Texas Manufacturing Outlook Survey

DALLASFED

October 26, 2015

Texas Manufacturing Activity Increases After Nine-Month Slump

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 in October after nine months of flat or declining output, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, rose to 4.8, marking the first month of output growth this year.[1]

Some other indexes of current manufacturing activity also reflected growth in October, but the survey's demand measures remained in negative territory. The new orders index posted a third negative reading in a row and fell three points to -7.6. The growth rate of orders index has been negative for 12 months and moved down to -7.7 in October. Meanwhile, the capacity utilization index moved up from 4.9 to 8.6, and the shipments index rose from 0.9 to 6.4.

Perceptions of broader business conditions remained weak in October. The general business activity index, which has been negative all year, fell 3 points to -12.7. The company outlook index remained negative for a third consecutive month but edged up to -4.1.

Labor market indicators reflected a stabilization in October. The employment index moved up to zero, indicating no change in headcounts after five months of declines. The hours worked index rose nearly 10 points to -1.7, suggesting a much smaller decline in workweek length than last month.

The survey's price measures have been quite weak this year, and the trend continued in October. The raw materials prices index was -1.2 this month, suggesting a slight decline in input costs. The finished goods prices index came in at -9.5, posting its 10th negative reading in a row. Meanwhile, the wages and benefits index stayed strong and edged up to 17.9.

Expectations regarding future business conditions remained positive in October. The index of future general business activity held fairly steady at 4.1, and the index of future company outlook edged up to 9.8. Indexes for future manufacturing activity moved up and remained strongly positive.

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. 13–21, and 108 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 30, 2015

NOTE
1. We regard index readings between -1.0 and 1.0 as near zero and indicative of no change in the underlying indicator.

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	4.8	0.9	+3.9	Increasing	2	28.0	48.8	23.2
Capacity Utilization	8.6	4.9	+3.7	Increasing	2	28.3	52.0	19.7
New Orders	-7.6	-4.6	-3.0	Decreasing	3	25.2	42.1	32.8
Growth Rate of Orders	-7.7	-4.3	-3.4	Decreasing	12	17.7	56.9	25.4
Unfilled Orders	-3.1	-7.9	+4.8	Decreasing	11	14.2	68.5	17.3
Shipments	6.4	0.9	+5.5	Increasing	2	30.0	46.5	23.6
Delivery Time	-9.2	-5.8	-3.4	Decreasing	2	9.3	72.2	18.5
Materials Inventories	-0.6	-1.0	+0.4	Decreasing	3	15.6	68.2	16.2
Finished Goods Inventories	0.9	-2.6	+3.5	Increasing	1	18.5	63.9	17.6
Prices Paid for Raw Materials	-1.2	-0.3	-0.9	Decreasing	3	16.1	66.6	17.3
Prices Received for Finished Goods	-9.5	-10.9	+1.4	Decreasing	10	8.0	74.5	17.5
Wages and Benefits	17.9	15.6	+2.3	Increasing	71	22.3	73.3	4.4
Employment	0.3	-6.1	+6.4	Increasing	1	15.2	69.9	14.9
Hours Worked	-1.7	-11.1	+9.4	Decreasing	2	14.2	69.9	15.9
Capital Expenditures	-0.4	-8.0	+7.6	Decreasing	2	10.5	78.6	10.9

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	-4.1	-5.2	+1.1	Worsening	3	16.8	62.3	20.9
General Business Activity	-12.7	-9.5	-3.2	Worsening	10	15.5	56.3	28.2

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	34.3	24.7	+9.6	Increasing	80	41.6	51.1	7.3
Capacity Utilization	27.3	21.4	+5.9	Increasing	80	32.9	61.5	5.6
New Orders	30.7	24.1	+6.6	Increasing	80	39.8	51.1	9.1
Growth Rate of Orders	19.6	15.2	+4.4	Increasing	80	28.8	62.0	9.2
Unfilled Orders	4.8	-0.6	+5.4	Increasing	1	12.5	79.8	7.7
Shipments	38.5	21.2	+17.3	Increasing	80	44.5	49.6	6.0
Delivery Time	-6.6	-5.7	-0.9	Decreasing	3	6.5	80.4	13.1
Materials Inventories	6.9	-5.6	+12.5	Increasing	1	16.7	73.5	9.8
Finished Goods Inventories	3.9	-8.2	+12.1	Increasing	1	12.7	78.4	8.8
Prices Paid for Raw Materials	15.7	17.6	-1.9	Increasing	79	26.5	62.7	10.8
Prices Received for Finished Goods	12.6	7.3	+5.3	Increasing	40	22.3	68.0	9.7
Wages and Benefits	33.3	41.5	-8.2	Increasing	137	36.1	61.1	2.8
Employment	19.1	6.1	+13.0	Increasing	35	28.9	61.3	9.8
Hours Worked	2.5	6.0	-3.5	Increasing	8	11.1	80.3	8.6
Capital Expenditures	20.0	17.3	+2.7	Increasing	71	28.0	64.0	8.0

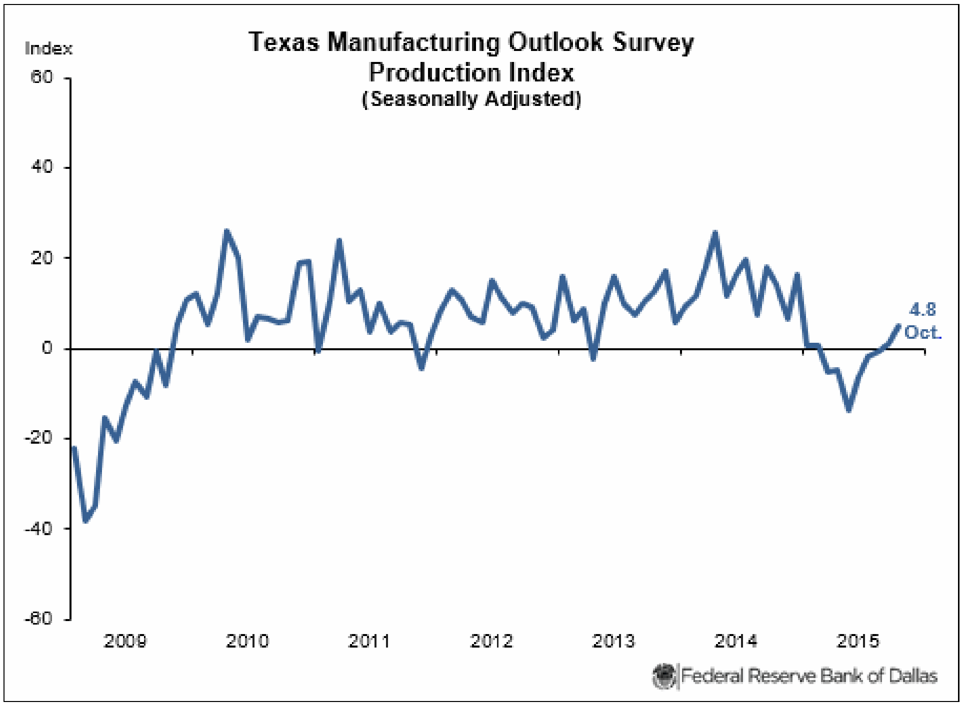
General Business Conditions
Future (six months ahead)

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	9.8	7.5	+2.3	Improving	79	22.0	65.8	12.2
General Business Activity	4.1	4.8	-0.7	Improving	6	19.6	64.9	15.5

*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.

Chemical Manufacturing

- Layoffs from the downturn in the oil industry are spreading into other commercial and industrial areas in this market.
- We are seeing demand for Asian exports slowing. North American and European sales levels are normal other than the usual seasonal slowness that occurs in the fourth quarter. In all markets, we currently see margin pressures.

Fabricated Metal Product Manufacturing

- We are seeing multiple customers release orders as we approach the end of the year.
- Oil and gas commodity prices continue to suppress growth in our industry. Raw materials pricing has stabilized with no further reductions expected. Customer order backlog is reducing as we near the calendar year-end and budgets are depleted.
- Business has fallen off a cliff with the uncertainty of oil pricing.
- Our sales are up. Our backlog has been decreasing but has now started to increase (mostly the aircraft industry). We have big concerns over increasing labor costs due primarily to big increases in group health care costs.
- Actual activity levels are well above normal seasonal levels. Bookings, while choppy, are improving. If the trend continues, we could see a year-over-year improvement in first quarter 2016 by 10 percent. But it is too early to call.

Machinery Manufacturing

- For the first time in a long time, we have a huge amount of uncertainty about the direction things are headed. Our quotes remain strong, and our order quantity is solid (the new, lower solid), but we have no feel for what 2016 will hold. The uncertainty about the future price of oil is unnerving.
- Protracted downturn in the energy sector is having a material adverse impact on our business.
- We continue to see wide differences among customers. Some are rapidly expanding, others in spurts and then a pause period, and others appear to be losing market share. The overall market for our products continues to expand (by about 2-4 percent).

Computer and Electronic Product Manufacturing

- We need to boost confidence among business of all sizes, especially small businesses. This uncertainty is slowing down the manufacturing industry and creating a cascade effect around emerging economies around the world. We believe it's time for some assurance to the business community so we can see heavy capital investment.

Food Manufacturing

- We plan to invest in additional capacity over the next year to facilitate our growth.
- We are battling a strong dollar in our export business. Lower input costs are helping offset dollar strength. Domestic consumption remains strong. Lower gas pump prices are allowing consumers to shop more.

Paper Manufacturing

- Wages are stable while health benefits are up 30 percent due to utilization rate by employees and hospital charges.

Printing and Related Support Activities

- There seems to be a general softening. The second half of the year has been softer than expected. We had a sharp falloff in July but expected a rebound that never materialized. We have had to raise the entry-level wage offered to get applicants for our factory work. Turnover has been higher than usual with more recent employees leaving for higher wage opportunities.
- For the first time in a very long time we are genuinely worried about the low level of business activity. We are busier now than last month, but we are almost always busy in October. The next six months look to be very lean and may require significant cuts in personnel, both in the plant and in the office.

Miscellaneous Manufacturing

- Regulations, the Affordable Care Act and labor issues are slowing down our business since our labor force grew over 50 employees.

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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August 31, 2015

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 Aug. 10–13, and 275 Texas business executives responded to the surveys.

1. Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next six to twelve months?

	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Increase	40.7	39.3	47.7
Leave Unchanged	46.2	45.0	46.2
Decrease	13.1	15.7	6.1

2. Are you having problems finding qualified workers when hiring?

	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Yes	71.8	66.4	73.6
No	28.2	33.6	26.4

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

	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Lack of technical competencies (hard skills)	62.0	67.2	57.7
Lack of workplace competencies (soft skills)	46.0	42.2	43.4
Lack of available applicants/no applicants	44.5	48.4	46.9
Lack of experience	41.0	44.3	39.8
Looking for more pay than is offered	39.0	40.1	38.3
Inability to pass drug test and/or background check	28.5	31.8	29.1

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

	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Intensify recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	57.9	58.8	63.2
Increase wages and or benefits	49.0	49.6	52.6
Offer additional training	36.0	38.8	40.4
Increase variable pay, including bonuses	28.3	32.0	33.8
Improve working conditions	22.3	22.8	25.9
Reduce education and other requirements for new hires	8.5	6.0	5.7
Other	10.9	6.8	10.1

5. If labor costs are increasing, are you passing the cost on to customers in the way of price increases?

	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Yes	31.9	37.0	36.8
No	53.8	49.3	50.6
Not Applicable	14.3	13.8	12.6

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 Surveys can be found online at www.dallasfed.org/research/surveys/.

October 26, 2015

Special Questions

Data were collected Oct. 5–8, and 96 Texas manufacturers 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	0.0	0.0
Eased somewhat	6.9	13.5	6.3
No change	51.4	53.9	47.9
Tightened somewhat	13.9	4.5	9.4
Tightened substantially	1.4	3.4	3.1
Not applicable—haven't sought credit	26.4	24.7	33.3

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	4.2	1.1	0.0
Increased somewhat	31.9	15.7	17.7
No change	31.9	48.3	44.8
Decreased somewhat	2.8	6.7	3.1
Decreased substantially	0.0	1.1	2.1
Not applicable—haven't sought credit	29.2	27.0	32.3

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	48.6	47.2	42.4
Some difficulty	13.9	16.9	17.4
Substantial difficulty	1.4	5.6	3.3
Extreme difficulty	4.2	0.0	1.1
Not applicable—haven't sought credit	31.9	30.3	35.9

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	50.0	50.6	48.4
Some difficulty	9.7	6.9	16.1
Substantial difficulty	2.8	4.6	0.0
Extreme difficulty	1.4	1.1	0.0
Not applicable—haven't sought credit	36.1	36.8	35.5

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	1.4	1.1	0.0
Yes–somewhat	6.9	11.2	10.6
No	36.1	32.6	35.1
Not applicable–haven't had problems obtaining credit	20.8	23.6	20.2
Not applicable—haven't sought credit	34.7	31.5	34.0

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	11.1	4.5	9.4
No	34.7	43.8	36.5
Not applicable–haven't had problems obtaining credit	19.4	21.3	18.8
Not applicable—haven't sought credit	34.7	30.3	35.4

Special Questions Comments

These comments have been edited for publication.

Chemical Manufacturing

- Due to rising costs related to labor (competition for experienced or educated employees and government regulations), our margins are shrinking significantly. We cannot pass it along to our customers because of the slowing down of purchases in the economy. Our services and products support both consumer buying of lubricants and industrial lubricants for businesses supporting the oil and chemical industry.

Nonmetallic Mineral Product Manufacturing

- General economic conditions have slowed, and the increased regulatory burden has made bank credit more difficult.

Primary Metal Manufacturing

- We are a profitable middle-market business. The federal government's efforts to make things tough on big banks hurt our smaller competitors.

Fabricated Metal Product Manufacturing

- Health care is getting ridiculously expensive with fewer choices.
- Customers are requesting term lengths be extended. They are paying later.
- Credit and interest rates are not a determining factor in labor issues or in capital purchase decisions. Those decisions are based upon capacity relative to product demand.
- We are part of a very large publicly traded multinational company. Our corporation is very diversified; therefore, we have not had to seek any credit as this is handled by our corporate treasury.
- We've had to lay off and cut salaries just to keep our current bank comfortable.

Machinery Manufacturing

- Credit availability is based strictly on balance sheet and profitability with a long-term banking relationship.
- The bankers are more nervous as they are asking all sorts of questions quarterly that were previously asked annually. We reduced our headcount dramatically in January in anticipation of the downturn due to low oil prices. As a result, our financials are tolerable to the banks.
- Credit has not been an issue, and we recently renewed and expanded our borrowing capacity. Weak oil prices and the corresponding challenges imposed on the energy industry are a significant concern, resulting in continued reductions in headcount and capital spending.

Computer and Electronic Product Manufacturing

- Banks are tightening lending due to a global slowdown in the manufacturing sectors.

Electrical Equipment, Appliance, and Component Manufacturing

- Our sense is that our bank would like to loan money to qualified applicants and has sufficient funds to do so. Their problem is finding enough qualified applicants to loan to for business purposes given the federal government's credit monitoring function over banks. We believe the federal government would assist community banks greatly if they would relax documentation and audit criteria for community banks that satisfy certain metrics and are generally known to be conservative in their lending practices.

Transportation Equipment Manufacturing

- We are a subsidiary of a large holding company that provides capital internally.
- Our company has substantial loans from banks at floating rates based off the *Wall Street Journal*'s bank survey prime rate. If the Fed moves rates north, we will be very adversely affected, to the point of selling equipment and laying off industrial labor.

Wood Product Manufacturing

- We do not borrow money.
- We want the Fed to raise the interest rate, and the sooner the better.

Texas Service Sector Outlook Survey

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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

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

These comments have been edited for publication.

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.