Texas **Service Sector** Outlook Survey

September 1, 2020

Texas Service Sector Activity Stabilizes

What's New This Month

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

Activity in the Texas service sector held mostly steady in August after declining in July, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, rose from -8.5 in July to 1.5 in August.

Labor market indicators reflected a stabilization of employment and workweek length in August. The employment index rose six-and-a-half points to -0.3—its highest level since February and a level suggesting no net change in jobs compared with July, while the hours worked index rose nearly three points to -1.0.

Perceptions of broader business conditions rose back into positive territory in August. The general business activity index rebounded over 31 points to 4.7, while the company outlook index advanced from -15.8 to 5.6. Nearly one-quarter of respondents noted an improved outlook, compared with 17 percent noting a worsened outlook. The outlook uncertainty index also declined to 5.7, its lowest reading since February.

Wages picked up in August, while price pressures increased. The wages and benefits index rose from 0.4 to 4.9, while the selling prices index added 10 points, rising to 4.4. The input prices index picked up from 17.8 to 22.2, its highest value since February.

Respondents' expectations regarding future business activity improved markedly in August. The future general business activity index rose over 28 points to 19.2, its highest level since late 2018, with 37 percent of respondents expecting improved activity over the next six months. The future revenue index surged over 17 points, increasing to 35.5. Other indexes of future service sector activity such as employment also rose to values last seen prior to the COVID-19 outbreak; this suggests expectations of more rapid improvement in economic activity over the next six months.

Texas **Retail** Outlook Survey

Texas Retail Sales Continue to Decline but at Notably Slower Pace

Retail sales activity declined in August, though at a much slower pace than July's plunge, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, rose from -26.7 to -9.9. Over 35 percent of respondents reported decreased sales compared with July, while 25 percent reported increases. The decline in inventories also eased markedly, with the inventories index increasing nearly 13 points but remaining negative at -8.7.

Retail labor market indicators were mixed in August, with employment flattening out but the average workweek length shortening. The employment index added over 12 points, returning to positive territory at 1.4. The hours worked index fell from -7.8 to -13.9, with only 1 percent of respondents noting increases in workweek length.

Retailers' perceptions of broader business conditions returned to positive territory in August. The general business activity index rose nearly 28 points to 4.2, while the company outlook index picked up from -6.8 in July to 9.6 in August. The outlook uncertainty index fell from 13.7 to 7.2.

Retail wages flattened out in August, while price pressures rose. The wages and benefits index rose from -5.3 to 0.9, a level suggesting little change in net wages compared with July. The selling prices index surged over 12 points to 14.3, while the input prices index dipped one point to 16.0.

Retailers' perceptions of future activity reflected increased optimism in August compared with July. The future general business activity index advanced over 31 points to 28.1, while the future sales index inched up from 32.3 to 34.9. Other indexes of future retail activity such as employment increased significantly, suggesting overall expectations of more robust future activity.

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: September 29, 2020

Data were collected August 18–26, and 242 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	Aug Index	Jul Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	1.5	–8.5	+10.0	10.8	1(+)	29.6	42.2	28.1
Employment	–0.3	–6.8	+6.5	6.0	6(–)	13.3	73.0	13.6
Part-Time Employment	0.1	–11.5	+11.6	1.2	1(+)	9.0	82.1	8.9
Hours Worked	–1.0	–3.7	+2.7	2.2	6(–)	9.8	79.4	10.8
Wages and Benefits	4.9	0.4	+4.5	13.9	3(+)	14.2	76.5	9.3
Input Prices	22.2	17.8	+4.4	24.9	4(+)	27.3	67.6	5.1
Selling Prices	4.4	–5.9	+10.3	5.0	1(+)	14.9	74.6	10.5
Capital Expenditures	–0.5	–7.9	+7.4	9.7	6(–)	14.5	70.4	15.0

General Business Conditions
Current (versus previous month)

Indicator	Aug Index	Jul Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	5.6	–15.8	+21.4	4.8	1(+)	22.3	60.9	16.7
General Business Activity	4.7	–26.7	+31.4	2.5	1(+)	24.9	54.9	20.2

Indicator	Aug Index	Jul Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	5.7	29.4	–23.7	13.6	31(+)	20.9	63.9	15.2

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

Indicator	Aug Index	Jul Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Revenue	35.5	17.9	+17.6	36.7	4(+)	52.9	29.7	17.4
Employment	21.9	5.1	+16.8	21.5	4(+)	33.6	54.7	11.7
Part–Time Employment	1.8	0.0	+1.8	6.3	1(+)	13.5	74.8	11.7
Hours Worked	7.2	7.6	–0.4	5.3	4(+)	15.2	76.8	8.0
Wages and Benefits	23.8	19.1	+4.7	35.7	4(+)	31.6	60.6	7.8
Input Prices	32.0	27.8	+4.2	43.5	164(+)	39.0	54.0	7.0
Selling Prices	13.8	5.9	+7.9	22.7	4(+)	26.0	61.8	12.2
Capital Expenditures	17.3	1.8	+15.5	23.1	3(+)	29.6	58.1	12.3

General Business Conditions
Future (six months ahead)

Indicator	Aug Index	Jul Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	21.9	–3.1	+25.0	15.9	1(+)	37.5	46.9	15.6
General Business Activity	19.2	–9.2	+28.4	12.6	1(+)	36.9	45.4	17.7

Texas Retail Outlook Survey

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

Indicator	Aug Index	Jul Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	–9.9	–26.7	+16.8	5.6	2(–)	25.5	39.0	35.4
Employment	1.4	–10.7	+12.1	1.7	1(+)	9.6	82.2	8.2
Part-Time Employment	–1.9	–15.4	+13.5	–2.2	6(–)	9.4	79.2	11.3
Hours Worked	–13.9	–7.8	–6.1	–2.1	7(–)	1.2	83.7	15.1
Wages and Benefits	0.9	–5.3	+6.2	9.1	1(+)	11.8	77.3	10.9
Input Prices	16.0	17.1	–1.1	18.6	4(+)	24.6	66.8	8.6
Selling Prices	14.3	2.0	+12.3	9.9	3(+)	26.8	60.7	12.5
Capital Expenditures	–2.8	–6.2	+3.4	7.6	6(–)	11.2	74.8	14.0
Inventories	–8.7	–21.3	+12.6	2.5	7(–)	24.3	42.7	33.0
Companywide Retail Activity								
Companywide Sales	–4.5	–21.7	+17.2	7.0	2(–)	30.5	34.6	35.0
Companywide Internet Sales	0.4	–10.5	+10.9	6.2	1(+)	21.7	57.0	21.3

General Business Conditions, Retail
Current (versus previous month)

Indicator	Aug Index	Jul Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	9.6	–6.8	+16.4	3.2	1(+)	24.6	60.4	15.0
General Business Activity	4.2	–23.7	+27.9	–1.1	1(+)	26.1	52.0	21.9

Outlook Uncertainty
Current (versus previous month)

Indicator	Aug Index	Jul Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Outlook Uncertainty†	7.2	13.7	–6.5	10.9	2(+)	17.9	71.4	10.7

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

Indicator	Aug Index	Jul Index	Change	Series Average	Trend*	% Reporting Increase	% Reporting No Change	% Reporting Decrease
Retail Activity in Texas								
Sales	34.9	32.3	+2.6	31.9	4(+)	48.8	37.3	13.9
Employment	19.5	2.3	+17.2	11.7	4(+)	27.2	65.1	7.7
Part-Time Employment	–0.4	–8.0	+7.6	0.5	2(–)	11.4	76.8	11.8
Hours Worked	1.9	5.0	–3.1	2.6	4(+)	9.3	83.3	7.4
Wages and Benefits	18.3	21.1	–2.8	26.8	4(+)	24.5	69.3	6.2
Input Prices	20.7	27.4	–6.7	32.4	4(+)	35.8	49.1	15.1
Selling Prices	21.2	19.6	+1.6	28.5	4(+)	38.5	44.2	17.3
Capital Expenditures	13.4	2.0	+11.4	16.8	3(+)	28.8	55.8	15.4
Inventories	26.3	11.1	+15.2	8.1	4(+)	41.4	43.6	15.1
Companywide Retail Activity								
Companywide Sales	38.9	23.7	+15.2	30.4	4(+)	51.3	36.3	12.4
Companywide Internet Sales	25.0	7.5	+17.5	21.7	5(+)	35.0	55.0	10.0

General Business Conditions, Retail
Future (six months ahead)

Indicator	Aug Index	Jul Index	Change	Series Average	Trend**	% Reporting Improved	% Reporting No Change	% Reporting Worsened
Company Outlook	28.6	5.2	+23.4	16.6	4(+)	39.6	49.4	11.0
General Business Activity	28.1	–3.4	+31.5	12.3	1(+)	39.6	48.8	11.5

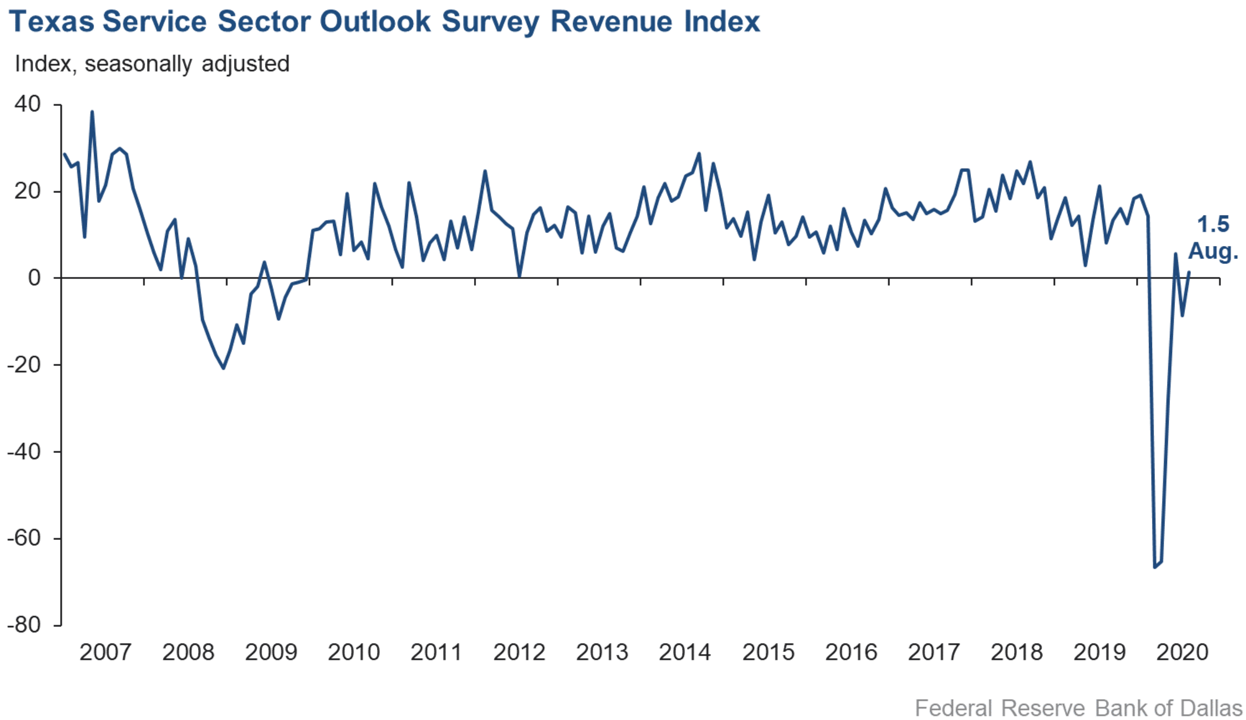
*Shown is the number of consecutive months of expansion or contraction in the underlying indicator. Expansion is indicated by a positive index reading and denoted by a (+) in the table. Contraction is indicated by a negative index reading and denoted by a (–) in the table.

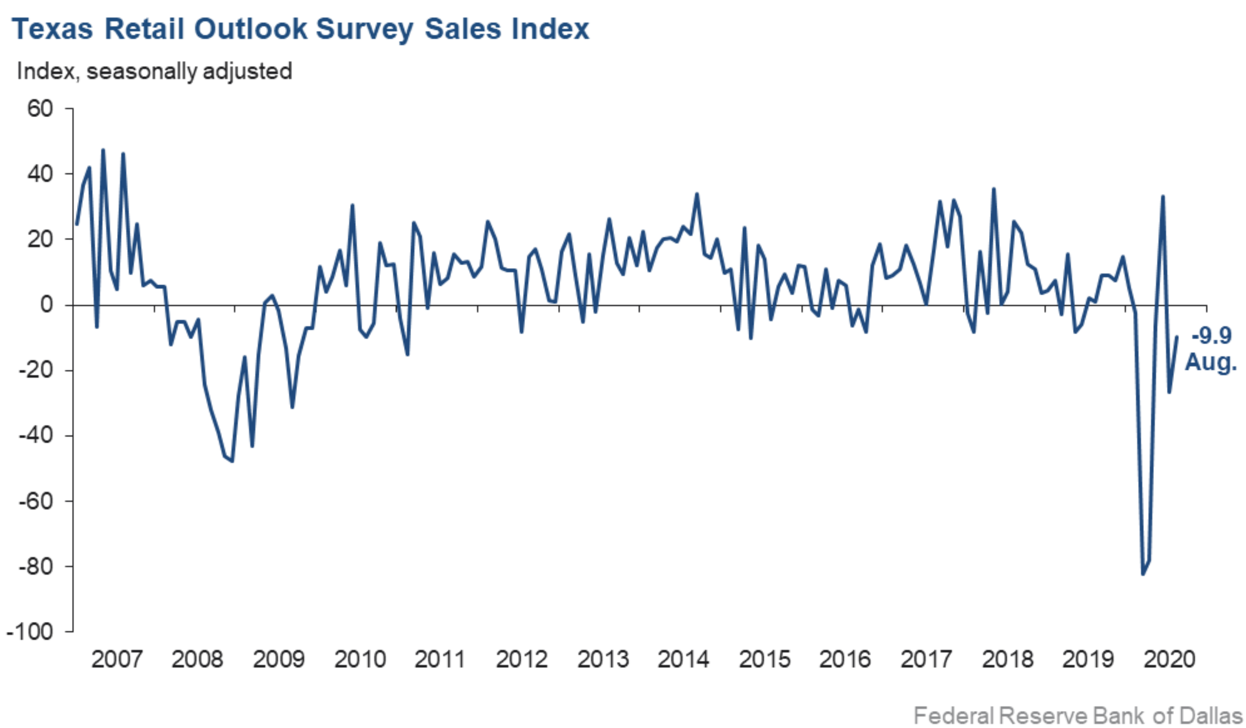
**Shown is the number of consecutive months of improvement or worsening in the underlying indicator. Improvement is indicated by a positive index reading and denoted by a (+) in the table. Worsening is indicated by a negative index reading and denoted by a (–) in the table.

†Added to survey in January 2018.

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

Texas Service Sector Outlook Survey





Texas Service Sector Outlook Survey

September 1, 2020

Comments from Survey Respondents

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

Support Activities for Mining

- With the pandemic and the drop in oil prices, uncertainty remains. The longer that the recovery takes, the greater the uncertainty in when and how fast it will recover.

Utilities

- No change; consumers are reluctant to part with their dollars, and bad debt is increasing.

Truck Transportation

- Unemployment pay must decrease so people will go back to work.

Pipeline Transportation

- COVID-19's global demand destruction and the resulting impact on producers' and refiners' run rates/production still have the largest impact on our future.

Support Activities for Transportation

- Hurricane Hanna wiped out all the South Texas cotton crop. We lost $3 million in sales.
- As the unemployment benefits ramp down, we will find people more willing to re-enter the work force.

Warehousing and Storage

- We're cautiously optimistic as we set a new record for crude oil exports in July, and we expect crude to underpin our recovery. Our large LNG [liquefied natural gas] customer also gave guidance that they expect cargo cancellations to end in a matter of months, not quarters, which will help. We still remain at depressed levels for transportation fuel movements, however, so we are keeping a close eye on that. [Our] capital spending program remains curtailed at the moment, but we should begin spending money by the beginning of 2021. We expect to possibly accept head count attrition without replacement in the short term, however, so we may see the overall head count decrease.

Publishing Industries (Except Internet)

- General potentials continue to increase modestly for the next year.

Data Processing, Hosting and Related Services

- Business activity has definitely increased over the past two months—many more sales prospects, although some new deals have been delayed due to prospects' organizations being hit with the virus. Companies are asking for more digital self-serve options and collaborative digital solutions. There is a bit of fear and uncertainty in decisions due to the political climate, the unknown of how long the pandemic will impact the economy and social unrest in parts of the country. Hiring of skilled technical folks continues to be a challenge despite more availability in the marketplace. The quality locally is requiring much longer searches and loosening of education standards for some positions. Working remotely seems to be wearing thin with many employees, while others prefer it. Overall productivity has not decreased; however, team creativity and innovation are more challenging for sure.

Credit Intermediation and Related Activities

- We expect only slight changes, positive or negative, in business activity until the election. We still expect 2021 to be a tough year for many businesses, and the trickle-down effect could be challenging.

- The impacts of COVID-19 combined with the political unrest have created a greater sense of uncertainty. The competition for business relationships has accelerated, resulting in reducing margins due to lower pricing quotes. The short-term and long-range revenue projections are under pressure and will likely be impacted and will have to be offset by increased volume of loan production. The dry weather conditions are affecting anticipated agricultural production, which could result in lower market prices for livestock due to increases in liquidation and increased prices for other commodities due to reduced production of agriculture crops. Sales tax revenue is still ahead of last year to date due to construction projects in the area that are anticipated to slow down over the next several months as completion occurs.
- With school starting and athletic events occurring, we believe there will be another COVID-19 spike, which will set back any economic gains we have made.
- Our new collision business has opened successfully. We are hopeful about getting some of the capital that we need to complete our second location and get it up and running.

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

- Recruiting continues to be a significant concern for us. We cannot find enough qualified employees. Customers are still hesitant to have meetings (online or in person) regarding changing service providers. This is causing a lag in sales activity. The paralyzing impact of COVID-19 can still be felt in consumers' behavior.
- As a financial services company, we are both tied to investment markets and impacted by economic, fiscal and monetary changes.

Insurance Carriers and Related Activities

- Our "input prices" are insurance costs since we are brokers; our sales prices reflect the price quote we get from our insurance carriers. Mainly property rates, D&O [director and officer] and cyber liability rates are increasing. We are seeing some "net costs" drop from some clients as their business activity has slowed. Our hospitality clients like bars and restaurants have seen reduced sales, which may reflect in reduced insurance costs at audit time.

Real Estate

- We are very concerned about the overall health of the Houston economy for the balance of the year and early 2021. We believe uncertainty will continue until there is a broadly available COVID-19 solution.
- The elections I believe will start to weigh on everyone. While we [see] some increased activity, we are still seeing a lot of fear-driven resistance to people going out shopping or going to restaurants. I am also grateful that our state is allowing most businesses to open and operate. I do fear that given consumer confidence levels and any potential for Joe Biden to win in November, [these] will dampen economic activity.
- The election will make a difference on how people feel. If Biden is elected, buyers will stop spending to wait and see what his policies are.
- There is a general decline in the value of some commercial real estate assets, but the bid-ask has not compressed enough to generate more transactions. Lenders will need to start to move from forbearance to taking properties away from insolvent owners and moving properties to value-add and discount buyers.

Rental and Leasing Services

- How can anyone's outlook be the same or better with a virus that we do not understand, a self-induced economic catastrophe with absolutely no end in sight, and the most anti-business party ever about to win the White House and Congress? I don't know how you paint a more bleak future, and yet I am still positive we will survive.

Professional, Scientific and Technical Services

- It is very hard to say if uncertainty has changed when it's pretty dismal business at the moment. I don't see it increasing and I don't see it decreasing. Obviously, the election will have a significant effect on my view of uncertainty. If Trump wins, it will decidedly increase. If Biden wins, I think uncertainty will decrease because he will put forth a clear direction for the country that involves everybody rather than just a rich few that think they're above the law.
- Client demand remains stronger than expected after the pandemic first hit. Practice leaders are projecting a robust fourth quarter.

- The extended period of isolation is definitely hurting the office market. People are hesitant to leave their homes. Herd immunity is a ways off and, in general, it is hurting the economy, our business and the recovery. As a country, we must get moving.
- We set records in both orders and revenue for our residential division and had our best month since March in the commercial division. As the commercial real estate market continues to rebound, we anticipate having a strong fourth quarter to close out the year. We are still very cautious about what will happen next year once the stimulus money runs out. Even if we finally get a vaccine for the coronavirus, it remains to be seen what state our economy will be in with the amount of people that have filed for unemployment. How many jobs will be available in the retail, restaurant and the hotel sector is a big factor, and no one knows what our new normal will look like.
- We are soft on hours in the transactional area compared with last year. Other areas like bankruptcy and labor are, of course, busy. Overall, we will likely see a decrease in hours this year continuing into next year. Rates have held up generally, as have collections.
- As a consulting engineering company, we face considerable uncertainty about the response of the energy and chemical processing industries to the use of outsider services this year and next.
- The business climate is getting better after COVID-19.

Administrative and Support Services

- Continued COVID-19 spread has hiring at a standstill, and the uncertainty of the election—and the possible challenge to result—and civil unrest have negatively impacted demand.
- It's busy. However, there are no people to hire.
- We have brought more employees to handle the demand from our government customers. We have seen a 20 percent increase in transactions since the middle of July.
- I am afraid the contractors we use will be cutting our margins yet again in an effort to increase their profits and recover some revenue. We are working diligently to increase our retail business and find other contract work.
- Rather than a shortage of clients, we now face a shortage of temporary employees to fill our current orders.
- The silence of the luxury and corporate traveler is overwhelming. The uncertainty of the tomorrow (not months from now) is full of anxiety, which gives no one confidence in planning trips. The yo-yo effect of opening and closing on states and countries is confusing to travelers. I have reached out to our lawmakers to plead the case of travel advisors. Only confidence in a normal way of business/life will restore travel to acceptable levels; therefore, a great deal of assistance is needed on many levels.
- The level of stimulus and low interest rates are offsetting the overall concerns about GDP [gross domestic product], unemployment and general business activity. Not sure if the current situation is sustainable, which will eventually begin to seep into go-forward planning regarding staffing levels, capital expenditures, etc.
- We are still in a state of confusion over the economy and COVID-19. Most of our customers are still trying to figure out where their customers have gone and when they will return. Things have seemed to turn in regard to future business as of this past Monday. RFQs [requests for quotation] and callouts have increased twofold. The optimism that is starting to build over the election and Joe Biden's realistic chance to unseat Donald Trump has made a positive difference in the mood of business people I work and talk with on a daily basis. The corporate aviation sector as of last week has increased in RFQ and calendar inspection items. The industrial sector has remained flat, with just a small increase in RFQs for the September time frame. The oil sector has remained flat, with no changes expected soon.

Educational Services

- It has been very good to see increased retail activity and in local malls, shopping centers and of course grocery stores. I think the consumer is beginning to adjust to living life with a mask and going about their business. It will be critical in the next six-to-eight-month period to see increased movement in the hotel and hospitality industry, which is still lagging in economic activity.

Ambulatory Health Care Services

- We believe we will see relief from COVID-19 in the fall. We are planning some capital expenditures if business firms.

- Alas, we all suffer for calamities not foreseen; I spend half my days scrubbing my hands clean; many depressing corporate reports; safe bubbles only for those in sports; for holidays, top of my list is an everlasting vaccine. There is severe distress in the health care provider environment. Many are retiring, closing offices, limiting access, concierge, [working] part time, etc. Combine that with cuts by CMS [Centers for Medicare & Medicaid Services] and insurers, and there will be a growing and eventual massive physician shortage in coming years.

Social Assistance

- We are unable to hire workers due to unemployment benefits. Our entry-level employees make less than $12 per hour. We are seeing a large number of candidates receive an offer and then do not show up for orientation.

Performing Arts, Spectator Sports and Related Industries

- Our future business environment is affected by who wins the election.

Museums, Historical Sites and Similar Institutions

- Public attendance is not rising as hoped for.

Amusement, Gambling and Recreation Industries

- It is just so hard to make any definitive plans. We reopened in June, and the business was starting to come back. Then the mayor and governor put tighter restrictions back in place, and the business fell off again. We are slightly optimistic that we can increase the business slowly, very slowly from here, but the mayor has basically kept strict restrictions on us now until Dec. 15. It's a very challenging time in the hospitality business.
- We are an amusement park, and people are not coming in sufficient numbers, even though we have all protocols in place. Our future is far from certain, as our period of operation was completely shut down during the COVID-19 lockdown. We will not be able to maintain our full-time employee base, which means next year's opening will not be possible. Our savings and personal resources will be used up, causing a complete shutdown after Labor Day. Every day the news keeps reporting negative concerns, so the public cannot make any plans, as they don't know what will happen next.

Accommodation

- There is so much uncertainty right now, it is impossible to guess what will happen six weeks into the future. We are hopeful that COVID-19 will wane, and conditions will begin to improve for travel and meeting-related businesses.
- If last month was a great deal of uncertainty, then nothing has changed; there is still a great deal of uncertainty regarding our business. While we have seen a steady increase in leisure business, there is no group business to speak of. As the fall approaches, leisure demand will level off, but with no groups until sometime in 2021, we are in for a difficult four to six months.

Food Services and Drinking Places

- The next three-to-six-month impact of COVID-19 and all its adjustments are unknown. We are optimistic there will be better solutions by spring. We are still navigating insurance litigation from Hurricane Harvey in 2017. We had some boardwalk repairs from Hurricane Hanna that took three to four weeks to resolve and temporarily impacted revenues.
- Our game revenues have continued to improve, so overall sales are up. Cheese prices hit an all-time high in July but have pulled back in August. We are experiencing shortages in some chicken and other meat products.
- I believe Houston will feel the effects of the oil company layoffs in six to seven months.
- We are not being able to hire employees because they are making an extra $400 a week to stay home instead of working.

Merchant Wholesalers, Durable Goods

- We feel as if May was the bottom of the trough with respect to sales. Since then, we have seen small growth each month and expect that growth to continue.
- We are going out of business soon due to political concerns from our Taiwan headquarters and pandemic and other economic issues.

Merchant Wholesalers, Nondurable Goods

- COVID-19 is still keeping restaurants from fully opening. Our business will continue to fluctuate until restaurants open and patrons return. We still believe that demand is there, but patrons are not able to dine freely.

Motor Vehicle and Parts Dealers

- Lack of inventory of new and preowned cars has negatively impacted our business in August. Demand is still there, and we expect inventory to start to replenish in September and sales to improve.
- We believe that the certainty of continued financial stimulus by the government, low interest rates and the strong prospects for a vaccine for COVID-19 will continue to stabilize our economy. Consumer spending seems to be surprisingly resilient even on large-ticket items like automobiles. Vehicle inventories are the biggest issue at the moment. Supply and demand is intact.
- We are having difficulty hiring people for positions that pay $12 to $15 per hour.
- We expect inventories to improve from depressed levels. Business conditions are subject to change at any time due to COVID-19. We are very concerned that election results will negatively impact the long-term outlook for profitable growth. Margins remain under attack. We have overall concerns associated with COVID-19, unrest, riots and the political environment.

Building Material and Garden Equipment and Supplies Dealers

- Uncertainty over COVID-19 and these politicians are scaring everyone. Most of it is scare-tactic politics.

Clothing and Clothing Accessories Stores

- [We] filed for reorganization in May 2020. It appears that all stores will be liquidated by Sept. 30.

Nonstore Retailers

- We are pleased that our sales team has actually landed some new business for us; while not substantial enough to return us to pre-COVID revenues, we feel we are moving in the right direction again.

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

August 31, 2020

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

Texas Business Outlook Surveys

Data were collected August 18–26, and 402 Texas business executives responded to the surveys.

How do your firm’s current revenues compare with a typical August?

	May '20 (percent)	Jun. '20 (percent)	Jul. '20 (percent)	Aug. '20 (percent)
Share of firms reporting reduced revenues	81.2	75.6	74.2	68.3
Average revenue decline (Y/Y)	-38.3	-32.4	-29.1	-29.9
Share of firms reporting increased revenues	10.2	13.7	15.5	18.3
Average revenue increase (Y/Y)	20.1	20.2	23.3	17.6
Share of firms reporting no change in revenues	8.6	10.6	10.3	13.4

NOTES: 388 responses. This same question was posed in May, June and July, with the wording adjusted to reference the respective month of comparison. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted.

How does your firm's current employee head count compare with February (pre-COVID-19)?

	Jun. '20 (percent)	Jul. '20 (percent)	Aug. '20 (percent)
Share of firms reporting reduced head count	43.0	51.2	51.4
Average head count decline (compared with Feb. 2020 levels)	-26.5	-25.4	-27.2
Share of firms reporting increased head count	12.3	14.0	15.4
Average head count increase (compared with Feb. 2020 levels)	10.8	15.6	21.0
Share of firms reporting no change in head count	44.6	34.8	33.2

NOTES: 389 responses. This same question was posed in June and July. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted.

What share of your employees were working remotely in February (pre-COVID-19), and what share are currently working remotely? What share do you expect to work remotely after the pandemic ends?

	Average (percent)
Pre-COVID-19	8.3
Current	35.0
Post-COVID-19	20.6

NOTE: 390 responses.

How has an increased share of remote employees affected your firm's productivity overall?

	Aug. '20 (percent)
Increased productivity	9.2
No change in productivity	55.3
Decreased productivity	29.8
Don't know	5.7

NOTES: 262 responses. Only posed to those who reported a higher current share of remote employees than pre-COVID-19 in the previous question.

Firms reporting an effect on productivity were asked why.

The responses can be found on the individual survey Special Questions results pages, accessible by the tabs above.

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 August 18–26, and 109 Texas manufacturers responded to the survey.

How do your firm’s current revenues compare with a typical August?

	May '20 (percent)	Jun. '20 (percent)	Jul. '20 (percent)	Aug. '20 (percent)
Share of firms reporting reduced revenues	78.0	70.6	73.8	68.6
Average revenue decline (Y/Y)	-38.6	-34.4	-30.5	-28.7
Share of firms reporting increased revenues	16.5	16.5	19.4	20.0
Average revenue increase (Y/Y)	19.1	20.6	27.3	24.6
Share of firms reporting no change in revenues	5.5	12.8	6.8	11.4

NOTES: 105 responses. This same question was posed in May, June and July, with the wording adjusted to reference the respective month of comparison. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted.

How does your firm's current employee head count compare with February (pre-COVID-19)?

	Jun. '20 (percent)	Jul. '20 (percent)	Aug. '20 (percent)
Share of firms reporting reduced head count	42.6	52.5	47.6
Average head count decline (compared with Feb. 2020 levels)	-20.7	-23.0	-23.9
Share of firms reporting increased head count	15.7	21.2	21.9
Average head count increase (compared with Feb. 2020 levels)	9.2	22.5	17.1
Share of firms reporting no change in head count	41.7	26.3	30.5

NOTES: 105 responses. This same question was posed in June and July. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted.

What share of your employees were working remotely in February (pre-COVID-19), and what share are currently working remotely? What share do you expect to work remotely after the pandemic ends?

	Average (percent)
Pre-COVID-19	4.9
Current	20.4
Post-COVID-19	10.5

NOTE: 106 responses.

How has an increased share of remote employees affected your firm's productivity overall?

	Aug. '20 (percent)
Increased productivity	4.2
No change in productivity	60.6
Decreased productivity	26.8
Don't know	8.5

NOTES: 71 responses. Only posed to those who reported a higher current share of remote employees than pre-COVID-19 in the previous question.

Firms reporting an effect on productivity were asked why.

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

Increased productivity

- Meetings are easier to manage.
- No interruptions working remotely.
- There seem to be fewer distractions when working at home for many people.

Decreased productivity

- Takes longer to do things.
- There is a basic need to collaborate in-person. The tools available for video/phone collaboration are good, but overall, effectiveness is lower. Contrarily, remote workers are tending to work longer hours due to the productivity impacts of remote working—more time to reach the same output of the past.
- I am seeing limited productivity and lack of collaboration from remote employees.
- Less collaboration, and some employees decrease their effort and time on job-related tasks.
- Lag in communication due to availability. We used to have many quick hallway/office decision meetings that now get delayed due to email/message response time.
- No structure.
- Cannot have interpersonal face-to-face contact that leads to "discovery." Remote is efficient but limits the interaction. It is just not as good.
- We do not have systems in place to adequately support remote work, nor are we adequately using some of the connectivity tools that are available, such as Zoom. We also do not have the metrics to measure productivity of remote work, so my thought that productivity has decreased is my sense of the results we are seeing.
- Working from home is inefficient: lack of coordination, lack of group problem-solving and sharing. All my associates want to come back and NOW. They are tired and miserable. The glow of working from home has vanished.
- Lack of coordination, and availability of supplies and records.
- Can't stay focused, poor project reporting, longer delivery time.
- People are less efficient from home and do not have complete access to everything required to do their jobs.
- The face-to-face interaction is better for productivity and relationships.
- Need more interaction with manufacturing. This can be solved with 40/60 split of remote versus on-site. If they come in twice a week, productivity is similar.

- Management, supervision and accountability systems are not equipped to keep employees engaged, provide direction and keep productivity high when done remotely. We noticed a drop-off of productivity for about 80 percent of people working from home after four to six weeks. Initially, a large percentage of workers appeared to increase productivity, but productivity leveled off or started decreasing within a few weeks. Without regular oversight from home, productivity was significantly reduced.

Special Questions Comments

These comments have been edited for publication.

Chemical Manufacturing

- It is a mixed answer on productivity. In some cases, more efficient methods of communication have been initiated. Sometimes the IT capability of home offices are less than the office.
- No change in productivity has been noticed to date, and I'm not really sure we have an accurate way to measure it fully. I am concerned that if this persists, there will be some decline, especially in building company culture, teamwork and on-boarding/training of new or existing employees.

Fabricated Metal Manufacturing

- The remote work shift allowed a decrease in office lease expenses and less drive time, which expands employees' time availability. The digital shift required revisions to our website as to how we message, go to market and sell.
- Our shop and office have not experienced any COVID-19 infections. We have had two employees with a family member exposed. Those two employees were quarantined within their homes and tested several times before returning to our site.

Machinery Manufacturing

- Our sales are down 50 percent and revenue will follow. We actually produce parts, so "remote" working is a joke. It is hard to imagine anyone actually making something in America anymore, but there's a handful of us left, no thanks to both parties doing everything under the sun to run us out of business. They will eventually succeed, and part of me looks forward to a city appraisal district trying to sell our building and land for what they taxed us for.
- During the height of COVID-19 hysteria, we had approximately 10 percent of employees working remotely.

Computer and Electronic Product Manufacturing

- Productivity remains strong, but I don't believe it can be sustained in all functions for all time. This situation has definitely proved we can work from home for sustained periods of time with minimal or no impact to operations.
- Employee count is misleading. The reduced revenue forces us to choose to downsize further and reduce capability or maintain capability at the cost of profitability. To this point, we have chosen to maintain capability, so employment numbers are greater than the level of revenue would normally support. In an environment where it is inherently less efficient because of absenteeism related to COVID, continued trade issues with China, increased shipping times across the supply chain, and a hyper-political environment, it is difficult to know what to expect going forward and how to properly adjust capacity and capability. It is both busy and slow, a world of contradictions. One thing for sure is that we are working harder for less.
- We have successfully transitioned into primarily work from home. New hires create a bit of a challenge from a training standpoint as we do not have formal training programs in place.
- Because we are a manufacturer, we prefer most employees to be in the plant for improved delivery times and efficiencies.

Food Manufacturing

- We were fortunate. We are an essential industry and produce humanitarian food relief. We have not shut down and, in fact, moved to 12-hour workdays. We invoked every standard of care put forth by CDC [Centers for Disease Control], WHO [World Health Organization], etc., and relied heavily on a "work smart/relax smart" policy for internal control and thinking about what you do over the weekend. We have relied heavily on communication and education, social distancing, hand washing, abundant hand sanitizer and masking. We also sealed the facility to any nonemployees. We have had only one positive COVID-19 test since March 1 and that person was quarantined at home.

Textile Product Mills

- We are a manufacturer, not just an importer, so we have to come to work to "make" the merchandise we sell.

Paper Manufacturing

- It is hard to accurately assess productivity at this point. We expect a slight increase in productivity due to remote (office-at-home) work and reduced travel in general.
- Our revenues are at a high level right now due to seasonal influences, but I remain very concerned what this fall and winter will bring. Our mainstream-product-line revenues, for industrial-based packaging, are below normal levels.

Printing and Related Support Activities

- We would like to add a couple of employees but are concerned to bring in newcomers and possibly infect others within the plant. So, for now, we are staying with what we have and taking care of them as best we can.

Furniture and Related Product Manufacturers

- We are a manufacturing operation, so there are very few positions that can work remotely.

Miscellaneous Manufacturing

- We have not laid employees off but have reduced hours. Our goal was to not lay anyone off, and we have been able to achieve that thus far.

Texas Service Sector Outlook Survey

Data were collected August 18–26, and 293 Texas business executives responded to the survey.

How do your firm's current revenues compare with a typical August?

	May '20 (percent)	Jun. '20 (percent)	Jul. '20 (percent)	Aug. '20 (percent)
Share of firms reporting reduced revenues	82.5	77.6	74.4	68.2
Average revenue decline (Y/Y)	-38.4	-31.8	-28.7	-30.5
Share of firms reporting increased revenues	7.7	12.6	14.1	17.7
Average revenue increase (Y/Y)	23.1	21.9	23.1	16.6
Share of firms reporting no change in revenues	9.9	9.7	11.6	14.1

NOTES: 283 responses. This same question was posed in May, June and July, with the wording adjusted to reference the respective month of comparison. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted.

How does your firm's current employee head count compare with February (pre-COVID-19)?

	Jun. '20 (percent)	Jul. '20 (percent)	Aug. '20 (percent)
Share of firms reporting reduced head count	43.2	50.7	52.8
Average head count decline (compared with Feb. 2020 levels)	-29.3	-26.7	-28.8
Share of firms reporting increased head count	11.0	11.4	13.0
Average head count increase (compared with Feb. 2020 levels)	12.8	13.4	23.7
Share of firms reporting no change in head count	45.8	37.9	34.2

NOTES: 284 responses. This same question was posed in June and July. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted.

What share of your employees were working remotely in February (pre-COVID-19), and what share are currently working remotely? What share do you expect to work remotely after the pandemic ends?

	Average (percent)
Pre-COVID-19	9.5
Current	40.4
Post-COVID-19	24.4

NOTE: 284 responses.

How has an increased share of remote employees affected your firm's productivity overall?

	Aug. '20 (percent)
Increased productivity	11.0
No change in productivity	53.4
Decreased productivity	30.9
Don't know	4.7

NOTES: 191 responses. Only posed to those who reported a higher current share of remote employees than pre-COVID-19 in the previous question.

Firms reporting an effect on productivity were asked why.

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

Increased productivity

- No commute time and the ability to work longer hours.
- Lack of commuting time.
- No commute time. Less pressure from management. Less distraction, not having to do other office-related things which are normal for any work environment. The only tasks staffs now do are directly office or work related. Or they rest at home. Quality time by all.
- Availability; less time on lunches/coffee breaks, commuting,
- The full embrace of all modern and even leading-edge communication technologies, along with the associated capital spending, which took several months to actually deploy. In short, the realization that we would be in this mode for at least one year allowed us to dig in and plan for it.
- Successful business continuity plan. The firm was using video conferencing with clients and internally for over five years. We are a service industry, and the insurance and investment companies had adapted many applications to accept an electronic signature versus paper prior to the pandemic.
- Less travel time, more focused, less chatting, etc.
- Less distraction.
- They are able to handle more calls and are willing to work overtime.
- Adapted to methods/better use of existing technology.
- Better work/life balance. Happier employees.
- More work being done, Less distraction.
- Less travel, less commute time, more time.

Decreased productivity

- Less interaction among staff. Service business requires close communication, and that is more difficult working remotely.
- It's not as efficient having employees work from home. Given their lack of supervision, they prioritize their personal tasks in with their company tasks. Although we are getting by, the people in the office are handling more of the emergency tasks along with assisting the stay-home people with their routine tasks. In short, it's a necessity, but it will not work long term.
- Level of day-to-day interaction has decreased.
- The longer remote working goes, the more challenging communication becomes, particularly for tasks where engagement and innovative solutions discussions take place.

- Collaboration.
- Harder to collaborate. Less creative back-and-forth.
- Many of our employees working from home have children at home, too. These individuals are being pulled by competing needs: work requirements and children's needs. This is causing people to pull away from work to take care of a child, leading to less work being performed. (This isn't a criticism of the people doing the work. It's a fact that has to be accepted and correspondingly addressed/accounted for in today's environment.)
- Collaboration is key to productivity. It just doesn't happen as often when the team is remote, and it's more planned instead of organic.
- We are in rural Texas where access to high-speed internet is sparse. Some employees do not have internet available at their homes.
- Lack of immediate interaction with clients and superiors.
- We use software to track productivity. Initially productivity was better than pre-COVID-19 as there seemed to be a general "we are going to make this work" type of camaraderie. The productivity rates continued through the following months but have recently begun to drop. We think this may be due to the increase in cases and the possibility of school staying online. Morale seems to be down because people are tired and worn down by the state of the pandemic.
- It is a small decrease—but primarily because of reduced ability to collaborate and focus on growth.
- Simply harder to have as many one-on-one conversations that create value or save time. Productivity decrease is small, maybe 10–15 percent.
- Slows the flow of information across departments and teams and reduces overall natural collaboration. Longer term, it will erode culture through a loss of organic training and apprenticeship of younger workers.
- It's more time-consuming for management to supervise and coordinate with remote employees.
- Collaboration speeds up productivity. Work is now separated, and redundant work is not discovered as soon.
- Less collaboration and oversight.
- There is a need to be in the office around other employees. It is like family. They share experiences and support each other.
- Lack of in-office management.
- Not as efficient and not enough face-to-face mentoring and review.
- The decrease is attributable to less work being available. Employees working remotely have been able to meet client demand, but demand is down. Because courts have suspended certain functions and curtailed other activities, the frequency of the need for legal services has been impacted.
- Our business is based on collaboration and sharing ideas. This is much harder to do remotely via Zoom or over computers. Our efficiency is negatively affected, and the creativity is hard to keep consistent when ideas are not shared in person.
- Lack of spontaneous collaboration and real-time solutions.
- Although working from home has worked out, it is not as efficient as working in the office. The lag time has increased the amount of time it takes to get a transaction closed.
- Working remotely is slowing the normal flow of communications between departments. What normally takes one day can take two or three, delaying various parts of the project.
- Communication and spontaneous collaboration are diminished or less effective. The design process is also slowed down, as the communication is delayed and suffers from contextual awareness being hampered by removing or reducing in-person nonverbal communication cues.
- Connectivity and scheduling are causing some lag in coordination efforts, prolonging project completion times.
- The ability to communicate instantaneously and effectively has hampered openness and true engagement.
- They want to come back to work. Too many interruptions at home and little interaction with the workplace.
- Personal time management while working from home has led to measured weaker performance/productivity. Turn-around times have slowed.
- Only a slight decrease in productivity, due mostly to remote management requiring extra time and communication by email and text.

- Less control over workday.
- We are experiencing a 10-plus percent decrease in efficiency based on key metrics through mid-August 2020, primarily (in our case) the result of increased labor cost and unit input on work being produced that cannot be billed.
- Inefficiencies and distractions from being at home with kids in virtual classes, family members sharing workspace.
- Delay in communication.
- We have decreased collaboration.
- Lack of connectivity on day-to-day issues. People who are not visible do not get asked to do things.
- Focus on tasks for some is not as productive.
- Loss of collaboration. In the service industry, we need to be physically in front of the customer.
- There are some tasks that need to be handled in the office and are normally handled by temporary/part-time workers. Due to the pandemic, they are not coming into the office.
- It seems the distractions of having to care for preschool-aged children and/or school-aged children learning remotely, not to mention mixed households with elderly parents/grandparents, seem to be contributing to a loss in productivity. The other issue is, having employee and spouse both working remotely from home seems to also be causing some loss in productivity.

Special Questions Comments

These comments have been edited for publication.

Truck Transportation

- We're a truck repair shop, so no one can work remotely.

Pipeline Transportation

- Due to remote working, efficiency and collaboration have suffered somewhat, but productivity remains high. Employees are working longer days. They start earlier and finish later.
- We have field personnel that are nearly all still working to move energy from producing basins to market centers.

Support Activities for Transportation

- Our employees have had the ability to work remotely prior to COVID-19; however, there was never a reason to "schedule" employees to work from home.

Warehousing and Storage

- [We are] working well remotely, which was something we had never done before. We have been pleasantly surprised. We have a new administration office building that was slated to open in January, but we are currently redesigning to add a fourth floor to account for professional distancing recommendations. We may still have 25 percent of employees in the future who work remotely or in some sort of hotel arrangement.

Publishing Industries (Except Internet)

- Work productivity may be down marginally, but remote work is very manageable. The downside is not being able to get relationships developed nearly as fast or as well due to no or very limited real human interface/bonding. The current constraints are OK to sustain current customers remotely, but with the need to initiate and grow new accounts to qualify and ramp up business opportunities, it is a significant challenge.

Credit Intermediation and Related Activities

- During COVID-19 beginning in late March, we had 40 percent of employees working remotely, alternating every seven days with 10 percent of each shift not set up to work remotely but all employees being paid a regular salary. We are currently working full staff with open lobbies. Our county still has less than 20 individuals infected with the virus at any one time.
- Our lending team had always had a number of employees working remotely, so there was no real change there. A few additional employees are now working remotely, but we do not see a change in productivity. Our garage employees are almost all working in-shop.

Insurance Carriers and Related Activities

- We have been a remote work company since inception, with some gathering for a weekly team meeting and quarterly strategy retreats. COVID-19 has stopped the gathering, but it hasn't impacted our work.
- We are retail insurance brokers, so we need to be where our clients want us to be, but we are finding that we can do more electronically instead of face to face, as some clients (like banks) are discouraging in-person meetings. So, we may see some remote interactions become permanent.

Real Estate

- We had a lot of people working remotely for a short period, but most employees are working the majority of the time in the office; any who are working remotely are only doing it sporadically.
- We have chosen to close our commercial brokerage business due to the age of the principal and the 80+ percent drop in business, which shows no sign of changing.

Professional, Scientific and Technical Services

- Reduction in travel time could be considered a productivity increase for my consulting business even though local travel has not been charged against any job.
- Going forward after COVID-19 is more under control, every company should create its version of remote and office work balance. Since productivity can be high even with remote work, employees should be given maximum flexibility, and a hybrid model works the best for many tech companies like ours (where some work from home and some work from office).
- Our business is up substantially, with the same number of employees.
- The Federal Reserve needs to find a way to wield its considerable balance sheet to dramatically speed up the roll-out of high-speed fiber optic networks and other advanced technologies.
- I sent a memo to staff in February (pre-COVID-19) cautioning against working from home when not explicitly authorized. The memo extolled the need for daily attendance due to collaboration being fundamental to our business. Thirty days later, we were working from home. I have been surprised and elated that our productivity has stayed more or less the same although many are working odd hours that are not always in sync with the remainder of their teams. But, the work is getting done. This genie will not be going back into the bottle quietly when the world gets past COVID-19, and that is a good thing in many respects.
- We were an all-remote company before COVID-19 and will continue to be an all-remote company. What changed for us in working with our clients was the face-to-face meetings at their locations. The shift to virtual was significant as we work intently to get to know the organizations in which we work, and being on-site with them and immersed in their programs helps us discern their infrastructure more quickly. As consultants, it helps to be in the space of the nonprofit partners we are working with. COVID-19 changed all of that to virtual, which resulted in our team working harder and more creatively to learn about our newer clients. Our existing relationships were pretty much unfazed because we already had strong working partnerships.
- Theoretically, remote work has not changed our firms' productivity, meaning employees perform as needed. Remote work has, however, shifted priorities. I can't quantify it, but employees are getting the "day-to-day" must-get-done things completed but not longer-term project work.
- We have to get back in the office. People are used to working at home, and it is not as efficient for a creative firm. It has become very comfortable for most to work at home. This is destroying commerce and the ability to be successful. Let's get the COVID-19 virus figured out and get back to the office.
- While productivity has remained high during the crisis, much of that had to do with (a) responding to the crisis, (b) the strength of our remote platform, (c) all our work can be done remotely, (d) client demand has remained strong, and (e) goodwill among our team that has been built up over a long period of time. As we get to the end of month five of the remote setup, we expect that we are beginning to lose the cohesiveness, organic innovation and camaraderie that we need to continue to work effectively. We continue to stress communication and social interaction, but it is not the same. We won't rush the return to the office, but we will start to encourage more office presence once the numbers go, and stay, down.

Administrative and Support Services

- Appropriately balancing economic and health care concerns remains the key issue. The lingering question is: Will the level of economic stimulus and low interest rates be sufficient to offset GDP [gross domestic product], unemployment and overall economic conditions?
- Current rent expenses are a burden that are not helping the survival of the company.
- While productivity hasn't necessarily been impacted, inter-working relationships have been and we're really starting to sense that in interactions.
- Our employees worked remotely during the worst of the first wave of spread and returned to the office gradually. Except for special situations, our office is in-house four days per week.

Educational Services

- Our ERP [enterprise resource planning] system allows for flexibility in processing at any location, so the impact was minimal. One thing COVID-19 has taught us is that we can still manage the workload with a smaller staff, so that's something we will assess in the months and years to come. I think COVID-19 has changed the way we execute our business model, meaning we are more efficient in delivery, and this will have an impact on the number of employees we hire going forward.

Ambulatory Health Care Services

- Productivity dipped at first, but staff have adapted and are doing well.
- Sixty-five percent of our business office team is working remotely. Our anesthesiologists and CRNAs [certified registered nurse anesthetists], of course, cannot work remotely.
- The spike in new cases confirmed among younger folks and the media hype of year-to-date deaths and new cases, rather than a focus on lower hospitalization/death rates of this younger cohort, helped lower consumer confidence, which is a driver for our cosmetic dentistry segment. That was combined with getting through the shutdown backlog of pent-up demand for general dentistry services, resulting in lower revenue running rates in August. We've yet to see what normal running rates are in the current environment.
- Many health care providers are practicing remotely but [this is] far from ideal—particularly those in primary care. [There has been a] marked decrease in screening for disease—blood pressure, diabetes, cancer, etc.
- We have added positions to facilitate COVID-19 screening.

Nursing and Residential Care Facilities

- We have two employees who are currently fully remote, as their duties allow that ability. For these two, productivity has stayed consistent. Occasionally, due to COVID-19 exposure, other employees have been quarantined at home but able to work remotely, covering many of their regular duties.

Accommodation

- The majority of our team members are unit based, subsequently working on-site. We have a small number of regional-based team members who support the units within their region. We have closed our corporate offices due to COVID-19. I expect we will continue remote work for many positions for the long term, reducing our corporate office footprint.

Food Services and Drinking Places

- Remote work (for positions that are able) has presented some new challenges, but our team members have been terrific at navigating them and presenting solutions. We'll just keep evolving.

Texas Retail Outlook Survey

Data were collected August 18–26, and 57 Texas retailers responded to the survey.

How do your firm's current revenues compare with a typical August?

	May '20 (percent)	Jun. '20 (percent)	Jul. '20 (percent)	Aug. '20 (percent)
Share of firms reporting reduced revenues	90.7	78.4	76.0	67.9
Average revenue decline (Y/Y)	-35.0	-34.0	-21.1	-25.6
Share of firms reporting increased revenues	1.9	15.7	18.0	18.9
Average revenue increase (Y/Y)	20.0	15.0	20.7	21.8
Share of firms reporting no change in revenues	7.4	5.9	6.0	13.2

NOTES: 53 responses. This same question was posed in May, June and July, with the wording adjusted to reference the respective month of comparison. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted.

How does your firm's current employee head count compare with February (pre-COVID-19)?

	Jun. '20 (percent)	Jul. '20 (percent)	Aug. '20 (percent)
Share of firms reporting reduced head count	41.2	52.0	45.3
Average head count decline (compared with Feb. 2020 levels)	-26.1	-17.4	-27.0
Share of firms reporting increased head count	7.8	4.0	13.2
Average head count increase (compared with Feb. 2020 levels)	11.3	42.5	20.0
Share of firms reporting no change in head count	51.0	44.0	41.5

NOTES: 53 responses. This same question was posed in June and July. Averages are calculated as trimmed means with the lowest and highest 7.5 percent of responses omitted.

What share of your employees were working remotely in February (pre-COVID-19), and what share are currently working remotely? What share do you expect to work remotely after the pandemic ends?

	Average (percent)
Pre-COVID-19	6.0
Current	21.2
Post-COVID-19	15.1

NOTE: 54 responses.

How has an increased share of remote employees affected your firm's productivity overall?

	Aug. '20 (percent)
Increased productivity	6.9
No change in productivity	55.2
Decreased productivity	31.0
Don't know	6.9

NOTES: 29 responses. Only posed to those who reported a higher current share of remote employees than pre-COVID-19 in the previous question.

Firms reporting an effect on productivity were asked why.

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

Increased productivity

- More attention to detail and less distraction.

Decreased productivity

- Certain jobs are more difficult to do remotely. For some there is no change, but overall, it has decreased.
- More difficult to motivate and direct large sales teams.
- Not the same amount of supervision when people are at home, and harder to communicate.
- One employee is working from home and does not have the ability for personal interaction with customers.
- The random face-to-face conversations that can occur in a business often lead to discussions of issues or topics that lead to business improvements. Now these simply don't occur. As CFO and over 60, I'm working from home, and our CEO is in the office daily. I think the lack of face-to-face opportunities has hurt our business. Plus, the distractions you face at home may mean longer to return your attention to what you were working on.

Special Questions Comments

These comments have been edited for publication.

Merchant Wholesalers, Durable Goods

- I think some jobs will be conducive to working remote, while other jobs will not be conducive to a remote work environment going forward. It will take time for us to figure out how it will work and what formula will be best for our company. Needless to say, remote work is here to stay and will be a part of our working future forever.
- Possibly a slight increase [in worker productivity], as fewer interruptions allowed for some lingering projects to be completed. Since most of our remote employees have some tenure, it was fairly easy. As we have to make new hires because of growth or replacement, it will be harder to maintain our culture in a remote-work environment.

Merchant Wholesalers, Nondurable Goods

- We already had a remote-work policy in place before COVID-19 hit. It has allowed us to flex without losing productivity.

Motor Vehicle and Parts Dealers

- We are an essential business in the transportation industry. Selling of parts and services cannot be done from home.
- April through May we were determined to be an essential business, so we continued to have our showrooms open for business. Due to the need to have social distancing, we gave employees reduced schedules and put them in shifts to reduce the numbers in each dealership. The distancing played a big part in keeping our workforce healthy and COVID-19 free. It wasn't until mid-to-late June or early July that we started having positive tests from sick employees. Masks have just about eliminated this issue in our stores.
- We are dedicated to protecting head count and [maintaining a] stable work force.

Furniture and Home Furnishings Stores

- We produce and sell building materials. The cost of forest products is at an all-time high. That constitutes the entire increase in sales. Actually, we are selling fewer pieces of lumber and plywood, but revenues are up due to the inflation of these products. We expect prices will start dropping as soon as mill production catches up with demand. Demand is starting to drop due to such high prices in this category. People are beginning to hit the pause button on starting any new projects.

Food and Beverage Stores

- [We are an] essential retailer. [We have seen] no significant change.

Clothing and Clothing Accessories Stores

- We filed for bankruptcy in May 2020 and are in the process of closing all stores by Sept. 30.

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