



Texas **Service Sector** Outlook Survey

October 30, 2018

Texas Service Sector Activity Expands at a Slower Pace

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on credit availability and borrowing conditions. 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 service sector activity continued to grow in October, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, fell from 26.9 in September to 19.4 in October.

Labor market indicators continued to reflect employment growth and longer workweeks this month. The employment index was mostly unchanged at 13.1, while the hours worked index also held steady at 6.2.

Perceptions of broader economic conditions reflected less optimism in October. The general business activity index plunged from 25.6 to 14.1, while the company outlook index declined 10 points to 11.2. Nevertheless, the outlook uncertainty index dipped slightly from 9.0 in September to 8.0 in October.

Price and wage pressures remained elevated this month. The wages and benefits index inched down from 21.6 to 20.2 in October. The selling price index was largely unchanged at 16.1.

Respondents' expectations regarding future business conditions were positive but somewhat diminished compared with September. The future general business activity index fell seven points to 20.9, its lowest value in over a year, while the future company outlook index fell over five points to 22.8. Other indexes of future service sector activity, such as revenue and employment, continued to reflect optimism this month.



Texas **Retail** Outlook Survey

Retail Sales Increase at a Slower Pace

Retail sales continued to grow in October but at a slower pace compared with September, according to business executives responding to the Texas Retail Outlook Survey. The sales index declined from 24.2 in September to 14.8 in October. Growth in inventories slowed significantly, with the inventories index plummeting over 16 points to 6.0.

Retail employment growth decelerated and workweeks continued to increase this month. The employment index declined sharply but remained positive at 5.6. The hours worked index was largely unchanged at 4.4.

Retailers' perceptions of broader economic conditions reflected less optimism in October. The general business activity index plummeted from 21.2 to -1.1, while the company outlook index declined nearly 20 points to 2.8.

Retail price pressures eased but wage pressures increased in October. The selling prices index declined nearly 10 points but remained elevated at 19.7. The wages and benefits index increased from 15.0 to 17.5.

Retailers' perceptions of future economic conditions softened considerably in October. The index of future general business activity declined 14 points to 6.8, its lowest reading in over a year. Future company outlooks were less optimistic, as the index declined nine points to 13.6. Other indexes of future retail sector activity, such as sales and employment, remained solidly in positive territory.

The Texas Retail Outlook Survey is a component of the Texas Service Sector Outlook Survey that uses information only from respondents in the retail and wholesale sectors.

Next release: November 27, 2018

Data were collected Oct. 16–24, and 225 Texas service sector and 58 retail sector business executives responded to the survey. The Dallas Fed conducts the Texas Service Sector Outlook Survey monthly to obtain a timely assessment of the state's service sector activity. Firms are asked whether revenue, employment, prices, general business activity 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.

Texas Service Sector Outlook Survey

Business Indicators Relating to Facilities and Products in Texas

Current (versus previous month)

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	%	%	%
						Reporting Increase	Reporting No Change	Reporting Decrease
Revenue	19.4	26.9	-7.5	Increasing	106	32.9	53.6	13.5
Employment	13.1	13.8	-0.7	Increasing	104	20.2	72.7	7.1
Part-Time Employment	5.4	5.4	0.0	Increasing	9	8.2	89.0	2.8
Hours Worked	6.2	6.9	-0.7	Increasing	24	9.2	87.8	3.0
Wages and Benefits	20.2	21.6	-1.4	Increasing	113	23.1	74.0	2.9
Input Prices	28.6	28.5	+0.1	Increasing	114	30.8	67.0	2.2
Selling Prices	16.1	15.4	+0.7	Increasing	32	18.8	78.5	2.7
Capital Expenditures	12.6	18.5	-5.9	Increasing	110	18.7	75.3	6.1

General Business Conditions

Current (versus previous month)

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	%	%	%
						Reporting Improved	Reporting No Change	Reporting Worsened
Company Outlook	11.2	21.2	-10.0	Improving	28	18.9	73.5	7.7
General Business Activity	14.1	25.6	-11.5	Improving	26	22.5	69.0	8.4

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	%	%	%
						Reporting Increase	Reporting No Change	Reporting Decrease
Outlook Uncertainty†	8.0	9.0	-1.0	Increasing	9	19.7	68.5	11.7

Business Indicators Relating to Facilities and Products in Texas

Future (six months ahead)

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	%	%	%
						Reporting Increase	Reporting No Change	Reporting Decrease
Revenue	43.7	46.9	-3.2	Increasing	116	53.4	36.9	9.7
Employment	33.4	32.1	+1.3	Increasing	115	40.0	53.4	6.6
Part-Time Employment	12.4	10.9	+1.5	Increasing	76	15.9	80.6	3.5
Hours Worked	6.1	8.7	-2.6	Increasing	26	11.8	82.5	5.7
Wages and Benefits	48.5	49.2	-0.7	Increasing	142	51.0	46.5	2.5
Input Prices	50.0	46.9	+3.1	Increasing	142	52.3	45.5	2.3
Selling Prices	33.6	33.7	-0.1	Increasing	114	37.3	59.0	3.7
Capital Expenditures	29.5	28.4	+1.1	Increasing	115	34.0	61.6	4.5

General Business Conditions
Future (six months ahead)

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	%	%	%
						Reporting Improved	Reporting No Change	Reporting Worsened
Company Outlook	22.8	28.1	-5.3	Improving	32	32.6	57.7	9.8
General Business Activity	20.9	28.1	-7.2	Improving	32	30.4	60.0	9.5

Texas Retail Outlook Survey

Business Indicators Relating to Facilities and Products in Texas Retail (versus previous month)

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	14.8	24.2	-9.4	Increasing	6	35.5	43.8	20.7
Employment	5.6	17.9	-12.3	Increasing	14	16.8	72.0	11.2
Part-Time Employment	0.0	2.3	-2.3	No Change	1	8.8	82.5	8.8
Hours Worked	4.4	3.5	+0.9	Increasing	16	11.2	82.0	6.8
Wages and Benefits	17.5	15.0	+2.5	Increasing	92	21.7	74.1	4.2
Input Prices	31.0	31.5	-0.5	Increasing	33	35.6	59.8	4.6
Selling Prices	19.7	29.5	-9.8	Increasing	19	29.9	59.9	10.2
Capital Expenditures	5.2	16.0	-10.8	Increasing	27	13.8	77.6	8.6
Inventories	6.0	22.3	-16.3	Increasing	5	23.3	59.4	17.3
Companywide Retail Activity								
Companywide Sales	16.6	17.4	-0.8	Increasing	6	34.0	48.7	17.4
Companywide Internet Sales	6.1	6.9	-0.8	Increasing	6	22.3	61.5	16.2

General Business Conditions, Retail Current (versus previous month)

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	2.8	22.7	-19.9	Improving	19	18.1	66.6	15.3
General Business Activity	-1.1	21.2	-22.3	Worsening	1	16.5	65.9	17.6

Outlook Uncertainty Current (versus previous month)

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	5.2	2.3	+2.9	Increasing	5	20.7	63.8	15.5

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

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	25.7	35.4	-9.7	Increasing	116	43.2	39.2	17.5
Employment	22.8	22.5	+0.3	Increasing	17	26.5	69.8	3.7
Part-Time Employment	10.0	1.2	+8.8	Increasing	8	14.1	81.8	4.1
Hours Worked	1.4	4.4	-3.0	Increasing	15	9.4	82.6	8.0
Wages and Benefits	40.7	45.9	-5.2	Increasing	118	44.8	51.2	4.1
Input Prices	38.9	34.9	+4.0	Increasing	114	42.6	53.7	3.7
Selling Prices	28.3	34.1	-5.8	Increasing	114	34.0	60.4	5.7
Capital Expenditures	14.8	11.6	+3.2	Increasing	25	20.4	74.1	5.6
Inventories	16.5	8.5	+8.0	Increasing	24	27.2	62.1	10.7
Companywide Retail Activity								
Companywide Sales	27.4	33.6	-6.2	Increasing	115	42.7	42.0	15.3
Companywide Internet Sales	10.3	20.7	-10.4	Increasing	27	28.2	53.8	17.9

**General Business Conditions, Retail
Future (six months ahead)**

Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	13.6	22.1	-8.5	Improving	23	28.4	56.8	14.8
General Business Activity	6.8	20.5	-13.7	Improving	26	24.8	57.2	18.0

*Indicator direction refers to this month's index. If index is positive (negative), indicator is increasing (decreasing) or improving (worsening). If zero, indicator is unchanged.

**Number of months moving in current direction.

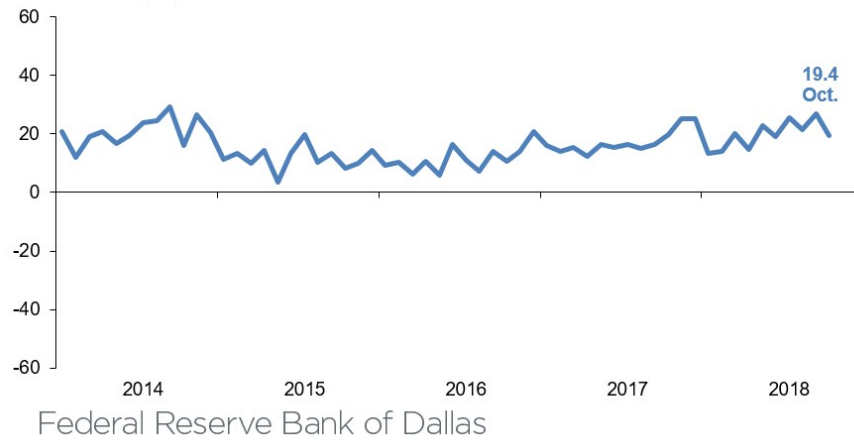
†Added to survey in January 2018.

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.

Texas Service Sector Outlook Survey

Texas Service Sector Outlook Survey Revenue Index

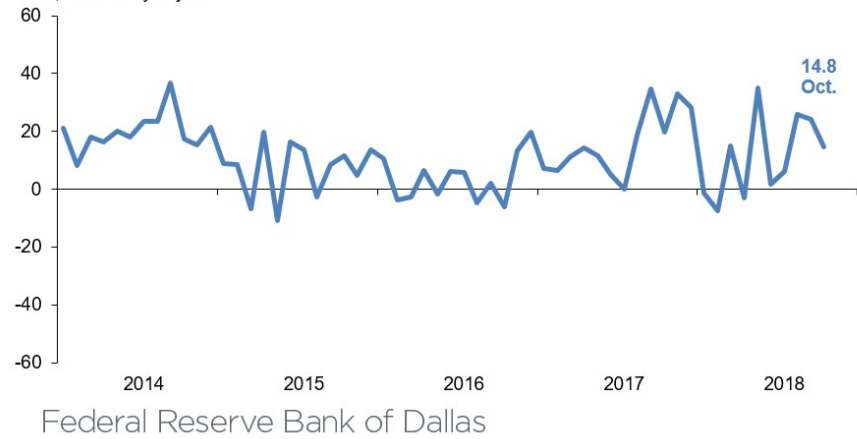
Index, seasonally adjusted



Texas Retail Outlook Survey

Texas Retail Outlook Survey Sales Index

Index, seasonally adjusted



Texas Service Sector Outlook Survey

October 30, 2018

Comments from Survey Respondents

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

Support Activities for Mining

- We are seeing some issues/price increases from tariffs.

Utilities

- There continues to be an increase in the level of uncertainty related to the trade disputes. It appears that activity is starting to slow down some as this uncertainty is built into forecasts for next year.

Pipeline Transportation

- The increase in uncertainty is related to imposition of tariffs and trade issues.

Data Processing, Hosting and Related Services

- The red tape to get deals done has definitely increased. There is a lot of due diligence to understand potential "risks" of compliance, regulations, technology, data and company details. Business looks good; it's just much harder to get to the revenue nowadays.

Credit Intermediation and Related Activities

- The only negative factor in our region curtailing business activity at this time is a tremendous amount of rain. The good can be bad sometimes. Projects are being delayed all over Central and East Texas with flooding becoming more prevalent. The second phase of the wind farm is beginning to ramp up, and that activity will help several rural communities. Sale tax revenues were up again for the county, and that should continue through hunting season.
- I'm concerned that interest rates are being raised too quickly instead of gradually.
- Wage and input cost increases are reducing profitability. Demand for financial services is beginning to slow.

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

- We are in the real estate services industry. Activity is tanking and doing so at a rapid clip. We work with homebuilders who are reporting a seismic cliff. One statewide builder we work with went from 130 average orders each month this year to seven. Mortgage companies we work with are terminating large groups of employees each week due to the massive decline in their business. Our orders are down as well. There is a sudden and swift negative change being felt in the real estate service industry.
- Wages and benefits are increasing faster than can be passed on in price increases.

Insurance Carriers and Related Activities

- Rising rates are causing uncertainty in the housing market. We are watching closely.

Real Estate

- Mid-term elections have put the upper-end housing market on pause. We feel like activity will pick up after folks are able to digest the election results.
- The Kavanaugh hearings were stressful psychologically to buyers. San Antonio has had a lot of rain, which keeps people less happy.

Professional, Scientific and Technical Services

- Not only are there fewer zoning entitlement jobs available but also more competition that drives down pricing. I would suspect that we will see a reduction in building permits as a result.
- The market is going through a shakeout at the moment—fewer competitors in the future.

- No doubt there is some uncertainty creeping into the outlook. Volatility in markets is tied to rising rates and uncertainty around how high they will climb, political instability, both home and abroad, lingering trade issues, etc. We generally believe 2019 holds some promise of continued growth, but it is likely to be a bumpy road to get there (and also somewhat muted compared to “bursts” in 2018). Clients are just being somewhat cautious right now as we all watch to see what does in fact transpire.
- The economy and business climate are excellent in the U.S. and worldwide. Our software products are selling very well worldwide. We expect stronger 2018 revenue and profit for our company than in 2017.
- We finally got a resolution to NAFTA (North American Free Trade Agreement). This should “open the faucet” for new projects and investment.
- Rising mortgage rates have slowed down home sales in the residential market but have not had much effect on the commercial market. Going into the fourth quarter, we see the commercial market remaining strong, with continued easing in the residential market. We anticipate the commercial market will follow suit sometime during 2019. This is still a great market, but it is returning to a more traditional market of the past.
- Things are actually surprisingly good for us right now. I feel like we may have to hire soon, but the fortunate thing for us is that in our industry (marketing), we can hire remote and fractionally.
- This month's revenue decrease is a one-time event due to reworking of some prior months' billing, and it's not expected to affect annual or long-term results.
- Tariffs are affecting us as is the political unrest. Mid-term elections are not helping. There is abundant negativity and pessimism.
- We continue to worry regarding the impact of trade wars; the increase in interest rates; a slowdown in real estate (primarily east coast, but expect it to spread); and mid-term elections.
- We are completely clueless as to the future. Proposals are at the same level as 2009, but new work continues to come in the door.

Management of Companies and Enterprises

- There is too much government regulation.

Administrative and Support Services

- We continue to see mixed results with our customers. Some are doing well and growing, and some are cutting back and lowering budgets.
- The corporate aviation sector has remained consistent from last month—no major changes in either direction. The industrial sector (machined components) has had lower RFQs (request for quotations) from last month. The industrial sector (oil and gas) has seen an increase in RFQs from last month. Overall, conditions seem to have stabilized, with some pessimism creeping into the minds of other company owners that I have talked with.
- September and October have been very, very rainy. It has substantially reduced production and, consequently, backlogs have increased and profits decreased for the year.
- The business model is changing—moving away from a middle supplier and toward individual service.
- As a government contractor and a recipient of two new government contracts, my company's five-year plan looks very healthy.

Ambulatory Health Care Services

- Our increase noted for the future six months relates to expected increases in health care costs, not an increase in wages, which have been stable.

Nursing and Residential Care Facilities

- Continued high levels of new construction have created an oversupply of seniors' housing that continues to worsen conditions within the industry.
- There is uncertainty about health care policy issues—Medicare payment policies, regulatory pressures, “alternative payment mechanisms,” merger/acquisition activity in the health care marketplace, etc.—with an increasing federal budget deficit creating intense pressure on health care providers.

Performing Arts, Spectator Sports and Related Industries

- We continue to look for dependable employees.

Amusement, Gambling and Recreation Industries

- It is absolutely a nightmare to hire and retain employees in hospitality and many related fields like truck drivers to bring the food and beverages to us, etc. Therefore, we are constantly readjusting wages, schedules and benefits. As an example, we have been told that one of the big hotels is so desperate for employees that they are sending shuttle buses back and forth to San Antonio to pick up employees. This is before three or four new hotels are about to open up in downtown. The cost of living in Austin continues to rise, and it is very difficult to keep employees coming downtown. We are about to break under the weight of our own success.

Accommodation

- Revenue growth is challenged.
- Many of the increases are a result of the seasonality of the business, particularly in Florida and California. Cost increases (input and capital) are no surprise; historically, we accelerate spending in the first quarter to prepare for business demands in the second and third quarters.

Food Services and Drinking Places

- The mid-term elections contain significant uncertainty.
- We will have a price increase in January to cover raises and cost increases routinely passed on from our vendors. Raises will probably average about 3 percent, and price increases will be approximately 2 percent overall.
- It is very difficult to find unskilled and semi-skilled workers. Pay requests are unusually high.
- We are still recovering from Hurricane Harvey. The heavy rains from tropical system invest 95L caused another temporary shutdown and additional repairs.
- Lots of rain during September hurt our sales.
- Our business slows down September, October and November and it picks up again in December. Those are our three worst months.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- Uncertainty of health care affects expense planning.

Merchant Wholesalers, Durable Goods

- An increase in input and selling prices is primarily due to import tariffs.

Motor Vehicle and Parts Dealers

- Increased interest rates will negatively affect the middle-market companies.
- Orders to the manufacturers of the products we sell (medium and heavy trucks) have increased significantly, and the ability to get parts and make room for additional production has been difficult.
- Higher interest rates are impacting us and will get worse with additional hikes coming. Margins continue to be compressed. Expenses have increased; floor planning, health care and property taxes are major concerns. Consumer "affordability" is a problem and that, too, will become a greater problem. Manufacturers can't continue to increase to offset interest rate hikes and other expenses. The business model is flawed.

Building Material and Garden Equipment and Supplies Dealers

- We feel rates are going up too fast and something is wrong with GDP (gross domestic product), unemployment, etc. We don't think the economy is as good as they're saying.

Health and Personal Care Stores

- In the pharmacy business, the insurance industry still creates extremes in reimbursement and is still the leading cause of economic uncertainty. I am considering a new store in the near future, and locally high rents are an important factor in considering the location, even though it seems that retail and office space is overbuilt.

Clothing and Clothing Accessories Stores

- The tariff issues are getting scary.
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Questions regarding the Texas Service Sector Outlook Survey can be addressed to Christopher Slijk at christopher.slijk@dal.frb.org.

Texas **Business** Outlook Surveys

Special Questions

October 29, 2018

Results below include responses from participants of all three surveys: Texas Manufacturing Outlook Survey, Texas Service Sector Outlook Survey and Texas Retail Outlook Survey.

Texas Business Outlook Surveys

Data were collected Oct. 16–24, and 388 Texas business executives responded to the surveys.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Eased substantially	1.8	0.7	0.5	1.9	1.5
Eased somewhat	11.8	7.0	7.8	7.2	6.7
No change	48.0	47.4	46.5	47.2	45.9
Tightened somewhat	5.5	12.3	9.1	5.8	9.8
Tightened substantially	2.6	2.0	3.4	2.1	3.1
Not applicable—haven't sought credit	30.3	30.8	32.7	35.8	33.0

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Increased substantially	0.7	0.3	0.8	0.8	7.3
Increased somewhat	12.1	13.6	16.6	26.3	40.2
No change	48.5	48.7	44.3	32.6	18.9
Decreased somewhat	7.0	5.6	6.2	3.7	1.8
Decreased substantially	1.1	1.3	0.8	0.5	0.0
Not applicable—haven't sought credit	30.5	30.5	31.3	36.1	31.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	43.0	42.0	43.5	38.8	40.0
Some difficulty	14.1	15.9	12.6	9.3	11.2
Substantial difficulty	3.3	2.4	2.4	3.7	1.6
Extreme difficulty	0.7	0.3	0.5	2.4	1.6
Not applicable—haven't sought credit	38.9	39.3	41.1	45.7	45.7

To what extent is your business having difficulty obtaining financing for desired short-term uses such as paying workers and acquiring inventories of material or supplies?

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	42.4	41.4	38.1	40.9	39.5
Some difficulty	7.8	9.2	9.2	7.8	7.3
Substantial difficulty	3.0	1.7	2.6	2.4	2.1
Extreme difficulty	1.5	0.0	0.5	1.1	1.3
Not applicable—haven't sought credit	45.4	47.8	49.6	47.8	49.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	2.9	0.7	1.6	1.1	1.3
Yes—somewhat	8.5	8.1	7.9	9.2	8.6
No	35.7	40.3	37.3	39.1	33.2
Not applicable—haven't had problems obtaining credit	15.8	13.8	13.6	8.4	12.0
Not applicable—haven't sought credit	37.1	37.2	39.6	42.3	44.9

Has your firm reduced hiring and/or increased layoffs due to difficulty obtaining credit?

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	0.7	0.0	0.8	0.5	1.0
Yes—somewhat	5.5	7.6	5.2	4.0	3.1
No	44.1	42.4	44.8	44.5	43.0
Not applicable—haven't had problems obtaining credit	13.6	13.2	11.1	9.1	9.3
Not applicable—haven't sought credit	36.0	36.8	38.1	41.8	43.6

Texas Manufacturing Outlook Survey

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

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Eased substantially	0.0	0.0	0.0	1.8	1.7
Eased somewhat	13.5	6.3	8.8	11.0	8.7
No change	53.9	47.9	50.9	43.1	48.7
Tightened somewhat	4.5	9.4	9.6	3.7	7.0
Tightened substantially	3.4	3.1	5.3	5.5	5.2
Not applicable—haven't sought credit	24.7	33.3	25.4	34.9	28.7

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Increased substantially	1.1	0.0	1.8	0.9	7.0
Increased somewhat	15.7	17.7	10.5	24.8	37.4
No change	48.3	44.8	53.5	33.9	26.1
Decreased somewhat	6.7	3.1	7.9	4.6	2.6
Decreased substantially	1.1	2.1	0.9	1.8	0.0
Not applicable—haven't sought credit	27.0	32.3	25.4	33.9	27.0

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	47.2	42.4	45.5	38.9	44.3
Some difficulty	16.9	17.4	8.9	10.2	10.4
Substantial difficulty	5.6	3.3	4.5	5.6	1.7
Extreme difficulty	0.0	1.1	0.9	1.9	1.7
Not applicable—haven't sought credit	30.3	35.9	40.2	43.5	41.7

To what extent is your business having difficulty obtaining financing for desired short-term uses such as paying workers and acquiring inventories of material or supplies?

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	50.6	48.4	42.1	41.7	43.5
Some difficulty	6.9	16.1	10.5	8.3	7.8
Substantial difficulty	4.6	0.0	3.5	2.8	3.5
Extreme difficulty	1.1	0.0	0.9	0.0	1.7
Not applicable—haven't sought credit	36.8	35.5	43.0	47.2	43.5

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	1.1	0.0	2.7	0.9	0.9
Yes—somewhat	11.2	10.6	8.9	10.2	8.0
No	32.6	35.1	38.4	37.0	35.4
Not applicable—haven't had problems obtaining credit	23.6	20.2	16.1	11.1	16.8
Not applicable—haven't sought credit	31.5	34.0	33.9	40.7	38.9

Has your firm reduced hiring and/or increased layoffs due to difficulty obtaining credit?

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	0.0	0.0	0.9	0.9	0.9
Yes—somewhat	4.5	9.4	7.0	2.8	5.2
No	43.8	36.5	43.0	42.6	42.6
Not applicable—haven't had problems obtaining credit	21.3	18.8	13.2	12.0	13.9
Not applicable—haven't sought credit	30.3	35.4	36.0	41.7	37.4

Special Questions Comments

These comments have been edited for publication.

Primary Metal Manufacturing

- We are starting phase one of our expansion and silica compliance plan. This first phase comes in at about \$7 million. We have requested and been approved for a \$6.5 million line of credit from a local institution. This, coupled with about \$3 million of current cash on hand, will take us through 2019. If conditions remain favorable in 2020, we will start the second expansion/upgrade phase, estimated at \$9 million.
- We are profitable, so we have no trouble getting credit. The problem has been the local building permit, which was just received last week. The next problem is with state government. If approved, we can start a \$25 million capital project. Financing is all set, we are just waiting on the state. The project will create permanent jobs for 30 people.

Fabricated Metal Product Manufacturing

- We are trying to get by on what we have by working smarter and with less people.
- It is very difficult to deal with just a simple line of credit when banks continue to exclude receivables from the borrowing base. Inventory borrowing is also negatively affected by changes in borrowing bases.

Machinery Manufacturing

- If we can't pay cash, then we can't afford it. It's too much trouble to try to get a loan these days.
- We recently increased our line of credit by 25 percent. The bank wanted to charge use fees that I considered unreasonable for the length of time that we've done business. I told them that if the fees were not removed, I would start shopping our business to other banks immediately. The fees were all dropped, and we extended our line of credit for two years before any renewal would occur.

Computer and Electronic Product Manufacturing

- Fortunately, our business model is not dependent on debt as part of our capital structure.

Miscellaneous Manufacturing

- We are trying not to replace workers as they leave but spread out the work. We are very concerned about a major recession in 2019.

Texas Service Sector Outlook Survey

Data were collected Oct. 16–24, and 273 Texas business executives responded to the survey.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Eased substantially	2.7	1.0	0.7	1.9	1.5
Eased somewhat	11.0	7.3	7.4	5.6	5.9
No change	45.1	47.1	44.6	48.9	44.7
Tightened somewhat	6.0	13.6	8.9	6.7	11.0
Tightened substantially	2.2	1.5	2.6	0.7	2.2
Not applicable—haven't sought credit	33.0	29.6	35.8	36.2	34.8

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Increased substantially	0.5	0.5	0.4	0.7	7.4
Increased somewhat	10.4	11.7	19.1	26.9	41.3
No change	48.6	50.5	40.4	32.1	15.9
Decreased somewhat	7.1	6.8	5.5	3.4	1.5
Decreased substantially	1.1	1.0	0.7	0.0	0.0
Not applicable—haven't sought credit	32.2	29.6	33.8	36.9	33.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	40.9	41.9	42.6	38.8	38.1
Some difficulty	12.7	15.3	14.1	9.0	11.5
Substantial difficulty	2.2	2.0	1.5	3.0	1.5
Extreme difficulty	1.1	0.0	0.4	2.6	1.5
Not applicable—haven't sought credit	43.1	40.9	41.5	46.6	47.4

To what extent is your business having difficulty obtaining financing for desired short-term uses such as paying workers and acquiring inventories of material or supplies?

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	38.5	38.1	36.3	40.5	37.8
Some difficulty	8.2	5.9	8.6	7.6	7.0
Substantial difficulty	2.2	2.5	2.2	2.3	1.5
Extreme difficulty	1.6	0.0	0.4	1.5	1.1
Not applicable—haven't sought credit	49.5	53.5	52.4	48.1	52.6

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	3.8	1.0	1.1	1.1	1.5
Yes—somewhat	7.1	6.9	7.4	8.7	8.9
No	37.2	42.6	36.8	39.9	32.2
Not applicable—haven't had problems obtaining credit	12.0	10.8	12.6	7.2	10.0
Not applicable—haven't sought credit	39.9	38.7	42.0	43.0	47.4

Has your firm reduced hiring and/or increased layoffs due to difficulty obtaining credit?

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	1.1	0.0	0.7	0.4	1.1
Yes—somewhat	6.0	6.8	4.4	4.5	2.2
No	44.3	45.1	45.6	45.3	43.2
Not applicable—haven't had problems obtaining credit	9.8	10.7	10.2	7.9	7.3
Not applicable—haven't sought credit	38.8	37.4	39.1	41.9	46.2

Special Questions Comments

These comments have been edited for publication.

Publishing Industries (Except Internet)

- There have been minor changes in difficulty due to rates.

Data Processing, Hosting and Related Services

- Our firm is growing nicely, which requires more funding to hire additional skilled workers. Cash flow funding for hiring is very difficult to get for a reasonable price. We have turned to small-business lending companies instead of banks even though their terms are steep (understatement). As a growing firm, we are fortunately able to pay back these loans as revenue increases. The cost of funds has definitely slowed the pace at which we are able to hire and the pace we are able to grow revenue.

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

- Credit and the availability of funds have not been an issue with us. Several years ago, we did longer-term financing that does not crowd in with current credit market issues.

Real Estate

- Home sales have slowed. Rising interest rates should make house prices come down.

Rental and Leasing Services

- We are a heavy-equipment dealership, and we sell heavy iron to retail customers and, often times, those sales need to be financed. Finding that retail financing source for our customers is always a challenge. Approval rates are only slightly better now than a year ago (they run about 84 percent approved).

Professional, Scientific and Technical Services

- Venture capital funding is difficult to obtain as the venture capital firms are only looking for mega success rather than doing due diligence to find good solutions. Regular bank capital borrowing availability is fine, but we just wish interest rates were being increased much slower by the Federal Reserve.
- While we have not sought credit, our clients raise concerns about cost (as opposed to availability) of credit.

Administrative and Support Services

- Bad weather is the only issue for this company.

Ambulatory Health Care Services

- Over the past 18 months, the availability of reliable banking support has been the key impediment to sustainability and growth for this agency.

Texas Retail Outlook Survey

Data were collected Oct. 16–24, and 58 Texas retailers responded to the survey.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Eased substantially	4.3	0.0	0.0	0.0	0.0
Eased somewhat	10.9	6.7	5.4	5.3	5.2
No change	52.2	51.1	57.1	59.6	56.9
Tightened somewhat	6.5	20.0	3.6	1.8	5.2
Tightened substantially	0.0	0.0	3.6	1.8	1.7
Not applicable—haven't sought credit	26.1	22.2	30.4	31.6	31.0

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Increased substantially	2.1	0.0	0.0	1.8	10.3
Increased somewhat	14.9	13.3	19.3	33.3	44.8
No change	55.3	55.6	45.6	31.6	10.3
Decreased somewhat	6.4	4.4	5.3	0.0	1.7
Decreased substantially	0.0	2.2	0.0	0.0	0.0
Not applicable—haven't sought credit	21.3	24.4	29.8	33.3	32.8

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	54.3	57.8	57.9	49.1	46.6
Some difficulty	15.2	11.1	10.5	7.0	6.9
Substantial difficulty	0.0	2.2	1.8	1.8	1.7
Extreme difficulty	0.0	0.0	0.0	1.8	0.0
Not applicable—haven't sought credit	30.4	28.9	29.8	40.4	44.8

To what extent is your business having difficulty obtaining financing for desired short-term uses such as paying workers and acquiring inventories of material or supplies?

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
No difficulty	59.6	53.5	50.0	50.0	46.6
Some difficulty	8.5	7.0	10.3	8.9	5.2
Substantial difficulty	2.1	4.7	1.7	0.0	0.0
Extreme difficulty	0.0	0.0	0.0	1.8	0.0
Not applicable—haven't sought credit	29.8	34.9	37.9	39.3	48.3

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	2.1	0.0	0.0	0.0	0.0
Yes—somewhat	6.4	6.8	5.4	8.9	7.0
No	51.1	56.8	46.4	41.1	40.4
Not applicable—haven't had problems obtaining credit	19.1	11.4	17.9	10.7	8.8
Not applicable—haven't sought credit	21.3	25.0	30.4	39.3	43.9

Has your firm reduced hiring and/or increased layoffs due to difficulty obtaining credit?

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)
Yes—significantly	0.0	0.0	0.0	0.0	0.0
Yes—somewhat	8.5	8.9	3.4	3.5	3.4
No	57.4	53.3	55.2	49.1	48.3
Not applicable—haven't had problems obtaining credit	12.8	13.3	12.1	8.8	5.2
Not applicable—haven't sought credit	21.3	24.4	29.3	38.6	43.1

Special Questions Comments

These comments have been edited for publication.

Motor Vehicle and Parts Dealers

- We have a strong balance sheet, and securing credit or borrowing money is not a factor for us. The increase in interest rates is a factor. Most lending institutions have become more conservative, as witnessed by our “retail” financing of consumers purchasing new and preowned vehicles.

Building Material and Garden Equipment and Supplies Dealers

- Interest rates are going up too fast.

Clothing and Clothing Accessories Stores

- Lenders are nervous about retailers.
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Questions regarding the Texas Business Outlook Surveys can be addressed to Emily Kerr at emily.kerr@dal.frb.org.