



Texas **Service Sector** Outlook Survey

November 26, 2019

Texas Service Sector Expands at Slightly Slower Pace

What's New This Month

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

The Texas service sector continued to grow in November, though at a slightly slower rate, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, decreased from 15.4 in October to 12.2 in November.

Labor market indicators reflected somewhat slower employment growth and slightly longer workweeks this month. The employment index decreased from 9.1 to 7.0, suggesting a slight deceleration in hiring, while the hours worked index ticked up to 2.9. Part-time employment decreased, however, with the index declining to -2.2—its lowest reading since 2015.

Perceptions of broader business conditions continued to improve. The general business activity index increased nearly three points to 4.7, while the company outlook index was unchanged at 10.3. The outlook uncertainty index declined to a nine-month low of 11.2.

Wage pressures eased in November, while price pressures were mostly unchanged. The wages and benefits index slipped from 19.9 to 16.2. The selling prices index ticked up slightly from -1.0 to 0.7, suggesting no net change in prices compared with October; the input prices index was steady at 24.7.

Respondents' expectations regarding future business conditions were significantly improved in November. The future company outlook index surged nearly seven points to 17.6, while the future general business activity index picked up over eight points to 8.5. Other indexes of future service sector activity, such as revenue and employment, remained in solidly positive territory, suggesting expectations of continued growth over the next six months.



Texas **Retail** Outlook Survey

Retail Sales Continue to Grow

Growth in retail sales remained solid but decelerated slightly in November, according to business executives responding to the Texas Retail Outlook Survey. The sales index fell slightly from 7.5 to 6.2. Inventories stabilized, with the inventories index increasing six points to -0.5.

Retail labor market indicators were somewhat mixed in November, as respondents indicated faster overall employment growth and similar workweek length compared with October. The employment index rose nearly three points to 7.6, while the part-time employment index fell nearly 10 points to -6.2—its weakest reading since January. The hours worked index improved from -11.2 to -0.9, indicating no net change in average workweek length.

Retailers' perceptions of broader business conditions reflected optimism in November. The general business activity index spiked nearly 10 points to 9.6, its best reading this year. The company outlook index moderated from 11.1 to 5.4, while the outlook uncertainty index was mostly unchanged at 14.3.

Retail price and wages pressures picked up in November. The input prices index surged over nine points to 20.9, while the selling prices index rose over six points to 17.7. The wages and benefits index inched up one point to 13.8.

Retailers' perceptions of future business conditions were improved this month. The future general business activity index picked up from -7.2 to 1.4, while the future company outlook index was mostly unchanged at 4.6. However, other indexes of future retail activity such as sales and employment weakened notably, suggesting mixed 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: December 31, 2019

Data were collected November 12–20, and 219 Texas service sector and 49 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	Nov Index	Oct Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	12.2	15.4	−3.2	12.1	120(+)	28.0	56.2	15.8
Employment	7.0	9.1	−2.1	6.7	117(+)	16.8	73.4	9.8
Part-Time Employment	−2.2	2.7	−4.9	1.8	1(−)	5.0	87.8	7.2
Hours Worked	2.9	1.7	+1.2	2.8	37(+)	8.3	86.3	5.4
Wages and Benefits	16.2	19.9	−3.7	14.6	126(+)	20.0	76.2	3.8
Input Prices	24.7	24.5	+0.2	25.4	127(+)	27.2	70.3	2.5
Selling Prices	0.7	−1.0	+1.7	5.5	1(+)	11.1	78.5	10.4
Capital Expenditures	10.4	9.5	+0.9	10.8	123(+)	16.5	77.4	6.1

General Business Conditions
Current (versus previous month)

Indicator	Nov Index	Oct Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	10.3	10.7	−0.4	6.1	3(+)	19.7	70.9	9.4
General Business Activity	4.7	1.8	+2.9	3.9	6(+)	16.9	70.9	12.2

Indicator	Nov Index	Oct Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	11.2	18.0	−6.8	11.8	22(+)	20.0	71.2	8.8

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

Indicator	Nov Index	Oct Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	36.3	38.1	−1.8	37.9	129(+)	46.9	42.5	10.6
Employment	22.6	23.1	−0.5	22.2	128(+)	31.5	59.7	8.9
Part-Time Employment	6.0	8.3	−2.3	6.7	5(+)	12.1	81.8	6.1
Hours Worked	3.9	6.9	−3.0	5.4	39(+)	7.2	89.5	3.3
Wages and Benefits	36.8	42.0	−5.2	36.5	155(+)	40.2	56.4	3.4
Input Prices	39.4	40.6	−1.2	44.4	155(+)	42.8	53.8	3.4
Selling Prices	22.9	20.7	+2.2	23.4	127(+)	30.7	61.5	7.8
Capital Expenditures	23.7	21.9	+1.8	24.2	128(+)	33.0	57.7	9.3

General Business Conditions
Future (six months ahead)

Indicator	Nov Index	Oct Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	17.6	10.7	+6.9	17.0	11(+)	27.5	62.6	9.9
General Business Activity	8.5	0.2	+8.3	13.6	3(+)	23.1	62.3	14.6

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

Indicator	Nov Index	Oct Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	6.2	7.5	−1.3	6.8	3(+)	22.6	61.0	16.4
Employment	7.6	4.8	+2.8	2.4	2(+)	13.2	81.2	5.6
Part-Time Employment	−6.2	3.5	−9.7	−1.7	1(−)	4.2	85.4	10.4
Hours Worked	−0.9	−11.2	+10.3	−1.3	4(−)	5.4	88.3	6.3
Wages and Benefits	13.8	12.8	+1.0	9.8	105(+)	19.0	75.8	5.2
Input Prices	20.9	11.6	+9.3	19.1	46(+)	22.2	76.5	1.3
Selling Prices	17.7	11.5	+6.2	10.3	32(+)	23.2	71.3	5.5
Capital Expenditures	6.1	6.9	−0.8	9.5	10(+)	14.3	77.6	8.2
Inventories	−0.5	−6.5	+6.0	3.8	3(−)	19.3	60.9	19.8
Companywide Retail Activity								
Companywide Sales	−1.8	12.8	−14.6	8.5	1(−)	18.0	62.2	19.8
Companywide Internet Sales	12.2	3.7	+8.5	7.0	19(+)	17.0	78.2	4.8

General Business Conditions, Retail
Current (versus previous month)

Indicator	Nov Index	Oct Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	5.4	11.1	−5.7	4.4	2(+)	16.0	73.4	10.6
General Business Activity	9.6	−0.2	+9.8	−0.1	1(+)	16.5	76.6	6.9

Outlook Uncertainty
Current (versus previous month)

Indicator	Nov Index	Oct Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	14.3	13.8	+0.5	10.5	18(+)	18.4	77.6	4.1

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

Indicator	Nov Index	Oct Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	10.6	21.2	-10.6	32.7	6(+)	29.2	52.2	18.6
Employment	-8.1	5.1	-13.2	12.5	1(-)	8.7	74.5	16.8
Part-Time Employment	-0.4	4.9	-5.3	0.7	1(-)	7.8	84.0	8.2
Hours Worked	-5.4	-2.5	-2.9	2.7	13(-)	1.7	91.2	7.1
Wages and Benefits	26.9	23.6	+3.3	27.3	131(+)	32.4	62.0	5.5
Input Prices	31.9	29.1	+2.8	33.1	127(+)	38.3	55.3	6.4
Selling Prices	29.8	25.0	+4.8	29.1	127(+)	38.3	53.2	8.5
Capital Expenditures	-6.4	14.2	-20.6	18.3	1(-)	10.6	72.3	17.0
Inventories	-11.0	-9.8	-1.2	8.4	7(-)	14.8	59.4	25.8
Companywide Retail Activity								
Companywide Sales	18.5	24.2	-5.7	31.2	128(+)	32.3	53.9	13.8
Companywide Internet Sales	13.9	13.1	+0.8	21.9	40(+)	22.2	69.4	8.3

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

Indicator	Nov Index	Oct Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	4.6	4.3	+0.3	17.4	3(+)	18.1	68.3	13.5
General Business Activity	1.4	-7.2	+8.6	13.1	1(+)	18.4	64.6	17.0

*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.

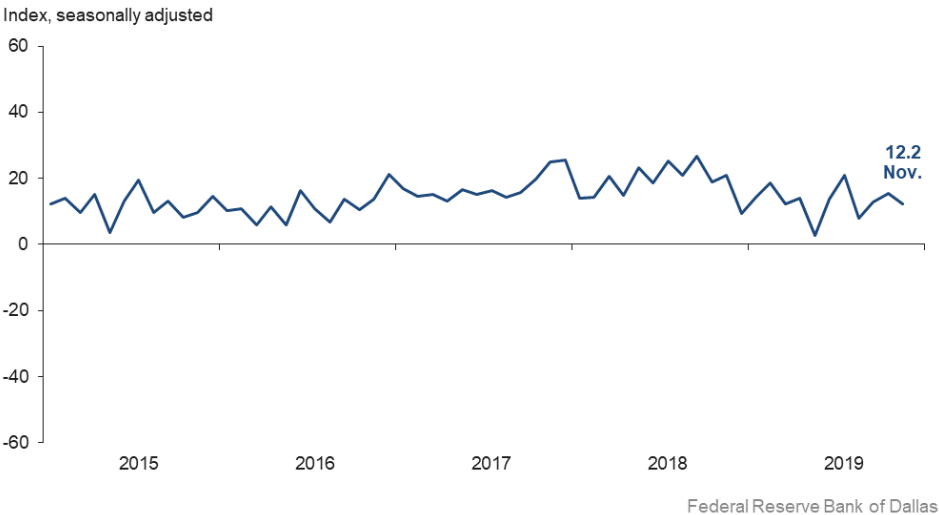
**Shown is the number of consecutive months of improvement or worsening in the underlying indicator. Improvement is indicated by a positive index reading and denoted by a (+) in the table. Worsening is indicated by a negative index reading and denoted by a (-) in the table.

†Added to survey in January 2018.

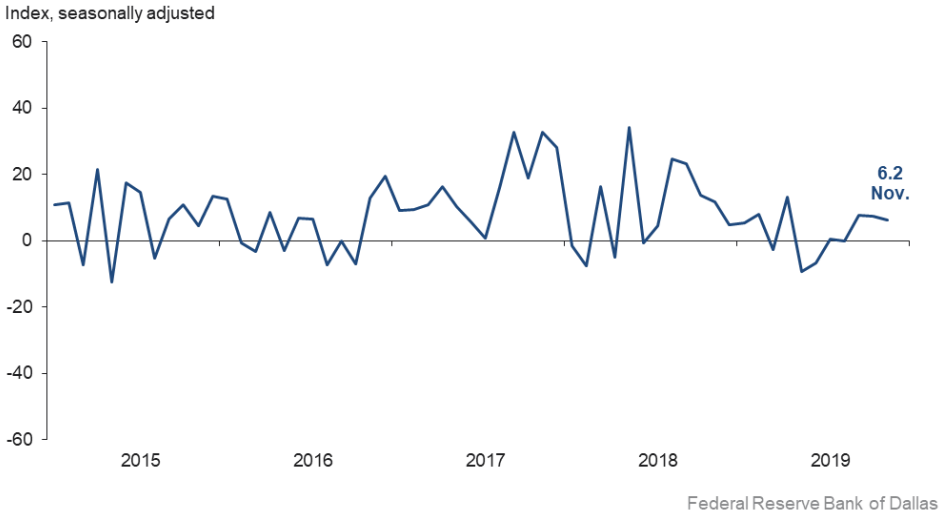
Data have been seasonally adjusted as necessary, with the exception of the outlook uncertainty index which does not yet have a sufficiently long time series to test for seasonality.

Texas Service Sector Outlook Survey

Texas Service Sector Outlook Survey Revenue Index



Texas Retail Outlook Survey Sales Index



Texas Service Sector Outlook Survey

November 26, 2019

Comments from Survey Respondents

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

Utilities

- Planning for the long term continues to be difficult with the high level of uncertainty. The focus for most customers at this time is the immediate future. This is making it very difficult to develop budgets and spending plans.

Transportation Equipment Manufacturing

- Clarity on tariffs on European imports has improved visibility and removed certain risks.

Support Activities for Transportation

- Trade wars are infusing a high level of uncertainty.

Warehousing and Storage

- Business conditions are on a sustained upward trajectory as a result of new pipelines bringing oil from the Permian Basin and new construction for LNG [liquefied natural gas] and plastics projects. The third of the three pipelines will come online in the next three months, and the third of three production lines at the LNG plant will come online in the second half of 2020, so we expect business conditions to continue to improve in the near term.

Publishing Industries (Except Internet)

- My positive forward outlook continues due to served market interest for advanced AR [augmented reality] and cloud-lined tech for predictive, efficient training and skills education applications—from military to enterprise.

Data Processing, Hosting and Related Services

- We continue to hear that buyers have fears about next year's election, but thus far, no action (no reduction in purchasing) has resulted. We continue to look to outsource some functions because we cannot find competent technology professionals to hire.

Credit Intermediation and Related Activities

- Business activity at the retail level continues to be slightly below normal. This is primarily due to migration of employment to West Texas, as closures of sand-mining companies in the Central Texas region and trucking have diminished hauling of fracking sand from the area mining operations. The lack of rain has created drought conditions, driving the price of livestock down and the resulting liquidation of livestock as a result of poor range conditions. Most spring-planted crops have been harvested with decent yields and modest commodity prices. Oil pipeline construction activity and beginning of the erection of the 64 tower wind turbines electric generation field has created an additional positive impact to the local economy, with the infusion of crews and payment to landowners from the payment of easements through the area. There is a general concern for the economic outlook for rural markets over the next 12 months.
- Recession fears are down a bit.
- The drop in short-term interest rates is putting pressure on the net interest margin. We are still forecasting a moderate recession in the second half of 2020, which may not affect the consumer.
- Our company looks to have a good 2019 with nice growth in business and employees. We are looking to expand our business footprint and will do so in 2020.

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

- We are cautiously optimistic that both the U.S. and Texas economy will continue to grow, modestly, but grow nonetheless.

Real Estate

- All the negatives are still in place with little sign of changing. We are getting more and more into election season, and Congress is in full-fledged impeachment mode, so nothing is getting done on any major issue facing the country. We are just keeping our heads down and working and trying not to waste time watching the news. I think we could rock along and have another good year next year, or it could turn on a dime and be a big recession. With all the potentials for disaster, you can't project anything with any confidence, so you just have to work and pray and hope.
- Our business is seasonally related to the holidays. No one wants to look at houses when Thanksgiving and Christmas are nearing. Also, the cold weather and loss of daylight is not as conducive to seeing houses as in the spring and summer months. The low interest rates are good. Homes under \$1 million are in short supply. The real estate properties are available but slow to move. San Antonio does not have large corporations like Dallas with executives buying big homes.

Rental and Leasing Services

- It has felt slower for 18 months to me; it is finally hitting the fan. We started the year up 12.5 percent over 2018. In October, we went down 3 percent compared to last year (tough to do in one month at the 10th month of the year, but it has trended down all year.) I have now had three manufacturers fire VPs because of the amount of inventory they allowed to build up at the factories that dealers are refusing to take! We told them 18 months ago things were slowing down; they wouldn't accept or hear that message. Now they are out of a job. It feels slower because it is!

Professional, Scientific and Technical Services

- We are still concerned with the impact on business of trade tensions, Brexit plan, Hong Kong, the impeachment process and general market uncertainty; all are furthering market instability despite stock market resilience. Taking all this into an election year likely leads to even more market uncertainty.
- The general level of real estate activity has continued to slow the last half of the year, and we are beginning to see it in our numbers. Investors are definitely more cautious due to all the political issues we are facing and seem to be waiting to see how this all plays out before jumping back into buying mode. We hope this is the smooth landing we were looking for after years of explosive growth.
- We are still seeing very strong real estate and transactional work in general.

Management of Companies and Enterprises

- While business is steady, we are not seeing much growth in the Corpus Christi market.

Administrative and Support Services

- I believe we will continue to see budgets tight in both the real estate industry and the multifamily markets as the level of competition continues to increase. Restaurants seem to be stable in their demand for products and services.
- The corporate aviation sector has remained positive with new RFQs [request for quotation] being submitted weekly for review and pricing. We expect an increase in larger inspections being performed as the corporate budgets are used prior to the end of the year. The commercial aviation sector has slowed down on scheduled maintenance as is usual this time of the year. We expect an increase in AOG [aircraft on ground] callouts for minor structural damage to the fuselage and engine cowlings as the weather gets colder and the operational tempo increases around the aircraft with the holiday season. The industrial sector overall has remained flat, with machine shops starting to increase their RFQs for near-term work. We have had more machine shops than normal asking to use the pricing provided in early spring to summer of this year in response to their new RFQs. It seems to be that the original customers driving the RFQs are finally green-lighting the purchases. Oil and gas is flat to negative. Military inspection operations have increased, with many new contracts being issued and awarded to our prime contractor. We still hear the fear about if President Trump decides to throw a "wildcard" into the mix, but at the present, I think most companies and drivers of our workflow are starting to just ignore the temptation to knee-jerk stop projects.
- We have a lot going on internally, so any changes in outlook are likely the result of our internal changes, not the external outlook. That said, we've been on a good run for a long time, so I'm a bit concerned about the prospect of keeping this good run going.
- As government contractors with fixed-price contracts, we do not see extreme changes from quarter to quarter.
- The instability caused by the political situation in Washington is creating uncertainty in our business outlook.

Waste Management and Remediation Services

- Our business is commodity driven, with China being a big driver. As its economy slows, the ripple effect has impact worldwide.

Educational Services

- Mexico and Canada make up around \$650 billion in imports in the United States. The uncertainty caused by Congress not passing USMCA [United States-Mexico-Canada Agreement] continues to generate uncertainty in my region of the country. I hope the voters recognize the importance of the legislative branch in doing its part in creating a strong economic environment in November.

Ambulatory Health Care Services

- Finally, we are halfway done with the fourth quarter. But, there is still endless angst about our southern border. Campaign promises get no weight. Rates are down, but the repo [repurchase agreement] market is in disorder.

Social Assistance

- We have seen a slight decline in sales, but we feel that it could be an internal issue, not an external issue.

Amusement, Gambling and Recreation Industries

- As usual, there are several factors at play in Austin. The reason that the number of part-time employees is decreasing is because there are not enough part-time people to hire. That is also why the wage costs are increasing. We are trying to hold onto the employees we have. Another challenge we have is with people coming into downtown Austin. There has been a real and perceived problem with the homeless situation, lack of parking and the onslaught of micro mobility (scooters, bikes and mopeds). When people have lots of dining choices, they tend not to want to fight to have a meal. In Austin, another thing for us to take into consideration is that the demographics of the people occupying the office buildings is rapidly changing. The law firms and accounting firms are moving out of downtown so that their employees can have parking and so that their clients can have parking and not have to fight to get to their offices.

Accommodation

- While the S&P [500] is hitting new records, our business feels off. We experienced a very soft October, but November has started very strong. San Antonio is not subject to wide fluctuations in its business climate due to heavy government presence. It is very difficult to understand exactly what is happening outside our area. But it does not feel like our business is robust.

Food Services and Drinking Places

- We were affected by the tornado.
- The impeachment hearings are a real pain. Congress needs to focus on the important issues like USMCA, keeping government funded, etc. These are real threats to the economy.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- We are implementing year-end layoffs.
- Until health care reform occurs, the industry will be "guarded" in investments.
- As a nonprofit, end-of-year donations due to tax changes are uncertain as this will be the first end of year after individuals experienced the revised deduction rules in April 2019.

Merchant Wholesalers, Durable Goods

- Inventories will decline due to a concerted effort to right-size our inventory through an improved purchasing process, as well as analytics related to inventory turns.

Merchant Wholesalers, Nondurable Goods

- The trade war with China is causing uncertainty in proteins. However, African swine flu is decimating the Chinese herd, so U.S. exports of pork to China is putting upward pressure on the domestic cost of other proteins, such as chicken and beef. This will have some impact on domestic costs, as we compete for domestic supply now being exported to China to offset its loss of pork supply. Because Chinese demand is so great, the U.S. will also lose its ability to source cheaper beef imports from Australia and South America (now going to China), thus contributing to our rising domestic costs as well.

Motor Vehicle and Parts Dealers

- We are concerned about the level of negative equity in consumer car loans and how it relates to future business activity. Used car prices have fallen a little more than normal due to high new-car incentives, so the negative equity in used cars becomes more of an issue.
- Our fleet business will drop off in November and December. Retail should increase, but on net, we will see a decline. 2019 has been inconsistent and challenging. August was a great month, September very soft, and October in the DFW market was down double digits from the prior year. Fixed operations business (service) remains strong. Net revenue for our group is down from the prior year. The prime rate reduction was welcomed!

Building Material and Garden Equipment and Supplies Dealers

- Business is off for November because of the colder-than-normal weather. Uncertainty continues to be high due to confusing U.S. trade policy and erratic interest rates.

Clothing and Clothing Accessories

- Our inventory position will be decreasing six months from now as we transition from a department store to an off-price store.

Texas **Business** Outlook Surveys

Special Questions

November 25, 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 Nov. 12–20, and 370 Texas business executives responded to the surveys.
See data files with a full history of results.

Are you currently trying to hire?

	May '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)
Yes	71.4	69.8	60.0
No	28.6	30.2	40.0

NOTE: 370 responses.

Are you having problems finding qualified workers when hiring?

	May '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)
Yes	83.0	75.6	80.5
No	17.0	24.4	19.5

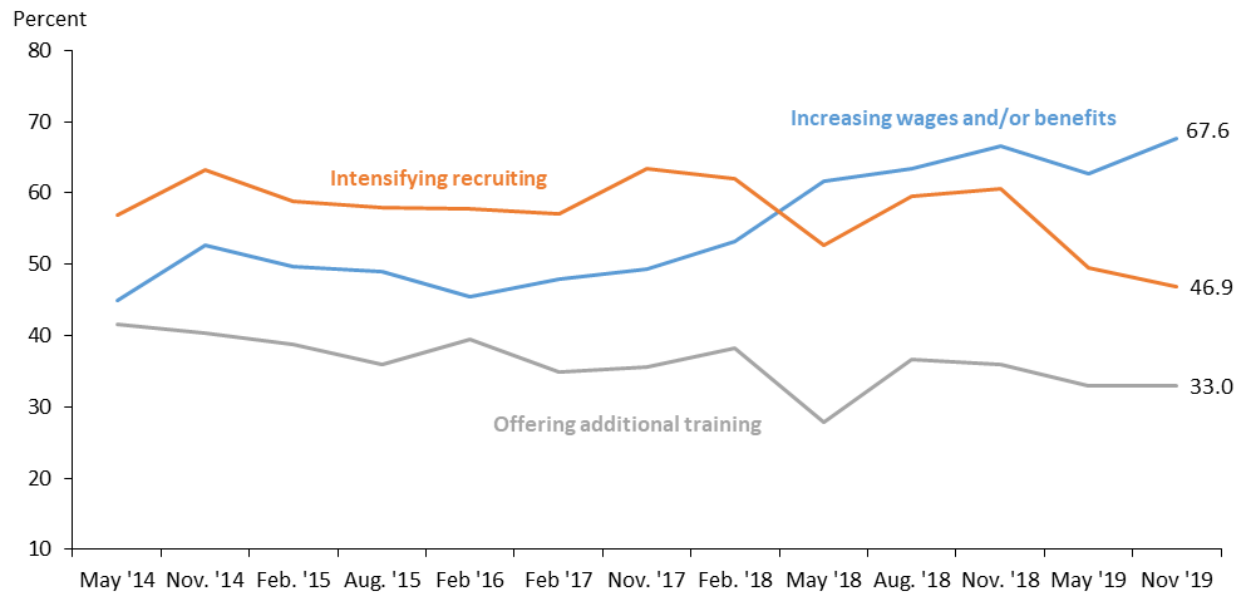
NOTES: 220 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are having problems finding qualified workers, what are the main reasons? Please check all that apply.

	Nov '17 (percent)	Nov '18 (percent)	Nov. '19 (percent)
Lack of available applicants/no applicants	58.6	70.6	66.9
Lack of technical competencies (hard skills)	49.8	43.3	48.0
Lack of experience	32.5	40.7	46.3
Looking for more pay than is offered	39.0	45.0	44.6
Lack of workplace competencies (soft skills)	37.3	39.0	41.7
Inability to pass drug test and/or background check	32.1	32.5	31.4

NOTES: 175 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

What, if anything, are you doing to recruit and retain employees? Please check all that apply.



NOTE: Data plotted for top three responses in November 2019. Data are shown for months when special questions were asked.

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

	Nov '17 (percent)	Nov '18 (percent)	Nov. '19 (percent)
Increasing wages and/or benefits	49.4	66.6	67.6
Increasing wages		61.9	59.5
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	63.5	60.7	46.9
Offering additional training	35.7	35.9	33.0
Improving working conditions	23.4	27.6	31.1
Increasing variable pay, including bonuses	29.2	29.1	30.7
Increasing benefits		20.1	24.6
Reducing education and other requirements for new hires	8.8	12.1	9.1

NOTES: 309 responses. Starting in November 2018, "increasing wages" appears as a separate answer choice from "increasing benefits." We will continue to include the share of firms reporting increasing wages and/or benefits but as a calculation based on responses to "increasing wages" and "increasing benefits."

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 Nov. 12–20, and 111 Texas manufacturers responded to the surveys.

See data files with a full history of results.

Are you currently trying to hire?

	May '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)
Yes	72.7	64.0	59.5
No	27.3	36.0	40.5

NOTE: 111 responses.

Are you having problems finding qualified workers when hiring?

	May '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)
Yes	79.5	83.6	86.2
No	20.5	16.4	13.8

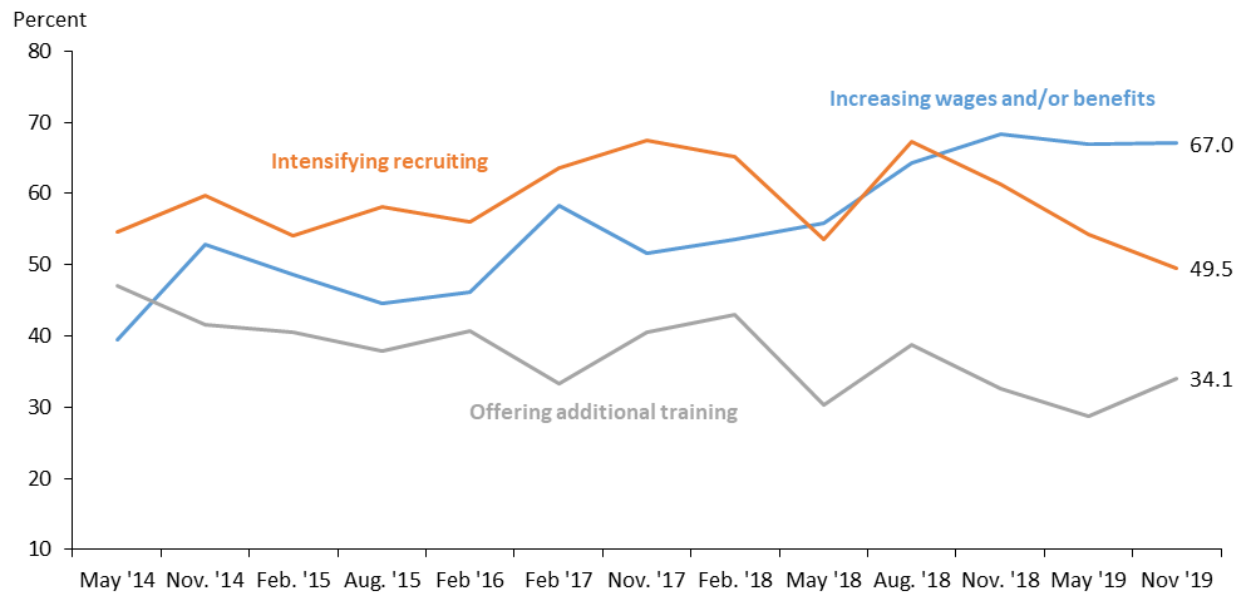
NOTES: 65 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are having problems finding qualified workers, what are the main reasons? Please check all that apply.

	Nov '17 (percent)	Nov '18 (percent)	Nov. '19 (percent)
Lack of available applicants/no applicants	51.4	69.9	70.9
Lack of technical competencies (hard skills)	61.1	57.5	54.5
Lack of workplace competencies (soft skills)	37.5	45.2	52.7
Looking for more pay than is offered	36.1	43.8	47.3
Inability to pass drug test and/or background check	45.8	42.5	43.6
Lack of experience	31.9	38.4	38.2

NOTES: 55 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

What, if anything, are you doing to recruit and retain employees? Please check all that apply.



NOTE: Data plotted for top three responses in November 2019. Data are shown for months when special questions were asked.

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

	Nov '17 (percent)	Nov '18 (percent)	Nov. '19 (percent)
Increasing wages and/or benefits	51.7	68.4	67.0
Increasing wages		63.3	62.6
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	67.4	61.2	49.5
Offering additional training	40.4	32.7	34.1
Improving working conditions	24.7	30.6	29.7
Increasing variable pay, including bonuses	28.1	24.5	24.2
Increasing benefits		16.3	24.2
Reducing education and other requirements for new hires	11.2	16.3	12.1

NOTES: 91 responses. Starting in November 2018, "increasing wages" appears as a separate answer choice from "increasing benefits." We will continue to include the share of firms reporting increasing wages and/or benefits but as a calculation based on responses to "increasing wages" and "increasing benefits."

Special Questions Comments

These comments have been edited for publication.

Chemical Manufacturing

- We always attempt to stay competitive with wages and benefits.

Machinery Manufacturing

- New hires with knowledge and experience are very difficult to find. However, the oil field is softening quickly, and we expect more people to be available over the next year with good resumes.

Food Manufacturing

- We already offer several services and training upon entering.

Wood Product Manufacturing

- People are begging to leave California if they can find a good job.

Paper Manufacturing

- Other industries are doing well and pulling at our reliable employees.

Texas Service Sector Outlook Survey

Data were collected Nov. 12–20, and 259 Texas business executives responded to the surveys.
See data files with a full history of results.

Are you currently trying to hire?

	May '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)
Yes	70.8	72.3	60.2
No	29.2	27.7	39.8

NOTE: 259 responses.

Are you having problems finding qualified workers when hiring?

	May '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)
Yes	84.5	72.5	78.1
No	15.5	27.5	21.9

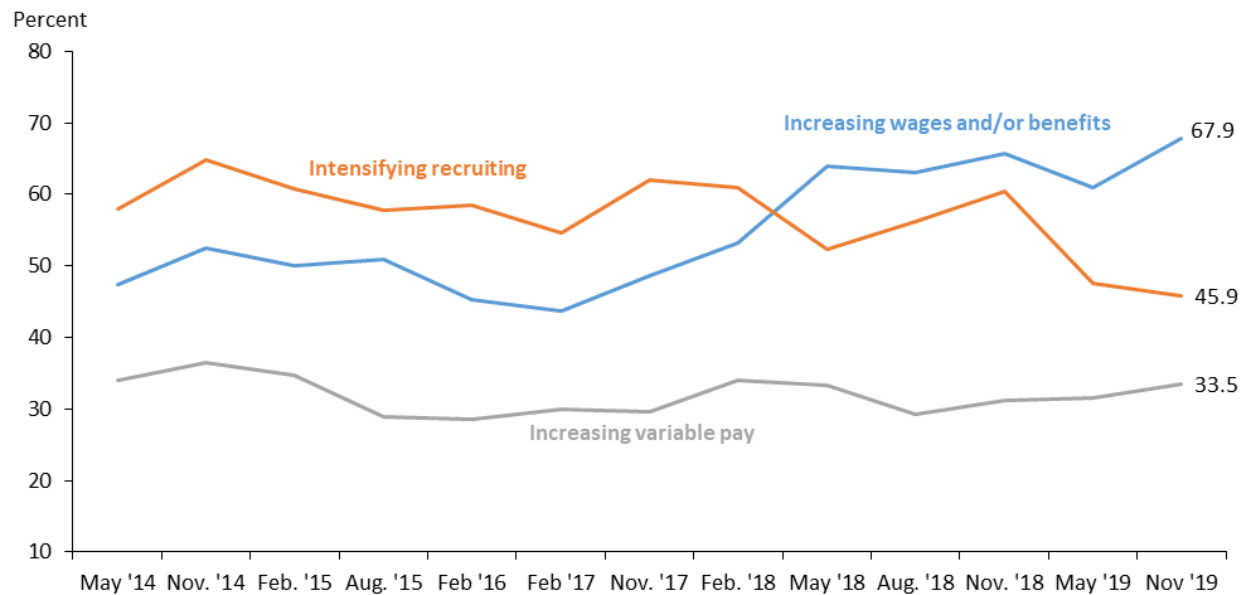
NOTES: 155 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are having problems finding qualified workers, what are the main reasons? Please check all that apply.

	Nov '17 (percent)	Nov '18 (percent)	Nov. '19 (percent)
Lack of available applicants/no applicants	61.6	70.9	65.0
Lack of experience	32.8	41.8	50.0
Lack of technical competencies (hard skills)	45.2	36.7	45.0
Looking for more pay than is offered	40.1	45.6	43.3
Lack of workplace competencies (soft skills)	37.3	36.1	36.7
Inability to pass drug test and/or background check	26.6	27.8	25.8

NOTES: 120 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

What, if anything, are you doing to recruit and retain employees? Please check all that apply.



NOTE: Data plotted for top three responses in November 2019. Data are shown for months when special questions were asked.

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

	Nov '17 (percent)	Nov '18 (percent)	Nov. '19 (percent)
Increasing wages and/or benefits	48.6	65.8	67.9
Increasing wages		61.3	58.3
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	62.1	60.4	45.9
Increasing variable pay, including bonuses	29.6	31.1	33.5
Offering additional training	34.0	37.3	32.6
Improving working conditions	22.9	26.2	31.7
Increasing benefits		21.8	24.8
Reducing education and other requirements for new hires	7.9	10.2	7.8

NOTES: 218 responses. Starting in November 2018, "increasing wages" appears as a separate answer choice from "increasing benefits." We will continue to include the share of firms reporting increasing wages and/or benefits but as a calculation based on responses to "increasing wages" and "increasing benefits."

Special Questions Comments

These comments have been edited for publication.

Support Activities for Transportation

- We are increasing employee participation in industry organizations and charities. This is effectively increasing each individual's awareness of the value they bring both to the company internally and to the industry. Employee engagement was already strong; however, this activity is solidifying that level of engagement. We are also working with individual employees to structure professional growth plans.

Warehousing and Storage

- The labor force is extremely tight currently. We are improving our pay and benefits package in an effort to recruit and retain.

Data Processing, Hosting and Related Services

- Highly skilled technology hires are very difficult to find in the area—particularly those with leading-edge coding skills. We have started outsourcing the lower-level technology tasks to train our current workforce to take on more higher-skilled functions until we can find more qualified recruits.

Credit Intermediation and Related Activities

- It is becoming increasingly difficult to attract qualified applicants to rural markets and to compete with metropolitan markets. Succession planning is very challenging.

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

- On average, every 1,000 applicants we have generates around five to seven candidates who are qualified or can pass a background check/drug screening. This is a significant problem, with no signs of the situation improving. More people seem to have a college education, but sadly, that doesn't produce more applicants who can properly write a paragraph.

Rental and Leasing Services

- The only hires we are doing are to trade up and get better people. Overall, I have told my people to cut our workforce by 10 percent before 2020; we employ 708 people, so that is a significant amount.

Professional, Scientific and Technical Services

- We see no problem hiring lawyers. Some areas of staff are tighter—notably IT. We see tech firms being pretty aggressive in Austin as they ramp up.

Administrative and Support Services

- We have hired recently for a management position, as well as some entry-level employees. It is amazing at the management level how many people sent responses but did not show up for interviews. I see this all the time at the entry level but did not expect this in the more-experienced management levels.

Ambulatory Health Care Services

- It is a tough hiring market but not terrible. We can fill most positions and have many loyal employees. It is hardest at the lower end of the skills and pay scales, but we are not sure if it is any different from past times with low unemployment.

Amusement, Gambling and Recreation Industries

- The lack of employees is a real drain on productivity. It is also taking more and more time for the management staff to recruit and hire and train. It really affects the morale of the entire operation. It also makes the salaried employees work more hours to continue to do the basic job they were hired for. In other words, it is exhausting!

Personal and Laundry Services

- After 12 years in the business, my labor expense as a percentage of revenue is at an all-time high. The market is very competitive, and there are not enough applicants despite increased advertising and the offer of a \$500 signing bonus.

Texas Retail Outlook Survey

Data were collected Nov. 12–20, and 47 Texas retailers responded to the surveys.
See data files with a full history of results.

Are you currently trying to hire?

	May '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)
Yes	70.0	75.5	57.4
No	30.0	24.5	42.6

NOTE: 47 responses.

Are you having problems finding qualified workers when hiring?

	May '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)
Yes	88.6	78.4	88.9
No	11.4	21.6	11.1

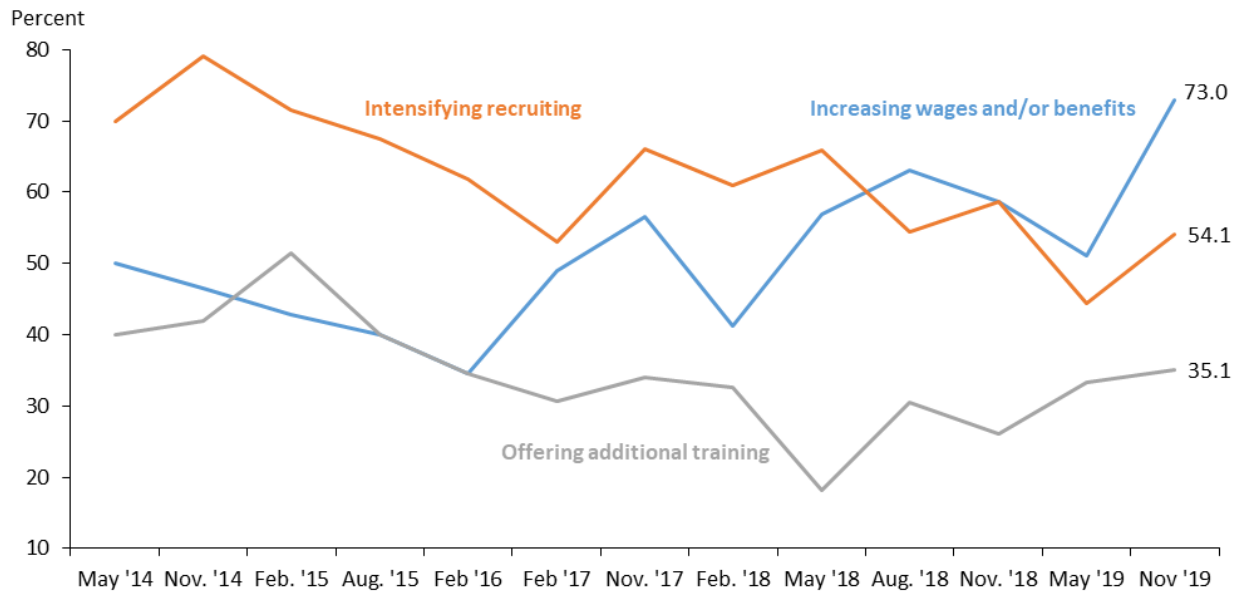
NOTES: 27 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

If you are having problems finding qualified workers, what are the main reasons? Please check all that apply.

	Nov '17 (percent)	Nov '18 (percent)	Nov. '19 (percent)
Lack of available applicants/no applicants	59.5	66.7	70.8
Lack of technical competencies (hard skills)	54.8	45.5	66.7
Lack of experience	35.7	33.3	54.2
Lack of workplace competencies (soft skills)	33.3	39.4	50.0
Inability to pass drug test and/or background check	47.6	45.5	37.5
Looking for more pay than is offered	38.1	36.4	33.3

NOTES: 24 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

What, if anything, are you doing to recruit and retain employees? Please check all that apply.



NOTE: Data plotted for top three responses in November 2019. Data are shown for months when special questions were asked.

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

	Nov '17 (percent)	Nov '18 (percent)	Nov. '19 (percent)
Increasing wages and/or benefits	56.6	58.7	73.0
Increasing wages		56.5	62.2
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	66.0	58.7	54.1
Offering additional training	34.0	26.1	35.1
Improving working conditions	24.5	26.1	35.1
Increasing variable pay, including bonuses	39.6	30.4	32.4
Increasing benefits		15.2	29.7
Reducing education and other requirements for new hires	13.2	10.9	5.4

NOTES: 37 responses. Starting in November 2018, "increasing wages" appears as a separate answer choice from "increasing benefits." We will continue to include the share of firms reporting increasing wages and/or benefits but as a calculation based on responses to "increasing wages" and "increasing benefits."

Special Questions Comments

These comments have been edited for publication.

Motor Vehicle and Parts Dealers

- We aren't trying to hire now but are always interested in hiring highly qualified candidates.
- We are willing to adjust starting pay according to experience and qualifications, but we still have some job openings available.
- Automotive technicians are in very short supply and will be in the foreseeable future.

Clothing and Clothing Accessories Stores

- The problem of finding qualified workers exists in the larger Texas cities significantly more than in the smaller Texas cities.

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