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June 19, 2010

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Texas Manufacturing Outlook Survey

October 27, 2008

Texas Factory Activity Continues to Deteriorate

Texas manufacturing activity continued to decline in October, according to the Texas Manufacturing Outlook Survey. Most indicators of current production and general business conditions remained weak. Nearly all indexes for future activity dipped considerably, and several manufacturers noted that the credit crisis had dampened their outlook.

Indexes for [production](#), [capacity utilization](#), [volume of shipments](#), [volume of new orders](#) and [growth rate of orders](#) remained negative due to continued sluggish demand.

Labor market conditions weakened. The [employment index](#) continued to slide. The [average workweek index](#) improved slightly in October, although twice as many manufacturers reported declines in hours worked than cited increases.

Wage and price pressures, which had been prevalent earlier in the year, eased noticeably this month. Indexes for [raw material prices](#) and [finished goods prices](#) recorded their lowest readings since the survey's inception in 2004. The [wage and benefits](#) index fell as a larger share of respondents reported decreases in compensation than last month. Inflation expectations were subdued, with more than 76 percent of respondents saying they expected stable or lower raw materials and finished goods prices six months from now.

Respondents were mostly pessimistic about [general business conditions](#), pushing the index down from –39.6 in September to –59.4 in October. The general business conditions index has been negative for 16 consecutive months.

Texas manufacturers expect further deterioration in business conditions in coming months. Indexes for future capacity utilization, growth rate of orders and volume of new orders have slipped into negative territory, with nearly 28 percent of producers expecting decreases in these measures six months from now.

During the week of Oct. 14–17, manufacturers were asked supplemental questions on the impact of recent financial market developments on their businesses. The percentage of firms indicating that credit availability had affected their company's outlook or operations doubled from 20 percent in June to 42 percent in October. In response to the credit crunch, 37 percent have reduced [capital spending](#), an increase from June's 26 percent. Nearly 39 percent are either laying off workers or cutting back on hiring, up from 33 percent in June.

The share of firms experiencing problems obtaining credit to finance ongoing activities ticked up from 21 percent in June to 23 percent in October. Among those firms seeking credit, 83 percent reported changes in terms, and 60 percent noted changes in loan volumes.

Among those not directly impacted by the credit crunch, some firms noted they had seen an increase in receivables from customers who were having difficulties accessing credit.

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 Oct. 14–22, and 102 Texas manufacturers responded 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.

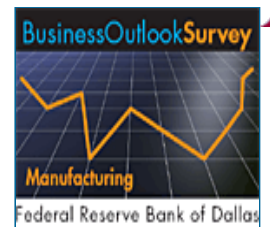
—Next release: November 24

- 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
Production	-13.7	24.5	37.3	38.2	-21.4	2.0	27.7	46.5	25.7	25.5
Capacity utilization	-19.6	19.6	41.2	39.2	-18.5	-3.0	25.0	47.0	28.0	21.5

**Current Report Links**

- Current report
- Summary of results/links to indexes

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Texas Manufacturing Outlook Survey

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Other Fed Indexes

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

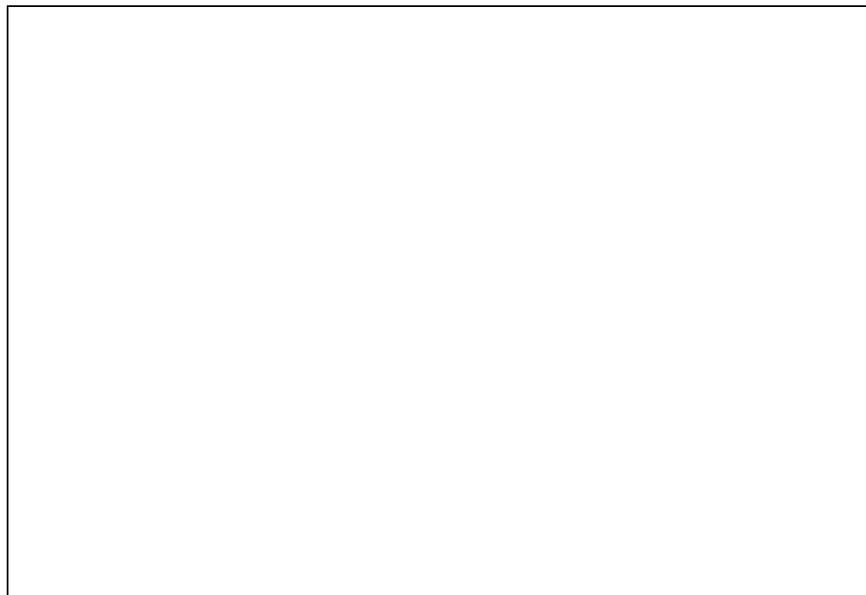
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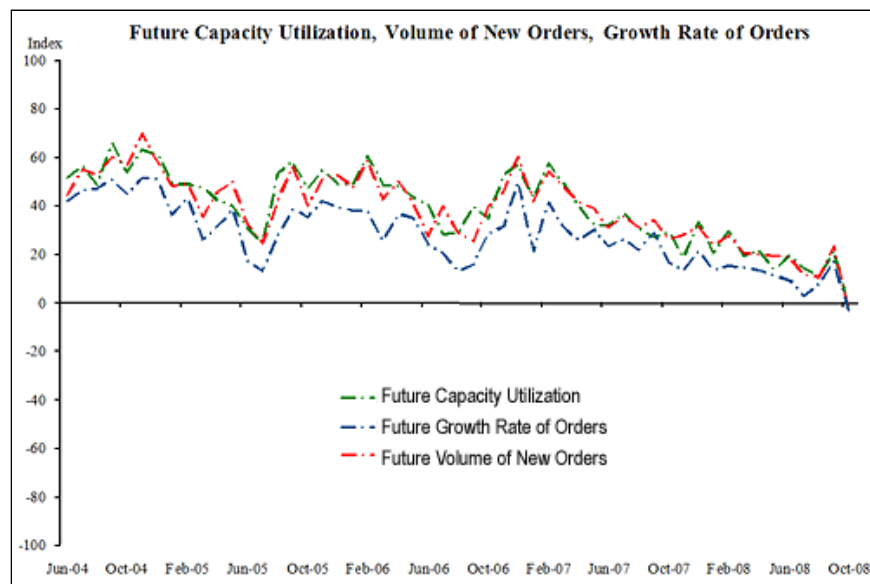
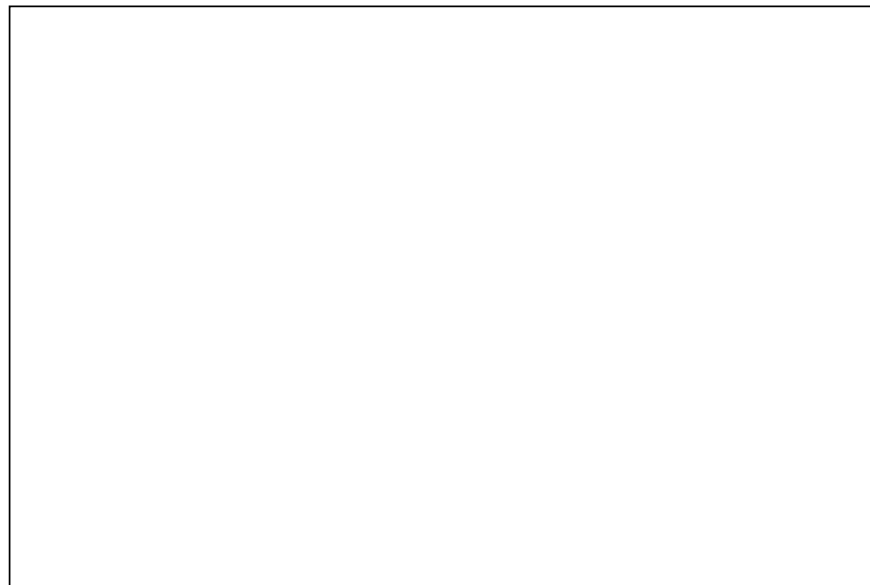
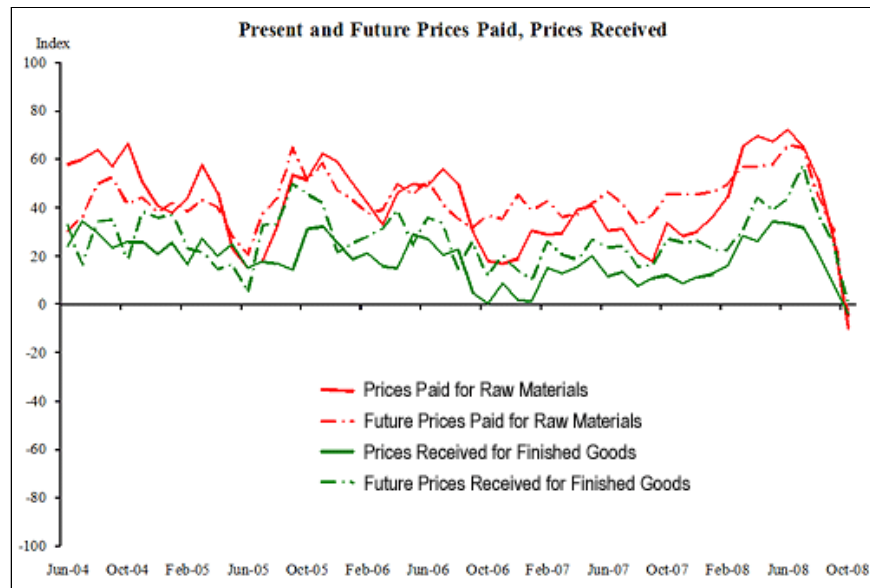
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Volume of new orders	-25.5	18.6	37.3	44.1	-27.1	-3.0	25.7	45.5	28.7	23.6
Growth rate of orders	-28.5	13.7	44.1	42.2	-35.9	-3.9	22.8	50.5	26.7	16.9
Unfilled orders	-17.7	7.8	66.7	25.5	-11.8	-15.9	5.9	72.3	21.8	-6.8
Volume of shipments	-9.8	23.5	43.1	33.3	-21.6	-6.9	22.8	47.5	29.7	22.8
Delivery time	-7.9	8.8	74.5	16.7	-2.0	-13.8	4.0	78.2	17.8	-14.0
Materials inventories	-12.7	20.6	46.1	33.3	-9.8	-24.0	10.0	56.0	34.0	-3.0
Finished goods inventories	-18.8	13.9	53.5	32.7	-4.9	-25.8	5.9	62.4	31.7	-9.9
Prices paid for raw materials	-9.8	21.6	47.1	31.4	27.2	-4.9	23.5	48.0	28.4	31.6
Prices received for finished goods	-3.9	10.8	74.5	14.7	8.7	0.9	22.5	55.9	21.6	25.5
Wages and benefits	5.9	11.8	82.4	5.9	13.6	19.6	29.4	60.8	9.8	35.3
Number of employees	-15.7	15.7	52.9	31.4	-8.8	-15.7	17.6	49.0	33.3	3.9
Average employee workweek	-15.8	14.9	54.5	30.7	-20.8	-14.7	8.8	67.6	23.5	0.0
Capital expenditures	-17.0	10.0	63.0	27.0	-13.7	-16.0	14.0	56.0	30.0	0.0

General Business Conditions:

	Oct Index	% Improved	Remained the Same	% Worsened	Sept Index	Oct Index	% Improved	Remained the Same	% Worsened	Sept Index
How has the outlook for your company changed?	-38.2	9.8	42.2	48.0	-23.3	-24.5	16.7	42.2	41.2	-5.9
What is your evaluation of the level of general business activity?	-59.4	4.0	32.7	63.4	-39.6	-36.6	12.9	37.6	49.5	-16.8





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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