



Texas Manufacturing Outlook Survey

July 27, 2020

Texas Manufacturing Recovery Continues

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 continued to expand in July following a record contraction in the spring, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, inched up from 13.6 to 16.1, suggesting a slight pickup in the pace of output growth.

Other measures of manufacturing activity also pointed to slightly accelerating growth this month. The new orders index advanced four points to 6.9. The growth rate of orders index turned positive in July, coming in at 1.3, after spending four months in negative territory. The capacity utilization and shipments indexes pushed up to 14.0 and 17.3, respectively, their highest readings in nearly a year.

Perceptions of broader business conditions were mixed in July. The general business activity index remained slightly negative, edging up from -6.1 to -3.0. The company outlook index registered a second consecutive positive reading, increasing three points to 5.9. The index measuring uncertainty regarding companies' outlooks shot up from 9.1 to 20.9, with more than a third of manufacturing executives indicating increased uncertainty from June.

Labor market measures indicated modest growth in employment and workweek length. The employment index pushed up from -1.5 to 3.1, marking its first positive reading since January. Eighteen percent of firms noted net hiring, while 15 percent noted net layoffs. The hours worked index also turned positive, rising from -4.3 to 5.8.

Input and labor costs continued to increase, while selling prices were fairly flat in July. The raw materials prices index posted a third positive reading in a row but fell slightly from 12.3 to 9.7. The wages and benefits index was positive for a second consecutive month, rising from 6.8 to 9.0. The finished goods prices index, however, remained slightly negative, inching up three points to -1.5. This near-zero reading suggests little change in selling prices from June following four months of more-pronounced price declines.

Expectations regarding future business activity remained universally positive in July, though some were less positive than last month. The future production index slipped to 37.2, while the future general business activity index dropped nine points to 10.6.

Next release: Monday, August 31

Data were collected July 14–22, and 112 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	Jul Index	Jun Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	16.1	13.6	+2.5	9.7	2(+)	37.4	41.2	21.3
Capacity Utilization	14.0	7.6	+6.4	7.4	2(+)	30.9	52.2	16.9
New Orders	6.9	2.9	+4.0	5.6	2(+)	30.6	45.7	23.7
Growth Rate of Orders	1.3	-5.8	+7.1	-0.7	1(+)	24.8	51.7	23.5
Unfilled Orders	7.9	-2.3	+10.2	-3.1	1(+)	20.7	66.5	12.8
Shipments	17.3	3.1	+14.2	8.4	2(+)	35.7	45.9	18.4
Delivery Time	3.2	-0.3	+3.5	-0.6	1(+)	15.0	73.2	11.8
Finished Goods Inventories	-9.9	-9.8	-0.1	-3.2	16(-)	13.5	63.1	23.4
Prices Paid for Raw Materials	9.7	12.3	-2.6	23.9	3(+)	20.6	68.5	10.9
Prices Received for Finished Goods	-1.5	-4.7	+3.2	5.9	7(-)	9.3	79.9	10.8
Wages and Benefits	9.0	6.8	+2.2	18.4	2(+)	15.1	78.8	6.1
Employment	3.1	-1.5	+4.6	6.0	1(+)	17.9	67.3	14.8
Hours Worked	5.8	-4.3	+10.1	2.3	1(+)	22.3	61.2	16.5
Capital Expenditures	-3.0	-10.5	+7.5	6.2	5(-)	14.5	68.0	17.5

General Business Conditions

Current (versus previous month)

Indicator	Jul Index	Jun Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	5.9	2.7	+3.2	6.2	2(+)	27.2	51.5	21.3
General Business Activity	-3.0	-6.1	+3.1	1.8	5(-)	26.0	44.9	29.0

Indicator	Jul Index	Jun Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	20.9	9.1	+11.8	13.6	26(+)	34.5	51.8	13.6

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

Indicator	Jul Index	Jun Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	37.2	38.7	-1.5	38.0	3(+)	51.3	34.6	14.1
Capacity Utilization	30.7	40.3	-9.6	34.9	3(+)	43.3	44.0	12.6
New Orders	38.6	33.9	+4.7	35.8	3(+)	51.4	35.8	12.8
Growth Rate of Orders	30.4	32.8	-2.4	26.4	3(+)	43.0	44.5	12.6
Unfilled Orders	2.7	8.7	-6.0	3.7	2(+)	12.5	77.7	9.8
Shipments	33.2	32.0	+1.2	36.7	3(+)	45.6	42.1	12.4
Delivery Time	4.8	0.7	+4.1	-1.8	2(+)	9.2	86.4	4.4
Finished Goods Inventories	1.0	1.9	-0.9	-0.5	2(+)	15.7	69.6	14.7
Prices Paid for Raw Materials	22.3	19.4	+2.9	33.2	4(+)	26.2	69.9	3.9
Prices Received for Finished Goods	10.9	7.7	+3.2	19.0	3(+)	21.8	67.3	10.9
Wages and Benefits	22.5	21.6	+0.9	37.6	3(+)	26.9	68.7	4.4
Employment	11.1	18.6	-7.5	21.7	2(+)	26.4	58.3	15.3
Hours Worked	9.9	4.8	+5.1	9.1	3(+)	20.5	68.9	10.6
Capital Expenditures	11.6	10.4	+1.2	19.5	2(+)	25.6	60.4	14.0

General Business Conditions
Future (six months ahead)

Indicator	Jul Index	Jun Index	Change	Series Average	Trend**	% Reporting Increase	% Reporting No Change	% Reporting Worsened
Company Outlook	18.7	16.2	+2.5	20.2	2(+)	34.4	49.9	15.7
General Business Activity	10.6	19.7	-9.1	13.7	2(+)	28.2	54.2	17.6

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

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

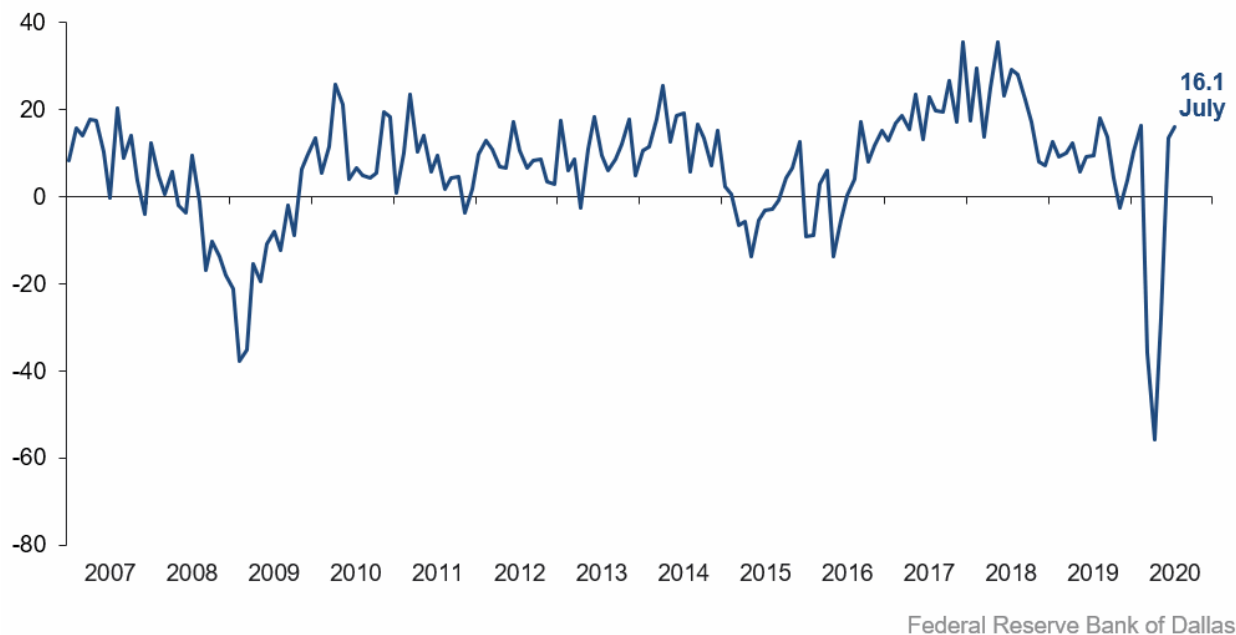
†Added to survey in January 2018.

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

Texas Manufacturing Outlook Survey Production Index

Index, seasonally adjusted



Comments from Survey Respondents

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

Chemical Manufacturing

- There is still a lot of uncertainty as COVID numbers surge. Any additional government shutdowns would lead to a drop in demand. Orders are slightly increasing week over week, but there's no major shift.
- The resurgence of COVID around the globe has extended our view of how long it will take to recover from the economic shock, especially in key industry sectors around autos/travel.
- Exports have improved due to some apparent reopening overseas. Slow auto sales have affected our sales, which are three levels lower in the supply chain. Customer forecasts had been lower and lower, but recent customer forecasts are improved slightly.

Plastics and Rubber Product Manufacturing

- Between the 11.1 percent unemployment in the U.S. and the continued need for social distancing and quarantining, new orders are considerably down. The WTI [West Texas Intermediate] oil price is hovering around \$40 per barrel, which in most cases is enough to allow drillers to resume with some profit, but it isn't necessary due to current oil demand. This continued lack of oil consumption makes our overall outlook uncertain. The upside is, someone has to give. Eventually, the U.S. will need to resume drilling in order to ensure there isn't a shortage. How long this will take is hard to determine, but expectations are that things will slowly begin to recover around the fourth quarter of this year or early in the first quarter of 2021.
- I hope it is not a worthless effort to expend energy to increase market share. While competition and the customer base are complacent to sit and observe that no vaccine silver bullet yet exists, we dare to be different. I don't get that so many of us wait for a virus to darken our doorway. Too often, only then do we get serious—in business, in our causes and even in our individual health circumstances. I am not fond of inertia.

Nonmetallic Mineral Product Manufacturing

- Planning is not impossible, but now it is more contingency planning for the short term instead of the normal 6–12–24-month plans. There are many more “what-if” questions to be answered. In the building materials business, the questions this week are “can we keep up with historically high demand?” coupled with “can we stay healthy?”

Primary Metal Manufacturing

- Demand for our building and construction industry raw material has increased significantly. Overall demand is up and, in addition to that, we have taken market share from our competitors who have had financial issues during COVID-19 that affected their overall service ability.

Fabricated Metal Manufacturing

- We feel the uncertainty will remain. Business is steady but is changing somewhat. Inventories on the supply chain are diminishing, leading to longer lead times for supplies.
- We cannot reopen [the economy] yet! Our business does not rely on outside foot traffic, small as we are and safe as we try to keep. We do not need random people coming in our door. Use the internet or phone!
- It's hard to get people to come to work and hard to hire anyone.
- Uncertainty of bank credit line renewal due to losses is a major concern. Small Business Administration PPP [Paycheck Protection Program] loan proceeds were expended last month.

Machinery Manufacturing

- The elections are now starting to be factored into my thinking of how business will be in the future. With a Biden and Democratic victory, we will see oil companies pull back significantly, and that will hurt the economy and my business. Democrats seem to tax more businesses and impose regulations that hurt everyone more and especially companies that require energy. This thinking always amazes me since energy is so vital to our economy for growth and individuals' freedom.
- New orders are starting to pour in, and we are busy again!
- It's almost as if someone turned off the spigot. Inquiries have virtually stopped. Orders have virtually stopped. Sales to date (July 14) are down 90 percent. The world has gone berserk. If this is “the new normal,” we may as well close shop.
- The COVID-19 threat is way overblown. The government needs to back off.

Computer and Electronic Product Manufacturing

- Auto demand is returning as factories in the U.S. and Europe come back online. Other markets remain stable. We remain cautious about demand.
- We deal with government entities. I don't know what the fallout and budget cuts from the current pandemic will be.
- The increase in COVID cases has created more uncertainty regarding the future.
- We need to let this pandemic take its course. Stopping the economy will cause bigger problems. Wear masks and practice good hygiene. Let business be open.

Transportation Equipment Manufacturing

- While our outlook has improved, the COVID-19 threat continues to be a black cloud that, if not removed, can quickly turn our outlook negative.
- The lack of consistency at the federal and state level of mandatory safety measures against COVID-19 is creating a lot of uncertainty and added cost to protect the employees. In addition, when there are confirmed cases, all of them community-related thus far (versus contracted at work), the contact tracing and isolation of potentially affected employees while awaiting test results is creating challenges for business continuity.
- New contract awards have declined precipitously during the period since June 1.

Food Manufacturing

- We do humanitarian food relief, now domestically as well as internationally. It is a volatile supply chain/production cycle trying to go into a huge and unfulfilled demand or need. We can provide as much as we can produce. We are a nonprofit. However, no margin equals no mission. We have a great business- and science-related board and will merge our mission into or with a demanding production schedule, at least for the foreseeable future. We are running 10–12-hour shifts as I write. Our smaller suppliers are under significant economic stress, and there is uncertainty once the PPP/support payments cease.
- In early July, we had an accident which impacted our production and sales volume for July. We anticipate the plant being back up to normal capacity and volume levels by the end of the month.

Textile Product Mills

- We are just planning day to day as we don't feel like we can do anything else. We're reacting to the environment while actively marketing our products.

Wood Product Manufacturing

- We have been exceptionally busy; our “will call” business has picked up as the Lowe's and Home Depots restrict activity. Construction in general has continued to be minimally affected by the pandemic. The lumber and panel markets are also rising, which increases sales numbers.

Paper Manufacturing

- The outlook for the remainder of 2020 has remained the same: A slow July falloff has reinforced the disappearance of a V-shaped recovery.

Printing and Related Support Activities

- The gradual opening up of the national economy is helping our customers and has encouraged them to spend more on marketing. The coming fall season is a big factor for many of our clients as they know they have to make it during these next few months or they will close down forever. I feel we will see a surge in our kind of marketing (direct mail) as it is the most measurable and gets good results. Since March, we have seen about one-third of the normal volumes, so the recent uptick to about one-half of normal is an encouraging trend.
- The inevitable decline in orders has happened after the surge in demand for consumer packaged goods in the first quarter (we produce packaging for consumer packaged goods). The second quarter was flat versus the prior year, and I am concerned that the third quarter will not equal last year due to demand drops from lack of sales to institutions (schools, hospitality industry). Double-digit unemployment rates and lack of consumer spending will adversely impact our business/industry.
- Like last month, we have one “angel” customer that has kept us very busy with overflow work that they would normally be doing in-house, but because of the shutdown and COVID-19 delays, they need help. It's been a huge blessing for us; otherwise, we would be at 20 to 30 percent of normal volume, with a huge furloughing of employees now that PPP funds have run out. We are starting to see some increase in activity, so perhaps August and September may not be that much of a bloodbath. We are very concerned with the possible extreme slowdown that could occur toward the end of the year and into 2021.

Miscellaneous Manufacturing

- The virus is beginning to hurt our business. We had to send two employees home today because they were around someone who had the virus.

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

July 27, 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 July 14–22, and 396 Texas business executives responded to the surveys.

How do your firm's current revenues compare with a typical July? 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	74.2	68.1
Entries of exactly 100	10.3	100.0
Entries greater than 100	15.5	145.4
All entries	100.0	83.4

NOTES: 380 responses. This same question was posed in May and June.

What are the primary factors restraining your firm's revenues? Please select up to three.

	Response (percent)
Weak demand	65.4
Limited operating capacity due to staffing shortages (COVID-19 infections and quarantining, absenteeism, difficulty hiring, etc.)	24.4
Limited operating capacity due to state/local restrictions	23.5
Supply chain disruptions	19.3
Reduced productivity due to alternative work arrangements	16.9
Other	18.4

NOTES: 332 responses. Twelve percent of total respondents marked "Not applicable, revenues are not being restrained." This group was excluded from the calculated results for this question. The most common "other" factors specified were general disruption from the pandemic, clients' ability to pay and low oil prices.

How does your firm's current employee head count compare with February (pre-COVID)? For example, if head count is down 20 percent from February, enter 80 percent. If head count 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	51.2	70.8
Entries of exactly 100	34.8	100.0
Entries greater than 100	14.0	140.6
All entries	100.0	90.7

NOTES: 371 responses. This same question was posed in June.

Has your firm taken any of the following steps over the past month in response to the recent rise in COVID-19 infections in Texas? Please select all that apply.

	Response (percent)
Increased spending on health and safety equipment at facility	62.1
Decreased number of employees working on-site	46.1
Postponed efforts to bring telecommuting workers back on-site	37.4
Reduced customer capacity at business location(s)	26.3
Partially shut down business operations temporarily	24.7
Postponed plans for recalling furloughed workers or new hiring	13.7
Laid off or furloughed workers	13.4
Fully shut down business operations temporarily	3.1
Partially shut down business operations permanently	2.3
Fully shut down business operations permanently	0.5
None	12.4

NOTE: 388 responses.

What are the primary logistical challenges to operating your business currently? Please select up to three.

	Response (percent)
Managing employee COVID-19 screening and quarantine/sick leave rules	43.9
Maintaining health protocols at facility (disinfecting surfaces, configuring workspace and/or customer seating arrangements with six feet of separation, etc.)	40.1
Enforcing health protocols among employees (social distancing, hand hygiene, etc.)	39.0
Scheduling and maintaining sufficient staffing levels	32.7
Enforcing face covering and social distancing rules for customers	25.9
Understanding guidelines from state/local officials	22.9
Other	12.8

NOTES: 367 responses. The most common "other" challenges specified were employee productivity and lack of face-to-face interaction and networking.

Given your current outlook, how likely is it that your business will permanently shut down within the next 12 months?

	Response (percent)
Not likely	91.2
Somewhat likely	5.7
Very likely	3.1

NOTE: 388 responses.

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 July 14–22, and 107 Texas manufacturers responded to the survey.

How do your firm's current revenues compare with a typical July? 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	73.8	66.9
Entries of exactly 100	6.8	100.0
Entries greater than 100	19.4	129.7
All entries	100.0	81.3

NOTES: 103 responses. This same question was posed in May and June.

What are the primary factors restraining your firm's revenues? Please select up to three.

	Response (percent)
Weak demand	72.8
Limited operating capacity due to staffing shortages (COVID-19 infections and quarantining, absenteeism, difficulty hiring, etc.)	34.8
Supply chain disruptions	28.3
Reduced productivity due to alternative work arrangements	12.0
Limited operating capacity due to state/local restrictions	4.3
Other	9.8

NOTES: 92 responses. Eleven percent of total respondents marked "Not applicable, revenues are not being restrained." This group was excluded from the calculated results for this question.

How does your firm's current employee head count compare with February (pre-COVID)? For example, if head count is down 20 percent from February, enter 80 percent. If head count 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	52.5	73.7
Entries of exactly 100	26.3	100.0
Entries greater than 100	21.2	173.3
All entries	100.0	101.7

NOTES: 99 responses. This same question was posed in June.

Has your firm taken any of the following steps over the past month in response to the recent rise in COVID-19 infections in Texas? Please select all that apply.

	Response (percent)
Increased spending on health and safety equipment at facility	71.4
Postponed efforts to bring telecommuting workers back on-site	40.0
Decreased number of employees working on-site	38.1
Partially shut down business operations temporarily	23.8
Reduced customer capacity at business location(s)	16.2
Postponed plans for recalling furloughed workers or new hiring	12.4
Laid off or furloughed workers	11.4
Partially shut down business operations permanently	1.0
Fully shut down business operations temporarily	0.0
Fully shut down business operations permanently	0.0
None	12.4

NOTE: 105 responses.

What are the primary logistical challenges to operating your business currently? Please select up to three.

	Response (percent)
Managing employee COVID-19 screening and quarantine/sick leave rules	61.0
Enforcing health protocols among employees (social distancing, hand hygiene, etc.)	47.0
Scheduling and maintaining sufficient staffing levels	42.0
Maintaining health protocols at facility (disinfecting surfaces, configuring workspace and/or customer seating arrangements with six feet of separation, etc.)	42.0
Understanding guidelines from state/local officials	17.0
Enforcing face covering and social distancing rules for customers	15.0
Other	8.0

NOTE: 100 responses.

Given your current outlook, how likely is it that your business will permanently shut down within the next 12 months?

	Response (percent)
Not likely	94.3
Somewhat likely	3.8
Very likely	1.9

NOTE: 105 responses.

Special Questions Comments

These comments have been edited for publication.

Chemical Manufacturing

- We are managing the COVID issues well, but it is a lot of hard work by on-site medical staff and leadership in general.
- Administering COVID issues takes significant management time. Employees are still paid when told to quarantine. We're working shifts at 50 percent staffing but paying all employees fully.

Plastics and Rubber Product Manufacturing

- Our COVID protocol started in March, and our people have been resilient since day one (no enforcement, just reinforcement).

Primary Metal Manufacturing

- Potential employees can make close to what we pay by staying on government subsidies.

Fabricated Metal Manufacturing

- We are dependent on bank financing renewal and obtaining consistent, profitable business to at least maintain break-even operations. It would be extremely helpful to receive/qualify for a second Small Business Administration PPP [Paycheck Protection Program] loan that could be all or partially forgiven. We have used our first PPP loan to keep all employees on a 40-hour week.

Machinery Manufacturing

- Our competition is having a more difficult time than we are. We expect that they will go out of business because they did not diversify their business like we did years ago. Financially we are stronger and well managed for times like this and have stress tested our company every year for situations like today. We expect that COVID-19 will be around for another 12 months at a minimum.
- The overreaction to COVID is worse than the virus itself. It is needlessly destroying many businesses.
- I am extremely upset over government overreach and overreaction to a stupid virus, especially the Texas government. Never in my wildest dreams did I ever expect Texas to throw out common sense and try to enforce unconstitutional edicts by a governor bypassing duly elected people's representatives. I pray every day our nation will return to some level of sanity and that God will intervene on behalf of working Americans to restore the right not only to work but to provide for families across this republic. We are in major trouble.

Computer and Electronic Product Manufacturing

- We are currently operating at a survivable rate. With the help of the PPP loan, our cash flow is sufficient to weather the current revenue shortfalls on our system sales business. As our recurring revenues increase, we will become less reliant on system sales.
- There has been enough time for the scientific research to finally come up with some real figures here comparing before and after COVID. How many people die from other diseases or preexisting conditions that are currently being blamed on and named COVID? How many people would die anyway from other diseases in comparison to the numbers we are seeing? Where are we really on prevention vaccines and treatment of this disease? We can't continue to shut down businesses and have high unemployment for much longer. Business are shutting down already. This is a disaster that needs to be resolved. Stop the politics.

Transportation Equipment Manufacturing

- An uncontrollable renewed outbreak of the virus in our area would have serious consequences, as it would if the virus impacted our supply chain.

Food Manufacturing

- Ours is a unique hybrid of net-operating-income-driven humanitarian relief. We have no desire for growth, and we distribute via partnerships. I call it a war. We deal with fear, uncertainty, doubt and the fog of war by constantly working on critical thinking skills and the ability to adapt using emotional intelligence and a high level of equipment and staff management.

Wood Product Manufacturing

- We have a number of COVID-positive employees, and that has affected some of our operations. People have to do additional work and work overtime and on weekends to get all the orders delivered.

Printing and Related Support Activities

- Employee support for PPE [personal protective equipment]-wearing is good. Management must constantly enforce it, but employee support is not an issue.

Furniture and Related Product Manufacturers

- We are struggling to find help even with the high unemployment rates. With the excessively high unemployment benefits being given, many people appear to prefer to collect unemployment than work for \$10–12 an hour.

Texas Service Sector Outlook Survey

Data were collected July 14–22, and 289 Texas business executives responded to the survey.

How do your firm's current revenues compare with a typical July? 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	74.4	68.6
Entries of exactly 100	11.6	100.0
Entries greater than 100	14.1	153.4
All entries	100.0	84.2

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

What are the primary factors restraining your firm's revenues? Please select up to three.

	Response (percent)
Weak demand	62.5
Limited operating capacity due to state/local restrictions	30.8
Limited operating capacity due to staffing shortages (COVID-19 infections and quarantining, absenteeism, difficulty hiring, etc.)	20.4
Reduced productivity due to alternative work arrangements	18.8
Supply chain disruptions	15.8
Other	21.7

NOTES: 240 responses. Thirteen percent of total respondents marked "Not applicable, revenues are not being restrained." This group was excluded from the calculated results for this question.

How does your firm's current employee head count compare with February (pre-COVID)? For example, if head count is down 20 percent from February, enter 80 percent. If head count 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	50.7	69.7
Entries of exactly 100	37.9	100.0
Entries greater than 100	11.4	118.4
All entries	100.0	86.7

NOTES: 272 responses. This same question was posed in June.

Has your firm taken any of the following steps over the past month in response to the recent rise in COVID-19 infections in Texas? Please select all that apply.

	Response (percent)
Increased spending on health and safety equipment at facility	58.7
Decreased number of employees working on-site	49.1
Postponed efforts to bring telecommuting workers back on-site	36.4
Reduced customer capacity at business location(s)	30.0
Partially shut down business operations temporarily	25.1
Postponed plans for recalling furloughed workers or new hiring	14.1
Laid off or furloughed workers	14.1
Fully shut down business operations temporarily	4.2
Partially shut down business operations permanently	2.8
Fully shut down business operations permanently	0.7
None	12.4

NOTE: 283 responses.

What are the primary logistical challenges to operating your business currently? Please select up to three.

	Response (percent)
Maintaining health protocols at facility (disinfecting surfaces, configuring workspace and/or customer seating arrangements with six feet of separation, etc.)	39.3
Managing employee COVID-19 screening and quarantine/sick leave rules	37.5
Enforcing health protocols among employees (social distancing, hand hygiene, etc.)	36.0
Enforcing face covering and social distancing rules for customers	30.0
Scheduling and maintaining sufficient staffing levels	29.2
Understanding guidelines from state/local officials	25.1
Other	14.6

NOTE: 267 responses.

Given your current outlook, how likely is it that your business will permanently shut down within the next 12 months?

	Response (percent)
Not likely	90.1
Somewhat likely	6.4
Very likely	3.5

NOTE: 283 responses.

Special Questions Comments

These comments have been edited for publication.

Warehousing and Storage

- We continue to work efficiently with most of our administrative staff working remotely. We are currently at 25 percent occupancy on our administrative buildings and intend to remain at that level for the foreseeable future.

Publishing Industries (Except Internet)

- [We have the] same basic issues: more uncertainty from our customers' spending than our own COVID-19 challenges due to remote work adaptability.

Credit Intermediation and Related Activities

- We are anticipating continued adjustments to normal business environment due to the pandemic.

Insurance Carriers and Related Activities

- Our workforce is on site, but we are restricting access by visitors.

Rental and Leasing Services

- We have always run our faith-based, very philanthropic, 60-year-old, family-owned company conservatively, unlike many of those companies [that were given] PPP funds. But starting in February, we began eliminating all debt, travel, meals, entertainment, hotels, meetings, etc. We started accumulating cash, and we reduced head count. (We had gotten too heavy anyway and felt we were really going to be too heavy if the virus ramped up, which it has.) So overall, we remain debt free and very strong financially; however, our revenue pipeline is significantly impacted by the virus and our self-induced economic disaster. No business can stand that forever!

Professional, Scientific and Technical Services

- We have adopted a permanent flexible work experience for all our offices. People can work from home or come in.
- We are pushing to build opportunities despite the uncertainty.
- As a sole-proprietor consulting business in the energy arena, I will not shut down. I may not have any revenue, but my expenses are fairly manageable for the next one to three years.
- [This is] hard to manage, but there's light at the end of the tunnel. Our greatest challenge right now is working capital availability.
- Our large customers are generally buying. Middle- and small-sized customers (in both the U.S. and overseas) are not buying much at all (versus pre-COVID-19), affecting our revenue.
- July is not much different from June. We reopened offices starting in May and completed in June. Few changes have been needed in July.

Administrative and Support Services

- We are booked out for months. We continue to book business, but we simply cannot get it out the door effectively.
- I need to state once again: We, as a country, need to have one policy for pandemic events. This would expedite the levels of confidence and health of this country, in my opinion, the most. The business of this country can and should continue; we just need to all follow the same rules. I know I do not like confusion from my leaders at this time.
- Finding and maintaining quality products for our customers has been a challenge.
- Despite costs related to COVID-19, we have lowered our operating costs and are currently remaining profitable.
- Technology is a key factor in successfully implementing remote working conditions.
- There is a lack of understanding of the incubation period and the time frame to return to work. So, if you test positive, you quarantine until there is no fever for three to five days and return to work versus if you come in contact [with an infected person], you quarantine for 14 days. Oh, and if an employee quarantines, you have to pay them. Where do those funds come from? Very confusing!

Ambulatory Health Care Services

- Other than financial issues (important but far from critical), the delay in patients accessing health care is magnifying every issue—late presentations of medical complications, delayed cancer diagnoses, delayed cancer care, fewer touch points. Telehealth is a very weak substitute on a longer-term basis.
- The home-based health care service providers are fully equipped to continue to take care of patients in the COVID-19 environment. Key support is needed from mask wearing, social distancing and good hand sanitization techniques by the population at large to minimize a high possibility of community-based infection affecting our staff while they visit the patients' homes to take care of them. This exposure is of the highest concern because each and every employee with possible COVID-19 infection is quarantined and may not be able to service their assigned patients. Community participation is critical to get this behind us.
- Air purification system equipment ordered in mid-March and promised in four to six weeks continues to be on "backorder" or else is being shipped to larger customers first we think. Supply-chain communication has been terrible.

Nursing and Residential Care Facilities

- Despite revenues declining more and more each month since the COVID-19 outbreak, we are absolutely committed to taking care of the 10,000 senior adults in our communities. This has required us to expend significant additional funds to keep all our communities safe and even more so at communities that have had a COVID-19 positive resident or employee. Unfortunately, the senior-living industry as a whole has received little to no relief from governmental agencies to date, unlike the nursing home industry and the overall health care industry, which have received significant relief funds. We are hopeful that will change in the coming months and allow us to continue to care for our seniors as they expect and deserve.

Food Services and Drinking Places

- We plan to hang in there.
- The biggest concern and effect on our business is the extra \$600 a week the unemployed are getting to stay at home versus working. That is hurting us, as people don't want to get out and work for a living when the government is giving them more money to stay at home.
- I really need [permission] to put my mobile carts back to work and start selling my hot dogs; that way I can bring back my 15 employees.
- Over 50 percent of our employees who test positive are not ill or have minor symptoms. Yet, all others exposed to them must be laid off with pay for 10 days—a burden!

Personal and Laundry Services

- Rumors are circulating that Gov. [Greg] Abbott may shut down Texas again for 30 days. If this were to happen, it would be detrimental to my businesses and employees.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- The CARES [Coronavirus Aid, Relief and Economic Security] Act should be extended, especially for the retail sector.
- Although we are unlikely to shut down within the next 12 months, our business will be severely crippled if this pandemic goes on for another 12 months without a vaccine.

Texas Retail Outlook Survey

Data were collected July 14–22, and 52 Texas retailers responded to the survey.

How do your firm's current revenues compare with a typical July? 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	76.0	77.9
Entries of exactly 100	6.0	100.0
Entries greater than 100	18.0	138.9
All entries	100.0	90.2

NOTES: 50 responses. This same question was posed in May and June.

What are the primary factors restraining your firm's revenues? Please select up to three.

	Response (percent)
Supply chain disruptions	54.3
Weak demand	52.2
Limited operating capacity due to staffing shortages (COVID-19 infections and quarantining, absenteeism, difficulty hiring, etc.)	23.9
Limited operating capacity due to state/local restrictions	21.7
Reduced productivity due to alternative work arrangements	13.0
Other	21.7

NOTES: 46 responses. Six percent of total respondents marked "Not applicable, revenues are not being restrained." This group was excluded from the calculated results for this question.

How does your firm's current employee head count compare with February (pre-COVID)? For example, if head count is down 20 percent from February, enter 80 percent. If head count 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	52.0	80.0
Entries of exactly 100	44.0	100.0
Entries greater than 100	4.0	142.5
All entries	100.0	91.3

NOTES: 50 responses. This same question was posed in June.

Has your firm taken any of the following steps over the past month in response to the recent rise in COVID-19 infections in Texas? Please select all that apply.

	Response (percent)
Increased spending on health and safety equipment at facility	70.6
Decreased number of employees working on-site	31.4
Reduced customer capacity at business location(s)	23.5
Postponed efforts to bring telecommuting workers back on-site	23.5
Partially shut down business operations temporarily	19.6
Laid off or furloughed workers	15.7
Postponed plans for recalling furloughed workers or new hiring	7.8
Partially shut down business operations permanently	2.0
Fully shut down business operations temporarily	0.0
Fully shut down business operations permanently	0.0
None	13.7

NOTE: 51 responses.

What are the primary logistical challenges to operating your business currently? Please select up to three.

	Response (percent)
Enforcing health protocols among employees (social distancing, hand hygiene, etc.)	50.0
Maintaining health protocols at facility (disinfecting surfaces, configuring workspace and/or customer seating arrangements with six feet of separation, etc.)	50.0
Enforcing face covering and social distancing rules for customers	45.8
Managing employee COVID-19 screening and quarantine/sick leave rules	41.7
Scheduling and maintaining sufficient staffing levels	29.2
Understanding guidelines from state/local officials	12.5
Other	2.1

NOTE: 48 responses

Given your current outlook, how likely is it that your business will permanently shut down within the next 12 months?

	Response (percent)
Not likely	92.2
Somewhat likely	2.0
Very likely	5.9

NOTE: 51 responses.

Special Questions Comments

Merchant Wholesalers, Durable Goods

- COVID-19 is a business disruptor, but we are powering through the regulations and safety issues to deliver our goods and services to our customers. So far, our customers are being cooperative with us and understanding as we deliver service to them.

Motor Vehicle and Parts Dealers

- Despite the tremendous increase in COVID-19 cases, we have not seen a drop-off in customer traffic at the dealership retail level.

Building Material and Garden Equipment and Supplies Dealers

- PPP [Paycheck Protection Program] allowed us to keep employees and bridge our business uncertainty.

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