Texas **Service Sector** Outlook Survey

October 29, 2019

Texas Service Sector Activity Strengthens

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on borrowing conditions and credit availability. Results for these questions from the Texas Manufacturing Outlook Survey, Texas Service Sector Outlook Survey and Texas Retail Outlook Survey have been released together.

Growth in the Texas service sector continued to increase 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, increased from 12.9 in September to 15.4 in October.

Labor market indicators reflected faster employment growth and slightly longer workweeks this month. The employment index increased from 6.5 to 9.1, while the hours worked index was roughly unchanged at 1.7.

Perceptions of broader business conditions remained positive, although outlook uncertainty increased further in September. The general business activity index fell four-and-a-half points but was positive at 1.8, while the company outlook index surged nearly seven points to 10.7, its highest reading this year. The outlook uncertainty index rose from 15.4 to 18.0, with about one-quarter of respondents noting increased uncertainty compared with last month.

Wage pressures increased in October, while price pressures were mixed. The wages and benefits index rose nearly six points to 19.9. The selling prices index declined from 2.5 to -1.0, its first negative reading since early 2016, while the input prices index rose nearly three points to 24.5.

Respondents' expectations regarding future business conditions were slightly mixed in October. The future company outlook index was largely unchanged at 10.7, while the future general business activity index declined six points to 0.2, indicating no net change in expected business activity compared with September. Other indexes of future service sector activity, such as revenue and employment, rose above their long-term averages, suggesting expectations of strengthening activity over the next six months.

Texas **Retail** Outlook Survey

Retail Sales Growth Holds Steady

Growth in retail sales remained solid in October, according to business executives responding to the Texas Retail Outlook Survey. The sales index was mostly unchanged at 7.5. Inventories continued to decline, with the inventories index falling from -4.0 to -6.5.

Retail labor market indicators were mixed in October, as respondents indicated faster growth in employment but shorter workweeks. The employment index rebounded nearly eight points to 4.8—its best reading since April. The hours worked index continued to decline and fell to -11.2, its weakest reading since late 2016.

Retailers' perceptions of broader business conditions were mixed compared with September. The general business activity index increased slightly to -0.2, indicating no net change compared with last month. The company outlook index surged over 11 points to 11.1, its best reading in over a year. The outlook uncertainty index increased slightly from 11.3 in September to 13.8 in October.

Retail price pressures declined moderately, while wages pressures rose sharply in October. The input prices index declined over six points to 11.6, while the selling prices index fell four points to 11.5. The wages and benefits index surged from 5.3 to 12.8, with nearly 20 percent of respondents reporting an increase in wages and benefits paid compared with September.

Retailers' perceptions of future business conditions were mixed this month. The future general business activity index worsened, declining six points to -7.2, while the future company outlook index dipped slightly but remained positive at 4.3. Most other indexes of future retail remained positive and continued to reflect expectations for continued growth 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: November 26, 2019

Data were collected October 15–23, and 238 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	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	15.4	12.9	+2.5	12.1	119(+)	29.6	56.2	14.2
Employment	9.1	6.5	+2.6	6.7	116(+)	16.4	76.3	7.3
Part-Time Employment	2.7	1.4	+1.3	1.8	9(+)	6.9	88.9	4.2
Hours Worked	1.7	2.4	–0.7	2.8	36(+)	7.7	86.3	6.0
Wages and Benefits	19.9	14.1	+5.8	14.6	125(+)	21.5	76.9	1.6
Input Prices	24.5	21.6	+2.9	25.4	126(+)	28.2	68.1	3.7
Selling Prices	–1.0	2.5	–3.5	5.5	1(–)	10.0	79.0	11.0
Capital Expenditures	9.5	13.0	–3.5	10.8	122(+)	16.4	76.7	6.9

General Business Conditions
Current (versus previous month)

Indicator	Oct Index	Sep Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	10.7	4.1	+6.6	6.1	2(+)	18.8	73.1	8.1
General Business Activity	1.8	6.3	–4.5	3.9	5(+)	16.1	69.6	14.3

Indicator	Oct Index	Sep Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	18.0	15.4	+2.6	11.9	21(+)	24.3	69.5	6.3

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

Indicator	Oct Index	Sep Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	38.1	33.3	+4.8	37.9	128(+)	48.5	41.1	10.4
Employment	23.1	21.9	+1.2	22.2	127(+)	31.1	60.9	8.0
Part-Time Employment	8.3	3.3	+5.0	6.7	4(+)	15.0	78.3	6.7
Hours Worked	6.9	4.1	+2.8	5.4	38(+)	9.3	88.3	2.4
Wages and Benefits	42.0	37.5	+4.5	36.5	154(+)	43.4	55.3	1.4
Input Prices	40.6	34.3	+6.3	44.5	154(+)	45.4	49.7	4.8
Selling Prices	20.7	19.6	+1.1	23.4	126(+)	28.3	64.1	7.6
Capital Expenditures	21.9	20.3	+1.6	24.2	127(+)	29.5	63.0	7.6

General Business Conditions
Future (six months ahead)

Indicator	Oct Index	Sep Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	10.7	11.6	–0.9	17.0	10(+)	24.9	61.0	14.2
General Business Activity	0.2	6.2	–6.0	13.6	2(+)	19.9	60.4	19.7

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

Indicator	Oct Index	Sep Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	7.5	7.7	–0.2	6.8	2(+)	28.1	51.3	20.6
Employment	4.8	–3.1	+7.9	2.4	1(+)	11.7	81.4	6.9
Part-Time Employment	3.5	–3.9	+7.4	–1.6	1(+)	8.8	86.0	5.3
Hours Worked	–11.2	–7.5	–3.7	–1.3	3(–)	4.8	79.2	16.0
Wages and Benefits	12.8	5.3	+7.5	9.7	104(+)	17.9	77.0	5.1
Input Prices	11.6	17.8	–6.2	19.1	45(+)	16.5	78.6	4.9
Selling Prices	11.5	15.5	–4.0	10.3	31(+)	16.0	79.5	4.5
Capital Expenditures	6.9	3.8	+3.1	9.5	9(+)	13.8	79.3	6.9
Inventories	–6.5	–4.0	–2.5	3.9	2(–)	14.2	65.1	20.7
Companywide Retail Activity								
Companywide Sales	12.8	8.3	+4.5	8.5	4(+)	28.5	55.8	15.7
Companywide Internet Sales	3.7	4.2	–0.5	6.9	18(+)	15.5	72.7	11.8

General Business Conditions, Retail
Current (versus previous month)

Indicator	Oct Index	Sep Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	11.1	–0.1	+11.2	4.4	1(+)	19.3	72.5	8.2
General Business Activity	–0.2	–2.0	+1.8	–0.1	11(–)	17.4	65.0	17.6

Outlook Uncertainty
Current (versus previous month)

Indicator	Oct Index	Sep Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	13.8	11.3	+2.5	10.4	17(+)	22.4	69.0	8.6

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

Indicator	Oct Index	Sep Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	21.2	19.8	+1.4	32.8	5(+)	34.6	52.0	13.4
Employment	5.1	8.6	–3.5	12.6	2(+)	15.0	75.1	9.9
Part–Time Employment	4.9	3.6	+1.3	0.7	2(+)	11.5	81.9	6.6
Hours Worked	–2.5	–2.3	–0.2	2.8	12(–)	3.8	89.9	6.3
Wages and Benefits	23.6	32.1	–8.5	27.3	130(+)	28.3	67.0	4.7
Input Prices	29.1	21.2	+7.9	33.1	126(+)	38.2	52.7	9.1
Selling Prices	25.0	23.5	+1.5	29.1	126(+)	32.1	60.7	7.1
Capital Expenditures	14.2	7.9	+6.3	18.6	5(+)	19.6	75.0	5.4
Inventories	–9.8	–5.2	–4.6	8.5	6(–)	15.5	59.2	25.3
Companywide Retail Activity								
Companywide Sales	24.2	26.7	–2.5	31.3	127(+)	34.0	56.2	9.8
Companywide Internet Sales	13.1	16.6	–3.5	21.9	39(+)	19.6	73.9	6.5

General Business Conditions, Retail
Future (six months ahead)

Indicator	Oct Index	Sep Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	4.3	6.6	–2.3	17.5	2(+)	24.0	56.2	19.7
General Business Activity	–7.2	–1.2	–6.0	13.2	3(–)	17.9	57.0	25.1

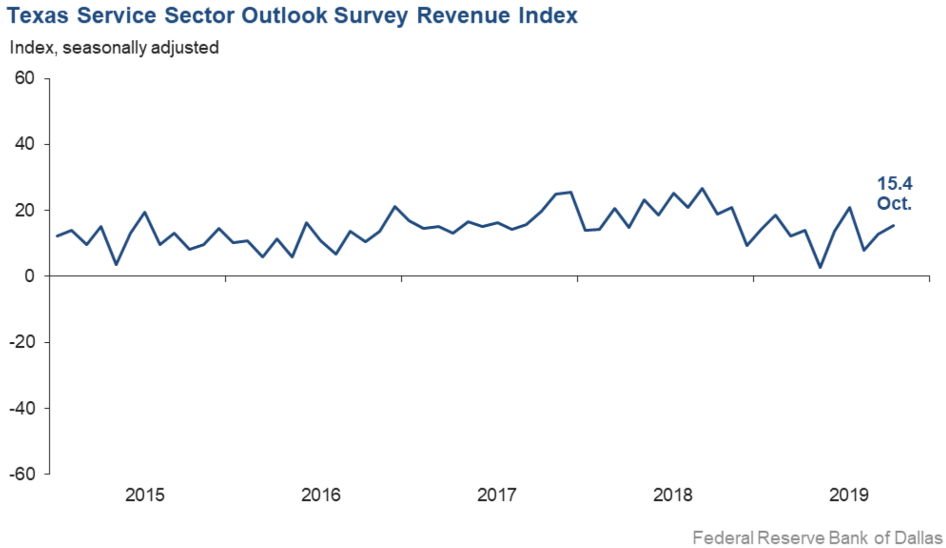
*Shown is the number of consecutive months of expansion or contraction in the underlying indicator. Expansion is indicated by a positive index reading and denoted by a (+) in the table. Contraction is indicated by a negative index reading and denoted by a (–) in the table.

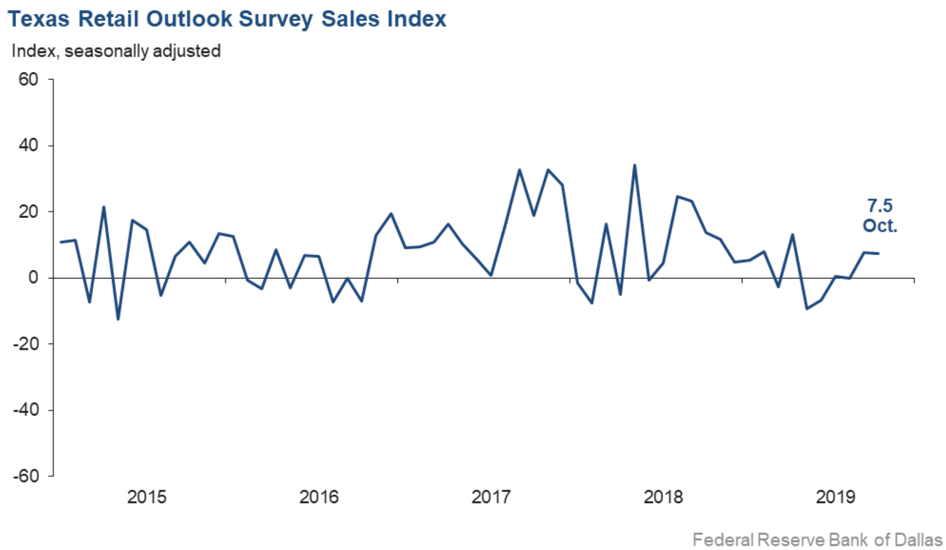
**Shown is the number of consecutive months of improvement or worsening in the underlying indicator. Improvement is indicated by a positive index reading and denoted by a (+) in the table. Worsening is indicated by a negative index reading and denoted by a (–) in the table.

†Added to survey in January 2018.

Data have been seasonally adjusted as necessary, with the exception of the outlook uncertainty index which does not yet have a sufficiently long time series to test for seasonality.

Texas Service Sector Outlook Survey





Texas Service Sector Outlook Survey

October 29, 2019

Comments from Survey Respondents

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

Pipeline Transportation

- The most pressing issue for our business is uncertainty surrounding the global economy.

Support Activities for Transportation

- We are looking for any changes to the business environment. Everyone is waiting on the trade solutions with China.
- The trade wars are reducing volume and rates and increasing uncertainty. AB5 [California Assembly Bill 5] has begun its reign of terror in the market concerning contractor status and fear of regulatory repercussions, penalties and, ultimately, being put out of business.

Warehousing and Storage

- The continued uncertainty on where the global trade issues are heading is not generating a healthy growth environment.

Publishing Industries (Except Internet)

- Leading edge interface (UI) tech with AR/VR [augmented reality/virtual reality] and cloud links for training and education are our current primary apps/IP license subscription focus. Government, pharma and medical sector apps are gaining strong momentum for cost efficiency and skill training quality reasons.

Broadcasting (Except Internet)

- One of our businesses in Beaumont (a hotel) was severely impacted by Tropical Storm Imelda. It will take six months to fully restore the property, and there will likely be a 30 percent to 50 percent drop-off in sales since most of our competitors were not impacted by the storm. Our restoration process will be fortuitous for the contractors and suppliers, as our cost will likely range between $8 and $12 million.

Data Processing, Hosting and Related Services

- There is a bit of uneasiness in the marketplace about the election cycle and outcome. It hasn't impacted decisions, but most are talking about it, so it may become a damper on purchasing decisions in the coming months.

Credit Intermediation and Related Activities

- Competition for customers has increased and will continue to increase with fintech companies entering the market.
- The Central Texas region will see an increase in sales tax receipts due, for the most part, to migrating hunters for the deer, turkey and quail seasons. Also, the start of the erection of the 64-tower wind farm will bring crews to fill up hotels and restaurants and spend money.
- Litigation and regulatory issues are creating a more cloudy business future.
- The drop in interest rate is compressing interest income margins. The offset is to try to grow loans, but this is difficult with our view of a worsening economy in 2020, leading us to tighten credit standards and hold levels. On the flip side, lower interest rates are good for maintaining adequate debt service coverage levels for more leveraged borrowers.
- We are a financial services provider. The declining interest rate market reduces profitability and, therefore, limits growth ability. It is a challenging interest rate market, credit/liquidity market and competitive landscape.

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

- As a financial services company, we are very concerned about geopolitical events, the interest rate environment and the overall health of the U.S. economy and business spending/confidence.

Real Estate

- Uncertainty plays into our outlook for 2020: impeachment hearings, 2020 election, trade war with China and Middle East volatility.
- We are still very cautious, between the trade talks, the elections, impeachment, Iran, Syria, Turkey, Saudi Arabia, Brexit, no progress on immigration reform, no progress on filling key administration positions, constant turnover at the White House, etc. The only thing we can really do is work and hope for the best.
- The interest rate drop has increased the number of commercial appraisals being requested but only in the month of October.

Professional, Scientific and Technical Services

- Attracting employees remains difficult in this tight market.
- We continue to monitor both U.S. and global economic conditions carefully and are focused on our clients' activity levels. We are currently performing slightly better than industry markers suggest others are with general demand for services, but we continue to monitor closely so we can adapt quickly to any material changes. Trade concerns remain. They are not impacting us materially at present, and we appreciate this is likely to linger through the 2020 election when the Chinese believe they can get a better deal under a new administration, assuming that change happens. We have watched Brexit developments closely as well. It appears a plan is approved, so now it all really starts. The uncertainty around this has impacted operations in the U.K., and if resolved, at least we can better predict a path forward. On the U.S. front, economic indicators seem to be trending favorably, with earnings coming out stronger than a few of us expected.
- As a small consulting company, a small change has a significant impact on the firm.
- The political situation is ridiculous and complicates all business outlooks. It is a situation that only gets worse. The election and impeachment proceedings all distract and hurt the economy.
- It is still hard to find professionals with the skill sets necessary to grow the business. I would say that the level of uncertainty has increased slightly due to the continued government investigations over the last two-plus years versus working together to strengthen our economy and get things done in Washington.
- Design and construction activity are still very strong. No changes over the next three to six months are anticipated.
- Our view of the market is that it continues to slow. We are seeing both a continued slowdown in M&A [mergers and acquisitions] activity and an uptick in litigation and restructuring work, which are generally indicative of a market transition/swing. Our number of employees has increased because we added in October our new first-year lawyers (30). We also issued our annual rate increases in October, though we do expect client pushback. On the six-month outlook, we expect wages and benefits to change based on the annual cycle, and capital expenditures will increase for us related to technology and lease space tenant finish-out costs. Our sense is that with the continued uncertainty in the market and going into the election year, the market will remain sluggish.
- The firm's outlook over the near term looks better due to significant recent public sector contract wins that will last for several years. The overall outlook, though, points to a softening in economic growth and investment due to uncertainties related to the U.S. elections, trade and global economy.
- The availability of entry-level labor continues to be the biggest limiting factor in our growth. Expansion of programs such as H2B visas would allow us to expand and create more management and supervisory positions.
- We see international business increasing over the next six months but little to no change in Texas. Finding qualified employees continues to be an issue.
- The real estate market is definitely showing signs of slowing down on both the commercial and residential sides of the market. Lower interest rates have helped the residential market remain stable for now, but we are seeing houses sit for much longer periods of time before going to contract. On the commercial side, we are still seeing institutional money being deployed, but the smaller players are having a hard time finding deals because they cannot compete with these bigger players when it comes to pricing.
- We have seen a year-over-year increase in demand for our attorneys in nine of 14 practice areas. Real estate in particular continues to be very active. We put rate increases in effect in October.

Management of Companies and Enterprises

- The looming election has some folks nervous, but the interest rate and credit environment are helping.

Administrative and Support Services

- My assessment of the economy, political unrest and international trade issues would/could have an impact on my six-to-12-month outlook, but I don't expect any significant changes between now and six months.

- At this time, our outlook for uncertainty for this company has not increased, which is a positive change for us. We are hoping that the "needle" is moving one way or another in regard to President Trump's stated positions on matters. We feel that movement—positive or negative—toward his term in office is a positive overall. At least there is motion and not the stalemate that we have been dealing with for the last five months. The corporate aviation sector has been the biggest mover in our numbers for the last month, and utilization is increasing. The oil market-machinery sector is still flat from last year, and we see no improvement in the short term. The heavy industrial sector seems to have increased with new parts being manufactured for replacement applications on existing equipment. There are no large RFQs [request for quotations] to speak of at this time, but we do feel an upswing in mood with these purchasing groups. The commercial aviation sector has remained flat—no uptick in RFQs but no losses either. We see more MROs [maintenance, repair and operations] merging at the end of the year. We have had a small niche sector increase its outreach to us: the government (state/federal) infrastructure agencies have been contacting us in regard to quoting on bridge, dam and building projects that require inspections. The military ground and aviation sector has been the biggest surprise this last month, with more RFQs than normal being requested, and we are having a higher capture rate on these RFQs.
- Expenditures for luxury travel will continue but at a cautious and value-driven pace. Luxury travel will be much harder to forecast based on the late booking patterns dictated by world events and political climate.
- There seems to be a slowdown in the urgency for filling full-time positions.
- We were awarded a new large government contract, which will translate into more revenue, jobs, etc.

Educational Services

- Round 13 of trade talks has yielded a tangible roadmap that will lead to results. I am hopeful Congress will finally do their job and ratify USMCA [United States–Mexico–Canada Agreement]. The Federal Reserve continues to lower short rates to bring them back in line with economic indicators. It's the fourth quarter and consumers are poised to do what they do during this upcoming holiday season—spend! There's plenty of room for optimism well into 2020.

Ambulatory Health Care Services

- Especially with the energy sector booming in the Permian Basin, there is a significant burden of increased payroll cost to all nonenergy sector companies especially in the health care environment.
- Year-end markets have become increasingly fickle; some politicians even channeling the "hammer and sickle"; 2020 will be a tumultuous election year; tweets endless from far and near; Fed [Federal Reserve] doing a great job but challenges put them in a pickle.

Social Assistance

- Politics still greatly impact service providers and uncertainty for projections.

Performing Arts, Spectator Sports and Related Industries

- We are happy with the business environment. The economy is sound.

Amusement, Gambling and Recreation Industries

- We are taking a cautious approach to the next six months. It seems like there are conditions in place for a recession, and this presidential election could change lots of things in the near and long term. All the other factors, such as high property taxes, not enough people to hire, no parking in the downtown district of Austin and not very good public transportation, remain as issues that we have to navigate on a daily basis.

Accommodation

- The perception of our clientele is that things are worsening. Regardless of what the federal government does with China, the die is cast.

Food Services and Drinking Places

- We have maintained a level of growth, but we see rising costs all around us, and a downturn in the economy will hit us hard.
- Choice beef brisket is as high as it has ever been. Labor costs are through the roof. Our city council just passed a paid sick leave law that will create more accounting, labor cost and abuse.
- We have significantly increased competition due to new venues opening up all around us.
- We will take a price increase in January to cover annual raises.

Personal and Laundry Services

- Labor cost is increasing, and expenses cannot be absorbed with price increases.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- The Houston citywide election uncertainty— and its outcome—is a growing business concern.

Merchant Wholesalers, Durable Goods

- The decrease in inventory is directly related to our efforts to utilize better measurement techniques to "right-size" our inventory. The increase in internet sales is related to efforts by us and our customers to create efficiencies in the use of digital technologies.
- The oilfield has heated up on the repair side of our business in the last few months, while cap ex [capital expenditures] for the oilfield is leveling off and heading downward. It is looking like 2020 will be a repeat of 2019, barring any major economic or political changes.

Merchant Wholesalers, Nondurable Goods

- I'm working to open trade with an Ecuadorian client in fourth quarter 2019. The instability in Ecuador has slowed our efforts to launch the business.

Motor Vehicle and Parts Dealers

- September was a very soft month, and October is disappointing thus far. The DFW market is not performing as well as it should be given most of the positive economic indicators. Our industry is filled with unprecedented challenges.
- We believe China trade issues will continue to create uncertainty in the marketplace as we go forward.

Building Material and Garden Equipment and Supplies Dealers

- Things seem to be picking up; we think lowering interest rates is helping.
- October has been a good month for our business because of favorable weather. We're cautious about inventory purchases and hiring because of the expected economic downturn next year. Uncertainty has increased since instability in the Middle East has been added to the existing concerns about ongoing trade wars and the upcoming additional tariffs on consumer goods.

Clothing and Clothing Accessories

- Sales at border stores continue to be challenging versus previous years.

Nonstore Retailers

- We are in the process of aggressively raising prices in order to retain or improve margins in the face of supplier price increases.

Questions regarding the Texas Service Sector Outlook Survey can be addressed to Christopher Slijk at christopher.slijk@dal.frb.org.

NOTE: 56 responses.

Special Questions Comments

These comments have been edited for publication.

Merchant Wholesalers, Durable Goods

- While we have not sought credit in the last 12 months, we believe we would have no issues in obtaining additional credit if needed. We believe that we are under-leveraged at less than 0.5 times EBITDA [earnings before interest, tax, depreciation and amortization] and 10 percent of liquid assets.

Merchant Wholesalers, Nondurable Goods

- Credit is not the question for our business. Consumer confidence and spending are critical. Business is very slow, and continued poor communication from [Federal Reserve] Chairman Powell is a detriment.
- The credit situation for my personal company has eased somewhat, but credit for my family's business for capital expenditures has been difficult. Credit for my customers has also stiffened, and despite the easing by the Fed [Federal Reserve], they have seen little impact.

Motor Vehicle and Parts Dealers

- We see the banks' willingness to improve terms on loans as it relates to fixed financing versus variable rates and increasing the length of the terms. These are all positive as they relate to our borrowing.
- Cost of funds is a major problem in our business (automotive). Generally, floor plan [financing rates are] prime plus 1.50 percentage points or more, plus flat charges, plus insurance. Our business is well-capitalized. Capital expenditures have been excessive for the last five years.

Building Material and Garden Equipment and Supplies Dealers

- We are able to internally fund most of our capital expenditures; however, we have noticed several projects stalling due to an inability to obtain credit.
- We are sitting on over $15 million in cash; if this keeps up, we're going to put it to work.

Clothing and Clothing Accessories Stores

- Suppliers have become more demanding in terms of credit, given all the recent restructurings in the retail space.

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

Texas **Business** Outlook Surveys

Special Questions

October 28, 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 Oct. 15–23, and 387 Texas business executives responded to the surveys.
See data files with a full history of results.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Eased substantially	0.7	0.5	1.9	1.5	0.8
Eased somewhat	7.0	7.8	7.2	6.7	8.1
No change	47.4	46.5	47.2	45.9	49.0
Tightened somewhat	12.3	9.1	5.8	9.8	8.1
Tightened substantially	2.0	3.4	2.1	3.1	0.8
Not applicable—haven't sought credit	30.8	32.7	35.8	33.0	33.3

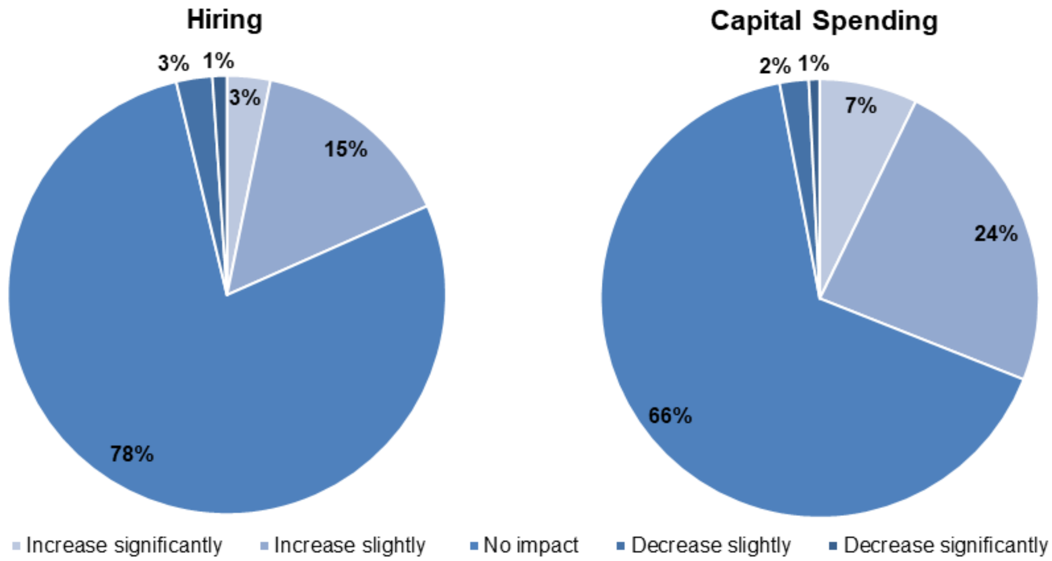
NOTE: 384 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Increased substantially	0.3	0.8	0.8	7.3	0.5
Increased somewhat	13.6	16.6	26.3	40.2	5.2
No change	48.7	44.3	32.6	18.9	31.9
Decreased somewhat	5.6	6.2	3.7	1.8	26.4
Decreased substantially	1.3	0.8	0.5	0.0	3.1
Not applicable—haven't sought credit	30.5	31.3	36.1	31.9	32.7

NOTE: 382 responses.

By some measures the cost of credit has declined by 15-20 percent so far this year. If the cost of credit were to decline an additional 15-20 percent, how would this impact your firm's hiring and capital spending over the next 12 months?



NOTES: 384 responses. Data collected October 15-23, 2019.
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Hiring	Oct. '19 (percent)
Increase significantly	3.2
Increase slightly	15.2
No impact	77.9
Decrease slightly	2.7
Decrease significantly	1.1

Capital spending	Oct. '19 (percent)
Increase significantly	7.2
Increase slightly	23.8
No impact	66.0
Decrease slightly	2.1
Decrease significantly	0.8

NOTE: 376 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	42.0	43.5	38.8	40.0	39.6
Some difficulty	15.9	12.6	9.3	11.2	9.1
Substantial difficulty	2.4	2.4	3.7	1.6	2.3
Extreme difficulty	0.3	0.5	2.4	1.6	0.8
Not applicable—haven't sought credit	39.3	41.1	45.7	45.7	48.2

NOTE: 386 responses.

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. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	41.4	38.1	40.9	39.5	39.1
Some difficulty	9.2	9.2	7.8	7.3	7.8
Substantial difficulty	1.7	2.6	2.4	2.1	2.1
Extreme difficulty	0.0	0.5	1.1	1.3	0.8
Not applicable—haven't sought credit	47.8	49.6	47.8	49.9	50.3

NOTE: 384 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Yes— significantly	0.7	1.6	1.1	1.3	1.3
Yes—somewhat	8.1	7.9	9.2	8.6	4.9
No	40.3	37.3	39.1	33.2	40.1
Not applicable—haven't had problems obtaining credit	13.8	13.6	8.4	12.0	8.6
Not applicable— haven't sought credit	37.2	39.6	42.3	44.9	45.1

NOTE: 384 responses.

NOTE: Survey respondents were given the opportunity to provide comments. These comments can be found on the individual survey Special Questions results pages, accessible by the tabs above.

Texas Manufacturing Outlook Survey

Data were collected Oct. 15–23, and 104 Texas manufacturers responded to the surveys.
See data files with a full history of results.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Eased substantially	0.0	0.0	1.8	1.7	1.0
Eased somewhat	6.3	8.8	11.0	8.7	8.7
No change	47.9	50.9	43.1	48.7	54.8
Tightened somewhat	9.4	9.6	3.7	7.0	8.7
Tightened substantially	3.1	5.3	5.5	5.2	1.0
Not applicable—haven't sought credit	33.3	25.4	34.9	28.7	26.0

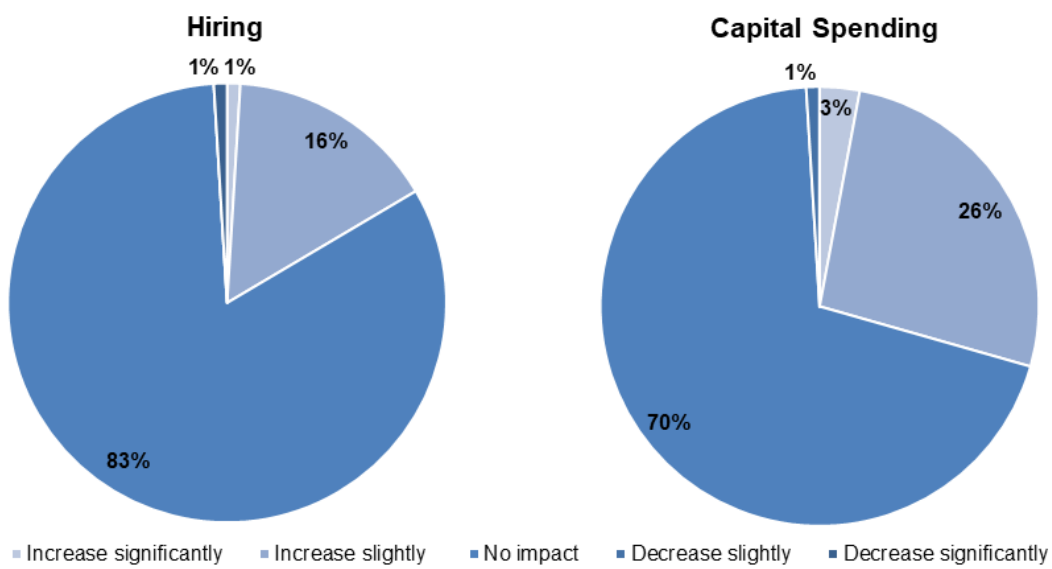
NOTE: 104 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Increased substantially	0.0	1.8	0.9	7.0	0.0
Increased somewhat	17.7	10.5	24.8	37.4	7.8
No change	44.8	53.5	33.9	26.1	39.8
Decreased somewhat	3.1	7.9	4.6	2.6	24.3
Decreased substantially	2.1	0.9	1.8	0.0	1.0
Not applicable—haven't sought credit	32.3	25.4	33.9	27.0	27.2

NOTE: 103 responses.

By some measures the cost of credit has declined by 15-20 percent so far this year. If the cost of credit were to decline an additional 15-20 percent, how would this impact your firm's hiring and capital spending over the next 12 months?



NOTES: 103 responses. Data collected October 15-23, 2019.
SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey.

Hiring	Oct. '19 (percent)
Increase significantly	1.0
Increase slightly	15.5
No impact	82.5
Decrease slightly	0.0
Decrease significantly	1.0

Capital spending	Oct. '19 (percent)
Increase significantly	2.9
Increase slightly	26.5
No impact	69.6
Decrease slightly	1.0
Decrease significantly	0.0

NOTE: 103 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	42.4	45.5	38.9	44.3	49.5
Some difficulty	17.4	8.9	10.2	10.4	10.7
Substantial difficulty	3.3	4.5	5.6	1.7	1.9
Extreme difficulty	1.1	0.9	1.9	1.7	1.0
Not applicable—haven't sought credit	35.9	40.2	43.5	41.7	36.9

NOTE: 103 responses.

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. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	48.4	42.1	41.7	43.5	52.9
Some difficulty	16.1	10.5	8.3	7.8	4.8
Substantial difficulty	0.0	3.5	2.8	3.5	1.9
Extreme difficulty	0.0	0.9	0.0	1.7	1.0
Not applicable—haven't sought credit	35.5	43.0	47.2	43.5	39.4

NOTE: 104 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Yes— significantly	0.0	2.7	0.9	0.9	1.9
Yes—somewhat	10.6	8.9	10.2	8.0	1.9
No	35.1	38.4	37.0	35.4	48.5
Not applicable—haven't had problems obtaining credit	20.2	16.1	11.1	16.8	13.6
Not applicable— haven't sought credit	34.0	33.9	40.7	38.9	34.0

NOTE: 103 responses.

Special Questions Comments

These comments have been edited for publication.

Primary Metal Manufacturing

- If a business is profitable, it can get a loan.

Machinery Manufacturing

- Banks are not interested in small company loans, and any efforts made to secure small loans are not worth the risks mandated by the lending institutions.

Computer and Electronic Product Manufacturing

- We are not having issues with credit, as our business generates ample cash. There is an issue of demand, which will slow our capital expenditures and employment.

Printing and Related Support Activities

- Credit concerns are way below those of labor concerns.

Texas Service Sector Outlook Survey

Data were collected Oct. 15–23, and 283 Texas business executives responded to the surveys.
See data files with a full history of results.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Eased substantially	1.0	0.7	1.9	1.5	0.7
Eased somewhat	7.3	7.4	5.6	5.9	7.9
No change	47.1	44.6	48.9	44.7	46.8
Tightened somewhat	13.6	8.9	6.7	11.0	7.9
Tightened substantially	1.5	2.6	0.7	2.2	0.7
Not applicable—haven't sought credit	29.6	35.8	36.2	34.8	36.1

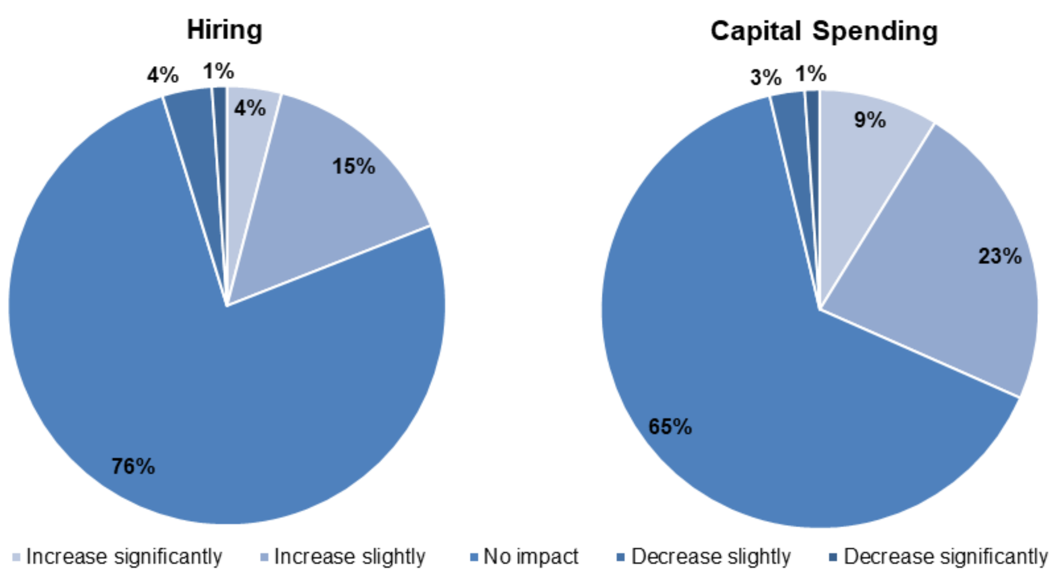
NOTE: 280 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Increased substantially	0.5	0.4	0.7	7.4	0.7
Increased somewhat	11.7	19.1	26.9	41.3	4.3
No change	50.5	40.4	32.1	15.9	29.0
Decreased somewhat	6.8	5.5	3.4	1.5	27.2
Decreased substantially	1.0	0.7	0.0	0.0	3.9
Not applicable—haven't sought credit	29.6	33.8	36.9	33.9	34.8

NOTE: 279 responses.

By some measures the cost of credit has declined by 15-20 percent so far this year. If the cost of credit were to decline an additional 15-20 percent, how would this impact your firm's hiring and capital spending over the next 12 months?



NOTES: 281 responses. Data collected October 15-23, 2019.
SOURCE: Federal Reserve Bank of Dallas Texas Service Sector Outlook Survey.

Hiring	Oct. '19 (percent)
Increase significantly	4.0
Increase slightly	15.0
No impact	76.2
Decrease slightly	3.7
Decrease significantly	1.1

Capital spending	Oct. '19 (percent)
Increase significantly	8.8
Increase slightly	22.8
No impact	64.7
Decrease slightly	2.6
Decrease significantly	1.1

NOTE: 273 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	41.9	42.6	38.8	38.1	36.0
Some difficulty	15.3	14.1	9.0	11.5	8.5
Substantial difficulty	2.0	1.5	3.0	1.5	2.5
Extreme difficulty	0.0	0.4	2.6	1.5	0.7
Not applicable—haven't sought credit	40.9	41.5	46.6	47.4	52.3

NOTE: 283 responses.

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. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	38.1	36.3	40.5	37.8	33.9
Some difficulty	5.9	8.6	7.6	7.0	8.9
Substantial difficulty	2.5	2.2	2.3	1.5	2.1
Extreme difficulty	0.0	0.4	1.5	1.1	0.7
Not applicable—haven't sought credit	53.5	52.4	48.1	52.6	54.3

NOTE: 280 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Yes— significantly	1.0	1.1	1.1	1.5	1.1
Yes—somewhat	6.9	7.4	8.7	8.9	6.0
No	42.6	36.8	39.9	32.2	37.0
Not applicable—haven't had problems obtaining credit	10.8	12.6	7.2	10.0	6.8
Not applicable— haven't sought credit	38.7	42.0	43.0	47.4	49.1

NOTE: 281 responses.

Special Questions Comments

These comments have been edited for publication.

Truck Transportation

- We are a non-asset-based company.

Publishing Industries (except Internet)

- We are not capital intense, but cash flow is key for operating with growth.

Credit Intermediation and Related Activities

- If the cost of borrowing continues to decrease due to the Federal Reserve lowering rates, lenders would take this as an indicator that the economy is slowing even further, causing them to pause and/or take a more risk-averse stance to new or even existing borrowers.

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

- Our firm gets capital through partnerships/selling equity and does not seek lending in the traditional banking approach.

Real Estate

- There is no difficulty obtaining credit for a good business with decent records. My only concern is that there be no loosening of regulation so that the quality of the borrowing will continue at a high level, minimizing the risk of another financial crisis.

Rental and Leasing Services

- Access to credit for good companies is not the problem. The problem is the uncertainty of a bunch of antibusiness politicians getting into office in the next year; just the fear is killing business—the fact will be devastating.

Professional, Scientific and Technical Services

- Small businesses like ours, especially in technology, are limited by capital to how fast and how big we can grow. Reducing capital (money) cost and making it more available from large and small banks and private equity/venture capital firms should be the central focus of government entities and the central bank.
- We are a 100-percent-service-based firm and have enough capital to cover any increase in employees at this time.
- No credit is needed—we are totally owner financed.
- We typically do not use credit to any significant degree and instead rely on internally generated capital.

Administrative and Support Services

- We have a line of credit. Due to poor sales performance in 2018, our LOC [line of credit] was reduced, leaving less cushion for strategic investments. The 2018 changes in revenue were related to capital investments, such that we anticipate a short-term J-curve before returning on the investment. Unfortunately, that doesn't factor into the bank's calculation of our ratios that impact our total available credit line.

Ambulatory Health Care Services

- Vendor financing is more aggressive than bank rates; we are seeing our loans going outside of our local banking channels due to interest savings. Our local banks are aggressively pursuing these loans but are generally unsuccessful.
- The lack of availability of credit (at any rate) is the key limiting factor in this company's success right now. This has been true for two to three years.

Food Services and Drinking Places

- We have good cash flow. We are not seeking credit at this time.

Texas Retail Outlook Survey

Data were collected Oct. 15–23, and 56 Texas retailers responded to the surveys.
See data files with a full history of results.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Eased substantially	0.0	0.0	0.0	0.0	3.6
Eased somewhat	6.7	5.4	5.3	5.2	3.6
No change	51.1	57.1	59.6	56.9	49.1
Tightened somewhat	20.0	3.6	1.8	5.2	7.3
Tightened substantially	0.0	3.6	1.8	1.7	0.0
Not applicable—haven't sought credit	22.2	30.4	31.6	31.0	36.4

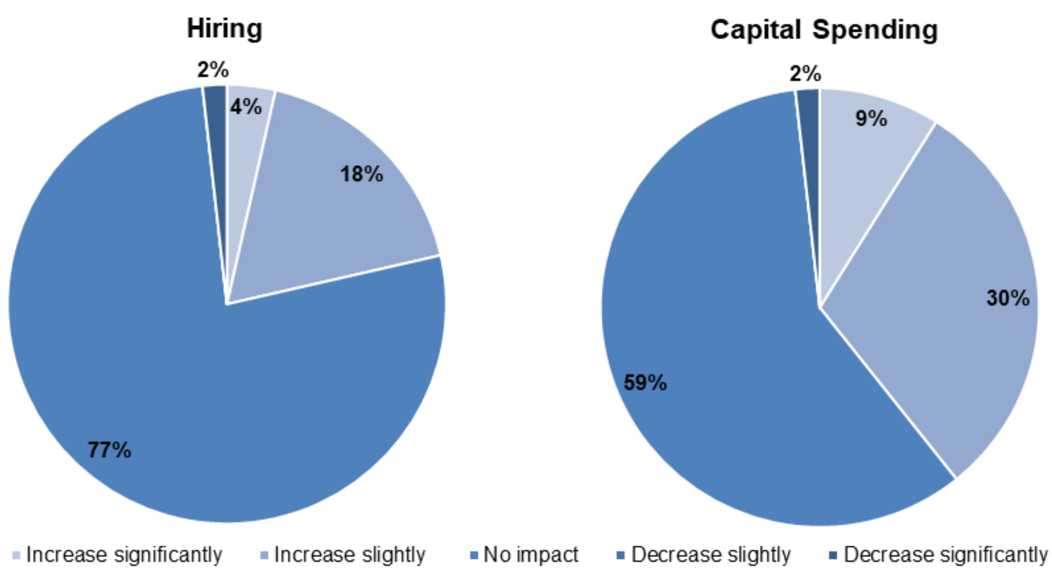
NOTE: 55 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Increased substantially	0.0	0.0	1.8	10.3	0.0
Increased somewhat	13.3	19.3	33.3	44.8	7.1
No change	55.6	45.6	31.6	10.3	19.6
Decreased somewhat	4.4	5.3	0.0	1.7	35.7
Decreased substantially	2.2	0.0	0.0	0.0	1.8
Not applicable—haven't sought credit	24.4	29.8	33.3	32.8	35.7

NOTE: 56 responses.

By some measures the cost of credit has declined by 15-20 percent so far this year. If the cost of credit were to decline an additional 15-20 percent, how would this impact your firm's hiring and capital spending over the next 12 months?



NOTES: 56 responses. Data collected October 15-23, 2019.
SOURCE: Federal Reserve Bank of Dallas Texas Retail Outlook Survey.

Hiring	Oct. '19 (percent)
Increase significantly	3.6
Increase slightly	17.9
No impact	76.8
Decrease slightly	0.0
Decrease significantly	1.8

Capital spending	Oct. '19 (percent)
Increase significantly	8.9
Increase slightly	30.4
No impact	58.9
Decrease slightly	0.0
Decrease significantly	1.8

NOTE: 56 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	57.8	57.9	49.1	46.6	41.1
Some difficulty	11.1	10.5	7.0	6.9	8.9
Substantial difficulty	2.2	1.8	1.8	1.7	0.0
Extreme difficulty	0.0	0.0	1.8	0.0	0.0
Not applicable—haven't sought credit	28.9	29.8	40.4	44.8	50.0

NOTE: 56 responses.

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. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
No difficulty	53.5	50.0	50.0	46.6	32.7
Some difficulty	7.0	10.3	8.9	5.2	9.1
Substantial difficulty	4.7	1.7	0.0	0.0	1.8
Extreme difficulty	0.0	0.0	1.8	0.0	1.8
Not applicable—haven't sought credit	34.9	37.9	39.3	48.3	54.5

NOTE: 55 responses.

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

	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)	Oct. '18 (percent)	Oct. '19 (percent)
Yes— significantly	0.0	0.0	0.0	0.0	0.0
Yes—somewhat	6.8	5.4	8.9	7.0	8.9
No	56.8	46.4	41.1	40.4	39.3
Not applicable—haven't had problems obtaining credit	11.4	17.9	10.7	8.8	8.9
Not applicable— haven't sought credit	25.0	30.4	39.3	43.9	42.9

NOTE: 56 responses.

Special Questions Comments

These comments have been edited for publication.

Merchant Wholesalers, Durable Goods

- While we have not sought credit in the last 12 months, we believe we would have no issues in obtaining additional credit if needed. We believe that we are under-leveraged at less than 0.5 times EBITDA [earnings before interest, tax, depreciation and amortization] and 10 percent of liquid assets.

Merchant Wholesalers, Nondurable Goods

- Credit is not the question for our business. Consumer confidence and spending are critical. Business is very slow, and continued poor communication from [Federal Reserve] Chairman Powell is a detriment.
- The credit situation for my personal company has eased somewhat, but credit for my family's business for capital expenditures has been difficult. Credit for my customers has also stiffened, and despite the easing by the Fed [Federal Reserve], they have seen little impact.

Motor Vehicle and Parts Dealers

- We see the banks' willingness to improve terms on loans as it relates to fixed financing versus variable rates and increasing the length of the terms. These are all positive as they relate to our borrowing.
- Cost of funds is a major problem in our business (automotive). Generally, floor plan [financing rates are] prime plus 1.50 percentage points or more, plus flat charges, plus insurance. Our business is well-capitalized. Capital expenditures have been excessive for the last five years.

Building Material and Garden Equipment and Supplies Dealers

- We are able to internally fund most of our capital expenditures; however, we have noticed several projects stalling due to an inability to obtain credit.
- We are sitting on over $15 million in cash; if this keeps up, we're going to put it to work.

Clothing and Clothing Accessories Stores

- Suppliers have become more demanding in terms of credit, given all the recent restructurings in the retail space.

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