Computer and Electronic Product Manufacturing

- We believe we need to provide incentives for U.S.-based manufacturing, especially small business.
- Business is stable to improving slightly. Not hot, but good.

Food Manufacturing

- Our export business has slowed significantly due to the high value of the U.S. dollar. The lower cost of energy is helping decrease production and transportation expenses.

Wood Product Manufacturing

- So far, the downtrend in oil production (and related employment) has not translated into reduced construction.

Paper Manufacturing

- So far business has been steady and a little behind the January 2014 level.

Printing and Related Support Activities

- We have unleashed the hounds of capital spending, finally. We are transitioning to newer, more productive technology while expanding capacity. Hiring will go flat once the new equipment is in (for the past year we've been increasing throughput by throwing labor at it), as less labor is required for higher unit output.

Electrical Equipment, Appliance, and Component Manufacturing

- Our business new orders, volume, capacity, inventories and so forth are heavily influenced by large project construction work overseas, principally in Asia and the Middle East. We see this continuing and are waiting for the U.S. market new construction to pick up meaningfully.

Miscellaneous Manufacturing

- We are being bogged down by regulatory issues and tax planning that is taking critical resources away from growing the core business. We expect it will take at least six months to work through issues associated with having over 50 employees, more intense regulation in general, high costs with no increase to revenue, and being in a highly regulated industry. Regulation seems to stifle innovation and benefit the biggest companies in the industry at the expense of smaller and younger firms. We will consider selling to a larger firm if we can’t work through nonbusiness issues due to not being able to focus on our vision and serving our customers.
- The West Coast labor problems in off-shore shipping are hurting our cash flow, inventory and labor hours. This may aid in some more manufacturing being returned to the U.S.

Questions regarding the Texas Manufacturing Outlook Survey can be addressed to Emily Kerr at emily.kerr@dal.frb.org.
The Texas Manufacturing Outlook Survey can be found online at www.dallasfed.org/microsites/research/surveys/tmos/.

February 23, 2015

Special Questions

Data were collected Feb. 2–5, and 83 Texas manufacturers responded to the survey.

1. Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next six to twelve months?

	Feb. '15 (percent)	Nov. '14 (percent)	May '14 (percent)
Increase	38.6	45.8	48.6
Leave Unchanged	43.4	45.8	44.4
Decrease	18.1	8.4	6.9

2. Are you having problems finding qualified workers when hiring?

	Feb. '15 (percent)	Nov. '14 (percent)	May '14 (percent)
Yes	69.9	77.1	68.1
No	30.1	22.9	31.9

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

	Feb. '15 (percent)	Nov. '14 (percent)	May '14 (percent)
Lack of technical competencies (hard skills)	78.3	72.3	70.6
Lack of workplace competencies (soft skills)	51.7	52.3	51.0
Lack of experience	50.0	44.6	39.2
Looking for more pay than is offered	43.3	35.4	35.3
Lack of available applicants/no applicants	41.7	35.4	37.3
Inability to pass drug test and/or background check	36.7	41.5	39.2

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

	Feb. '15 (percent)	Nov. '14 (percent)	May '14 (percent)
Intensify recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	54.1	59.7	54.5
Increase wages and or benefits	48.6	52.8	39.4
Offer additional training	40.5	41.7	47.0
Increase variable pay, including bonuses	25.7	27.8	28.8
Improve working conditions	23.0	29.2	12.1
Reduce education and other requirements for new hires	6.8	6.9	9.1
Other	5.4	19.4	12.1

5. If labor costs are increasing, are you passing the cost on to customers in the way of price increases?

	Feb. '15 (percent)	Nov. '14 (percent)	May '14 (percent)
Yes	36.6	42.2	31.9
No	48.8	47.0	48.6
Not Applicable	14.6	10.8	19.4

Special Questions Comments

These comments have been edited for publication.

Primary Metal Manufacturing

- Imports (including dumping) are causing price depression in the marketplace. Much of this is due to currency valuations, especially the recent appreciation of the dollar, and due to the U.S. economy being relatively good compared with much of the rest of the world.

Fabricated Metal Manufacturing

- We need more people to replace retirees and to meet continuing customer demand in the automotive sector. We are converting temporary employees to permanent employees.
- We are trying to use this period of much slower refinery activity to improve the quality of people we have on the payroll and will at the same time be reducing certain headcounts. The cost of the unskilled workforce we get to pick from is leaving us in a very noncompetitive environment.
- The oil crash is affecting our incoming orders, so some cutback in the workforce is very possible. We encourage sales to non-oil industries to help mitigate our risk, but it seems the best we can achieve is only about 50 percent non-oil since we remain a very popular supplier to our oil-related customers.
- With the decline in the oil economy, we expect there will be more available applicants in the near future. However, this will be offset by a decline in consumer spending until the lower fuel prices are reflected in consumer buying patterns.
- We expect to reduce staff over the next six months as (1) a key customer moves a portion of component production both to a Chinese supplier and to a very large U.S. competitor, and (2) energy industry customers respond to lower oil prices. In the metal manufacturing and assembly sector, we have found a limited pool of key skilled employees (tool and die design/manufacturing, experienced machine operators). Hiring for unskilled positions has not been a problem. Although it is not an immediate solution, we have enhanced in-house training to attempt to address the problem.
- We are finding it difficult to find machine operators (presses, shears, benders, etc.). There are very few experienced people, and we have hired several with limited experience that haven't worked out. We are not understaffed but are actively looking to hire experienced people.
- A very competitive market and apprehension about the effect of lower oil prices on long-term planning create a lot of pressure from business owners to force price reductions in products delivered. Also, we are seeing large companies taking longer to pay for our shipments. We are getting paid, but it is taking 45–60 days longer than usual from existing customers.
- We are a machine shop and the lack of technical skills is hurting our profitability by hurting our ability to complete jobs in a timely manner. We have been and continue to train on the job and through other training facilities, but that does not help our immediate needs.

Machinery Manufacturing

- The strong dollar is hurting our export business. We are in deep sea drilling, and the uncertainty in the future of oil prices has delayed new sales from customers that forced us to lay off 25 percent of our workforce.
- Competitive pressures are allowing us to only pass on outside material costs to our customers. For our labor/benefit cost increases, we continue to seek productivity improvements.

Chemical Manufacturing

- In the petrochemical business, a lack of available railroad cars is a continuing bottleneck.

Computer and Electronic Product Manufacturing

- We are in a very competitive market. Passing on increased costs is very difficult, and to the extent it is possible, there is general a significant time lag. Price increases can seldom be implemented except at the beginning of a contract.
- The aerospace industry has long-term contracts, so pricing is constantly driven down, not up. New contracts for new aircraft this year leave us hopeful that the business will grow.

Transportation Equipment Manufacturing

- The outlook for the drilling industry is somewhat bleak. We have expanded our product lines to include other items just to keep equivalent volume going through manufacturing. We have to discount deeply to entice customers to purchase new products when they have no problems with their current supplier.
- Over the last two years we have had trouble finding skilled maintenance personnel for a night shift position. We have found people with the basic skills, but often they don't stay due to the hours or shift. We offer a premium for night shift work, but even that doesn't seem to be enough to retain them.

Food Manufacturing

- Our customers will not pay any more for our products in order for us to pass on our increased labor costs.
- We are already seeing indications that a lot of the oil services employees are looking for work (perhaps to get ahead of the curve).

Paper Manufacturing

- We get a lot of applicants, but their overall skill level and their work experience is not good.
- Our current employee count is adequate with some overtime. We are trying not to add employees because of the added health cost. The percent that health costs add to our benefit costs is at an all-time high. We don’t see any relief in sight, as our work force

is getting older along with the high cost of health care in the Dallas–Fort Worth area. We passed on some of the cost to our employees, but it does not come close to the overall cost increase we incurred.

Printing and Related Support Activities

- As a commercial printer, it is hard to find good employees with experience.

Miscellaneous Manufacturing

- Drug and criminal records are our biggest problem.