Texas Service Sector Outlook Survey

DALLASFED

June 30, 2015

TEXAS SERVICE SECTOR ACTIVITY STRENGTHENS

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on the impact of lower energy prices. 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 improved in June, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, advanced from 3.8 to 13.2.

Labor market indicators reflected slower employment growth and unchanged workweeks. The employment index moved down from 8.9 to 5.6 in June. The hours worked index edged down to a reading near zero this month, indicating average hours worked in June were the same as in May.

Perceptions of broader economic conditions continued to reflect some optimism in June. The general business activity index rose 3 points to 4.1. The company outlook index was unchanged at 6.7, with 18 percent of respondents reporting that their outlook improved from last month, compared with 11 percent noting that it worsened.

Price pressures increased, while wage pressures were unchanged this month. The selling prices index moved up from 3.6 to 7.9, indicating prices increased at a faster pace than in May. The wages and benefits index was similar to last month at 15.6, although the great majority of firms continued to note no change in compensation costs.

Respondents' expectations regarding future business conditions continued to reflect optimism in June. The index of future general business activity edged up from 10.6 to 12.5. The index of future company outlook ticked down from 15 to 12.9. Indexes of future service sector activity, such as future revenue and employment, also continued to reflect optimism this month.

RETAIL SALES REBOUND

Retail sales climbed in June, according to business executives responding to the Texas Retail Outlook Survey. The sales index surged back into positive territory, jumping almost 24 points to 13.1. Inventories increased at a slower pace this month.

Labor markets were mixed in June. The employment index edged back into positive territory to a reading of 1, indicating retail jobs increased slightly this month. The hours worked index remained negative, but ticked up from -5.8 to -3.8, suggesting shorter workweeks.

Retailers' perceptions of broader economic conditions were mixed this month. The general business activity index retreated into negative territory to a reading of -5.7. The company outlook index rose 3 points to 9.4, with 22 percent of respondents noting an improved company outlook over the prior month, compared with 13 percent reporting their outlook had worsened.

Retail price pressures eased, while wage pressures increased in June. The selling prices index fell slightly from 8.3 to 6.5. The wages and benefits index edged up from 10.2 to 11.4, although the great majority of firms noted no change in labor costs.

Retailers' perceptions of future broader economic conditions reflected less optimism in June. The index of future general business activity remained positive but fell sharply from 14.6 to 4. The index of future company outlook also fell from 23.2 to 10.5. 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 June 16–24, and 256 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: July 28, 2015

Texas Service Sector Outlook Survey

Business Indicators Relating to Facilities and Products in Texas Current (versus previous month)								
Indicator	Jun Index	May Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	13.2	3.8	+9.4	Increasing	68	30.5	52.2	17.3
Employment	5.6	8.9	-3.3	Increasing	64	13.6	78.4	8.0
Part-time employment	0.5	4.5	-4.0	Increasing	20	7.1	86.3	6.6
Hours worked	0.1	1.9	-1.8	Increasing	3	6.7	86.7	6.6
Wages and benefits	15.6	16.1	-0.5	Increasing	69	19.0	77.6	3.4
Input prices	21.8	18.8	+3.0	Increasing	74	24.6	72.6	2.8
Selling prices	7.9	3.6	+4.3	Increasing	55	11.4	85.1	3.5
Capital expenditures	14.5	13.0	+1.5	Increasing	70	20.4	73.7	5.9
General Business Conditions Current (versus previous month)								
Indicator	Jun Index	May Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company outlook	6.7	6.9	-0.2	Improving	3	18.1	70.5	11.4
General business activity	4.1	1.1	+3.0	Improving	2	18.3	67.5	14.2

Business Indicators Relating to Facilities and Products in Texas Future (six months ahead)								
Indicator	Jun Index	May Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	42.3	33.8	+8.5	Increasing	76	52.2	37.9	9.9
Employment	25.4	25.9	-0.5	Increasing	75	33.6	58.1	8.2
Part-time employment	9.8	9.2	+0.6	Increasing	36	16.3	77.2	6.5
Hours worked	3.1	2.8	+0.3	Increasing	19	9.0	85.1	5.9
Wages and benefits	39.6	35.2	+4.4	Increasing	102	42.4	54.8	2.8
Input prices	44.2	39.8	+4.4	Increasing	102	46.7	50.9	2.5
Selling prices	29.8	19.8	+10.0	Increasing	74	35.5	58.8	5.7
Capital expenditures	22.7	22.8	-0.1	Increasing	75	30.5	61.7	7.8
General Business Conditions Future (six months ahead)								
Indicator	Jun Index	May Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company outlook	12.9	15.0	-2.1	Improving	46	26.3	60.3	13.4
General business activity	12.5	10.6	+1.9	Improving	45	26.3	59.9	13.8

*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	Jun Index	May Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	13.1	-10.7	+23.8	Increasing	1	32.7	47.7	19.6
Employment	1.0	-0.9	+1.9	Increasing	1	10.8	79.4	9.8
Part-time employment	3.4	1.8	+1.6	Increasing	3	10.3	82.8	6.9
Hours worked	-3.8	-5.8	+2.0	Decreasing	2	6.5	83.2	10.3
Wages and benefits	11.4	10.2	+1.2	Increasing	52	15.9	79.6	4.5
Input prices	17.6	4.1	+13.5	Increasing	5	20.7	76.2	3.1
Selling prices	6.5	8.3	-1.8	Increasing	3	15.0	76.5	8.5
Capital expenditures	13.5	14.0	-0.5	Increasing	20	22.0	69.5	8.5
Inventories	7.0	12.2	-5.2	Increasing	3	26.9	53.2	19.9
Companywide Retail Activity								
Sales	17.8	-4.4	+22.2	Increasing	1	36.9	44.0	19.1
Internet sales	13.5	5.2	+8.3	Increasing	25	16.9	79.7	3.4
Catalog sales	8.3	5.4	+2.9	Increasing	3	11.1	86.1	2.8

General Business Conditions, Retail
Current (versus previous month)

Indicator	Jun Index	May Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company outlook	9.4	6.4	+3.0	Improving	3	22.2	65.0	12.8
General business activity	-5.7	3.9	-9.6	Worsening	1	18.2	57.9	23.9

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

Indicator	Jun Index	May Index	Change	Indicator Direction*	Trend** (months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	43.5	31.1	+12.4	Increasing	76	53.1	37.3	9.6
Employment	17.6	14.1	+3.5	Increasing	4	30.0	57.6	12.4
Part-time employment	1.5	3.4	-1.9	Increasing	2	13.5	74.5	12.0
Hours worked	0.3	-1.2	+1.5	Increasing	1	8.8	82.7	8.5
Wages and benefits	27.4	24.0	+3.4	Increasing	76	31.4	64.6	4.0
Input prices	33.9	16.7	+17.2	Increasing	74	37.5	58.9	3.6
Selling prices	33.4	23.7	+9.7	Increasing	74	40.4	52.6	7.0
Capital expenditures	19.3	20.0	-0.7	Increasing	51	28.1	63.2	8.8
Inventories	16.4	16.9	-0.5	Increasing	67	32.3	51.8	15.9
Companywide Retail Activity								
Sales	42.4	25.3	+17.1	Increasing	75	48.3	45.7	5.9
Internet sales	23.0	30.0	-7.0	Increasing	75	25.6	71.8	2.6
Catalog sales	10.3	9.6	+0.7	Increasing	5	11.2	87.9	0.9

General Business Conditions, Retail
Future (six months ahead)

Indicator	Jun Index	May Index	Change	Indicator Direction*	Trend** (months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company outlook	10.5	23.2	-12.7	Improving	75	24.5	61.5	14.0
General business activity	4.0	14.6	-10.6	Improving	3	23.9	56.2	19.9

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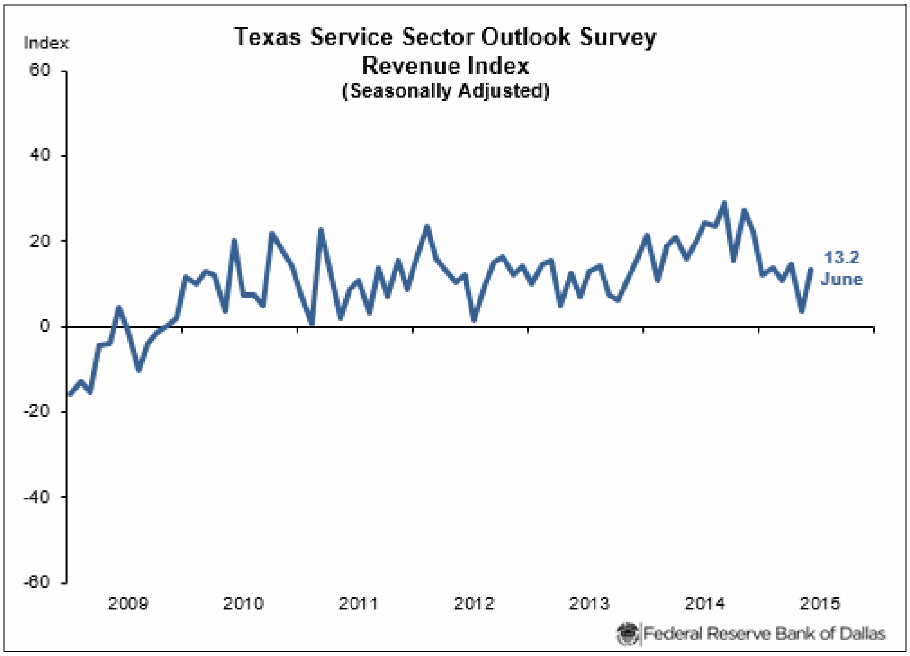
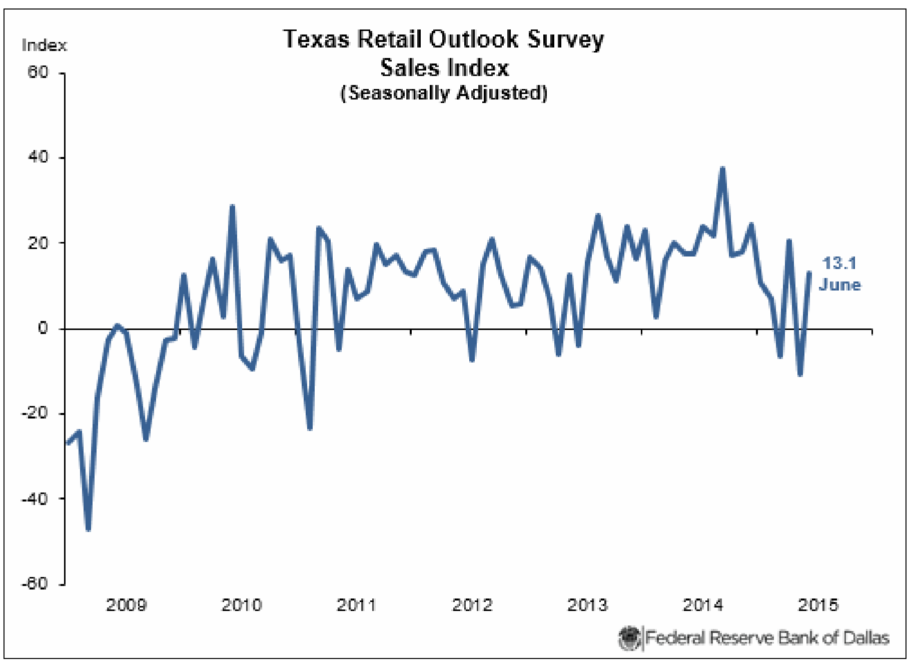

Texas Service Sector Outlook Survey
Revenue Index
(Seasonally Adjusted)
Index
60
40
20
0
-20
-40
-60
2009
2010
2011
2012
2013
2014
2015
13.2
June
Federal Reserve Bank of Dallas


Texas Retail Outlook Survey
Sales Index
(Seasonally Adjusted)
Index
60
40
20
0
-20
-40
-60
2009
2010
2011
2012
2013
2014
2015
13.1
June
Federal Reserve Bank of Dallas

Comments from Survey Respondents

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

Credit Intermediation and Related Activities

- If interest rates rise before year-end, our cost of doing business will increase and our overall revenue will decrease.
- Brisk auto sales and a flurry of mortgage activity may reflect consumers thinking that interest rates will be increasing soon. Commercial activity is also good, indicating that investment is increasing due to economic gains.
- We have a hiring freeze.
- Wet weather has been a blessing but has dirupted harvest and planting. Cattle prices remain strong and herd numbers are increasing. Sheep and goat prices are at historical highs. Frack sand companies continue to cut hours and lay off employees. A local drilling rig and a workover rig reportedly sold to a buyer from Mexico, and the plant will be moved to Mexico for cheaper labor, resulting in workers being unemployed.

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

- Selling prices are moving downward; our customers want a certain percentage reduction in prices. They will get some reduction but not as much as desired. These selling price pressures are coming at a time when costs from federal regulations and health care insurance are accelerating really fast. This is not a good picture for business. Employment and capital expenditures must decrease.

Real Estate

- Both the commercial and residential real estate markets are up strongly through the first six months of the year despite the decrease of available single-family homes for sale. Commercial activity is robust.

Rental and Leasing Services

- In the last two months, the Texas economy for heavy construction equipment has gone from slow to nonexistent. There is nothing moving or shaking right now, and we have 22 stores across Texas.

Professional, Scientific and Technical Services

- The amount of orders being turned in for commercial and residential properties is still at a very high level, which indicates that this market will remain hot for the foreseeable future.
- Business has picked up, and we hear it will be busy in fourth quarter. However, we are not hiring more people yet; our only hires are replacements for better people.
- The apartment business continues to boom nationally and in most markets in Texas, although Houston is expected to underperform. Solid fundamentals—including occupancy and rent growth—keep capital flowing into the multifamily sector.

Management of Companies and Enterprises

- We feel there is too much government regulation.
- For our customers and our business, the overreach of federal government continues to stall any real improvement in the business climate. We see no hope for any real economic improvement.

Administrative and Support Services

- We continue to see belt-tightening in the commercial sector. This is a result of increases in the cost of business for our clients and increased competition. We must increase our service offerings in order to maintain business and increase sales.
- In our arena, the increased business is coming from contracted work we are capturing and not necessarily from a better economy.

Telecommunications

- Recent flooding in May for the Houston area negatively impacted construction, and the continued contraction of employment in the oil and gas sector is impeding revenue growth. Also, FCC and legislative rulings are negatively impacting our decisions in hiring and materials purchasing.

Educational Services

- In an institution of higher education, personnel fluctuate in the summer. We have fewer faculty and student employees from June through August.

Ambulatory Health Care Services

- Our additional part-time help is summer help. We expect to see general business activity drop as oil fields continue to wind down. We also may see a decline related to lower commodity prices.
- Pricing changes are, to a large extent, contingent upon Medicare rate changes, which generally occur on a calendar year basis. Indications of changes—which are almost always reductions—for subsequent years are generally provided in late third to early fourth quarter. Therefore, no changes are anticipated through the remainder of this year.

Nursing and Residential Care Facilities

- We are anxiously watching the King v. Burwell case before the U.S. Supreme Court. This has the potential to disrupt the health care sector if it has the effect of overturning the Affordable Care Act. Hospitals are always subject to federal health policy changes. We are in a dynamic, uncertain environment.

Amusement, Gambling and Recreation Industries

- Austin is an unusual place for business in the state. We are not as affected by the oil price decrease. Our current problems remain hiring people with the right skills to work at our company. With the unemployment rate so low, we will be looking at increasing wages in the near future. In addition, it has gotten almost impossible for moderate income people to live anywhere near downtown. Food prices are a challenge with the avian flu having a profound impact on the price and availability of eggs and chickens.

Food Services and Drinking Places

- Sales at both of our concepts are very strong. Comparable sales for June were up 8.6 percent in one concept and 9.9 percent in the other. Business has been very strong all year, and so far no dropoff has been seen, even with higher prices at the pump. No new locations will be opened in the rest of 2015, but we will have several new locations in 2016.
- Health insurance costs and new regulatory requirements are making it increasingly more difficult for small businesses to be profitable.
- Year-over-year sales in early June have been slower than in the last few months, but they are still up by more than our 1.5 percent price increase in place. It's too soon to tell if this is going to be an extended slump or if it is just a bump in the road. We are building a new unit that will open within the six-month horizon, so capital expenditures are up now. We issued a reworked menu in late May that did include a very small price increase. We have a tentative price increase scheduled in November, which is likely to be in the 1 to 1.5 percent range if things work out as we are projecting.
- Egg prices are having a significantly negative impact on the restaurant industry.

Merchant Wholesalers, Durable Goods

- There is uncertainty in agriculture because of the excess moisture in all areas of state.
- The weather was the major cause for our revenue decrease in June.
- We think that economic conditions are bad now and will be in the future.
- The rain in May was a killer. It impacted our sales quite a bit, but June has seen a nice bounce back. We expect these catch-up sales to be robust through August, but our economic forecast calls for a slowing growth rate through the first quarter of 2016 before more aggressive growth rates return. We are optimistic about 2016 and 2017 in both single-family and multifamily construction.
- Weather continues to be a significant drag on revenues. Construction activity was severly impacted. Now there is mounting pressure on backlogs and delays that will impact jobs and cause further delays into 2016.

Motor Vehicle Parts Dealers

- We think the overall level of buiness in our industry will diminish some due to the lower level of oil-related activity. We are approaching it as if we have not already reached bottom on downsizing; however, the overall level of activity in our industry is definitely down from a year ago.

Furniture and Home Furnishings Stores

- The severe weather—rainfall and flooding in the Red River Valley—has had a dramatic effect on our business, reducing construction activity.

Building Material and Garden Equipment and Supplies Dealers

- Business is not as good as last year but much better than the prior three years. There is still uncertainty about the overall strength of the economy.

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

June 29, 2015

SPECIAL QUESTIONS

Data were collected June 1–4, and 195 Texas business executives responded to the surveys.

Oil prices today are near $60 per barrel, down from over $100 a year ago. Natural gas prices are near $2.90 per million British thermal units, down from over $4.40 a year ago.

1. What impact have lower energy prices had on your business over the past six months? (Please select all that apply)	
No effect	37.6%
Decreased our firm's costs (input/raw materials prices, wages and benefits, etc.)	36.0%
Decreased demand from our customers	28.5%
Increased demand from our customers	11.8%
Increased our firm's costs (input/raw materials prices, wages and benefits, etc.)	1.1%

2. Overall, what has been the net impact of lower energy prices on your business over the past six months?	
Slight positive impact	35.3%
Slight negative impact	28.9%
No impact	21.4%
Significant negative impact	8.6%
Significant positive impact	5.9%

3. What are the top three concerns affecting your company's outlook? (Please select up to 3 choices)	
Government regulation	66.5%
U.S. economy	58.6%
Interest rates	40.8%
Labor shortages	37.7%
Energy prices	25.1%
Real estate values	14.1%
Strong dollar	12.0%
Other	14.7%

Special Questions Comments

These comments have been edited for publication.

Credit Intermediation and Related Activities

- There are a growing number of nonbank competitors engaging in lending and deposit gathering, but they are not subject to the same regulatory scrutiny as the financial industry.
- The overall impact of lower oil prices has been surprisingly light. We do, however, deal with a small number of oil and gas customers compared with other credit unions in our area. Our core sponsors are education and medical, so we have not seen a major disruption in their borrowing as employment is very stable for them.
- There are some marginal impacts of the energy slowdown at the consumer level, primarily in the frack sand industry. The plants in our area have laid some employees off, and the sand truck numbers are down substantially.

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

- The energy slowdown has put a damper on investment. Federal regulations are putting a choke hold on business activity.

Insurance Carriers and Related Activities

- We are an insurance sales operation, so sales and payrolls of our energy clients are affected and we may see return premiums on insurance audits next year.
- We have not yet seen any impact from declining energy prices and the sharp decline in drilling activity. We do expect some negative impact as the layoffs and cutbacks percolate through the general Texas economy.

Telecommunications

- We are seeing the impact of lower oil prices in the Houston metropolitan area, including layoffs, slower job growth and slowing of home and apartment building. Also, small businesses are starting to feel the impacts of the layoffs, and residents are becoming conservative with spending. Regulations—including the Affordable Care Act, Net Neutrality and those related to hiring college students for internships—have impacted many businesses in a negative way.

Rental and Leasing Services

- We are an equipment dealer that covers the state of Texas with 22 stores. We have 3,800 pieces of heavy construction equipment in our rental fleet. Utilization on many categories has dropped from around 92 percent to below 50 percent in the last six months due directly to the energy slowdown. We do not believe that business is coming back anytime soon. Oil prices have to be way north of $60 per barrel to justify the shale projects that drive our business in the Permian Basin and the Eagle Ford. Other industries may be doing better in Texas, but they do not purchase or rent heavy construction equipment like the energy industry does when it is booming. That said, we are up 11.4 percent over 2014 through May. Our capital purchases will be far less this year than last; we have a hiring and expense freeze on; and if bonus depreciation is not passed before the last 10 days of the year, or at all, we likely won’t be investing in our rental fleet or rolling stock or new facilities at all in 2015.

Professional, Scientific and Technical Services

- We provide professional engineering services to the energy sector—both upstream and midstream. The downturn in oil prices has forced many clients to cut back on capital projects by as much as 50 percent in 2015.
- Since we are in Houston, there are no simple answers. Oilfield service company clients have reduced spending dramatically. Bank clients have cut back on marketing spending, and they are very cautious. Other clients in refining, technology, retail, etc. have maintained budgets. We're net slightly lower in revenues year to date.
- The U.S. and global economies are concerns. Unfortunately, we just don't feel that economic factors are moving in as positive a direction as they should. There are a lot of geopolitical concerns, too. Lower energy prices are a moderate issue for us right now, but they could turn into a significant issue if prices don't rebound and stabilize some. Money not being spent on energy is not finding its way to the U.S. economy; consumers are saving and continuing to deleverage. Globally, savings appear to be absorbed by governments, so consumers aren't necessarily enjoying gains.
- Lower gas prices have benefited us slightly, but since we deal mainly with international companies, a strong dollar has affected us negatively. In all, it’s basically a wash. Our main concern is the near-term outlook of the U.S. economy. We are cautious. This will slow our intent to invest or postpone it as much as possible.
- We believe government overregulation continues to cripple the economy and is the primary reason for the lack of economic development.

Management of Companies and Enterprises

- We feel there is way too much complex government regulation. Something is wrong with our system when something simple is made complicated.
- The largest obstacle to our bank and our customers is continual government overreach—including the Consumer Finance Protection Bureau mandate to core processors to provide all processing records of their banks and fair lending policies.
- Lower oil and gas prices have lowered trust income and created additional problem loans.

Administrative and Support Services

- Our business relies heavily on the impact of higher oil prices on our local economy. The savings we realize on the cost side do not make up for the lost revenue that higher oil prices cause for our business.
- We believe the federal government is by far the largest threat to every business that has employees.
- Recent heavy rains have impacted our production significantly. We are hopeful that the rains will let up some in the near future.
- We have placed more vehicles on the road, so gas prices are always a concern. Government regulation, such as corn ethanol used in fuel, is diverting corn from the general supply and has raised food prices affecting our restaurant customers and forcing cutbacks. New

regulations on chemicals have affected costs. At the same time, competition allows little room to recapture cost increases through increased pricing to customers. We also continue to see personnel stretched at our customer base covering multiple areas, which creates long cycles in decision-making or a lack of noncritical decisions being made.

Educational Services

- As a nonprofit organization, we are seeing a negative impact from lower oil prices on corporate and individual philanthropy as well as a negative impact on revenues associated with trusts that are primarily driven by mineral rights.

Ambulatory Health Care Services

- Because we are in an energy production area, lower energy prices affect both income and available spending of customers. While lower costs will increase consumers' in-pocket cash in the short term, layoffs and lower corporate income will have a strong downward effect on the overall economy. As medical providers of a large number of elective surgeries, we may expect a slowdown in the months ahead, but not to the level of the 2008 recession.
- Health services have a significantly high exposure to government regulation, especially Medicare and Medicaid programs. The energy factor is relevant for individual employees as they are compensated per mile at work; lower pump prices means more disposable income for the individual employees. For the health care service provider, government regulations continue to increase costs, lowering margins and driving small- and medium-size businesses to exit or consolidate due to their limited ability to access cheap capital.

Amusement, Gambling, and Recreation Industries

- Our purveyors are not decreasing prices due to energy price decreases. They say they are putting the money into infrastructure upgrades. Our employees certainly have been appreciative of lower gasoline prices. It is like a raise to them and has allowed us to delay wage increases, but that has come to an end. There is a severe labor shortage in Austin. The cost to hire employees is up at least 10 percent in the last couple of months, which means we will be increasing everyone's hourly rates about the same.

Accommodation

- We are located near the Eagle Ford shale, and the cutbacks and layoffs by energy companies are reducing business travel, meetings and leisure business from the companies and employees affected.
- Some of our hotels are in the oil and gas areas, and the cutback has had a material reduction on those hotels' revenues through lower rates and decreased occupancy.

Food Services and Drinking Places

- The effect of ethanol subsidies has been one of the two strongest factors in the two-year rise in food prices. The drought in the south certainly has had an effect, but the increase in the price of grain-based foods—including beef, chicken, pork and food oil—has been the direct result of the requirement for increased use of ethanol in the nation's gasoline supply.
- Health care insurance is a nightmare for low wage businesses. We run at low profit margins, and there is just not enough left to pay for it. Since not all like businesses are being treated equally, it makes it very hard to compete with identical businesses that are not required to offer it.
- We can't prove that lower energy prices have increased our sales, but our revenues started increasing at the same time energy started dropping so we assume this is the main factor. Cheese prices have been low for a number of months but started increasing lately.

Repair and Maintenance

- We think the Section 179 bonus depreciation deduction should be maintained at $500,000. Small businesses that are capital intensive need the deduction to keep equipment updated. Most businesses servicing the oil and gas sector are capital intensive. Waiting until the last hour to extend it makes planning too difficult.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- Our business has declined 15 to 20 percent due to low oil prices.

Texas Retail Outlook Survey

DALLASFED

June 29, 2015

Special Questions

Data were collected June 1–4, and 46 Texas retailers responded to the surveys.

Oil prices today are near $60 per barrel, down from over $100 a year ago. Natural gas prices are near $2.90 per million British thermal units, down from over $4.40 a year ago.

1. What impact have lower energy prices had on your business over the past six months? (Please select all that apply)	
Decreased our firm's costs (input/raw materials prices, wages and benefits, etc.)	42.9%
Decreased demand from our customers	31.0%
No effect	31.0%
Increased demand from our customers	16.7%
Increased our firm's costs (input/raw materials prices, wages and benefits, etc.)	2.4%

2. Overall, what has been the net impact of lower energy prices on your business over the past six months?	
Slight positive impact	36.4%
Slight negative impact	31.8%
No impact	13.6%
Significant negative impact	9.1%
Significant positive impact	9.1%

3. What are the top three concerns affecting your company's outlook? (Please select up to 3 choices)	
U.S. economy	65.9%
Government regulation	61.4%
Interest rates	47.7%
Labor shortages	47.7%
Energy prices	20.5%
Strong dollar	15.9%
Real estate values	6.8%
Other	9.1%

Special Questions Comments

These comments have been edited for publication.

Merchant Wholesalers, Durable Goods

- The short-term impact of much lower energy prices has been to dramatically reduce our diesel costs for trucking and distribution. However, the longer-term impact will be reduced demand for housing and slowing in-migration because of a strong energy sector buildout. With storm repair activity going on, rain-induced new-construction demand is slowing. That, combined with some significant corporate relocations to Texas and the employees that accompany such moves, makes it very hard to determine the impact of just the energy variable on our demand. The cost connection is clearer.

Motor Vehicle and Parts Dealers

- We are being negatively impacted by our manufacturer's continued difficulties. Lower energy pricing has resulted in purchasing delays in the energy sector of the business.
- While energy prices in general have not had any significant impact on our business, a prolonged crude oil price below the cost of production will have a significant impact on the Houston economy, which will cause additional layoffs and decreased sales volume and return on investment in our business.

Building Material and Garden Equipment and Supplies Dealers

- Energy prices have helped us in regards to gas prices as we have a fleet of trucks, but we have also felt a negative impact with a downturn in our business because of the soft prices, so it is a double-edged sword so to speak. We are also seeing some slowdown in our business, which we believe is due to overall lack of confidence in the economy.

General Merchandise Stores

- We have not seen lower energy pricing result in an increase in consumer demand. We have a noticeable, but not huge, cost savings on transportation.

Nonstore Retailers

- We thought that a slowdown in oil drilling might eventually result in more qualified candidates for our route driver positions, but we have not seen this yet. We continue to have a hard time recruiting route drivers. We turn many candidates away due to felonies or failed drug screens. As a vending company, we screen candidates carefully due to handling large amounts of cash.