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June 20, 2010

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**Texas Manufacturing Outlook Survey**

October 2007

**Texas Manufacturing Expands**

Texas manufacturing continues to show signs of softness, according to the 122 business executives who responded to the Texas Manufacturing Outlook Survey in October. Although nearly all current production indicators increased modestly from September, measures for general business conditions remain weak.

While positive, most indexes are lower for activity six months from now, a result that appears consistent with the decelerating trend that began earlier in the year.

The October [production index](#) rose from 4.5 to 10.6, and the [capacity utilization](#) index increased from 1.8 to 10.7. The index for [volume of new orders](#) was also stronger, up from 2.7 to 8.2, and the index for [volume of shipments](#) improved from 5.4 to 11.5. While all indexes were higher than in September, they remain below June values.

The labor market measures showed little change. The index for [number of employees](#) remained essentially unchanged, with 22 percent of firms reporting increases in October and a slightly smaller percentage reporting decreases. The index for [average employee workweek](#) stood at 3.2, rebounding from last month's -0.9.

Upward price pressures persist, with more producers reporting price increases for raw materials than finished goods. The [raw materials price](#) index rose from 17.9 to 33.6 in October. Raw materials prices increased at nearly 40 percent of responding factories. The [prices received for finished goods](#) index increased from 10.8 to 12.3. The index for wages and benefits was unchanged at 20, with 21 percent of responding factories indicating that wages and benefits had increased since last month.

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](#) declined from -4.6 to -6.6, the lowest reading since December 2006.

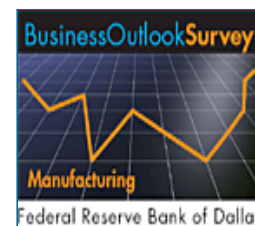
The index for [capital expenditures](#) was slightly lower in October. This month, manufacturers were asked special questions about their capital spending plans. Over the next six to 12 months, nearly 40 percent of responding firms plan to increase capital spending, and 35 percent expect no change. Just over one-quarter of firms say they're decreasing capital spending. The majority of manufacturers said recent changes in financial conditions hadn't prompted them to revise their capital spending plans, but 25 percent said they had made a small downward revision and 10 percent had made a small upward revision. Most of those indicating a downward revision were producers of construction-related materials.

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 October 16 and 24. 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.

	October vs. September					Six months from now				
	Oct Index	% Increase	No Change	% Decrease	Sept Index	Oct Index	% Increase	No Change	% Decrease	Sept Index
<a href="#">Production</a>	10.6	31.1	48.4	20.5	4.5	33.9	47.1	39.7	13.2	37.3
<a href="#">Capacity utilization</a>	10.7	28.7	53.3	18.0	1.8	29.5	42.9	43.7	13.4	27.0
<a href="#">Volume of new orders</a>	8.2	27.9	52.5	19.7	2.7	26.4	42.1	42.1	15.7	34.2

**Current Report Links**

- Current report
- Summary of results/links to indexes

**E-mail Alert**

- Subscribe to the Texas Manufacturing Outlook Survey e-mail list

**Texas Manufacturing Outlook Survey**

- Release dates
- Historical data
- Report archive
- About the index
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**Other Fed Indexes**

- Business Outlook Survey (FRB Philadelphia)
- Manufacturing Conditions Survey (FRB Richmond)
- Empire State Manufacturing Survey (FRB New York)
- Survey of Tenth District Manufacturers (FRB Kansas City)

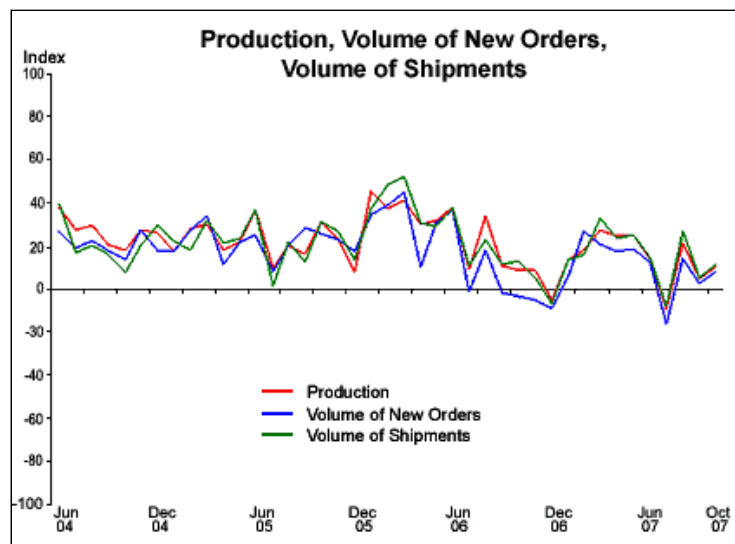
**Regional Data Resources**

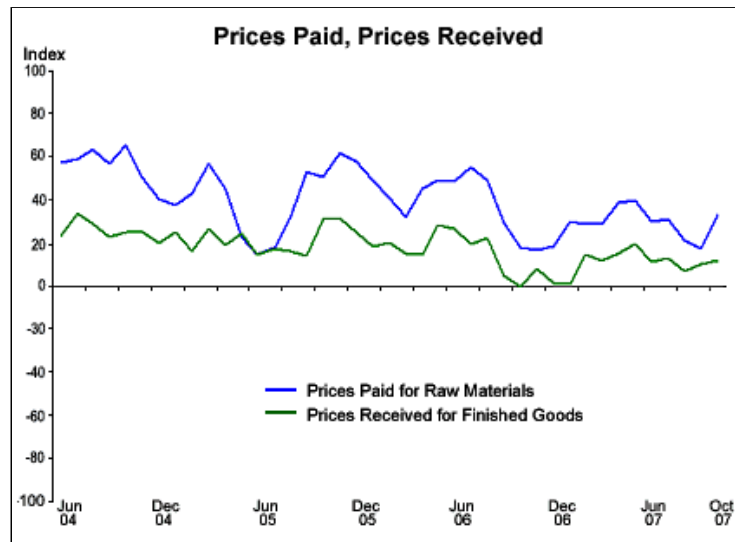
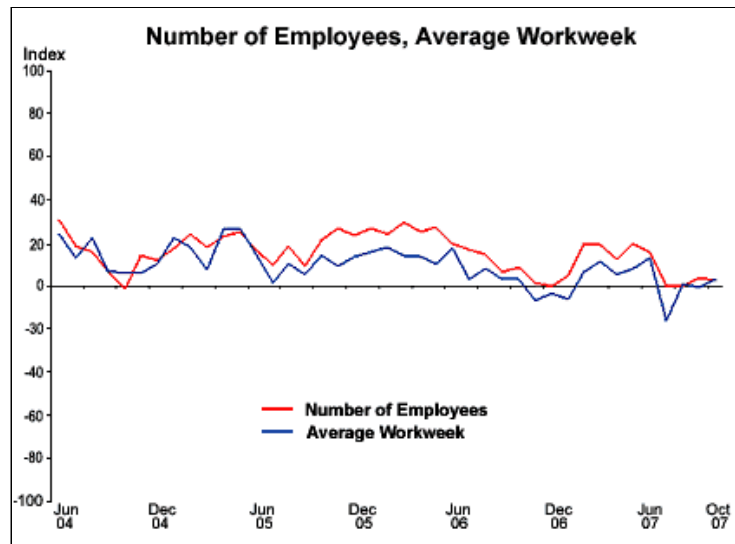
- Economic Updates
- Dallas Beige Book
- Metro Business-Cycle Indexes
- Texas Manufacturing Outlook Survey
- Quick Slide Show on the Regional Economy
- FRB Adjusted-Texas Employment
- DataBasics
- Regional Economic Indicators

<a href="#">Growth rate of orders</a>	-1.6	20.5	57.4	22.1	0.9	16.5	32.2	52.1	15.7	28.8
<a href="#">Unfilled orders</a>	-18.1	4.9	72.1	23.0	-9.9	-3.3	11.7	73.3	15.0	-5.5
<a href="#">Volume of shipments</a>	11.5	32.0	47.5	20.5	5.4	33.3	47.5	38.3	14.2	34.6
<a href="#">Delivery time</a>	-9.1	6.6	77.7	15.7	-1.8	-6.6	7.4	78.5	14.0	-8.1
<a href="#">Materials inventories</a>	0.0	22.1	55.7	22.1	-1.8	2.5	21.7	59.2	19.2	1.8
<a href="#">Finished goods inventories</a>	3.3	17.5	68.3	14.2	5.4	1.7	17.5	66.7	15.8	-3.6
<a href="#">Prices paid for raw materials</a>	33.6	39.3	54.9	5.7	17.9	45.4	51.2	43.0	5.8	36.9
<a href="#">Prices received for finished goods</a>	12.3	19.7	73.0	7.4	10.8	27.2	35.5	56.2	8.3	16.4
<a href="#">Wages and benefits</a>	19.7	21.3	77.0	1.6	19.8	51.6	53.3	45.0	1.7	45.9
<a href="#">Number of employees</a>	2.4	22.1	58.2	19.7	3.5	22.3	31.4	59.5	9.1	27.9
<a href="#">Average employee workweek</a>	3.2	18.0	67.2	14.8	-0.9	5.0	14.2	76.7	9.2	2.7
<a href="#">Capital expenditures</a>	11.5	25.4	60.7	13.9	18.4	17.5	32.5	52.5	15.0	16.4

## General Business Conditions:

	Oct Index	% Improved	Remained the Same	% Worsened	Sept Index	Oct Index	% Improved	Remained the Same	% Worsened	Sept Index
<a href="#">How has the outlook for your company changed?</a>	-2.5	17.2	63.1	19.7	0.9	10.8	27.3	56.2	16.5	5.4
<a href="#">What is your evaluation of the level of general business activity?</a>	-6.6	13.9	65.6	20.5	-4.6	-4.2	17.5	60.8	21.7	1.0





Questions regarding the Texas Manufacturing Outlook Survey can be addressed to Fiona Sigalla at [Fiona.Sigalla@dal.frb.org](mailto:Fiona.Sigalla@dal.frb.org).

#### 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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