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June 20, 2010

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**Texas Manufacturing Outlook Survey**

January 28, 2008

**Texas Manufacturing Sluggish**

Texas manufacturing activity remained soft in January, according to the 113 business executives who responded to the Texas Manufacturing Outlook Survey.

After a seasonal dip in December, rebounds occurred in nearly all current indicators, including [production](#), [capacity utilization](#), [volume of new orders](#) and [shipments](#). Upward price and wage pressures persist. Overall company business indicators suggest softening growth. General business conditions indexes improved slightly—but they remain negative. Most indexes for activity six months from now stayed in positive territory but weakened slightly.

Producers continue to report greater price pressures on raw materials than on finished goods. More than 40 percent of responding producers reported increases in [raw materials prices](#), causing that index to strengthen from 30.4 last month to 36.6 in January. Just over half the business leaders expect raw materials prices to increase in the next six months. The [finished goods price index](#) rose slightly, from 11.3 to 12.5. Thirty-four percent of respondents expect higher finished goods prices six months from now, but the index declined slightly in January to 22.5, from 26.3 last month.

The labor market strengthened. The index for [number of employees](#) rebounded from -7.0 in December to 7.1 in January. The average workweek index improved from -11.3 to -3.6. The wages and benefits index also increased strongly.

Producers continued to report decreases in [finished goods inventories](#), although the index strengthened slightly. The [materials inventories index](#) also remained negative but improved. The capital expenditures index turned negative, both for the current period and for expected investment six months from now.

Respondents are still more pessimistic about general business conditions than their company outlook. While still negative, the [company outlook index](#) improved from -8.9 to -1.8, and the [general business activity](#) index increased from -23.9 to -20.7.

For the second month, respondents answered supplemental questions about credit conditions. The percentage of firms reporting difficulty obtaining credit declined from 14 percent in December to 6 percent in January. Asked whether recent market conditions had affected their firms' ability to obtain credit, 5 percent said "somewhat" and 1 percent reported a "significant" effect. Forty-six percent hadn't sought credit.

The percentage of firms indicating that credit availability has affected their company's outlook or operations fell from 25 percent in December to 17 percent in January. Among the firms affected, 12 percent indicated that they were decreasing capital spending, and 22 percent are cutting back on plans for future capital spending. Seventeen percent of these firms are hiring fewer workers, and 22 percent are curtailing hiring plans.

Business leaders responded to the special survey during the week of January 13–17.

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 January 15 and 23. Firms are asked whether output, employment, orders, prices and other indicators increased, decreased or remained unchanged over the previous month.

Survey responses are used to calculate an index for each question. Each index is calculated by subtracting the percentage reporting a decrease from the percentage reporting an increase. When all firms report that activity has increased, an index will register 100. An index will register -100 when all firms report a decrease. An index will be zero when the number of firms reporting an increase or decrease is equal.

Next release: February 25, 2008

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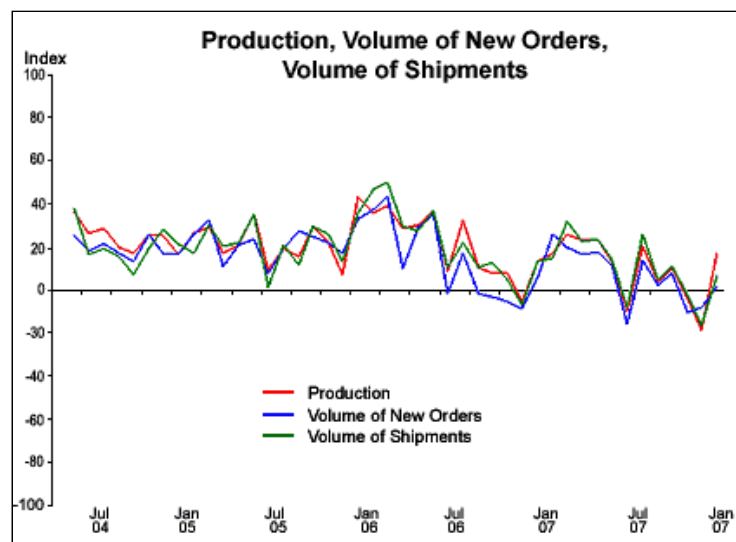
For additional perspective on the survey, see ["The Texas Manufacturing Outlook Survey: A Tool for Understanding the Economy"](#) and ["Made in Texas: The Natural Selection of Manufacturing."](#)

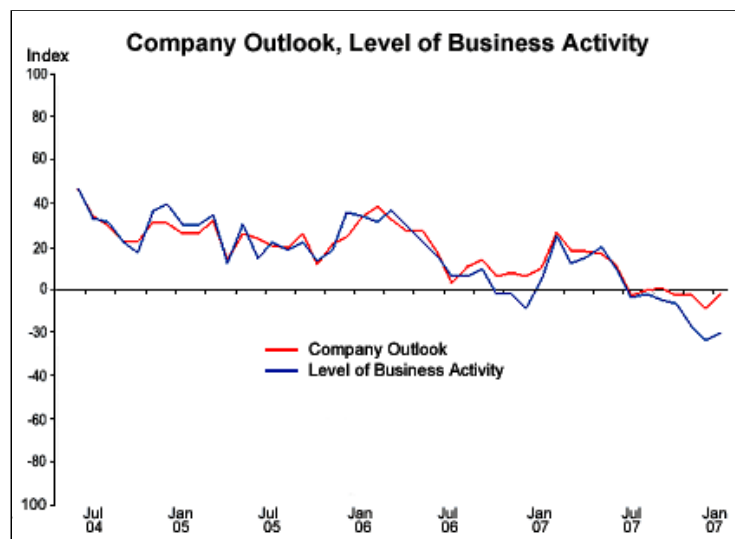
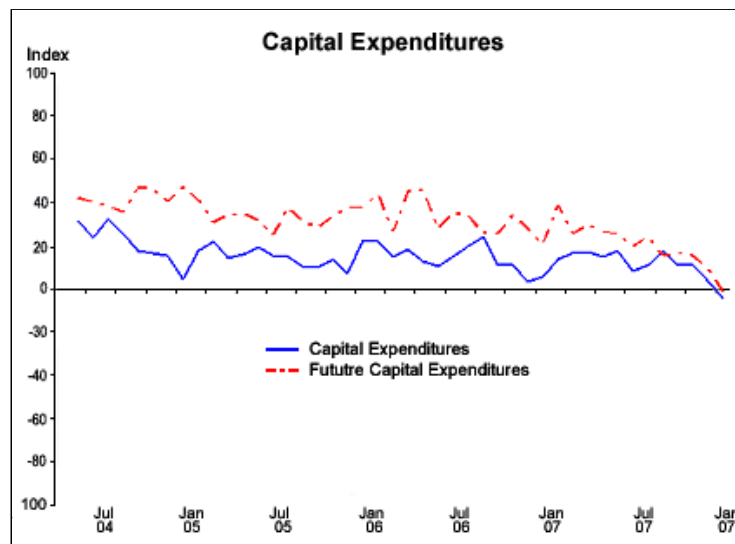
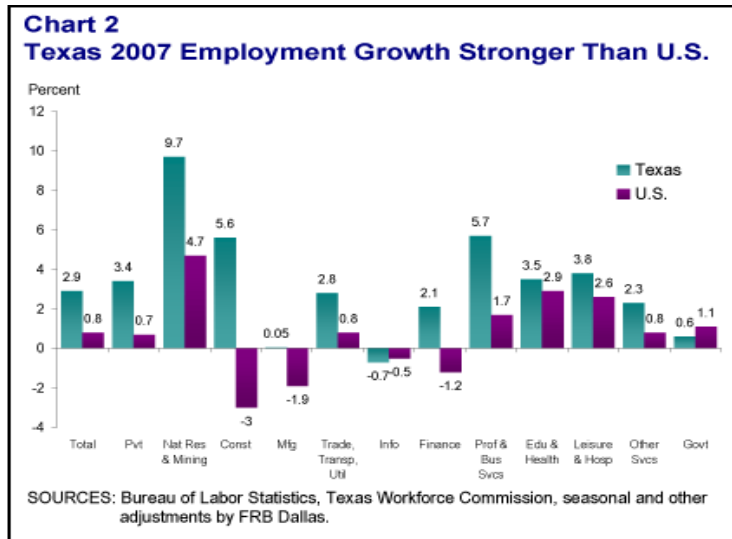
- Click on links in the table for greater details, including historical data.

	January vs. December					Six months from now				
	Jan Index	% Increase	No Change	% Decrease	Dec Index	Jan Index	% Increase	No Change	% Decrease	Dec Index
<a href="#">Production</a>	17.7	33.6	50.4	15.9	-19.1	27.7	42.9	42.0	15.2	34.2
<a href="#">Capacity utilization</a>	10.6	27.4	55.8	16.8	-17.4	20.5	37.5	45.5	17.0	33.3
<a href="#">Volume of new orders</a>	1.7	27.4	46.9	25.7	-7.9	24.1	42.9	38.4	18.8	31.6
<a href="#">Growth rate of orders</a>	-6.2	18.6	56.6	24.8	-15.8	13.3	32.1	49.1	18.8	21.2
<a href="#">Unfilled orders</a>	-9.8	10.7	68.8	20.5	-6.1	-2.7	13.8	69.7	16.5	6.3
<a href="#">Volume of shipments</a>	7.2	28.8	49.5	21.6	-16.5	26.1	44.1	37.8	18.0	36.8
<a href="#">Delivery time</a>	-2.7	9.7	77.9	12.4	-4.3	-2.7	8.9	79.5	11.6	-1.8
<a href="#">Materials inventories</a>	-6.2	18.6	56.6	24.8	-12.1	-9.8	16.1	58.0	25.9	0.9
<a href="#">Finished goods inventories</a>	-2.7	16.8	63.7	19.5	-9.6	-8.0	14.3	63.4	22.3	3.5
<a href="#">Prices paid for raw materials</a>	36.6	42.9	50.9	6.3	30.4	46.4	52.7	41.1	6.3	45.6
<a href="#">Prices received for finished goods</a>	12.5	23.2	66.1	10.7	11.3	22.5	34.2	54.1	11.7	26.3
<a href="#">Wages and benefits</a>	30.9	32.7	65.5	1.8	15.8	33.9	39.3	55.4	5.4	45.6
<a href="#">Number of employees</a>	7.1	18.6	69.9	11.5	-7.0	15.2	27.7	59.8	12.5	26.6
<a href="#">Average employee workweek</a>	-3.6	13.4	69.6	17.0	-11.3	1.8	16.2	69.4	14.4	11.4
<a href="#">Capital expenditures</a>	-4.4	10.6	74.3	15.0	4.4	-0.9	18.0	63.1	18.9	10.6

General Business Conditions:

	Jan Index	% Improved	Remained the Same	% Worsened	Dec Index	Jan Index	% Improved	Remained the Same	% Worsened	Dec Index
<a href="#">How has the outlook for your company changed?</a>	-1.8	16.8	64.6	18.6	-8.9	1.8	26.8	48.2	25.0	5.3
<a href="#">What is your evaluation of the level of general business activity?</a>	-20.7	13.5	52.3	34.2	-23.9	-15.3	18.9	46.8	34.2	-7.2





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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