

San Angelo Quarterly Economic Review

The latest data, analysis, outlook

APRIL 2022

Issue #1-02



Economic Index



Housing Permits



Labor Force



Unemployment



Retail Sales Tax



Hotel Occupancy

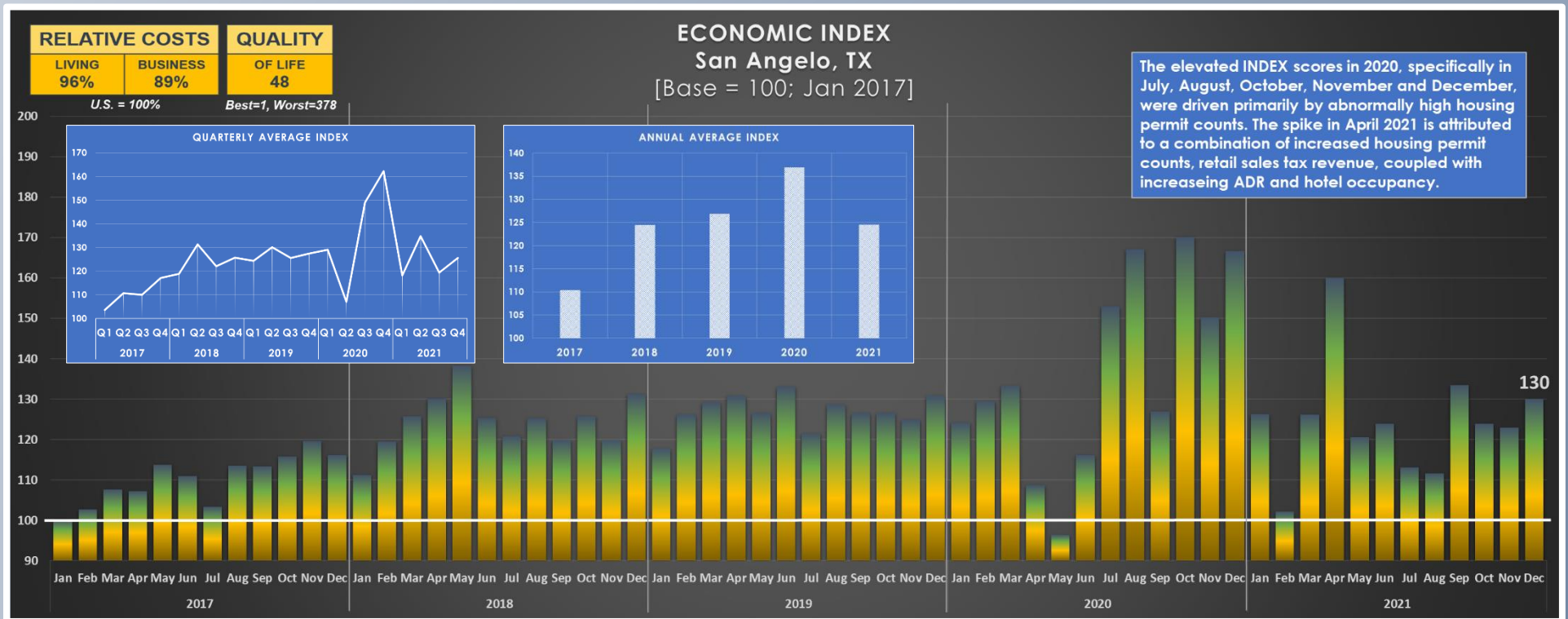
Assessment: San Angelo is moving out of a recovery mode; our economy is poised to shift into the next gear in the near-term. The stabilizing presence of Goodfellow AFB, a youthful population, relatively high birthrate, and low business costs (taxes and office rents) secure our vitality. Texas holds the top spot as the overall best state in which to start a business as entrepreneurs seek new places and spaces for their companies. San Angelo's ability to attract and retain talent, along with our openness to innovation will fuel our drive to position San Angelo for the future. In the long-term, positive demographic changes will ensure San Angelo as a national outperformer.

Q4 2020	167	296	54,808	5.9%	\$3.95 MM	54.2%
Q4 2019	131	69	55,288	2.8%	\$3.76 MM	60.8%
Q4 2018	131	62	55,113	3.1%	\$3.47 MM	64.2%

For questions or comments, please contact: [Mike Berry](#) and [Michael Looney](#)

ECONOMIC INDEX

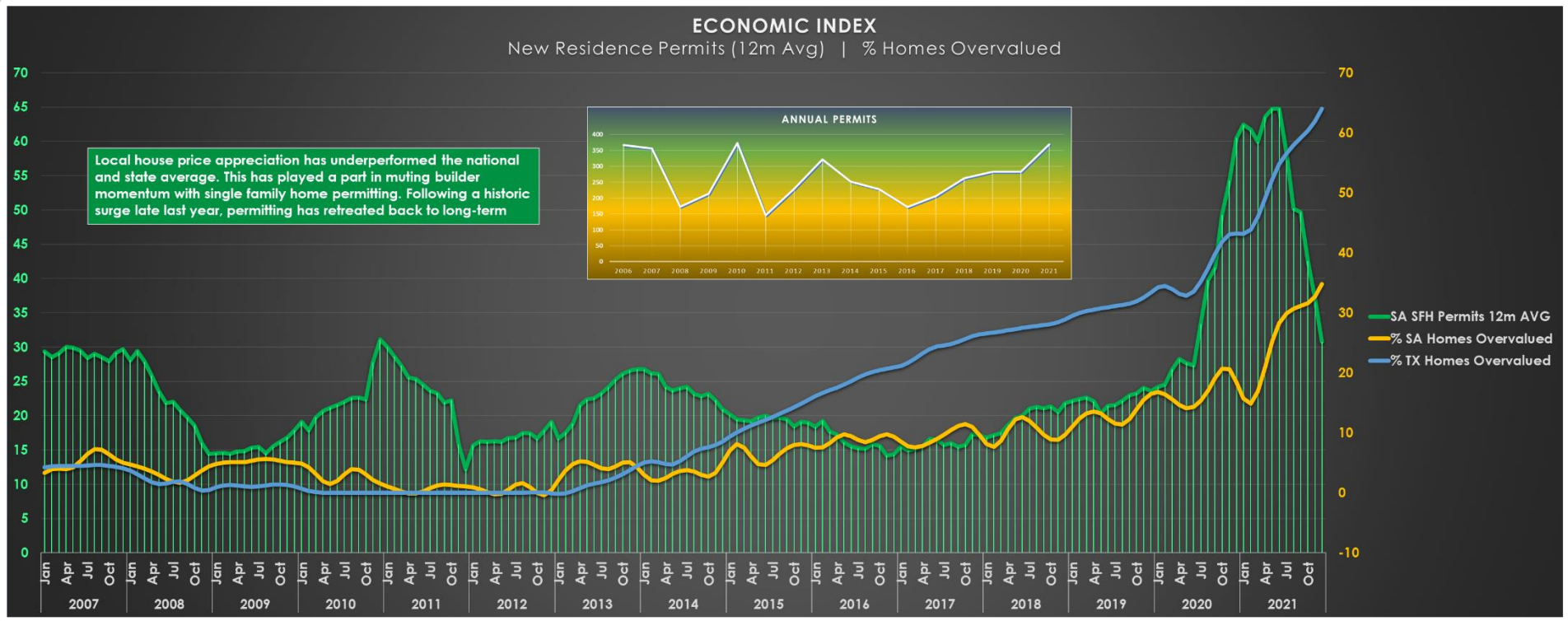
The San Angelo Economic Index considers seven key economic indicators to provide insight about the state of the San Angelo economy. Three data sets are leading indicators and point to future changes in the economy - useful for short-term predictions of economic developments. The remaining data are lagging 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.



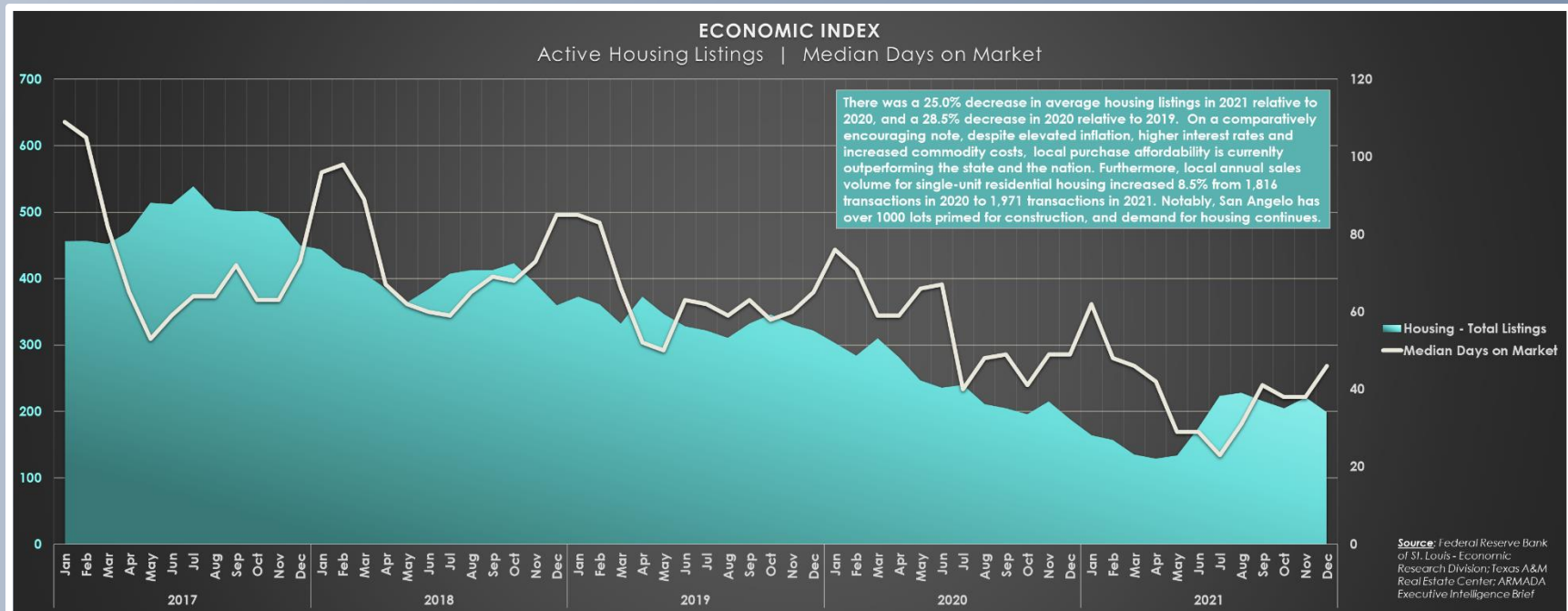
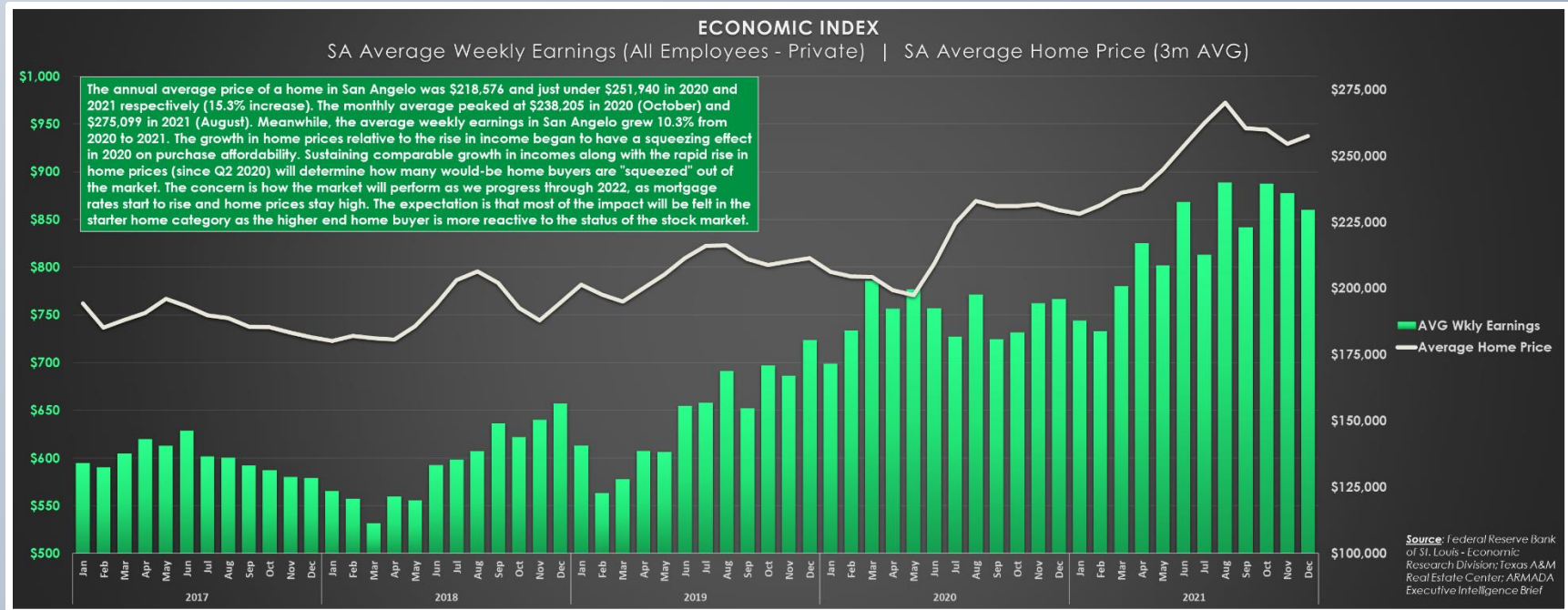
1. **New Residence Permits** (*LEADING Indicator*): Building permits tell you what will happen with new home construction twelve months from now.
2. **Retail Sales Tax Revenue** (*LEADING Indicator*): Decreases can raise fear of recession and increases often precede higher Consumer Price Index (CPI) numbers (a measure of cost-of-living changes, indicator of inflation).
3. **Labor Force Participation**: 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.

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.

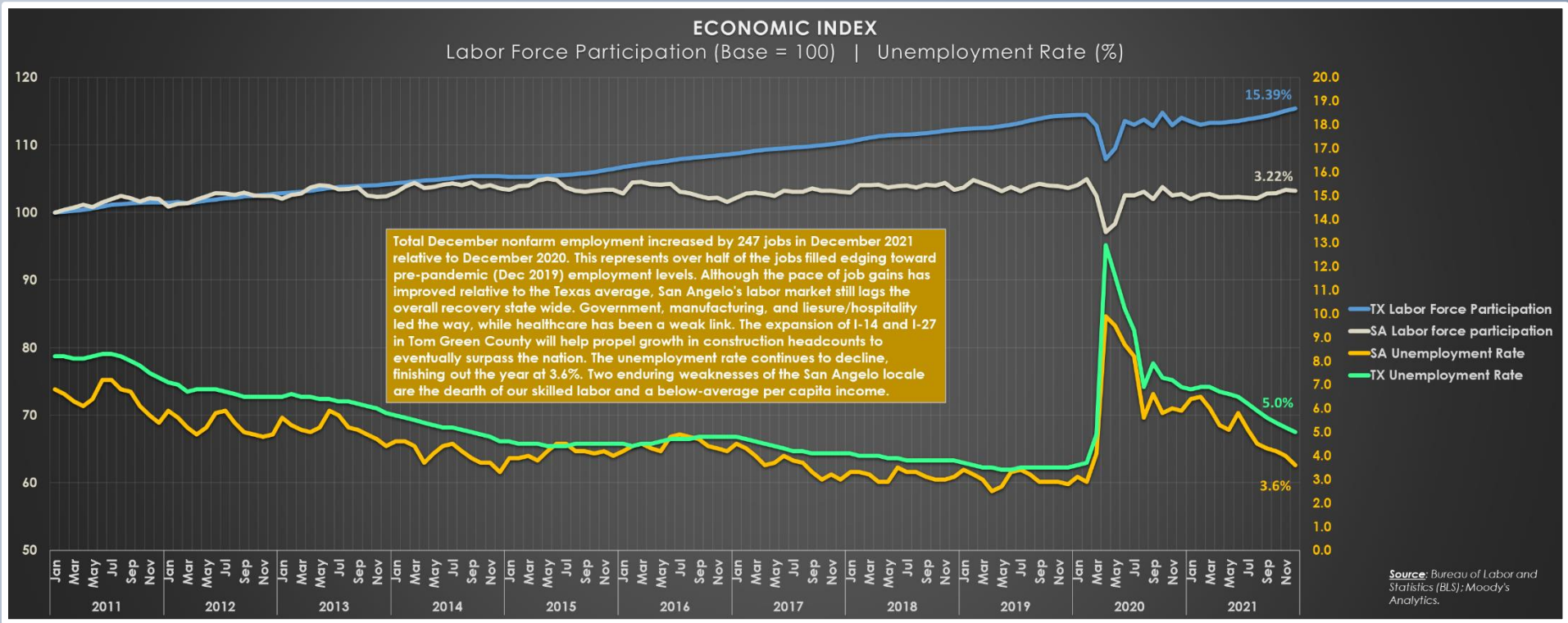


See following page for additional HOUSING data and analysis.

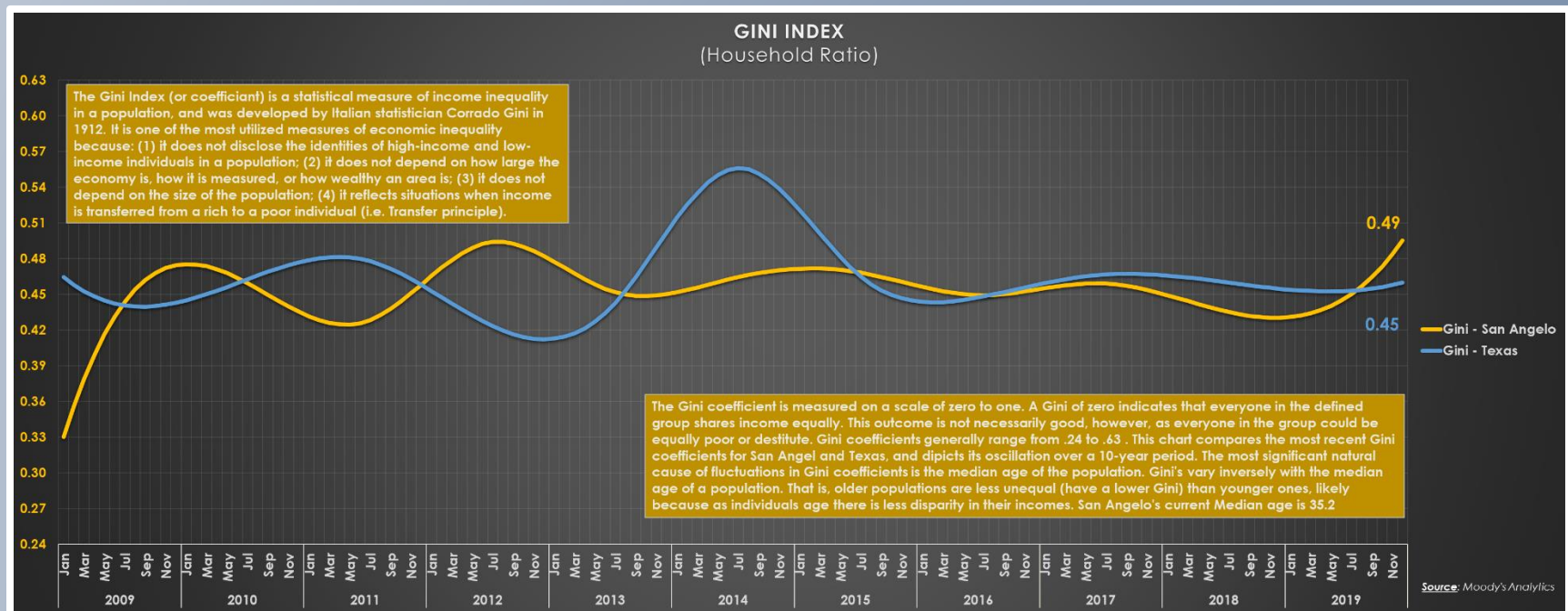
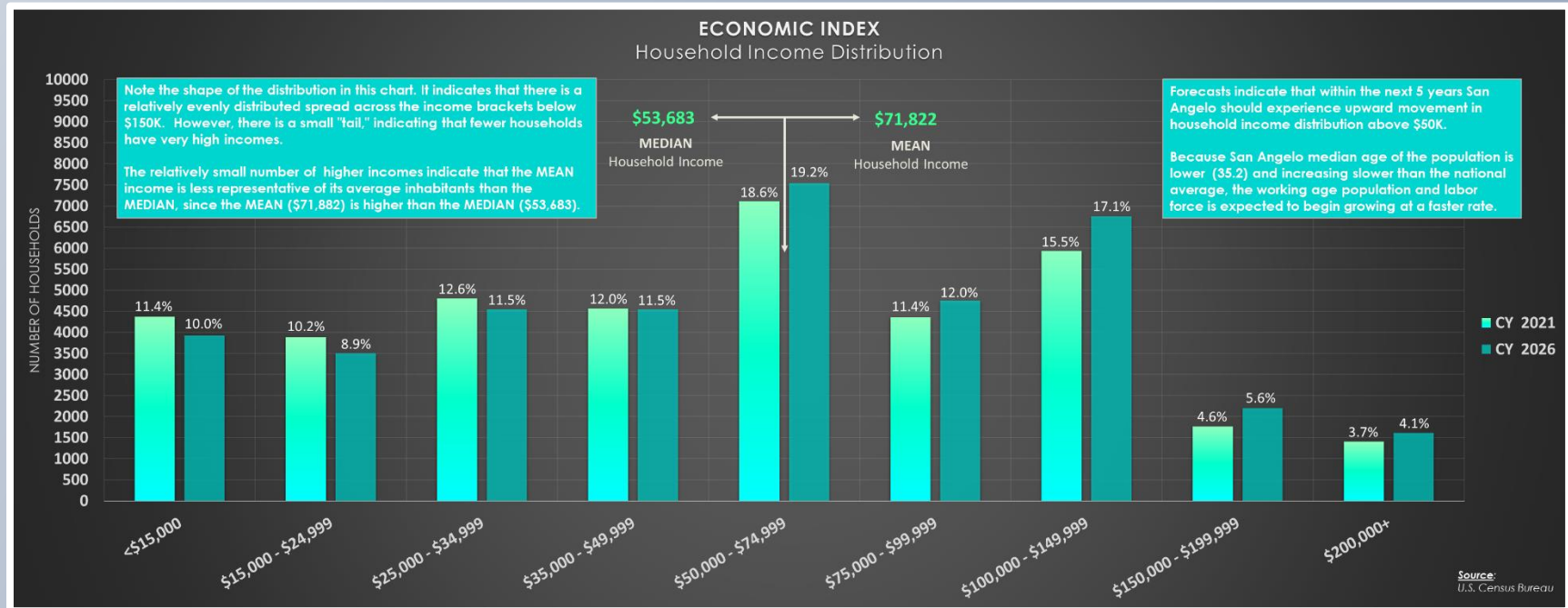


LABOR FORCE

The following chart compares the indexed labor force participation 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. Employers will tend to avoid laying off workers unless they absolutely have to, and they don't rehire until they are confident the economy is getting better. When more businesses are hiring, this is an indication that businesses are performing well.

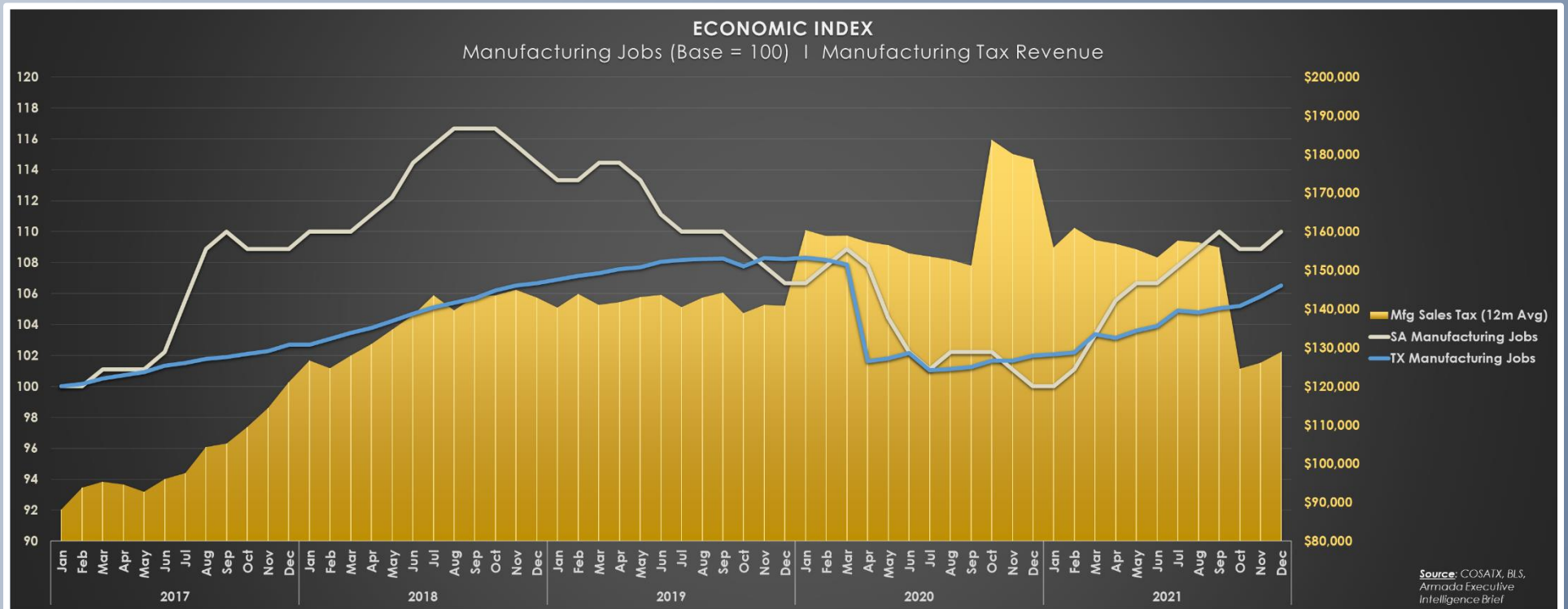


See following page for additional LABOR/INCOME data and analysis.



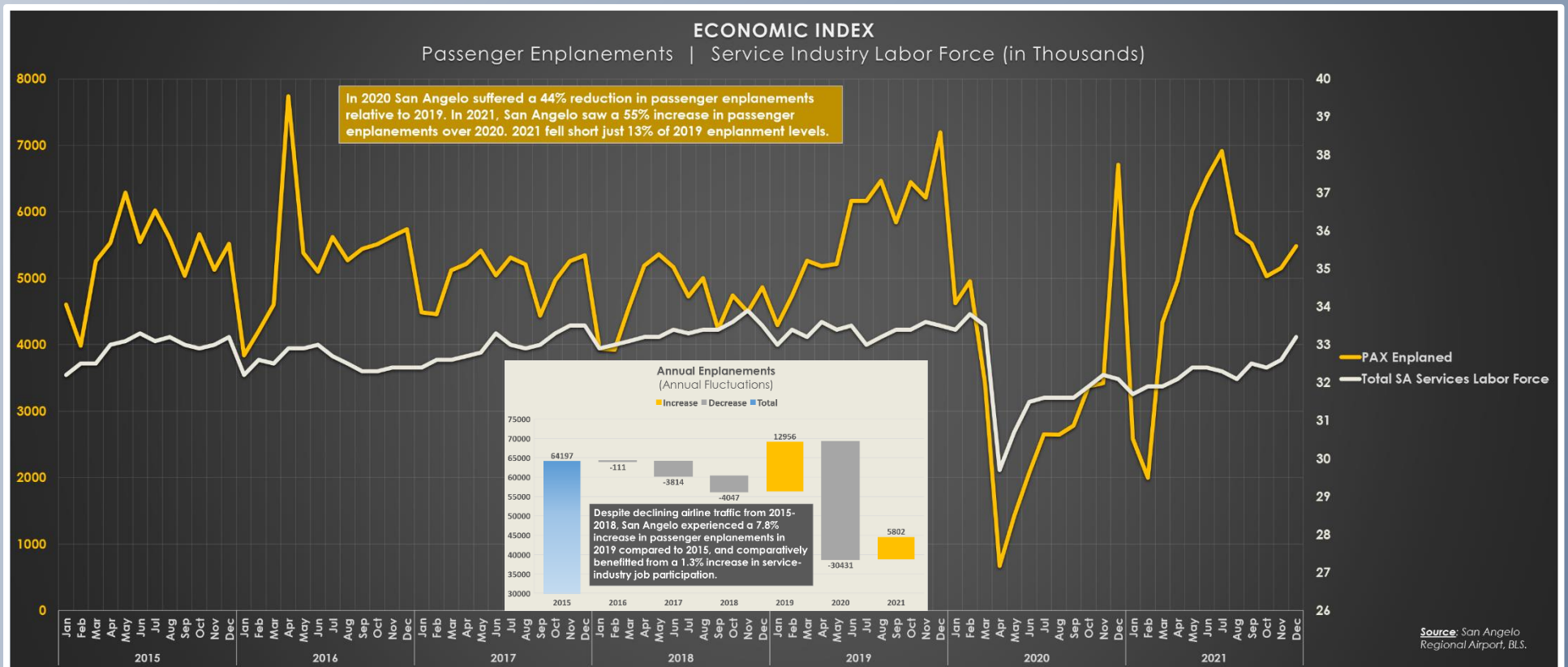
MANUFACTURING JOBS

Our manufacturing sector labor force participation continues to outperform the state. A rise in manufacturing workforce is typically an indication of a rise in factory orders. Q4 saw a halt in the growth of manufacturing jobs coupled with a significant drop in manufacturing tax revenue. This is attributed to the fact that the growth we were experiencing since Q4 2020, was not primarily driven by consumers but rather inventory build. To avoid the kind of supply crisis that comprised much of business in 2021, and thus far in 2022, companies are engaged in what can be referred to as “stockpiling” or “hoarding” (or a shift away from a Just-In-Time system to a Just-In-Case inventory system). US productivity has been improving over the last decade or two because of all the investment and emphasis on robotics and automation, replacing human labor with machines and boosting outputs while keeping costs under control. The challenge now is that these machines and robots require an increased level of skilled operator or technician. Furthermore, those technical skills required in manufacturing are in even shorter supply than those traditional jobs and that means that these employees are more expensive than ever. Once wages rise it is nearly impossible to bring them back down and that means that efforts to boost productivity must increase and rapidly.



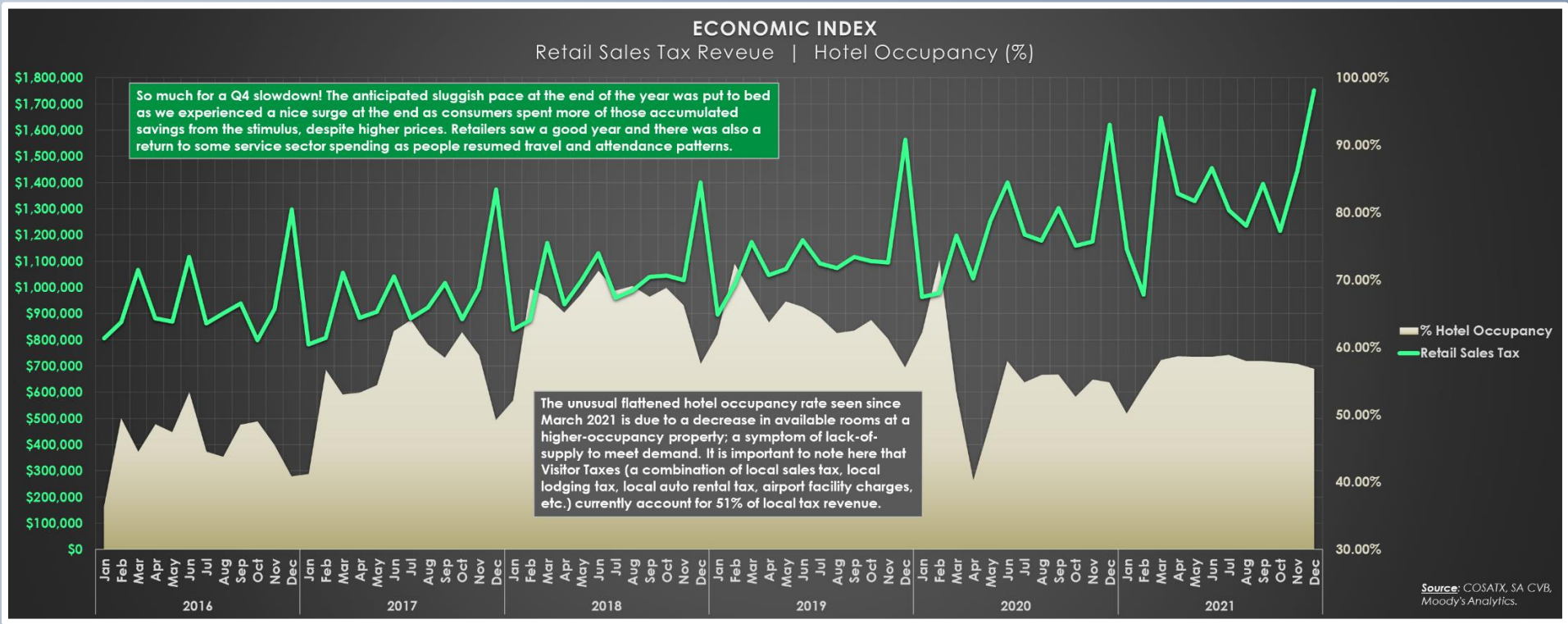
ENPLANEMENTS and SERVICE INDUSTRY LABOR FORCE

In today's economy, the more people an airport can move, the bigger effect on economic output, wages, and incomes it can generate.¹ High levels of passenger enplanements, facilitate face-to-face contact with businesses in other cities, in turn attracting new firms and stimulating employment opportunities. On average, a 10 percent increase of airline traffic in a metropolitan area can lead to approximately 1 percent increase in service-related industries employment.² This chart highlights monthly passenger enplanements overlaid with the monthly San Angelo service-industry labor force participation.



RETAIL SALES TAX REVENUE and TOURISM

This chart illustrates San Angelo monthly retail sales tax in relation to hotel occupancy rates. Tourism is economic development. Tourism (leisure or business) functions as a generator of employment and income, both directly and diffused through the economy. Proper destination promotion can serve as 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 our resident's attitude about where they live.



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