



Texas **Service Sector** Outlook Survey

April 28, 2020

Sharp Contraction Continues in Texas Service Sector

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on the impacts of the coronavirus (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.

This month's data release does not include annual seasonal factor revisions, which have been postponed to May. Read more information on seasonal adjustment.

The Texas service sector continued to see a dramatic contraction in April amid the coronavirus (COVID-19) pandemic and mitigation measures, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, inched up just slightly from an all-time low of -67.0 in March to -65.4 in April.

Labor market indicators reflected steeper declines in employment and further shortening of workweeks. The employment index fell from -23.8 to -35.2, its lowest reading on record. The hours worked index dropped over five points to -48.2, with over half of respondents now noting cuts in employee hours.

Perceptions of broader business conditions remained extremely pessimistic in April, while uncertainty continued to escalate. The general business activity index declined nearly three points to a new low of -81.7, while the company outlook index improved nearly six points but remained deeply in negative territory at -69.5. Meanwhile, the outlook uncertainty index rose from 37.6 in March to a new high of 43.2.

Wages and prices saw significant downward pressures in April. The wages and benefits index declined over nine points to -21.7, a record low. The input prices index fell from 0.1 to -3.8, its lowest reading on record and first negative reading since 2009. The selling prices index further declined into negative territory, from -44.5 to -47.8.

Respondents' expectations regarding future business conditions remain very pessimistic, though somewhat less so than in March. The future company outlook index, though still negative, improved nearly 18 points to -31.3. The future general business activity index rose over 23 points to a reading of -27.1, though nearly half of respondents expected worsened conditions. Other indexes of future service sector activity, such as revenue and employment, remained starkly negative but were slightly above last month's all-time lows, suggesting some tempering in expectations of weakness over the next six months.



Texas Retail Outlook Survey

Texas Retail Sales Extend Declines

Retail sales continued to fall sharply in April, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, edged up from an all-time low of -82.6 in March to -78.5. Inventories continued to decline sharply, with the inventories index weakening from -42.6 to -45.5.

Retail labor market indicators continued to reflect sharp cuts in employment and workweek hours in April. The employment index shed over 20 points to hit an all-time low of -48.8. The hours worked index declined further from -58.1 to -64.9, with nearly 70 percent of respondents noting a cut in hours compared with March.

Retailers' perceptions of broader business conditions remained bleak in April. The general business activity index was largely unchanged at -83.8, while the company outlook index remained near March levels, hitting a new low of -84.0. The outlook uncertainty index fell over five points, although at a reading of 41.0, it remains extremely elevated.

Retail prices and wages continued to fall in April. The input prices index fell from -12.0 to -24.4, while the selling prices index weakened three points to -38.5, a new low. The wages and benefits index similarly fell to an all-time low reading of -35.4, shedding nearly 15 points.

While retailers' perceptions of future conditions remain starkly negative, there was a notable moderation in the expectations of decline this month. The future general business activity index gained over 45 points for a reading of -20.9, while the future company outlook index increased from -62.4 to -22.6. Other indexes of future retail activity, such as sales and employment, were significantly less negative and, compared with March's readings, suggest a less-negative outlook 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: May 27, 2020

Data were collected April 14–22, and 250 Texas service sector and 61 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	Apr Index	Mar Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	-65.4	-67.0	+1.6	11.2	2(-)	8.1	18.3	73.5
Employment	-35.2	-23.8	-11.4	6.2	2(-)	3.5	57.8	38.7
Part-Time Employment	-33.0	-21.4	-11.6	1.4	2(-)	3.6	59.8	36.6
Hours Worked	-48.2	-43.0	-5.2	2.2	2(-)	7.9	36.0	56.1
Wages and Benefits	-21.7	-12.4	-9.3	14.3	2(-)	8.5	61.3	30.2
Input Prices	-3.8	0.1	-3.9	25.1	1(-)	18.0	60.2	21.8
Selling Prices	-47.8	-44.5	-3.3	4.9	2(-)	1.1	50.0	48.9
Capital Expenditures	-45.6	-22.7	-22.9	10.2	2(-)	5.4	43.7	51.0

General Business Conditions

Current (versus previous month)

Indicator	Apr Index	Mar Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	-69.5	-75.3	+5.8	5.2	2(-)	3.5	23.6	73.0
General Business Activity	-81.7	-78.8	-2.9	3.0	2(-)	0.2	17.9	81.9

Indicator	Apr Index	Mar Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	43.2	37.6	+5.6	13.1	27(+)	64.3	14.6	21.1

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

Indicator	Apr Index	Mar Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	-16.3	-40.3	+24.0	37.1	2(-)	39.2	5.3	55.5
Employment	-13.0	-32.3	+19.3	21.7	2(-)	21.8	43.4	34.8
Part-Time Employment	-15.1	-23.4	+8.3	6.4	2(-)	13.5	58.0	28.6
Hours Worked	-3.3	-18.2	+14.9	5.3	2(-)	23.0	50.7	26.3
Wages and Benefits	3.6	1.7	+1.9	36.1	160(+)	28.5	46.6	24.9
Input Prices	2.5	9.6	-7.1	43.9	160(+)	24.3	53.8	21.8
Selling Prices	-17.5	-16.7	-0.8	23.0	2(-)	17.7	47.1	35.2
Capital Expenditures	-27.5	-23.4	-4.1	23.6	2(-)	13.9	44.7	41.4

General Business Conditions
Future (six months ahead)

Indicator	Apr Index	Mar Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	-31.3	-49.1	+17.8	16.3	2(-)	26.6	15.6	57.9
General Business Activity	-27.1	-50.4	+23.3	13.0	2(-)	23.7	25.5	50.8

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

Indicator	Apr Index	Mar Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	-78.5	-82.6	+4.1	5.7	3(-)	7.0	7.5	85.5
Employment	-48.8	-28.4	-20.4	1.9	3(-)	2.8	45.6	51.6
Part-Time Employment	-40.7	-25.5	-15.2	-2.0	2(-)	5.1	49.2	45.8
Hours Worked	-64.9	-58.1	-6.8	-2.0	3(-)	4.1	26.9	69.0
Wages and Benefits	-35.4	-20.6	-14.8	9.4	2(-)	4.5	55.6	39.9
Input Prices	-24.4	-12.0	-12.4	18.7	2(-)	5.7	64.2	30.1
Selling Prices	-38.5	-35.5	-3.0	10.0	2(-)	1.4	58.7	39.9
Capital Expenditures	-60.7	-37.5	-23.2	8.3	2(-)	0.0	39.3	60.7
Inventories	-45.5	-42.6	-2.9	3.2	3(-)	12.2	30.1	57.7
Companywide Retail Activity								
Companywide Sales	-75.1	-83.0	+7.9	7.4	3(-)	5.9	13.1	81.0
Companywide Internet Sales	-30.4	-45.6	+15.2	6.5	2(-)	14.7	40.2	45.1

General Business Conditions, Retail
Current (versus previous month)

Indicator	Apr Index	Mar Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	-84.0	-83.8	-0.2	3.2	3(-)	0.5	15.0	84.5
General Business Activity	-83.8	-84.2	+0.4	-1.1	4(-)	0.7	14.8	84.5

Outlook Uncertainty

Current (versus previous month)

Indicator	Apr Index	Mar Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	41.0	46.4	-5.4	11.8	4(+)	62.3	16.4	21.3

Business Indicators Relating to Facilities and Products in Texas, Retail

Future (six months ahead)

Indicator	Apr Index	Mar Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	-12.3	-49.8	+37.5	31.8	2(-)	34.4	18.9	46.7
Employment	-10.7	-46.1	+35.4	11.8	3(-)	20.5	48.3	31.2
Part-Time Employment	-18.2	-23.2	+5.0	0.5	2(-)	13.3	55.2	31.5
Hours Worked	-2.4	-24.7	+22.3	2.5	3(-)	29.1	39.4	31.5
Wages and Benefits	-3.4	-3.5	+0.1	27.0	2(-)	24.3	48.0	27.7
Input Prices	-12.5	-7.3	-5.2	32.6	2(-)	14.3	58.9	26.8
Selling Prices	-10.9	-10.7	-0.2	28.7	2(-)	16.4	56.4	27.3
Capital Expenditures	-23.2	-34.5	+11.3	17.3	2(-)	17.9	41.1	41.1
Inventories	-24.8	-31.4	+6.6	7.8	3(-)	21.2	32.8	46.0
Companywide Retail Activity								
Companywide Sales	-15.1	-36.5	+21.4	30.4	2(-)	30.8	23.3	45.9
Companywide Internet Sales	5.2	-6.5	+11.7	21.6	1(+)	26.3	52.6	21.1

General Business Conditions, Retail

Future (six months ahead)

Indicator	Apr Index	Mar Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	-22.6	-62.4	+39.8	16.5	2(-)	27.7	22.0	50.3
General Business Activity	-20.9	-66.0	+45.1	12.3	3(-)	29.1	20.9	50.0

*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.

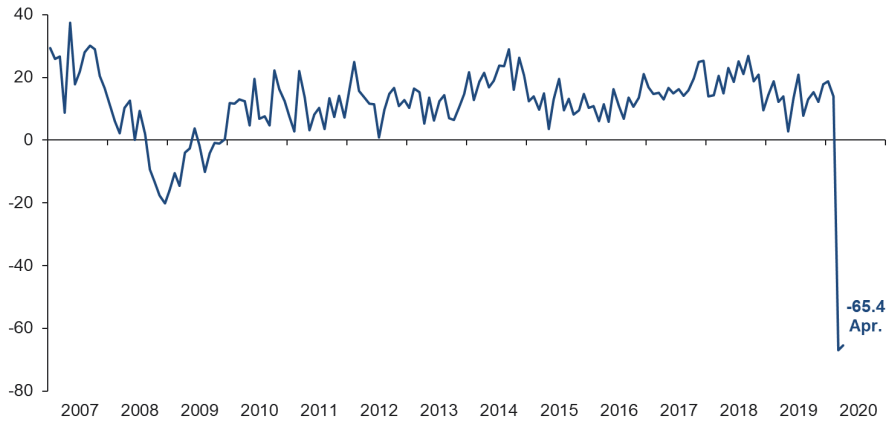
†Added to survey in January 2018.

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

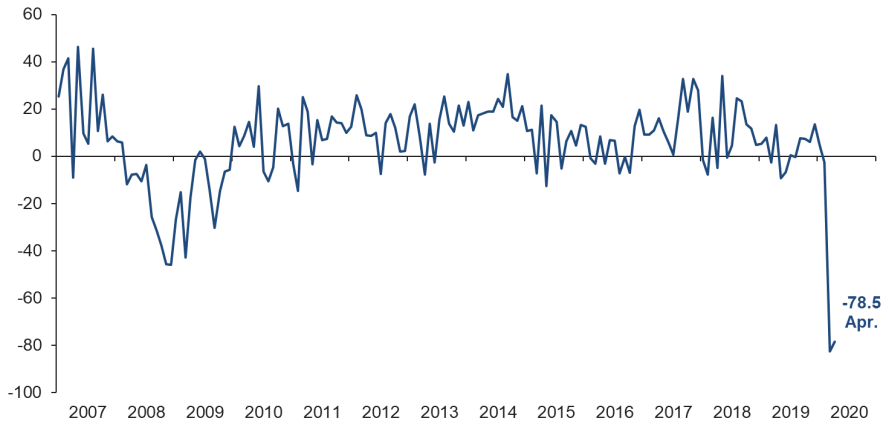
Index, seasonally adjusted



Federal Reserve Bank of Dallas

Texas Retail Outlook Survey Sales Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

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Comments from Survey Respondents

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

Support Activities for Mining

- The oil price decline significantly [reduces] need for services that my company provides.

Utilities

- Our customers' inability to pay their water bill will have a negative impact on our cash flow. It may [take] a year or more for them to recover and be able to pay in full all balances on their accounts.
- The economic damage from COVID-19 has yet to be fully realized. The government programs must be maintained to prevent a complete collapse of the economy. We need to get the economy restarted but we need to do it with a smart plan that includes several waves. Otherwise, we will be right back to lockdown again.
- Every week, it seems to be so grim. We believe it will get worse before it gets better.

Transportation Equipment Manufacturing

- As for every business, the impact of the coronavirus pandemic is substantial, both for our customers and our supply chain. Having invested heavily in our employees in the past during a hot job market and being in a technical and high-skilled industry, we have reduced everyone's working time and salaries for a while, in the hope of keeping everyone employed and seeing a rebound in business activity within the next couple of months. We do not expect to see a full recovery for a long time in the aviation industry, and we will keep a much-reduced level of activity and investments at least for the remainder of 2020.

Truck Transportation

- Business has dropped off drastically in April. America has to get back to work!

Pipeline Transportation

- We are heavily dependent on global demand for energy. COVID-19 recovery is key to our business (pipeline company) moving energy to U.S. and global markets.

Support Activities for Transportation

- Texas Security Bank persevered until we received the PPP [Paycheck Protection Program] loan funding. This loan of less than \$100,000 has allowed us to stay in business. Although we are still operating and provide an essential service, the volume loss has virtually eliminated our ability to cover overhead, even with to-the-bone expense cuts. The Fed [Federal Reserve] Bank should intervene in the matter of large companies sucking up the SBA [Small Business Administration] PPP funds from small businesses. The amount that went to [one company] alone could have kept 200 companies such as mine in business. This was a vulgar and predatory move and should absolutely not be tolerated.

Warehousing and Storage

- [We] rely on tariffs assessed to the users of waterways and docks, the majority of whom transfer liquid bulk products. Between the stark decrease in demand for petroleum products as a result of COVID-19 shutdowns and the crash in oil prices as a result of the demand disruption, coupled with a Saudi/Russia fight for market share, we expect significant declines in Texas production. In an effort to assist our customers during these times, we have rolled back our tariffs to 2019 prices, eliminating the price increase we took on Jan. 1, to be effective at least for the second quarter and re-evaluated quarterly. We are well-positioned from a balance sheet perspective but expect less revenue in 2020, as well as delays in customer project development, meaning less capital spending by both us and our customers.
- The lead-lag of Mexico dealing with the coronavirus and the U.S. reopening businesses will cause a significant downturn in business if our Mexican manufacturing is not in position to return to work at the same time. This will be determined by the severity of the pandemic in Mexico to a large part.

Data Processing, Hosting and Related Services

- Uncertainty is pervasive among our client base and peer companies. Nearly all “new” expenditures have ceased until there's more knowledge about the ripple effect of displaced workers and how long it will take the economy to rebound. The losses some people have taken financially and personally are bound to impact purchasing decision-making for some period of time. The impact on inflation from all the government money flooding the economy will be on our radar for the coming months.

Publishing Industries (Except Internet)

- Our market focus is apps that serve training and education in many forms. Touchless UI [user interface] is growing rapidly in interest using eye retina and hand/finger in 3D space, with screen touch maintaining continued interest for smarter easy interfaces. The world requires exponential testing (insight) options for knowing [COVID-19] status case by case and groups globally to get to a new acceptable normal for every aspect of human need without major FUD (Fear, Uncertainty, and Doubt). Touchless, smarter, easy-to-use interfaces are a key attribute in this medical risk success formula.

Credit Intermediation and Related Activities

- We have been extremely busy trying to process the SBA PPP loans. The challenge has been daunting trying to access the SBA portal with loan requests. As onerous as it has been, we have been able to get loan numbers for all completed small business loan applications, and those loans have been funded. It was a major undertaking requiring working around the clock. We have, like most banks, increased our reserve for loan loss in anticipation of an increase in problem loans. Our concern is that some small businesses that are nonessential will struggle to survive depending on the length of time they remain closed.
- The lack of ability for businesses to remain open during the pandemic will have a long-term negative effect on the Texas economy. Oil prices would have created enough of a downturn without the pandemic. Texas will suffer more than many other states due to our dependence on oil-related jobs and the general business closures caused by the pandemic.
- We may see an impact months from now if clients lose their businesses and cannot pay their outstanding invoices to us. However, at this time, we are very blessed to be going strong as usual.
- We are seeing significant negative impacts on national, state and local economies due to shelter restrictions.
- We have multiple businesses, all deemed essential. Our lending business is doing better than we would have expected, given that our borrowers are primarily low-income individuals working for small companies. We are launching a collision repair business and an auto dealership at the same time all this is happening, and it is a bit terrifying to be making large capital investments and growing payroll at this time. I am hopeful that we can get through the next few months and begin to earn revenue from those businesses. Our lending side has an ancillary nonprofit. We are seeing a significant decrease in funding for nonprofits as they spread their dollars over a large number of agencies.
- There is uncertainty in charge-offs due to COVID-19. However, fee income will be strong in 2020 due to PPP loans originated.

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

- PPP loans are a large boost. The drop in oil price is our biggest long-term concern.
- We have seen a significant increase in the feeling of employee loyalty. Productivity of employees, as measured by our software tools, has also increased. We have worked hard to maintain jobs. Approval of our PPP loan will make this possible.
- Our operation is 65 percent dependent on oilfield equipment and operations. With the oil price at \$10 to \$12, this is bad, bad news!

Insurance Carriers and Related Activities

- Our firm is a specialty insurance broker providing personal and commercial property casualty insurance business in Texas. We specialize in small businesses with higher-than-average risk profiles, including a significant volume of coastal catastrophe-exposed property. Through the first two weeks of April, we have seen a 25 percent drop in new business and a 15 percent drop in renewal business. We are also receiving requests to change current in-force policies to reduce rating exposures like payroll and sales.
- We are insurance brokers, so people need our product and service even in this environment. We will see premium levels drop as payroll audits and sales/revenue audits come in, showing our business clients had reduced revenue and reduced payrolls. We may also see some small business clients go out of business or drop their insurance to save money.

Real Estate

- The PPP program was very helpful, and we have taken advantage of this.
- We provide auction disposition services for real estate and personal property. We think the need for our services will increase in the next 12–18 months.
- We have to get all businesses back open on some basis. The level of fear and destruction this closure has had is unbelievable, and we need to see some hope of reopening as soon as possible. We also need a lot more outreach to small tenants and businesses to help them access the assistance that is available and get their checks to them ASAP.
- We had already had closings in the title company, so our March numbers were good. It is too early for me to see what April will look like. Since the quarantine, older homeowners do not want us to show their homes for fear of contamination. Some younger homeowners are out looking because of the low interest rates. There are also buyers right now who are looking at this time as an opportunity to make low offers thinking that sellers are more motivated to sell their homes because of job loss or fear of future earnings.

Rental and Leasing Services

- Since we are a company with 710 employees, which we intend to not terminate, furlough or lay off if at all possible, we are grouped with companies with 10,000 employees and, therefore, receive no government assistance like the PPP. I think that is an arbitrary decision made by clueless politicians attempting to appear concerned. Our business was off 5 percent through March; it is now off 50 percent through the middle of April. I hate to disrupt our team but am not sure we can keep them all when the government's socialism supports my competition and offers my company no assistance. And yes, I do not need the government's help increasing my liabilities with an MSLP [Main Street Lending Program] loan that I have to repay.

Professional, Scientific and Technical Services

- There is lots of uncertainty. We need to see how April sales tax receipts impact Texas and the state comptroller's outlook. This will have implications for our work in 2021. We have a strong backlog with large, funded projects to sustain the majority of our workforce. We do anticipate some softening and some associated staff adjustments to weather any downturn.
- Energy companies continue to cut jobs and capital spending, which reduces the demand for consulting services. With reduced demand, prices are cut to win the small amount of work available. My outlook is currently dismal, and I don't see any improvement in the near future—six to nine months—no matter what the federal government does to "open" the economy.
- All worsening is due to COVID-19 impacting revenue from customers in the U.S. and overseas.
- Uncertainty is the new constant. We continue to wait and see at this point. We are digesting views on markets reopening, but again, there is still a lot of uncertainty. The world is on hold.
- It's too early to tell what the short-, mid- and long-term impact of COVID-19 will be on the legal services center. Short term there will likely be a flurry of activity, followed in the medium term by a slowdown of activity, then a return to normal, then above-normal demand if the market is opportunistic in its reaction.
- March was good for us in terms of hours worked, billings and collections. Some areas like health care and labor picked up. Real estate and finance maintained their workload. In April, we are hearing of some slowing in transactional areas like corporate and finance, but it does not seem too meaningful yet. Collections remain pretty good halfway through the month.
- The combination of COVID-19 and oil price reduction has slowed our engineering projects already under contract and slowed the inflow of new projects. There is great uncertainty about the impact on projects in Q3 and Q4, and we face the prospect of new work as clients cut costs.
- The COVID-19 situation started out as a problem for us, but due to the increased need for health care supplies, we were able to quickly recover.
- COVID-19 and oil around \$25 have and/or will have a dramatic impact on commercial real estate and, therefore, our business. We have applied for a PPP loan and are awaiting approval. If business decreases only slightly in the near term and then improves, this will save us. If business is substantially reduced and for several month, then the PPP loan will only delay the inevitable—great reduction in staff, salaries, etc.

- It's almost impossible to forecast the future until the pandemic situation is under control.
- The COVID-19 get-back-to-work measures need to come fast, and they need to be implemented on a regional basis. Texas is not New York City. We should be able to get people back to work soon. It is crazy that we are laying off nurses and health care workers and canceling all orthopedic, breast cancer, cancer and other surgeries for our own Texans in need, yet the Texas hospitals are close to empty. There are no coronavirus patients lined up inside or outside Texas hospitals. We have put our tourism industry, restaurant, and retail sectors out of business. Texas was at full employment, and now unemployment is at its highest. The number of jobs that have been lost is heartbreaking. I am all for the quarantines, but at some point, it will be time to get Texas back to work. We are super concerned about the trillions [of dollars] in growth of the national debt with the stimulus packages. It will be interesting to see what effects this will have on the economy. We were worried about the national debt before the pandemic. I have no idea what this will mean for our country in the long run. It's great that this has exposed our economic reliance upon China—for just about everything—flaws in our FDA [Food and Drug Administration] rules, medical supplies, drugs, etc. This will all change our country forever. I think we all knew this would happen, but I don't think any of us thought it would happen in our lifetime.
- Payment terms for our customers have started to stretch out as they are sitting on cash. Product is moving, sales are good, but unpaid receivables are increasing. A large portion of our revenue is cash-based commissions, for which payment is now being delayed.
- Conditions make it almost impossible for me to project three to six months down the road. A lot of our work is associated with warehouses and e-commerce, which appear to be increasing. We have seen very few delays or cancellations to this point with new projects.
- After the immediate shock was absorbed and assessed by the capital markets, the outlook for [the financial advisory services] industry has improved as there likely will be the need for more valuation for divorces, transactions, estate planning/gifting, private equity and fair value/financial reporting (good will impairment).
- If we allow government doctors to run the economy, we will all be out of work by the end of the year, and there will be no one left to pay the taxes for the bailouts.
- We have eliminated positions, furloughed [workers] and reduced schedules. Continued shelter in place will destroy the economy; we need to get back to work. We must manage the risk but open up.

Management of Companies and Enterprises

- Hopefully, this will be a good week for us.
- To do the SBA PPP loans, we have brought in our interns early to help. Our people have been working around the clock and on weekends to get them all inputted. We made over 4,900 loans totaling \$646 million on the first round and are ready for the second. This will help earnings over the next quarter, but as these pay off and the problem loans start rising, we will have less income and more cost.

Administrative and Support Services

- I'm in the recruiting business, so with unemployment on the rise, coupled with the uncertainty in the financial markets, we are not expecting to see an improvement in the short term; I do believe things will normalize and we'll rely on operational and G&A [general and administrative] expense reductions to slow cash burn. Needless to say, there is more uncertainty, but we remain optimistic.
- We will not begin to see a recovery until the mindset of the people changes to the prospect that you will not get sick every time you meet a stranger. The effects of the shutdown of the economy will seep into every household. Towns, counties and states are going to lose tax revenue, which will affect services. Entertainment will be slow to come back. Domestic manufacturing will see a resurgence as we focus on job creation and strategic sourcing.
- Besides the obvious COVID-19 issues, there is the total lack of support for the PPP program as created and fumbled by the banks and SBA. My company applied to several banks and was totally ignored. We have as of yet to have a bank respond that it has reviewed our application or is needing further documentation. This has totally changed my mind on the current powers that are in office.
- The current health care issues have negatively impacted demand across a broad, cross section of the economy. It is still early in the process, but we expect significant liquidity issues throughout the system.
- Luxury travel sales are off by more than 90 percent and not expected to return to a profitable level until sometime in 2021.
- Shelter in residence has had an impact—every visual for a house is virtual, [making it] difficult to establish scale, [the] neighborhood, etc.

- Our company has a good backlog of work. However, we have a serious manpower shortage. The virus has caused many employees to stop coming to work.
- Our government contract went from \$4 million gross sales this past quarter to \$0 in the month of April. We provide travel services for government and corporate accounts, and we have been terribly impacted by the coronavirus. Two of our offices, one in Arizona and another in New Orleans, are closed indefinitely. Ninety-five percent of the staff has been laid off. We are all working from home because we still have to service our clients for the next four years. There is always a bright spot in the sky, and I know I will find it sooner or later.
- We're operating remotely and able to keep the business functioning. That being said, revenue has declined and clients have shut some projects, releasing contract staff. The forecast for future revenues is continuing to decline.
- COVID-19 has turned our industry upside down.
- Because of our organization structure, we are not eligible for any of the relief programs thus far.

Waste Management and Remediation Services

- Because of demand increases, prices for our finished goods have risen to levels not seen in years. Ironically, the supply to manufacture our finished goods has decreased from generators. Metaphorically, many consumers are competing for the same roll of toilet tissue.

Educational Services

- Our packaging business is very food and beverage based. While our promotion work is down, velocity is up for grocery and supermarkets, which is improving our forecast.
- A psychological transition is beginning to occur in our business as we move into the opening phase of our business and the country. The economic indicators were solid going into the COVID-19 country shutdown, and I feel strongly that those underlying metrics are resilient and would bounce back rather quickly.
- We are in a better position in April versus March, largely due to our quick response to the pandemic. Our ability to shift to virtual coaching and be flexible with our current solutions to meet the new needs of our clients has positioned us in a better place than last month.

Ambulatory Health Care Services

- COVID-19 has been very hard on our business. We are continuing to pay employees, without the possibility of receiving the PPP loan. However, our revenues are down over 52 percent.
- PPP loans are a great concept but a difficult execution. None of the three major banks we have 20-plus-year commercial relationships with have been able/willing to let us even apply for a PPP loan through them. Ridiculous! As a dental practice, we actually ran out of PPE [personal protective equipment] two days before we were mandated to close (prohibiting discretionary dentistry is effectively mandating a close—general dentists might see three or four emergencies a month and can't afford to be staffed for just that). Supply chains for PPE were already being diverted, so the higher your volume, the sooner you ran out. The result was immediate furloughing of doctors/clinical staff.
- COVID-19 is having a significant impact.
- We are continuing to pay our 125 employees full time with benefits. Despite getting our SBA application into the bank on the first day, the bank was unable to upload to the SBA site and we were not funded, which is a bit of a hardship with a monthly payroll of \$550,000 and total revenues now \$450,000 monthly.
- Obviously, due to COVID-19 rampaging, home health and hospice providing services at patients' homes, nursing homes and hospital settings placed a significant burden on the businesses to comply with CDC [Centers for Disease Control] standards. On the other hand, the CMS [Centers for Medicare & Medicaid Services] CARES [Coronavirus Aid, Relief and Economic Security Act] funding for companies that have taken care of Medicare patients is a huge benefit and support. Similarly, the SBA loan package should be made available for some of the small businesses that are unable to get funded in the first round should be funded eventually to make sure that all applications are approved with the condition that each applicant meets the requirements. Overall, we appreciate CMS and SBA programs that are providing a huge lifeline for health care service providers.

Nursing and Residential Care Facilities

- As a senior living company, we are having to pay 1 1/2 to 2 times for labor at communities with a reported case of COVID-19, incurring extra costs related to sterilization of our communities and increased supply costs for PPE. At the same time, we are only able to move in a limited number of new residents, but the normal churn of resident move-outs continues. We also anticipate that we will have to reduce the rates we charge for rent and services coming out of the COVID-19 crisis. So, we have upward pressure on expenses and downward pressure on revenues.
- As a long-term care and senior living community, COVID-19 has had a negative overall impact on our communities. We have not had a positive case in our community, but census is down due to reduced skilled referrals, limits on community admissions to reduce spread risk and to media-generated fear of the long-term care environments.

Social Assistance

- While the pandemic has limited our ability to offer certain services (e.g., on-the-job training, work experience, internships and in-person educational programs), we have received increased federal/state funding to deliver services, so that we have and are implementing technology (which has required investments) that is creating internal productivity efficiencies and also virtual/online offerings to customers.
- We are currently working remotely and working to move our operation to a virtual platform. When the state begins to rebound, we will have greater opportunity to provide training to citizens who suffer job losses.

Amusement, Gambling and Recreation Industries

- Social distancing makes our operation impossible.

Accommodation

- With shelter in place active in most of the markets, we are in at least through April 30; hotel occupancies with a few exceptions are close to 0 percent. We have three hotels closed and have laid off 70 percent of the staff in the hotels. Group business is all canceled through May, and in many cases, through the summer. There are some new bookings for August or later. This is a multiyear recovery for hotels. We have not laid off any corporate staff. We have cut salaries, but we feel it's vitally important to do all we can do to support the owners of the hotels we manage. We have applied through a new local bank relationship for our share of the PPP loan program under the CARES Act. We had to shift to a new bank. [Our primary bank] was slow out of the gate and still hasn't been able to intake an actual application. We hope we are approved and can get funded quickly before we run out of cash and have to resort to layoffs. The process, which kicked off last Friday, has been a confusing mess for all involved—both borrowers and lenders—with each lender making up their own underwriting rules. As of this writing, our forecasted April management fees from the hotels we manage are down to about \$54,000 (9 percent of budget), and our monthly corporate payroll exceeds \$400,000. Time is running short for Washington to double or triple the stimulus package or companies like ours will be gone.
- We continue to navigate the uncertainty throughout the country, increased government restrictions and dramatically reduced travel. We do not expect a return to normal seasonal business levels until Q1 2021.
- COVID-19—enough said. With so much uncertainty regarding the timing of when to get our business reopened or even how, it is very difficult to predict the future.
- As an operator of hotels, restaurants and spas, we have no idea how long the current "stay at home" restrictions will remain in place or how long it will take the public to return to traveling, eating out and purchasing spa experiences. Like everyone else, we are in uncharted waters.

Food Services and Drinking Places

- Our restaurants are down to carryout only. We are staying open and have applied for PPP loans but are losing money every day. Hopefully, this shutdown is lifted soon, or at least the strings are loosened. Our restaurants also have arcades, so we are concerned the lift on that may be even further into the future. We are still optimistic that we will be back to business as usual six months from now.
- Our sales are off 35 percent. We are achieving some economies of scale with limited menu and drive-thru only. We will have numbers in two weeks and know more then.
- I believe we will have a pickup in business, but the curve will be U-shaped not a V shape.
- Coronavirus is hurting my business so badly.

Personal and Laundry Services

- My business has been shut down by the city as a "nonessential" business due to COVID-19.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- Our entire office is working remotely, including board meetings being held virtually.
- COVID-19 is damaging our business pretty dramatically.
- Thousands of workers are out of work. We expect OSHA [Occupational Safety and Health Administration] complaints and litigation on employee deaths from COVID-19.
- We are a social services nonprofit providing emergent needs. We have seen an increase in both community support and community need.

Merchant Wholesalers, Durable Goods

- We are struggling on sales. [We are] down 25 percent in April 2020 versus April 2019.
- Sales are currently being impacted by the supply chain. We import products from China, which has been slow to restart. We also obtain and sell PPE to the restoration, construction and industrial markets. The manufacturers have shifted their production to the health care market. Although shortages are starting to affect our sales, we expect these issues to be short lived, but it will take time to recover.
- Oil prices are rapidly affecting manufacturing activity in DFW.
- Our biggest concern remains the price of WTI [West Texas Intermediate] oil and the impact to the Texas economy. That, coupled with the COVID-19 economic impact, is a "double black swan" event for Texas.

Merchant Wholesalers, Nondurable Goods

- COVID-19 is directly impacting the casual-dine customers we serve. With dining rooms closed worldwide, our business is down 85–90 percent from March. We're receiving a few orders from customers that serve the grocery industry, but it's not enough for us to sustain our workforce long term. The PPP loan will be a huge boost for retaining employees. If the closures remain in force through June, we will be forced to close our business.

Motor Vehicle and Parts Dealers

- COVID-19 has caused a bump in the road. Once the virus is under control and the country reopens, good expectations from a pent-up market should come about.
- The automotive industry is off 60 percent.
- April will be the most challenging month of the year as the stimulus package is in play and people go back to work. Dallas County has failed to recognize auto sales as "essential." Showrooms closed and sales are by online appointment only. There is inconsistency within the [metroplex] and state as many cities and counties permitted dealerships to be open. We strongly support COVID-19 safety guidelines. The used car business is off 40 percent or more, service is off 30 percent and fleet business has stopped. All of our energy-related business is depressed. Sold orders for new vehicles were canceled. New vehicles sold to governmental agencies are on delivery hold until agency staff are back at work. The additional floor plan is a cost to us.

- We see significant drops in used car values, and more importantly, a lack of buyers in the wholesale markets that allow us to take older higher-mileage used cars in trade on newer models. The fact that most dealership showrooms are closed is having a strong effect on all vehicle sales. We believe the used car valuation issue will affect lenders, leasing companies, manufacturers, customers and dealers. The used car market is almost three times larger than the new vehicle industry. This issue will increase the amount of negative equity customers have in their vehicles, as well as increase loan losses for the lenders.

Building Material and Garden Equipment and Supplies Dealers

- This will be a long process. When things open up, the media has everyone so scared they are not going to want to fly, eat out, etc. I fear this could be a two- to three-year downturn.
- Business conditions were very dark at the end of the prior month. We had adjusted our expectations downward at that time. Since then, conditions, though terrible, haven't yet been as bad as expected. It appears policymakers are beginning to move to a more risk-based approach to managing the coronavirus situation, which should be more effective from both a public health and an economic perspective.

Health and Personal Care Stores

- Supply chain issues and "stay at home" orders related to COVID-19 are affecting our sales adversely at this time.

Clothing and Clothing Accessories Stores

- Our financial situation has dramatically deteriorated, with no revenue coming in as a result of closed stores. Unfortunately, we do not appear to qualify for any government help.

Questions regarding the Texas Service Sector Outlook Survey can be addressed to Christopher Slijk at christopher.slijk@dal.frb.org.

Texas **Business** Outlook Surveys

Special Questions

April 27, 2020

For this month's survey, Texas business executives were asked supplemental questions on the impacts of the coronavirus (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 April 14–22, and 407 Texas business executives responded to the survey.

How has the coronavirus (COVID-19) impacted each of these measures of your business in April?

	No effect (percent)	Slight negative effect (percent)	Significant negative effect (percent)	Negative effect, combined (percent)	Slight positive effect (percent)	Significant positive effect (percent)	Positive effect, combined (percent)
Availability of materials/inputs	37.6	40.4	19.4	59.8	1.5	1.0	2.5
Production/revenue/sales	12.1	26.2	54.7	80.9	4.2	2.7	6.9
Demand for products or services	10.6	21.5	56.4	78.0	4.5	6.9	11.4
Number of employees	48.4	26.9	20.5	47.4	3.0	1.2	4.2
Hours worked	29.5	34.9	28.5	63.4	5.0	2.2	7.2
Capital spending	30.8	21.8	44.5	66.3	1.5	1.5	3.0

NOTES: 407 responses. This same question was posed in March. See results.

Please estimate the impact on demand for products or services.

	Percent
Average negative impact	45.7
Average positive impact	40.9

NOTES: This question was only posed to those indicating an effect on demand for products or services. The average negative impact calculation is based on 315 responses. The average positive impact calculation is based on 46 responses.

Please indicate whether the change in employment is temporary or permanent.

	Temporary (percent)	Permanent (percent)
Negative effect on employment	75.1	24.9
Positive effect on employment	58.3	41.7

NOTES: This question was only posed to those indicating an effect on number of employees. The negative effect breakouts are based on 173 responses. The positive effect breakouts are based on 12 responses.

Do you expect to rehire the same number of employees?

	Percent
Yes	41.7
No, we expect a slightly reduced headcount going forward	34.8
No, we expect a significantly reduced headcount going forward	8.3
Don't know	15.2

NOTES: This question was only posed to those indicating a temporary negative effect on number of employees. 132 responses.

Please indicate which of the following best characterizes your firm's current situation.

	Percent
Fully operational	59.3
Temporarily shut down part of our operations	33.3
Temporarily shut down all of our operations	5.9
Permanently shut down part of our operations	1.0
Permanently shut down all of our operations	0.5

NOTE: 405 responses.

Please mark the reason(s) behind your firm's shutdown.

	Percent
Employee protection/health	46.9
Our industry is subject to state/local operational restrictions	46.3
Weak demand/sales	46.3
Other	10.5

NOTES: This question was only posed if any type of shutdown was selected. 162 responses.

Have you taken any of the following measures to cover shortfalls in revenues experienced as a result of the coronavirus (COVID-19) outbreak? Please select all that apply.

	Percent
Applied for the new SBA PPP	68.0
Drawn down cash reserves	39.0
Laid off employees	26.7
Reduced salaries	25.6
Drawn down line of credit	23.8
Applied for one of the other new SBA programs established by the CARES Act	14.5
Dipped into personal savings	11.0
Obtained a loan payment deferral	10.2
Obtained a rent payment deferral	7.8
Applied for a traditional SBA loan	3.8
Taken out a new loan (non-SBA)	3.2
Other	14.0

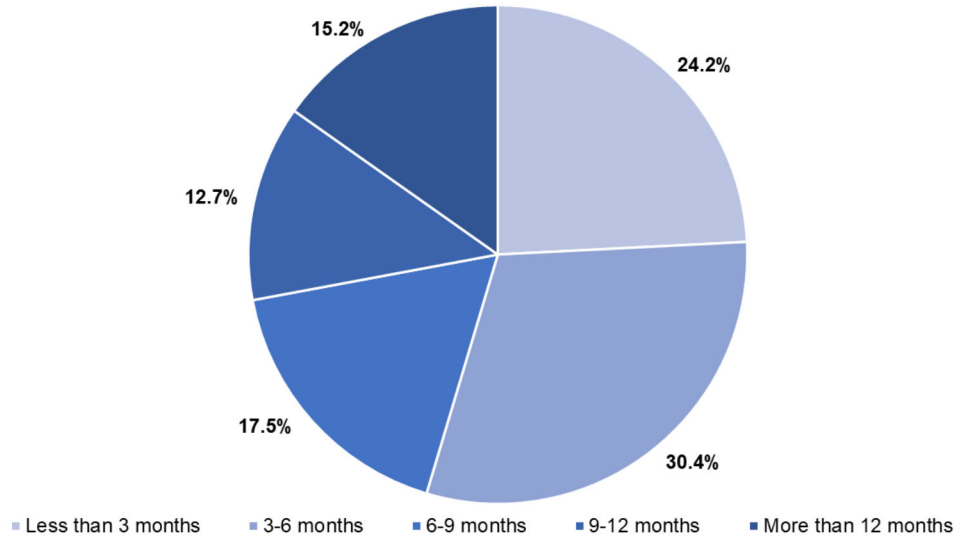
NOTES: 389 responses. The most common 'other' measures specified were reduced work hours, lowered operational or capital spending, and implemented a hiring freeze. SBA stands for Small Business Administration, PPP is the Paycheck Protection Program and CARES is the Coronavirus Aid, Relief, and Economic Security Act.

Please mark which new SBA program(s) established by the CARES Act that you applied for, other than the PPP.

	Percent
EIDL Advance	73.9
SBA Express Bridge Loans	26.1
SBA Debt Relief	19.6

NOTES: This question was only posed to those indicating they have applied for one of the other new SBA programs established by the CARES Act. 46 responses. EIDL stands for Economic Injury Disaster Loan.

Once shelter-in-place and social distancing mandates are lifted, how long do you estimate it will take for demand for your firm's products or services to return to typical levels?



NOTE: Shares may not sum to 100 percent due to rounding.
SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Surveys.

NOTE: 401 responses

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

Texas Manufacturing Outlook Survey

Data were collected April 14–22, and 110 Texas manufacturers responded to the surveys.

How has the coronavirus (COVID-19) impacted each of these measures of your business in April?

	No effect (percent)	Slight negative effect (percent)	Significant negative effect (percent)	Negative effect, combined (percent)	Slight positive effect (percent)	Significant positive effect (percent)	Positive effect, combined (percent)
Availability of materials/inputs	37.4	48.6	11.2	59.8	1.9	0.9	2.8
Production	20.4	34.3	38.9	73.1	3.7	2.8	6.5
Demand for products or services	11.9	19.3	56.0	75.2	6.4	6.4	12.8
Number of employees	52.3	30.3	12.8	43.1	3.7	0.9	4.6
Hours worked	33.3	37.0	20.4	57.4	6.5	2.8	9.3
Capital spending	29.0	20.6	47.7	68.2	0.9	1.9	2.8

NOTES: 110 responses. This same question was posed in March. See results.

Please estimate the impact on demand for products or services.

	Percent
Average negative impact	45.2
Average positive impact	26.8

NOTES: This question was only posed to those indicating an effect on demand for products or services. The average negative impact calculation is based on 82 responses. The average positive impact calculation is based on 14 responses.

Please indicate whether the change in employment is temporary or permanent.

	Temporary (percent)	Permanent (percent)
Negative effect on employment	78.7	21.3
Positive effect on employment	25.0	75.0

NOTES: This question was only posed to those indicating an effect on number of employees. The negative effect breakouts are based on 47 responses. The positive effect breakouts are based on 4 responses.

Do you expect to rehire the same number of employees?

	Percent
Yes	55.3
No, we expect a slightly reduced headcount going forward	15.8
No, we expect a significantly reduced headcount going forward	7.9
Don't know	21.1

NOTES: This question was only posed to those indicating a temporary negative effect on number of employees. 38 responses.

Please indicate which of the following best characterizes your firm's current situation.

	Percent
Fully operational	73.4
Temporarily shut down part of our operations	21.1
Temporarily shut down all of our operations	4.6
Permanently shut down part of our operations	0.9
Permanently shut down all of our operations	0.0

NOTE: 109 responses.

Please mark the reason(s) behind your firm's shutdown.

	Percent
Employee protection/health	71.4
Our industry is subject to state/local operational restrictions	50.0
Weak demand/sales	32.1
Other	7.1

NOTES: This question was only posed if any type of shutdown was selected. 28 responses.

Have you taken any of the following measures to cover shortfalls in revenues experienced as a result of the coronavirus (COVID-19) outbreak? Please select all that apply.

	Percent
Applied for the new SBA PPP	73.7
Drawn down cash reserves	38.9
Drawn down line of credit	28.4
Laid off employees	23.2
Reduced salaries	17.9
Applied for one of the other new SBA programs established by the CARES Act	15.8
Obtained a loan payment deferral	10.5
Dipped into personal savings	7.4
Applied for a traditional SBA loan	6.3
Taken out a new loan (non-SBA)	5.3
Obtained a rent payment deferral	3.2
Other	16.8

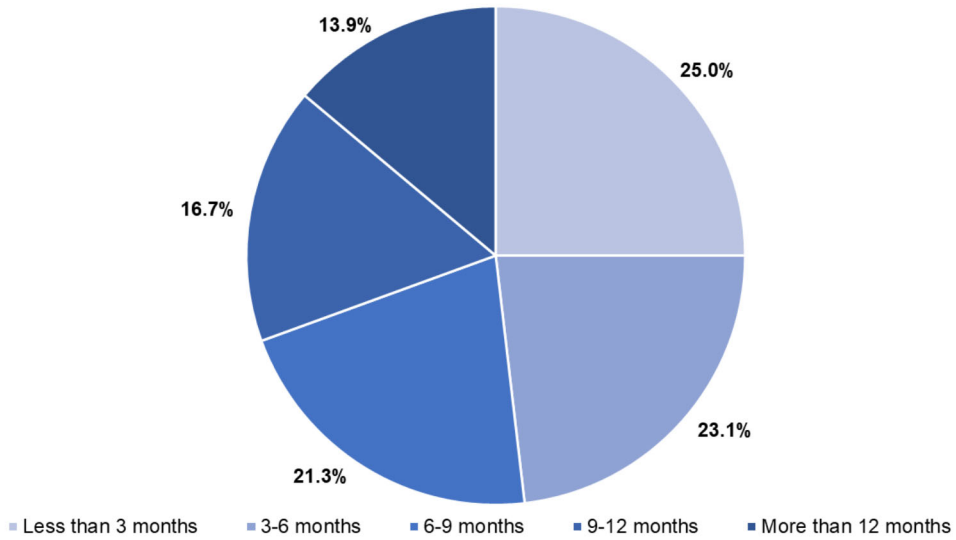
NOTES: 105 responses. SBA stands for Small Business Administration, PPP is the Paycheck Protection Program and CARES is the Coronavirus Aid, Relief, and Economic Security Act.

Please mark which new SBA program(s) established by the CARES Act that you applied for, other than the PPP.

	Percent
EIDL Advance	84.6
SBA Express Bridge Loans	23.1
SBA Debt Relief	7.7

NOTES: This question was only posed to those indicating they have applied for one of the other new SBA programs established by the CARES Act. 13 responses. EIDL stands for Economic Injury Disaster Loan.

Once shelter-in-place and social distancing mandates are lifted, how long do you estimate it will take for demand for your firm's products or services to return to typical levels?



NOTE: Shares may not sum to 100 percent due to rounding.
SOURCE: Federal Reserve Bank of Dallas, Texas Manufacturing Outlook Survey.

NOTE: 108 responses

Special Questions Comments

These comments have been edited for publication.

Chemical Manufacturing

- We have asked for rent payment deferrals for our leased facilities and have not received them, as landlords are also struggling. We elected to permanently consolidate operations in fewer sites to strengthen cash flow until we see normality return, possibly two years.
- There is some evidence that customers built inventory before the U.S. shutdown in anticipation of shortages. We are operating with many hourly workers furloughed, with pay 50 percent of time.

Plastics and Rubber Product Manufacturing

- COVID-19 hasn't impacted our facility. We are a critical manufacturer due to the need of our products in the oil field. We've taken steps to mitigate exposure through social distancing, working remotely and asking all non-employees to contact us prior to arriving at the facility.

Nonmetallic Mineral Product Manufacturing

- Construction will have a lagging COVID-19 impact. A slowdown is coming, but we do not know when or for how long.

Fabricated Metal Manufacturing

- I don't understand the rush to open up the nation. Yes, social distancing is working. But, then, you have all the recent fools that think the government is doing something to take away their rights.
- We have not decreased staff. We have had some take personal time for their families and to take care of children who are out of school. Our business is strong, but limiting movement of employees and going through health checks each day slows our processes.

Machinery Manufacturing

- We estimate that the demand for oil may take up to a year to return to previous levels.
- The oil price will be the biggest driver for us. We are a long-cycle oil and gas/energy-driven business. If oil demand and the oil price increase rapidly following the lifting of lockdowns, we will likely see little overall impact. If the oil price remains depressed, we will see a significant decline—2014 on steroids.
- Forecasting is really up in the air right now with oilfield work. If [oil] prices do not rise back to semi-normal levels, we will see a dramatic decline in sales for 2020 and beyond.
- The price of oil has a dramatic impact on our business. Tell me when the oil price recovers to \$40 per barrel, and that will get us up and running six months later. Big oil is in a state of shock right now, and it will take some time to return to normal. Dividends right now have a higher priority than any other business dealings. So if you're a shareholder of their stock, you should feel good.

Computer and Electronic Product Manufacturing

- We are hoping that demand will pick back up in three to six months, but we are worried that some of that demand will be muted by the smaller number of workers. We will have some pent-up demand for new systems, but we expect those systems to be smaller as a result of a smaller workforce.
- PPP has provided funds to keep employees on the payroll for the time being, but if reduced demand continues for months, we likely cannot sustain that level of employment. We don't think we will see the real impact for months, as we manufacture for other businesses. It will take time for those businesses to assess what direction they need to move with regard to production. Oil prices have had more impact to date than COVID-19, but we think COVID-19-related shelter-in-place results will impact our customers in the second and third quarters, likely impacting us in the third and fourth quarters, but we don't really know.

Transportation Equipment Manufacturing

- The virus has caused a collapse in the oil price.
- Short term, we are in relatively good shape. We have an existing-order backlog still of eight-plus months. However, new orders are being delayed and customer budgets are being cut. So we anticipate much lower volumes of new orders this year, which will mean lower deliveries and revenues for 2021 than previously forecasted.
- So much is unknown that it is hard to answer with confidence most questions about the future. The outlook is not good.
- We subcontract a significant amount of work to small businesses. We anticipate that many of our current subcontractors will not be able to withstand the current diminishment of business. It will take us several months to identify and qualify replacements for these vendors.

Food Manufacturing

- We are fully operational, and we expect lengthened work hours and will bring our administrative team working from home back in-house.

Beverage and Tobacco Product Manufacturing

- As far as return to normal, that is the million-dollar question. If all pre-COVID jobs return and oil bounces back, I would say less than three months. If most pre-COVID jobs return but oil stays low, it's three to six months. If unemployment stays above 6–7 percent, I don't know. If fear (of virus, layoffs, etc.) remains, I don't know. The longer that this drags out, the more people's perceptions and behaviors will be changed moving forward. I would like to think that we will have a quick bounce back to "Trump economy normal," but I am afraid that it may not be so easy. I've never hoped more to be incorrect.

Paper Manufacturing

- I think the federal government has taken meaningful steps to help businesses during this chaotic time. It has been and will continue to be my stance that the best thing I can do is to keep my employees working. The PPP program has helped me to do that.

Printing and Related Support Activities

- Lift the shutdown immediately.
- The overall economic fallout is of greater concern than the virus. Our business will depend on the length of the recession.

Miscellaneous Manufacturing

- The economy must open back up in a meaningful way very soon—as in 2–3 weeks—to avoid further catastrophic negative effects on sales volumes. We received the PPP loan/grant on April 8, 2020, and immediately brought all employees back for 40 hours per week for the next eight weeks. If business doesn't pick up by the end of that period, we are planning to lay off employees and cut the hours of remaining ones commensurate with the level of business.

Texas Service Sector Outlook Survey

Data were collected April 14–22, and 297 Texas business executives responded to the surveys.

How has the coronavirus (COVID-19) impacted each of these measures of your business in April?

	No effect (percent)	Slight negative effect (percent)	Significant negative effect (percent)	Negative effect, combined (percent)	Slight positive effect (percent)	Significant positive effect (percent)	Positive effect, combined (percent)
Availability of materials/inputs	37.7	37.4	22.5	59.9	1.4	1.0	2.4
Revenue/sales	9.1	23.3	60.5	83.8	4.4	2.7	7.1
Demand for products or services	10.2	22.4	56.6	79.0	3.7	7.1	10.8
Number of employees	47.0	25.7	23.3	49.0	2.7	1.4	4.1
Hours worked	28.0	34.1	31.4	65.5	4.4	2.0	6.4
Capital spending	31.4	22.2	43.3	65.5	1.7	1.4	3.1

NOTES: 297 responses. This same question was posed in March. See results.

Please estimate the impact on demand for products or services.

	Percent
Average negative impact	45.9
Average positive impact	47.9

NOTES: This question was only posed to those indicating an effect on demand for products or services. The average negative impact calculation is based on 233 responses. The average positive impact calculation is based on 32 responses.

Please indicate whether the change in employment is temporary or permanent.

	Temporary (percent)	Permanent (percent)
Negative effect on employment	73.8	26.2
Positive effect on employment	75.0	25.0

NOTES: This question was only posed to those indicating an effect on number of employees. The negative effect breakouts are based on 126 responses. The positive effect breakouts are based on 8 responses.

Do you expect to rehire the same number of employees?

	Percent
Yes	36.2
No, we expect a slightly reduced headcount going forward	42.6
No, we expect a significantly reduced headcount going forward	8.5
Don't know	12.8

NOTES: This question was only posed to those indicating a temporary negative effect on number of employees. 94 responses.

Please indicate which of the following best characterizes your firm's current situation.

	Percent
Fully operational	54.1
Temporarily shut down part of our operations	37.8
Temporarily shut down all of our operations	6.4
Permanently shut down part of our operations	1.0
Permanently shut down all of our operations	0.7

NOTE: 296 responses.

Please mark the reason(s) behind your firm's shutdown.

	Percent
Our industry is subject to state/local operational restrictions	49.3
Employee protection/health	46.3
Weak demand/sales	41.0
Other	11.2

NOTES: This question was only posed if any type of shutdown was selected. 134 responses.

Have you taken any of the following measures to cover shortfalls in revenues experienced as a result of the coronavirus (COVID-19) outbreak? Please select all that apply.

	Percent
Applied for the new SBA PPP	65.9
Drawn down cash reserves	39.0
Reduced salaries	28.5
Laid off employees	28.1
Drawn down line of credit	22.1
Applied for one of the other new SBA programs established by the CARES Act	14.1
Dipped into personal savings	12.4
Obtained a loan payment deferral	10.0
Obtained a rent payment deferral	9.6
Applied for a traditional SBA loan	2.8
Taken out a new loan (non-SBA)	2.4
Other	12.9

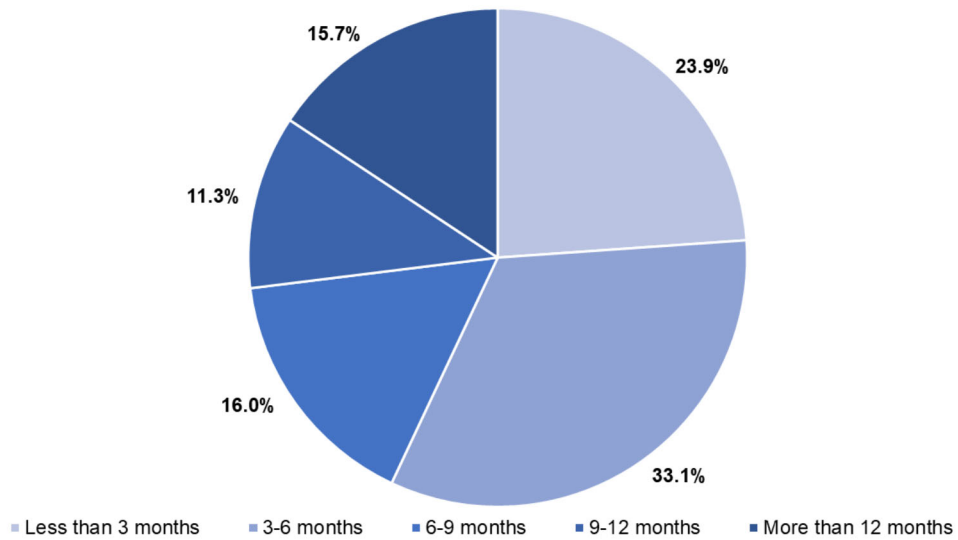
NOTES: 284 responses. SBA stands for Small Business Administration, PPP is the Paycheck Protection Program and CARES is the Coronavirus Aid, Relief, and Economic Security Act.

Please mark which new SBA program(s) established by the CARES Act that you applied for, other than the PPP.

	Percent
EIDL Advance	69.7
SBA Express Bridge Loans	27.3
SBA Debt Relief	24.2

NOTES: This question was only posed to those indicating they have applied for one of the other new SBA programs established by the CARES Act. 33 responses. EIDL stands for Economic Injury Disaster Loan.

Once shelter-in-place and social distancing mandates are lifted, how long do you estimate it will take for demand for your firm's products or services to return to typical levels?



NOTE: Shares may not sum to 100 percent due to rounding.
SOURCE: Federal Reserve Bank of Dallas, Texas Service Sector Outlook Survey.

NOTE: 293 responses

Special Questions Comments

These comments have been edited for publication.

Support Activities for Mining

- The demand is factored by both the COVID-19 and the drop in oil prices. COVID-19 caused much of the backlog to be delayed six-plus months, while the delay due to the decline in oil prices will be much longer.

Warehousing and Storage

- Oil takes more than a month to stop flowing, so we expect a slight decrease (10–20 percent drop) in revenues in April but a far more significant drop in the three- to six-month period, perhaps as great as 50 percent. We have a large amount of cash on our balance sheet and an open line of credit, so we do not expect any drastic response will be needed. We will take austerity measures as needed to help reduce expenses by 10–15 percent for the balance of the year but do not plan to reduce workforce, hours worked or pay.

Broadcasting (Except Internet)

- Demand for our radio broadcasting services is 40 percent of the normal demand (loss of 60 percent).

Credit Intermediation and Related Activities

- We have concerns with the long-term effects of the COVID-19 shutdown, particularly the effects on construction/contractors.
- We have started working in teams—seven days on and seven days off for each team—but essential employees are able to work from home when rotating out of the bank. All employees continue to be paid a full salary.
- As a financial institution, we will be adding significant revenue (25 to 30 percent increase) to our allowance for loan losses. We anticipate significant business closures and increased loan losses over the next 12 months.

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

- Landlords for our various offices across Texas and Arizona are giving the same response (almost verbatim). They will not allow for any rent payment deferral even though our revenues are significantly down. Universally, we have been told to apply for the PPP [Paycheck Protection Program] loan instead of getting a rent deferral. We need both rent deferral and the PPP loan to maintain appropriate levels of cash flow.
- The virus worries and the oil markets' \$10–\$12 price make for a terrible situation. Manpower and shop work is hurt by the virus, and our significant market (oil and gas equipment) has closed its door.

Real Estate

- Uncertainty causes fear. People will be hesitant to return to regular fun activities until more is known about the coronavirus. It may take until there is a vaccine or treatment for the virus. There are too many unknowns right now. Buying a home will be put on hold. Buyers will want assurance that they have a job. Sellers will be nervous letting outsiders (real estate agents, buyers) come into their homes. Buyers may take advantage of low interest rates if they feel good about their employment status.
- The recovery is directly tied to how the reopening of the country is handled, how businesses are able to acquire the materials (PPE [personal protective equipment], etc.) they need to reopen in compliance with new regulations, the timing of the discovery of effective virus treatments, and the timing of discovery of a vaccine and the release and distribution of it.

Rental and Leasing Services

- I think the naive think when summer comes this is all over and we're back to business as usual. I think we will never be back to normal; it will be a new normal, but I don't know what that looks like—more-conservative cash flow, debt control, expense control, reserve control. Until we have a vaccine or an efficacious treatment for the coronavirus, this is going to be on everyone's mind; just like a cancer, patients never forget they have cancer. It will weigh in on every major decision they make. But it's not the coronavirus I'm most concerned about; it's the next [virus]—more contagious, more lethal. It's a new world and we're never going back.

Professional, Scientific and Technical Services

- We have been busy helping our customers be able to work remotely but see the pipeline for hardware sales softening significantly starting now.
- We need to get back to work. We cannot extend the shelter in place. The economy needs activity to operate.

- The EIDL [Economic Injury Disaster Loan] advance was available to self-employed individuals, but the PPP loans were offered by the SBA [Small Business Administration] on a staggered schedule, with business entities able to apply starting April 3 but the self-employed not able to apply until April 10. SBA rules for the April 10 application were not released timely, resulting in changes to supporting documentation required by lenders on April 13. By April 14 at 10 a.m., the SBA stopped taking applications for PPP loans. Also, most banks would only accept applications from their current customers, but not all banks are SBA lenders, so many small businesses and self-employed individuals have been unable to participate. More approved lenders were added, but by then, the funds were already committed. If Congress approves additional funding, hopefully self-employed and other small businesses left out of the first round will be successful in obtaining the CARES [Coronavirus Aid, Relief and Economic Security] Act relief.
- Some of the firm's private projects put on hold may remain on hold until companies get finances and business back in control. Publicly funded work could remain impacted into 2021.
- Traditional election year uncertainty adds to the difficulty to forecast the future.
- We moved to a remote work status across the firm beginning on March 18 and have been fully functional for the most part. We have yet to see a slowdown in hours or collections but expect to see some impact on both in the months to come.
- Again, there is a great deal of uncertainty. We've seen a double hit with oil and then COVID-19. Restarting operations in our facilities will be a challenge as well. All markets will be different, and myriad views exist on what life after COVID-19 will look like. There will be no simple "back to normal" with this.
- The unknown is the demand curve on return. We are hoping it is steep, as is being seen for legal demand in Asia on return to business, but we are planning for a three- to six-month lag.
- This is a worldwide issue of energy business turning down due to demand reduction by the virus. Oil prices are falling due to the virus and of course the Saudi/Russia price war. It just shows that Saudi Arabia is not much of an ally and Russia is definitely not. If Trump believes either one is an ally, he is sadly mistaken.
- Overseas customers buy 40 percent of our products. We expect overseas sales to come back to normal after a longer time than ones from the U.S.
- The uncertainty of what the business and economic environment will look like when the shelter-in-place policies are lifted warrants extreme caution and has a paralyzing effect on any business decisions beyond the next 30 days.
- Lower-wage employees are beginning to realize they can make more per week on unemployment (because of the additional \$600) than working. This could be a problem down the road, driving wage increases.
- Much depends on how many of our clients' businesses survive and of those that do, how long it will take them to ramp up to provide their services/products based on prevailing demand.
- Demand for engineering services will lag recovery of the energy and chemical processing sectors.
- Business valuation is somewhat countercyclical, and we remain open.
- Our clients are 95 percent public sector planning and capital project development. I expect the real impact will occur when government agencies fully realize their impacts on property and sales tax. This will be offset by federal funds made available for these agencies.
- Estimation of time to go back to normal is just a guess. The uncertainty is tremendous.
- We service both food manufacturers and retailer grocers/distributors. First-quarter sales are larger than projected. Cash is the uncertainty at this point since they are all having to add salaries to cover the demand of the current climate. With such dramatic swings in the stock market and unknown length of the economic impact, the whole grocery supply chain is holding assets close.

Management of Companies and Enterprises

- Due to the SBA PPP loans and the fact that we have not locked our doors, we have opened more accounts and loans than we ever have in a very short period of time.

Administrative and Support Services

- My elected leaders have really blown the call on this economy and the businesses that support it. Even though my business is considered essential for DOD [Department of Defense] contracts and aircraft support, I cannot get my elected officials to answer questions; even my bank is dodging my calls for an SBA-backed loan or even a "normal" loan. We small businesses have long memories, and it will show soon enough in the coming elections.

- Each industry will be different in its time to return to normal. Physical retail will be very slow to return. Manufacturing should return over the next six months. In entertainment and retail, chains will return in six months, but smaller operations and individual restaurants will take more than a year. Real estate will come back promptly.
- We work in a reservation center. I think that is not a good environment for our employees; we are adapting quite well to working from home. Our old behavior at work and at home will change forever. I am sure we will adapt and then will defeat the virus.
- We expect the recovery to be longer and more complicated than anticipated.
- Being an essential business trying to remain operational has been difficult. Sending employees out to do service calls and mingle with the public is uncomfortable to say the least. Also, adhering to government mandates can be trying. We have been trying to acquire everyday masks to protect our employees. Good ones are difficult to find, and now some counties just mandate we must have them without helping us find suppliers.
- If not for an election year, I would estimate a shorter return to normal, but that adds an element to consider in the latter part of the year. If Trump is re-elected, then I am expecting next year we will see things normalize. That said, the energy supply chain may not recover to its former state (ever), and Texas' economy is tied heavily to the energy sector.
- Many employees have just stopped coming to work. This has caused significant shortfalls in production.

Educational Services

- Because we operate on an annual enrollment cycle, it will take a year or more for normal enrollment levels to resume.

Ambulatory Health Care Services

- We expect there to be a larger-than-normal need for substance use and mental health services.
- Cosmetic dentistry is a large percentage of our business. Inquiries for cosmetic consultations is actually a leading indicator of consumer confidence index levels each month, due in part to most folks needing to borrow to pay for major cosmetic [procedures], and they won't do so if concerned about their job or the economy's effect on future employment. Therefore, while general dentistry will come back faster, half our revenues will be severely depressed likely until either an effective treatment or preventive vaccine is available and the fear is reversed.

Social Assistance

- It will take time for businesses to reopen—with many not being able to—so the demand for jobs is not expected to be at the same levels as prior to when shelter-in-place measures went into effect. We don't expect for the job demand to be up and running until certain factors are fully in place; these relate to social distancing public health needs, such as a vaccine, as well as full testing for the virus and community-spread tracing. We also expect for poverty and inequality to increase during the process, which will increase the need for our services and for related federal/state and local investments to meet the need.
- We provide free training at the community college; for those who remain unemployed and need to up their skills, our services will be essential.

Amusement, Gambling and Recreation Industries

- Once the shelter in place has been lifted and the governor starts to let people go back to work, we estimate that restaurants, movie theaters, hotels and performing arts venues will have the slowest uphill climb to return to profitability. First of all, it is going to take people some time to feel comfortable in settings with large numbers of people eating or playing close to each other, particularly indoors. Secondly, this crisis is going to take a tremendous toll on the viability of businesses wanting to do entertaining or meetings (Zoom may become the new norm). Until these businesses are on firm footing again, their return back to restaurants and hotels will be limited. Thirdly, individuals will need to get on firm footing again before they feel comfortable spending money on entertainment.
- Until we can operate rides without social distancing, we cannot operate, even in a limited way.

Food Services and Drinking Places

- We have an oil bust in Texas, too.
- Once lifted [shelter in place], I think it will still take some time for people to feel safe going out in the community. Obviously, a cure or treatment will greatly ease fears. I don't think this is permanent, but it is extremely crippling right now.

Repair and Maintenance

- Most of our customers are considered essential and, therefore, we are an essential contractor. Even so, some of them have decided to curtail construction activities for a minimum of 30 days. They are however, allowing us to work on their items in our facility. This will cover 50–60 percent of workforce, plus the Payroll Protection Program will cover the rest for eight weeks. The PPP appears to be a good program. It allows us to keep our workforce in place and keeps some off unemployment rolls.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- We are heavily dependent on revenue from conferences, and I believe that no matter what happens from a policy standpoint, it will be difficult to attract people to our events until after vaccinations are available.

Texas Retail Outlook Survey

Data were collected April 14–22, and 59 Texas retailers responded to the surveys.

How has the coronavirus (COVID-19) impacted each of these measures of your business in April?

	No effect (percent)	Slight negative effect (percent)	Significant negative effect (percent)	Negative effect, combined (percent)	Slight positive effect (percent)	Significant positive effect (percent)	Positive effect, combined (percent)
Availability of materials/inputs	28.8	37.3	33.9	71.2	0.0	0.0	0.0
Sales	1.7	15.3	79.7	94.9	1.7	1.7	3.4
Demand for products or services	3.4	18.6	74.6	93.2	1.7	1.7	3.4
Number of employees	33.9	35.6	28.8	64.4	0.0	1.7	1.7
Hours worked	16.9	50.8	30.5	81.4	0.0	1.7	1.7
Capital spending	22.0	27.1	50.8	78.0	0.0	0.0	0.0

NOTES: 59 responses. This same question was posed in March. See results.

Please estimate the impact on demand for products or services.

	Percent
Average negative impact	45.6
Average positive impact	62.5

NOTES: This question was only posed to those indicating an effect on demand for products or services. The average negative impact calculation is based on 55 responses. The average positive impact calculation is based on 2 responses.

Please indicate whether the change in employment is temporary or permanent.

	Temporary (percent)	Permanent (percent)
Negative effect on employment	71.9	28.1
Positive effect on employment	100.0	0.0

NOTES: This question was only posed to those indicating an effect on number of employees. The negative effect breakouts are based on 32 responses. The positive effect breakouts are based on 1 response.

Do you expect to rehire the same number of employees?

	Percent
Yes	37.5
No, we expect a slightly reduced headcount going forward	37.5
No, we expect a significantly reduced headcount going forward	8.3
Don't know	16.7

NOTES: This question was only posed to those indicating a temporary negative effect on number of employees. 24 responses.

Please indicate which of the following best characterizes your firm's current situation.

	Percent
Fully operational	52.5
Temporarily shut down part of our operations	39.0
Temporarily shut down all of our operations	8.5
Permanently shut down part of our operations	0.0
Permanently shut down all of our operations	0.0

NOTE: 59 responses.

Please mark the reason(s) behind your firm's shutdown.

	Percent
Weak demand/sales	59.3
Our industry is subject to state/local operational restrictions	55.6
Employee protection/health	48.1
Other	3.7

NOTES: This question was only posed if any type of shutdown was selected. 27 responses.

Have you taken any of the following measures to cover shortfalls in revenues experienced as a result of the coronavirus (COVID-19) outbreak? Please select all that apply.

	Percent
Applied for the new SBA PPP	70.9
Reduced salaries	34.5
Laid off employees	32.7
Drawn down cash reserves	27.3
Drawn down line of credit	23.6
Dipped into personal savings	14.5
Applied for one of the other new SBA programs established by the CARES Act	10.9
Obtained a rent payment deferral	9.1
Obtained a loan payment deferral	5.5
Applied for a traditional SBA loan	3.6
Taken out a new loan (non-SBA)	3.6
Other	5.5

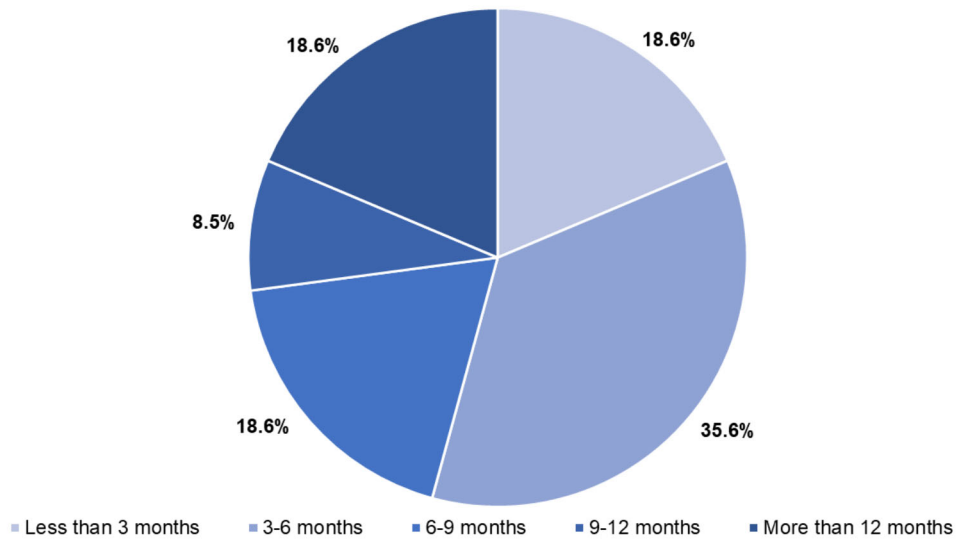
NOTES: 56 responses. SBA stands for Small Business Administration, PPP is the Paycheck Protection Program and CARES is the Coronavirus Aid, Relief, and Economic Security Act.

Please mark which new SBA program(s) established by the CARES Act that you applied for, other than the PPP.

	Percent
EIDL Advance	50.0
SBA Express Bridge Loans	33.3
SBA Debt Relief	16.7

NOTES: This question was only posed to those indicating they have applied for one of the other new SBA programs established by the CARES Act. 6 responses. EIDL stands for Economic Injury Disaster Loan.

Once shelter-in-place and social distancing mandates are lifted, how long do you estimate it will take for demand for your firm's products or services to return to typical levels?



NOTE: Shares may not sum to 100 percent due to rounding.
SOURCE: Federal Reserve Bank of Dallas, Texas Retail Outlook Survey.

NOTE: 59 responses

Special Questions Comments

Merchant Wholesalers, Durable Goods

- Until oil demand recovers, Texas is in trouble.
- Business is down 30 percent. We project declines of 40–50 percent while shelter in place is in effect. Once shelter in place is called off, we expect six months for normalcy to return.
- The price of oil will have to return to \$40-plus before manufacturers in DFW, many of whom rely on this industry, see an uptick in business.

Merchant Wholesalers, Nondurable Goods

- Because we serve the casual dining segment, I'm optimistic that there is significant pent-up demand to eat out. However, I can't quantify how many of those customers have lost their income/employment to reasonably predict what portion will return when dining rooms are reopened.

Motor Vehicle and Parts Dealers

- We elected not to lay off people until we had details of the SBA PPP. We have established a contingency plan as necessary for layoffs, reduction of salaries/compensation and work schedules. Actions taken by the federal and state governments and our OEMs [original equipment manufacturers] will impact how quickly our firm's business returns to a reasonable level.
- The economic damage from shelter in place is enormous.
- Once the stay-at-home and social distancing requirements are lifted, I expect business to gradually return to normal by the end of the second quarter.
- The return to normal demand levels for vehicle sales will follow [improvements in] unemployment and economic health. Some sort of stimulus to assist with used car values could have an important effect on our business. New car demand would follow.

Building Material and Garden Equipment and Supplies Dealers

- We expect consumer demand to be negatively impacted for a very long time.

Health and Personal Care Stores

- If the supply chain issues ease, we believe our sales will return quickly.

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