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June 20, 2010

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Texas Manufacturing Outlook Survey**September 2007****Texas Manufacturing Expands at a Slower Pace**

After posting a strong rebound in August, Texas factory activity expanded at a slower pace in September, according to the 112 business executives who responded to the Texas Manufacturing Outlook Survey. Nearly all indicators of current production continued their positive readings in September, but most were weak, suggesting a return to the decelerating trend that began in the second quarter.

Excluding July, when weather disrupted companies' operations, key September indexes remained positive but retreated to their lowest levels since December 2006. The [production index](#) dipped from 21.6 to 4.5. [Capacity utilization](#) fell from 19.2 to 1.8. The index for [volume of new orders](#) weakened from 14.4 to 2.7, and the [index for volume of shipments](#) downshifted from 27 to 5.4.

The [index for capital expenditures](#) continued to rise in September, with a quarter of respondents reporting increases in the past month.

The labor market improved slightly, according to survey respondents. The [index for number of employees](#) strengthened to 3.5 after spending two months at zero, the point at which an equal number of firms report increases and decreases. Twenty-one percent of factories reported increases in employment in September. The [average employee workweek](#) was essentially unchanged.

Texas manufacturers remain cautious about general business conditions. The [company outlook index](#) remained essentially unchanged, near zero. The index for the current level of general business activity fell from -1.8 to -4.6, the lowest reading since December 2006.

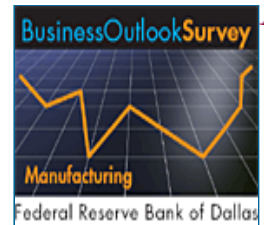
Upward price pressures persist but lessened on raw materials. The [raw materials price index](#) edged down from 21.6 to 17.9, with 30 percent of the manufacturers reporting higher costs in September. The [finished goods prices index](#) rose slightly to 10.8 in September, compared with its previous reading of 7.2. Nearly 20 percent of factories reported increases in finished goods prices in September.

The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state's factory activity. Data for the latest survey were collected between September 11 and 19. 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.

For additional perspective on the survey, see ["The Texas Manufacturing Outlook Survey: A Tool for Understanding the Economy"](#) and ["Made in Texas: The Natural Selection of Manufacturing."](#)

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

	September vs. August					Six months from now				
	Sept Index	% Increase	No Change	% Decrease	Aug Index	Sept Index	% Increase	No Change	% Decrease	Aug Index
Production	4.5	25.9	52.7	21.4	21.6	37.3	47.3	42.7	10.0	33.9
Capacity utilization	1.8	22.3	57.1	20.5	19.1	27.0	38.7	49.5	11.7	31.1
Volume of new orders	2.7	26.1	50.5	23.4	14.4	34.2	44.1	45.9	9.9	31.2
Growth rate of orders	0.9	25.0	50.9	24.1	4.6	28.8	38.7	51.4	9.9	21.8
Unfilled orders	-9.9	9.9	70.3	19.8	0.9	-5.5	10.0	74.5	15.5	0.9
Volume of shipments	5.4	27.7	50.0	22.3	27.0	34.6	45.5	43.6	10.9	33.7

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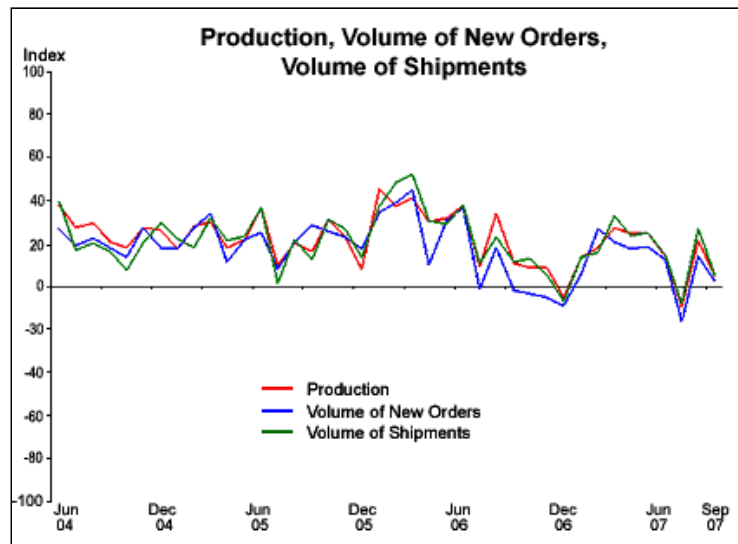
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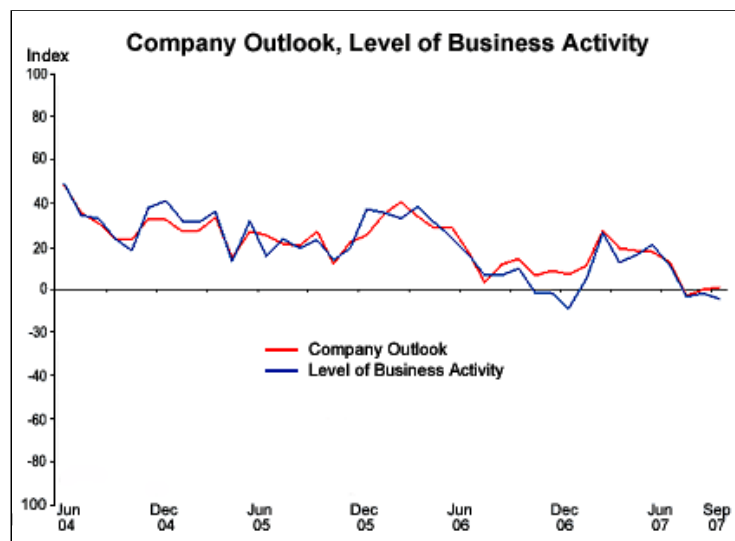
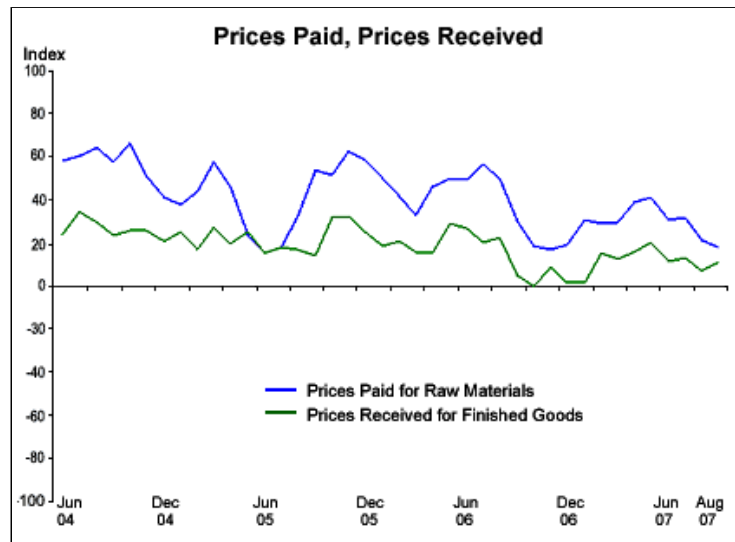
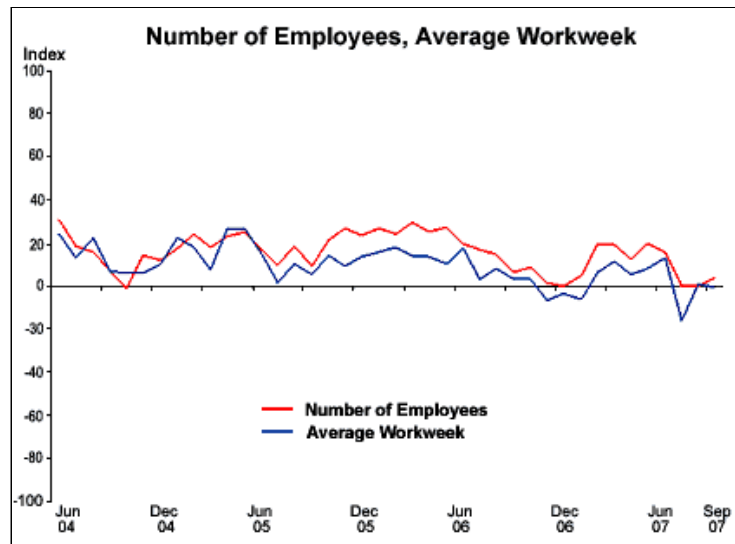
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Delivery time	-1.8	11.6	75.0	13.4	-4.6	-8.1	5.4	81.1	13.5	-11.1
Materials inventories	-1.8	20.5	57.1	22.3	2.7	1.8	23.4	55.0	21.6	4.5
Finished goods inventories	5.4	22.7	60.0	17.3	-3.6	-3.6	17.3	61.8	20.9	0.0
Prices paid for raw materials	17.9	29.5	58.9	11.6	21.6	36.9	46.8	43.2	9.9	32.7
Prices received for finished goods	10.8	18.9	73.0	8.1	7.2	16.4	29.1	58.2	12.7	15.4
Wages and benefits	19.8	21.6	76.6	1.8	17.3	45.9	47.7	50.5	1.8	39.1
Number of employees	3.5	20.5	62.5	17.0	0.0	27.9	37.8	52.3	9.9	15.6
Average employee workweek	-0.9	15.2	68.8	16.1	0.9	2.7	14.4	73.9	11.7	7.3
Capital expenditures	18.4	24.8	68.8	6.4	11.7	16.4	28.2	60.0	11.8	25.5

General Business Conditions:

	Sept Index	% Improved	Remained the Same	% Worsened	Aug Index	Sept Index	% Improved	Remained the Same	% Worsened	Aug Index
How has the outlook for your company changed?	0.9	17.9	65.2	17.0	0.0	5.4	18.9	67.6	13.5	13.6
What is your evaluation of the level of general business activity?	-4.6	13.6	68.2	18.2	-1.8	1.0	15.5	70.0	14.5	2.8





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 has not been produced for a long enough time period to assess the appropriateness of seasonal adjustment. 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 if appropriate.

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