Texas **Manufacturing** Outlook Survey

March 30, 2020

Texas Manufacturing Activity Contracts Suddenly, Outlook Worsens

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on the impacts of the coronavirus (COVID-19). 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 declined sharply in March, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, plummeted from 16.4 to -35.3, suggesting a notable contraction in output since last month.

Other measures of manufacturing activity also point to a sudden decline in March. The new orders index dropped to -41.3, its lowest reading since March 2009 during the Great Recession. Similarly, the growth rate of orders index fell to -44.9. The capacity utilization and shipments indexes fell to -33.4 and -33.8, respectively, also the lowest readings since the Great Recession. Capital expenditures declined sharply, with the index dropping from 6.9 to -34.3.

Perceptions of broader business conditions turned quite pessimistic in March. The general business activity index plunged from 1.2 to -70.0, and the company outlook index fell from 3.6 to -65.6. Both March readings are the lowest since the survey began in June 2004. The index measuring uncertainty regarding companies' outlooks surged from 11.0 to 62.6.

Labor market measures indicate employment declines and shorter workweeks this month. The employment index fell to -23.0 from its near-zero reading in February. Three percent of firms noted net hiring, while 26 percent noted net layoffs. The hours worked index dropped to -22.4.

Prices declined in March, and wage growth slowed. The raw materials prices index fell from 12.8 to -5.9. After hovering around zero for the past four months, the finished goods prices index dropped to -9.2. Meanwhile, the wages and benefits index remained positive but retreated 17 points to 5.5.

Expectations regarding future business conditions turned negative in March. The indexes of future general business activity and future company outlook dropped significantly to -39.5 and -37.7, respectively. Other indexes for future manufacturing activity also fell sharply into solidly negative territory.

Next release: Monday, April 27

Data were collected March 17–25, 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	Mar Index	Feb Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	–35.3	16.4	–51.7	10.2	1(–)	8.7	47.3	44.0
Capacity Utilization	–33.4	11.3	–44.7	7.9	1(–)	9.8	47.0	43.2
New Orders	–41.3	8.4	–49.7	6.2	1(–)	10.0	38.7	51.3
Growth Rate of Orders	–44.9	3.6	–48.5	–0.1	1(–)	10.5	34.1	55.4
Unfilled Orders	–22.4	0.5	–22.9	–3.0	1(–)	5.8	66.0	28.2
Shipments	–33.8	8.5	–42.3	8.9	1(–)	10.2	45.7	44.0
Delivery Time	–3.0	2.6	–5.6	–0.5	1(–)	14.5	68.0	17.5
Finished Goods Inventories	–6.5	–5.5	–1.0	–3.1	12(–)	21.5	50.5	28.0
Prices Paid for Raw Materials	–5.9	12.8	–18.7	24.4	1(–)	9.0	76.1	14.9
Prices Received for Finished Goods	–9.2	–0.1	–9.1	6.3	3(–)	4.6	81.6	13.8
Wages and Benefits	5.5	22.6	–17.1	18.8	128(+)	11.4	82.7	5.9
Employment	–23.0	–0.9	–22.1	6.4	2(–)	2.6	71.8	25.6
Hours Worked	–22.4	2.1	–24.5	2.6	1(–)	10.7	56.2	33.1
Capital Expenditures	–34.3	6.9	–41.2	6.8	1(–)	6.3	53.1	40.6

General Business Conditions
Current (versus previous month)

Indicator	Mar Index	Feb Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	–65.6	3.6	–69.2	6.8	1(–)	1.3	31.8	66.9
General Business Activity	–70.0	1.2	–71.2	2.5	1(–)	0.4	29.2	70.4

Indicator	Mar Index	Feb Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	62.6	11.0	+51.6	11.4	22(+)	78.5	5.6	15.9

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

Indicator	Mar Index	Feb Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	–18.7	35.0	–53.7	38.4	1(–)	27.7	25.9	46.4
Capacity Utilization	–15.8	33.0	–48.8	35.3	1(–)	24.3	35.6	40.1
New Orders	–20.4	34.1	–54.5	36.2	1(–)	25.3	28.9	45.7
Growth Rate of Orders	–20.7	30.0	–50.7	26.7	1(–)	24.3	30.7	45.0
Unfilled Orders	–21.9	5.4	–27.3	3.9	1(–)	10.4	57.3	32.3
Shipments	–23.6	27.3	–50.9	37.1	1(–)	22.5	31.4	46.1
Delivery Time	–8.0	8.7	–16.7	–1.8	1(–)	12.6	66.8	20.6
Finished Goods Inventories	–10.1	16.8	–26.9	–0.4	1(–)	19.2	51.5	29.3
Prices Paid for Raw Materials	–7.9	21.4	–29.3	33.5	1(–)	13.7	64.7	21.6
Prices Received for Finished Goods	–13.9	11.6	–25.5	19.3	1(–)	8.9	68.3	22.8
Wages and Benefits	0.7	39.7	–39.0	38.1	190(+)	20.8	59.1	20.1
Employment	–16.7	20.4	–37.1	22.1	1(–)	17.5	48.3	34.2
Hours Worked	–12.3	12.2	–24.5	9.3	1(–)	17.8	52.1	30.1
Capital Expenditures	–19.8	21.2	–41.0	20.0	1(–)	20.3	39.5	40.1

General Business Conditions
Future (six months ahead)

Indicator	Mar Index	Feb Index	Change	Series Average	Trend**	% Reporting Increase	% Reporting No Change	% Reporting Worsened
Company Outlook	–37.7	24.1	–61.8	20.8	1(–)	16.6	29.1	54.3
General Business Activity	–39.5	18.0	–57.5	14.2	1(–)	17.6	25.3	57.1

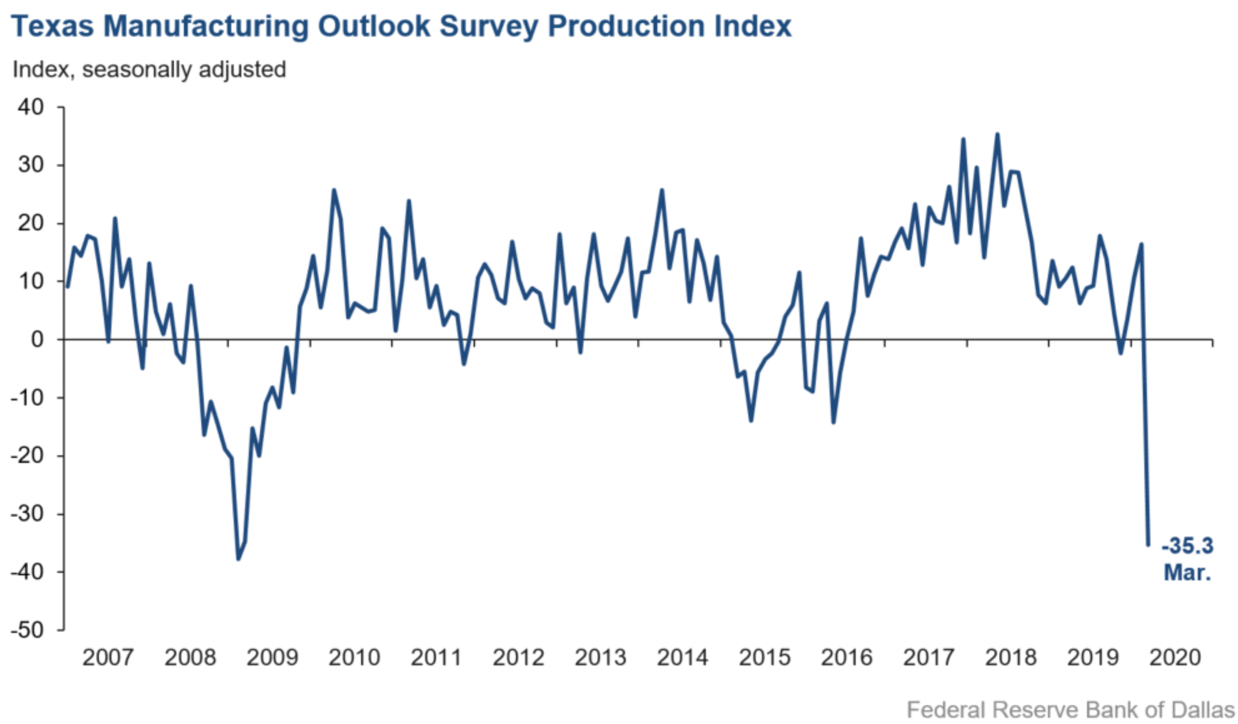
*Shown is the number of consecutive months of expansion or contraction in the underlying indicator. Expansion is indicated by a positive index reading and denoted by a (+) in the table. Contraction is indicated by a negative index reading and denoted by a (–) in the table.

**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 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

- We have plans to reduce operations if needed for COVID-19.
- COVID-19 and oil prices are having an impact. Long term, we are still booking new business wins. We anticipate three to six months of a rough environment.
- The coronavirus impact primarily will hit contractor populations in the short term. Longer term, it will hit company employees.
- With governments making policy based on popularity, manufacturing outlooks have worsened.

Nonmetallic Mineral Product Manufacturing

- I cannot answer the future-outlook questions—too many unknowns.

Primary Metal Manufacturing

- We have an uptick in some businesses due to several customers increasing raw material levels. Others are not accepting shipments. There are mixed signals in the marketplace, but overall we expect business to decline at least 25 percent if not more.
- The business disruption due to COVID-19 is causing cancellations and holds from a majority of large customers. We are looking at the possibility of heavy losses for the coming months until the national health emergency stabilizes.
- It is uncertain how coronavirus affects our construction industry long term. Rain has hurt shipments, including the bottom line, in both January and February and now in March. This will ruin our fiscal year.

Fabricated Metal Manufacturing

- With COVID-19, everything has changed.
- The current outlook is that nothing has structurally changed in the economy. The virus response will result in a temporary setback, but warming temperatures will limit the impact for this season. However, there is now uncertainty about the next fall/winter. This is always subject to change.
- We are feeling the effect of the coronavirus shutdown and the edict to isolate ourselves and have some work from home. We are also feeling the effect of canceling all of the trade meetings.
- We supply the HVAC industry, which is an essential industry and we don't expect to shut down. We are coming in to our busy season, and our order backlog is solid. We hope we can ride out the storm. We are holding our breath.
- Regarding the virus, we are a small, essential manufacturing entity with little if any foot traffic. So as long as we keep social distancing in effect (knock on wood none of our workers get exposed), we should be OK. It would be difficult to get any government support. I think being a seven-man operation and with all the pandemic parameters, I don't have the time or the real know-how to work it out.
- We are mostly just concerned.
- The virus has not yet directly affected us; however, it is difficult for us to reach most of our potential customers. The good news is we have a large backlog that, to date, is not showing any cancellations.

Machinery Manufacturing

- Coronavirus is a game changer and hopefully will be relatively short in duration. Even though we are currently operating and have no supply issues, new activity is flat to nonexistent as of the middle of the month. However, we do think it will rebound when this is all over.
- We have serious concern over the COVID-19 implications. Our sales representatives are no longer allowed in many customer locations. The longer-term concern is lower tax revenues among states and municipalities—the impact to their fiscal budgets will result in lower capital appropriations in the near future.
- If we see this downward trend continue, we will run out of cash within four months. New orders and inquiries have stopped instantly. Our work in-house will be finished mid to end of April, with no new orders coming in, all due to this real or imagined shutdown. I believe the country will be in a depression by the fall unless the work environment changes dramatically.
- We have a long-cycle business model, and the impact of oil price reductions and COVID-19 disruptions have not made their way into our forecasting yet, but the level of uncertainty is as extreme now as at any other time. The reality is, we know things will slow down. We just don't have the actual data coming in yet to validate that.
- I believe that we have held up better than most, but we see the cliff approaching fast. Oil companies are about to slam their business down hard, and that will take us with them.

Computer and Electronic Product Manufacturing

- We have many issues with our supply chain and transportation of materials but have been able to work through them up to this point. Demand remains uncertain. There was a slow recovery out of China following the Chinese New Year, when demand in rest of the world looked stable. China is now recovering, and demand in rest of the world is obviously becoming more uncertain, and likely weaker.

Transportation Equipment Manufacturing

- We are impacted by the economic slowdown/shutdown and continued consumer uncertainty about the foreseeable future. A certain recession is on the edge of depression based on developments in the next few weeks. The government cannot be the economy, no matter how much money the feds print or Congress authorizes. The more central planners try to manage a free-market economy, they will necessarily feel compelled to manage more—and the more problematic it all becomes.
- There is a double threat that we are reacting to: coronvirus lockdown orders and absenteeism, which are impacting productivity and causing supply-chain disruptions short term. Longer term, the crash in oil prices will significantly reduce future orders.

- The impact of COVID-19 is substantial and disproportionate on some industries, creating a high level of uncertainty. As we are unable to predict the duration of the impact of the shock on activities, we try to preserve the skills we have built by investing in recruiting, training, etc., when the job market was tight. Adding to the complexities of the managerial decision-making are the wide differences in local governments' decisions and the impact on the workforce; the lack of a clear, universal ruling from the federal government; and the uncertain benefits for employees that could be adversely impacted. It is a time to be a responsible manager as well as citizen.
- The coronavirus is taking a big toll on business.
- We operate 100 percent in the aviation business, and our outlook is quite affected by the coronavirus' effect on the airlines and the associated supply chain.

Furniture and Related Product Manufacturing

- COVID-19 is causing our customers to shut down, which is rapidly causing us to slow down and cease production for the foreseeable future.

Food Manufacturing

- We are still operating at a high level but expect interruptions soon.
- We manufacture livestock and pet food. People are buying more than normal due to the virus. We are classified as an essential business.
- The shift in food consumption from restaurants and cafeterias to in-home has caused a surge in business over the last 30 days. The workforce remains healthy, as does the raw-material supply chain. However, the shift in demand to packaged food is quickly depleting the finite supply of packaging materials. Shortages of packaging supplies are expected to impact our ability to produce in late April. Additional packaging supplies (sourced globally) are estimated to become available in early June. If high demand for packaged food remains at current levels, serious shortages should be expected in May. The situation is changing daily. Next week will surely have modifications.
- We are experiencing supply-chain delays/disruption.

Apparel Manufacturing

- The coronavirus has everyone spooked, and we are not sure how much longer we can keep the operation open, as we have so many people confined to such a small area.

Paper Manufacturing

- I think that none of us knows how much impact the coronavirus will have on our companies. Presently, I am more concerned with the health and well-being of my family, employees and everyone else. However, I am human, and as a company owner, I do have concerns over what our economy will look like six months from now.

Printing and Related Support Activities

- We are almost in a shutdown, with most of our clients closed or about to close and sending no work.
- It is all about COVID-19. Business will remain in production as we produce packaging for consumer goods and face masks. Who knows what the economy will look like six months from now? Presently, our order-entry volume is very high (plus-50 percent vs. the prior year) due to food and medical demand. Customers that supply prepackaged food to the hospitality industry (restaurants, bars, hotels) are starting to shut down.
- We are very fortunate to have landed a big job that is keeping a lot of our workers busy during what is normally our slow time. Things are very much trending upward with other customers as well until the COVID-19 scare hitting the nation [starts to have an impact]. I am very concerned what that will do for our business in the coming three to six months, but absent that, for the first time in a long time, business is actually pretty robust and healthy for us.
- The COVID-19 shutdown is scary!

Miscellaneous Manufacturing

- The coronavirus pandemic is increasing the stress on an already strained supply chain. Now is the time to reduce barriers and tariffs to keep the global economy going. Reduced productivity due to reduced staff in the office, as well as inefficiencies with people working from home, is putting downward pressure on revenue in the second quarter. Long-term planning is impossible as things are changing daily. It appears that the damage to the economy could be felt for several quarters or longer and take a few years to recover.
- The coronavirus is only affecting about 15 percent of our customers now—but we project that going much higher in future months.
- We are 43 percent automotive, which is shut down for at least two weeks. We have a dismal outlook. Our bullet manufacturing business is good, but the vital suppliers are located in New York and Illinois—both now shut down. This is awful. We cut employees' hours to 35 starting this week. The government is going to have to decide quickly if the measures we are taking to contain the spread are worse than the effect of the virus itself. I fear a worldwide depression.
- In a downturn or slowing of business, our business normally improves, but not this time. Too many folks are trapped in their homes. Some of our suppliers are closed, and we can't get raw materials. Some of our customers are closed or are holding up orders until later. Things do not look good for the near future.

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

March 30, 2020

For this month's survey, Texas business executives were asked supplemental questions on the impacts of the coronavirus (COVID-19). 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

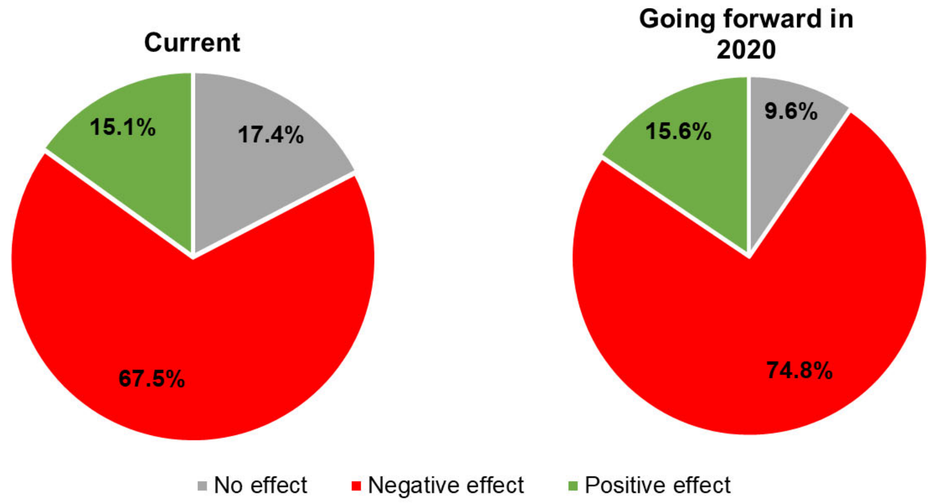
Data were collected March 17–25, and 400 Texas business executives responded to the survey.

How is the coronavirus (COVID-19) currently impacting each of these measures of your business?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Uncertainty	**2.0%**	12.2%	71.3%	**83.5%**	3.0%	11.4%	**14.5%**
Input prices	**59.3%**	15.6%	7.7%	**23.3%**	11.0%	6.4%	**17.4%**
Selling prices	**60.3%**	4.4%	2.9%	**7.3%**	17.9%	14.5%	**32.5%**
	No effect	**Slight negative effect**	**Significant negative effect**	**Negative effect (combined)**	**Slight positive effect**	**Significant positive effect**	**Positive effect (combined)**
Availability of materials/inputs	**36.7%**	40.1%	20.9%	**61.0%**	1.3%	1.0%	**2.3%**
Production/revenue/sales	**16.5%**	33.0%	43.7%	**76.7%**	3.9%	2.9%	**6.8%**
Demand for products or services	**17.4%**	27.9%	39.6%	**67.5%**	9.0%	6.1%	**15.1%**
Number of employees	**53.3%**	21.9%	12.4%	**34.3%**	9.0%	3.4%	**12.4%**
Hours worked	**38.4%**	23.3%	15.1%	**38.4%**	16.1%	7.2%	**23.3%**
Capital spending	**33.9%**	16.6%	23.1%	**39.6%**	9.8%	16.6%	**26.4%**

NOTE: 400 responses.

How is COVID-19 impacting demand for your products or services, and what do you expect going forward in 2020?



SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Surveys.

Respondents indicating an effect on the demand for products or services were asked to estimate the impact.

Average negative impact	36.0%
Average positive impact	28.0%

NOTES: The average negative impact calculation is based on 230 reponses. The average positive impact calculation is based on 53 responses.

Respondents indicating an effect on the number of employees were asked to indicate whether the change in employment is temporary or permanent.

	Temporary	Permanent
Negative impact	69.1%	30.9%
Positive impact	73.7%	26.3%

NOTES: The negative impact breakouts are based on 110 responses. The positive impact breakouts are based on 38 responses.

How do you expect the coronavirus (COVID-19) to impact each of these measures of your business going forward in 2020?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Input prices	**38.8%**	24.2%	10.2%	**34.4%**	19.0%	7.8%	**26.8%**
Selling prices	**43.1%**	17.5%	7.6%	**25.1%**	20.4%	11.5%	**31.9%**
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	**29.7%**	45.0%	21.3%	**66.3%**	2.6%	1.3%	**3.9%**
Production/revenue/sales	**9.2%**	34.1%	47.2%	**81.3%**	6.4%	3.1%	**9.5%**
Demand for products or services	**9.6%**	33.5%	41.3%	**74.8%**	9.9%	5.7%	**15.6%**
Number of employees	**36.2%**	36.2%	19.7%	**55.9%**	6.7%	1.3%	**7.9%**
Hours worked	**32.9%**	31.6%	21.2%	**52.8%**	11.1%	3.1%	**14.2%**
Capital spending	**32.3%**	22.8%	29.1%	**52.0%**	7.1%	8.7%	**15.7%**

NOTE: 400 responses.

Respondents indicating an expected effect on the demand for products or services were asked to estimate the impact.

Average negative impact	31.0%
Average positive impact	26.1%

NOTES: The average negative impact calculation is based on 256 reponses. The average positive impact calculation is based on 53 responses.

Respondents indicating an expected effect on the number of employees were asked to indicate whether the change in employment would be temporary or permanent.

	Temporary	Permanent
Negative impact	69.4%	30.6%
Positive impact	62.1%	37.9%

NOTES: The negative impact breakouts are based on 180 responses. The positive impact breakouts are based on 29 responses.

As you plan for your business, how long do you expect the coronavirus (COVID-19) impact to last?

Less than 3 months	19.5%
3–6 months	45.7%
6–9 months	16.2%
9–12 months	7.4%
More than 12 months	11.2%

NOTE: 394 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.

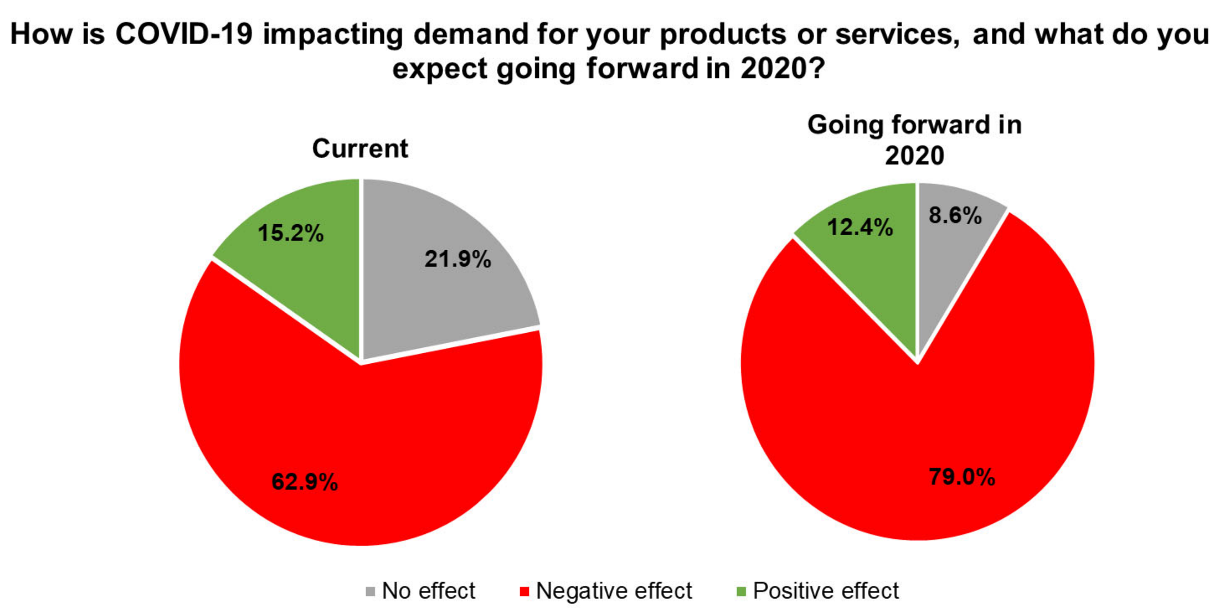
Texas Manufacturing Outlook Survey

Data were collected March 17–25, and 106 Texas manufacturers responded to the surveys.

How is the coronavirus (COVID-19) currently impacting each of these measures of your business?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Uncertainty	**1.0%**	15.2%	77.1%	**92.4%**	1.0%	5.7%	**6.7%**
Input prices	**65.7%**	15.2%	4.8%	**20.0%**	8.6%	5.7%	**14.3%**
Selling prices	**68.9%**	4.9%	1.9%	**6.8%**	16.5%	7.8%	**24.3%**
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	**32.7%**	47.1%	18.3%	**65.4%**	1.0%	1.0%	**1.9%**
Production	**27.5%**	43.1%	24.5%	**67.6%**	2.9%	2.0%	**4.9%**
Demand for products or services	**21.9%**	33.3%	29.5%	**62.9%**	7.6%	7.6%	**15.2%**
Number of employees	**60.6%**	22.2%	7.1%	**29.3%**	8.1%	2.0%	**10.1%**
Hours worked	**41.7%**	29.1%	8.7%	**37.9%**	14.6%	5.8%	**20.4%**
Capital spending	**33.7%**	15.4%	21.2%	**36.5%**	11.5%	18.3%	**29.8%**

NOTE: 106 responses.



SOURCE: Federal Reserve Bank of Dallas, Texas Manufacturing Outlook Survey.

Respondents indicating an effect on the demand for products or services were asked to estimate the impact.

Average negative impact	30.0%
Average positive impact	29.4%

NOTES: The average negative impact calculation is based on 62 reponses. The average positive impact calculation is based on 16 responses.

Respondents indicating an effect on the number of employees were asked to indicate whether the change in employment is temporary or permanent.

	Temporary	Permanent
Negative impact	69.2%	30.8%
Positive impact	88.9%	11.1%

NOTES: The negative impact breakouts are based on 26 responses. The positive impact breakouts are based on nine responses.

How do you expect the coronavirus (COVID-19) to impact each of these measures of your business going forward in 2020?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Input prices	**34.3%**	29.4%	7.8%	**37.3%**	23.5%	4.9%	**28.4%**
Selling prices	**45.5%**	22.8%	8.9%	**31.7%**	16.8%	5.9%	**22.8%**
	No effect	**Slight negative effect**	**Significant negative effect**	**Negative effect (combined)**	**Slight positive effect**	**Significant positive effect**	**Positive effect (combined)**
Availability of materials/inputs	**23.5%**	50.0%	22.5%	**72.5%**	3.9%	0.0%	**3.9%**
Production	**13.3%**	50.5%	30.5%	**81.0%**	4.8%	1.0%	**5.7%**
Demand for products or services	**8.6%**	45.7%	33.3%	**79.0%**	7.6%	4.8%	**12.4%**
Number of employees	**39.0%**	38.1%	17.1%	**55.2%**	3.8%	1.9%	**5.7%**
Hours worked	**30.5%**	36.2%	16.2%	**52.4%**	12.4%	4.8%	**17.1%**
Capital spending	**28.8%**	26.9%	26.9%	**53.8%**	5.8%	11.5%	**17.3%**

NOTE: 106 responses.

Respondents indicating an expected effect on the demand for products or services were asked to estimate the impact.

Average negative impact	26.4%
Average positive impact	23.3%

NOTES: The average negative impact calculation is based on 77 reponses. The average positive impact calculation is based on 13 responses.

Respondents indicating an expected effect on the number of employees were asked to indicate whether the change in employment would be temporary or permanent.

	Temporary	Permanent
Negative impact	75.5%	24.5%
Positive impact	83.3%	16.7%

NOTES: The negative impact breakouts are based on 53 responses. The positive impact breakouts are based on six responses.

As you plan for your business, how long do you expect the coronavirus (COVID-19) impact to last?

Less than 3 months	18.1%
3–6 months	48.6%
6–9 months	19.0%
9–12 months	7.6%
More than 12 months	6.7%

NOTE: 105 responses.

Special Questions Comments

These comments have been edited for publication.

Chemical Manufacturing

- The major impact from the coronavirus is the killing of any economic momentum at all costs to isolate. It may take years to recover the huge loss of jobs and dampening of the economy.
- We are experiencing an additional impact of [low] oil prices.

Nonmetallic Mineral Product Manufacturing

- The situation is too unknown and fluid. We are open and producing products today. But we might be shut down tomorrow and for an unknown period of time.

Primary Metal Manufacturing

- We are experiencing a strange order intake; some more financially strong customers are increasing their raw-material inventory levels while others are decreasing them. We have seen a slight uptick in business that will be short-lived.

Fabricated Metal Manufacturing

- We are less efficient due to all of the extra procedures that we have to incorporate in our processes.
- It is a fluid situation. Everyone is concerned, but businesses don't seem to be overreacting now. (We serve businesses and not the general public.)
- The more significant concerns are for the future, when the virus is more established.

Machinery Manufacturing

- It is too soon to know the impact of material availability, but we are seeing an instant decrease in orders and inquiries, which means when the current work in-house is completed (mid to end of April), there will be no work to replace it. Obviously, this is not a good outlook. If the self-imposed shutdown continues at this rate, it is my opinion the country will be entering a depression by fall. My concern is, of course, for my men, our families and our shop. To be absolutely honest, I am scared of losing my income, my shop and my home. We cannot survive a dramatic loss of work.
- This is uncharted territory for our company. We are fortunate that we have three to six months of cash reserves, but beyond that time period, it would become problematic.
- Oil company budgeting is being slashed as we talk now. My business had been paying down debt, but we see that our cash flow will be reduced significantly in the near future, and the precautionary measures that we are implementing are hurting our efficiency to keep our business reacting quickly.
- We are largely affected by the drop in oil prices.

Computer and Electronic Product Manufacturing

- Prolonged lower oil prices will impact our largest customer. Potentially reduced demand from postponed capital expenditures is likely to reduce business-to-business activity, which is our primary revenue stream. We do not expect capital expenditures to resume as quickly as previously assumed since the virus impact appears to be deeper, with business interruptions. We assume that capital expenditures that could be postponed most likely will be, as businesses grapple with the actual cost of the pandemic and lost productivity.
- This pandemic seems overblown when you look at the actual death toll (my opinion at this time, anyway), but the impact on the economy will be very real and much more devastating than this virus.
- This is a very, very uncertain time. You should survey us again in one week—I would expect things to be different. I'm not sure if it will be better or worse, but we should understand directionally where things are going by then.

Apparel Manufacturing

- Our manufacturing environment has nearly 300 people in close proximity to each other, which as you can guess is a serious concern.

Wood Product Manufacturing

- We have no idea how long this will take.

Paper Manufacturing

- At this point, everything that I say is really conjecture. I readily admit that I have no idea how widespread and long term the effects of the coronavirus virus will be.

Printing and Related Support Activities

- Please pass the coronavirus small business [relief] bill ASAP!

Miscellaneous Manufacturing

- Business closures are causing supply-chain disruptions/stoppages and must end quickly—within 2 weeks—or the impact will last a decade, in my opinion. This is based on my experience with the aftermath of the Great Recession.

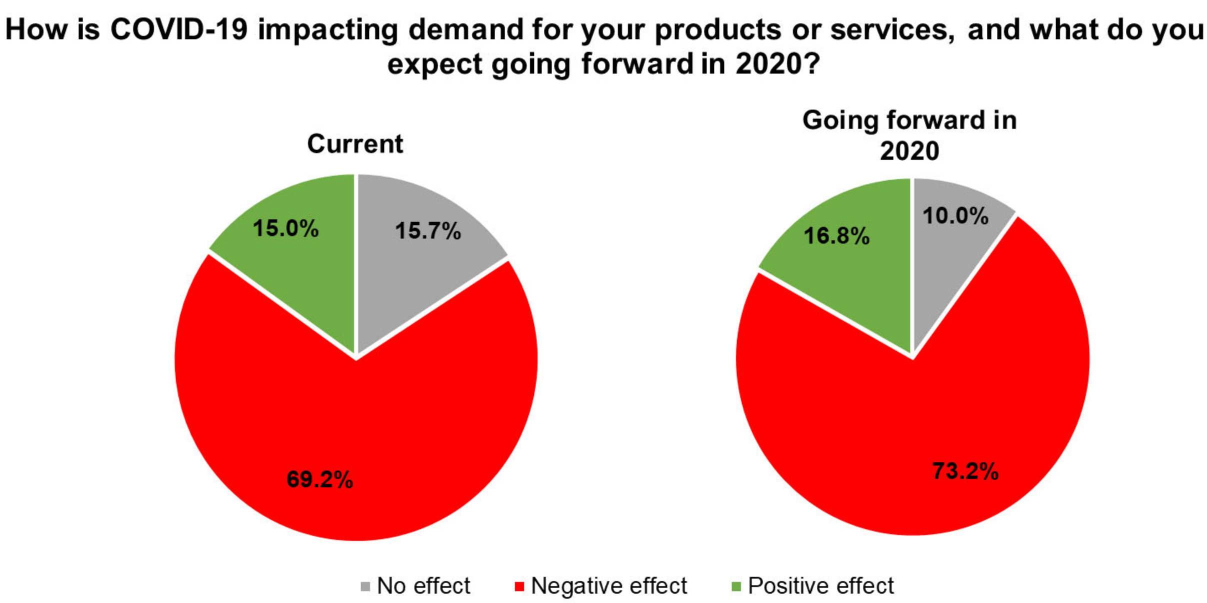
Texas Service Sector Outlook Survey

Data were collected March 17–25, and 294 Texas business executives responded to the surveys.

How is the coronavirus (COVID-19) currently impacting each of these measures of your business?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Uncertainty	**2.4%**	11.1%	69.2%	**80.3%**	3.8%	13.5%	**17.3%**
Input prices	**57.0%**	15.7%	8.7%	**24.5%**	11.9%	6.6%	**18.5%**
Selling prices	**57.1%**	4.3%	3.2%	**7.4%**	18.4%	17.0%	**35.5%**
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	**38.2%**	37.5%	21.9%	**59.4%**	1.4%	1.1%	**2.5%**
Revenue/sales	**12.5%**	29.3%	50.7%	**80.0%**	4.3%	3.2%	**7.5%**
Demand for products or services	**15.7%**	25.9%	43.4%	**69.2%**	9.4%	5.6%	**15.0%**
Number of employees	**50.7%**	21.8%	14.3%	**36.1%**	9.3%	3.9%	**13.2%**
Hours worked	**37.2%**	21.2%	17.4%	**38.5%**	16.7%	7.6%	**24.3%**
Capital spending	**34.0%**	17.0%	23.8%	**40.8%**	9.2%	16.0%	**25.2%**

NOTE: 294 responses.



SOURCE: Federal Reserve Bank of Dallas, Texas Service Sector Outlook Survey.

Respondents indicating an effect on the demand for products or services were asked to estimate the impact.

Average negative impact	38.2%
Average positive impact	27.4%

NOTES: The average negative impact calculation is based on 168 reponses. The average positive impact calculation is based on 37 responses.

Respondents indicating an effect on the number of employees were asked to indicate whether the change in employment is temporary or permanent.

	Temporary	Permanent
Negative impact	69.0%	31.0%
Positive impact	69.0%	31.0%

NOTES: The negative impact breakouts are based on 84 responses. The positive impact breakouts are based on 29 responses.

How do you expect the coronavirus (COVID-19) to impact each of these measures of your business going forward in 2020?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Input prices	**40.4%**	22.3%	11.0%	**33.3%**	17.4%	8.9%	**26.2%**
Selling prices	**42.2%**	15.6%	7.1%	**22.7%**	21.6%	13.5%	**35.1%**
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	**32.0%**	43.2%	20.9%	**64.0%**	2.2%	1.8%	**4.0%**
Revenue/sales	**7.7%**	28.1%	53.3%	**81.4%**	7.0%	3.9%	**10.9%**
Demand for products or services	**10.0%**	28.9%	44.3%	**73.2%**	10.7%	6.1%	**16.8%**
Number of employees	**35.1%**	35.4%	20.7%	**56.1%**	7.7%	1.1%	**8.8%**
Hours worked	**33.8%**	29.9%	23.1%	**53.0%**	10.7%	2.5%	**13.2%**
Capital spending	**33.6%**	21.3%	30.0%	**51.3%**	7.6%	7.6%	**15.2%**

NOTE: 294 responses.

Respondents indicating an expected effect on the demand for products or services were asked to estimate the impact.

Average negative impact	32.9%
Average positive impact	27.0%

NOTES: The average negative impact calculation is based on 179 reponses. The average positive impact calculation is based on 40 responses.

Respondents indicating an expected effect on the number of employees were asked to indicate whether the change in employment would be temporary or permanent.

	Temporary	Permanent
Negative impact	66.9%	33.1%
Positive impact	56.5%	43.5%

NOTES: The negative impact breakouts are based on 127 responses. The positive impact breakouts are based on 23 responses.

As you plan for your business, how long do you expect the coronavirus (COVID-19) impact to last?

Less than 3 months	20.1%
3–6 months	44.6%
6–9 months	15.2%
9–12 months	7.3%
More than 12 months	12.8%

NOTE: 289 responses.

Special Questions Comments

These comments have been edited for publication.

Utilities

- I believe that fear is the greatest issue we face with COVID-19.

Truck Transportation

- This [COVID-19] wouldn't be a big deal if the media wasn't hyping it as a way to get President Trump.

Support Activities for Transportation

- I simply cannot predict how this will impact our industry, and I believe pricing, etc., will be very volatile.

Warehousing and Storage

- The question posed was around the impact of COVID-19 on the business, so that is what I have tried to answer. However, the crude oil share war currently engaged by the Saudis and the Russians is going to have a far greater impact on our business conditions. While I believe COVID-19 may decrease demand by 5 percent, I would guess the cratering of the oil markets will have another 20–25 percent impact on demand and prices for at least the next six to nine months.

Publishing Industries (Except Internet)

- There is near-term uncertainty due to lack of travel to show new interactive AR [augmented reality] demos and have some personal interface relationship group meetings, which are more effective than videoconferencing. Also, clients and customers probably will be significantly slower to make decisions in some cases, due to remote locations and hesitation to commit funding and orders—in some cases due to cash flow management being very important for most organizations going forward. Ironically, the market for advanced interactive user interface training and education software is growing, with the virus causing a shift to remote work and interaction. However, group meetings and money are needed to close orders for these solutions, at least in the short term.

Data Processing, Hosting and Related Services

- There is lots of speculation at this point on any forecasts. We are hopeful the "lockdowns" have an impact on reducing the virus' spread and [result in] faster recovery of the economy. We are hopeful a vaccine or cure emerges from the ingenuity of very smart people working together around the world, and that government bureaucracies reduce the hurdles to help us all get there faster.

Credit Intermediation and Related Activities

- We have both negative and positive impacts. Our hope is that they balance each other out.
- We anticipate a natural negative impact but can only guess at the extent of the impact.
- We are a subprime lender, so demand will be up, but we are concerned about credit losses and will tighten underwriting.

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

- We may begin to be forced to lay off people in a month. We are holding off as long as we can. The consumer is paralyzed. The ripple effect of this is beginning to be felt throughout all areas of business. B2B [business-to-business] customers do not want to be sold to. We have had potential customers say selling right now is "offensive." We need help from the Fed [Federal Reserve] and Congress. We are hopeful the Fed will assist in helping all small and medium businesses with the cash flow necessary to keep our people employed. We strongly believe we can keep our employees' jobs in place once business activity begins moving again. However, assistance is needed through these "shut-in" periods. Business activity is simply at a standstill.

Real Estate

- The impact of the virus is directly impacted by the leadership at every level, and hopefully, responsible leadership will not be guided by so much abundance of caution that it destroys the economy for years.

Rental and Leasing Services

- Once you shut off an economy for whatever reason, it doesn't all come back quickly if at all once you remove the condition that shut it off. I think if the virus dissipates this summer, the fears it will return in the fall will hold the economy down. I suspect an efficacious vaccine will have to be developed and proven before that negative is removed from the economy. But the economy was rolling over in our industry prior to the coronavirus because of the conflict between Russia and the Middle East regarding oil prices. An oil decline is a net negative to our industry in Texas, no doubt—proven fact! So, we were headed south prior to the coronavirus, but it has certainly hastened the exit and will delay the recovery. My best guess is 12 to 24 months to recover.

Professional, Scientific and Technical Services

- While we may start recovery in three to six months, the impact and speed of recovery will go on for nine to 12 months and probably extend for the next two years. Remember, it is not just the U.S., but the whole world.
- First quarter 2020 started as the best first quarter in firm history. We have a spike in demand right now in response to the pandemic, but do expect that demand will flatten and likely go negative if we are disrupted more than 30 days. After that, we don't know. Right now modeling has a decline in revenue in the 7 to 10 percent range.
- You have two simultaneous black swan events: virus and oil pricing.
- So much now is wait and see. Estimates are only rough at this point. We could shift to a 30 percent decrease. We will easily lose a quarter in 2020 and will be watching March, April and May results closely. Coronavirus and oil shock are a double hit impacting us globally. As in 2009, there is some very negative impact to clients that is driving immediate work, but that will taper off and then we are not sure what replaces it.
- It is too soon to tell how this impacts the law business. Transactions are likely to slow in the near and maybe medium term. Counseling, restructurings and litigation may well increase.
- We service the grocery industry directly. As grocery consumption increases, so does our workload and revenue. When it levels out, so will ours.
- Small businesses likes us urgently need additional credit lines or loans to overcome the coronavirus-related downturn and to meet payroll, which is our biggest expense. Our revenues are impacted significantly.
- Almost all of our projects have been postponed or canceled at this time.
- The impact of COVID-19 on actual business appears to be limited, but the impact on the stock market and available money is a big unknown.

Management of Companies and Enterprises

- The economic aftershock from all the business closings will far outweigh the impact from the virus itself in the long term.

Administrative and Support Services

- Many conventions have canceled or been postponed.
- We were having the most productive and profitable year since we opened in 1998, with the hiring of qualified and "good" inspectors and expansion of our services offered by new capital equipment; then BOOM, it's knocked down.
- The communication from the government that employers can continue to pay salaries/payroll taxes and will be reimbursed is sorely missing key points. Tax credits will not work. We need cash, and we need it prior to paying employees and payroll taxes. Smaller companies like mine with less than $2 million in revenue do not have the financial reserves or access to bank loans like larger companies do. We are a staffing company, providing contract employees. Also, if we are locked down in Houston like New York, etc., how do I receive checks from clients into my bank if they're all closed? I've been in business since 1992, and I would hate to have the government's actions on how to fund businesses and employees not be immediate and easily navigated.
- These responses are wild guesses. So little is known about how our customers are going to respond to the coronavirus in regard to continuing projects. It's hard to imagine much if any new hiring until more is known about the hit to demand from their customers.
- Infection levels are expected to peak in mid-April, and the impact will be felt through late July or early August. If the remote office model is successful, expect significant pressure on the office rental market and companies' re-evaluation of office space economics. Food delivery services should do very well in the social distancing environment.
- We are unable to forecast (right now) any impact to our businesses.

Waste Management and Remediation Services

- After surviving a dreadful 2019 in the recycling industry, business was beginning to gain positive traction in first quarter 2020. Then COVID-19 hit. Our business will do what is necessary to survive. There will be business readjustments everywhere. There is lots of uncertainty. We need the government to demonstrate to the public a strong sense of trust with a can-do attitude, which is nearly nonexistent right now.

Educational Services

- COVID-19 is directly impacting our business by prohibiting us to work in schools. We are looking for innovative solutions to continue to serve the students, teachers and leaders we support. Additionally, we are looking at assistance to help mitigate our losses at this time. We remain optimistic that once this passes, we will emerge stronger as a company and continue to help positively transform the lives of kids.

Ambulatory Health Care Services

- COVID-19 has brought to light the significant role of home health and hospice services in support of the senior health care. CMS [Centers for Medicare & Medicaid Services] needs to authorize home health and hospice services to take a proactive role in monitoring seniors at home in order to minimize COVID-19 in the community.

Amusement, Gambling and Recreation Industries

- Since the mayor today shut down all restaurants and bars, of which we are one, even as a private club, I'm sure you can calculate the significant impact this will have. The longer we are closed, the greater the impact. We are just trying to do our part by paying 50 percent of all our employees' salaries, letting them use accrued vacation time and providing some work that needs to be done at the facilities. We are also starting curbside service. This will not only provide a service to our members but will help our employees feel productive. In other words, we are really trying to literally and figuratively make lemonade out of lemons.

Accommodation

- The initial impact will likely be into this summer, but there will be long-ranging impacts to travel and meetings that could last for years.
- Expect declines in business and leisure travel to impact our industry through the Christmas holiday. Ideally, early 2021 business will resume travel, and transient customers will return to vacations or seasonal travel. Expect revenue and EBITDA [earnings before interest, taxes, depreciation and amortization] declines to increase pressure on capital improvements and staffing levels.
- We really cannot tell what the impact will be longer term. Right now, we are closing hotels, laying off employees and cutting pay, and occupancies are down to below 20 percent.

Food Services and Drinking Places

- We are hopeful things will get better.
- We are not ready for this [COVID-19].
- This [COVID-19] is a political event overblown by the media.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- Our business retention efforts are going to exponentially increase while our outreach and marketing will suffer.
- Our entire organization is telecommuting due to coronavirus concerns through at least March 30.

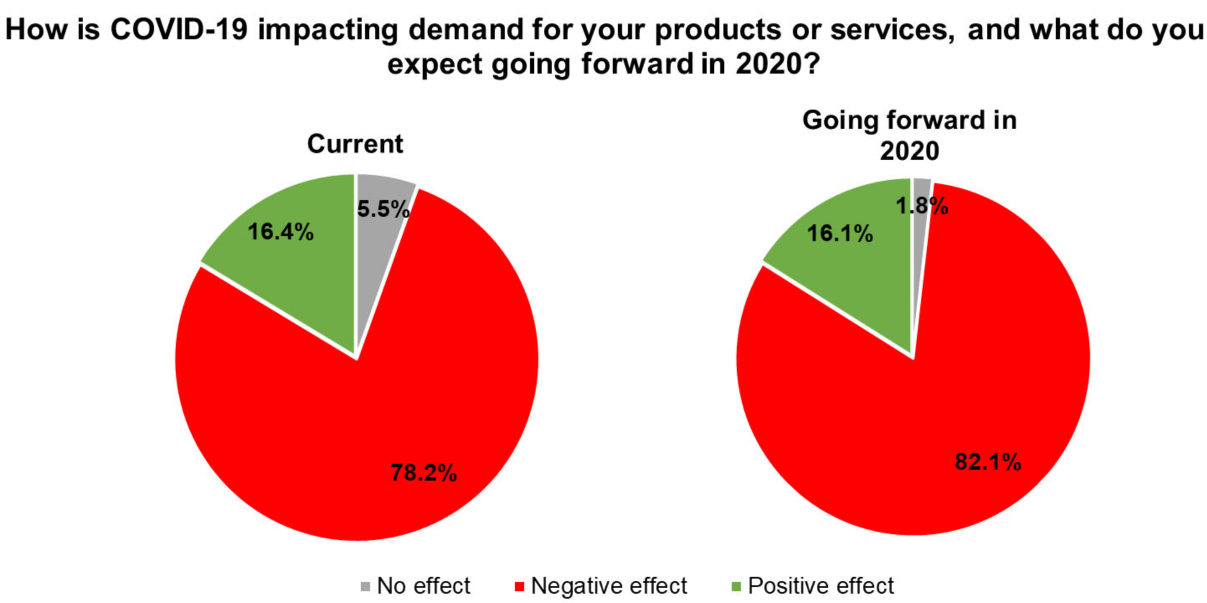
Texas Retail Outlook Survey

Data were collected March 17–25, and 56 Texas retailers responded to the surveys.

How is the coronavirus (COVID-19) currently impacting each of these measures of your business?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Uncertainty	**1.8%**	10.7%	67.9%	**78.6%**	7.1%	12.5%	**19.6%**
Input prices	**55.4%**	16.1%	7.1%	**23.2%**	16.1%	5.4%	**21.4%**
Selling prices	**56.6%**	7.5%	5.7%	**13.2%**	20.8%	9.4%	**30.2%**
	No effect	Slight negative effect	Significant negative effect	Negative effect (combined)	Slight positive effect	Significant positive effect	Positive effect (combined)
Availability of materials/inputs	**20.0%**	43.6%	30.9%	**74.5%**	5.5%	0.0%	**5.5%**
Sales	**3.7%**	24.1%	55.6%	**79.6%**	7.4%	9.3%	**16.7%**
Demand for products or services	**5.5%**	29.1%	49.1%	**78.2%**	5.5%	10.9%	**16.4%**
Number of employees	**48.1%**	20.4%	13.0%	**33.3%**	13.0%	5.6%	**18.5%**
Hours worked	**23.2%**	21.4%	19.6%	**41.1%**	25.0%	10.7%	**35.7%**
Capital spending	**25.5%**	12.7%	20.0%	**32.7%**	20.0%	21.8%	**41.8%**

NOTE: 56 responses.



SOURCE: Federal Reserve Bank of Dallas, Texas Retail Outlook Survey.

Respondents indicating an effect on the demand for products or services were asked to estimate the impact.

Average negative impact	37.8%
Average positive impact	37.8%

NOTES: The average negative impact calculation is based on 38 reponses. The average positive impact calculation is based on nine responses.

Respondents indicating an effect on the number of employees were asked to indicate whether the change in employment is temporary or permanent.

	Temporary	Permanent
Negative impact	60.0%	40.0%
Positive impact	75.0%	25.0%

NOTES: The negative impact breakouts are based on 15 responses. The positive impact breakouts are based on eight responses.

How do you expect the coronavirus (COVID-19) to impact each of these measures of your business going forward in 2020?

	No effect	Slight increase	Significant increase	Increase (combined)	Slight decrease	Significant decrease	Decrease (combined)
Input prices	**40.0%**	23.6%	3.6%	**27.3%**	25.5%	7.3%	**32.7%**
Selling prices	**40.7%**	16.7%	11.1%	**27.8%**	24.1%	7.4%	**31.5%**
	No effect	**Slight negative effect**	**Significant negative effect**	**Negative effect (combined)**	**Slight positive effect**	**Significant positive effect**	**Positive effect (combined)**
Availability of materials/inputs	**14.3%**	48.2%	30.4%	**78.6%**	3.6%	3.6%	**7.1%**
Sales	**1.8%**	32.1%	51.8%	**83.9%**	8.9%	5.4%	**14.3%**
Demand for products or services	**1.8%**	35.7%	46.4%	**82.1%**	8.9%	7.1%	**16.1%**
Number of employees	**25.0%**	37.5%	28.6%	**66.1%**	7.1%	1.8%	**8.9%**
Hours worked	**20.0%**	32.7%	25.5%	**58.2%**	18.2%	3.6%	**21.8%**
Capital spending	**28.6%**	19.6%	30.4%	**50.0%**	8.9%	12.5%	**21.4%**

NOTE: 56 responses.

Respondents indicating an expected effect on the demand for products or services were asked to estimate the impact.

Average negative impact	34.1%
Average positive impact	25.2%

NOTES: The average negative impact calculation is based on 39 reponses. The average positive impact calculation is based on six responses.

Respondents indicating an expected effect on the number of employees were asked to indicate whether the change in employment would be temporary or permanent.

	Temporary	Permanent
Negative impact	60.0%	40.0%
Positive impact	80.0%	20.0%

NOTES: The negative impact breakouts are based on 30 responses. The positive impact breakouts are based on five responses.

As you plan for your business, how long do you expect the coronavirus (COVID-19) impact to last?

Less than 3 months	25.0%
3–6 months	41.1%
6–9 months	16.1%
9–12 months	3.6%
More than 12 months	14.3%

NOTE: 56 responses.

Special Questions Comments

Merchant Wholesalers, Durable Goods

- Our company had a strong first quarter. We are experiencing the impact of COVID-19, but it's impossible to know the effect it will have on our business. Congress has been slow to take steps on emergency relief bills to help the American people, which is disappointing.
- All the employees will be laid off, the operation of $30 million is going away, and unemployment will be impacted. We have people working here 20-plus years and are 60 years old and older.
- So far, we haven't felt the measurable effects of a downturn in business but are preparing for it just in case.
- We sell PPE [personal protective equipment], so the demand for our product has increased significantly. However the supply (from China) has been stopped. If the supply chain reopens and there are no domestic restrictions, our outlook for 2020 would be positive.

Motor Vehicle and Parts Dealers

- We believe the impact of job loss and product value will cause a longer-term downturn as it relates to sales but less of an impact on servicing vehicles. This will also create a glut of used cars as well, impacting a market three times larger than the new-car market at retail.
- We have a planned increase in capital spending. We are preparing to make acquisitions. Though the prices may not be significantly lower, the possibility of acquisitions may not have been available before.

Nonstore Retailers

- Our board is only looking outward the next several weeks at this moment, but as fluid a situation as this is, we could decide to furlough employees without pay until further notice at anytime. We must move fast or risk not having the capital to recover as we work through this situation.

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