Texas Manufacturing Outlook Survey

October 28, 2019

Pace of Texas Manufacturing Expansion Slows, but Outlook Improves

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on borrowing conditions and credit availability. 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 markedly slower pace, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, fell nine points to 4.5, suggesting a moderation in output growth in October.

Other measures of manufacturing activity also suggested slower expansion in October, and demand declined. The new orders index turned negative for the first time in three years, falling 11 points to -4.2. The growth rate of orders index also fell into negative territory, coming in at -5.9. The capacity utilization index retreated from 12.0 to 3.6, reaching a three-year low. The shipments index fell nine points to 6.0.

Perceptions of broader business conditions were mixed in October. The general business activity index fell from 1.5 to -5.1, returning to negative territory after two months of positive readings. The company outlook index continued to increase, inching up to 8.8 this month. The index measuring uncertainty regarding companies' outlooks remained slightly elevated at 12.1.

Labor market measures suggested slower growth in employment and work hours this month. The employment index remained positive but retreated from 18.8 to 11.0, a reading still above average. Twenty percent of firms noted net hiring, while 9 percent noted net layoffs. The hours worked index edged down to 4.7.

Price and wage pressures rose in October. The raw materials prices index ticked up to 22.8, a 10-month high. The finished goods prices index pushed up to 4.8 after oscillating around zero for five months. The wages and benefits index moved up five points to 22.2.

Expectations regarding future business conditions were more optimistic in October. The index of future general business activity returned to positive territory, rising nine points to 2.4. The index of future company outlook rose 13 points to 15.3, its highest level in six months. Other indexes for future manufacturing activity also rose, pushing further into positive territory.

Next release: Monday, November 25

Data were collected Oct. 15–23, and 110 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	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	4.5	13.9	–9.4	10.6	40(+)	25.1	54.3	20.6
Capacity Utilization	3.6	12.0	–8.4	8.2	40(+)	20.3	63.0	16.7
New Orders	–4.2	7.1	–11.3	6.5	1(–)	22.0	51.8	26.2
Growth Rate of Orders	–5.9	4.4	–10.3	0.1	1(–)	16.1	61.9	22.0
Unfilled Orders	–9.4	–2.0	–7.4	–2.8	4(–)	6.5	77.6	15.9
Shipments	6.0	14.7	–8.7	9.3	35(+)	27.1	51.8	21.1
Delivery Time	–4.2	2.3	–6.5	–0.5	1(–)	7.3	81.2	11.5
Finished Goods Inventories	–4.5	–6.2	+1.7	–3.0	7(–)	13.8	67.9	18.3
Prices Paid for Raw Materials	22.8	20.3	+2.5	24.8	43(+)	29.5	63.8	6.7
Prices Received for Finished Goods	4.8	1.0	+3.8	6.5	2(+)	13.4	78.0	8.6
Wages and Benefits	22.2	17.4	+4.8	18.8	123(+)	22.8	76.6	0.6
Employment	11.0	18.8	–7.8	6.6	34(+)	20.3	70.4	9.3
Hours Worked	4.7	5.7	–1.0	2.8	36(+)	15.3	74.1	10.6
Capital Expenditures	13.6	11.1	+2.5	7.0	38(+)	22.9	67.8	9.3

General Business Conditions

Current (versus previous month)

Indicator	Oct Index	Sep Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	8.8	7.4	+1.4	7.3	3(+)	21.2	66.4	12.4
General Business Activity	–5.1	1.5	–6.6	3.0	1(–)	13.0	68.9	18.1

Indicator	Oct Index	Sep Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	12.1	13.3	–1.2	9.5	17(+)	24.1	63.9	12.0

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

Indicator	Oct Index	Sep Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	29.6	25.4	+4.2	38.8	128(+)	44.0	41.7	14.4
Capacity Utilization	26.8	20.7	+6.1	35.5	128(+)	36.7	53.4	9.9
New Orders	34.3	23.9	+10.4	36.6	128(+)	44.1	46.1	9.8
Growth Rate of Orders	26.1	18.8	+7.3	26.9	128(+)	34.7	56.7	8.6
Unfilled Orders	2.6	–6.2	+8.8	4.0	1(+)	11.0	80.6	8.4
Shipments	29.2	18.4	+10.8	37.6	128(+)	42.0	45.2	12.8
Delivery Time	2.5	–1.1	+3.6	–1.9	1(+)	9.0	84.5	6.5
Finished Goods Inventories	1.9	–8.6	+10.5	–0.5	1(+)	15.8	70.3	13.9
Prices Paid for Raw Materials	18.8	20.0	–1.2	34.0	127(+)	30.7	57.4	11.9
Prices Received for Finished Goods	7.8	11.5	–3.7	19.7	45(+)	18.6	70.6	10.8
Wages and Benefits	39.0	35.6	+3.4	38.3	185(+)	39.1	60.8	0.1
Employment	23.6	15.9	+7.7	22.3	83(+)	33.7	56.2	10.1
Hours Worked	1.9	0.7	+1.2	9.4	41(+)	10.6	80.7	8.7
Capital Expenditures	22.9	23.3	–0.4	20.2	119(+)	32.8	57.3	9.9

General Business Conditions
Future (six months ahead)

Indicator	Oct Index	Sep Index	Change	Series Average	Trend**	% Reporting Increase	% Reporting No Change	% Reporting Worsened
Company Outlook	15.3	2.4	+12.9	21.1	45(+)	28.0	59.3	12.7
General Business Activity	2.4	–6.8	+9.2	14.6	1(+)	20.0	62.4	17.6

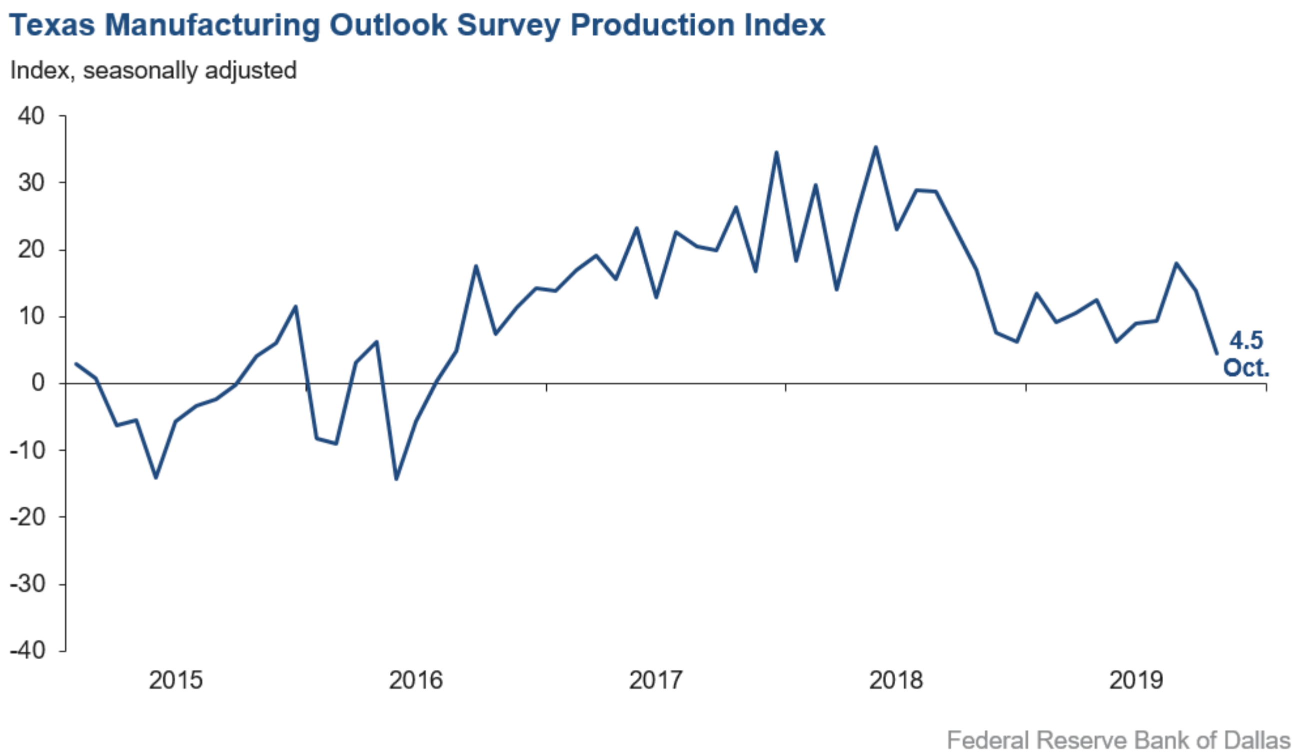
*Shown is the number of consecutive months of expansion or contraction in the underlying indicator. Expansion is indicated by a positive index reading and denoted by a (+) in the table. Contraction is indicated by a negative index reading and denoted by a (–) in the table.

**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



Comments from Survey Respondents

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

Chemical Manufacturing

- Decreased car sales have decreased our customers' sales.

Primary Metal Manufacturing

- We are experiencing an uncharacteristic slowdown for October.
- The biggest issue is cybersecurity. It is very expensive to guard against. We know an attack will come, but not where, how, from what country, or when. The federal government should supply some assistance. Two cities around us have been attacked, and a current list of 30 Texas cities and agencies has been hit. This could get bad enough to be a drag on growth.
- We are experiencing an overall softening in the primary metals market/manufacturing. These trends have been building over the past six months and began with the energy sector. Now we are seeing softening across the board as election jitters and uncertainty take hold. One of the most crippling events for our workforce included an I-9 audit which identified 23 out of 255 employees whose documentation had mismatches. This resulted in over 480 years of experience being forced out. Although we have been a strict E-Verify employer, these individuals predated the system. Now we simply cannot fill these job openings, regardless of pay and benefits.

Fabricated Metal Product Manufacturing

- If the media continue to report the decline in business conditions, which we are not seeing, then maybe it will come true. Hiring good people is still a problem because everyone is working.

Nonmetallic Mineral Product Manufacturing

- There is a lot of uncertainty that is causing us to delay capital expenditures. Raw materials costs are uncertain due to unknown duties impacts. Planning is difficult and getting more uncertain. There is a lot of uncertainty in the homebuilding business, which directly affects us.

Machinery Manufacturing

- Business seems to be slowing back down after a fairly busy summer.

- The oil industry is slowly slowing down. I believe it has a great deal to do with the political environment that we now find ourselves in. The uncertainty has driven the customers to put their hands in their pockets to see what might develop with the elections next year. If this continues, it will be a long, cold winter and even slower summer until this is over. And if the Democratic candidate wins, then the next four years will be very tough for my business. I'd seriously consider retirement.
- Give me a level playing field and a free market and we can beat even low–labor-cost suppliers. I don't want a subsidy and I can't beat a tariff.
- I don't see the economy booming.
- Sales were down; however, it was mostly due to the end of a multiyear project that ended in August. We are now making efforts to replace this business.

Computer and Electronic Product Manufacturing

- Trade deals are actually helping our customers and, therefore, helping us to book more revenue. Our backlog is pretty strong. There is a mild slowdown in a couple of sectors of our industries—nothing alarming.
- Tariffs remain a concern, but things seem to have stabilized.
- We have begun to see broad-based weakness as customers tell us they are becoming increasingly conservative due to trade tensions. Our revenues in the fourth quarter are expected to decline about what they did in fourth quarter 2008. This is the first time we have seen this magnitude of weakness since then.

Transportation Equipment Manufacturing

- Our industry has been down for year, and the outlook remains soft through 2021. We are expanding our distribution network to offset the overall downturn.

Paper Manufacturing

- Current conditions are the same as they have been for eight months, which is very soft with no positive outlook at this time. If this level continues (as expected), we will be reducing our workforce after Christmas.

Printing and Related Support Activities

- The continued shortage of semi-skilled and skilled labor is a major problem impacting growth.
- We had a very robust incoming-order month in September and now are feeling the effects. There is a lot of work in here, but this is somewhat normal for this time of year. I am very worried about how the next three to nine months will be, from a slowdown in the graphic arts industry, to our goofy city council trying to mandate paid sick time for hourly workers, to increases in taxes and fees. This all makes for a lot of uncertainty moving forward. We are looking at cutting back on bodies in the office to reduce overhead, and we are keeping a firm touch on expenditures.

Miscellaneous Manufacturing

- The China tariff situation on 23 percent of our business is a big hurt, as our Chinese supplier will give only small relief and our U.S. customers refuse an 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

October 28, 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 Oct. 15–23, and 387 Texas business executives responded to the surveys.
See data files with a full history of results.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Eased substantially	0.7	0.5	1.9	1.5	0.8
Eased somewhat	7.0	7.8	7.2	6.7	8.1
No change	47.4	46.5	47.2	45.9	49.0
Tightened somewhat	12.3	9.1	5.8	9.8	8.1
Tightened substantially	2.0	3.4	2.1	3.1	0.8
Not applicable—haven't sought credit	30.8	32.7	35.8	33.0	33.3

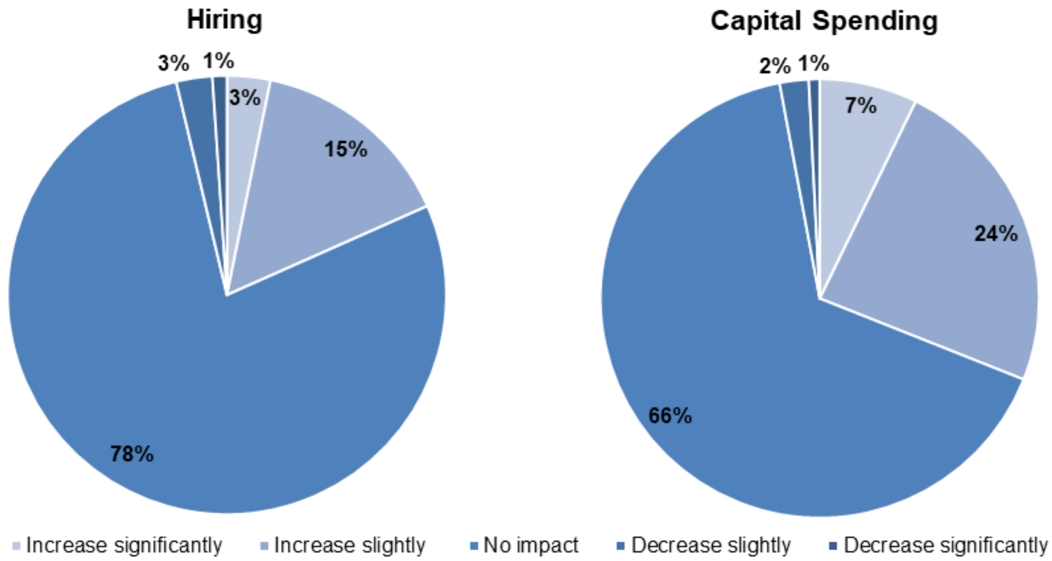
NOTE: 384 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Increased substantially	0.3	0.8	0.8	7.3	0.5
Increased somewhat	13.6	16.6	26.3	40.2	5.2
No change	48.7	44.3	32.6	18.9	31.9
Decreased somewhat	5.6	6.2	3.7	1.8	26.4
Decreased substantially	1.3	0.8	0.5	0.0	3.1
Not applicable—haven't sought credit	30.5	31.3	36.1	31.9	32.7

NOTE: 382 responses.

By some measures the cost of credit has declined by 15-20 percent so far this year. If the cost of credit were to decline an additional 15-20 percent, how would this impact your firm's hiring and capital spending over the next 12 months?



NOTES: 384 responses. Data collected October 15-23, 2019.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Hiring	Oct. '19 (percent)
Increase significantly	3.2
Increase slightly	15.2
No impact	77.9
Decrease slightly	2.7
Decrease significantly	1.1

Capital spending	Oct. '19 (percent)
Increase significantly	7.2
Increase slightly	23.8
No impact	66.0
Decrease slightly	2.1
Decrease significantly	0.8

NOTE: 376 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	42.0	43.5	38.8	40.0	39.6
Some difficulty	15.9	12.6	9.3	11.2	9.1
Substantial difficulty	2.4	2.4	3.7	1.6	2.3
Extreme difficulty	0.3	0.5	2.4	1.6	0.8
Not applicable—haven't sought credit	39.3	41.1	45.7	45.7	48.2

NOTE: 386 responses.

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. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	41.4	38.1	40.9	39.5	39.1
Some difficulty	9.2	9.2	7.8	7.3	7.8
Substantial difficulty	1.7	2.6	2.4	2.1	2.1
Extreme difficulty	0.0	0.5	1.1	1.3	0.8
Not applicable—haven't sought credit	47.8	49.6	47.8	49.9	50.3

NOTE: 384 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Yes— significantly	0.7	1.6	1.1	1.3	1.3
Yes—somewhat	8.1	7.9	9.2	8.6	4.9
No	40.3	37.3	39.1	33.2	40.1
Not applicable—haven't had problems obtaining credit	13.8	13.6	8.4	12.0	8.6
Not applicable— haven't sought credit	37.2	39.6	42.3	44.9	45.1

NOTE: 384 responses.

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 Oct. 15–23, and 104 Texas manufacturers responded to the surveys.
See data files with a full history of results.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Eased substantially	0.0	0.0	1.8	1.7	1.0
Eased somewhat	6.3	8.8	11.0	8.7	8.7
No change	47.9	50.9	43.1	48.7	54.8
Tightened somewhat	9.4	9.6	3.7	7.0	8.7
Tightened substantially	3.1	5.3	5.5	5.2	1.0
Not applicable—haven't sought credit	33.3	25.4	34.9	28.7	26.0

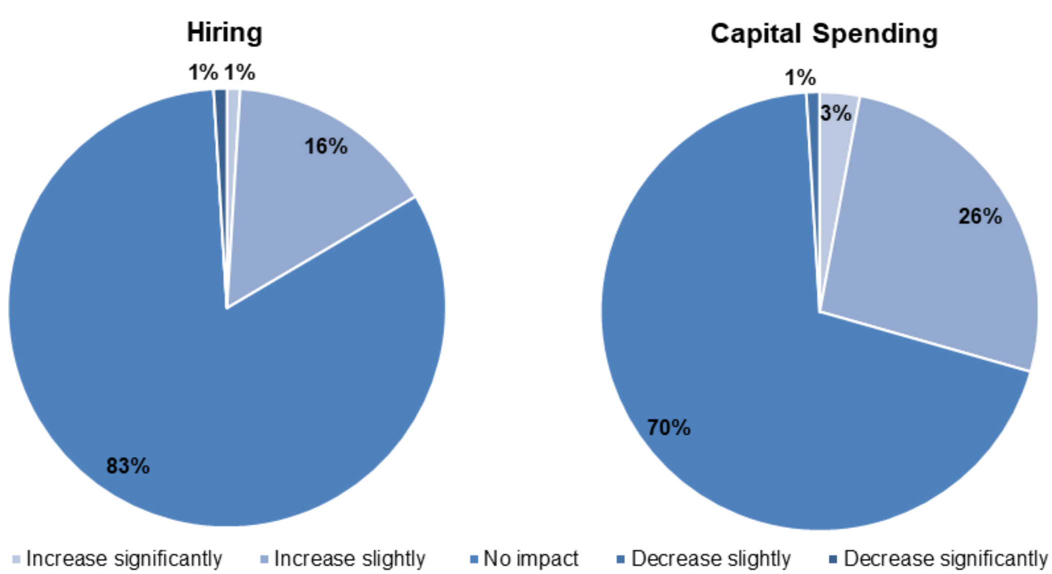
NOTE: 104 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Increased substantially	0.0	1.8	0.9	7.0	0.0
Increased somewhat	17.7	10.5	24.8	37.4	7.8
No change	44.8	53.5	33.9	26.1	39.8
Decreased somewhat	3.1	7.9	4.6	2.6	24.3
Decreased substantially	2.1	0.9	1.8	0.0	1.0
Not applicable—haven't sought credit	32.3	25.4	33.9	27.0	27.2

NOTE: 103 responses.

By some measures the cost of credit has declined by 15-20 percent so far this year. If the cost of credit were to decline an additional 15-20 percent, how would this impact your firm's hiring and capital spending over the next 12 months?



NOTES: 103 responses. Data collected October 15-23, 2019.
SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey.

Hiring	Oct. '19 (percent)
Increase significantly	1.0
Increase slightly	15.5
No impact	82.5
Decrease slightly	0.0
Decrease significantly	1.0

Capital spending	Oct. '19 (percent)
Increase significantly	2.9
Increase slightly	26.5
No impact	69.6
Decrease slightly	1.0
Decrease significantly	0.0

NOTE: 103 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	42.4	45.5	38.9	44.3	49.5
Some difficulty	17.4	8.9	10.2	10.4	10.7
Substantial difficulty	3.3	4.5	5.6	1.7	1.9
Extreme difficulty	1.1	0.9	1.9	1.7	1.0
Not applicable—haven't sought credit	35.9	40.2	43.5	41.7	36.9

NOTE: 103 responses.

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. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	48.4	42.1	41.7	43.5	52.9
Some difficulty	16.1	10.5	8.3	7.8	4.8
Substantial difficulty	0.0	3.5	2.8	3.5	1.9
Extreme difficulty	0.0	0.9	0.0	1.7	1.0
Not applicable—haven't sought credit	35.5	43.0	47.2	43.5	39.4

NOTE: 104 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Yes— significantly	0.0	2.7	0.9	0.9	1.9
Yes—somewhat	10.6	8.9	10.2	8.0	1.9
No	35.1	38.4	37.0	35.4	48.5
Not applicable—haven't had problems obtaining credit	20.2	16.1	11.1	16.8	13.6
Not applicable— haven't sought credit	34.0	33.9	40.7	38.9	34.0

NOTE: 103 responses.

Special Questions Comments

These comments have been edited for publication.

Primary Metal Manufacturing

- If a business is profitable, it can get a loan.

Machinery Manufacturing

- Banks are not interested in small company loans, and any efforts made to secure small loans are not worth the risks mandated by the lending institutions.

Computer and Electronic Product Manufacturing

- We are not having issues with credit, as our business generates ample cash. There is an issue of demand, which will slow our capital expenditures and employment.

Printing and Related Support Activities

- Credit concerns are way below those of labor concerns.

Texas Service Sector Outlook Survey

Data were collected Oct. 15–23, and 283 Texas business executives responded to the surveys.
See data files with a full history of results.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Eased substantially	1.0	0.7	1.9	1.5	0.7
Eased somewhat	7.3	7.4	5.6	5.9	7.9
No change	47.1	44.6	48.9	44.7	46.8
Tightened somewhat	13.6	8.9	6.7	11.0	7.9
Tightened substantially	1.5	2.6	0.7	2.2	0.7
Not applicable—haven't sought credit	29.6	35.8	36.2	34.8	36.1

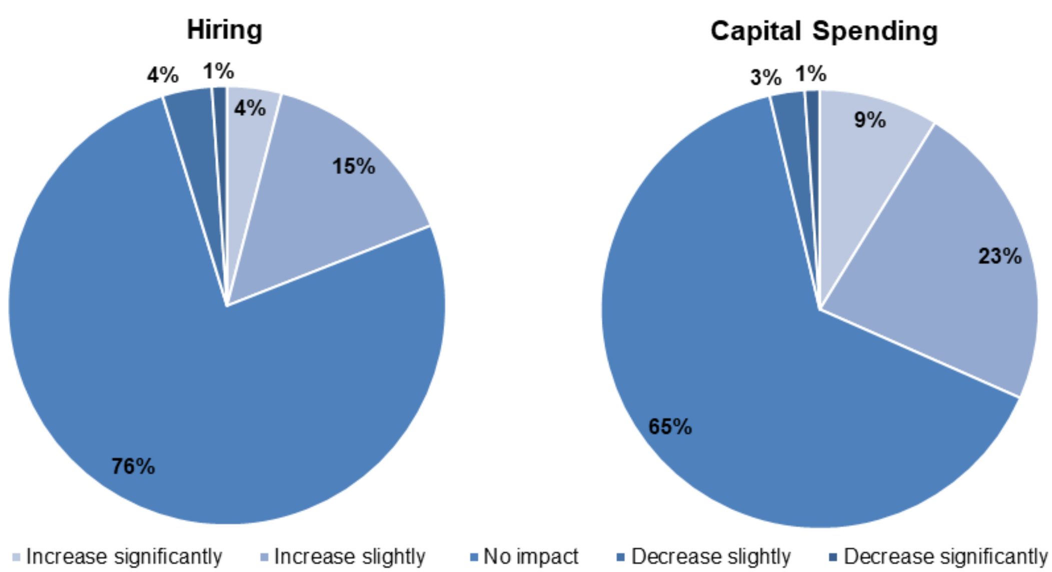
NOTE: 280 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Increased substantially	0.5	0.4	0.7	7.4	0.7
Increased somewhat	11.7	19.1	26.9	41.3	4.3
No change	50.5	40.4	32.1	15.9	29.0
Decreased somewhat	6.8	5.5	3.4	1.5	27.2
Decreased substantially	1.0	0.7	0.0	0.0	3.9
Not applicable—haven't sought credit	29.6	33.8	36.9	33.9	34.8

NOTE: 279 responses.

By some measures the cost of credit has declined by 15-20 percent so far this year. If the cost of credit were to decline an additional 15-20 percent, how would this impact your firm's hiring and capital spending over the next 12 months?



NOTES: 281 responses. Data collected October 15-23, 2019.
SOURCE: Federal Reserve Bank of Dallas Texas Service Sector Outlook Survey.

Hiring	Oct. '19 (percent)
Increase significantly	4.0
Increase slightly	15.0
No impact	76.2
Decrease slightly	3.7
Decrease significantly	1.1

Capital spending	Oct. '19 (percent)
Increase significantly	8.8
Increase slightly	22.8
No impact	64.7
Decrease slightly	2.6
Decrease significantly	1.1

NOTE: 273 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	41.9	42.6	38.8	38.1	36.0
Some difficulty	15.3	14.1	9.0	11.5	8.5
Substantial difficulty	2.0	1.5	3.0	1.5	2.5
Extreme difficulty	0.0	0.4	2.6	1.5	0.7
Not applicable—haven't sought credit	40.9	41.5	46.6	47.4	52.3

NOTE: 283 responses.

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. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	38.1	36.3	40.5	37.8	33.9
Some difficulty	5.9	8.6	7.6	7.0	8.9
Substantial difficulty	2.5	2.2	2.3	1.5	2.1
Extreme difficulty	0.0	0.4	1.5	1.1	0.7
Not applicable—haven't sought credit	53.5	52.4	48.1	52.6	54.3

NOTE: 280 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Yes— significantly	1.0	1.1	1.1	1.5	1.1
Yes—somewhat	6.9	7.4	8.7	8.9	6.0
No	42.6	36.8	39.9	32.2	37.0
Not applicable—haven't had problems obtaining credit	10.8	12.6	7.2	10.0	6.8
Not applicable— haven't sought credit	38.7	42.0	43.0	47.4	49.1

NOTE: 281 responses.

Special Questions Comments

These comments have been edited for publication.

Truck Transportation

- We are a non-asset-based company.

Publishing Industries (except Internet)

- We are not capital intense, but cash flow is key for operating with growth.

Credit Intermediation and Related Activities

- If the cost of borrowing continues to decrease due to the Federal Reserve lowering rates, lenders would take this as an indicator that the economy is slowing even further, causing them to pause and/or take a more risk-averse stance to new or even existing borrowers.

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

- Our firm gets capital through partnerships/selling equity and does not seek lending in the traditional banking approach.

Real Estate

- There is no difficulty obtaining credit for a good business with decent records. My only concern is that there be no loosening of regulation so that the quality of the borrowing will continue at a high level, minimizing the risk of another financial crisis.

Rental and Leasing Services

- Access to credit for good companies is not the problem. The problem is the uncertainty of a bunch of antibusiness politicians getting into office in the next year; just the fear is killing business—the fact will be devastating.

Professional, Scientific and Technical Services

- Small businesses like ours, especially in technology, are limited by capital to how fast and how big we can grow. Reducing capital (money) cost and making it more available from large and small banks and private equity/venture capital firms should be the central focus of government entities and the central bank.
- We are a 100-percent-service-based firm and have enough capital to cover any increase in employees at this time.
- No credit is needed—we are totally owner financed.
- We typically do not use credit to any significant degree and instead rely on internally generated capital.

Administrative and Support Services

- We have a line of credit. Due to poor sales performance in 2018, our LOC [line of credit] was reduced, leaving less cushion for strategic investments. The 2018 changes in revenue were related to capital investments, such that we anticipate a short-term J-curve before returning on the investment. Unfortunately, that doesn't factor into the bank's calculation of our ratios that impact our total available credit line.

Ambulatory Health Care Services

- Vendor financing is more aggressive than bank rates; we are seeing our loans going outside of our local banking channels due to interest savings. Our local banks are aggressively pursuing these loans but are generally unsuccessful.
- The lack of availability of credit (at any rate) is the key limiting factor in this company's success right now. This has been true for two to three years.

Food Services and Drinking Places

- We have good cash flow. We are not seeking credit at this time.

Texas Retail Outlook Survey

Data were collected Oct. 15–23, and 56 Texas retailers responded to the surveys.
See data files with a full history of results.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Eased substantially	0.0	0.0	0.0	0.0	3.6
Eased somewhat	6.7	5.4	5.3	5.2	3.6
No change	51.1	57.1	59.6	56.9	49.1
Tightened somewhat	20.0	3.6	1.8	5.2	7.3
Tightened substantially	0.0	3.6	1.8	1.7	0.0
Not applicable—haven't sought credit	22.2	30.4	31.6	31.0	36.4

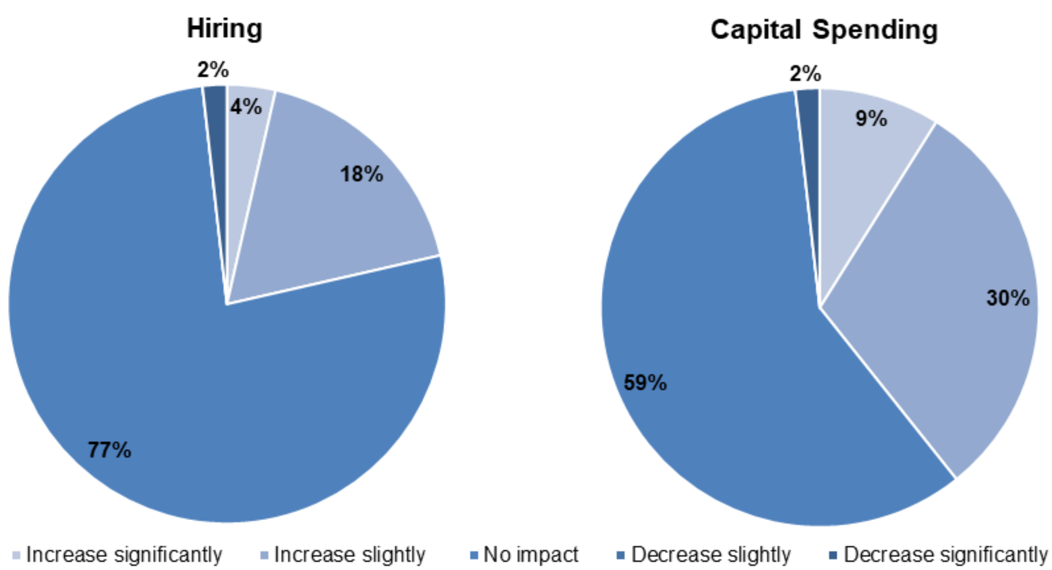
NOTE: 55 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Increased substantially	0.0	0.0	1.8	10.3	0.0
Increased somewhat	13.3	19.3	33.3	44.8	7.1
No change	55.6	45.6	31.6	10.3	19.6
Decreased somewhat	4.4	5.3	0.0	1.7	35.7
Decreased substantially	2.2	0.0	0.0	0.0	1.8
Not applicable—haven't sought credit	24.4	29.8	33.3	32.8	35.7

NOTE: 56 responses.

By some measures the cost of credit has declined by 15-20 percent so far this year. If the cost of credit were to decline an additional 15-20 percent, how would this impact your firm's hiring and capital spending over the next 12 months?



NOTES: 56 responses. Data collected October 15-23, 2019.
SOURCE: Federal Reserve Bank of Dallas Texas Retail Outlook Survey.

Hiring	Oct. '19 (percent)
Increase significantly	3.6
Increase slightly	17.9
No impact	76.8
Decrease slightly	0.0
Decrease significantly	1.8

Capital spending	Oct. '19 (percent)
Increase significantly	8.9
Increase slightly	30.4
No impact	58.9
Decrease slightly	0.0
Decrease significantly	1.8

NOTE: 56 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	57.8	57.9	49.1	46.6	41.1
Some difficulty	11.1	10.5	7.0	6.9	8.9
Substantial difficulty	2.2	1.8	1.8	1.7	0.0
Extreme difficulty	0.0	0.0	1.8	0.0	0.0
Not applicable—haven't sought credit	28.9	29.8	40.4	44.8	50.0

NOTE: 56 responses.

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. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	53.5	50.0	50.0	46.6	32.7
Some difficulty	7.0	10.3	8.9	5.2	9.1
Substantial difficulty	4.7	1.7	0.0	0.0	1.8
Extreme difficulty	0.0	0.0	1.8	0.0	1.8
Not applicable—haven't sought credit	34.9	37.9	39.3	48.3	54.5

NOTE: 55 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Yes— significantly	0.0	0.0	0.0	0.0	0.0
Yes—somewhat	6.8	5.4	8.9	7.0	8.9
No	56.8	46.4	41.1	40.4	39.3
Not applicable—haven't had problems obtaining credit	11.4	17.9	10.7	8.8	8.9
Not applicable— haven't sought credit	25.0	30.4	39.3	43.9	42.9

NOTE: 56 responses.

Special Questions Comments

These comments have been edited for publication.

Merchant Wholesalers, Durable Goods

- While we have not sought credit in the last 12 months, we believe we would have no issues in obtaining additional credit if needed. We believe that we are under-leveraged at less than 0.5 times EBITDA [earnings before interest, tax, depreciation and amortization] and 10 percent of liquid assets.

Merchant Wholesalers, Nondurable Goods

- Credit is not the question for our business. Consumer confidence and spending are critical. Business is very slow, and continued poor communication from [Federal Reserve] Chairman Powell is a detriment.
- The credit situation for my personal company has eased somewhat, but credit for my family's business for capital expenditures has been difficult. Credit for my customers has also stiffened, and despite the easing by the Fed [Federal Reserve], they have seen little impact.

Motor Vehicle and Parts Dealers

- We see the banks' willingness to improve terms on loans as it relates to fixed financing versus variable rates and increasing the length of the terms. These are all positive as they relate to our borrowing.
- Cost of funds is a major problem in our business (automotive). Generally, floor plan [financing rates are] prime plus 1.50 percentage points or more, plus flat charges, plus insurance. Our business is well-capitalized. Capital expenditures have been excessive for the last five years.

Building Material and Garden Equipment and Supplies Dealers

- We are able to internally fund most of our capital expenditures; however, we have noticed several projects stalling due to an inability to obtain credit.
- We are sitting on over $15 million in cash; if this keeps up, we're going to put it to work.

Clothing and Clothing Accessories Stores

- Suppliers have become more demanding in terms of credit, given all the recent restructurings in the retail space.

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