



Texas Manufacturing Outlook Survey

August 26, 2019

Texas Manufacturing Expansion Picks Up Pace

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on the labor market and pricing power. 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 expanded at a faster clip in August, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, shot up nine points to 17.9, its highest reading in nearly a year.

Other measures of manufacturing activity also suggested faster expansion in August. The shipments index rose seven points to 17.6, and the capacity utilization index rose five points to 15.7, both reaching 11-month highs. The new orders index moved up from 5.5 to 9.3, while the growth rate of orders index was largely unchanged at 1.8.

Perceptions of broader business conditions improved in August. The general business activity index pushed into positive territory for the first time in four months, rising nine points to 2.7. Similarly, the company outlook index rose to 5.0 following three months in negative territory. However, the index measuring uncertainty regarding companies' outlooks jumped nine points to 18.6, a reading well above average.

Labor market measures suggested slower growth in employment and work hours in August. The employment index remained positive but retreated 11 points to 5.5, a level closer to average. Eighteen percent of firms noted net hiring, while 12 percent noted net layoffs. The hours worked index edged down to 4.0.

Input costs and wages continued to rise in August, while selling prices declined slightly. The raw materials prices index remained positive but fell from 17.0 to 9.8. The wages and benefits index rose seven points to 27.3, an elevated level. Meanwhile, the finished goods prices index posted a second slightly negative reading in a row, suggesting a modest decline in selling prices this month.

Expectations regarding future business conditions remained positive in August. The index of future general business activity posted a second consecutive positive reading but moved down five points to 1.4. The index of future company outlook was little changed at 10.4. Both readings, while positive, remain well below average. Other indexes of future manufacturing activity moved down but stayed solidly in positive territory.

Next release: Monday, September 30

Data were collected August 13–21, 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	Aug Index	Jul Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	17.9	9.3	+8.6	10.6	38(+)	34.2	49.5	16.3
Capacity Utilization	15.7	11.2	+4.5	8.2	38(+)	28.5	58.7	12.8
New Orders	9.3	5.5	+3.8	6.5	34(+)	31.6	46.1	22.3
Growth Rate of Orders	1.8	2.7	−0.9	0.2	2(+)	21.7	58.4	19.9
Unfilled Orders	−0.2	−2.8	+2.6	−2.8	2(−)	13.0	73.8	13.2
Shipments	17.6	10.2	+7.4	9.3	33(+)	35.3	47.1	17.7
Delivery Time	1.3	−4.8	+6.1	−0.4	1(+)	12.4	76.5	11.1
Finished Goods Inventories	−9.5	−10.6	+1.1	−2.9	5(−)	11.2	68.1	20.7
Prices Paid for Raw Materials	9.8	17.0	−7.2	24.8	41(+)	21.3	67.2	11.5
Prices Received for Finished Goods	−2.6	−1.7	−0.9	6.5	2(−)	9.7	78.0	12.3
Wages and Benefits	27.3	20.1	+7.2	18.8	121(+)	28.6	70.1	1.3
Employment	5.5	16.0	−10.5	6.5	32(+)	17.9	69.7	12.4
Hours Worked	4.0	6.6	−2.6	2.8	34(+)	15.7	72.6	11.7
Capital Expenditures	7.4	15.2	−7.8	6.9	36(+)	19.6	68.2	12.2

General Business Conditions

Current (versus previous month)

Indicator	Aug Index	Jul Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	5.0	−0.9	+5.9	7.3	1(+)	24.8	55.4	19.8
General Business Activity	2.7	−6.3	+9.0	3.0	1(+)	21.9	58.9	19.2

Indicator	Aug Index	Jul Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	18.6	9.7	+8.9	9.2	15(+)	27.1	64.4	8.5

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

Indicator	Aug Index	Jul Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	25.0	31.9	−6.9	38.9	126(+)	39.8	45.4	14.8
Capacity Utilization	22.1	32.3	−10.2	35.7	126(+)	35.4	51.3	13.3
New Orders	23.7	31.8	−8.1	36.7	126(+)	36.1	51.5	12.4
Growth Rate of Orders	14.8	30.7	−15.9	27.0	126(+)	27.1	60.6	12.3
Unfilled Orders	0.0	2.5	−2.5	4.1	1()	12.0	76.0	12.0
Shipments	26.2	39.9	−13.7	37.7	126(+)	37.7	50.8	11.5
Delivery Time	1.6	−0.5	+2.1	−1.9	1(+)	8.4	84.8	6.8
Finished Goods Inventories	−10.3	2.0	−12.3	−0.5	1(−)	10.3	69.2	20.6
Prices Paid for Raw Materials	11.8	23.5	−11.7	34.2	125(+)	24.5	62.7	12.7
Prices Received for Finished Goods	9.1	14.7	−5.6	19.8	43(+)	19.1	70.9	10.0
Wages and Benefits	35.2	44.5	−9.3	38.3	183(+)	38.7	57.8	3.5
Employment	22.9	28.2	−5.3	22.3	81(+)	31.1	60.7	8.2
Hours Worked	3.5	15.1	−11.6	9.4	39(+)	12.0	79.5	8.5
Capital Expenditures	17.3	21.9	−4.6	20.1	117(+)	28.7	59.9	11.4

General Business Conditions
Future (six months ahead)

Indicator	Aug Index	Jul Index	Change	Series Average	Trend**	% Reporting Increase	% Reporting No Change	% Reporting Worsened
Company Outlook	10.4	9.1	+1.3	21.3	43(+)	26.1	58.2	15.7
General Business Activity	1.4	6.0	−4.6	14.8	2(+)	22.5	56.4	21.1

*Shown is the number of consecutive months of expansion or contraction in the underlying indicator. Expansion is indicated by a positive index reading and denoted by a (+) in the table. Contraction is indicated by a negative index reading and denoted by a (−) in the table.

**Shown is the number of consecutive months of improvement or worsening in the underlying indicator. Improvement is indicated by a positive index reading and denoted by a (+) in the table. Worsening is indicated by a negative index reading and denoted by a (−) in the table.

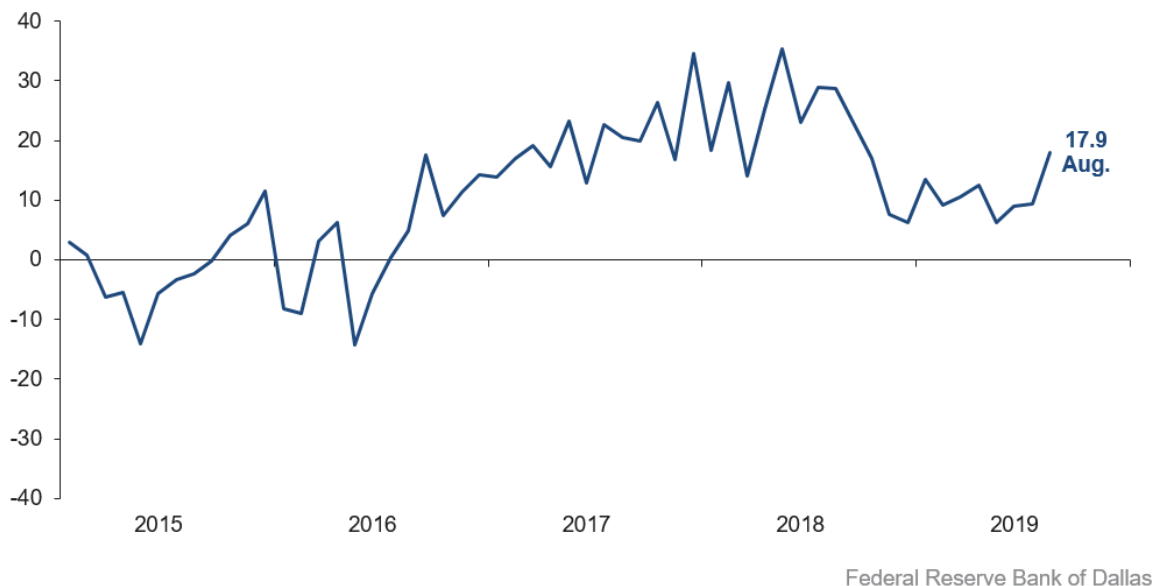
†Added to survey in January 2019.

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

Texas Manufacturing Outlook Survey Production Index

Index, seasonally adjusted



Comments from Survey Respondents

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

Chemical Manufacturing

- International sales have decreased.

Primary Metal Manufacturing

- Truck trailer production is going down now. High-rise construction looks like it is slowing down next year. Other business is still strong, so far.

Fabricated Metal Product Manufacturing

- We are still fighting availability due to tariffs. Limited size availability is forcing waste, by having to buy the next size larger. This is because where .125 and .250 increments in aluminum and steel round bar had been available, now you may have to jump an extra .5 or an inch to be able to make the same part. Who can afford that loss? It's more expensive for the material and more time to remove the extra. Saving the turnings or chips from the manufacturing to recycle doesn't pay as much as it used to (down by 75 percent). This is all because of China and President Trump tariff games.
- We are still seeing softness in our end-user markets, especially energy.
- We have seen an unusually high volume of quoting/estimating activity. We believe this is a result of the ongoing China–U.S. trade war and the tariffs being leveled against China. OEMs [original equipment manufacturers] are looking to cover their bases by having a domestic supplier qualified in case the trade war deepens.
- Uncertainty has remained a key ingredient in all that we are faced with. Skilled and stable labor is still a challenge, with the retirement of key employees.
- We are providing a lot of quotes, with owners pushing out start dates or our competitors pricing jobs below our costs to obtain the work.

Nonmetallic Mineral Product Manufacturing

- Heavy rains in Texas slowed construction projects in the Dallas metroplex; therefore, our customers could not take shipments of finished goods on a timely basis. As the rain abates, shipping should increase.
- Duties continue to be an issue and a problem. We are raising pricing to cover, as are our competitors. Customers have no choice but to accept the price increases. We are making more products here at our factory and moving some production to countries other than China or back to our U.S. factory.

Machinery Manufacturing

- Business is steady; however, we are watching the economy closely.
- We still feel there is a large amount of uncertainty in our market. The government has caused our industry to heavily fluctuate, as there is no stability in the forecast.

Computer and Electronic Product Manufacturing

- Tariffs remain a concern.

Transportation Equipment Manufacturing

- Activity in our drilling industry is normally busier during the summer. However, for the past several months, we have continued to lose sales in favor of China, India and South Korea.
- Although we are required to “Buy American” for material procurement, uncertainty in the import marketplace relating to tariffs continues to put upward price pressure on U.S.-sourced supplies. We are eager to see a clearer rationale behind this administration's attempts to develop a business strategy.
- We are changing our business model to increase volume and improve capacity utilization.

Food Manufacturing

- U.S. trade policy continues to hamper our efforts to grow our export business.
- The ongoing trade dispute with China is causing structural changes in the agricultural industry that have increased uncertainty.

Textile Product Mills

- Optimism is the foundation of thought for any entrepreneur; although orders have not increased this month, I am very optimistic about the future.

Paper Manufacturing

- Production/demand has been soft in the first half of year—and now the hope/expectation that manufacturing will resume has disappeared. Plans for a new, lower level of manufacturing are driving decisions from this point on.

Printing and Related Support Activities

- We are still very worried about the economy in general and our industry in particular. We implemented a price increase that was way overdue in April and have gotten very little pushback on it.

Miscellaneous Manufacturing

- We are seeing a volume decrease in all sectors of our business with the automotive OEM [original equipment manufacturer] segment down more than 20 percent.
- The 25 percent tariff is really hurting my cash flow. Twenty-two percent of my gross sales are hit by this tariff, and my customers all refuse the upcharge.

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

August 26, 2019

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 August 13–21, and 385 Texas business executives responded to the surveys.
See data files with a full history of results.

Are you currently trying to hire?

	May '19 (percent)	Aug. '19 (percent)
Yes	71.4	69.8
No	28.6	30.2

NOTE: 381 responses.

Are you having problems finding qualified workers when hiring?

	May '19 (percent)	Aug. '19 (percent)
Yes	83.0	75.6
No	17.0	24.4

NOTES: 266 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are trying to fill low-skill positions, are you having problems finding qualified workers?

	Feb. '19 (percent)	Aug. '19 (percent)
Yes	80.5	77.9
No	19.5	22.1

NOTES: 154 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

What are the main reasons you are having difficulty finding qualified low-skill workers? Please select all that apply.

	Aug. '19 (percent)
Lack of available applicants/no applicants	72.3
Inability to pass drug test and/or background check	47.9
Lack of workplace competencies (soft skills)	43.7
Looking for more pay than is offered	40.3
Lack of technical competencies (hard skills)	35.3
Lack of experience	26.1
Other	9.2

NOTES: 119 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are trying to fill mid-skill positions, are you having problems finding qualified workers?

	Feb. '19 (percent)	Aug. '19 (percent)
Yes	86.0	84.3
No	14.0	15.7

NOTES: 172 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

What are the main reasons you are having difficulty finding qualified mid-skill workers? Please select all that apply.

	Aug. '19 (percent)
Lack of available applicants/no applicants	72.2
Lack of technical competencies (hard skills)	47.2
Looking for more pay than is offered	44.4
Lack of experience	36.8
Lack of workplace competencies (soft skills)	24.3
Inability to pass drug test and/or background check	16.7
Other	4.2

NOTES: 144 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are trying to fill high-skill positions, are you having problems finding qualified workers?

	Feb. '19 (percent)	Aug. '19 (percent)
Yes	77.1	64.9
No	22.9	35.1

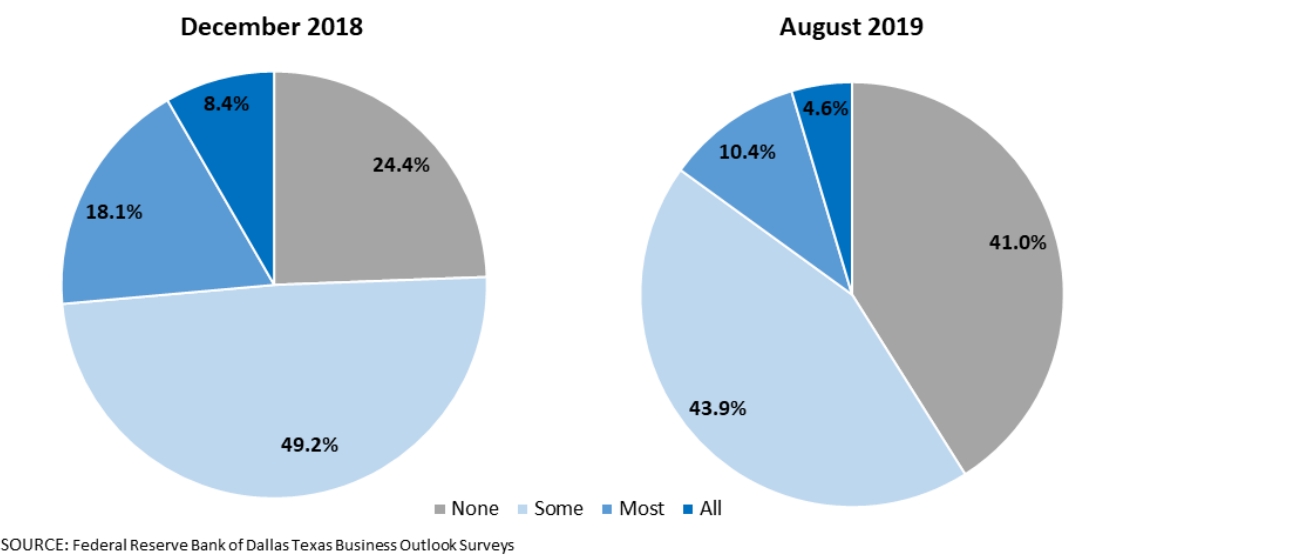
NOTES: 151 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

What are the main reasons you are having difficulty finding qualified high-skill workers? Please select all that apply.

	Aug. '19 (percent)
Lack of available applicants/no applicants	72.2
Lack of technical competencies (hard skills)	50.5
Looking for more pay than is offered	47.4
Lack of experience	29.9
Lack of workplace competencies (soft skills)	17.5
Inability to pass drug test and/or background check	7.2
Other	2.1

NOTES: 97 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If costs (including wages) are increasing, to what extent are you passing the higher costs on to customers in the way of price increases?



	Dec. '18 (percent)	Aug. '19 (percent)
None	24.4	41.0
Some	49.2	43.9
Most	18.1	10.4
All	8.4	4.6

NOTE: 383 responses.

If costs (including wages) are increasing, how has your firm’s ability to pass those increases on to customers changed over the past six months?

	Dec. '18 (percent)	Aug. '19 (percent)
Much easier now	1.4	1.8
Somewhat easier now	18.9	13.0
Similar to six months ago	39.5	46.4
Somewhat harder now	23.7	26.7
Significantly harder now	16.5	12.1

NOTE: 383 responses.

Survey respondents were given the opportunity to provide general comments. These comments can be found on the individual survey Special Questions results pages

Texas Manufacturing Outlook Survey

Data were collected August 13–21, and 114 Texas manufacturers responded to the surveys.

See data files with a full history of results.

Are you currently trying to hire?

	May '19 (percent)	Aug. '19 (percent)
Yes	72.7	64.0
No	27.3	36.0

NOTE: 114 responses.

Are you having problems finding qualified workers when hiring?

	May '19 (percent)	Aug. '19 (percent)
Yes	79.5	83.6
No	20.5	16.4

NOTES: 73 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are trying to fill low-skill positions, are you having problems finding qualified workers?

	Feb. '19 (percent)	Aug. '19 (percent)
Yes	83.8	71.4
No	16.2	28.6

NOTES: 49 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

What are the main reasons you are having difficulty finding qualified low-skill workers? Please select all that apply.

	Aug. '19 (percent)
Lack of available applicants/no applicants	85.3
Inability to pass drug test and/or background check	64.7
Lack of technical competencies (hard skills)	44.1
Looking for more pay than is offered	38.2
Lack of workplace competencies (soft skills)	35.3
Lack of experience	26.5
Other	17.6

NOTES: 34 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are trying to fill mid-skill positions, are you having problems finding qualified workers?

	Feb. '19 (percent)	Aug. '19 (percent)
Yes	83.1	83.6
No	16.9	16.4

NOTES: 55 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

What are the main reasons you are having difficulty finding qualified mid-skill workers? Please select all that apply.

	Aug. '19 (percent)
Lack of available applicants/no applicants	73.3
Lack of technical competencies (hard skills)	51.1
Looking for more pay than is offered	37.8
Lack of experience	37.8
Lack of workplace competencies (soft skills)	26.7
Inability to pass drug test and/or background check	15.6
Other	4.4

NOTES: 45 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are trying to fill high-skill positions, are you having problems finding qualified workers?

	Feb. '19 (percent)	Aug. '19 (percent)
Yes	70.3	66.0
No	29.7	34.0

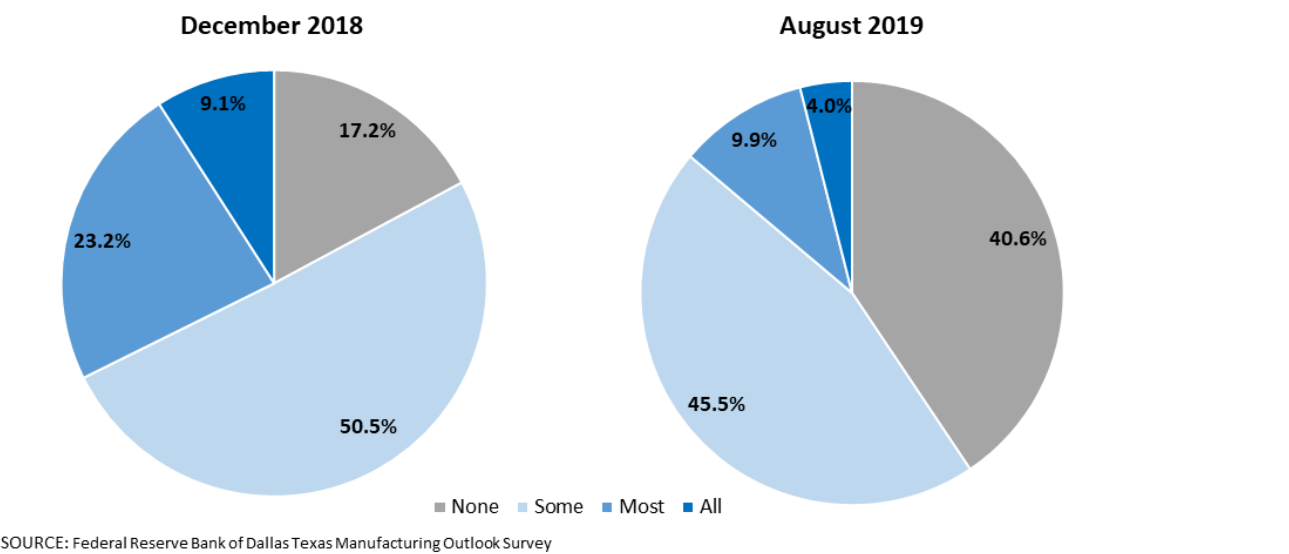
NOTES: 47 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

What are the main reasons you are having difficulty finding qualified high-skill workers? Please select all that apply.

	Aug. '19 (percent)
Lack of technical competencies (hard skills)	80.0
Lack of available applicants/no applicants	70.0
Looking for more pay than is offered	40.0
Lack of experience	40.0
Lack of workplace competencies (soft skills)	23.3
Inability to pass drug test and/or background check	16.7
Other	0.0

NOTES: 30 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If costs (including wages) are increasing, to what extent are you passing the higher costs on to customers in the way of price increases?



	Dec. '18 (percent)	Aug. '19 (percent)
None	17.2	40.6
Some	50.5	45.5
Most	23.2	9.9
All	9.1	4.0

NOTE: 113 responses.

If costs (including wages) are increasing, how has your firm’s ability to pass those increases on to customers changed over the past six months?

	Dec. '18 (percent)	Aug. '19 (percent)
Much easier now	1.0	1.0
Somewhat easier now	26.5	12.7
Similar to six months ago	35.7	45.1
Somewhat harder now	20.4	25.5
Significantly harder now	16.3	15.7

NOTE: 114 responses.

Special Questions Comments

These comments have been edited for publication.

Fabricated Metal Product Manufacturing

- Our company has to bid on most every job from a couple of our customers whether we have done the job before or it is new. Since President Trump's tariffs, we are forced to lower our previous pricing to maintain jobs we had done for years at essentially at the same price. So the price of material and labor go up while the cost of manufactured parts goes down? Does not compute.

Machinery Manufacturing

- Our industry is trying to cut costs everywhere, which is making it harder for us to pass costs on to our customers.

Transportation Equipment Manufacturing

- We are looking to improve production efficiencies, purchasing savings and quality.
- Federal Reserve Bank of DallasTexas Manufacturing Outlook Survey

- Pricing for our company is based on global supply and demand. So when we increase wages for employees, we cannot automatically increase our sales prices to global customers. Competing against Third World countries that have reverse-engineered our technology and utilize low-wage earners is very difficult, if not impossible.

Food Manufacturing

- We have been successful squeezing more productivity (efficiencies) out of the plant, which has offset increased direct labor/hourly rates for now.

Paper Manufacturing

- The same capacity (employees/machinery) is now chasing lower demand, so realized prices are coming down. Demand for health care never goes down, thus prices continue to climb. This is a squeeze that can only be addressed by reducing the workforce. Automation can't impact it fast enough.

Miscellaneous Manufacturing

- Customers see the LME [London Metal Exchange] aluminum and Midwest Aluminum Premium coming down and are requesting price decreases. But we aren't able to pass along price decreases to our customers due to the decline in business level versus the amount of aluminum we have on order and in the pipeline at higher prices—we had to order aluminum well in advance due to long lead times caused by demand and tariffs—and due to the sharp decline in scrap prices.

Texas Service Sector Outlook Survey

Data were collected August 13–21, and 271 Texas business executives responded to the surveys.
See data files with a full history of results.

Are you currently trying to hire?

	May '19 (percent)	Aug. '19 (percent)
Yes	70.8	72.3
No	29.2	27.7

NOTE: 267 responses.

Are you having problems finding qualified workers when hiring?

	May '19 (percent)	Aug. '19 (percent)
Yes	84.5	72.5
No	15.5	27.5

NOTES: 193 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are trying to fill low-skill positions, are you having problems finding qualified workers?

	Feb. '19 (percent)	Aug. '19 (percent)
Yes	78.6	81.0
No	21.4	19.0

NOTES: 105 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

What are the main reasons you are having difficulty finding qualified low-skill workers? Please select all that apply.

	Aug. '19 (percent)
Lack of available applicants/no applicants	67.1
Lack of workplace competencies (soft skills)	47.1
Looking for more pay than is offered	41.2
Inability to pass drug test and/or background check	41.2
Lack of technical competencies (hard skills)	31.8
Lack of experience	25.9
Other	5.9

NOTES: 85 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are trying to fill mid-skill positions, are you having problems finding qualified workers?

	Feb. '19 (percent)	Aug. '19 (percent)
Yes	87.5	84.6
No	12.5	15.4

NOTES: 117 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

What are the main reasons you are having difficulty finding qualified mid-skill workers? Please select all that apply.

	Aug. '19 (percent)
Lack of available applicants/no applicants	71.7
Looking for more pay than is offered	47.5
Lack of technical competencies (hard skills)	45.5
Lack of experience	36.4
Lack of workplace competencies (soft skills)	23.2
Inability to pass drug test and/or background check	17.2
Other	4.0

NOTES: 99 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are trying to fill high-skill positions, are you having problems finding qualified workers?

	Feb. '19 (percent)	Aug. '19 (percent)
Yes	80.3	64.4
No	19.7	35.6

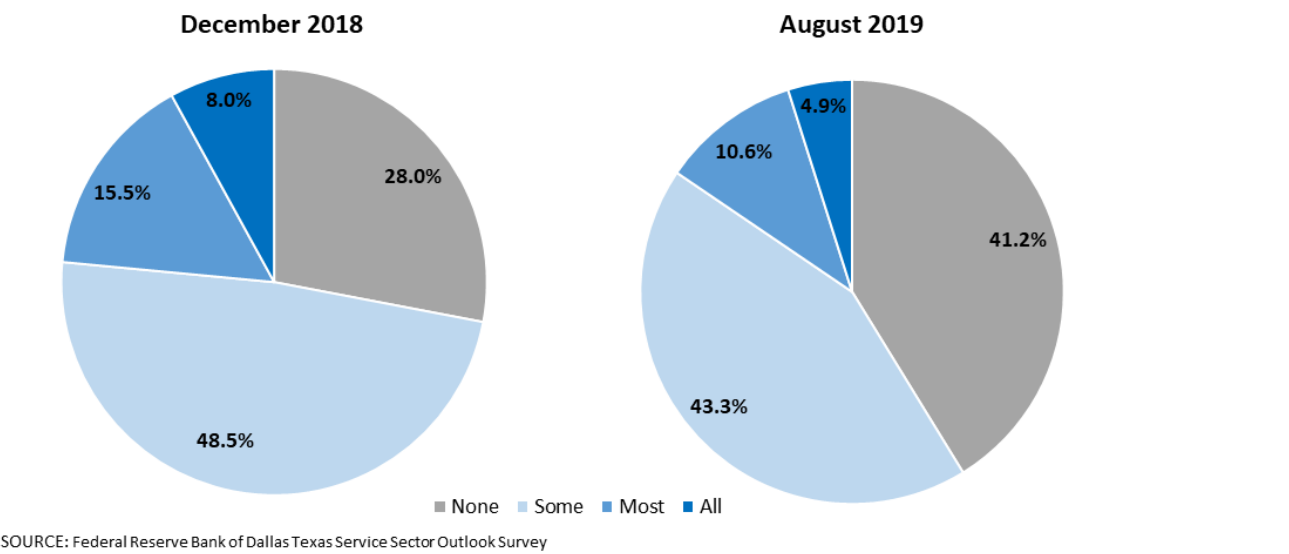
NOTES: 104 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

What are the main reasons you are having difficulty finding qualified high-skill workers? Please select all that apply.

	Aug. '19 (percent)
Lack of available applicants/no applicants	73.1
Looking for more pay than is offered	50.7
Lack of technical competencies (hard skills)	37.3
Lack of experience	25.4
Lack of workplace competencies (soft skills)	14.9
Inability to pass drug test and/or background check	3.0
Other	3.0

NOTES: 67 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If costs (including wages) are increasing, to what extent are you passing the higher costs on to customers in the way of price increases?



	Dec. '18 (percent)	Aug. '19 (percent)
None	28.0	41.2
Some	48.5	43.3
Most	15.5	10.6
All	8.0	4.9

NOTE: 270 responses.

If costs (including wages) are increasing, how has your firm’s ability to pass those increases on to customers changed over the past six months?

	Dec. '18 (percent)	Aug. '19 (percent)
Much easier now	1.6	2.2
Somewhat easier now	15.0	13.2
Similar to six months ago	41.5	46.9
Somewhat harder now	25.4	27.2
Significantly harder now	16.6	10.5

NOTE: 269 responses.

Special Questions Comments

These comments have been edited for publication.

Support Activities for Transportation

- Price increases have been implemented when bringing on new business.

Data Processing, Hosting and Related Services

- Our clients expect us to enhance our technology at a regular pace, and new innovations require leading-edge technologies. There are very few workers in North Texas with leading-edge technology skills.
 - We have employed several search firms to help us hire additional high-skilled workers.
 - We are offering more pay and better benefits.
 - We are working current employees much more (overtime and higher stress) and paying them better wages and benefits.

- We have recently started looking outside of North Texas for high-skilled help.

Credit Intermediation and Related Activities

- The average time to fill a position has increased by about a week.
- Succession is the biggest challenge with an aging workforce; there are more spots to fill. Consolidation of tasks is part of the plan but requires higher wages and more talent to acquire the expertise to absorb increased responsibilities.

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

- Selling/quoting prices are down (i.e., markets services to the oil and gas industry), while almost all costs are increasing (i.e., raw materials, labor, property taxes, all property insurance, health insurance, etc.).
- Competition is increasing, with pricing at the forefront of our competitors' strategy.

Professional, Scientific and Technical Services

- Companies are more likely to take the cheapest service without understanding the qualifications and expertise provided. Raising prices or just keeping prices at current levels is next to impossible.
- It is incredibly hard to find excellent candidates who want to commit.
- Clients continually attempt to commoditize products/services and make it difficult to raise prices.
- Our premium rates are set by the state, so we cannot pass any of these expenses on to our customers.
- We raise rates every year in October. There seems to be good room to be able to do so based on good demand presently for our services. Moreover, competitors have largely had higher rates, which makes it easier for us.

Management of Companies and Enterprises

- Decreasing loan interest rates while costs of deposits remain steady has put pressure on banks' NIM (net interest margin). The yield curve (short-term interest rates versus longer-term interest rates) has flattened and in some cases inverted, thus the NIM pressure noted above.

Administrative and Support Services

- It is a good market—very strong. Weather is not an issue anymore. It was four months ago—very, very rainy.
- Customers are still price shopping heavily. We will not increase our prices until Jan. 1 if we can keep EBITA [earnings before interest, taxes and amortization] in line for fourth quarter.
- Our units are under contract and, as such, price increases in our construction costs can't be passed through. However, we can raise prices on future phases of development, and we have had good ability to raise prices as needed.

Educational Services

- As we continue to garner results for our clients and gain credibility, we are able to increase our prices, which helps us pay our employees more and fuel growth.

Ambulatory Health Care Services

- It is a tight employment market. Low-skill employees are hardest [to find]—we rely on local recruitment. Mid-level employees are often promoted from within or recruited from other firms. Higher-skill employees are recruited from outside the region—we have slowed hiring but have had no major difficulties. Texas is still a great place to live and work.
- As a health care provider, we have no control over prices; it is a deflationary industry. I am an outpatient image provider.
- With the oil and gas sector cutting back on the workforce in the last three weeks, we are seeing an increase in health care workers returning back to the health care fields from the O&G jobs. That is allowing us in the health care field to staff up the vacant positions.

Hospitals

- Hospital reimbursement levels are largely fixed, especially in the short run. Our ability to pass cost increases on to our customers is extremely limited.

Nursing and Residential Care Facilities

- As a Medicare and state Medicaid provider for part of our services, we are not able to pass along cost increases to most of our customers. Texas Medicaid does not pay enough to cover the cost of services now. We actually lose anywhere from \$30–\$60 per patient per day for every person on Medicaid we have.

Social Assistance

- We are planning to pass along a 3 percent increase to our customers in October.

Amusement, Gambling and Recreation Industries

- Because we are a private club, many of the increases are passed on by dues increases. This will cover the costs of employee health insurance and horrible increases in property taxes. However, I just ate at my favorite hamburger joint today and they are closing in October because they can no longer handle the increases in taxes and the fact that the city has severely affected their business by taking away so many parking places. This is a similar story being told all over our central business district. There are many vacant storefronts with many more to come.

Texas Retail Outlook Survey

Data were collected August 13–21, and 50 Texas retailers responded to the surveys.

See data files with a full history of results.

Are you currently trying to hire?

	May '19 (percent)	Aug. '19 (percent)
Yes	70.0	75.5
No	30.0	24.5

NOTE: 49 responses.

Are you having problems finding qualified workers when hiring?

	May '19 (percent)	Aug. '19 (percent)
Yes	88.6	78.4
No	11.4	21.6

NOTES: 37 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are trying to fill low-skill positions, are you having problems finding qualified workers?

	Feb. '19 (percent)	Aug. '19 (percent)
Yes	76.0	80.8
No	24.0	19.2

NOTES: 26 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

What are the main reasons you are having difficulty finding qualified low-skill workers? Please select all that apply.

	Aug. '19 (percent)
Lack of available applicants/no applicants	66.7
Lack of workplace competencies (soft skills)	61.9
Inability to pass drug test and/or background check	47.6
Lack of technical competencies (hard skills)	28.6
Lack of experience	19.0
Looking for more pay than is offered	14.3
Other	0.0

NOTES: 21 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are trying to fill mid-skill positions, are you having problems finding qualified workers?

	Feb. '19 (percent)	Aug. '19 (percent)
Yes	85.7	85.2
No	14.3	14.8

NOTES: 27 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

What are the main reasons you are having difficulty finding qualified mid-skill workers? Please select all that apply.

	Aug. '19 (percent)
Lack of available applicants/no applicants	60.9
Lack of technical competencies (hard skills)	47.8
Looking for more pay than is offered	39.1
Lack of experience	26.1
Inability to pass drug test and/or background check	26.1
Lack of workplace competencies (soft skills)	21.7
Other	0.0

NOTES: 23 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are trying to fill high-skill positions, are you having problems finding qualified workers?

	Feb. '19 (percent)	Aug. '19 (percent)
Yes	70.4	52.6
No	29.6	47.4

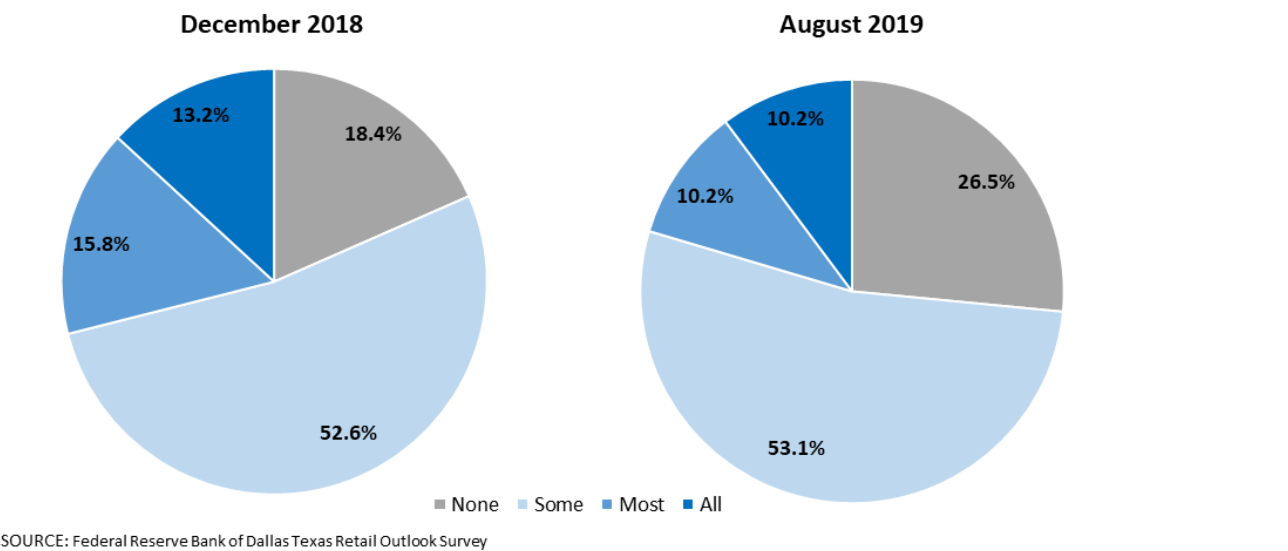
NOTES: 19 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

What are the main reasons you are having difficulty finding qualified high-skill workers? Please select all that apply.

	Aug. '19 (percent)
Lack of available applicants/no applicants	70.0
Lack of technical competencies (hard skills)	60.0
Lack of workplace competencies (soft skills)	30.0
Looking for more pay than is offered	10.0
Lack of experience	10.0
Inability to pass drug test and/or background check	10.0
Other	0.0

NOTES: 10 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If costs (including wages) are increasing, to what extent are you passing the higher costs on to customers in the way of price increases?



	Dec. '18 (percent)	Aug. '19 (percent)
None	18.4	26.5
Some	52.6	53.1
Most	15.8	10.2
All	13.2	10.2

NOTE: 50 responses.

If costs (including wages) are increasing, how has your firm’s ability to pass those increases on to customers changed over the past six months?

	Dec. '18 (percent)	Aug. '19 (percent)
Much easier now	5.3	2.1
Somewhat easier now	7.9	14.6
Similar to six months ago	28.9	39.6
Somewhat harder now	36.8	33.3
Significantly harder now	21.1	10.4

NOTE: 50 responses.

Special Questions Comments

There were no comments for the Texas Retail Outlook Survey for this release.

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