



January 2025

*Note: Survey responses were collected from January 6 to January 16.*

Nonmanufacturing activity remained soft, according to the firms responding to the January *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level and sales/revenues remained positive, and although the new orders index improved, all three indexes were near zero. The firms reported mostly steady full-time employment this month. The prices paid index continued to indicate overall price increases, while the prices received index fell to essentially zero, suggesting no change on balance. The firms continue to expect growth over the next six months at their own firms and in the region, although these expectations were less widespread.

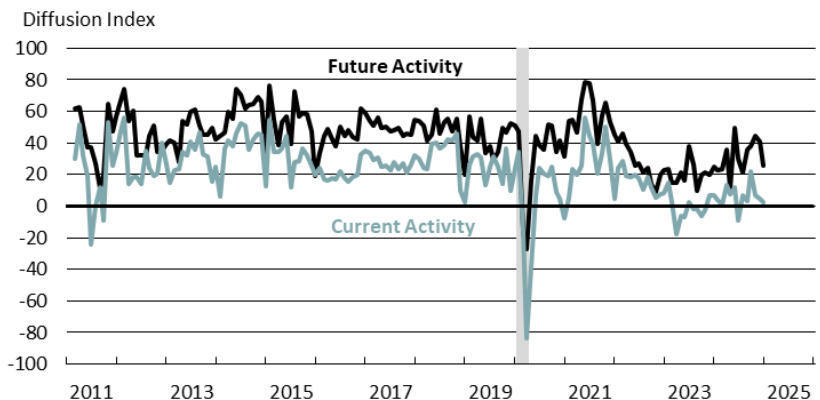
#### Current Indexes Are Mostly Positive but Low

The diffusion index for current general activity at the firm level edged down from a revised reading of 4.6 in December to 2.2 this month (see Chart 1).<sup>\*</sup> Almost 29 percent of the firms reported increases, slightly exceeding the 27 percent that reported decreases; 43 percent reported no change in activity. The new orders index rose from -4.6 to 1.6 this month. More than 13 percent of the firms reported increases in new orders, narrowly exceeding the 12 percent that reported decreases. The sales/revenues index ticked down from 3.2 to 2.6. Twenty-five percent of the responding firms reported increases in sales/revenues, while 22 percent reported decreases. The regional activity index fell further into negative territory to -9.1 this month.

#### Firms Report Mostly Steady Employment

Overall, the firms reported mostly steady full-time employment, as the index edged down from 3.2 in December to 1.5 this month. Sixty-four percent of the firms reported steady full-time employment levels, while 16 percent of the firms reported increases, and 14 percent reported decreases. The part-time employment index fell from 8.9 to -0.3 this month, its lowest reading since March.

**Chart 1. Current and Future General Activity Indexes**  
January 2011 to January 2025



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

#### Firms Continue to Report Increases in Prices Paid

Price indicator readings suggest continued increases in prices for inputs, while prices for the firms' own goods and services fell. The prices paid index moved down 2 points to 28.9 (see Chart 2). Almost 31 percent of the respondents reported higher input prices, 52 percent reported no change, and 2 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index fell from 23.3 to -0.3 after rising 21 points last month. Roughly equal shares of respondents (8 percent) reported increases and decreases in prices received. Most of the firms (71 percent) reported no change in prices for their own goods and services.

#### Firms Expect Smaller Cost Increases This Year

In this month's special questions, the firms were asked about changes in their various input and labor costs over the past year

Released January 21, 2025, at 8:30 a.m. ET.

The next *Nonmanufacturing Business Outlook Survey* will be released on February 25, 2025.

<sup>\*</sup>The survey's annual data revisions, which incorporate updated seasonal factors, were released on January 14, 2025. More information is available [on our website](https://www.philadelphiafed.org/nonmanufacturing-bos).

and their expectations for changes in costs for the coming year (see Special Questions on page 3). Except for health benefits, which were slightly higher, the average percent change in costs expected for 2025 was smaller than the average percent change in costs reported for 2024. The respondents were also asked to rank the importance of various factors in setting prices. Demand for their own goods/services was again the most important factor, followed by maintaining steady profit margins and their competitors' prices.

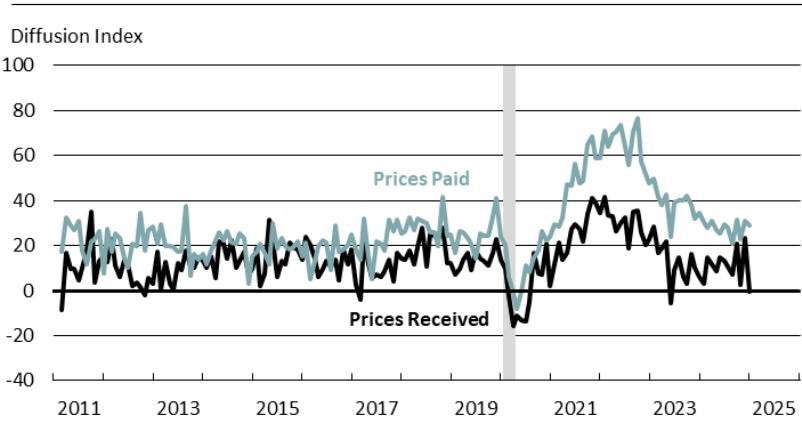
Firms Anticipate Growth

The future general activity indexes continued to suggest firms expect growth at their own companies and in the region over the next six months, but expectations are less widespread this month. The diffusion index for future general activity at the firm level fell 15 points to 25.8 (see Chart 1). Almost 46 percent of the firms expect an increase in activity at their firms over the next six months, 20 percent expect decreases, and 32 percent of the firms expect no change. Similarly, the future regional activity index fell from 45.9 to 26.2.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest some softening among firms in the region. The indicators for firm-level general activity and

Chart 2. Current Prices Paid and Prices Received Indexes  
January 2011 to January 2025



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

sales/revenues were positive but low this month, while the new orders index improved and turned positive. The full-time employment index suggests mostly steady employment. The prices paid index continues to indicate general price increases. Overall, the responding firms expect growth at their own firms and in the region over the next six months. ■

NONMANUFACTURING BUSINESS OUTLOOK SURVEY January 2025	January vs. December					Six Months from Now vs. January				
	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index
What is your assessment of general business activity for the region?	-3.4	20.2	50.3	29.3	-9.1	45.9	45.0	32.0	18.8	26.2
What is your assessment of general business activity for your firm?	4.6	28.7	42.8	26.5	2.2	40.6	45.6	32.4	19.8	25.8
Company Business Indicators						<b>NOTES:</b>  (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 January 16, 2025.				
New Orders	-4.6	13.3	39.9	11.7	1.6					
Sales or Revenues	3.2	25.0	44.7	22.4	2.6					
Unfilled Orders	5.0	18.2	25.5	0.2	18.1					
Inventories	-3.4	8.2	28.9	8.7	-0.5					
Prices Paid	30.8	30.6	52.2	1.7	28.9					
Prices Received	23.3	7.5	71.3	7.7	-0.3					
Number of Employees – Full-Time Permanent	3.2	15.9	64.0	14.4	1.5					
Number of Employees – Part-Time, Temporary, and Contract	8.9	9.9	69.9	10.2	-0.3					
Average Employee Workweek	5.7	13.4	70.0	9.4	4.0					
Wage and Benefit Costs	42.3	27.1	63.1	2.6	24.5					
Capital Expenditures – Physical Plant	14.5	11.7	51.1	7.4	4.3					
Capital Expenditures – Equipment & Software	21.5	16.7	63.3	5.9	10.8					



Special Questions (January 2025)				
1. What were the percentage changes in costs for the following categories for 2024, and what do you expect they will be for 2025?				
	2024 (Actual)		2025 (Expected)	
	Average (%)	Median (%)	Average (%)	Median (%)
Energy	3.2	2–3	2.1	1–2
Other Raw Materials	5.9	4–5	2.8	1–2
Intermediate Goods	6.2	3–4	3.4	1–2
Wages	4.1	3–4	3.0	3–4
Health Benefits	6.2	4–5	6.3	5–7.5
Nonhealth Benefits	3.1	2–3	2.4	2–3
Wages + Health Benefits + Nonhealth Benefits	6.5	4–5	5.5	4–5
Note: Respondents selected ranges of percentage changes. The average percent change is calculated using the midpoints of the ranges of each answer option.				

2. Currently, when you think about setting the prices of your goods/services, how important to you are the following factors in making those decisions?	
	Weighted Average* (%)
Your competitors' prices	69
The strength of demand for your most important good(s) or service(s)	77
Your wages and labor costs (including benefits)	68
Your nonlabor costs, such as energy prices, materials prices, transportation costs, rent, etc.	43
Maintaining steady profit margins (for price over costs)	75
Interest rates, borrowing rates, and the cost of capital	51
Problems with your supply chains, such as bottlenecks and product shortages	35
The overall rate of inflation in the U.S. economy, as measured by the Consumer Price Index	58
Other	42
*Respondents reported importance on a scale of 1 (least important) to 5 (most important). The weighted average gives 1 a weight of 0; 2 a weight of 0.25; 3 a weight of 0.5; 4 a weight of 0.75; and 5 a weight of 1.	