Texas Manufacturing Outlook Survey

DALLASFED

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SPECIAL QUESTIONS

Data were collected Oct. 5–8, and 96 Texas manufacturers 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	0.0	0.0
Eased somewhat	6.9	13.5	6.3
No change	51.4	53.9	47.9
Tightened somewhat	13.9	4.5	9.4
Tightened substantially	1.4	3.4	3.1
Not applicable—haven't sought credit	26.4	24.7	33.3

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	4.2	1.1	0.0
Increased somewhat	31.9	15.7	17.7
No change	31.9	48.3	44.8
Decreased somewhat	2.8	6.7	3.1
Decreased substantially	0.0	1.1	2.1
Not applicable—haven't sought credit	29.2	27.0	32.3

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	48.6	47.2	42.4
Some difficulty	13.9	16.9	17.4
Substantial difficulty	1.4	5.6	3.3
Extreme difficulty	4.2	0.0	1.1
Not applicable—haven't sought credit	31.9	30.3	35.9

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	50.0	50.6	48.4
Some difficulty	9.7	6.9	16.1
Substantial difficulty	2.8	4.6	0.0
Extreme difficulty	1.4	1.1	0.0
Not applicable—haven't sought credit	36.1	36.8	35.5

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	1.4	1.1	0.0
Yes–somewhat	6.9	11.2	10.6
No	36.1	32.6	35.1
Not applicable–haven't had problems obtaining credit	20.8	23.6	20.2
Not applicable—haven't sought credit	34.7	31.5	34.0

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	11.1	4.5	9.4
No	34.7	43.8	36.5
Not applicable–haven't had problems obtaining credit	19.4	21.3	18.8
Not applicable—haven't sought credit	34.7	30.3	35.4

Special Questions Comments

These comments have been edited for publication.

Chemical Manufacturing

- Due to rising costs related to labor (competition for experienced or educated employees and government regulations), our margins are shrinking significantly. We cannot pass it along to our customers because of the slowing down of purchases in the economy. Our services and products support both consumer buying of lubricants and industrial lubricants for businesses supporting the oil and chemical industry.

Nonmetallic Mineral Product Manufacturing

- General economic conditions have slowed, and the increased regulatory burden has made bank credit more difficult.

Primary Metal Manufacturing

- We are a profitable middle-market business. The federal government's efforts to make things tough on big banks hurt our smaller competitors.

Fabricated Metal Product Manufacturing

- Health care is getting ridiculously expensive with fewer choices.
- Customers are requesting term lengths be extended. They are paying later.
- Credit and interest rates are not a determining factor in labor issues or in capital purchase decisions. Those decisions are based upon capacity relative to product demand.
- We are part of a very large publicly traded multinational company. Our corporation is very diversified; therefore, we have not had to seek any credit as this is handled by our corporate treasury.
- We've had to lay off and cut salaries just to keep our current bank comfortable.

Machinery Manufacturing

- Credit availability is based strictly on balance sheet and profitability with a long-term banking relationship.
- The bankers are more nervous as they are asking all sorts of questions quarterly that were previously asked annually. We reduced our headcount dramatically in January in anticipation of the downturn due to low oil prices. As a result, our financials are tolerable to the banks.
- Credit has not been an issue, and we recently renewed and expanded our borrowing capacity. Weak oil prices and the corresponding challenges imposed on the energy industry are a significant concern, resulting in continued reductions in headcount and capital spending.

Computer and Electronic Product Manufacturing

- Banks are tightening lending due to a global slowdown in the manufacturing sectors.

Electrical Equipment, Appliance, and Component Manufacturing

- Our sense is that our bank would like to loan money to qualified applicants and has sufficient funds to do so. Their problem is finding enough qualified applicants to loan to for business purposes given the federal government's credit monitoring function over banks. We believe the federal government would assist community banks greatly if they would relax documentation and audit criteria for community banks that satisfy certain metrics and are generally known to be conservative in their lending practices.

Transportation Equipment Manufacturing

- We are a subsidiary of a large holding company that provides capital internally.
- Our company has substantial loans from banks at floating rates based off the *Wall Street Journal*'s bank survey prime rate. If the Fed moves rates north, we will be very adversely affected, to the point of selling equipment and laying off industrial labor.

Wood Product Manufacturing

- We do not borrow money.
- We want the Fed to raise the interest rate, and the sooner the better.