

Texas Manufacturing Outlook Survey

April 27, 2009

Texas Manufacturing Slump Moderates, Six-Month Outlook Improves

The decline in Texas manufacturing activity slowed in April, according to the Texas Manufacturing Outlook Survey.

Indexes for [production](#), [capacity utilization](#), volume of [new orders](#) and [shipments](#) edged upward for the second consecutive month, but they remained negative, indicating manufacturers are still retrenching. For the most part, the gains reflect fewer companies seeing declines in these measures, not more firms reporting recoveries.

Although still negative, the [business activity](#) index—the survey’s broadest measure of state manufacturing trends—saw improvement as the share of companies reporting better market conditions rose from March to April. The [company outlook](#) index strengthened, recovering the ground lost since September.

Manufacturers continued to draw down inventories. The index for [materials inventories](#) remained close to the previous month’s record low, and over a third of those responding noted declines in their finished goods inventory levels.

Manufacturers’ labor demand continued to contract. Firms reporting job cuts exceeded those hiring workers by a 10-to-1 margin, and 36 percent of firms noted declines in [work hours](#). Falling demand for factory workers kept wage pressures in check, with 84 percent of companies noting no changes in [compensation](#).

Downward price pressures persisted. Firms paying less for [raw materials](#) outnumbered firms paying more by 6-to-1, and 34 percent cited lower prices for their goods. Firms expect deflationary price pressures to subside over the next six months. More than two-thirds of manufacturers expect no change in [finished goods](#) prices six months from now, up from just a third in July.

Most indicators of future activity continued to improve, suggesting manufacturers expect declines in factory activity to slow further over the next six months. Indexes for future [capacity utilization](#), [shipments](#), [new orders](#) and [growth rate of orders](#) rose notably, and more than a third of manufacturing executives foresee increases in production and capacity utilization six months from now. The six-month [company outlook](#) index turned positive for the first time since June 2008, and 32 percent of firms anticipate that their firm’s conditions will improve.

The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state’s factory activity. Data for the latest survey were collected April 14–22, and 101 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.

Next release: May 26, 2009

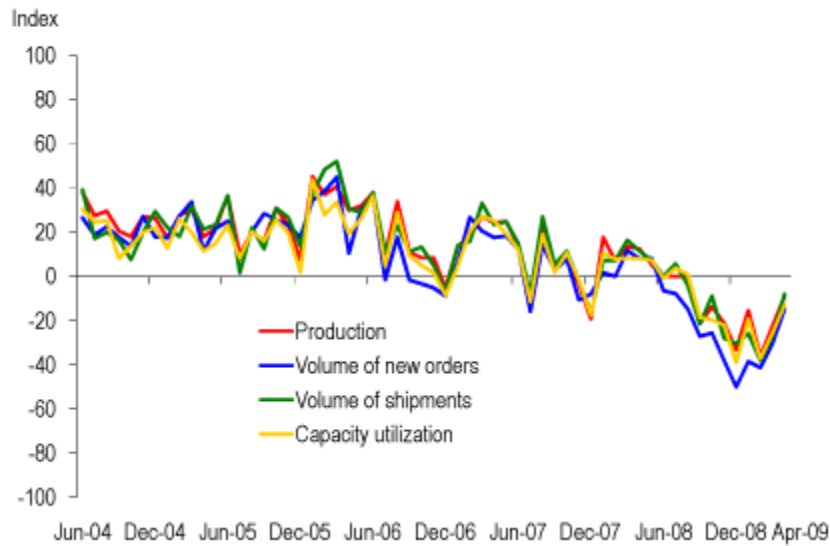
For additional perspective on the survey, see ["The Texas Manufacturing Outlook Survey: A Tool for Understanding the Economy"](#) and ["Made in Texas: The Natural Selection of Manufacturing."](#)

- Click on links in the table for greater details, including historical data.

	April vs. March					Six months from now				
	Apr Index	% Increase	No Change	% Decrease	Mar Index	Apr Index	% Increase	No Change	% Decrease	Mar Index
Production	-8.9	18.8	53.5	27.7	-22.3	13.0	36.0	41.0	23.0	13.9
Capacity utilization	-12.9	15.8	55.4	28.7	-25.5	15.0	37.0	41.0	22.0	9.0
Volume of new orders	-14.8	21.8	41.6	36.6	-30.1	19.2	39.4	40.4	20.2	10.9
Growth rate of orders	-22.7	14.9	47.5	37.6	-35.9	14.1	33.3	47.5	19.2	6.0
Unfilled orders	-19.8	7.9	64.4	27.7	-27.5	-5.1	14.1	66.7	19.2	-11.1
Volume of shipments	-7.9	20.8	50.5	28.7	-27.2	18.2	37.4	43.4	19.2	10.9
Delivery time	-14.9	5.9	73.3	20.8	-20.4	-14.2	3.0	79.8	17.2	-16.8
Materials inventories	-26.0	13.0	48.0	39.0	-30.1	-17.2	13.1	56.6	30.3	-23.8
Finished goods inventories	-26.0	8.0	58.0	34.0	-10.8	-13.0	13.0	61.0	26.0	-18.8
Prices paid for raw materials	-34.7	5.9	53.5	40.6	-41.7	2.0	18.0	66.0	16.0	-10.0
Prices received for finished goods	-30.0	4.0	62.0	34.0	-30.1	-11.1	10.1	68.7	21.2	-21.8
Wages and benefits	0.0	7.9	84.2	7.9	-7.8	9.1	17.2	74.7	8.1	2.0
Number of employees	-37.4	4.0	54.5	41.4	-46.6	-19.4	12.2	56.1	31.6	-16.8
Average employee workweek	-27.0	9.0	55.0	36.0	-43.6	5.0	20.2	64.6	15.2	1.0
Capital expenditures	-18.0	11.0	60.0	29.0	-35.3	-7.0	15.2	62.6	22.2	-17.0

	April vs. March					Six months from now				
	Apr Index	% Improved	Remained the Same	% Worsened	Mar Index	Apr Index	% Improved	Remained the Same	% Worsened	Mar Index
How has the outlook for your company changed?	-19.8	9.9	60.4	29.7	-33.0	5.0	32.0	41.0	27.0	-4.0
What is your evaluation of the level of general business activity?	-31.6	8.2	52.0	39.8	-49.0	-4.0	26.0	44.0	30.0	-7.9

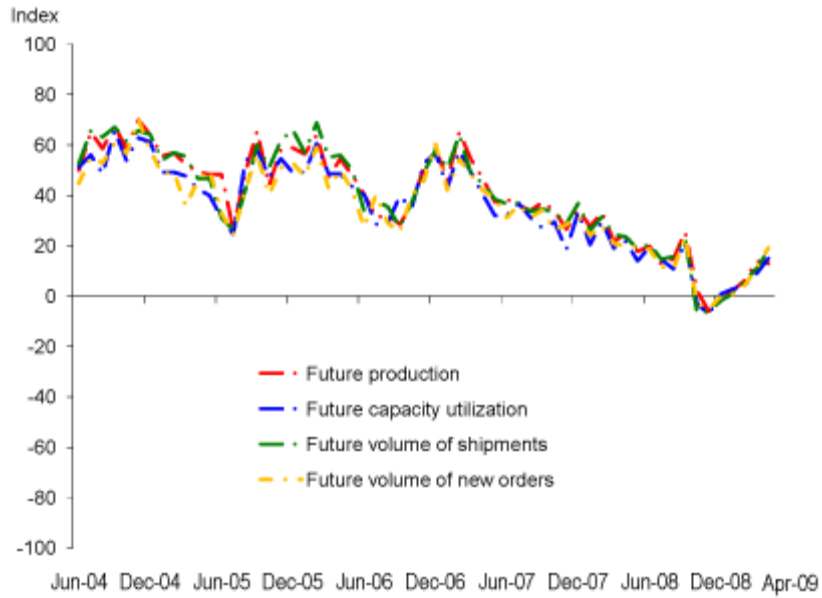
Production, Capacity Utilization, Volume of New Orders, Volume of Shipments



Company Outlook, Level of General Business Activity



Future Production, Capacity Utilization, Volume of Shipments, Volume of New Orders



Present and Future Prices Paid, Prices Received

