

San Angelo Quarterly Economic Review

The latest data, analysis, outlook

"Without data you're just another person with an opinion" -W. Edwards Deming

APRIL 2023

Issue #2-02



Economic Index



Business Cycle Index



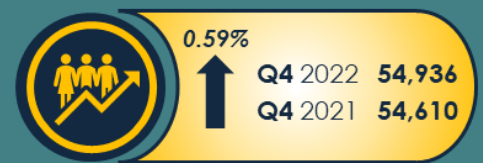
Industrial Production Index



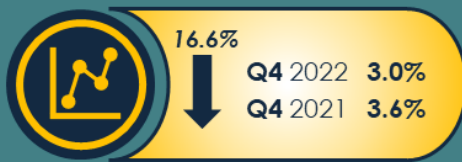
Housing Affordability Index



Housing Permits



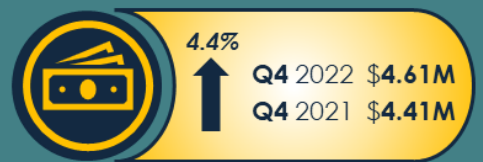
Labor Force



Unemployment



Hotel Occupancy

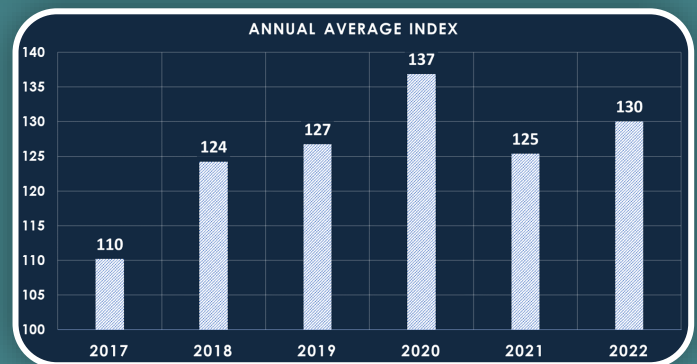
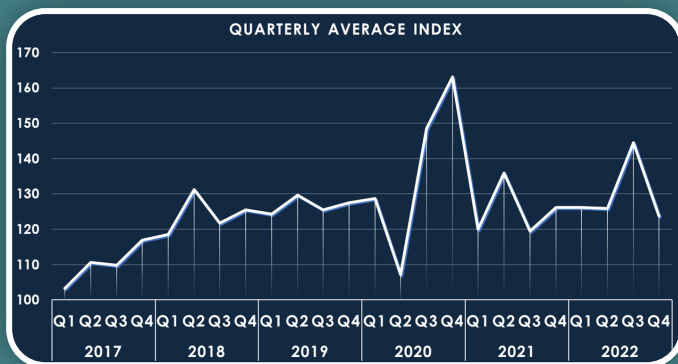
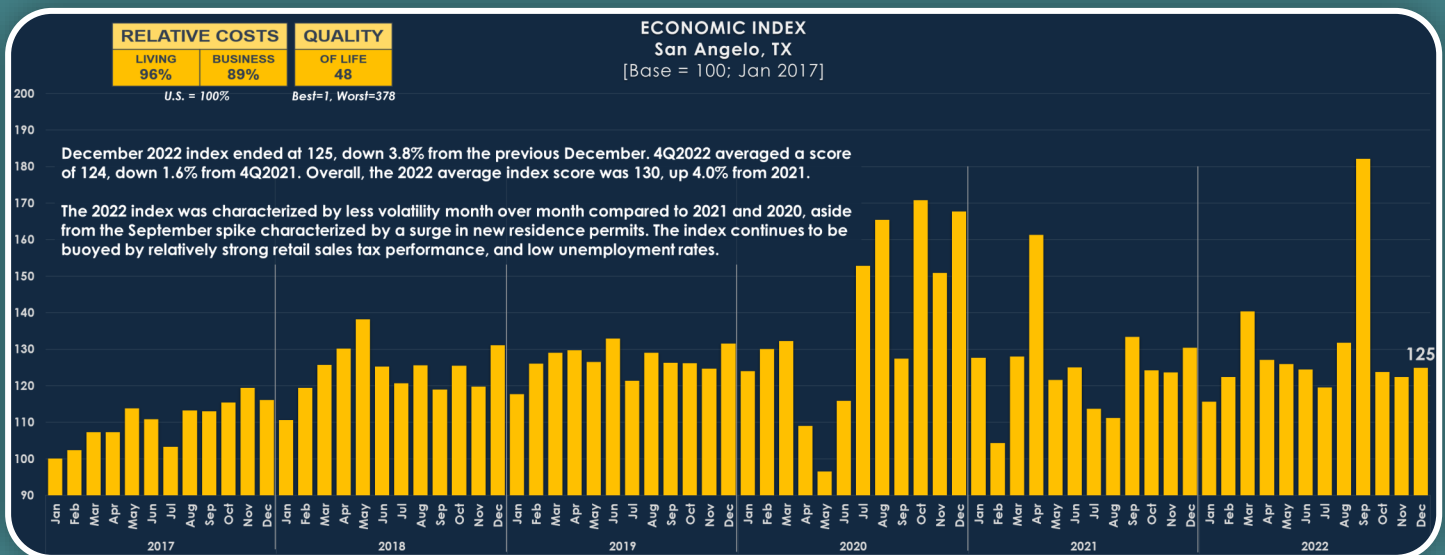


Retail Sales Tax

Assessment: With the fourth quarter numbers in, we saw carryover from third quarter growth coupled with potential signs of slowing in the first half of 2023. That said, San Angelo's economy is resilient. Manufacturing maintained economic expansion throughout 2022, and the goods-producing sector employment grew by 200 jobs. Near-record output from the Permian Basin has led to incremental gains in natural resources/mining support headcounts while federal government payrolls increased to the highest level since 2019. Any pickup in defense spending will bolster Goodfellow Air Force Base, a key pillar of our economy. San Angelo experienced stable consumer spending and a relatively healthy jobs market. Whether one believes in the predictions of a deep recession in 2023 characterized by a slowdown in industrial production to slumping retail, or expects nothing more than a minor downturn that dissipates by third quarter, the reality is that we are likely somewhere in the middle. The first half of 2023 may seem sluggish, but economic improvement is expected to take place toward the second half of 2023. Inflation will be the metric to watch. In the 2023 housing market, even if price growth moderates, higher mortgage rates and higher asking prices will likely continue to slow sales. As the Fed continues policy of tightening many will find that stagflation will persist, and employment growth will moderate. It remains that San Angelo's economy will fall in the middle of the pack among regional peers. The energy industry and public sector will be pillars of support and provide spillover benefits for consumer services. Longer term, positive demographic changes (natural growth and below average median age) will ensure San Angelo's position as a national outperformer.

ECONOMIC INDEX

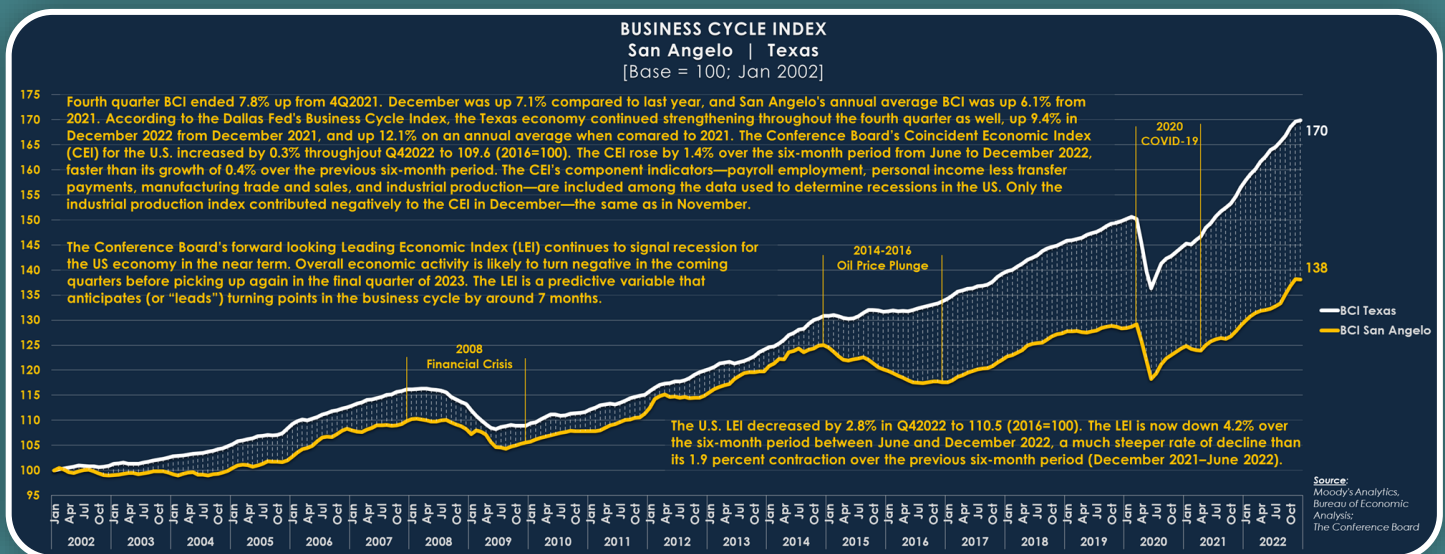
The San Angelo Economic Index considers seven key economic indicators to provide insight about the state of the San Angelo economy. Three data sets are leading indicators and point to future changes in the economy - useful for short-term predictions of economic developments. The remaining data are lagging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



- New Residence Permits (LEADING Indicator):** Building permits tell you what will happen with new home construction twelve months from now.
- 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).
- Labor Force:** Measure of the number of residents that make up workforce.
- Manufacturing Jobs (LEADING Indicator):** Indicates manufacturer's confidence level. When factory orders rise, companies need more workers.
- Unemployment Rate:** Measure of the underutilization of the labor supply. It reflects the inability of an economy to generate desired employment.
- 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.
- % 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.

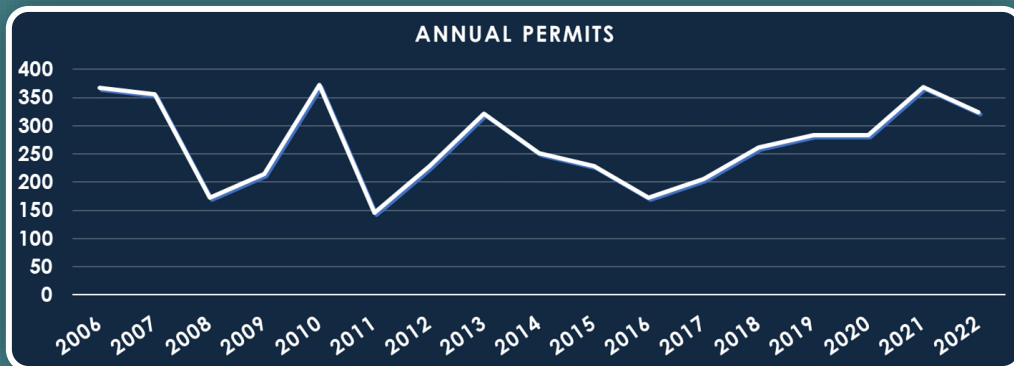
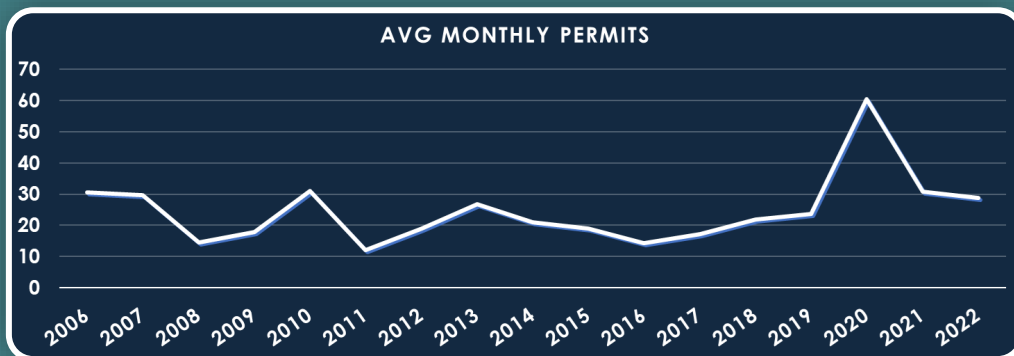
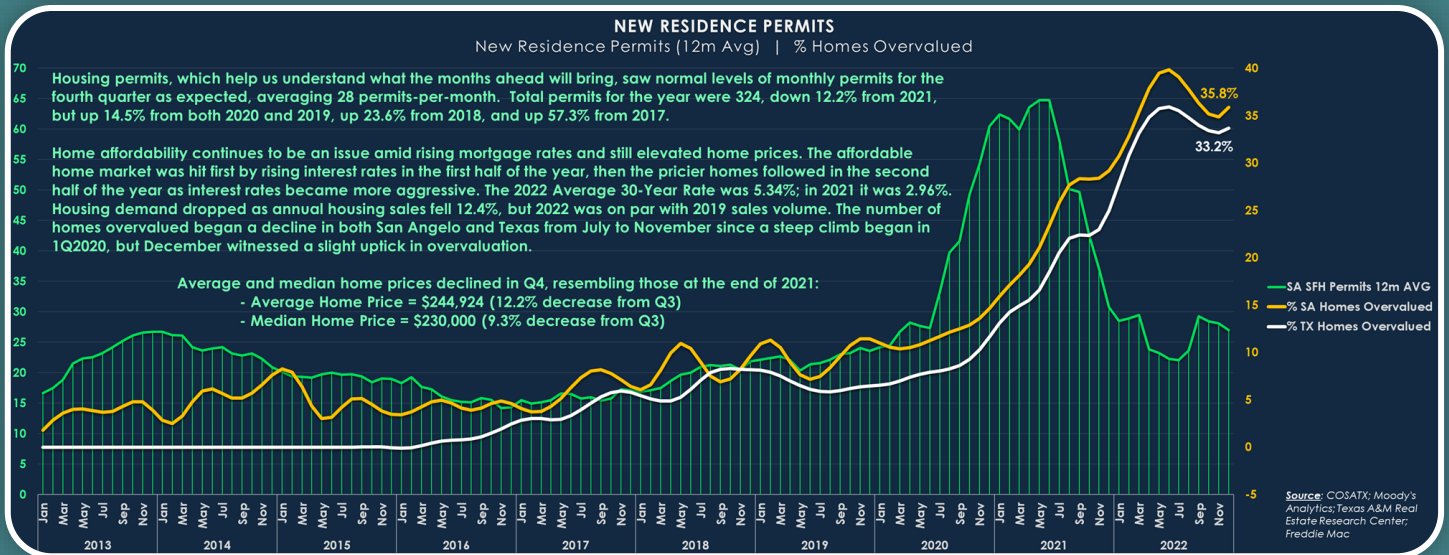


This indicator is constructed using four components chosen for their timeliness, frequency, and availability.

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.

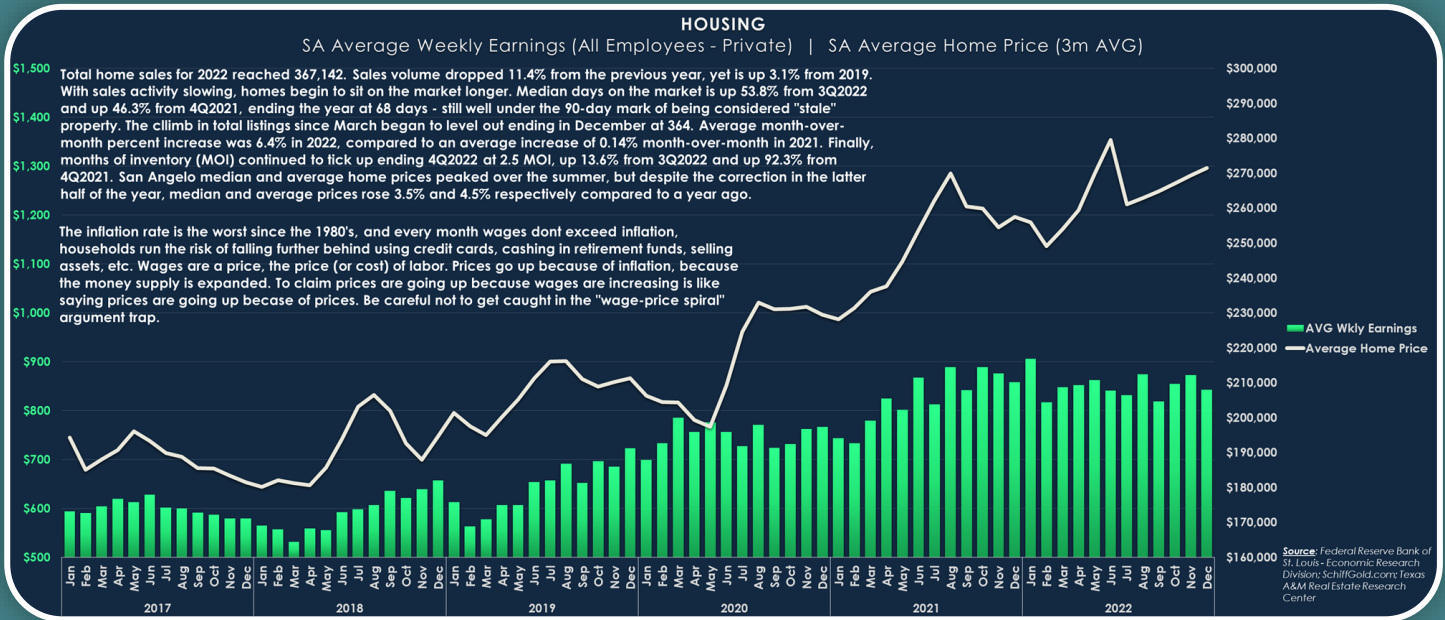
NEW RESIDENCE PERMITS

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.

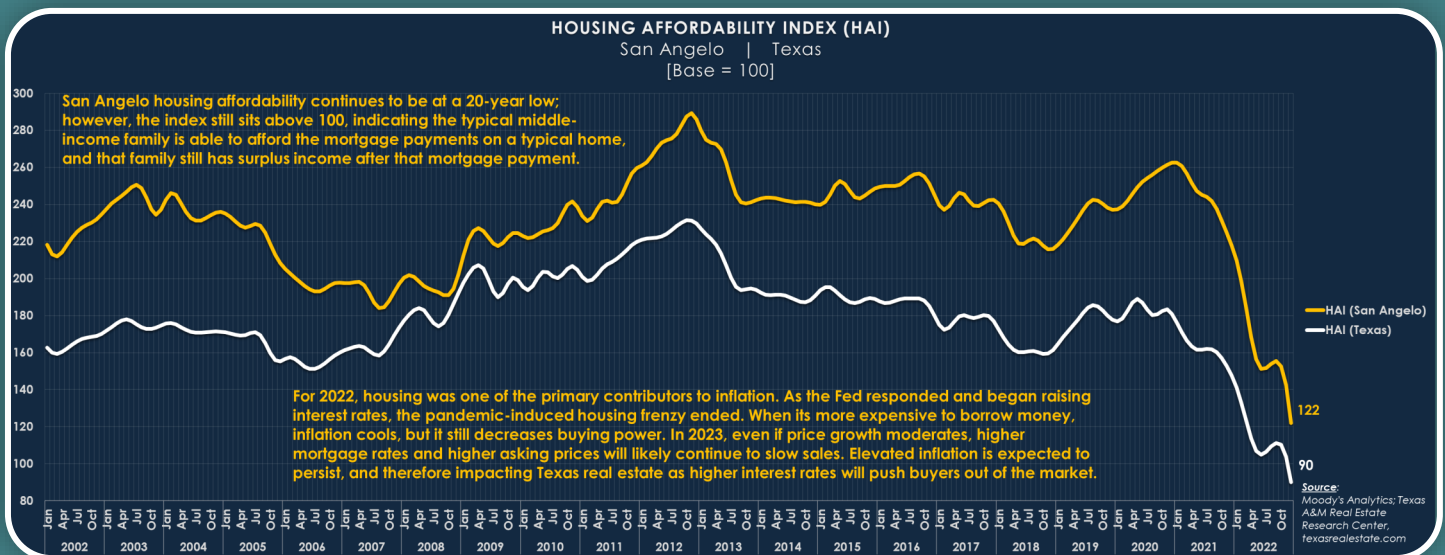


See following page for additional HOUSING data and analysis.

HOUSING DATA continued...

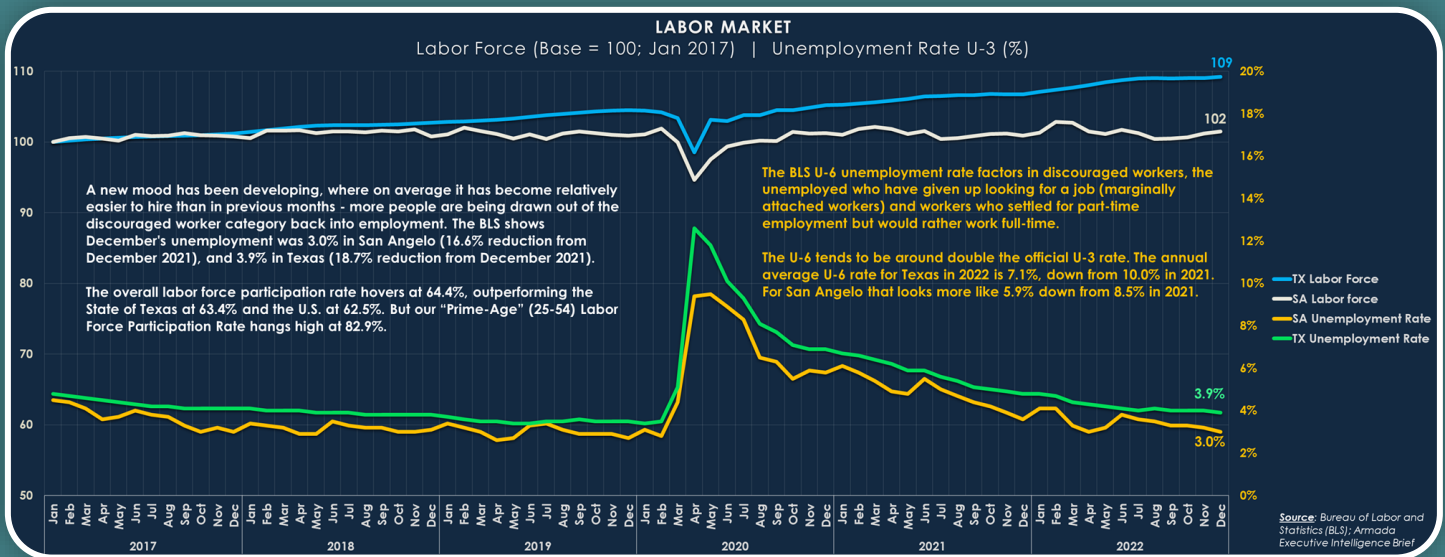


The housing affordability index is designed to measure the degree to which a typical middle-income family can afford the mortgage payments on a typical home. Higher values indicate greater affordability. A value of 100 means that a family with the median income has exactly enough income to qualify for 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.



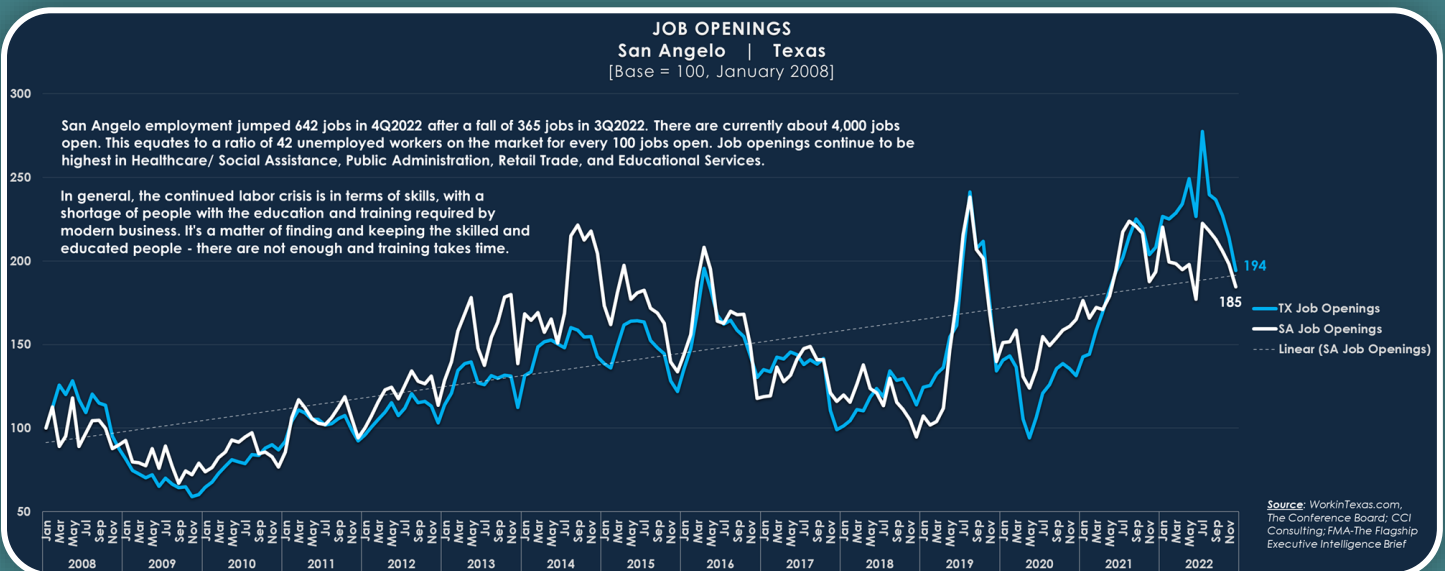
LABOR FORCE

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.



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.



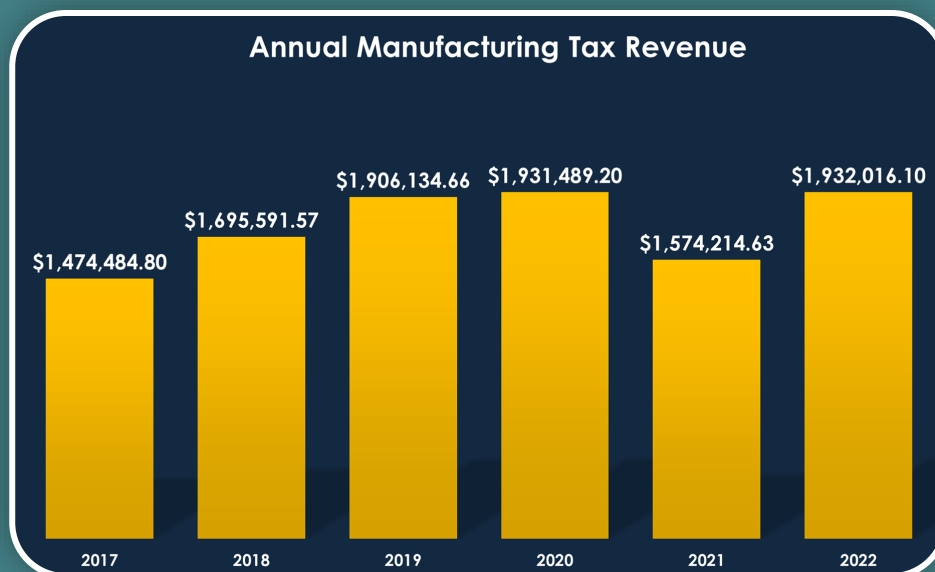
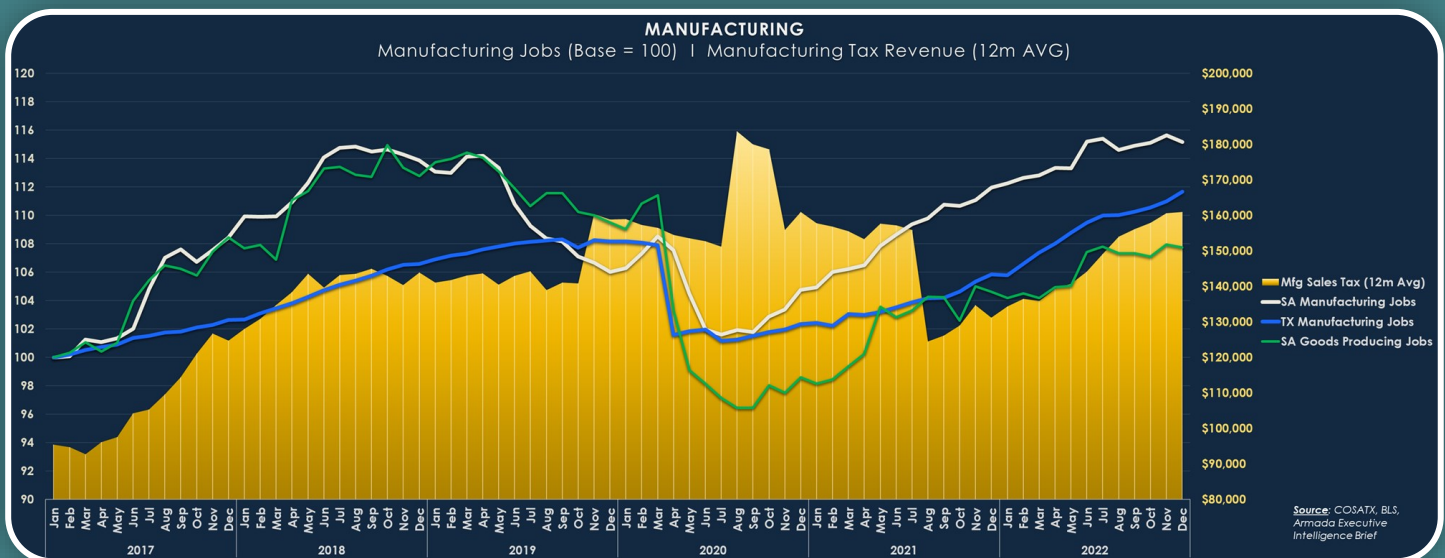
Advertised jobs are spidered daily in real-time. Real-time advertised jobs are collected from employer corporate sites, hospitals, non-profits, local and federal government agencies, schools and universities, recruiter sites, newspapers, volunteer sites, and other public, private, and state job boards. Each site is individually reviewed and evaluated, and each site's 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

Our manufacturing sector labor force growth was steady throughout 2022, rounding out the year at 3,488 jobs (6.3% of the total workforce). Month-over-month growth was slower than the previous year, while still adding about 100 jobs, continuing to outperform the state. A rise in manufacturing workforce is typically an indication in a rise in factory orders. The remainder of the “Goods Producing Jobs” grew by an additional 100 jobs over the year. Goods producing jobs include Agriculture, Forestry, Fishing and Hunting, Mining, Quarrying, and Oil and Gas Extraction, Construction, and Manufacturing.

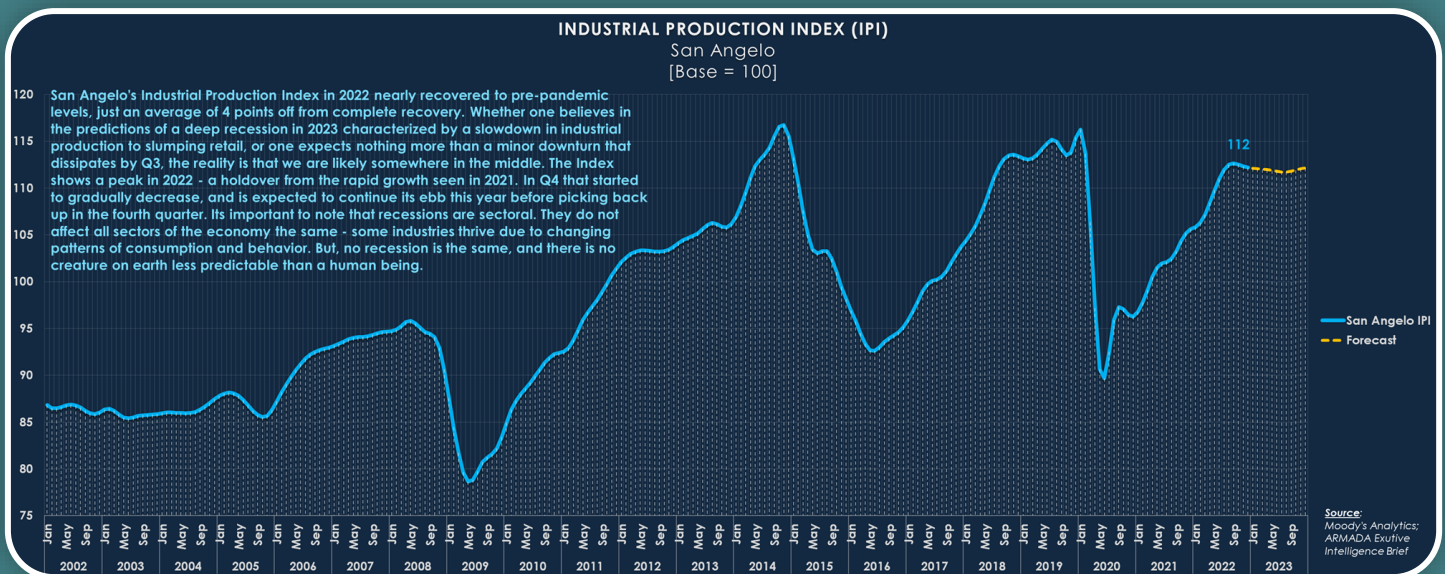
2022 Manufacturing tax revenue not only recovered the 18.5% dip seen in 2021, but surpassed 2020 revenues. 4Q2022 actuals totaled \$507,770.30, displaying a 12.9% increase over 4Q2021.

Outlook: It still stands that manufacturers will see price growth easing with wage growth remaining elevated. New orders may begin to fall as demand for the finished product declines. As manufacturers continue to rethink who supplies them, supply chains appear to be getting back in cycle which should begin to help those industries that were plagued with product shortages.



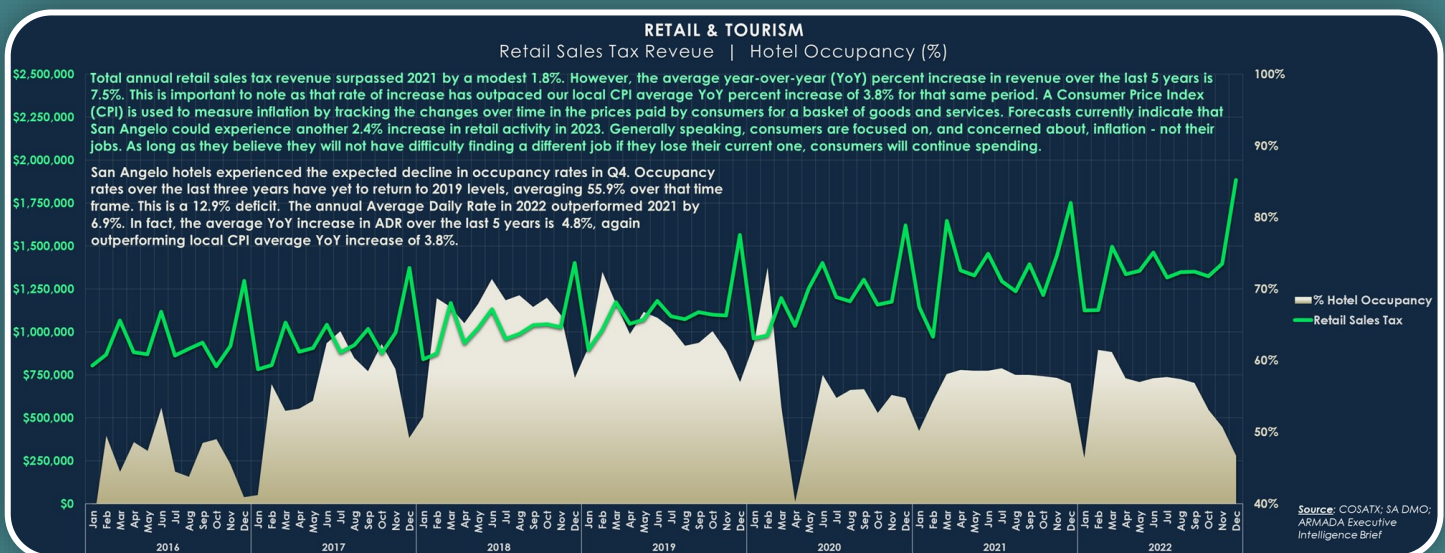
INDUSTRIAL PRODUCTION INDEX

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.



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.



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, and agricultural sectors in the Concho Valley.

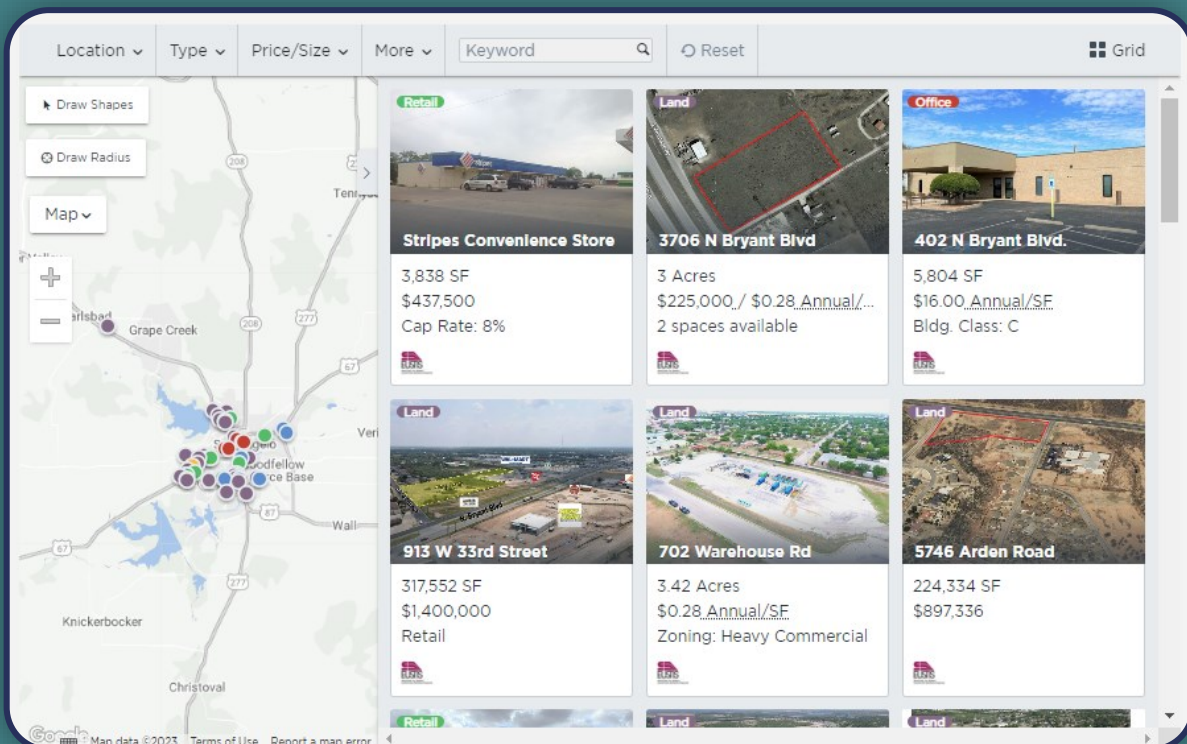


Check out the new features on our website!

LOCAL ADVANTAGES



COMMERCIAL PROPERTY SEARCH



The screenshot displays a web-based commercial property search tool. At the top, there are filters for Location, Type, Price/Size, and More, along with a Keyword search bar and a Reset button. A map on the left shows the search area with various colored markers. The main content area displays a grid of property listings, each with a thumbnail image, address, and key details.

Property Type	Address	Size	Price	Other Details
Retail	Stripes Convenience Store	3,838 SF	\$437,500	Cap Rate: 8%
Land	3706 N Bryant Blvd	3 Acres	\$225,000	\$0.28 Annual/SF, 2 spaces available
Office	402 N Bryant Blvd.	5,804 SF	\$16.00 Annual/SF	Bldg. Class: C
Land	913 W 33rd Street	317,552 SF	\$1,400,000	Retail
Land	702 Warehouse Rd	3.42 Acres	\$0.28 Annual/SF	Zoning: Heavy Commercial
Land	5746 Arden Road	224,334 SF	\$897,336	

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 & Above
Diamond	\$5,000 – \$9,999
Silver	\$2,000 – \$4,999
Bronze	\$1,000 – \$1,999
Concho Pearl	\$500 – \$999

Learn more 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*