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June 19, 2010

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Texas Manufacturing Outlook Survey

July 28, 2008

Texas Manufacturing Remains Soft

Texas manufacturing activity remained soft in July, according to the 104 business executives responding to the Texas Manufacturing Outlook Survey. Several indicators for current conditions improved but remained weak. Although positive, most measures of activity six months from now declined slightly from June levels.

The index for [production](#) was unchanged. Indicators for [capacity utilization](#), [volume of shipments](#), [number of employees](#) and [average employee work week](#) turned positive as a higher share of respondents reported stable readings. Some respondents noted that sales were being boosted in part by strong export demand.

Sentiment on [general business activity](#) remained muted. Thirty-eight percent of respondents said the economy had worsened since last month, pushing the index down from -24.1 in June to -27.4 in July. The index has been negative since July 2007. The [company outlook index](#), which tracks current business, remained negative but improved slightly from -16.7 in June to -11.7 in July.

Upward price pressures persisted but index values were slightly lower. The [raw materials price](#) index drifted lower, with 68 percent of the manufacturers reporting higher costs compared with 75 percent in June. The number of respondents reporting increases in finished goods prices remained flat. Nevertheless, inflation expectations remain elevated. The index for [prices received for finished good](#) six months from now rose from 43.9 in June to 57.8 in July—the highest reading since the survey began in 2004.

The outlook for future factory activity remained guardedly optimistic. The indexes for future [production](#), [capacity utilization](#), [volume of shipments](#) and [volume of orders](#) dipped but remained positive. The share of respondents expecting increases in these measures six months from now exceeded those anticipating weakness by a significant margin.

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 July 15–23. 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: August 25

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.

	July vs. June					Six months from now				
	July Index	% Increase	No Change	% Decrease	June Index	July Index	% Increase	No Change	% Decrease	June Index
Production	0.0	18.3	63.5	18.3	0.0	12.6	33.0	46.6	20.4	19.8
Capacity utilization	3.9	21.2	61.5	17.3	-0.9	14.5	32.0	50.5	17.5	19.6
Volume of new orders	-7.7	19.2	53.8	26.9	-6.5	11.6	33.0	45.6	21.4	18.8

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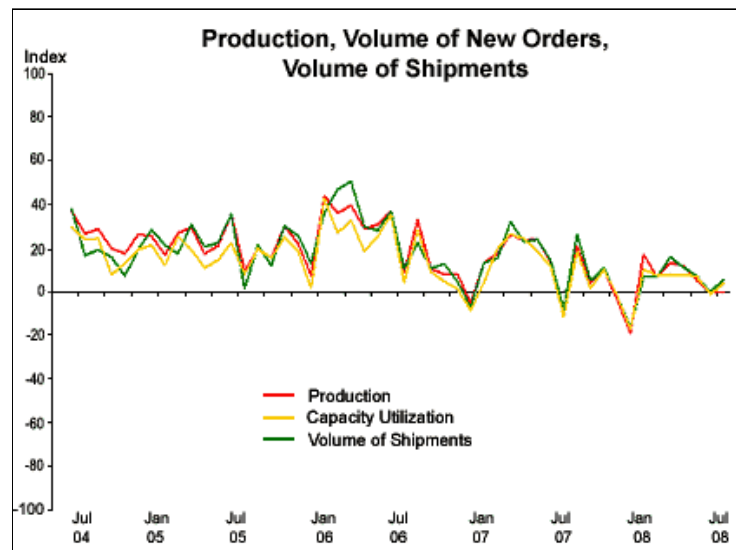
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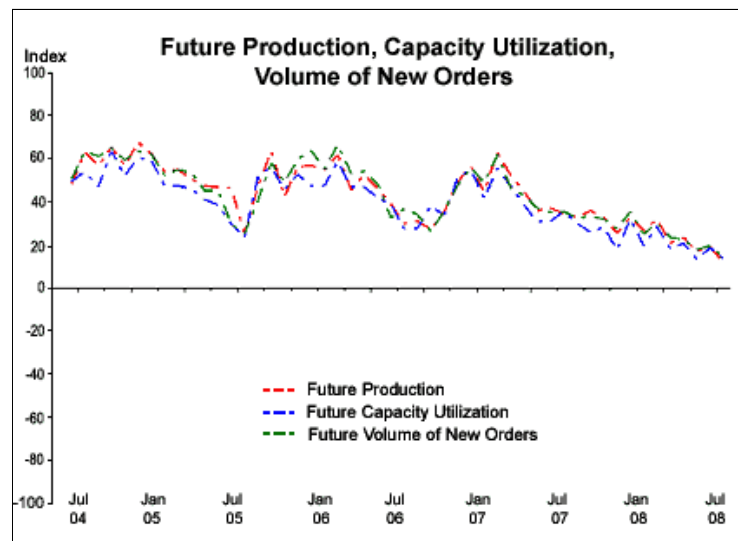
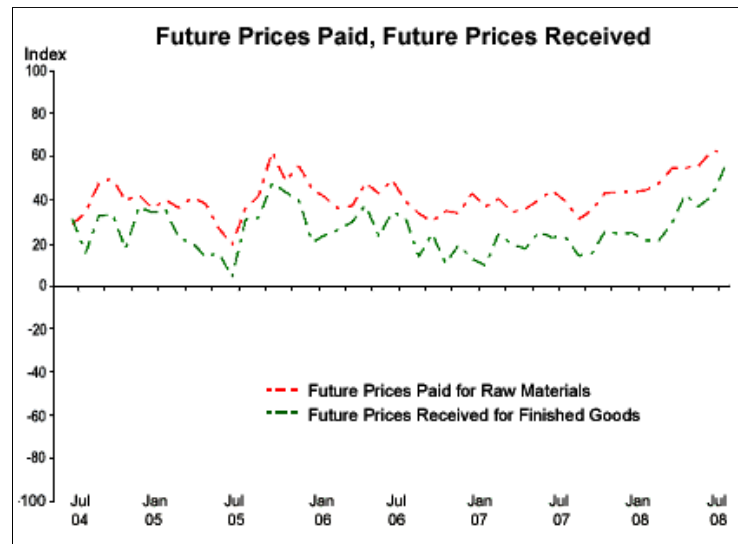
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Growth rate of orders	-14.4	14.4	56.7	28.8	-10.2	2.9	29.1	44.7	26.2	9.4
Unfilled orders	0.0	14.4	71.2	14.4	-12.0	-7.8	10.8	70.6	18.6	-7.5
Volume of shipments	5.8	22.1	61.5	16.3	0.0	14.6	34.0	46.6	19.4	20.6
Delivery time	2.8	11.5	79.8	8.7	3.7	1.0	11.8	77.5	10.8	-5.6
Materials inventories	-7.7	16.3	59.6	24.0	-10.2	-12.6	13.6	60.2	26.2	0.0
Finished goods inventories	-10.5	13.5	62.5	24.0	-14.8	-7.7	14.6	63.1	22.3	-10.3
Prices paid for raw materials	65.4	68.3	28.8	2.9	72.2	64.7	69.6	25.5	4.9	65.5
Prices received for finished goods	31.7	37.5	56.7	5.8	33.4	57.8	62.7	32.4	4.9	43.9
Wages and benefits	21.4	24.3	72.8	2.9	23.4	47.6	49.5	48.5	1.9	36.4
Number of employees	3.8	17.3	69.2	13.5	-1.9	0.0	20.4	59.2	20.4	4.6
Average employee workweek	1.0	13.5	74.0	12.5	-8.4	-6.7	11.7	69.9	18.4	1.0
Capital expenditures	-7.7	11.7	68.9	19.4	-3.7	-1.0	18.4	62.1	19.4	-2.8

General Business Conditions:

	July Index	% Improved	Remained the Same	% Worsened	June Index	July Index	% Improved	Remained the Same	% Worsened	June Index
How has the outlook for your company changed?	-11.7	15.5	57.3	27.2	-16.7	-8.9	18.6	53.9	27.5	-2.8
What is your evaluation of the level of general business activity?	-27.4	10.8	51.0	38.2	-24.1	-20.2	16.2	47.5	36.4	-10.4





Questions regarding the Texas Manufacturing Outlook Survey can be addressed to Laila Assanie at laila.assanie@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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