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June 20, 2010

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**Texas Manufacturing Outlook Survey****September 28, 2009****New this month...**

As part of the Texas Manufacturing Outlook Survey, respondents are asked to provide additional comments on general business conditions. Starting September 2009, selected comments from the survey will be published. These comments have been edited for publication. [Read Comments»](#)

**Hopeful Signs for Texas Manufacturing**

Texas factory activity showed the first signs of bottoming out in September, according to the business executives responding to the Texas Manufacturing Outlook Survey. The [production](#) index, a key indicator of current manufacturing activity, came in close to zero as the number of companies seeing increases and decreases was nearly equal.

Most indexes of current activity improved, continuing a trend that began in spring. The [shipments](#) index turned positive for the first time in 14 months. The [new orders](#) index also moved into positive territory, indicating that manufacturers are seeing growing demand. Indexes for [capacity utilization](#) and [growth rate of orders](#) improved but remained slightly negative.

The [business activity](#) and [company outlook](#) indexes also saw further improvement in September, largely because fewer companies are seeing deteriorating conditions. Both remain negative, however.

Employment indicators suggest manufacturers are still trimming payrolls, but the key indexes are becoming less negative. The [average work week](#) index rose for the second consecutive month, and about 17 percent of manufacturers noted increases in work hours. The [employment](#) index also improved as the share of firms reporting job cuts fell, while those reporting new hires rose from last month. Wage pressures remained minimal, with 92 percent of producers noting no change in compensation.

Price pressures were mixed again this month. The [finished goods prices](#) index remained negative as producers receiving lower prices for their products continued to outstrip those receiving higher prices. In contrast, the [raw materials prices](#) index was positive for the second consecutive month, indicating that producers are experiencing rising input prices.

Manufacturers continue to expect demand to improve in coming months. The six-month [company outlook](#) was positive in September, as it has been since June. The future [general business activity](#) index was positive for the second consecutive month.

Several other indexes of future activity also strengthened in September. The future [production](#), [new orders](#) and [shipments](#) indexes rose, and half of the respondents said they expected further increases in new orders six months from now. The future [employment](#) index turned positive, signaling that manufacturers intend to expand their payrolls in coming months.

The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state's factory activity. Data were collected Sept. 15–23, and 95 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. Where appropriate, the indexes are seasonally adjusted.

Next release: Oct. 26, 2009

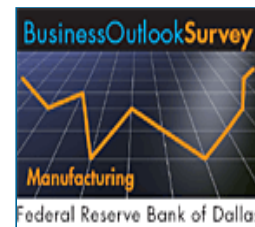
For additional perspective on the survey, see ["The Texas Manufacturing Outlook Survey: A Tool for Understanding the Economy"](#) and ["Made in Texas: The Natural Selection of Manufacturing."](#)

- Click on links in the table for greater details, including historical data.

**Company Business Indicators Relating to Facilities and Products in Texas**

September vs. August

Six months from now

**Current Report Links**

- Current report
- Comments
- Summary of results/links to indexes
- Downloadable Production Index Charts

**E-mail Alert**

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

**Texas Manufacturing Outlook Survey**

- Release dates
- Historical data
- Report archive
- About the index
- Glossary
- Sample survey form
- Texas manufacturing

**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**

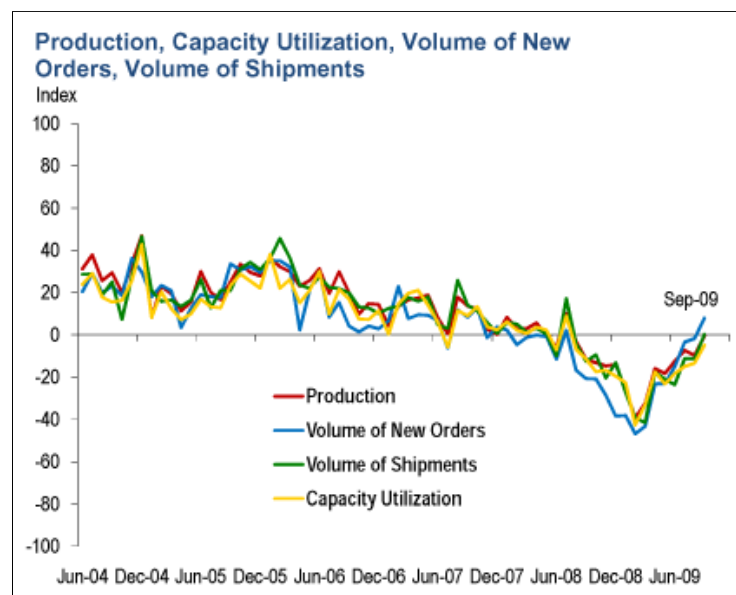
- Economic Updates
- Dallas Beige Book
- Metro Business-Cycle Indexes
- **Texas Manufacturing Outlook Survey**
- Quick Slide Show on the Regional Economy
- FRB Adjusted-Texas Employment
- DataBasics

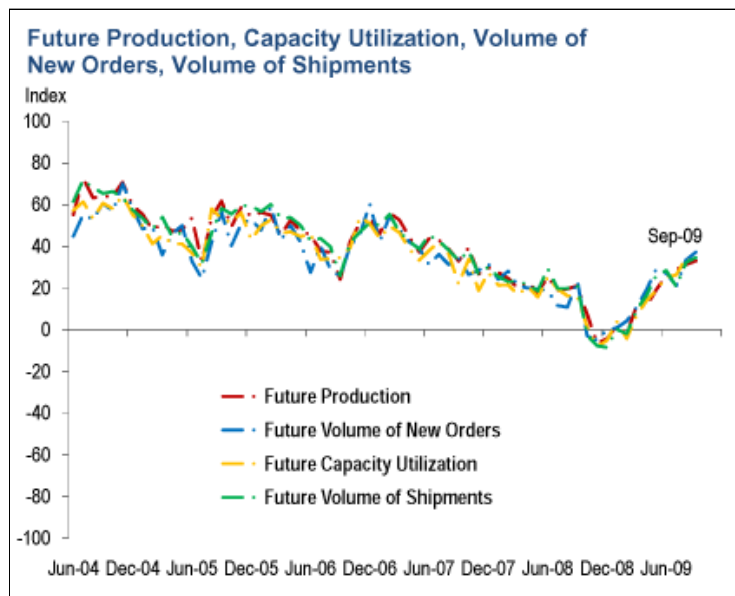
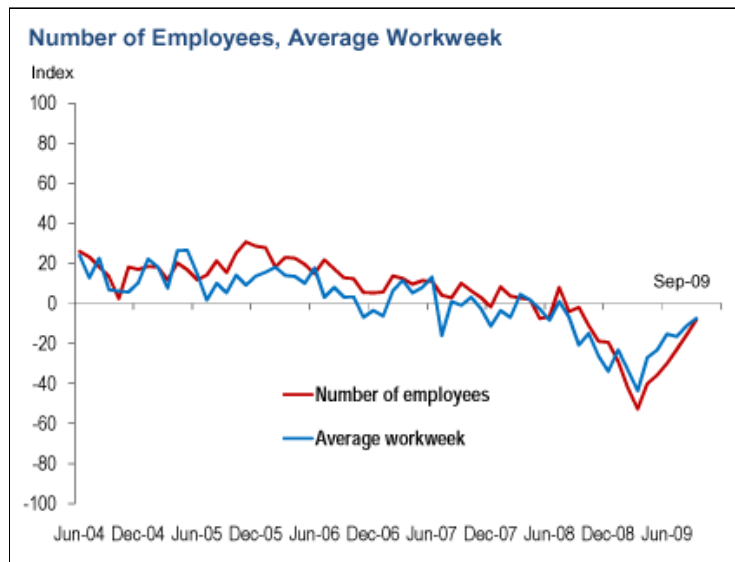
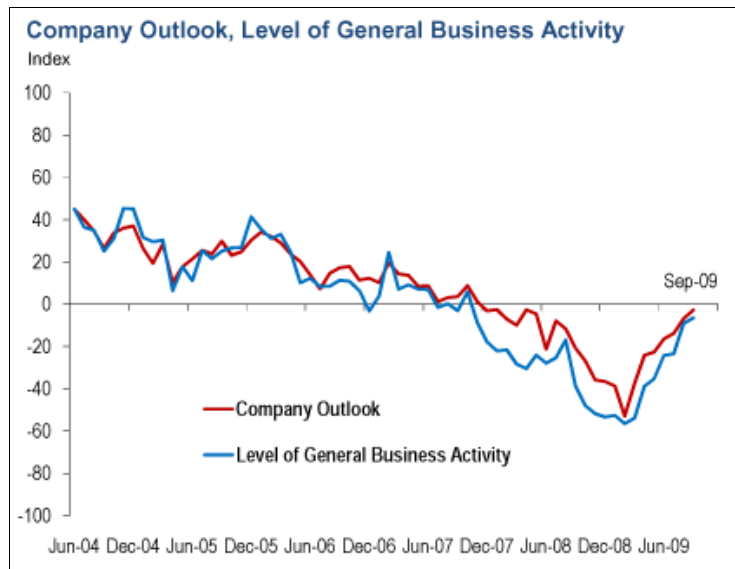
	Sept Index	% Increase	No Change	% Decrease	Aug Index	Sept Index	% Increase	No Change	% Decrease	Aug Index	— Regional Economic Indicators
<a href="#">Production</a>	-0.5	23.8	51.9	24.3	-9.7	33.0	45.9	41.3	12.9	31.2	
<a href="#">Capacity utilization</a>	-4.8	21.2	52.8	26.0	-13.3	30.7	41.5	47.6	10.8	34.4	
<a href="#">Volume of new orders</a>	8.0	32.6	42.8	24.6	-1.7	37.2	50.0	37.2	12.8	33.4	
<a href="#">Growth rate of orders</a>	-4.8	18.9	57.4	23.7	-6.0	23.8	36.4	50.9	12.6	23.5	
<a href="#">Unfilled orders</a>	-3.9	14.8	66.5	18.7	-10.0	12.8	20.2	72.3	7.4	5.1	
<a href="#">Volume of shipments</a>	0.3	26.1	48.0	25.8	-11.2	34.5	46.7	41.2	12.2	32.2	
<a href="#">Delivery time</a>	-8.4	8.4	74.7	16.8	-7.2	4.3	11.7	80.9	7.4	-6.3	
<a href="#">Materials inventories</a>	-25.6	5.3	63.8	30.9	-29.6	-1.1	16.3	66.3	17.4	-6.1	
<a href="#">Finished goods inventories</a>	-21.3	5.3	68.1	26.6	-23.2	-5.4	11.8	71.0	17.2	-9.2	
<a href="#">Prices paid for raw materials</a>	9.8	21.4	67.0	11.6	9.9	32.2	38.7	54.8	6.5	29.9	
<a href="#">Prices received for finished goods</a>	-17.9	4.9	72.4	22.8	-21.4	2.1	16.1	69.9	14.0	3.1	
<a href="#">Wages and benefits</a>	0.0	4.2	91.6	4.2	0.0	14.5	18.5	77.5	4.0	19.7	
<a href="#">Number of employees</a>	-8.1	11.9	68.1	20.0	-15.7	10.6	25.5	59.6	14.9	0.0	
<a href="#">Average employee workweek</a>	-7.4	16.8	58.9	24.2	-11.2	19.1	28.7	61.7	9.6	12.2	
<a href="#">Capital expenditures</a>	-12.8	8.5	70.2	21.3	-15.3	-1.1	15.4	68.1	16.5	-1.0	

#### General Business Conditions

	Sept Index	% Improved	Remained the Same	% Worsened	Aug Index	Sept Index	% Improved	Remained the Same	% Worsened	Aug Index
<a href="#">How has the outlook for your company changed?</a>	-2.7	20.0	57.3	22.7	-6.7	16.9	33.6	49.8	16.7	21.2
<a href="#">What is your evaluation of the level of general business activity?</a>	-6.4	17.0	59.6	23.4	-9.1	13.9	30.9	52.1	17.0	16.8

Data have been seasonally adjusted as necessary. See information on [seasonal adjustment](#).





#### Comments

##### Wood Product Manufacturing

South Texas construction activity, particularly commercial activity, has declined. We feel fortunate to still be standing with recent business failures all around us.

**Chemical Manufacturing**

We are seeing customers finally ordering traditional products, which we have not seen for most of this year.

I think inflation in energy costs is the most worrisome factor in the next six months to a year.

**Plastics and Rubber Products Manufacturing**

We have seen sales go up one month and down the next over the last six to nine months. It is a bit confusing. I do not hear much "doom and gloom" from our customers, from sales reps who call on us or from competitors. So, I am more inclined to be positive and upbeat about our future here in North Texas.

We're probably at the bottom of the recession, but I believe we'll stay in the trough for an extended period. There is no "bounce" in sight.

Our customers are stalling their new project orders, awaiting clarification and commitment of federal government's stimulus money. In 2011, we expect considerable growth as the stimulus funds are rolled out. In the meantime, customers do not want to start new projects only to later find out that they could have saved capital by waiting on the stimulus program.

**Fabricated Metal Product Manufacturing**

Wow, what a difference 30 days makes. Several of our key customers have gotten busy quickly. Our business will be up 35 percent over last month.

Requests for Quotes (RFQs) for production equipment continue to be stronger than normal. Project awards are also continuing to be granted. Activity is coming from all manufacturing segments (automotive, printing, food processing, consumer products, oil, plastics, etc.). Interestingly, a disproportionate amount of the automotive activity is for a U.S. auto manufacturer. Our quoted lead times are going up due to increased workloads, although an abnormal percentage of the RFQs are requesting expedited delivery dates. Materials prices have gone up by as much as 50 percent in the last 60 days for some metals (plate, bar stock, etc.). Prices for electronics components (e.g., power supplies) are also increasing, up by approximately 10–15 percent since the beginning of the year. Some increase in sales price may be possible as customers' urgencies and the loss of a number of marginal competitors will provide pricing opportunities.

Next quarter is expected to be flat with an increase beginning in 2010. Manufacturing seems to be returning or steady in the U.S. due to speed and quality requirements. Cash flow is very constrained and has been deteriorating during the latter part of third quarter 2009. Obtaining financing has been very challenging for small business manufacturing.

We are still receiving requests for quotation, but many are estimates for proposed work that has not yet been approved. General level of activity has decreased from August.

**Machinery Manufacturing**

The economy is getting worse in Houston. The oilfield and related companies are experiencing layoffs. We had very, very little overtime pay for August, and September overtime will be nonexistent. Any overtime would show an increase in our business, as it would reflect higher manufacturing activity. Our service business has also slowed from much higher activity in June and July. Our customers' future spending for maintenance and capital is still foggy. We remain optimistic that we will increase our market share in these difficult times.

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).

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