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June 19, 2010

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Texas Manufacturing Outlook Survey

January 26, 2009

Texas Factory Activity Continues to Contract

Texas manufacturing activity remained weak in January, according to business executives responding to the Texas Manufacturing Outlook Survey. Current activity indexes for [production](#), [capacity utilization](#), [growth rate of orders](#), [delivery time](#), [volume of new orders](#) and [shipments](#) remained at near-record lows. In addition, most indexes for future activity stayed flat, and respondents continued to report bleak six-month expectations.

After dropping to record lows in December, several indicators for current activity registered a seasonal uptick. However, seasonally adjusted data (not yet released publicly) show continued declines.

Concerns about the deepening national recession continued to depress business sentiment. Both the [company outlook](#) and [general business activity](#) indexes continued to reveal overwhelmingly downbeat sentiment, with 47 percent of respondents reporting a dismal outlook and 55 percent noting worsening market conditions.

Labor markets weakened further. The [employment](#) index fell for the sixth consecutive month, hitting an all-time low. The [average workweek](#) index improved slightly but remained negative, with 31 percent of executives reporting cutbacks in hours and only 8 percent reporting increases.

Price pressures continued to subside. Fifty-three percent of firms noted declines in input prices, and 33 percent cited lower prices for their own manufactured goods. Firms' expectations for future price increases were subdued as well. The index for future [raw material prices](#) dropped to its lowest level since the survey began in 2004. The index for future [finished goods prices](#) was negative and virtually unchanged.

Consistent with overall weakness, the [materials inventories](#) and [capital expenditures](#) indexes slipped further into negative territory. More than 35 percent of producers reported shrinking their inventories and capital expenditure budgets in light of weak demand.

Assessments of future activity remained generally pessimistic, suggesting that the region's manufacturers expect their operations to contract further over the next six months. Although indexes for future [production](#), [capacity utilization](#), [volume of new orders](#) and [shipments](#) improved slightly, they're still close to record lows.

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 Jan. 13–21, and 104 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: February 23, 2009

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.

	January vs. December					Six months from now				
	Jan Index	% Increase	No Change	% Decrease	Dec Index	Jan Index	% Increase	No Change	% Decrease	Dec Index
Production	-15.4	17.3	50.0	32.7	-33.0	2.0	31.1	39.8	29.1	0.0
Capacity utilization	-19.2	15.4	50.0	34.6	-38.9	2.9	31.1	40.8	28.2	0.9
Volume of new orders	-38.4	15.4	30.8	53.8	-50.0	0.9	28.4	44.1	27.5	0.0
Growth rate of orders	-42.3	12.5	32.7	54.8	-47.7	-1.9	27.2	43.7	29.1	-5.6

**Current Report Links**

- Current report
- Summary of results/links to indexes

E-mail Alert

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Texas Manufacturing Outlook Survey

- Release dates
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- Report archive
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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)

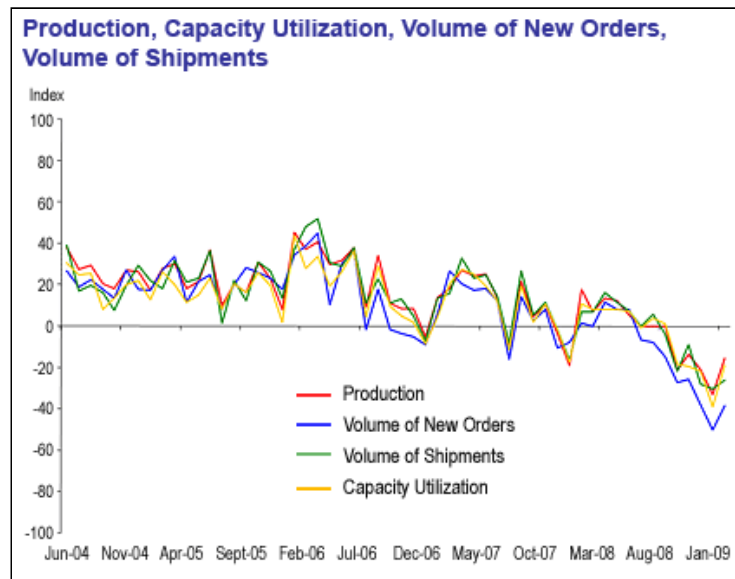
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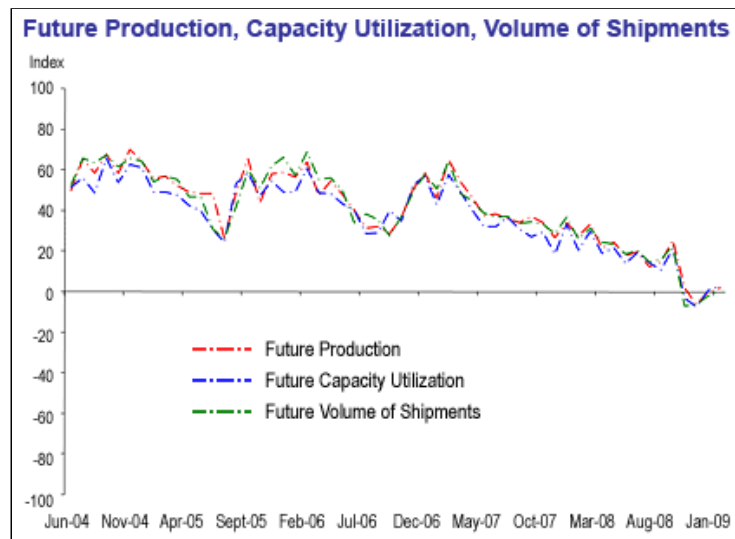
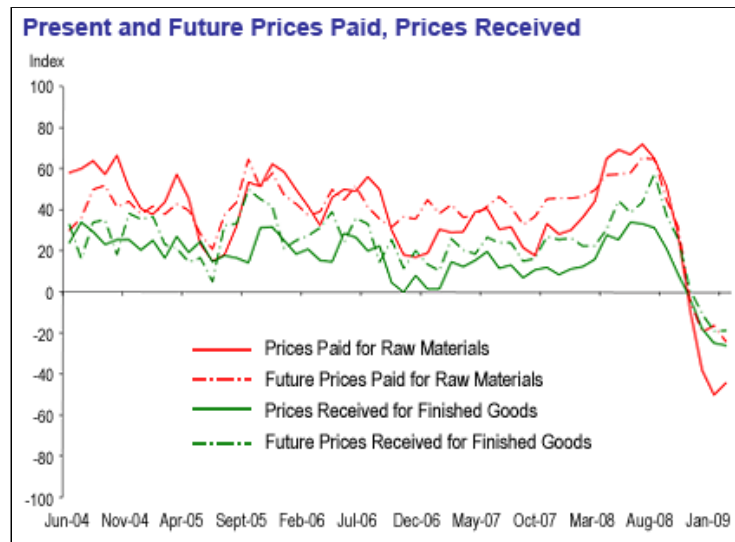
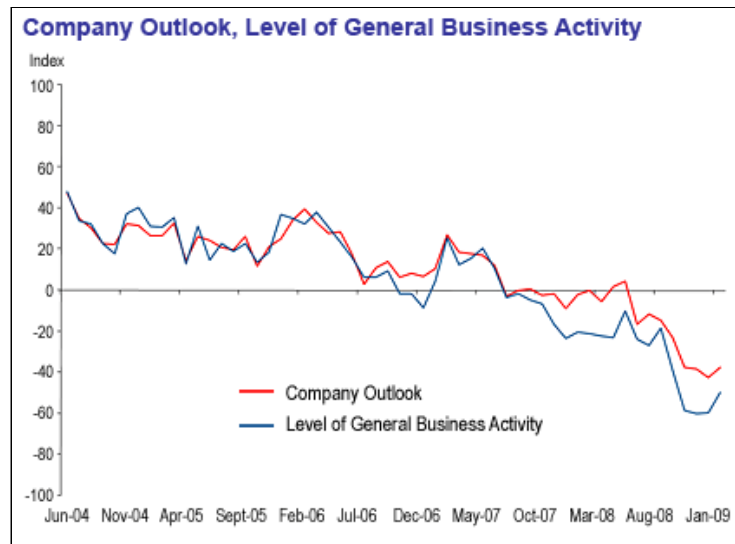
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Unfilled orders	-26.0	9.6	54.8	35.6	-32.1	-7.8	12.6	67.0	20.4	-19.5
Volume of shipments	-25.9	13.5	47.1	39.4	-30.3	1.0	30.4	40.2	29.4	-1.8
Delivery time	-7.7	7.7	76.9	15.4	-16.8	-12.8	7.8	71.6	20.6	-17.8
Materials inventories	-24.1	11.5	52.9	35.6	-17.4	-26.2	7.8	58.3	34.0	-25.0
Finished goods inventories	-12.5	14.4	58.7	26.9	-21.1	-22.4	8.7	60.2	31.1	-23.2
Prices paid for raw materials	-44.2	8.7	38.5	52.9	-50.0	-24.2	17.5	40.8	41.7	-16.6
Prices received for finished goods	-26.0	6.7	60.6	32.7	-25.0	-18.4	14.6	52.4	33.0	-18.8
Wages and benefits	3.8	15.5	72.8	11.7	0.9	10.7	21.4	68.0	10.7	21.3
Number of employees	-29.8	4.8	60.6	34.6	-24.8	-24.3	10.7	54.4	35.0	-17.7
Average employee workweek	-23.1	7.7	61.5	30.8	-33.9	-20.3	11.7	56.3	32.0	-4.7
Capital expenditures	-32.7	3.8	59.6	36.5	-24.8	-27.7	9.9	52.5	37.6	-22.4

General Business Conditions:

	Jan Index	% Improved	Remained the Same	% Worsened	Dec Index	Jan Index	% Improved	Remained the Same	% Worsened	Dec Index
How has the outlook for your company changed?	-37.9	8.7	44.7	46.6	-43.1	-22.6	18.6	40.2	41.2	-27.7
What is your evaluation of the level of general business activity?	-50.5	4.0	41.6	54.5	-60.6	-28.2	16.2	39.4	44.4	-37.1





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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