Texas Manufacturing Outlook Survey

DALLASFED

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Special Questions

Data were collected Nov. 30–Dec. 3, and 97 Texas manufacturers responded to the surveys.

1. What net effect has the change in the dollar exchange rates over the past year had on your business? Please consider the impact on prices you pay for materials as well as prices you charge for your products and your volume of sales.

Favorable	17.4%
No effect	39.5%
Unfavorable	43.0%

2. Approximately what percentage of your overall revenues came from exports over the past year?

None	35.1%
1 to 4	24.7%
5 to 9	13.4%
10 to 19	9.3%
20 or more	17.5%

3. How do exports as a share of your overall revenue compare with a year ago?

Increased substantially	0.0%
Increased somewhat	10.8%
No change	52.7%
Decreased somewhat	20.3%
Decreased substantially	16.2%

4. How has demand for your products from each of these regions/countries changed from a year ago?

	Canada	Euro Area	Mexico	Japan	China	Other Asia
Substantially weaker	18.5%	20.5%	10.9%	7.1%	9.1%	11.4%
Somewhat weaker	22.2%	22.7%	20.0%	14.3%	24.2%	25.7%
No change	50.0%	45.5%	52.7%	60.7%	60.6%	48.6%
Somewhat stronger	9.3%	9.1%	12.7%	14.3%	6.1%	14.3%
Substantially stronger	0.0%	2.3%	3.6%	3.6%	0.0%	0.0%

Special Questions Comments

These comments have been edited for publication.

Chemical Manufacturing

- Chinese trade is nonexistent but not because of demand or price, but due to political trade embargoes. Indian growth has been strong the last six quarters, and we are seeing more demand in Mexico for our products compared with three years ago.
- Our products are a small cost to the customers compared with their overall costs, but the product is critical to their manufacturing processes. Therefore, the price change due to the strong dollar does not affect demand. Demand for their products affects our demand, but we've seen very little change. Our products go into polyethylene production or Canadian oil sands crude production.

Plastics and Rubber Products Manufacturing

- We do not export except into Canada.

Fabricated Metal Product Manufacturing

- Steel is a large part of our cost of goods sold. The annual increase in the value of the dollar has had a negative effect on commodity prices including steel.
- Customers are sourcing product from China and Korea, and we cannot compete with the prices.
- We have experienced more competition from Mexico due to the dollar exchange rate and more close shoring of manufacturing.

Machinery Manufacturing

- The stronger dollar also means lower crude prices, so it is a double whammy.
- Current customer expansion outside the U.S. has slowed with the higher cost of equipment. It has also made obtaining new customers more difficult due to the nature of the premium price equipment we sell.

Computer and Electronic Product Manufacturing

- Our shipments into a region are not reflective of consumption by that region. We shipped about 45 percent of our revenues into China, and most was put into products that are consumed somewhere else. We also ship product, as a specific example of many, into Europe that is put into an automobile that is shipped to China for consumption. We had about 5 percent of revenues in euro and about 3 percent in yen. The move in the foreign exchange market cost us about $150 million in revenue/profit or 1 percent revenue/5 percent per foreign order just in translation cost. We have no way to measure impact to demand, but many in our industry argue the impact is there.
- We are indirectly and negatively affected by the high dollar valuation, as our customers are all original equipment manufacturers and depend on world economies, dollar stabilization against other currencies and the Export-Import Bank.

Transportation Equipment Manufacturing

- We are no longer able to maintain competitiveness in these foreign countries, as well as others such as Australia and South Africa. Our primary competition is China and India, whose manufacturing conglomerates are subsidized heavily by their respective governments. They further intimidate the U.S. economy by sending comparable goods into the U.S. without being subject to tariffs for the goods coming in. Our product made in U.S. to be exported has decreased approximately 45 percent during 2015 as compared with 2014.

Food Manufacturing

- Because the demand for our raw materials is down due to the strong dollar, our costs are lower.

Wood Product Manufacturing

- We do not export, but we do import. The stronger dollar has resulted in some lower material costs, which in turn has led to improved margins.

Printing and Related Support Activities

- The return on equity impact on our company has been favorable, as it allows us to purchase capital equipment at a more favorable cost. This is particularly true versus the euro zone. Alternatively, imports from Asia (China, Southeast Asia and India) have been more competitive, and we have lost domestic orders to imports of packaging materials from those areas.
- The stronger dollar has helped us more in cost of imported materials that we use, rather than affecting what little export sales we have. We do not sell directly to any international customers; rather, some of our domestic customers have us finish out their printing that then may ship to Mexico.

Miscellaneous Manufacturing

- We sell our products in U.S. dollars and as a result, the relative strengthening of the dollar against other world markets has diminished foreign investment and replenishment orders. Brazil is our largest market outside the U.S., and exports are down considerably due to the exchange rate, local market conditions and Brazilian distributor underperformance.