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December 05 Report

June 19, 2010

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**Texas Manufacturing Outlook Survey****December 2005****Recent Results**

Texas manufacturing activity continues to expand, according to firms polled in December for the Texas Manufacturing Outlook Survey. Indicators for [production](#), capacity utilization and volume of shipments remain positive for the most recent month, although these indicators weakened.

Survey participants continue to be optimistic about activity six months from now, with respondents expecting production, capacity utilization and the volume of shipments to be stronger.

While still positive, indexes for prices paid for raw materials and prices received for finished goods were lower. Just over twice as many respondents report an increase in prices paid for raw materials than report an increase in prices paid for finished goods.

Survey participants indicate that they are currently more optimistic about their company outlook as well as the outlook for [general business activity](#) than they were in November.

**Manufacturing Expansion Continues**

Continued expansion of manufacturing is indicated by continued positive index values for production, capacity utilization, volume of shipments and volume of new orders, although all these indicators fell from November to December.

The index for production fell from 23.2 in November to 7.9 in December. There continue to be more firms reporting an increase in production than reporting a decrease, but the percentage of firms reporting an increase declined from 39.3 to 31.4. The percentage of firms reporting a decrease in production rose from 16.1 to 23.5.

The December index for capacity utilization fell from 19.6 to 2.0. Fewer firms report an increase in capacity utilization, falling from 33.9 percent to 25.5 percent, and more firms report a drop in December (23.5 percent) than in November (14.3 percent).

The index for volume of shipments fell from 26.7 in November to 13.7 in December, while the index for volume of new orders dropped from 23.2 in November to 17.7 in December.

The indicator for finished goods inventories fell from 10.9 in November to 3.9 in December. Most firms report no change in finished goods inventories this month (64.7 percent). The index for materials inventories was up slightly from 1.8 in November to 5.9 in December.

**Price Pressures Ease Slightly**

Most firms report increases in prices paid for raw materials (62.7 percent) and no change in prices received for finished goods (66.7 percent). Both index values were lower in December.

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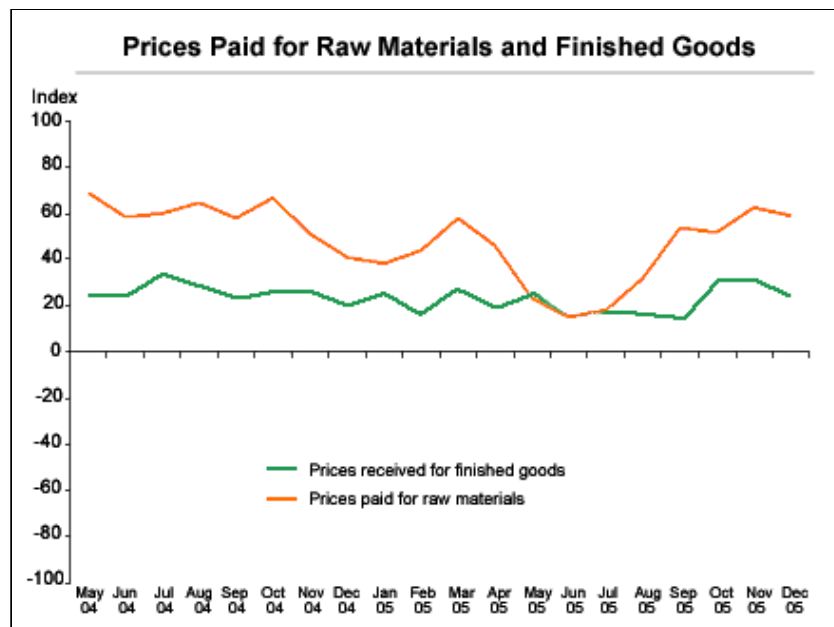
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The index of prices paid for raw materials fell from 62.5 in November to 58.8 in December, with fewer firms reporting increases in raw materials prices. Only 3.9 percent of firms report a decrease in raw materials prices, down from 7.1 percent in November.

The percentage of firms reporting higher finished goods prices also fell in December. The index for finished goods prices dropped from 32.1 to 25.5. Similar to raw materials prices, the percentage of firms reporting a decline in finished goods prices fell from 5.4 percent in November to 3.9 in December.

The indexes for prices six months from now are slightly below the indexes for the current period. Most firms expect an increase in the price of raw materials six months from now (54.9 percent), but most firms expect no change in the prices received for finished goods (51 percent).

### Outlook Improves

Expectations for future activity continue to be consistently stronger than current activity for most indicators. There continues to be an upward drift in future expectations for production and volume of new orders, suggesting Texas manufacturers are more optimistic about the outlook six months from now.

The index for company outlook increased slightly from 21.8 in November to 25.5 in December, with the percentage reporting a worse company outlook falling from 10.9 in November to 3.9 in December.

**Note:** The Texas Manufacturing Outlook Survey does not yet have a sufficiently large sample size to permit seasonal adjustment of the indexes. Thus, the month-to-month values of these indexes may include some normal seasonal variation that is not indicative of changes in the business cycle. Other Federal Reserve Bank business outlook indexes benefit from seasonal adjustment, and the Texas indexes will be seasonally adjusted when three years of data are available.

Questions regarding the Texas Manufacturing Outlook Survey can be addressed to Fiona Sigalla at [Fiona.Sigalla@dal.frb.org](mailto:Fiona.Sigalla@dal.frb.org).

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