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June 19, 2010

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**Texas Manufacturing Outlook Survey**

May 26, 2009

**Texas Manufacturing Still Weak but Outlook Improves Again**

Texas factory activity remained weak and changed little from April to May, according to the business executives who responded to the Texas Manufacturing Outlook Survey. The manufacturing sector's rate of decline stabilized over the past three months—a change from the accelerating contractions in the last quarter of 2008 and first two months of this year.

Most indicators of future activity continued to improve, suggesting manufacturers expect better conditions over the next six months. The future [general business activity](#) index—the survey's broadest measure of Texas manufacturing trends—turned positive for the first time since September 2007. Indexes for future [production](#), [shipments](#), [new orders](#) and [growth rate of orders](#) rose markedly. More than a fourth of manufacturing executives foresee improvement in their firm's outlook six months from now.

Although still negative, the overall [business activity](#) and [company outlook](#) indexes strengthened as the share of executives reporting improvements ticked up from April to May.

The renewed optimism has yet to show up in the other gauges of current activity. Indexes for [production](#), [new orders](#) and [growth rate of orders](#) showed little change from April to May, but dips in the measures for [capacity utilization](#) and [shipments](#) suggest continued weakness.

Investment plans were still largely on hold. The index for [capital expenditures](#) remained negative both for the current period and for six months from now.

Manufacturers continued to work off excess inventories. The index for [materials inventories](#) was close to March's record low, and 37 percent of companies noted declines in [finished goods](#) on hand.

Manufacturers' labor demand continued to contract, albeit at a slower pace. Firms reporting job cuts exceeded those hiring workers by a 4-to-1 margin, down from 10-to-1 in April. Wage pressures remained minimal, with 82 percent of companies making no changes in compensation.

In May, declines in input and selling prices were widespread. Firms receiving lower prices for their goods outnumbered those receiving higher prices 11-to-1. Nearly four in ten companies cited lower [raw material prices](#). Firms expect deflationary pressures to begin subsiding. Only 18 percent anticipate decreases in [finished goods prices](#) six months from now, down from 36 percent in December.

The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state's factory activity. Data were collected May 12–20, and 100 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: June 29, 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.

	May vs. April					Six months from now				
	May Index	% Increase	No Change	% Decrease	Apr Index	May Index	% Increase	No Change	% Decrease	Apr Index
<a href="#">Production</a>	-12.0	19.0	50.0	31.0	-8.9	19.2	35.4	48.5	16.2	13.0
<a href="#">Capacity utilization</a>	-18.0	16.0	50.0	34.0	-12.9	17.2	31.3	54.5	14.1	15.0
<a href="#">Volume of new orders</a>	-14.0	20.0	46.0	34.0	-14.8	29.3	42.4	44.4	13.1	19.2
<a href="#">Growth rate of orders</a>	-23.0	13.0	51.0	36.0	-22.7	20.2	32.3	55.6	12.1	14.1

**Current Report Links**

- Current report
- Summary of results/links to indexes

**E-mail Alert**

- Subscribe to the Texas Manufacturing Outlook Survey e-mail list

**Texas Manufacturing Outlook Survey**

- Release dates
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**Other Fed Indexes**

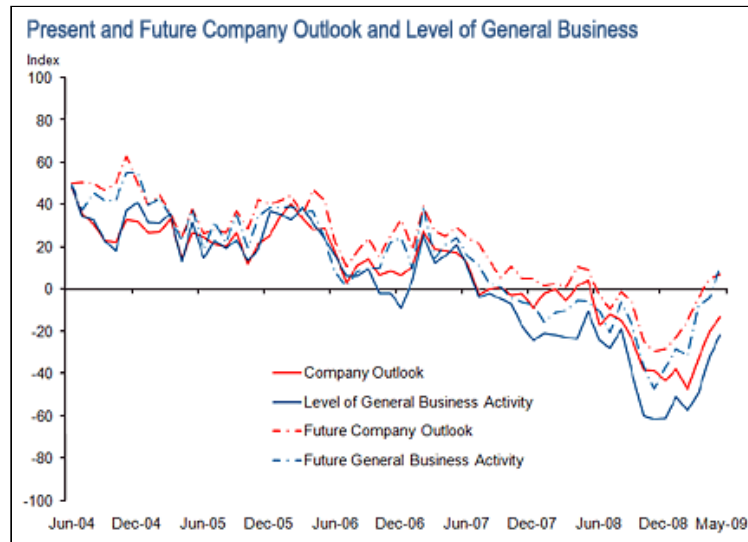
- Business Outlook Survey (FRB Philadelphia)
- Manufacturing Conditions Survey (FRB Richmond)
- Empire State Manufacturing Survey (FRB New York)
- Survey of Tenth District Manufacturers (FRB Kansas City)

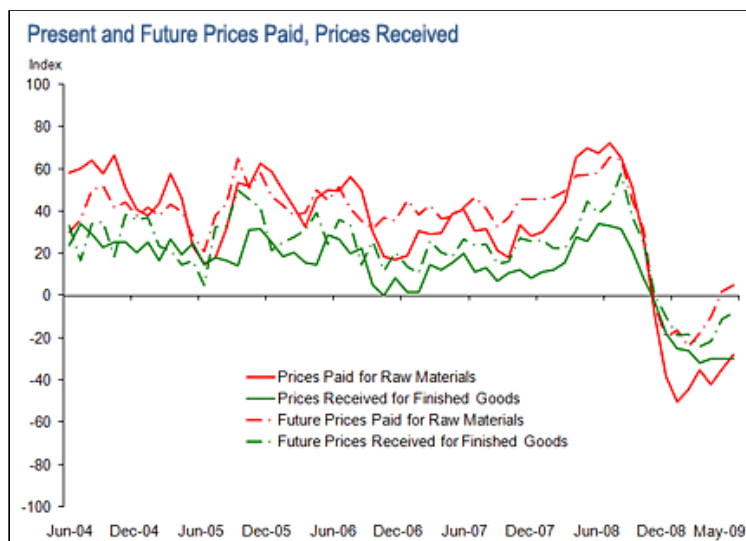
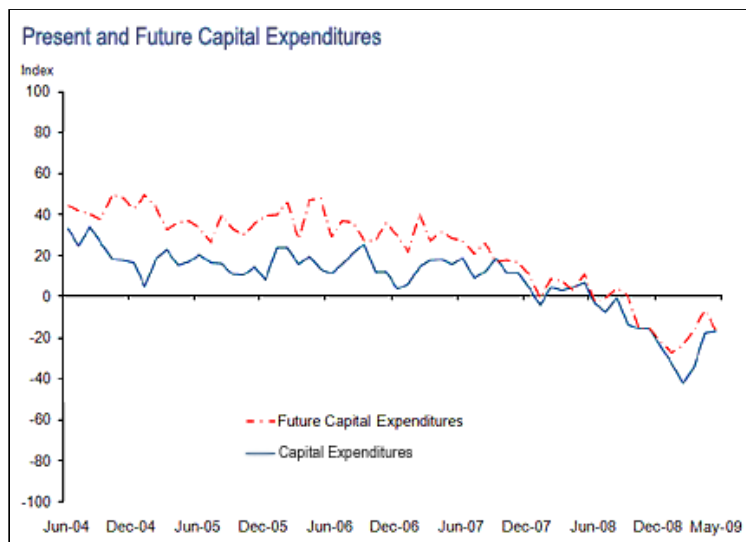
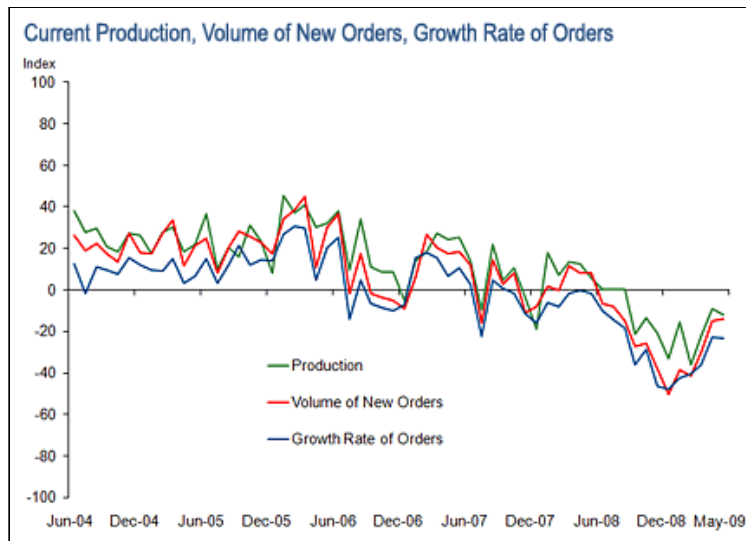
**Regional Data Resources**

- Economic Updates
- Dallas Beige Book
- Metro Business-Cycle Indexes
- Texas Manufacturing Outlook Survey
- Quick Slide Show on the Regional Economy
- FRB Adjusted-Texas Employment
- DataBasics
- Regional Economic Indicators

<a href="#">Unfilled orders</a>	-21.0	6.0	67.0	27.0	-19.8	-2.1	13.1	71.7	15.2	-5.1
<a href="#">Volume of shipments</a>	-14.0	21.0	44.0	35.0	-7.9	26.3	40.4	45.5	14.1	18.2
<a href="#">Delivery time</a>	-20.0	3.0	74.0	23.0	-14.9	-10.1	5.1	79.8	15.2	-14.2
<a href="#">Materials inventories</a>	-26.0	9.0	56.0	35.0	-26.0	-10.1	16.2	57.6	26.3	-17.2
<a href="#">Finished goods inventories</a>	-29.0	8.0	55.0	37.0	-26.0	-10.1	15.2	59.6	25.3	-13.0
<a href="#">Prices paid for raw materials</a>	-28.0	10.0	52.0	38.0	-34.7	5.0	23.2	58.6	18.2	2.0
<a href="#">Prices received for finished goods</a>	-30.0	3.0	64.0	33.0	-30.0	-8.1	10.1	71.7	18.2	-11.1
<a href="#">Wages and benefits</a>	-6.0	6.0	82.0	12.0	0.0	8.0	14.1	79.8	6.1	9.1
<a href="#">Number of employees</a>	-27.0	9.0	55.0	36.0	-37.4	-10.1	11.1	67.7	21.2	-19.4
<a href="#">Average employee workweek</a>	-23.2	8.1	60.6	31.3	-27.0	3.0	19.2	64.6	16.2	5.0
<a href="#">Capital expenditures</a>	-17.1	7.1	68.7	24.2	-18.0	-16.7	7.3	68.8	24.0	-7.0

	May Index	% Improved	Remained the Same	% Worsened	Apr Index	May Index	% Improved	Remained the Same	% Worsened	Apr Index
<a href="#">How has the outlook for your company changed?</a>	-13.1	16.2	54.5	29.3	-19.8	7.1	25.5	56.1	18.4	5.0
<a href="#">What is your evaluation of the level of general business activity?</a>	-21.5	11.2	56.1	32.7	-31.6	10.3	27.8	54.6	17.5	-4.0





Questions regarding the Texas Manufacturing Outlook Survey can be addressed to Laila Assanie at [laila.assanie@dal.frb.org](mailto: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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