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June 20, 2010

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Texas Manufacturing Outlook Survey**November 30, 2009****After Prolonged Decline, Texas Manufacturing Expands**

Texas factory activity showed its first signs of growth in more than a year, according to business executives responding to November's Texas Manufacturing Outlook Survey. The [production](#) index, a key indicator of state manufacturing conditions, turned positive for the first time since July 2008. Other key indexes of current factory activity—including [capacity utilization](#), [shipments](#), [new orders](#) and [growth rate of orders](#)—also moved into positive territory.

The [business activity](#) and [company outlook](#) indexes also improved. After two years in negative territory, they came in close to zero in November as the number of companies reporting better business conditions and those noting further weakness were nearly equal.

The [employment](#) index remained negative, implying more manufacturers are laying off than are hiring. The [average workweek](#) index was also negative in November, but posted a big improvement over the prior month as the share of respondents noting increased work hours rose sharply from 6.7 percent to 16.3 percent. Wage pressures were still minimal, with the majority of producers reporting no change in [wages and benefits](#).

Manufacturers continued to draw down inventories. The index for [materials inventories](#) fell to its lowest reading in eight months, and 30 percent of manufacturers reported declines in their [finished goods inventories](#).

Price pressures were mixed. The [finished goods price index](#) remained negative, although the great majority of respondents reported no change in selling prices. The [raw materials price index](#) was positive and rose, indicating that producers continue to see rising input costs. Expectations for raw material price increases over the next six months were elevated as well.

Several indexes for future activity dipped in November, but they remain positive, suggesting that manufacturers still expect demand to pick up in coming months. The future [production](#), [capacity utilization](#), [shipments](#) and [growth rate of orders](#) indexes were positive for the ninth consecutive month, and 36 percent of responding executives reported an improved six-month [company outlook](#).

The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state's factory activity. Data were collected Nov. 17–24, 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. Where appropriate, the indexes are [seasonally adjusted](#).

Next release: Dec. 28, 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

	November vs. October					Six months from now				
	Nov Index	% Increase	No Change	% Decrease	Oct Index	Nov Index	% Increase	No Change	% Decrease	Oct Index
Production	5.9	26.8	52.4	20.9	-8.0	33.0	44.5	44.1	11.5	39.1
Capacity utilization	1.6	22.4	56.8	20.8	-11.3	28.9	38.6	51.5	9.7	37.3
Volume of new orders	10.5	32.1	46.3	21.6	-2.8	35.6	47.8	40.0	12.2	36.7
Growth rate of orders	10.0	27.7	54.5	17.7	-9.6	26.1	36.0	53.9	9.9	31.9
Unfilled orders	-7.3	10.4	72.1	17.7	-18.7	1.1	12.1	76.9	11.0	4.4
Volume of shipments	4.7	30.1	44.6	25.4	-16.1	31.2	43.1	45.1	11.9	38.6

**Current Report Links**

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Regional Data Resources

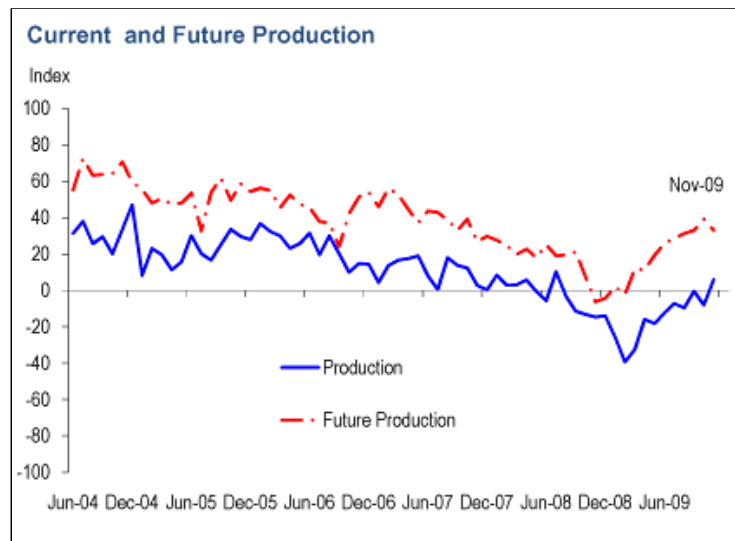
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Delivery time	-7.6	9.8	72.8	17.4	-6.6	-3.3	5.5	85.7	8.8	-4.5	— Regional Economic Indicators
Materials inventories	-30.4	8.7	52.2	39.1	-24.2	-4.4	17.6	60.4	22.0	-2.3	
Finished goods inventories	-21.7	8.7	60.9	30.4	-16.5	-12.1	9.9	68.1	22.0	-7.8	
Prices paid for raw materials	22.0	22.0	78.0	0.0	15.0	31.9	39.6	52.7	7.7	30.0	
Prices received for finished goods	-12.3	6.2	75.3	18.5	-21.5	12.1	18.7	74.7	6.6	-3.4	
Wages and benefits	-2.2	5.4	87.0	7.6	1.1	15.0	19.0	76.9	4.0	12.8	
Employment	-15.1	12.2	60.4	27.3	-11.9	8.8	23.1	62.6	14.3	16.7	
Average employee workweek	-6.5	16.3	60.9	22.8	-16.6	9.9	20.9	68.1	11.0	11.1	
Capital expenditures	-15.5	7.8	68.9	23.3	-12.1	-5.6	14.4	65.6	20.0	0.0	

General Business Conditions

	Nov Index	% Improved	Remained the Same	% Worsened	Oct Index	Nov Index	% Improved	Remained the Same	% Worsened	Oct Index
How has the outlook for your company changed?	0.8	22.8	55.3	22.0	-4.9	23.7	36.3	51.2	12.6	24.5
What is your evaluation of the level of general business activity?	0.3	20.2	60.1	19.9	-3.3	15.7	29.2	57.3	13.5	16.7

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



Comments

These comments have been edited for publication.

Beverage and Tobacco Product Manufacturing

We had very weak sales in September and even worse in October. We are attributing it to all the rain. November sales have rebounded and are slightly ahead of plan. We are building inventory before year-end price increases from suppliers.

Petroleum and Coal Products Manufacturing

We have seen a slight uptick in the level of interest from the private sector in the past 30 days, which had been nonexistent over the past 12 months. The interest is in the form of proposals and not contracts, so we'll see what happens.

Chemical Manufacturing

We have been looking at a potential acquisition and have found the banking industry very difficult to work with. Everyone wants to tie a credit line to fees from ancillary services such as credit cards, 401(k) management, etc. This is true even on a participation deal that might include three to four banks, which makes it hard to satisfy everyone.

Nonmetallic Mineral Product Manufacturing

We continue to believe that housing and general economic conditions will improve slightly in 2010.

Primary Metal Manufacturing

Our two basic markets continue to be building/construction and transportation. Both of these markets remain significantly off. Within our industry, 29 plants, representing an estimated 10 percent of capacity, have been closed since 2007. More closures are expected during the traditionally slow winter months.

Fabricated Metal Product Manufacturing

There is surprisingly very little activity. For the small amount of bid work received in the past 30 days, pricing to obtain work is well below cost. Larger requests for quotation (RFQs) are for inclusion in budgets or estimates for future work; these bids are not for actual work to be awarded anytime in the next quarter or possibly the next six months but are accommodations for the owner or construction management companies.

Machinery Manufacturing

We are very cautious about the overall economy and don't see natural drivers for a recovery. Regarding our business, we are cautiously optimistic that demand levels will improve somewhat (10 percent +/-) due to underinvestment in maintenance by our customers over the past year.

Furniture and Related Product Manufacturing

We see fewer retailers going out of business, but payment rates are worse, which is worrisome as more retailers may be on the brink of failure. As our efficiencies improve, we require fewer employees. Retail sales are not improving, either because of lack of credit or no sales. We have lost over 100 accounts in the past year.

Miscellaneous Manufacturing

Our export business continues to hold up pretty well.

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

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