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June 20, 2010

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

Factory activity continued to expand in February, according to the Texas Manufacturing Outlook Survey. Indexes for production and capacity utilization remained strong, although these indicators declined slightly after increasing sharply in January. Index values strengthened for volume of shipments and new orders. The index for the growth rate of new orders also improved.

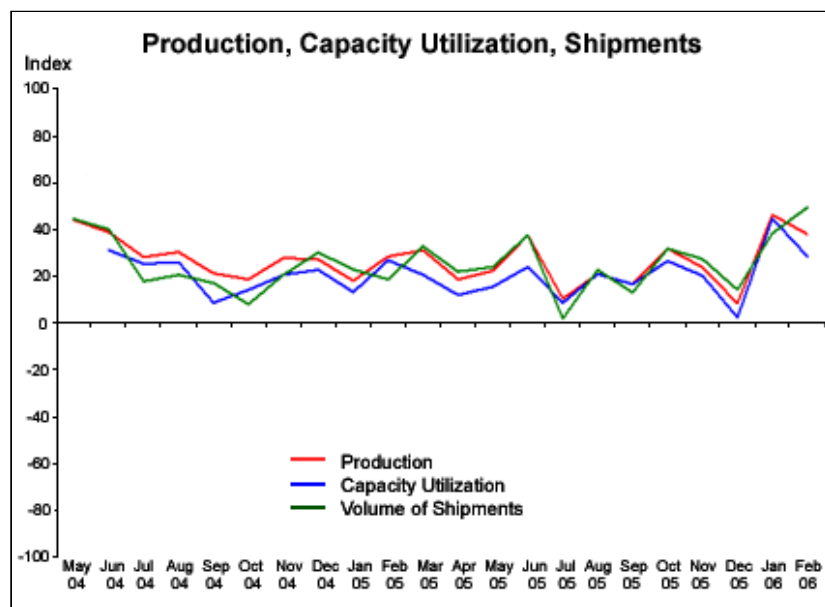
Firms continue to report higher prices for both raw materials and finished goods, although price pressures continued to moderate for raw materials. The index value for finished goods prices edged up in February, suggesting that producers are passing on some of these higher costs.

Business leaders report improvements in both [general business activity](#) and [company outlook](#). Producers also expect most indicators to be stronger six months from now.

Activity Increases

Most participating manufacturers report boosts in production, volume of new orders and volume of shipments. Index values for these indicators were strongly positive in February.

After rising sharply in January, the [index for production](#) decreased in February from 45.3 to 37.1. The [index for capacity utilization](#) also declined from 43.7 in January to 27.8 in February. The [index for volume of shipments](#) rose from 37.5 in January to 48.4 in February.



Orders continue to increase, according to business executives, who are optimistic that orders will be even stronger six months from now. The indexes for [volume of new orders](#), [growth rate of new orders](#) and [unfilled orders](#) all advanced in February.

The index for volume of new orders inched up from 34.4 in January to 38.7 in February. Forty-eight percent of responding firms reported an increase in the volume of new orders in February. The index for growth rate of new orders went

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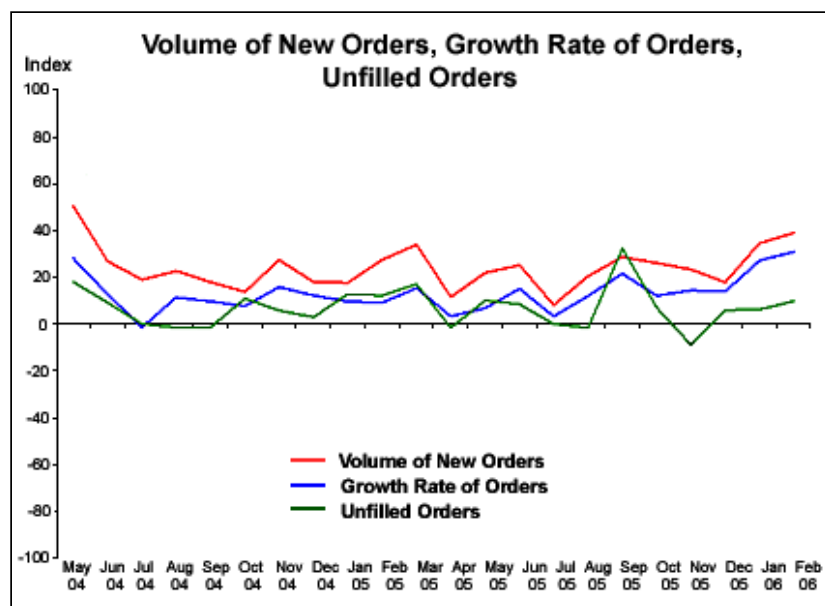
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from 27 in January to 30.7 in February. The unfilled orders index also was up in February, from 6.2 to 9.7.

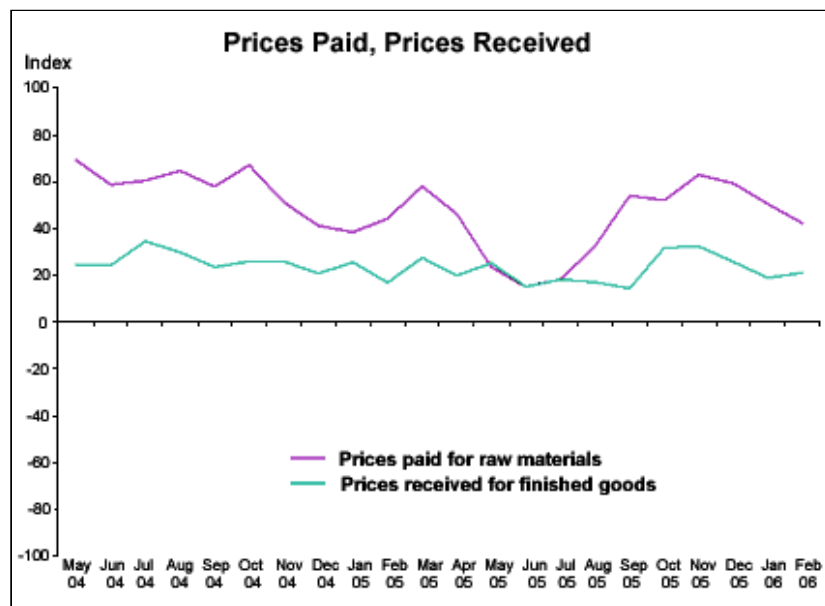
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Price Pressures

Index values remain positive for both raw materials and finished goods prices, indicating that more producers are reporting price increases than are reporting price decreases. Still, input cost pressures have been moderating. The [index for raw materials prices](#) dropped from 50 in January to 41.9 in February. This index has been falling since November, but a majority of firms still report paying higher prices for raw materials (48 percent in February.)

Company executives report a slight upturn in the [index for prices received for finished goods](#), suggesting that more firms have been able to pass on rising raw materials prices. The index for prices received for finished goods rose from 18.8 in January to 20.9 in February. Most firms (66 percent) reported no change in finished goods prices.

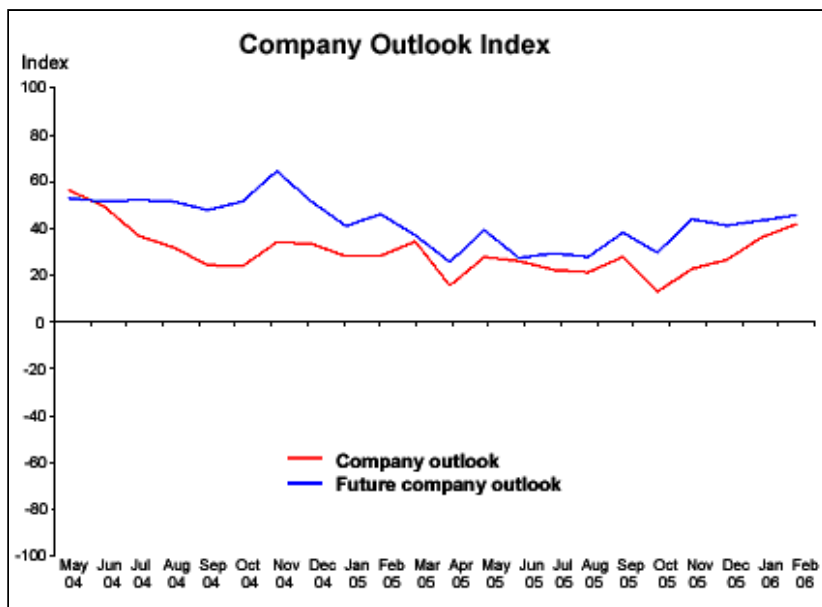


Most firms expect raw materials prices to be higher six months from now (49 percent). The index for raw materials prices six months from now (37.7) is only slightly lower than the index for the current period. While most firms expect no change in finished goods prices six months from now, the index value (27.8) is slightly higher than for the current period.

Outlook Improves

Business executives remain optimistic about their company outlook. The index

value for this indicator rose from 34.9 in January to 40.4 in February. Forty-five percent of responding firms report an improvement in company outlook from January to February. The [index for company outlook](#) is even stronger six months from now.



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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