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**SAN ANGELO**  
Chamber of Commerce  
Economic Development

# San Angelo Quarterly Economic Review

The latest data, analysis, outlook

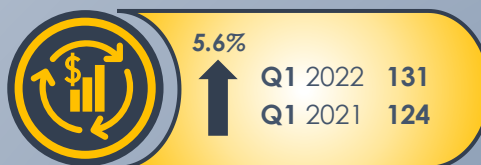
"Without data you're just another person with an opinion" -W. Edwards Deming

**JULY 2022**

Issue #1-03



**Economic Index**



**Business Cycle Index**



**Housing Permits**



**Labor Force**



**Unemployment**



**Retail Sales Tax**



**Hotel Occupancy**

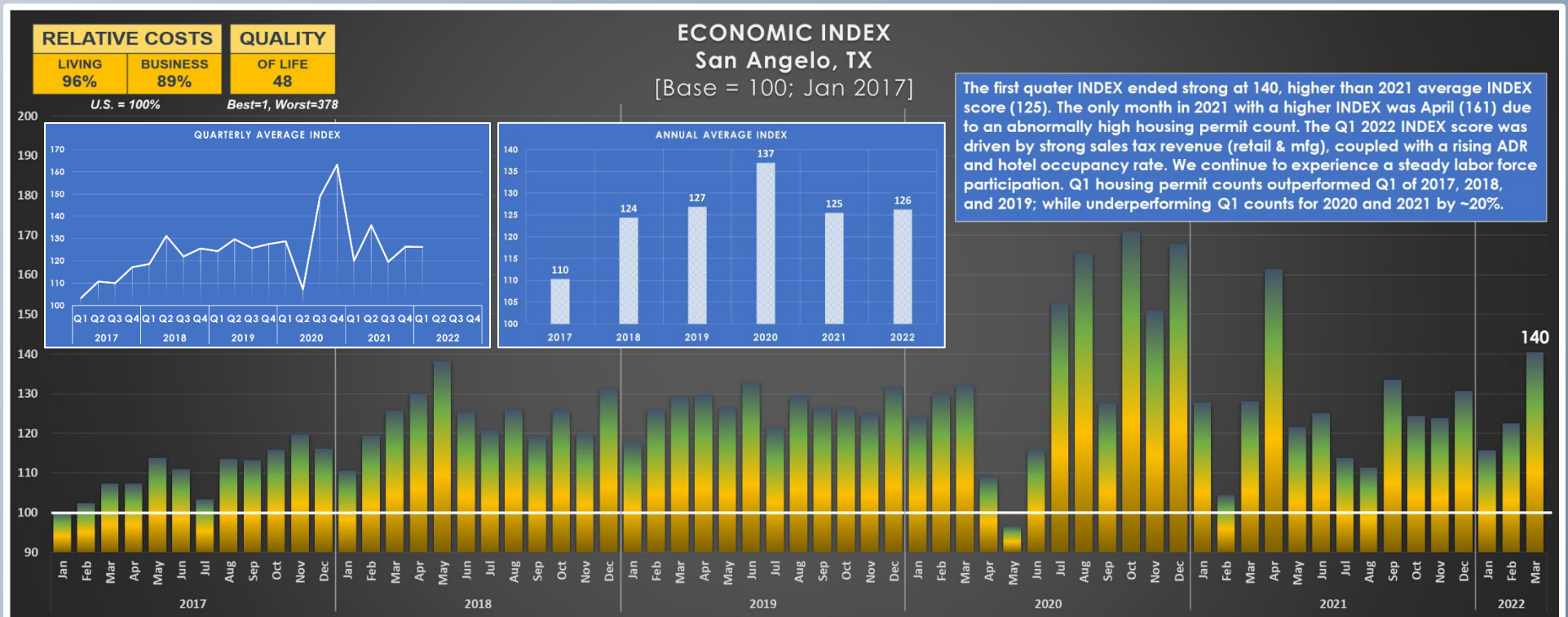
**Assessment:** San Angelo continues to climb out of a recovery mode. Expectations of economic downturn or even recession are conspicuous. Initial signs of cascading declines in output, employment, income and sales have yet to be realized. Recessions are a normal part of business cycles. Ostensibly, the type of economic downturn that looms on the horizon is likely to be that of when the economy overheats causing inflation to rise, rather than a "balance sheet recession". Nevertheless, the probable threat to our economy is stagflation - economic growth slows, but inflation remains elevated. Expect inflationary pressures to persist through 2023. Aside from our well-diversified economy, Goodfellow AFB stabilizing presence, our youthful population, relatively high birthrate, and low business costs will secure our community's economic buoyancy.

Q1 2021	128	124	96	55,294	5.4%	\$3.76 MM	54.2%
Q1 2020	132	129	103	54,111	4.4%	\$3.13 MM	62.9%
Q1 2019	129	128	65	54,973	3.0%	\$3.08 MM	67.4%

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.

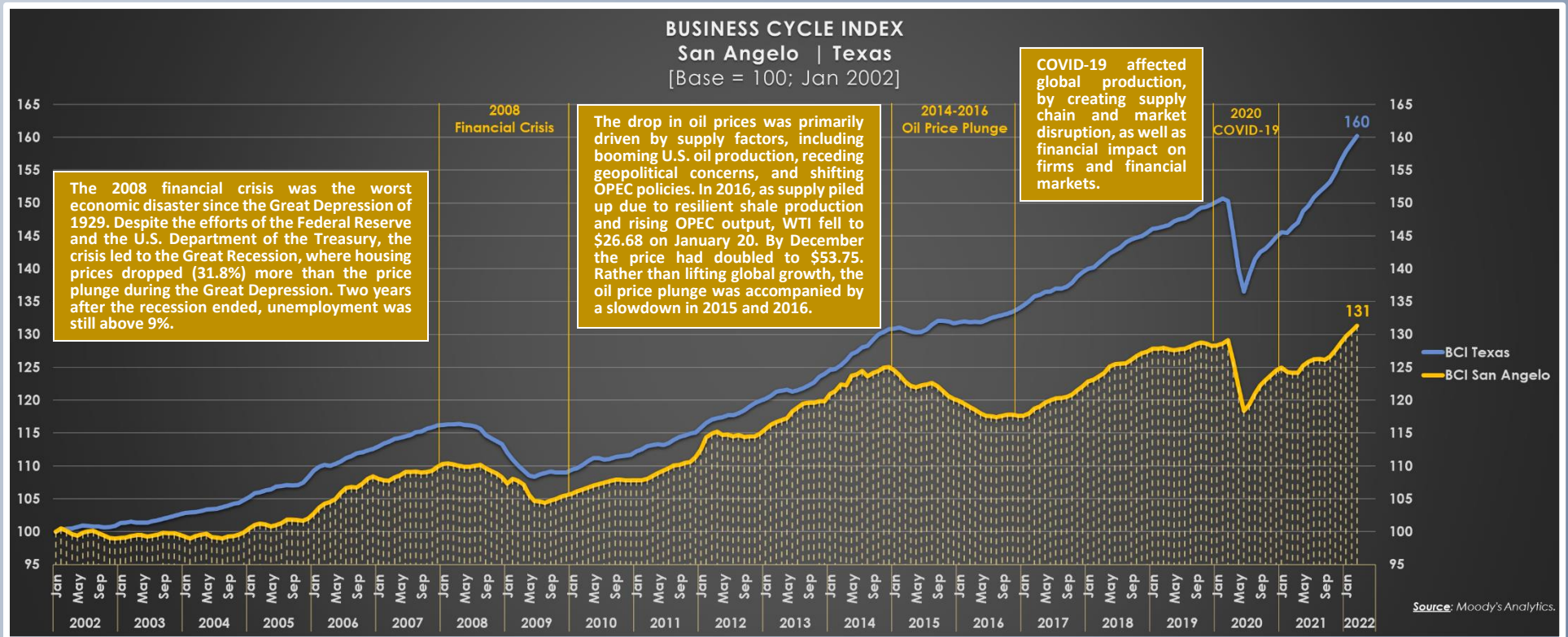


- New Residence Permits** (*LEADING Indicator*): Building permits tell you what will happen with new home construction twelve months from now.
- Retail Sales Tax Revenue** (*LEADING Indicator*): Decreases can raise fear of recession and increases often precede higher Consumer Price Index (CPI) numbers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

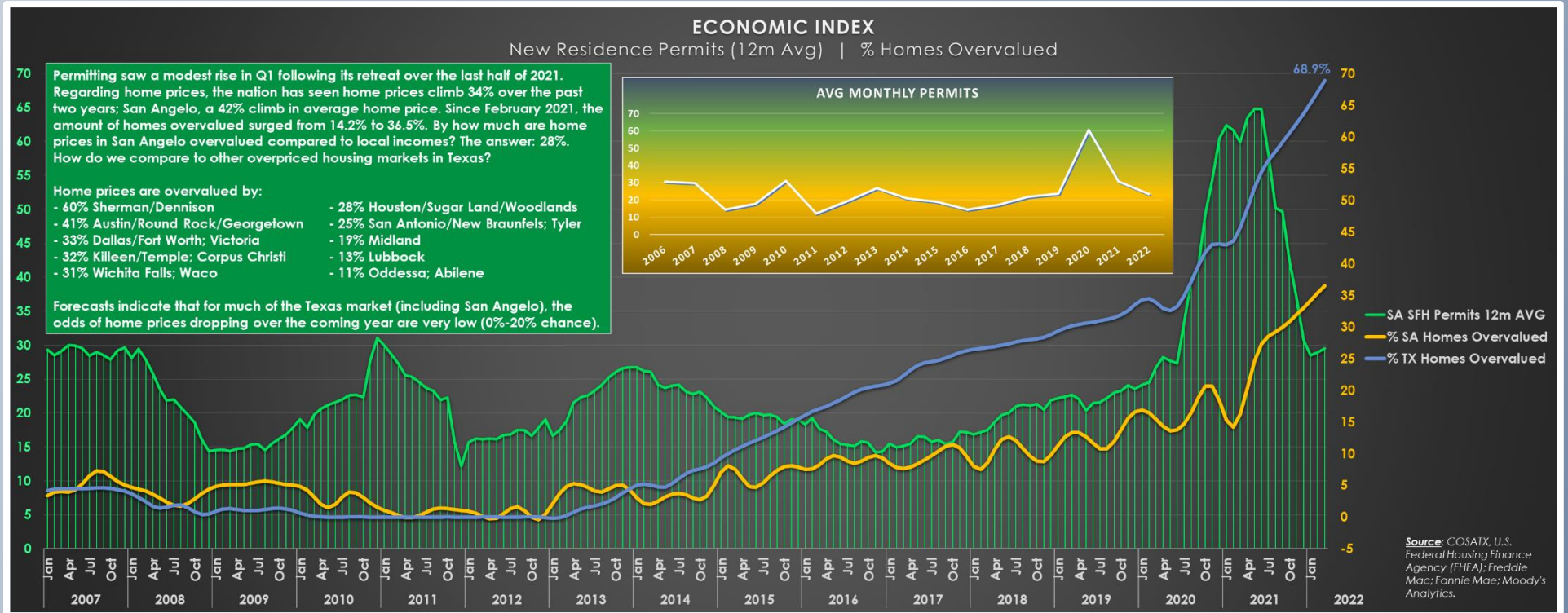


This indicator is constructed using four components chosen for their timeliness, frequency, and availability.

- 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.

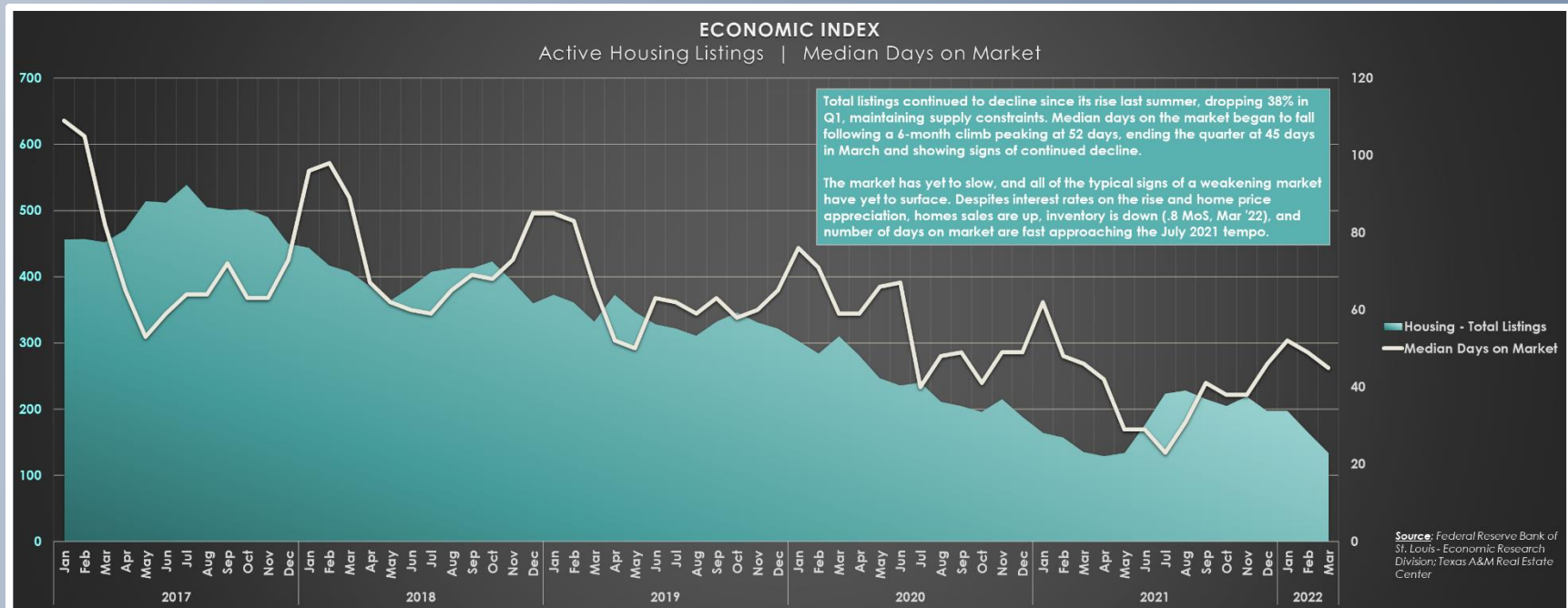
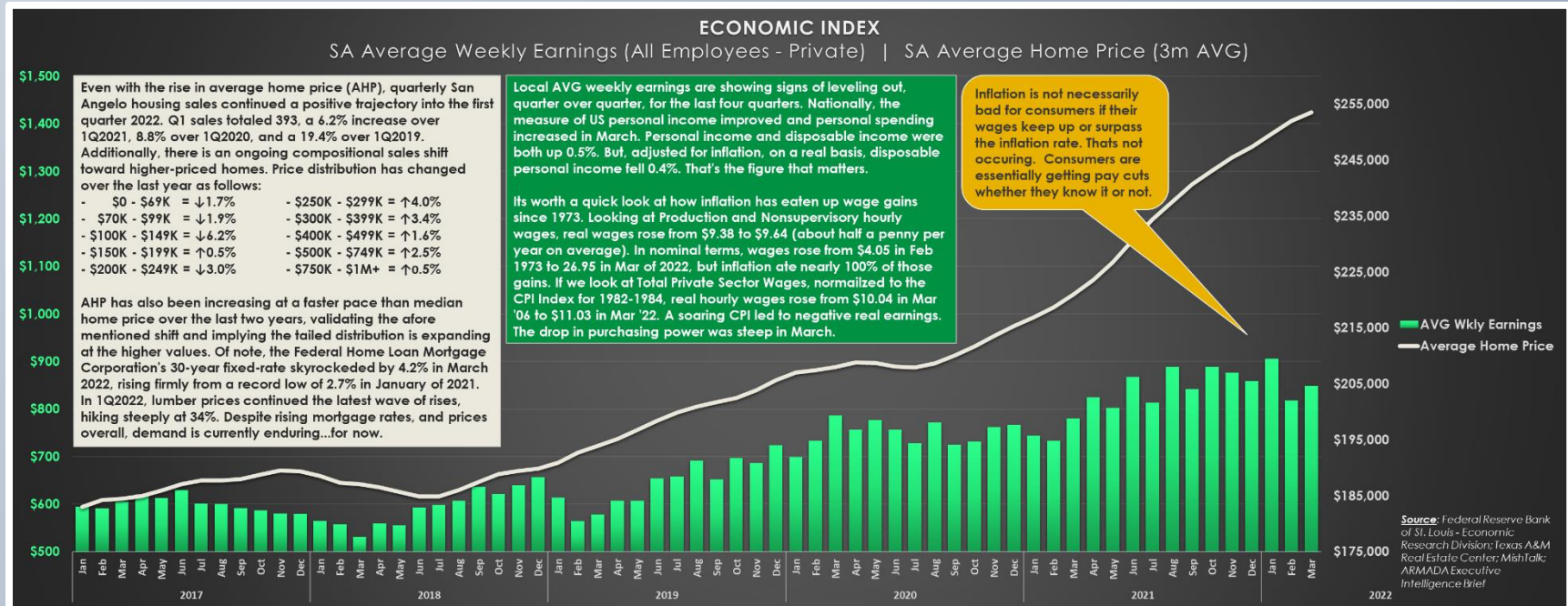
## NEW RESIDENCE PERMITS

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.



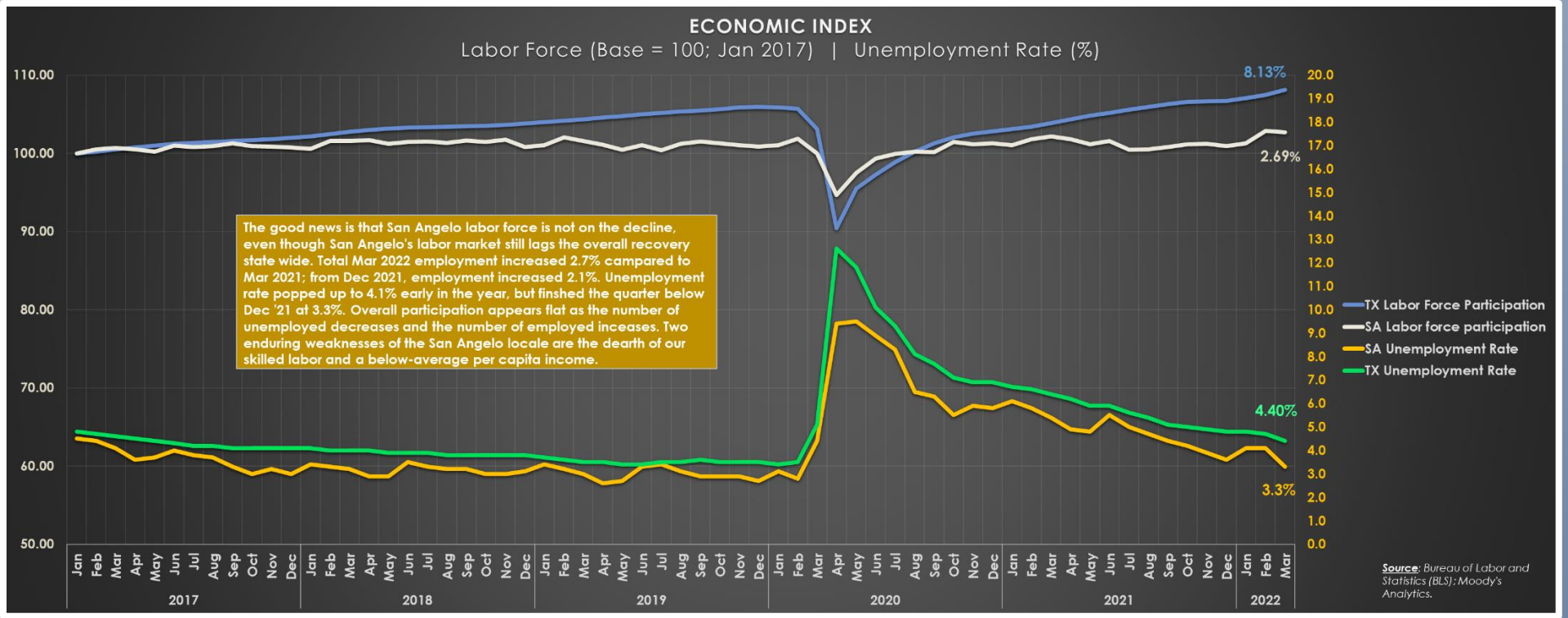
See following page for additional HOUSING data and analysis.





LABOR FORCE

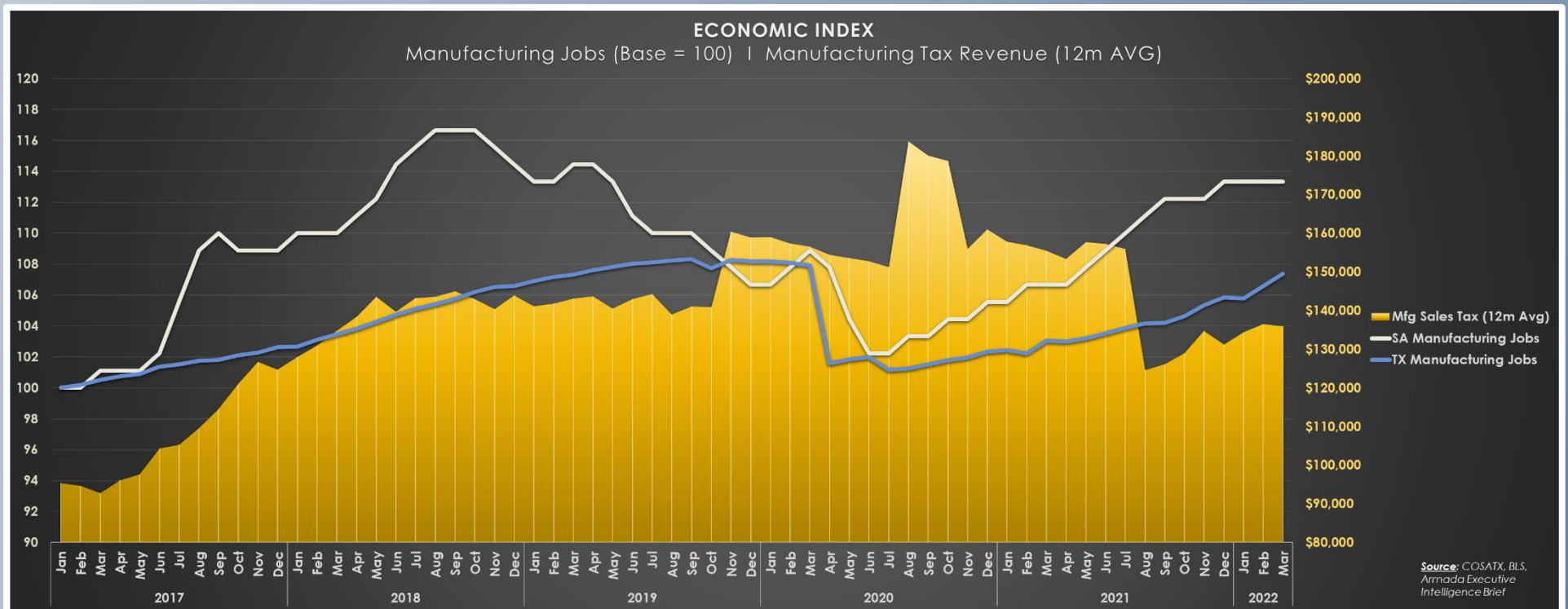
The following chart compares the indexed labor force participation between San Angelo and the State of Texas, and similarly the relative unemployment rate for both, month over month. Unemployment rate is a lagging indicator. Employers will tend to avoid laying off workers unless they absolutely have 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.





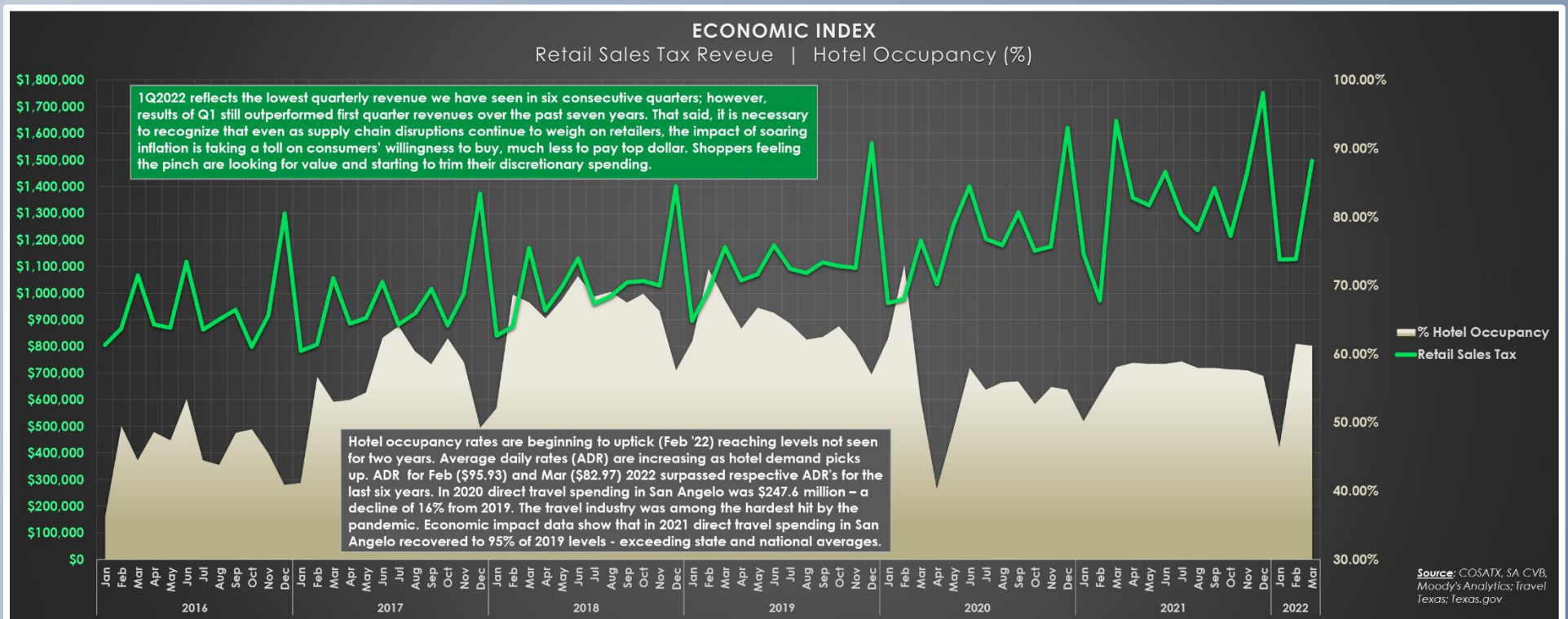
## MANUFACTURING JOBS

Our manufacturing sector labor force, while outperforming the state, has begun to level out. Manufacturing tax revenue is showing signs of struggling to meet 2018/2019 levels. Manufacturers are pushing to increase input inventories and were “stockpiling” material to help ease through supply chain challenges, but some are still missing key items to be able maximize output. Some of the freight slowdown that we see in the market is in fact due to the manufacturing sector getting back into cycle. Outlook: output will continue to experience a slump through 3Q2022 and begin to expand into 2023. There is expectation of volatility, or some decline in growth, in 2022 for the Primary Metals, Fabricated Metals, Durable Manufacturing, and Electrical Equip. & Appliances sectors. However, the Durable Manufacturing and Fabricated Metals sectors are expected to experience a stable environment or even mild expansions. **What about the labor conundrum?** Well, the issue of labor shortage has been building for decades because of demography. The Boomer generation is hitting 65 at a rate of 10,000 people per day and that means that about 20 million people have retired and left the workforce since 2011. Many companies failed to develop plans for their eventual replacement, and there is no quick fix. The only solution is training and education. The industry needs a pipeline from community colleges, trade schools and high schools. Technology demands a higher-level worker. The future is one of **cobots** – people interacting with and working alongside machines that have the ability to do their own problem-solving. It is the robot and technology revolution that has spurred so much of the reshoring effort as the machines allow U.S. companies to compete with the low-wage and low-production cost operations overseas.



## 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.





***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.



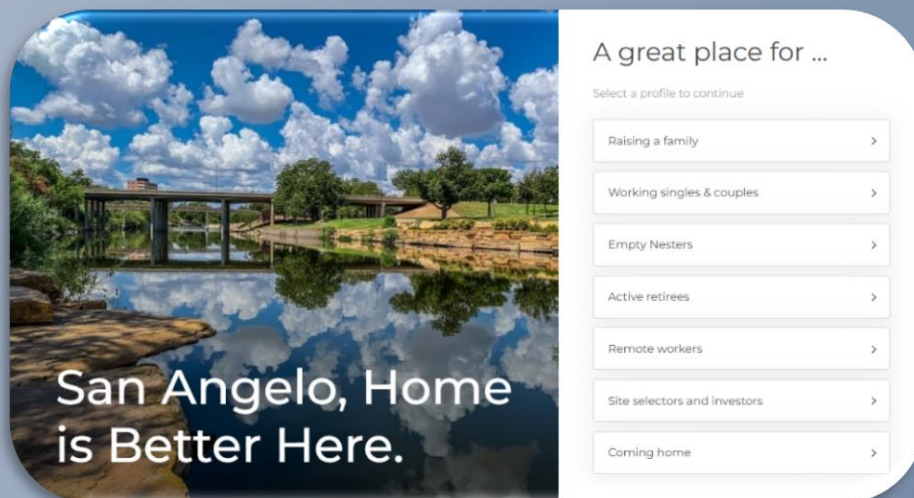
## Did you know?

*Moody's Analytics rates San Angelo #1 for its quality-of-life in the state of Texas.*

*"The San Angelo metro area boasts the enviable combination of below-average living costs and a high quality of life. High marks for walkability, along with access to recreation and natural amenities, give San Angelo the highest quality of life in the state."*

**Check out our new Quality-of-Life Advantages tool:**

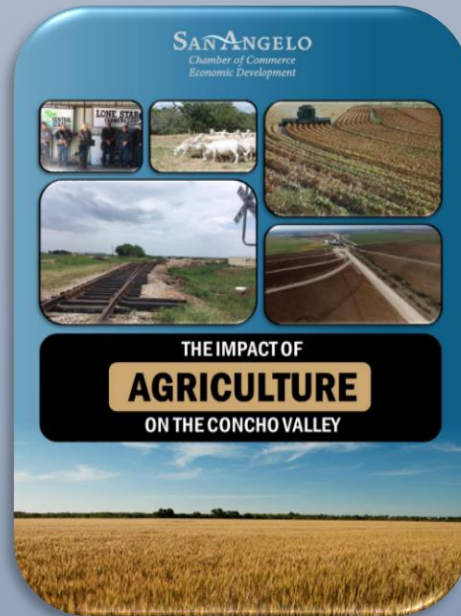
Click Here 



**SCAN ME**



*Please take a look at our other reports and information.*



For these resources, and more, you can also visit:

[sanangelo.org/economic-development/](https://sanangelo.org/economic-development/)

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**JULY 2022**

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