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June 20, 2010

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Texas Manufacturing Outlook Survey**January 2006****Manufacturing Expansion Strengthens**

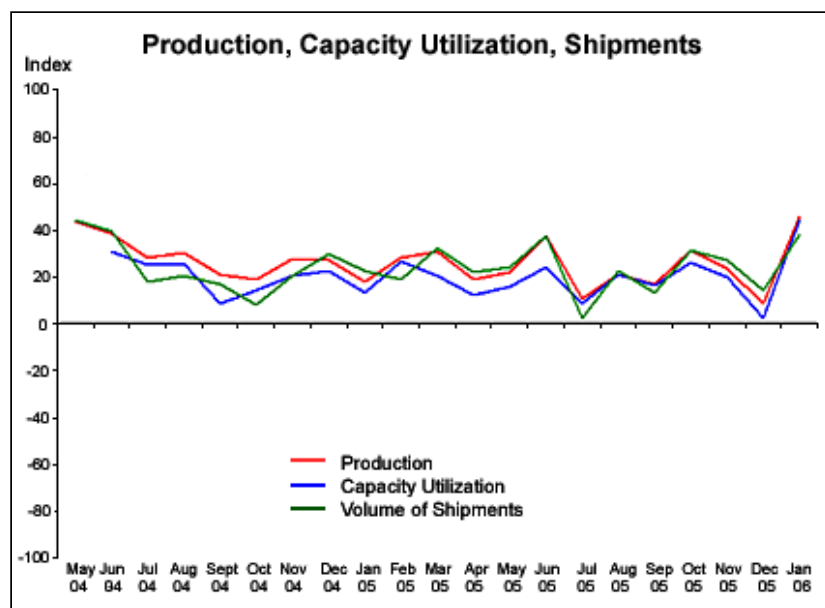
The Texas Manufacturing Outlook Survey suggests a rebound in manufacturing activity in January. Indicators for production, capacity utilization, volume of new orders and volume of shipments increased strongly, with the majority of firms reporting an increase in those measures for the most recent month.

Company executives report that the level of [general business activity](#) is still positive, but the index was slightly lower this month. The index dipped in January to 35.5 from 37.3 last month.

Business leaders are more optimistic about their [company outlook](#) than they were in the previous month. Six months from now, survey participants expect increases in production, capacity utilization, volume of new orders and volume of shipments.

Activity Increases

Growth of manufacturing activity is suggested by increases in index values for production, capacity utilization, volume of new orders and volume of shipments. The index for the growth rate of orders also strengthened in January.



The [production index](#) increased strongly from 7.9 in December to 45.3 in January. Most firms (51.6 percent) report an increase in production from December to January. Only 6.3 percent of firms indicate a decrease in production.

The [capacity utilization index](#) jumped from 2.0 in December to 43.7 in January. Exactly half the firms report an increase in capacity utilization over the past month, and only 6.3 percent report a decrease.

Responses about orders and shipments also signal strength in the manufacturing sector. The [index for volume of new orders](#) rose from 17.7 last month to 34.4 in January. The [growth rate of orders index](#) was up from 13.8 to 27 this month. The change in the [index for unfilled orders](#) was small, rising from

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5.9 last month to 6.2 in January. The [index for volume of shipments](#) increased from 13.7 to 37.5 in January.

The indicator for [materials goods inventories](#) continued to rise in January to 14 from 5.9 last month. The [finished goods inventories index](#) was slightly negative (-1.9) in January after increasing slightly (3.9) last month. Most firms continue to report no change in finished goods inventories (60.3 percent), but 20.6 percent of the firms reported a decrease.

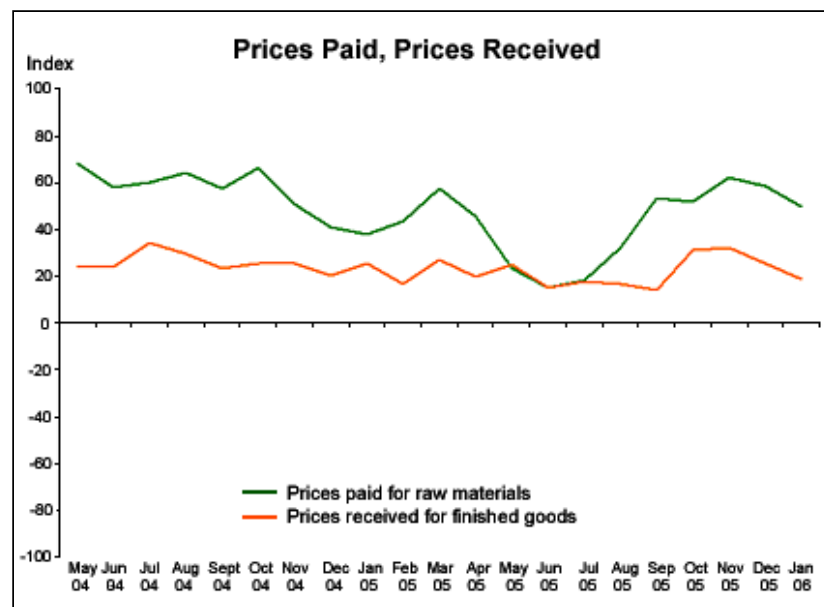
The employment picture also strengthened. The [index for number of employees](#) increased from 23.5 in December to 26.6 in January, with nearly 30 percent of respondents indicating that they are increasing the number of workers. The average employee workweek also rose, up from 13.7 last month to 15.6 in January.



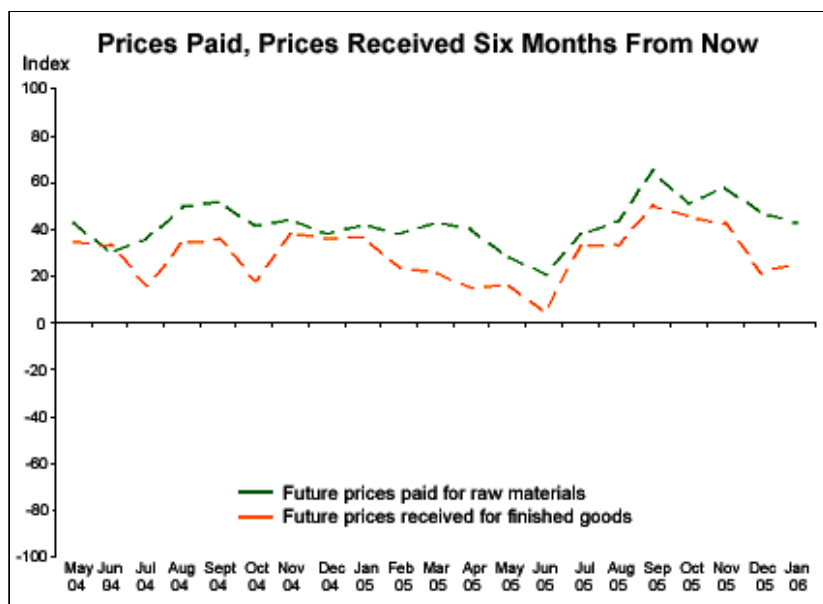
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Price Pressures Continue to Ease

Prices continue to increase for both raw materials and finished goods prices, although both index values were slightly lower in January. The indexes also suggest that [raw materials prices](#) are rising faster than [finished goods prices](#). Most firms report increases in raw materials prices (56.3 percent) and no change in finished goods prices (65.6 percent). Over twice as many firms report increases in prices paid for raw materials than report increases in prices paid for finished goods.



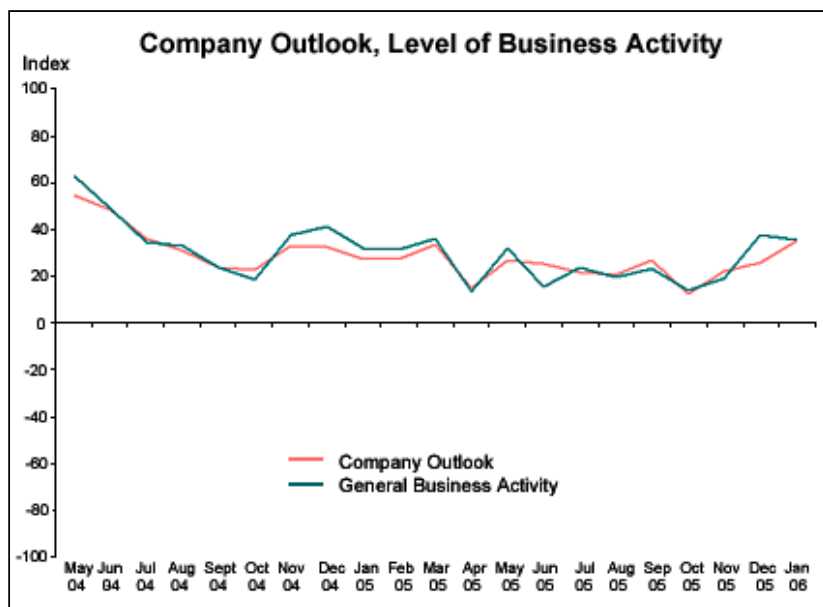
The survey suggests continued price increases in coming months, although there has been some moderation in these expectations since fall. Most firms expect prices paid for raw materials to increase six months from now (49.2 percent), but that figure is slightly lower from last month (54.9 percent of firms expected an increase in December). The index for prices received for finished goods six months from now increased slightly, but the majority of firms (61.9 percent) expect no change in finished goods prices.



Outlook Improves

Expectations for future activity continue to be consistently stronger than current activity for most indicators.

The [index for company outlook](#) increased from 25.5 last month to 34.9 in January, with the percentage reporting an improvement in company outlook rising from 29.4 in December to 39.7 this month.



Questions regarding the Texas Manufacturing Outlook Survey can be addressed to Fiona Sigalla at Fiona.Sigalla@dal.frb.org or 214-922-5166.

Note

The Texas Manufacturing Outlook Survey does not yet have a sufficiently large sample size to permit seasonal adjustment of the indexes. Thus, while respondents are asked to adjust for normal seasonal variation, 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 a sufficient series are available.

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