

TEXAS CAPITALISM[®] INDEX

2020 SURVEY RESULTS FOR COMMERCIAL AND INDUSTRIAL BUSINESSES

Texas Capital Bank is pleased to publish a special version of the *2020 Texas Capitalism[®] Index* customized for commercial and industrial businesses.

We asked leaders of these businesses how they felt about the business climate (global, national, regional and local) for the coming year, as well as gauged their opinion about challenges they see for their business and industry in the months to come. In total, 59 respondents from **accounting firms, engineering & architectural firms, law firms, manufacturing, technology, transportation & logistics, wholesale distribution** and other companies completed the survey. Those responses have been compiled to make up this report.

The results of this study are intended to give businesses of all sizes an economic snapshot, as seen by their peers. So that it may offer the highest value to you, the survey is conducted annually and results are published each year.

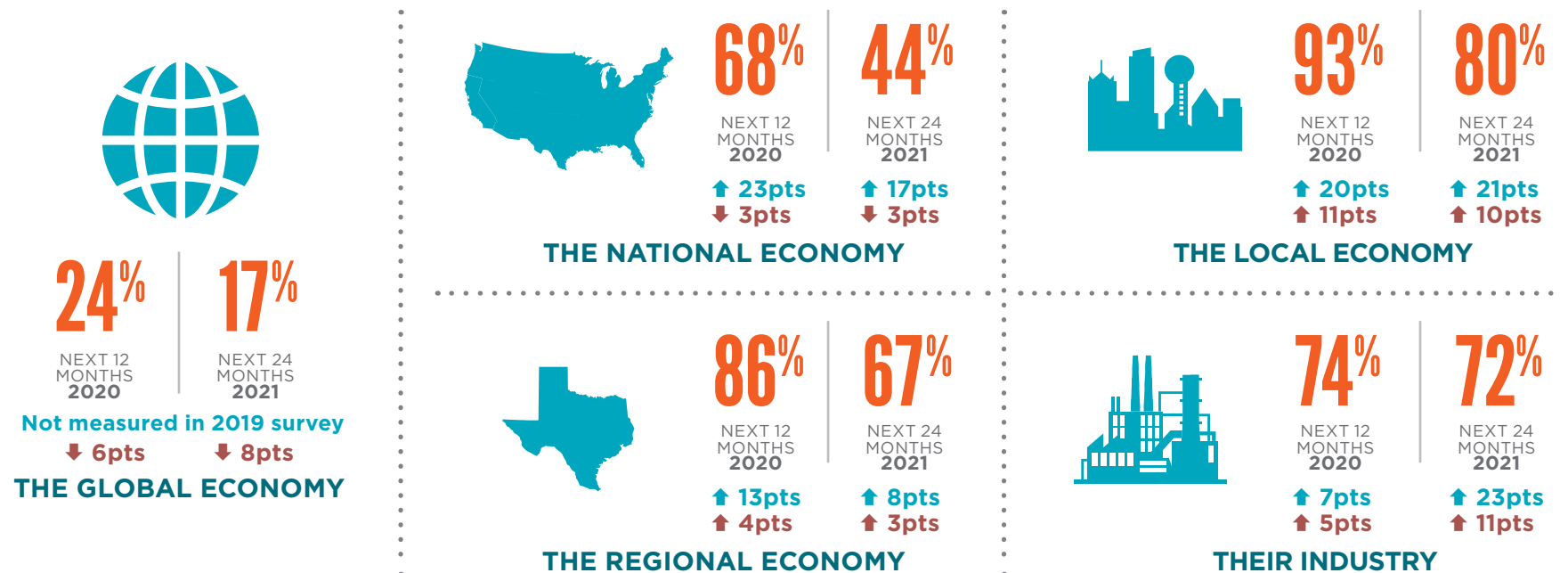
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FOR COMMERCIAL AND INDUSTRIAL BUSINESSES

Optimism high and increasing

Our 2020 responses show that leaders of commercial and industrial businesses are **more confident in the economies closest to home, where they're most engaged**. There is very high optimism in the short term for local and regional economies, but less short-term confidence in the national economy. These leaders are even more optimistic than their counterparts in other industries when it comes to the outlook for their regional and local economies and industries. As we look to the medium term, optimism wanes across the board, but continues to be higher closer to home and in comparison to other industries. There were no very optimistic responses for the global economy in either the short or medium term. Year over year, respondents' optimism improved across the board, with confidence in the national economy and industries improving the most.

PERCENTAGES COMBINE **OPTIMISTIC AND VERY OPTIMISTIC** RESPONSES.



Teal figures above compare 2020 data to 2019. Dark red figures above compare commercial and industrial responses to all industry responses.

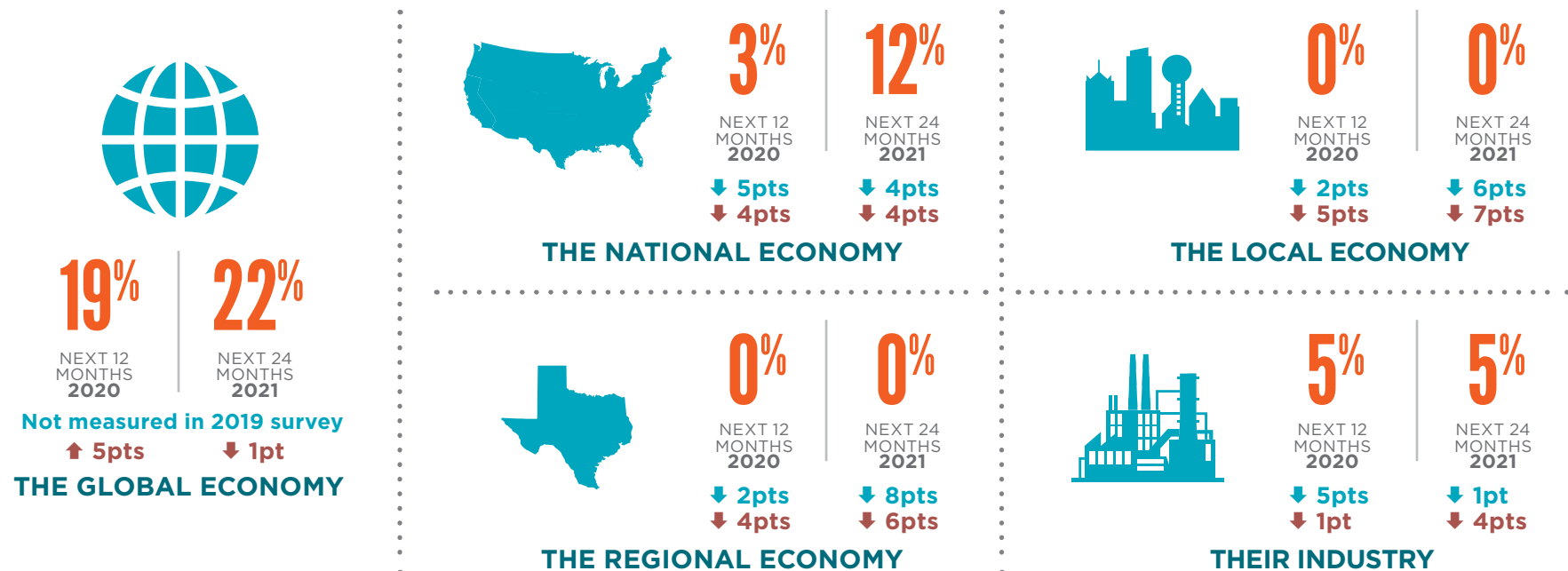
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Pessimism low and declining

Most respondents are neutral on the global economy (57% for short term, 61% for medium term), but there is slightly more pessimism about the global economy from commercial and industrial business leaders than other industry leaders. However, there were no pessimistic or very pessimistic responses for the regional or local economies in either the short or long term. Though there were pessimistic responses for the national and global economies, pessimism is still quite low. Year over year, respondents' pessimism declined overall.

PERCENTAGES COMBINE **PESSIMISTIC** AND **VERY PESSIMISTIC** RESPONSES.



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The top four challenges that commercial and industrial business leaders anticipate in 2020 are:



56%

labor/talent shortage

↑ 5pts

↑ 21pts



31%

impact of election outcome

Not measured in 2019 survey

↓ 2pts



25%

political uncertainty

Not measured in 2019 survey

↓ 4pts



24%

cost of raw materials/supplies

↑ 4pts

↑ 9pts

Other challenges they face* include:

22% customer acquisition **Not measured in 2019**

22% maintaining revenue growth **↓ 11pts**

19% managing labor costs **↓ 3pts**

19% changing employee & customer demographics **↑ 11pts**

17% healthcare costs **↓ 1pt**

15% employee engagement **↑ 7pts**

15% regulatory burden **↑ 15pts**

12% managing cash flow **↑ 4pts**

*Less than 10% of respondents selected the following responses: availability of capital/credit, business succession planning, crisis readiness, cybersecurity, foreign competition, increased tax burden, interest rate increases, international exchange rates, lack of consumer confidence, technology disruption, trade tariffs.

Labor/talent shortage was also the top challenge for commercial and industrial businesses in 2019.

However, the other top challenges from 2019 were:



33% maintaining revenue growth



22% managing labor costs



22% trade tariffs

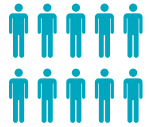
These challenges have all dropped in this year's rankings.

Teal figures above compare 2020 data to 2019. Dark red figures above compare commercial and industrial responses to all industry responses.

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The **top three strategies** that commercial and industrial business leaders will implement in 2020 are:



56%

attract new customers

↓ 9pts



41%

expand products/services

↑ 10pts



34%

implement cost or operational efficiencies

↑ 1pt

Other strategies they will employ* include:

31% increase prices/margins **17%** upsell/cross-sell to existing customer base

17% expand to new geographies **12%** upgrade or install new infrastructure

17% acquire other companies **12%** expand manufacturing capacity

*Less than 10% of respondents selected the following responses: merger, transition company to new ownership, utilize new channels.

The **top initiatives** that commercial and industrial business leaders indicated would help them overcome significant challenges and/or help them grow their business:



37% automation tools/expertise



29% data capture/analytics capabilities



29% employee training and development

These initiatives have a clear correlation to labor/talent shortage as a top challenge for 2020.

HOW CAN WE HELP YOU MAKE THE MOST OF 2020?

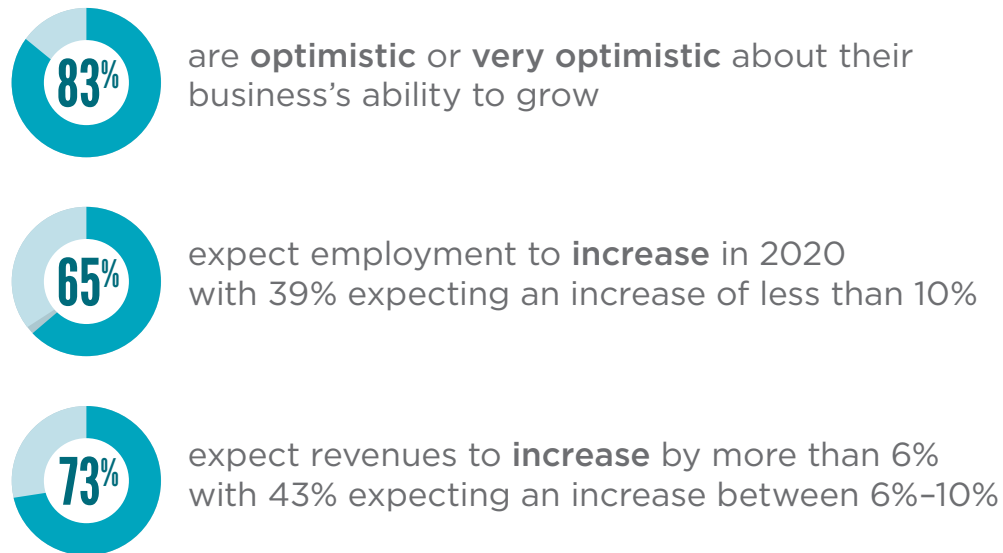
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Dark red figures above compare commercial and industrial responses to all industry responses.

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Assuming they can implement their planned strategies, commercial and industrial business leaders:



Commercial and industrial business leaders plan to seek additional funding from:



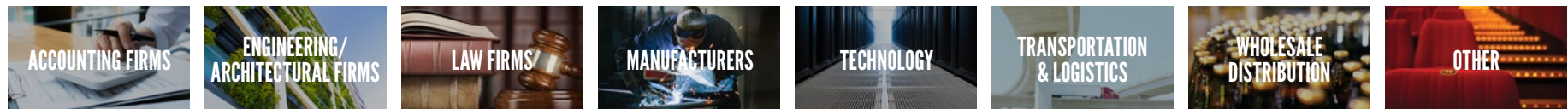
37%

traditional bank or credit union

↑ 2pts

Dark red figure above compares commercial and industrial response to all industry response.

In total, **59** respondents from commercial and industrial businesses completed the survey. These respondents were from the following industries:



Disclaimer: Survey participation was optional. Texas Capital Bank engaged a vendor to help execute our survey and compile results. To review SurveyGizmo's privacy policy for the full extent of information collected and shared, please visit www.surveygizmo.com/privacy/. Questions or concerns about this notice should be directed to Corporate Marketing at CorporateMarketing@texascapitalbank.com.