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June 20, 2010

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Texas Manufacturing Outlook Survey

March 30, 2009

Texas' Factory Activity Remains Weak but Outlook Turns Up Slightly

Texas' factory activity continued to contract in March, according to firms responding to the Texas Manufacturing Outlook Survey. Indexes for [production](#), [capacity utilization](#), [new orders](#) and [shipments](#) ticked upward but remained overwhelmingly negative, with more than 80 percent of respondents reporting no change or declines in these measures.

The [business activity](#) index, the survey's broadest measure of state manufacturing trends, revealed widespread downbeat sentiment. Fifty-three percent of responding manufacturing executives reported worsening market conditions, and 43 percent indicated no improvement from the prior month.

Several indicators of future activity suggest that the region's manufacturers expect declines in factory activity to ease over the next six months. Indexes for future [production](#), [capacity utilization](#), [shipments](#), [new orders](#) and [growth rate of orders](#) improved modestly for the fourth consecutive month, and 40 percent of manufacturing executives foresee increases in production six months from now.

Consistent with shrinking domestic demand and ebbing overseas sales, manufacturers continued to draw down inventories. The index for [materials inventories](#) plunged to its lowest reading since the start of the survey in 2004, and 30 percent of manufacturers noted declines in their [finished goods inventories](#).

Manufacturers' demand for labor remained weak. More than half of surveyed firms reported job cuts, and the [average workweek](#) index plummeted. The sluggish demand kept wage pressures subdued, with 82 percent of respondents noting no changes in [wages and benefits](#).

Manufacturers continued to report downward price pressures. Fifty percent noted falling input prices, and 34 percent cited lower prices for their goods. Firms' expectations for future price increases were subdued as well. The index for [raw materials prices](#) over the next six months remained negative, and manufacturers expecting declines in [finished goods prices](#) outnumbered those foreseeing increases by more than three-to-one.

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 Mar. 17–25, 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.

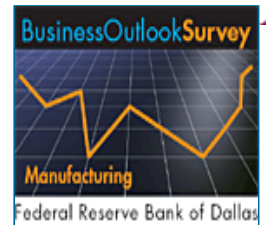
Survey responses are used to calculate an index for each question. Each index is calculated by subtracting the percentage reporting a decrease from the percentage reporting an increase. When all firms report that activity has increased, an index will register 100. An index will register –100 when all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

Next release: April 27, 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.

	March vs. February					Six months from now				
	Mar Index	% Increase	No Change	% Decrease	Feb Index	Mar Index	% Increase	No Change	% Decrease	Feb Index
Production	-22.3	19.4	38.8	41.7	-36.1	13.9	39.6	34.7	25.7	6.3
Capacity utilization	-25.5	16.7	41.2	42.2	-37.2	9.0	36.0	37.0	27.0	4.2
Volume of new orders	-30.1	19.4	31.1	49.5	-41.2	10.9	37.6	35.6	26.7	4.2
Growth rate of orders	-35.9	14.6	35.0	50.5	-40.2	6.0	33.7	38.6	27.7	0.0
Unfilled orders	-27.5	3.9	64.7	31.4	-25.8	-11.1	10.1	68.7	21.2	-11.5
Volume of shipments	-27.2	18.4	35.9	45.6	-38.1	10.9	36.6	37.6	25.7	6.3

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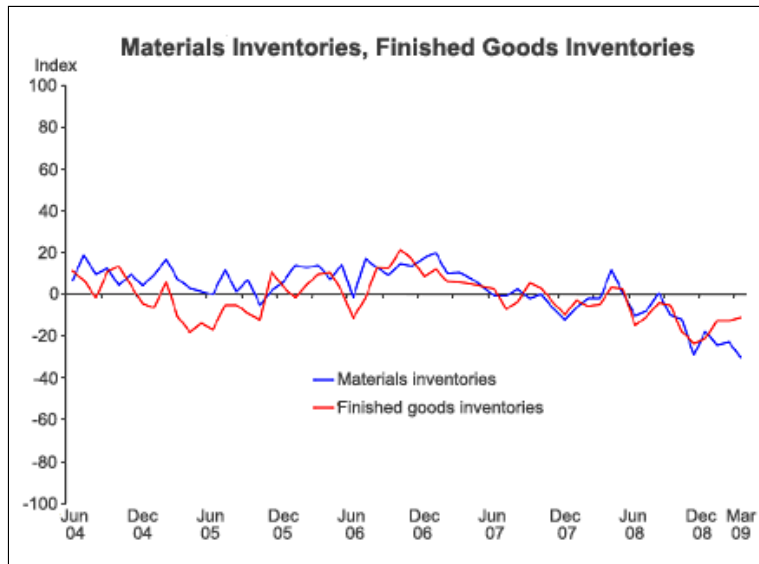
Regional Data Resources

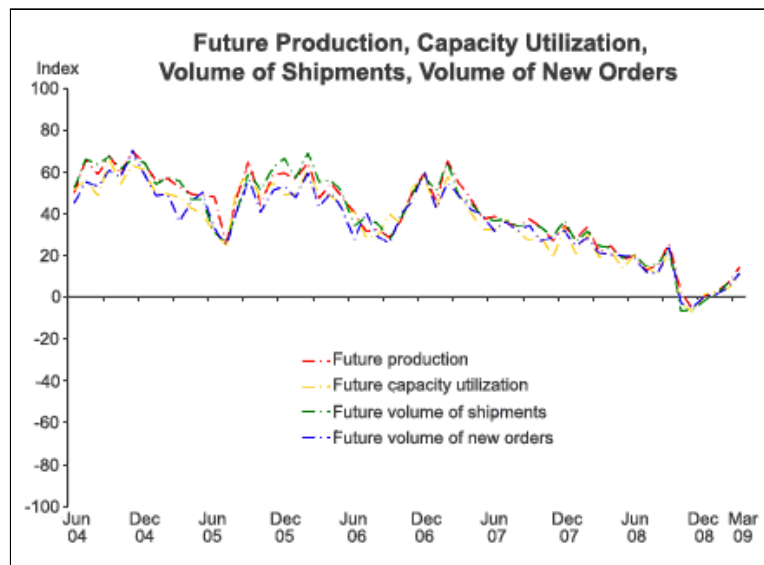
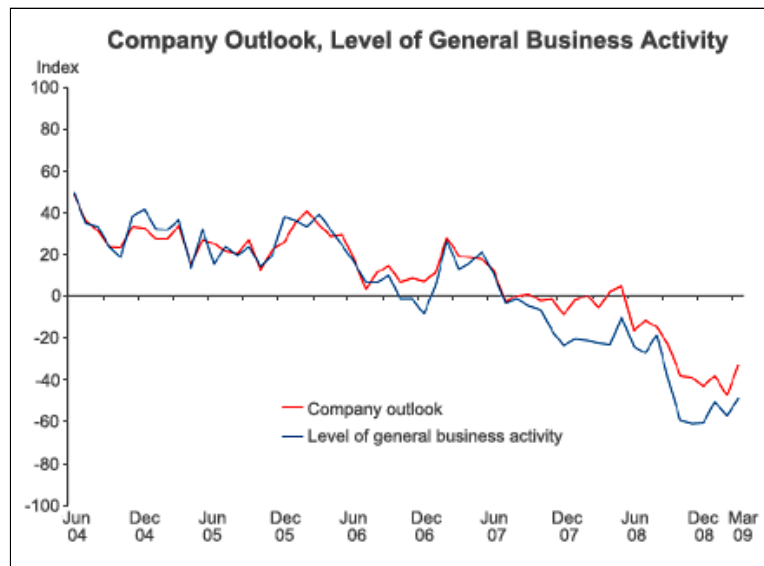
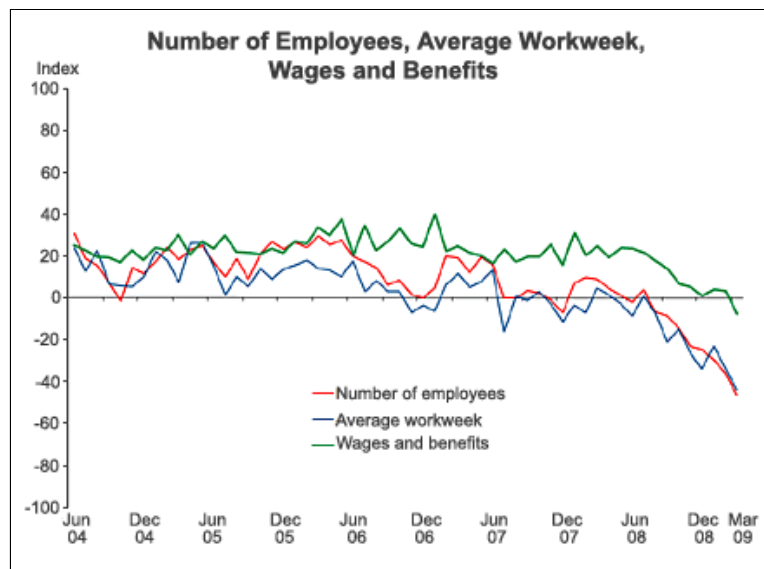
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Delivery time	-20.4	6.8	66.0	27.2	-21.6	-16.8	5.0	73.3	21.8	-22.9
Materials inventories	-30.1	13.6	42.7	43.7	-22.7	-23.8	9.9	56.4	33.7	-22.1
Finished goods inventories	-10.8	19.6	50.0	30.4	-12.4	-18.8	11.9	57.4	30.7	-19.8
Prices paid for raw materials	-41.7	7.8	42.7	49.5	-35.1	-10.0	17.0	56.0	27.0	-17.7
Prices received for finished goods	-30.1	3.9	62.1	34.0	-31.9	-21.8	8.9	60.4	30.7	-24.0
Wages and benefits	-7.8	4.9	82.4	12.7	3.1	2.0	12.9	76.2	10.9	4.2
Number of employees	-46.6	6.8	39.8	53.4	-36.1	-16.8	14.9	53.5	31.7	-21.9
Average employee workweek	-43.6	5.9	44.6	49.5	-33.3	1.0	21.2	58.6	20.2	-4.2
Capital expenditures	-35.3	4.9	54.9	40.2	-42.7	-17.0	16.0	51.0	33.0	-24.2

General Business Conditions:

	Mar Index	% Improved	Remained the Same	% Worsened	Feb Index	Mar Index	% Improved	Remained the Same	% Worsened	Feb Index
How has the outlook for your company changed?	-33.0	12.6	41.7	45.6	-47.4	-4.0	25.7	44.6	29.7	-14.6
What is your evaluation of the level of general business activity?	-49.0	3.9	43.1	52.9	-57.3	-7.9	21.8	48.5	29.7	-31.6





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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