

Texas Business Outlook Surveys

Special Questions

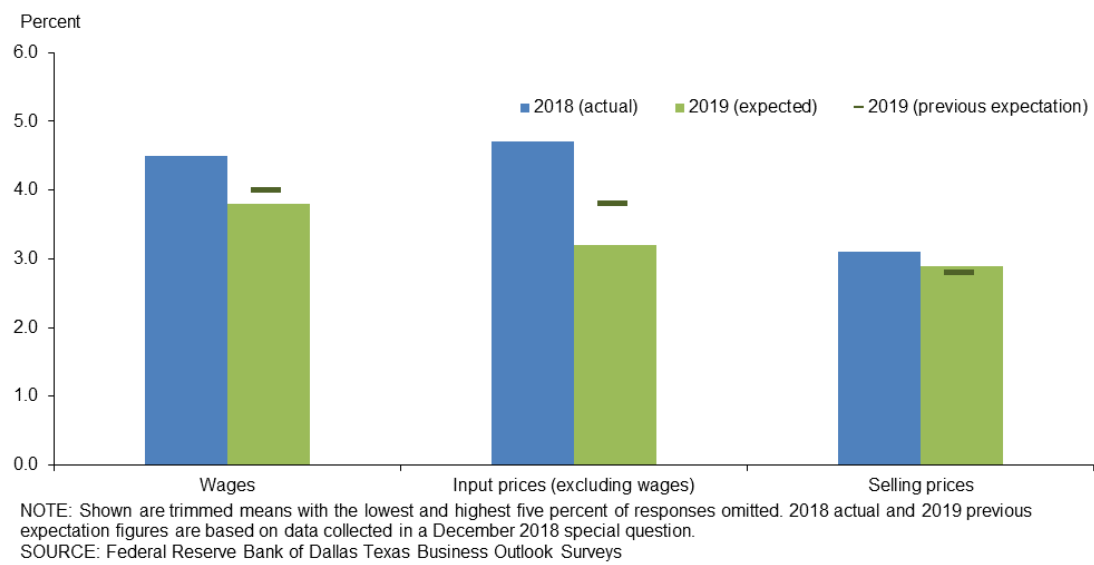
May 28, 2019

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 May 14–22, and 372 Texas business executives responded to the surveys.
See data files with a full history of results.

What annual percent change in wages, input prices and selling prices did your firm experience in 2018 and what do you expect for 2019?



	May '19 (percent)
Wages	3.8
Input prices (excluding wages)	3.2
Selling prices	2.9

NOTES: 296 responses. Shown are trimmed means with the lowest and highest 5 percent of responses omitted.

What, if anything, are you doing to recruit and retain employees? Please check all that apply.

	May '18 (percent)	Aug. '18 (percent)	Nov. '18 (percent)	May '19 (percent)
Increasing wages and/or benefits	61.6	63.4	66.6	62.7
Increasing wages			61.9	58.3
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	52.6	59.6	60.7	49.5
Offering additional training	27.8	36.6	35.9	32.9
Increasing variable pay, including bonuses	31.5	26.8	29.1	32.3
Improving working conditions	27.2	25.9	27.6	30.1
Increasing benefits			20.1	17.9
Reducing education and other requirements for new hires	8.3	12.9	12.1	8.5

NOTES: 319 responses. Starting in November 2018, "increasing wages" appears as a separate answer choice from 'increasing benefits.' We will continue to include the share of firms reporting increasing wages and/or benefits but as a calculation based on responses to "increasing wages" and 'increasing benefits.'

Are you currently trying to hire?

	May '19 (percent)
Yes	71.4
No	28.6

NOTE: 370 responses.

Are you having problems finding qualified workers when hiring?*

	May '19 (percent)
Yes	83.0
No	17.0

*This question posed only to respondents who answered "yes" to the previous question.

NOTE: 259 responses.

If you are you having problems finding qualified workers, what are the main reasons why? Please select all that apply.*

	Feb. '18 (percent)	Aug. '18 (percent)	Nov. '18 (percent)	May '19 (percent)
Lack of available applicants/no applicants	62.6	72.8	70.6	62.9
Lack of technical competencies (hard skills)	50.2	47.0	43.3	53.1
Looking for more pay than is offered	40.1	41.4	45.0	46.9
Lack of experience	37.0	37.1	40.7	39.4
Lack of workplace competencies (soft skills)	39.6	34.5	39.0	33.8
Inability to pass drug test and/or background check	30.0	31.0	32.5	32.9

*This question posed only to respondents who answered "yes" to the previous question.

NOTE: 213 responses.

At your firm, what is the average hourly wage paid for each category?

	May '19 (percent)
Low-skill positions (typically require high school diploma or less and minimal work experience)	\$13.00/hour
Mid-skill positions (typically require some college or technical training)	\$20.00/hour
High-skill positions (typically require college degree or higher)	\$34.25/hour

NOTES: 249 responses. Shown are the median values.

How has your firm's operating margin (defined as earnings before interest and taxes [EBIT] as a share of total revenue) changed over the past six months?

	Dec. '18 (percent)	May '19 (percent)
Increased substantially	7.2	6.2
Increased slightly	23.1	22.9
Remained the same	24.4	29.1
Decreased slightly	34.2	33.6
Decreased substantially	11.1	8.2

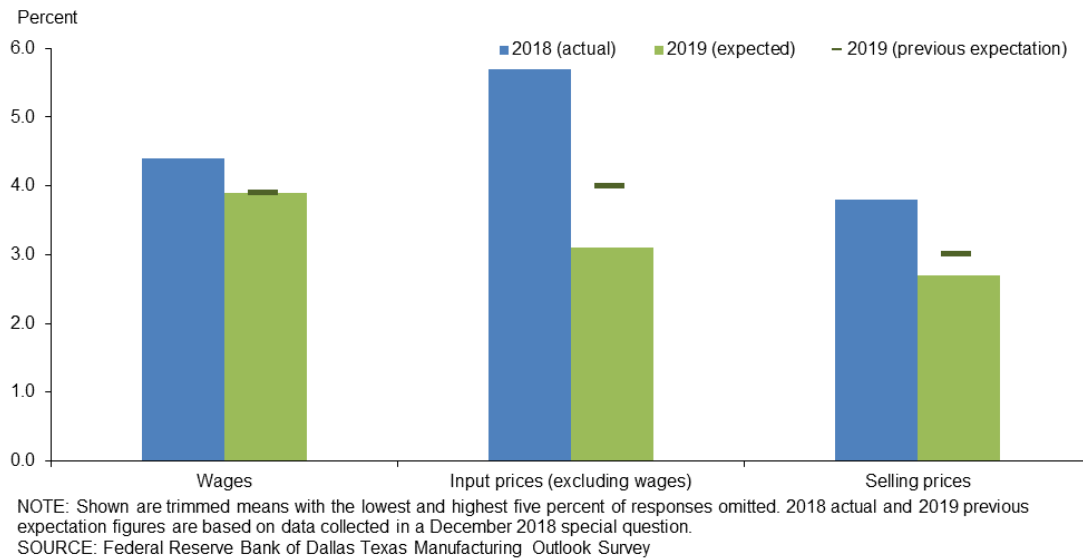
NOTE: 354 responses.

Survey respondents were given the opportunity to provide comments. These comments can be found on the individual survey Special Questions results pages

Texas Manufacturing Outlook Survey

Data were collected May 14–22, and 110 Texas manufacturers responded to the surveys.
See data files with a full history of results.

What annual percent change in wages, input prices and selling prices did your firm experience in 2018 and what do you expect for 2019?



	May '19 (percent)
Wages	3.9
Input prices (excluding wages)	3.1
Selling prices	2.7

NOTES: 97 responses. Shown are trimmed means with the lowest and highest 5 percent of responses omitted.

What, if anything, are you doing to recruit and retain employees? Please check all that apply.

	May '18 (percent)	Aug. '18 (percent)	Nov. '18 (percent)	May '19 (percent)
Increasing wages and/or benefits	55.8	64.3	68.4	67.0
Increasing wages			63.3	59.6
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	53.5	67.3	61.2	54.3
Increasing variable pay, including bonuses	26.7	21.4	24.5	34.0
Offering additional training	30.2	38.8	32.7	28.7
Improving working conditions	24.4	24.5	30.6	24.5
Increasing benefits			16.3	16.0
Reducing education and other requirements for new hires	14.0	19.4	16.3	11.7

NOTES: 94 responses. Starting in November 2018, "increasing wages" appears as a separate answer choice from 'increasing benefits.' We will continue to include the share of firms reporting increasing wages and/or benefits but as a calculation based on responses to "increasing wages" and 'increasing benefits.'

Are you currently trying to hire?

	May '19 (percent)
Yes	72.7
No	27.3

NOTE: 110 responses.

Are you having problems finding qualified workers when hiring?*

	May '19 (percent)
Yes	79.5
No	20.5

*This question posed only to respondents who answered "yes" to the previous question.

NOTE: 78 responses.

If you are you having problems finding qualified workers, what are the main reasons why? Please select all that apply.*

	Feb. '18 (percent)	Aug. '18 (percent)	Nov. '18 (percent)	May '19 (percent)
Lack of technical competencies (hard skills)	60.3	64.9	57.5	68.9
Lack of available applicants/no applicants	72.1	70.3	69.9	60.7
Looking for more pay than is offered	38.2	47.3	43.8	44.3
Lack of experience	44.1	35.1	38.4	42.6
Lack of workplace competencies (soft skills)	44.1	36.5	45.2	42.6
Inability to pass drug test and/or background check	41.2	35.1	42.5	42.6

*This question posed only to respondents who answered "yes" to the previous question.

NOTE: 61 responses.

At your firm, what is the average hourly wage paid for each category?

	May '19 (percent)
Low-skill positions (typically require high school diploma or less and minimal work experience)	\$14.00/hour
Mid-skill positions (typically require some college or technical training)	\$20.00/hour
High-skill positions (typically require college degree or higher)	\$35.00/hour

NOTES: 89 responses. Shown are the median values.

How has your firm's operating margin (defined as earnings before interest and taxes [EBIT] as a share of total revenue) changed over the past six months?

	Dec. '18 (percent)	May '19 (percent)
Increased substantially	11.1	11.4
Increased slightly	24.2	23.8
Remained the same	17.2	22.9
Decreased slightly	35.4	33.3
Decreased substantially	12.1	8.6

NOTE: 105 responses.

Special Questions Comments

These comments have been edited for publication.

Food Manufacturing

- We need a sensible immigration program to support manufacturing growth in the U.S. We are turning down growth opportunities because of lack of labor.

Apparel Manufacturing

- Efficiencies and increased volumes are driving margin increases.

Chemical Manufacturing

- There is a heavy focus on robotics and automation to address efficiencies and employment shortages.

Nonmetallic Mineral Product Manufacturing

- Input pricing changes depend upon tariff amounts.

Primary Metal Manufacturing

- Business is still very good. While we expect a slowdown in the second half of this year, the slowdown should be moderate.

Machinery Manufacturing

- Forecasting is impossible, and skilled labor is nonexistent.
- Tariffs are impacting profit and loss (P&L), and they will be increasing due to the 10 to 25 percent increase in May.

Electrical Equipment, Appliance and Component Manufacturing

- Wages are up, and in the Dallas area if you don't have a job, it's because you don't want one. (Or you can't pass the drug test.)

Transportation Equipment Manufacturing

- The motor home industry has been in a slump for six months.

Texas Service Sector Outlook Survey

Data were collected May 14–22, and 262 Texas business executives responded to the surveys.

See data files with a full history of results.

What annual percent change in wages, input prices and selling prices did your firm experience in 2018 and what do you expect for 2019?



NOTE: Shown are trimmed means with the lowest and highest five percent of responses omitted. 2018 actual and 2019 previous expectation figures are based on data collected in a December 2018 special question.

SOURCE: Federal Reserve Bank of Dallas Texas Service Sector Outlook Survey

	May '19 (percent)
Wages	3.9
Input prices (excluding wages)	3.3
Selling prices	2.9

NOTES: 199 responses. Shown are trimmed means with the lowest and highest 5 percent of responses omitted.

What, if anything, are you doing to recruit and retain employees? Please check all that apply.

	May '18 (percent)	Aug. '18 (percent)	Nov. '18 (percent)	May '19 (percent)
Increasing wages and/or benefits	63.9	63.0	65.8	60.9
Increasing wages			61.3	57.8
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	52.3	56.2	60.4	47.6
Offering additional training	26.9	35.6	37.3	34.7
Improving working conditions	28.2	26.5	26.2	32.4
Increasing variable pay, including bonuses	33.3	29.2	31.1	31.6
Increasing benefits			21.8	18.7
Reducing education and other requirements for new hires	6.0	10.0	10.2	7.1

NOTES: 225 responses. Starting in November 2018, "increasing wages" appears as a separate answer choice from "increasing benefits." We will continue to include the share of firms reporting increasing wages and/or benefits but as a calculation based on responses to "increasing wages" and "increasing benefits."

Are you currently trying to hire?

	May '19 (percent)
Yes	70.8
No	29.2

NOTE: 260 responses.

Are you having problems finding qualified workers when hiring?*

	May '19 (percent)
Yes	84.5
No	15.5

*This question posed only to respondents who answered "yes" to the previous question.

NOTE: 181 responses.

If you are you having problems finding qualified workers, what are the main reasons why? Please select all that apply.*

	Feb. '18 (percent)	Aug. '18 (percent)	Nov. '18 (percent)	May '19 (percent)
Lack of available applicants/no applicants	58.5	74.1	70.9	63.8
Looking for more pay than is offered	40.9	38.6	45.6	48.0
Lack of technical competencies (hard skills)	45.9	38.6	36.7	46.7
Lack of experience	34.0	38.0	41.8	38.2
Lack of workplace competencies (soft skills)	37.7	33.5	36.1	30.3
Inability to pass drug test and/or background check	25.2	29.1	27.8	28.9

*This question posed only to respondents who answered "yes" to the previous question.

NOTE: 152 responses.

At your firm, what is the average hourly wage paid for each category?

	May '19 (percent)
Low-skill positions (typically require high school diploma or less and minimal work experience)	\$12.50/hour
Mid-skill positions (typically require some college or technical training)	\$20.00/hour
High-skill positions (typically require college degree or higher)	\$31.00/hour

NOTES: 161 responses. Shown are the median values.

How has your firm's operating margin (defined as earnings before interest and taxes [EBIT] as a share of total revenue) changed over the past six months?

	Dec. '18 (percent)	May '19 (percent)
Increased substantially	5.3	4.0
Increased slightly	22.6	22.5
Remained the same	27.9	31.7
Decreased slightly	33.7	33.7
Decreased substantially	10.6	8.0

NOTE: 249 responses.

Special Questions Comments

These comments have been edited for publication.

Truck Transportation

- Work has slowed down below what it takes to break even! We can't find anyone who wants to work as a diesel mechanic, even at \$30 to \$40 an hour.

Broadcasting (Except Internet)

- Our anticipated increase in wages is most impacted by our annual pay adjustments we do on July 1 of each year (so we consider that a seasonal adjustment). At this moment, we anticipate increasing all wages by 3 percent on July 1, 2019. On July 1, 2018, we increased wages by 5 percent and moved our "minimum wage" from \$10 an hour to \$11 an hour. We plan on holding our "minimum wage" at \$11 for 2019.

Credit Intermediation and Related Activities

- Wages are increasing without increases in selling prices. We are focused on reductions in marketing and charitable giving budgets to try to maintain profit margins.

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

- Our margin has increased largely due to understaffing. The understaffing is not due to a lack of applicants. To the contrary, we have more applicants than ever before. Finding qualified applicants who can write a coherent sentence and pass evaluations remains very difficult.
- Our operating margin has decreased due to investment in future growth.

Professional, Scientific and Technical Services

- There is a lot of uncertainty on the economic front with USMCA [U.S.–Mexico–Canada trade agreement], Chinese tariffs, labor availability, etc.
- The only reason the operating margin has increased is because my firm has had some work (consulting).

Administrative and Support Services

- We are a staffing company and are finding the availability of skilled personnel to be limited.
- We are government contractors—our contracts are a fixed price and based on government wage determination.

Educational Services

- Labor costs are rising, and it is harder to raise contracted prices when our purchase orders are annual.

Nursing and Residential Care Facilities

- Margins dropped drastically with the increased cost of labor due to overtime. We have remained 6 to 10 percent short of the number of employees required to staff our required positions with an 85 percent turnover rate amongst 67 percent of our entire staff.

Food Services and Drinking Places

- Small same-store sales gains have cut commission checks to managers.

Texas Retail Outlook Survey

Data were collected May 14–22, and 50 Texas retailers responded to the surveys.

See data files with a full history of results.

What annual percent change in wages, input prices and selling prices did your firm experience in 2018 and what do you expect for 2019?



NOTE: Shown are trimmed means with the lowest and highest five percent of responses omitted. 2018 actual and 2019 previous expectation figures are based on data collected in a December 2018 special question.

SOURCE: Federal Reserve Bank of Dallas Texas Retail Outlook Survey

	May '19 (percent)
Wages	3.8
Input prices (excluding wages)	3.5
Selling prices	3.3

NOTES: 35 responses. Shown are trimmed means with the lowest and highest 5 percent of responses omitted.

What, if anything, are you doing to recruit and retain employees? Please check all that apply.

	May '18 (percent)	Aug. '18 (percent)	Nov. '18 (percent)	May '19 (percent)
Increasing wages and/or benefits	56.8	63.0	58.7	51.1
Increasing wages			56.5	46.7
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	65.9	54.3	58.7	44.4
Increasing variable pay, including bonuses	36.4	37.0	30.4	35.6
Offering additional training	18.2	30.4	26.1	33.3
Improving working conditions	27.3	32.6	26.1	22.2
Increasing benefits			15.2	20.0
Reducing education and other requirements for new hires	6.8	10.9	10.9	8.9

NOTES: 45 responses. Starting in November 2018, "increasing wages" appears as a separate answer choice from 'increasing benefits.' We will continue to include the share of firms reporting increasing wages and/or benefits but as a calculation based on responses to "increasing wages" and 'increasing benefits.'

Are you currently trying to hire?

	May '19 (percent)
Yes	70.0
No	30.0

NOTE: 50 responses.

Are you having problems finding qualified workers when hiring?*

	May '19 (percent)
Yes	88.6
No	11.4

*This question posed only to respondents who answered "yes" to the previous question.

NOTE: 35 responses.

If you are you having problems finding qualified workers, what are the main reasons why? Please select all that apply.*

	Feb. '18 (percent)	Aug. '18 (percent)	Nov. '18 (percent)	May '19 (percent)
Lack of technical competencies (hard skills)	48.6	52.6	45.5	64.5
Lack of available applicants/no applicants	56.8	78.9	66.7	61.3
Inability to pass drug test and/or background check	37.8	42.1	45.5	54.8
Lack of workplace competencies (soft skills)	40.5	36.8	39.4	35.5
Lack of experience	35.1	34.2	33.3	29.0
Looking for more pay than is offered	24.3	23.7	36.4	22.6

*This question posed only to respondents who answered "yes" to the previous question.

NOTE: 31 responses.

At your firm, what is the average hourly wage paid for each category?

	May '19 (percent)
Low-skill positions (typically require high school diploma or less and minimal work experience)	\$12.00/hour
Mid-skill positions (typically require some college or technical training)	\$20.00/hour
High-skill positions (typically require college degree or higher)	\$29.50/hour

NOTES: 35 responses. Shown are the median values.

How has your firm's operating margin (defined as earnings before interest and taxes [EBIT] as a share of total revenue) changed over the past six months?

	Dec. '18 (percent)	May '19 (percent)
Increased substantially	2.6	2.3
Increased slightly	10.3	15.9
Remained the same	23.1	27.3
Decreased slightly	41.0	43.2
Decreased substantially	23.1	11.4

NOTE: 44 responses.

Special Questions Comments

These comments have been edited for publication.

Merchant Wholesalers, Durable Goods

- The big uncertainty is related to the recently implemented tariffs.

Merchant Wholesalers, Nondurable Goods

- Input prices will depend on tariffs.

Motor Vehicle and Parts Dealers

- Prices are entirely dependent on the automobile manufacturers. We have no control over them.
- Our company is focused on offsetting wage and other expense increases by trying to increase margins by small amounts—1 to 2 percent.

Clothing and Clothing Accessories Stores

- Input prices will be determined by the outcome of the tariff issues. Selling prices are very difficult to increase for an apparel retailer.

Questions regarding the Texas Business Outlook Surveys can be addressed to Emily Kerr at emily.kerr@dal.frb.org,