

President's Perspective



TMOS is an important research tool that empowers us at the Dallas Fed with a better understanding of economic conditions in the Eleventh District and the nation.

To more effectively gauge the health of our economy at the regional and national levels, it's critical that we keep close tabs on our manufacturing industry.

The Eleventh District of the Federal Reserve System—which includes Texas, southern New Mexico and northern Louisiana—accounts for just over 10 percent of the nation's manufacturing output. Add in the Atlanta, Chicago and San Francisco districts and you account for more than 50 percent.

In Texas, manufacturing output grew at more than twice the rate it did nationally in the decade before our recent economic crisis. Texas alone was responsible for nearly \$160 billion in manufactured goods in 2008—second only to California.

Texas churns out roughly one-fifth of the country's petroleum and coal manufactured goods—a reflection of our powerful energy industry. And the state is responsible for well

over 10 percent of the country's computer and electronics production—a reflection of our strong presence in high tech. Such industries endow our regional manufacturing with a distinctive composition.

In 2004, the Dallas Fed began collecting data for the Texas Manufacturing Outlook Survey to track this valuable sector. TMOS, as it's referred to around our office, is a business tendency survey that collects on-the-ground intelligence directly from the private-sector operators powering our economy. Once a month, we ask manufacturers across the state about changes in their Texas operations. We aggregate the responses to create indexes of production, general business activity, price pressures and growth expectations. These indexes have proven quite accurate at predicting economic activity and employment for our region's manufacturing industry. They also contribute to our understanding of the national economy.

TMOS doesn't stand alone. Our sister Banks in Philadelphia, Richmond, New York and Kansas City conduct their own manufacturing surveys. The other major manufacturing districts—Atlanta, Chicago and San Francisco—do not.

Like other things Texan, TMOS is unique. Released at the end of the month in which responses are collected, it is the first regional survey on the scene with timely manufacturing data. And special questions allow us to assess the real-time economic impact of regional events, such as the Gulf oil spill.

TMOS is an important research tool that empowers us at the Dallas Fed with a better understanding of economic conditions in the Eleventh District and—taken together with other indicators—the nation. In this issue of *Southwest Economy*, readers get a closer peek at our latest assessments of this survey's effectiveness.

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