



# Texas Manufacturing Outlook Survey

DALLASFED

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## SPECIAL QUESTIONS

Data were collected Oct. 6–9, and 89 Texas manufacturers responded to the survey.

<b>1. How do borrowing conditions facing your firm compare to those six months ago?</b>			
	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Eased substantially	0.0	0.0	0.0
Eased somewhat	3.9	6.9	13.5
No change	53.2	51.4	53.9
Tightened somewhat	9.1	13.9	4.5
Tightened substantially	2.6	1.4	3.4
Not applicable—haven't sought credit	31.2	26.4	24.7

<b>2. How does the cost of credit compare to what it was six months ago?*</b>		
	Oct '13 (percent)	Oct '14 (percent)
Increased substantially	4.2	1.1
Increased somewhat	31.9	15.7
No change	31.9	48.3
Decreased somewhat	2.8	6.7
Decreased substantially	0.0	1.1
Not applicable—haven't sought credit	29.2	27.0

<b>3. To what extent is your business having difficulty obtaining financing for desired long-term uses such as capital expenditures?</b>			
	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
No difficulty	41.6	48.6	47.2
Some difficulty	9.1	13.9	16.9
Substantial difficulty	9.1	1.4	5.6
Extreme difficulty	3.9	4.2	0.0
Not applicable—haven't sought credit	36.4	31.9	30.3

<b>4. To what extent is your business having difficulty obtaining financing for desired short-term uses such as paying workers and acquiring inventories of material or supplies?</b>			
	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
No difficulty	42.7	50.0	50.6
Some difficulty	8.0	9.7	6.9
Substantial difficulty	5.3	2.8	4.6
Extreme difficulty	2.7	1.4	1.1
Not applicable—haven't sought credit	41.3	36.1	36.8

<b>5. Has your firm's production and/or sales been adversely affected by difficulty obtaining credit?</b>			
	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Yes—significantly	3.9	1.4	1.1
Yes—somewhat	9.1	6.9	11.2
No	27.3	36.1	32.6
Not applicable—haven't had problems obtaining credit	19.5	20.8	23.6
Not applicable—haven't sought credit	40.3	34.7	31.5

<b>6. Has your firm reduced hiring and/or increased layoffs due to difficulty obtaining credit?</b>			
	Oct '12 (percent)	Oct '13 (percent)	Oct '14 (percent)
Yes—significantly	3.9	0.0	0.0
Yes—somewhat	6.5	11.1	4.5
No	32.5	34.7	43.8
Not applicable—haven't had problems obtaining credit	20.8	19.4	21.3
Not applicable—haven't sought credit	36.4	34.7	30.3

\*Question added in 2013.

## SPECIAL QUESTIONS COMMENTS

These comments have been edited for publication.

### Fabricated Metal Product Manufacturing

- > The credit markets are tightening somewhat, partly in response to Dodd–Frank leverage constraints.
- > We have existing notes and a line of credit, and the pressure related to those instruments has diminished. On the other hand, we have not sought to replace them.

### Machinery Manufacturing

- > Our firm's profitability and cash flow growth have made any requested lending an easy process.
- > We refinanced a real estate loan and found many lenders to be very aggressive in pursuing our business. That was new; in the past the banks had been extremely standoffish regarding our revolving letter of credit.
- > We have an existing multibank credit facility and low overall financial leverage on the business. As a result, financing is not a significant issue for us.
- > We have only applied for a real estate loan, which was easily obtained at a good rate.

### Chemical Manufacturing

- > As a part of the energy sector, we have been fortunate to be in a growth mode with good profitability. Lenders are willing participants in this business. When we need credit, the banks line up to get a piece of the action. We recently closed a \$135 million credit facility and it was oversubscribed by 50 percent.

### Food Manufacturing

- > We don't live on credit. It may be a necessary evil but an evil nonetheless.
- > Current conditions are favorable, but we are monitoring the market for 2015 and beyond for warning signs. Higher interest rates, no growth, a stronger dollar and true inflation—especially in food—are all factors in our forecast.

### Paper Manufacturing

- > Although we have not sought credit, the conditions and rates have been the same as six months ago.

### Computer and Electronic Product Manufacturing

- > The federal government needs to focus on enabling business creation and sustainability by creating policies that incentivize growth, resulting in long-term job creation and investments.

### Electrical Equipment, Appliance and Component Manufacturing

- > Our bank is a relatively large community bank with branches in San Antonio and Austin. We learned over lunch with our bank officer that, regarding loans and loan demand, the issue for his bank is finding qualified borrowers. His bank actively seeks out qualified borrowers to loan capital. His frustration is with the added staff and process necessitated by bank examiners today.

### Transportation Equipment Manufacturing

- > We have been very fortunate that our company has not required credit for the past couple of years. There will probably be a need in the next two to three years as our equipment is working extremely hard and replacement will be a priority.

### Plastics and Rubber Products Manufacturing

- > We are anticipating higher interest rates next year, but this will not affect our business as we are mostly debt free.

### Nonmetallic Mineral Product Manufacturing

- > The time frame for obtaining credit and the number of questions has increased. Underwriting standards have tightened in the last six years.

