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June 19, 2010

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Texas Manufacturing Outlook Survey**March 2006**

Texas is important to the nation's manufacturing. The state produced \$98 billion worth of manufactured goods in 2003, roughly 7 percent of total U.S. output. Texas ranks second behind California in factory production and first as an exporter of manufactured products.

Texas turns out a large share of U.S. production of petroleum and coal products, reflecting the muscular refining industry. Texas also has nearly 10 percent of the nation's output of computer and electronics products and nonmetallic mineral products, such as brick, glass and cement.

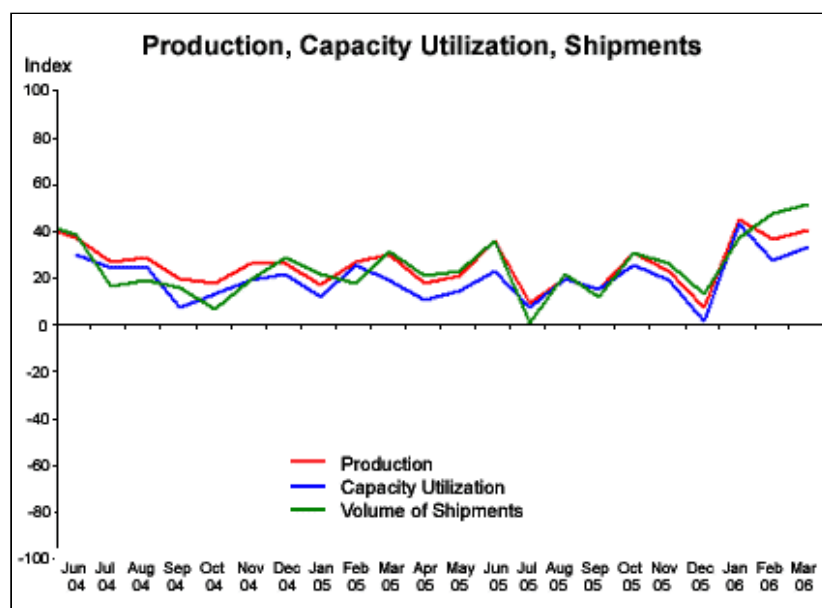
Factory Activity Picks Up

Factory activity picked up in March, according to firms responding to the Texas Manufacturing Outlook Survey. Indexes for [production](#), [capacity utilization](#), volume of [new orders](#) and [shipments](#) strengthened over the previous month. The [general business activity index](#) also increased in March.

Firms continue to report higher prices for both [raw materials](#) and [finished goods](#), but both of these indexes were lower in March, indicating that price pressures continue to moderate.

Activity Increases

The majority of responding manufacturers reported an increase in [production](#), pushing up the diffusion index from 37.1 in February to 40.8 in March. Most firms also reported an increase in [volume of new orders](#), pushing up that index value from 38.7 to 45 in March.



The [index for general business activity](#) continued its upward trend since October 2005. Forty-six percent of respondents saw an improved evaluation of general business activity in March, and only 7 percent said their evaluation of activity had worsened.

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Texas Manufacturing Outlook Survey

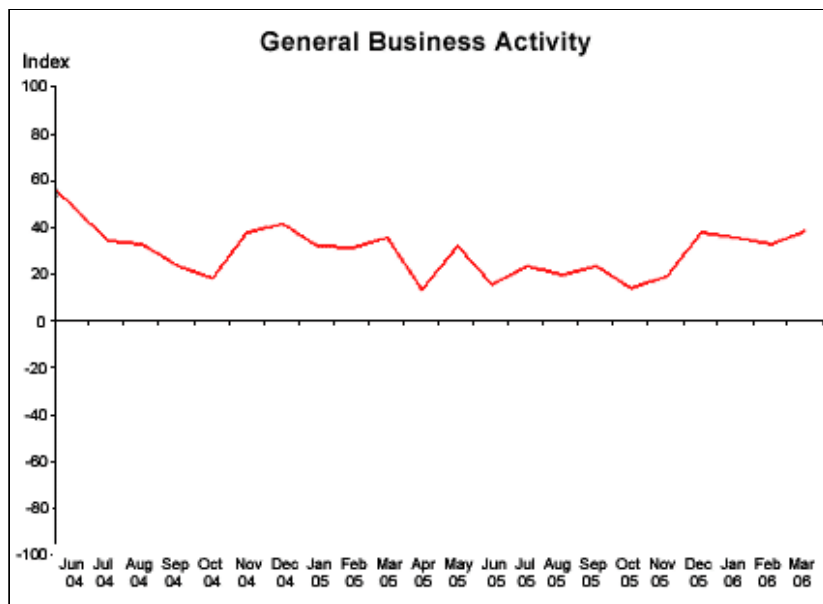
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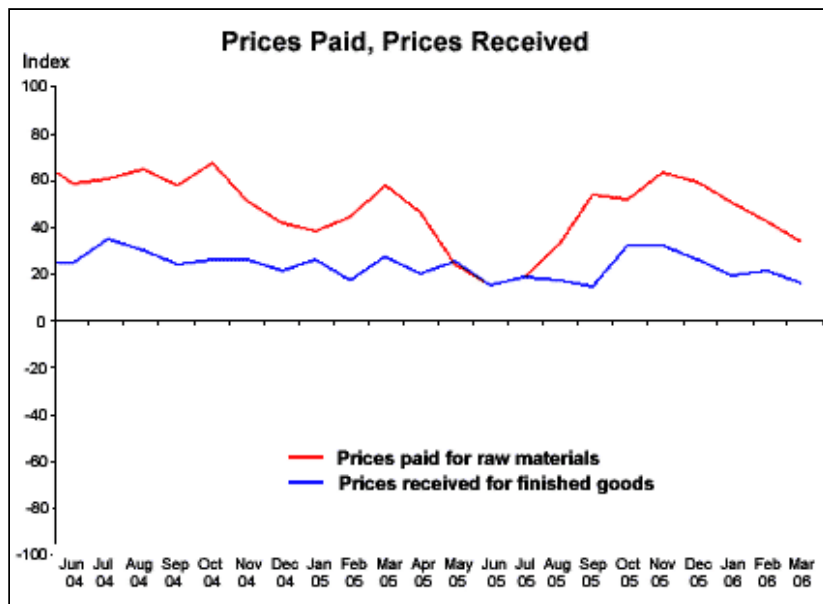
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Business executives remain optimistic about their [company outlook](#), although the index value was slightly lower, falling from 40.4 in February to 33.8 in March. Thirty-nine percent of responding firms reported an improvement in company outlook from February to March, and 5.6 percent said their company outlook had worsened.

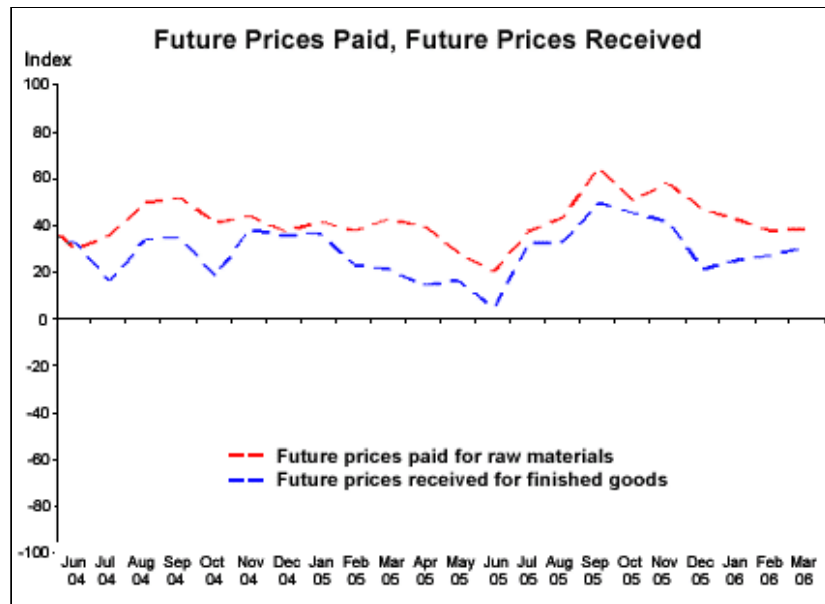
Price Pressures Continue to Subside

Index values remain positive for both [raw materials](#) and [finished goods](#) prices, indicating that more producers are reporting price increases than are reporting decreases. However, the majority of responding firms cited no change in prices paid for raw materials and finished goods in March.

The index for raw materials prices fell from 41.9 in February to 32.8 in March. At 15.8, the finished goods price index also was lower in March, down from 20.9 in January. Both indexes have been trending downward since November.



While the current index values for prices paid and prices received have been subsiding, there was an increase in the outlook for prices six months from now. Most firms reported no change in their expectation for prices six months from now, but a greater number indicated expectations for an increase in prices than reported a decrease. Both future index values are higher than the current values.



Six-Month Outlook Moderates

Respondents expect activity to increase six months from now. Fifty-four percent anticipate an increase in [production](#), and 56 percent expect an increase in [capacity utilization](#) six months from now. Still, both of these index values softened from February to March because a larger percentage of firms reported no change in expectations.

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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