NBOS

FEDERAL RESERVE BANK PHILADELPHIA

Nonmanufacturing Business Outlook Survey

August 2026

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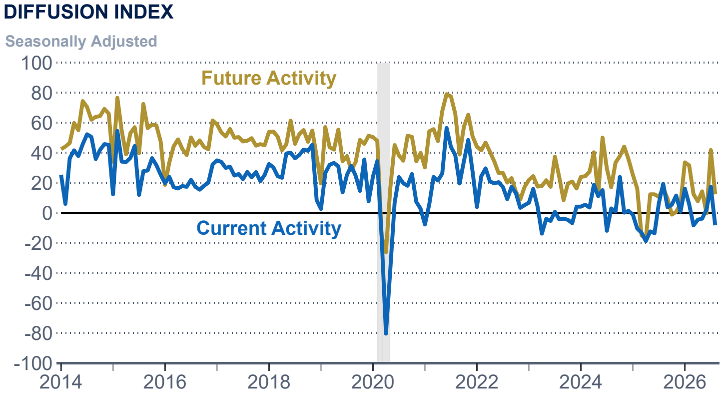
Nonmanufacturing activity in the region weakened overall, according to the firms responding to the August *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level and new orders turned negative, and the sales/revenues index also declined but remained positive. The full-time employment index moved lower but remained positive. The prices paid index was little changed, while the prices received index declined; however, both indexes continue to indicate increases in prices. The respondents continue to expect growth at their own firms over the next six months, but expectations were less widespread.

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.

Current Indexes Weaken

The diffusion index for current general activity at the firm level fell 26 points to -8.2 in August, its lowest reading since March (see Chart 1). Nearly 26 percent of the firms reported decreases (up from 10 percent last month), 17 percent reported increases (down from 28 percent), and 49 percent reported no change in activity (down from 55 percent). The new orders index also fell sharply, declining 23 points to -10.1 after briefly turning positive in July. Twenty-seven percent of the firms reported decreases in new orders, while 17 percent reported increases; 30 percent no change. The sales/revenues index dropped 16 points to 7.9. The regional activity index returned to negative territory in August after turning positive in July for the first time since October 2024; the index declined from 7.4 in July to -10.6 in August.

Most Firms Report Steady Employment

The full-time employment index declined 10 points to 2.1 this month. Most firms (69 percent) reported steady full-time employment levels, while the share of firms reporting increases (14 percent) narrowly exceeded the share reporting decreases (12 percent). The part-time employment index fell 11 points to 1.1 this month.

Firms Continue to Report Price Increases

The prices paid index ticked up 1 point to 29.2 this month, remaining in line with its long-run nonrecession average (see Chart 2). Nearly 36 percent of the respondents indicated higher input prices, 6 percent indicated lower input prices, and 40 percent reported no change. Regarding prices for the firms' own goods and services, the prices received index fell 8 points to 10.3, its lowest reading since April. Almost 13 percent of the firms reported increases in prices received, 3 percent reported decreases, and 69 percent reported no change in prices for their own goods and services.

More 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). Almost 44 percent of the firms reported that their

Note: Survey responses were collected from August 10 to August 20.
The next *Nonmanufacturing Business Outlook Survey* will be released on September 22, 2026.

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

customers were more price sensitive compared with last quarter, while 56 percent reported customers' sensitivity was about the same. More than 59 percent of the firms anticipated changes in their industry's costs in the near term (slightly above the 54 percent last quarter); of those, 26 percent expected their competitors to raise prices in response, 11 percent expected competitors to lower prices, and 58 percent expected competitors to hold prices steady. Regarding when these price changes will occur, the firms' median expectation was for competitors to change prices in the next five months.

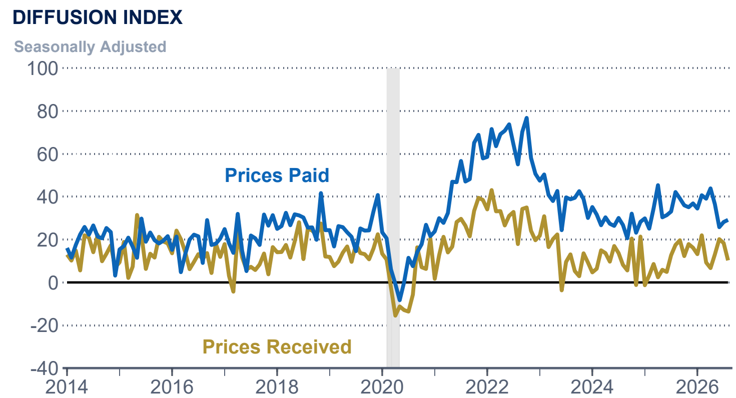
Firms Anticipate Growth at Own Firms

The respondents continue to expect growth at their own firms over the next six months overall, but expectations were less widespread this month. The diffusion index for future general activity at the firm level dropped 30 points to 12.4, partially undoing the index's jump higher in July (see Chart 1). More than 37 percent of the firms expect an increase in activity at their firms over the next six months (down from 49 percent last month), 25 percent expect decreases (up from 8 percent), and 35 percent expect no change (down from 43 percent). The future regional activity index returned to negative territory this month, falling 22 points to -6.3.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest weaker overall activity among nonmanufacturing firms in the region. The indicators for firm-level general activity and new orders both turned negative, and the sales/revenues index also fell but remained positive. The full-time employment index fell to a near-zero reading. The prices paid index was little changed, while the prices received index moved lower, but both continued to indicate increases in prices overall. Expectations for growth at the firm level over the next six months were less widespread this month. ■

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



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NONMANUFACTURING 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 assessment of general business activity for the region?	7.4	5.5	66.1	16.1	**-10.6**	15.7	18.7	47.2	25.0	**-6.3**
What is your assessment of general business activity for your firm?	17.5	17.3	49.0	25.6	**-8.2**	41.9	37.4	35.1	25.0	**12.4**
Company Business Indicators										
New Orders	12.5	16.9	29.5	27.0	**-10.1**					
Sales or Revenues	23.5	27.6	41.3	19.7	**7.9**					
Unfilled Orders	5.7	0.0	30.4	12.7	**-12.7**					
Inventories	-3.8	4.2	25.6	5.3	**-1.1**					
Prices Paid	28.2	35.5	39.5	6.3	**29.2**					
Prices Received	18.4	12.8	68.5	2.6	**10.3**					
Number of Employees – Full-Time Permanent	12.4	13.7	69.0	11.6	**2.1**					
Number of Employees – Part-Time, Temporary, and Contract	12.1	10.8	63.3	9.7	**1.1**					
Average Employee Workweek	10.8	8.4	64.7	21.7	**-13.4**					
Wage and Benefit Costs	37.1	45.5	41.4	6.3	**39.2**					
Capital Expenditures – Physical Plant	14.1	12.6	37.9	13.1	**-0.6**					
Capital Expenditures – Equipment & Software	30.8	22.3	51.4	13.5	**8.8**					

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 20, 2026.

NBOS Special Questions

1. Since last quarter, have your core customers become more or less price sensitive?	
	Percent (%)
More sensitive	43.8
About the same	56.3
Less sensitive	0.0
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	59.4
No	40.6
2a. How do you anticipate that your competitors will respond?*	
	Percent (%)
Raise prices	26.3
Hold prices steady	57.9
Lower prices	10.5
Don't know	5.3
*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	5.0
**Only firms that responded "raise prices" or "lower prices" to question 2a responded to question 2b.	