Texas Manufacturing Outlook Survey

August 27, 2018

Robust Expansion in Texas Manufacturing Continues

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on the labor market. 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 maintained its strong momentum in August, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, held steady at 29.3.

Other indexes of manufacturing activity also indicated continued solid expansion in August. The new orders index changed little at 23.9, while the growth rate of orders index moved up three points to 19.9. The capacity utilization index was unchanged at 25.2, and the shipments index slipped five points to 26.0.

Perceptions of broader business conditions remained highly positive this month, although uncertainty remained elevated. The general business activity index edged down to 30.9, while the company outlook index rose seven points to 27.3, with more than 30 percent of manufacturers saying their outlook had improved from July. The index measuring uncertainty regarding companies' outlooks held fairly steady in August at 16.2, well above its readings in the first half of the year.

Labor market measures continued to suggest robust hiring and longer work hours. The employment index remained at a 13-year high of 28.9. Thirty-four percent of firms noted net hiring, compared with 5 percent noting net layoffs. The hours worked index edged down to 19.0.

While price and wage pressures remained highly elevated, a slight deceleration was seen in price increases. The raw materials prices index moved down to 45.3, and the finished goods prices index fell eight points to 15.3. Compensation costs continued to rise at a faster clip than normal, with the wages and benefits index coming in at 33.4, just slightly above its July reading.

Expectations regarding future business conditions were slightly less optimistic in August. The indexes of future general business activity and future company outlook edged down to 34.7 and 34.3, respectively. Other indexes for future manufacturing activity showed mixed movements but remained in solidly positive territory.

Next release: Monday, September 24

Data were collected Aug. 14–22, and 109 Texas manufacturers responded to the survey. The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state's factory activity. 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.

Results Summary

Business Indicators Relating to Facilities and Products in Texas
Current (versus previous month)

Indicator	Aug Index	Jul Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	29.3	29.4	–0.1	Increasing	26	40.7	48.0	11.4
Capacity Utilization	25.2	25.0	+0.2	Increasing	26	35.4	54.4	10.2
New Orders	23.9	23.3	+0.6	Increasing	22	36.3	51.3	12.4
Growth Rate of Orders	19.9	17.0	+2.9	Increasing	20	29.8	60.3	9.9
Unfilled Orders	9.1	14.9	–5.8	Increasing	17	17.5	74.1	8.4
Shipments	26.0	30.8	–4.8	Increasing	21	38.4	49.1	12.4
Delivery Time	8.9	12.7	–3.8	Increasing	14	18.3	72.3	9.4
Finished Goods Inventories	13.9	–1.9	+15.8	Increasing	1	20.4	73.1	6.5
Prices Paid for Raw Materials	45.3	48.6	–3.3	Increasing	30	51.1	43.1	5.8
Prices Received for Finished Goods	15.3	22.9	–7.6	Increasing	25	21.3	72.7	6.0
Wages and Benefits	33.4	32.4	+1.0	Increasing	109	33.9	65.6	0.5
Employment	28.9	28.9	0.0	Increasing	20	34.2	60.5	5.3
Hours Worked	19.0	22.2	–3.2	Increasing	22	25.5	68.0	6.5
Capital Expenditures	25.1	26.6	–1.5	Increasing	24	30.8	63.5	5.7

General Business Conditions
Current (versus previous month)

Indicator	Aug Index	Jul Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	27.3	20.4	+6.9	Improving	24	31.4	64.5	4.1
General Business Activity	30.9	32.3	–1.4	Improving	22	36.2	58.5	5.3

Indicator	Aug Index	Jul Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	16.2	17.0	–0.8	Increasing	3	21.9	72.4	5.7

Business Indicators Relating to Facilities and Products in Texas
Future (six months ahead)

Indicator	Aug Index	Jul Index	Change	Indicator Direction	Trend* (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	46.6	50.6	–4.0	Increasing	114	53.8	39.0	7.2
Capacity Utilization	38.2	46.4	–8.2	Increasing	114	46.7	44.8	8.5
New Orders	47.4	50.6	–3.2	Increasing	114	54.0	39.4	6.6
Growth Rate of Orders	40.4	35.1	+5.3	Increasing	114	44.6	51.2	4.2
Unfilled Orders	9.7	12.4	–2.7	Increasing	35	19.9	69.9	10.2
Shipments	49.2	49.7	–0.5	Increasing	114	53.6	42.0	4.4
Delivery Time	7.1	4.3	+2.8	Increasing	21	16.0	75.1	8.9
Finished Goods Inventories	9.9	3.8	+6.1	Increasing	10	22.8	64.4	12.9
Prices Paid for Raw Materials	43.5	46.1	–2.6	Increasing	113	46.5	50.5	3.0
Prices Received for Finished Goods	32.0	26.6	+5.4	Increasing	31	36.0	60.0	4.0
Wages and Benefits	45.5	53.2	–7.7	Increasing	171	48.3	48.8	2.8
Employment	42.2	39.9	+2.3	Increasing	69	44.6	53.0	2.4
Hours Worked	11.3	18.1	–6.8	Increasing	27	21.3	68.7	10.0
Capital Expenditures	39.9	31.9	+8.0	Increasing	105	45.6	48.8	5.7

General Business Conditions
Future (six months ahead)

Indicator	Aug Index	Jul Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Worsened
Company Outlook	34.3	37.2	–2.9	Improving	31	38.8	56.7	4.5
General Business Activity	34.7	36.2	–1.5	Improving	27	38.7	57.3	4.0

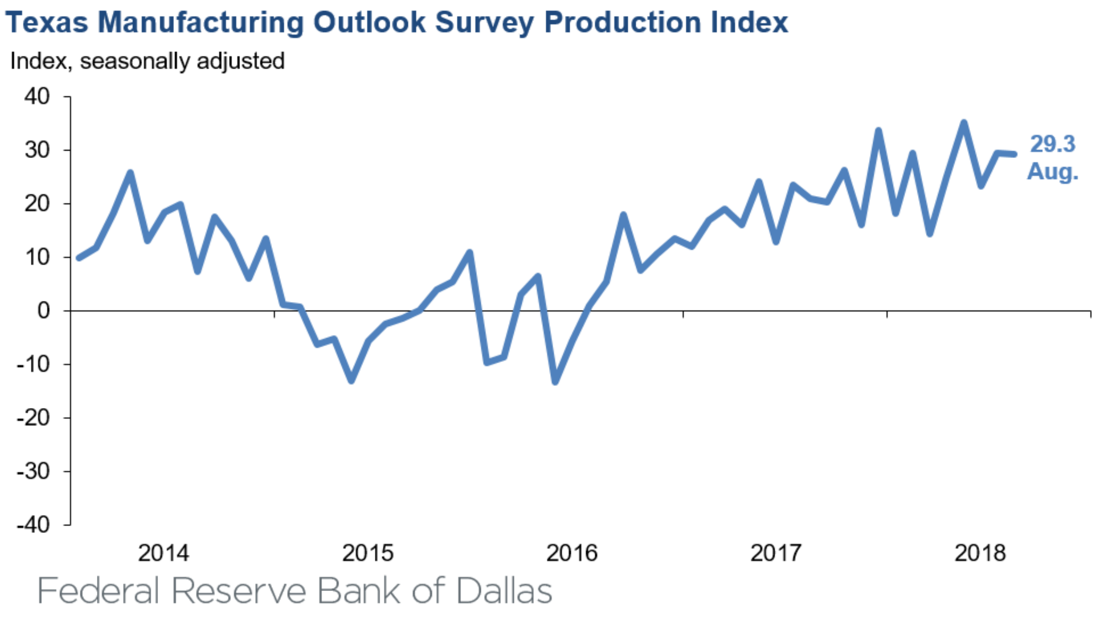
*Indicator direction refers to this month's index. If index is positive (negative), indicator is increasing (decreasing) or improving (worsening). If zero, indicator is unchanged.

**Number of months moving in current direction.

†Added to survey in January 2018.

Data have been seasonally adjusted as necessary, with the exception of the outlook uncertainty index, which does not yet have a sufficiently long time series to test for seasonality.

Production Index



Comments from Survey Respondents

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

Chemical Manufacturing

- Import tariffs on $200 billion of goods will have a negative impact on business.

Nonmetallic Mineral Product Manufacturing

- Tariff threats are problematic. We cannot enter into purchase contracts. Actual tariffs would be a huge problem.

Primary Metal Manufacturing

- Tariffs are an issue for our customers. Domestic aluminum manufacturers must pay a tariff on their aluminum that overseas competitors do not pay.

Fabricated Metal Product Manufacturing

- August has started slower than July and prior months to date. I'm not sure if this is seasonal—back to school, end of vacations, etc.—but things are definitely slower. Steel pricing has flattened out and may start to trickle down. Uncertainty has gone up with nonstop trade war chatter, the strengthening dollar and lack of skilled workers, and because we can't find CDL [commercial] drivers to pick up or deliver goods.
- Higher metal prices and extended delivery times continue to be challenges.

Machinery Manufacturing

- We are finding that customers are paying their bills much better than a year ago. If they are behind and we call them about it, they respond very quickly with payment. This is a first, and it appears customers are flush with cash. They are concerned about staying current with their suppliers for fear of being cut off. This indicates to me that they have good business trends also. This trend is true for small as well as Fortune 500 companies.
- As a global free-market capitalist, I do not believe in tariffs or subsidies. I believe that President Trump's initial proposals are simply how he negotiates. Yet companies are basing their decisions on his initial offer, not the final deal. Business should react to policy, not proposals.
- The second round of tariffs on Chinese products will start affecting our company in the next quarter. Hopefully, these new tariffs will be short term in duration.
- With the increase in oil prices, we are seeing improved sales and projects being funded.

Computer and Electronic Product Manufacturing

- Our industry (and our company) have had 22 months of expansion, near average for a cyclical upturn. The trade impact is unclear—many international and U.S. companies are nervous about what it will do for them. Commodity products in our space have long lead times, some over 52 weeks.

Transportation Equipment Manufacturing

- We are still cautious and dependent on a reasonable fix to trade discussions.
- Tax rate change has eased the cash requirement for planned improvements and modifications in the production facility during the next several months.

Food Manufacturing

- Current trade and tariff policies have created volatility and ill will in our export customer base. Customers are looking to European or South American suppliers for second-source options to avoid tariffs or hedge bets on dollar strength and/or supply disruption. The current domestic labor market is the tightest we have ever experienced. It will limit growth.

Paper Manufacturing

- It's all steady at this point. We're still unsure of any effect from tariffs.

Miscellaneous Manufacturing

- Everyone seems to be waiting for the outcome of the midterm elections.

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

Texas Manufacturing Outlook Survey

Special Questions

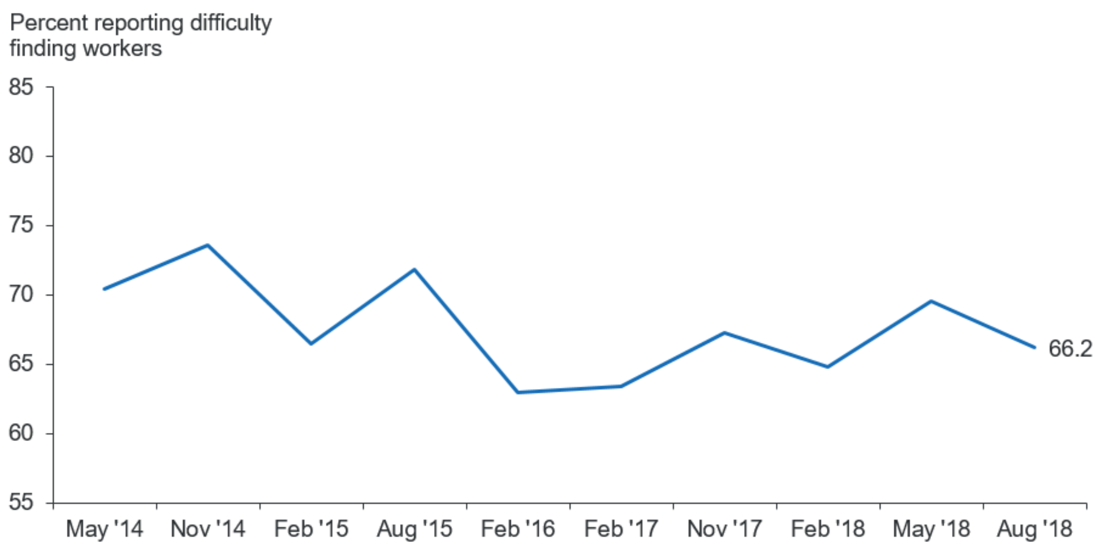
August 27, 2018

Texas Business Outlook Surveys

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

Data were collected Aug. 14–22, and 358 Texas business executives responded to the surveys.
See data files with a full history of results.

Are you having problems finding qualified workers when hiring?



NOTE: Data shown are for months when special questions were asked.
SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Surveys.

	Nov. '17 (percent)	Feb. '18 (percent)	May '18 (percent)	Aug. '18 (percent)
Yes	67.3	64.8	69.5	66.2
No	32.7	35.2	30.5	33.8

If you are having problems finding qualified workers, in which categories are you experiencing difficulty? Please check all that apply.*

	Nov. '17 (percent)	Feb. '18 (percent)	May '18 (percent)	Aug. '18 (percent)
Low-skill positions (typically require high school diploma or less and minimal work experience)	47.2	51.1	53.4	56.5
Mid-skill positions (typically require some college or technical schooling)	60.4	61.2	66.7	68.1
High-skill positions (typically require college degree or higher)	37.6	39.6	37.4	37.1

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

	Feb. '17 (percent)	Nov. '17 (percent)	Feb. '18 (percent)	Aug. '18 (percent)
Lack of available applicants/no applicants	43.2	58.6	62.6	72.8
Lack of technical competencies (hard skills)	59.8	49.8	50.2	47.0
Looking for more pay than is offered	34.4	39.0	40.1	41.4
Lack of experience	40.5	32.5	37.0	37.1
Lack of workplace competencies (soft skills)	43.2	37.3	39.6	34.5
Inability to pass drug test and/or background check	29.3	32.1	30.0	31.0

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

	Nov. '17 (percent)	Feb. '18 (percent)	May '18 (percent)	Aug. '18 (percent)
Increasing wages and or benefits	49.4	53.3	61.6	63.4
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	63.5	62.1	52.6	59.6
Offering additional training	35.7	38.2	27.8	36.6
Increasing variable pay, including bonuses	29.2	33.3	31.5	26.8
Improving working conditions	23.4	22.2	27.2	25.9
Reducing education and other requirements for new hires	8.8	6.5	8.3	12.9
Other	6.7	7.8	7.3	6.3

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

	Feb. '17 (percent)	Nov. '17 (percent)	Feb. '18 (percent)	Aug. '18 (percent)
Yes	40.6	40.8	42.6	41.4
No	59.4	59.2	57.4	58.6

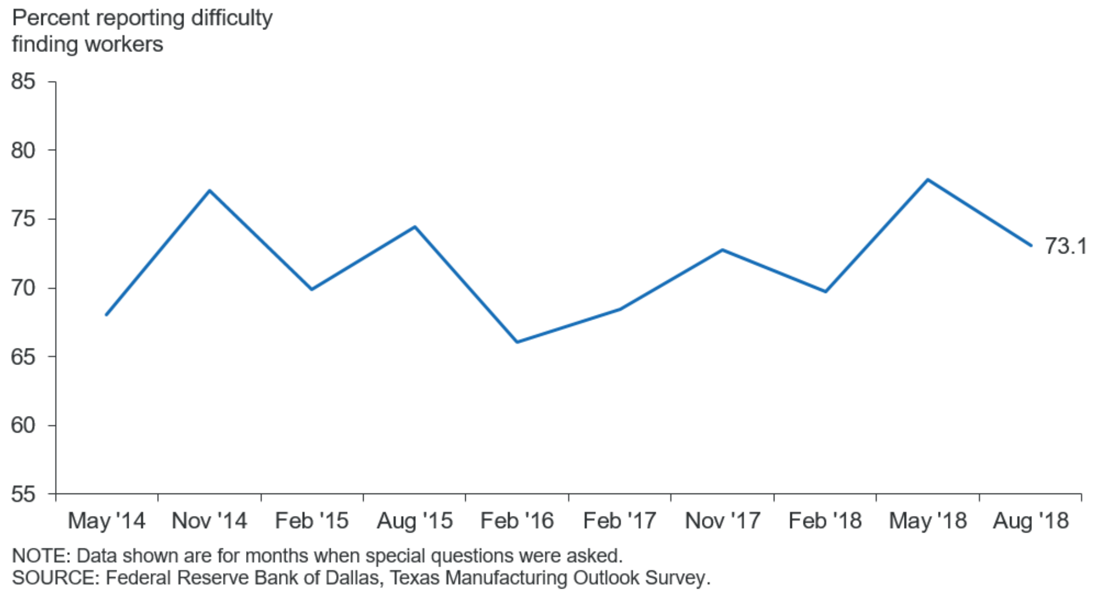
*This question only posed to firms that noted they are having problems finding qualified workers when hiring.

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.

Texas Manufacturing Outlook Survey

Data were collected Aug. 14–22, and 104 Texas manufacturers responded to the survey.
See data files with a full history of results.

Are you having problems finding qualified workers when hiring?



	Nov. '17 (percent)	Feb. '18 (percent)	May '18 (percent)	Aug. '18 (percent)
Yes	72.7	69.7	77.9	73.1
No	27.3	30.3	22.1	26.9

If you are having problems finding qualified workers, in which categories are you experiencing difficulty? Please check all that apply.*

	Nov. '17 (percent)	Feb. '18 (percent)	May '18 (percent)	Aug. '18 (percent)
Low-skill positions (typically require high school diploma or less and minimal work experience)	61.1	64.7	62.9	68.9
Mid-skill positions (typically require some college or technical schooling)	66.7	70.6	70.0	71.6
High-skill positions (typically require college degree or higher)	30.6	32.4	28.6	27.0

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

	Feb. '17 (percent)	Nov. '17 (percent)	Feb. '18 (percent)	Aug. '18 (percent)
Lack of available applicants/no applicants	44.3	51.4	72.1	70.3
Lack of technical competencies (hard skills)	72.2	61.1	60.3	64.9
Looking for more pay than is offered	36.7	36.1	38.2	47.3
Lack of workplace competencies (soft skills)	45.6	37.5	44.1	36.5
Lack of experience	44.3	31.9	44.1	35.1
Inability to pass drug test and/or background check	29.1	45.8	41.2	35.1

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

	Nov. '17 (percent)	Feb. '18 (percent)	May '18 (percent)	Aug. '18 (percent)
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	67.4	65.1	53.5	67.3
Increasing wages and or benefits	51.7	53.5	55.8	64.3
Offering additional training	40.4	43.0	30.2	38.8
Improving working conditions	24.7	18.6	24.4	24.5
Increasing variable pay, including bonuses	28.1	31.4	26.7	21.4
Reducing education and other requirements for new hires	11.2	4.7	14.0	19.4
Other	5.6	7.0	7.0	0.0

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

	Feb. '17 (percent)	Nov. '17 (percent)	Feb. '18 (percent)	Aug. '18 (percent)
Yes	39.4	41.6	45.2	42.7
No	60.6	58.4	54.8	57.3

*This question only posed to firms that noted they are having problems finding qualified workers when hiring.

Special Questions Comments

These comments have been edited for publication.

Nonmetallic Mineral Product Manufacturing

- Steel and cement prices are increasing due to new tariffs. This has hurt profit margins because they are fixed-price contracts entered into last year with no ability to pass on price increases. Future contracts have increased pricing included.

Primary Metal Manufacturing

- All cost increases will be passed on sooner or later.

Machinery Manufacturing

- We are being pinched on both sides, where our raw material costs are going up but we are unable to increase our prices due to increased competition. Labor is also tough to find, where they have the competencies we require.
- We are losing employees to the big companies at salaries that are ridiculous to us. Therefore, we are still hiring and training inexperienced young workers. I believe these higher-than-normal salaries will come to bite others in the near future. Layoffs will occur if they can't sustain their order book and cost control. We will pay bonuses at the end of this year after we pay off all of our debt. That will put us in a great place for the future growth we expect. We are planning a new building for our machine shop and new tank manufacturing equipment.

Transportation Equipment Manufacturing

- We are partially passing on increased labor costs and working to improve productivity.

Food Manufacturing

- We are trying to pass on increasing costs, but our products are commodities that are very sensitive to supply and demand, and it is not always possible. Tariff/trade war talks are having a negative effect on demand and prices.
- We have plants in five states, and labor is exceptionally tight in our Georgia, California and Texas facilities.

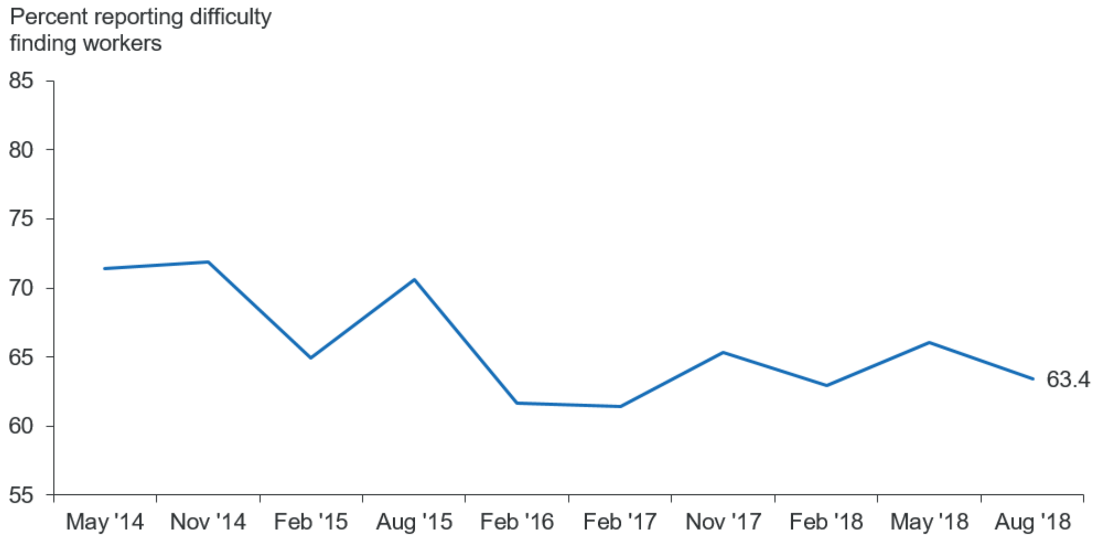
Apparel Manufacturing

- It is tough to pass on price increases to the federal government in a timely manner.

Texas Service Sector Outlook Survey

Data were collected Aug. 14–22, and 254 Texas business executives responded to the survey.
See data files with a full history of results.

Are you having problems finding qualified workers when hiring?



NOTE: Data shown are for months when special questions were asked.
SOURCE: Federal Reserve Bank of Dallas, Texas Service Sector Outlook Survey.

	Nov. '17 (percent)	Feb. '18 (percent)	May '18 (percent)	Aug. '18 (percent)
Yes	65.3	62.9	66.1	63.4
No	34.7	37.1	33.9	36.6

If you are having problems finding qualified workers, in which categories are you experiencing difficulty? Please check all that apply.*

	Nov. '17 (percent)	Feb. '18 (percent)	May '18 (percent)	Aug. '18 (percent)
Low-skill positions (typically require high school diploma or less and minimal work experience)	41.6	45.3	49.0	50.6
Mid-skill positions (typically require some college or technical schooling)	57.9	57.2	65.1	66.5
High-skill positions (typically require college degree or higher)	40.4	42.8	41.6	41.8

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

	Feb. '17 (percent)	Nov. '17 (percent)	Feb. '18 (percent)	Aug. '18 (percent)
Lack of available applicants/no applicants	42.8	61.6	58.5	74.1
Lack of technical competencies (hard skills)	54.4	45.2	45.9	38.6
Looking for more pay than is offered	33.3	40.1	40.9	38.6
Lack of experience	38.9	32.8	34.0	38.0
Lack of workplace competencies (soft skills)	42.2	37.3	37.7	33.5
Inability to pass drug test and/or background check	29.4	26.6	25.2	29.1

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

	Nov. '17 (percent)	Feb. '18 (percent)	May '18 (percent)	Aug. '18 (percent)
Increasing wages and or benefits	48.6	53.2	63.9	63.0
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	62.1	60.9	52.3	56.2
Offering additional training	34.0	36.4	26.9	35.6
Increasing variable pay, including bonuses	29.6	34.1	33.3	29.2
Improving working conditions	22.9	23.6	28.2	26.5
Reducing education and other requirements for new hires	7.9	7.3	6.0	10.0
Other	7.1	8.2	7.4	9.1

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

	Feb. '17 (percent)	Nov. '17 (percent)	Feb. '18 (percent)	Aug. '18 (percent)
Yes	41.1	40.5	41.5	40.9
No	58.9	59.5	58.5	59.1

*This question only posed to firms that noted they are having problems finding qualified workers when hiring.

Special Questions Comments

These comments have been edited for publication.

Broadcasting (Except Internet)

- We are having difficulty finding qualified outside sales people with a marketing background or college degree. There are very few applicants.

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

- We are scared about the increasing deficit and continued growth of entitlement programs.

Professional, Scientific and Technical Services

- While my cost of doing business may increase, in the consulting business, you charge what the client is willing to pay, which has been going down over the past several years.
- It is hard to pass on those costs immediately. We will see more aggressive pricing in 2019. I will say lead time to fill is lengthening with some positions, but we are having success. It just takes more focus.
- We are a professional engineering firm with an audited multiplier, which is added to our labor rates. Thus, when we increase rates, the cost effect is passed on to the client.
- We will soon have to pass the labor cost increases to our clients. It's not sustainable to go on like this.
- The workforce is tighter than I ever recall in Dallas. Competitors are raiding companies and are offering higher wages. They call our employees, ask what they are paid and offer them more to leave. It is a ruthless recruiting market. Fortunately, Dallas' cost of living is highly competitive and helps in recruiting efforts.

Administrative and Support Services

- We find that social media and a current website are very helpful. Also, thorough and smart interviewing is necessary to ensure that applicants will stay on the assignment. Employee turnover is as bad as an inability to fill the job order.
- The customers are very aware of pricing, and there is not a lot of flexibility in the current price structure.
- All costs of sales will affect pricing if we can't figure out a way to produce our services more affordably.
- The quality of applicants and hires is pretty sad. There is a very poor work ethic, no experience and very low skill set. We wonder exactly what the schools are teaching, because they are not teaching what is required to hold a job.

Ambulatory Health Care Services

- It is really hard to find plug-and-play employees; it requires a lot of training to get them up to speed.

Hospitals

- Housing costs and availability are in crisis in our area, dramatically affecting hiring and retention.

Amusement, Gambling and Recreation Industries

- Food service is not only competing with other food service and hotel establishments but also with the construction firms that are building everywhere. The cost of living in Austin is a significant challenge for entry-level employees. Rents are way too high, public transportation is either not available to where they live or does not run on a schedule that corresponds to their work schedules (i.e., late-night or early-morning services). Therefore, to retain employees, we have had to provide parking and increase the benefits we provide while keeping the wages competitive. As labor remains tight, we are constantly having to evaluate wages just to keep our employees.

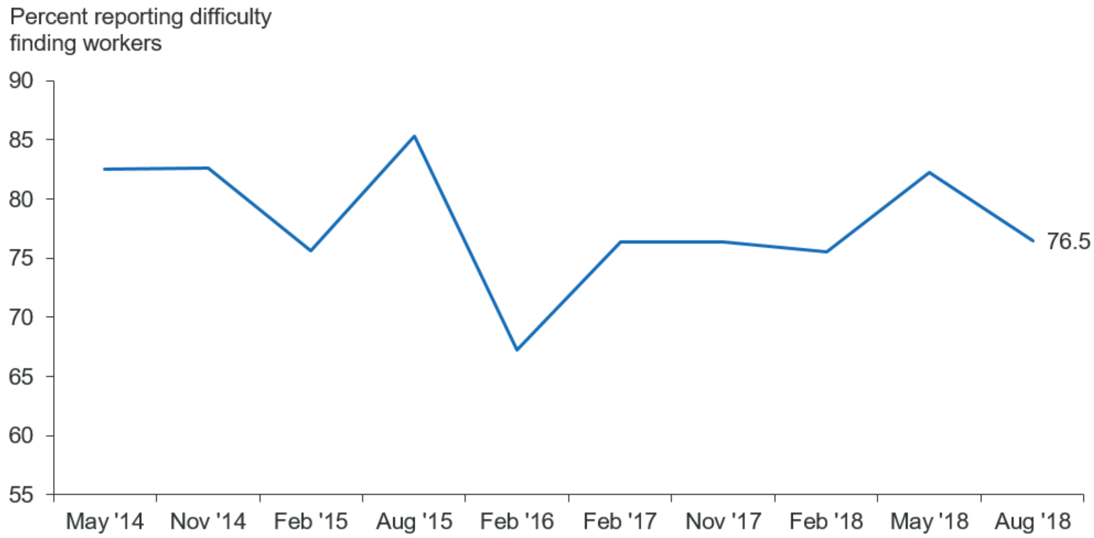
Personal and Laundry Services

- Unfortunately, my business is at peak pricing given the current economic cycle. Customers will not be able to endure a price increase, so the higher employee wages cannot be absorbed by the customers.

Texas Retail Outlook Survey

Data were collected Aug. 14–22, and 51 Texas retailers responded to the survey.
See data files with a full history of results.

Are you having problems finding qualified workers when hiring?



NOTE: Data shown are for months when special questions were asked.
SOURCE: Federal Reserve Bank of Dallas, Texas Retail Outlook Survey.

	Nov. '17 (percent)	Feb. '18 (percent)	May '18 (percent)	Aug. '18 (percent)
Yes	76.4	75.5	82.2	76.5
No	23.6	24.5	17.8	23.5

If you are having problems finding qualified workers, in which categories are you experiencing difficulty? Please check all that apply.*

	Nov. '17 (percent)	Feb. '18 (percent)	May '18 (percent)	Aug. '18 (percent)
Low-skill positions (typically require high school diploma or less and minimal work experience)	54.8	55.6	69.4	56.8
Mid-skill positions (typically require some college or technical schooling)	66.7	69.4	75.0	86.5
High-skill positions (typically require college degree or higher)	21.4	13.9	30.6	24.3

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

	Feb. '17 (percent)	Nov. '17 (percent)	Feb. '18 (percent)	Aug. '18 (percent)
Lack of available applicants/no applicants	46.7	59.5	56.8	78.9
Lack of technical competencies (hard skills)	55.6	54.8	48.6	52.6
Inability to pass drug test and/or background check	48.9	47.6	37.8	42.1
Lack of workplace competencies (soft skills)	46.7	33.3	40.5	36.8
Lack of experience	37.8	35.7	35.1	34.2
Looking for more pay than is offered	28.9	38.1	24.3	23.7

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

	Nov. '17 (percent)	Feb. '18 (percent)	May '18 (percent)	Aug. '18 (percent)
Increasing wages and or benefits	56.6	41.3	56.8	63.0
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	66.0	60.9	65.9	54.3
Increasing variable pay, including bonuses	39.6	43.5	36.4	37.0
Improving working conditions	24.5	26.1	27.3	32.6
Offering additional training	34.0	32.6	18.2	30.4
Reducing education and other requirements for new hires	13.2	10.9	6.8	10.9
Other	5.7	4.3	4.5	8.7

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

	Feb. '17 (percent)	Nov. '17 (percent)	Feb. '18 (percent)	Aug. '18 (percent)
Yes	43.8	47.9	36.4	43.8
No	56.3	52.1	63.6	56.3

*This question only posed to firms that noted they are having problems finding qualified workers when hiring.

Special Questions Comments

These comments have been edited for publication.

Merchant Wholesalers, Nondurable Goods

- We are trying to raise margins to offset wage increases. Some commodities will not allow increased margins.

Motor Vehicle and Parts Dealers

- Our biggest problem is finding qualified service technicians.
- There is a huge need in the U.S. for more technical schools (versus colleges/universities). It is certainly hampering our economy.

Building Material and Garden Equipment and Supplies Dealers

- We need immigration reform and a permanent lift on the cap for H-2B workers.
- We have a reputation as a great place to work, especially for people who love gardening and horticulture. This gives us a competitive advantage in the labor market.

Clothing and Clothing Accessories Stores

- Retail is not a very popular industry.

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