Texas Service Sector Outlook Survey
DALLASFED

October 26, 2015

Special Questions

Data were collected Oct. 5–8, and 206 Texas business executives responded to the survey.

1. How do borrowing conditions facing your firm compare to those six months ago?

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Eased substantially	1.9	2.7	1.0
Eased somewhat	8.7	11.0	7.3
No change	40.4	45.1	47.1
Tightened somewhat	10.6	6.0	13.6
Tightened substantially	3.1	2.2	1.5
Not applicable—haven't sought credit	35.4	33.0	29.6

2. How does the cost of credit compare to what it was six months ago?

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Increased substantially	3.7	0.5	0.5
Increased somewhat	25.5	10.4	11.7
No change	31.1	48.6	50.5
Decreased somewhat	3.7	7.1	6.8
Decreased substantially	0.0	1.1	1.0
Not applicable—haven't sought credit	36.0	32.2	29.6

3. To what extent is your business having difficulty obtaining financing for desired long-term uses such as capital expenditures?

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
No difficulty	38.1	40.9	41.9
Some difficulty	10.0	12.7	15.3
Substantial difficulty	3.8	2.2	2.0
Extreme difficulty	2.5	1.1	0.0
Not applicable—haven't sought credit	45.6	43.1	40.9

4. To what extent is your business having difficulty obtaining financing for desired short-term uses such as paying workers and acquiring inventories of material or supplies?			
	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
No difficulty	36.3	38.5	38.1
Some difficulty	9.4	8.2	5.9
Substantial difficulty	0.6	2.2	2.5
Extreme difficulty	1.9	1.6	0.0
Not applicable—haven't sought credit	51.9	49.5	53.5

5. Has your firm's production and/or sales been adversely affected by difficulty obtaining credit?			
	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Yes–significantly	2.5	3.8	1.0
Yes–somewhat	6.9	7.1	6.9
No	35.6	37.2	42.6
Not applicable–haven't had problems obtaining credit	12.5	12.0	10.8
Not applicable—haven't sought credit	42.5	39.9	38.7

6. Has your firm reduced hiring and/or increased layoffs due to difficulty obtaining credit?			
	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Yes–significantly	1.3	1.1	0.0
Yes–somewhat	5.6	6.0	6.8
No	40.0	44.3	45.1
Not applicable–haven't had problems obtaining credit	11.3	9.8	10.7
Not applicable—haven't sought credit	41.9	38.8	37.4

Special Questions Comments

These comments have been edited for publication.

Credit Intermediation and Related Activities

- The most important factor in our industry has been a gradual increase in loan demand primarily for small to midsize businesses. Competition for loans is strong, and pricing is a big factor in acquiring loans. Fee income has increased through product offerings, and complying with mounting regulations continues to be a challenge with costs to maintain compliance increasing substantially. Cybersecurity is the greatest threat faced by customer service industries, with increasing breaches of retail companies creating exposure to banking customers from identity threats.

Securities, Commodity Contracts, and Other Financial Investments and Related Activities

- For part of our growth plan, we look to acquire existing professionals in our industry along with their book of business. To do this, we look for growth capital to help fund the acquisitions. Our business's financial performance hasn't been so strong and, as such, access to capital has been more challenging. For us this may be more of an issue related specifically to our business and less so to the lending environment broadly.

Funds, Trusts, and Other Financial Vehicles

- As a commercial real estate investment company, debt is very critical for investments and has a tremendous impact on the return and the price one will pay. That said, low rates mean low inflation, which impacts commercial real estate in a negative fashion.

Publishing Industries (except Internet)

- Credit from banks is expensive, so we sought angel and venture funding.

Broadcasting Industries (except Internet)

- Advertising expenditures have been cut most dramatically by oil-field-related companies who carry debt.

Rental and Leasing Services

- We think credit is not the problem; it's the economy that is weak because of government interference.

Professional, Scientific and Technical Services

- We are highly concerned about the discussions on rate hikes.

Administrative and Support Services

- While our company hasn't been hurt, we believe there are many companies that are feeling the burdens of credit and borrowing challenges. We also think wages are staying stagnant as a result of some of these challenges.
- We have need for credit, but potential lenders have been so discouraging about the availability of credit that we have not pursued obtaining credit formally. Price doesn't seem to be the issue; it’s one of availability.
- Capital equipment purchases have been put on hold for now. We cannot obtain the funds necessary to expand the company laterally as we would like to capture new markets.
- Banks have had a belt and suspenders approach to their lending to small businesses. We have been growing and profitable with continued positive trends; however, their lending restrictions are burdensome. As a result, we have delayed some new services as well as new systems because we do not want to accept their terms for lending.
- The new Consumer Financial Protection Bureau form will require a lengthy period of adjustment for lenders, title companies, agents and consumers.

Nursing and Residential Care Facilities

- While we have not sought credit for new capital projects or operating expenses, we are in the market to refinance an existing debt issue. We believe that credit markets have been remarkably stable for an extended period of time, and the likelihood of a modest increase in interest rates will not provide a prolonged dampening effect on financial markets.

Food Services and Drinking Places

- Rates are steady and financing is easy to get. Due to this, real estate prices are high and that's a bigger problem.

Pipeline Transportation

- Increased costs have been a function of widening spreads in the energy sector, offset partially by decreased treasury yields. Investment grade (IG) entities such as our firm have good access to debt capital; non-IG firms are starting to struggle with access.

Texas Retail Outlook Survey

DALLASFED

October 26, 2015

Special Questions

Data were collected Oct. 5–8, and 45 Texas retailers responded to the survey.

1. How do borrowing conditions facing your firm compare to those six months ago?

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Eased substantially	0.0	4.3	0.0
Eased somewhat	17.9	10.9	6.7
No change	43.6	52.2	51.1
Tightened somewhat	7.7	6.5	20.0
Tightened substantially	0.0	0.0	0.0
Not applicable—haven't sought credit	30.8	26.1	22.2

2. How does the cost of credit compare to what it was six months ago?

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Increased substantially	0.0	2.1	0.0
Increased somewhat	33.3	14.9	13.3
No change	20.5	55.3	55.6
Decreased somewhat	12.8	6.4	4.4
Decreased substantially	0.0	0.0	2.2
Not applicable—haven't sought credit	33.3	21.3	24.4

3. To what extent is your business having difficulty obtaining financing for desired long-term uses such as capital expenditures?

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
No difficulty	43.6	54.3	57.8
Some difficulty	10.3	15.2	11.1
Substantial difficulty	2.6	0.0	2.2
Extreme difficulty	0.0	0.0	0.0
Not applicable—haven't sought credit	43.6	30.4	28.9

4. To what extent is your business having difficulty obtaining financing for desired short-term uses such as paying workers and acquiring inventories of material or supplies?

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
No difficulty	48.7	59.6	53.5
Some difficulty	5.1	8.5	7.0
Substantial difficulty	2.6	2.1	4.7
Extreme difficulty	0.0	0.0	0.0
Not applicable—haven't sought credit	43.6	29.8	34.9

5. Has your firm's production and / or sales been adversely affected by difficulty obtaining credit?

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Yes–significantly	0.0	2.1	0.0
Yes–somewhat	5.3	6.4	6.8
No	39.5	51.1	56.8
Not applicable–haven't had problems obtaining credit	21.1	19.1	11.4
Not applicable—haven't sought credit	34.2	21.3	25.0

6. Has your firm reduced hiring and / or increased layoffs due to difficulty obtaining credit?

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Yes–significantly	0.0	0.0	0.0
Yes–somewhat	5.1	8.5	8.9
No	46.2	57.4	53.3
Not applicable–haven't had problems obtaining credit	15.4	12.8	13.3
Not applicable—haven't sought credit	33.3	21.3	24.4

Special Questions Comments

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Merchant Wholesalers, Durable Goods

- Credit is not the issue. Disinflation in all commodities is severely impacting industrial supply chains.
- Banks are more willing to lend to strong, or less risky, companies even in oil- and gas-related industries. Banks appear to have plenty of capital to put to work. It is very difficult to hedge rate risk as a result of the continued decision to push rates out.
- We do not presently need to borrow for operations, but we have reduced hiring and increased layoffs due to the unpredictability of the business climate.

Motor Vehicle and Parts Dealers

- We have no difficulty in getting credit. The only financing we are doing is some replacement asset financing, which is relatively modest.
- We have had no change in the attitude of the lenders we do business with. We have had lines of credit set up since prior to 2008 and still maintain them.
- The extreme slowdown of the Eagle Ford Shale drilling caused by the low price of crude oil has had a negative impact on our inventories, which are high and going down slowly. A slight rise in interest rates would be acceptable, but a sharp rise would be difficult to deal with because there would most likely be an additional slowdown causing us to maintain our high inventories longer.

Food and Beverage Stores

- Our company is of the size that credit is not issue.

Nonstore Retailers

- We have both a working capital line and an equipment line that have been in place nearly nine years with annual renewals. Our cost of credit has remained unchanged for a number of years, despite further cuts after attaining our current 3.25 percent rate.