Texas Manufacturing Outlook Survey

November 2006

Factory Activity Continues to Expand

The Texas Manufacturing Outlook Survey found that the state's manufacturing activity continued to expand in November, but several indexes were weaker than last month.

Manufacturers were more optimistic about their companies' operations than the rest of the economy. The majority of firms expect increases in production and the volume of new orders and shipments six months from now. Sentiment on general business activity remained slightly negative in November.

The manufacturing index for current production was essentially unchanged in November, but it has been trending down from a high of 45.3 in January to 8.5 in November. The pattern reflects a Texas economy that has slowed some after expanding strongly over the past year.

The share of responding companies increasing output rose from 27 percent in October to 29 percent in November. On the other hand, the percent of firms decreasing production also increased, from 18 percent to 20 percent. The results suggest some industries are doing better than others. Overall, Texas' manufacturing base continues to be among the fastest growing in the nation. The state's factories are adding workers, while manufacturers are shedding jobs in other parts of the country.

Texas Manufacturing: A Primer

The Texas Manufacturing Outlook Survey takes the pulse of an important segment of the nation's industrial sector. The state produced $133.5 billion worth of manufactured goods in 2005, 8.9 percent of the U.S. total. Texas ranks second behind California in factory production and first as an exporter of manufactured products.

Texas turns out 29 percent of U.S. production of petroleum and coal products. The state 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.

In the November survey, the indexes for **new orders** and **growth rate of orders** remained negative and fell further. The **unfilled orders** index remained negative but improved slightly. The indexes for **number of employees**, **materials inventories**, **finished goods inventories** and **volume of shipments** remained positive but were lower. The **raw materials price index** was virtually unchanged and still positive, with just over a third of responding firms still reporting increases in the prices they're paying for inputs. The **finished goods price index** was positive and up from last month.

The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a quick assessment of the state's factory activity. Firms are asked whether output, employment, orders, prices and other indicators increased, decreased or remained unchanged over the previous month. Readings above zero point to expansion, while negative levels indicate contraction.

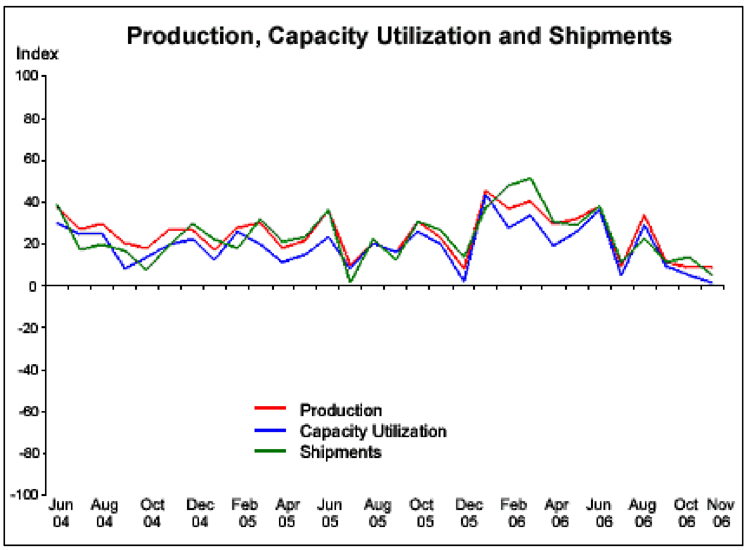
Click on links in the table for greater details, including historical data .

	Nov. vs. Oct.					Six months from now				
	Nov Index	% Increase	No Change	% Decrease	Oct Index	Nov Index	% Increase	No Change	% Decrease	Oct Index
Production	8.5	28.8	50.8	20.3	8.4	50.8	55.9	39.0	5.1	36.6
Capacity utilization	1.7	23.7	54.2	22.0	5.0	52.5	55.9	40.7	3.4	35.0
Volume of new orders	-5.1	27.1	40.7	32.2	-3.3	45.7	54.2	37.3	8.5	40.0
Growth rate of orders	-10.2	20.3	49.2	30.5	-8.4	31.1	41.4	48.3	10.3	28.3
Unfilled orders	-5.0	15.3	64.4	20.3	-8.4	1.7	15.3	71.2	13.6	3.3
Volume of shipments	5.1	30.5	44.1	25.4	13.3	49.1	57.6	33.9	8.5	37.2
Delivery time	-13.5	5.1	76.3	18.6	-1.7	-6.7	11.9	69.5	18.6	-11.7
Materials inventories	13.6	30.5	52.5	16.9	15.0	5.1	23.7	57.6	18.6	16.7
Finished goods inventories	16.9	28.8	59.3	11.9	21.6	8.7	25.9	56.9	17.2	6.6
Prices paid for raw materials	17.2	36.2	44.8	19.0	18.4	35.6	45.8	44.1	10.2	36.7

[Prices received for finished goods]()	8.4	18.6	71.2	10.2	0.0	20.3	28.8	62.7	8.5	11.7
[Wages and benefits]()	25.9	29.3	67.2	3.4	33.3	55.9	57.6	40.7	1.7	57.6
[Number of employees]()	1.6	16.9	67.8	15.3	8.4	27.1	33.9	59.3	6.8	33.3
[Average employee workweek]()	-6.9	15.5	62.1	22.4	3.3	18.9	24.1	70.7	5.2	6.7
[Capital expenditures]()	11.8	22.0	67.8	10.2	11.7	35.6	42.4	50.8	6.8	26.7

General Business Conditions:

	Nov Index	% Improved	Remained the Same	% Worsened	Oct Index	Nov Index	% Improved	Remained the Same	% Worsened	Oct Index
[How has the outlook for your company changed?]()	8.5	28.8	50.8	20.3	6.7	25.4	37.3	50.8	11.9	15.3
[What is your evaluation of the level of general business activity?]()	-1.7	22.4	53.4	24.1	-1.7	22.4	34.5	53.4	12.1	10.2



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.