



January 2026

Note: Survey responses were collected from January 5 to January 15.

Nonmanufacturing activity increased overall, according to the firms responding to the January *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level, new orders, and sales/revenues all rose this month. The firms continued to report overall increases in full-time employment. Both the prices paid and prices received indexes moved down this month and are near their long-term averages. Expectations for growth over the next six months were more widespread this month.

Current Indexes Rise

The diffusion index for current general activity at the firm level increased from a revised reading of 0.8 in December to 16.2 this month (see Chart 1), its highest reading since August.* Almost 36 percent of the firms reported increases, exceeding the 19 percent that reported decreases; 45 percent reported no change in activity. The new orders index rose from 0.2 to 5.5 this month. More than 20 percent of the firms reported increases in new orders, 15 percent reported decreases, and 37 percent reported no change. The sales/revenues index rose from 12.1 to 24.8, its highest reading since October 2024. Thirty-nine percent of the responding firms reported increases in sales/revenues, while 14 percent reported decreases. The regional activity index increased by 17 points but remained negative at -4.2 this month.

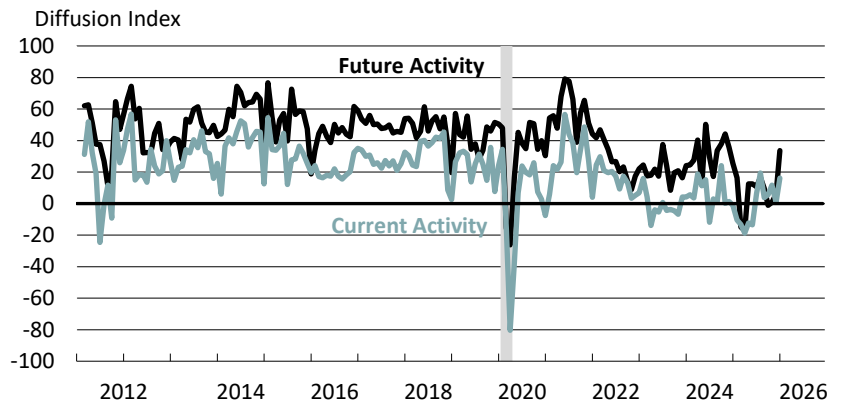
Firms Report Overall Increases in Full-Time Employment

The full-time employment index moved up from 7.5 in December to 9.7 this month. Fifty-three percent of the firms reported steady full-time employment levels, 28 percent reported increases, and 19 percent reported decreases. The part-time employment index fell from 14.9 to -0.4 this month, its lowest reading since September.

Price Indexes Are Near Long-Term Averages

Price indicator readings suggest continued increases in prices for inputs and prices for the firms' own goods and services, although both indexes moved down this month. The prices paid index moved down 2 points to 34.5 (see Chart 2). Almost

Chart 1. Current and Future General Activity Indexes
January 2011 to January 2026



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.

37 percent of the respondents reported higher input prices, 44 percent reported no change, and 2 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index fell 3 points to 13.2 this month. Almost 21 percent of the firms reported increases in prices received, and 8 percent reported decreases. Most of the firms (66 percent) reported no change in prices for their own goods and services.

Firms Expect Lower Input Costs but Higher Labor Costs 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 and their expectations for changes in costs for the coming year (see Special Questions on page 3). While the firms are expecting lower cost increases for inputs (energy, other raw materials, and intermediate goods) in 2026 compared with 2025, the firms are expecting higher cost increases for wages and both health and

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The next *Nonmanufacturing Business Outlook Survey* will be released on February 24, 2026.

*The survey's annual data revisions, which incorporate updated seasonal factors, were released on January 13, 2026. More information is available [on our website](https://www.philadelphiafed.org/nonmanufacturing-bos).

nonhealth benefits. 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, the overall inflation rate, and their wages and labor costs (including benefits).

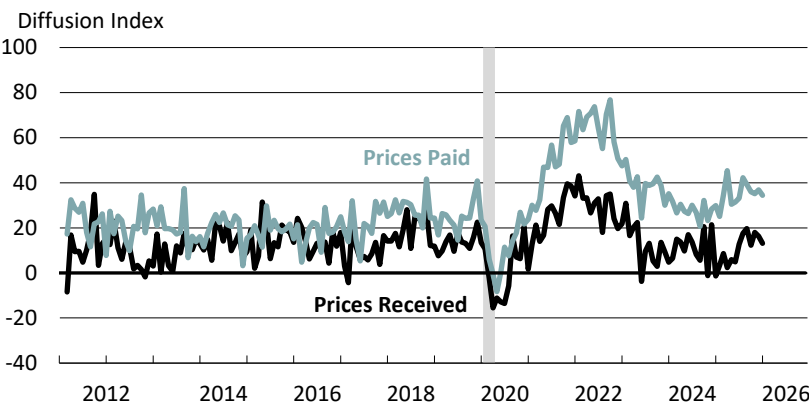
Firms Anticipate Growth

The future general activity indexes continued to suggest firms expect growth at their own companies and in the region over the next six months, and these expectations were more widespread this month. The diffusion index for future general activity at the firm level rose 28 points to 33.7, its highest reading since December 2024 (see Chart 1). Almost 50 percent of the firms expect an increase in activity at their firms over the next six months, 16 percent expect decreases, and 34 percent expect no change. Similarly, the future regional activity index rose from -19.1 to 10.3, its first positive reading since February 2025.

Summary

Responses to this month’s *Nonmanufacturing Business Outlook Survey* suggest overall growth in activity among firms in the region. The indicators for firm-level general activity, new orders, and sales/revenues all rose this month. The full-time employment index moved up slightly and suggests

Chart 2. Current Prices Paid and Prices Received Indexes
January 2011 to January 2026



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.

overall increased employment. The prices paid and prices received indexes moved down but continue 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 2026	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?	-21.6	20.6	54.5	24.8	-4.2	-19.1	36.5	35.0	26.2	10.3
What is your assessment of general business activity for your firm?	0.8	35.5	45.2	19.3	16.2	6.1	49.6	34.4	15.9	33.7
Company Business Indicators										
New Orders	0.2	20.2	36.7	14.6	5.5	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 January 15, 2026.				
Sales or Revenues	12.1	39.0	43.0	14.3	24.8					
Unfilled Orders	7.5	7.9	34.4	5.8	2.1					
Inventories	5.0	4.4	24.6	7.9	-3.5					
Prices Paid	36.9	36.7	44.4	2.2	34.5					
Prices Received	16.2	20.7	65.9	7.5	13.2					
Number of Employees – Full-Time Permanent	7.5	28.4	52.9	18.7	9.7					
Number of Employees – Part-Time, Temporary, and Contract	14.9	7.4	76.8	7.8	-0.4					
Average Employee Workweek	8.7	18.1	72.0	8.5	9.6					
Wage and Benefit Costs	44.9	42.2	52.9	5.0	37.2					
Capital Expenditures – Physical Plant	6.0	11.8	41.7	6.8	5.0					
Capital Expenditures – Equipment & Software	18.7	15.3	51.7	10.0	5.2					



Special Questions (January 2026)				
1. What were the percentage changes in costs for the following categories for 2025, and what do you expect they will be for 2026?				
	2025 (Actual)		2026 (Expected)	
	Average (%)	Median (%)	Average (%)	Median (%)
Energy	2.9	1–2	1.7	1–2
Other Raw Materials	2.6	1–2	1.9	2–3
Intermediate Goods	2.8	2–3	2.7	1–2
Wages	2.8	3–4	3.0	3–4
Health Benefits	8.0	5–7.5	8.3	7.5–10
Nonhealth Benefits	1.7	-1–1	2.5	2–3
Wages + Health Benefits + Nonhealth Benefits	6.3	4–5	7.7	5–7.5
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	63
The strength of demand for your most important good(s) or service(s)	76
Your wages and labor costs (including benefits)	67
Your nonlabor costs, such as energy prices, materials prices, transportation costs, rent, etc.	53
Maintaining steady profit margins (for price over costs)	72
Interest rates, borrowing rates, and the cost of capital	45
Problems with your supply chains, such as bottlenecks and product shortages	39
The overall rate of inflation in the U.S. economy, as measured by the Consumer Price Index	68
Other	58
*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.	