

Texas Business Outlook Surveys

Special Questions

June 29, 2020

For this month's survey, Texas business executives were asked supplemental questions on the impacts of COVID-19. 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

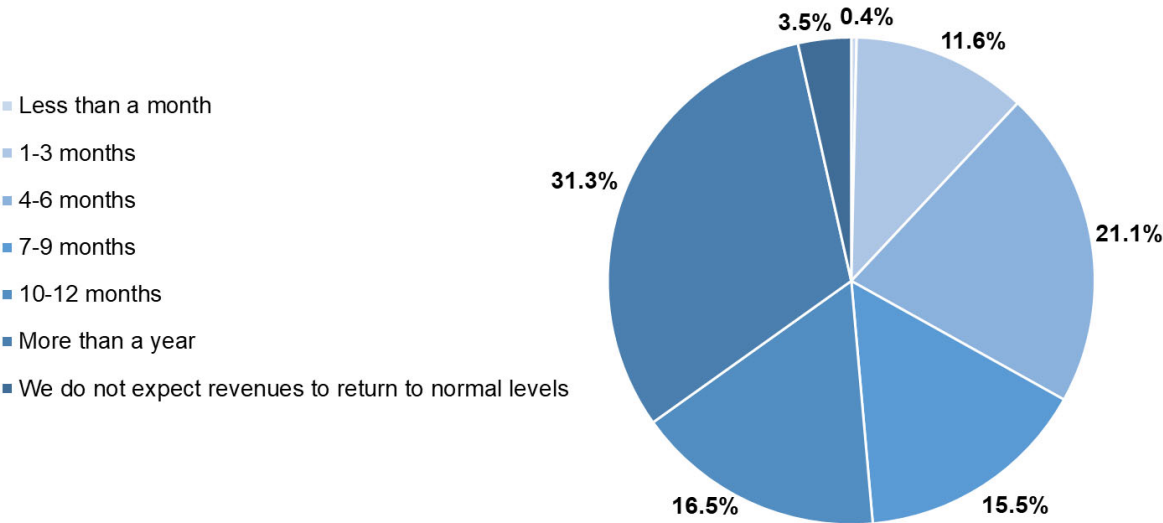
Data were collected June 16–24, and 405 Texas business executives responded to the surveys.

How do your firm's current revenues compare with a typical June? For example, if revenues are down 20 percent from normal, enter 80 percent. If revenues are up 20 percent, enter 120 percent.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	75.6	66.0
Entries of exactly 100	10.6	100.0
Entries greater than 100	13.7	124.5
All entries	100.0	77.7

NOTES: 386 responses. This same question was posed in May.

When do you expect your firm's revenues to return to normal (pre-COVID) levels?



NOTES: 284 respondents. This question was only posed to those indicating June revenues were below normal.
SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Surveys.

How does your firm's current employee headcount compare with February (pre-COVID)? For example, if headcount is down 20 percent from February, enter 80 percent. If headcount is up 20 percent, enter 120 percent. Please exclude any changes due to typical seasonality.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	43.0	71.1
Entries of exactly 100	44.6	100.0
Entries greater than 100	12.3	112.0
All entries	100.0	89.1

NOTE: 381 responses.

When do you expect your firm's headcount to return to pre-COVID levels?

	Response (percent)
Less than a month	5.0
1-3 months	12.6
4-6 months	17.0
7-9 months	10.7
10-12 months	9.4
More than a year	26.4
We do not expect headcount to return to pre-COVID levels	18.9

NOTES: 159 responses. This question was only posed to those indicating their June headcount is down from February.

Was any part of your business shut down due to state/local operational restrictions?

	May '20 (percent)	June '20 (percent)
Yes	35.1	29.8
No	64.9	70.2

NOTE: 396 responses.

Is your business currently reopened to the maximum allowable level?

	May '20 (percent)	June '20 (percent)
Yes	45.5	57.8
No	54.5	42.2

NOTES: 116 responses. This question was only posed to those indicating any part of their business was shut down.

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

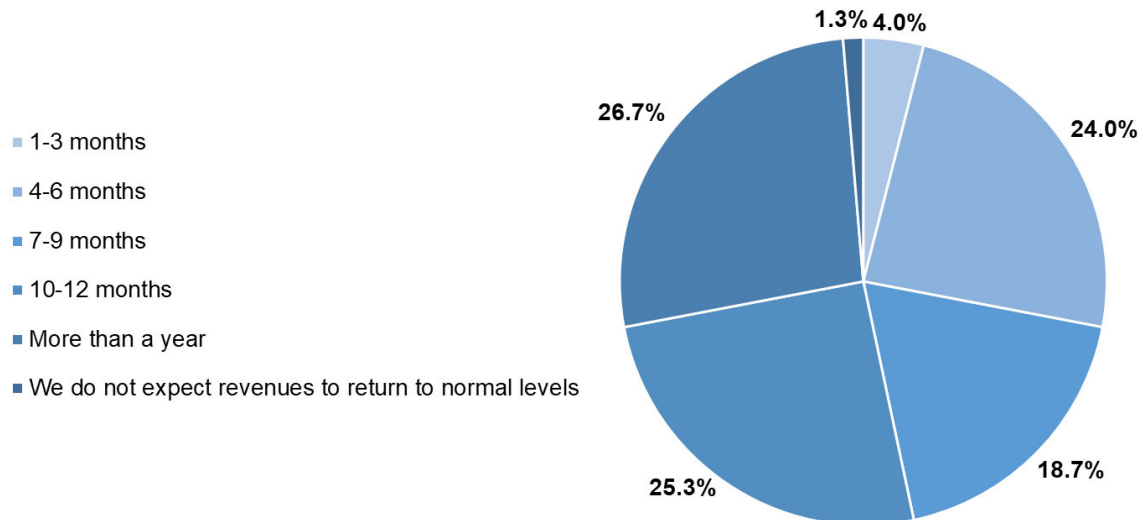
Data were collected June 16–24, and 115 Texas manufacturers responded to the survey.

How do your firm's current revenues compare with a typical June? For example, if revenues are down 20 percent from normal, enter 80 percent. If revenues are up 20 percent, enter 120 percent.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	70.6	64.4
Entries of exactly 100	12.8	100.0
Entries greater than 100	16.5	120.6
All entries	100.0	78.2

NOTES: 109 responses. This same question was posed in May.

When do you expect your firm's revenues to return to normal (pre-COVID) levels?



NOTES: 75 respondents. This question was only posed to those indicating June revenues were below normal.
SOURCE: Federal Reserve Bank of Dallas, Texas Manufacturing Outlook Survey.

How does your firm's current employee headcount compare with February (pre-COVID)? For example, if headcount is down 20 percent from February, enter 80 percent. If headcount is up 20 percent, enter 120 percent. Please exclude any changes due to typical seasonality.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	42.6	76.9
Entries of exactly 100	41.7	100.0
Entries greater than 100	15.7	109.2
All entries	100.0	91.6

NOTE: 108 responses.

When do you expect your firm's headcount to return to pre-COVID levels?

	Response (percent)
Less than a month	2.2
1-3 months	10.9
4-6 months	21.7
7-9 months	15.2
10-12 months	13.0
More than a year	26.1
We do not expect headcount to return to pre-COVID levels	10.9

NOTES: 46 responses. This question was only posed to those indicating their June headcount is down from February.

Was any part of your business shut down due to state/local operational restrictions?

	May '20 (percent)	June '20 (percent)
Yes	11.9	11.6
No	88.1	88.4

NOTE: 112 responses.

Is your business currently reopened to the maximum allowable level?

	May '20 (percent)	June '20 (percent)
Yes	61.5	83.3
No	38.5	16.7

NOTES: 12 responses. This question was only posed to those indicating any part of their business was shut down.

Special Questions Comments

These comments have been edited for publication.

Plastics and Rubber Product Manufacturing

- Local city government shut us down for three days in March. We got our essential qualifications in order and reopened and have been open since. In line with PPP [Paycheck Protection Program] guidelines, we have instituted a careful hiring protocol and currently exceed head counts in our locations here and in Oklahoma.

Primary Metal Manufacturing

- We are gaining market share from our competitors.

Fabricated Metal Manufacturing

- We're learning to operate at a reduced level as a new normal. We're still seeing customers contract and go out of business.
- A segment of our fabrication business sells to restaurants and hospitality, where demand is at almost zero. Other segments have temporarily rebounded due to temporary halts on orders from March/April.
- Foreign business was down.

Machinery Manufacturing

- Our company had a significant increase in bookings for the first quarter, which allowed for higher revenue for June. However, our current bookings are down significantly for the second quarter.
- The forecast is out the window. How in the world are you supposed to project a budget when the government interferes in commerce, shutting everything down? For the first time in my life, I am generally worried about sinking into a depression. It was bad enough having to deal with Chinese imports destroying our market, but this (COVID-19) takes the cake.

Computer and Electronic Product Manufacturing

- Customer visibility remains low. Many supply constraints in the industry are causing unusual order patterns. Auto demand is especially weak; we're hoping it returns soon as factories come back online.
- The cloud telecommunications services business remained completely open. We do expect to see some businesses shutting down and some inability to pay from the retail sector. We do expect those shutdowns to be offset by growth from new customers. Our premises-based systems sales business has been severely impacted since the shutdown. April was down 38 percent compared to a year ago. May was similar, and June should be down 30 percent from a year ago.

Transportation Equipment Manufacturing

- We're monitoring employee health carefully to avoid a serious second shutdown.

Food Manufacturing

- We're in the food business. Demand is up. We haven't stopped working yet, and continue to do so at a slightly higher level of volume vs. last year.
- We are a part of the "essential services" and have quite a team. No one has asked to not work, and we do have some challenging social-distancing issues. We have had no positive [cases] in terms of COVID outbreaks. We are sending food as far as Africa and to food banks across the state of Texas and to the Salvation Army. We have some warriors here, and virtually everyone could get a better-paying job elsewhere.

Texas Service Sector Outlook Survey

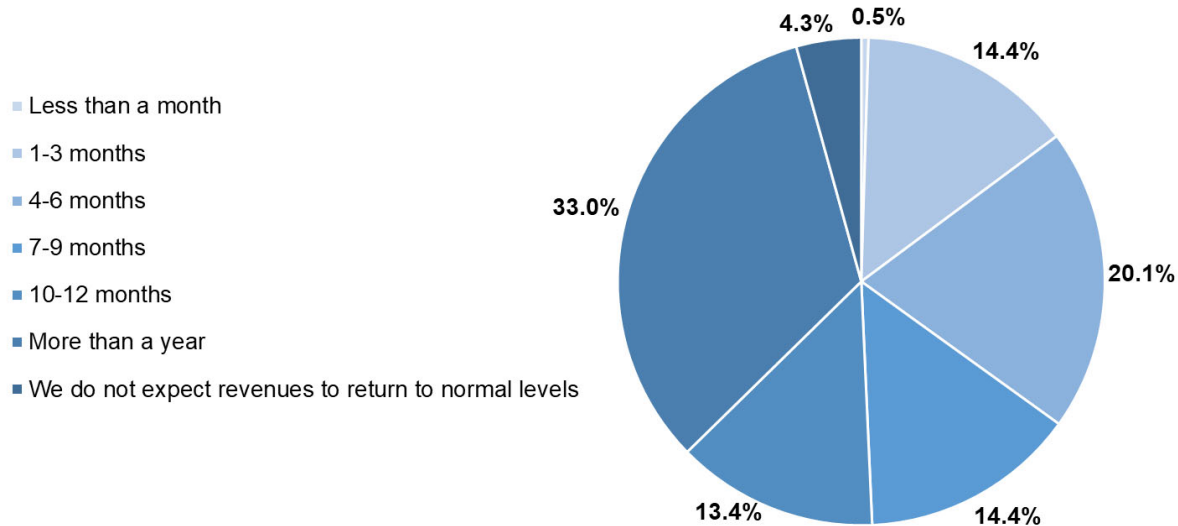
Data were collected June 16–24, and 290 Texas business executives responded to the survey.

How do your firm's current revenues compare with a typical June? For example, if revenues are down 20 percent from normal, enter 80 percent. If revenues are up 20 percent, enter 120 percent.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	77.6	66.6
Entries of exactly 100	9.7	100.0
Entries greater than 100	12.6	126.5
All entries	100.0	77.4

NOTES: 277 responses. This same question was posed in May.

When do you expect your firm's revenues to return to normal (pre-COVID) levels?



NOTES: 209 respondents. This question was only posed to those indicating June revenues were below normal.
SOURCE: Federal Reserve Bank of Dallas, Texas Service Sector Outlook Survey.

How does your firm's current employee headcount compare with February (pre-COVID)? For example, if headcount is down 20 percent from February, enter 80 percent. If headcount is up 20 percent, enter 120 percent. Please exclude any changes due to typical seasonality.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	43.2	68.9
Entries of exactly 100	45.8	100.0
Entries greater than 100	11.0	113.6
All entries	100.0	88.0

NOTE: 273 responses.

When do you expect your firm's headcount to return to pre-COVID levels?

	Response (percent)
Less than a month	6.2
1-3 months	13.3
4-6 months	15.0
7-9 months	8.8
10-12 months	8.0
More than a year	26.5
We do not expect headcount to return to pre-COVID levels	22.1

NOTES: 113 responses. This question was only posed to those indicating their June headcount is down from February.

Was any part of your business shut down due to state/local operational restrictions?

	May '20 (percent)	June '20 (percent)
Yes	44.1	37.0
No	55.9	63.0

NOTE: 284 responses.

Is your business currently reopened to the maximum allowable level?

	May '20 (percent)	June '20 (percent)
Yes	43.8	54.8
No	56.2	45.2

NOTES: 104 responses. This question was only posed to those indicating any part of their business was shut down.

Special Questions Comments

These comments have been edited for publication.

Utilities

- We are an essential business.

Pipeline Transportation

- Our operations were deemed essential. Field employees are working at 90+ percent and office personnel in headquarters and other key regional offices at about 25 percent.

Data Processing, Hosting and Related Services

- Hiring talented technology folks continues to be a challenge. There are a lot of technologists on the market due to furloughs and downsizing, but senior talent remains in short supply.

Credit Intermediation and Related Activities

- We managed the partial shutdown while maintaining operations, just in a different manner, with some adjustments to staffing by splitting shifts to protect staff and customers. We are now back to full staff while providing several methods of protection and procedures following CDC [Centers for Disease Control] guidelines.
- We are implementing hiring freezes now, with potential force reductions later.

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

- PPP [Paycheck Protection Program] loans kept us busy and saved our customers.
- It will be a long and hard battle to stay in business during the next 12 months.
- While not shut down, we did shift to working remotely and still are.

Real Estate

- Our executives and administration were in the office every day, while the sales agents worked mostly from home and came in to the office to meet clients or as needed to complete paperwork, etc.
- Our industry was considered essential. We voluntarily sent people home to work. Many of our folks were already working from home. As the economy reopens, we expect to reduce some part-time hours.
- There is too much negativity reported by the media. We need to be encouraged to go out as long as we comply with distancing and face masks.

Professional, Scientific and Technical Services

- How we conduct our business has changed drastically and, in many cases, we are more efficient.
- As a sole proprietor, my head count remains the same at one person, me. With the cuts in energy demand due to the virus and restrictions, I consider my business to be effectively shut down by the state/local operational restrictions imposed on others. Obviously, the price of oil has caused some of the business loss, but that is something that is understood, even though the length of time the Saudi/Russian issues will go on is not known. I am open to the maximum level, but there is essentially no consulting business available.
- Our reduction in staff is in response to planning for the long term and the expected long-term change in delivery of services rather than from loss of short-term business.
- We see a year over year decrease in hours of about 7 percent, but rates are 4 percent higher. Looks like hours might continue to soften in June.
- Employees were able to work remotely full time for eight-plus weeks. Ninety percent are now back in the office.
- Our business was not shut down, but travel to and from client locations was shut down. We have clients in the RGV [Rio Grande Valley] that received a little less of our attention, and two of our RGV clients decided to put all activity on hold until further notice. We have just recently picked up activity with these two clients (June).
- The SBA [Small Business Administration] PPP program, along with cash reserves, should allow us to weather a 20 percent downturn for approximately six months with no reduction in force.

- We were not shut down as an essential service, but we opted to work from home to mitigate the spread of the coronavirus.
- Our employees are mostly working remotely from home. Some are going to our office two days a week. As a tech company, we are lucky that almost all our work can be done remotely. We just would like the business climate and sales to get back to pre-COVID levels in three to six months. U.S. government interventions (COVID-19 spending and PPP loans) were the perfect things in our judgment and experience, giving us time to get back to normal without any staff or salary cuts.
- Our alcohol permitting company (which is over 50 years old) is essentially closed. There has never been a period where so few bars and restaurants opened. There will be many, many service-industry businesses that fail, but they will not be backfilled.
- The main office headquarters is opening next month.
- People are not making decisions. Everything is on hold.
- We received a PPP loan, which helped retain staff and bridge budgetary gaps.

Management of Companies and Enterprises

- We feel like this will go back to normal with prices on the rise after the November election. Until then, some groups have a perverse incentive to drive a negative narrative.
- Bank services were considered essential businesses. Lobbies were closed except for appointments. Full-service banking was offered throughout the entire COVID-19 pandemic, primarily through drive-thru services and electronic banking.
- Two locations are still closed due to a recent spike in COVID-19 cases.

Administrative and Support Services

- On a local level, Gov. Abbott and the mayors of each city in Texas need to come to an agreement on the mask issue like grownups. We do not need more confusion out in the real world at any level. President Trump is confusing enough.
- January through May have been a pleasant surprise. We expect June to drop, and we cannot predict the future.
- Without the PPP, we would be in a much worse position. It will hopefully allow us to continue to keep people employed.
- We did not shut down operations. We have seen a noticeable decline in buyer behavior/activity and overall sentiments regarding business and economic health due to the uncertainty resulting from COVID-19, race relations, oil and gas prices, and the political divide.
- We did not lay off employees, but our sales have been dramatically affected by the shutdown of the economy. The best solution is to allow the full restart and let the existing government programs do their job.
- Our city and county governments seem to be making a full circle back to COVID-19 restrictions with business fines this time. It's amazing anyone can stay in business.
- Our physical office closed in March and reopened in May. All our team worked remotely.

Educational Services

- We are back up in staffing for summer operations and feel comfortable with our current climate. All staff understand the increase in testing will equate to increased positives [test results] among Texans. But the consensus regarding locking down again is no.

Ambulatory Health Care Services

- PPP is an excellent program response to the forced shutdown of businesses by government—even better with the modifications recently passed.
- We did shut down to about 20 percent operating capacity for six weeks in order to get time to obtain PPE [personal protective equipment] and develop protocols to protect our patients and employees. We also quit doing elective procedures, although this was not mandated in outpatient imaging. The damage was more considerable for the hospital system. Once open, we have ramped up to about 75 percent capacity over three to four weeks but see a flattening of volume at this time.

Nursing and Residential Care Facilities

- We are incurring significant costs for PPE to keep our residents and employees safe, and we are paying premium pay to make sure we have employees to take care of the vulnerable population of seniors that we serve. We are paying for specialized sterilization services at our communities with COVID-positive cases, and extra supplies and labor are needed to provide meals to residents in their rooms or for extended dining hours to maintain appropriate distancing between residents. The combination of lower revenues and significantly increased costs is stressing the company's liquidity position.

Social Assistance

- While our centers closed to the public, we implemented technology and continued providing services virtually.
- We have difficulty hiring new employees due to additional federal unemployment [payments].

Amusement, Gambling and Recreation Industries

- Our amusement park has been closed since Labor Day 2019. We are expecting to open [June] 19th, but do not expect any return to previous daily income, as the operating days come to an end in about 50 days due to school starting in early August.

Food Services and Drinking Places

- We are still limited to 50 percent or less occupancy.
- We are keeping indoor dining areas closed, as we have lots of outdoor options available. We are limiting occupancy to allow for staffing challenges from COVID-19 uncertainty. There are added costs/staffing for cleaning, distancing, signage, new processes, etc.
- We are at 75 percent of table space for the restaurant. Some guests are dining in but most are take-out or drive-thru.
- Even the state mandate to open to [no more than] 75 percent capacity is still not enough because my hot dog carts are closed.
- The media won't let up. The politicians won't let up. People are scared to go out and eat. Dining rooms are still near empty. Thank God we have a drive-thru window. I pity those operations that don't. We could see a reduction of restaurant numbers of 25 percent-plus in the coming year. This will help those of us still standing.

Personal and Laundry Services

- We were forced to shut down due to COVID-19 but have since reopened. There are still many restrictions imposed upon us that allow us to operate at 60 percent of our full potential.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- Shutdown was departmental based on customer access. Overall activity is increased because active departments are much busier.
- President Trump and our Texas governor have not only sent mixed signals on safety and corporate profits but have prevented local government entities from making decisions on protecting working families. Not following the science has doomed any real recovery for the future.

Texas Retail Outlook Survey

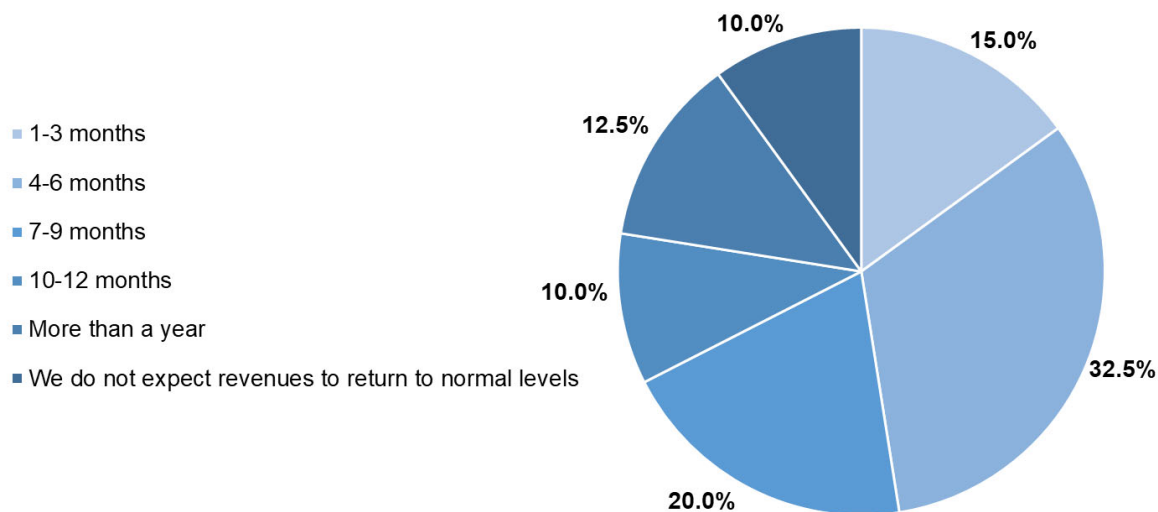
Data were collected June 16–24, and 53 Texas retailers responded to the survey.

How do your firm's current revenues compare with a typical June? For example, if revenues are down 20 percent from normal, enter 80 percent. If revenues are up 20 percent, enter 120 percent.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	78.4	64.7
Entries of exactly 100	5.9	100.0
Entries greater than 100	15.7	136.8
All entries	100.0	78.1

NOTES: 51 responses. This same question was posed in May.

When do you expect your firm's revenues to return to normal (pre-COVID) levels?



NOTES: 40 respondents. This question was only posed to those indicating June revenues were below normal.
SOURCE: Federal Reserve Bank of Dallas, Texas Retail Outlook Survey.

How does your firm's current employee headcount compare with February (pre-COVID)? For example, if headcount is down 20 percent from February, enter 80 percent. If headcount is up 20 percent, enter 120 percent. Please exclude any changes due to typical seasonality.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	41.2	71.6
Entries of exactly 100	51.0	100.0
Entries greater than 100	7.8	111.3
All entries	100.0	89.2

NOTE: 51 responses.

When do you expect your firm's headcount to return to pre-COVID levels?

	Response (percent)
Less than a month	5.3
1-3 months	26.3
4-6 months	21.1
7-9 months	5.3
10-12 months	5.3
More than a year	5.3
We do not expect headcount to return to pre-COVID levels	31.6

NOTES: 19 responses. This question was only posed to those indicating their June headcount is down from February.

Was any part of your business shut down due to state/local operational restrictions?

	May '20 (percent)	June '20 (percent)
Yes	38.2	37.7
No	61.8	62.3

NOTE: 53 responses.

Is your business currently reopened to the maximum allowable level?

	May '20 (percent)	June '20 (percent)
Yes	70.0	78.9
No	30.0	21.1

NOTES: 19 responses. This question was only posed to those indicating any part of their business was shut down

Special Questions Comments

Merchant Wholesalers, Durable Goods

- We are making reductions in our head count and probably will close the operation in less than a year.

Motor Vehicle and Parts Dealers

- We were able to keep our employee count up because of PPP.
- Difficult to answer your June question with 11 selling days remaining. June 2020 new and pre-owned retail vehicle sales will be down 10 percent from May 2020, based on the pacing report of today. New-vehicle fleet/commercial sales are down 60 percent this year versus last. This is a major problem! I don't see this turning around anytime soon.
- Inventories are extremely low and will remain this way for the foreseeable future. Automobile assembly plants have been closed, and ramping back up has been slow and is anticipated to stay that way. This is resulting in a lack of product to sell.

Building Material and Garden Equipment and Supplies Dealers

- June is up over May, which was down, and it looks like we will be about even when compared with June of last year. Unfortunately, we are down year to date (only 9 percent) and think it's going to be hard to make up for February's, March's and April's poor sales.

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