See What's New

Industrial Production Index

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

JANUARY 2023

Issue #2-01

Economic Index
21.8%
Q3 2022 145
Q3 2021 119

Business Cycle Index
7.1%
Q3 2022 135
Q3 2021 126

Industrial Production Index
9.7%
Q3 2022 113
Q3 2021 103

Housing Affordability Index
-30.1%
Q3 2022 162
Q3 2021 232

Housing Permits
131.2%
Q3 2022 148
Q3 2021 64

Labor Force
-0.29%
Q3 2022 54,401
Q3 2021 54,564

Unemployment
25.0%
Q3 2022 3.3%
Q3 2021 4.4%

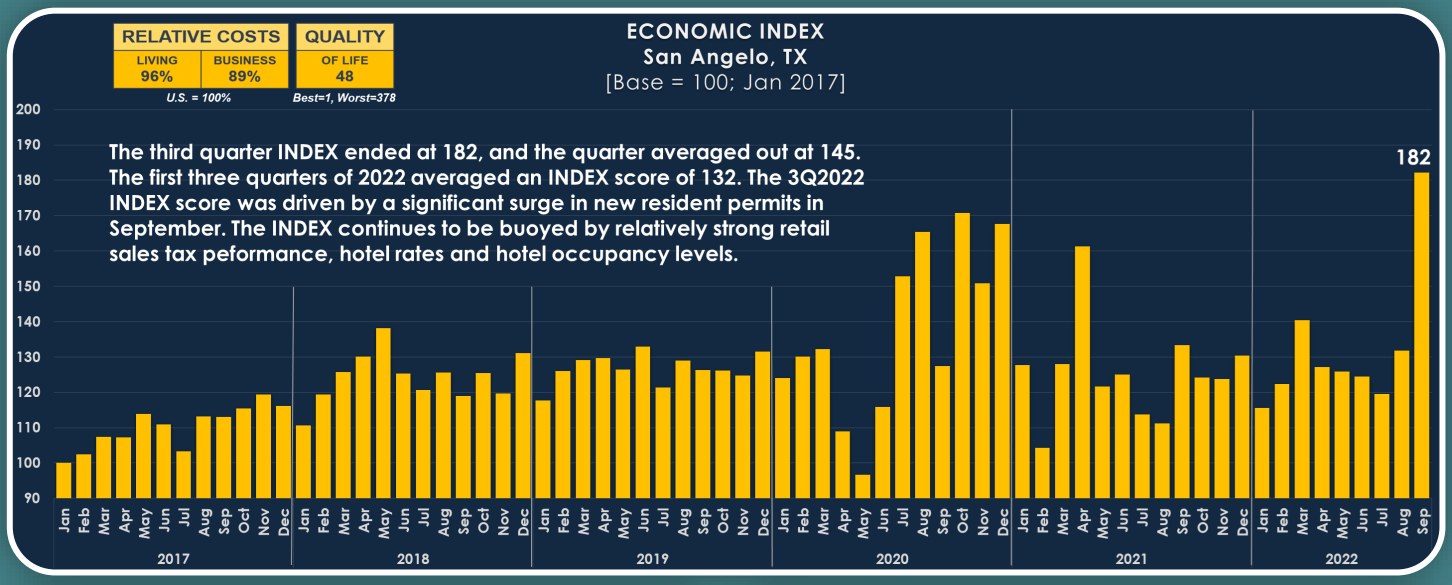
Hotel Occupancy
-1.7%
Q3 2022 57.3%
Q3 2021 58.3%

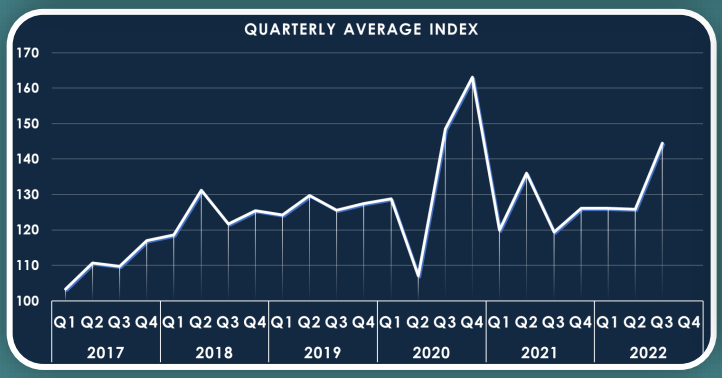
Retail Sales Tax
2.3%
Q3 2022 $4.02M
Q3 2021 $3.92M

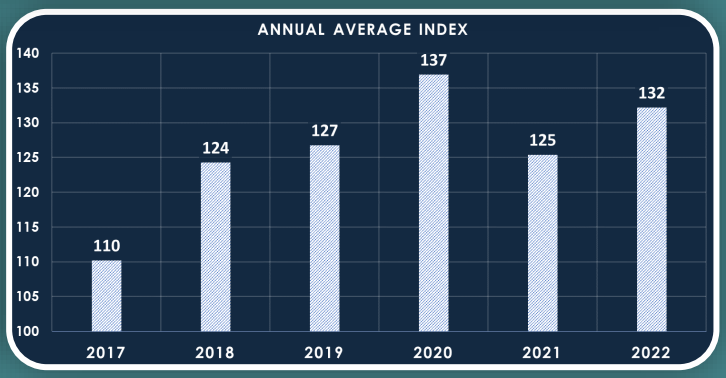
Assessment: San Angelo's economy is inching further in the right direction. The economy did not decelerate as fast as expected over the third quarter due to a couple of factors – stable consumer spending, corporate investment continuing, relatively stable jobs market, and expanded exports. Now we are waiting to see what the fourth quarter brings us. A sag into negative territory? Carryover from third quarter growth? Weakening U.S. economic growth, inflation-squeezed household budgets, and tightening financial markets raise recession risks. It will likely come down to the actions of the consumer as they determine what kind of year the retailers will see. The dominant driver of a potential 2023 recession will be the status of inflation, as the primary drivers shift from supply chain breakdown and the sharp hike in commodity costs, to wage hikes. As we move into 2023 employment growth will moderate, inflation will likely stay elevated and interest rates will follow a similar path. Homes sales may slow and be lower than they have been in 2022. 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.



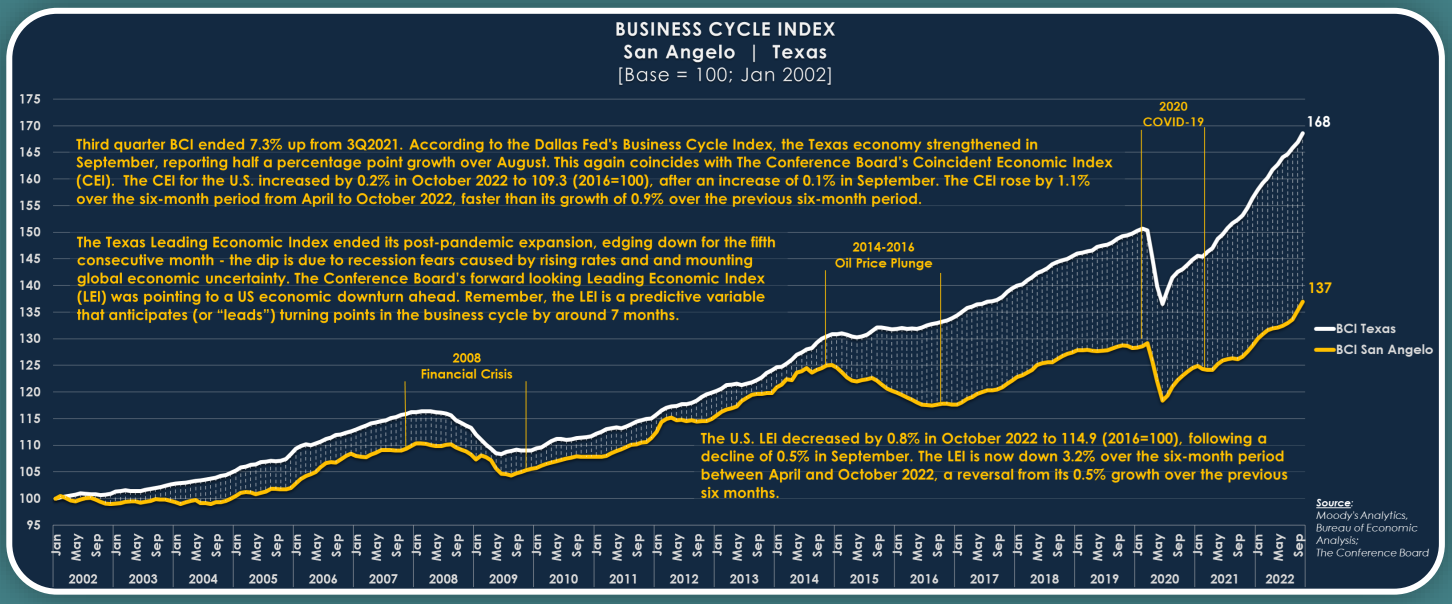




1. **New Residence Permits (LEADING Indicator):** Building permits tell you what will happen with new home construction twelve months from now.
2. **Retail Sales Tax Revenue (LEADING Indicator):** Decreases can raise fear of recession and increases often precede higher Consumer Price Index (CPI) numbers (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.

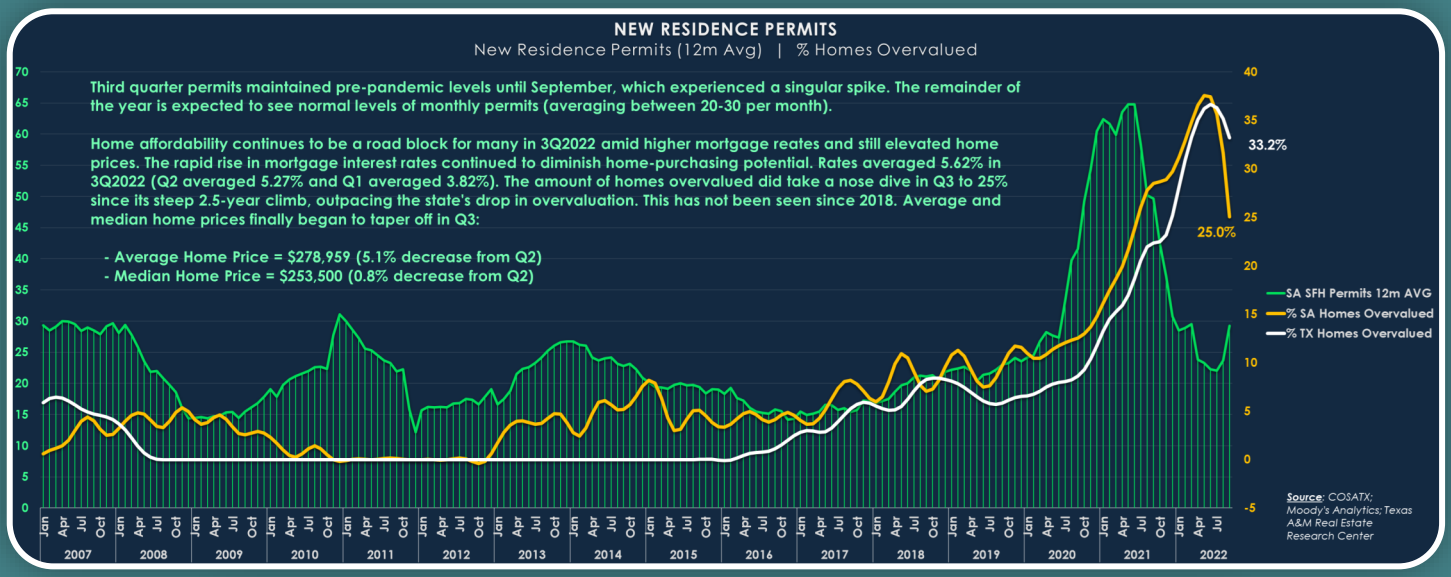


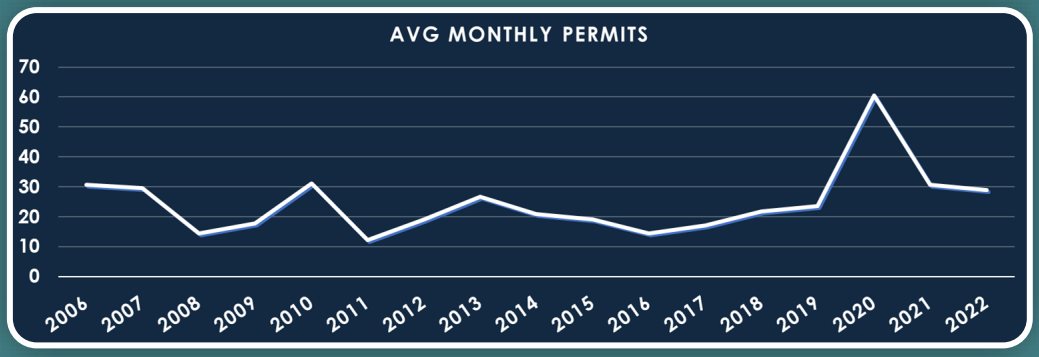
This indicator is constructed using four components chosen for their timeliness, frequency, and availability.

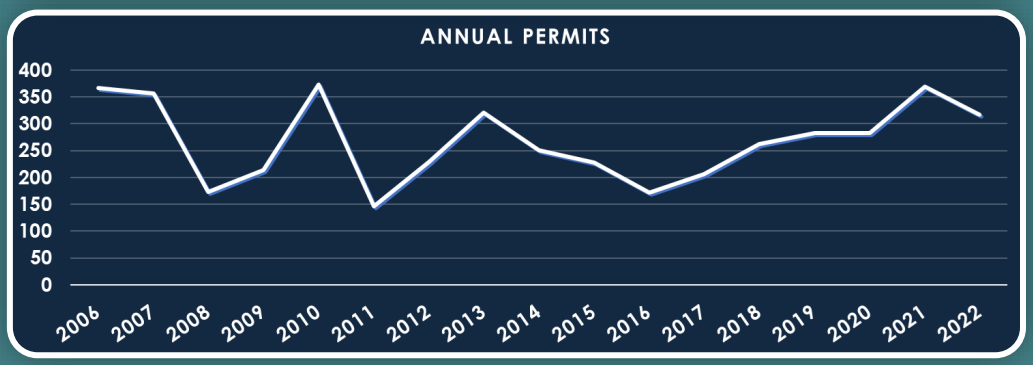
1. **Employment:** The employment series used is from the Current Employment Statistics issued monthly by the Bureau of Labor Statistics.
2. **Housing starts:** The basis for housing starts estimates comes from monthly residential permit data from the Census Bureau (involving adjustment for the lag time 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.

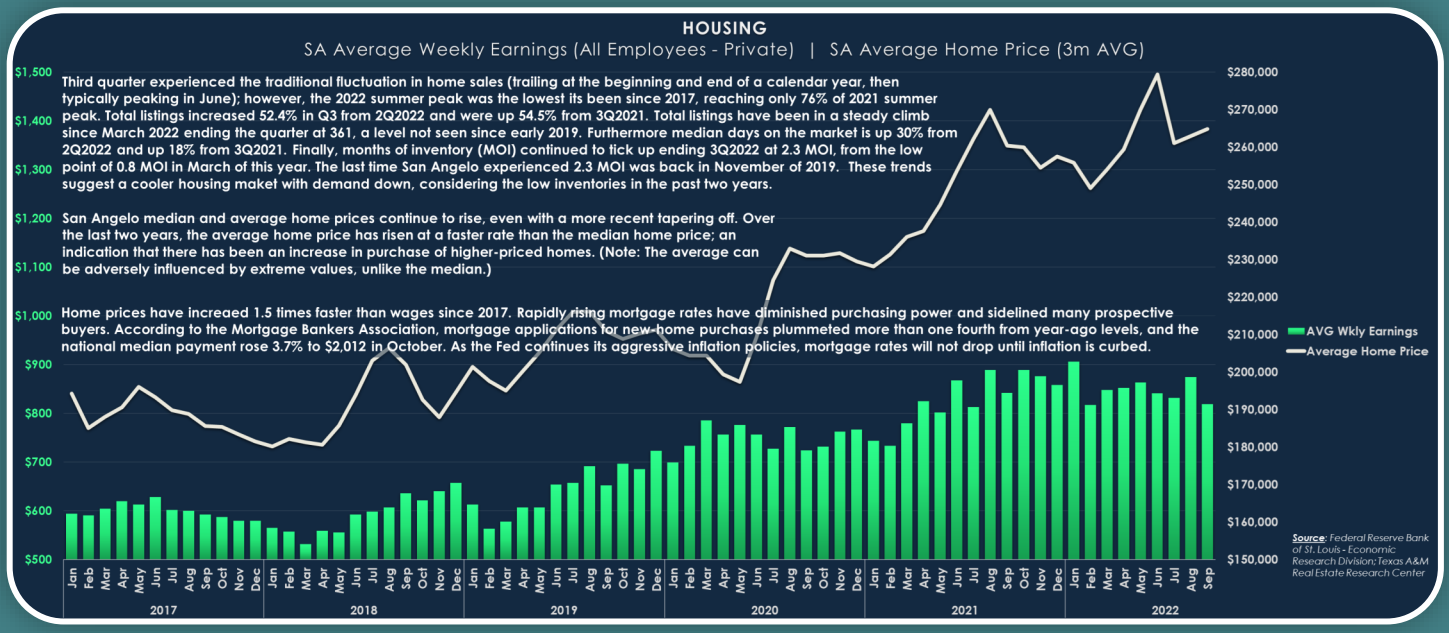




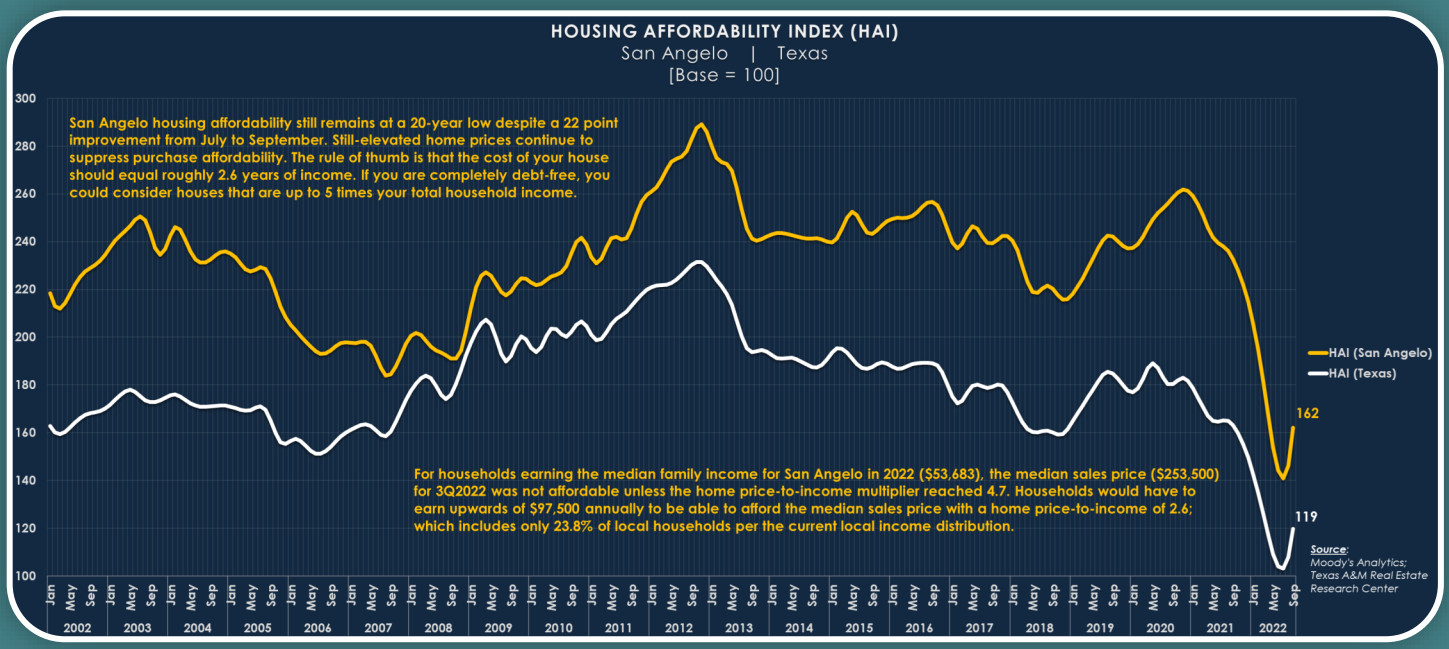


See following page for additional HOUSING data and analysis.

HOUSING DATA continued...

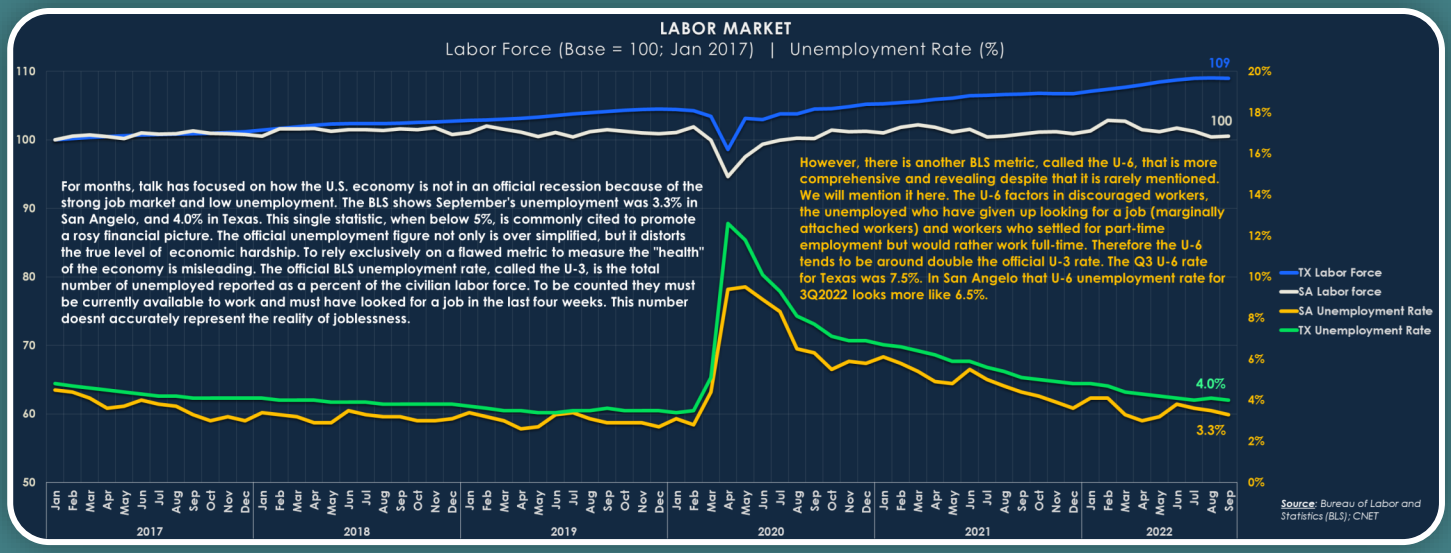


The housing affordability index is designed to measure the degree to which a typical middle-income family can afford the mortgage payments on a typical home. Higher values indicate greater affordability. A value of 100 means that a family with the median income has exactly enough income to qualify for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



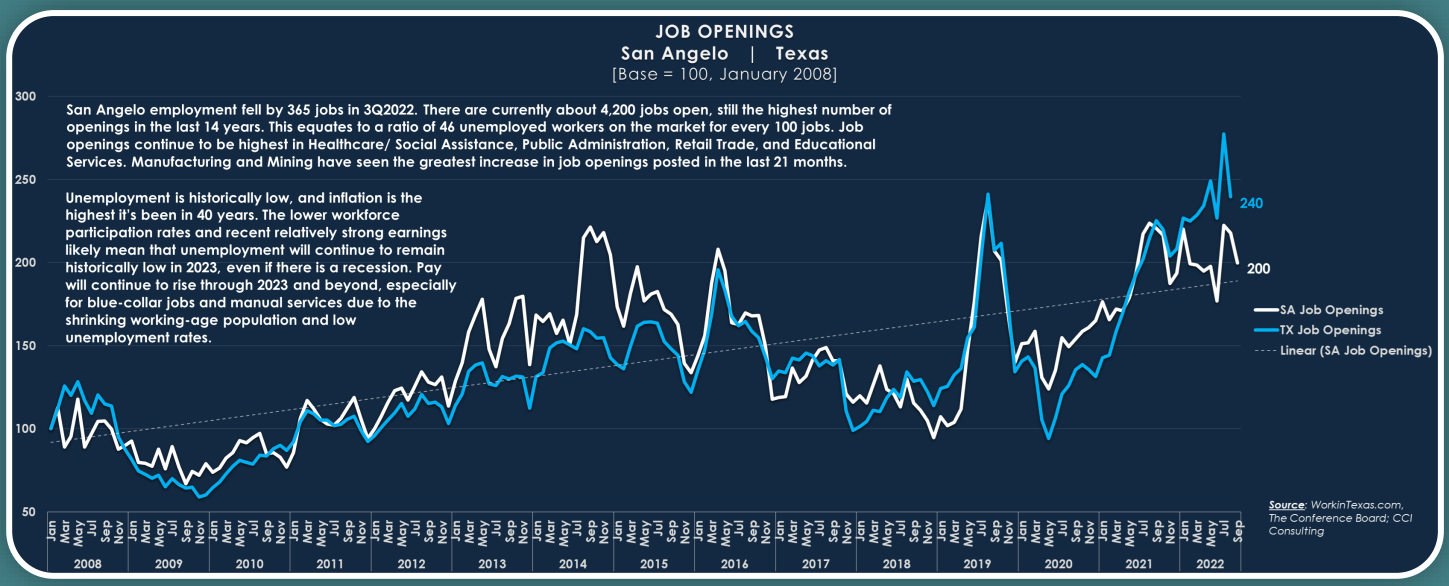
LABOR FORCE

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 industry sectors are also the first to recover post-recession as the economy rebounds.

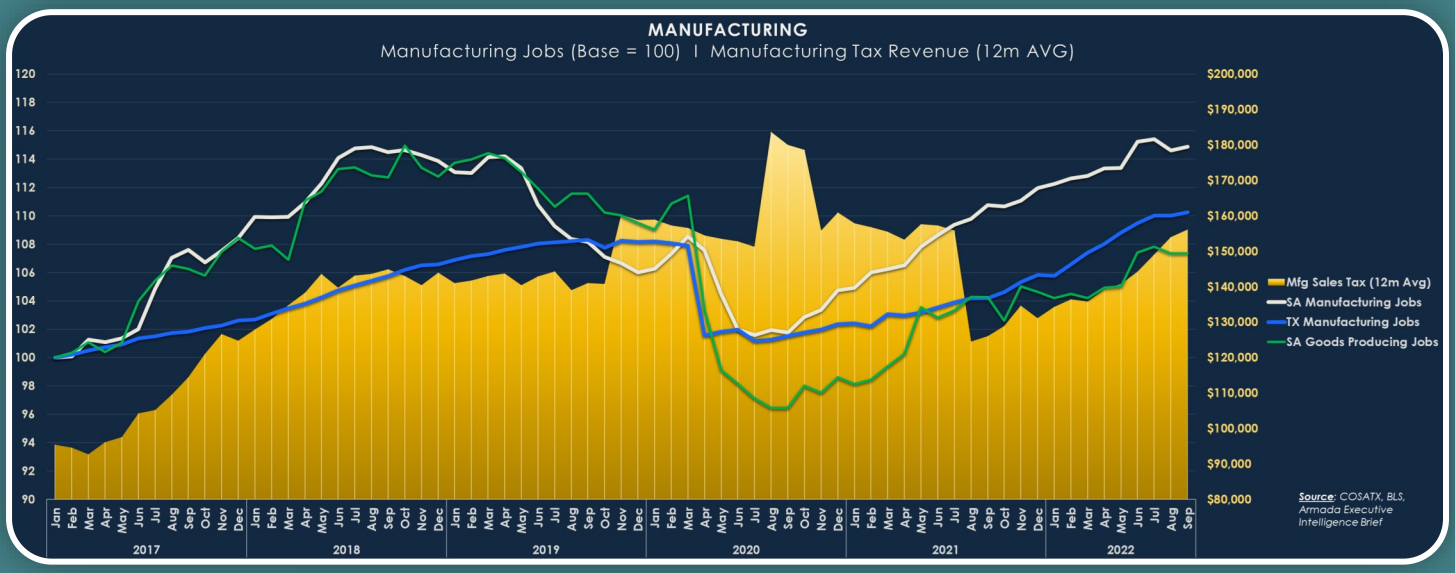


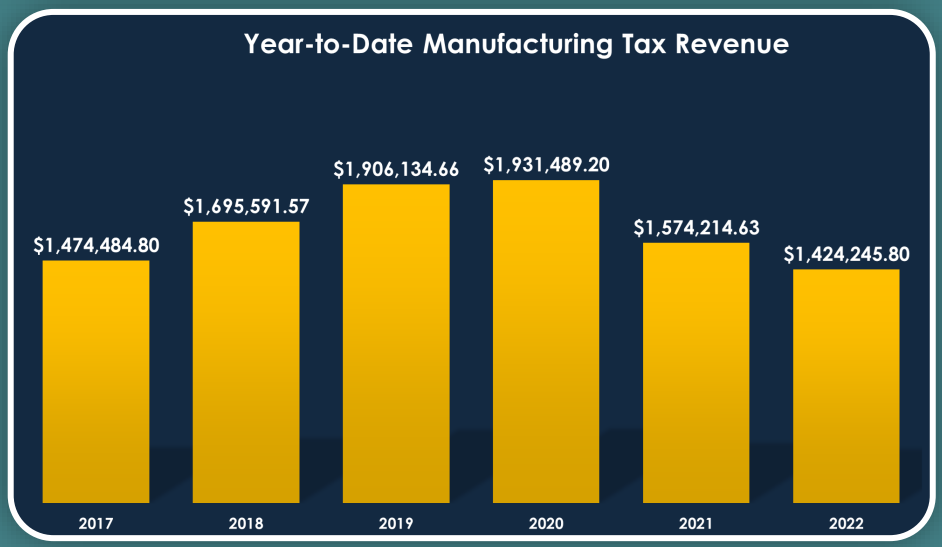
Advertised jobs are spidered daily in real-time. Real-time advertised jobs are collected from employer corporate sites, hospitals, non-profits, local and federal government agencies, schools and universities, recruiter sites, newspapers, volunteer sites, and other public, private, and state job boards.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

Our manufacturing sector labor force growth slowed slightly over Q3 but continues to outperform the state, adding 170 jobs over the 12 months. Remember, a rise in manufacturing workforce is typically an indication in a rise in factory orders. On the chart below, you will notice the addition of San Angelo "Goods Producing Jobs" growth. Goods producing jobs includes Agriculture, Forestry, Fishing and Hunting (NAICS 11), Mining, Quarrying, and Oil and Gas Extraction (NAICS 21), Construction (NAICS 23), and Manufacturing (NAICS 31-33). This frame of reference helps provide perspective on the relative health and recovery of our manufacturing sector compared to the overall local goods producing industry.

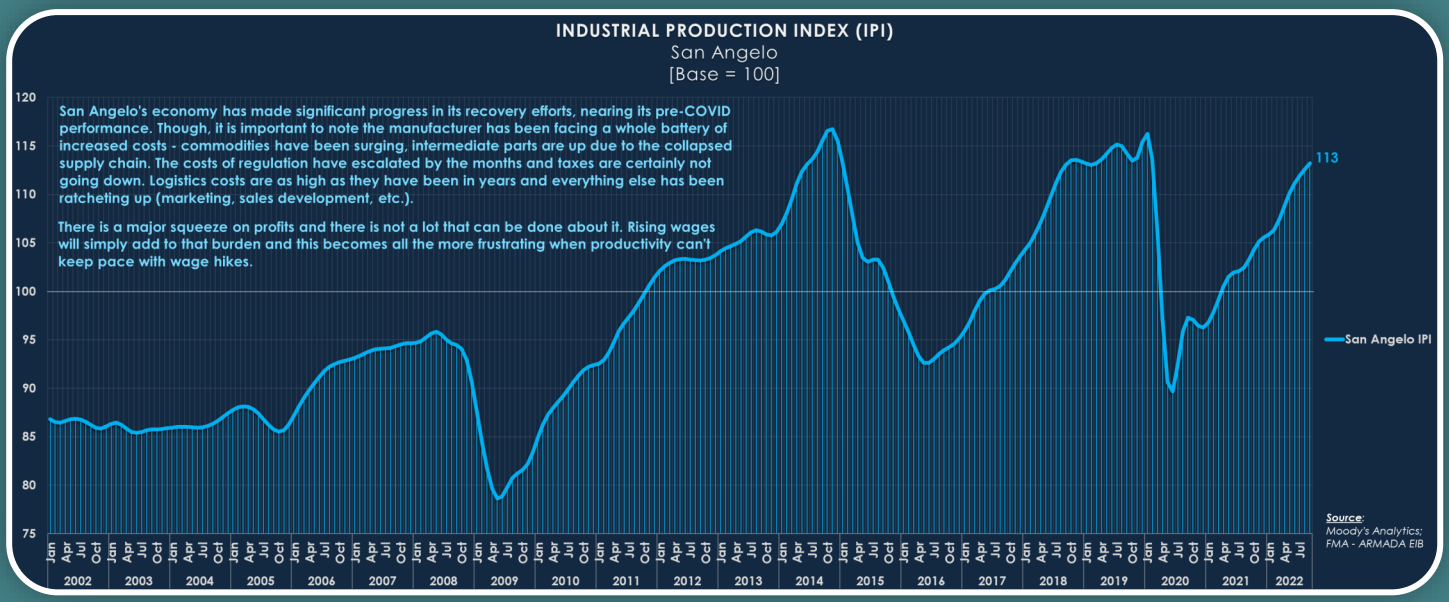
Manufacturing tax revenue continues its climb finally surpassing the stable 2018/2019 levels. 3Q2022 actuals totaled $520,805.20, the highest third quarter revenue in the last 5 years by 21.4%, short of the outlier 3Q2020 (spiking at $756,234.31). The spike was driven by an inventory build to avoid the supply crisis that comprised much of business over the last two years. Thus far, manufacturing tax revenue through Q3 has reached 90% of 2021 total manufacturing tax revenue. Conservatively, even with a beginning of slight deceleration in growth we could expect to see 4Q2022 bring in over $400K in quarterly tax revenue. **Outlook:** Manufacturers will see price growth easing with wage growth remaining elevated. New orders may begin to fall as demand for the finished product declines.





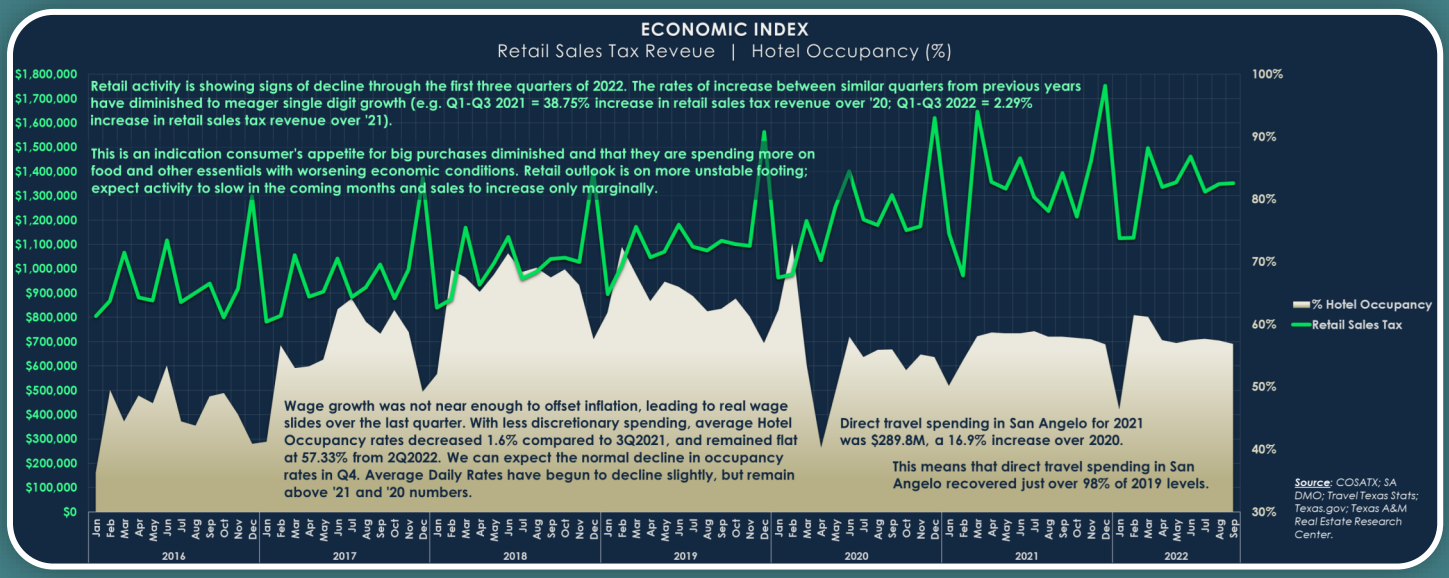
INDUSTRIAL PRODUCTION INDEX

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 or 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 our resident's attitude about where they live.



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

SAN ANGELO
Chamber of Commerce
Economic Development

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.

CITY OF SAN ANGELO TEXAS
Development Corporation

CORNERSTONE

TOM GREEN COUNTY THE STATE OF TEXAS

SARMA
San Angelo Regional Manufacturers Alliance
— Est. 2017 —
SAN ANGELO Chamber of Commerce
MANUFACTURING • AGRICULTURE • ENERGY

San Angelo Quarterly Economic Review

The latest data, analysis, outlook

JANUARY 2023

Issue #2-01

PREPARED BY

Mike Berry
Economic Development Manager
San Angelo Chamber of Commerce

Michael Looney
Vice President of Economic Development
San Angelo Chamber of Commerce

SAN ANGELO
Chamber of Commerce
Economic Development