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June 20, 2010

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Texas Manufacturing Outlook Survey**May 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 May, according to firms responding to the Texas Manufacturing Outlook Survey. Index values for [production](#), [capacity utilization](#), [volume of new orders](#) and [growth rate of orders](#) all increased over the previous month.

Most firms reported increases in [prices paid for raw materials](#), pushing that index higher in May. The index for [prices received for finished goods](#) was also up from the prior month. Most manufacturers continue to expect higher raw materials prices six months from now.

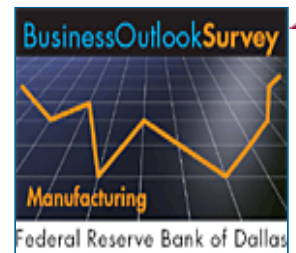
The [wages and benefits](#) index also increased in May. Thirty-eight percent of responding firms said wages and benefits were higher than in April, and no firms reported a decrease.

There was little change in the index for [company outlook](#), but the general business activity index grew more slowly in May. The majority of respondents continued to report an improved outlook for their company six months from now.

Activity Increases

Indexes for [production](#) and [capacity utilization](#) strengthened in May after dipping last month. Forty-four percent of responding firms reported an increase in production at their facilities in Texas in May. An increase in capacity utilization was reported by 38 percent of firms.

The majority of responding firms expect production and capacity utilization to increase six months from now. Both of these indexes were slightly lower in May than in April, however, because there was an increase in the number of firms expecting no change.

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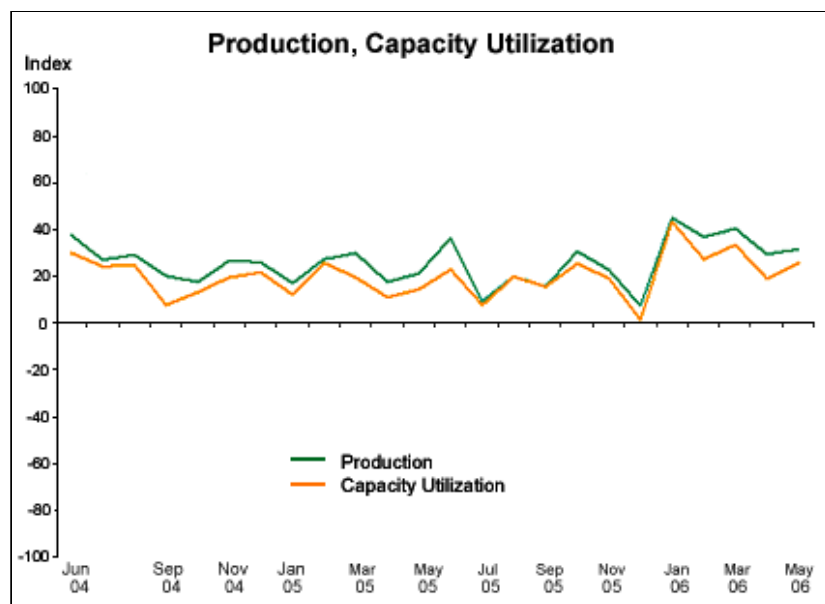
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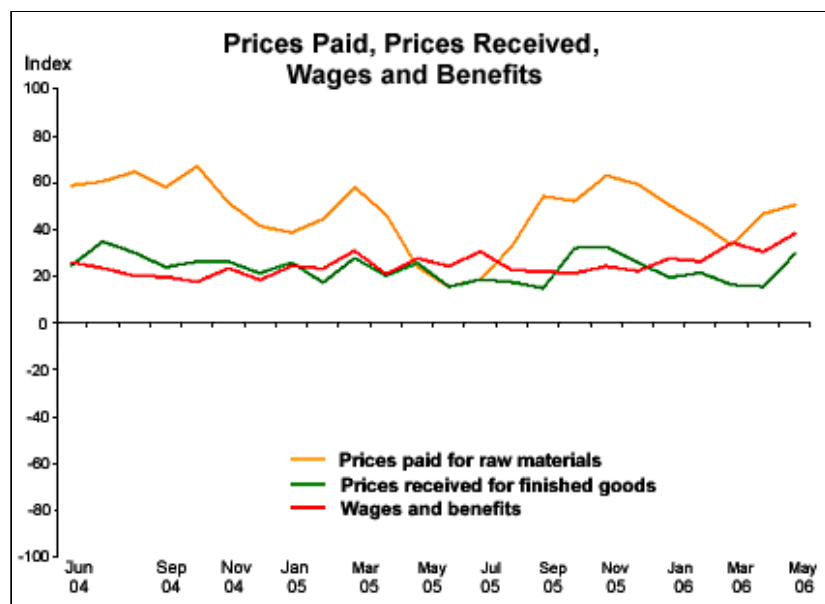
Indexes for [volume of new orders](#) and [growth rate of orders](#) both rebounded in May after dipping in April. The majority of responding firms reported an increase in the volume of new orders in May (41 percent). Most firms reported no change in the growth rate of orders, but 33 percent of responding firms indicated an increase.



Price and Wage Indexes Increase

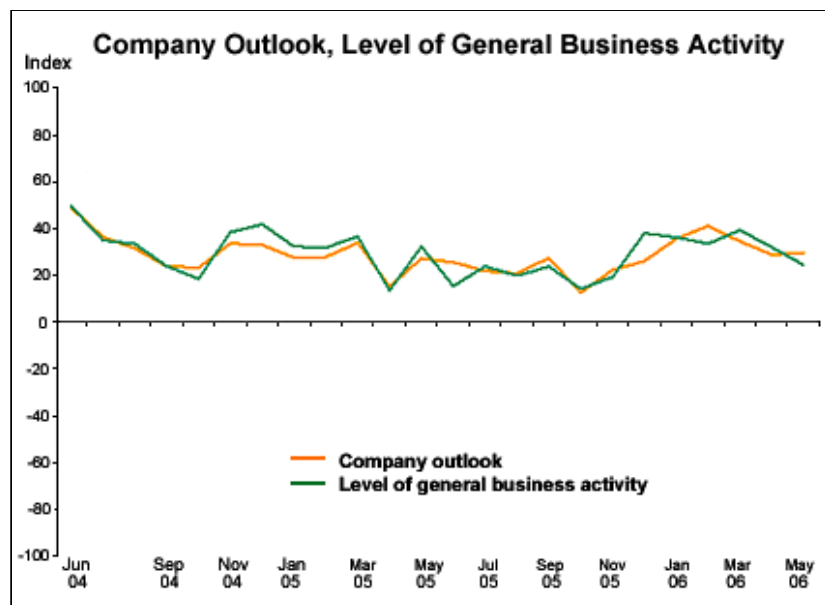
Index values were up for [raw materials](#) and [finished goods](#) prices in May. The majority of responding firms (57 percent) reported an increase in prices paid for raw materials. Most firms said there was no change in prices received for finished goods, but there was an increase in the percentage of firms reporting an increase over the previous month, pushing that index higher.

The index for [wages and benefits](#) also rose in May, with 38 percent of responding firms saying that they had increased wages and benefits. The index for number of employees was slightly higher in May, with 35 percent reporting an increase in the number of workers.



Evaluation of General Business Activity

The index for [general business activity](#) was positive but continued to drift lower in May. Most respondents reported no change in their evaluation of the level of general business activity. Thirty-seven percent of responding manufacturers reported an improvement since April, but 13 percent said their evaluation of general business activity had worsened—twice as many as reported a worse outlook in April.



Business executives remain optimistic about their [company outlook](#) six months from now, with the majority of firms (48 percent) reporting an improvement over the prior month. Still, that index value was slightly lower than reported in April.

The index value also decreased for the evaluation of general business activity six months from now. Thirty-six percent of responding firms say the six-month outlook has improved, but the percent of firms who say their evaluation has worsened increased from 3 percent in April to 12 percent in May.

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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