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June 20, 2010

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**Texas Manufacturing Outlook Survey**

December 28, 2009

**Texas Manufacturing Holds Steady and Outlook Improves Further**

Texas factory activity was flat in December, according to business executives responding to the Texas Manufacturing Outlook Survey. The [production](#) index, a key indicator of state manufacturing conditions, came in close to zero in December, suggesting output held steady after growing in November for the first time since July 2008.

All indexes for future activity strengthened substantially in December, suggesting a more upbeat six-month outlook. The majority of respondents expect increases in [production](#), [new orders](#) and [shipments](#) in the next six months. The future [business activity](#) index climbed to its highest level in nearly three years, and 41 percent of responding executives reported an improved six-month [company outlook](#).

Other broad indicators of current factory activity—including [capacity utilization](#), [shipments](#), [new orders](#) and [growth rate of orders](#)—remained positive and pointed to continued growth.

The [business activity](#) and [company outlook](#) indexes were positive for the second consecutive month in December, with manufacturers seeing better business conditions outnumbering those experiencing continued weakness.

The [employment](#) index remained negative but posted a big improvement as the share of respondents reporting layoffs fell from 27.3 percent in November to 17.9 percent in December.

Current capital investment continued to decline, but the future [capital expenditures](#) index climbed into positive territory. Twenty-three percent of manufacturers—the highest share since September 2008—said they expected increases in capital expenditures six months from now.

Downward pressures on [finished goods](#) prices remained, but the number of companies reporting declines in selling prices outpaced those seeing increases by the slimmest margin since October 2008. The [raw materials](#) price index was positive and rose, indicating producers were still seeing rising input costs. The future raw materials price index rose to its highest level since July 2008—when energy prices were at their peak.

The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state's factory activity. Data were collected Dec. 15–22, and 93 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](#).

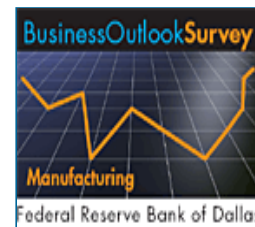
Next release: Jan. 25, 2010

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**

	December vs. November					Six months from now				
	Dec Index	% Increase	No Change	% Decrease	Nov Index	Dec Index	% Increase	No Change	% Decrease	Nov Index
<a href="#">Production</a>	-0.5	23.8	52.0	24.3	5.9	45.7	53.6	38.5	7.9	33.0
<a href="#">Capacity utilization</a>	0.9	23.1	54.7	22.2	1.6	40.5	49.2	41.7	8.7	28.9
<a href="#">Volume of new orders</a>	10.0	32.1	45.8	22.1	10.5	50.5	57.1	36.3	6.6	35.6
<a href="#">Growth rate of orders</a>	11.0	26.2	58.5	15.2	10.0	32.9	39.5	53.9	6.6	26.1
<a href="#">Unfilled orders</a>	-4.2	14.0	68.0	18.2	-7.3	14.3	20.9	72.5	6.6	1.1
<a href="#">Volume of shipments</a>	2.3	27.5	47.5	25.2	4.7	43.5	51.4	40.9	7.9	31.2

**Current Report Links**

- Current report
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**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**

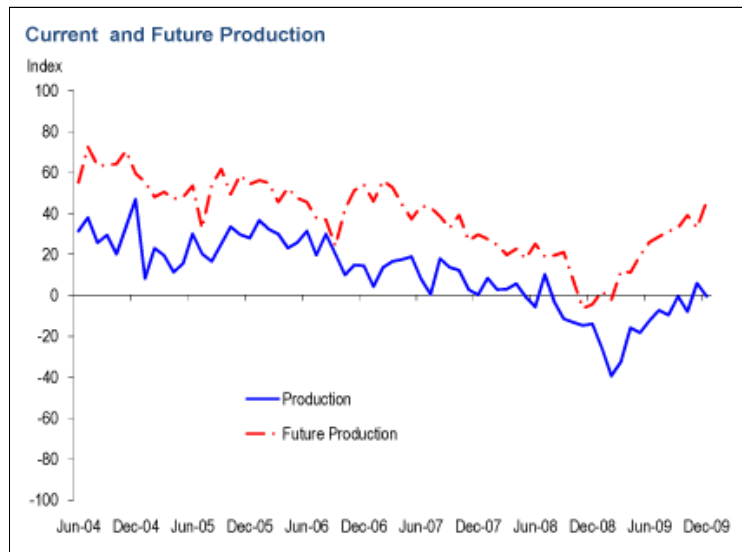
- Economic Updates
- Dallas Beige Book
- Metro Business-Cycle Indexes
- Texas Manufacturing Outlook Survey
- Quick Slide Show on the Regional Economy
- FRB Adjusted-Texas Employment
- DataBasics

<a href="#">Delivery time</a>	-3.2	8.6	79.6	11.8	-7.6	0.0	9.9	80.2	9.9	-3.3	— Regional Economic Indicators
<a href="#">Materials inventories</a>	-21.5	10.8	57.0	32.3	-30.4	6.6	25.3	56.0	18.7	-4.4	
<a href="#">Finished goods inventories</a>	-19.8	5.5	69.2	25.3	-21.7	-5.5	12.1	70.3	17.6	-12.1	
<a href="#">Prices paid for raw materials</a>	28.7	28.7	71.3	0.0	22.0	53.8	54.9	44.0	1.1	31.9	
<a href="#">Prices received for finished goods</a>	-4.0	9.4	77.2	13.4	-12.3	16.5	23.1	70.3	6.6	12.1	
<a href="#">Wages and benefits</a>	1.1	6.5	88.2	5.4	-2.2	26.9	31.3	64.2	4.4	15.0	
<a href="#">Employment</a>	-2.8	15.1	66.9	17.9	-15.1	26.4	36.3	53.8	9.9	8.8	
<a href="#">Average employee workweek</a>	-9.7	11.8	66.7	21.5	-6.5	25.5	34.4	56.7	8.9	9.9	
<a href="#">Capital expenditures</a>	-15.4	5.5	73.6	20.9	-15.5	11.3	22.5	66.3	11.2	-5.6	

### General Business Conditions

	Dec Index	% Improved	Remained the Same	% Worsened	Nov Index	Dec Index	% Improved	Remained the Same	% Worsened	Nov Index
<a href="#">How has the outlook for your company changed?</a>	6.3	21.5	63.5	15.2	0.8	29.5	40.8	48.0	11.3	23.7
<a href="#">What is your evaluation of the level of general business activity?</a>	3.8	23.5	57.2	19.7	0.3	31.9	45.1	41.8	13.2	15.7

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



### Comments

These comments have been edited for publication.

#### Chemical Manufacturing

We are in the holiday doldrums. Activity has slowed more than it usually does this time of the year. The rise in petroleum prices in October and November is contributing to the slowdown. The March–May 2010 stretch will tell whether there is any economic recovery or not.

#### Plastics and Rubber Products Manufacturing

We are encouraged for the first time in over a year by prospects of a steady stream of orders from our existing customers.

Two years ago, our customers would place orders further in advance. Nowadays we have less visibility of our customers' requirements as they tend to place orders at the last minute or when they receive orders from their customers. This leads to an uneasy business environment, anxiety in the supply chain and more caution in hiring and committing to new equipment. Local and regional banks are now imposing interest rate floors of 4–6 percent, so we are remaining with a national bank offering a variable rate.

**Nonmetallic Mineral Product Manufacturing**

We expect to see a modest improvement in housing demand in 2010 as a result of a weak economic recovery.

**Fabricated Metal Product Manufacturing**

We have seen several of our existing customers increase their ordering activity. Backlogs are the highest since first quarter 2009.

**Machinery Manufacturing**

We see some positive indicators that demand for our industrial services will increase slightly (up to 10 percent plus) this spring. The driver of demand is catch-up due to deferrals in maintenance spending over the past year. We expect to still be below prerecession demand levels. We remain concerned that the overall economy will remain very soft. Our customer profit levels also remain at the same low levels as a year ago.

**Furniture and Related Product Manufacturing**

None of our retailers are closing this month and that is really great. We are seeing some increase in spot buying, which indicates that business is being done at the retail level, but so far no one is buying inventory.

**Miscellaneous Manufacturing**

Our export business to the precious metals market is what is keeping us going. The high price of gold continues to drive our market.

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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