Texas Manufacturing Outlook Survey

November 30, 2020

Texas Manufacturing Expansion Moderates

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on the impact of COVID-19. Results for these questions from the Texas Manufacturing Outlook Survey, Texas Service Sector Outlook Survey and Texas Retail Outlook Survey have been released together.

Texas factory activity expanded in November for the sixth consecutive month, though at a markedly slower pace, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, fell from 25.5 to 7.2, indicating a deceleration in output growth.

Other measures of manufacturing activity also point to slower growth this month, as the indexes remained positive but came in below last month's readings. The new orders index dropped 13 points to 7.2, and the growth rate of orders index fell five points to 9.7. The capacity utilization index dropped from 23.0 to 6.9, and the shipments index fell from 21.9 to 13.7.

Perceptions of broader business conditions continued to improve in November, though the indexes retreated from their October levels. The general business activity index remained positive but fell from 19.8 to 12.0. Similarly, the company outlook index fell from 17.8 to 11.0. Uncertainty regarding companies' outlooks continued to rise, though the index declined from 11.0 to 7.2.

Labor market measures indicated stronger growth in employment and work hours. The employment index ticked up three points to 11.7, suggesting a slight pickup in hiring. Twenty-five percent of firms noted net hiring, while 13 percent noted net layoffs. The hours worked index moved up from 3.7 to 9.7.

Prices and wages continued to increase in November. The raw materials prices index climbed nearly six points to 35.0, a reading well above the series average. The finished goods prices and wages and benefits indexes edged down to 4.7 and 13.6, respectively. Both readings are slightly below their respective average readings.

Expectations regarding future activity remained positive in November, though several key indexes moved down from their October readings. The future production index fell six points to 40.8, and the future general business activity index edged down three points to 25.8. Other measures of future manufacturing activity showed mixed movements but remained solidly in positive territory.

Next release: Monday, December 28

Data were collected Nov.16–24, and 111 Texas manufacturers responded to the survey. The Dallas Fed conducts the Texas Manufacturing Outlook Survey monthly to obtain a timely assessment of the state's factory activity. Firms are asked whether output, employment, orders, prices 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.

Results Summary

Business Indicators Relating to Facilities and Products in Texas
Current (versus previous month)

Indicator	Nov Index	Oct Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	7.2	25.5	–18.3	9.9	6(+)	31.1	44.9	23.9
Capacity Utilization	6.9	23.0	–16.1	7.6	6(+)	29.3	48.3	22.4
New Orders	7.2	19.9	–12.7	5.7	6(+)	34.3	38.5	27.1
Growth Rate of Orders	9.7	14.3	–4.6	–0.4	5(+)	28.8	52.1	19.1
Unfilled Orders	8.4	4.1	+4.3	–2.9	5(+)	23.5	61.4	15.1
Shipments	13.7	21.9	–8.2	8.7	6(+)	31.9	49.9	18.2
Delivery Time	12.2	5.1	+7.1	–0.4	5(+)	17.5	77.2	5.3
Finished Goods Inventories	–14.7	–1.9	–12.8	–3.3	20(–)	11.0	63.3	25.7
Prices Paid for Raw Materials	35.0	29.4	+5.6	24.0	7(+)	36.0	63.0	1.0
Prices Received for Finished Goods	4.7	6.8	–2.1	5.9	4(+)	13.8	77.1	9.1
Wages and Benefits	13.6	16.5	–2.9	18.3	6(+)	18.1	77.4	4.5
Employment	11.7	8.7	+3.0	6.1	5(+)	24.8	62.1	13.1
Hours Worked	9.7	3.7	+6.0	2.4	5(+)	19.5	70.7	9.8
Capital Expenditures	9.0	2.6	+6.4	6.1	3(+)	18.7	71.6	9.7

General Business Conditions
Current (versus previous month)

Indicator	Nov Index	Oct Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	11.0	17.8	–6.8	6.4	6(+)	25.2	60.6	14.2
General Business Activity	12.0	19.8	–7.8	2.0	4(+)	28.0	56.0	16.0

Indicator	Nov Index	Oct Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	7.2	11.0	–3.8	13.0	30(+)	23.6	60.0	16.4

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

Indicator	Nov Index	Oct Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Production	40.8	47.2	–6.4	38.2	7(+)	53.5	33.8	12.7
Capacity Utilization	36.2	43.7	–7.5	35.0	7(+)	47.5	41.2	11.3
New Orders	43.2	38.2	+5.0	36.0	7(+)	54.3	34.6	11.1
Growth Rate of Orders	31.3	37.9	–6.6	26.6	7(+)	44.1	43.1	12.8
Unfilled Orders	12.0	3.9	+8.1	3.9	6(+)	22.4	67.2	10.4
Shipments	36.7	37.9	–1.2	36.7	7(+)	49.5	37.7	12.8
Delivery Time	7.2	9.9	–2.7	–1.6	6(+)	15.3	76.6	8.1
Finished Goods Inventories	1.9	–1.0	+2.9	–0.4	1(+)	18.4	65.0	16.5
Prices Paid for Raw Materials	42.2	34.4	+7.8	33.2	8(+)	45.1	52.0	2.9
Prices Received for Finished Goods	21.4	24.0	–2.6	19.0	7(+)	31.1	59.2	9.7
Wages and Benefits	37.0	29.9	+7.1	37.5	7(+)	41.0	55.0	4.0
Employment	27.5	23.1	+4.4	21.7	6(+)	40.3	47.0	12.8
Hours Worked	14.6	7.9	+6.7	9.2	7(+)	25.0	64.6	10.4
Capital Expenditures	16.2	19.0	–2.8	19.5	6(+)	30.6	55.0	14.4

General Business Conditions
Future (six months ahead)

Indicator	Nov Index	Oct Index	Change	Series Average	Trend**	% Reporting Increase	% Reporting No Change	% Reporting Worsened
Company Outlook	22.5	31.7	–9.2	20.4	6(+)	33.1	56.3	10.6
General Business Activity	25.8	28.4	–2.6	14.0	6(+)	37.3	51.2	11.5

*Shown is the number of consecutive months of expansion or contraction in the underlying indicator. Expansion is indicated by a positive index reading and denoted by a (+) in the table. Contraction is indicated by a negative index reading and denoted by a (–) in the table.

**Shown is the number of consecutive months of improvement or worsening in the underlying indicator. Improvement is indicated by a positive index reading and denoted by a (+) in the table. Worsening is indicated by a negative index reading and denoted by a (–) in the table.

†Added to survey in January 2018.

Data have been seasonally adjusted as necessary, with the exception of the outlook uncertainty index, which does not yet have a sufficiently long time series to test for seasonality.

Comments from Survey Respondents

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

Chemical Manufacturing

- General business activity has increased in the fourth quarter. Uncertainty still lingers as to the impact of the resurgence of COVID-19 cases in the U.S. and abroad. Everyone is optimistic that the resurgence will have limited impact on basic and specialty materials demands after such a long period of low demand. Finished-goods inventories for business-to-consumer suppliers remain low, hence the current increased demand for materials should remain stable if the resurgence is short lived.

Plastics and Rubber Products Manufacturing

- The downturn in the oil and gas industry has had a negative impact, but it has been offset by the improvement in the agricultural industry.

Nonmetallic Mineral Product Manufacturing

- We definitely had a dip in new order intake in the 10 days before the election, but this has bounced back to the same level as before. We don't know if this was due to all the uncertainty associated with the election. And the election continues to add uncertainty.

Primary Metal Manufacturing

- With the election results in and the pandemic having a resurgence, our outlook is grim for a time.

Fabricated Metal Manufacturing

- Steel inventories are tightening significantly. Demand continues to remain high for consumer retail customers. Demand for large commercial customers is also increasing. Domestic steel pricing is on the verge of eclipsing foreign steel pricing with tariff costs. With the longer lead times associated with foreign steel, inventory shortages are likely to occur.
- It is an uneven market. Some customers are very busy, others are down 70 percent. Steel pricing is way up over the last 30 days. We envision a broad challenge in the first half of 2021 for our supply chain if the economy grows as planned. We are feeling it now.
- [These are] very uncertain times—hard to make plans. Expectations are it will get worse.
- This is our slow time, but it's slower than usual.
- We have contracts in place for current business but have not received the amount of new business that was expected for this quarter. We expect that pent-up demand will drive first-quarter increases.

Machinery Manufacturing

- With the promising news of a vaccine, we anticipate an increase in oil consumption. However, the timeline and the rate of increased consumption are uncertain, as is the timeline for our customers to increase their purchasing.
- Biden is a disaster for my industry.
- Election results have led to a lot of uncertainty. Not knowing is making things bad, but if Joe Biden ends up winning, I think it will get worse.
- It's just plain tough out there. If Biden actually won this election, then I anticipate business to get even worse with his diametric reversal of the good that Trump has done economically in lowering tax rates and cutting regulations, particularly in the energy sector. Going green will have a devastating impact on industrial activity for the industries we serve.

- Business in the fourth quarter usually increases, but it has increased substantially this year. We think it's because there is so much demand that was put on hold due to COVID-19 and the end-of-the-year need to spend the money or lose it. We've done a whole year's worth of business in the fourth quarter.
- Business remains extremely strong, and we are headed toward a record year.

Computer and Electronic Product Manufacturing

- Demand appears to be strong and will carry through the first quarter and likely into the second quarter. Many peers in our industry have supply constraints pushing lead times out, which will lead customers to eventually build excess inventory, but that is still several quarters away from happening.
- High uncertainty still exists in the marketplace regarding prices paid for goods, continued COVID-19 impact through missed work, increasing lead times and new administration policies, which may not be as friendly to manufacturing, particularly when related to oil and gas. The uncertainty offsets the recent uptick in activity with regard to planning because it is hard to tell what exactly is driving the activity and if those drivers will remain. Can we trust it?

Transportation Equipment Manufacturing

- Potential changes implemented by a new presidential administration have introduced uncertainty, coupled with rising coronavirus cases tempered with improved prospects for widely available vaccines. It is unclear how the confluence of these factors will impact economic prospects for 2021, if at all.
- The election outcome is likely adverse in nature. Supply chain disruption is expected to continue as COVID-19 has been hard to shake.
- Continued work from home due to COVID-19 and likely longer-term changes to the workplace have a direct impact on our current and future business. The impact to corporate, hospitality and civic projects is immense.

Food Manufacturing

- This is somewhat of a seasonal drop for us. Obviously, demand is there via the hurricanes, COVID-19 and the unemployed. We have expanded our very strong distribution network. Our challenge is funding. We can provide a meal for 4 cents.

Apparel Manufacturing

- The Department of Defense has a glut of inventory of military apparel.

Paper Manufacturing

- Major raw material prices have seen a 12 percent increase. It is hard to pass along to customers at this time. We expect to get it passed along in the next month. The business level is OK at present, but a partial lockdown would change that.
- Though demand for corrugated packaging is very strong (primarily e-commerce driven), a current (and six-month) increase in raw material and finished goods pricing is driven primarily by an industry-wide paper (containerboard) shortage of a magnitude not seen since 1995.

Printing and Related Support Activities

- We are definitely feeling the effects of the nice large jobs we had in shop that carried us through the lean months of the pandemic, and now that they are completed, we are getting very slow. Had we had to live off normal everyday work, we might have been at 30 percent of our normal activity levels. Usually, October through December is our busiest time, and right now, we are easily off by 50 percent of what it should be. Hopefully things will improve soon.

Miscellaneous Manufacturing

- Thank goodness for e-commerce. I think that the present election problem is causing havoc with customer confidence. Small business needs another stimulus from Washington.

Questions regarding the Texas Manufacturing Outlook Survey can be addressed to Emily Kerr at emily.kerr@dal.frb.org.

Texas **Business** Outlook Surveys

Special Questions

November 30, 2020

For this month's survey, Texas business executives were asked supplemental questions on the impacts of COVID-19. Results below include responses from participants of all three surveys: Texas Manufacturing Outlook Survey, Texas Service Sector Outlook Survey and Texas Retail Outlook Survey.

Texas Business Outlook Surveys

Data were collected November 16–24, and 387 Texas business executives responded to the surveys.

How do your firm's current revenues compare with a typical November? For example, if revenues are down 20 percent from normal, enter 80 percent. If revenues are up 20 percent, enter 120 percent.

Share of firms reporting reduced revenues	81.2	75.6	74.2	68.3	62.0	63.7
Average revenue decline (Y/Y)	-38.3	-32.4	-29.1	-29.9	-31.3	-28.7
Share of firms reporting increased revenues	10.2	13.7	15.5	18.3	21.0	19.9
Average revenue increase (Y/Y)	20.1	20.2	23.3	17.6	20.6	17.7
Share of firms reporting no change in revenues	8.6	10.6	10.3	13.4	17.0	16.4

NOTES: 372 responses. In past months the question wording was adjusted to reference the respective month of comparison. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted. Average revenue decline is calculated using only responses from firms that reported reduced revenues. Average revenue increase is calculated using only responses from firms that reported increased revenues.

When do you expect your firm's revenues to return to pre-COVID levels?

Less than a month	0.4	1.7
1-3 months	11.6	6.4
4-6 months	21.1	20.6
7-9 months	15.5	11.6
10-12 months	16.5	18.5
More than a year	31.3	36.9
We do not expect revenue to return to pre-COVID levels	3.5	4.3

NOTES: 233 responses. This question was only posed to those indicating November revenues are below normal.

How does your firm's current employee head count compare with February (pre-COVID)? For example, if head count is down 20 percent from February, enter 80 percent. If head count is up 20 percent, enter 120 percent. Please exclude any changes due to typical seasonality.

Share of firms reporting reduced head count	43.0	51.2	51.4	49.2	51.1
Average head count decline (compared with Feb. 2020 levels)	-26.5	-25.4	-27.2	-30.6	-28.4
Share of firms reporting increased head count	12.3	14.0	15.4	17.5	13.2
Average head count increase (compared with Feb. 2020 levels)	10.8	15.6	21.0	14.8	15.2
Share of firms reporting no change in head count	44.6	34.8	33.2	33.3	35.7

NOTES: 370 responses. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted. Average head count decline is calculated using only responses from firms that reported reduced head count. Average head count increase is calculated using only responses from firms that reported increased head count.

When do you expect your firm’s head count to return to pre-COVID levels?

Less than a month	5.0	4.9
1-3 months	12.6	4.9
4-6 months	17.0	14.6
7-9 months	10.7	9.7
10-12 months	9.4	16.8
More than a year	26.4	30.8
We do not expect head count to return to pre-COVID levels	18.9	18.4

NOTES: 185 responses. This question was only posed to those indicating their November head count is down from pre-COVID levels.

What steps, if any, is your firm taking in response to rising COVID-19 cases?

Trimming operating expenses (e.g., maintenance, office expenses, advertising)	68.5
Reducing or postponing capital expenditures	54.0
Scaling back business operations	24.9
Reducing employee hours	23.2
Implementing a hiring freeze	22.1
Laying off workers	19.7
Reducing employee compensation or benefits	12.8
Temporarily shutting down operations	11.4
Permanently shutting down operations	1.7
Other	15.2

NOTE: 289 responses.

Survey respondents were given the opportunity to provide comments. These comments can be found on the individual survey Special Questions results pages.

Texas Manufacturing Outlook Survey

Data were collected November 16–24, and 107 Texas manufacturers responded to the survey.

How do your firm’s current revenues compare with a typical November? For example, if revenues are down 20 percent from normal, enter 80 percent. If revenues are up 20 percent, enter 120 percent.

Share of firms reporting reduced revenues	78.0	70.6	73.8	68.6	60.8	57.7
Average revenue decline (Y/Y)	-38.6	-34.4	-30.5	-28.7	-28.9	-30.7
Share of firms reporting increased revenues	16.5	16.5	19.4	20.0	23.5	29.8
Average revenue increase (Y/Y)	19.1	20.6	27.3	24.6	22.5	19.3
Share of firms reporting no change in revenues	5.5	12.8	6.8	11.4	15.7	12.5

NOTES: 104 responses. In past months the question wording was adjusted to reference the respective month of comparison. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted. Average revenue decline is calculated using only responses from firms that reported reduced revenues. Average revenue increase is calculated using only responses from firms that reported increased revenues.

When do you expect your firm’s revenues to return to pre-COVID levels?

Less than a month	0.0	0.0
1-3 months	4.0	5.1
4-6 months	24.0	25.4
7-9 months	18.7	15.3
10-12 months	25.3	15.3
More than a year	26.7	32.2
We do not expect revenue to return to pre-COVID levels	1.3	6.8

NOTES: 59 responses. This question was only posed to those indicating November revenues are below normal.

How does your firm's current employee head count compare with February (pre-COVID)? For example, if head count is down 20 percent from February, enter 80 percent. If head count is up 20 percent, enter 120 percent. Please exclude any changes due to typical seasonality.

Share of firms reporting reduced head count	42.6	52.5	47.6	43.6	49.0
Average head count decline (compared with Feb. 2020 levels)	-20.7	-23.0	-23.9	-22.9	-24.5
Share of firms reporting increased head count	15.7	21.2	21.9	16.8	17.3
Average head count increase (compared with Feb. 2020 levels)	9.2	22.5	17.1	13.1	22.0
Share of firms reporting no change in head count	41.7	26.3	30.5	39.6	33.7

NOTES: 104 responses. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted. Average head count decline is calculated using only responses from firms that reported reduced head count. Average head count increase is calculated using only responses from firms that reported increased head count.

When do you expect your firm's head count to return to pre-COVID levels?

Less than a month	2.2	4.0
1-3 months	10.9	8.0
4-6 months	21.7	8.0
7-9 months	15.2	10.0
10-12 months	13.0	24.0
More than a year	26.1	32.0
We do not expect head count to return to pre-COVID levels	10.9	14.0

NOTES: 50 responses. This question was only posed to those indicating their November head count is down from pre-COVID levels.

What steps, if any, is your firm taking in response to rising COVID-19 cases?

Trimming operating expenses (e.g., maintenance, office expenses, advertising)	70.4
Reducing or postponing capital expenditures	60.5
Reducing employee hours	29.6
Scaling back business operations	27.2
Laying off workers	23.5
Implementing a hiring freeze	18.5
Temporarily shutting down operations	11.1
Reducing employee compensation or benefits	7.4
Permanently shutting down operations	2.5
Other	11.1

NOTE: 81 responses.

Special Questions Comments

These comments have been edited for publication.

Chemical Manufacturing

- We have developed a plan to maintain current production activities with a reduced staff, putting cost savings of lower-sales employees and travel expenses into automation.

Plastics and Rubber Products Manufacturing

- There has been a slight increase in both new production orders as well as requests for new product quotes. Both were unexpected given the current market conditions. Most likely, the increases in both could be attributed to a number of factors, such as previous vendors going out of business or companies searching for lower-cost solutions. In any case, we are approaching this uptick with cautious optimism. While this increased level of business will most likely will not sustain us into the new year, we'll take it.

Nonmetallic Mineral Product Manufacturing

- To date, we have not seen an impact from COVID-19 to our business. We have continued to operate as usual while implementing new protocols (following CDC [Centers for Disease Control] guidelines) to protect employees, customers, contractors, etc.
- We are an essential business. We have increased production in the second half of 2020 and added more people. We are practicing social distancing and requiring face masks in our facilities. We quarantine anyone who may get exposed. So far, we have only had a few isolated cases.

Primary Metal Manufacturing

- Short of the potential impact of an even-greater economic downturn, we expect most of our manufacturing categories, which have benefited from "stay at home" orders and an unrelated cyclical recovery of our niche agriculture markets, to remain stable. We have one category of our business related to furniture, which spiked up during the summer but has slumped again, that we believe is related to the ending of supplemental government assistance.
- We had a layoff in March but have been hiring since September as business picked up in late summer.

Fabricated Metal Manufacturing

- The significant surge in demand has put additional pressure on the workforce. Additional safety precautions are required to keep your people safe, healthy and at work. It has been very difficult to hire people over the last several months.
- We have not laid off any employees and will increase hiring as our work backlog improves.

Machinery Manufacturing

- We are cherry-picking other companies that are firing their best sales and technical people. I'm willing to hire these best people for the long-term benefit of my company even though it will cost money to do so. I firmly believe that taking on some debt now will pay off long term in employees that will be loyal and productive. You have to think long term if you expect to survive and grow.
- We have not seen "typical" in quite a while. There is no more "typical"; there is only survival.
- We did not lay off anyone during COVID-19. We did have to reduce hours somewhat and cut salaries. We have been back to normal hours and pay for a while now. We got a PPP [Paycheck Protection Program] loan, which saved our business and our employees' jobs. It would be very nice to get more guidance on PPP forgiveness.
- We are continuing to look at cost-cutting measures, including employee reductions.

Transportation Equipment Manufacturing

- Our revenue recovery has already occurred. Head count hasn't gone down.

Food Manufacturing

- We are unique. We have a saying now for each day: assess, communicate, adapt and move forward. The supply chain has had a few issues for us but has not materially altered our ability to complete orders on time.

Wood Product Manufacturing

- We are an essential business, and we have been really busy.

Paper Manufacturing

- Demand and general business activity are comparable to pre-COVID-19 levels.

Miscellaneous Manufacturing

- Masks, temperature-taking and employee separation is the best we can do. We need to ship to stay in business.

Texas Service Sector Outlook Survey

Data were collected November 16–24, and 280 Texas business executives responded to the survey.

How do your firm’s current revenues compare with a typical November? For example, if revenues are down 20 percent from normal, enter 80 percent. If revenues are up 20 percent, enter 120 percent.

Share of firms reporting reduced revenues	82.5	77.6	74.4	68.2	62.5	66.0
Average revenue decline (Y/Y)	-38.4	-31.8	-28.7	-30.5	-32.5	-28.1
Share of firms reporting increased revenues	7.7	12.6	14.1	17.7	20.1	16.0
Average revenue increase (Y/Y)	23.1	21.9	23.1	16.6	19.7	16.4
Share of firms reporting no change in revenues	9.9	9.7	11.6	14.1	17.5	17.9

NOTES: 268 responses. In past months the question wording was adjusted to reference the respective month of comparison. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted. Average revenue decline is calculated using only responses from firms that reported reduced revenues. Average revenue increase is calculated using only responses from firms that reported increased revenues.

When do you expect your firm’s revenues to return to pre-COVID levels?

Less than a month	0.5	2.3
1-3 months	14.4	6.9
4-6 months	20.1	19.0
7-9 months	14.4	10.3
10-12 months	13.4	19.5
More than a year	33.0	38.5
We do not expect revenue to return to pre-COVID levels	4.3	3.4

NOTES: 174 responses. This question was only posed to those indicating November revenues are below normal.

How does your firm's current employee head count compare with February (pre-COVID)? For example, if head count is down 20 percent from February, enter 80 percent. If head count is up 20 percent, enter 120 percent. Please exclude any changes due to typical seasonality.

Share of firms reporting reduced head count	43.2	50.7	52.8	51.3	51.9
Average head count decline (compared with Feb. 2020 levels)	-29.3	-26.7	-28.8	-33.1	-30.4
Share of firms reporting increased head count	11.0	11.4	13.0	17.7	11.7
Average head count increase (compared with Feb. 2020 levels)	12.8	13.4	23.7	15.4	11.1
Share of firms reporting no change in head count	45.8	37.9	34.2	31.0	36.5

NOTES: 266 responses. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted. Average head count decline is calculated using only responses from firms that reported reduced head count. Average head count increase is calculated using only responses from firms that reported increased head count.

When do you expect your firm's head count to return to pre-COVID levels?

Less than a month	6.2	5.2
1-3 months	13.3	3.7
4-6 months	15.0	17.0
7-9 months	8.8	9.6
10-12 months	8.0	14.1
More than a year	26.5	30.4
We do not expect head count to return to pre-COVID levels	22.1	20.0

NOTES: 135 responses. This question was only posed to those indicating their November head count is down from pre-COVID levels.

What steps, if any, is your firm taking in response to rising COVID-19 cases?

Trimming operating expenses (e.g., maintenance, office expenses, advertising)	67.8
Reducing or postponing capital expenditures	51.4
Scaling back business operations	24.0
Implementing a hiring freeze	23.6
Reducing employee hours	20.7
Laying off workers	18.3
Reducing employee compensation or benefits	14.9
Temporarily shutting down operations	11.5
Permanently shutting down operations	1.4
Other	16.8

NOTE: 208 responses.

Special Questions Comments

These comments have been edited for publication.

Truck Transportation

- We're a truck repair shop—an essential business. We're constantly cleaning and disinfecting, but otherwise it's business as usual.

Warehousing and Storage

- The steps taken in response to COVID-19 were in the near term, i.e., for 2020. For 2021, we expect to resume an aggressive program of maintenance and capital expansion to address what we believe remain to be long-term expansion of energy growth for the U.S. Gulf Coast.

Publishing Industries (Except Internet)

- The trends remain positive for the very early first quarter to be stronger.

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

- We have delayed major equipment repairs and any expenditure that can be canceled or moved out.

Insurance Carriers and Related Activities

- As a result of COVID-19, we expect a permanent effect of work from home and anticipate lowering the amount of office space we need.
- Property and liability insurance are rather necessary, so we are operating fairly normally. We are seeing some liability insurance pricing, like for employment practices and directors and officers, increasing, and COVID-19 is sometimes mentioned as a contributing factor.

Real Estate

- What are we doing in response to COVID-19? Making capital investments in PPE [personal protective equipment], moving employees to work at home or rearranging office layouts, adding cleaning personnel, implementing systems to comply with local directives, trying to assist our tenants in getting assistance for their businesses, and much more.

Rental and Leasing Services

- We have not trimmed marketing, which has helped us keep viable even in an economy where we are forced "not" to work. We will prevail. We have also just started another company to assist the event and hospitality world with sanitizing solutions for the event, corporate, hotel and other spaces where people are gathering.
- We actually just gave raises to all our hourly personnel by 5 percent. We are not raising any salaried or commission personnel at this time.

Professional, Scientific and Technical Services

- The U.S. election results of President Trump's loss will have big negative impacts on the overall growth and mood. President Trump was so good for all business, especially small ones like ours.
- As a sole proprietor (consultant), networking is the major source of my acquisition of work. The inability to meet with people I don't know at various events, technical meetings, etc., has restricted my ability to gain new business. While my previous clients are kept aware of my capabilities, their project workload has declined tremendously.
- We are able to have most of our employees work remotely. Those who cannot and who are critical to our on-site operations either are working as essential workers or are being carried based on an expectation of return to the office by the second quarter.

- We have not changed our employee head count due to COVID-19 and expect an increase if the vaccine is efficacious and widely available. We have stayed busy during the entire pandemic and never closed our office, although we expanded remote working for employee safety.

Management of Companies and Enterprises

- COVID-19's negative impact on the economy has drastically reduced loan demand, while politics/election results have businesses fearful of their future regarding potential cost of operation increases. Thus, many depositors remain short in their investment horizon, and this results in major increases in bank deposits as consumers/businesses are staying very liquid. With higher-yielding bond portfolios rolling off the banks' balance sheets and being replaced in much lower-yielding investments, it really puts pressure on commercial banks to lower their cost of funds since loans/borrowers continue paying historically low interest rates. In short, our net interest margin is at all-time lows, so this points banks to lowering their cost of funds (depositor interest rates).

Administrative and Support Services

- We cannot do anything other than take what comes at us—day to day, week to week.
- Employees are working on an A and B schedule, limiting capacity to socially distance. [We have implemented] mandatory masks and limiting nonemployees in the office.
- We provide temporary nursing staff. Demand is high. Professional and general liability [insurance pricing] has increased 250 percent along with a reduction in companies willing to insure our type of industry due to the risk involved.
- We have been practicing very carefully monitored COVID-19 protection behaviors and sanitation since returning to work months ago. Our employees helped design the measures, following them and updating to the governmental guidelines that would constitute a safe working environment for them. It has worked very well.

Ambulatory Health Care Services

- Secondary and tertiary effects will hit health care with significant rising demand, more burnout, less reimbursement and rising A/R [accounts receivable].
- It's extremely challenging for a small business to lay off employees as that would result in [lost] work experience and relationships built with the employees. All of the small business owners were preparing for a bounce back to normal in the October–November period as COVID-19 appeared to decline. But with this resurgence, small businesses, especially in health care, are dealing with the burnout factor as our clinical teams are having to deal with the COVID-19 challenges at home as well as at work.
- We have the safest dental office and lowest airborne viral load in Dallas after investing five months ago in the same anti-viral system used by the U.S. Army to protect 60 forts, the FBI to protect Quantico and Johns Hopkins to protect presidents. It quickly kills viruses in the air and on exposed surfaces where they occur rather than sweeping virus-filled air across a room to pass through a filtration system. So, we're letting current and potential patients know they can safely get their dental needs met—business as usual.

Social Assistance

- The biggest controllable impact that could help [our] operations is to implement an unemployment benefit policy that encourages individuals to work. Further, TWC's [Texas Workforce Commission's] policy of approving all unemployment claims is causing our HR department to spend 50–75 percent of their time in unemployment hearings, which we successfully defend in more than 95 percent of those cases. We need the state and federal government to develop good policy.

Accommodation

- Our industry needs assistance from the federal government. Until a stimulus is passed, we will struggle to meet our debt, and we will not be able to hire back our laid off workers.

Food Services and Drinking Places

- We are struggling to find employees who want to work. Lots of people apply for jobs and never show up for the interview. This is done to satisfy unemployment requirements.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- We are now back to a normal level of activity, although most is done virtually.

Texas Retail Outlook Survey

Data were collected November 16–24, and 50 Texas retailers responded to the survey.

How do your firm's current revenues compare with a typical November? For example, if revenues are down 20 percent from normal, enter 80 percent. If revenues are up 20 percent, enter 120 percent.

Share of firms reporting reduced revenues	90.7	78.4	76.0	67.9	58.5	66.7
Average revenue decline (Y/Y)	-35.0	-34.0	-21.1	-25.6	-28.5	-23.1
Share of firms reporting increased revenues	1.9	15.7	18.0	18.9	22.6	20.8
Average revenue increase (Y/Y)	20.0	15.0	20.7	21.8	22.0	30.3
Share of firms reporting no change in revenues	7.4	5.9	6.0	13.2	18.9	12.5

NOTES: 48 responses. In past months the question wording was adjusted to reference the respective month of comparison. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted. Average revenue decline is calculated using only responses from firms that reported reduced revenues. Average revenue increase is calculated using only responses from firms that reported increased revenues.

When do you expect your firm's revenues to return to pre-COVID levels?

Less than a month	0.0	3.1
1-3 months	15.0	6.3
4-6 months	32.5	21.9
7-9 months	20.0	9.4
10-12 months	10.0	31.3
More than a year	12.5	18.8
We do not expect revenue to return to pre-COVID levels	10.0	9.4

NOTES: 32 responses. This question was only posed to those indicating November revenues are below normal.

How does your firm's current employee head count compare with February (pre-COVID)? For example, if head count is down 20 percent from February, enter 80 percent. If head count is up 20 percent, enter 120 percent. Please exclude any changes due to typical seasonality.

Share of firms reporting reduced head count	41.2	52.0	45.3	53.7	46.9
Average head count decline (compared with Feb. 2020 levels)	-26.1	-17.4	-27.0	-31.2	-25.6
Share of firms reporting increased head count	7.8	4.0	13.2	7.4	12.2
Average head count increase (compared with Feb. 2020 levels)	11.3	42.5	20.0	18.8	8.7
Share of firms reporting no change in head count	51.0	44.0	41.5	38.9	40.8

NOTES: 49 responses. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted. Average head count decline is calculated using only responses from firms that reported reduced head count. Average head count increase is calculated using only responses from firms that reported increased head count.

When do you expect your firm's head count to return to pre-COVID levels?

Less than a month	5.3	9.1
1-3 months	26.3	4.5
4-6 months	21.1	18.2
7-9 months	5.3	4.5
10-12 months	5.3	22.7
More than a year	5.3	18.2
We do not expect head count to return to pre-COVID levels	31.6	22.7

NOTES: 22 responses. This question was only posed to those indicating their November head count is down from pre-COVID levels.

What steps, if any, is your firm taking in response to rising COVID-19 cases?

Trimming operating expenses (e.g., maintenance, office expenses, advertising)	62.2
Reducing or postponing capital expenditures	54.1
Reducing employee hours	21.6
Laying off workers	13.5
Scaling back business operations	8.1
Implementing a hiring freeze	8.1
Reducing employee compensation or benefits	8.1
Temporarily shutting down operations	2.7
Permanently shutting down operations	0.0
Other	8.1

NOTE: 37 responses.

Special Questions Comments

Merchant Wholesalers, Durable Goods

- All nonessential operations positions continue to work remotely.

Merchant Wholesalers, Nondurable Goods

- Fourth quarter is usually our strongest quarter for eating out. Lots of restaurant demand has been shifted to order delivery and take-out. Sales continue to beat expectations for the national chains we support. If in-store holiday retail sales pan out, I would expect dining-out sales to go hand in hand and increase as well. The vaccine will help get people back on the streets and dining out, which will benefit my industry and business.

Motor Vehicle and Parts Dealers

- We are completely back to pre-COVID-19 business levels.
- We are seeing an uptick in infection cases with COVID-19. There is renewed focus on separation within working areas, contact tracing, increased testing and increased cleaning.
- We want to hire additional full-time employees but are struggling to find qualified applicants.

Questions regarding the Texas Business Outlook Surveys can be addressed to Emily Kerr at emily.kerr@dal.frb.org.