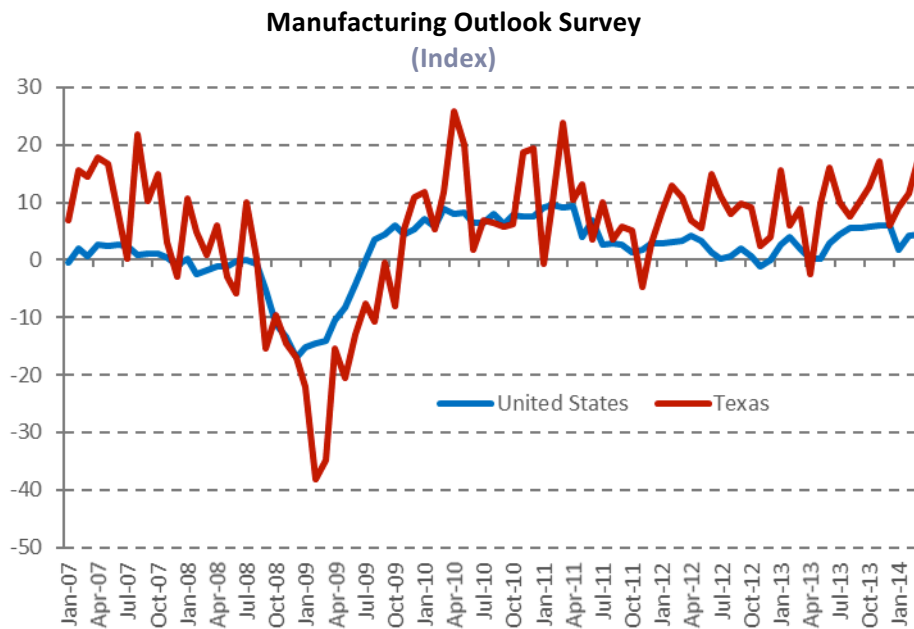


## About this Reference Document

This document helps you understand and interpret a particular economic indicator that is part of the larger *Outlook for the Texas Economy*. Note that all data, charts, and explanations presented are from prior reports and thus are not current. Your feedback is always appreciated. Send comments and suggestions to [info@recenter.tamu.edu](mailto:info@recenter.tamu.edu).

Dr. Luis Torres and Wayne Day

## Manufacturing



Note: Seasonally adjusted.

Source: Federal Reserve Bank of Dallas and Institute for Supply Management. United States index is adjusted -50 to be on scale with Texas index.

The Dallas Federal Reserve estimates and publishes the Texas Manufacturing Outlook Survey (TMOS) - a monthly survey of area manufacturers. Firm executives report on how business conditions have changed for a number of indicators, such as production, new orders, employment, prices and company outlook. Respondents are also asked to report on how they perceive broader economic conditions to have changed (general business activity). For all questions, participants are asked whether the indicator has increased, decreased or remained unchanged. Answers cover changes over the previous month and expectations for activity six months into the future. Participants are given the opportunity to submit comments on current issues that may be affecting their business.

About 100 manufacturers regularly participate in TMOS, which began collecting data in mid-2004. Respondents are broadly representative of manufacturing subsectors in the state

economy. TMOS questionnaires are electronically transmitted to respondents in the middle of each month, and answers are collected over seven business days.

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 of firms 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. Indexes are seasonally adjusted as needed.

TMOS is primarily a regional survey, and its key indexes are highly correlated with state-level measures of business activity and employment. Certain TMOS indexes have also proved useful as measures of changes in the national economy. Production, new orders, employment and general business activity indexes are correlated with several independently reported measures of the U.S. economy, including the manufacturing component of industrial production and the Institute for Supply Management's Purchasing Managers Index. Another benefit of the TMOS indexes is their timeliness; they are available up to three weeks earlier than other commonly used indicators at the national level. Changes in manufacturing movements can be particularly useful for understanding changes in the general economy. Swings in business activity are often felt more quickly and more intensely in the manufacturing sector, which tends to be more cyclically sensitive than the economy as a whole

The TMOS increased for the eleventh month in a row in March, suggesting that the Texas manufacturing industry continues to expand, reflecting the strength of activity in the sector.

Source: Dallas Federal Reserve

<http://www.dallasfed.org/microsites/research/surveys/tmos/about.cfm>