Texas Manufacturing Outlook Survey

DALLASFED

October 27, 2014

Texas Manufacturing Activity Continues to Increase, Outlooks Improve

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on credit availability. Results for these questions from the Texas Manufacturing Outlook Survey (TMOS), Texas Service Sector Outlook Survey (TSSOS) and Texas Retail Outlook Survey (TROS) have been released together.

Texas factory activity increased again in October, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, fell from 17.6 to 13.7, indicating output grew but at a slightly slower pace than in September.

Other measures of current manufacturing activity also reflected continued growth in October. The new orders index rose notably from 7.5 to 14.2, reaching a six-month high. The capacity utilization index edged down to 18.1 and the shipments index slipped to 12.8, although still more than a quarter of firms noted increases in these measures over September levels.

Perceptions of broader business conditions remained optimistic this month and outlooks improved markedly. The general business activity index held steady at a solid reading of 10.5. The company outlook index surged more than 12 points to 18.2, reaching its highest level in six months.

Labor market indicators reflected continued employment growth and longer workweeks. The October employment index posted a fifth robust reading, holding steady at 10.2. Nineteen percent of firms reported net hiring, compared with 9 percent reporting net layoffs. The hours worked index also held fairly steady, coming in at 8.3 after rising to 9.5 last month.

Upward pressure on prices and wages continued at about the same pace in October. The raw materials prices index was 19.7, nearly unchanged from its September reading. The finished goods prices index also held steady, at a reading of 7.1, with more than 80 percent of manufacturers noting no change in selling prices this month. The wages and benefits index showed little movement as well, edging down from 26.2 to 24.5.

Expectations regarding future business conditions remained optimistic in October. The index of future general business activity inched up to 13.3. Indexes for future manufacturing activity showed mixed movements in October but remained in solidly positive territory. The index for future employment shot up 13 points to 31.7, suggesting an increase in headcounts six months from now.

The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state's factory activity. Data were collected Oct. 14–22, and 111 Texas manufacturers responded to the survey. Firms are asked whether output, employment, orders, prices and other indicators increased, decreased or remained unchanged over the previous month.

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 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. Data have been seasonally adjusted as necessary.

Next release: November 24, 2014

Business Indicators Relating to Facilities and Products in Texas Current (versus previous month)								
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	13.7	17.6	-3.9	Increasing	18	27.8	58.1	14.1
Capacity Utilization	18.1	20.2	-2.1	Increasing	23	25.4	67.3	7.3
New Orders	14.2	7.5	+6.7	Increasing	18	30.2	53.8	16.0
Growth Rate of Orders	7.4	-3.2	+10.6	Increasing	1	21.3	64.8	13.9
Unfilled Orders	0.8	-0.9	+1.7	Increasing	1	13.6	73.6	12.8
Shipments	12.8	15.9	-3.1	Increasing	18	27.4	58.0	14.6
Delivery Time	4.2	1.5	+2.7	Increasing	5	11.5	81.2	7.3
Materials Inventories	9.4	-0.7	+10.1	Increasing	1	19.8	69.8	10.4
Finished Goods Inventories	4.5	-6.8	+11.3	Increasing	1	18.0	68.5	13.5
Prices Paid for Raw Materials	19.7	19.5	+0.2	Increasing	63	28.5	62.7	8.8
Prices Received for Finished Goods	7.1	7.0	+0.1	Increasing	15	12.3	82.5	5.2
Wages and Benefits	24.5	26.2	-1.7	Increasing	63	25.9	72.7	1.4
Employment	10.2	10.6	-0.4	Increasing	17	19.0	72.2	8.8
Hours Worked	8.3	9.5	-1.2	Increasing	10	17.5	73.3	9.2
Capital Expenditures	10.8	4.4	+6.4	Increasing	37	14.3	82.2	3.5

General Business Conditions Current (versus previous month)								
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	18.2	5.8	+12.4	Improving	17	25.2	67.8	7.0
General Business Activity	10.5	10.8	-0.3	Improving	17	20.3	69.9	9.8

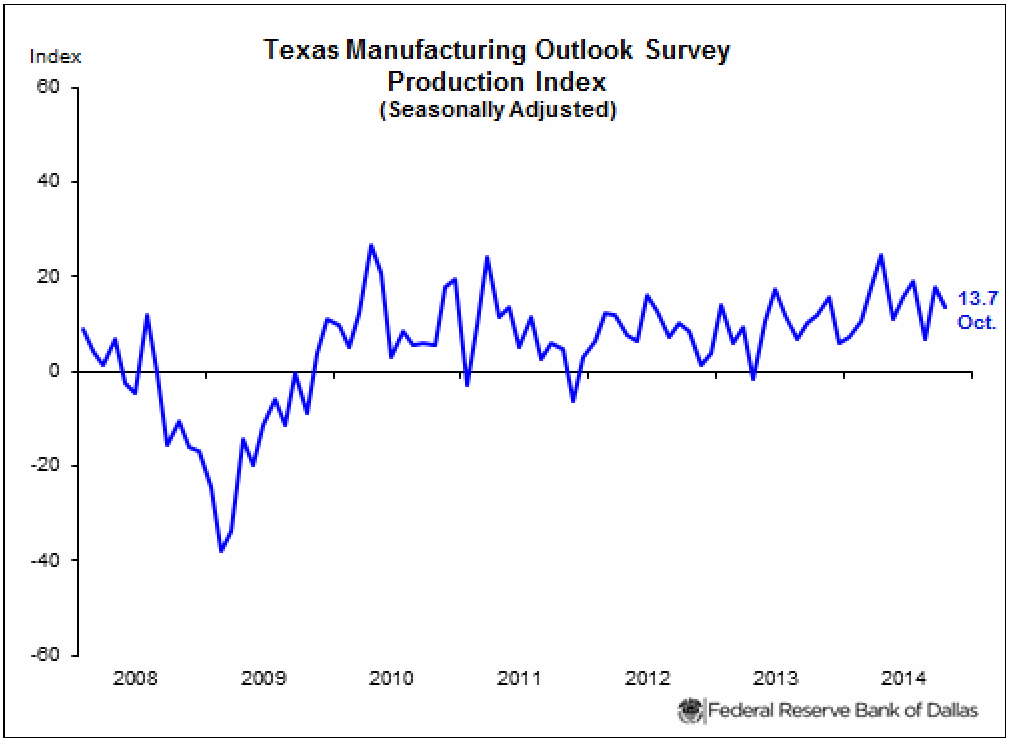
Business Indicators Relating to Facilities and Products in Texas Future (six months ahead)								
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	41.2	40.0	+1.2	Increasing	68	50.2	40.8	9.0
Capacity Utilization	33.9	34.7	-0.8	Increasing	68	42.7	48.6	8.8
New Orders	38.1	34.6	+3.5	Increasing	68	49.9	38.4	11.8
Growth Rate of Orders	22.3	30.8	-8.5	Increasing	68	38.2	45.9	15.9
Unfilled Orders	3.5	3.4	+0.1	Increasing	15	13.9	75.7	10.4
Shipments	34.2	38.6	-4.4	Increasing	68	45.7	42.9	11.5
Delivery Time	1.7	0.5	+1.2	Increasing	2	10.0	81.7	8.3
Materials Inventories	6.7	5.3	+1.4	Increasing	2	22.1	62.5	15.4
Finished Goods Inventories	-1.0	-1.0	0.0	Decreasing	6	14.4	70.2	15.4
Prices Paid for Raw Materials	31.4	36.4	-5.0	Increasing	67	39.0	53.3	7.6
Prices Received for Finished Goods	15.2	29.3	-14.1	Increasing	28	21.9	71.4	6.7
Wages and Benefits	40.8	40.7	+0.1	Increasing	125	42.1	56.6	1.3
Employment	31.7	18.4	+13.3	Increasing	62	42.3	47.1	10.6
Hours Worked	6.3	11.6	-5.3	Increasing	17	15.6	75.1	9.3
Capital Expenditures	20.6	23.5	-2.9	Increasing	59	29.4	61.8	8.8

General Business Conditions Future (six months ahead)								
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	23.6	32.3	-8.7	Improving	67	36.7	50.2	13.1
General Business Activity	13.3	12.1	+1.2	Improving	17	27.8	57.7	14.5

*Indicator direction refers to this month's index. If index is positive (negative), indicator is increasing (decreasing) or improving (worsening). If zero, indicator is unchanged.

**Number of months moving in current direction.

Data have been seasonally adjusted as necessary.



Comments from Survey Respondents

These comments are from respondents' completed surveys and have been edited for publication.

Fabricated Metal Manufacturing

- We are getting squeezed very hard by high turnover and the general level of activity increasing wages rapidly. In addition, we have just seen knee-jerk reaction to projects as a result of the recent collapse of oil prices. Customers are delaying some projects to see how things shake out over the next several months.
- There is a lot of uncertainty due to global concerns.
- Our business profits and capacity utilization are suffering from the lack of available skilled machinists. We are continually training and at present involved with a training grant through a local community college. However, the lack of skilled labor is impacting our business. We have been recruiting and searching for the last six months.
- We are beginning to witness during our 2015 budget process additional health care costs resulting from Affordable Care Act legislation. There is increased apprehension about the lack of strength in the economic recovery from our customers and dealers.
- We just received our health insurance renewal. The premium increased by 15 percent. We are going to have to reevaluate our coverage.

Machinery Manufacturing

- While most businesses are hoarding cash, we have chosen to aggressively grow shop space, equipment and people. We are expecting business sentiment to improve after Nov. 2.
- Business in our space (primarily industrial maintenance services for downstream and mid-stream energy facilities) remains steady. We have a positive outlook. We wonder whether the energy price softness will impact demand in the future, but expect the impact to be fairly modest for our customers.
- The drop in the price of oil has adversely affected our customer base. We are pessimistic about the next 12 to 18 months as a result.

Chemical Manufacturing

- Lack of rail car availability is hampering our deliveries.
- We are seeing the effects of the continued contraction in Europe with delayed and canceled orders. Also, the strengthening dollar has caused reduced exports to growing economies, such as India.

Computer and Electronic Product Manufacturing

- We have seen several companies in our industry pre-announce negative results this month. We have seen some minor weakening in demand in some product areas, but this seems to be very isolated. With China on holiday (National Day of China) for a week, there has been some expected slowing. We remain cautious, as we don't see other signs of weakening (yet).

Electrical Equipment, Appliance and Component Manufacturing

- Dropping oil prices and the potential negative effect on capital spending in that segment are major concerns for us.

Transportation Equipment Manufacturing

- We have had six new hires this month and 21 year to date.
- With the lower gas prices recently, truck sales are improving, which puts increased pressure on our production to maintain inventory levels.

Food Manufacturing

- We have established our new premiums and expected health care costs for 2015 based on the last 12 months data. The impact of the Affordable Care Act continues to have no emphasis on "affordable." Our premiums/costs are rising 6–7 percent, which continues the trend of squeezing real wages for employees.
- There has been a lot of publicity given to both falling oil prices and a rising dollar as of late. Both of those trends, if they were to continue, would greatly benefit our company. We import raw materials but have no international sales. In addition to our own distribution costs, lower oil prices benefit many of our suppliers.
- Our key inputs (milk, cream) are showing signs of finally beginning to descend from record highs seen just a few weeks ago. But that has only been in the last week or so.

Beverage and Tobacco Product Manufacturing

- Cost pressures and decreased sales industrywide make conditions tough.

Textile Product Mills

- There is a lot of interest in companies trying to move production from China to Mexico.

Miscellaneous Manufacturing

- Our industry is still sluggish, and growth is half what it was a few years ago, but we are growing again.

Questions regarding the Texas Manufacturing Outlook Survey can be addressed to Emily Kerr at emily.kerr@dal.frb.org.
The Texas Manufacturing Outlook Survey can be found online at www.dallasfed.org/microsites/research/surveys/tmos/.

Texas Business Outlook Surveys

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October 27, 2014

Special Questions

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

Data were collected Oct. 6–9, and 272 Texas business executives responded to the surveys.

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

	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Eased substantially	0.8	1.3	1.8
Eased somewhat	8.9	8.2	11.8
No change	50.2	43.8	48.0
Tightened somewhat	8.2	11.6	5.5
Tightened substantially	3.5	2.6	2.6
Not applicable—haven't sought credit	28.4	32.6	30.3

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

	Oct '13 (percent)	Oct '14 (percent)
Increased substantially	3.9	0.7
Increased somewhat	27.5	12.1
No change	31.3	48.5
Decreased somewhat	3.4	7.0
Decreased substantially	0.0	1.1
Not applicable—haven't sought credit	33.9	30.5

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

	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
No difficulty	33.1	41.4	43.0
Some difficulty	19.1	11.2	14.1
Substantial difficulty	3.9	3.0	3.3
Extreme difficulty	4.7	3.0	0.7
Not applicable—haven't sought credit	39.3	41.4	38.9

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 '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
No difficulty	38.2	40.5	42.4
Some difficulty	12.2	9.5	7.8
Substantial difficulty	2.4	1.3	3.0
Extreme difficulty	3.9	1.7	1.5
Not applicable—haven't sought credit	43.3	47.0	45.4

5. Has your firm's production and/or sales been adversely affected by difficulty obtaining credit?			
	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Yes–significantly	4.7	2.2	2.9
Yes–somewhat	10.1	6.9	8.5
No	34.2	35.8	35.7
Not applicable–haven't had problems obtaining credit	12.5	15.1	15.8
Not applicable—haven't sought credit	38.5	40.1	37.1

6. Has your firm reduced hiring and/or increased layoffs due to difficulty obtaining credit?			
	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Yes–significantly	3.1	0.9	0.7
Yes–somewhat	9.4	7.3	5.5
No	39.5	38.4	44.1
Not applicable–haven't had problems obtaining credit	11.7	13.8	13.6
Not applicable—haven't sought credit	36.3	39.7	36.0

*Question added in 2013.

NOTE: Survey respondents were given the opportunity to provide comments. These comments can be found on the individual survey Special Questions results pages, accessible by the tabs above.

Questions regarding the Texas Manufacturing Outlook Survey can be addressed to Emily Kerr at emily.kerr@dal.frb.org, and questions regarding the Texas Service Sector Outlook Survey or the Texas Retail Outlook Survey can be addressed to Amy Jordan at amy.jordan@dal.frb.org.
The Texas Business Outlook Survey can be found online at www.dallasfed.org/microsites/research/surveys/tbos/.

Texas Manufacturing Outlook Survey

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October 27, 2014

Special Questions

Data were collected Oct. 6–9, and 89 Texas manufacturers responded to the survey.

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

	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Eased substantially	0.0	0.0	0.0
Eased somewhat	3.9	6.9	13.5
No change	53.2	51.4	53.9
Tightened somewhat	9.1	13.9	4.5
Tightened substantially	2.6	1.4	3.4
Not applicable—haven't sought credit	31.2	26.4	24.7

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

	Oct '13 (percent)	Oct '14 (percent)
Increased substantially	4.2	1.1
Increased somewhat	31.9	15.7
No change	31.9	48.3
Decreased somewhat	2.8	6.7
Decreased substantially	0.0	1.1
Not applicable—haven't sought credit	29.2	27.0

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

	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
No difficulty	41.6	48.6	47.2
Some difficulty	9.1	13.9	16.9
Substantial difficulty	9.1	1.4	5.6
Extreme difficulty	3.9	4.2	0.0
Not applicable—haven't sought credit	36.4	31.9	30.3

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 '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
No difficulty	42.7	50.0	50.6
Some difficulty	8.0	9.7	6.9
Substantial difficulty	5.3	2.8	4.6
Extreme difficulty	2.7	1.4	1.1
Not applicable—haven't sought credit	41.3	36.1	36.8

5.	**Has your firm's production and/or sales been adversely affected by difficulty obtaining credit?**		
	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Yes–significantly	3.9	1.4	1.1
Yes–somewhat	9.1	6.9	11.2
No	27.3	36.1	32.6
Not applicable–haven't had problems obtaining credit	19.5	20.8	23.6
Not applicable—haven't sought credit	40.3	34.7	31.5

6.	**Has your firm reduced hiring and/or increased layoffs due to difficulty obtaining credit?**		
	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Yes–significantly	3.9	0.0	0.0
Yes–somewhat	6.5	11.1	4.5
No	32.5	34.7	43.8
Not applicable–haven't had problems obtaining credit	20.8	19.4	21.3
Not applicable—haven't sought credit	36.4	34.7	30.3

*Question added in 2013.

Special Questions Comments

These comments have been edited for publication.

Fabricated Metal Product Manufacturing

- The credit markets are tightening somewhat, partly in response to Dodd–Frank leverage constraints.
- We have existing notes and a line of credit, and the pressure related to those instruments has diminished. On the other hand, we have not sought to replace them.

Machinery Manufacturing

- Our firm's profitability and cash flow growth have made any requested lending an easy process.
- We refinanced a real estate loan and found many lenders to be very aggressive in pursuing our business. That was new; in the past the banks had been extremely standoffish regarding our revolving letter of credit.
- We have an existing multibank credit facility and low overall financial leverage on the business. As a result, financing is not a significant issue for us.
- We have only applied for a real estate loan, which was easily obtained at a good rate.

Chemical Manufacturing

- As a part of the energy sector, we have been fortunate to be in a growth mode with good profitability. Lenders are willing participants in this business. When we need credit, the banks line up to get a piece of the action. We recently closed a $135 million credit facility and it was oversubscribed by 50 percent.

Food Manufacturing

- We don't live on credit. It may be a necessary evil but an evil nonetheless.
- Current conditions are favorable, but we are monitoring the market for 2015 and beyond for warning signs. Higher interest rates, no growth, a stronger dollar and true inflation—especially in food—are all factors in our forecast.

Paper Manufacturing

- Although we have not sought credit, the conditions and rates have been the same as six months ago.

Computer and Electronic Product Manufacturing

- The federal government needs to focus on enabling business creation and sustainability by creating policies that incentivize growth, resulting in long-term job creation and investments.

Electrical Equipment, Appliance and Component Manufacturing

- Our bank is a relatively large community bank with branches in San Antonio and Austin. We learned over lunch with our bank officer that, regarding loans and loan demand, the issue for his bank is finding qualified borrowers. His bank actively seeks out qualified borrowers to loan capital. His frustration is with the added staff and process necessitated by bank examiners today.

Transportation Equipment Manufacturing

- We have been very fortunate that our company has not required credit for the past couple of years. There will probably be a need in the next two to three years as our equipment is working extremely hard and replacement will be a priority.

Plastics and Rubber Products Manufacturing

- We are anticipating higher interest rates next year, but this will not affect our business as we are mostly debt free.

Nonmetallic Mineral Product Manufacturing

- The time frame for obtaining credit and the number of questions has increased. Underwriting standards have tightened in the last six years.

October 27, 2014

Special Questions

Data were collected Oct. 6–9, and 183 Texas business executives responded to the survey.

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

	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Eased substantially	1.1	1.9	2.7
Eased somewhat	11.1	8.7	11.0
No change	48.9	40.4	45.1
Tightened somewhat	7.8	10.6	6.0
Tightened substantially	3.9	3.1	2.2
Not applicable—haven't sought credit	27.2	35.4	33.0

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

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

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

	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
No difficulty	29.4	38.1	40.9
Some difficulty	23.3	10.0	12.7
Substantial difficulty	1.7	3.8	2.2
Extreme difficulty	5.0	2.5	1.1
Not applicable—haven't sought credit	40.6	45.6	43.1

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 '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
No difficulty	36.3	36.3	38.5
Some difficulty	14.0	9.4	8.2
Substantial difficulty	1.1	0.6	2.2
Extreme difficulty	4.5	1.9	1.6
Not applicable—haven't sought credit	44.1	51.9	49.5

5. Has your firm's production and/or sales been adversely affected by difficulty obtaining credit?			
	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Yes–significantly	5.0	2.5	3.8
Yes–somewhat	10.6	6.9	7.1
No	37.2	35.6	37.2
Not applicable–haven't had problems obtaining credit	9.4	12.5	12.0
Not applicable—haven't sought credit	37.8	42.5	39.9

6. Has your firm reduced hiring and/or increased layoffs due to difficulty obtaining credit?			
	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Yes–significantly	2.8	1.3	1.1
Yes–somewhat	10.6	5.6	6.0
No	42.5	40.0	44.3
Not applicable–haven't had problems obtaining credit	7.8	11.3	9.8
Not applicable—haven't sought credit	36.3	41.9	38.8

*Question added in 2013.

Special Questions Comments

These comments have been edited for publication.

Credit Intermediation and Related Activities

- We learned a long time ago that in downturns you can keep your staff and continue product development, or you can pay debt service. Now is not a time to borrow.
- We have seen a slight increase in loan demand, and basically the volume is at a level to offset paydowns on loans. Deposits continue to exceed expectations. Delinquencies are at a historical low, with consumer loan volume remaining steady but under projections. Most growth in loans has been in commercial real estate and development. We have been reissuing a lot of debit cards due to the multiple breaches that have been occurring at big retail chain stores, increasing costs to the bank for new cards and causing customers the inconvenience of delays in receiving the newly issued cards. Something must be done to require the retail stores to be held responsible for the breaches that they have.

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

- We put our longer-term financing in place about 14 months ago, based on the theory that rates would increase significantly. The rates are higher now, and the conditions of the loans are somewhat more stringent. We are not in the credit or short-term bank-financing market right now, nor do we intend to be in the near future.

Real Estate

- Our company hasn't sought credit, but our clients are dependent upon obtaining mortgage loans. Lately we've seen some additional tightening that has negatively impacted several clients.

Rental and Leasing Services

- The problem isn't credit, it's regulatory-induced inefficiencies that cost us profit, which would otherwise be used to grow our business and hire more people.

Professional, Scientific and Technical Services

- Credit is not a limiting factor to our business growth; however, regulation is a significant limiting factor.
- We don't use credit to finance our day-to-day operations. This is all funded with available capital. We do maintain a credit line at the bank, but we haven't drawn on it in at least seven years. When we have borrowed funds for capital improvement —e.g., leasehold improvements—several of our partners guarantee a portion of said obligation. We have good, long-time banking relationships and would not expect any problems with borrowing funds if needed and justifiable.
- We have plenty of capital but cannot find good places to put it to use.

Administrative and Support Services

- We have a long-standing banking relationship and have not had to seek a new credit facility.
- We still do not know about the ramifications of the Affordable Care Act. Health insurance is the most worrisome segment of our business right now.
- We would not be surprised for nontraditional lending sources to step forward for qualified applicants, some with a slightly lower score and some with a smaller down payment.
- We maintain discussions with lending institutions, and they are still tight on their non-real-estate lending requirements. Any lending we look for is based on cash flow, and those terms are difficult. Banks have cut back on inventory and even receivables as collateral.

Nursing and Residential Care Facilities

- While our organization has not sought credit, we have considered refinancing existing debt. Our perception is that borrowing conditions have eased slightly, but there is still a great deal of instability in the market.

Food Services and Drinking Places

- We have obtained some financing in the last six months—primarily for a new restaurant we opened and a couple of remodels of existing units—but we used existing lines of credit arranged some time back and did not need to add to them.

Truck Transportation

- Our business is fast and furious. We increased our policy on deposits and now have a much tighter visibility of receivable aging. In terms of operating capital, we are growing, yet doing so within cash flow. We have met with our bank and easily received approval for an increased line of credit should it be necessary to fill gaps in cash flow. They did gripe about new regulation for reserves against unused line of credit dollars. We talked this past week about financing one of our existing buildings that has a large amount of equity tied up and a low amount of remaining debt. The conversation was easy, comfortable, and positive.

October 27, 2014

Special Questions

Data were collected Oct. 6–9, and 47 Texas retailers responded to the survey.

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

	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Eased substantially	4.1	0.0	4.3
Eased somewhat	14.3	17.9	10.9
No change	55.1	43.6	52.2
Tightened somewhat	10.2	7.7	6.5
Tightened substantially	2.0	0.0	0.0
Not applicable—haven't sought credit	14.3	30.8	26.1

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

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

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

	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
No difficulty	38.8	43.6	54.3
Some difficulty	26.5	10.3	15.2
Substantial difficulty	2.0	2.6	0.0
Extreme difficulty	8.2	0.0	0.0
Not applicable—haven't sought credit	24.5	43.6	30.4

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 '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
No difficulty	49.0	48.7	59.6
Some difficulty	14.3	5.1	8.5
Substantial difficulty	2.0	2.6	2.1
Extreme difficulty	8.2	0.0	0.0
Not applicable—haven't sought credit	26.5	43.6	29.8

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

	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Yes–significantly	6.1	0.0	2.1
Yes–somewhat	14.3	5.3	6.4
No	42.9	39.5	51.1
Not applicable–haven't had problems obtaining credit	16.3	21.1	19.1
Not applicable—haven't sought credit	20.4	34.2	21.3

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

	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Yes–significantly	6.1	0.0	0.0
Yes–somewhat	16.3	5.1	8.5
No	44.9	46.2	57.4
Not applicable–haven't had problems obtaining credit	12.2	15.4	12.8
Not applicable—haven't sought credit	20.4	33.3	21.3

*Question added in 2013.

Special Questions Comments

These comments have been edited for publication.

Motor Vehicle and Parts Dealers

- Availability of credit has not been an issue, and terms have been shortened.

Building Material and Garden Equipment and Supplies Dealers

- We have been hiring and are planning to purchase new equipment, but we do not plan to borrow to do so.

Food and Beverage Stores

- We operate public companies, and credit is wide open for us and ridiculously cheap. Our concern is that mortgage credit is almost unobtainable for low- and middle-income borrowers, which is keeping home construction restrained and reducing our sales from the employees who work in construction-related trades—a key segment of our customer base.

Nonstore Retailers

- We have a long-term relationship with our banker and have a working capital line secured by cash. Our recent credit experience was for a mortgage on a building that we occupy—our fourth such transaction since 2006. Since we have an excellent record with our bank on our working capital line as well as several mortgages in place, we may have had an easier time obtaining credit than other businesses.