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Texas Manufacturing Outlook Survey

July 27, 2009

Texas Factory Activity Remains Weak

Declines in Texas manufacturing continued to moderate in July, according to business executives responding to the Texas Manufacturing Outlook Survey. Nearly all indexes of current factory activity posted seasonal declines; however, seasonally adjusted data soon to be released suggest the rate of contraction has slowed.

Unadjusted indexes for production, capacity utilization and shipments remained negative, but the largest group of companies—well over 40 percent—said activity was unchanged. Nearly half of the manufacturers said growth in new orders was flat in July.

The company outlook and business activity indexes—the survey's broadest measures of state manufacturing trends—continued to reflect widespread downbeat sentiment. The majority of executives reported no change from the prior month, while 30 percent of executives reported worsening outlooks and a third noted decreased business activity.

Most respondents held employment and hours steady rather than cutting further. Two-thirds of manufacturers noted stable staffing, and a nearly equal share reported no change in work hours. Wage pressures were largely nonexistent, with 82 percent of producers noting no changes in compensation.

Downward price pressures were more prevalent for finished goods than raw materials. Producers receiving lower prices for their products outstripped those receiving higher prices by 5-to-1, while firms paying less for raw materials (21 percent) outnumbered those paying more (15 percent) by a slight margin.

Most indexes for future activity stayed positive in July, suggesting that firms expect improved conditions six months from now. The future company outlook index was positive for the fourth consecutive month, and nearly 36 percent of producers expect increases in production and new orders 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 were collected July 14–22, and 92 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: August 31, 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.

	July vs. June					Six months from now				
	July Index	% Increase	No Change	% Decrease	June Index	July Index	% Increase	No Change	% Decrease	June Index
Production	-17.4	19.6	43.5	37.0	-7.0	22.3	35.6	51.1	13.3	20.6
Capacity utilization	-20.9	15.4	48.4	36.3	-12.2	21.1	34.4	52.2	13.3	19.6
Volume of new orders	-13.2	24.2	38.5	37.4	-10.1	21.1	36.7	47.8	15.6	27.1
Growth rate of orders	-17.6	16.5	49.5	34.1	-18.1	13.4	27.8	57.8	14.4	23.0
Unfilled orders	-25.3	7.7	59.3	33.0	-17.2	8.9	17.8	73.3	8.9	-1.1
Volume of shipments	-22.0	17.6	42.9	39.6	-14.1	15.5	32.2	51.1	16.7	19.6
Delivery time	-19.8	3.3	73.6	23.1	-15.2	-7.7	5.6	81.1	13.3	-7.2

BusinessOutlookSurvey Manufacturing Federal Reserve Bank of Dallas

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- Empire State Manufacturing Survey (FRB New York)
- Survey of Tenth District Manufacturers (FRB Kansas City)

Regional Data Resources
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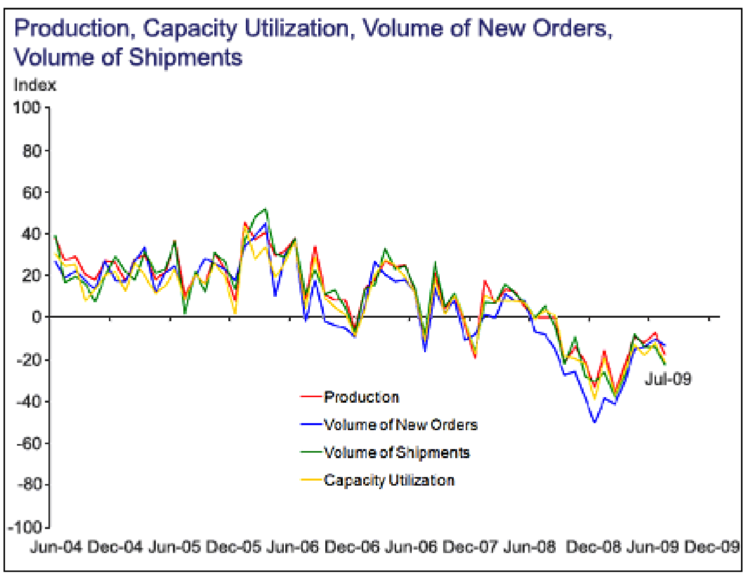
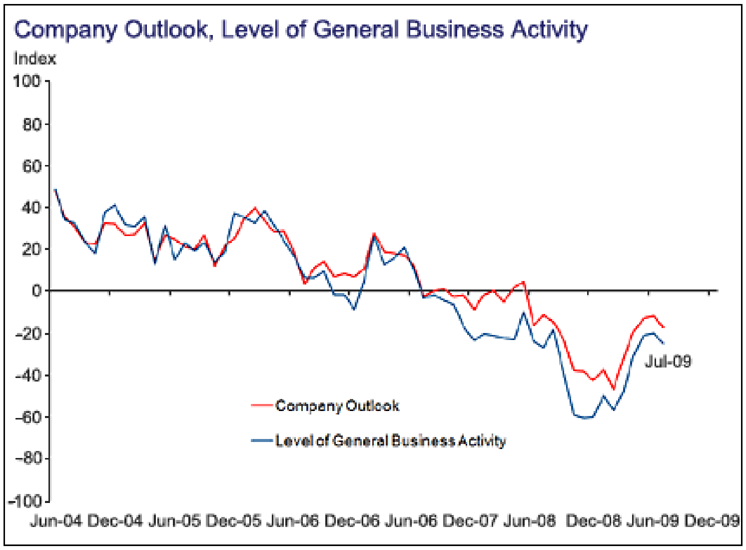
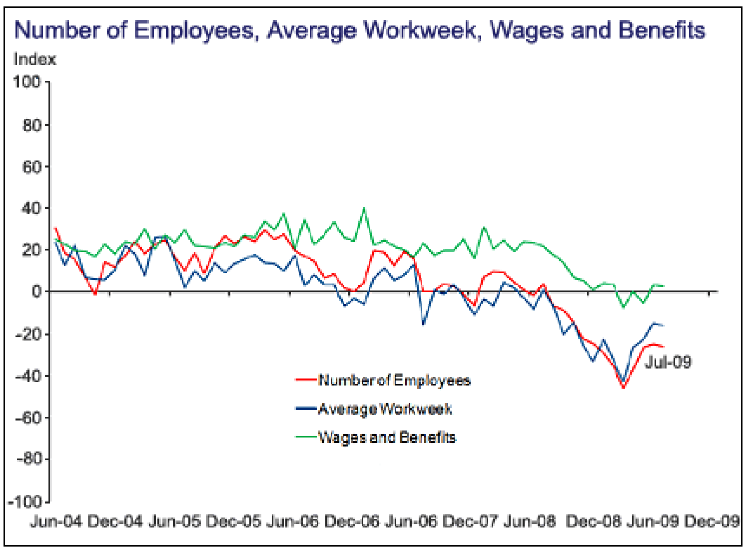
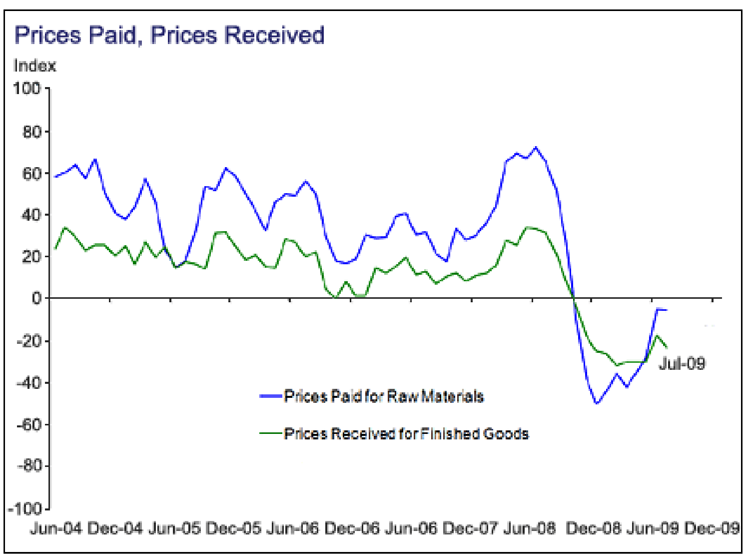
Materials inventories	-22.0	9.9	58.2	31.9	-27.2	-7.7	15.6	61.1	23.3	-12.3
Finished goods inventories	-29.7	5.5	59.3	35.2	-17.2	-8.9	12.2	66.7	21.1	-14.4
Prices paid for raw materials	-5.5	15.4	63.7	20.9	-5.1	12.2	30.0	52.2	17.8	17.5
Prices received for finished goods	-23.1	5.5	65.9	28.6	-17.1	2.3	15.6	71.1	13.3	-1.0
Wages and benefits	2.2	9.9	82.4	7.7	3.0	8.8	14.4	80.0	5.6	10.3
Number of employees	-26.4	3.3	67.0	29.7	-25.2	2.2	20.0	62.2	17.8	-4.1
Average employee workweek	-16.5	8.8	65.9	25.3	-15.3	7.8	21.1	65.6	13.3	3.1
Capital expenditures	-24.5	2.2	71.1	26.7	-18.4	-4.5	14.6	66.3	19.1	-10.4

	July Index	% Improved	Remained the Same	% Worsened	June Index	July Index	% Improved	Remained the Same	% Worsened	June Index
How has the outlook for your company changed?	-17.6	12.1	58.2	29.7	-12.1	5.6	27.8	50.0	22.2	8.2
What is your evaluation of the level of general business activity?	-25.5	8.9	56.7	34.4	-20.4	-2.3	23.3	51.1	25.6	5.1









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