



# Texas Manufacturing Outlook Survey

DALLAS FED

June 27, 2016

## SPECIAL QUESTIONS

Data were collected June 14–22, and 96 Texas manufacturers responded to the surveys.

Oil prices today are near \$50 per barrel, up from \$30 lows earlier this year but still down from \$60 a year ago and down from over \$100 in mid-2014. Natural gas prices are near \$1.90 per million British thermal units, down from \$3 a year ago.

### 1. What impact have lower energy prices had on your business over the past six months? (Please select all that apply)

	Jun. '16 (percent)	Jun. '15 (percent)
Decreased demand from our customers	41.8	34.0
Decreased our firm's costs (input/raw materials prices, wages and benefits, etc.)	39.6	47.9
No effect	24.2	23.4
Increased demand from our customers	6.6	12.8
Increased our firm's costs (input/raw materials prices, wages and benefits, etc.)	2.2	3.2

### 2. Overall, what has been the net impact of lower energy prices on your business over the past six months?

	Jun. '16 (percent)	Jun. '15 (percent)
Slight positive impact	28.6	41.9
Significant negative impact	23.1	25.8
No impact	20.9	11.8
Slight negative impact	18.7	9.7
Significant positive impact	8.8	10.8

### 3. What are the top three concerns affecting your company's outlook? (Please select up to 3 choices)

	Jun. '16 (percent)	Jun. '15 (percent)
Government regulation	81.1	72.2
U.S. economy	69.5	63.9
Energy prices	37.9	40.2
Labor shortages	27.4	38.1
Strong dollar	26.3	27.8
Interest rates	12.6	18.6
Real estate values	1.1	0.0
Other	22.1	15.5

## SPECIAL QUESTIONS COMMENTS

These comments have been edited for publication.

### Fabricated Metal Product Manufacturing

- > We are a small machining business in the aerospace, satellite and power business. Too-low energy prices mean less drilling, which means less parts and more competition from machining companies that are not familiar with these other industries. These companies quote work too cheaply, which drives down already slim margins. We need prices in the \$65 to \$75 range to pick that industry up, especially here in Texas.
- > Business owners are cautious in the face of pending normalization of unprecedented global debt levels. Artificially low interest rates supporting central bank objectives designed to maintain the status quo are preventing creative destruction and price discovery in the marketplace.
- > Customers have changed buying habits to buy everything with sufficient lead time and/or over \$100,000 in China or Korea.
- > Taxes (federal, state and local), governmental intrusion and health care costs continue to be major concerns of our business. These issues are greater impediments than a stronger dollar to our business.
- > We have a deep need for secure borders, a balanced hydrocarbon-based national energy policy and pro-business executive and legislative branches.

### Machinery Manufacturing

- > The strong dollar is a double whammy—it reduces the price of oil, thereby reducing demand, while simultaneously makes it harder for us to export our product.
- > My immediate concern is crude oil pricing. My long-term concern is debasement of the U.S. dollar.
- > The Affordable Care Act is stifling our business. This has to be one of the worst things beside all of the other federal regulations that are destroying our business.
- > Government regulations announced for implementation prior to year-end are all cost increases that will result in a combination of higher prices and/or lower profitability. Health care costs for smaller companies are out of control.

### Computer and Electronic Product Manufacturing

- > Macroeconomic conditions of the global economy appear to be causing a softening in demand.
- > Interest rates have been too low for too long.

### Transportation Equipment Manufacturing

- > Right now, the energy pricing impact has been slight. We are worried that the impact will accelerate in the second half of the year given that tax receipts will be likely down significantly.
- > All choices for Question 3 have an extreme negative effect—barely holding on.
- > Unlike many industries, the auto industry truly benefits from lower prices at the pump, especially the trucks that we build in San Antonio. As long as gas prices stay low and the economy continues to grow, people buy more trucks and that helps our business.

### Food Manufacturing

- > There is no doubt that government regulation continues to grow as a major concern for our business and probably all businesses. Regardless of someone's view on politics or the merits of each new regulation passed, everyone should agree that the basic costs to education and compliance are staggering. Ultimately, those costs are passed on to Americans one way or another. A cost-benefit analysis is probably not considered by the regulators, but if it is, the rule of thumb must be to strive for an uncertain benefit at any cost.

### Furniture and Related Product Manufacturing

- > Excessive government regulation continues to cause increased costs and wasted time. It is impacting health care costs, environmental costs and overhead operating costs. Labor shortages, especially skilled trades, are constraining the construction industry and limiting growth.

### Paper Manufacturing

- > Runaway costs on health care due to our older workforce. In manufacturing it has been hard to find younger workers to replace those retiring.

### Printing and Related Support Activities

- > Low energy benefits us quite a bit, with the exception that in Texas so much of the general economic activity revolves around oil and gas, which are severely reduced from previous levels. This is a little bit of a catch 22, and we are not sure if this is having any impact on the amount of and volume of reduced orders we are seeing.