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June 20, 2010

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Texas Manufacturing Outlook Survey

September 29, 2008

Texas Factory Activity Declines

Texas manufacturing weakened further in September. Most indicators of current production and general business conditions recorded their lowest readings since the survey's inception in 2004. Respondents largely attributed the weakness to Hurricane Ike hitting the Texas Gulf Coast on Sept. 13 and leading to widespread factory closures in the area. Some indexes for activity six months from now remained positive and improved notably, suggesting producers expected growth to recover in the near future.

The indexes for [production](#), [capacity utilization](#), [volume of shipments](#), [volume of new orders](#) and [growth rate of orders](#) plunged sharply. More than twice as many manufacturers reported declines as noted improvements in these measures.

The labor market was slightly weaker. The [number of employees](#) and [average employee workweek](#) indexes both slipped further into negative territory, with one-fifth of respondents reporting a decline in staff levels and one-third indicating shorter workweeks.

Wage and price pressures moderated. Indexes for [raw material prices](#), [finished goods prices](#) and [wages and benefits](#) eased, with a smaller share of producers reporting increases in prices and wages in September compared with last month.

Sentiment on [general business activity](#) remained subdued. Half of those responding said the economy had worsened since last month, pushing the index down from -18.8 in August to -39.6 in September.

Texas manufacturers expect improvement in business conditions over the next six months. The indexes for future [production](#), [capacity utilization](#), [volume of shipments](#) and [volume of new orders](#) improved, with nearly 40 percent of producers expecting an increase in these measures six months from now.

During the week of Sept. 2–5, manufacturers were asked special questions on wage pressures. Nearly two-thirds indicated they were fielding requests for pay raises from their employees. In response, 63 percent of manufacturers were granting wage increases. For employers raising wages, more than half said the increase was higher than the normal cost-of-living adjustment, and 35 percent said they were unable to pass on the costs to customers. Rising cost-of-living, robust demand for workers in the oil and gas industry, and continued shortages of skilled workers were cited as reasons for the wage increases.

Among those not currently granting wage increases, a third said that they didn't plan to raise wages in the near term because of continuing weak demand for their products.

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 Sept. 16–24, and 103 Texas manufacturers responded to the survey. Firms are asked whether output, employment, orders, prices and other indicators increased, decreased or remained unchanged over the previous month.

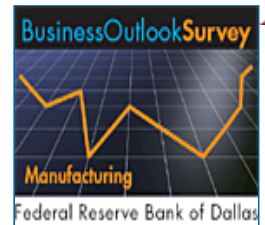
Survey responses are used to calculate an index for each question. Each index is calculated by subtracting the percentage reporting a decrease from the percentage reporting an increase. When all firms report that activity has increased, an index will register 100. An index will register -100 when all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

—Next release: October 27

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	-21.4	16.5	45.6	37.9	0.0	25.5	41.2	43.1	15.7	14.8
Capacity utilization	-18.5	16.5	48.5	35.0	0.9	21.5	38.2	45.1	16.7	10.8

**Current Report Links**

- Current report
- Summary of results/links to indexes

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Texas Manufacturing Outlook Survey

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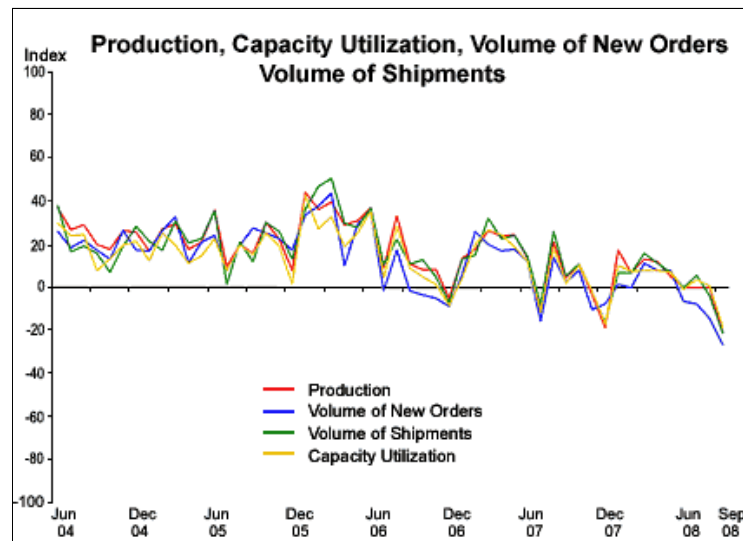
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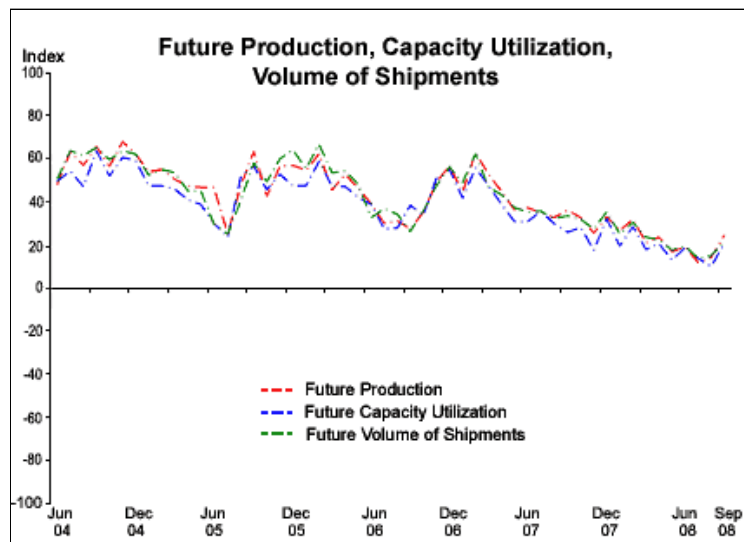
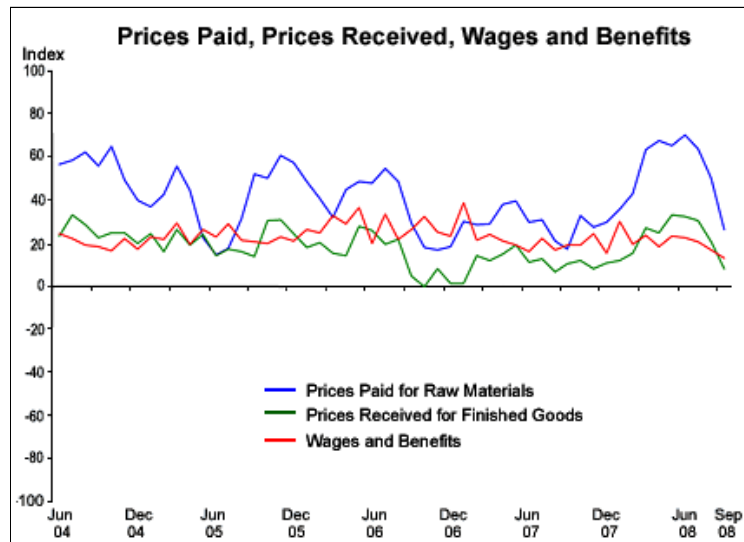
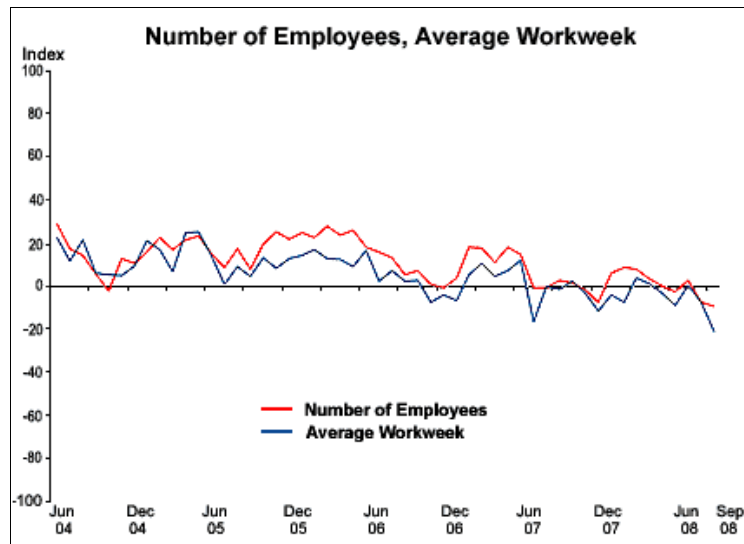
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Volume of new orders	-27.1	14.6	43.7	41.7	-14.6	23.6	42.2	39.2	18.6	10.8
Growth rate of orders	-35.9	7.8	48.5	43.7	-18.4	16.9	32.7	51.5	15.8	7.8
Unfilled orders	-11.8	12.7	62.7	24.5	-14.7	-6.8	11.8	69.6	18.6	-7.8
Volume of shipments	-21.6	15.7	47.1	37.3	-3.9	22.8	40.6	41.6	17.8	15.7
Delivery time	-2.0	12.7	72.5	14.7	-16.5	-14.0	3.0	80.0	17.0	-12.8
Materials inventories	-9.8	18.4	53.4	28.2	1.0	-3.0	23.0	51.0	26.0	3.0
Finished goods inventories	-4.9	15.5	64.1	20.4	-3.9	-9.9	13.9	62.4	23.8	-3.9
Prices paid for raw materials	27.2	42.7	41.7	15.5	51.5	31.6	46.5	38.6	14.9	45.1
Prices received for finished goods	8.7	23.3	62.1	14.6	21.6	25.5	40.2	45.1	14.7	37.6
Wages and benefits	13.6	15.5	82.5	1.9	17.5	35.3	40.2	54.9	4.9	35.3
Number of employees	-8.8	12.6	66.0	21.4	-6.9	3.9	25.5	52.9	21.6	2.9
Average employee workweek	-20.8	12.9	53.5	33.7	-6.9	0.0	17.6	64.7	17.6	-11.8
Capital expenditures	-13.7	9.8	66.7	23.5	-0.9	0.0	26.5	47.1	26.5	3.9

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?	-23.3	12.6	51.5	35.9	-14.6	-5.9	20.6	52.9	26.5	-1.0
What is your evaluation of the level of general business activity?	-39.6	10.9	38.6	50.5	-18.8	-16.8	19.8	43.6	36.6	-6.1





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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