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June 20, 2010

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**Texas Manufacturing Outlook Survey****October 26, 2009****New this month...**

For this month's survey, manufacturers were asked supplemental questions on the impact of credit availability on their businesses. [Read Special Questions»](#)

**Texas Manufacturing Falls in October, but Outlook Improves Further**

Texas factory activity declined in October, according to business executives responding to the Texas Manufacturing Outlook Survey. The [production](#) index—a key indicator of current manufacturing activity—edged further into negative territory, suggesting output in October contracted after remaining stable in September.

Current activity indexes for [new orders](#) and [shipments](#) turned negative, erasing gains seen last month. The [company outlook](#) and [business activity](#) indexes remained slightly negative, but a growing majority of executives reported no changes from the prior month and only a fifth noted worsening outlooks and decreased business activity.

The [employment](#) index remained negative as more respondents are trimming payrolls than hiring. However, nearly 70 percent of manufacturers reported no changes in staff levels or hours worked.

Price pressures remained tame, with about three-fourths of respondents reporting no change from the previous month in input and selling prices. The [raw materials price](#) index rose as firms reporting higher input prices continued to outpace those seeing declines by a significant margin. Some companies continued to report net declines in prices for their manufactured goods, keeping the [finished goods price](#) index negative.

Several indexes of future activity strengthened in October. The future indexes for [capacity utilization](#) and [shipments](#) climbed to their highest levels in 26 months. The six-month [production](#) index was positive in October, continuing a trend that began in March. Future [outlook](#) and future [business activity](#) indexes also strengthened.

During the week of Sept. 29–Oct. 2, manufacturers answered supplemental questions on the impact of credit availability on their businesses. The October 2008 survey included the same questions, providing a 12-month comparison.

The share of firms experiencing problems obtaining credit to finance ongoing activities climbed from 23 percent in October 2008 to 34 percent this month. Among those firms currently facing hurdles seeking credit, 89 percent reported changes in terms, and 78 percent noted changes in loan volumes.

The percentage of firms indicating that credit availability has impacted their company's outlook or operations dropped from 42 percent in October 2008 to 37 percent this month. However, the share of companies reducing capital spending in response to the credit crunch rose from 37 percent in October 2008 to 46 percent this month. Those either laying off workers or cutting back on hiring were up from 39 percent to 57 percent.

The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state's factory activity. Data were collected Oct. 13–21, and 91 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: Nov. 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.

**Company Business Indicators Relating to Facilities and Products in Texas****Current Report Links**

- Current report
- Comments
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- 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**

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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**

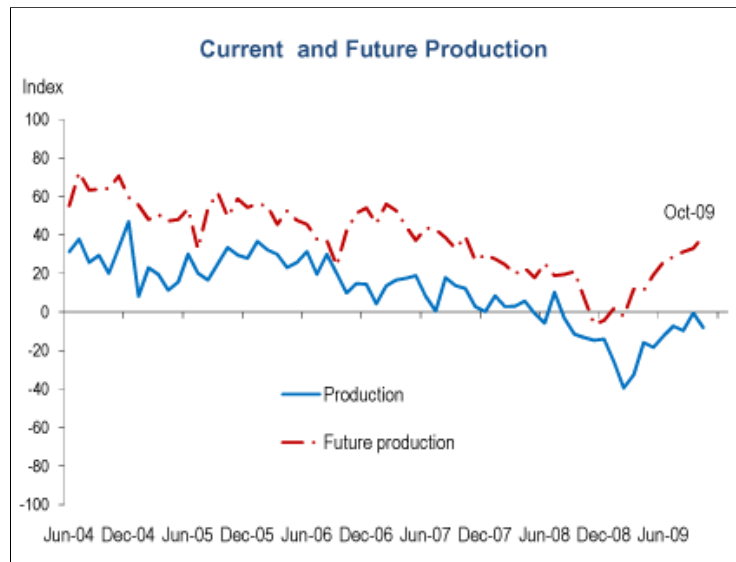
- Economic Updates
- Dallas Beige Book
- Metro Business-Cycle Indexes
- Texas Manufacturing Outlook Survey
- Quick Slide Show on the Regional Economy
- FRB Adjusted-Texas Employment

	October vs. September					Six months from now					Regional Economic Indicators
	Oct Index	% Increase	No Change	% Decrease	Sept Index	Oct Index	% Increase	No Change	% Decrease	Sept Index	
<a href="#">Production</a>	-8.0	19.5	53.1	27.5	-0.5	39.1	47.8	43.5	8.7	33.0	<a href="#">DataBasics</a> <a href="#">Regional Economic Indicators</a>
<a href="#">Capacity utilization</a>	-11.3	18.1	52.5	29.4	-4.8	37.3	45.0	47.3	7.7	30.7	
<a href="#">Volume of new orders</a>	-2.8	24.9	47.3	27.7	8.0	36.7	46.7	43.3	10.0	37.2	
<a href="#">Growth rate of orders</a>	-9.6	15.8	58.8	25.4	-4.8	31.9	42.1	47.5	10.2	23.8	
<a href="#">Unfilled orders</a>	-18.7	4.6	72.3	23.3	-3.9	4.4	11.1	82.2	6.7	12.8	
<a href="#">Volume of shipments</a>	-16.1	18.1	47.8	34.2	0.3	38.6	46.9	44.9	8.3	34.5	
<a href="#">Delivery time</a>	-6.6	8.8	75.8	15.4	-8.4	-4.5	5.6	84.3	10.1	4.3	
<a href="#">Materials inventories</a>	-24.2	8.8	58.2	33.0	-25.6	-2.3	14.6	68.5	16.9	-1.1	
<a href="#">Finished goods inventories</a>	-16.5	8.8	65.9	25.3	-21.3	-7.8	11.1	70.0	18.9	-5.4	
<a href="#">Prices paid for raw materials</a>	15.0	19.1	76.8	4.1	9.8	30.0	33.3	63.3	3.3	32.2	
<a href="#">Prices received for finished goods</a>	-21.5	2.0	74.5	23.5	-17.9	-3.4	12.2	72.2	15.6	2.1	
<a href="#">Wages and benefits</a>	1.1	5.5	90.1	4.4	0.0	12.8	15.6	81.6	2.8	14.5	
<a href="#">Employment</a>	-11.9	9.5	69.0	21.4	-8.1	16.7	26.7	63.3	10.0	10.6	
<a href="#">Average employee workweek</a>	-16.6	6.7	70.0	23.3	-7.4	11.1	22.2	66.7	11.1	19.1	
<a href="#">Capital expenditures</a>	-12.1	7.7	72.5	19.8	-12.8	0.0	11.1	77.8	11.1	-1.1	

#### General Business Conditions

	Oct Index	% Improved	Remained the Same	% Worsened	Sept Index	Oct Index	% Improved	Remained the Same	% Worsened	Sept Index
<a href="#">How has the outlook for your company changed?</a>	-4.9	15.2	64.7	20.1	-2.7	24.5	34.5	55.6	10.0	16.9
<a href="#">What is your evaluation of the level of general business activity?</a>	-3.3	17.0	62.9	20.3	-6.4	16.7	30.0	56.7	13.3	13.9

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



– [Special questions](#)

**Comments**

These comments have been edited for publication.

**Food Manufacturing**

We have a new large customer that has increased our business significantly. Purchases from our existing accounts are steady.

**Petroleum and Coal Products Manufacturing**

While we are expecting marginal improvement over the next three to six months, we have no visibility beyond six months. We see no need to add employees or increase hours over the next six months.

**Plastics and Rubber Products Manufacturing**

We are seeing a slight uptick in orders.

**Nonmetallic Mineral Product Manufacturing**

We feel that economic conditions will improve slightly in 2010, but the recovery will be slow, extending over a period of three years. We have concerns regarding the weakness of the dollar and the effect that this will have on commodity prices as well as the potential for future inflation.

**Primary Metal Manufacturing**

There is still not much new construction activity. We are heading into the slower (seasonal) months for our industry. We need positive job growth data, which will hopefully jump-start/inspire consumer confidence.

**Fabricated Metal Product Manufacturing**

Capital spending for the refinery industry has shut down. We still have union contracts that stipulate time-based wage increases.

We are continuing to receive customer bid requests for small jobs, but they are at decreased margins in order to be awarded the work. Our competition is continuing to cause pricing to drop well below costs. There seems to be an increase in work being cancelled or deferred.

We are in the upstream oil and gas business serving the natural gas sector, and our current outlooks are negative into second half of 2010.

Our largest customer's parent company filed for Chapter 11, which dramatically hurt our business.

**Machinery Manufacturing**

We are concerned about the lack of improvement in business fundamentals (demand, profit margin) of our customer segments. While we are not seeing further declines in demand, we are not seeing any improvement either. For our industry, we are projecting a slight improvement in the next six months. This improvement will be driven by a recovery in maintenance spending. We are certain that the improvement will occur, but we are less certain of the precise timing.

Backlogs in jobs are still sporadic. We are seeing more quotations now than we saw early in 2009. We are optimistic that this trend will continue.

**Furniture and Related Product Manufacturing**

Business has finally stabilized at this very low level. The number of business closings is now only one or two per month. We don't know how this affects our dealers long term, but it is the only good sign we see at this time. Many of our dealers believe that customers are delaying purchases until they know whether they will have money to spend on durable goods such as a mattress.

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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