Texas **Service Sector** Outlook Survey

May 27, 2020

Texas Service Sector Activity Declines But at Slower Pace

What's New This Month

For this month's survey, Texas business executives were asked supplemental questions on the impacts of COVID-19 and reduced activity in the energy industry as a result of low oil prices. 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 also includes annual seasonal factor revisions. Once per year, the Federal Reserve Bank of Dallas revises the historical data for the Texas Manufacturing Outlook Survey after calculating new seasonal adjustment factors. Annual seasonal revisions result in slight changes in the seasonally adjusted series.

The freefall decline that characterized Texas service sector activity in March and April showed signs of abating in May, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, rebounded sharply from -65.3 in April to -28.1 in May. While nearly half of respondents continued to note declines in revenue compared with last month, the rising share of firms noting increased revenue—up about 13 percentage points to 21.4 percent in May—suggests a significant slowing in the rate of deterioration.

Labor market indicators reflected declines in employment and further shortening of workweeks but at a much-reduced rate compared with April. The employment index rose about 24 points to -10.4, indicating a continued net decline in jobs. The hours worked index surged over 33 points to -9.4, with just over a quarter of respondents now noting cuts in employee hours compared with over half of firms in April.

While perceptions of broader business conditions remained pessimistic in May, the scale of observed weakness abated significantly. The general business activity index regained over 42 points for a level of -41.7, while the company outlook index similarly surged about 40 points to -30.2. Meanwhile, the outlook uncertainty index declined, although at 26.2, it is still well above historical norms.

Wages continued to see declines, while price pressures were mixed in May. The wages and benefits index rose from -23.8 to -7.2, suggesting continued net declines in employee earnings, albeit at a slower pace. The selling prices index added 11 points but remained in negative territory at -19.7. Conversely, the input prices index returned to positive territory, rising over 10 points to 9.9 and suggesting net inflation in firms' input costs.

Respondents' expectations regarding future business conditions were notably less pessimistic than in April. The future general business activity index increased over 23 points to a reading of -11.1, with nearly one-third of respondents expecting improvement six months from now compared with 43 percent expecting worsening conditions. The future company outlook index similarly improved 24 points to -5.9. Other indexes of future service sector activity, such as revenue and employment, rose back to positive territory for the first time since February and reflected expectations of improvement over the next six months.

Texas Retail Outlook Survey

Texas Retail Sales Decline Eases Notably

The decline in state retail sales slowed considerably in May, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, rebounded from -78.2 in April to -6.2 in May. While nearly 40 percent of respondents reported declining sales compared with April, over 30 percent reported increases—up sharply from last month's 6.3 percent. Inventories continued to decline at a rapid pace, with the inventories index picking up four points but holding negative at -41.8.

Retail labor market indicators improved significantly, despite still suggesting a moderate contraction in May. The employment index added over 40 points to -7.2, with the share of retailers cutting jobs falling from over 50 percent in April to just 19 percent in May. The hours worked index rose over 48 points to -15.5, with over one-fifth of respondents increasing hours compared with 37 percent cutting hours.

Retailers' perceptions of broader business conditions were significantly less pessimistic than April's readings. The general business activity index surged 67 points to -17.9, while the company outlook index rebounded from an all-time low of -84.6 to -12.8. The outlook uncertainty index also fell sharply to 5.4, well below last year's average of 13.5.

Retail wages continued to decline in May, while price pressures were mixed. The wages and benefits index increased over 13 points but remained deeply negative at -21.4. The selling prices index picked up from an all-time low of -38.5 in April to -9.1 in May, while input prices rose back into positive territory at 3.2.

Retailers' perceptions of future conditions turned sharply optimistic in May after the extreme pessimism of April. The future general business activity index rose 47 points to 24.3, its best reading since January 2018. The future company outlook index rose 53 points to 29.9. Other indexes of future retail activity, such as sales and employment, turned positive and suggest an anticipation of healthier future activity relative to last month's expectations.

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: June 30, 2020

Data were collected May 12–20, and 239 Texas service sector and 57 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	May Index	Apr Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	–28.1	–65.3	+37.2	11.0	3(–)	21.4	29.0	49.5
Employment	–10.4	–34.5	+24.1	6.2	3(–)	9.6	70.3	20.0
Part–Time Employment	–14.5	–32.8	+18.3	1.3	3(–)	6.1	73.3	20.6
Hours Worked	–9.4	–42.9	+33.5	2.2	3(–)	18.7	53.2	28.1
Wages and Benefits	–7.2	–23.8	+16.6	14.1	3(–)	11.6	69.6	18.8
Input Prices	9.9	–0.7	+10.6	25.0	1(+)	23.1	63.7	13.2
Selling Prices	–19.7	–30.7	+11.0	5.1	3(–)	6.0	68.3	25.7
Capital Expenditures	–23.2	–47.8	+24.6	10.0	3(–)	10.4	56.0	33.6

General Business Conditions
Current (versus previous month)

Indicator	May Index	Apr Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	–30.2	–71.8	+41.6	4.9	3(–)	16.1	37.6	46.3
General Business Activity	–41.7	–83.9	+42.2	2.7	3(–)	15.2	27.9	56.9

Indicator	May Index	Apr Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	26.2	43.2	–17.0	13.5	28(+)	46.9	32.4	20.7

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

Indicator	May Index	Apr Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	6.6	–22.6	+29.2	36.8	1(+)	42.6	21.5	36.0
Employment	4.5	–12.6	+17.1	21.6	1(+)	26.8	50.9	22.3
Part-Time Employment	–8.0	–16.8	+8.8	6.4	3(–)	13.0	66.0	21.0
Hours Worked	12.9	–5.1	+18.0	5.3	1(+)	25.8	61.3	12.9
Wages and Benefits	13.9	–1.4	+15.3	36.0	1(+)	26.2	61.6	12.3
Input Prices	24.1	2.6	+21.5	43.8	161(+)	33.4	57.3	9.3
Selling Prices	1.2	–15.4	+16.6	22.9	1(+)	21.3	58.6	20.1
Capital Expenditures	–8.3	–27.5	+19.2	23.4	3(–)	22.5	46.7	30.8

General Business Conditions
Future (six months ahead)

Indicator	May Index	Apr Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	–5.9	–29.9	+24.0	16.0	3(–)	30.9	32.3	36.8
General Business Activity	–11.1	–34.3	+23.2	12.7	3(–)	31.6	25.6	42.7

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

Indicator	May Index	Apr Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	–6.2	–78.2	+72.0	5.7	4(–)	32.1	29.7	38.3
Employment	–7.2	–47.6	+40.4	1.9	3(–)	11.7	69.4	18.9
Part-Time Employment	–12.9	–40.7	+27.8	–2.1	3(–)	5.6	75.9	18.5
Hours Worked	–15.5	–63.8	+48.3	–2.0	4(–)	21.8	40.9	37.3
Wages and Benefits	–21.4	–34.7	+13.3	9.3	3(–)	5.1	68.4	26.5
Input Prices	3.2	–23.8	+27.0	18.6	1(+)	15.6	72.0	12.4
Selling Prices	–9.1	–38.5	+29.4	9.8	3(–)	13.8	63.3	22.9
Capital Expenditures	–27.6	–60.5	+32.9	7.9	3(–)	7.6	57.2	35.2
Inventories	–41.8	–46.0	+4.2	2.9	4(–)	13.3	31.6	55.1
Companywide Retail Activity								
Companywide Sales	–23.7	–75.0	+51.3	7.1	4(–)	26.4	23.5	50.1
Companywide Internet Sales	–13.1	–33.2	+20.1	6.3	3(–)	16.7	53.5	29.8

General Business Conditions, Retail
Current (versus previous month)

Indicator	May Index	Apr Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	–12.8	–84.6	+71.8	3.1	5(–)	27.2	32.8	40.0
General Business Activity	–17.9	–84.8	+66.9	–1.2	5(–)	24.6	32.9	42.5

Outlook Uncertainty
Current (versus previous month)

Indicator	May Index	Apr Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	5.4	41.0	–35.6	11.6	5(+)	37.5	30.4	32.1

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

Indicator	May Index	Apr Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	33.1	–13.4	+46.5	31.8	1(+)	56.3	20.5	23.2
Employment	4.6	–8.1	+12.7	11.8	1(+)	20.6	63.4	16.0
Part-Time Employment	–2.1	–18.6	+16.5	0.5	3(–)	13.4	71.1	15.5
Hours Worked	15.8	–2.5	+18.3	2.6	1(+)	30.8	54.2	15.0
Wages and Benefits	20.3	–1.0	+21.3	27.0	1(+)	28.5	63.3	8.2
Input Prices	21.8	–12.5	34.3	32.6	1(+)	30.9	60.0	9.1
Selling Prices	24.5	–10.9	+35.4	28.7	1(+)	39.6	45.3	15.1
Capital Expenditures	–5.5	–23.2	+17.7	17.1	3(–)	21.8	50.9	27.3
Inventories	5.3	–24.7	+30.0	7.8	1(+)	35.8	33.8	30.5
Companywide Retail Activity								
Companywide Sales	19.8	–14.6	+34.4	30.3	1(+)	44.2	31.4	24.4
Companywide Internet Sales	28.6	5.2	+23.4	21.7	2(+)	38.1	52.4	9.5

General Business Conditions, Retail
Future (six months ahead)

Indicator	May Index	Apr Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	29.9	–23.1	+53.0	16.6	1(+)	47.5	34.9	17.6
General Business Activity	24.3	–22.4	+46.7	12.3	1(+)	47.3	29.7	23.0

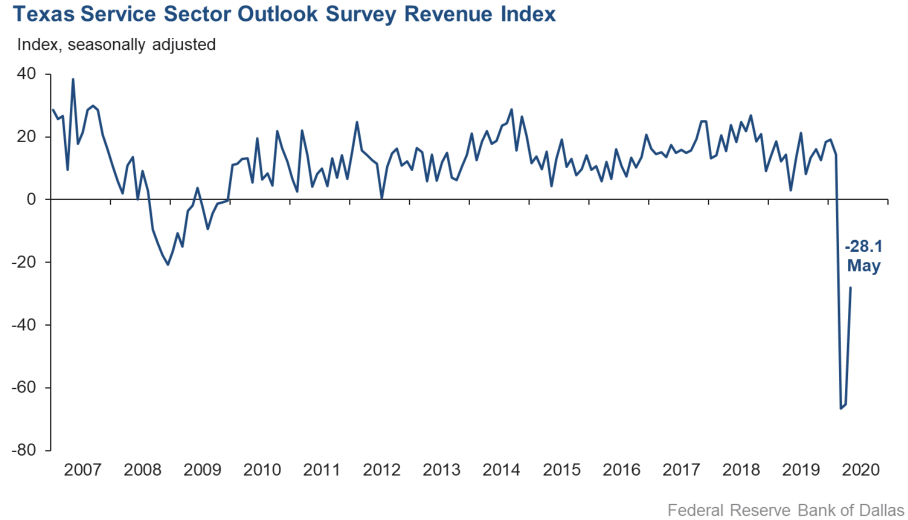
*Shown is the number of consecutive months of expansion or contraction in the underlying indicator. Expansion is indicated by a positive index reading and denoted by a (+) in the table. Contraction is indicated by a negative index reading and denoted by a (–) in the table.

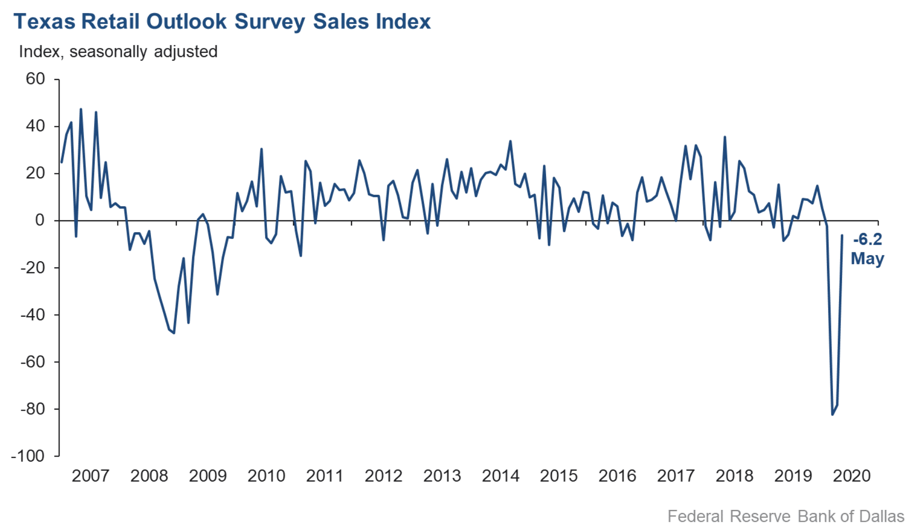
**Shown is the number of consecutive months of improvement or worsening in the underlying indicator. Improvement is indicated by a positive index reading and denoted by a (+) in the table. Worsening is indicated by a negative index reading and denoted by a (–) in the table.

†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

May 27, 2020

Comments from Survey Respondents

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

Support Activities for Mining

- There is just so much uncertainty with the oil price and the coronavirus issues.

Utilities

- Businesses are beginning to open, but we aren't seeing any increased demand. It appears that most people are still working from home and are not yet comfortable shopping or dining in person for one reason or another.
- The COVID-19 virus has really dampened expectations for our company. Bad debt continues to increase due to our customers not working.

Air Transportation

- Business is bad; traffic and revenue are off 90 percent from a year ago, though trending better than April.

Pipeline Transportation

- We are dependent on global energy demand, which depends on the trajectory of recovery from the coronavirus.

Support Activities for Transportation

- By the end of May, we plan to expand into another market area, which will increase costs (payroll and cost to provide services) and hopefully increase revenue within the six-month period.

Warehousing and Storage

- We are finally starting to see the downturn in exports of crude oil and finished products that would be expected considering the extreme demand destruction worldwide that has happened over the past two months. We are responding by cutting capital spending and finding ways other than employee cuts to reduce expenses. We are seeing better pricing for raw materials and services and expect that to continue as our suppliers have to get more competitive to try to steal what little market share of work there is. We believe the next nine to 12 months are going to be tough but expect to see some improvement by the end of the year and hopefully be back to pre-COVID levels by the end of 2021.

Publishing Industries (Except Internet)

- Most forecast business is taking longer than hoped to advance or close orders due to the coronavirus and related budget effects. Opportunities are there but harder to manage with travel difficulties and increasing client sensitivity to budgets and decision approvals. Focus on and client interest in targeted growing key sectors don't translate into bingo as planned.

Broadcasting (Except Internet)

- April had very little revenue. May is better because businesses are reopening (even if only on a limited basis). Business volumes should increase over the next six months (but we expect they will still be below pre-COVID numbers).

Telecommunications

- The broad decrease in economic activity has turned our near-term outlook from cautious to grim. The COVID-19 pandemic is impacting from both the demand and supply sides. As a small business providing broadband services, a larger portion of our growth is dependent upon customers moving into new homes and buying our services. Given that mortgage closings and new-home starts are down, naturally our demand is falling. Compounding this lack of demand is the loss of revenue from our small retail business customers that have suspended their operations. From the supply side, as a capital-intensive industry, we are experiencing longer lead times for critical components to supply our network as a result of lower factory/manufacturing output—fiber cable and network equipment as examples. As a result, we are expecting to see rising input prices in the coming months. Lastly, we are also anticipating further deterioration as a result of the oil industry and its impact on Houston businesses and consumers.

Data Processing, Hosting and Related Services

- The difference between this month's and last month's "outlook" is primarily the unknown of when businesses will start making purchasing decisions again. To prompt sales interest and purchases in June, we're developing new highly targeted digital offerings. More skilled talent has become available due to furloughs and layoffs, so we've hired more in the local DFW [Dallas–Fort Worth] market.

Credit Intermediation and Related Activities

- Community banking has changed due to the pandemic event. Most employees and customers have adapted very effectively. It is amazing how the banking industry has responded to the current environment and has provided a good example of how versatile private entities can respond to a major event like COVID-19. Community banks were prepared for a pandemic as well as, if not better than, any industry, primarily due to prior preparation for such an occurrence. The exhausting effort to provide the support and distribution of the [Paycheck] Protection Program is a good example of the ability of banks in general to adjust to meeting the needs of their community and customers. The government regulators' relaxing of regulatory restraint has proven the tremendous value that deregulation can have for any industry. It is important to acknowledge the government for the speed of the reaction to the pandemic. There were many challenges faced in having to alter the way business as usual was conducted by government entities, but by partnering with the private and public sector together, they accomplished the objectives.
- Interest rate compression is impacting revenues. The PPP [Paycheck Protection Program] caused a massive amount of overtime and capital expenditure to bring system efficiency in place. There is an expectation of continued downgrading of loans due to COVID-19.
- We have concerns with businesses closing and charge-offs due to COVID-19 and decreased economic activity.
- We expect to see greater problems for our customers in the first or second quarter of 2021. Government funds and payment forbearance will help customers and businesses for the next six months. If the economy has not rebounded by this time, businesses will begin to shut down.
- The credit markets have completely seized. We are in the process of making a significant capital investment and hiring about 100 people, but access to lending is making it difficult.

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

- The majority of our business was to serve the oil and gas industry. That piece of the business is gone; I don't expect any upward movement between now and 2021. The non-oil-and-gas-related portion of the business is very slow. These are exceedingly tough, tough times for us. Significant cost reductions have been made in every area, even to the extent of discontinuing some parts of the business. Enough said.
- The oil-price drop adds to the pain of the COVID-19 shutdown.

Insurance Carriers and Related Activities

- I am not convinced that we have really turned the corner on this downturn. I remain hopeful, and our business is mostly stable, but travel, hospitality and restaurants are going to have a long road to recovery. And social distancing is killing everybody, including churches and special events.

Real Estate

- I deal with dislocation in the marketplace, and when companies and lenders start to foreclose or sellers need to quickly sell real estate, or with more bankruptcies, my prospects go up.
- The lack of reopening the economy is delaying any hope of recovery. The sooner Texas reopens, the sooner we can start the recovery. The high-risk people need to remain very vigilant, and everyone and every organization needs to continue the masks, cleaning and sanitizing. We need to improve monitoring and tracking until we can define a treatment regime and, ultimately, a vaccine. Keeping business closed is a disaster for individuals and for the communities that depend on the sales and property tax revenue. Keeping children out of school will create a disincentive to work and is going to create a whole generation of children that will be delayed in their educational growth and socialization. The sad part is that the most at risk will be the ones most harmed in this whole mess.
- Texas is a great state and has handled the coronavirus very well. People are cautious but are ready to get out and spend money. Older people are less inclined to get outside their homes.

Rental and Leasing Services

- I am 71 years old and lived through a number of busts including the oil patch of '82—everyone thought it was at least 10 years off until it was the next day. Everyone thought we'd recover by the end of the year; we did 10 years later. This recovery, if we are blessed to survive at all, will be long, slow and difficult at every turn! The government has subsidized thousands of businesses that, if they had been run correctly and profitably to begin with, would not have needed the assistance. We have wasted billions helping poor companies survive to continue to destroy the market. Regardless, I am going to get to pay all that government largesse back forever in huge tax increases.

Professional, Scientific and Technical Services

- The situation will continue to worsen until either an effective treatment and/or a vaccine is developed. The energy sector business will be down for years due to the virus and the Saudi/Russia price war (which effectively targets U.S. production). No amount of storage will suffice to hold oil markets up.
- Our business has remained steady due to a strong pre-COVID-19 backlog and continued strong project opportunities. Our longer-term outlook expects weaker conditions in light of continued uncertainties related to managing the virus spread, sustaining return-to-work status, length/depth of decreased state funding and eventual impact. We expect smaller market opportunities over the next 24 months and will have to increase market share to sustain current levels of business.
- Things are getting slightly better in May versus April. Our biggest customers are what affects our overall revenue. Big customers seem to be purchasing somewhat lower amounts but still buying software licenses. The next two months will show if we have recovered from COVID-19 business-wise.
- Our company successfully pursued a PPP loan, which has improved our economic outlook.
- We furloughed our contract employees (4 percent of total), reduced wages across the board by 10 percent, eliminated overtime, are working from home (about 80 percent of staff regularly) and have applied for and received a PPP loan. While SARS CoV2 has reduced our workload to a degree across all sectors, the steep reduction in oil pricing will likely have the largest and longest effects. We are planning at this time to return to the office June 1 but are watching all available sources and will adjust our plan as necessary.
- My busy season has been extended because of the overall extension of tax return due dates. I am also busier because of the stimulus loans and the surrounding confusion.
- We expect demand to be down for May and June before starting to return. Right now, our revenues are still at or above early-year projections for this time, but we do expect the drop in demand. But, we also only expect that drop to be in the 5–10 percent range.
- Obviously COVID-19 is the issue. The uncertainty, the fear and the inability to get back to work is jeopardizing our economy.
- We work primarily with nonprofit organizations in building their capacity. COVID-19 has definitely illuminated the lack of capacity some of our nonprofit clients have in dealing with a crisis, internal communications, relationships with donors and succession planning. Our workload has increased while much of our pipeline has dwindled because nonprofits don't want to start any new projects or are afraid of losing funding to pay for capacity-building work. Although we are putting in more hours right now and our cash flow is strong, we anticipate a decrease this summer and fall as nonprofits brace themselves for their revenue to decrease. The uncertainty of it all causes increased stress.

- The high level of unemployment has slowed the commercial real estate industry significantly. Investors are pulling out of the market at a rate we have never seen. Issues with valuing assets is the main problem. What will the multifamily market look like once the stimulus runs out? What will the office market look like on the other side of this? There is no way to determine what the real estate market will look like in the months to follow, so our outlook for commercial is dismal at best. On the other hand, the residential industry is still booming due to low interest rates. There is not a better time to buy a house. How long this can last is unknown, but with unemployment continuing to rise and lenders raising credit score requirements, we don't see how this can continue long term. We know we will get through this, but the damage to our economy will take years to recover from.
- April saw a slight decrease in hours—about 2 percent. May looks like it will be a larger decrease—maybe 10 percent.
- The volatility of the stock market and constantly changing economic outlook is tied to the reopening of the economy.
- We are seeing a softening in demand for engineering services that will impact our work in the third and fourth quarters.

Management of Companies and Enterprises

- The SBA [Small Business Administration] PPP program has put a large amount of loans and deposits on our books, which has helped our income. We have hired additional people to help us with the volume.
- Uncertainty levels will continue to be impacted by COVID-19 unknowns and the overall economic impact related to it.

Administrative and Support Services

- Our company is a travel service provider for corporate and government accounts. Due to the pandemic, the DOD [Department of Defense] has canceled all trips through June 30. Some airlines have gone out of business, reduced the number of flights, adjusted cabins to meet COVID-19 rules, etc. Travelers are scared to fly anywhere either for business or leisure. Without a vaccine and a treatment in the near future, I can't imagine that travel will come back this year or next at the same level it was earlier this year. I received a PPP loan for payroll and administrative expenses, but after that I cannot think of a solution.
- We need to manage the fear and get back to work.
- We remain optimistic, but cutting expenses to offset the decrease in revenue and profits is low-hanging fruit, so we expect to see cuts in labor and cap ex [capital expenditure] spending, unfortunately.
- With the loss of so many restaurant customers, it is unknown when and if they will come back to use outside services.
- So much for hiring people. The situation has not changed very much; it is still tough to find people.
- The travel industry is the hardest hit and will be the last to rebound.
- The key questions are how the recovery takes shape (U, V or swoosh) and whether it is a "jobless" recovery or not.

Waste Management and Remediation Services

- Obviously, the impact of the public health emergency has brought about a lot of uncertainty, other than knowing the business climate for our customers has changed. We are part of the nation's essential supply chain and have maintained operations throughout the last two months. We're operating as long as our manufacturing customers are open and running. My concern is that as Phase 1 and Phase 2 are implemented, our employees will begin to let down their guard, believing the threat of the virus has decreased. I believe just the opposite, i.e., the threat will increase.

Educational Services

- As states (Texas) begin to transition back to opening and workers move back into the workforce, I think it will provide a great signal for the beginning of economic growth, spurred on by more activity and an easiness in the public going about their business in a safe manner. I think there is pent-up demand to purchase by consumers, and that should bode well for GDP [gross domestic product] in the coming quarters. You can only keep the American consumer locked down for a short amount of time and then they will head toward the flood gates. One thing I know is that we deal with and manage risk every day. Americans understand that but are willing to accommodate in the short term, and I mean very short term. But when the time is up, citizenry will let you know in the form of protest and outright defiance.
- For higher education, planning is becoming more difficult rather than less because the students and parents we serve want certainty that we can't provide, the health response to reopening won't be understood for several more weeks, and [there is] the likelihood of a fall/winter resurgence for six months. Every plan we make changes.

Ambulatory Health Care Services

- The need for emergency food has grown overnight by 400 percent as vulnerable people and people who have lost jobs must depend on the food bank to ensure that they have the food they need to weather this pandemic.
- All our employees returned to work this week. Despite positions rated as [dangerous] even before COVID-19—dental hygienist, dentist, [and] dental assistant—none were affected negatively by high unemployment insurance program rates, likely because they are all compensated at or above unemployment insurance rate levels. There is no incentive other than fear to keep them from returning to work.
- We are functioning at about 65 percent of normal volumes. We continue to maintain a full payroll (received a paycheck loan from SBA last week after a three-week wait).We are spacing appointments and are near capacity due to COVID-19 restrictions but anticipate extending hours. We have hired three new additional screeners, so payroll costs are high, but we are confident that viability will be maintained over the next several months.
- The long-term impact to health care providers (across the spectrum) may last for the remainder of our careers and lives—emotionally, physically, financially and in ways never even considered. Being a physician during COVID-19 is an impossible job; the fate of America is dependent on the results from a swab; too many patients dying; employees inside crying; tragedies and business collapse—reason to sob.
- The unconstitutional closings of outpatient and physicians' offices and surgeries were not based on medical science, but false assumptions, false predictions and falsified data, which are still being created. These actions have destroyed many lives, families and businesses in the medical field, financially and in other ways, forever.

Nursing and Residential Care Facilities

- We are incurring additional expenses related to COVID-19 (PPE [personal protective equipment] and other supplies, premium pay (1.5X) for employees at communities with COVID-positive cases and sterilization/disinfecting) with no governmental relief available to us because we are not included in their definition of "health care." At the same time, access to our communities is restricted due to state and local governmental orders and because we want to ensure the safety of our residents, so we are having limited move-ins of new residents while resident move-outs are occurring at a normal rate. This is resulting in declining occupancy and revenue. The only governmental "relief" available to us is the payroll tax deferral, which is helpful in the short term but has to be repaid in time. This is a very challenging time for the senior-living industry and our company in particular. All of our resources and efforts are being applied to take care of our vulnerable seniors, but our resources to do so are dwindling.

Social Assistance

- Because we offer workforce development services, the need for our services has substantially increased; the levels are tied to the number of unemployment claimants which, when they begin looking for jobs, will depend on the labor demands of employers as the economy reopens. However, it is not expected that employers will be able to rapidly recover, which will continue stressing local public organizations such as city and county governments.

Museums, Historical Sites and Similar Institutions

- We are working on the complexities of "opening" while keeping everyone safe without good direction or consensus from political leaders.

Accommodation

- We closed March 20 and will reopen June 1. Our May and April were the same: no business. We are opening June 1 but are not believing we will see a great deal of demand during the summer months. Our biggest issue is that group business is not likely to return until fall at the earliest. Many say that is optimistic. To open, we have reduced our footprint considerably. This is going to take time and a feeling from consumers that it is safe to visit a hotel or restaurant.

Food Services and Drinking Places

- We have seen an increase in business with the new 25 percent occupancy change. We are hoping the governor will continue to slowly open operations in Texas. Our local government in El Paso is pushing against the governor, so we are not sure if we will be able to open at a larger capacity soon or not. With the opening, we were able to bring back a number of our staff, and our sales have improved. We are still holding off on large cap ex that had been planned. Even with improvements, we are still losing money, so cap ex is not feasible right now.
- We can only seat 25 percent of normal capacity, but expenses remain higher. The result is causing us to lose money daily.
- This is so much worse than anyone realizes.
- The cost of beef is off the chart—expecting relief soon.
- Besides the national economy, the Texas economy will be down because of oil prices.
- COVID-19 has shut down the restaurant industry. May is better than April, as we are able to open at a 25 percent occupancy, but overall this is not a viable option.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- We need stability at the federal level and it just is not there.
- We received a Paycheck Protection Program loan, and it helped us get through April, [and is expected to help in] May and part of June, but when we have completed the two-month period covered by the loan, we expect a RIF [reduction in force]. Our revenue has been reduced by 75 percent due to the combination of COVID-19 and low oil prices, and a business recovery looks a long way off.
- We need to get the economy open and shift focus from the virus to economy-related. Businesses are bleeding out.

Merchant Wholesalers, Durable Goods

- We still feel uncertain although we had a good month. After receiving the PPP loan, we were able to hire back employees who were on unemployment, as well as increase hours for those we decreased and hired one more person. It's hard to say if we just had a good month or if things are looking up, so there is still some uncertainty in that regard.

Merchant Wholesalers, Nondurable Goods

- I am concerned for our farmers and ranchers. Our livestock producers will have grave issues if we cannot get our processing plants open to full capacity. Consumers are seeing price increases and shortages of beef, pork and poultry. Yet our livestock producers are drowning in inventory.
- PPP has helped us from decreasing hours and decreasing employees. We are still operating as a drive-thru business even with Gov. [Greg] Abbott starting to relax some rules. We own our store and sublease some additional space. One is to a nursery, the other is to an evening bar and recreational space. They will be shutting their doors after one year of operations due to spacing and capacity restrictions. The nursery is doing great. Looking forward, we see a tough business environment for several months but will do our best to hang on. We have 40-plus families who depend on it.
- We're still holding out for the stay-at-home orders to be lifted in Texas and other markets we serve. Until casual dining opens and gains more patrons, we're waiting to service what I perceive to be significant pent-up demand for dining out.

Motor Vehicle and Parts Dealers

- While the business level for May has increased, I now think that business will slow again in the summer as the stimulus winds down. The damage to the economy is more long term than realized.
- With the auto manufacturers shut down, inventories will become short before returning to normal.
- Don't be misled by the increase; April was a tough month for our industry. SAAR [seasonally adjusted annualized rate of sales] at 8.6 million tells the story. Conditions may be improving, but the crisis remains.
- Our retail business increased the end of April and seems to be holding steady on the sales side. Our service repair business is improving from a very poor April.

Building Material and Garden Equipment and Supplies Dealers

- In Texas, between oil prices and COVID-19, it does not look good.

Clothing and Clothing Accessories Stores

- We are not essential, so stores were closed the entire month of April with some reopening May 15. The company filed for reorganization May 11.

Nonstore Retailers

- Rather than deteriorating, sales seemed to stabilize in mid-May. We have worked diligently on product mix to increase the amount of popular food and beverage items to maximize sales.

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

Special Questions

May 26, 2020

For this month's survey, Texas business executives were asked supplemental questions on the impacts of COVID-19 and reduced activity in the energy industry as a result of low oil prices. 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

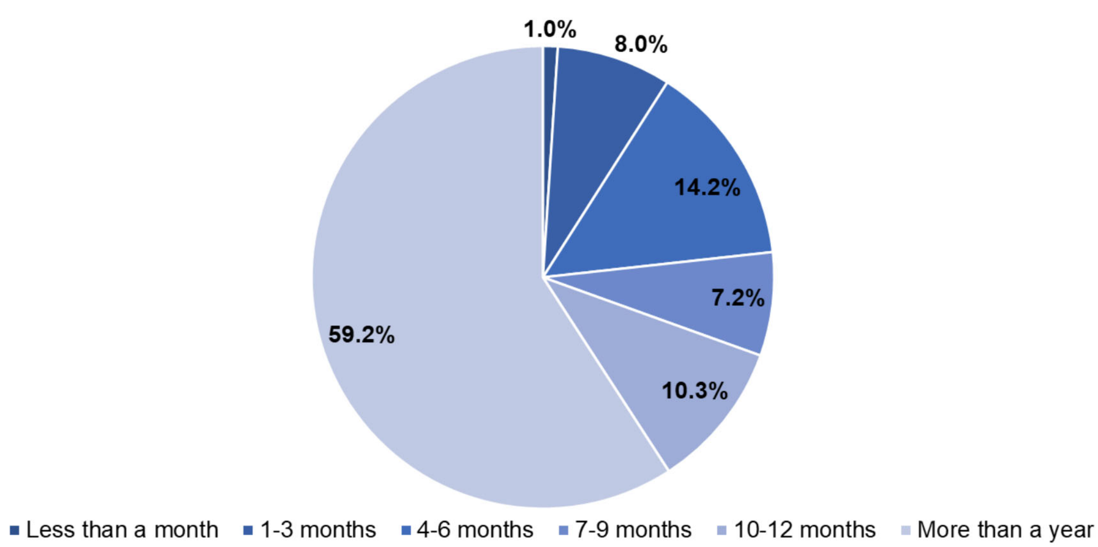
Data were collected May 12–20, and 399 Texas business executives responded to the surveys.

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

	Share of respondents (percent)	Average response (percent)
Entries less than 100	81.2	59.9
Entries of exactly 100	8.6	100.0
Entries greater than 100	10.2	161.0
All entries	100.0	73.7

NOTE: 383 responses.

If current revenue levels were to continue, how long could your firm survive?



SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

NOTE: 387 responses.

Have you applied for a PPP (Paycheck Protection Program) loan?

	Percent
Yes	60.4
No	39.6

NOTE: 391 responses.

If you applied for a PPP loan, have you received it?

	Percent
Yes	93.1
No, but we have been approved	1.3
No, we are awaiting approval	3.9
No, we were denied funding	1.7

NOTES: 233 responses. This question was only posed to those indicating they applied for a PPP loan.

How did receiving the PPP loan benefit your firm? Please select all that apply.

	Percent
Prevented layoffs and/or furloughs	77.8
Prevented wage reductions	65.7
Helped us pay bills and/or rent	52.3
Allowed for rehiring of workers	20.8
Other	14.8

NOTE: 216 responses. This question was only posed to those indicating they received a PPP loan.

How could the PPP have been more effective in helping your firm?

This question was only posed to those indicating they applied for a PPP loan, and 146 business executives submitted an answer. The most common responses were a longer time frame for spending the money, clearer terms for loan forgiveness, more flexibility in how the money can be spent, and a smoother application and payout process.

Have you taken any of the following steps regarding employment in response to COVID-19? Please select all that apply.

	Percent
Increased working from home	68.9
Reduced work hours (including cutting overtime)	43.2
Reduced or suspended bonuses	33.4
Paid time off	23.4
Furloughs	19.8
Layoffs	18.5
Reduced wages	16.7
Other	11.1
None	11.1

NOTE: 389 responses.

Have you attempted to recall any laid off/furloughed workers or increase hours among current workers?

	Percent
Yes	33.3
No	66.7

NOTES: 186 responses. This question was only posed to those indicating they laid off/furloughed workers or reduced work hours.

Were there any impediments to recalling workers or increasing hours? Please select all that apply.

	Percent
Fear of infection	60.0
Lack of child care	46.7
Generous unemployment benefits	43.3
Other	6.7
None	30.0

NOTES: 60 responses. This question was only posed to those indicating they attempted to recall any laid off/furloughed workers or increase hours among current workers.

Was any part of your business shut down due to state/local operational restrictions?

	Percent
Yes	35.1
No	64.9

NOTE: 388 responses.

In light of Gov. Abbott’s “Open Texas” plan which took effect May 1, has your business reopened to the maximum allowable level?

	Percent
Yes	45.5
No	54.5

NOTES: 134 responses. This question was only posed to those indicating any part of their business was shut down.

What will it take for your business to reopen to the maximum allowable level?

This question was only posed to those indicating any part of their business was shut down and had yet to reopen to the maximum allowable level under Gov. Abbott's “Open Texas” plan. The responses can be found on the individual survey Special Questions results pages.

Have your firm’s revenues been negatively impacted by reduced activity in the energy industry as a result of low oil prices?

	Percent
Yes	48.7
No	51.3

NOTE: 382 responses.

Above you note that your May revenues are down from typical levels. Approximately what share of this decline is due to reduced activity in the energy industry as a result of low oil prices?

	Percent
Less than a quarter	57.0
More than a quarter but less than half	20.3
More than half but less than three-quarters	10.1
More than three-quarters	12.7

NOTES: 158 responses. This question was only posed to those indicating current revenues are down from a typical May and that their firm's revenues have been negatively impacted by reduced activity in the energy industry.

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

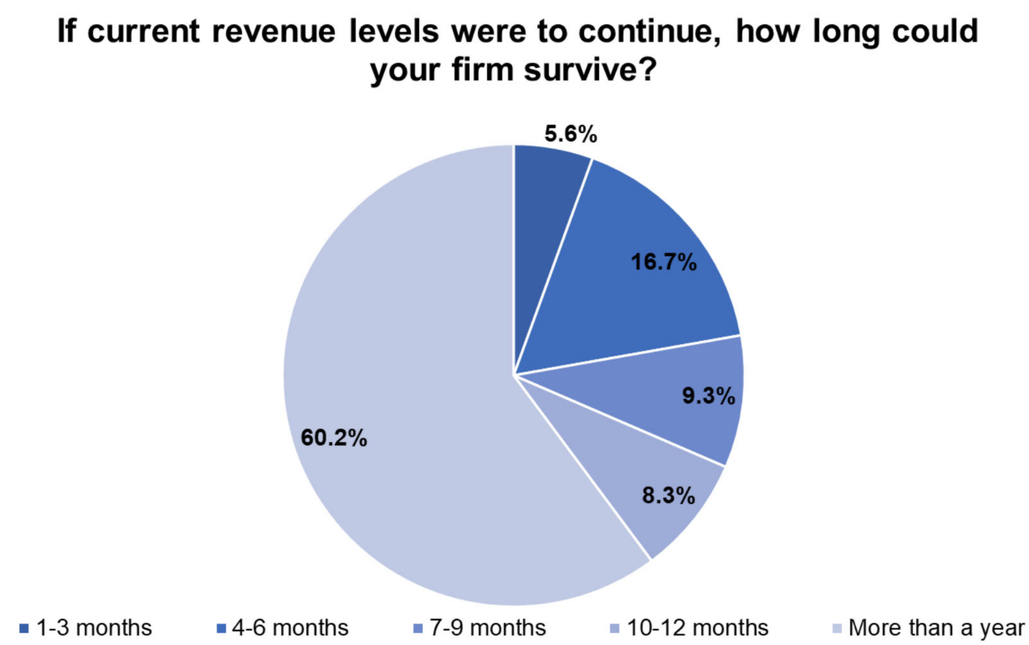
Texas Manufacturing Outlook Survey

Data were collected May 12–20, and 112 Texas manufacturers responded to the survey.

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

	Share of respondents (percent)	Average response (percent)
Entries less than 100	78.0	60.2
Entries of exactly 100	5.5	100.0
Entries greater than 100	16.5	120.6
All entries	100.0	72.3

NOTE: 109 responses.



SOURCE: Federal Reserve Bank of Dallas Texas Manufacturing Outlook Survey.

NOTE: 108 responses.

Have you applied for a PPP (Paycheck Protection Program) loan?

	Percent
Yes	67.0
No	33.0

NOTE: 109 responses.

If you applied for a PPP loan, have you received it?

	Percent
Yes	98.6
No, but we have been approved	0.0
No, we are awaiting approval	0.0
No, we were denied funding	1.4

NOTES: 73 responses. This question was only posed to those indicating they applied for a PPP loan.

How did receiving the PPP loan benefit your firm? Please select all that apply.

	Percent
Prevented layoffs and/or furloughs	83.3
Prevented wage reductions	65.3
Helped us pay bills and/or rent	50.0
Allowed for rehiring of workers	18.1
Other	13.9

NOTE: 72 responses. This question was only posed to those indicating they received a PPP loan.

How could the PPP have been more effective in helping your firm?

This question was only posed to those indicating they applied for a PPP loan, and 47 manufacturers submitted an answer. The most common responses were a longer time frame for spending the money, clearer terms for loan forgiveness, more flexibility in how the money can be spent, and a smoother application and payout process.

Have you taken any of the following steps regarding employment in response to COVID-19? Please select all that apply.

	Percent
Increased working from home	68.8
Reduced work hours (including cutting overtime)	50.5
Paid time off	32.1
Reduced or suspended bonuses	31.2
Layoffs	17.4
Furloughs	12.8
Reduced wages	12.8
Other	8.3
None	12.8

NOTE: 109 responses.

Have you attempted to recall any laid off/furloughed workers or increase hours among current workers?

	Percent
Yes	21.1
No	78.9

NOTES: 57 responses. This question was only posed to those indicating they laid off/furloughed workers or reduced work hours

Were there any impediments to recalling workers or increasing hours? Please select all that apply.

	Percent
Fear of infection	50.0
Lack of child care	41.7
Generous unemployment benefits	33.3
Other	25.0
None	41.7

NOTES: 12 responses. This question was only posed to those indicating they attempted to recall any laid off/furloughed workers or increase hours among current workers.

Was any part of your business shut down due to state/local operational restrictions?

	Percent
Yes	11.9
No	88.1

NOTE: 109 responses.

In light of Gov. Abbott’s “Open Texas” plan which took effect May 1, has your business reopened to the maximum allowable level?

	Percent
Yes	61.5
No	38.5

NOTES: 13 responses. This question was only posed to those indicating any part of their business was shut down.

What will it take for your business to reopen to the maximum allowable level?

This question was only posed to those indicating any part of their business was shut down and had yet to reopen to the maximum allowable level under Gov. Abbott's “Open Texas” plan. These comments are from respondents’ completed surveys and have been edited for publication.

- Reopening all functions and restoration of product demand.
- Return of business levels of 2019; it will be a long road back.
- We need our customers to reopen so we have somewhere to send our products and a means of getting paid for them.
- Business must improve. We can't hire people if we don't have orders.
- Opening up of all businesses fully—not this partial situation.
- Ramping up to maintain social distance, availability of vendor materials, our dealers fully functioning and retail customers returning to showrooms.

Have your firm’s revenues been negatively impacted by reduced activity in the energy industry as a result of low oil prices?

	Percent
Yes	50.5
No	49.5

NOTE: 107 responses.

Above you note that your May revenues are down from typical levels. Approximately what share of this decline is due to reduced activity in the energy industry as a result of low oil prices?

	Percent
Less than a quarter	36.7
More than a quarter but less than half	22.4
More than half but less than three-quarters	12.2
More than three-quarters	28.6

NOTES: 49 responses. This question was only posed to those indicating current revenues are down from a typical May and that their firm's revenues have been negatively impacted by reduced activity in the energy industry.

Special Questions Comments

These comments have been edited for publication.

Chemical Manufacturing

- We are operating at minimum rates due to low demand. Our products eventually go into automobiles and electrical infrastructure, and much of our production is exported.

Plastics and Rubber Product Manufacturing

- Oil prices are greatly impacting overall revenue. The worldwide rig count is down 38 percent vs. this time last year. Domestically, the U.S. rig count is down 62 percent overall. WTI [West Texas Intermediate oil] is hovering around $25–30 a barrel. Breakeven for most producers is around $40 per barrel. Until oil can stabilize at $40 per barrel, production will remain at a standstill. What we need is the easing of stay-at-home restrictions. As more people get back on the road, demand will increase and drillers will be able to begin producing again as oil stabilizes.

Nonmetallic Mineral Product Manufacturing

- It is too soon to see the impact of lower oil prices. This will likely occur as state tax revenues decline and highway projects get delayed or canceled due to lack of funding next year.
- Regarding the energy industry, the impact has not been felt yet. But it will be, and soon.
- A portion of our product line goes to the oilfield exploration/drilling area. With the drop on oil prices, this demand has decreased considerably, although we have been receiving a small number of orders in the past couple of weeks from smaller firms in this segment.

Primary Metal Manufacturing

- Demand for our products is way off.

Fabricated Metal Manufacturing

- We service commercial aircraft, and that business will be in for a long recovery period for many reasons.
- The construction industry is being primarily driven by retail customers in the second quarter. The increase is fairly significant.
- We have one customer in the drilling industry, and their purchases from us are down 50 percent. They also asked for longer terms and a reduction in prices.
- Energy will get worse before it gets better, especially the Permian. Many small to midsize customers are laying off and closing.

Machinery Manufacturing

- With oil prices falling, our customers have suspended projects, reduced budgets, or pushed out delivery dates into 2021. We need stability and confidence in oil prices so customers and banks will fund projects and order our products.
- We were much more affected by the energy crash than COVID-19. That is common with most energy-related business, especially in the Permian Basin.
- It's really the combination of COVID-19 and weak oil prices that caused the downturn. Once demand evaporated, who's to say what came first and why.
- We are in trouble and we need to end all foreign aid, shut China off completely, ramp up domestic manufacturing on a World War II scale and get this country moving again.

Computer and Electronic Product Manufacturing

- Oil prices have reduced some activity, but COVID-19 has impaired the ability of companies to operate (even essential ones), which has delayed the ability of our customers to increase sales. Plants have delayed purchasing or gone to minimal shifts, reducing the demand for products from some of our customers. We believe this is temporary (even though oil prices will be lower for a while). In short, I would say that oil wasn't helping, but the virus response prolongs and exaggerates the impact.
- We have reduced work hour demands in order to minimize pressure on employees to come to work. This allows those more sensitive or susceptible (due to age) to take off without worry. This has reduced our shipments, primarily due to the lower manufacturing hours applied. Most of our employees are back at work operating under the new precautions we have in place.

- In early March, we reduced salaries by 12 percent. Since that time, we have reinstated salaries to the pre-March-reduction level. We remain optimistic that we can continue at these levels for a few months; however, we will need business to turn back to normal in the fourth quarter of this year.

Transportation Equipment Manufacturing

- We have a long lead time and a production backlog that was over nine months in February, so current revenues have not seen a significant decline, aside from March, since we are building orders that came in 2019. However, we have seen a sharp decline in new orders, so we are anticipating a significant reduction in our 2021 forecast.
- Low energy prices are a plus.

Food Manufacturing

- We are extremely fortunate relative to other businesses.

Wood Product Manufacturing

- We're not sure what will happen with homebuilders. We are concerned there may be a major reduction in the amount of homes being built. Texas is better than other states, with more people moving here.

Paper Manufacturing

- Running 30 percent off in manufacturing means running a pretty big loss each month. The PPP [Paycheck Protection Program] has helped for at least eight weeks.
- My concern for the near term and the long run is just the unknown. To this point in time, my business has been negatively affected, but not to the extent that I feared it might be.

Miscellaneous Manufacturing

- Our revenues are down 50 percent, predominately due to the automotive shutdown. Our other market sectors, which are varied, are also down, but not to the extent that automotive is down. Even during the Great Recession, our automotive business never completely stopped like it has due to the pandemic.
- If the shutdown continues any longer, we will have permanent 20–30 percent wage reductions across the board.

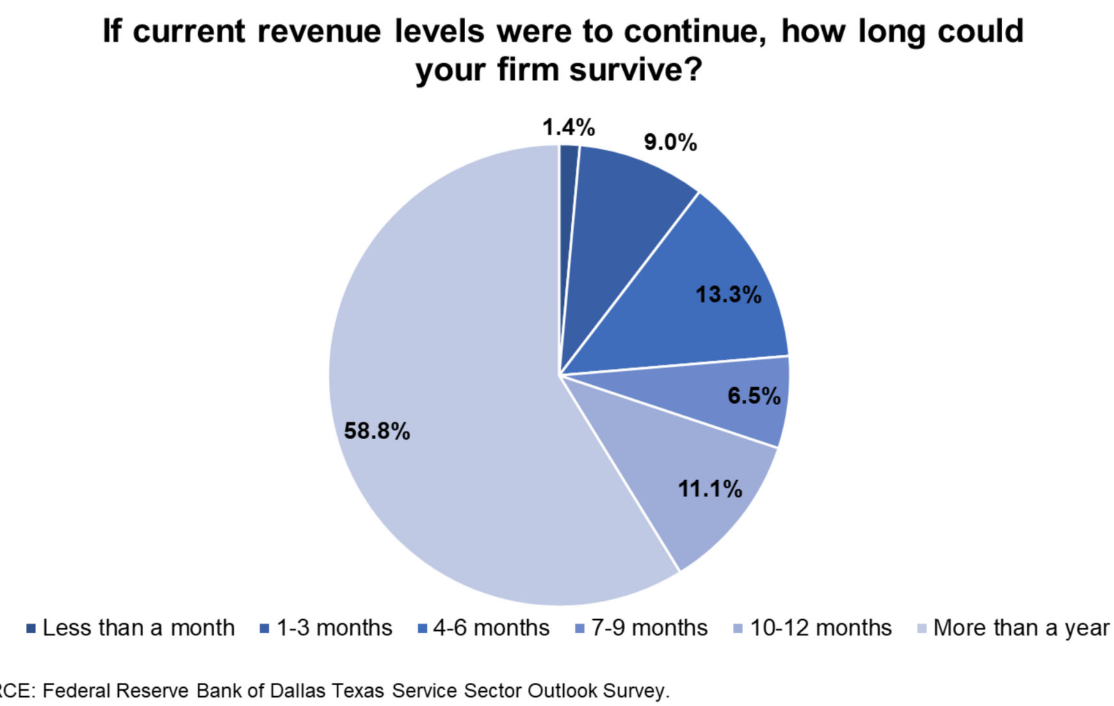
Texas Service Sector Outlook Survey

Data were collected May 12–20, and 287 Texas business executives responded to the survey.

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

	Share of respondents (percent)	Average response (percent)
Entries less than 100	82.5	59.9
Entries of exactly 100	9.9	100.0
Entries greater than 100	7.7	195.6
All entries	100.0	74.2

NOTE: 274 responses.



NOTE. 279 responses.

Have you applied for a PPP (Paycheck Protection Program) loan?

	Percent
Yes	57.8
No	42.2

NOTE: 282 responses.

If you applied for a PPP loan, have you received it?

	Percent
Yes	90.6
No, but we have been approved	1.9
No, we are awaiting approval	5.6
No, we were denied funding	1.9

NOTES: 160 responses. This question was only posed to those indicating they applied for a PPP loan.

How did receiving the PPP loan benefit your firm? Please select all that apply.

	Percent
Prevented layoffs and/or furloughs	75.0
Prevented wage reductions	66.0
Helped us pay bills and/or rent	53.5
Allowed for rehiring of workers	22.2
Other	15.3

NOTE: 144 responses. This question was only posed to those indicating they received a PPP loan.

How could the PPP have been more effective in helping your firm?

This question was only posed to those indicating they applied for a PPP loan, and 99 business executives submitted an answer. The most common responses were a longer time frame for spending the money, clearer terms for loan forgiveness, more flexibility in how the money can be spent, and a smoother application and payout process.

Have you taken any of the following steps regarding employment in response to COVID-19? Please select all that apply.

	Percent
Increased working from home	68.9
Reduced work hours (including cutting overtime)	40.4
Reduced or suspended bonuses	34.3
Furloughs	22.5
Paid time off	20.0
Layoffs	18.9
Reduced wages	18.2
Other	12.1
None	10.4

NOTE: 280 responses.

Have you attempted to recall any laid off/furloughed workers or increase hours among current workers?

	Percent
Yes	38.8
No	61.2

NOTES: 129 responses. This question was only posed to those indicating they laid off/furloughed workers or reduced work hours.

Were there any impediments to recalling workers or increasing hours? Please select all that apply.

	Percent
Fear of infection	62.5
Lack of child care	47.9
Generous unemployment benefits	45.8
Other	2.1
None	27.1

NOTES: 48 responses. This question was only posed to those indicating they attempted to recall any laid off/furloughed workers or increase hours among current workers.

Was any part of your business shut down due to state/local operational restrictions?

	Percent
Yes	44.1
No	55.9

NOTE: 279 responses.

In light of Gov. Abbott's "Open Texas" plan which took effect May 1, has your business reopened to the maximum allowable level?

	Percent
Yes	43.8
No	56.2

NOTES: 121 responses. This question was only posed to those indicating any part of their business was shut down.

What will it take for your business to reopen to the maximum allowable level?

This question was only posed to those indicating any part of their business was shut down and had yet to reopen to the maximum allowable level under Gov. Abbott's "Open Texas" plan. These comments are from respondents' completed surveys and have been edited for publication.

Increased business activity

- Increased sales.
- Have all businesses open up.
- Demand for product.
- Customer orders.
- Being open and having pre-COVID volume are two very different things. More openings require significant financial commitment, which is not backed by revenue.
- Call volume and interest in our product are very high; however, there is a reluctance to move forward. It will take a big increase in overall consumer confidence to make a difference.
- The energy sector recovering enough to need consulting services.
- Full reopening of all other businesses in the community.
- Consumer confidence.
- Reduction in social distancing guidelines.
- Allowable gatherings with no limitations.
- Travel and the relaxation of limitations on gatherings.
- Lifting of the national order not to travel. We also need the airlines to increase their schedules.
- Continuation of businesses opening and virus leveling (and not an increase in cases).

Increased occupancy allowance

- We need more than 75 percent of the seating capacity opened. And no spikes in COVID-19 counts after reopening.
- One-hundred percent occupancy.
- Social distancing, constant sanitation and percent of occupancy are not practical.
- Running a restaurant/private club is not feasible at 25 percent capacity. In addition, the steps that are needed to ensure our employees and members/guests are healthy are huge. Our plans are to open on June 1 as long as the capacity is increased to 50 percent and there is not a spike in new cases. We are continuing to do takeout, which has been good.
- Opening fully to allow in-person conferences and courtroom hearings.

More guidance and/or preparations for reopening safely

- Knowing how to open a public entertainment facility while being safe for staff and the public. There may be an "Open Texas" plan, but it came without guidance or particulars on practical application.
- Clear and consistent guidelines.
- Safety measures for assembling students again.
- Cleaning protocols in place and social distancing formalized in the office.

- We will start on May 18 with a test run in our Dallas office. Once we have all protocols down and working well, we will increase the allowed in-office participation to the amount permitted under government orders and then extend to other offices/locations when permitted.
- Honest information from government instead of partisan statements to gain favor.
- Facility renovations and reconfiguration of staff work space. Access to adequate cleaning supplies. Additional technology to support increased remote service delivery. Security and possible contracted staff to conduct customer and staff prescreening prior to facility entry.
- Planning and equipping offices for the return of workers.
- Getting a better grip of COVID-19 by state and local officials. They're guessing due to pressure from voters, who will be the first to point the finger right back at our governor or mayor if anything goes wrong.
- Obtain equipment for noninvasive temperature taking and other items to comply with Texas Health and Human Services guidelines.

Favorable virus developments and/or employees feeling safe

- Testing, demonstrated successful treatment, more serious voluntary compliance with social distancing and/or mask-wearing in public settings, and a vaccine. I hate to have a glass-half-empty view, but I am fairly certain we will see a second wave of infections. I am not sure the public in general is cognizant of that possibility.
- Widespread testing; effective treatments.
- Ninety-five percent of employees are working from home. I will not open until we are assured that the pandemic is under control and that a vaccine will be available.
- The pandemic has not reached levels acceptable to ensure the safety of workers. [Texas] Gov. Abbott has not followed the CDC [Centers for Disease Control] nor scientific facts.
- Communitywide success with the reopening, with no meaningful spike in COVID cases.
- Continued reduction with hospitalization rates, improvement with consumer travel confidence, and clarity with a reopening timeline.
- Staff feeling safe in their environment.
- Employees feeling comfortable returning to a high-rise office shared with other firms.
- We are waiting for it to be safe for our employees. That will require a vaccine and/or effective treatment.
- Child care and employee confidence in safety measures.
- Adequate testing to ensure that staff in our office can keep from being infected by other employees; extremely effective treatments and/or an effective vaccine.

More time

- Another three weeks.
- Phase 3 [of the reopening].
- Time, reduction in COVID cases and continued reassessment of personal space needed. Also, obtaining necessary PPE [personal protection equipment] to operate.
- Time.
- Time and money.
- We will open the lobbies beginning May 18, with full staff practicing all recommended precautions.
- Should be to maximum [level of reopening] in June.

Other

- At this point, nothing. It can't happen. No events, catering, etc. We have no intention of trying to pack our restaurant at this time.
- Depends on our clients and their states.
- As an acute-care hospital, we will continue to limit elective procedures until we are confident that we can handle a full load while caring for COVID-19 patients as needed.

Have your firm’s revenues been negatively impacted by reduced activity in the energy industry as a result of low oil prices?

	Percent
Yes	48.0
No	52.0

NOTE: 275 responses.

Above you note that your May revenues are down from typical levels. Approximately what share of this decline is due to reduced activity in the energy industry as a result of low oil prices?

	Percent
Less than a quarter	66.1
More than a quarter but less than half	19.3
More than half but less than three-quarters	9.2
More than three-quarters	5.5

NOTES: 109 responses. This question was only posed to those indicating current revenues are down from a typical May and that their firm's revenues have been negatively impacted by reduced activity in the energy industry.

Special Questions Comments

These comments have been edited for publication.

Utilities

- It's difficult to delineate between [demand declines due to] COVID-19 and low oil prices at this point in time. We should know more over the next few months.

Specialty Trade Contractors

- We are counting on [the Federal Reserve] to do the right thing as [they] have done in the past. We have 100 percent trust in the decisions [they] make and want to make sure [they] continue to do the right actions regardless of the politics that can sway things one way or the other.

Air Transportation

- The effect [of COVID-19] has been catastrophic—unprecedented in aviation history.

Truck Transportation

- We're a truck repair shop. We've seen a greatly reduced number of trucks running because no one is making things to be hauled. We need America to get back to work so there is something for trucks to haul.

Support Activities for Transportation

- We are uncertain what percent of revenues are attributed to the energy industry. As a trucking company, we are seeing energy companies with trucks trying to move into other segments of transportation, increasing available capacity and decreasing rates.

Warehousing and Storage

- We're in a bit of an odd position. Because of the tremendous growth in the second half of 2019, even in this depressed state, we are well above any previous May. We are roughly 20 percent off our highs set in March, however, and we expect that to worsen to perhaps 35 percent off of our highs over the next several months. We have not taken any employee actions at this time, other than a freeze on future hiring.

Data Processing, Hosting and Related Services

- Ours is a recurring-revenue technology business.

Credit Intermediation and Related Activities

- Primarily in the service sector either by individuals being laid off or the companies dependent on the oil-industry activity. The suspension of UIL [University Interscholastic League] athletic activities and schools has had an impact on some businesses.
- We expect to see some of our customers negatively impacted by the energy industry. Normal slowdowns in the energy sector hit us about six months after the slowdown.

Insurance Carriers and Related Activities

- Our business was essential, by definition, and so we worked from home and continued pretty much unchanged. But, we will have numerous clients whose insurance is based on payrolls or receipts, and their year-end insurance audit will be negative or lower.

Real Estate

- The drop in oil prices has affected the real estate industry because many are not buying homes now because of loss of jobs or loss of income from oil wells.
- Projected energy job losses will generate a significant headwind for us for the next 18 months.

Rental and Leasing Services

- An oil bust such as what we have in the Permian Basin greatly reduces the business in my four stores that serve that market. Those stores are down through April by over 25 percent, and the bust really didn't kick the door open until April. We will not feel the impact of the bust as much in North Texas or Central Texas, but West Texas and South Texas are already significantly being impacted. We suspect those stores that serve oil will be down 30 to 50 percent this year. This hurts our equipment rental business the most, then whole good sales. Usually, parts and service will be flat or up as people try to keep what they have running.

Professional, Scientific and Technical Services

- At present we are holding our own. Volatility in energy can actually impact us favorably as our clients scramble to adapt. Longer term our views are less certain. We will continue to watch and adapt as best we can.
- Collections have been good so far, but we are starting to see a slowdown that will impact revenue in the months ahead. The pipeline of deals has slowed, especially in real estate and finance.
- Overall, energy-related revenue may be down, but increases in related restructuring work may totally offset it.
- Since we are a software technology company, most of our employees can work from home, and we are less affected by the COVID-19 shutdown. But, our revenue is getting affected as our buyers are mid-size and large companies in the United States, the European Union, and Asia.
- Our strong year-to-year growth relates to business already under contract pre-COVID-19. Engineering services tend to lag behind overall economic downturns (historically 12–18 months but uncertain for current conditions). Delayed bond elections, voter sentiments for future bond elections and state and local funding in 2021 and 2022 could have a material impact on our future work.
- Multiple-person workshops are not considered viable by my clients with social distancing. Online has not been tried but has been suggested.
- We service the retail grocery industry, which has been navigating increased activity and demand with limited resources. Overall activity for us has increased, but pressures on cash have restricted revenue collection.
- We have fewer leads, but the leads we have are more serious about doing business—fewer tire kickers.

Administrative and Support Services

- As an entrepreneur, I am used to drastic changes, but this one is completely out of my hands. I see retirement in my future, but my employees worry me tremendously. So, I will keep working until I can afford it [retirement].
- Due to a large backlog that was generated off of fourth quarter 2019 and the first two months of 2020, the short term is OK. The main concern is that new contracts are only selling at 30 percent of normal. Once the backlog is gone, the current sales pace will not fill the void.
- Lack of energy demand and the resulting drop in prices will have a more lasting impact on the local economy than COVID-19.
- We have not applied [for the Paycheck Protection Program (PPP)] because we are not yet eligible as a government agent tourism office. That may change with [Coronavirus Aid, Relief and Economic Security (CARES) Act Phase Four]; however, in Texas, government agencies can't get loans without going through the AG's [attorney general's] office (two-month process, minimum), so it still may not be an option for us.
- First, we would have not been able to stay in business without PPP. We had already supplemented two payrolls because of reduced revenues. The uncertainties of how long this would last would have kept us from investing more into the business. We still are concerned that this could last longer than the PPP; although activity is increasing, any [virus] resurgence could be detrimental.
- This is very disruptive to a solid business environment. We need to get people back to work. The initial slowing of the spread worked, and now since the hospitals are prepared, we need to move forward and manage the risk like all the other risks we face daily.
- The oil industry provides many high-end clients who are now on the sidelines of travel.

Educational Services

- Current revenues have not been impacted by oil prices, but future revenues will be since the state provides 23 percent of our funding. They have asked us to plan for 5 to 10 percent cuts to this funding source beginning Sept. 1 or sooner.

Ambulatory Health Care Services

- We focus on cosmetic dentistry, which is discretionary and requires larger expenditures; most folks borrow or use credit to pay. Internet searches for cosmetic dentistry and the number of requests for a smile consult we receive are actually leading indicators of the consumer confidence indices. Since most have to borrow, if they're concerned about current/future employment, they postpone searches for our primary service.

Hospitals

- We expect to see a lag in activity reduction as workers lose their insurance coverage and/or relocate.

Nursing and Residential Care Facilities

- We must continue to take care of our 10,000+ senior residents, so we cannot reduce our number of employees or their work hours. While we are doing what we can to "reopen" where possible, the need to restrict access to nonessential visitors continues and is expected to continue for at least a few more months. Our revenues have decreased, our expenses have increased and, therefore, our liquidity is suffering. We desperately need widespread testing of our residents and employees so that we can be aware of the level of risk present in our buildings. We also need PPE [personal protective equipment] to be provided to us free of charge like it has been to traditional health care companies. We are investigating whether a PPP loan under the alternative-size requirements might be available to us.

Social Assistance

- Our placement rate has been negatively impacted as a result of the low oil prices.

Amusement, Gambling and Recreation Industries

- We operate an amusement park, so are completely shut down, both in seasonal employment and the ability to open for customers.

Accommodation

- Our locations in West Texas have been negatively impacted, as work slowed or stopped—less business activity, less demand for lodging.

Food Services and Drinking Places

- People are afraid to come out and eat. Coming out to eat is not a good experience with nothing on tables and no one there. It has cost us to reopen our dining rooms. We are better off with them closed until all is back to normal, if we ever get there.

Religious, Grantmaking, Civic, Professional and Similar Organizations

- Our service area covers Wichita Falls and surrounding counties (we are headquartered in Dallas). The contraction in spending there is remarkable, almost like a temperature change. People there are truly scared of the future.
- The only industry we serve is the oil and gas industry. The combination of COVID-19 and low oil prices has essentially destroyed our business model.

Texas Retail Outlook Survey

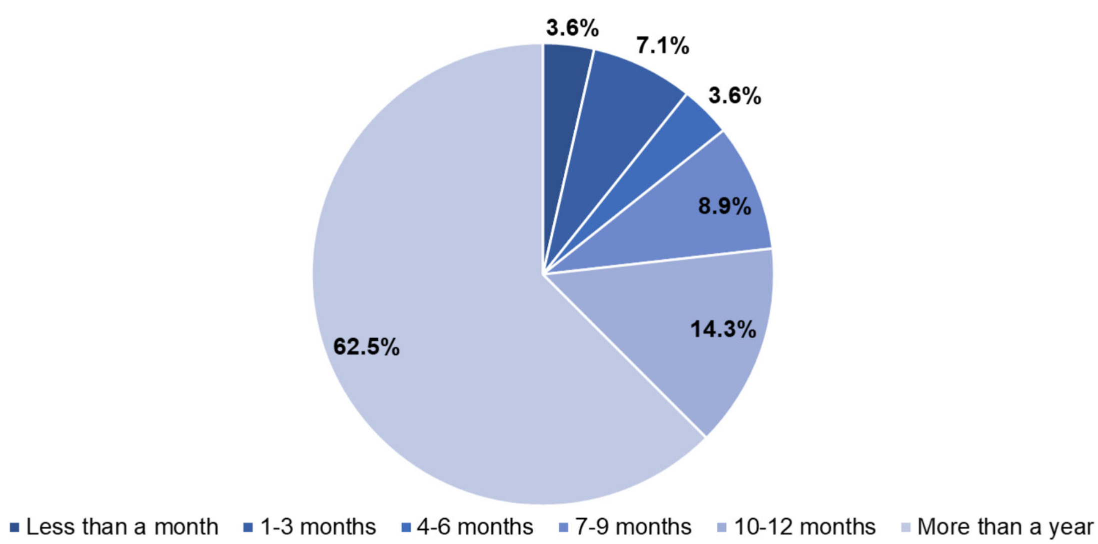
Data were collected May 12–20, and 57 Texas retailers responded to the survey.

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

	Share of respondents (percent)	Average response (percent)
Entries less than 100	90.7	63.3
Entries of exactly 100	7.4	100.0
Entries greater than 100	1.9	120.0
All entries	100.0	67.1

NOTE: 54 responses.

If current revenue levels were to continue, how long could your firm survive?



SOURCE: Federal Reserve Bank of Dallas Texas Retail Outlook Survey.

NOTE. 56 responses.

Have you applied for a PPP (Paycheck Protection Program) loan?

	Percent
Yes	67.9
No	32.1

NOTE: 56 responses.

If you applied for a PPP loan, have you received it?

	Percent
Yes	97.3
No, but we have been approved	0.0
No, we are awaiting approval	2.7
No, we were denied funding	0.0

NOTES: 37 responses. This question was only posed to those indicating they applied for a PPP loan.

How did receiving the PPP loan benefit your firm? Please select all that apply.

	Percent
Prevented layoffs and/or furloughs	80.6
Prevented wage reductions	69.4
Helped us pay bills and/or rent	58.3
Allowed for rehiring of workers	22.2
Other	13.9

NOTE: 36 responses. This question was only posed to those indicating they received a PPP loan.

How could the PPP have been more effective in helping your firm?

This question was only posed to those indicating they applied for a PPP loan, and 20 retailers submitted an answer. The most common responses were a longer time frame for spending the money, clearer terms for loan forgiveness, more flexibility in how the money can be spent, and a smoother application and payout process.

Have you taken any of the following steps regarding employment in response to COVID-19? Please select all that apply.

	Percent
Increased working from home	58.9
Reduced work hours (including cutting overtime)	53.6
Reduced or suspended bonuses	32.1
Furloughs	26.8
Paid time off	26.8
Layoffs	21.4
Reduced wages	21.4
Other	7.1
None	12.5

NOTE: 56 responses.

Have you attempted to recall any laid off/furloughed workers or increase hours among current workers?

	Percent
Yes	51.5
No	48.5

NOTES: 33 responses. This question was only posed to those indicating they laid off/furloughed workers or reduced work hours.

Were there any impediments to recalling workers or increasing hours? Please select all that apply.

	Percent
Fear of infection	53.3
Lack of child care	33.3
Generous unemployment benefits	26.7
Other	0.0
None	26.7

NOTES: 15 responses. This question was only posed to those indicating they attempted to recall any laid off/furloughed workers or increase hours among current workers.

Was any part of your business shut down due to state/local operational restrictions?

	Percent
Yes	38.2
No	61.8

NOTE: 55 responses.

In light of Gov. Abbott’s “Open Texas” plan which took effect May 1, has your business reopened to the maximum allowable level?

	Percent
Yes	70.0
No	30.0

NOTES: 20 responses. This question was only posed to those indicating any part of their business was shut down.

What will it take for your business to reopen to the maximum allowable level?

This question was only posed to those indicating any part of their business was shut down and had yet to reopen to the maximum allowable level under Gov. Abbott's “Open Texas” plan. These comments are from respondents’ completed surveys and have been edited for publication.

- Customers will have to reopen [their businesses] to the maximum level first.
- We could do so tomorrow but are planning to wait until June 1. We want to see testing results peak and then decline before resuming normal operations. We are not missing a beat as we have 90 full-time employees (40 percent of our workforce) working from home, which started mid-March.
- Internal planning.
- Our primary customers are restaurants. When they are allowed to reopen close to 100 percent, we'll be able to justify incurring expenses associated with fully “reopening” our business. We can't do so until we are at roughly 80 percent of pre-COVID-19 revenue levels for a sustained period of time—i.e., 45–60 days—to ensure it is a real revenue increase versus a one-time restocking of the supply chain that proves to not be sustainable.
- Easing of restrictions from customers and fewer infections.
- As a vending company, many of our customers have not fully returned to work or have remained closed. Those that reopen may have much of their workforce working remotely now. Our business relies significantly on head count within a business to establish that business as a customer. Otherwise, the account is not profitable. Either we need things to return fully to the way they were or we need to aggressively sell our services to obtain new customers.
- Not sure, but additional testing and a drop in the daily levels would help.

Have your firm’s revenues been negatively impacted by reduced activity in the energy industry as a result of low oil prices?

	Percent
Yes	61.1
No	38.9

NOTE: 54 responses.

Above you note that your May revenues are down from typical levels. Approximately what share of this decline is due to reduced activity in the energy industry as a result of low oil prices?

	Percent
Less than a quarter	67.7
More than a quarter but less than half	16.1
More than half but less than three-quarters	9.7
More than three-quarters	6.5

NOTES: 31 responses. This question was only posed to those indicating current revenues are down from a typical May and that their firm's revenues have been negatively impacted by reduced activity in the energy industry.

Special Questions Comments

Merchant Wholesalers, Durable Goods

- We are impacted by energy, with less capital for investments.
- The federal unemployment benefits are hindering workers from wanting to go back. Why work when you make more at home?

Motor Vehicle and Parts Dealers

- Our business is in Houston. Most of the large energy company layoffs occurred in May, therefore, we expect significant decline in revenue for the remainder of this year.
- We have been hit with a tremendous drop in used car prices in April and are seeing some small rebound in May. We will not see full recovery for a while, and this will have a negative impact on new-car business. [There is] a lot of uncertainty around rental car companies dumping their rental fleet into the already-soft used car market.

Building Material and Garden Equipment and Supplies Dealers

- [Declining] oil revenues have reduced dividend and royalty checks to our customers who spend in our store.
- We need to get everyone back to work.

Nonstore Retailers

- We have one warehouse in Houston, and I'm sure a portion of lost business is associated with reduced energy activity, but I'd say it's less than 5 percent.

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