



# Texas **Service Sector** Outlook Survey

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February 25, 2020

## Texas Service Sector Growth Moderates

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### What's New This Month

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

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The Texas service sector expanded at a slower pace in February, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, fell from 18.8 in January to 14.0 in February.

Labor market indicators reflected continued employment growth and slightly longer workweeks this month. The employment index declined from 8.4 to 6.1, suggesting a slight deceleration in hiring, although the part-time employment index rose to 4.1—its highest reading in over a year. The hours worked index picked up slightly from 3.3 to 4.4.

Perceptions of broader business conditions improved in February, though optimism was somewhat diminished compared with last month. The general business activity index declined from 11.1 to 7.0, while the company outlook index fell over seven points to 5.1. Nevertheless, the outlook uncertainty index fell about three points to 4.6.

Wage pressures eased slightly, while price pressures were somewhat mixed in February. The wages and benefits index dipped from 19.4 to 17.7, while the selling prices index fell nearly nine points to 8.0. The input prices index was largely unchanged at 26.6.

Respondents' expectations regarding future business conditions remained positive on net, though optimism waned. The future company outlook index decreased about four points to 15.8, while the future general business activity index slipped from 17.6 to 12.0. Other indexes of future service sector activity, such as revenue and employment, held at a high level and continued to reflect expectations of robust growth over the next six months.



# Texas **Retail** Outlook Survey

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## Retail Sales Decline Slightly

Retail sales fell in February, according to business executives responding to the Texas Retail Outlook Survey. The sales index dropped from 4.8 in January to -2.5 in February. Inventories contracted sharply, with the inventories index plummeting over 19 points to -9.7.

Retail labor market indicators suggested little overall change in the level of employment and a slight shortening of workweeks in February. The employment index declined two points to -1.0, indicating very little change in net employment compared with January. The hours worked index fell from 4.7 to -1.7, suggesting a slight net decrease in average hours worked by employees.

Retailers' perceptions of broader business conditions deteriorated significantly in February, despite a tempering in the outlook uncertainty index. The general business activity index fell further into negative territory from -2.1 to -5.0, while the company outlook index plunged over 10 points to a six-month low of -10.3.

Retail price pressures were mixed, while wages pressures inched up in February. The input prices index declined about five points to 19.9, while the selling prices index picked up from 23.2 to 27.5—its highest reading in over a year. The wages and benefits index ticked up from 12.2 to 14.7.

Despite negative sentiment surrounding current business conditions, retailers' perceptions of future conditions were more mixed this month. The future general business activity index dropped into negative territory at -1.3, while the future company outlook index declined over 12 points but remained positive at 2.3. Other indexes of future retail activity, such as sales and employment, were similarly mixed but, overall, pointed to continued growth over the next six months.

**The Texas Retail Outlook Survey is a component of the Texas Service Sector Outlook Survey that uses information only from respondents in the retail and wholesale sectors.**

**Next release:** March 31, 2020

Data were collected February 11–19, and 230 Texas service sector and 51 retail sector 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	Feb Index	Jan Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
<b>Revenue</b>	14.0	18.8	-4.8	12.2	123(+)	29.4	55.2	15.4
<b>Employment</b>	6.1	8.4	-2.3	6.7	120(+)	16.4	73.3	10.3
<b>Part-Time Employment</b>	4.1	0.6	+3.5	1.8	3(+)	6.8	90.5	2.7
<b>Hours Worked</b>	4.4	3.3	+1.1	2.8	40(+)	7.2	90.0	2.8
<b>Wages and Benefits</b>	17.7	19.4	-1.7	14.7	129(+)	20.7	76.3	3.0
<b>Input Prices</b>	26.6	27.0	-0.4	25.4	130(+)	28.3	70.0	1.7
<b>Selling Prices</b>	8.0	16.9	-8.9	5.6	4(+)	14.4	79.2	6.4
<b>Capital Expenditures</b>	11.1	10.1	+1.0	10.8	126(+)	17.5	76.1	6.4

## General Business Conditions

### Current (versus previous month)

Indicator	Feb Index	Jan Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
<b>Company Outlook</b>	5.1	12.5	-7.4	6.2	6(+)	15.1	74.9	10.0
<b>General Business Activity</b>	7.0	11.1	-4.1	4.1	9(+)	17.2	72.7	10.2

Indicator	Feb Index	Jan Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
<b>Outlook Uncertainty†</b>	4.6	7.5	-2.9	11.0	25(+)	14.7	75.3	10.1

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

Indicator	Feb Index	Jan Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	39.9	43.7	-3.8	37.9	132(+)	47.5	44.9	7.6
Employment	26.9	27.7	-0.8	22.3	131(+)	34.6	57.7	7.7
Part-Time Employment	8.2	9.9	-1.7	6.7	8(+)	12.6	82.9	4.4
Hours Worked	4.9	11.0	-6.1	5.5	42(+)	9.2	86.5	4.3
Wages and Benefits	37.0	40.7	-3.7	36.5	158(+)	40.4	56.2	3.4
Input Prices	40.0	41.4	-1.4	44.4	158(+)	42.7	54.6	2.7
Selling Prices	25.9	30.5	-4.6	23.5	130(+)	30.8	64.4	4.9
Capital Expenditures	23.4	25.5	-2.1	24.2	131(+)	29.8	63.8	6.4

**General Business Conditions**  
**Future (six months ahead)**

Indicator	Feb Index	Jan Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	15.8	19.7	-3.9	17.0	14(+)	24.5	66.7	8.7
General Business Activity	12.0	17.6	-5.6	13.6	6(+)	22.2	67.6	10.2

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

Indicator	Feb Index	Jan Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
<b>Retail Activity in Texas</b>								
Sales	-2.5	4.8	-7.3	6.8	1(-)	21.2	55.1	23.7
Employment	-1.0	1.0	-2.0	2.4	1(-)	9.3	80.4	10.3
Part-Time Employment	0.0	-8.7	+8.7	-1.6	1()	2.0	95.9	2.0
Hours Worked	-1.7	4.7	-6.4	-1.2	1(-)	7.2	83.9	8.9
Wages and Benefits	14.7	12.2	+2.5	9.9	108(+)	20.4	73.9	5.7
Input Prices	19.9	25.0	-5.1	19.1	49(+)	22.2	75.5	2.3
Selling Prices	27.5	23.2	+4.3	10.6	35(+)	32.2	63.1	4.7
Capital Expenditures	6.0	-2.1	+8.1	9.3	1(+)	10.0	86.0	4.0
Inventories	-9.7	9.6	-19.3	3.8	1(-)	12.4	65.5	22.1
<b>Companywide Retail Activity</b>								
Companywide Sales	-2.1	10.5	-12.6	8.5	1(-)	21.5	54.9	23.6
Companywide Internet Sales	16.2	1.9	+14.3	7.0	22(+)	19.3	77.6	3.1

**General Business Conditions, Retail**  
**Current (versus previous month)**

Indicator	Feb Index	Jan Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	-10.3	0.2	-10.5	4.3	1(-)	6.0	77.7	16.3
General Business Activity	-5.0	-2.1	-2.9	0.0	2(-)	9.6	75.8	14.6

## Outlook Uncertainty

### Current (versus previous month)

Indicator	Feb Index	Jan Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
<b>Outlook Uncertainty†</b>	2.0	8.5	-6.5	9.4	2(+)	12.2	77.6	10.2

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

Indicator	Feb Index	Jan Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
<b>Retail Activity in Texas</b>								
<b>Sales</b>	17.1	23.9	-6.8	32.6	9(+)	31.0	55.1	13.9
<b>Employment</b>	-0.2	2.5	-2.7	12.3	1(-)	11.4	77.0	11.6
<b>Part-Time Employment</b>	6.1	6.4	-0.3	0.8	3(+)	10.5	85.1	4.4
<b>Hours Worked</b>	-1.5	6.2	-7.7	2.7	1(-)	5.6	87.3	7.1
<b>Wages and Benefits</b>	23.2	31.5	-8.3	27.4	134(+)	29.6	64.0	6.4
<b>Input Prices</b>	33.3	36.9	-3.6	33.2	130(+)	37.5	58.3	4.2
<b>Selling Prices</b>	29.7	35.6	-5.9	29.2	130(+)	34.0	61.7	4.3
<b>Capital Expenditures</b>	6.4	17.4	-11.0	18.2	3(+)	17.0	72.3	10.6
<b>Inventories</b>	-14.7	4.6	-19.3	8.3	1(-)	13.3	58.7	28.0
<b>Companywide Retail Activity</b>								
<b>Companywide Sales</b>	20.4	25.3	-4.9	31.1	131(+)	33.7	53.0	13.3
<b>Companywide Internet Sales</b>	22.2	20.0	+2.2	21.9	43(+)	25.0	72.2	2.8

### General Business Conditions, Retail Future (six months ahead)

Indicator	Feb Index	Jan Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
<b>Company Outlook</b>	2.3	14.8	-12.5	17.2	6(+)	16.5	69.3	14.2
<b>General Business Activity</b>	-1.3	8.9	-10.2	13.0	1(-)	12.6	73.5	13.9

\*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.

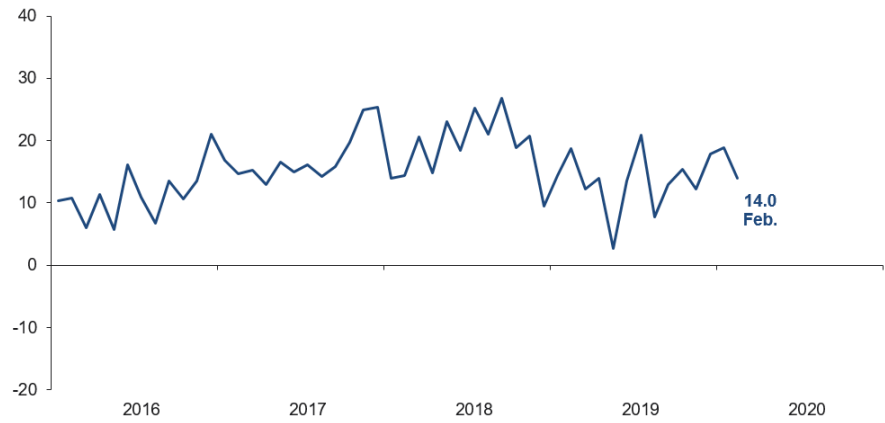
†Added to survey in January 2018.

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.

# Texas Service Sector Outlook Survey

## Texas Service Sector Outlook Survey Revenue Index

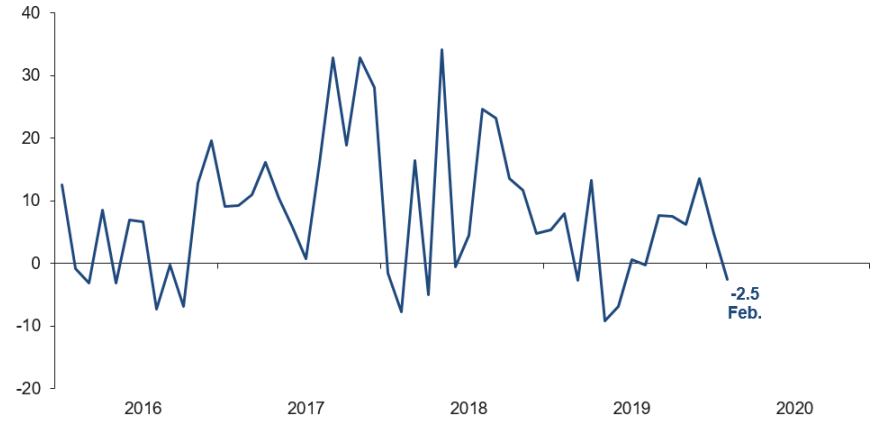
Index, seasonally adjusted



Federal Reserve Bank of Dallas

## Texas Retail Outlook Survey Sales Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

# Texas Service Sector Outlook Survey

February 25, 2020

## Comments from Survey Respondents

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

### Utilities

- The impact of the coronavirus on the economy is still unknown. This has increased uncertainty.
- I feel the business environment is getting better.

### Pipeline Transportation

- Elections and the coronavirus' impact on global demand and the regulatory environment are near-term uncertainty items.
- The impact of the coronavirus on global crude demand is a big unknown at this point—likely negative.

### Support Activities for Transportation

- Our work is tied to international markets, and the coronavirus is disrupting global supply chains.

### Warehousing and Storage

- We are cautiously watching the coronavirus' impact on our customers who export oil to the Far East, including China. Overall, we are still bullish on general economic conditions in South Texas, as one additional Permian offtake pipeline will fully come online in the first quarter.

### Publishing Industries (Except Internet)

- Conditions are generally the same. We are expecting revenue/business improvement during the first half of 2020.

### Data Processing, Hosting and Related Services

- Finding and hiring high-caliber talent in Dallas–Fort Worth remains really tight.

### Credit Intermediation and Related Activities

- There is lots of regulatory noise at the state and federal level in our fintech space.
- Liquidity within the market is still very tight, while demand for loans remains high.
- Economic activity has picked up, with the current installation of the wind-generation field, the new power transmission being erected through Central Texas and the installation of an additional oil pipeline network coming through the region. Activity should remain steady with the funding of two municipal bonds funded to add buildings to the school district and one to fund two major infrastructure projects for the city of Brady. Cattle prices are steady, with anticipation of higher prices as supplies continue to decline, but the impact of global market disruption may be a disrupter. Sheep and goat markets are still very strong, and grain commodities have been steady. Even with the recent snow across parts of Texas, January was one of the mildest temperature months in many years. If dry conditions persist, a mild winter would make it easier on livestock and producers. Spring moisture will be critical to farmers and ranchers.

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

- As a financial services company, we are sensitive to domestic and global economic and political conditions. In the near future, I am optimistic growth will continue, and the coronavirus impact will be contained and short term.

### Insurance Carriers and Related Activities

- Property insurance due to storms in North Texas is increasing our costs and revenues.

### Real Estate

- We are just focusing on working and ignoring the news.
- With the impeachment news over, buyers are confident about the economy.

## Professional, Scientific and Technical Services

- There are coronavirus-related worries worldwide. However, we are not directly affected as we have no presence in China.
- The real estate market seems to be picking up steam after a short slowdown. Orders for both commercial and residential products have picked up dramatically the first month and a half of this year. Although this is an election year, we don't see anything in the near future that will affect this trend.
- January has been much better than we forecast. Our outlook for 2020 has improved.
- January was one of the four best months of the last three years. Likewise, we wrote a record number of proposals in January (though our return rate was less than normal.) Finding talent remains a major growth constraint.
- President Trump continues to cast uncertainty on the future of the country.
- We finished 2019 strong and came into 2020 with good momentum. That pace has maintained and, in some areas, improved. However, the impact of the coronavirus and the looming election cycle will likely impact investor and CEO confidence in the short and medium term.
- The new tax policies have caused some of my clients to expand their businesses. As I work with those clients, I am gaining more referrals for new clients. The overwhelming majority of my clients are positive about the economic outlook and the future health of their business.
- We continue to see good demand for legal services.

## Administrative and Support Services

- We sell travel. Covid-19 [coronavirus] is having a dramatic impact on clients' desire to plan trips for the future, and we have seen many cancellations. Cruise sales will take the brunt of the cancellations.
- General concern about the energy sector is weighing against otherwise-improving market conditions. The question is, what happens when interest rates increase as a result of a growing fiscal deficit?
- We have a new CEO, and things are moving in the right direction.
- The aviation-corporate sector has remained constant with RFQs [request for quotations] on par with last year. The aviation-commercial sector has increased with AOG [aircraft on ground] needs increasing over the last 30 days. The industrial-oil sector has remained flat with no change from last month. The industrial-machine shop sectors have increased with the acceptance of the majority of RFQs approved. The military-aviation sector has remained constant with more RFQs being generated for overseas (OCONUS) operations.
- We can't find employees.
- Weather has been an issue.
- There will be more activity at the end of the first quarter due to the nature of our contracts. We will be hiring more employees, and we will have to acquire new computers to accommodate the technology to provide our services.

## Educational Services

- The national economy and the local Texas economy are firing on all cylinders right now, because the policies instituted on both fronts are very similar—pro-growth. The trade worries have abated, but we look forward to phase II of the China trade saga. The population growth in Texas is occurring because of migration from higher-tax states, and this is benefiting companies in both the public and private arena; our job offerings continue to grow and expand. There is indeed a tremendous amount of optimism among the public in general, and that equates to economic activity. The consumer represents almost 70 percent of the GDP [gross domestic product], so optimism breeds consumerism, and that's what is needed if we are to continue to grow in the 3 percent range. There is a lot to be happy about. The country has the wind to its back as we roll into the November election. Hard to beat that.

## Ambulatory Health Care Services

- The coronavirus looks to certainly impact us sooner or later. Supply chain disruptions are coming. Already, I am unable to obtain specialized latex probe covers for some reason. Imagine the vast amounts of medical supplies, antibiotics and pharmaceuticals that come out of China.



- In the home health sector, CMS' [Centers for Medicare & Medicaid Services] redesign of services has triggered significantly higher costs for compliance and a lower reimbursement mechanism. This is leading to a significant number of individual operators exiting the home health business. Across the state of Texas, I am expecting a significant ceasing of home health operators, leading to higher readmission rates to hospitals and nursing homes.
- This month's limerick: Political season makes all of the candidates want to chime; that a vote for them will improve the economy on a dime; present economic theory can be a puzzle; low rates cause investors to guzzle; yield curves keep inverting—will the end be different this time?

### **Museums, Historical Sites and Similar Institutions**

- We are pushing our administration to increase wages for long-term employees who have received very low historical compensation. This is a new tact for us.

### **Amusement, Gambling and Recreation Industries**

- We have a base lease rate of \$16 per square foot in one of the best-located buildings in downtown Austin. In 2025, that rate will surely triple when the current lease expires. As with any small-to-medium-sized business, this is a huge mountain to climb. It is also why we have seen many businesses in the downtown corridor go out of business or just simply choose not to continue to operate, as their leases and/or property taxes continue to skyrocket. Our challenge will be how to manage these increases. One bright spot is that the experts in this field are seeing slight cracks in the high rents. There are many new high-rise buildings in various stages of completion, which will add lots of square footage to the current inventory. Of course, this is on top of the severe labor shortage, rapidly rising property taxes and health insurance costs. It should be an interesting few years.

### **Accommodation**

- Our industry has begun to feel the effect of the coronavirus—particularly on the West Coast and other gateway cities. We continue to closely monitor it.

### **Food Services and Drinking Places**

- Our business is still strong, with positive comps in sales and profitability.
- I am still balancing my income and expenses in relation to the effects of the tornado we had in October 2019.

### **Repair and Maintenance**

- Lower interest rates and pro-business policies are making a difference.

### **Food Services and Drinking Places**

- I am waiting for the geopolitical shoe(s) to drop.

### **Merchant Wholesalers, Durable Goods**

- Absent a slight positive impact (10 percent) from the sale of safety products due to the coronavirus, our sales were flat in January compared to a year ago. While we are still optimistic 2020 will be a good year, there is the uncertainty related to the impact of our supply chain as it relates to the ability to receive products from China.
- China is again a factor.
- We are affected by the U.S. government tariffs and political concerns of the Asian shareholders. We are insecure about continued investment in the U.S. The U.S. operations will go to Asia soon.

### **Merchant Wholesalers, Nondurable Goods**

- I'm not sure if the coronavirus will have an effect on our business. We don't trade with China, but indirectly, their consumption (or lack of) will influence protein prices (our input costs). I was more concerned with African swine flu and the impact it's had on the Chinese herd. China has greatly increased their consumption of alternative proteins (chicken and beef), which has driven up costs domestically (or at least created a pretext for suppliers to do so).

## **Motor Vehicle and Parts Dealers**

- We believe election uncertainty has faded due to the outcome of the impeachment trial. There continues to be wage pressure and difficulty hiring employees.
- Sales activity is fine. Maintaining a positive margin on new vehicle sales is impossible.
- General business in our firm is definitely off some because of the winter weather. Spring [business] should increase significantly we think.

## **Clothing and Clothing Accessories**

- There are lower sales, inventories and number of employees due to store closings.
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Questions regarding the Texas Service Sector Outlook Survey can be addressed to Christopher Slijk at [christopher.slijk@dal.frb.org](mailto:christopher.slijk@dal.frb.org).

# Texas **Business** Outlook Surveys

## Special Questions

February 24, 2020

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 February 11–19, and 376 Texas business executives responded to the survey. See data files with a full history of results.

#### Are you currently trying to hire?

	May. '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)	Feb. '20 (percent)
Yes	71.4	69.8	60.0	65.5
No	28.6	30.2	40.0	34.5

NOTE: 371 responses.

#### Are you having problems finding qualified workers when hiring?

	May. '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)	Feb. '20 (percent)
Yes	83.0	75.6	80.5	80.2
No	17.0	24.4	19.5	19.8

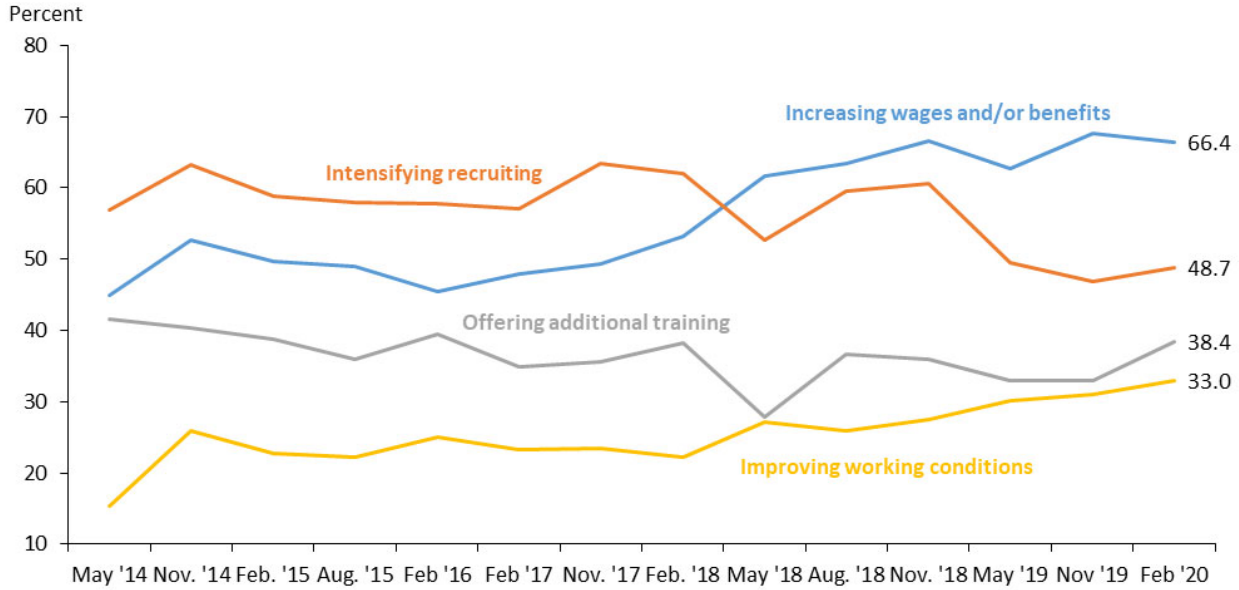
NOTES: 237 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

#### If you are having problems finding qualified workers, what are the main reasons? Please check all that apply.

	Feb. '17 (percent)	Feb. '18 (percent)	May '19 (percent)	Feb. '20 (percent)
Lack of available applicants/no applicants	43.2	62.6	62.9	60.0
Lack of technical competencies (hard skills)	59.8	50.2	53.1	52.6
Lack of experience	40.5	37.0	39.4	44.7
Looking for more pay than is offered	34.4	40.1	46.9	43.7
Lack of workplace competencies (soft skills)	43.2	39.6	33.8	37.9
Inability to pass drug test and/or background check	29.3	30.0	32.9	24.7

NOTES: 190 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

**What, if anything, are you doing to recruit and retain employees? Please check all that apply.**



NOTE: Data plotted for top four responses in February 2020. Data are shown for months when special questions were asked.  
SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

	Feb. '17 (percent)	Feb. '18 (percent)	May '19 (percent)	Feb. '20 (percent)
Increasing wages and/or benefits	47.9	53.3	62.7	66.4
Increasing wages			58.3	59.1
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	57.1	62.1	49.5	48.7
Offering additional training	34.8	38.2	32.9	38.4
Improving working conditions	23.2	22.2	30.1	33.0
Increasing variable pay, including bonuses	30.1	33.3	32.3	28.6
Increasing benefits			17.9	21.7
Reducing education and other requirements for new hires	5.4	6.5	8.5	8.2

NOTES: 318 responses. Starting in May '19, "increasing wages" appears as a separate answer choice from "increasing benefits." We will continue to include the share of firms reporting increasing wages and/or benefits but as a calculation based on responses to "increasing wages" and "increasing benefits."

## Texas Manufacturing Outlook Survey

Data were collected February 11–19, and 105 Texas manufacturers responded to the surveys.  
See data files with a full history of results.

### Are you currently trying to hire?

	May. '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)	Feb. '20 (percent)
Yes	72.7	64.0	59.5	57.1
No	27.3	36.0	40.5	42.9

NOTE: 105 responses.

### Are you having problems finding qualified workers when hiring?

	May. '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)	Feb. '20 (percent)
Yes	79.5	83.6	86.2	84.5
No	20.5	16.4	13.8	15.5

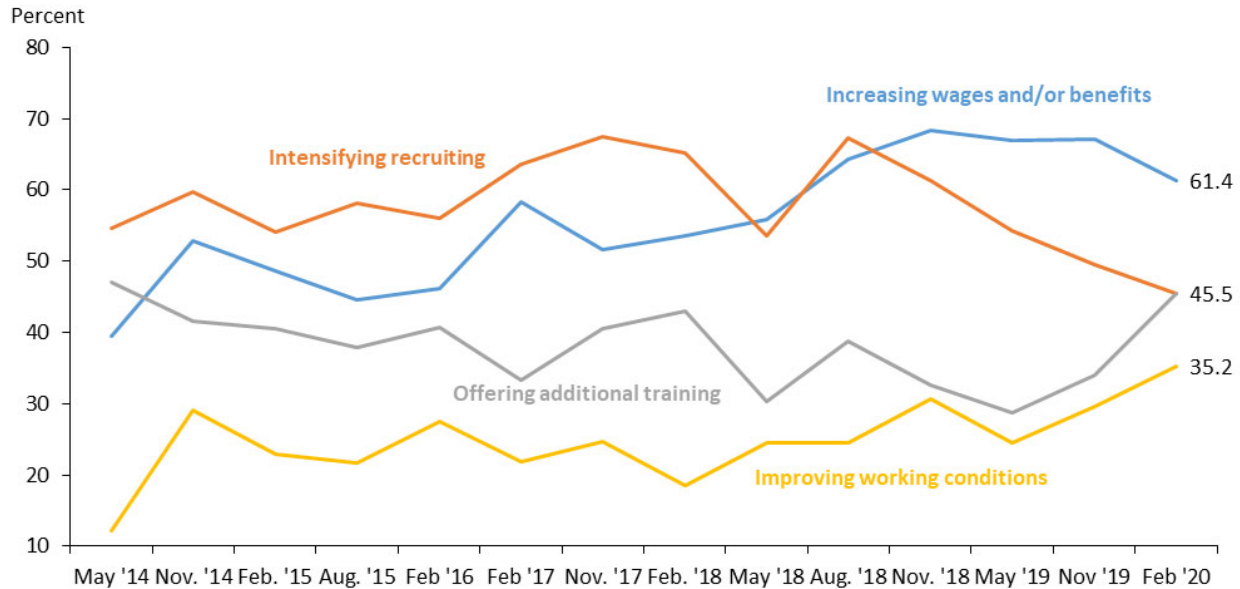
NOTES: 58 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

### If you are having problems finding qualified workers, what are the main reasons? Please check all that apply.

	Feb. '17 (percent)	Feb. '18 (percent)	May '19 (percent)	Feb. '20 (percent)
Lack of available applicants/no applicants	44.3	72.1	60.7	65.3
Lack of technical competencies (hard skills)	72.2	60.3	68.9	57.1
Lack of workplace competencies (soft skills)	45.6	44.1	42.6	51.0
Lack of experience	44.3	44.1	42.6	49.0
Looking for more pay than is offered	36.7	38.2	44.3	46.9
Inability to pass drug test and/or background check	29.1	41.2	42.6	28.6

NOTES: 49 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

**What, if anything, are you doing to recruit and retain employees? Please check all that apply.**



NOTE: Data plotted for top four responses in February 2020. Data are shown for months when special questions were asked.  
SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey.

	Feb. '17 (percent)	Feb. '18 (percent)	May '19 (percent)	Feb. '20 (percent)
Increasing wages and/or benefits	58.3	53.5	67.0	61.4
Increasing wages			59.6	56.8
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	63.5	65.1	54.3	45.5
Offering additional training	33.3	43.0	28.7	45.5
Improving working conditions	21.9	18.6	24.5	35.2
Increasing variable pay, including bonuses	30.2	31.4	34.0	30.7
Increasing benefits			16.0	15.9
Reducing education and other requirements for new hires	5.2	4.7	11.7	11.4

NOTES: 88 responses. Starting in May '19, "increasing wages" appears as a separate answer choice from "increasing benefits." We will continue to include the share of firms reporting increasing wages and/or benefits but as a calculation based on responses to "increasing wages" and "increasing benefits."

## **Special Questions Comments**

These comments have been edited for publication.

### **Primary Metal Manufacturing**

- There are not enough people who want or need to work.

### **Fabricated Metal Manufacturing**

- It is very difficult finding hourly employees with construction experience who we can afford and that can pass drug and background tests. Also, young employees in their 20s seem to come to work for 90 days, then quit.

### **Machinery Manufacturing**

- We had to lay off 15 percent of our employees in January.

### **Computer and Electronic Product Manufacturing**

- We are doing well hiring unskilled labor and training for assembly jobs. It is more of a challenge finding skilled engineers.

### **Food Manufacturing**

- The No. 1 problem in supporting growth is the lack of available labor. The lack of labor in this country is at a critical point. We must solve this shortage or we will stop growing. Period.
- We have restructured our shift schedule to allow everyone off every other Friday, Saturday and Sunday.

### **Miscellaneous Manufacturing**

- Lack of applicants and no skill level are the two main barriers.

## Texas Service Sector Outlook Survey

Data were collected February 11–19, and 271 Texas business executives responded to the surveys.

See data files with a full history of results.

### Are you currently trying to hire?

	May. '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)	Feb. '20 (percent)
Yes	70.8	72.3	60.2	68.8
No	29.2	27.7	39.8	31.2

NOTE: 266 responses.

### Are you having problems finding qualified workers when hiring?

	May. '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)	Feb. '20 (percent)
Yes	84.5	72.5	78.1	78.8
No	15.5	27.5	21.9	21.2

NOTES: 179 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

### If you are having problems finding qualified workers, what are the main reasons? Please check all that apply.

	Feb. '17 (percent)	Feb. '18 (percent)	May '19 (percent)	Feb. '20 (percent)
Lack of available applicants/no applicants	42.8	58.5	63.8	58.2
Lack of technical competencies (hard skills)	54.4	45.9	46.7	51.1
Lack of experience	38.9	34.0	38.2	43.3
Looking for more pay than is offered	33.3	40.9	48.0	42.6
Lack of workplace competencies (soft skills)	42.2	37.7	30.3	33.3
Inability to pass drug test and/or background check	29.4	25.2	28.9	23.4

NOTES: 141 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.



**What, if anything, are you doing to recruit and retain employees? Please check all that apply.**



NOTE: Data plotted for top four responses in February 2020. Data are shown for months when special questions were asked.  
SOURCE: Federal Reserve Bank of Dallas Texas Service Sector Outlook Survey.

	Feb. '17 (percent)	Feb. '18 (percent)	May '19 (percent)	Feb. '20 (percent)
Increasing wages and/or benefits	43.8	53.2	60.9	68.3
Increasing wages			57.8	60.0
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	54.6	60.9	47.6	50.0
Offering additional training	35.4	36.4	34.7	35.7
Improving working conditions	23.8	23.6	32.4	32.2
Increasing variable pay, including bonuses	30.0	34.1	31.6	27.8
Increasing benefits			18.7	23.9
Reducing education and other requirements for new hires	5.4	7.3	7.1	7.0

NOTES: 230 responses. Starting in May '19, "increasing wages" appears as a separate answer choice from "increasing benefits." We will continue to include the share of firms reporting increasing wages and/or benefits but as a calculation based on responses to "increasing wages" and "increasing benefits."

## Special Questions Comments

These comments have been edited for publication.

## Support Activities for Transportation

- Applicants want high pay but lack the absolute basic core skills and don't bother using correct grammar, punctuation or spelling.

## Data Processing, Hosting and Related Services

- Hiring top talent in Dallas–Fort Worth remains tight. Lack of quality applicants is our biggest challenge. We have hired recruiters to help, and they're having trouble finding good quality folks—technical and management.

## Credit Intermediation and Related Activities

- For several years, it has been difficult to find reliable front-line employees. Consequently, this group represents our highest turnover. Skilled positions are also hard to fill (lenders, lending assistants, knowledgeable operations).
- The hardest markets to fill are in our rural markets, especially at the officer level.

## Real Estate

- We will hire part time in the spring or early summer.

## Professional, Scientific and Technical Services

- Less than 1 percent of our workforce is part time or contract.
- I am a sole-practitioner CPA and have no employees. When my clients need help with less-technical matters, I refer them to contract service providers such as bookkeepers and payroll service providers. I have no plans to change that by hiring any paraprofessionals.

## Management of Companies and Enterprises

- There are certainly not enough good bankers out there, and there is a lack of women and minorities in the industry. We are having to develop our own through recruitment, training, education and mentoring. This takes time, but if everybody is doing it, we will finally end up with the right mix of good professionals to run our banks in the future.

## Administrative and Support Services

- When we hire new personnel, we try to utilize referrals from our own workforce. However, we have used online services to recruit when referrals are not available.
- We are in the contract staffing business, and none of our employees are part time.

## Amusement, Gambling and Recreation Industries

- The hidden cost of not being able to hire enough qualified people is that the qualified people we do employ are being asked to work overtime at time-and-a-half [pay], thus increasing our costs. In addition, management personnel are having to work increased hours to either train or fill in the gaps. This is taking a toll on both of the above categories.

## Texas Retail Outlook Survey

Data were collected February 11–19, and 50 Texas retailers responded to the surveys.  
See data files with a full history of results.

### Are you currently trying to hire?

	May. '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)	Feb. '20 (percent)
Yes	70.0	75.5	57.4	61.2
No	30.0	24.5	42.6	38.8

NOTE: 49 responses.

### Are you having problems finding qualified workers when hiring?

	May. '19 (percent)	Aug. '19 (percent)	Nov. '19 (percent)	Feb. '20 (percent)
Yes	88.6	78.4	88.9	86.7
No	11.4	21.6	11.1	13.3

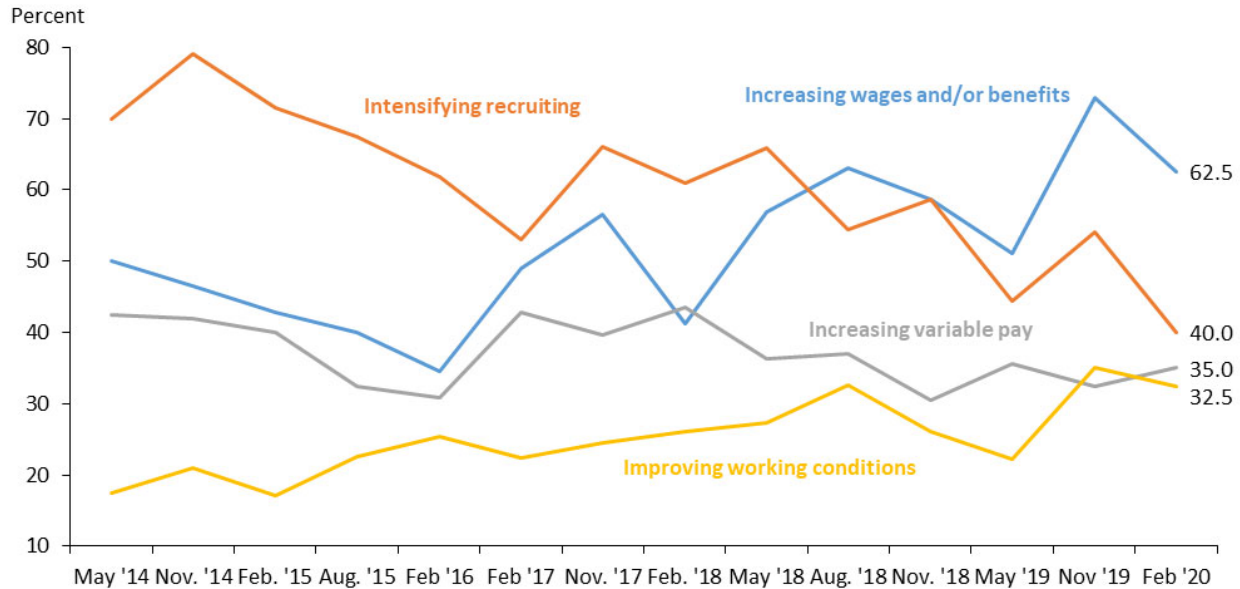
NOTES: 30 responses. This question was posed only to respondents that answered “Yes” to the preceding question.

### If you are having problems finding qualified workers, what are the main reasons? Please check all that apply.

	Feb. '17 (percent)	Feb. '18 (percent)	May '19 (percent)	Feb. '20 (percent)
Lack of technical competencies (hard skills)	55.6	48.6	64.5	57.7
Lack of available applicants/no applicants	46.7	56.8	61.3	53.8
Lack of experience	37.8	35.1	29.0	50.0
Inability to pass drug test and/or background check	48.9	37.8	54.8	46.2
Lack of workplace competencies (soft skills)	46.7	40.5	35.5	34.6
Looking for more pay than is offered	28.9	24.3	22.6	30.8

NOTES: 26 responses. This question was posed only to respondents that answered “Yes” to having problems finding qualified workers.

**What, if anything, are you doing to recruit and retain employees? Please check all that apply.**



NOTE: Data plotted for top four responses in February 2020. Data are shown for months when special questions were asked.  
SOURCE: Federal Reserve Bank of Dallas Texas Retail Outlook Survey.

	Feb. '17 (percent)	Feb. '18 (percent)	May '19 (percent)	Feb. '20 (percent)
Increasing wages and/or benefits	49.0	41.3	51.1	62.5
Increasing wages			46.7	55.0
Intensifying recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	53.1	60.9	44.4	40.0
Increasing variable pay, including bonuses	42.9	43.5	35.6	35.0
Improving working conditions	22.4	26.1	22.2	32.5
Offering additional training	30.6	32.6	33.3	30.0
Increasing benefits			20.0	22.5
Reducing education and other requirements for new hires	6.1	10.9	8.9	10.0

NOTES: 40 responses. Starting in May '19, "increasing wages" appears as a separate answer choice from "increasing benefits." We will continue to include the share of firms reporting increasing wages and/or benefits but as a calculation based on responses to "increasing wages" and "increasing benefits."

## Special Questions Comments

There were no comments for the Texas Retail Outlook Survey for this release.

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Questions regarding the Texas Business Outlook Surveys can be addressed to Emily Kerr at [emily.kerr@dal.frb.org](mailto:emily.kerr@dal.frb.org).