



Texas Service Sector Outlook Survey

DALLAS FED

October 27, 2015

TEXAS SERVICE SECTOR ACTIVITY CONTINUES TO INCREASE BUT AT A SLOWER PACE

What's New This Month

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

Texas service sector activity continued to reflect expansion 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, remained positive but fell from 12.8 to 7.6, its lowest level in five months.

Labor market indicators reflected faster growth and longer workweeks this month. The employment index rose from 2.2 to 7. The hours worked index ticked down from 4.3 to 3.

Perceptions of broader economic conditions continued to reflect optimism in October. The general business activity index edged up 2 points to 5.6. The company outlook index was largely unchanged from last month at 4.7, with 16 percent of respondents reporting that their outlook improved from last month, compared with 12 percent noting that it worsened.

Price pressures were unchanged, while wage pressures eased this month. The selling prices index held steady at 3.4 in October. The wages and benefits index edged down from 16.2 to 14.4, although the great majority of firms continued to note no change in compensation costs.

Respondents' expectations regarding future business conditions reflected more optimism in October. The index of future general business activity rose 3 points to 12.8. The index of future company outlook was similar to last month at 16.4. Indexes of future service sector activity, such as future revenue and employment, also reflected more optimism this month.



RETAIL ACTIVITY STRENGTHENS AND OUTLOOKS IMPROVE

Retail sales increased in October, according to business executives responding to the Texas Retail Outlook Survey. The sales index rose slightly from 7.1 to 8.9. After decreasing last month, inventories grew this month.

Labor market indicators improved in October. The employment index advanced from a reading near zero to 7.9, indicating retail jobs increased this month. After two consecutive months in negative territory, the hours worked index jumped to 7.8, suggesting longer workweeks.

Retailers' perceptions of broader economic conditions improved this month. The general business activity index moved up from near zero last month to 9.2 in October. The company outlook index surged more than 17 points to 17.6, with 28 percent of respondents reporting that their outlook improved from last month, compared with 10 percent noting that it worsened.

Retail price pressures were unchanged, while wage pressures increased in October. The selling prices index was relatively unchanged from last month at 7.2, indicating retail prices increased at the same pace as in September. The wages and benefits index moved up from 12.6 to 17.3.

Retailers' perceptions of future broader economic conditions reflected more optimism in October. The index of future general business activity rose from 13.6 to 17. The index of future company outlook climbed from 17.4 to 28.3. Indexes of future retail sector activity remained in solid positive territory this month.

The Texas Retail Outlook Survey (TROS) is a component of the TSSOS that uses information only from respondents in the retail and wholesale sectors.

The Dallas Fed conducts the Texas Service Sector Outlook Survey monthly to obtain a timely assessment of the state's service sector activity. Data were collected Oct. 13–21, and 268 Texas business executives responded to the survey. 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.

Next release: December 1, 2015

TEXAS SERVICE SECTOR OUTLOOK SURVEY

Business Indicators Relating to Facilities and Products in Texas Current (versus previous month)								
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	7.6	12.8	-5.2	Increasing	72	28.0	51.6	20.4
Employment	7.0	2.2	+4.8	Increasing	68	17.2	72.6	10.2
Part-time employment	3.2	-1.4	+4.6	Increasing	1	8.8	85.6	5.6
Hours worked	3.0	4.3	-1.3	Increasing	7	8.5	86.0	5.5
Wages and benefits	14.4	16.2	-1.8	Increasing	73	16.7	81.0	2.3
Input prices	18.1	16.7	+1.4	Increasing	78	22.1	73.9	4.0
Selling prices	3.4	3.0	+0.4	Increasing	2	10.6	82.2	7.2
Capital expenditures	10.1	14.5	-4.4	Increasing	74	17.3	75.5	7.2
General Business Conditions Current (versus previous month)								
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company outlook	4.7	5.4	-0.7	Improving	7	16.3	72.1	11.6
General business activity	5.6	3.6	+2.0	Improving	6	17.1	71.4	11.5
Business Indicators Relating to Facilities and Products in Texas Future (six months ahead)								
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	37.6	35.5	+2.1	Increasing	80	48.1	41.4	10.5
Employment	25.0	24.9	+0.1	Increasing	79	34.9	55.2	9.9
Part-time employment	10.5	12.1	-1.6	Increasing	40	16.4	77.7	5.9
Hours worked	-0.1	6.2	-6.3	Decreasing	1	7.2	85.5	7.3
Wages and benefits	36.0	41.5	-5.5	Increasing	106	39.7	56.6	3.7
Input prices	43.0	40.6	+2.4	Increasing	106	45.4	52.1	2.4
Selling prices	27.1	25.4	+1.7	Increasing	78	33.5	60.1	6.4
Capital expenditures	22.3	26.7	-4.4	Increasing	79	29.5	63.3	7.2
General Business Conditions Future (six months ahead)								
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company outlook	16.4	16.1	+0.3	Improving	50	29.9	56.6	13.5
General business activity	12.8	9.8	+3.0	Improving	49	25.5	61.8	12.7

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

**Number of months moving in current direction.

Data have been seasonally adjusted as necessary.

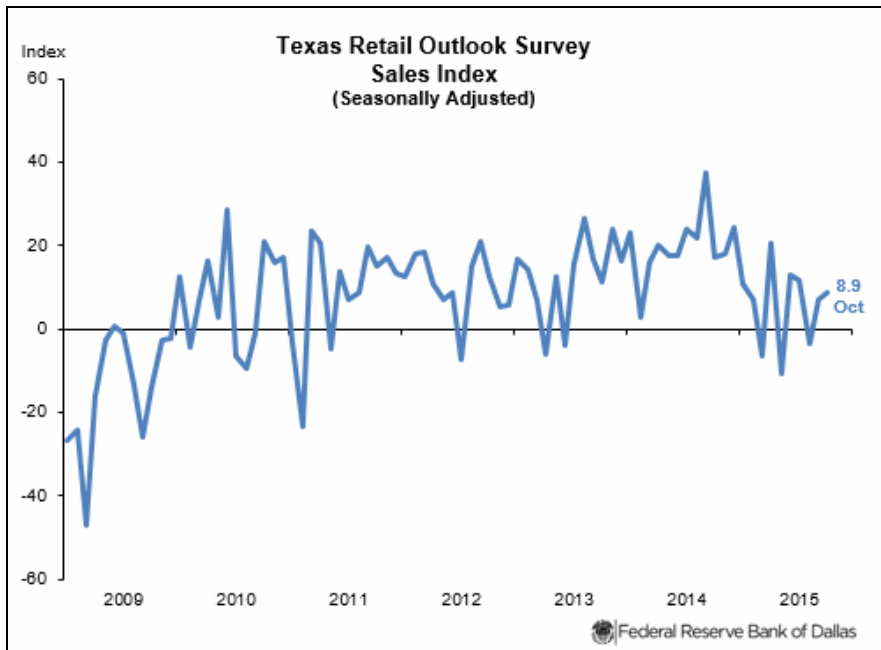
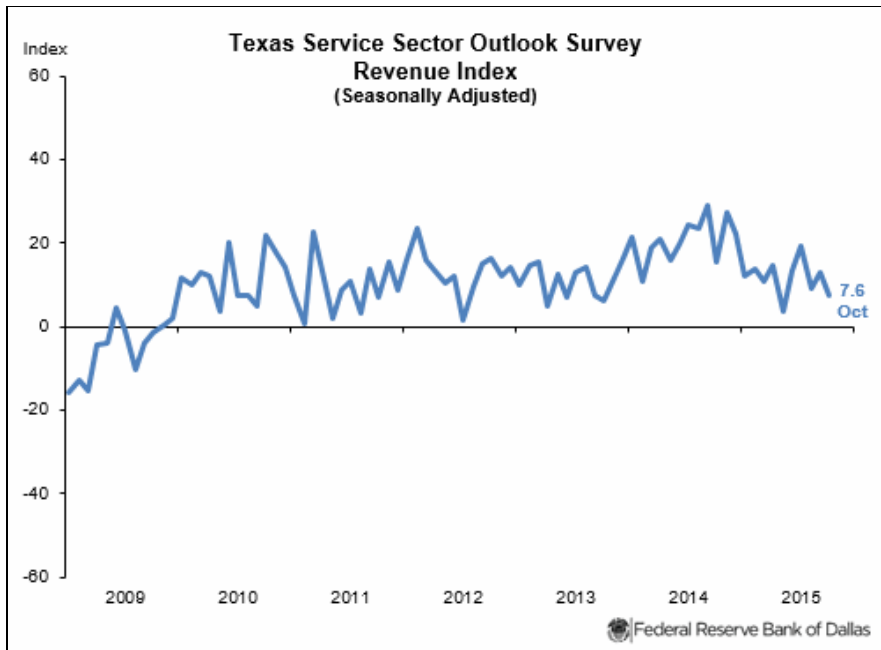
TEXAS RETAIL OUTLOOK SURVEY

Business Indicators Relating to Facilities and Products in Texas, Retail Current (versus previous month)								
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	8.9	7.1	+1.8	Increasing	2	33.4	42.1	24.5
Employment	7.9	-0.3	+8.2	Increasing	1	17.6	72.7	9.7
Part-time employment	10.2	-5.9	+16.1	Increasing	1	14.3	81.6	4.1
Hours worked	7.8	-2.6	+10.4	Increasing	1	11.9	84.0	4.1
Wages and benefits	17.3	12.6	+4.7	Increasing	56	17.4	82.5	0.1
Input prices	9.7	0.4	+9.3	Increasing	2	19.1	71.5	9.4
Selling prices	7.2	8.1	-0.9	Increasing	2	19.1	69.0	11.9
Capital expenditures	14.3	9.4	+4.9	Increasing	24	20.4	73.5	6.1
Inventories	6.1	-2.2	+8.3	Increasing	1	27.3	51.5	21.2
Companywide Retail Activity								
Sales	23.5	14.5	+9.0	Increasing	5	36.9	49.8	13.4
Internet sales	15.6	8.4	+7.2	Increasing	2	18.9	77.8	3.3
Catalog sales	2.9	5.9	-3.0	Increasing	7	2.9	97.1	0.0
General Business Conditions, Retail Current (versus previous month)								
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company outlook	17.6	0.2	+17.4	Improving	7	27.9	61.8	10.3
General business activity	9.2	-0.5	+9.7	Improving	1	23.7	61.7	14.5
Business Indicators Relating to Facilities and Products in Texas, Retail Future (six months ahead)								
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	38.7	31.9	+6.8	Increasing	80	49.8	39.1	11.1
Employment	10.6	17.5	-6.9	Increasing	8	22.0	66.7	11.4
Part-time employment	3.4	4.0	-0.6	Increasing	2	12.2	79.0	8.8
Hours worked	-6.1	2.3	-8.4	Decreasing	1	5.1	83.7	11.2
Wages and benefits	23.4	33.1	-9.7	Increasing	80	26.5	70.3	3.1
Input prices	35.3	32.0	+3.3	Increasing	78	39.2	56.9	3.9
Selling prices	32.0	36.0	-4.0	Increasing	78	40.0	52.0	8.0
Capital expenditures	22.0	24.5	-2.5	Increasing	55	32.0	58.0	10.0
Inventories	19.4	20.6	-1.2	Increasing	71	35.2	49.0	15.8
Companywide Retail Activity								
Sales	38.0	35.1	+2.9	Increasing	79	45.9	46.2	7.9
Internet sales	17.1	18.5	-1.4	Increasing	79	20.0	77.1	2.9
Catalog sales	2.0	12.6	-10.6	Increasing	9	2.6	96.8	0.6
General Business Conditions, Retail Future (six months ahead)								
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company outlook	28.3	17.4	+10.9	Improving	79	39.3	49.8	11.0
General business activity	17.0	13.6	+3.4	Improving	7	31.6	53.8	14.6

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

**Number of months moving in current direction.

Data have been seasonally adjusted as necessary.



COMMENTS FROM SURVEY RESPONDENTS

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

Credit Intermediation and Related Activities

- > The major question mark surrounds the instability of energy prices and the potential impacts on the local economy, especially housing prices. So far, the overall impact has been minimal. Consumers are out for big ticket purchases and loan growth continues. The local labor market had tightened, but layoffs in the energy sector have made things a little better.
- > Loan activity continues to show a slight increase, and competition is still strong. We are seeing a rash of agencies being called in our investment portfolios. The slowdown in oil development is impacting the trucking industry locally due to the slowdown in frack sand sales. There is a large amount of activity in the search and selling of existing mineral rights by the folks with the liquidity or ability to leverage assets. Livestock prices continue to decrease but are still above historical averages.

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

- > We do not see a revival of energy activity for the next 12 to 18 months. The market for our services could get worse before it gets better. Sales volume is down. We have and will continue to size our companies to the markets. We are not in a good situation with the business down and regulations increasing daily.

Insurance Carriers and Related Activities

- > We continue to have training to elevate everyone. We are always looking for ways to become more efficient and provide a better service to our clients.
- > We hired a well-qualified accounting person who moved to Texas from Georgia. This allowed us to eliminate two part-time consultants, so we have one more employee but saved money by coming in-house.

Funds, Trusts and Other Financial Vehicles

- > The question of when interest rates will increase is a big topic as debt significantly impacts commercial real estate investment returns.

Real Estate

- > We are starting to see the effects of job losses in the energy sector. We expect residential sales to slow and prices to plateau as we move into 2016.
- > While the markets are still good, activity levels are not as active as we would expect given low interest rates and low unemployment. There just doesn't seem to be the enthusiasm that should be present with the amount of good news in the market.

Professional, Scientific and Technical Services

- > Activity appears to be steady at a relatively high level. However, proposals for future work have taken a strong downturn this month, but it is too early to know if it is a true trend or a hiccup.
- > Insurance renewals are coming, and we are hearing that the Affordable Care Act is drastically changing and increasing our costs.
- > We think the economy is lackluster at best. Businesses are holding on, teetering between doing OK and doing poorly. For the most part, businesses have given up on anything positive coming from the government and are simply hoping and praying for nothing negative.

Management of Companies and Enterprises

- > The overall economic pace is definitely slowing and is showing up in loan requests from our customer base. As a commercial bank, the regulatory burden on us as well as the customers we serve pretty much eliminates any possibility of any sustained recovery of the economy. Affordable Care Act costs are keeping many of our customers from adding staffing past their current 49 employee threshold. Regulatory uncertainty has thrown a wet blanket on any thought of expansion.

Administrative and Support Services

- > Interest rates are still the key condition fueling our business.
- > The average workweek increase for October over September is due to lost hours for Labor Day. Cost increases are mainly due to the increased cost of health care coverage under the Affordable Care Act for greatly decreased coverage.
- > Lower fuel prices continue to impact sales in the public transportation industry.
- > The Texas market presents its challenges with the west under stress and contraction, while the DFW market is remaining competitive but strong. Austin is good, but Houston is stressed.

Telecommunications

- > Our business continues to expand and increase revenue, but programming charges are increasing at a rate we cannot pass through to our customers. Video margins continue to decrease, and we continue to ask the FCC to implement à la carte pricing for video programming that would help our business and reduce costs for end users. We think the industry should follow Canada's lead in requiring à la carte pricing. The FCC is only addressing nonimpacting items for consumers such as net neutrality.

Ambulatory Health Care Services

- > Centers for Medicare and Medicaid Services (CMS) reimbursement for certain health care tests will be substantially cut in 2016, putting downward pressure on revenue and selling prices. One lower-top-tier managed care company is offering a take-it-or-be-terminated-from-the-network contract at pricing equal to 50 percent of CMS rates. If the contract is nonnegotiable, termination may be the better option.
- > ICD-10 [medical classification] coding system implementation occurred Oct. 1; we expect this to impact revenues over the short term. Despite this, we did make a major capital purchase of a new machine in October.

- > There is a potential for revenue decline with the medical industry change over to ICD-10 [medical classification] coding system. This caused a massive change in billing medical costs, which has the potential to delay payments from insurance companies for months. We are also expecting an increase in employee medical benefits in 2016.

Hospitals

- > The Permian Basin is continuing to see a downward trend due to difficulties related to the oil economy.

Amusement, Gambling and Recreation Industries

- > Parking in downtown Austin during the day remains a huge barrier for our business. The recent repeal of part of the Affordable Care Act that affected companies with 51 to 100 employees has brought some clarity to our future budgeting, although it is still a challenge. It is also still a challenge to hire qualified professional cooks and bartenders.

Food Services and Drinking Places

- > Revenue improved slightly over September, but the change is small and did not generate a need for additional employees or even much in the way of additional hours worked. Cost of goods went up because we had a major change in egg prices, which is a key product. Capital expenditures are up because we are building a new restaurant. We will add new employees to staff the new restaurant so our total number of employees and part-time employees will go up in the six-month horizon.
- > Month-over-month revenue is seasonally lower this time of the year. Six months from now we will have more locations.

Repair and Maintenance

- > Wages and benefits costs are increasing at an alarming rate. Health care costs have increased 115 percent in one year.

Support Activities for Transportation

- > We anticipate completing three major capital projects between December 2015 and February 2016. The facilities are leased to third parties who anticipate increasing their workforce by 35 to 50 positions. However, another major lessee anticipates a continued decline in personnel due to their primary business being tied to offshore drilling and exploration.

Merchant Wholesalers, Durable Goods

- > We are implementing a strategic pricing model in the fourth quarter that should increase the sales prices on certain items. We are hiring people outside of Texas, which should translate to increased sales. Over the next nine months, we are investing \$500,000 into a new website.
- > Our business is 65 to 70 percent energy related. We expect the energy downturn to continue for the remainder of 2015 and into at least second quarter 2016.

Merchant Wholesalers, Nondurable Goods

- > Oilfield issues are impacting our customers. It may be tough for a bit, and we may need to readjust. This might be the new normal.

Motor Vehicle Parts Dealers

- > The low oil price is beginning to cause a slowdown in our customer traffic and sales volume.
- > We are concerned about the negative impact of long-term low oil and gas prices.
- > Our customers are in the process of reducing capital expenditures, and as a result our business is and will be affected negatively.

Food and Beverage Stores

- > We sell gasoline, and as prices have fallen so have sales, but profits have increased.
- > We are concerned about the new Department of Labor rules regarding exempt management employees and the costs associated with the new law.

Questions regarding the Texas Service Sector Outlook Survey can be addressed to Amy Jordan at amy.jordan@dal.frb.org.
The Texas Service Sector Outlook Survey can be found online at www.dallasfed.org/microsites/research/surveys/tssos/.



Texas Service Sector Outlook Survey

DALLASFED

October 26, 2015

SPECIAL QUESTIONS

Data were collected Oct. 5–8, and 206 Texas business executives responded to the survey.

1. How do borrowing conditions facing your firm compare to those six months ago?			
	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Eased substantially	1.9	2.7	1.0
Eased somewhat	8.7	11.0	7.3
No change	40.4	45.1	47.1
Tightened somewhat	10.6	6.0	13.6
Tightened substantially	3.1	2.2	1.5
Not applicable—haven't sought credit	35.4	33.0	29.6

2. How does the cost of credit compare to what it was six months ago?			
	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Increased substantially	3.7	0.5	0.5
Increased somewhat	25.5	10.4	11.7
No change	31.1	48.6	50.5
Decreased somewhat	3.7	7.1	6.8
Decreased substantially	0.0	1.1	1.0
Not applicable—haven't sought credit	36.0	32.2	29.6

3. To what extent is your business having difficulty obtaining financing for desired long-term uses such as capital expenditures?			
	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
No difficulty	38.1	40.9	41.9
Some difficulty	10.0	12.7	15.3
Substantial difficulty	3.8	2.2	2.0
Extreme difficulty	2.5	1.1	0.0
Not applicable—haven't sought credit	45.6	43.1	40.9

4. To what extent is your business having difficulty obtaining financing for desired short-term uses such as paying workers and acquiring inventories of material or supplies?			
	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
No difficulty	36.3	38.5	38.1
Some difficulty	9.4	8.2	5.9
Substantial difficulty	0.6	2.2	2.5
Extreme difficulty	1.9	1.6	0.0
Not applicable—haven't sought credit	51.9	49.5	53.5

5. Has your firm's production and/or sales been adversely affected by difficulty obtaining credit?			
	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Yes—significantly	2.5	3.8	1.0
Yes—somewhat	6.9	7.1	6.9
No	35.6	37.2	42.6
Not applicable—haven't had problems obtaining credit	12.5	12.0	10.8
Not applicable—haven't sought credit	42.5	39.9	38.7

6. Has your firm reduced hiring and/or increased layoffs due to difficulty obtaining credit?			
	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Yes—significantly	1.3	1.1	0.0
Yes—somewhat	5.6	6.0	6.8
No	40.0	44.3	45.1
Not applicable—haven't had problems obtaining credit	11.3	9.8	10.7
Not applicable—haven't sought credit	41.9	38.8	37.4

SPECIAL QUESTIONS COMMENTS

These comments have been edited for publication.

Credit Intermediation and Related Activities

- > The most important factor in our industry has been a gradual increase in loan demand primarily for small to midsize businesses. Competition for loans is strong, and pricing is a big factor in acquiring loans. Fee income has increased through product offerings, and complying with mounting regulations continues to be a challenge with costs to maintain compliance increasing substantially. Cybersecurity is the greatest threat faced by customer service industries, with increasing breaches of retail companies creating exposure to banking customers from identity threats.

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

- > For part of our growth plan, we look to acquire existing professionals in our industry along with their book of business. To do this, we look for growth capital to help fund the acquisitions. Our business's financial performance hasn't been so strong and, as such, access to capital has been more challenging. For us this may be more of an issue related specifically to our business and less so to the lending environment broadly.

Funds, Trusts, and Other Financial Vehicles

- > As a commercial real estate investment company, debt is very critical for investments and has a tremendous impact on the return and the price one will pay. That said, low rates mean low inflation, which impacts commercial real estate in a negative fashion.

Publishing Industries (except Internet)

- > Credit from banks is expensive, so we sought angel and venture funding.

Broadcasting Industries (except Internet)

- > Advertising expenditures have been cut most dramatically by oil-field-related companies who carry debt.

Rental and Leasing Services

- > We think credit is not the problem; it's the economy that is weak because of government interference.

Professional, Scientific and Technical Services

- > We are highly concerned about the discussions on rate hikes.

Administrative and Support Services

- > While our company hasn't been hurt, we believe there are many companies that are feeling the burdens of credit and borrowing challenges. We also think wages are staying stagnant as a result of some of these challenges.
- > We have need for credit, but potential lenders have been so discouraging about the availability of credit that we have not pursued obtaining credit formally. Price doesn't seem to be the issue; it's one of availability.
- > Capital equipment purchases have been put on hold for now. We cannot obtain the funds necessary to expand the company laterally as we would like to capture new markets.
- > Banks have had a belt and suspenders approach to their lending to small businesses. We have been growing and profitable with continued positive trends; however, their lending restrictions are burdensome. As a result, we have delayed some new services as well as new systems because we do not want to accept their terms for lending.
- > The new Consumer Financial Protection Bureau form will require a lengthy period of adjustment for lenders, title companies, agents and consumers.

Nursing and Residential Care Facilities

- > While we have not sought credit for new capital projects or operating expenses, we are in the market to refinance an existing debt issue. We believe that credit markets have been remarkably stable for an extended period of time, and the likelihood of a modest increase in interest rates will not provide a prolonged dampening effect on financial markets.

Food Services and Drinking Places

- > Rates are steady and financing is easy to get. Due to this, real estate prices are high and that's a bigger problem.

Pipeline Transportation

- > Increased costs have been a function of widening spreads in the energy sector, offset partially by decreased treasury yields. Investment grade (IG) entities such as our firm have good access to debt capital; non-IG firms are starting to struggle with access.



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SPECIAL QUESTIONS

Data were collected Oct. 5–8, and 45 Texas retailers responded to the survey.

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

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Eased substantially	0.0	4.3	0.0
Eased somewhat	17.9	10.9	6.7
No change	43.6	52.2	51.1
Tightened somewhat	7.7	6.5	20.0
Tightened substantially	0.0	0.0	0.0
Not applicable—haven't sought credit	30.8	26.1	22.2

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

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Increased substantially	0.0	2.1	0.0
Increased somewhat	33.3	14.9	13.3
No change	20.5	55.3	55.6
Decreased somewhat	12.8	6.4	4.4
Decreased substantially	0.0	0.0	2.2
Not applicable—haven't sought credit	33.3	21.3	24.4

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

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
No difficulty	43.6	54.3	57.8
Some difficulty	10.3	15.2	11.1
Substantial difficulty	2.6	0.0	2.2
Extreme difficulty	0.0	0.0	0.0
Not applicable—haven't sought credit	43.6	30.4	28.9

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

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
No difficulty	48.7	59.6	53.5
Some difficulty	5.1	8.5	7.0
Substantial difficulty	2.6	2.1	4.7
Extreme difficulty	0.0	0.0	0.0
Not applicable—haven't sought credit	43.6	29.8	34.9

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

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Yes—significantly	0.0	2.1	0.0
Yes—somewhat	5.3	6.4	6.8
No	39.5	51.1	56.8
Not applicable—haven't had problems obtaining credit	21.1	19.1	11.4
Not applicable—haven't sought credit	34.2	21.3	25.0

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

	Oct '13 (percent)	Oct '14 (percent)	Oct '15 (percent)
Yes—significantly	0.0	0.0	0.0
Yes—somewhat	5.1	8.5	8.9
No	46.2	57.4	53.3
Not applicable—haven't had problems obtaining credit	15.4	12.8	13.3
Not applicable—haven't sought credit	33.3	21.3	24.4

SPECIAL QUESTIONS COMMENTS

These comments have been edited for publication.

Merchant Wholesalers, Durable Goods

- > Credit is not the issue. Disinflation in all commodities is severely impacting industrial supply chains.
- > Banks are more willing to lend to strong, or less risky, companies even in oil- and gas-related industries. Banks appear to have plenty of capital to put to work. It is very difficult to hedge rate risk as a result of the continued decision to push rates out.
- > We do not presently need to borrow for operations, but we have reduced hiring and increased layoffs due to the unpredictability of the business climate.

Motor Vehicle and Parts Dealers

- > We have no difficulty in getting credit. The only financing we are doing is some replacement asset financing, which is relatively modest.
- > We have had no change in the attitude of the lenders we do business with. We have had lines of credit set up since prior to 2008 and still maintain them.
- > The extreme slowdown of the Eagle Ford Shale drilling caused by the low price of crude oil has had a negative impact on our inventories, which are high and going down slowly. A slight rise in interest rates would be acceptable, but a sharp rise would be difficult to deal with because there would most likely be an additional slowdown causing us to maintain our high inventories longer.

Food and Beverage Stores

- > Our company is of the size that credit is not issue.

Nonstore Retailers

- > We have both a working capital line and an equipment line that have been in place nearly nine years with annual renewals. Our cost of credit has remained unchanged for a number of years, despite further cuts after attaining our current 3.25 percent rate.