Texas **Service Sector** Outlook Survey

October 31, 2017

Texas Service Sector Activity Picks Up

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 increased again 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, rose from 15.9 in September to 19.2 in October, its highest reading this year.

Labor market indicators reflected faster employment growth and longer workweeks this month. The employment index moved up from 3.5 to 8.3. The hours worked index rose five points to 7.8.

Perceptions of broader economic conditions reflected more optimism in October. The general business activity index advanced six points to 18.6. The company outlook index rose from 7.7 to 16.4, with 22 percent of respondents reporting that their outlook improved from last month and 5 percent noting it worsened.

Price and wage pressures increased this month. The selling prices index moved up from 4.7 to 10.2. The wages and benefits index edged up a point to 16.9, although the 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 slightly from 28.0 to 30.5. The index of future company outlook moved up three points to 32.4. Indexes of future service sector activity, such as future revenue and employment, reflected more optimism this month.

Texas **Retail** Outlook Survey

Retail Sales Growth Slows, but Remains Solid

Retail sales continued to expand in October, albeit at a slower pace than last month, according to business executives responding to the Texas Retail Outlook Survey. The sales index remained positive but fell 15 points to 17.7 in October. Inventories increased at the same pace as last month.

Labor market measures indicated faster employment growth and longer workweeks this month. The employment index rose seven points to 8.0, suggesting retailers added jobs on net. The hours worked index edged up from 5.1 to 7.5.

Retailers' perceptions of broader economic conditions continued to reflect optimism in October. The general business activity index rose slightly from 19.3 to 22.0. The company outlook index edged down three points to 19.6, with 23 percent of respondents reporting that their outlook improved from last month and 3 percent noting it worsened.

Retail price pressures increased while wage pressures eased this month. The selling prices index rose five points to 23.8. The wages and benefits index fell slightly from 20.0 to 18.5, although the majority of firms continued to note no change in compensation costs.

Retailers' perceptions of future broader economic conditions reflected less optimism in October. The index of future general business activity dipped from 31.2 to 26.7. The index of future company outlook moved down from 31.1 to 25.5. Indexes of future retail sector activity continued to reflect optimism 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.

Next release: November 28, 2017

Data were collected Oct. 17–25, and 278 Texas 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	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	19.2	15.9	+3.3	Increasing	95	35.0	49.2	15.8
Employment	8.3	3.5	+4.8	Increasing	92	17.6	73.1	9.3
Part-Time Employment	4.1	2.1	+2.0	Increasing	16	7.6	88.9	3.5
Hours Worked	7.8	2.7	+5.1	Increasing	12	12.1	83.6	4.3
Wages and Benefits	16.9	15.6	+1.3	Increasing	97	18.8	79.3	1.9
Input Prices	28.6	25.2	+3.4	Increasing	102	28.9	70.8	0.3
Selling Prices	10.2	4.7	+5.5	Increasing	20	14.1	82.0	3.9
Capital Expenditures	19.4	14.8	+4.6	Increasing	98	22.5	74.4	3.1

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	16.4	7.7	+8.7	Improving	16	21.6	73.2	5.2
General Business Activity	18.6	12.4	+6.2	Improving	14	23.9	70.9	5.3

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	47.9	45.7	+2.2	Increasing	104	55.7	36.5	7.8
Employment	29.4	24.9	+4.5	Increasing	103	35.7	58.0	6.3
Part-Time Employment	15.0	8.7	+6.3	Increasing	64	18.4	78.2	3.4
Hours Worked	9.4	4.3	+5.1	Increasing	14	12.7	84.0	3.3
Wages and Benefits	43.8	43.7	+0.1	Increasing	130	45.2	53.4	1.4
Input Prices	45.6	47.1	−1.5	Increasing	130	46.8	52.0	1.2
Selling Prices	27.9	29.9	−2.0	Increasing	102	32.2	63.5	4.3
Capital Expenditures	30.4	29.7	+0.7	Increasing	103	36.9	56.6	6.5

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	32.4	29.4	+3.0	Improving	20	38.7	55.0	6.3
General Business Activity	30.5	28.0	+2.5	Improving	20	33.9	62.7	3.4

Texas Retail Outlook Survey

Business Indicators Relating to Facilities and Products in Texas
Retail (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	17.7	32.8	–15.1	Increasing	3	35.9	46.0	18.2
Employment	8.0	0.9	+7.1	Increasing	2	12.5	83.0	4.5
Part-Time Employment	3.7	–3.2	+6.9	Increasing	1	7.3	89.1	3.6
Hours Worked	7.5	5.1	+2.4	Increasing	4	10.3	86.9	2.8
Wages and Benefits	18.5	20.0	–1.5	Increasing	80	19.7	79.1	1.2
Input Prices	32.2	26.4	+5.8	Increasing	21	33.5	65.2	1.3
Selling Prices	23.8	18.6	+5.2	Increasing	6	27.3	69.2	3.5
Capital Expenditures	25.0	17.8	+7.2	Increasing	15	25.0	75.0	0.0
Inventories	6.0	5.9	+0.1	Increasing	13	21.0	64.0	15.0
Companywide Retail Activity								
Companywide Sales	12.9	25.6	–12.7	Increasing	3	30.9	51.1	18.0
Companywide Internet Sales	10.9	14.7	–3.8	Increasing	9	15.8	79.3	4.9

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	19.6	22.8	–3.2	Improving	3	22.7	74.2	3.1
General Business Activity	22.0	19.3	+2.7	Improving	5	22.0	78.0	0.0

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	46.8	33.7	+13.1	Increasing	104	51.6	43.6	4.8
Employment	23.7	13.0	+10.7	Increasing	5	25.1	73.5	1.4
Part-Time Employment	12.7	3.7	+9.0	Increasing	2	15.7	81.3	3.0
Hours Worked	7.9	2.3	+5.6	Increasing	3	10.6	86.7	2.7
Wages and Benefits	35.2	32.7	+2.5	Increasing	106	35.2	64.8	0.0
Input Prices	36.4	42.6	–6.2	Increasing	102	40.0	56.4	3.6
Selling Prices	33.9	40.0	–6.1	Increasing	102	37.7	58.5	3.8
Capital Expenditures	29.1	26.2	+2.9	Increasing	13	36.4	56.4	7.3
Inventories	10.2	14.8	–4.6	Increasing	12	22.5	65.2	12.3
Companywide Retail Activity								
Companywide Sales	48.8	35.0	+13.8	Increasing	103	53.0	42.8	4.2
Companywide Internet Sales	23.0	13.7	+9.3	Increasing	15	25.6	71.8	2.6

General Business Conditions, Retail
Future (six months ahead)

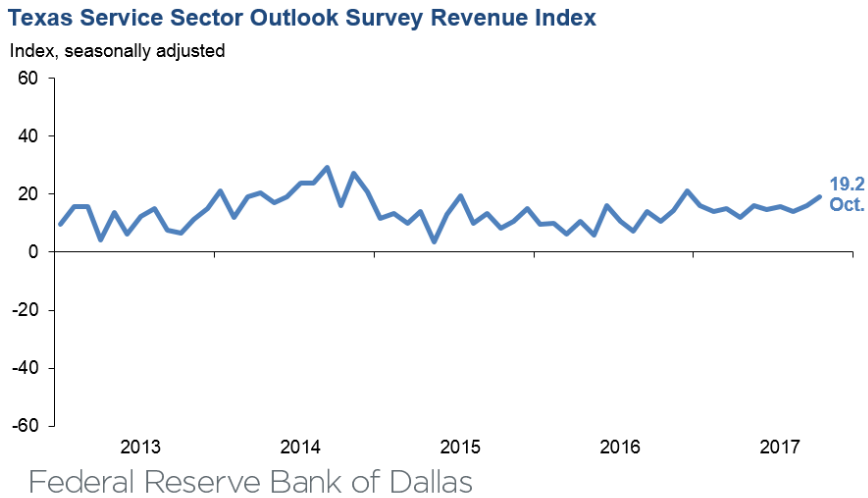
Indicator	Oct Index	Sep Index	Change	Indicator Direction*	Trend** (Months)	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	25.5	31.1	–5.6	Improving	11	29.6	66.3	4.1
General Business Activity	26.7	31.2	–4.5	Improving	14	27.0	72.7	0.3

*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.

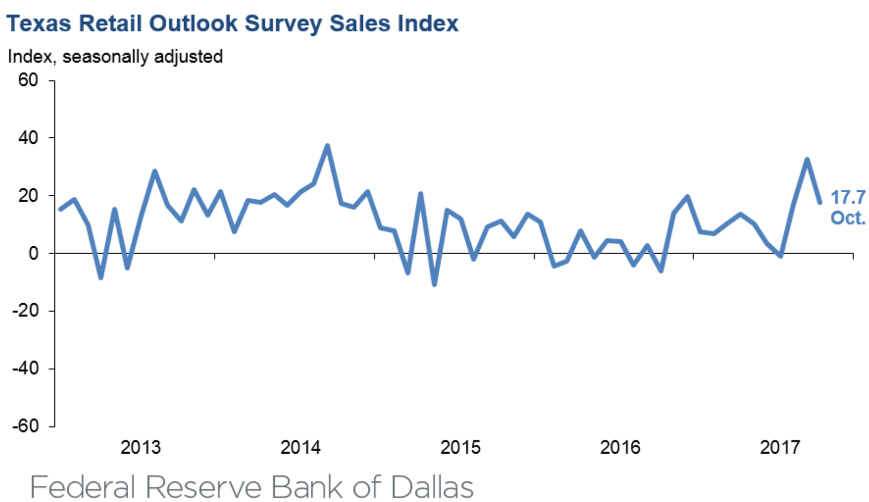
**Number of months moving in current direction.

Data have been seasonally adjusted as necessary.

Texas Service Sector Outlook Survey



Texas Retail Outlook Survey



Texas Service Sector Outlook Survey

October 31, 2017

Comments from Survey Respondents

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

Data Processing, Hosting and Related Services

- This is the best end-of-year outlook in a couple of years. Regulations are still overkill to get deals done, but buyers seem to be willing to push through the red tape to make purchases.

Credit Intermediation and Related Activities

- The hurricanes were a problem for us.
- The movement of fracture sand continues to be evident from the amount of trucks hauling sand primarily to the Permian Basin. The consumer traffic due to hunting season has certainly picked up. This will certainly help continue to push sales tax proceeds up for the county, which were steadily starting to move up in September over the previous month. Loan production continues to improve in our rural markets, now sitting at 50 percent loans/deposits due primarily to loan sharing from our metropolitan markets and primarily commercial real estate deals. The metropolitan locations are running 70–75 percent loans/deposits.
- The Coastal Bend area is still dealing with the aftermath of Hurricane Harvey, so business remains relatively slow but only because of rebuilding activities rather than business opportunities.

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

- Plant operations are in the Houston area and are still dealing with Harvey's venture into the area. Business has slowed due to flooding of areas, and workers and customers experiencing flooding, and all that goes with getting back to a norm, which may be some time.

Insurance Carriers and Related Activities

- Hurricane Harvey had an impact on the volume of business we saw, especially out of the Houston area in September. Business activity is returning to normal in all areas affected by the storm.

Funds, Trusts and Other Financial Vehicles

- Hurricane Harvey moved demand forward.

Real Estate

- San Antonio continues to "chug" along. We are seeing good demand for commercial real estate, especially office and warehouse space from existing tenants and tenants new to the city.
- Real estate is seasonal. After the summer, things slow down. People are more into holiday preparations, and the decline of daylight hours takes away time for showing homes.
- We are still assessing the effects of Hurricane Harvey.

Telecommunications

- We are still recovering from late August flooding in the Houston area. The area we serve near Missouri City was hardest hit, and we had over 350 customers that had two to four feet of water in their home or business. Out of the total customers we serve, approximately 420 suffered severe damage to their home or business. We lost approximately $40,000 in monthly recurring revenue and spent well over $500,000 to address damage from the flooding.

Professional, Scientific and Technical Services

- We have been experiencing a slowdown in our residential and commercial order count year over year, and revenue has also been down for the past two months. This seems to indicate that this real estate cycle has definitely reached its peak. It is still a great market when you compare it to 2012 and 2013, but we are definitely seeing a slowdown.

- Our business lines continue to believe that momentum and deal flow will remain through year-end. However, if the proposed tax reform legislation is not passed in 2017, it will likely slow down both the mergers and acquisitions and real estate markets.
- The uncertainty of the future of NAFTA has made us take a "wait and see" attitude regarding investments and hiring.

Management of Companies and Enterprises

- There is too much government regulation.

Administrative and Support Services

- The restaurant industry continues to struggle in the casual dining group. As a result, we continue to see cutbacks in service. Some of this is being offset by the real estate and multifamily markets. Future growth will continue to come from real estate, multifamily and hospitality.
- The corporate aviation sector has remained consistent month to month. There has been an increase in larger calendar-type airframe inspections since last month. We are forecasting an increase in cycle-type inspections before the end of the year. Commercial aviation has remained flat since last May. Newer aircraft that have been brought online are not required to use our services as of yet due to low cycles versus calendar times. This will not tick up until second quarter 2018. Industrial machine manufacturing shops for civilian items have seen a decrease in requests for quotation (RFQs) for the last two months. No increase is seen in the near future. Industrial machine manufacturing shops for military-use items has seen a decrease in RFQs for the last two months. We do see an increase in RFQs at the end of fourth quarter 2017. This fits our normal pattern from year to year. Oil equipment manufacturers have slowed their RFQs or put a hold on previous RFQs from September.
- Increases are a result of fewer contracts ending than an increase in sales opportunities or customer demand increasing.

Educational Services

- Tax reform would be a boost to the economic climate and aid in the country's growth. We need tax cuts for all.

Ambulatory Health Care Services

- We have finally recovered to pre-hurricane volumes. Collections are recovering as well. We will begin to again plan for the next capital improvement timing after the first of the year.
- Hurricane Harvey adversely affected our company. We had damages to two of our buildings and were unable to offer services in those buildings. Also, we had employees who had damages to their homes and vehicles who were unable to report of work for the first few weeks of September. Also, our client base was affected by the loss of homes and vehicles. October is moving closer to being back to normal.
- Activity in the fourth quarter each year has increased as patients come in before new-year deductibles kick in. This year appears to be consistent with prior years. The wage and benefits increase in six months will be due to increased health plan costs, not an increase in wages.
- Hurricane Harvey impacted September results but no other months. The launch of a new division in September has created higher revenues than forecasted, and we anticipate this trend continuing in the short term. We recently broadened our service offerings for a large client, and that also has resulted in more activity than anticipated. The number of employees and related wages continues to increase with higher activity levels. The average workweek will be longer as we adapt to increased volumes but will settle down again as we approach the end of the year. Wages continue to climb as a result of tight labor-market conditions, affecting both new employees and current employees who know that conditions are favorable for them. Capital expenditures will increase at the start of the new year and the new budget cycle.

Hospitals

- Federal and state governments continue to increase regulatory requirements on rural health systems while reducing funding. Insurance companies continue to reduce reimbursement while increasing premiums for higher-deductible plans, creating increased bad debt for health systems. Rural independent health systems are struggling to provide a long-term sustainable model for the communities we serve.

Amusement, Gambling and Recreation Industries

- In downtown Austin, there are few businesses on Congress Avenue that cater to people because parking is virtually nonexistent, as is public transportation. Property taxes are so high that even many of the bigger nontech professional firms are moving out of downtown. Restaurants and bars are moving to the Domain, as is most of retail. This is just the tip of the iceberg. The upcoming challenge is CodeNEXT.

Accommodation

- I surmise that due to the hurricane activity in September, we have seen a nice surge in business activity in October. Putting the two months together, our business activity will be slightly above our annual budgeted numbers.

Food Services and Drinking Places

- Sales picked up beginning in the last part of September and are continuing to strengthen in October. We just took a price increase in early October. We are not showing any price increase on the six-month horizon because our targeted frequency is twice a year, and we will be just addressing or taking our next increase right at the end of the six-month horizon. We are showing wages and benefits up on the six-month horizon because we have a very substantial increase for medical benefits coming Jan. 1, 2018. Wages will also continue to move up, but we are still moving at a rate of slightly less than 2 percent annually.
- We closed one location in September 2017 that was not performing well. Other comp store sales are still positive.
- Our area and our resort were directly impacted by Hurricane Harvey. We expect to partially reopen on April 1, 2018, with a full reopen in early summer.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- Our center was impacted by the hurricane, and our facility was closed for six to seven weeks. This affected our revenue and level of business activity. We are now open. Many homes in certain sections of Houston were flooded, and this has caused concern whether our neighborhood in the long term will remain vital and strong.

Merchant Wholesalers, Durable Goods

- We are investing heavily in capital projects through year-end due to low steel pricing.
- The decreases in October when compared with September are a result of high September sales as a portion of our customer base responded quickly to the effects of hurricanes Harvey and Irma. Most of the increases down the road will come from internet-based activity.

Building Material and Garden Equipment and Supplies Dealers

- After the hurricane, business was very slow. Now it's picking up.

Clothing and Clothing Accessories Stores

- In October, Houston-area stores seem to be benefiting from the Astros being in the playoffs and World Series excitement, as well as some additional spending by flood victims.

Nonstore Retailers

- Unique to our situation, we have been notified of a loss of about $1 million in annual revenues that will be transferred to a competitor. We expect this to be a short-term hit to our top line, as our sales team is rapidly placing new business.

Questions regarding the Texas Service Sector Outlook Survey can be addressed to Amy Jordan at amy.jordan@dal.frb.org.

Texas **Service Sector** Outlook Survey

Special Questions

October 30, 2017

Texas Business Outlook Surveys

Results below include responses from participants of all three surveys: Texas Manufacturing Outlook Survey (TMOS), Texas Service Sector Outlook Survey (TSSOS) and Texas Retail Outlook Survey (TROS).

Data were collected Oct. 17–25, and 377 Texas business executives responded to the surveys.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Eased substantially	1.8	0.7	0.5	1.9
Eased somewhat	11.8	7.0	7.8	7.2
No change	48.0	47.4	46.5	47.2
Tightened somewhat	5.5	12.3	9.1	5.8
Tightened substantially	2.6	2.0	3.4	2.1
Not applicable—haven't sought credit	30.3	30.8	32.7	35.8

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Increased substantially	0.7	0.3	0.8	0.8
Increased somewhat	12.1	13.6	16.6	26.3
No change	48.5	48.7	44.3	32.6
Decreased somewhat	7.0	5.6	6.2	3.7
Decreased substantially	1.1	1.3	0.8	0.5
Not applicable—haven't sought credit	30.5	30.5	31.3	36.1

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
No difficulty	43.0	42.0	43.5	38.8
Some difficulty	14.1	15.9	12.6	9.3
Substantial difficulty	3.3	2.4	2.4	3.7
Extreme difficulty	0.7	0.3	0.5	2.4
Not applicable—haven't sought credit	38.9	39.3	41.1	45.7

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. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
No difficulty	42.4	41.4	38.1	40.9
Some difficulty	7.8	9.2	9.2	7.8
Substantial difficulty	3.0	1.7	2.6	2.4
Extreme difficulty	1.5	0.0	0.5	1.1
Not applicable—haven't sought credit	45.4	47.8	49.6	47.8

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Yes—significantly	2.9	0.7	1.6	1.1
Yes—somewhat	8.5	8.1	7.9	9.2
No	35.7	40.3	37.3	39.1
Not applicable—haven't had problems obtaining credit	15.8	13.8	13.6	8.4
Not applicable—haven't sought credit	37.1	37.2	39.6	42.3

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Yes—significantly	0.7	0.0	0.8	0.5
Yes—somewhat	5.5	7.6	5.2	4.0
No	44.1	42.4	44.8	44.5
Not applicable—haven't had problems obtaining credit	13.6	13.2	11.1	9.1
Not applicable—haven't sought credit	36.0	36.8	38.1	41.8

Texas Manufacturing Outlook Survey

Data were collected Oct. 17–25, and 109 Texas manufacturers responded to the surveys.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Eased substantially	0.0	0.0	0.0	1.8
Eased somewhat	13.5	6.3	8.8	11.0
No change	53.9	47.9	50.9	43.1
Tightened somewhat	4.5	9.4	9.6	3.7
Tightened substantially	3.4	3.1	5.3	5.5
Not applicable—haven't sought credit	24.7	33.3	25.4	34.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Increased substantially	1.1	0.0	1.8	0.9
Increased somewhat	15.7	17.7	10.5	24.8
No change	48.3	44.8	53.5	33.9
Decreased somewhat	6.7	3.1	7.9	4.6
Decreased substantially	1.1	2.1	0.9	1.8
Not applicable—haven't sought credit	27.0	32.3	25.4	33.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
No difficulty	47.2	42.4	45.5	38.9
Some difficulty	16.9	17.4	8.9	10.2
Substantial difficulty	5.6	3.3	4.5	5.6
Extreme difficulty	0.0	1.1	0.9	1.9
Not applicable—haven't sought credit	30.3	35.9	40.2	43.5

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. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
No difficulty	50.6	48.4	42.1	41.7
Some difficulty	6.9	16.1	10.5	8.3
Substantial difficulty	4.6	0.0	3.5	2.8
Extreme difficulty	1.1	0.0	0.9	0.0
Not applicable—haven't sought credit	36.8	35.5	43.0	47.2

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Yes—significantly	1.1	0.0	2.7	0.9
Yes—somewhat	11.2	10.6	8.9	10.2
No	32.6	35.1	38.4	37.0
Not applicable—haven't had problems obtaining credit	23.6	20.2	16.1	11.1
Not applicable—haven't sought credit	31.5	34.0	33.9	40.7

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Yes—significantly	0.0	0.0	0.9	0.9
Yes—somewhat	4.5	9.4	7.0	2.8
No	43.8	36.5	43.0	42.6
Not applicable—haven't had problems obtaining credit	21.3	18.8	13.2	12.0
Not applicable—haven't sought credit	30.3	35.4	36.0	41.7

Special Questions Comments

These comments have been edited for publication.

Primary Metal Manufacturing

- Credit is not the issue. Making a reasonable profit is. If a business is profitable, it can borrow.

Fabricated Metal Product Manufacturing

- Our company is well-capitalized, with excess cash and no debt.

Machinery Manufacturing

- We have not utilized much credit other than our revolving line of credit, and those terms have not changed. Our bank has anecdotally told us it is willing to provide capital loans if needed.

Computer and Electronic Product Manufacturing

- Very low visibility from customers has impaired showing lenders our ability to maintain consistent order taking. Customers are struggling to get long-term commitment from clients all over the world due to a slow world economy and a high dollar.

Electrical Equipment, Appliance and Component Manufacturing

- We have no debt and $100 million in cash.

Printing and Related Support Activities

- The last two months, our company has improved on sales volume. We hope this trend continues. The market seems to have more money in budgets for printing. It could be an increase due to the time of year as well. We will not know for sure until we see January and February sales.

Apparel Manufacturing

- Other than our typical line of credit, we have been able to finance all of our needs internally.

Texas Service Sector Outlook Survey

Data were collected Oct. 17–25, and 268 Texas business executives responded to the surveys.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Eased substantially	2.7	1.0	0.7	1.9
Eased somewhat	11.0	7.3	7.4	5.6
No change	45.1	47.1	44.6	48.9
Tightened somewhat	6.0	13.6	8.9	6.7
Tightened substantially	2.2	1.5	2.6	0.7
Not applicable—haven't sought credit	33.0	29.6	35.8	36.2

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Increased substantially	0.5	0.5	0.4	0.7
Increased somewhat	10.4	11.7	19.1	26.9
No change	48.6	50.5	40.4	32.1
Decreased somewhat	7.1	6.8	5.5	3.4
Decreased substantially	1.1	1.0	0.7	0.0
Not applicable—haven't sought credit	32.2	29.6	33.8	36.9

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
No difficulty	40.9	41.9	42.6	38.8
Some difficulty	12.7	15.3	14.1	9.0
Substantial difficulty	2.2	2.0	1.5	3.0
Extreme difficulty	1.1	0.0	0.4	2.6
Not applicable—haven't sought credit	43.1	40.9	41.5	46.6

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. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
No difficulty	38.5	38.1	36.3	40.5
Some difficulty	8.2	5.9	8.6	7.6
Substantial difficulty	2.2	2.5	2.2	2.3
Extreme difficulty	1.6	0.0	0.4	1.5
Not applicable—haven't sought credit	49.5	53.5	52.4	48.1

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Yes—significantly	3.8	1.0	1.1	1.1
Yes—somewhat	7.1	6.9	7.4	8.7
No	37.2	42.6	36.8	39.9
Not applicable—haven't had problems obtaining credit	12.0	10.8	12.6	7.2
Not applicable—haven't sought credit	39.9	38.7	42.0	43.0

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Yes—significantly	1.1	0.0	0.7	0.4
Yes—somewhat	6.0	6.8	4.4	4.5
No	44.3	45.1	45.6	45.3
Not applicable—haven't had problems obtaining credit	9.8	10.7	10.2	7.9
Not applicable—haven't sought credit	38.8	37.4	39.1	41.9

Special Questions Comments

These comments have been edited for publication.

Data Processing, Hosting and Related Services

- We planned to hire additional workers much more rapidly, but impactful amounts of credit and/or equity financing are hard to obtain. Therefore, our current workforce is working longer hours and we will hire as revenue increases permit.

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

- Our company has sufficient resources for immediate needs. However, our customers and suppliers do not have resources and are experiencing some trouble financing their businesses. These are indirect factors in our situation.

Rental and Leasing Services

- Where credit does impact our revenues and our business is acquiring customer credit and financing to purchase pieces of heavy equipment. That financing continues to be harder and harder to find and has more and more strings attached to it. If we can't get it financed for our customer, we cannot sell it.

Real Estate

- Our biggest issue is finding labor, specifically experienced, qualified real estate agents.

Telecommunications

- Our company currently has zero bank debt and collects approximately $40 million in revenue, with 120 employees, and is able to cover operating and capital expenditures. The recent flood damage will probably require our investors to increase their equity positions through an infusion of cash or require us to obtain a multimillion dollar loan from a bank. Flood damage and the oil economy together will require an infusion of cash for the next nine months.

Professional, Scientific and Technical Services

- The pain of applying for credit through a bank is simply not worth it. Their goal seems to be to make it so arduous that the customer gives up and goes away. It is much easier to finance with credit cards.

- Getting venture capital equity investment is still hard. That's what is needed to improve in the U.S. for small companies like ours. Bank borrowing is available, but the capital we are allowed to borrow is not enough. We need four times more capital than banks allow us to borrow. We are a software technology company, and capital limits us on how fast and how big we can grow.

Administrative and Support Services

- Our company has a very strong balance sheet and substantial cash on hand. We have a credit line available that we don't use, so it's easy to get credit if we want it.

Ambulatory Health Care Services

- Banks and other lending companies have been more aggressive in reaching out to see if we need their credit/lending services. Current rates are still significantly less than they were when we last financed an acquisition in 2012.
- We are fortunate in that our doctors can generate sufficient cash flow to meet needs of operations and capital improvements. We have no financing needs until we decide to expand or replace our surgery center.

Texas Retail Outlook Survey

Data were collected Oct. 17–25, and 57 Texas retailers responded to the surveys.

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Eased substantially	4.3	0.0	0.0	0.0
Eased somewhat	10.9	6.7	5.4	5.3
No change	52.2	51.1	57.1	59.6
Tightened somewhat	6.5	20.0	3.6	1.8
Tightened substantially	0.0	0.0	3.6	1.8
Not applicable—haven't sought credit	26.1	22.2	30.4	31.6

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Increased substantially	2.1	0.0	0.0	1.8
Increased somewhat	14.9	13.3	19.3	33.3
No change	55.3	55.6	45.6	31.6
Decreased somewhat	6.4	4.4	5.3	0.0
Decreased substantially	0.0	2.2	0.0	0.0
Not applicable—haven't sought credit	21.3	24.4	29.8	33.3

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
No difficulty	54.3	57.8	57.9	49.1
Some difficulty	15.2	11.1	10.5	7.0
Substantial difficulty	0.0	2.2	1.8	1.8
Extreme difficulty	0.0	0.0	0.0	1.8
Not applicable—haven't sought credit	30.4	28.9	29.8	40.4

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. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
No difficulty	59.6	53.5	50.0	50.0
Some difficulty	8.5	7.0	10.3	8.9
Substantial difficulty	2.1	4.7	1.7	0.0
Extreme difficulty	0.0	0.0	0.0	1.8
Not applicable—haven't sought credit	29.8	34.9	37.9	39.3

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Yes—significantly	2.1	0.0	0.0	0.0
Yes—somewhat	6.4	6.8	5.4	8.9
No	51.1	56.8	46.4	41.1
Not applicable—haven't had problems obtaining credit	19.1	11.4	17.9	10.7
Not applicable—haven't sought credit	21.3	25.0	30.4	39.3

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

	Oct. '14 (percent)	Oct. '15 (percent)	Oct. '16 (percent)	Oct. '17 (percent)
Yes—significantly	0.0	0.0	0.0	0.0
Yes—somewhat	8.5	8.9	3.4	3.5
No	57.4	53.3	55.2	49.1
Not applicable—haven't had problems obtaining credit	12.8	13.3	12.1	8.8
Not applicable—haven't sought credit	21.3	24.4	29.3	38.6

Special Questions Comments

These comments have been edited for publication.

Motor Vehicle and Parts Dealers

- We are disappointed that interest rates are increasing.

Building Material and Garden Equipment and Supplies Dealers

- I have lots of equity, so I don't have any credit problems.

Nonstore Retailers

- Our business has been on a decline due to some internal management issues, and we lost our bank financing due to not meeting debt covenants. Fortunately, our owners are able to personally finance our company and have refocused their attention to improving business results. The current condition of our financial statements has not yet impacted our ability to obtain customers, but I expect this to be an issue when we next bid on request-for-proposal business and have to provide our financials.

Questions regarding the Texas Service Sector Outlook Survey can be addressed to Amy Jordan at amy.jordan@dal.frb.org.