Texas **Manufacturing**
Outlook Survey

October 29, 2018

Texas Manufacturing Continues to Expand, but Pace Slows

What's New This Month

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

Texas factory activity continued to expand in October, albeit at a slower pace, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, was positive but declined another six points to 17.6, indicating output growth continued to abate.

Some other indexes of manufacturing activity also suggested slower expansion in October. The capacity utilization index retreated six points to 15.4, while the shipments index fell four points to 16.6. Meanwhile, the new orders index rose—pushing up four points to 18.9—and the growth rate of orders index held steady at 11.0.

Perceptions of broader business conditions improved this month. The general business activity index inched up to 29.4, and the company outlook index climbed seven points to 25.0. Fewer than 3 percent of firms noted that their outlook worsened, the lowest share since 2004. The index measuring uncertainty regarding companies' outlooks retreated 13 points to 6.9.

Labor market measures suggested rising employment levels and longer workweeks in October. The employment index rose six points to 23.9, a level well above average. Twenty-eight percent of firms noted net hiring, compared with 4 percent noting net layoffs. The hours worked index remained positive but moved down to 6.5.

Price increases accelerated further in October, and wage pressures remained elevated. The raw materials prices index posted a 10-point increase to 54.4, reaching its highest level in seven years. The finished goods prices index also increased, rising four points to 17.5. Compensation costs continued to rise at a faster clip than normal, with the wages and benefits index relatively unchanged at 32.9.

Expectations regarding future business conditions remained positive in October. The indexes of future general business activity and future company outlook remained well above average and came in at 35.6 and 37.3, respectively. Other indexes for future manufacturing activity showed mixed movements this month but remained solidly in positive territory.

Next release: Monday, November 26

Data were collected Oct. 16–24, and 118 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	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	17.6	23.3	–5.7	Increasing	28	31.9	53.8	14.3
Capacity Utilization	15.4	21.6	–6.2	Increasing	28	26.5	62.4	11.1
New Orders	18.9	14.7	+4.2	Increasing	24	35.8	47.3	16.9
Growth Rate of Orders	11.0	11.5	–0.5	Increasing	22	25.1	60.8	14.1
Unfilled Orders	5.9	1.8	+4.1	Increasing	19	18.0	69.9	12.1
Shipments	16.6	20.8	–4.2	Increasing	23	31.3	54.0	14.7
Delivery Time	7.5	4.1	+3.4	Increasing	16	16.6	74.3	9.1
Finished Goods Inventories	2.6	6.0	–3.4	Increasing	3	19.7	63.2	17.1
Prices Paid for Raw Materials	54.4	44.4	+10.0	Increasing	32	54.7	45.0	0.3
Prices Received for Finished Goods	17.5	13.6	+3.9	Increasing	27	19.8	77.9	2.3
Wages and Benefits	32.9	33.0	–0.1	Increasing	111	33.4	66.1	0.5
Employment	23.9	17.7	+6.2	Increasing	22	27.6	68.7	3.7
Hours Worked	6.5	12.7	–6.2	Increasing	24	15.5	75.5	9.0
Capital Expenditures	24.5	17.0	+7.5	Increasing	26	28.5	67.5	4.0

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	25.0	18.2	+6.8	Improving	26	27.5	70.0	2.5
General Business Activity	29.4	28.1	+1.3	Improving	24	31.0	67.4	1.6

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	6.9	19.9	–13.0	Increasing	5	22.6	61.7	15.7

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	47.9	43.7	+4.2	Increasing	116	54.7	38.5	6.8
Capacity Utilization	38.9	41.0	–2.1	Increasing	116	45.7	47.5	6.8
New Orders	46.1	44.9	+1.2	Increasing	116	51.5	43.1	5.4
Growth Rate of Orders	36.5	37.2	–0.7	Increasing	116	40.8	54.9	4.3
Unfilled Orders	11.3	12.7	–1.4	Increasing	37	19.9	71.5	8.6
Shipments	51.7	42.2	+9.5	Increasing	116	56.8	38.1	5.1
Delivery Time	9.8	5.7	+4.1	Increasing	23	15.4	79.0	5.6
Finished Goods Inventories	11.3	10.3	+1.0	Increasing	12	22.6	66.0	11.3
Prices Paid for Raw Materials	42.1	43.0	–0.9	Increasing	115	47.7	46.7	5.6
Prices Received for Finished Goods	27.1	28.0	–0.9	Increasing	33	33.6	59.8	6.5
Wages and Benefits	51.4	57.4	–6.0	Increasing	173	51.4	48.6	0.0
Employment	32.8	39.4	–6.6	Increasing	71	39.0	54.8	6.2
Hours Worked	14.3	11.4	+2.9	Increasing	29	17.7	78.9	3.4
Capital Expenditures	28.0	37.8	–9.8	Increasing	107	33.9	60.2	5.9

General Business Conditions
Future (six months ahead)

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Worsened
Company Outlook	37.3	33.8	+3.5	Improving	33	42.2	52.9	4.9
General Business Activity	35.6	38.0	–2.4	Improving	29	40.4	54.8	4.8

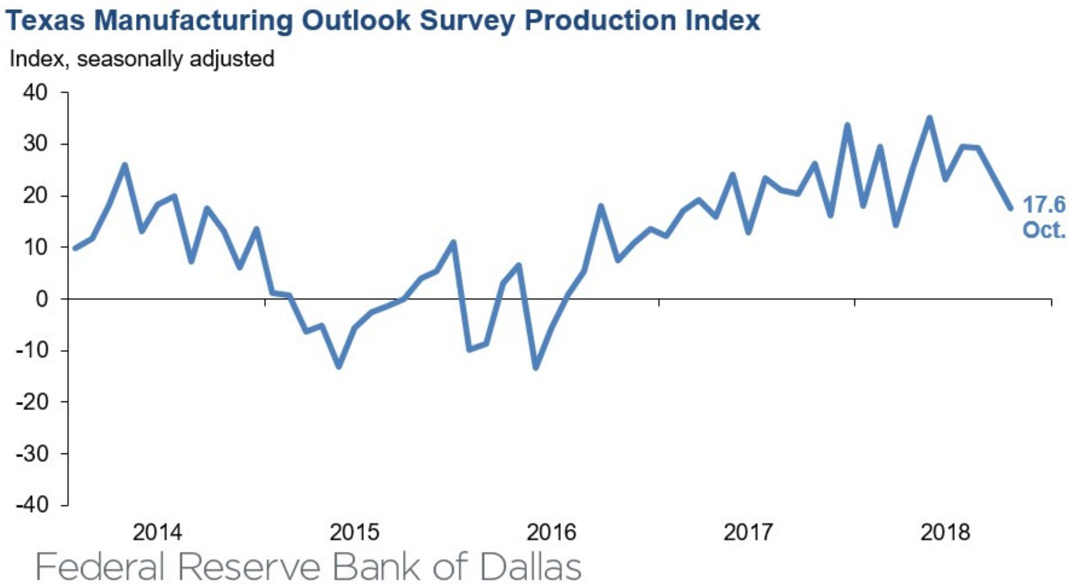
*Indicator direction refers to this month's index. If index is positive (negative), indicator is increasing (decreasing) or improving (worsening). If zero, indicator is unchanged.

**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

- The availability of skilled workers will limit growth.

Nonmetallic Mineral Product Manufacturing

- China tariffs at 25 percent could be a problem. Many manufacturers are increasing their selling prices to homebuilders. This will cause further increases in the selling pricing of new homes.

Primary Metal Manufacturing

- Tariffs need to be resolved.
- We have experienced a lull in activity from all sectors. This is typical during every election cycle, as major customers look for clarity on changes that may impact the overall business climate. We continue to work toward a request with the Department of Labor to revisit the silica rule, as numerous businesses are quickly determining that variable conditions make testing for and compliance with the silica standard almost impossible. Hopefully, we finally see a confirmation of the OSHA [Occupational Safety and Health Administration] administrator within the next few months.
- The volume of shipments will decrease this month due to the rain continuing. Order volume may decrease but will remain good and strong. We are past the frantic mode for orders.

Fabricated Metal Product Manufacturing

- We might see some softening in 2019.
- Being in manufacturing and housing, we are seeing pressures on multiple fronts. Interest rates are starting to cause hesitation in the new construction and remodeling projects. Tariffs are increasing material costs in metals as one would expect. Wages and benefits are increasing every day as the ability to find good employees is near impossible. Training costs are increasing as turnover is very high (employees jumping from employer to employer, gaining wage increases). The vast amounts of rain in Texas has also proved to be a substantial cause for what I would consider a downturn in housing.
- Our business backlog decreased slightly, mainly due to foreign competition (Turkey). Domestic steel prices are still increasing on a quarterly basis. There are longer lead times for ordering from steel mills.

- Tariffs are still a factor when every job requires purchasing such material. Some customers understand, others are just deciding to get it elsewhere when we ask for money to cover the increased cost.
- Tariffs on imports will be impacting our business.
- Competition for projects is starting to intensify. This is a strong indication that our competitors are slowing down and are not getting the volume of work that we currently have. This also indicates that the large companies are having fewer projects being bid for construction. This could be temporary, but from my experience, it is never a very good situation in the short term for future business activity.

Machinery Manufacturing

- Tariffs distort the free market. Interest rates are prices which should be controlled by the market, not the Federal Reserve. Central planning is never good. Allow the free market to make America great.
- After a lull in business last month, we are now experiencing a strong new surge of business. We now think the year will end strong.

Computer and Electronic Product Manufacturing

- A broad slowdown across industrial and automotive markets began in the third quarter, and the outlook for the fourth quarter is much lower than the normal seasonal decline.

Transportation Equipment Manufacturing

- We have a significant amount of concern regarding the impact of tariffs on raw material pricing. Our primary customer is the U.S. government, and we're subject to "buy American" provisions. Increased tariffs have the intended effect of increasing demand for domestic goods; consequently, as supply is absorbed, prices will increase.
- Since we operate predominantly in the municipal space, we are seeing the positive effects of the broader economic recovery and expansion. Our guess is for at least another 18–24 months of rapid growth. We are hopeful that there are no policy changes that would tend to stifle this.
- We are forced to reduce prices to compete with Chinese knockoffs. Margins will suffer.
- On Nov. 6, if it's a Democrat win, it will reduce our forecasts; if it's a Republican win, our forecasts will remain the same.

Food Manufacturing

- New tariffs on materials coming from China will start making an impact in November, increasing the prime costs of our products.

Textile Product Mills

- We are very fortunate to have a substantial increase in orders and customers. The fact that we make custom products and our turnaround time is short is a main reason for this increase. We are bursting at the seams in our location, but prices have increased so much in the area that we will have to make it work as we cannot afford to move.

Wood Product Manufacturing

- Rain slows construction activity.
- Housing is slowing down.

Furniture and Related Product Manufacturing

- Our indicators are heavily influenced by the amount of debt that private equity and venture capital firms have incurred after the acquisition of specialty retail.

Printing and Related Support Activities

- We are very worried that while we are busy now, which is normal, we are not seeing the volume of large orders that can help sustain us through the lean winter months. Plus, we continue to deal with deadbeat customers who used to be creditworthy and now can't rub two nickels together, it seems. We are tempted to go to an all-cash-on-delivery basis except for the really large customers.

Miscellaneous Manufacturing

- We are struggling with an inability to keep pricing to customers high enough to cover the rising cost of raw material due to tariffs and low scrap-metal pricing, rising wages and other overhead. This has been a year where we've seen continued volume increases but profits are falling. The uncertainty that the trade wars bring have us tightening our capital spending and other spending to bare minimum.

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

Texas **Business** Outlook Surveys

Special Questions

October 29, 2018

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 Oct. 16–24, and 388 Texas business executives responded to the surveys.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Eased substantially	1.8	0.7	0.5	1.9	1.5
Eased somewhat	11.8	7.0	7.8	7.2	6.7
No change	48.0	47.4	46.5	47.2	45.9
Tightened somewhat	5.5	12.3	9.1	5.8	9.8
Tightened substantially	2.6	2.0	3.4	2.1	3.1
Not applicable—haven't sought credit	30.3	30.8	32.7	35.8	33.0

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Increased substantially	0.7	0.3	0.8	0.8	7.3
Increased somewhat	12.1	13.6	16.6	26.3	40.2
No change	48.5	48.7	44.3	32.6	18.9
Decreased somewhat	7.0	5.6	6.2	3.7	1.8
Decreased substantially	1.1	1.3	0.8	0.5	0.0
Not applicable—haven't sought credit	30.5	30.5	31.3	36.1	31.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	43.0	42.0	43.5	38.8	40.0
Some difficulty	14.1	15.9	12.6	9.3	11.2
Substantial difficulty	3.3	2.4	2.4	3.7	1.6
Extreme difficulty	0.7	0.3	0.5	2.4	1.6
Not applicable—haven't sought credit	38.9	39.3	41.1	45.7	45.7

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. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	42.4	41.4	38.1	40.9	39.5
Some difficulty	7.8	9.2	9.2	7.8	7.3
Substantial difficulty	3.0	1.7	2.6	2.4	2.1
Extreme difficulty	1.5	0.0	0.5	1.1	1.3
Not applicable—haven't sought credit	45.4	47.8	49.6	47.8	49.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes–significantly	2.9	0.7	1.6	1.1	1.3
Yes–somewhat	8.5	8.1	7.9	9.2	8.6
No	35.7	40.3	37.3	39.1	33.2
Not applicable–haven't had problems obtaining credit	15.8	13.8	13.6	8.4	12.0
Not applicable—haven't sought credit	37.1	37.2	39.6	42.3	44.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes–significantly	0.7	0.0	0.8	0.5	1.0
Yes–somewhat	5.5	7.6	5.2	4.0	3.1
No	44.1	42.4	44.8	44.5	43.0
Not applicable–haven't had problems obtaining credit	13.6	13.2	11.1	9.1	9.3
Not applicable—haven't sought credit	36.0	36.8	38.1	41.8	43.6

Texas Manufacturing Outlook Survey

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

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Eased substantially	0.0	0.0	0.0	1.8	1.7
Eased somewhat	13.5	6.3	8.8	11.0	8.7
No change	53.9	47.9	50.9	43.1	48.7
Tightened somewhat	4.5	9.4	9.6	3.7	7.0
Tightened substantially	3.4	3.1	5.3	5.5	5.2
Not applicable—haven't sought credit	24.7	33.3	25.4	34.9	28.7

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Increased substantially	1.1	0.0	1.8	0.9	7.0
Increased somewhat	15.7	17.7	10.5	24.8	37.4
No change	48.3	44.8	53.5	33.9	26.1
Decreased somewhat	6.7	3.1	7.9	4.6	2.6
Decreased substantially	1.1	2.1	0.9	1.8	0.0
Not applicable—haven't sought credit	27.0	32.3	25.4	33.9	27.0

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	47.2	42.4	45.5	38.9	44.3
Some difficulty	16.9	17.4	8.9	10.2	10.4
Substantial difficulty	5.6	3.3	4.5	5.6	1.7
Extreme difficulty	0.0	1.1	0.9	1.9	1.7
Not applicable—haven't sought credit	30.3	35.9	40.2	43.5	41.7

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. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	50.6	48.4	42.1	41.7	43.5
Some difficulty	6.9	16.1	10.5	8.3	7.8
Substantial difficulty	4.6	0.0	3.5	2.8	3.5
Extreme difficulty	1.1	0.0	0.9	0.0	1.7
Not applicable—haven't sought credit	36.8	35.5	43.0	47.2	43.5

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes–significantly	1.1	0.0	2.7	0.9	0.9
Yes–somewhat	11.2	10.6	8.9	10.2	8.0
No	32.6	35.1	38.4	37.0	35.4
Not applicable–haven't had problems obtaining credit	23.6	20.2	16.1	11.1	16.8
Not applicable—haven't sought credit	31.5	34.0	33.9	40.7	38.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes–significantly	0.0	0.0	0.9	0.9	0.9
Yes–somewhat	4.5	9.4	7.0	2.8	5.2
No	43.8	36.5	43.0	42.6	42.6
Not applicable–haven't had problems obtaining credit	21.3	18.8	13.2	12.0	13.9
Not applicable—haven't sought credit	30.3	35.4	36.0	41.7	37.4

Special Questions Comments

These comments have been edited for publication.

Primary Metal Manufacturing

- We are starting phase one of our expansion and silica compliance plan. This first phase comes in at about $7 million. We have requested and been approved for a $6.5 million line of credit from a local institution. This, coupled with about $3 million of current cash on hand, will take us through 2019. If conditions remain favorable in 2020, we will start the second expansion/upgrade phase, estimated at $9 million.
- We are profitable, so we have no trouble getting credit. The problem has been the local building permit, which was just received last week. The next problem is with state government. If approved, we can start a $25 million capital project. Financing is all set, we are just waiting on the state. The project will create permanent jobs for 30 people.

Fabricated Metal Product Manufacturing

- We are trying to get by on what we have by working smarter and with less people.
- It is very difficult to deal with just a simple line of credit when banks continue to exclude receivables from the borrowing base. Inventory borrowing is also negatively affected by changes in borrowing bases.

Machinery Manufacturing

- If we can't pay cash, then we can't afford it. It's too much trouble to try to get a loan these days.
- We recently increased our line of credit by 25 percent. The bank wanted to charge use fees that I considered unreasonable for the length of time that we've done business. I told them that if the fees were not removed, I would start shopping our business to other banks immediately. The fees were all dropped, and we extended our line of credit for two years before any renewal would occur.

Computer and Electronic Product Manufacturing

- Fortunately, our business model is not dependent on debt as part of our capital structure.

Miscellaneous Manufacturing

- We are trying not to replace workers as they leave but spread out the work. We are very concerned about a major recession in 2019.

Texas Service Sector Outlook Survey

Data were collected Oct. 16–24, and 273 Texas business executives responded to the survey.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Eased substantially	2.7	1.0	0.7	1.9	1.5
Eased somewhat	11.0	7.3	7.4	5.6	5.9
No change	45.1	47.1	44.6	48.9	44.7
Tightened somewhat	6.0	13.6	8.9	6.7	11.0
Tightened substantially	2.2	1.5	2.6	0.7	2.2
Not applicable—haven't sought credit	33.0	29.6	35.8	36.2	34.8

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Increased substantially	0.5	0.5	0.4	0.7	7.4
Increased somewhat	10.4	11.7	19.1	26.9	41.3
No change	48.6	50.5	40.4	32.1	15.9
Decreased somewhat	7.1	6.8	5.5	3.4	1.5
Decreased substantially	1.1	1.0	0.7	0.0	0.0
Not applicable—haven't sought credit	32.2	29.6	33.8	36.9	33.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	40.9	41.9	42.6	38.8	38.1
Some difficulty	12.7	15.3	14.1	9.0	11.5
Substantial difficulty	2.2	2.0	1.5	3.0	1.5
Extreme difficulty	1.1	0.0	0.4	2.6	1.5
Not applicable—haven't sought credit	43.1	40.9	41.5	46.6	47.4

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. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	38.5	38.1	36.3	40.5	37.8
Some difficulty	8.2	5.9	8.6	7.6	7.0
Substantial difficulty	2.2	2.5	2.2	2.3	1.5
Extreme difficulty	1.6	0.0	0.4	1.5	1.1
Not applicable—haven't sought credit	49.5	53.5	52.4	48.1	52.6

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes–significantly	3.8	1.0	1.1	1.1	1.5
Yes–somewhat	7.1	6.9	7.4	8.7	8.9
No	37.2	42.6	36.8	39.9	32.2
Not applicable–haven't had problems obtaining credit	12.0	10.8	12.6	7.2	10.0
Not applicable—haven't sought credit	39.9	38.7	42.0	43.0	47.4

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes–significantly	1.1	0.0	0.7	0.4	1.1
Yes–somewhat	6.0	6.8	4.4	4.5	2.2
No	44.3	45.1	45.6	45.3	43.2
Not applicable–haven't had problems obtaining credit	9.8	10.7	10.2	7.9	7.3
Not applicable—haven't sought credit	38.8	37.4	39.1	41.9	46.2

Special Questions Comments

These comments have been edited for publication.

Publishing Industries (Except Internet)

- There have been minor changes in difficulty due to rates.

Data Processing, Hosting and Related Services

- Our firm is growing nicely, which requires more funding to hire additional skilled workers. Cash flow funding for hiring is very difficult to get for a reasonable price. We have turned to small-business lending companies instead of banks even though their terms are steep (understatement). As a growing firm, we are fortunately able to pay back these loans as revenue increases. The cost of funds has definitely slowed the pace at which we are able to hire and the pace we are able to grow revenue.

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

- Credit and the availability of funds have not been an issue with us. Several years ago, we did longer-term financing that does not crowd in with current credit market issues.

Real Estate

- Home sales have slowed. Rising interest rates should make house prices come down.

Rental and Leasing Services

- We are a heavy-equipment dealership, and we sell heavy iron to retail customers and, often times, those sales need to be financed. Finding that retail financing source for our customers is always a challenge. Approval rates are only slightly better now than a year ago (they run about 84 percent approved).

Professional, Scientific and Technical Services

- Venture capital funding is difficult to obtain as the venture capital firms are only looking for mega success rather than doing due diligence to find good solutions. Regular bank capital borrowing availability is fine, but we just wish interest rates were being increased much slower by the Federal Reserve.
- While we have not sought credit, our clients raise concerns about cost (as opposed to availability) of credit.

Administrative and Support Services

- Bad weather is the only issue for this company.

Ambulatory Health Care Services

- Over the past 18 months, the availability of reliable banking support has been the key impediment to sustainability and growth for this agency.

Texas Retail Outlook Survey

Data were collected Oct. 16–24, and 58 Texas retailers responded to the survey.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Eased substantially	4.3	0.0	0.0	0.0	0.0
Eased somewhat	10.9	6.7	5.4	5.3	5.2
No change	52.2	51.1	57.1	59.6	56.9
Tightened somewhat	6.5	20.0	3.6	1.8	5.2
Tightened substantially	0.0	0.0	3.6	1.8	1.7
Not applicable—haven't sought credit	26.1	22.2	30.4	31.6	31.0

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Increased substantially	2.1	0.0	0.0	1.8	10.3
Increased somewhat	14.9	13.3	19.3	33.3	44.8
No change	55.3	55.6	45.6	31.6	10.3
Decreased somewhat	6.4	4.4	5.3	0.0	1.7
Decreased substantially	0.0	2.2	0.0	0.0	0.0
Not applicable—haven't sought credit	21.3	24.4	29.8	33.3	32.8

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	54.3	57.8	57.9	49.1	46.6
Some difficulty	15.2	11.1	10.5	7.0	6.9
Substantial difficulty	0.0	2.2	1.8	1.8	1.7
Extreme difficulty	0.0	0.0	0.0	1.8	0.0
Not applicable—haven't sought credit	30.4	28.9	29.8	40.4	44.8

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. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	59.6	53.5	50.0	50.0	46.6
Some difficulty	8.5	7.0	10.3	8.9	5.2
Substantial difficulty	2.1	4.7	1.7	0.0	0.0
Extreme difficulty	0.0	0.0	0.0	1.8	0.0
Not applicable—haven't sought credit	29.8	34.9	37.9	39.3	48.3

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes–significantly	2.1	0.0	0.0	0.0	0.0
Yes–somewhat	6.4	6.8	5.4	8.9	7.0
No	51.1	56.8	46.4	41.1	40.4
Not applicable–haven't had problems obtaining credit	19.1	11.4	17.9	10.7	8.8
Not applicable—haven't sought credit	21.3	25.0	30.4	39.3	43.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes–significantly	0.0	0.0	0.0	0.0	0.0
Yes–somewhat	8.5	8.9	3.4	3.5	3.4
No	57.4	53.3	55.2	49.1	48.3
Not applicable–haven't had problems obtaining credit	12.8	13.3	12.1	8.8	5.2
Not applicable—haven't sought credit	21.3	24.4	29.3	38.6	43.1

Special Questions Comments

These comments have been edited for publication.

Motor Vehicle and Parts Dealers

- We have a strong balance sheet, and securing credit or borrowing money is not a factor for us. The increase in interest rates is a factor. Most lending institutions have become more conservative, as witnessed by our "retail" financing of consumers purchasing new and preowned vehicles.

Building Material and Garden Equipment and Supplies Dealers

- Interest rates are going up too fast.

Clothing and Clothing Accessories Stores

- Lenders are nervous about retailers.

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