

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

Search



You are here: FRB Dallas Home &gt; Economic Data &gt; Regional Data Resources &gt; 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**

May 27, 2008

**Texas Manufacturing Sluggish with Hints of Improvement**

Texas manufacturing activity remained sluggish amid some hints of reviving optimism in May, according to the 108 business executives who responded to the Texas Manufacturing Outlook Survey.

Indicators for current conditions were positive but slightly lower than April, and some producers indicated that high and rising selling prices were dampening sales. On a more positive note, the [company outlook](#) index continued to improve, and the index for [general business conditions](#)—while still negative—rose to the highest level since October 2007.

Indicators for [production](#), [capacity utilization](#) and [volume of shipments](#) were slightly lower but still positive in May. The index for [volume of new orders](#) was essentially unchanged. Inventories were lower in May, with indexes for [materials](#) and [finished goods](#) falling close to zero.

Price pressures remain intense. The [finished goods price](#) index rose from 25.9 in April to 34.2 in May, when 37 percent of manufacturers reported increases. Forty-five percent expect higher finished goods prices six months from now. The [raw materials](#) index remained high at 67.3. Nearly 70 percent of responding factories report increases in raw materials prices, and 65 percent expect further increases in those prices six months from now.

Some signs suggest producers have become slightly more optimistic. The [capital expenditures](#) index remained positive and continued to rise, reaching the highest level since November 2007. The perception of [company outlook](#) also improved, with the index rising from 1.8 to 4.6. The evaluations of [general business activity](#) remained negative for the 11th straight month, but that index improved from -23.4 in April to -10.3 in May.

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 May 13–21. Firms are asked whether output, employment, orders, prices and other indicators increased, decreased or remained unchanged over the previous month.

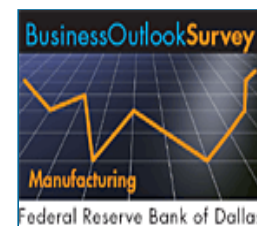
Survey responses are used to calculate an index for each question. Each index is calculated by subtracting the percentage reporting a decrease from the percentage reporting an increase. When all firms report that activity has increased, an index will register 100. An index will register -100 when all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

Next release: June 30, 2008

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.

|                                       | May vs. April |            |           |            |           | Six months from now |            |           |            |           |
|---------------------------------------|---------------|------------|-----------|------------|-----------|---------------------|------------|-----------|------------|-----------|
|                                       | May Index     | % Increase | No Change | % Decrease | Apr Index | May Index           | % Increase | No Change | % Decrease | Apr Index |
| <a href="#">Production</a>            | 5.5           | 25.9       | 53.7      | 20.4       | 12.5      | 17.8                | 31.8       | 54.2      | 14.0       | 24.5      |
| <a href="#">Capacity utilization</a>  | 7.4           | 24.1       | 59.3      | 16.7       | 8.0       | 14.0                | 27.1       | 59.8      | 13.1       | 21.8      |
| <a href="#">Volume of new orders</a>  | 8.3           | 29.6       | 49.1      | 21.3       | 8.1       | 19.6                | 34.6       | 50.5      | 15.0       | 20.0      |
| <a href="#">Growth rate of orders</a> | -1.8          | 20.4       | 57.4      | 22.2       | 0.0       | 11.2                | 29.9       | 51.4      | 18.7       | 13.6      |
| <a href="#">Unfilled orders</a>       | -8.4          | 12.0       | 67.6      | 20.4       | -5.4      | -2.9                | 11.3       | 74.5      | 14.2       | -4.5      |

**Current Report Links**

- 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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- 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)

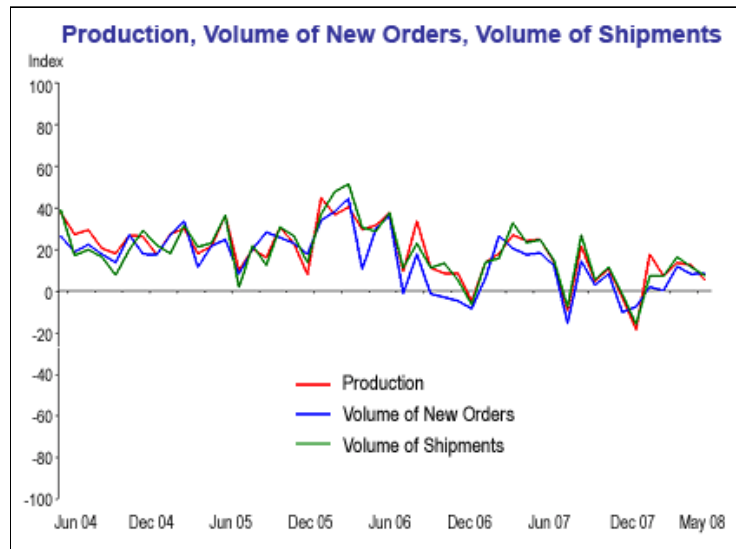
**Regional Data Resources**

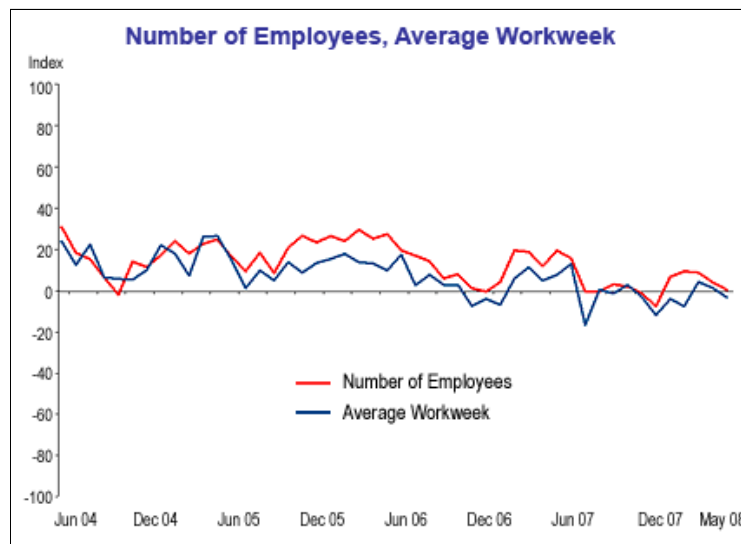
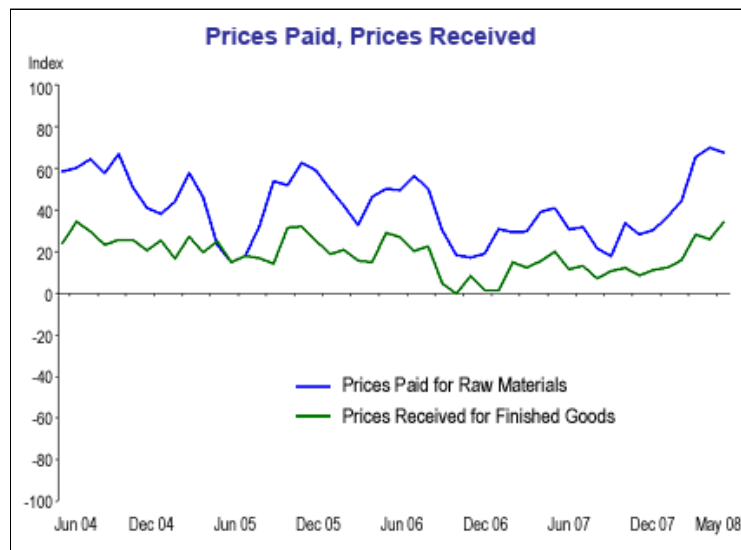
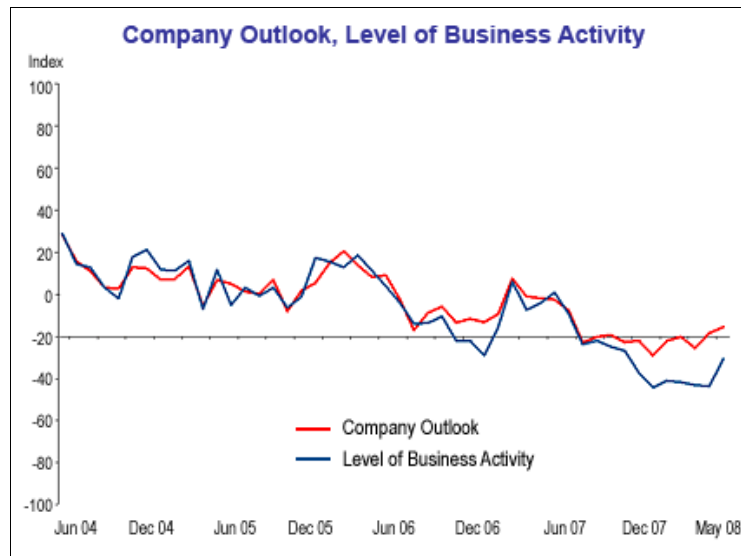
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- Dallas Beige Book
- Metro Business-Cycle Indexes
- Texas Manufacturing Outlook Survey
- Quick Slide Show on the Regional Economy
- FRB Adjusted-Texas Employment
- DataBasics
- Regional Economic Indicators

|  |      |      |      |      |      |       |      |      |      |      |
|--|------|------|------|------|------|-------|------|------|------|------|
| <a href="#">Volume of shipments</a>                | 7.4  | 25.9 | 55.6 | 18.5 | 11.6 | 18.6  | 33.6 | 51.4 | 15.0 | 23.6 |
| <a href="#">Delivery time</a>                      | -3.7 | 10.2 | 75.9 | 13.9 | -2.7 | -9.5  | 4.8  | 81.0 | 14.3 | -4.6 |
| <a href="#">Materials inventories</a>              | 0.9  | 19.4 | 62.0 | 18.5 | 11.6 | 4.7   | 23.4 | 57.9 | 18.7 | -3.6 |
| <a href="#">Finished goods inventories</a>         | 2.8  | 21.3 | 60.2 | 18.5 | 3.6  | -14.1 | 9.3  | 67.3 | 23.4 | -8.5 |
| <a href="#">Prices paid for raw materials</a>      | 67.3 | 69.2 | 29.0 | 1.9  | 69.6 | 58.0  | 64.5 | 29.0 | 6.5  | 57.2 |
| <a href="#">Prices received for finished goods</a> | 34.2 | 37.0 | 60.2 | 2.8  | 25.9 | 38.7  | 45.3 | 48.1 | 6.6  | 44.5 |
| <a href="#">Wages and benefits</a>                 | 24.0 | 25.9 | 72.2 | 1.9  | 19.1 | 38.7  | 41.5 | 55.7 | 2.8  | 34.9 |
| <a href="#">Number of employees</a>                | 0.9  | 15.9 | 69.2 | 15.0 | 4.5  | 3.7   | 22.6 | 58.5 | 18.9 | 9.1  |
| <a href="#">Average employee workweek</a>          | -2.8 | 15.7 | 65.7 | 18.5 | 1.8  | -1.9  | 14.0 | 70.1 | 15.9 | 0.9  |
| <a href="#">Capital expenditures</a>               | 6.6  | 15.9 | 74.8 | 9.3  | 4.5  | 10.5  | 25.7 | 59.0 | 15.2 | 2.7  |

General Business Conditions:

|  | May<br>Index Improved | %<br>Improved | Remained<br>the Same | %<br>Remained the Same | Apr<br>Index | May<br>Index Improved | %<br>Improved | Remained<br>the Same | %<br>Remained the Same | Apr<br>Index |
|--|-----------------------|---------------|----------------------|------------------------|--------------|-----------------------|---------------|----------------------|------------------------|--------------|
| <a href="#">How has the outlook for your company changed?</a>                      | 4.6                   | 21.3          | 62.0                 | 16.7                   | 1.8          | 9.4                   | 26.2          | 57.0                 | 16.8                   | 10.9         |
| <a href="#">What is your evaluation of the level of general business activity?</a> | -10.3                 | 16.8          | 56.1                 | 27.1                   | -23.4        | -5.6                  | 18.7          | 57.0                 | 24.3                   | -5.5         |





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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