2024 Q2 Review

SAN ANGELO
Chamber of Commerce
Economic Development

San Angelo
Quarterly Economic Review

The latest data, analysis, outlook
"Without data you're just another person with an opinion" -W. Edwards Deming

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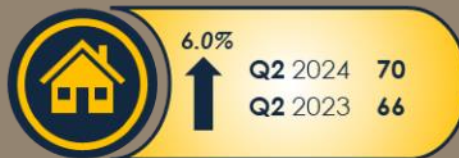|		
-1.5% ↓ Q2 2024 126 / Q2 2023 128 **Economic Index**	**0.0%** ↔ Q2 2024 139 / Q2 2023 139 **Business Cycle Index**	**-0.9%** ↓ Q2 2024 110 / Q2 2023 111 **Industrial Production Index**
-5.6% ↓ Q2 2024 133 / Q2 2023 141 **Housing Affordability Index**	**6.0%** ↑ Q2 2024 70 / Q2 2023 66 **Housing Permits**	**1.8%** ↑ Q2 2024 58,498 / Q2 2023 57,450 **Labor Force**
4.8% ↓ Q2 2024 3.9% / Q2 2023 4.1% **Unemployment**	**-2.3%** ↓ Q2 2024 58.7% / Q2 2023 60.1% **Hotel Occupancy**	**-4.7%** ↓ Q2 2024 $4.1M / Q2 2023 $4.3M **Retail Sales Tax**

Assessment: The San Angelo economy remains in neutral territory, as indicated by the flat Business Confidence Index (BCI) of 139, identical to 2Q2023. Industrial production shows limited growth, with the index increasing only slightly to 110, reflecting stable but cautious manufacturing activity amidst high production costs. While wholesale inventory levels are well-managed, manufacturers are not ramping up production, signaling a balanced yet restrained market outlook. Housing continues to face challenges. Housing permits rose 16.7% from a year ago, and single-family starts increased 11.2% year-over-year in June, hinting at growing developer confidence. However, inventory shortages persist, keeping prices high, and affordability continues to decline, dropping 11 points from Q1. Home sales dipped 3.2% from last year, and elevated mortgage rates (above 6.9%) are limiting demand. Days on Market (DOM) also rose to 46 days, signaling slower transactions. Labor market conditions softened, with unemployment rising to 3.9% and job openings falling 18.4% over the quarter. While manufacturing added 54 jobs, the overall job market shows signs of cooling, driven by higher costs and cautious hiring practices. Wage growth, however, remains robust, increasing 2.4% monthly over the past nine months. Inflation in San Angelo moderated to 3.1%, slightly below the U.S. average of 3.4%. While inflation in services persists, deflation in goods and minimal food and energy price increases are keeping inflation pressures manageable. Retail sales tax revenue totaled $4.1 million for Q2, down 4.7% from last year, suggesting shifting consumer behavior and cautious spending amid inflation and interest rate concerns. Despite pockets of growth in housing and manufacturing, the local economy appears to be stabilizing at new post-pandemic levels, with limited retail momentum and modest industrial output. Moving forward, inflation trends and housing affordability will remain key factors shaping San Angelo's economic outlook in the second half of 2024.

ECONOMIC INDEX

The San Angelo Economic Index considers seven key economic indicators to provide insight about the state of the San Angelo economy. Three data sets are leading indicators and point to future changes in the economy - useful for short-term predictions of economic developments. The remaining data are lagging or coincident indicators; coming after the economy changes, helping to confirm specific patterns, yet still providing valuable information about the current state of the economy. The index is intended to help decision makers, and our community, evaluate the economic vitality of San Angelo.
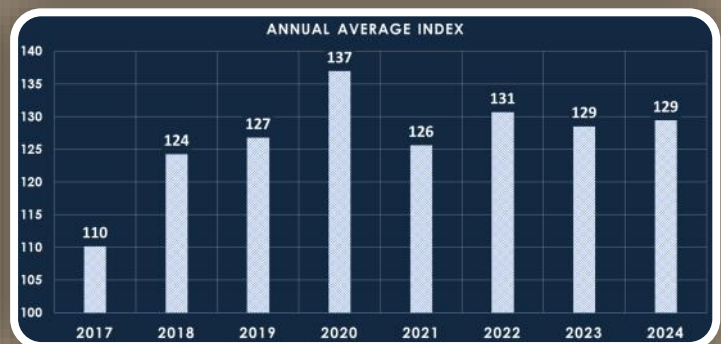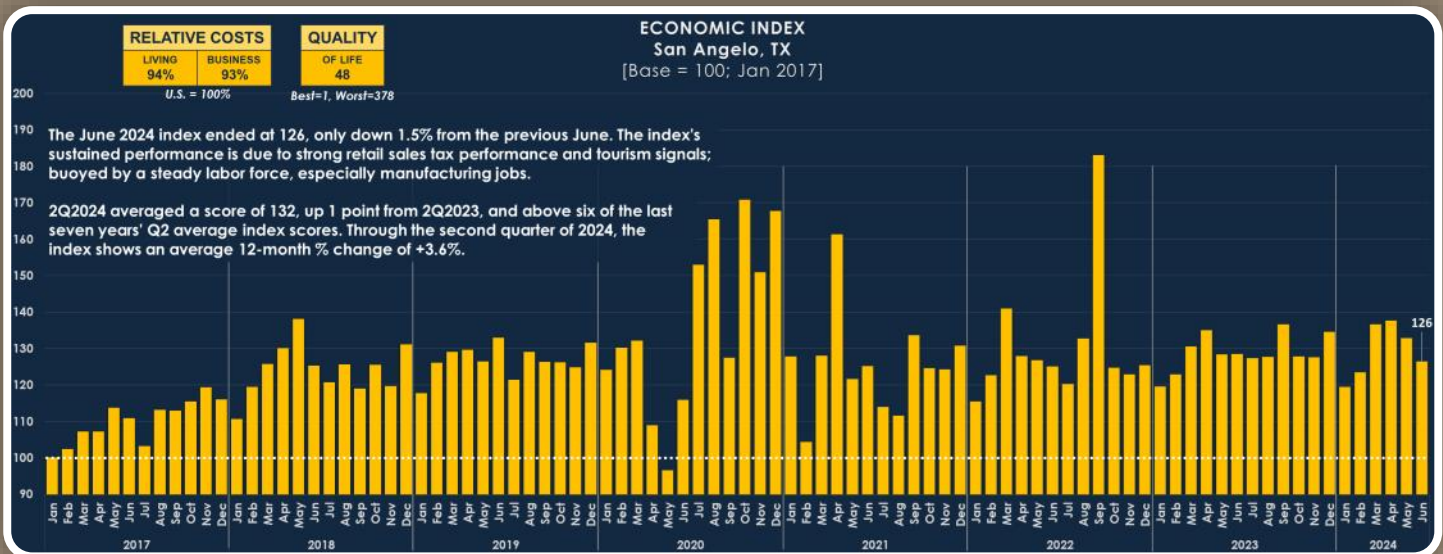
1. **New Residence Permits (LEADING Indicator):** Building permits tell you what will happen with new home construction twelve months from now.

2. **Retail Sales Tax Revenue (LEADING Indicator):** Decreases can raise fear of recession and increases often precede higher Consumer Price Index (CPI) numbers (a measure of cost-of-living changes, indicator of inflation).

3. **Labor Force:** Measure of the number of residents that make up workforce.

4. **Manufacturing Jobs (LEADING Indicator):** Indicates manufacturer's confidence level. When factory orders rise, companies need more workers.

5. **Unemployment Rate:** Measure of the underutilization of the labor supply. It reflects the inability of an economy to generate desired employment.

6. **Average Daily Hotel Room Rate:** The average daily rate (ADR) indicates average revenue earned for an occupied room on a given day. A rising ADR suggests that a hotel is increasing the money it's making from renting out rooms.

7. **% Hotel Room Occupancy:** Occupancy rates predict cash flow, and a way to compare financial attractiveness and performance of real estate.

BUSINESS CYCLE INDEX

The San Angelo business cycle index (BCI) is a measure meant to gauge the trend of underlying economic activity. Ultimately it seeks to forecast the strength of economic expansion or recession in the coming months, along with forecasts for other prominent economic measures. BCI must be used in conjunction with other statistics of an economy to understand the true nature of economic activity. Thus, it is important that users of this information realize it is unreasonable to believe that any single indicator, or even set of indicators, always gives true signals, and never fails to foresee a turning point in an economy.
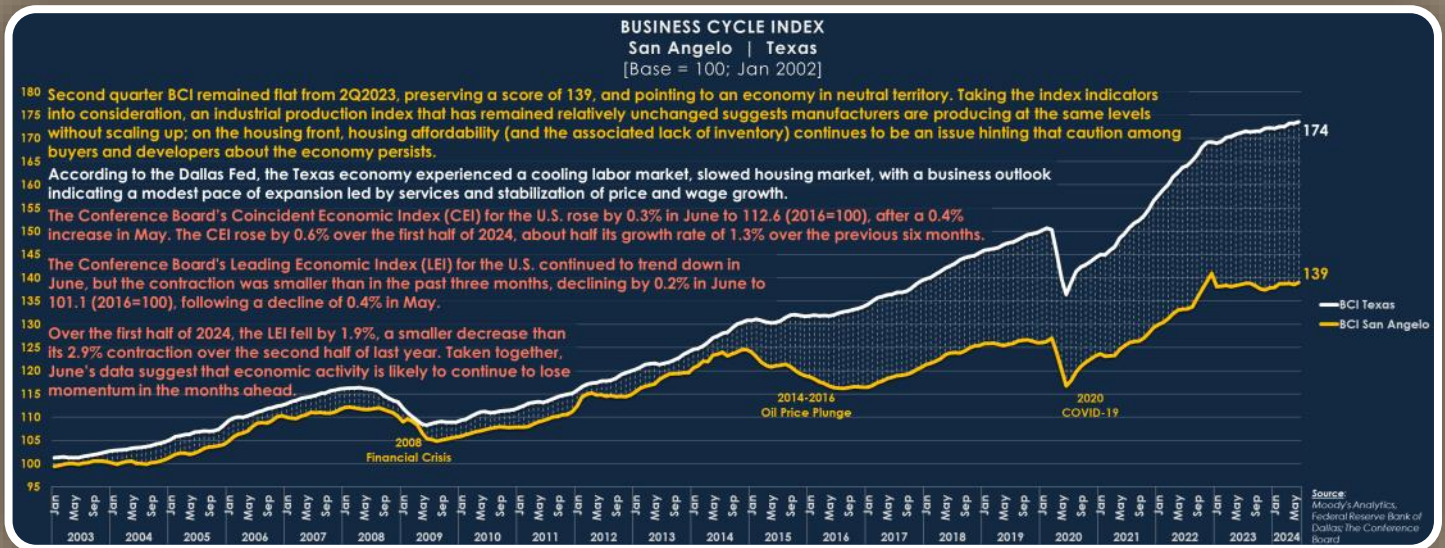
This indicator is constructed using four components chosen for their timeliness, frequency, and availability.

1. **Employment:** The employment series used is from the Current Employment Statistics issued monthly by the Bureau of Labor Statistics.

2. **Housing starts:** The basis for housing starts estimates comes from monthly residential permit data from the Census Bureau (involving adjustment for the lag time between a permit becoming a start, adjustment for the share of permits that never become starts, and the share of starts that is not issued permits).

3. **House prices:** Provided by the Federal Housing Finance Agency. Included due to the importance of housing in the most recent recession. The house price data are led by six months. The argument for doing this is that it is generally believed that households react to changes to house prices with a lag.

4. **Industrial production:** Industrial production is estimated monthly at the sub-national level by combining in-house employment estimates and the monthly industrial production release from the Federal Reserve Board.

NEW RESIDENCE PERMITS

The chart below shows a 12-month rolling average of San Angelo new residence permits (single-family homes). The 12-month rolling average helps to smooth out short-term fluctuations and highlight longer-term trends or cycles. Overlaid are the monthly percentage of homes overvalued for San Angelo and the State of Texas.

NEW RESIDENCE PERMITS
New Residence Permits (12m Avg) | % Homes Overvalued

Housing permits were up 16.7% from 2Q2023. That said, housing market activity remains depressed with housing production still lagging behind demand. Prices are expected to remain elevated with the combination of low supply and elevated mortgage rates. On a positive note, the percent of homes overvalued in San Angelo experienced a 13 point drop over Q2 and is 27.6% lower than a year ago.

Second quarter home sales (418) are down 3.2% from a year ago. Total quarterly dollar volume of home sales was 1.0% higher in Q2 compared to year ago, following a decrease of 7.2% in Q1, compared to 1Q2023. Total dollar volume continues to outpace total home sales by 1.0% month-over-month.
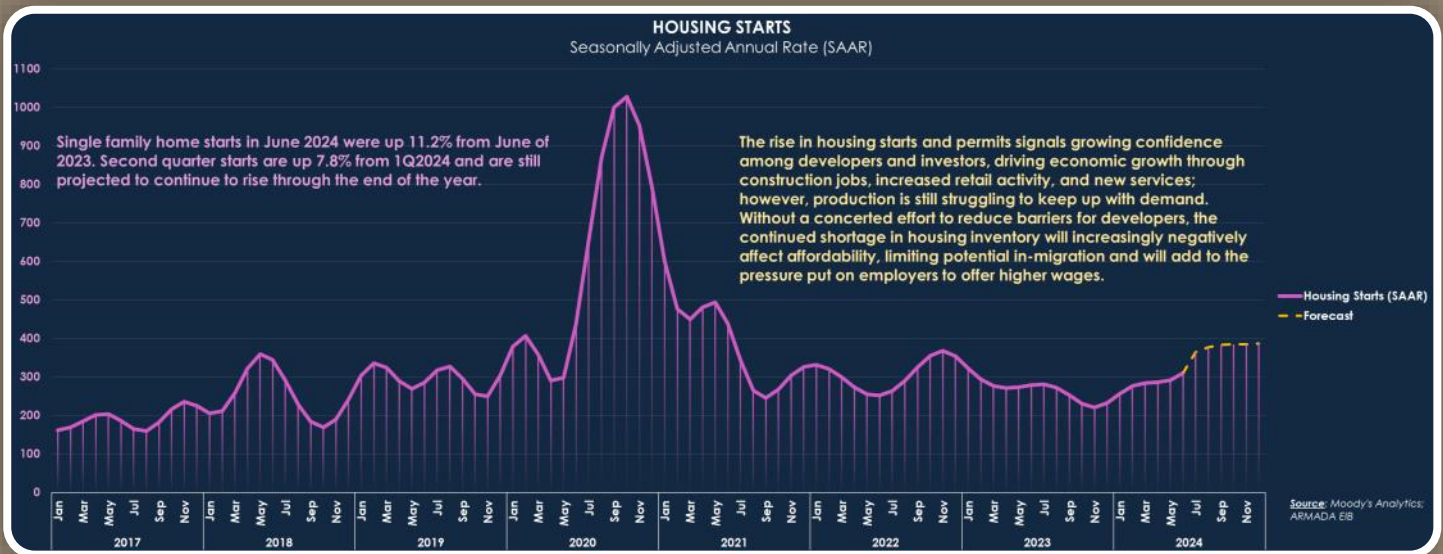
Average and Median Home Price ticked up again in Q2; but the gap between the average and median price began to slow month-over-month:
- Average Home Price = $290,766 $273,975 (6.1% increase from Q1)
- Median Home Price = $256,867 $234,800 (9.3% increase from Q1)

- SA SFH Permits 12m AVG
- % SA Homes Overvalued
- % TX Homes Overvalued

21.4%
17.8%

Source: COSATX; Moody's Analytics; Texas A&M Real Estate Research Center; ARMADA EIB; Chmura

HOUSING STARTS

The housing starts data is presented as a seasonally adjusted annual rate (SAAR), which represents the total number of housing starts that would occur over a year if the current month's pace were to continue. This data provides valuable insights into the health of the housing market and the broader economy, as housing starts typically correlate with economic growth, employment, and consumer spending. Declining housing starts show a slowing economy, while increases in housing activity can pull an economy out of a downturn.

HOUSING STARTS
Seasonally Adjusted Annual Rate (SAAR)

Single family home starts in June 2024 were up 11.2% from June of 2023. Second quarter starts are up 7.8% from 1Q2024 and are still projected to continue to rise through the end of the year.

The rise in housing starts and permits signals growing confidence among developers and investors, driving economic growth through construction jobs, increased retail activity, and new services; however, production is still struggling to keep up with demand. Without a concerted effort to reduce barriers for developers, the continued shortage in housing inventory will increasingly negatively affect affordability, limiting potential in-migration and will add to the pressure put on employers to offer higher wages.

- Housing Starts (SAAR)
- Forecast

Source: Moody's Analytics; ARMADA EIB

See following page for additional HOUSING data and analysis.
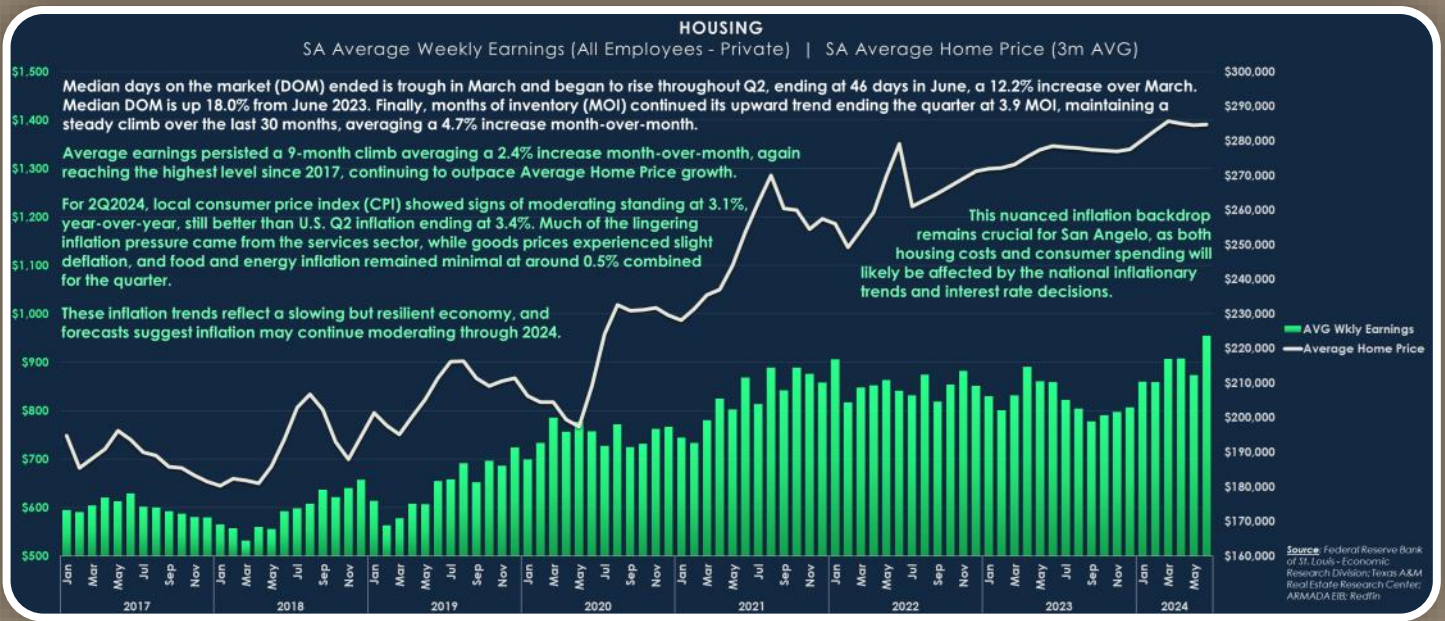
The housing affordability index is designed to measure the degree to which a typical middle-income family can afford the mortgage payments on a typical home. Higher values indicate greater affordability. A value of 100 means that a family with the median income has exactly enough income to qualify for a typical mortgage on a median-priced single-family home. An index above 100 signifies that the family has surplus income. For example, an HAI of 120.0 indicates the family has 120% of the income necessary to qualify for a conventional loan covering 80% of a typical home. A change in the HAI shows that homes are becoming more or less affordable based on changes in income, home prices and mortgage rates.
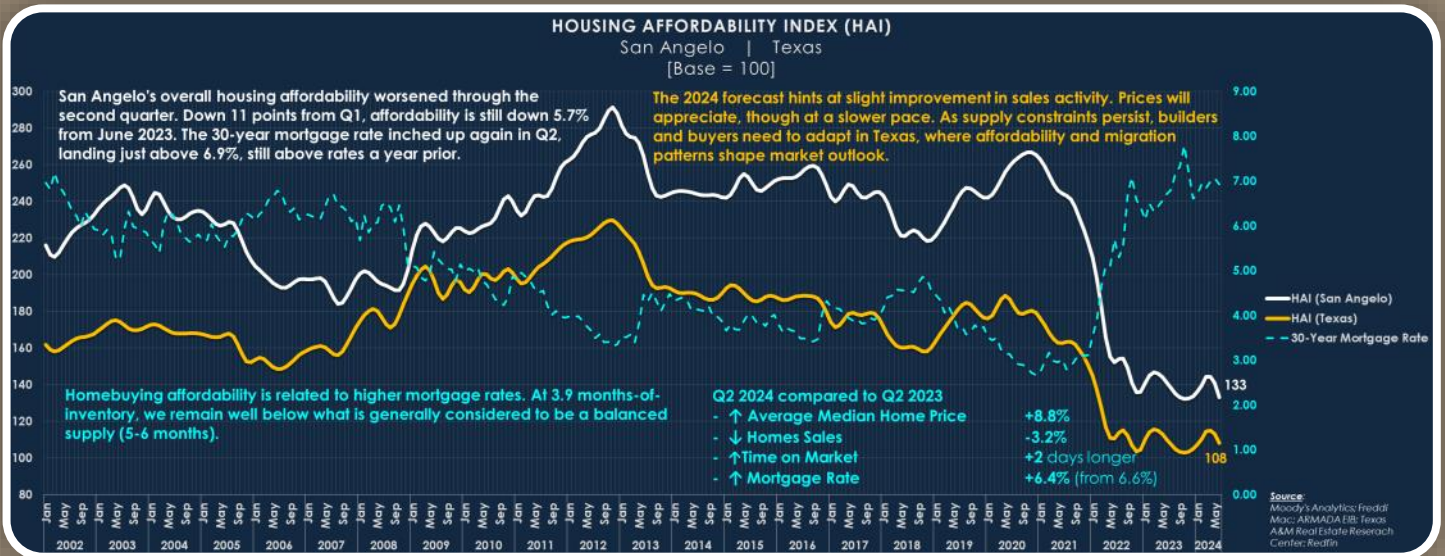
LABOR FORCE

The following chart compares the indexed labor force between San Angelo and the State of Texas, and similarly the relative unemployment rate for both, month over month. Unemployment rate is a lagging indicator.

LABOR MARKET
Labor Force (Base = 100; Jan 2017) | Unemployment Rate U-3 (%)

San Angelo labor force and employment continue to expand, however moderately. Each are up 1.8% and 2.0% from a year ago. Unemployment rate climbed to 3.9% by the end of Q2.

Job openings decreased over Q2, down 18.4% from March while the number of unemployed persons increased 12.7 % from March. These numbers confirm what we were waiting to get a clearer picture of since last quarter - indications of a softening job market. Fewer job openings suggest businesses are scaling back hiring, most likely due to financial pressures - shifting to cost cutting measures. With rising unemployment, competition for jobs is intensifying. If not already, sectors reliant on consumer spending may start seeing contractions.

Unemployment claims for the week ending June 29 was at 29 claims, equating to 2,295 unemployed workers actively looking for work, up from 2,035 unemployed workers in March.

Our labor force participation rate sits at 63.3%, compared to the State of Texas at 65.0% and matching the U.S. at 63.3%. Prime-Age Labor Force Participation Rate (age 25-54) sits at a healthy 82.5%, compared to the State of Texas at 81.5% and the U.S. at 82.8%.

Source: Bureau of Labor and Statistics (BLS); ARMADA EIB; Chmura

JOB OPENINGS

Fluctuations in the number of new job openings across specific industries and job levels provide signals to recruiters and job seekers about current economic performance. Generally, new job openings decline as the outlook weakens. Some industry sectors, such as manufacturing or retail, face a relatively early downturn in job postings due to a slowdown in consumer spending. Most often, these sectors are also the first to recover post-recession as the economy rebounds.

JOB OPENINGS
San Angelo | Texas
[Base = 100, January 2013]

Job openings decreased 18.3% since 1Q2024, and 25.8% from a year ago, while the number of unemployed increased 12.7% and decreased 3.3% respectively. There are 1.5 open jobs for every unemployed worker, as of June 2024, decreasing by 28.5%, along with a 26.1% increase in average wage per job opening since Q1. Job openings continue to be highest in Healthcare/ Social Assistance, Wholesale and Retail Trade, Education, Public Administration, and Professional and Business Services.

Regarding unemployment insurance (a measure of layoffs) for the San Angelo area, average weekly initial unemployment claims dipped from 31 in Q1 to 28 in Q2, and data is showing a increase through 3Q2024.

Regarding the Texas Worker Adjustment and Retraining Notification (WARN) notices (an act which requires businesses to provide notice 60 days in advance of plant closures or mass layoffs), there were no notices that affected San Angelo MSA since the announcement of NexTier Completion Solutions, Inc. layoff of 104 employees by April 2024.

*Source: WorkInTexas.com, U.S. Census Bureau, ARMADA EIB*

Advertised jobs are spidered daily in real-time. Real-time advertised jobs are collected from employer corporate sites, hospitals, non-profits, local and federal government agencies, schools and universities, recruiter sites, newspapers, volunteer sites, and other public, private, and state job boards. Each site is individually reviewed and evaluated, and each sites data extraction is custom tailored to that site. Every job listing is spidered every day so that it can be removed from the database when the job is de-posted. Each job is processed for O*NET code assignment, NAICS code assignment, employer name normalization, and city/town name standardization.

MANUFACTURING JOBS

Update: Our manufacturing sector added 54 jobs to their payroll over 2Q2024, recovering from the 43-job loss over Q1, residing at 3,719 jobs (6.3% of the total workforce). Total Goods Producing jobs continued to grow increasing 10 jobs, following a 41-job increase over 1Q2023.
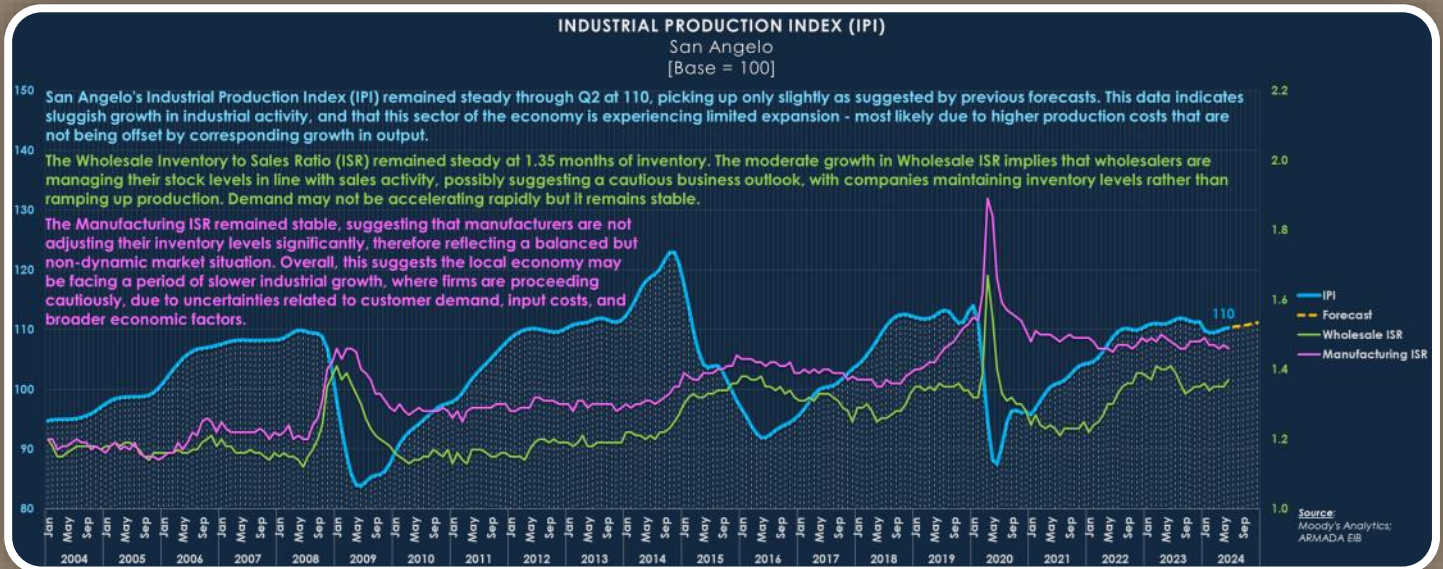
Q2 Manufacturing tax revenue reached $526,600, sliding only 2.2% over Q2, yet outperforming the Q2 revenues from the previous 6 years. U.S manufacturers experienced mixed conditions over the quarter with moderate job creation and respectable revenue growth, showing resilience despite high production costs and inflation. With optimism about revenue growth persisting, manufacturers anticipate this to continue through 2024.

Outlook: Looking ahead, the outlook suggests that while new projects, particularly those related to federal initiatives like the CHIPS Act, will drive revenue, challenges such as labor market shifts and high production costs will require careful management. Revenue expansion is expected to remain on track, though tempered by inflation and labor market uncertainties.
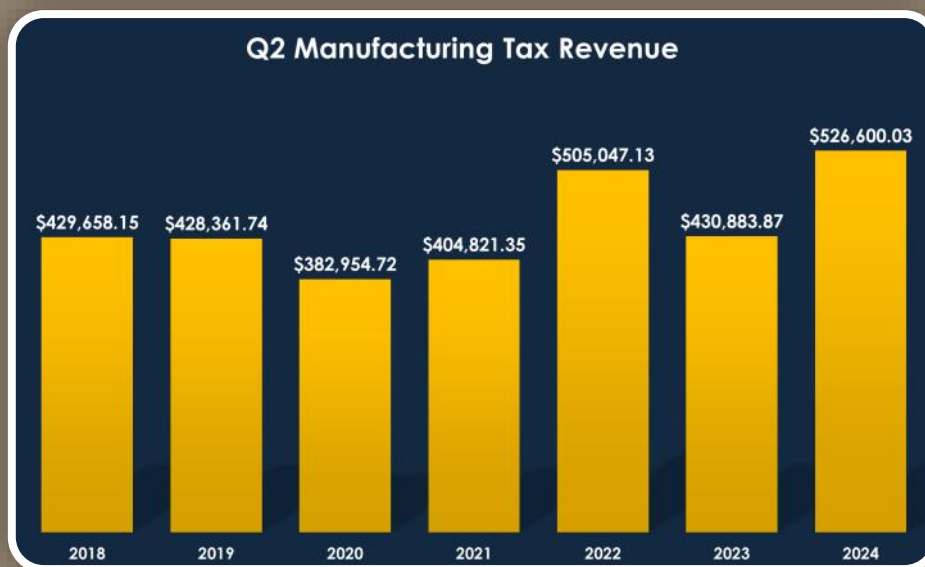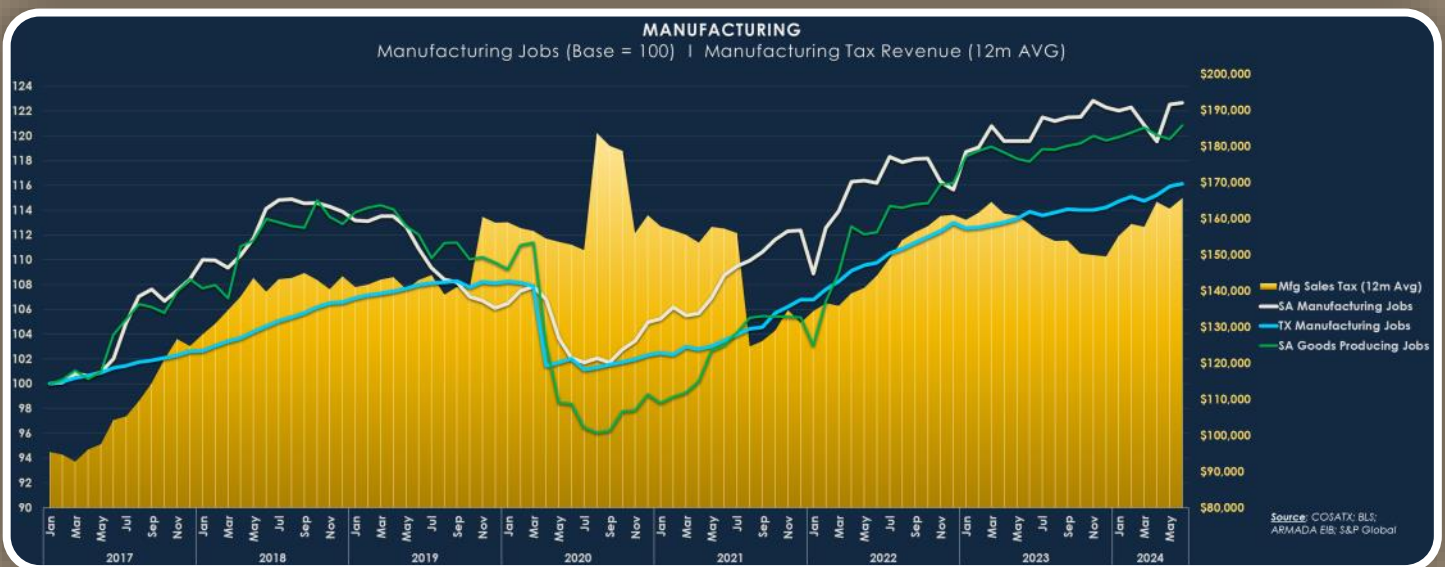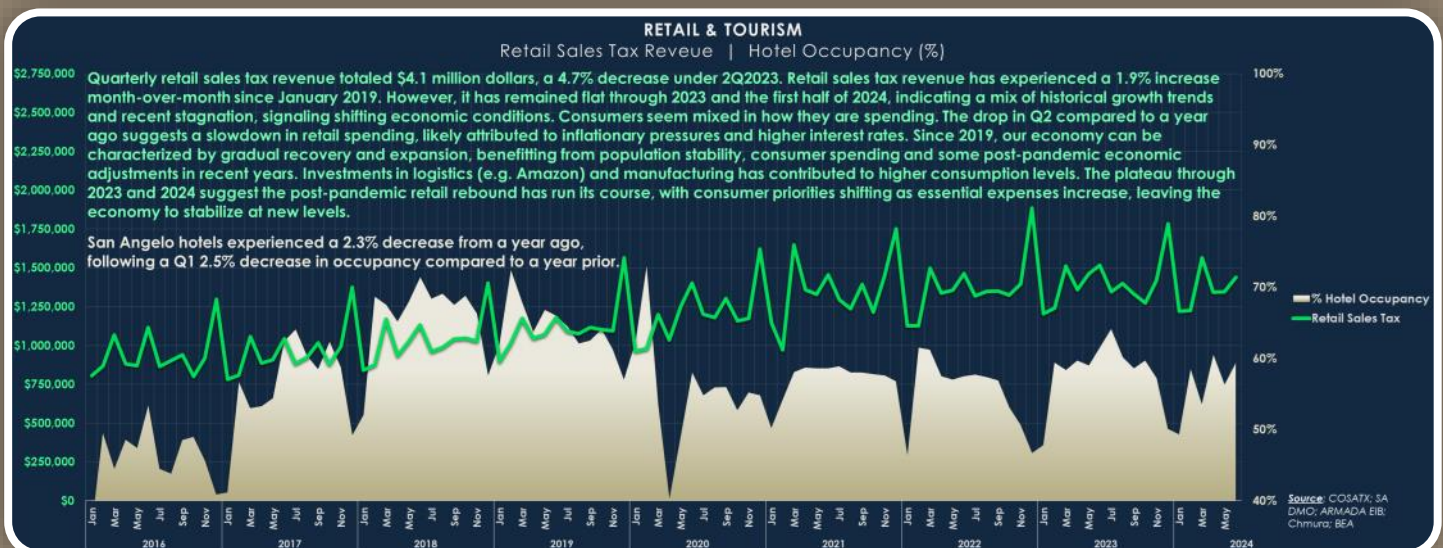
INDUSTRIAL PRODUCTION INDEX

The industrial production index indicates the monthly production of raw goods. It rises with a flourishing economy and falls with a sickly economy. Industrial production is estimated monthly at the sub-national level by combining employment estimates and the monthly industrial production release from the Federal Reserve Board. These data are then combined in two steps. First, monthly estimates of manufacturing employment at the three-digit and four-digit NAICS level are used to create industry weights for each geography. Second, these weights are applied to the national industry-level IP to aggregate each local geography's IP series.

INDUSTRIAL PRODUCTION INDEX (IPI)
San Angelo
[Base = 100]

San Angelo's Industrial Production Index (IPI) remained steady through Q2 at 110, picking up only slightly as suggested by previous forecasts. This data indicates sluggish growth in industrial activity, and that this sector of the economy is experiencing limited expansion - most likely due to higher production costs that are not being offset by corresponding growth in output.

The Wholesale Inventory to Sales Ratio (ISR) remained steady at 1.35 months of inventory. The moderate growth in Wholesale ISR implies that wholesalers are managing their stock levels in line with sales activity, possibly suggesting a cautious business outlook, with companies maintaining inventory levels rather than ramping up production. Demand may not be accelerating rapidly but it remains stable.

The Manufacturing ISR remained stable, suggesting that manufacturers are not adjusting their inventory levels significantly, therefore reflecting a balanced but non-dynamic market situation. Overall, this suggests the local economy may be facing a period of slower industrial growth, where firms are proceeding cautiously, due to uncertainties related to customer demand, input costs, and broader economic factors.

Source: Moody's Analytics; ARMADA EIB

RETAIL SALES TAX REVENUE and TOURISM

Tourism is economic development, and destination marketing is the first date for economic development. Tourism (leisure / business) generates employment and income, directly and diffused through the economy. Destination promotion is an economic engine, raising our community's profile and fostering enhanced opportunities for traditional business relocation or expansion. Furthermore, targeted destination promotion possesses the potential to highlight the quality-of-life issues critical to relocation decisions and resident's attitude about where they live.

RETAIL & TOURISM
Retail Sales Tax Reveue | Hotel Occupancy (%)

Quarterly retail sales tax revenue totaled $4.1 million dollars, a 4.7% decrease under 2Q2023. Retail sales tax revenue has experienced a 1.9% increase month-over-month since January 2019. However, it has remained flat through 2023 and the first half of 2024, indicating a mix of historical growth trends and recent stagnation, signaling shifting economic conditions. Consumers seem mixed in how they are spending. The drop in Q2 compared to a year ago suggests a slowdown in retail spending, likely attributed to inflationary pressures and higher interest rates. Since 2019, our economy can be characterized by gradual recovery and expansion, benefitting from population stability, consumer spending and some post-pandemic economic adjustments in recent years. Investments in logistics (e.g. Amazon) and manufacturing has contributed to higher consumption levels. The plateau through 2023 and 2024 suggest the post-pandemic retail rebound has run its course, with consumer priorities shifting as essential expenses increase, leaving the economy to stabilize at new levels.

San Angelo hotels experienced a 2.3% decrease from a year ago, following a Q1 2.5% decrease in occupancy compared to a year prior.

Source: COSATX; SA DMO; ARMADA EIB; Chmura; BEA

Providing the certainty, simplicity, and speed necessary to build a strong business climate.

The San Angelo Chamber of Commerce Economic Development Department (EDD) works closely with our main economic development partner, the City of San Angelo Development Corporation (COSADC). This team approach is a "force-multiplier" for the recruitment of new industry and the expansion of existing industrial enterprises.

The San Angelo Chamber EDD also works with the Tom Green County Judge and Commissioners, Downtown San Angelo, Inc., Angelo State University Small Business Development Center, Howard College, San Angelo Independent School District, and the Angelo State University David L. Hirschfeld Department of Engineering.

It is through private community investments that allow the Chamber EDD team to leverage our marketing efforts, recruit new industrial corporations, facilitate business/industrial training and lobby at all levels of government, especially for Goodfellow Air Force Base.

The Economic Development Department is guided by two committees: the Economic Development Advisory Committee (EDAC), which counsels staff on initiatives, methods, policies, and goals; and the San Angelo Regional Manufacturers Alliance (SARMA), which advises staff on initiatives and goals to support the San Angelo manufacturing, fabrication, energy services, technology, transportation and agricultural sectors in the Concho Valley.

Check out the new Economic Development Marketing Video on our Website!

Unlock Your Business Growth in San Angelo Texas A Hotspot for Economic Prosperity

Click the image above
or
Scan Here

https://www.sanangelo.org/economic-development/

CORNERSTONE
INVESTORS PROGRAM

Cornerstone funds are private investments the Chamber of Commerce uses to leverage our marketing efforts, recruit new industrial corporations and lobby at all levels of government, especially for Goodfellow Air Force Base.

INVESTMENT LEVELS

Platinum	$10,000+
Diamond	$5,000
Silver	$2,000
Bronze	$1,000
Concho Pearl	$500

REECE ALBERT INC.
HEAVY CONSTRUCTION
SAN ANGELO • MIDLAND • DEL RIO

SHANNON

Joe & Casey Thieman

FIRST FINANCIAL BANK

AEP TEXAS

ETHICON
Johnson&Johnson SURGICAL TECHNOLOGIES

Hydraulic Industrial Services, LLC

For a full list of investors click or go here - https://www.sanangelo.org/cornerstone-investors/

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PREPARED BY

Mike Berry

Manager, Research and Intelligence

Economic Development Department
San Angelo Chamber of Commerce