



Texas Manufacturing Outlook Survey

F E D E R A L R E S E R V E B A N K O F D A L L A S

July 25, 2011

TEXAS MANUFACTURING ACTIVITY PICKS UP

Texas factory activity expanded in July, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, rose from 5.6 to 10.8, suggesting output growth picked up this month.

Other measures of current manufacturing conditions also indicated growing activity, and the pace of new orders increased. The shipments index rose to a reading of 7.8 after coming in at zero last month. The capacity utilization index was positive but remained near zero, indicating little change over the prior month. The new orders index rose sharply from 6.4 in June to 16 in July. Thirty-four percent of firms said order volumes increased this month, the highest share since November 2010.

Indexes reflecting general business conditions improved in July. The general business activity index remained negative for the third month in a row but jumped from -17.5 to -2, suggesting only a slight worsening this month. The company outlook index rose from 7.2 in June to 11 in July, indicating manufacturers were more optimistic about their firms' prospects for the near future. Ninety percent of respondents said their outlooks were unchanged or improved from last month.

Labor market indicators reflected more hiring and longer workweeks. The employment index came in at 12.1, up from 5.3 in June. Twenty-two percent of manufacturers reported hiring new workers, the highest share this year. The hours worked index rose from 1.5 to 7.9.

Prices and wages increased again in July. The raw materials price index rose slightly after trending down in recent months, edging up from 31.1 to 34.3. The finished goods price index fell from 10 in June to 4.6 in July, suggesting selling prices rose but at a slower pace than last month. More than 50 percent of respondents anticipate further increases in raw materials prices over the next six months, while 27 percent expect higher finished goods prices. The wages and benefits index moved up from 15.5 in June to 18.4 in July, although the great majority of respondents noted no change in labor costs.

Expectations regarding future business conditions were generally more optimistic in July. The indexes of future general business activity and future company outlook edged up this month after trending down in the first half of the year. Several indexes of future manufacturing activity, including production, rose in July while others edged down but remained in solid positive territory.

The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state's factory activity. Data were collected Jul.12-20, and 87 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 indicator. Each index is calculated by subtracting the percentage of respondents reporting a decrease from the percentage reporting an increase. When the share of firms reporting an increase exceeds the share reporting a decrease, the index will be greater than zero, suggesting the indicator has increased over the prior month. If the share of firms reporting a decrease exceeds the share reporting an increase, the index will be below zero, suggesting the indicator has decreased over the prior month. An index will be zero when the number of firms reporting an increase is equal to the number of firms reporting a decrease.

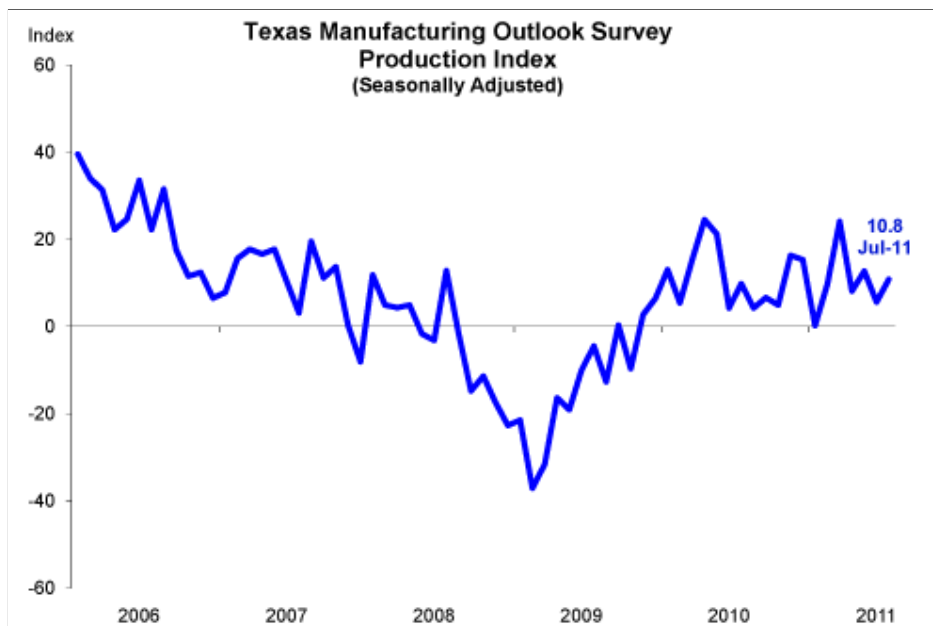
Next release: August 29, 2011

Business Indicators Relating to Facilities and Products in Texas								
Current								
Indicator	Jul Index	Jun Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	10.8	5.6	+5.2	Increasing	21	26.9	57.0	16.1
Capacity Utilization	0.6	-0.8	+1.4	Increasing	1	20.0	60.6	19.4
New Orders	16.0	6.4	+9.6	Increasing	9	34.2	47.6	18.2
Growth Rate of Orders	2.5	2.3	+0.2	Increasing	2	23.5	55.5	21.0
Unfilled Orders	8.2	-6.2	+14.4	Increasing	1	19.4	69.4	11.2
Shipments	7.8	0.4	+7.4	Increasing	9	27.1	53.6	19.3
Delivery Time	3.5	1.2	+2.3	Increasing	2	11.5	80.5	8.0
Materials Inventories	5.4	6.5	-1.1	Increasing	2	23.4	58.6	18.0
Finished Goods Inventories	0.0	0.0	0.0	Unchanged	2	14.0	72.1	14.0
Prices Paid for Raw Materials	34.3	31.1	+3.2	Increasing	24	40.5	53.3	6.2
Prices Received for Finished Goods	4.6	10.0	-5.4	Increasing	9	10.1	84.4	5.5
Wages and Benefits	18.4	15.5	+2.9	Increasing	20	19.5	79.3	1.1
Employment	12.1	5.3	+6.8	Increasing	9	22.1	67.9	10.0
Hours Worked	7.9	1.5	+6.4	Increasing	3	19.9	68.1	12.0
Capital Expenditures	-2.3	2.4	-4.7	Decreasing	1	10.3	77.0	12.6
General Business Conditions								
Current								
Indicator	Jul Index	Jun Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	11.0	7.2	+3.8	Improving	10	20.8	69.4	9.8
General Business Activity	-2.0	-17.5	+15.5	Worsening	3	15.1	67.8	17.1
Business Indicators Relating to Facilities and Products in Texas								
Six Months Ahead								
Indicator	Jul Index	Jun Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	38.8	37.1	+1.7	Increasing	29	46.3	46.3	7.5
Capacity Utilization	30.5	27.4	+3.1	Increasing	29	40.6	49.3	10.1
New Orders	28.5	28.0	+0.5	Increasing	29	37.7	53.1	9.2
Growth Rate of Orders	22.6	22.1	+0.5	Increasing	29	31.9	58.8	9.3
Unfilled Orders	1.2	-7.3	+8.5	Increasing	1	14.0	73.3	12.8
Shipments	31.7	35.1	-3.4	Increasing	29	40.6	50.5	8.9
Delivery Time	-8.2	-6.1	-2.1	Decreasing	2	5.8	80.2	14.0
Materials Inventories	-2.3	3.6	-5.9	Decreasing	1	14.0	69.8	16.3
Finished Goods Inventories	-3.5	2.4	-5.9	Decreasing	1	11.8	72.9	15.3
Prices Paid for Raw Materials	47.6	45.1	+2.5	Increasing	28	52.3	43.0	4.7
Prices Received for Finished Goods	20.9	22.2	-1.3	Increasing	12	26.7	67.4	5.8
Wages and Benefits	29.1	33.5	-4.4	Increasing	86	32.5	64.1	3.4
Employment	2.3	14.5	-12.2	Increasing	23	20.9	60.5	18.6
Hours Worked	2.3	7.3	-5.0	Increasing	29	15.1	72.1	12.8
Capital Expenditures	10.6	21.7	-11.1	Increasing	20	23.5	63.5	12.9
General Business Conditions								
Six Months Ahead								
Indicator	Jul Index	Jun Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	15.9	15.6	+0.3	Improving	26	28.2	59.5	12.3
General Business Activity	3.7	2.9	+0.8	Improving	11	23.6	56.5	19.9

*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.

Fabricated Metal Product Manufacturing

The Architecture Billings Index for nonresidential construction has been negative for three months after six consecutive months of growth. Uncertainty about the economy and a lack of regional bank financing for new commercial and industrial projects is holding back the recovery.

There is more uncertainty related to our bank renewals. We are still seeing customers reluctant to commit to start projects that have been designed and approved. A large job we have been told we are receiving has been divided up into smaller releases because the plant owner does not want to release a larger purchasing order at one time.

Machinery Manufacturing

Business is sluggish. People are waiting to see what happens with budget, economy and this fall.

Chemical Manufacturing

Our business is somewhat seasonal, and our volume is off around 2-4 percent from a year ago. From early 2010 to now the industry we serve has been flat. We have some large contracts dealing with Canadian oil sands that will start at the end of the year, so we expect higher volumes next year.

Furniture and Related Product Manufacturing

The weight of continued slow retail home furnishings sales is taking its toll on dealers, and they have closed up buying.

Food Manufacturing

We are still very negatively impacted by high commodity prices.

Questions regarding the Texas Manufacturing Outlook Survey can be addressed to Emily Kerr at emily.kerr@dal.frb.org. The Texas Manufacturing Outlook Survey can be found online at www.dallasfed.org/data/outlook.
