

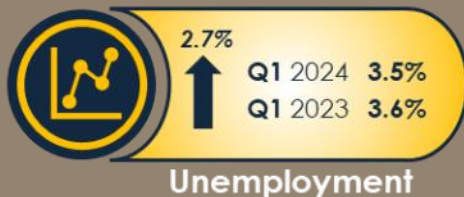
# San Angelo Quarterly Economic Review

The latest data, analysis, outlook

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

JULY 2024

Issue #3-03

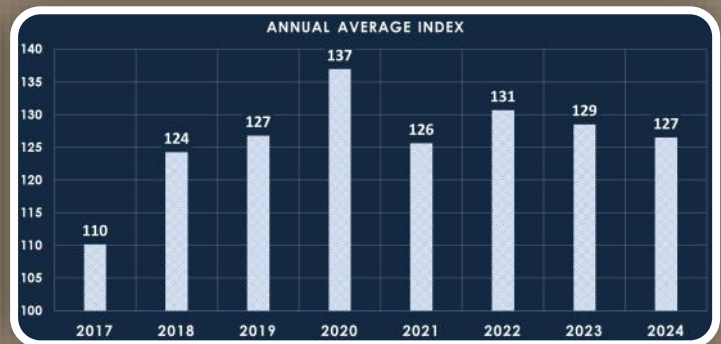
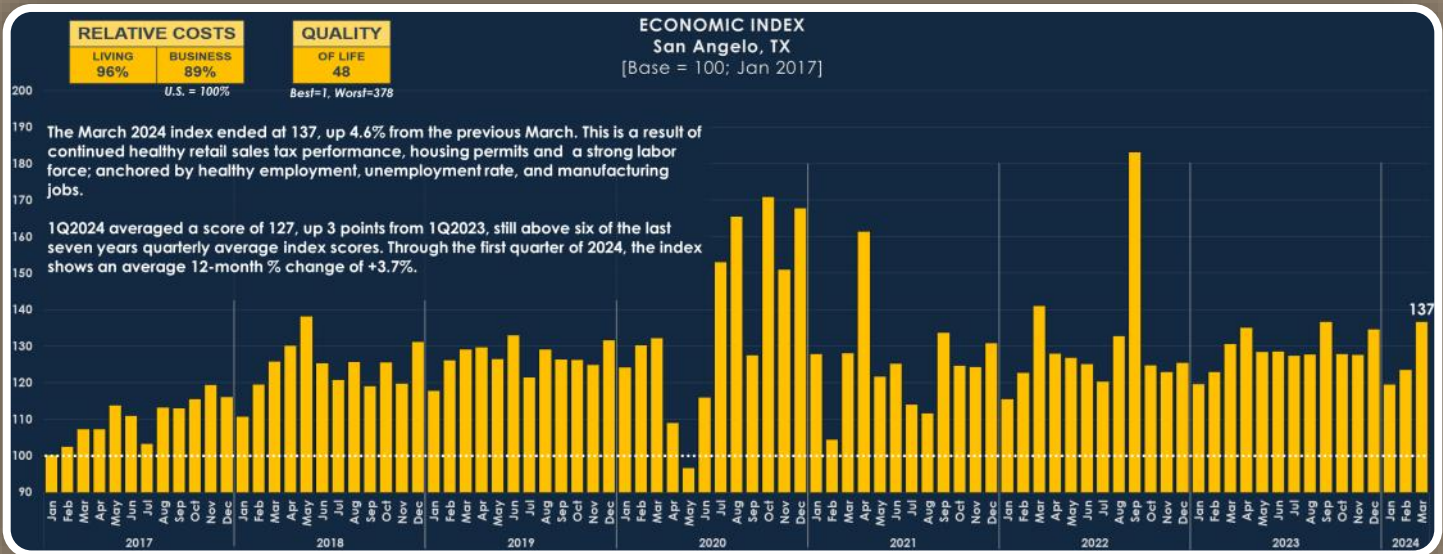


**Assessment:** In March 2024, the economic index rose to 137, marking a 4.6% increase from the previous year. This growth is attributed to strong retail sales tax performance, housing permits, and a robust labor market. The first-quarter Business Cycle Index (BCI) reached 139, a 0.7% increase from 1Q2023, and averaged an 8.2% rise over the last five years. The Texas economy remained steady, with employment increasing by 1.6% and expectations for a 2.3% job growth in 2024. The business outlook shows improvements in the services sector but potential contraction in manufacturing due to concerns about weakening demand, possible recession, and domestic policy uncertainty. San Angelo housing permits rose by 15.1% from 1Q2023, aligning with pre-pandemic levels. Despite increased inventory, there are concerns about meeting demand. Single-family home starts in March 2024 were up 9.6% from the previous year and are projected to continue rising. The housing market, driven by job stability, price, and mortgage rates, is crucial to the overall economy. Despite high prices making this the least affordable time to buy a new home, home sales are expected to increase throughout 2024. The local Consumer Price Index (CPI) for 1Q2024 stalled at 3.6%, reflecting national inflation trends just under 5.0%, primarily due to wage inflation. San Angelo's labor force and employment have reached a 20-year high. Manufacturers report slight increases in new orders, though input prices are rising, particularly for metals and transportation, capped by competition and customer push-back. Most manufacturers remain optimistic about the next 6-12 months. Consumer spending is mixed, with some cutting back to pay down aging credit card debt. Lower-income households struggle to absorb inflation, leading to potential weaker discretionary spending. Inflation is a significant threat, impacting spending and sentiment. Geography influences economic patterns, with the Northeast and West Coast struggling while the Southwest and Southeast experience growth. In Texas, business sentiment is positive, anticipating increasing demand over the next six months. Despite elevated inflation and wage growth, firms expect stronger activity, particularly in the service sector, though growth remains below average.



## ECONOMIC INDEX

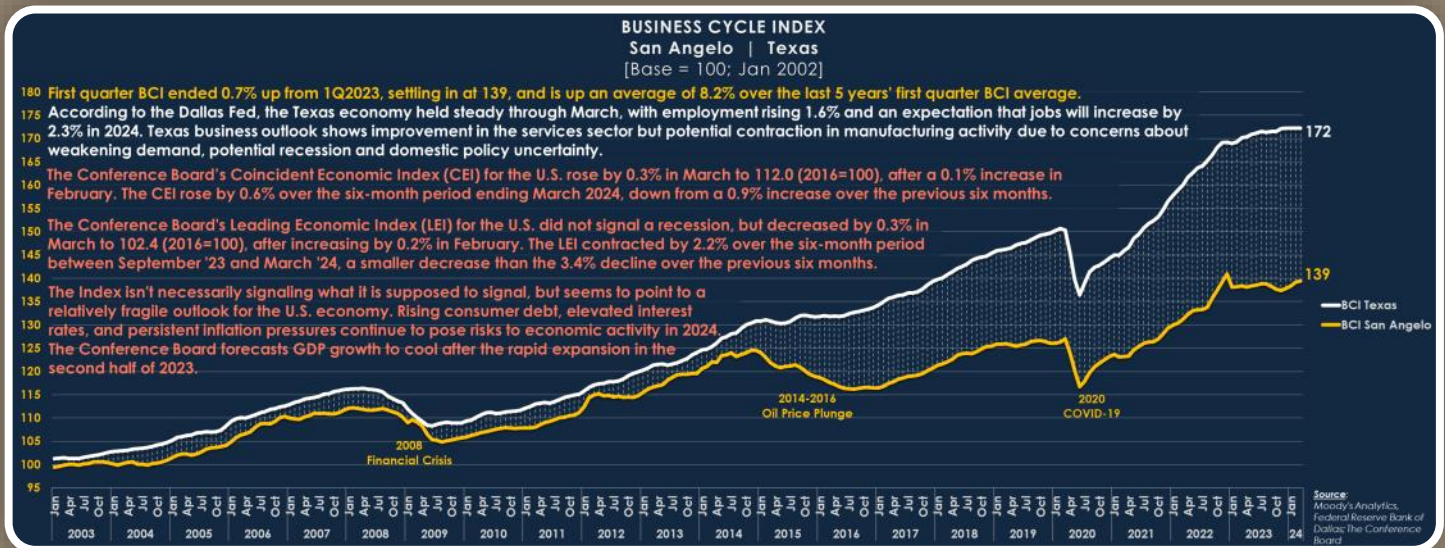
The San Angelo Economic Index considers seven key economic indicators to provide insight about the state of the San Angelo economy. Three data sets are leading indicators and point to future changes in the economy - useful for short-term predictions of economic developments. The remaining data are lagging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



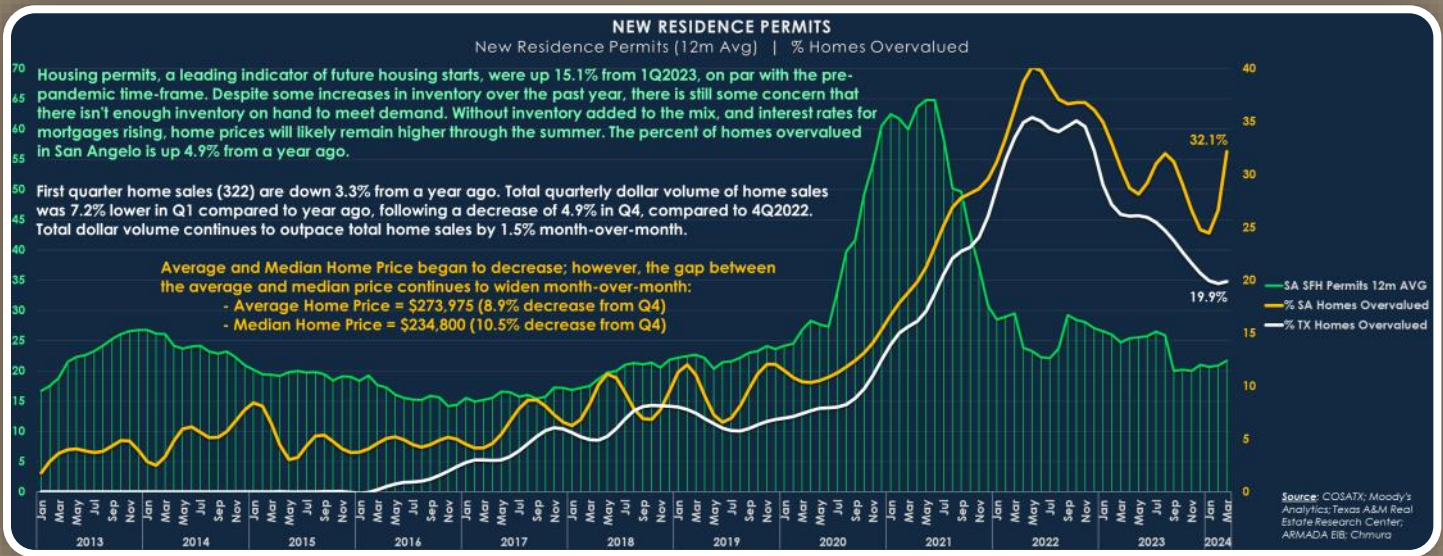
This indicator is constructed using four components chosen for their timeliness, frequency, and availability.

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.



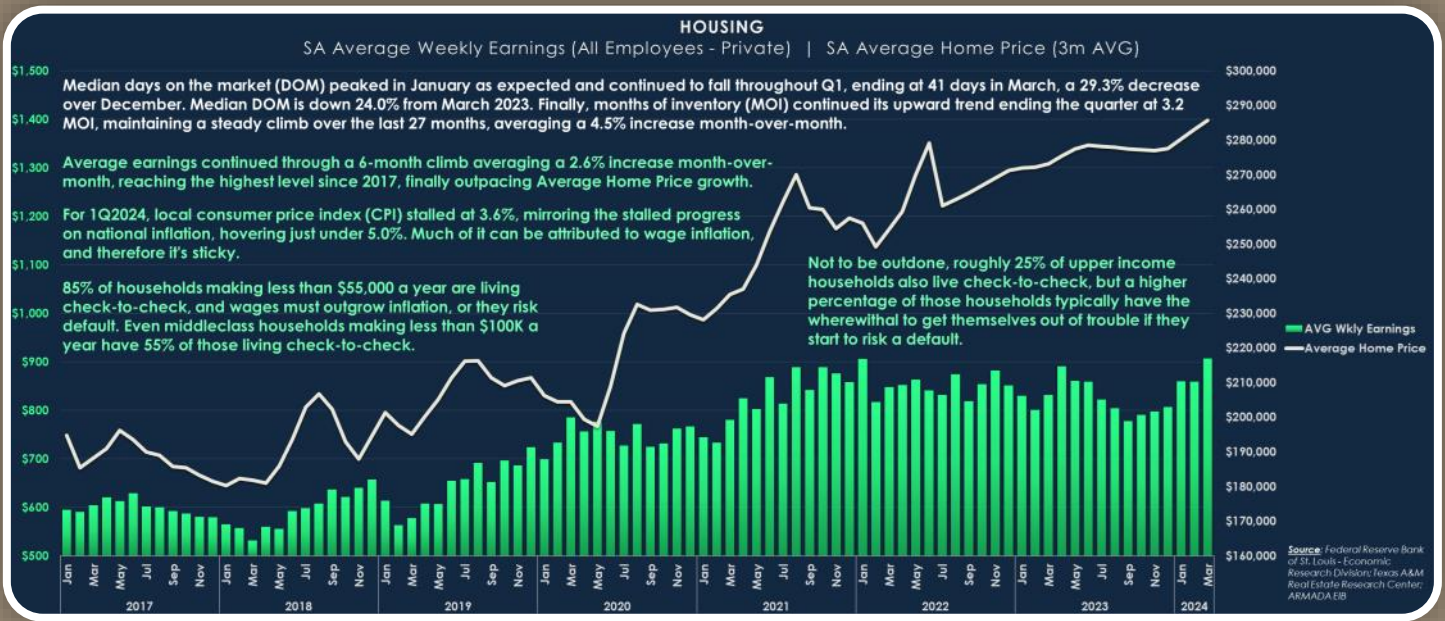
## HOUSING STARTS

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.

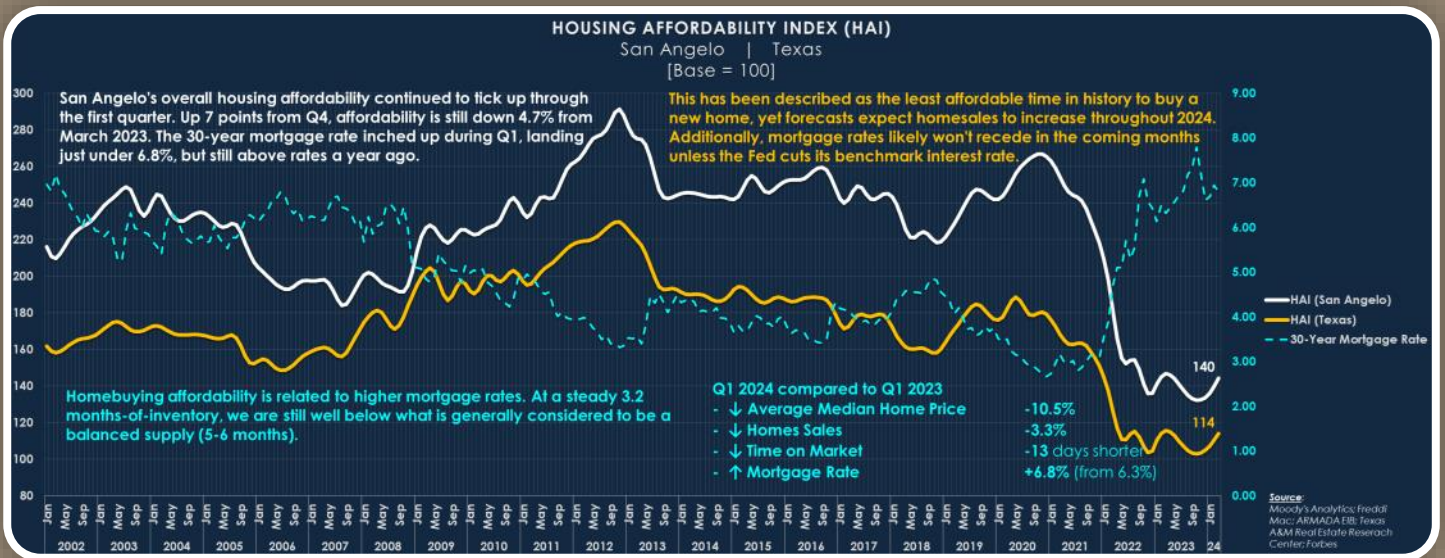


See following page for additional HOUSING data and analysis.

# HOUSING DATA continued...



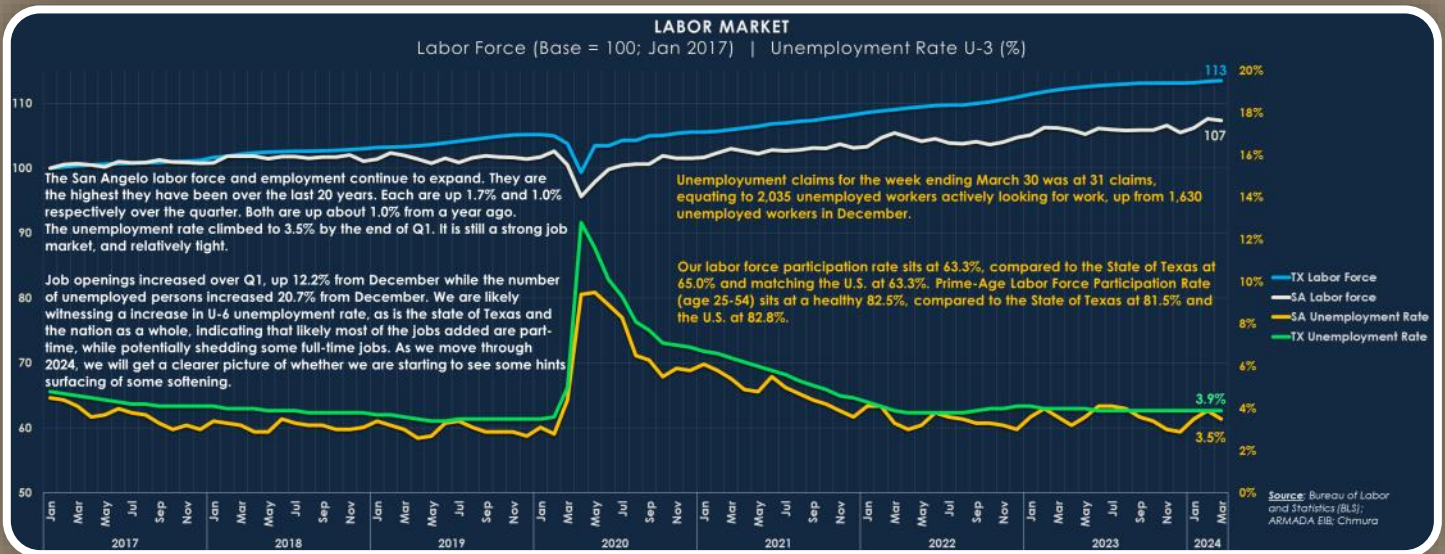
The housing affordability index is designed to measure the degree to which a typical middle-income family can afford the mortgage payments on a typical home. Higher values indicate greater affordability. A value of 100 means that a family with the median income has exactly enough income to qualify for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



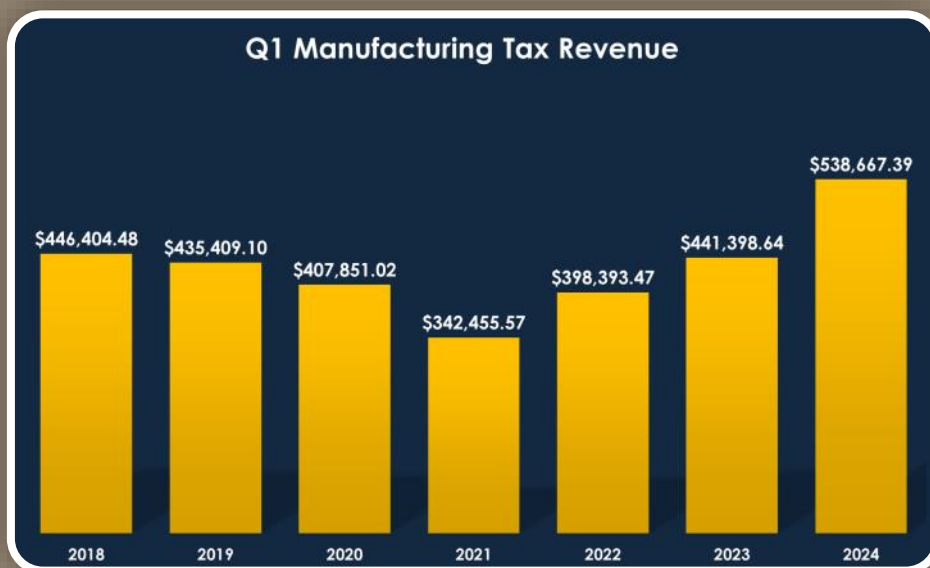
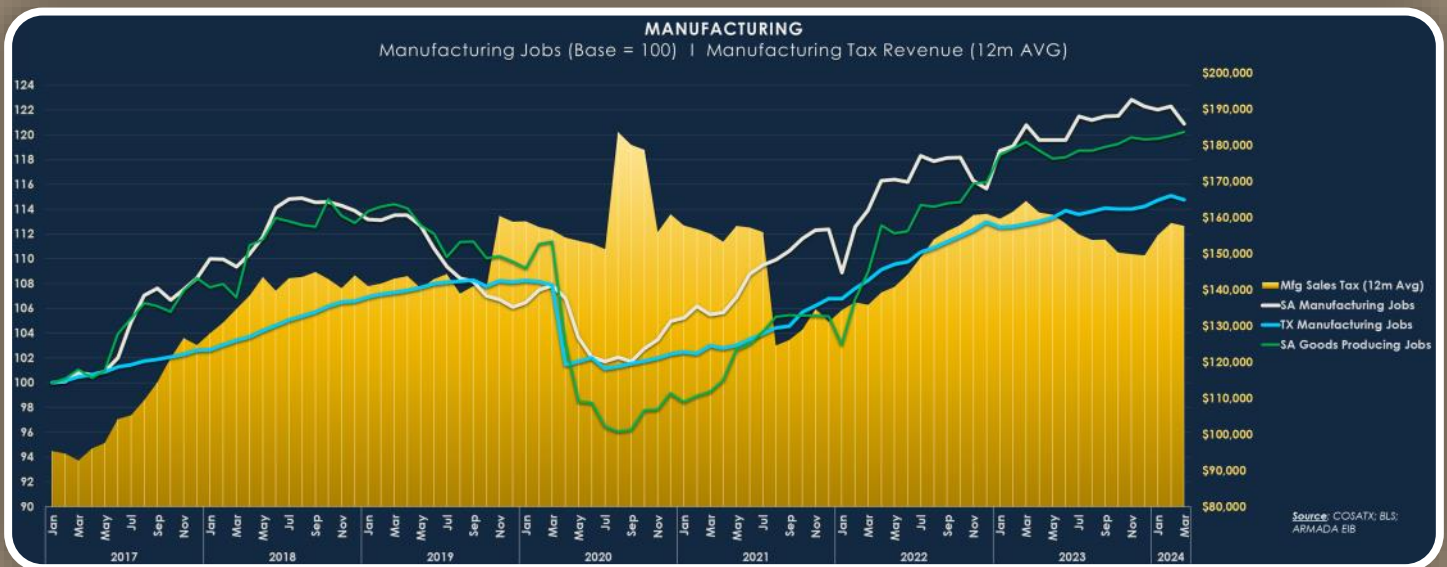
Advertised jobs are spidered daily in real-time. Real-time advertised jobs are collected from employer corporate sites, hospitals, non-profits, local and federal government agencies, schools and universities, recruiter sites, newspapers, volunteer sites, and other public, private, and state job boards. Each site is individually reviewed and evaluated, and each 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 shed 43 jobs from their payroll over 1Q2024, residing at 3,665 jobs (6.4% of the total workforce), still up 10.4% from the 2019 pre-pandemic annual average. Total Goods Producing jobs continued to grow increasing 41 jobs, following a 38-job increase over 4Q2023.

Q1 Manufacturing tax revenue reached \$538,667, jumping 18.3% over Q4, and outperforming the Q1 revenues from the previous 6 years. Generally manufacturers are seeing some upticks in new orders, however slight. Input prices are rising at their fastest pace in nearly a year (primarily for metals and transportation), but are still being capped on increasing selling prices due to competition and push-back from customers.

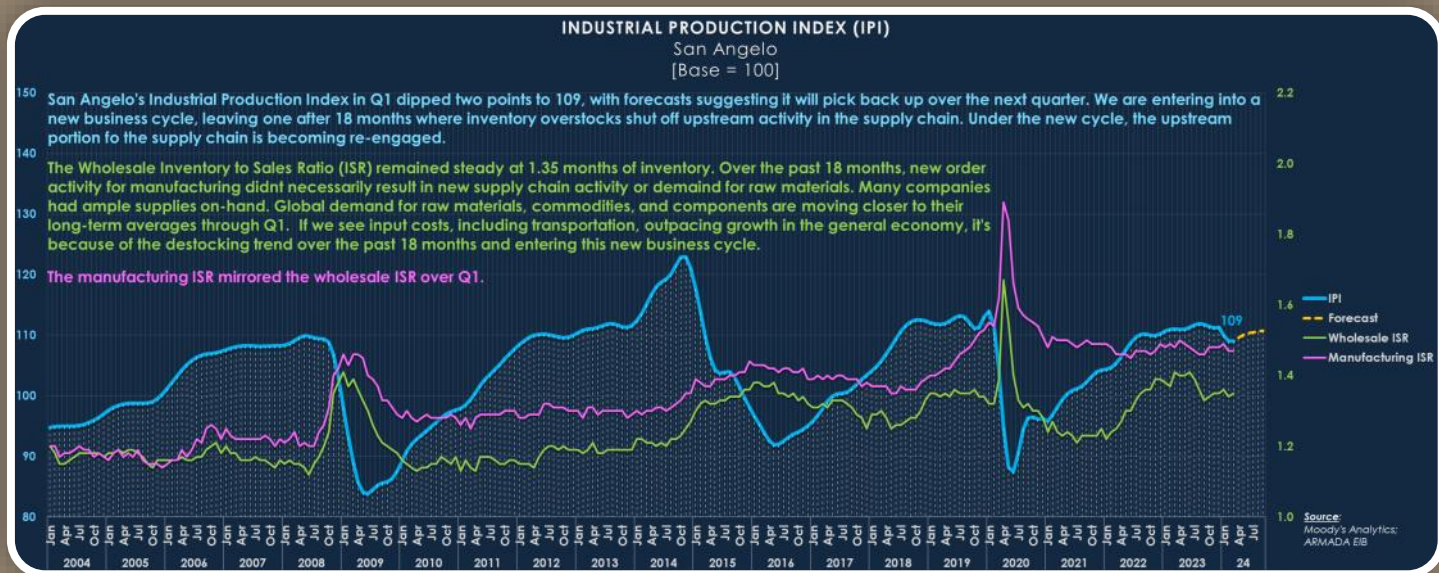
**Outlook:** The manufacturing industry is not contracting despite the squeeze on profit margins which is impacting everyone up and down the supply chain. The good news is that most manufacturers still believe (for now) that conditions will improve over the next 6-12 months, providing a better outlook ahead. The major concern for most in manufacturing is still rooted in labor supply.





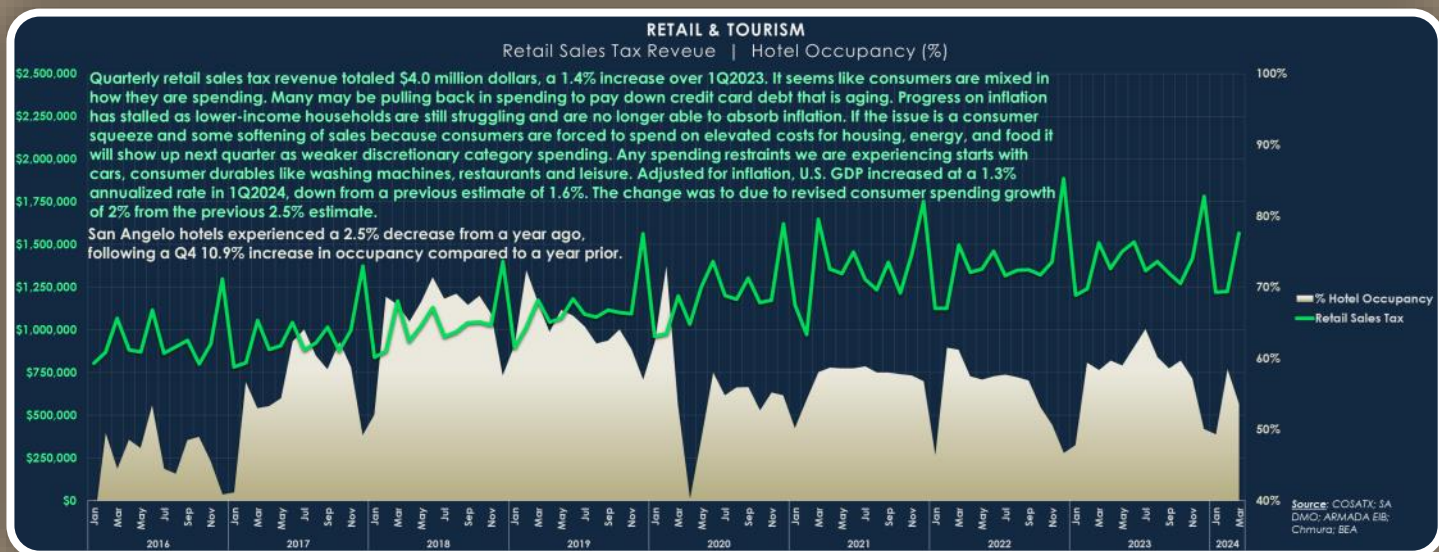
## INDUSTRIAL PRODUCTION INDEX

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.*

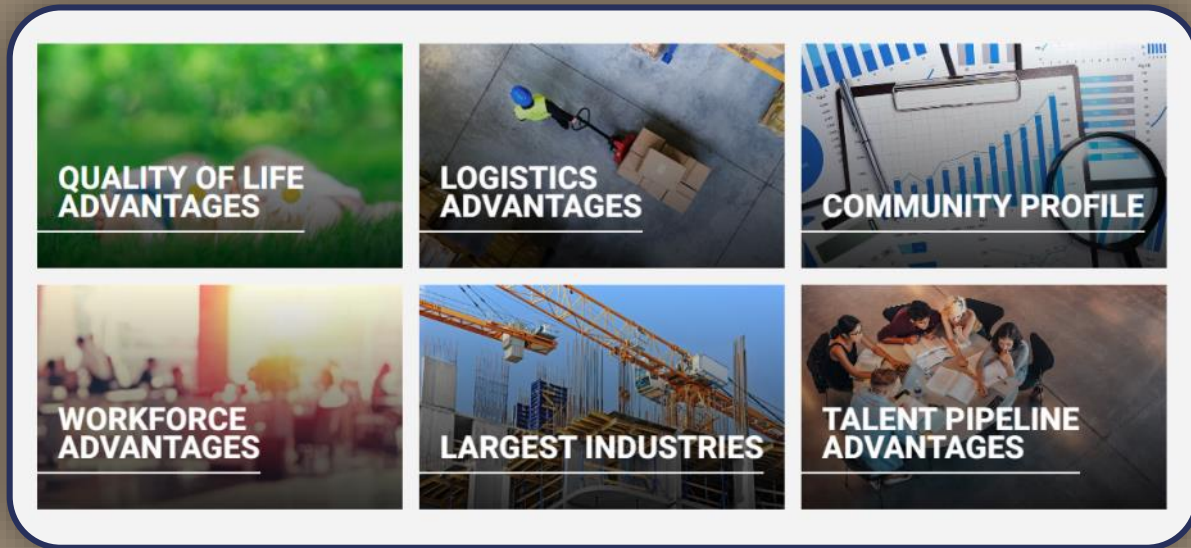
*It is through private community investments that allow the Chamber EDD team to leverage our marketing efforts, recruit new industrial corporations, facilitate business/industrial training and lobby at all levels of government, especially for Goodfellow Air Force Base.*

*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, transportation and agricultural sectors in the Concho Valley.*

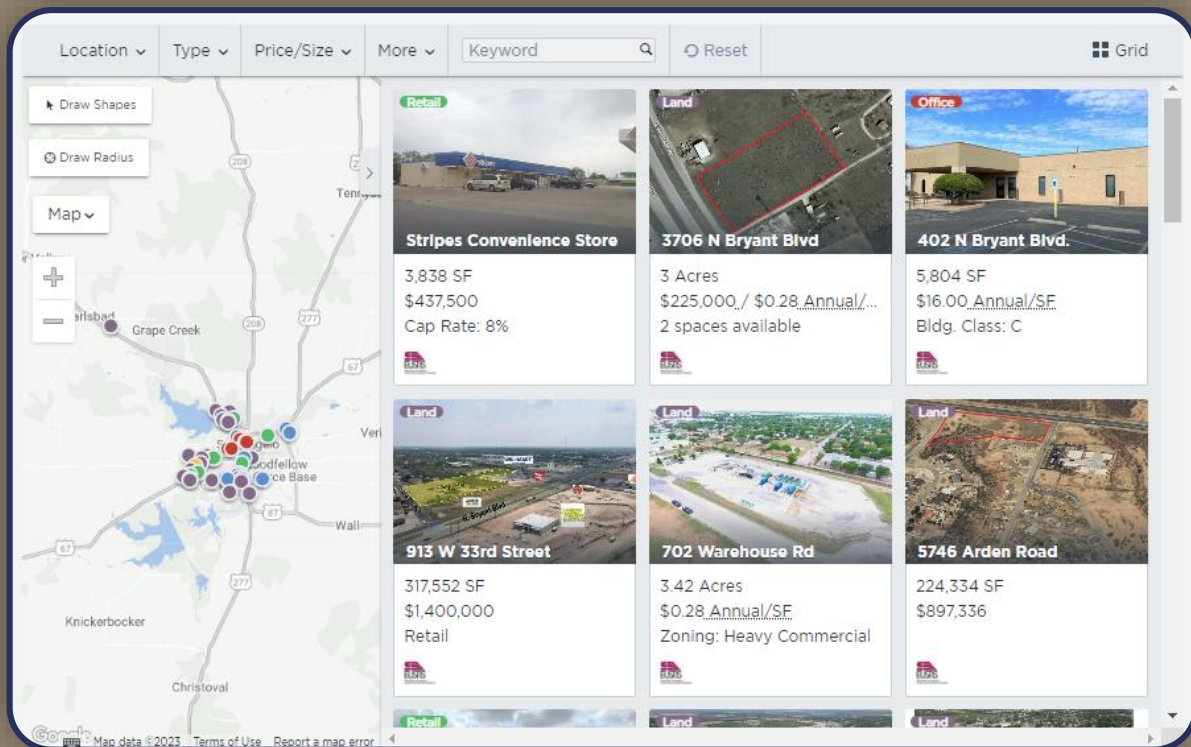


# Check out the new features on our website!

## LOCAL ADVANTAGES



## COMMERCIAL PROPERTY SEARCH



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



SHANNON

*Joe & Casey  
Thieman*



Hydraulic Industrial Services, LLC

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



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