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June 19, 2010

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Texas Manufacturing Outlook Survey

November 24, 2008

Texas Manufacturing Outlook Worsens

Texas manufacturing activity deteriorated further in November, according to business executives responding to the Texas Manufacturing Outlook Survey. Most indicators of current factory activity plunged. Several indexes for future production fell to their lowest levels since the survey started in June 2004, suggesting respondents expect continued deterioration in manufacturing activity over the next six months.

Concerns about economic and financial conditions weakened current factory activity. The [general business activity](#) index revealed overwhelmingly negative sentiment, with 64 percent of respondents reporting worsening conditions. The [company outlook](#) index remained negative for the sixth consecutive month.

Indexes for [production](#), [capacity utilization](#), [volume of shipments](#), [unfilled orders](#) and [delivery time](#) slid further into negative territory. The [volume of new orders](#) index plummeted to a record low, and over half of the executives reported decreases in the [growth rate of new orders](#).

Labor markets softened further. Both the [employment](#) and [average workweek](#) indexes fell in November, with about a third of respondents citing declines in these measures.

Consistent with overall weakness, wage and price pressures eased significantly this month. Indexes for [raw material prices](#) and [finished goods prices](#), which were at record highs just a few months ago, dropped to record lows. The decline in the [wage and benefits](#) index was less dramatic.

Inflation expectations remained subdued. The share of respondents anticipating decreases in future raw materials and finished goods prices outnumbered those expecting increases.

Texas manufacturers anticipate further worsening in business conditions in coming months, and several noted that the slowdown in the national economy had weakened their outlook for 2009. Indexes for [future production](#), [capacity utilization](#), [growth rate of orders](#) and [volume of new orders](#) dipped lower, with nearly a third of producers expecting decreases in these measures six months from now.

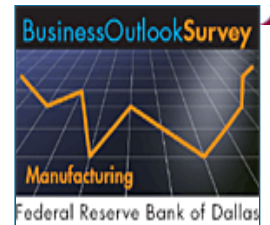
The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state's factory activity. Data for the latest survey were collected Nov. 10–19, and 101 Texas manufacturers responded to the survey. Firms are asked whether output, employment, orders, prices and 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: December 29

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

	November vs. October					Six months from now				
	Nov Index	% Increase	No Change	% Decrease	Oct Index	Nov Index	% Increase	No Change	% Decrease	Oct Index
Production	-21.0	14.0	51.0	35.0	-13.7	-6.1	27.6	38.8	33.7	2.0
Capacity utilization	-22.0	13.0	52.0	35.0	-19.6	-7.2	25.5	41.8	32.7	-3.0
Volume of new orders	-38.0	11.0	40.0	49.0	-25.5	-5.1	28.6	37.8	33.7	-3.0
Growth rate of orders	-46.0	7.0	40.0	53.0	-28.5	-9.2	25.5	39.8	34.7	-3.9
Unfilled orders	-33.0	2.0	63.0	35.0	-16.7	-13.2	9.2	68.4	22.4	-15.9
Volume of shipments	-28.0	12.0	48.0	40.0	-8.8	-6.1	29.6	34.7	35.7	-6.9
Delivery time	-15.0	6.0	73.0	21.0	-6.9	-12.3	6.1	75.5	18.4	-13.8

**Current Report Links**

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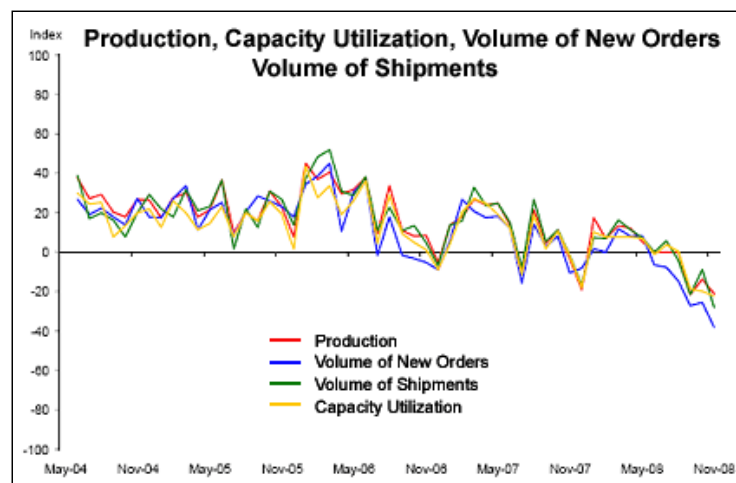
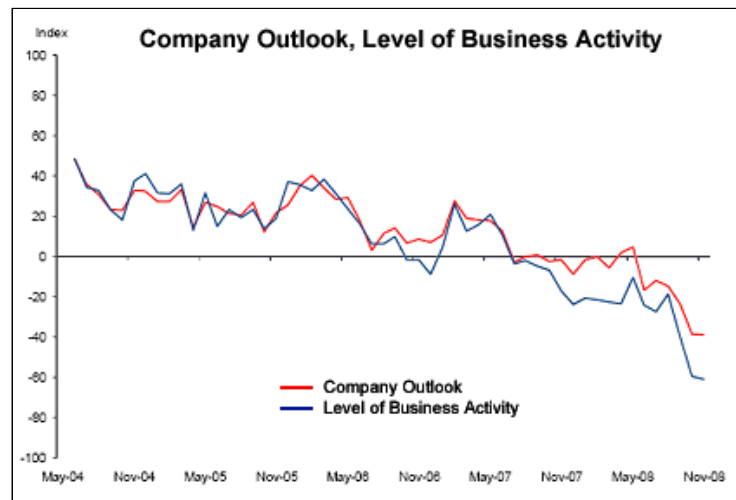
Regional Data Resources

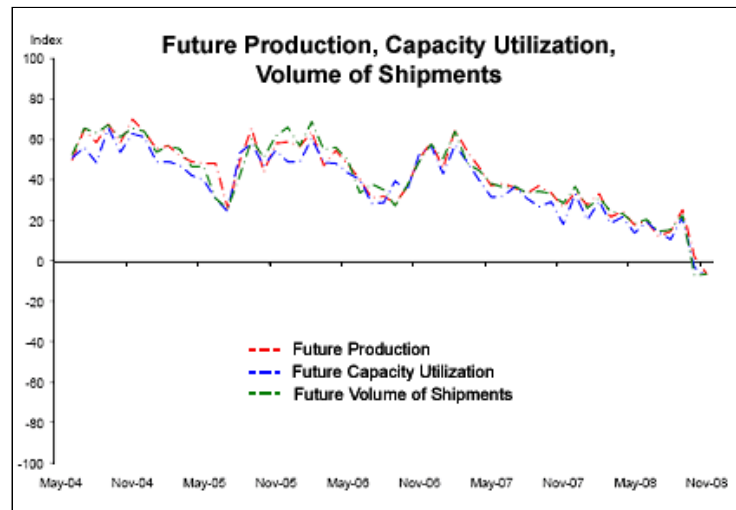
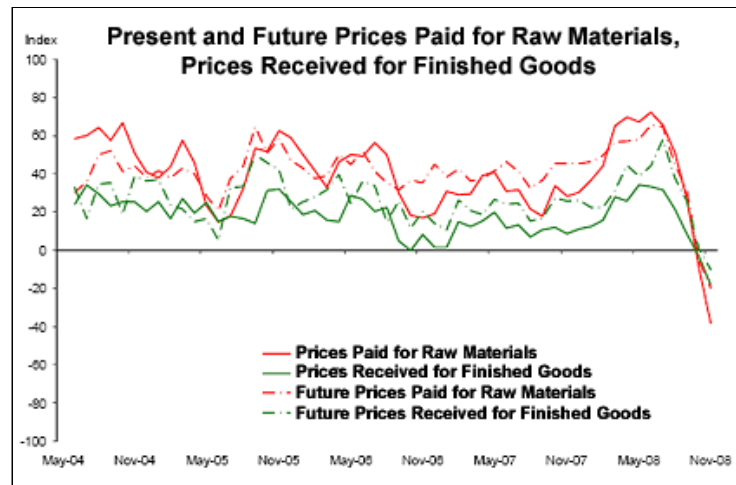
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Materials inventories	-29.0	11.0	49.0	40.0	-11.7	-31.7	12.2	43.9	43.9	-24.0
Finished goods inventories	-23.5	10.2	56.1	33.7	-17.8	-25.2	9.5	55.8	34.7	-25.8
Prices paid for raw materials	-38.0	10.0	42.0	48.0	-8.8	-19.6	20.6	39.2	40.2	-4.9
Prices received for finished goods	-18.0	8.0	66.0	26.0	-2.9	-10.2	21.4	46.9	31.6	0.9
Wages and benefits	5.0	12.0	81.0	7.0	6.8	28.6	37.8	53.1	9.2	19.6
Number of employees	-23.0	9.0	59.0	32.0	-14.7	-7.1	21.2	50.5	28.3	-15.7
Average employee workweek	-26.2	7.1	59.6	33.3	-14.9	-13.2	13.1	60.6	26.3	-14.7
Capital expenditures	-16.1	8.1	67.7	24.2	-16.0	-16.3	15.3	53.1	31.6	-16.0

General Business Conditions:

	Nov Index	% Improved	Remained the Same	% Worsened	Oct Index	Nov Index	% Improved	Remained the Same	% Worsened	Oct Index
How has the outlook for your company changed?	-38.7	5.9	49.5	44.6	-38.2	-29.0	15.0	41.0	44.0	-24.5
What is your evaluation of the level of general business activity?	-61.0	3.0	33.0	64.0	-59.4	-47.0	7.0	39.0	54.0	-36.6





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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