Texas Manufacturing Outlook Survey

June 29, 2020

Manufacturing Regains Footing After Epic Decline

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on the impacts of 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 rebounded strongly in June, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, climbed from -28.0 to 13.6, indicating moderate expansion in output following three months of record or near-record declines.

Other measures of manufacturing activity also pointed to a rebound in growth this month. The new orders index advanced 34 points to 2.9, its first positive reading in four months, with nearly a third of manufacturers noting an increase in orders. The growth rate of orders index pushed up 25 points but remained negative at -5.8. The capacity utilization and shipments indexes also returned to positive territory.

Perceptions of broader business conditions were mixed in June. The general business activity index surged 43 points but stayed negative at -6.1. The company outlook index climbed back into positive territory, from -34.6 to 2.7, with 29 percent of manufacturers noting improved outlooks, up from 12 percent last month. The index measuring uncertainty regarding companies' outlooks retreated notably again to 9.1—its lowest reading since January. The positive reading still indicates increased uncertainty.

Labor market measures indicated virtually flat employment levels and shorter workweeks this month. The employment index remained negative but rose 10 points to -1.5. Fifteen percent of firms noted net hiring, while 17 percent noted net layoffs. The hours worked index rose from -22.8 to -4.3, with the still-negative reading signaling reduced workweek length.

Prices and wages showed mixed movements in June. The raw materials prices index moved up 10 points to 12.3. The finished goods prices index, however, remained negative for the sixth straight month as it moved up from -19.4 to -4.7. The wages and benefits index returned to positive territory after two negative readings, coming in at 6.8.

Expectations regarding future business conditions were universally positive in June. The future company outlook and future general business activity indexes returned to positive territory at 16.2 and 19.7, respectively. Other indexes of future manufacturing activity pushed further positive.

Next release: Monday, July 27

Data were collected June 16–24, and 115 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	Jun Index	May Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	13.6	–28.0	+41.6	9.7	1(+)	40.0	33.6	26.4
Capacity Utilization	7.6	–26.0	+33.6	7.4	1(+)	35.5	36.5	27.9
New Orders	2.9	–30.6	+33.5	5.6	1(+)	32.4	38.1	29.5
Growth Rate of Orders	–5.8	–30.8	+25.0	–0.7	4(–)	27.2	39.8	33.0
Unfilled Orders	–2.3	–17.4	+15.1	–3.2	4(–)	17.1	63.5	19.4
Shipments	3.1	–25.7	+28.8	8.4	1(+)	33.5	36.1	30.4
Delivery Time	–0.3	–10.0	+9.7	–0.6	4(–)	12.0	75.7	12.3
Finished Goods Inventories	–9.8	–8.9	–0.9	–3.2	15(–)	16.1	58.0	25.9
Prices Paid for Raw Materials	12.3	2.5	+9.8	24.0	2(+)	23.1	66.1	10.8
Prices Received for Finished Goods	–4.7	–19.4	+14.7	5.9	6(–)	9.8	75.7	14.5
Wages and Benefits	6.8	–0.2	+7.0	18.4	1(+)	18.3	70.2	11.5
Employment	–1.5	–11.5	+10.0	6.1	5(–)	15.4	67.7	16.9
Hours Worked	–4.3	–22.8	+18.5	2.3	4(–)	16.2	63.3	20.5
Capital Expenditures	–10.5	–33.9	+23.4	6.2	4(–)	10.4	68.7	20.9

General Business Conditions
Current (versus previous month)

Indicator	Jun Index	May Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	2.7	–34.6	+37.3	6.2	1(+)	29.1	44.6	26.4
General Business Activity	–6.1	–49.2	+43.1	1.8	4(–)	25.0	43.8	31.1

Indicator	Jun Index	May Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	9.1	28.3	–19.2	13.3	25(+)	33.6	41.8	24.5

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

Indicator	Jun Index	May Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	38.7	29.7	+9.0	38.1	2(+)	56.6	25.5	17.9
Capacity Utilization	40.3	28.1	+12.2	34.9	2(+)	55.7	28.9	15.4
New Orders	33.9	17.8	+16.1	35.8	2(+)	51.1	31.7	17.2
Growth Rate of Orders	32.8	13.0	+19.8	26.4	2(+)	49.1	34.7	16.3
Unfilled Orders	8.7	–4.3	+13.0	3.7	1(+)	20.6	67.5	11.9
Shipments	32.0	13.4	+18.6	36.7	2(+)	49.3	33.4	17.3
Delivery Time	0.7	–1.9	+2.6	–1.8	1(+)	11.7	77.3	11.0
Finished Goods Inventories	1.9	–7.7	+9.6	–0.5	1(+)	22.5	56.9	20.6
Prices Paid for Raw Materials	19.4	21.9	–2.5	33.2	3(+)	25.2	68.9	5.8
Prices Received for Finished Goods	7.7	4.8	+2.9	19.0	2(+)	18.4	70.9	10.7
Wages and Benefits	21.6	12.7	+8.9	37.7	2(+)	27.8	66.0	6.2
Employment	18.6	–3.5	+22.1	21.7	1(+)	30.8	57.0	12.2
Hours Worked	4.8	7.8	–3.0	9.1	2(+)	16.8	71.2	12.0
Capital Expenditures	10.4	–7.7	+18.1	19.5	1(+)	29.7	51.0	19.3

General Business Conditions
Future (six months ahead)

Indicator	Jun Index	May Index	Change	Series Average	Trend**	% Reporting Increase	% Reporting No Change	% Reporting Worsened
Company Outlook	16.2	–11.2	+27.4	20.2	1(+)	34.6	47.1	18.4
General Business Activity	19.7	–19.0	+38.7	13.7	1(+)	40.1	39.6	20.4

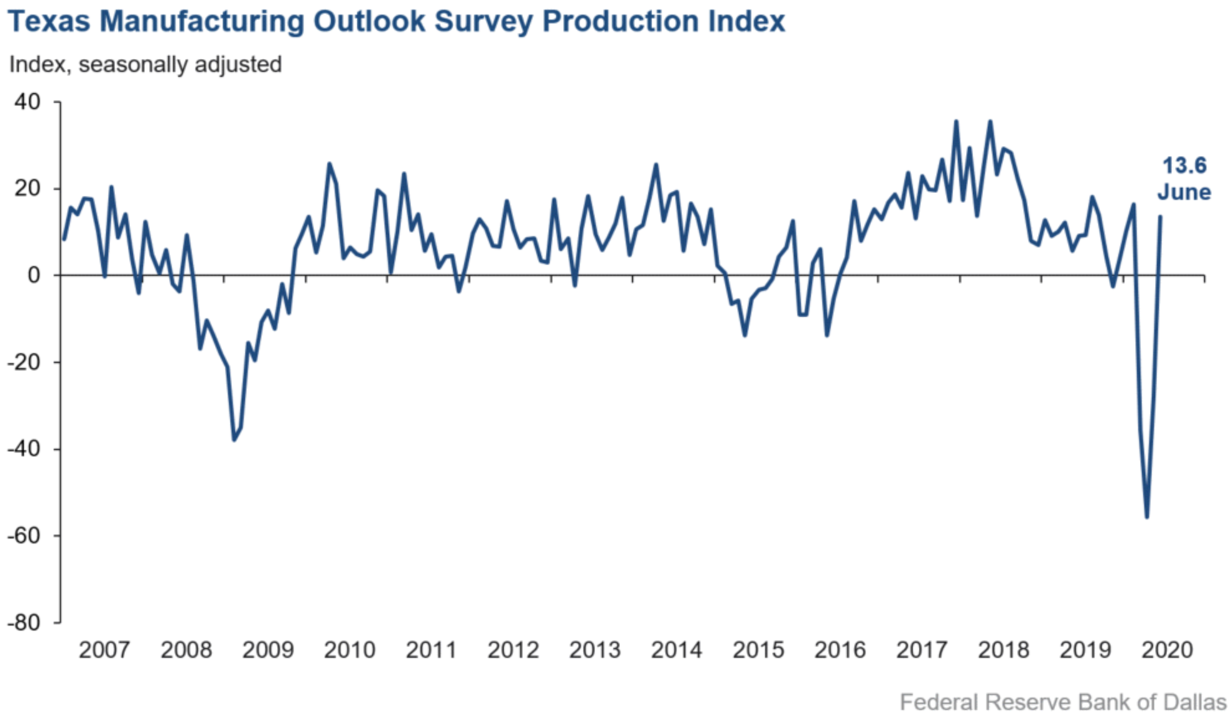
*Shown is the number of consecutive months of expansion or contraction in the underlying indicator. Expansion is indicated by a positive index reading and denoted by a (+) in the table. Contraction is indicated by a negative index reading and denoted by a (–) in the table.

**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.

Plastics and Rubber Product Manufacturing

- We are an essential supplier to retailers. Unlike most businesses today, some of our retailers are doing well, but that doesn't translate to us.
- The oil market continues to struggle. Even though states have begun to slowly open, the demand for oil hasn't recovered as quickly as we would hope. Best-case scenario: We won't see an uptick until fourth quarter, and that is assuming COVID-19 doesn't have a resurgence. The upside is that domestic drilling is still at a standstill and international drilling is slowly pulling back. At some point, things will have to pick up in order to meet normal oil demand.

Nonmetallic Mineral Product Manufacturing

- While we still are looking at many unknowns due to COVID-19 (second wave, another lockdown, etc.), demand is up for us sharply in the building materials business. It has surprised us and our distribution customers and their homebuilder customers. Some customers are still projecting a downturn, but we don't see it happening. So we are increasing inventory and planning for further order volume increases by starting to hire new employees … above our pre-COVID levels.

Primary Metal Manufacturing

- Will there be a second wave?
- Some of our building and construction customers have seen an increase but some have not. There is some pent-up demand from construction jobsite shutdowns now being reopened. The better-run companies are gaining market share. Our transportation market customers have not seen an uptick yet, and it is not expected by most.

- We continue to feel the negative impacts from the COVID-19 shutdown. Orders are off by as much as 73 percent, and our top 30 customers, many in the oil and gas production side, continue to indicate flat to negative growth through at least the fourth quarter of 2020. While the PPP [Paycheck Protection Program] was a tremendous help, we are finding more probable workforce applicants would rather take advantage of the current unemployment benefits. A positive step would be to incentivize people to return to work rather than stay home and essentially make the same income.
- New commercial building starts other than residential are slowing to a snail's pace. Contractors and developers are telling us that this sector will not come back until first or second quarter 2021.

Fabricated Metal Manufacturing

- WTI [West Texas Intermediate] crude oil above $35 per barrel has helped the outlook. We need $40 per barrel.
- While revenues have increased over last month, that is only from a very depressed level. Orders continue to slow, and we're not sure if or when we will get back to pre-COVID-19 levels.
- Refinancing of our line of credit comes up July 30, with a lot of uncertainty due to our continued losses from the downturn in the energy and petrochemical sectors.

Machinery Manufacturing

- General business activity is increasing, and we will also be making a product for COVID-19 testing starting in June that is ultra-high volume. We are very confident that the year will end strong for our business.
- Even though we have seen a decrease in sales, quotes have increased substantially. We feel like they are foretelling better days ahead. Oil prices are rising, and we believe that business will return in the next six months to a more normal level.
- As we are a long-cycle business, COVID-19 impacts are just now starting to manifest themselves in fewer orders, delays of existing orders, etc. We have frozen compensation, let some contract workers go and will likely reduce some of our full-time workforce as well. The recent spike in COVID-19 numbers throughout Texas (since Memorial Day) is adding considerable uncertainty going forward.
- Business was actually on the upswing for the first time in years. In fourth quarter 2019 and first quarter 2020, we saw sales increasing steadily. Then the government shut the economy down and sales dropped 50 percent in May (April consisted of finishing up orders placed in the two months prior). During April, the volume of new orders and inquiries simply stopped. Now we are back to operating on a trickle of work coming in. May was a disaster and June doesn't look much better. We have zero backlog for July. COVID-19 is the biggest disaster of all time.

Computer and Electronic Product Manufacturing

- Demand has continued to remain strong. The industry still has significant pockets of supply constraints, which may be driving demand unnaturally. We're remaining cautiously optimistic as customers begin to adjust their production schedules as demand returns.
- We're starting to come out of a very slow April due to COVID-19 shutdowns. Business seems to be slowly increasing but is still far below 2019 levels for the premises-based installs. Cloud solutions remain on a steady growth path.
- Business feels like everything is in limbo.

Transportation Equipment Manufacturing

- Our outlook has improved due to increased demand for RVs and an improving, but still somewhat weak, economy.
- We continue to have supply-chain issues resulting in longer lead times and, oftentimes, having to rely on more expensive supply sources. Filling openings for lower-skilled positions has become more difficult due to the $600-per-week incentive that is being paid to remain on unemployment insurance. Overall operating costs have increased markedly due to the additional precautions that must be taken to protect team members from COVID-19 exposure. We live in interesting times!

Food Manufacturing

- How do you define “uncertainty”? The matrix of COVID-19, riots, unstable economy and inflation of the money supply add up to quite a hurdle to jump over to move to “certainty.” Again, we can sell virtually all we can produce. Coordination of FEMA/federal funds into the food relief supply system can be problematic. Adaptation is the key.
- COVID-19 case increases are affecting our employees being out.
- Although our business is very strong, there remains a significant amount of uncertainty, which we must navigate and manage as best as possible. COVID-19 remains a threat to our team, and we continue to invest heavily to minimize the chance of one of our team members contracting COVID-19 at work. Consumer behavior coming out of the pandemic will change, and we are working hard to try to position our company for success in a post-pandemic environment.

Apparel Manufacturing

- We are concerned about negative coronavirus trends.

Paper Manufacturing

- May had a bump in orders, but that has tailed off in June. July looks slower at this point.
- Demand remains very difficult to read. For our business, June is definitely up vs. May, but we expect that to change. We're heavily vested in food service segments, so we're riding the “restocking” increase due to restaurant activity resuming. However, we expect activity in this segment to settle into a normal [level] far weaker than we're currently experiencing.

Printing and Related Support Activities

- Until our economy opens up, our customers are reluctant to invest in marketing to try and fill up a business that is not allowed to operate at full capacity.
- We have one customer who has sent us a lot of work that normally we would not be able to accommodate, but due to commercial printing being slow, this increase in work has been a godsend. Without it, we would be around 15 percent of our normal billing amount, and now we are close to being equal. We believe this will continue until the middle of July, and then we expect it to get very slow and painful.

Miscellaneous Manufacturing

- Customers are continuing to push out previously scheduled orders, increasing our inventories. Most customers anticipate 80 percent of normal activity by August; some in restaurants/casino equipment are anticipating an 18-month recovery.
- Extended customer requirement terms and more cash-on-delivery receivable requirements are putting a strain on both shipments and receipts. A [major] customer's demand for 180-day terms is having a major effect on the entire craft industry. Potential bankruptcy among a number of large school and craft distributors looms in 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

June 29, 2020

For this month's survey, Texas business executives were asked supplemental questions on the impacts of 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.

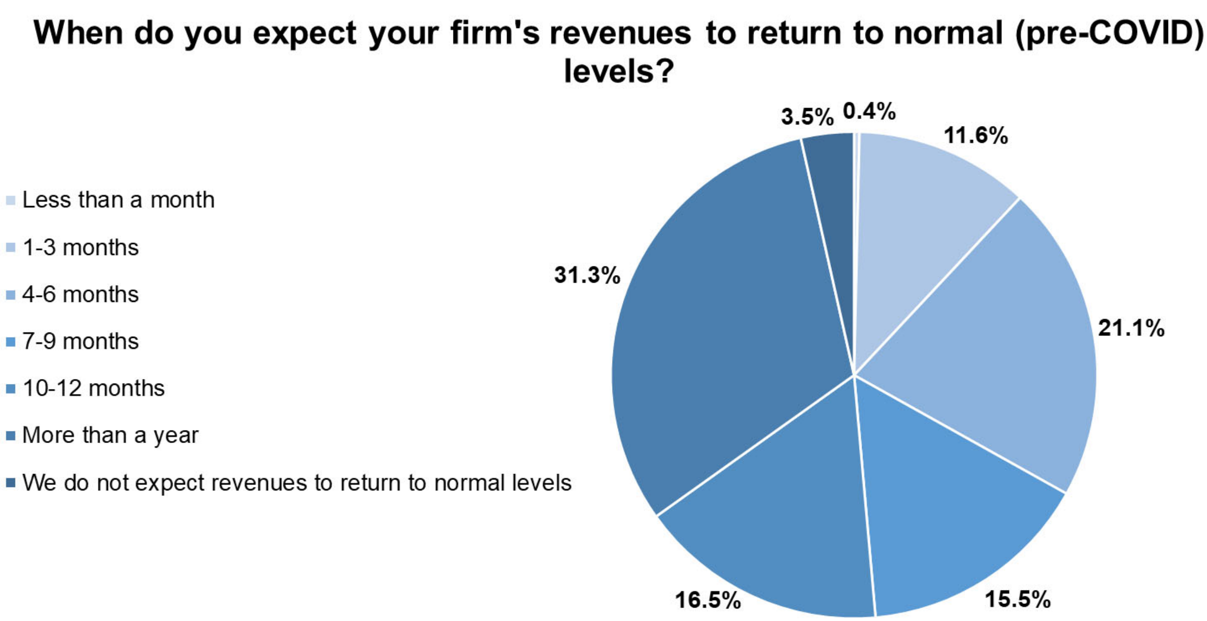
Texas Business Outlook Surveys

Data were collected June 16–24, and 405 Texas business executives responded to the surveys.

How do your firm's current revenues compare with a typical June? For example, if revenues are down 20 percent from normal, enter 80 percent. If revenues are up 20 percent, enter 120 percent.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	75.6	66.0
Entries of exactly 100	10.6	100.0
Entries greater than 100	13.7	124.5
All entries	100.0	77.7

NOTES: 386 responses. This same question was posed in May.



NOTES: 284 respondents. This question was only posed to those indicating June revenues were below normal.
SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Surveys.

How does your firm's current employee headcount compare with February (pre-COVID)? For example, if headcount is down 20 percent from February, enter 80 percent. If headcount is up 20 percent, enter 120 percent. Please exclude any changes due to typical seasonality.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	43.0	71.1
Entries of exactly 100	44.6	100.0
Entries greater than 100	12.3	112.0
All entries	100.0	89.1

NOTE: 381 responses.

When do you expect your firm's headcount to return to pre-COVID levels?

	Response (percent)
Less than a month	5.0
1-3 months	12.6
4-6 months	17.0
7-9 months	10.7
10-12 months	9.4
More than a year	26.4
We do not expect headcount to return to pre-COVID levels	18.9

NOTES: 159 responses. This question was only posed to those indicating their June headcount is down from February.

Was any part of your business shut down due to state/local operational restrictions?

	May '20 (percent)	June '20 (percent)
Yes	35.1	29.8
No	64.9	70.2

NOTE: 396 responses.

Is your business currently reopened to the maximum allowable level?

	May '20 (percent)	June '20 (percent)
Yes	45.5	57.8
No	54.5	42.2

NOTES: 116 responses. This question was only posed to those indicating any part of their business was shut down.

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

Texas Manufacturing Outlook Survey

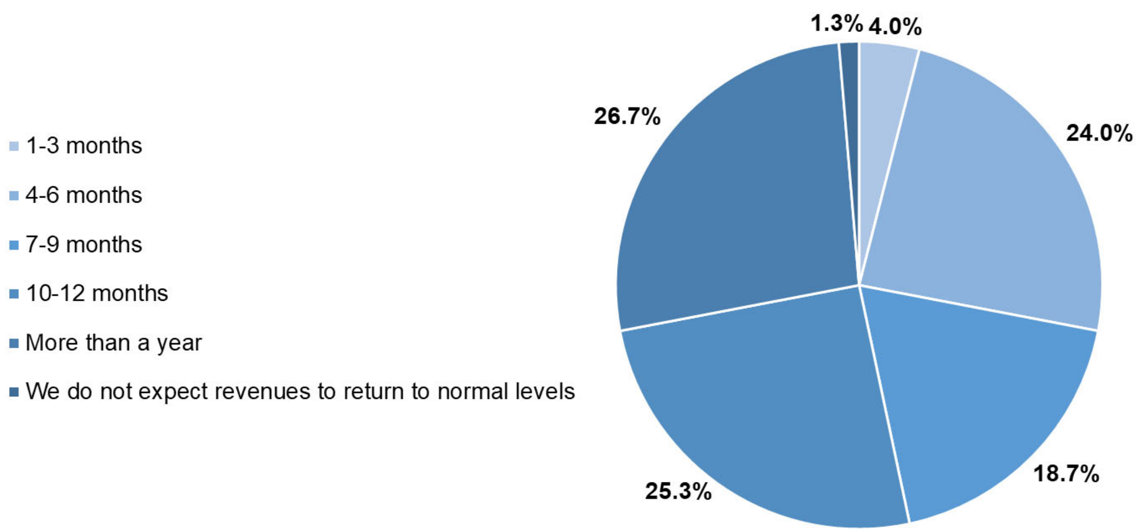
Data were collected June 16–24, and 115 Texas manufacturers responded to the survey.

How do your firm's current revenues compare with a typical June? For example, if revenues are down 20 percent from normal, enter 80 percent. If revenues are up 20 percent, enter 120 percent.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	70.6	64.4
Entries of exactly 100	12.8	100.0
Entries greater than 100	16.5	120.6
All entries	100.0	78.2

NOTES: 109 responses. This same question was posed in May.

When do you expect your firm's revenues to return to normal (pre-COVID) levels?



NOTES: 75 respondents. This question was only posed to those indicating June revenues were below normal.
SOURCE: Federal Reserve Bank of Dallas, Texas Manufacturing Outlook Survey.

How does your firm's current employee headcount compare with February (pre-COVID)? For example, if headcount is down 20 percent from February, enter 80 percent. If headcount is up 20 percent, enter 120 percent. Please exclude any changes due to typical seasonality.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	42.6	76.9
Entries of exactly 100	41.7	100.0
Entries greater than 100	15.7	109.2
All entries	100.0	91.6

NOTE: 108 responses.

When do you expect your firm's headcount to return to pre-COVID levels?

	Response (percent)
Less than a month	2.2
1-3 months	10.9
4-6 months	21.7
7-9 months	15.2
10-12 months	13.0
More than a year	26.1
We do not expect headcount to return to pre-COVID levels	10.9

NOTES: 46 responses. This question was only posed to those indicating their June headcount is down from February.

Was any part of your business shut down due to state/local operational restrictions?

	May '20 (percent)	June '20 (percent)
Yes	11.9	11.6
No	88.1	88.4

NOTE: 112 responses.

Is your business currently reopened to the maximum allowable level?

	May '20 (percent)	June '20 (percent)
Yes	61.5	83.3
No	38.5	16.7

NOTES: 12 responses. This question was only posed to those indicating any part of their business was shut down.

Special Questions Comments

These comments have been edited for publication.

Plastics and Rubber Product Manufacturing

- Local city government shut us down for three days in March. We got our essential qualifications in order and reopened and have been open since. In line with PPP [Paycheck Protection Program] guidelines, we have instituted a careful hiring protocol and currently exceed head counts in our locations here and in Oklahoma.

Primary Metal Manufacturing

- We are gaining market share from our competitors.

Fabricated Metal Manufacturing

- We're learning to operate at a reduced level as a new normal. We're still seeing customers contract and go out of business.
- A segment of our fabrication business sells to restaurants and hospitality, where demand is at almost zero. Other segments have temporarily rebounded due to temporary halts on orders from March/April.
- Foreign business was down.

Machinery Manufacturing

- Our company had a significant increase in bookings for the first quarter, which allowed for higher revenue for June. However, our current bookings are down significantly for the second quarter.
- The forecast is out the window. How in the world are you supposed to project a budget when the government interferes in commerce, shutting everything down? For the first time in my life, I am generally worried about sinking into a depression. It was bad enough having to deal with Chinese imports destroying our market, but this (COVID-19) takes the cake.

Computer and Electronic Product Manufacturing

- Customer visibility remains low. Many supply constraints in the industry are causing unusual order patterns. Auto demand is especially weak; we're hoping it returns soon as factories come back online.
- The cloud telecommunications services business remained completely open. We do expect to see some businesses shutting down and some inability to pay from the retail sector. We do expect those shutdowns to be offset by growth from new customers. Our premises-based systems sales business has been severely impacted since the shutdown. April was down 38 percent compared to a year ago. May was similar, and June should be down 30 percent from a year ago.

Transportation Equipment Manufacturing

- We're monitoring employee health carefully to avoid a serious second shutdown.

Food Manufacturing

- We're in the food business. Demand is up. We haven't stopped working yet, and continue to do so at a slightly higher level of volume vs. last year.
- We are a part of the "essential services" and have quite a team. No one has asked to not work, and we do have some challenging social-distancing issues. We have had no positive [cases] in terms of COVID outbreaks. We are sending food as far as Africa and to food banks across the state of Texas and to the Salvation Army. We have some warriors here, and virtually everyone could get a better-paying job elsewhere.

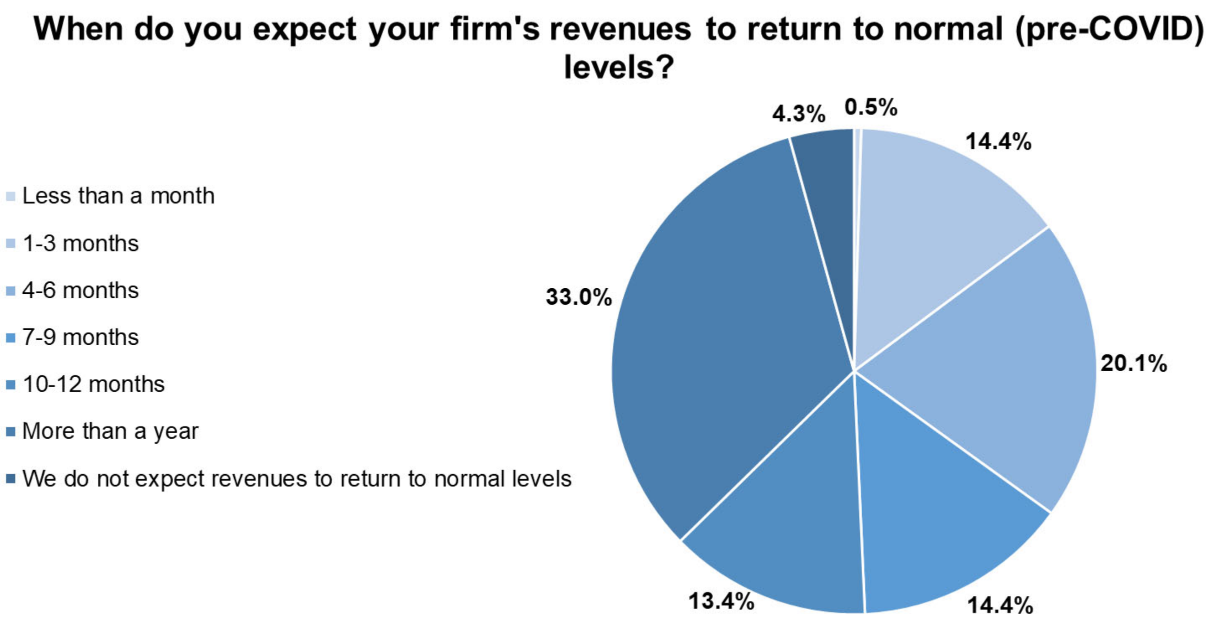
Texas Service Sector Outlook Survey

Data were collected June 16–24, and 290 Texas business executives responded to the survey.

How do your firm's current revenues compare with a typical June? For example, if revenues are down 20 percent from normal, enter 80 percent. If revenues are up 20 percent, enter 120 percent.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	77.6	66.6
Entries of exactly 100	9.7	100.0
Entries greater than 100	12.6	126.5
All entries	100.0	77.4

NOTES: 277 responses. This same question was posed in May.



NOTES: 209 respondents. This question was only posed to those indicating June revenues were below normal.
SOURCE: Federal Reserve Bank of Dallas, Texas Service Sector Outlook Survey.

How does your firm's current employee headcount compare with February (pre-COVID)? For example, if headcount is down 20 percent from February, enter 80 percent. If headcount is up 20 percent, enter 120 percent. Please exclude any changes due to typical seasonality.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	43.2	68.9
Entries of exactly 100	45.8	100.0
Entries greater than 100	11.0	113.6
All entries	100.0	88.0

NOTE: 273 responses.

When do you expect your firm's headcount to return to pre-COVID levels?

	Response (percent)
Less than a month	6.2
1-3 months	13.3
4-6 months	15.0
7-9 months	8.8
10-12 months	8.0
More than a year	26.5
We do not expect headcount to return to pre-COVID levels	22.1

NOTES: 113 responses. This question was only posed to those indicating their June headcount is down from February.

Was any part of your business shut down due to state/local operational restrictions?

	May '20 (percent)	June '20 (percent)
Yes	44.1	37.0
No	55.9	63.0

NOTE: 284 responses.

Is your business currently reopened to the maximum allowable level?

	May '20 (percent)	June '20 (percent)
Yes	43.8	54.8
No	56.2	45.2

NOTES: 104 responses. This question was only posed to those indicating any part of their business was shut down.

Special Questions Comments

These comments have been edited for publication.

Utilities

- We are an essential business.

Pipeline Transportation

- Our operations were deemed essential. Field employees are working at 90+ percent and office personnel in headquarters and other key regional offices at about 25 percent.

Data Processing, Hosting and Related Services

- Hiring talented technology folks continues to be a challenge. There are a lot of technologists on the market due to furloughs and downsizing, but senior talent remains in short supply.

Credit Intermediation and Related Activities

- We managed the partial shutdown while maintaining operations, just in a different manner, with some adjustments to staffing by splitting shifts to protect staff and customers. We are now back to full staff while providing several methods of protection and procedures following CDC [Centers for Disease Control] guidelines.
- We are implementing hiring freezes now, with potential force reductions later.

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

- PPP [Paycheck Protection Program] loans kept us busy and saved our customers.
- It will be a long and hard battle to stay in business during the next 12 months.
- While not shut down, we did shift to working remotely and still are.

Real Estate

- Our executives and administration were in the office every day, while the sales agents worked mostly from home and came in to the office to meet clients or as needed to complete paperwork, etc.
- Our industry was considered essential. We voluntarily sent people home to work. Many of our folks were already working from home. As the economy reopens, we expect to reduce some part-time hours.
- There is too much negativity reported by the media. We need to be encouraged to go out as long as we comply with distancing and face masks.

Professional, Scientific and Technical Services

- How we conduct our business has changed drastically and, in many cases, we are more efficient.
- As a sole proprietor, my head count remains the same at one person, me. With the cuts in energy demand due to the virus and restrictions, I consider my business to be effectively shut down by the state/local operational restrictions imposed on others. Obviously, the price of oil has caused some of the business loss, but that is something that is understood, even though the length of time the Saudi/Russian issues will go on is not known. I am open to the maximum level, but there is essentially no consulting business available.
- Our reduction in staff is in response to planning for the long term and the expected long-term change in delivery of services rather than from loss of short-term business.
- We see a year over year decrease in hours of about 7 percent, but rates are 4 percent higher. Looks like hours might continue to soften in June.
- Employees were able to work remotely full time for eight-plus weeks. Ninety percent are now back in the office.
- Our business was not shut down, but travel to and from client locations was shut down. We have clients in the RGV [Rio Grande Valley] that received a little less of our attention, and two of our RGV clients decided to put all activity on hold until further notice. We have just recently picked up activity with these two clients (June).
- The SBA [Small Business Administration] PPP program, along with cash reserves, should allow us to weather a 20 percent downturn for approximately six months with no reduction in force.

- We were not shut down as an essential service, but we opted to work from home to mitigate the spread of the coronavirus.
- Our employees are mostly working remotely from home. Some are going to our office two days a week. As a tech company, we are lucky that almost all our work can be done remotely. We just would like the business climate and sales to get back to pre-COVID levels in three to six months. U.S. government interventions (COVID-19 spending and PPP loans) were the perfect things in our judgment and experience, giving us time to get back to normal without any staff or salary cuts.
- Our alcohol permitting company (which is over 50 years old) is essentially closed. There has never been a period where so few bars and restaurants opened. There will be many, many service-industry businesses that fail, but they will not be backfilled.
- The main office headquarters is opening next month.
- People are not making decisions. Everything is on hold.
- We received a PPP loan, which helped retain staff and bridge budgetary gaps.

Management of Companies and Enterprises

- We feel like this will go back to normal with prices on the rise after the November election. Until then, some groups have a perverse incentive to drive a negative narrative.
- Bank services were considered essential businesses. Lobbies were closed except for appointments. Full-service banking was offered throughout the entire COVID-19 pandemic, primarily through drive-thru services and electronic banking.
- Two locations are still closed due to a recent spike in COVID-19 cases.

Administrative and Support Services

- On a local level, Gov. Abbott and the mayors of each city in Texas need to come to an agreement on the mask issue like grownups. We do not need more confusion out in the real world at any level. President Trump is confusing enough.
- January through May have been a pleasant surprise. We expect June to drop, and we cannot predict the future.
- Without the PPP, we would be in a much worse position. It will hopefully allow us to continue to keep people employed.
- We did not shut down operations. We have seen a noticeable decline in buyer behavior/activity and overall sentiments regarding business and economic health due to the uncertainty resulting from COVID-19, race relations, oil and gas prices, and the political divide.
- We did not lay off employees, but our sales have been dramatically affected by the shutdown of the economy. The best solution is to allow the full restart and let the existing government programs do their job.
- Our city and county governments seem to be making a full circle back to COVID-19 restrictions with business fines this time. It's amazing anyone can stay in business.
- Our physical office closed in March and reopened in May. All our team worked remotely.

Educational Services

- We are back up in staffing for summer operations and feel comfortable with our current climate. All staff understand the increase in testing will equate to increased positives [test results] among Texans. But the consensus regarding locking down again is no.

Ambulatory Health Care Services

- PPP is an excellent program response to the forced shutdown of businesses by government—even better with the modifications recently passed.
- We did shut down to about 20 percent operating capacity for six weeks in order to get time to obtain PPE [personal protective equipment] and develop protocols to protect our patients and employees. We also quit doing elective procedures, although this was not mandated in outpatient imaging. The damage was more considerable for the hospital system. Once open, we have ramped up to about 75 percent capacity over three to four weeks but see a flattening of volume at this time.

Nursing and Residential Care Facilities

- We are incurring significant costs for PPE to keep our residents and employees safe, and we are paying premium pay to make sure we have employees to take care of the vulnerable population of seniors that we serve. We are paying for specialized sterilization services at our communities with COVID-positive cases, and extra supplies and labor are needed to provide meals to residents in their rooms or for extended dining hours to maintain appropriate distancing between residents. The combination of lower revenues and significantly increased costs is stressing the company's liquidity position.

Social Assistance

- While our centers closed to the public, we implemented technology and continued providing services virtually.
- We have difficulty hiring new employees due to additional federal unemployment [payments].

Amusement, Gambling and Recreation Industries

- Our amusement park has been closed since Labor Day 2019. We are expecting to open [June] 19th, but do not expect any return to previous daily income, as the operating days come to an end in about 50 days due to school starting in early August.

Food Services and Drinking Places

- We are still limited to 50 percent or less occupancy.
- We are keeping indoor dining areas closed, as we have lots of outdoor options available. We are limiting occupancy to allow for staffing challenges from COVID-19 uncertainty. There are added costs/staffing for cleaning, distancing, signage, new processes, etc.
- We are at 75 percent of table space for the restaurant. Some guests are dining in but most are take-out or drive-thru.
- Even the state mandate to open to [no more than] 75 percent capacity is still not enough because my hot dog carts are closed.
- The media won't let up. The politicians won't let up. People are scared to go out and eat. Dining rooms are still near empty. Thank God we have a drive-thru window. I pity those operations that don't. We could see a reduction of restaurant numbers of 25 percent-plus in the coming year. This will help those of us still standing.

Personal and Laundry Services

- We were forced to shut down due to COVID-19 but have since reopened. There are still many restrictions imposed upon us that allow us to operate at 60 percent of our full potential.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- Shutdown was departmental based on customer access. Overall activity is increased because active departments are much busier.
- President Trump and our Texas governor have not only sent mixed signals on safety and corporate profits but have prevented local government entities from making decisions on protecting working families. Not following the science has doomed any real recovery for the future.

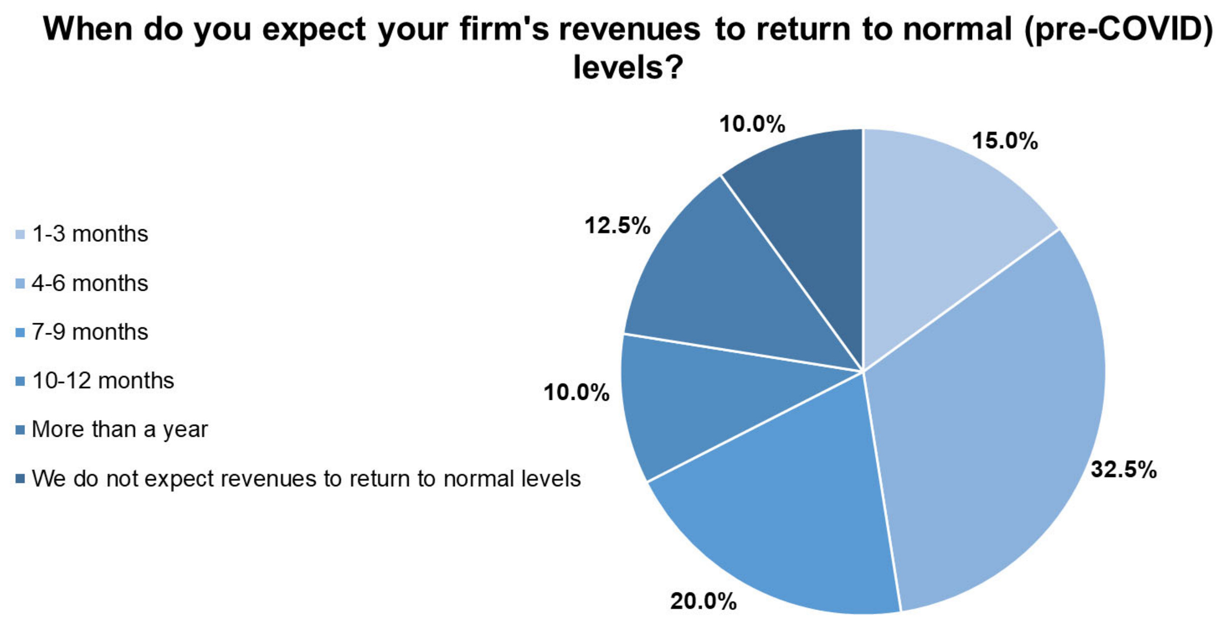
Texas Retail Outlook Survey

Data were collected June 16–24, and 53 Texas retailers responded to the survey.

How do your firm's current revenues compare with a typical June? For example, if revenues are down 20 percent from normal, enter 80 percent. If revenues are up 20 percent, enter 120 percent.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	78.4	64.7
Entries of exactly 100	5.9	100.0
Entries greater than 100	15.7	136.8
All entries	100.0	78.1

NOTES: 51 responses. This same question was posed in May.



NOTES: 40 respondents. This question was only posed to those indicating June revenues were below normal.
SOURCE: Federal Reserve Bank of Dallas, Texas Retail Outlook Survey.

How does your firm's current employee headcount compare with February (pre-COVID)? For example, if headcount is down 20 percent from February, enter 80 percent. If headcount is up 20 percent, enter 120 percent. Please exclude any changes due to typical seasonality.

	Share of respondents (percent)	Average response (percent)
Entries less than 100	41.2	71.6
Entries of exactly 100	51.0	100.0
Entries greater than 100	7.8	111.3
All entries	100.0	89.2

NOTE: 51 responses.

When do you expect your firm's headcount to return to pre-COVID levels?

	Response (percent)
Less than a month	5.3
1-3 months	26.3
4-6 months	21.1
7-9 months	5.3
10-12 months	5.3
More than a year	5.3
We do not expect headcount to return to pre-COVID levels	31.6

NOTES: 19 responses. This question was only posed to those indicating their June headcount is down from February.

Was any part of your business shut down due to state/local operational restrictions?

	May '20 (percent)	June '20 (percent)
Yes	38.2	37.7
No	61.8	62.3

NOTE: 53 responses.

Is your business currently reopened to the maximum allowable level?

	May '20 (percent)	June '20 (percent)
Yes	70.0	78.9
No	30.0	21.1

NOTES: 19 responses. This question was only posed to those indicating any part of their business was shut down

Special Questions Comments

Merchant Wholesalers, Durable Goods

- We are making reductions in our head count and probably will close the operation in less than a year.

Motor Vehicle and Parts Dealers

- We were able to keep our employee count up because of PPP.
- Difficult to answer your June question with 11 selling days remaining. June 2020 new and pre-owned retail vehicle sales will be down 10 percent from May 2020, based on the pacing report of today. New-vehicle fleet/commercial sales are down 60 percent this year versus last. This is a major problem! I don't see this turning around anytime soon.
- Inventories are extremely low and will remain this way for the foreseeable future. Automobile assembly plants have been closed, and ramping back up has been slow and is anticipated to stay that way. This is resulting in a lack of product to sell.

Building Material and Garden Equipment and Supplies Dealers

- June is up over May, which was down, and it looks like we will be about even when compared with June of last year. Unfortunately, we are down year to date (only 9 percent) and think it's going to be hard to make up for February's, March's and April's poor sales.

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