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June 20, 2010

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Texas Manufacturing Outlook Survey

February 23, 2009

Texas Factory Activity Still Contracting

Texas manufacturing activity continued to deteriorate in February, according to business executives responding to the Texas Manufacturing Outlook Survey. All indexes for current activity remained at extremely low levels.

The [production](#) index fell to a new low, with nearly half of the respondents indicating declines in output. The share of respondents reporting declines in [capacity utilization](#), [volume of new orders](#) and [shipments](#) exceeded those noting improvements by four-to-one.

The [employment](#) and [average workweek](#) indexes were negative for the seventh consecutive month as manufacturers continued to trim payrolls. Forty-four percent of respondents noted reduced staff levels, while 40 percent reported cutbacks in work hours.

Consistent with overall weakness, the [capital expenditures](#) index retreated further. Forty-three percent of executives reported shrinking investment budgets, and 57 percent indicated no change. None of the respondents cited an increase in their capital spending plans.

The [company outlook](#) and [general business activity](#) indexes continued to reveal overwhelmingly negative sentiment, with 54 percent of respondents seeing a worsening outlook and 59 percent noting weakening market conditions.

Manufacturers reported downward price pressures. Forty-three percent noted declines in input prices, and 37 percent cited lower prices for their goods. Firms' expectations for future price increases were modest. The index for future [finished goods prices](#) dropped to its lowest level since the survey began in 2004. Looking ahead six months, manufacturers expecting declines in [raw material prices](#) outnumber those foreseeing increases by more than two-to-one.

Indexes of future activity suggest the region's manufacturers expect little or no growth in demand over the next six months. The indexes for [future production](#), [volume of new orders](#) and [shipments](#) remained close to record lows, and two-thirds of the respondents said they expected no change or further declines 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 Feb. 10–18, and 97 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: March 30, 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.

| | February vs. January | | | | | Six months from now | | | | |
|---------------------------------------|----------------------|------------|-----------|------------|-----------|---------------------|------------|-----------|------------|-----------|
| | Feb Index | % Increase | No Change | % Decrease | Jan Index | Feb Index | % Increase | No Change | % Decrease | Jan Index |
| Production | -36.1 | 12.4 | 39.2 | 48.5 | -15.4 | 6.3 | 32.3 | 41.7 | 26.0 | 2.0 |
| Capacity utilization | -37.2 | 11.3 | 40.2 | 48.5 | -19.2 | 4.2 | 30.2 | 43.8 | 26.0 | 2.9 |
| Volume of new orders | -41.2 | 13.4 | 32.0 | 54.6 | -38.4 | 4.2 | 32.6 | 38.9 | 28.4 | 0.9 |
| Growth rate of orders | -40.2 | 14.4 | 30.9 | 54.6 | -42.3 | 0.0 | 28.1 | 43.8 | 28.1 | -1.9 |
| Unfilled orders | -25.8 | 6.2 | 61.9 | 32.0 | -26.0 | -11.5 | 7.3 | 74.0 | 18.8 | -7.8 |
| Volume of shipments | -38.1 | 12.4 | 37.1 | 50.5 | -25.9 | 6.3 | 32.6 | 41.1 | 26.3 | 1.0 |

**Current Report Links**

- Current report
- Summary of results/links to indexes

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Texas Manufacturing Outlook Survey

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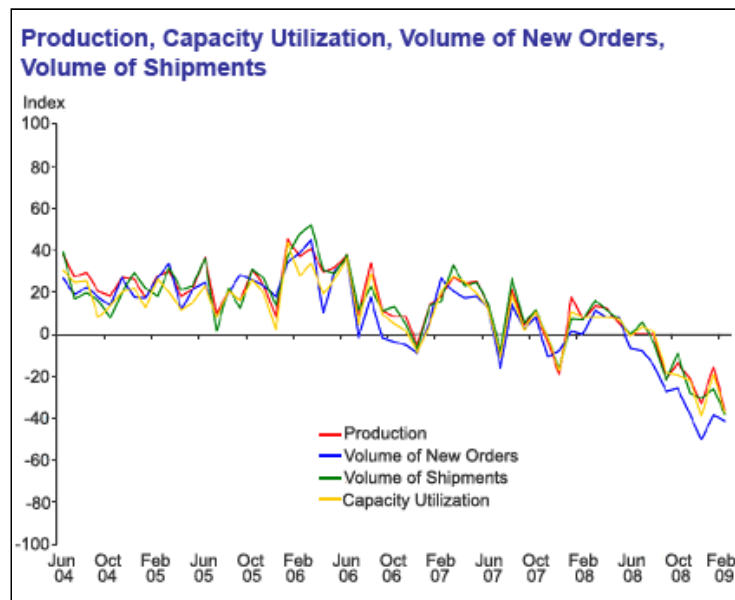
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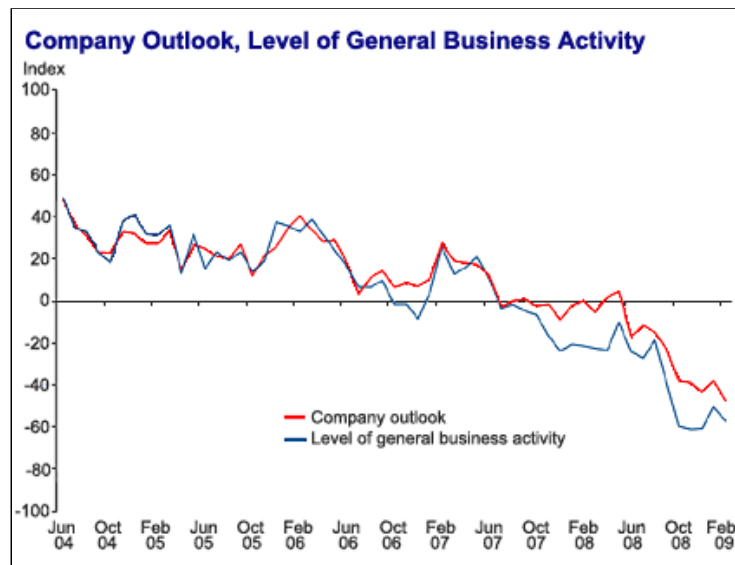
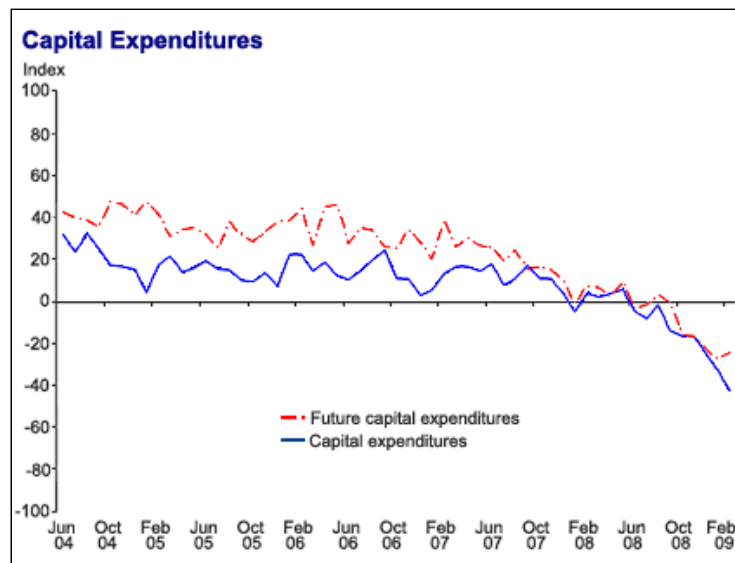
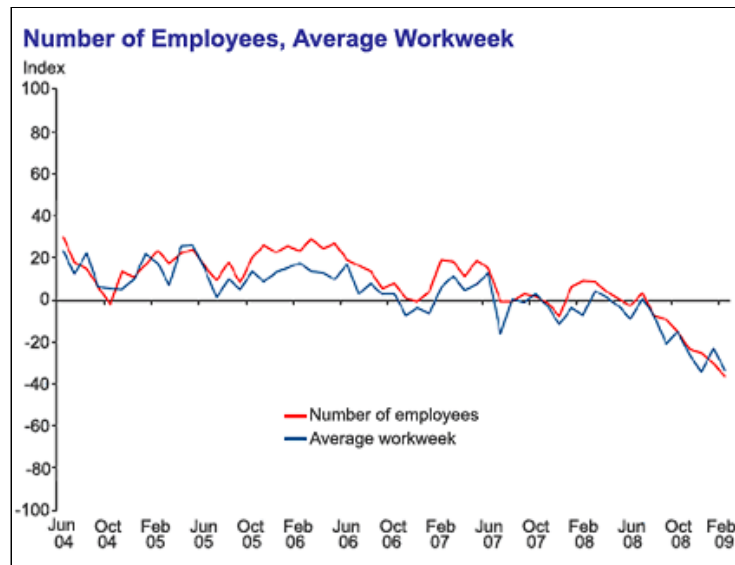
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| | | | | | | | | | | |
|--|-------|------|------|------|-------|-------|------|------|------|-------|
| Delivery time | -21.6 | 5.2 | 68.0 | 26.8 | -7.7 | -22.9 | 2.1 | 72.9 | 25.0 | -12.8 |
| Materials inventories | -22.7 | 16.5 | 44.3 | 39.2 | -24.1 | -22.1 | 12.6 | 52.6 | 34.7 | -26.2 |
| Finished goods inventories | -12.4 | 19.6 | 48.5 | 32.0 | -12.5 | -19.8 | 11.5 | 57.3 | 31.3 | -22.4 |
| Prices paid for raw materials | -35.1 | 8.2 | 48.5 | 43.3 | -44.2 | -17.7 | 11.5 | 59.4 | 29.2 | -24.2 |
| Prices received for finished goods | -31.9 | 5.2 | 57.7 | 37.1 | -26.0 | -24.0 | 5.2 | 65.6 | 29.2 | -18.4 |
| Wages and benefits | 3.1 | 10.3 | 82.5 | 7.2 | 3.8 | 4.2 | 16.8 | 70.5 | 12.6 | 10.7 |
| Number of employees | -36.1 | 8.2 | 47.4 | 44.3 | -29.8 | -21.9 | 10.4 | 57.3 | 32.3 | -24.3 |
| Average employee workweek | -33.3 | 6.3 | 54.2 | 39.6 | -23.1 | -4.2 | 14.7 | 66.3 | 18.9 | -20.3 |
| Capital expenditures | -42.7 | 0.0 | 57.3 | 42.7 | -32.7 | -24.2 | 8.4 | 58.9 | 32.6 | -27.7 |

General Business Conditions:

| | Feb Index | % Improved | Remained the Same | % Worsened | Jan Index | Feb Index | % Improved | Remained the Same | % Worsened | Jan Index |
|--|-----------|------------|-------------------|------------|-----------|-----------|------------|-------------------|------------|-----------|
| How has the outlook for your company changed? | -47.4 | 6.2 | 40.2 | 53.6 | -37.9 | -14.6 | 16.7 | 52.1 | 31.3 | -22.6 |
| What is your evaluation of the level of general business activity? | -57.3 | 2.1 | 38.5 | 59.4 | -50.5 | -31.6 | 11.6 | 45.3 | 43.2 | -28.2 |





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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