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BANK OF DALLASAbout
the FedEconomic
ResearchEconomic
DataBanking
InfoFinancial
ServicesPublications
& ResourcesCommunity
AffairsEconomic
EducationNews &
Events

Search



You are here: FRB Dallas Home > Economic Data > Regional Data Resources > Texas Manufacturing Outlook Survey

June 20, 2010

Economic Data

- Economic Data Home
- Regional Data Resources
- Regional Data by Topic
- Regional Data by State
- Dallas Fed Indexes
- U.S. Economic Data
- International Data
- Financial Data
- DataBasics
- Resources and Links

Tools

- E-mail Alerts
- E-mail This Page
- RSS Feeds
- Podcasts
- Videos
- View Printer-friendly Page

Texas Manufacturing Outlook Survey

February 2007

Manufacturing Activity Strengthens Further

Factory activity picked up in February, according to business leaders responding to the Dallas Fed's Texas Manufacturing Outlook Survey. All indexes of current activity were in positive territory. Nearly 30 percent of the respondents indicated that production and capacity utilization had increased, and almost 40 percent reported an upsurge in the volume of new orders. The six-month outlook also became more favorable, with a rise in the expectation of future business activity.

The production index strengthened in February, rising to 18.1 from 13.8 in January. The survey suggests that capacity utilization and volume of new orders grew strongly, with indexes increasing fourfold during the month. General business sentiment also gained steam, climbing to 26 from its January level of 4.7. This view was supported by an upsurge in the number of manufacturers citing an improvement in overall business activity.

The index for raw material prices remained mostly unchanged in February; however, the index for finished goods prices increased markedly. Twenty-one percent of responding manufacturers indicated rising prices for finished goods, and more than 30 percent reported expectations of further increases.

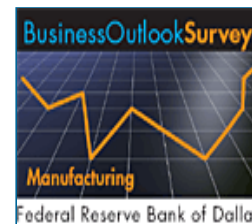
Respondents continue to express optimism in their outlook for future business activity. The index for business activity six months from now rose to 39.4, the highest it has been since March 2005. In addition, most forward-looking indicators rose from January to February, and about half of the participants said they expected an increase in production, volume of new orders, capacity utilization, shipments, employment and capital expenditures in six months.

In the February survey, the indexes for [production](#), [volume of shipments](#), [growth rate of orders](#) and [delivery time](#) remained positive and rose slightly. The index for [unfilled orders](#) turned positive from zero. The indexes for [capacity utilization](#), [volume of new orders](#), [prices of finished goods](#), [number of employees](#) and [capital expenditures](#) increased sharply. The index for [average employee workweek](#) turned around, rising into positive territory from its negative reading in January. The indexes for [materials inventories](#), [finished goods inventories](#), [raw material prices](#) and [wages and benefits](#) remained positive but declined from the levels posted last month.

The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely 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.

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

	Feb. vs. Jan.					Six months from now				
	Feb Index	% Increase	No Change	% Decrease	Jan Index	Feb Index	% Increase	No Change	% Decrease	Jan Index
Production	18.1	29.9	58.3	11.8	13.8	65.0	69.0	27.0	4.0	46.1
Capacity utilization	20.4	29.1	62.2	8.7	4.6	57.6	61.6	34.4	4.0	43.1
Volume of new orders	26.8	37.0	52.8	10.2	6.1	54.4	60.0	34.4	5.6	42.2
Growth rate of orders	18.1	29.1	59.8	11.0	15.4	41.6	48.8	44.0	7.2	21.5
Unfilled orders	11.4	22.0	67.5	10.6	0.0	8.9	19.5	69.9	10.6	4.7
Volume of shipments	15.8	31.7	52.4	15.9	13.8	64.0	68.8	26.4	4.8	50.7
Delivery time	4.8	14.3	76.2	9.5	0.0	4.0	12.7	78.6	8.7	-4.7

**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 \$139.7 billion worth of manufactured goods in 2006, 8.7 percent of the U.S. total. Texas ranks second behind California in factory production and first as an exporter of manufactured products.

According to 2005 estimates, Texas turns out 19 percent of U.S. petroleum and coal products and nearly 15 percent of chemical products. The state also produces just over 13 percent of the nation's output of computer and electronics products, nearly 10 percent machinery, and 10 percent nonmetallic mineral products, such as brick, glass and cement.

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- Current report
- Summary of results/links to indexes

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Texas Manufacturing Outlook Survey

- Release dates
- Historical data
- Report archive
- About the index
- Glossary
- Sample survey form
- Texas manufacturing

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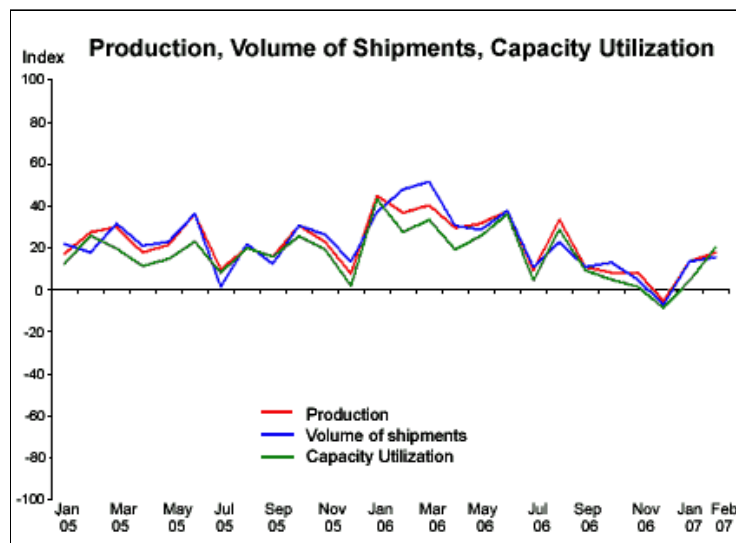
Regional Data Resources

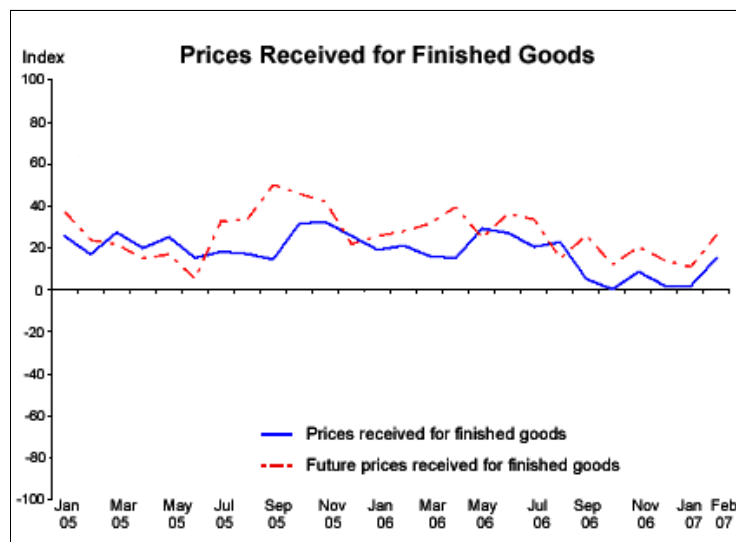
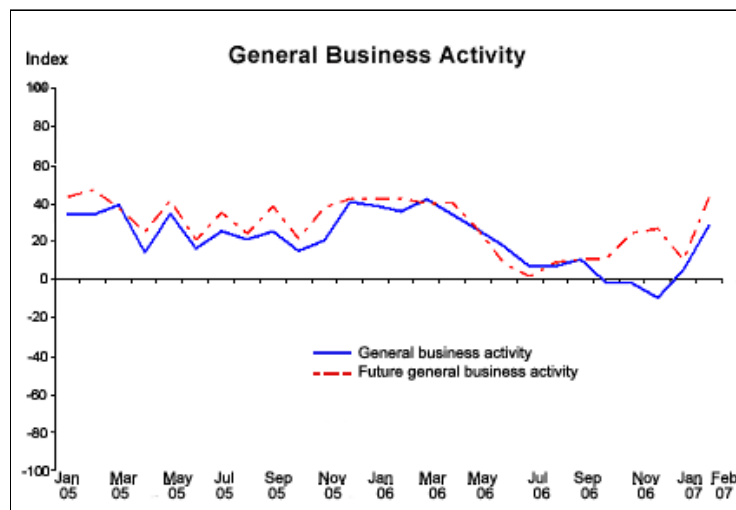
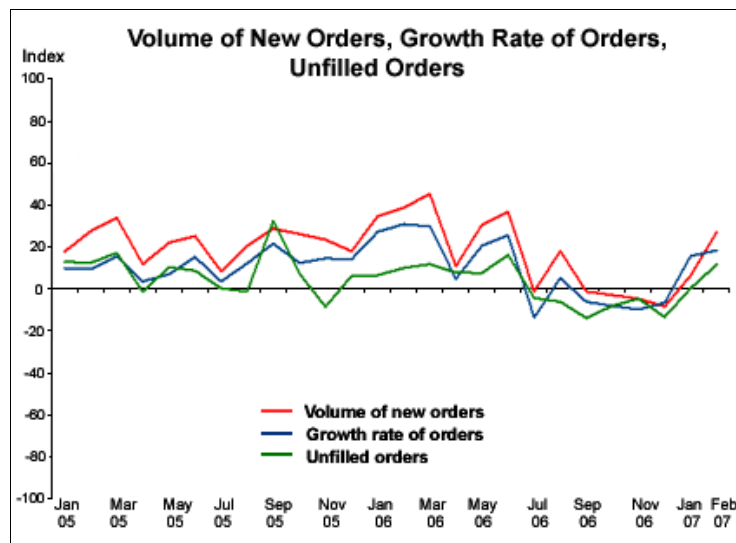
- Economic Updates
- Dallas Beige Book
- Metro Business-Cycle Indexes
- Texas Manufacturing Outlook Survey
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Materials inventories	10.3	21.3	67.7	11.0	20.0	16.0	29.6	56.8	13.6	4.6
Finished goods inventories	6.4	18.4	69.6	12.0	12.3	8.8	21.6	65.6	12.8	13.8
Prices paid for raw materials	29.3	33.3	62.7	4.0	30.8	42.5	49.6	43.3	7.1	38.5
Prices received for finished goods	15.0	20.5	74.0	5.5	1.5	26.0	31.5	63.0	5.5	10.7
Wages and benefits	22.2	22.2	77.8	0.0	40.0	42.5	44.9	52.8	2.4	49.2
Number of employees	19.7	26.8	66.1	7.1	4.6	41.7	47.2	47.2	5.5	24.6
Average employee workweek	6.3	15.7	74.8	9.4	-6.3	16.5	23.6	69.3	7.1	10.8
Capital expenditures	14.3	22.2	69.8	7.9	6.1	40.5	47.6	45.2	7.1	21.5

General Business Conditions:

	Feb Index	% Improved	Remained the Same	% Worsened	Jan Index	Feb Index	% Improved	Remained the Same	% Worsened	Jan Index
How has the outlook for your company changed?	27.5	34.6	58.3	7.1	10.8	39.5	46.8	46.0	7.3	18.5
What is your evaluation of the level of general business activity?	26.0	33.9	58.3	7.9	4.7	39.4	45.1	49.2	5.7	9.5





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 is available.

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