



TEXAS MANUFACTURING ACTIVITY STRENGTHENS FURTHER

April 26, 2010

Texas factory activity increased for the sixth month in a row in April, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key indicator of state manufacturing conditions, climbed further into positive territory as more producers reported increased activity.

The April production index came in at 18, up from its March level of 9, with 40 percent of respondents noting increased output.

Other indicators of current factory activity also pointed to strong growth. The indexes for capacity utilization, new orders and shipments showed marked increases. The growth rate of orders index jumped to its highest level since June 2006.

The index for capital expenditures, which had been negative for nearly two years, stabilized in April with a slightly positive reading. Still, four of five companies hadn't made any changes in their capital expenditures over the prior month.

The business activity index increased sharply, with the share of manufacturers reporting improvement rising from 23 percent in March to 34 percent in April. The company outlook index also rose steeply, reaching its highest level in four years.

Labor market conditions in the region's manufacturing sector continued to improve in April. The employment index signaled further job growth, with the share of firms hiring workers rising to 22 percent. Hours worked climbed again, and the wages and benefits index rose as the share of respondents noting increases doubled from 10 percent to 20 percent.

Upward pressure on raw materials prices persisted, with 44 percent of manufacturers reporting rising input costs. The share of respondents noting higher finished goods prices increased, and the index entered positive territory, although three-fourths of producers reported no change. Expectations of future price increases rose in April after abating in March. More than half of respondents anticipate further increases in raw materials prices over the next six months, while 26 percent expect higher finished goods prices.

Firms remain optimistic about their six-month outlook. The indexes for future production, capacity utilization and new orders stayed strongly positive in April. The future business activity index and six-month company outlook index rose after edging downward in recent months.

The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state's factory activity. Data were collected Apr. 13-21, 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.

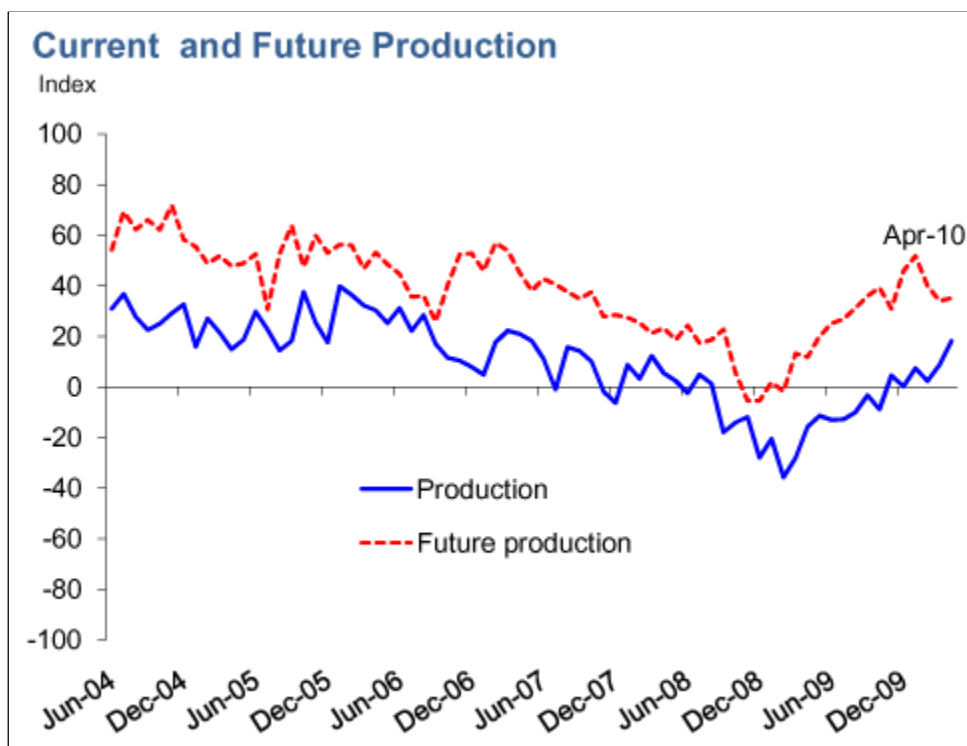
Next release: June 1, 2010

Company Business Indicators Relating to Facilities and Products in Texas Current								
Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	18.2	8.7	+9.5	Increasing	6	39.6	38.9	21.4
Capacity Utilization	20.6	14.9	+5.7	Increasing	2	38.7	43.2	18.1
Volume of New Orders	15.8	10.9	+4.9	Increasing	2	35.7	44.4	19.9
Growth Rate of Orders	19.6	8.6	+11.0	Increasing	2	36.1	47.5	16.5
Unfilled Orders	8.9	7.4	+1.5	Increasing	2	18.4	72.1	9.5
Volume of Shipments	14.6	1.6	+13.0	Increasing	2	36.3	42.0	21.7
Delivery Time	4.3	-7.8	+12.1	Increasing	1	14.0	76.3	9.7
Materials Inventories	2.2	7.8	-5.6	Increasing	2	19.4	63.4	17.2
Finished Goods Inventories	-6.5	0.0	-6.5	Decreasing	1	12.9	67.7	19.4
Prices Paid for Raw Materials	42.1	39.3	+2.8	Increasing	9	43.7	54.7	1.6
Prices Received for Finished Goods	2.9	-3.3	+6.2	Increasing	1	14.3	74.3	11.4
Wages and Benefits	16.3	4.5	+11.8	Increasing	5	19.6	77.2	3.3
Employment	9.8	2.8	+7.0	Increasing	2	21.5	66.8	11.7
Average Employee Workweek	22.8	13.5	+9.3	Increasing	2	34.8	53.3	12.0
Capital Expenditures	1.1	-7.8	+8.9	Increasing	1	9.9	81.3	8.8
General Business Conditions Current								
Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Has the outlook for your company changed?	26.4	7.1	+19.3	Improving	2	36.9	52.6	10.5
What is your evaluation of the level of general business activity?	21.1	7.2	+13.9	Improving	2	33.9	53.3	12.8
Company Business Indicators Relating to Facilities and Products in Texas Six Months Ahead								
Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	35.1	34.0	+1.1	Increasing	14	47.0	41.0	11.9
Capacity Utilization	33.0	32.1	+0.9	Increasing	14	45.7	41.6	12.7
Volume of New Orders	30.5	29.5	+1.0	Increasing	16	43.5	43.5	13.0
Growth Rate of Orders	26.2	28.5	-2.3	Increasing	14	38.9	48.4	12.7
Unfilled Orders	7.7	5.8	+1.9	Increasing	10	12.0	83.7	4.3
Volume of Shipments	28.7	38.1	-9.4	Increasing	14	42.1	44.5	13.4
Delivery Time	-2.2	0.0	-2.2	Decreasing	1	4.3	89.1	6.5
Materials Inventories	13.0	-4.6	+17.6	Increasing	1	23.9	65.2	10.9
Finished Goods Inventories	6.5	3.4	+3.1	Increasing	2	15.2	76.1	8.7
Prices Paid for Raw Materials	47.2	40.3	+6.9	Increasing	13	51.6	44.0	4.4
Prices Received for Finished Goods	16.5	11.4	+5.1	Increasing	6	26.4	63.7	9.9
Wages and Benefits	29.6	31.8	-2.2	Increasing	71	30.4	68.8	0.8
Employment	17.6	12.5	+5.1	Increasing	8	26.4	64.8	8.8
Average Employee Workweek	18.4	25.3	-6.9	Increasing	14	30.4	57.6	12.0
Capital Expenditures	9.9	6.9	+3.0	Increasing	5	19.8	70.3	9.9
General Business Conditions Six Months Ahead								
Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Has the outlook for your company changed?	19.6	16.4	+3.2	Improving	11	35.4	48.9	15.8
What is your evaluation of the level of general business activity?	23.1	18.4	+4.7	Improving	9	37.4	48.4	14.3

*Indicator direction refers to this month's index. If index is positive (negative), indicator is increasing (decreasing) or improving (worsening). If zero, indicator is unchanged.

**Number of months moving in current direction.

Data have been seasonally adjusted as necessary.



COMMENTS FROM SURVEY RESPONDENTS

These comments were selected from respondents' completed surveys and have been edited for publication.

Food Manufacturing

Dairy costs have increased significantly, especially when compared with last year.

Beverage and Tobacco Product Manufacturing

First quarter sales were weak, despite price reductions. Profits trended downward in the first three months of the year, though April is looking better.

Chemical Manufacturing

The rig count has moved up substantially, increasing the demand for our products from customers in the oilfield industry. We think there is going to be a slight leveling off in the rig count, which in turn will bring our business down.

Nonmetallic Mineral Product Manufacturing

We are seeing a modest increase in business levels due to seasonal influences. We continue to believe that the economic recovery will be slow.

Fabricated Metal Product Manufacturing

After adjusting for seasonal variation, we are generally seeing demand return in markets that have been significantly down over the past 28 months. Positive signs indicate that planning activity is starting to take place for larger projects, such as new commercial construction.

We remain concerned whether this is a lasting increase or a flurry of pent-up activity that will be short-lived.

Machinery Manufacturing

Our sectors (downstream energy, petrochemicals, power, pipeline, steel) remain very sluggish.

Computer and Electronic Product Manufacturing

We are beginning to see large cost increases for materials due to higher transportation, regulatory compliance and insurance costs. The additional cost pressures will make recovery more difficult since they will preclude

additional investment in reducing our costs and improving our competitive position.

Furniture and Related Product Manufacturing

Weak credit has hurt several of our customers and put them in serious financial difficulty. We do not see anything in the next six months that will help this issue.

Questions regarding the Texas Manufacturing Outlook Survey can be addressed to Pia Orrenius at pia.orrenius@dal.frb.org.

The Business Outlook Survey can be found online at www.dallasfed.org/data/outlook.
