

Texas **Business** Outlook Surveys

Special Questions

October 29, 2018

Results below include responses from participants of all three surveys: Texas Manufacturing Outlook Survey, Texas Service Sector Outlook Survey and Texas Retail Outlook Survey.

Texas Business Outlook Surveys

Data were collected Oct. 16–24, and 388 Texas business executives responded to the surveys.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Eased substantially	1.8	0.7	0.5	1.9	1.5
Eased somewhat	11.8	7.0	7.8	7.2	6.7
No change	48.0	47.4	46.5	47.2	45.9
Tightened somewhat	5.5	12.3	9.1	5.8	9.8
Tightened substantially	2.6	2.0	3.4	2.1	3.1
Not applicable—haven't sought credit	30.3	30.8	32.7	35.8	33.0

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Increased substantially	0.7	0.3	0.8	0.8	7.3
Increased somewhat	12.1	13.6	16.6	26.3	40.2
No change	48.5	48.7	44.3	32.6	18.9
Decreased somewhat	7.0	5.6	6.2	3.7	1.8
Decreased substantially	1.1	1.3	0.8	0.5	0.0
Not applicable—haven't sought credit	30.5	30.5	31.3	36.1	31.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	43.0	42.0	43.5	38.8	40.0
Some difficulty	14.1	15.9	12.6	9.3	11.2
Substantial difficulty	3.3	2.4	2.4	3.7	1.6
Extreme difficulty	0.7	0.3	0.5	2.4	1.6
Not applicable—haven't sought credit	38.9	39.3	41.1	45.7	45.7

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. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	42.4	41.4	38.1	40.9	39.5
Some difficulty	7.8	9.2	9.2	7.8	7.3
Substantial difficulty	3.0	1.7	2.6	2.4	2.1
Extreme difficulty	1.5	0.0	0.5	1.1	1.3
Not applicable—haven't sought credit	45.4	47.8	49.6	47.8	49.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	2.9	0.7	1.6	1.1	1.3
Yes—somewhat	8.5	8.1	7.9	9.2	8.6
No	35.7	40.3	37.3	39.1	33.2
Not applicable—haven't had problems obtaining credit	15.8	13.8	13.6	8.4	12.0
Not applicable—haven't sought credit	37.1	37.2	39.6	42.3	44.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	0.7	0.0	0.8	0.5	1.0
Yes—somewhat	5.5	7.6	5.2	4.0	3.1
No	44.1	42.4	44.8	44.5	43.0
Not applicable—haven't had problems obtaining credit	13.6	13.2	11.1	9.1	9.3
Not applicable—haven't sought credit	36.0	36.8	38.1	41.8	43.6

Texas Manufacturing Outlook Survey

Data were collected Oct. 16–24, and 115 Texas manufacturers responded to the survey.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Eased substantially	0.0	0.0	0.0	1.8	1.7
Eased somewhat	13.5	6.3	8.8	11.0	8.7
No change	53.9	47.9	50.9	43.1	48.7
Tightened somewhat	4.5	9.4	9.6	3.7	7.0
Tightened substantially	3.4	3.1	5.3	5.5	5.2
Not applicable—haven't sought credit	24.7	33.3	25.4	34.9	28.7

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Increased substantially	1.1	0.0	1.8	0.9	7.0
Increased somewhat	15.7	17.7	10.5	24.8	37.4
No change	48.3	44.8	53.5	33.9	26.1
Decreased somewhat	6.7	3.1	7.9	4.6	2.6
Decreased substantially	1.1	2.1	0.9	1.8	0.0
Not applicable—haven't sought credit	27.0	32.3	25.4	33.9	27.0

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	47.2	42.4	45.5	38.9	44.3
Some difficulty	16.9	17.4	8.9	10.2	10.4
Substantial difficulty	5.6	3.3	4.5	5.6	1.7
Extreme difficulty	0.0	1.1	0.9	1.9	1.7
Not applicable—haven't sought credit	30.3	35.9	40.2	43.5	41.7

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. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	50.6	48.4	42.1	41.7	43.5
Some difficulty	6.9	16.1	10.5	8.3	7.8
Substantial difficulty	4.6	0.0	3.5	2.8	3.5
Extreme difficulty	1.1	0.0	0.9	0.0	1.7
Not applicable—haven't sought credit	36.8	35.5	43.0	47.2	43.5

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	1.1	0.0	2.7	0.9	0.9
Yes—somewhat	11.2	10.6	8.9	10.2	8.0
No	32.6	35.1	38.4	37.0	35.4
Not applicable—haven't had problems obtaining credit	23.6	20.2	16.1	11.1	16.8
Not applicable—haven't sought credit	31.5	34.0	33.9	40.7	38.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	0.0	0.0	0.9	0.9	0.9
Yes—somewhat	4.5	9.4	7.0	2.8	5.2
No	43.8	36.5	43.0	42.6	42.6
Not applicable—haven't had problems obtaining credit	21.3	18.8	13.2	12.0	13.9
Not applicable—haven't sought credit	30.3	35.4	36.0	41.7	37.4

Special Questions Comments

These comments have been edited for publication.

Primary Metal Manufacturing

- We are starting phase one of our expansion and silica compliance plan. This first phase comes in at about \$7 million. We have requested and been approved for a \$6.5 million line of credit from a local institution. This, coupled with about \$3 million of current cash on hand, will take us through 2019. If conditions remain favorable in 2020, we will start the second expansion/upgrade phase, estimated at \$9 million.
- We are profitable, so we have no trouble getting credit. The problem has been the local building permit, which was just received last week. The next problem is with state government. If approved, we can start a \$25 million capital project. Financing is all set, we are just waiting on the state. The project will create permanent jobs for 30 people.

Fabricated Metal Product Manufacturing

- We are trying to get by on what we have by working smarter and with less people.
- It is very difficult to deal with just a simple line of credit when banks continue to exclude receivables from the borrowing base. Inventory borrowing is also negatively affected by changes in borrowing bases.

Machinery Manufacturing

- If we can't pay cash, then we can't afford it. It's too much trouble to try to get a loan these days.
- We recently increased our line of credit by 25 percent. The bank wanted to charge use fees that I considered unreasonable for the length of time that we've done business. I told them that if the fees were not removed, I would start shopping our business to other banks immediately. The fees were all dropped, and we extended our line of credit for two years before any renewal would occur.

Computer and Electronic Product Manufacturing

- Fortunately, our business model is not dependent on debt as part of our capital structure.

Miscellaneous Manufacturing

- We are trying not to replace workers as they leave but spread out the work. We are very concerned about a major recession in 2019.

Texas Service Sector Outlook Survey

Data were collected Oct. 16–24, and 273 Texas business executives responded to the survey.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Eased substantially	2.7	1.0	0.7	1.9	1.5
Eased somewhat	11.0	7.3	7.4	5.6	5.9
No change	45.1	47.1	44.6	48.9	44.7
Tightened somewhat	6.0	13.6	8.9	6.7	11.0
Tightened substantially	2.2	1.5	2.6	0.7	2.2
Not applicable—haven't sought credit	33.0	29.6	35.8	36.2	34.8

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Increased substantially	0.5	0.5	0.4	0.7	7.4
Increased somewhat	10.4	11.7	19.1	26.9	41.3
No change	48.6	50.5	40.4	32.1	15.9
Decreased somewhat	7.1	6.8	5.5	3.4	1.5
Decreased substantially	1.1	1.0	0.7	0.0	0.0
Not applicable—haven't sought credit	32.2	29.6	33.8	36.9	33.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	40.9	41.9	42.6	38.8	38.1
Some difficulty	12.7	15.3	14.1	9.0	11.5
Substantial difficulty	2.2	2.0	1.5	3.0	1.5
Extreme difficulty	1.1	0.0	0.4	2.6	1.5
Not applicable—haven't sought credit	43.1	40.9	41.5	46.6	47.4

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. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	38.5	38.1	36.3	40.5	37.8
Some difficulty	8.2	5.9	8.6	7.6	7.0
Substantial difficulty	2.2	2.5	2.2	2.3	1.5
Extreme difficulty	1.6	0.0	0.4	1.5	1.1
Not applicable—haven't sought credit	49.5	53.5	52.4	48.1	52.6

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	3.8	1.0	1.1	1.1	1.5
Yes—somewhat	7.1	6.9	7.4	8.7	8.9
No	37.2	42.6	36.8	39.9	32.2
Not applicable—haven't had problems obtaining credit	12.0	10.8	12.6	7.2	10.0
Not applicable—haven't sought credit	39.9	38.7	42.0	43.0	47.4

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	1.1	0.0	0.7	0.4	1.1
Yes—somewhat	6.0	6.8	4.4	4.5	2.2
No	44.3	45.1	45.6	45.3	43.2
Not applicable—haven't had problems obtaining credit	9.8	10.7	10.2	7.9	7.3
Not applicable—haven't sought credit	38.8	37.4	39.1	41.9	46.2

Special Questions Comments

These comments have been edited for publication.

Publishing Industries (Except Internet)

- There have been minor changes in difficulty due to rates.

Data Processing, Hosting and Related Services

- Our firm is growing nicely, which requires more funding to hire additional skilled workers. Cash flow funding for hiring is very difficult to get for a reasonable price. We have turned to small-business lending companies instead of banks even though their terms are steep (understatement). As a growing firm, we are fortunately able to pay back these loans as revenue increases. The cost of funds has definitely slowed the pace at which we are able to hire and the pace we are able to grow revenue.

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

- Credit and the availability of funds have not been an issue with us. Several years ago, we did longer-term financing that does not crowd in with current credit market issues.

Real Estate

- Home sales have slowed. Rising interest rates should make house prices come down.

Rental and Leasing Services

- We are a heavy-equipment dealership, and we sell heavy iron to retail customers and, often times, those sales need to be financed. Finding that retail financing source for our customers is always a challenge. Approval rates are only slightly better now than a year ago (they run about 84 percent approved).

Professional, Scientific and Technical Services

- Venture capital funding is difficult to obtain as the venture capital firms are only looking for mega success rather than doing due diligence to find good solutions. Regular bank capital borrowing availability is fine, but we just wish interest rates were being increased much slower by the Federal Reserve.
- While we have not sought credit, our clients raise concerns about cost (as opposed to availability) of credit.

Administrative and Support Services

- Bad weather is the only issue for this company.

Ambulatory Health Care Services

- Over the past 18 months, the availability of reliable banking support has been the key impediment to sustainability and growth for this agency.

Texas Retail Outlook Survey

Data were collected Oct. 16–24, and 58 Texas retailers responded to the survey.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Eased substantially	4.3	0.0	0.0	0.0	0.0
Eased somewhat	10.9	6.7	5.4	5.3	5.2
No change	52.2	51.1	57.1	59.6	56.9
Tightened somewhat	6.5	20.0	3.6	1.8	5.2
Tightened substantially	0.0	0.0	3.6	1.8	1.7
Not applicable—haven't sought credit	26.1	22.2	30.4	31.6	31.0

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Increased substantially	2.1	0.0	0.0	1.8	10.3
Increased somewhat	14.9	13.3	19.3	33.3	44.8
No change	55.3	55.6	45.6	31.6	10.3
Decreased somewhat	6.4	4.4	5.3	0.0	1.7
Decreased substantially	0.0	2.2	0.0	0.0	0.0
Not applicable—haven't sought credit	21.3	24.4	29.8	33.3	32.8

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	54.3	57.8	57.9	49.1	46.6
Some difficulty	15.2	11.1	10.5	7.0	6.9
Substantial difficulty	0.0	2.2	1.8	1.8	1.7
Extreme difficulty	0.0	0.0	0.0	1.8	0.0
Not applicable—haven't sought credit	30.4	28.9	29.8	40.4	44.8

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. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	59.6	53.5	50.0	50.0	46.6
Some difficulty	8.5	7.0	10.3	8.9	5.2
Substantial difficulty	2.1	4.7	1.7	0.0	0.0
Extreme difficulty	0.0	0.0	0.0	1.8	0.0
Not applicable—haven't sought credit	29.8	34.9	37.9	39.3	48.3

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	2.1	0.0	0.0	0.0	0.0
Yes—somewhat	6.4	6.8	5.4	8.9	7.0
No	51.1	56.8	46.4	41.1	40.4
Not applicable—haven't had problems obtaining credit	19.1	11.4	17.9	10.7	8.8
Not applicable—haven't sought credit	21.3	25.0	30.4	39.3	43.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	0.0	0.0	0.0	0.0	0.0
Yes—somewhat	8.5	8.9	3.4	3.5	3.4
No	57.4	53.3	55.2	49.1	48.3
Not applicable—haven't had problems obtaining credit	12.8	13.3	12.1	8.8	5.2
Not applicable—haven't sought credit	21.3	24.4	29.3	38.6	43.1

Special Questions Comments

These comments have been edited for publication.

Motor Vehicle and Parts Dealers

- We have a strong balance sheet, and securing credit or borrowing money is not a factor for us. The increase in interest rates is a factor. Most lending institutions have become more conservative, as witnessed by our “retail” financing of consumers purchasing new and preowned vehicles.

Building Material and Garden Equipment and Supplies Dealers

- Interest rates are going up too fast.

Clothing and Clothing Accessories Stores

- Lenders are nervous about retailers.
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Questions regarding the Texas Business Outlook Surveys can be addressed to Emily Kerr at emily.kerr@dal.frb.org.