capital expenditures increased 18 points to 48.2, its highest reading in 53 years.

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

Summary

Responses to the August *Manufacturing Business Outlook Survey* suggest an overall expansion in the region's manufacturing activity. The indicators for current activity, new orders, and shipments all remained above their nonrecession averages this month, and the employment index rose to a multiyear high. Price increases were less widespread this month, but both price indexes remained elevated. The survey's broad indicators for future activity jumped higher and suggest widespread expectations for growth over the next six months. ■

MANUFACTURING BUSINESS OUTLOOK SURVEY August 2026	August vs. July					Six Months from Now vs. August				
	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?	41.4	56.9	28.8	9.6	**47.4**	34.4	74.5	22.2	0.9	**73.6**
Company Business Indicators										
New Orders	37.0	45.8	35.9	15.7	**30.1**	35.1	66.7	27.0	0.7	**66.0**
Shipments	33.7	41.2	45.3	13.5	**27.7**	39.3	63.5	31.0	0.0	**63.5**
Unfilled Orders	18.1	30.0	54.5	15.5	**14.4**	20.9	29.1	43.1	20.6	**8.5**
Delivery Times	9.6	16.3	71.2	12.5	**3.7**	9.3	23.6	41.5	23.6	**0.0**
Inventories	0.3	10.2	68.0	13.9	**-3.7**	12.5	24.1	52.8	6.7	**17.4**
Prices Paid	53.9	40.9	59.1	0.0	**40.9**	56.7	63.7	27.7	0.8	**62.9**
Prices Received	27.4	21.1	74.3	3.4	**17.7**	41.4	60.6	27.2	0.9	**59.8**
Number of Employees	10.0	32.8	61.7	4.9	**27.9**	29.5	35.4	57.0	0.0	**35.4**
Average Employee Workweek	14.0	31.4	63.0	4.9	**26.5**	12.0	24.6	64.2	3.1	**21.4**
Capital Expenditures	--	--	--	--	**--**	30.1	48.2	45.2	0.0	**48.2**

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 August 17, 2026.

MBOS Special Questions

1. Since last quarter, have your core customers become more or less price sensitive?	
	Percent (%)
More sensitive	37.5
About the same	58.3
Less sensitive	4.2
Don't know	0.0

2. Over the near term (roughly the next six months or so), can you clearly anticipate any changes in your industry's costs?	
	Percent (%)
Yes	43.5
No	56.5
2a. How do you anticipate that your competitors will respond?*	
	Percent (%)
Raise prices	80.0
Hold prices steady	20.0
Lower prices	0.0
Don't know	0.0
*Only firms that responded "yes" to question 2 responded to question 2a.	
2b. How soon do you anticipate your competitors will change prices?**	
	Number of months
Median response	4.0
**Only firms that responded "raise prices" or "lower prices" to question 2a responded to question 2b.	