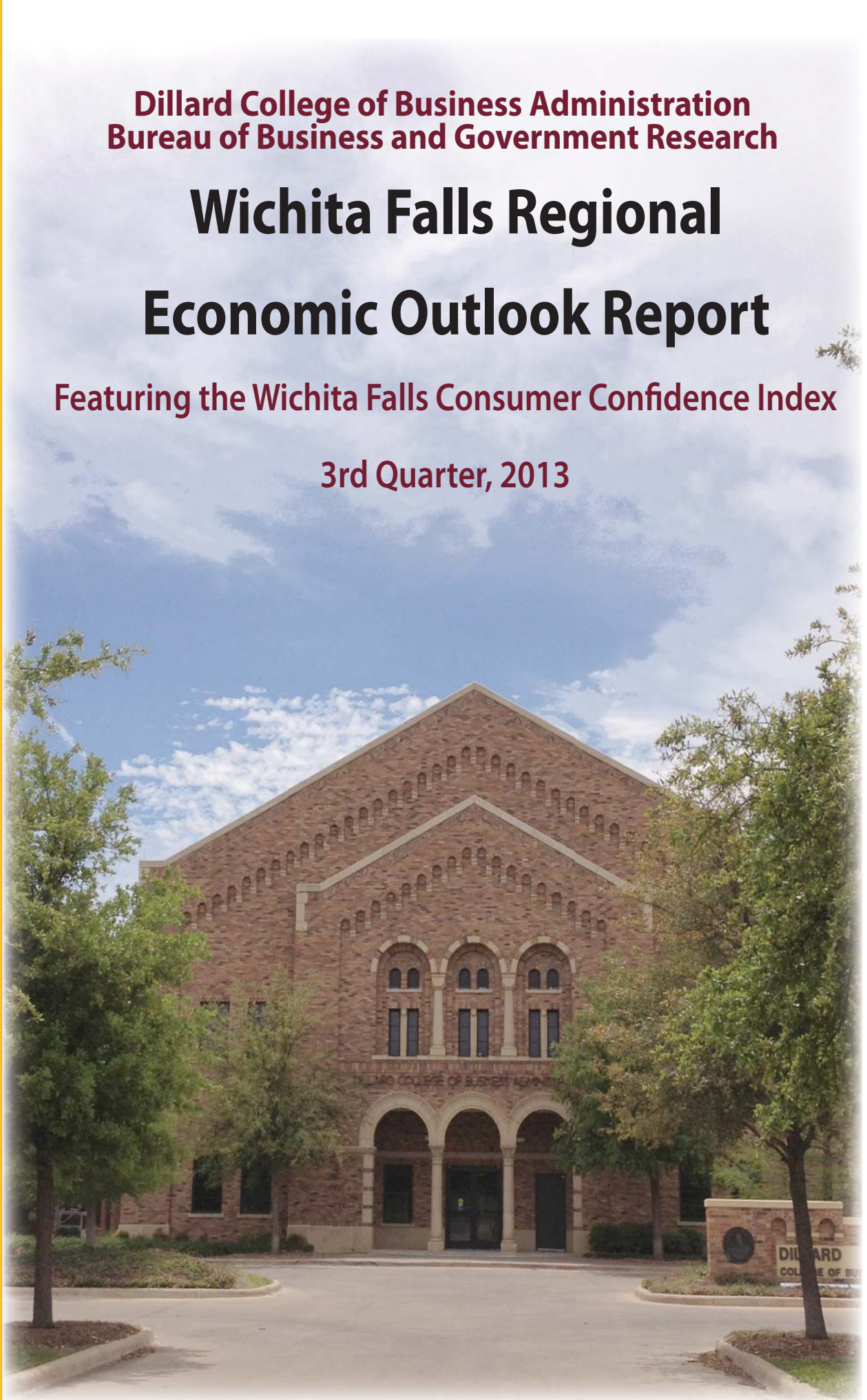


**Dillard College of Business Administration
Bureau of Business and Government Research**

Wichita Falls Regional Economic Outlook Report

Featuring the Wichita Falls Consumer Confidence Index

3rd Quarter, 2013





**Dillard College of Business Administration
Bureau of Business and Government Research**

Wichita Falls Regional Economic Outlook Report

Volume 8 Number 3 3rd Quarter, 2013

From the Dean	3
Analysis Report for the Third Quarter	4
The Local Economy - A Trend Perspective	10
Seasonal Spending Plans	13
Summary and Conclusions	13
Population Size of the Wichita Falls Retail Market	14
General Business Index for the Wichita Falls Region, Second Quarter 2013	16
Chamber of Commerce & Local Economic Development	18

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From the Dean

The Dillard College of Business Administration (DCOBA) takes seriously its mission of serving the broader regional community. In that regard, the Economic Outlook Report continues to play a very special and pivotal role. This report presents our findings from the Third Quarter, 2013 Wichita Falls Consumer Confidence Index (WFCCI) and from the Wichita Falls General Business Index (WFGBI). The publication is produced by DCOBA's Bureau of Business and Government Research (BBGR) under the direction of Dr. John E. Martinez.

The purpose for constructing a General Business Index (WFGBI), such as the one presented in this Report, is to better assess general upswings and downswings in our regional economy through a systematic treatment of all officially collected economic indicators.

The Wichita Falls Consumer Confidence Index (WFCCI), which is derived from responses to a consumer survey, is a quarterly measure of the public's overall confidence in the health of the local economy. Consumer attitudes are closely watched because consumer spending accounts for about two-thirds of all economic activity.

Since its inception in 2007, the WFCCI has enjoyed widespread community support. To a large degree, we believe that the importance that the general public attaches to this publication has resulted in the exceptional response rates to the WFCCI survey. The DCOBA is deeply appreciative of the continuing public support this report has enjoyed.

Overall, the consumer confidence of local residents slightly improved this quarter. Dr. Martinez, however, explains in his summary and conclusions on page 13 of the report that, "local consumer spending is not likely to increase significantly in the coming months." This finding and the implication of his discussion in the section entitled, "Population Size of the Wichita Falls Retail Market," should be carefully considered by the local business community.

This publication is made possible through the support of local community leaders whose advertisements are found in this publication. We thank each one for their generous support.

I invite you to read the excellent analysis and commentary of Dr. John Martinez. The information provided in this latest edition should help us have a more informed opinion about the short-term economic outlook for the local economy.

Sincerely,

Terry Patton, Ph.D.
Dean Dillard College



Analysis Report - Third Quarter, 2013

by John E. Martinez

For the Third Quarter of 2013, the Bureau of Business and Government Research (BBGR) surveyed just over 3,000 local households residing in the Greater Wichita Falls area¹. The results of that survey are reported in this quarterly edition of the ECONOMIC OUTLOOK REPORT. The WFCCI measures overall consumer confidence via an index of the present situation and an index of expectations, surveying both consumers' short-run and long-run expectations. With regard to the WFCCI, three essential findings are presented:

- Local residents' overall confidence in the health of the local economy
- Local residents' overall confidence in the health of the national economy
- Local residents' overall confidence in their personal financial well-being

The following analysis provides some revealing insights about the local economic outlook for Third Quarter business conditions at both the national and local levels².

Local consumer confidence is shaped by a confluence of many factors, one of which is how well the national economy is faring. This seems to be especially true when it comes to recent events concerning the U.S. budget picture. Weak national employment and output numbers over the past quarter have probably been responsible for generating a more pessimistic outlook in local consumer attitudes.

At the time of this survey, national politics was consumed with issues of sequestration and debt ceilings. Apparently, the possibility of government spending cuts, especially in the defense area, made local economic growth more problematic. Changes in public confidence are built upon such narratives, because the human mind is very receptive to them. The story of a possible US default along with sequestration concerns has been resonating in precisely this way among local residents.

As indicated by the following Figure 1, the current economic outlook for Q3/13 rose from last quarter's value. The WFCCI increased from **75.3** for the last quarter (Q2/13) to **78.7** for the current quarter (Q3/13).³

¹The sampled population is statistically representative of all households in 'Greater Wichita Falls,' an area approximated by the Wichita Falls Trade Area. Specifically, the survey area includes all potential households residing in a 40-mile concentric circle from the center of Wichita Falls. The area includes zip codes areas 76301 to 76399 in Texas and all zip codes beginning with 735 (designated in 735XX in this Report) codes in Oklahoma. Every quarter we send out 3000 mailed surveys with an average of about 300 returned as 'undeliverable' to the original address. Of the remaining 2,700 surveys delivered, the return rate has consistently been in the range of fifteen to twenty percent. A fuller description of the survey methodology can be obtained from the Bureau of Business and Government Research.

²Kathy McGowan has been indispensable for making this Report possible. She has been involved in every phase of this Report - from implementation, to editing and formatting design, and ultimately through its final stage of production and distribution.

³A proportion known as the 'relative value' is calculated for each of the 12 questions by subtracting the percentage of negative from the percentage of positive responses and then adding 100. When the number of positive responses to any question is offset by an equal number of negative responses, the relative value for that question would be 100. An index score of 100 represents a mixed outlook, neither pessimistic nor optimistic. A higher percent of positive to negative responses results in an index value that is greater than 100. The higher an index value is from 100, the more positive is the outlook. Conversely, a lower ratio of positive to negative responses results in an index value less than 100. The smaller the value, the more pessimistic is the outlook. The index values for all of the 12 questions are then averaged together to form the WFCCI. One-half of the questions comprise the Present Situation Index, while the other half forms the Expectations Index. The WFCCI is constructed as a weighted average of these two indices.

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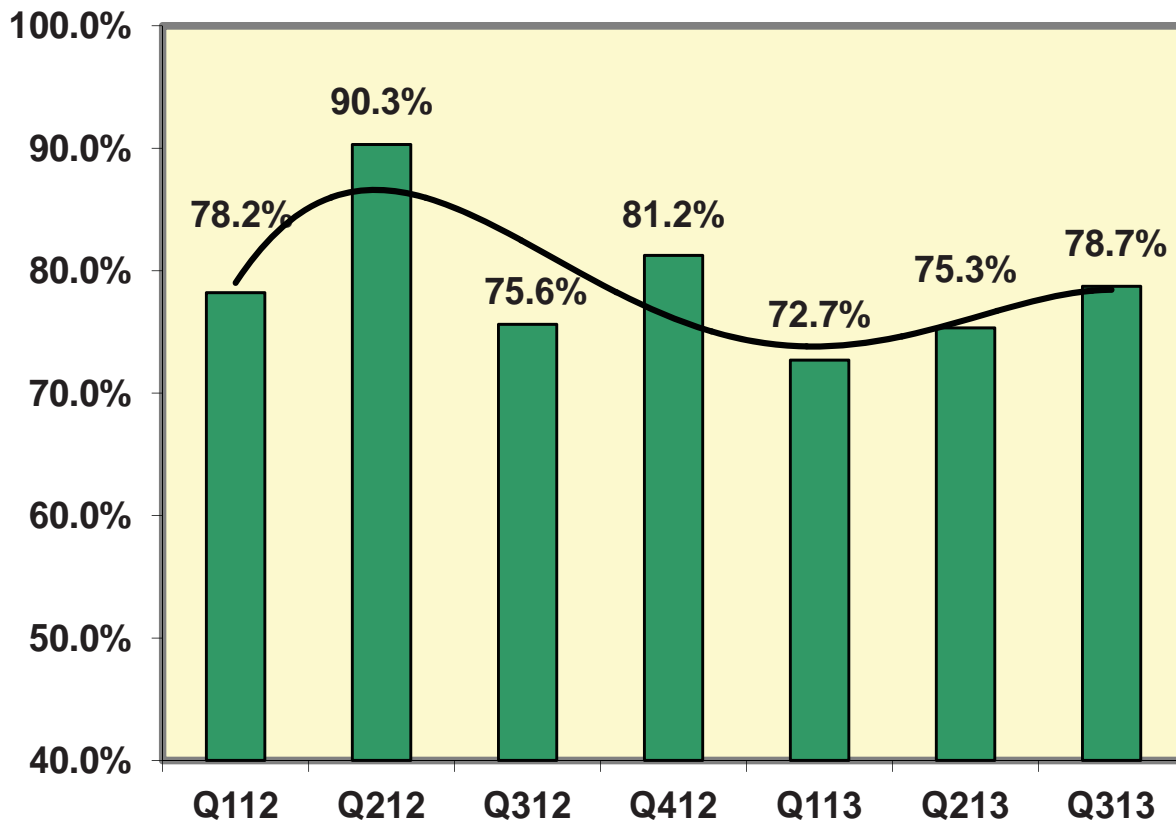
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Figure 1
Wichita Falls Consumer Confidence Index by Quarter



In addition to the average overall index value for Q3/13, a detailed look at the data in Table 1 reveals a rather consistent increase in relative values from the previous quarter for all dimensions of the WFCCI. Further analysis based on responses to specific questions allows us to investigate the various components which account for the change in overall sentiment.

Table 1
Relative Index Values for Individual Questions Comprising the WFCI by Quarter

	Survey Question	Q2/13	Q3/13
	How does your current household financial condition compare to a year ago? Better? Worse?	80.3	74.8
	Household's financial condition-what will it be a year from now? Better off? Worse off?	75.1	80.5
	As for Business conditions in the country-what do you expect during the next 12 months? Good times? Bad times?	68.8	77.6
	Are current business conditions in the country better or worse compared to a year ago? Better? Worse?	74.4	84.3
	A year from now, what do you expect about business conditions for the country? Better? Worse?	66.8	74.3
	Looking ahead, which would you say is more likely for the country as a whole? Good times? Bad Times?	68.1	73.1
	For the country as a whole, how many people will be out of work during the coming 12 months? Fewer? More?	74.4	80.7
	How would you rate present business conditions in the local area? Good? Bad?	83.7	81.2
	What would you say about the current availability of local area jobs? Plentiful? Hard to get?	77.2	80.7
	A year from now, what do you think that local business conditions will be? Better? Worse?	80.7	83.6
	A year from now, do you think there will be more jobs in the local area? More? Fewer?	79.4	79.5
	What would you guess your total household income to be one year from now? Higher? Lower?	75.1	74.5
	Overall Consumer Confidence Index	75.3	78.7

Figure 2 on page 8 further highlights the variation in the different components for Q3/13. In contrast to their less favorable outlook about the national economy, area consumers are slightly more optimistic concerning the present state of the local economy. As Figure 2 reveals, respondents are more positive about the local (81.3) economy than they are about national economic prospects (78.0).

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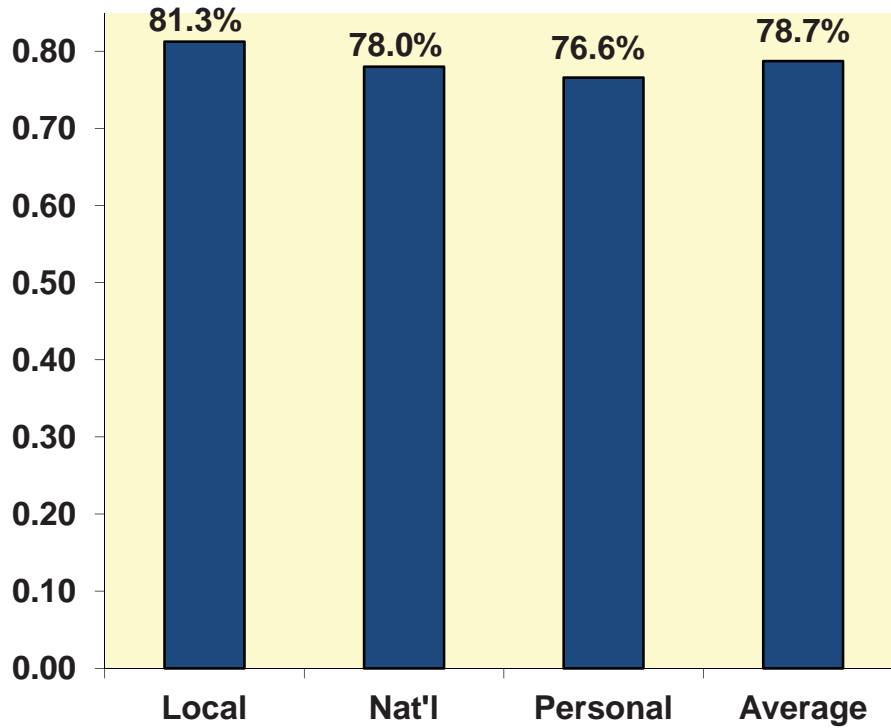
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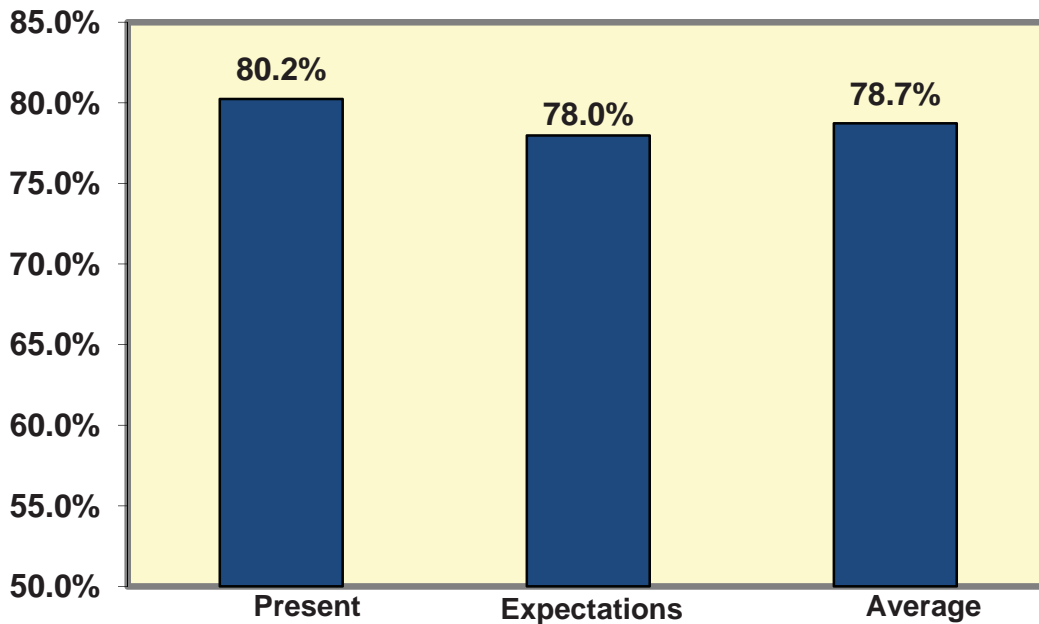
This message brought to you by the thousands of men and women in the oil and gas industry and the Foundation for Energy Education.

**Figure 2 - Wichita Falls Consumer Confidence Index by Area
Third Quarter 2013**



From Figure 3 we note that respondents were slightly more optimistic regarding the present than they were regarding the future. As Figure 3 reveals, respondents are more positive about Present Conditions (**80.2**) than they are the future. By way of contrast, the Expectations component is only (**78.0**).

**Figure 3
Wichita Falls Consumer Confidence Index (WFCCI) by Component
Indices: Present and Expectations, Third Quarter 2013**



A cursory glance at Table 2 reveals that the overall WFCCI value masks a great deal of variation in its specific components from the present and last quarter. The Present component of the index slightly improved in both the local and national dimensions, suggesting that residents are more optimistic about the national and local economy turning around in the near term future.

Confidence measuring both the present and future state of the economy at all geographic levels rose rather consistently this quarter. In contrast to the local and national component, individual's view of their own personal finances actually registered a slight decrease in the present dimension.

Interestingly, when the discussion turns to the future, respondents' mood this quarter is also higher on all components: personal, local, and national. From Table 2, we note that the Present component pertaining to local business conditions is **81.0%** while the Expectations component is slightly higher at **81.5%**. All these components reflect an improvement from last quarter's reading.

Table 2
Index Relatives for the WFCCI
by Component Indices

	Local		National		Personal		Average	
	Q2/13	Q3/13	Q2/13	Q3/13	Q2/13	Q3/13	Q2/13	Q3/13
Present	80.5%	81.0%	74.4%	84.3%	80.3%	74.8%	78.9%	80.2%
Expectations	80.0%	81.5%	69.5%	76.4%	75.1%	77.5%	73.5%	78.0%
Average	80.3%	81.3%	70.5%	78.0%	76.8%	76.6%	75.3%	78.7%

Column averages are weighted ratios of the Present and Expectations Indices

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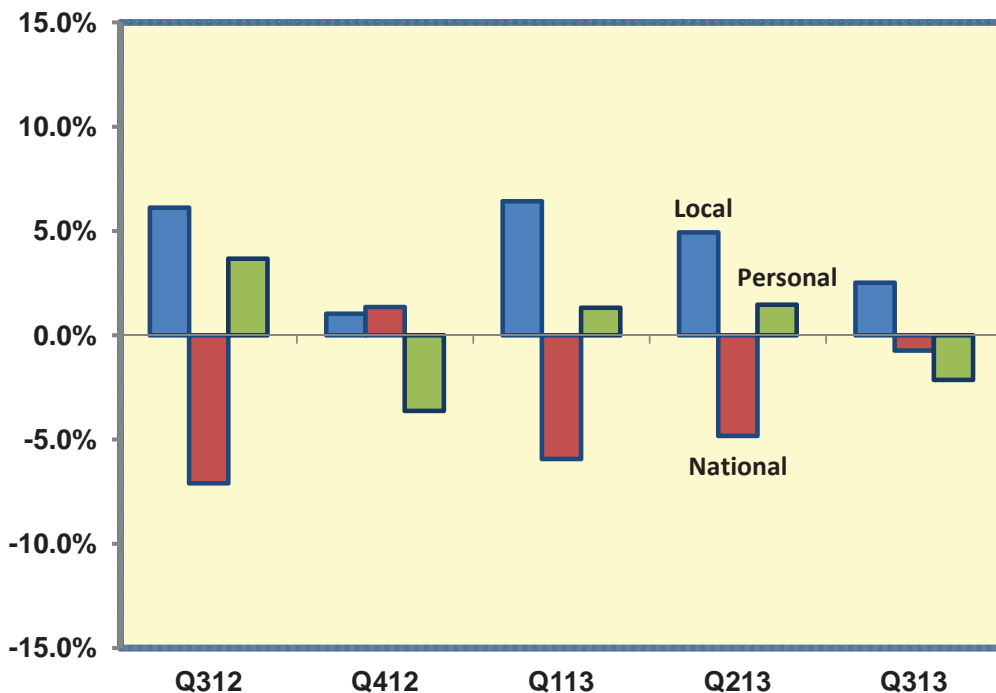
The Local Economy – A Trend Perspective

How one perceives his/her own personal situation is, in large part, dependent on their outlook about local economic conditions which, in turn, is a confluence of many factors. The Personal index is shaped not only by the local business environment but also by perceptions about how well the national economy is faring.

The WFCCI enlists a number of questions designed to capture consumers' sentiment in each of these separate dimensions. Over the past several years, the prolonged slump in the national economy has adversely impacted local consumer sentiment. While the negative influence of national conditions seems to have abated over the past two year, its influence continues to negatively influence local attitudes.

Obviously, local confidence levels are not immune from national trends. As Figure 4 illustrates, the national outlook over the past year has consistently been below the average index values for the WFCCI though it did reverse itself in one quarter.

Figure 4 - WFCCI Quarterly Component Indices
Percentage Point Difference from Quarterly Index Average



In turn, lower levels of confidence in both local and national conditions can exert a negative influence on the way local residents have seen their own personal finances. Interestingly, the personal component of the WFCCI has always been generally higher than the average index value. For the current quarter, only the Local component is above the average with the National and personal components below the average index value.

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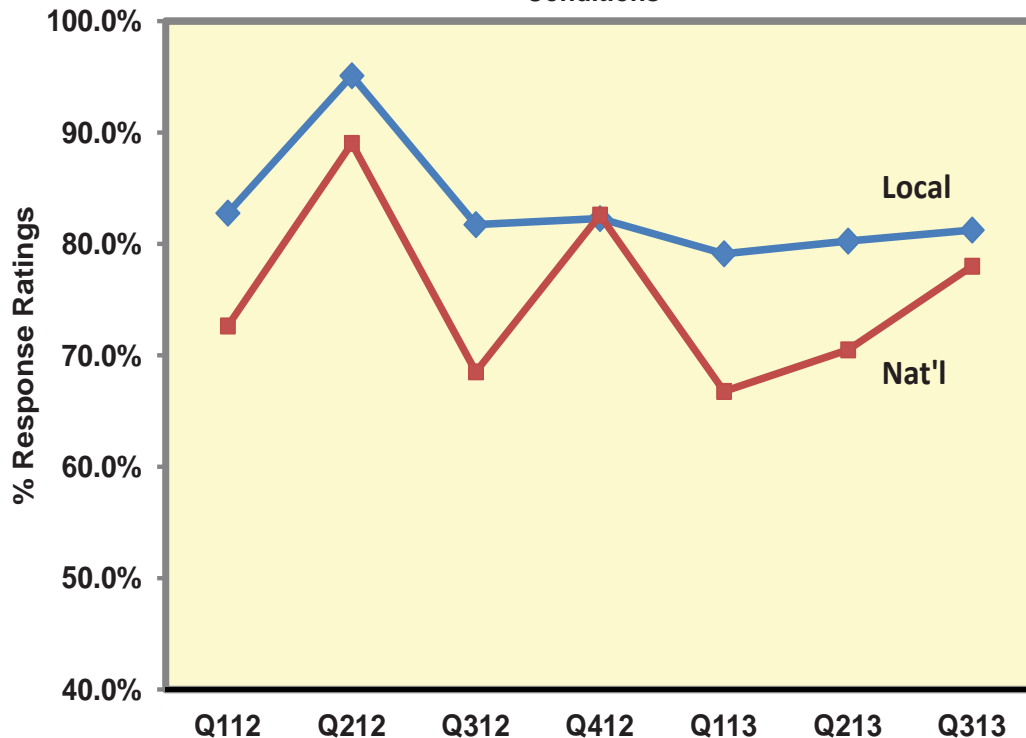
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Continuing the trend from previous quarters, area residents' optimism in their outlook for the local economy is higher than for the national economy (see Figure 5). Except for one quarter in the past, local area residents have consistently rated overall business conditions better at the local than at the national level.

Figure 5 - WFCCI Quarterly Indices - Local and National Business Conditions



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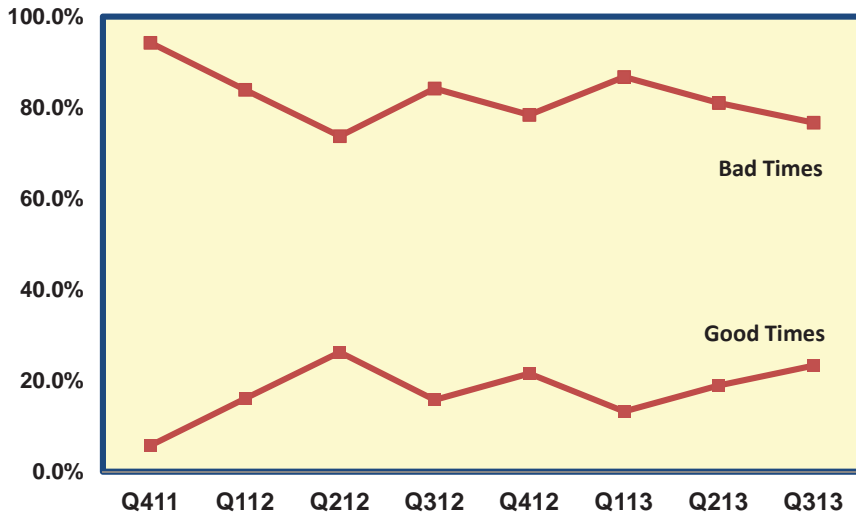
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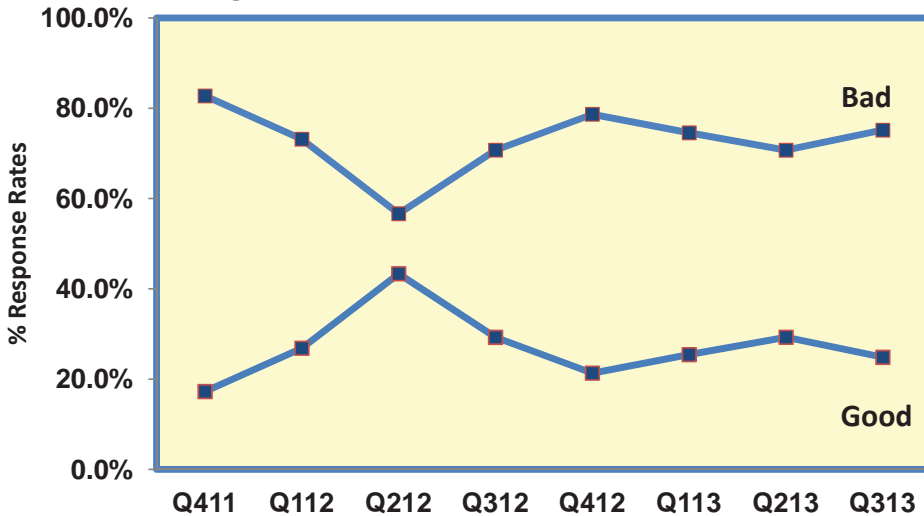
Figure 6 - Local Quarterly Consumer Ratings, Percentage Who See Good or Bad Times Ahead for the National Economy



When asked about the future, a smaller percentage of local respondents see 'bad times' ahead for the national economy (see Figure 6). When asked about the future prospects for the national economy, the percentage of local residents responding negatively has outpaced those with a positive outlook for the past eight quarters. As clearly reflected in Figure 6, the gap has narrowed in three of the last four quarters, including the present quarter.

As Figure 7 reveals, area residents have more consistently seen 'bad times' ahead for the local business than they have 'good times' ahead. When it comes to the outlook for the local economy, there has been a significant gap in confidence with the percent seeing 'bad times' ahead outpacing the percent seeing 'good times' ahead. But, even when the gap has narrowed, more respondents continue to see 'bad times' ahead compared to those reporting 'good times' in their outlook for the local economy. And, in fact, that gap actually increased this past quarter.

Figure 7 - Local Quarterly Consumer Ratings, Percentage Who See Local Economic Conditions as Good or Bad



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Seasonal Spending Plans

Relative to the previous season, how does the 2013 fall season appear to be shaping up in terms of expected consumer spending? In response to the question in Table 3, consumers don't plan on spending any more for the coming 2013 fall season than they did in the previous year. Only 11.4% of respondents said they plan on spending more in the 2013 fall season with 45.2% planning on spending less.

Table 3 – Compared to last fall, will you be spending more or less this 2013 fall season?				
Response rates to the above question				
% of row	More	About the same	Less	Undecided
Q3/13	11.4%	42.5%	45.2%	1.0%

Summary and Conclusions

Compared to the previous quarter (Q2/13), consumer confidence as measured by the WFCCI for Q3/13 is more upbeat. However, when respondents were asked about planned spending for the coming fall season, only 11.4 percent said they planned to spend more than last season. Just over 45 percent indicated they intended to spend less with the remainder (42.5 percent) planning on spending about the same as the previous year. Consequently, consumers are likely to be more cautious this fall season, making the near term outlook not as robust as might be desired.

Based on confidence level estimates for the Third Quarter 2013, local consumer spending is not likely to increase significantly in the coming months. However, as local consumers become increasingly optimistic about national conditions, they should have a more optimistic outlook about their own personal finances and the future prospects for the local economy as well.



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Ashton Gustafson

Population Size of the Wichita Falls Retail Market

by Dr. John E. Martinez

Below are population estimates within a selected mile radius of Wichita Falls. The percent of the Wichita Falls retail market captured within the selected areas is based on a modified version of Reilly's law of retail markets. The law essentially states that the percent of the market captured falls inversely as the distance from the center increases. The table below reveals a number of important facts:

- About 140,000 people live within a 20-mile radius from the center of Wichita Falls. They comprise about one-half of the overall area retail market.
- Almost 170,000 people live within a 40-mile radius from the center of Wichita Falls. They comprise about two-thirds of the overall retail market for this area.
- There are approximately 392,000 people that live within a 60-mile radius from the center of Wichita Falls and they comprise about three-fourth of the overall retail market for this area. Almost 44 percent of those individuals live in Oklahoma. Most of the Oklahoma residents reside in Lawton.
- The total retail market for the Wichita Falls area consists of slightly more than half a million people. About 25 percent of the retail market is derived from sales to those who live outside the broader region, which is defined as beyond 60 miles from Wichita Falls. This 25 percent comes from a variety of sources:

- Individuals visiting family and friends for weddings, funerals, and graduation ceremonies
- Individuals participating or watching local sporting events
- Individuals participating or watching a variety of non-sports entertainment events
- Tourists passing through en route to other destinations
- Truckers en route to other destinations



Population Estimates based on Selected Mile Radius from Zip code 76308 and Percent of Retail Market Captured				
Radius	Pop	Ok-Pop%	Tx-Pop%	%Market
20.0 mi.	141,600	0.0%	100.0%	50%
40.0 mi.	169,366	7.8%	92.2%	67%
60.0 mi.	392,400	43.7%	56.3%	75%
60.0 + mi.	523,200	?	?	100%

Source: Population estimates are from MelissaData, the leading international provider of data quality and address verification software. The center of Wichita Falls is defined as the center of zip code area 76308.

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COLLEGE OF BUSINESS ADMINISTRATION
at Midwestern State University

General Business Index for the Wichita Falls Region

Second Quarter, 2013

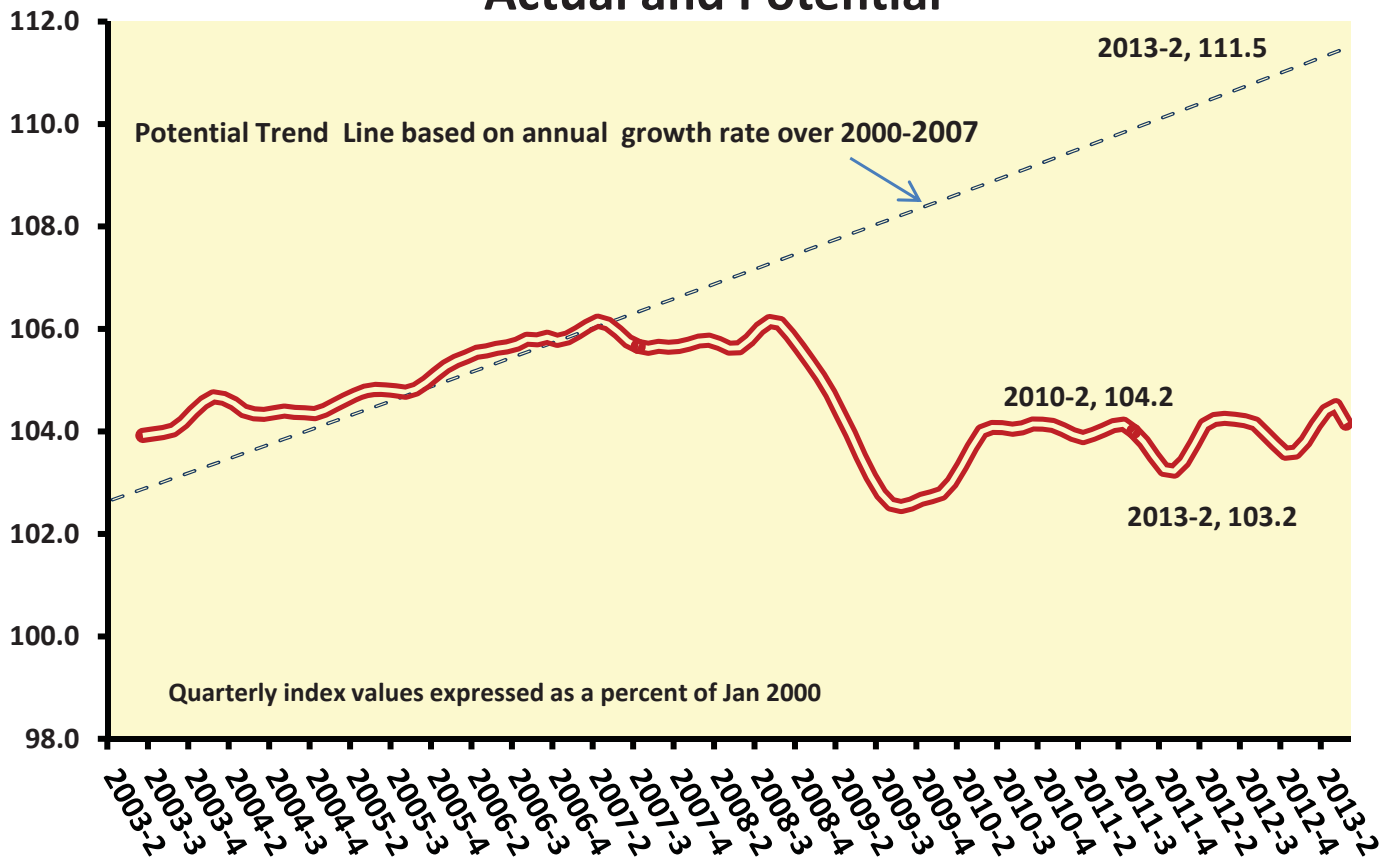
by Dr. John E. Martinez

The purpose for constructing a General Business Index (GBI) such as the one presented in chart below, is to provide a systematic treatment of all officially collected and relevant economic indicators. The BBGR of MSU constructs a quarterly GBI for the greater Wichita Falls economy for purposes of signaling directional changes in local business activity.

As important data sources are only gathered with a delay, the GBI trend is a lagging indicator. The GBI chart below tracks the local economy from the Second Quarter of 2003 (Q2/2003) through the Second Quarter of 2013 (Q2/2013). The chart below provides a birds-eye view of the aggregate performance of the Wichita Falls area economy over this period. Local area economic performance as measured by the composite index in Chart 1 has been relatively stable over the past three years.

For any local area economy there are numerous economic indicators that are collected to help gauge its overall economic health. As might be expected, individual economic indicators are often ambiguous and sometimes contradictory, with one signaling an upswing while another one a downswing. A General Business Index (GBI) constructed from individual indicators can help clear some of the ambiguity by condensing all the relevant variables into a consistent picture of an area's overall economic well-being.

Wichita Falls Quarterly General Business Index- Actual and Potential



The Bureau of Business and Government Research (BBGR) of the Dillard College of Business Administration (DCOBA) constructs a monthly GBI for the greater Wichita Falls area based on a systematic treatment of all relevant, officially collected economic indicators. The GBI is designed for purposes of signaling directional changes in local business activity. As such, making longer-term inferences about aggregate performance based on current readings can be a precarious undertaking.

A composite index is first and foremost a lagging indicator telling us where the economy has been; it is not a leading indicator predicating the future direction of the economy. The GBI chart below tracks the actual performance of local economy from the Second Quarter 2003 through the present. Nothing inherent in the data tells us about the likely near-term direction of the local economy.

While no region has complete immunity from a national recession, the short-term outlook for the Wichita Falls area economy may not be as dormant as recent estimates seem to suggest. The indirect and induced effects of recent business expansions are not yet exhausted and continue to percolate throughout the regional economy - albeit at a slower pace than is desirable. In the final analysis, it would be premature to infer any longer-term trend on the basis of current statistics.

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Chamber of Commerce & Local Economic Development by Mr. Kevin Pearson and Mr. Walter Lambert IV

Pride IN THE FALLS Wichita Falls

Phase I set the foundation for the Pride in The Falls campaign. Now, we must build on those efforts if we want to see growth in our community.

We have a brand, now we need to showcase what sets us apart and use it to drive more visitors, residents and businesses to Wichita Falls.

We have great events. We hope to use PRIDE to showcase these events to the region and bring more people to our City.

Finally, this initiative is about communitywide marketing, and what we will focus on advertising our City as a great place to live, work and visit.

Phase I Accomplishments:

- **Develop New Community-wide Brand**

Established new brand identity & strategic messaging for four entities
Showcased new community brand & message through social media

- **Instill Renewed Sense of Community Pride**

Enhanced streets and pole banners 83.4% surveyed noticed and increase in pride displayed by the City

- **Advertise our Great City**

Launched ChooseWichitaFalls.com as the event portal for the City Local Billboards and ads projecting the PRIDE in our community.

- **Regional and National Public Relations**

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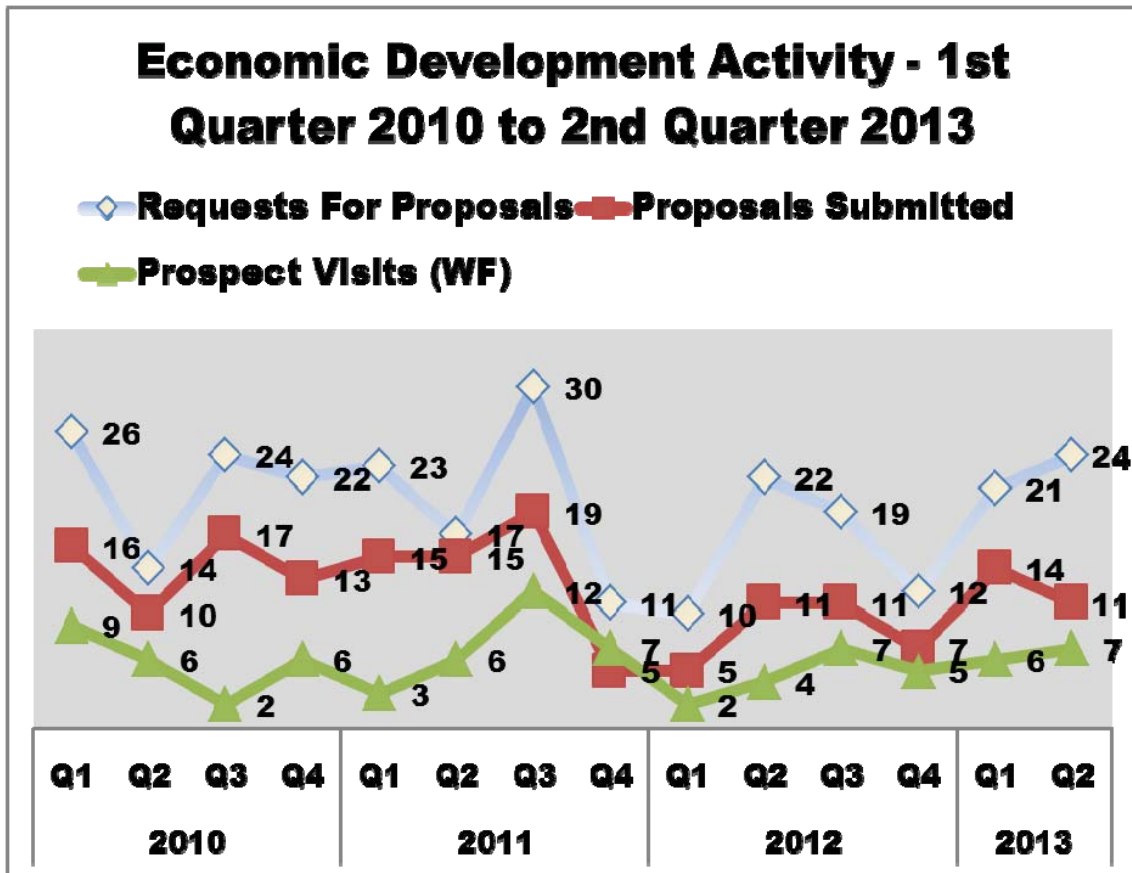


Chamber of Commerce & Local Economic Development

Prospect Activity

The Chamber would like to give you a brief update on some of the projects that received 4(a) sales tax dollars as well as a quick look at our prospect activity for the 2nd quarter.

- Prospect activity in the 2nd quarter improved slightly from the same quarter last year; however we received almost twice as many prospect visits.
- **Three projects have been completed thus far in 2013.**
 - Ulm Corporation, an oil field trucking company, will be creating 372 new jobs.
 - Nocona Trucking, a specialty trucking company, will be expanding current operations with 64 jobs. Their company moves very high priced items such as concert gear, trade show displays, hospital equipment, art/antiques and military hardware.
 - Eagle Rail Car Services plans to establish a rail car refurbishment center on the former Vetrotex property, investing over 4 million dollars and creating 64 new jobs over 3 year period. Almost \$900,000 of 4(a) funds have been used to entice this company to Wichita Falls.



Requests for Proposals – These are calls, e-mails and requests from all sources (site selection consultants, corporate real estate executives, brokers, etc.) for information on buildings, sites, the community and incentives.

Proposals Submitted – Proposals actually submitted where we have a building, site or community asset that is an above average match for a client.

Prospect Visit (In Town) – When company representatives visit Wichita Falls, usually as a direct result of a Proposal, when the Chamber has been involved.

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