Texas **Service Sector** Outlook Survey

April 30, 2019

Texas Service Sector Activity Accelerates Slightly

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on revenue, income taxes and drivers of uncertainty. Results for these questions from the Texas Manufacturing Outlook Survey, Texas Service Sector Outlook Survey and Texas Retail Outlook Survey have been released together.

This month's data release also includes annual seasonal factor revisions. In April of each year, the Federal Reserve Bank of Dallas revises the historical data for the Texas Service Sector Outlook Survey and Texas Retail Outlook Survey after calculating new seasonal adjustment factors. Annual seasonal revisions result in slight changes in the seasonally adjusted series. Read more information on seasonal adjustment.

Texas service sector activity accelerated slightly in April, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, increased from 12.3 in March to 13.9 in April.

Labor market indicators reflected steady employment growth and slightly longer workweeks this month. The employment index held flat at 11.6, while the hours worked index slipped over three points but remained positive at 2.4 in April.

Perceptions of broader business conditions rebounded, although measures of uncertainty remained elevated this month. The general business activity index surged over 10 points to 5.7 in April, while the company outlook index similarly rebounded into positive territory, rising six points to 5.5. The outlook uncertainty index ticked up from 11.6 to 12.8.

Price and wage pressures eased modestly this month. The wages and benefits index dropped from 22.8 in March to 20.3 in April, while the selling prices index dipped slightly to 10.4, and the input prices index fell over four points to 25.7.

Respondents' expectations regarding future business conditions were more optimistic overall compared with March. The future general business activity index rose eight points to 12.3, while the future company outlook index picked up from 13.0 in March to 19.4 in April—a six-month high. Other indexes of future service sector activity, such as revenue and employment, edged down but remained elevated, reflecting solid expectations of further growth over the next six months.

Texas **Retail** Outlook Survey

Retail Sales Rebound

Retail sales accelerated strongly in April, according to business executives responding to the Texas Retail Outlook Survey. The sales index surged from -2.7 in March to 13.2 in April, its highest value since last October. Inventories declined, as the inventories index plummeted over 21 points to -5.5.

Retail labor market indicators were mixed, pointing to a pickup in employment but a slightly shorter workweek length. The employment index rose nine points to 8.5, while the hours worked index moved up slightly but remained negative at -2.2.

Retailers' perceptions of broader business conditions continued to worsen in April, but pessimism eased. The general business activity index increased eight points but remained negative at -10.7. Similarly, the company outlook index rose from -10.4 in March to -5.2 in April, the fifth consecutive month of net weakening in firms' outlooks.

Retail price pressures were mixed, while wage pressures eased slightly this month. The selling prices index increased from 7.2 to 10.9, while the input prices index fell over eight points to 10.9. The wages and benefits index softened from 21.6 in March to 18.3 in April, though this is still elevated compared with historical norms.

Retailers' perception of future business conditions improved this month. The future general business activity index rebounded from -6.6 in March to 2.5 in April, while the future company outlook index rose nearly 10 points to a six-month high of 9.2. Other indexes of future retail sector activity, such as sales and employment, dropped but remained in firmly positive territory, reflecting overall optimism over the next six months.

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: May 29, 2019

Data were collected April 16–24, and 230 Texas service sector and 55 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	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	13.9	12.3	+1.6	Increasing	113	30.1	53.6	16.2
Employment	11.6	11.6	0.0	Increasing	110	18.6	74.4	7.0
Part-Time Employment	2.8	1.8	+1.0	Increasing	3	8.9	85.0	6.1
Hours Worked	2.4	5.6	–3.2	Increasing	30	8.0	86.3	5.6
Wages and Benefits	20.3	22.8	–2.5	Increasing	119	21.7	76.8	1.4
Input Prices	25.7	30.1	–4.4	Increasing	120	28.0	69.7	2.3
Selling Prices	10.4	11.9	–1.5	Increasing	38	16.0	78.4	5.6
Capital Expenditures	17.5	16.5	+1.0	Increasing	116	22.8	72.0	5.3

General Business Conditions
Current (versus previous month)

Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	5.5	–0.5	+6.0	Improving	1	16.6	72.3	11.1
General Business Activity	5.7	–4.4	+10.1	Improving	1	16.9	71.9	11.2

Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	12.8	11.6	+1.2	Increasing	15	23.7	65.5	10.9

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

Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	41.3	43.3	–2.0	Increasing	122	49.1	43.1	7.8
Employment	19.4	25.3	–5.9	Increasing	121	29.2	61.0	9.8
Part-Time Employment	4.8	6.1	–1.3	Increasing	82	12.4	80.0	7.6
Hours Worked	7.1	6.8	+0.3	Increasing	32	11.5	84.1	4.4
Wages and Benefits	37.7	39.3	–1.6	Increasing	148	40.7	56.3	3.0
Input Prices	38.1	43.9	–5.8	Increasing	148	38.5	61.1	0.4
Selling Prices	26.8	30.8	–4.0	Increasing	120	29.9	67.0	3.1
Capital Expenditures	23.3	22.3	+1.0	Increasing	121	28.9	65.6	5.6

General Business Conditions
Future (six months ahead)

Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	19.4	13.0	+6.4	Improving	4	28.4	62.6	9.0
General Business Activity	12.3	4.3	+8.0	Improving	3	23.1	66.0	10.8

Texas Retail Outlook Survey

Business Indicators Relating to Facilities and Products in Texas

Retail (versus previous month)

Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	13.2	–2.7	+15.9	Increasing	1	23.6	65.9	10.4
Employment	8.5	–0.5	+9.0	Increasing	1	12.2	84.1	3.7
Part-Time Employment	5.6	1.8	+3.8	Increasing	3	11.3	83.0	5.7
Hours Worked	–2.2	–4.0	+1.8	Decreasing	5	2.9	92.0	5.1
Wages and Benefits	18.3	21.6	–3.3	Increasing	98	21.1	76.1	2.8
Input Prices	10.9	19.0	–8.1	Increasing	39	17.2	76.5	6.3
Selling Prices	10.9	7.2	+3.7	Increasing	25	18.6	73.7	7.7
Capital Expenditures	14.8	7.2	+7.6	Increasing	3	18.5	77.8	3.7
Inventories	–5.5	15.7	–21.2	Decreasing	1	19.0	56.5	24.5
Companywide Retail Activity								
Companywide Sales	8.8	–1.2	+10.0	Increasing	1	22.1	64.6	13.3
Companywide Internet Sales	7.1	2.7	+4.4	Increasing	12	16.1	74.9	9.0

General Business Conditions, Retail

Current (versus previous month)

Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	–5.2	–10.4	+5.2	Worsening	5	8.4	78.0	13.6
General Business Activity	–10.7	–18.7	+8.0	Worsening	5	5.0	79.4	15.7

Outlook Uncertainty

Current (versus previous month)

Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	14.5	11.1	+3.4	Increasing	11	21.8	70.9	7.3

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

Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	25.6	27.6	–2.0	Increasing	4	36.7	52.2	11.1
Employment	5.0	9.0	–4.0	Increasing	23	16.4	72.3	11.4
Part-Time Employment	0.3	2.5	–2.2	Increasing	3	9.8	80.7	9.5
Hours Worked	–1.7	–4.5	+2.8	Decreasing	6	8.4	81.5	10.1
Wages and Benefits	27.9	29.9	–2.0	Increasing	124	32.2	63.5	4.3
Input Prices	24.0	30.8	–6.8	Increasing	120	25.9	72.2	1.9
Selling Prices	24.5	23.5	+1.0	Increasing	120	24.5	75.5	0.0
Capital Expenditures	9.5	13.4	–3.9	Increasing	4	17.0	75.5	7.5
Inventories	1.5	–0.5	+2.0	Increasing	1	19.4	62.8	17.9
Companywide Retail Activity								
Companywide Sales	26.4	23.4	+3.0	Increasing	121	33.6	59.2	7.2
Companywide Internet Sales	26.3	27.0	–0.7	Increasing	33	28.9	68.4	2.6

General Business Conditions, Retail
Future (six months ahead)

Indicator	Apr Index	Mar Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	9.2	–0.3	+9.5	Improving	0	18.0	73.2	8.8
General Business Activity	2.5	–6.6	+9.1	Improving	1	12.4	77.7	9.9

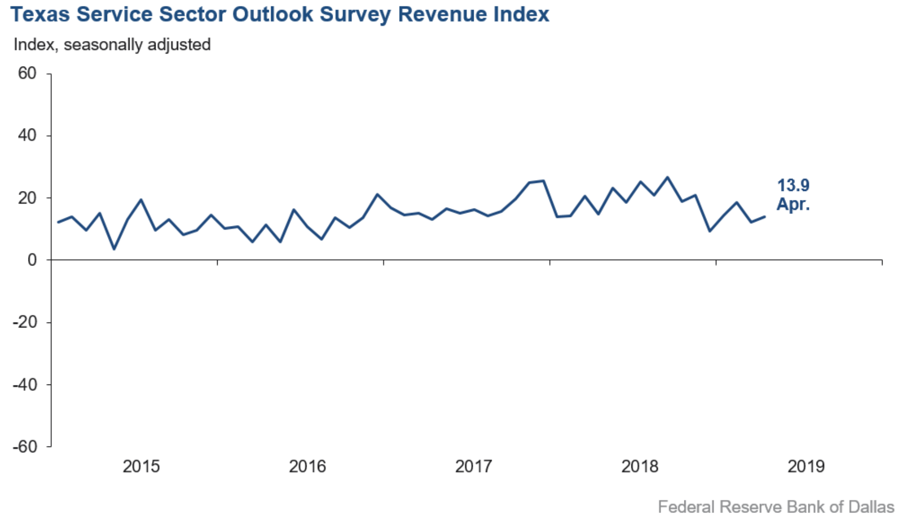
*Indicator direction refers to this month's index. If index is positive (negative), indicator is increasing (decreasing) or improving (worsening). If zero, indicator is unchanged.

**Number of months moving in current direction.

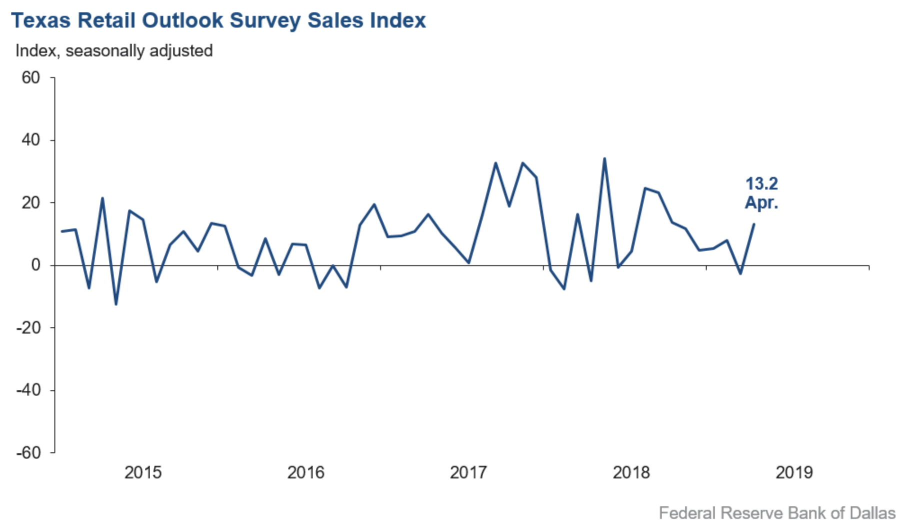
†Added to survey in January 2018.

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 Retail Outlook Survey



Texas Service Sector Outlook Survey

April 30, 2019

Comments from Survey Respondents

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

Data Processing, Hosting and Related Services

- Is it difficult to find really good talent. Our searches take three times longer than they did a year or two ago. We are not sure if increasing our benefits package has helped us with attracting new talent, but it seems to have helped with retention of our current team members.

Credit Intermediation and Related Activities

- As a result of the layoffs from the frac sand mines and the complete closing of several sand mines, the volume of retail sales has dropped, especially fuel sales, due to the impact of substantially reduced sand- trucking transportation. There is concern over the potential closing of the short rail to Brady due to the reduction of sand materials being shipped out by rail. I would say half of the 360+ employees are being employed by the West Texas sand-mining companies and 44 of the employees are being hired by a California company to mine surface sand for landscaping purposes on golf courses and housing development on the West Coast and expanding into the Texas market.

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

- It is still a tough market (primarily supplying oil and gas) with cost increases that can't yet be passed on in selling prices. Costs include property tax, insurance, etc.
- Finding quality employees continues to be our biggest struggle. Lack of a qualified workforce is our leading contributor to stalled growth.

Insurance Carriers and Related Activities

- With lower mortgage rates, we see increasing home transactions and continued commercial real estate strength.

Real Estate

- The upper end of the housing market is slower than in 2018 despite very positive economic conditions. Since the November elections, we feel the rhetoric and polarization in D.C. have created a wait-and-see attitude among higher-income households that might have considered a housing change.
- My outlook for our company has not changed, but I can't see any reason for optimism in general business activity. There is no resolution in sight for the immigration issue or the tariff issue. The president is penalizing the border cities for Congress' lack of progress on immigration and not backing his wall, which has a direct impact on business in the U.S. and trade with Mexico. With the tariff impact and the border closure impact, it will be a miracle if we don't start seeing an impact on employment.
- President Trump is doing a good job for our economy.

Professional, Scientific and Technical Services

- We are really in a holding pattern for now. We are watching earnings season closely as well as other economic indicators being reported. Earnings and other indicators surfacing seem to be more favorable than expected, but there is some concern that will turn later. (Consumer sentiment is good, and jobs are OK.) The hard line on Iran is no doubt impacting oil prices, and we will be watching closely to see what happens here. If that oil leaves the market, who makes up for it? Given the difference in crude coming out of Iran, we are not sure Texas fills that shortfall (or the U.S. generally). We will be watching negotiations with China as well. We are in a precarious position on a number of fronts so markets could turn sharply with bad news. We are pleased to see better numbers out of China, if anyone actually believes you can fully rely on them. The Mueller report and continued coverage are concerning as well. There continues to be political uncertainty domestically that has the potential to impact markets, too. (And let's not forget Brexit, although that can has been kicked yet again.) I do hope Chairman Powell holds the course and ignores this administration.

- We simply cannot find enough legal entry-level workers to complete our work. We are actively turning away new business, as despite all efforts including pay increases, hiring and referral bonuses, etc., we are unable to keep a full staff. In past years, we've relied on the H-2B visa program, but due to increasing use of the program, we found ourselves unable to obtain visas this year. We will ultimately lose close to $2 million in revenue this year due to lack of available labor.
- We believe a downturn is starting to gestate.
- President Trump is the biggest uncertainty. His handling of the Iranian nuclear deal is making a real mess out of the energy business.
- Many baby boomers are pretty clueless as to how high business valuations are right now, and this lofty level we believe is going to decline in the next 12–18 months as too many decide to come on the market and sell their companies. In our opinion, those that think that they will want to sell in the next 24–36 months need to be sure that they have their company positioned to sell. We call this process here a "readiness review."
- Construction prices remain high, but I have some optimism that sellers are being more reasonable in their pricing. I have grave concerns that the city of Dallas' changes to the building code will further increase construction costs, making projects harder to do. More importantly, the city's new affordable housing policy is killing projects at a record rate during the due diligence process. It may be a noble endeavor, but sellers are unwilling to reduce their pricing for this social policy. Affordable units cost developers significant money.
- The position the U.S. is holding in the world is one of uncertainty and hesitation. We need to be sure that Texas remains the growth capital in the U.S. and that our pursuits of firms to locate here do not diminish.
- The mergers and acquisitions market is starting to pick back up. The real estate market has improved a bit but is still not as strong as prior years. Controversy work (litigation and restructuring) in Texas has increased.
- The Dallas–Fort Worth real estate market has continued to level off with the residential market showing signs of strengthening. After months of seeing residential orders on the decline, they are now beginning to recover year over year. Commercial orders have declined slightly year over year, but we still remain bullish for the remainder of 2019.

Administrative and Support Services

- There is a natural increase in activity for our contracts during the spring and summer months.
- We see a solid economy. People are working, and that increases business.

Waste Management and Remediation Services

- Because of a pullback by China in buying scrap materials (due to environmental issues, tariffs and political jockeying), selling prices for scrap commodities, especially fiber (corrugated) are at a 10-year low. A slowdown in manufacturing and abundant supplies also has decreased the demand side for new corrugated products.

Educational Services

- Trade and continued fiscal policy (supply side) can help drive the engine of growth.

Ambulatory Health Care Services

- Health care services' most significant cost component is the labor only. With the Permian Basin energy sector driving the significant shortage of staff in all areas, the cost of labor went up significantly for health care providers. This is even as revenue from medical insurance declined due to increased managed care payers paying less for medical service providers. This finds health care providers with an increasing cost of service with decreasing year-over-year revenue.

Hospitals

- Continued unfunded mandates from the state legislature and Congress concern me about the stability of an independent rural health system.

Social Assistance

- We have seen funding decrease.

Amusement, Gambling and Recreation Industries

- All of Austin is facing the same major issue around the lack of good employees to hire, particularly in the service sector. We are not only competing with each other but with the robust construction that is going on and the influx of tech companies that are willing to train and pay people at the entry level at or over $15 an hour. This is putting an upward pressure on wages, wage-related costs and then selling prices. Even as we adjust our wages, the lack of qualified employees does not improve. We are simply trying to be sure the good employees we have will not go somewhere else.

Accommodation

- Nothing remarkable is currently anticipated. As the saying goes, no news is good news.

Food Services and Drinking Places

- Our business continues to be strong. We are experiencing positive same-store sales in all markets.
- The labor market remains tight, and input costs continue to rise. We saw a significant gain in same-store sales from March to April—a rather large swing for such a short period of time. We are a quick-service restaurant chain in Central and South Texas and operate on a 13-period, 28-day accounting system. We are good at tracking our sales by day segments against the exact days a year ago. March was really slow!

Religious, Grantmaking, Civic, Professional and Similar Organizations

- In the health care field, the uncertainty of the reimbursement level is a hindrance to planning and capital investments.

Merchant Wholesalers, Durable Goods

- It is a great year. Construction is strong.

Merchant Wholesalers, Nondurable Goods

- We see road construction in our area and increased cost of transportation due to gas prices and lack of drivers in the trucking industry.

Motor Vehicle and Parts Dealers

- Inventories are too high. Interest rates have dramatically increased the cost of carrying inventory and doing business in general. The Fed [Federal Reserve] misjudged the market the last two years, and those are costly mistakes. Many of the articles you read about the automobile industry are misleading. The SAAR [seasonally adjusted, annulized rate] is overstated with rental and fleet units. 2018 was a difficult year for many retailers as profits dropped dramatically from 2017. You must take that into consideration when you hear positive trends for 2019 if, and when, you read profits are up.
- We see continued inventory pressure from auto manufacturers in a softer sales environment. Expect inventories to drop as the year progresses. Wages will remain constant with little change due to expected downward pressure on sales.
- We have made significant management changes, which is the reason our business outlook has improved and our employee head count is increasing.

Building Material and Garden Equipment and Supplies Dealers

- We started to slow down in December of last year, and January was a bad month in what we thought was due to weather. Year to date we are running about 5 percent less than a year ago. Hopefully, the market will pick up, but activity seems somewhat slower than we had projected.
- Weather conditions improved somewhat in April over March, leading to increased consumer demand. However, the better weather was offset by the negative impact of consumers from the 2017 tax act, which increased taxes on most of our customers, reducing the tax refunds they normally receive during the spring season. Now the Texas Legislature is considering sales tax hikes, which would further reduce consumer disposable income and increase the cost of retail purchases.

Clothing and Clothing Accessories Stores

- Sales at stores near the Mexican border continue to drop at double digit rates.

General Merchandise Stores

- We exited a high-ticket category (appliances) that will have an impact on our top-line sales. All else being equal, we expect revenues to remain consistent six months from now.

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

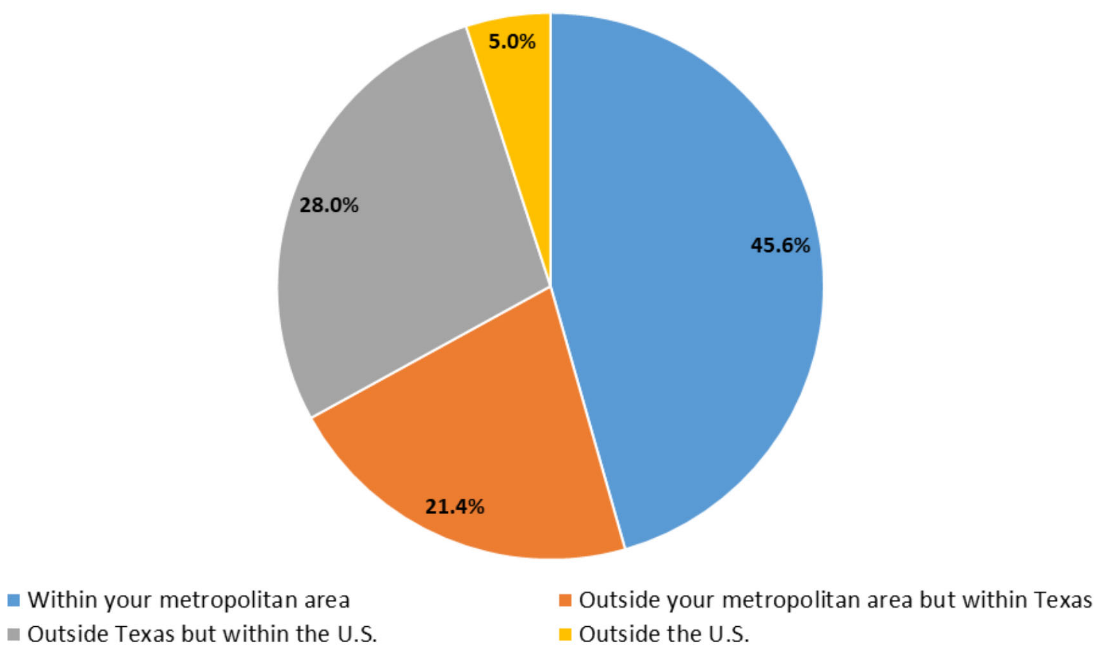
April 29, 2019

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

Texas Business Outlook Surveys

Data were collected April 16–24, and 363 Texas business executives responded to the surveys.
See data files with a full history of results.

In 2018, approximately what share of your firm's revenues came from customers in the following geographies?



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

NOTE: 353 responses.

In 2018, what percentage of your firm’s revenues came directly from oil and gas-related business?

	April '19 (percent)
None	52.1
1 to 9 percent	27.9
10 to 24 percent	8.4
25 to 49 percent	3.9
50 percent or more	7.8

NOTE: 359 responses.

In 2018, were your firm’s federal corporate income taxes as a share of earnings higher, lower or about the same as in 2017?

	April '19 (percent)
Higher	15.4
Lower	35.4
About the same	49.3

NOTE: 345 responses.

What is your firm doing with money resulting from lower 2018 taxes? Please select all that apply.*

	April '19 (percent)
Increasing capital investments	57.0
Raising wages	44.6
Paying down debt/increasing savings	37.2
Paying bonuses	25.6
Increasing hiring	20.7
Increasing dividends	20.7
Enhancing worker benefits	17.4
Doing something else? What?	9.9
Buying back stock	4.1

*This question posed only to respondents who answered "lower" to the previous question.
NOTE: 121 responses.

What are the primary drivers of uncertainty regarding your firm’s outlook over the next six months?

These responses have been edited for publication.

Petroleum and Coal Products Manufacturing

- Trade tension and the domestic economy.

Chemical Manufacturing

- Level of economic activity outside the U.S.
- Balancing trade costs.
- Tariffs, labor, raw material pricing.

- Competition from outside the U.S.

Primary Metal Manufacturing

- The good times have lasted a long time. How much longer can they go on? The politicians in Washington, D.C., can kill any business boom by adopting stupid policies.
- Political uncertainties for the 2020 election cycle seem to be the primary uncertainties at this time.
- The cost of money for new development; the overall world economy; will owners keep building.
- Resolution of China trade negotiations and the 232 tariff status are unpredictable negatives. The agriculture market is weak and has impacted distributor and end-user buying. A harsh winter and late warming have delayed and, likely caused the loss of, spring sales.

Fabricated Metal Product Manufacturing

- Sustainability of the current economy.
- Price of oil.
- The economy is a big driver in our industry. The oil and gas market also plays a role in our success. When the cost of oil reaches a certain amount, the large companies will again open the facilities for improvement. Until that dollar threshold is reached, it is very difficult to get the oil and gas business.
- Ability to hire people as business increases; potential increase in tariffs.
- Increasing costs; shortage of skilled and unskilled labor.
- Overall political climate; uncertainty over steel tariff situation.
- With unemployment running around 3 percent, the labor market is nonexistent without offering exorbitant compensation to the leave current employer. Those left unemployed do not want to work and even if hired cannot be incentivized to be productive. There are a few older, experienced workers available; however, if hired, it must accepted that they will retire in short order and, therefore, it's hard to justify the training and onboarding expense. Again, right now, it's the labor market.

Nonmetallic Mineral Product Manufacturing

- Housing starts; nonresidential construction household formation; interest/mortgage rates.
- Recovering from crypto virus and rebuilding computer system; health of homebuilding industry.

Machinery Manufacturing

- Oil price volatility; consolidation of oil and gas producers.
- China trade negotiations, the cyclical nature of the electronics industry and, to a lesser extent, the upcoming elections in 2020.
- Oil prices.
- China tariffs; weakened sales for the first quarter; no real explanation for the weakened sales.
- Interest rates and the Democratic proposals to tax, tax, tax business. I'm reinvesting into my business every day to make it bigger and stronger financially. That's how I see it making it in the long term. The oil and gas business is not the best business since it is unpredictable over the long term. And the downturns are always very challenging.
- Acquisition by a new parent company.
- Trade, tariffs and border uncertainty … essentially President Trump.
- Ability of the Democrats to effect antibusiness laws and regulations.

Computer and Electronic Product Manufacturing

- Trade tensions with China; tariff uncertainty.
- International volatility.
- The cost and availability of components, but this is easing.

Transportation Equipment Manufacturing

- Due to stiff competition from overseas, our customers will no longer sign long-term agreements. Therefore, our company must plan to make products available on short notice for smaller quantities with no definitive outlook into the future.
- Fuel prices.
- Oil price.

Printing and Related Support Activities

- Technology is primary. The other is price increases.
- The economy.

Food Manufacturing

- World food crisis; federal funding; redirecting relief payments for humanitarian food relief we produce.
- Trade negotiations with China and the European Union.
- That somehow Democrats will raise taxes. We elected to become a C-corp (from an S-corp) following the implementation of the new tax rates, and we are committed to investing those additional earnings to grow our business.
- Our business is highly dependent on sourcing several materials from Bulgaria, China and Mexico. So the following issues have sharply driven up uncertainty for us: U.S.–Mexico border logistics disruptions, increasing tariffs and antitrade rhetoric.
- Slowing sales; increased pressure on retaining skilled workforce.
- Cost of raw materials; availability of workers.
- Price of fuel.

Textile Product Mills

- Tariffs and import policy continue to be a concern. We are watching these closely as we look for new cut-and-sew houses to help us grow. One year ago, we thought we would look to Mexico for cut and sew, but now we are looking locally—even though it has a higher cost, we feel that we have more control over timelines and delivery windows.

Paper Manufacturing

- Lower demand.

Furniture and Related Product Manufacturing

- Brick-and-mortar retail market.

Miscellaneous Manufacturing

- Political instability, socialism, government overspending, increasing taxes, increasing regulation and increasing trade tariffs in foreign markets.
- Health care, since we sell medical equipment.

Support Activities for Mining

- Oil price trends.

Utilities

- Trade wars.

Specialty Trade Contractors

- Revenues will increase because we perform service on HVAC equipment. Service events are higher margins than replacing equipment. We are seeing people delaying capital expenditures and spending on repairs.

Truck Transportation

- Rising interest rates; geopolitical instability; overheated long-term economy.
- Finding enough qualified drivers and mechanics.
- Finding qualified labor/drivers for our industry; expenses are going up faster than price increases.

Pipeline Transportation

- Competition and uncertainty created by Washington.

Support Activities for Transportation

- U.S. border conflicts.
- Cotton season starts in August.
- Grain exports to China; tax credits related to wind products (towers, blades, etc., imports).

Publishing Industries (Except Internet)

- Geopolitical in many different aspects, plus regulatory in the EU [European Union] first, then the U.S. and Asia around data/information and interfaces/rights often associated somehow with security and/or privacy from platforms and networks often using services as barter for data/knowledge.

Data Processing, Hosting and Related Services

- We are not so concerned about the next six months. We are very concerned about next year with all of the election angst/uncertainty. We're thinking it will shut down or at least delay decision-making on major purchases.

Credit Intermediation and Related Activities

- Regulatory changes.
- General economic activity; interest rates.

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

- Lack of ability to hire employees.
- Employment levels; ability to find qualified candidates; mortgage/interest rates.
- Increases in cost of our labor, materials, supplies, transportation, insurance and property taxes. We haven't been able to really pass these costs along in our selling prices.

Insurance Carriers and Related Activities

- Variability in interest rates and spreads on corporate bonds and mortgages (all affect our annuity sales and investment yield); political discourse and legislation regarding health insurance, which affect our health insurance product; costs of medical care, especially very high-cost treatments.
- Job growth.

Real Estate

- Oil price fall; the Democrats and Republicans unable to govern.
- Consumer demand for housing.
- Border closures; tariffs; upcoming elections; health care uncertainty.

Professional, Scientific and Technical Services

- Finding qualified people that want to become dedicated and loyal employees despite very good wages.
- We are dependent upon new construction but are diversified across housing, commercial, office and industrial sector. Slowdowns like 2001–02 have some but minor effect with no reduction in staff. The 2008 drying up of capital had dynamic effect on both revenue and staff reduction.
- Industry mergers and acquisitions activity; global economic growth.

- Energy prices; stock market correction; recession fears; instability in the federal government.
- Uncertainty in the price of oil and gas; possibility of a recession.
- Continued market instability—economically and politically.
- Slowed growth in the economy and declining leading indicators for manufacturing sectors; uncertainty created by tariffs; uncertainty that will result from upcoming federal elections.
- General business climate.
- USMCA (U.S.–Mexico–Canada Agreement); availability of labor; technological changes in the automotive industry; federal policy.
- No outside drivers.
- How America is and will be perceived.
- Ability to achieve targeted growth.
- Geopolitical issues no doubt are concerning, and this administration's performance is almost comical in fashion. In all honesty, the extremes to which parties appear to be migrating is very concerning. There seems to be no middle, no possibility of compromise, and that is alarming. Also, a concern that consumer contributions to the economy domestically weaken—which could occur due to a number of factors—and we slide as a result; GDP falls and perhaps we do experience some level of recession. We may have a decent 2019, but I see weakening into 2020 and perhaps beyond, particularly as we see some instability introduced as the election cycle heats up and the expected circus on both sides begins performing. (I think overseas factors will play into it as well with Brexit, general EU [European Union] issues and perhaps some expected shocks in Asia. Economic strength in China is not as good as predicted.) I do not think the Fed [Federal Reserve] will impact triggering the negative as much as other elements of our political failings will. The Fed is likely to get blamed though.
- Congressional action; 2020 elections; Democrats' socialism.
- Our older product line is not bringing enough returning customers.

Management of Companies and Enterprises

- Regulations; economy; labor force; competitors.
- Oil and gas prices and export capacity. The political climate in D.C. is unsettling, and the perpetual talk for the past two presidencies of impeachment, disrespect and rancor simply are wearing the general public out. Seems as if the population is growing tired of partisan politics, but we continue to reelect polarizing politicians. Compliance whiplash is a reality depending on which party is in power. It causes unrest in the business climate.

Administrative and Support Services

- The military aviation sector is a big part of our service work. It seems to be somewhat unsteady in the past few months. The "uncertainty" that is being talked up is having an effect on our customers' willingness to take on new business.
- Political discontent; international unrest.
- Political uncertainty.

Waste Management and Remediation Services

- Export market to China, which has a huge impact on the scrap business. While our company does not directly sell material to China, the lack of exports sold to China has a ripple effect throughout the entire recycling industry.

Educational Services

- Changing educational laws in the legislature and educational funding.

Ambulatory Health Care Services

- Greater government involvement in health care.

Nursing and Residential Care Facilities

- Building of additional seniors housing communities. If supply continues to grow, it could negatively impact the occupancy of our communities and the rates we are able to charge.

Performing Arts, Spectator Sports and Related Industries

- Politics and world events.

Accommodation

- The U.S. economy and how the oil and gas industry performs.
- Economic policies—thank God for Mr. Powell [Federal Reserve Chairman]. I don't feel the current administration has much of a strategy.

Food Services and Drinking Places

- Wages; labor.
- Price of oil impacting ability to attract and retain labor in West Texas.
- The economy and market saturation in the hospitality industry as well as labor shortage.

Repair and Maintenance

- Health care costs; regulations (OSHA [Occupational Safety and Health Administration], EPA [Environmental Protection Agency], DOT [Department of Transportation]).
- Lower in-store retail sales means fewer store openings. Without new stores, our product is not needed. Online retail sales are hurting our business. Our product sales price is decreasing, while our costs for labor and materials are increasing.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- The impact of growing national debt on the long-term viability of the U.S. economy and the seeming inability of politicians to bring debt under control.
- Medical reimbursements.
- As a nonprofit organization, we have seen a steady decrease in monetary support.
- Oil prices.

Merchant Wholesalers, Durable Goods

- Federal political outlook and the changing state political shift.
- Right now, we don't have any big drivers for our business. In the past, business was driven by environmental needs, independent power needs, etc. Now, we are focused on replacement of old boilers.
- Problems with tariffs and changes in the market.

Merchant Wholesalers, Nondurable Goods

- The trade war with China.
- Sourcing employees; agricultural commodity prices; keeping farmers and ranchers in business; managing lower margins with increased cost (labor and input).

Motor Vehicle and Parts Dealers

- Our business is the automobile retail and service business. We will be reducing new-vehicle inventory as much as the manufacturers' quotas will permit. We will increase parts and accessory inventories to keep up with increasing service business.

General Merchandise Stores

- Tariff issues; impact on pricing.

Nonstore Retailers

- Competitive pressure to reduce pricing to customers impacting our ability to retain existing customer base; ability to hire and retain qualified labor to service customers.
- Political climate.

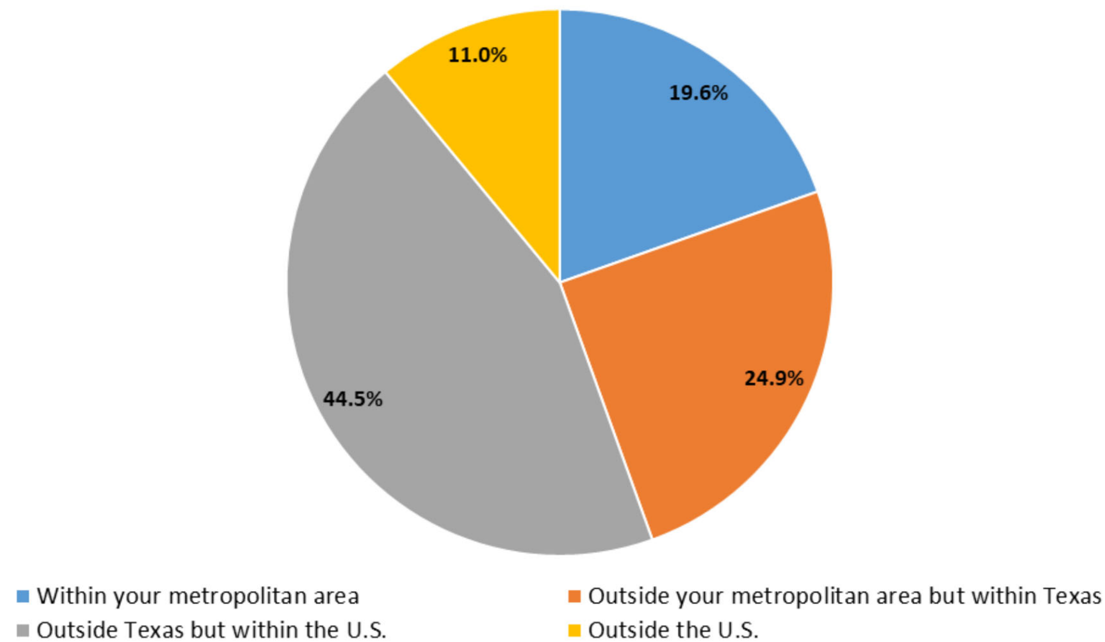
NOTES: Survey respondents were given the opportunity to provide comments. These comments can be found on the individual survey Special Questions results pages

Texas Manufacturing Outlook Survey

Data were collected April 16–24, and 99 Texas manufacturers responded to the surveys.

See data files with a full history of results.

In 2018, approximately what share of your firm's revenues came from customers in the following geographies?



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

NOTE: 97 responses.

In 2018, what percentage of your firm's revenues came directly from oil and gas-related business?

	April '19 (percent)
None	54.1
1 to 9 percent	22.4
10 to 24 percent	5.1
25 to 49 percent	2.0
50 percent or more	16.3

NOTE: 98 responses.

In 2018, were your firm's federal corporate income taxes as a share of earnings higher, lower or about the same as in 2017?

	April '19 (percent)
Higher	13.4
Lower	42.3
About the same	44.3

NOTE: 97 responses.

What is your firm doing with money resulting from lower 2018 taxes? Please select all that apply.*

	April '19 (percent)
Increasing capital investments	78.0
Raising wages	56.1
Paying down debt/increasing savings	46.3
Paying bonuses	29.3
Increasing hiring	22.0
Enhancing worker benefits	17.1
Increasing dividends	17.1
Doing something else? What?	9.8
Buying back stock	2.4

*This question posed only to respondents who answered "lower" to the previous question.
NOTE: 41 responses.

What are the primary drivers of uncertainty regarding your firm's outlook over the next six months?

These responses have been edited for publication.

Petroleum and Coal Products Manufacturing

- Trade tension and the domestic economy.

Chemical Manufacturing

- Level of economic activity outside the U.S.
- Balancing trade costs.
- Tariffs, labor, raw material pricing.
- Competition from outside the U.S.

Primary Metal Manufacturing

- The good times have lasted a long time. How much longer can they go on? The politicians in Washington, D.C., can kill any business boom by adopting stupid policies.
- Political uncertainties for the 2020 election cycle seem to be the primary uncertainties at this time.
- The cost of money for new development; the overall world economy; will owners keep building.
- Resolution of China trade negotiations and the 232 tariff status are unpredictable negatives. The agriculture market is weak and has impacted distributor and end-user buying. A harsh winter and late warming have delayed and, likely caused the loss of, spring sales.

Fabricated Metal Product Manufacturing

- Sustainability of the current economy.
- Price of oil.
- The economy is a big driver in our industry. The oil and gas market also plays a role in our success. When the cost of oil reaches a certain amount, the large companies will again open the facilities for improvement. Until that dollar threshold is reached, it is very difficult to get the oil and gas business.
- Ability to hire people as business increases; potential increase in tariffs.
- Increasing costs; shortage of skilled and unskilled labor.
- Overall political climate; uncertainty over steel tariff situation.

- With unemployment running around 3 percent, the labor market is nonexistent without offering exorbitant compensation to the leave current employer. Those left unemployed do not want to work and even if hired cannot be incentivized to be productive. There are a few older, experienced workers available; however, if hired, it must accepted that they will retire in short order and, therefore, it's hard to justify the training and onboarding expense. Again, right now, it's the labor market.

Nonmetallic Mineral Product Manufacturing

- Housing starts; nonresidential construction household formation; interest/mortgage rates.
- Recovering from crypto virus and rebuilding computer system; health of homebuilding industry.

Machinery Manufacturing

- Oil price volatility; consolidation of oil and gas producers.
- China trade negotiations, the cyclical nature of the electronics industry and, to a lesser extent, the upcoming elections in 2020.
- Oil prices.
- China tariffs; weakened sales for the first quarter; no real explanation for the weakened sales.
- Interest rates and the Democratic proposals to tax, tax, tax business. I'm reinvesting into my business every day to make it bigger and stronger financially. That's how I see it making it in the long term. The oil and gas business is not the best business since it is unpredictable over the long term. And the downturns are always very challenging.
- Acquisition by a new parent company.
- Trade, tariffs and border uncertainty … essentially President Trump.
- Ability of the Democrats to effect antibusiness laws and regulations.

Computer and Electronic Product Manufacturing

- Trade tensions with China; tariff uncertainty.
- International volatility.
- The cost and availability of components, but this is easing.

Transportation Equipment Manufacturing

- Due to stiff competition from overseas, our customers will no longer sign long-term agreements. Therefore, our company must plan to make products available on short notice for smaller quantities with no definitive outlook into the future.
- Fuel prices.
- Oil price.

Printing and Related Support Activities

- Technology is primary. The other is price increases.
- The economy.

Food Manufacturing

- World food crisis; federal funding; redirecting relief payments for humanitarian food relief we produce.
- Trade negotiations with China and the European Union.
- That somehow Democrats will raise taxes. We elected to become a C-corp (from an S-corp) following the implementation of the new tax rates, and we are committed to investing those additional earnings to grow our business.
- Our business is highly dependent on sourcing several materials from Bulgaria, China and Mexico. So the following issues have sharply driven up uncertainty for us: U.S.–Mexico border logistics disruptions, increasing tariffs and antitrade rhetoric.
- Slowing sales; increased pressure on retaining skilled workforce.
- Cost of raw materials; availability of workers.
- Price of fuel.

Textile Product Mills

- Tariffs and import policy continue to be a concern. We are watching these closely as we look for new cut-and-sew houses to help us grow. One year ago, we thought we would look to Mexico for cut and sew, but now we are looking locally—even though it has a higher cost, we feel that we have more control over timelines and delivery windows.

Paper Manufacturing

- Lower demand.

Furniture and Related Product Manufacturing

- Brick-and-mortar retail market.

Miscellaneous Manufacturing

- Political instability, socialism, government overspending, increasing taxes, increasing regulation and increasing trade tariffs in foreign markets.
- Health care, since we sell medical equipment.

Special Questions Comments

These comments have been edited for publication.

Primary Metal Manufacturing

- Wages and benefits have really increased, and we expect this trend to continue. Even if growth stops or business slows down, the demand for good employees is going to continue.

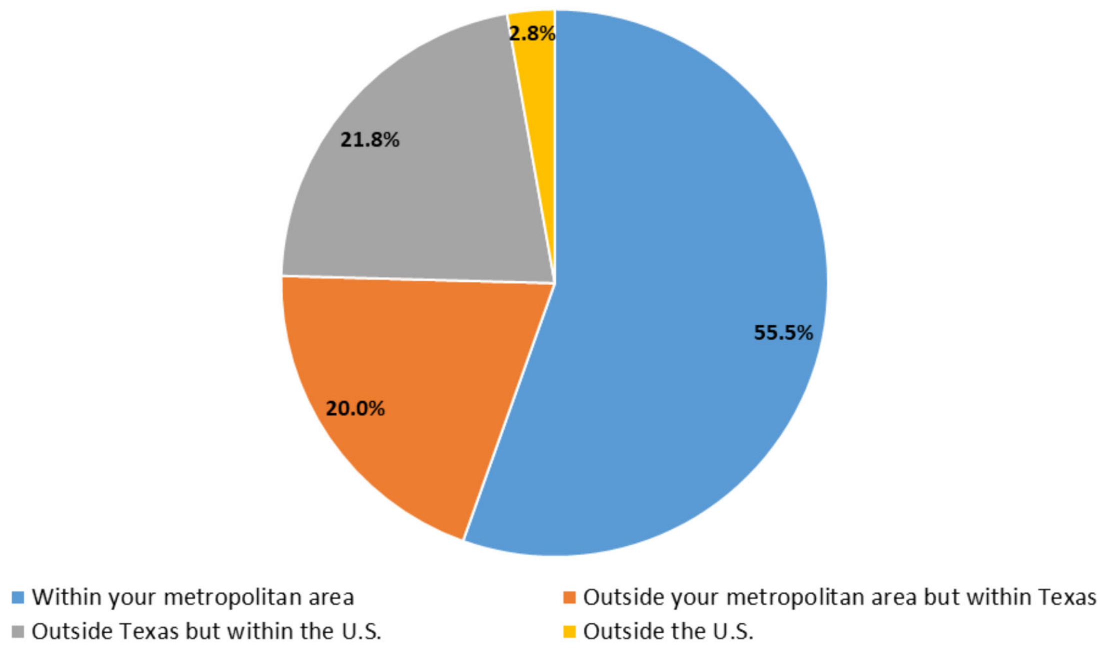
Fabricated Metal Product Manufacturing

- We file as an S corporation. However, our Texas margin taxes have increased due to the method the taxes are calculated with.
- We have several locations within Texas. Most of our sales are not in metropolitan areas.

Texas Service Sector Outlook Survey

Data were collected April 16–24, and 264 Texas business executives responded to the surveys.
See data files with a full history of results.

In 2018, approximately what share of your firm's revenues came from customers in the following geographies?



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

NOTE: 256 responses.

In 2018, what percentage of your firm's revenues came directly from oil and gas-related business?

	April '19 (percent)
None	51.3
1 to 9 percent	29.9
10 to 24 percent	9.6
25 to 49 percent	4.6
50 percent or more	4.6

NOTE: 261 responses.

In 2018, were your firm's federal corporate income taxes as a share of earnings higher, lower or about the same as in 2017?

	April '19 (percent)
Higher	16.1
Lower	32.7
About the same	51.2

NOTE: 248 responses.

What is your firm doing with money resulting from lower 2018 taxes? Please select all that apply.*

	April '19 (percent)
Increasing capital investments	46.3
Raising wages	38.8
Paying down debt/increasing savings	32.5
Paying bonuses	23.8
Increasing dividends	22.5
Increasing hiring	20.0
Enhancing worker benefits	17.5
Doing something else? What?	10.0
Buying back stock	5.0

*This question posed only to respondents who answered "lower" to the previous question.
NOTE: 80 responses.

What are the primary drivers of uncertainty regarding your firm's outlook over the next six months?

These responses have been edited for publication.

Support Activities for Mining

- Oil price trends.

Utilities

- Trade wars.

Specialty Trade Contractors

- Revenues will increase because we perform service on HVAC equipment. Service events are higher margins than replacing equipment. We are seeing people delaying capital expenditures and spending on repairs.

Truck Transportation

- Rising interest rates; geopolitical instability; overheated long-term economy.
- Finding enough qualified drivers and mechanics.
- Finding qualified labor/drivers for our industry; expenses are going up faster than price increases.

Pipeline Transportation

- Competition and uncertainty created by Washington.

Support Activities for Transportation

- U.S. border conflicts.
- Cotton season starts in August.
- Grain exports to China; tax credits related to wind products (towers, blades, etc., imports).

Publishing Industries (Except Internet)

- Geopolitical in many different aspects, plus regulatory in the EU [European Union] first, then the U.S. and Asia around data/information and interfaces/rights often associated somehow with security and/or privacy from platforms and networks often using services as barter for data/knowledge.

Data Processing, Hosting and Related Services

- We are not so concerned about the next six months. We are very concerned about next year with all of the election angst/uncertainty. We're thinking it will shut down or at least delay decision-making on major purchases.

Credit Intermediation and Related Activities

- Regulatory changes.
- General economic activity; interest rates.

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

- Lack of ability to hire employees.
- Employment levels; ability to find qualified candidates; mortgage/interest rates.
- Increases in cost of our labor, materials, supplies, transportation, insurance and property taxes. We haven't been able to really pass these costs along in our selling prices.

Insurance Carriers and Related Activities

- Variability in interest rates and spreads on corporate bonds and mortgages (all affect our annuity sales and investment yield); political discourse and legislation regarding health insurance, which affect our health insurance product; costs of medical care, especially very high-cost treatments.
- Job growth.

Real Estate

- Oil price fall; the Democrats and Republicans unable to govern.
- Consumer demand for housing.
- Border closures; tariffs; upcoming elections; health care uncertainty.

Professional, Scientific and Technical Services

- Finding qualified people that want to become dedicated and loyal employees despite very good wages.
- We are dependent upon new construction but are diversified across housing, commercial, office and industrial sector. Slowdowns like 2001–02 have some but minor effect with no reduction in staff. The 2008 drying up of capital had dynamic effect on both revenue and staff reduction.
- Industry mergers and acquisitions activity; global economic growth.
- Energy prices; stock market correction; recession fears; instability in the federal government.
- Uncertainty in the price of oil and gas; possibility of a recession.
- Continued market instability—economically and politically.
- Slowed growth in the economy and declining leading indicators for manufacturing sectors; uncertainty created by tariffs; uncertainty that will result from upcoming federal elections.
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- USMCA (U.S.–Mexico–Canada Agreement); availability of labor; technological changes in the automotive industry; federal policy.
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- Geopolitical issues no doubt are concerning, and this administration's performance is almost comical in fashion. In all honesty, the extremes to which parties appear to be migrating is very concerning. There seems to be no middle, no possibility of compromise, and that is alarming. Also, a concern that consumer contributions to the economy domestically weaken—which could occur due to a number of factors—and we slide as a result; GDP falls and perhaps we do experience some level of recession. We may have a decent 2019, but I see weakening into 2020 and perhaps beyond, particularly as we see some instability introduced as the election cycle heats up and the expected circus on both sides begins performing. (I think overseas factors will play into it as well with Brexit, general EU [European Union] issues and perhaps some expected shocks in Asia. Economic strength in China is not as good as predicted.) I do not think the Fed [Federal Reserve] will impact triggering the negative as much as other elements of our political failings will. The Fed is likely to get blamed though.
- Congressional action; 2020 elections; Democrats' socialism.
- Our older product line is not bringing enough returning customers.

Management of Companies and Enterprises

- Regulations; economy; labor force; competitors.
- Oil and gas prices and export capacity. The political climate in D.C. is unsettling, and the perpetual talk for the past two presidencies of impeachment, disrespect and rancor simply are wearing the general public out. Seems as if the population is growing tired of partisan politics, but we continue to reelect polarizing politicians. Compliance whiplash is a reality depending on which party is in power. It causes unrest in the business climate.

Administrative and Support Services

- The military aviation sector is a big part of our service work. It seems to be somewhat unsteady in the past few months. The "uncertainty" that is being talked up is having an effect on our customers' willingness to take on new business.
- Political discontent; international unrest.
- Political uncertainty.

Waste Management and Remediation Services

- Export market to China, which has a huge impact on the scrap business. While our company does not directly sell material to China, the lack of exports sold to China has a ripple effect throughout the entire recycling industry.

Educational Services

- Changing educational laws in the legislature and educational funding.

Ambulatory Health Care Services

- Greater government involvement in health care.

Nursing and Residential Care Facilities

- Building of additional seniors housing communities. If supply continues to grow, it could negatively impact the occupancy of our communities and the rates we are able to charge.

Performing Arts, Spectator Sports and Related Industries

- Politics and world events.

Accommodation

- The U.S. economy and how the oil and gas industry performs.
- Economic policies—thank God for Mr. Powell [Federal Reserve Chairman]. I don't feel the current administration has much of a strategy.

Food Services and Drinking Places

- Wages; labor.
- Price of oil impacting ability to attract and retain labor in West Texas.

- The economy and market saturation in the hospitality industry as well as labor shortage.

Repair and Maintenance

- Health care costs; regulations (OSHA [Occupational Safety and Health Administration], EPA [Environmental Protection Agency], DOT [Department of Transportation]).
- Lower in-store retail sales means fewer store openings. Without new stores, our product is not needed. Online retail sales are hurting our business. Our product sales price is decreasing, while our costs for labor and materials are increasing.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- The impact of growing national debt on the long-term viability of the U.S. economy and the seeming inability of politicians to bring debt under control.
- Medical reimbursements.
- As a nonprofit organization, we have seen a steady decrease in monetary support.
- Oil prices

Special Questions Comments

These comments have been edited for publication.

Pipeline Transportation

- In many cases, customers are based in Houston, but the revenue sources are outside Houston.

Support Activities for Transportation

- The port is a governmental enterprise and is not subject to federal income tax.

Insurance Carriers and Related Activities

- Much of our growth is coming from new marketing initiatives in larger cities like San Antonio. Unfortunately, the market for new business growth is in the larger metro areas.

Real Estate

- Increasing wages and benefits and hiring are not a result of the lower taxes as much as they are due to the competitive employment environment and the natural growth of our business.
- We do not know the impact of federal tax changes at this time.

Professional, Scientific and Technical Services

- Our taxes are lower, based on our estimates, but we had to file an extension because we still have work to do before we can determine actual taxes owed. We may not be able to file our final return until September or October.
- We lack marketing funds to promote more and benefit from the good overall economy. We are spending money in research and development to add new products to our portfolio.
- Given we are a partnership, corporate taxes really aren't an issue.

Administrative and Support Services

- I have not filed 2018 taxes yet, so I really don't know—I'm guessing an improvement, but it is too hard to tell at this point in time.
- The economy has the potential to grow, but we need to continue to invest in technology and training. We must keep our cost structure in line in order to make these investments. The level of overregulation in the economy will have a stagnating effect on business in general and act like an additional tax.

Ambulatory Health Care Services

- As a subchapter S corporation, earnings pass through to personal income. However, as a targeted group by the latest tax bill, we will not benefit from the 20 percent business tax deduction, and the capping of deductions of property taxes effectively offsets any slight reduction in the overall personal tax rate.

Nursing and Residential Care Facilities

- Approximately 7.5 percent of our total income is made up from charitable contributions from the oil and gas industry.

Texas Retail Outlook Survey

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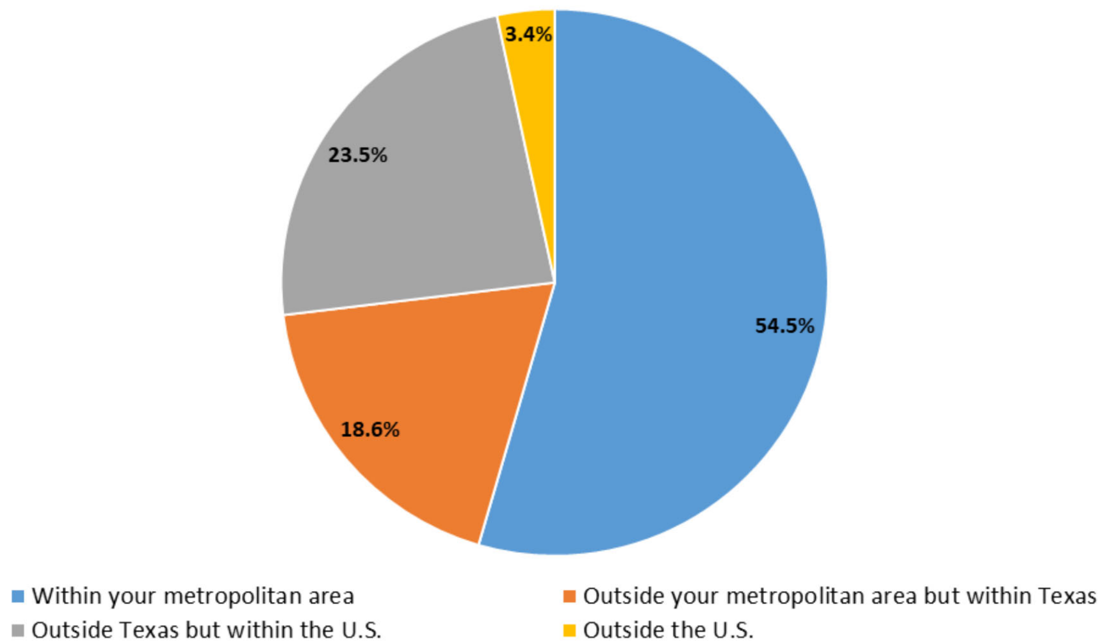
See data files with a full history of results.

In 2018, approximately what share of your firm's revenues came from customers in the following geographies?



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

NOTE: 52 responses.

In 2018, what percentage of your firm's revenues came directly from oil and gas-related business?

	April '19 (percent)
None	53.8
1 to 9 percent	25.0
10 to 24 percent	13.5
25 to 49 percent	3.8
50 percent or more	3.8

NOTE: 52 responses.

In 2018, were your firm's federal corporate income taxes as a share of earnings higher, lower or about the same as in 2017?

	April '19 (percent)
Higher	7.8
Lower	43.1
About the same	49.0

NOTE: 51 responses.

What is your firm doing with money resulting from lower 2018 taxes? Please select all that apply.*

	April '19 (percent)
Increasing capital investments	50.0
Raising wages	36.4
Paying down debt/increasing savings	36.4
Increasing dividends	27.3
Enhancing worker benefits	22.7
Paying bonuses	18.2
Increasing hiring	13.6
Buying back stock	4.5
Doing something else? What?	4.5

*This question posed only to respondents who answered "lower" to the previous question.
NOTE: 22 responses.

What are the primary drivers of uncertainty regarding your firm's outlook over the next six months?

These responses have been edited for publication.

Merchant Wholesalers, Durable Goods

- Federal political outlook and the changing state political shift.
- Right now, we don't have any big drivers for our business. In the past, business was driven by environmental needs, independent power needs, etc. Now, we are focused on replacement of old boilers.
- Problems with tariffs and changes in the market.

Merchant Wholesalers, Nondurable Goods

- The trade war with China.
- Sourcing employees; agricultural commodity prices; keeping farmers and ranchers in business; managing lower margins with increased cost (labor and input).

Motor Vehicle and Parts Dealers

- Our business is the automobile retail and service business. We will be reducing new-vehicle inventory as much as the manufacturers' quotas will permit. We will increase parts and accessory inventories to keep up with increasing service business.

General Merchandise Stores

- Tariff issues; impact on pricing.

Nonstore Retailers

- Competitive pressure to reduce pricing to customers impacting our ability to retain existing customer base; ability to hire and retain qualified labor to service customers.
- Political climate.

Special Questions Comments

These comments have been edited for publication.

Building Material and Garden Equipment and Supplies Dealers

- We are glad to see that the Fed [Federal Reserve] has paused raising interest rates. Increases in the rates hurt small business as they increase the cost of capital.

General Merchandise Stores

- We are a retailer. Approximately 11 percent of our total company sales is retail sales of gasoline.

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