

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

# **Wichita Falls Regional Economic Outlook Report**

**Mid-Year Review, 2015**





*Dillard*  
COLLEGE OF BUSINESS ADMINISTRATION  
at Midwestern State University

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

## **Wichita Falls Regional Economic Outlook Report**

### **Volume 11 Number 1 Mid-Year Review, 2015**

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#### ***Wichita Falls Regional Economic Outlook Report Editorial Staff:***

**Melissa Wright**

Assistant to the Dean, Dillard College of Business  
*Proof Editing*

**Melissa Boerma**

Administrative Assistant, Dillard College of Business  
*Editing, Layout and Design*



# The Director's Report

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 2015 mid-year findings for the Wichita Falls area economy. The publication is produced by DCOBA's Bureau of Business and Government Research (BBGR) under the direction of Dr. John E. Martinez.

For any area economy - local, state, or national - a wide assortment of economic indicators are collected to help gauge its general overall economic health. However, individual economic indicators are often ambiguous and sometimes contradictory, with one indicator signaling an upswing and another a downswing. A composite index (or GBI) constructed from individual indicators can help clear up such ambiguity by condensing all the relevant variables into a coherent picture of an area's overall economic well-being.

The BBGR constructs a semi-annual General Business Index (WFGBI) for the greater Wichita Falls area. The purpose for constructing economic indices, such as the WFGBI, is to better assess general upswings and downswings in our regional economy through a systematic treatment of all officially collected economic indicators.

In addition to the WFGBI, the BBGR also constructs a number of other important sector indices of the local economy: housing, state sales and use tax collections, oil and gas, employment, and personal income growth trends.

We invite you to read the analysis and commentary for the 2015 Mid-Year Summary Report. 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,

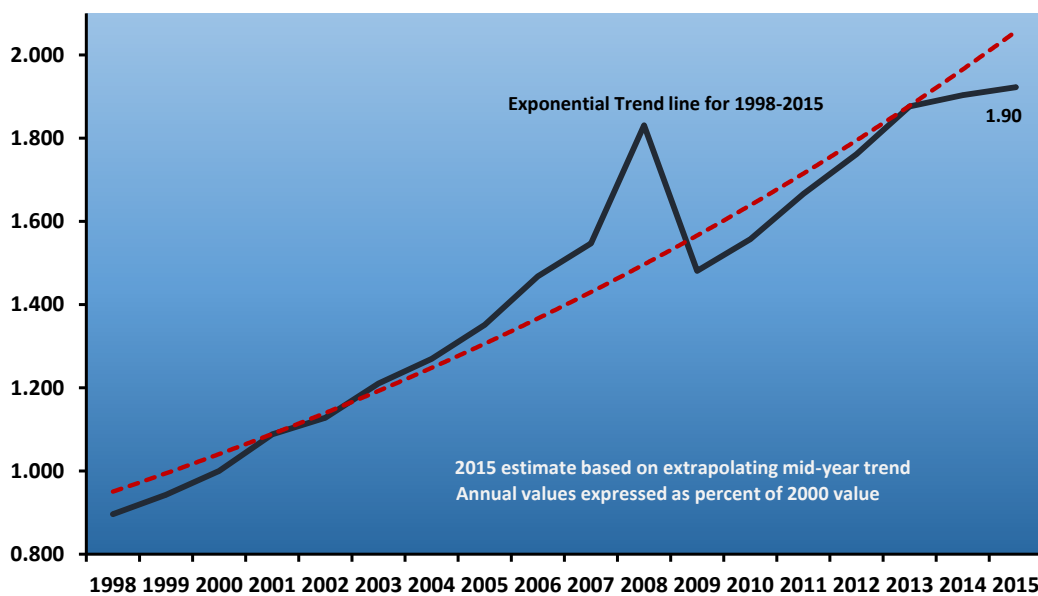
John E. Martinez, Ph.D.  
*Director, Bureau of Business and Government Research*

# Analysis Report - Mid-Year, 2015

by Dr. John E. Martinez

The Gross Domestic Product (GDP) for any region is the most broad-based measure of general economic activity. It measures final output across the entire spectrum of industries comprising an economy. A General Business Index (GBI) constructed from a region's GDP statistics is designed to provide a systematic treatment of all officially collected and relevant economic indicators. **Chart 1** provides a birds-eye view of the aggregate performance of the Wichita Falls Metropolitan Statistical Area (MSA) economy from mid-year 2005 through mid-year 2015. After falling precipitously for much of 2008 and 2009, the local Wichita Falls economy, as measured by the Wichita Falls General Business Index (WFGBI), has been steadily growing at a modest pace since 2010. While local area economic performance has gradually improved over the past year, it continues to operate below its potential trend. As indicated in Chart 1, the potential level of economic activity is based on a ten-year exponential trend, from 1998 through 2015.

**Chart 1 - Growth Trend for Wichita Falls MSA  
Actual and Potential GDP**



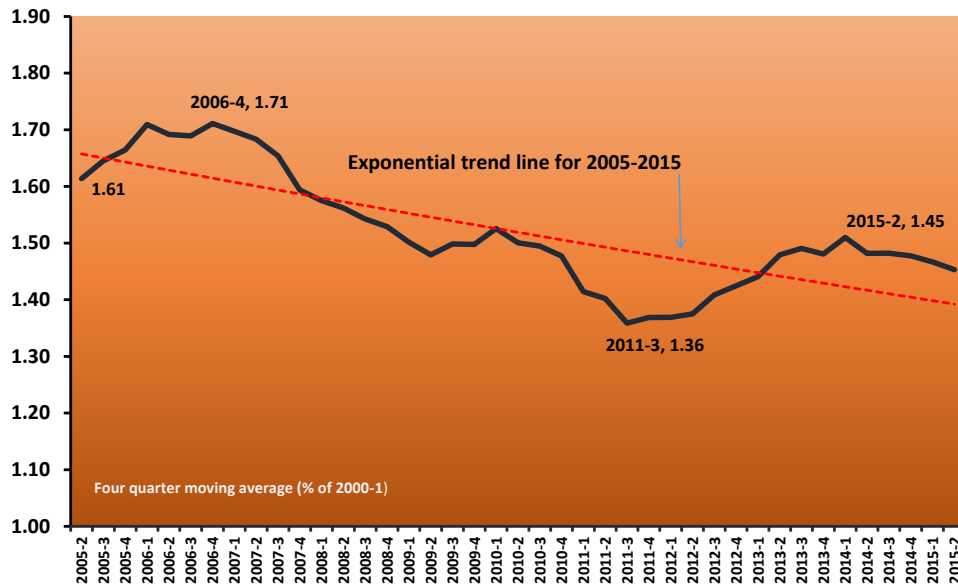
## Housing Conditions Index for the Wichita Falls Region for Mid-Year 2015

The BBGR of DCOBA constructs a quarterly Housing Conditions Index (WFHCI) for the Wichita Falls area. The WFHCI is a composite index constructed for purposes of signaling directional changes in local housing activity. It covers the period from mid-year 2005 through mid-year of 2015.

As **Chart 2** reveals, local housing conditions showed a downward trajectory since the mid-year of 2006 until the end of 2011. However, since that time, the WFHCI appears to have turned around with three years of slow but continuous growth, followed by a year of slow decline.

The WFHCI is composite index based on a number of key monthly housing statistics: unit sales, dollar sales volume, average and median sales price, total listings, and months of housing inventory on hand. The data is collected on a monthly basis for individual metropolitan areas in Texas by the Real Estate Center at Texas A&M University.

**Chart 2 - Wichita Falls Housing Index**

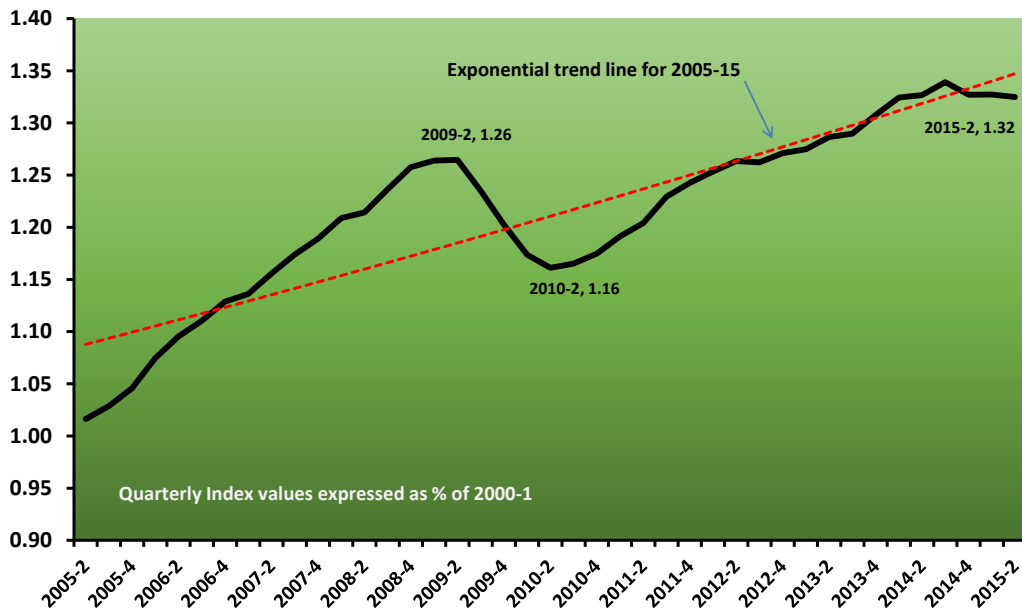


Though the trend may have reversed itself in 2011, local housing growth has been somewhat anemic, at least when compared to growth in other metro areas in Texas. From mid-year 2011 through mid-year 2014, sales volume and unit sales increased moderately in Wichita Falls while increasing significantly in the Abilene, Corpus Christi and San Angelo MSAs. A similar pattern is also detected for average sales price over the past year. The average price of homes sold from mid-year 2014 to mid-year 2015 increased by more than 6 percent in Abilene and San Angelo while decreasing by more than 10 percent in Wichita Falls. Housing problems in Wichita Falls most likely stem from flat population growth. Wichita Falls is the only MSA in Texas that has not experienced population growth over the past ten years.

**State Sales and Use Tax Collections Index for Wichita Falls for Mid-Year 2015**

The BBGR constructs a Quarterly State Sales and Use Tax Collections Index (WFSUT) for the Wichita Falls area. As indicated in **Chart 3**, state sales and use taxes began falling in mid-year 2009, but have risen steadily since mid-year 2010. From the chart it should be noted that current receipts appear to be growing in line with the long term growth trend, which is the growth trajectory based on a ten-year exponential trend.

**Chart 3 - Wichita Falls Quarterly State Sales and Use Tax Collections**

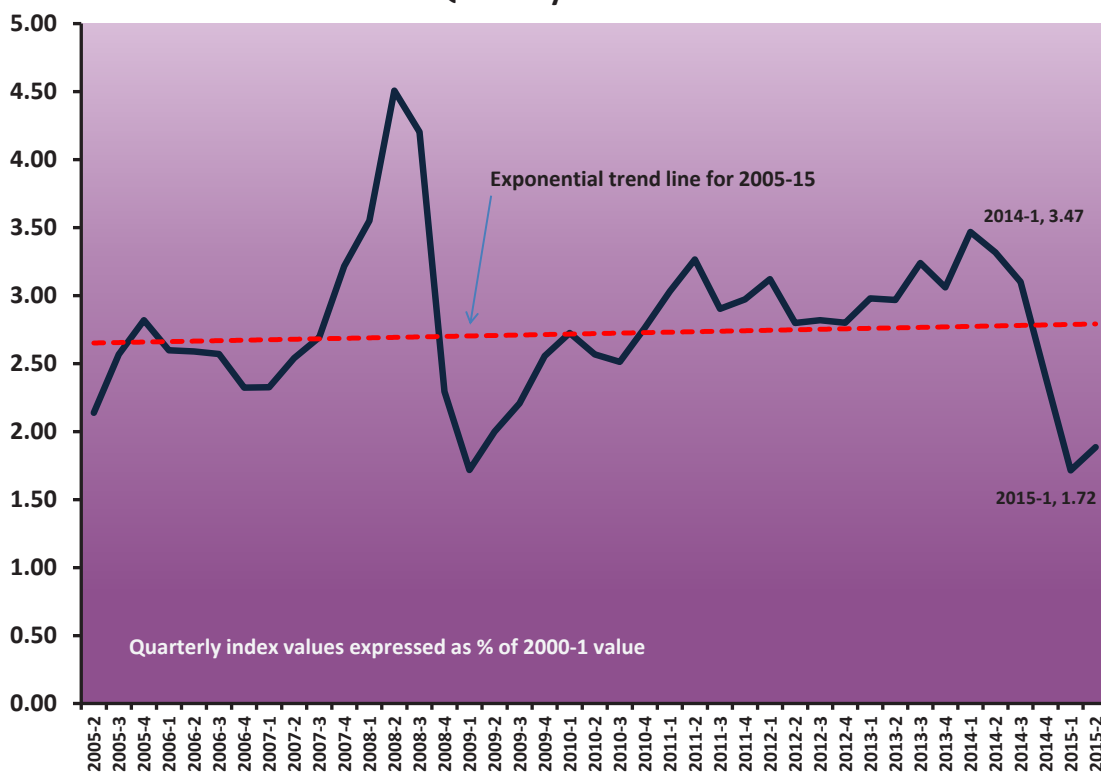


## Weighted Average Oil and Gas Price Index for North Texas for Mid-Year 2015

Since energy comprises one of the largest sectors of the Wichita Falls and North Texas region, the BBGR also constructs a Weighted Average Oil and Gas Price Index (WAGPI). Though the WAGPI dropped significantly in 2008, it began climbing steadily through the first quarter of 2014. As **Chart 4** indicates, the index began falling rather precipitously in the fourth quarter of 2014.

For the Wichita Falls MSA, the oil and gas industry accounted for more than 25 percent of output in 2013. In 2014, the oil and gas industry produced almost \$1.9 billion of the MSA's \$7 billion output. A single dramatic event, like oil prices dropping by one-third for an entire year, would reduce local output (income) by just over \$500 million in a single year.

**Chart 4 - Weighted Average Oil and Gas Quarterly Price Trend**



## Employment Trends for the Wichita Falls Region for Mid-Year 2015

Mirroring its dormant population growth pattern, total non-farm employment in the Wichita Falls region has steadily declined over the past 10 years. According to **Chart 5**, total employment fell quite significantly from 2006 through 2011, but held fairly steady for three years before falling over the past year. Currently, employment levels are below the downward trend trajectory

As demonstrated in **Chart 6**, Wichita Falls experienced the slowest employment growth of all the state's MSAs over the past year. Employment growth over the past twelve months has almost been imperceptible, increasing by less than 1%. As shown in **Chart 7**, most sectors comprising the local economy remained steady over the past year, with three sectors experiencing significant declines. The Mining and Manufacturing sector fell by 2.6% and 4.0%, respectively. The largest decrease came from the Professional and Business Services sector which fell by a whopping 5.9%. The Government sector which had been decreasing over the past three years finally seemed to have stabilized beginning in the second half of 2014.



Chart 5 - Wichita Falls MSA NonFarm Employment

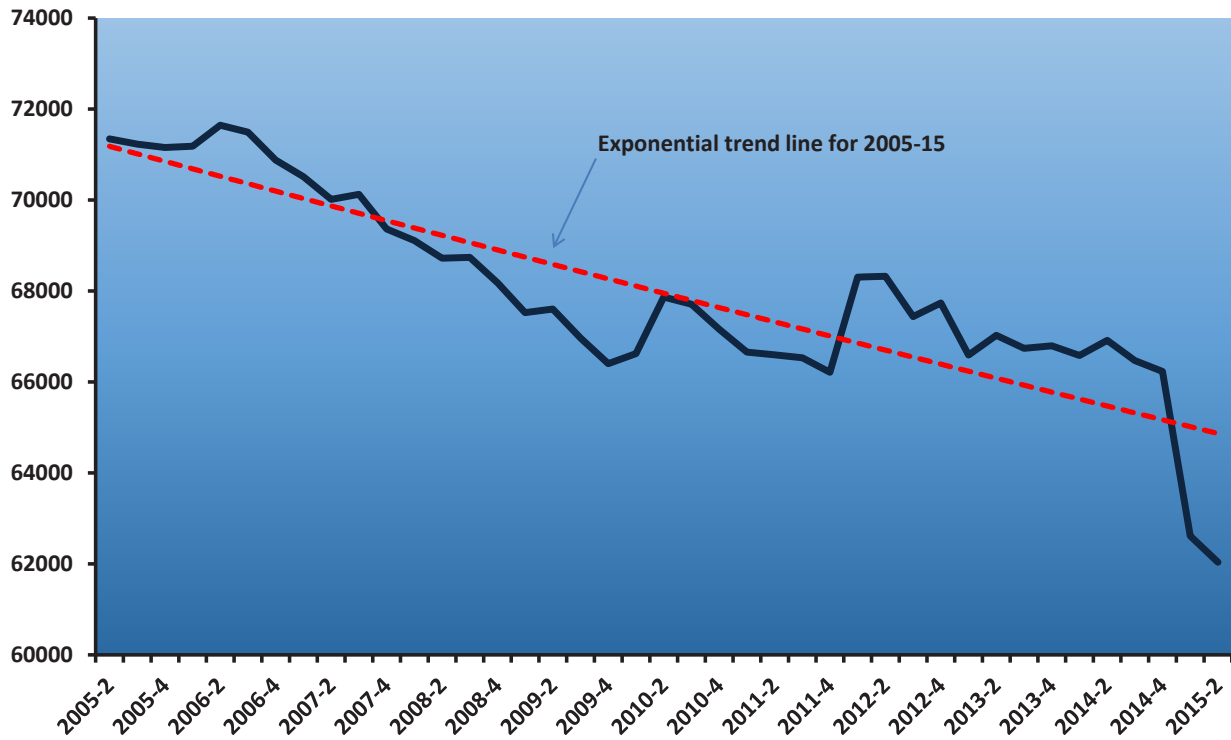
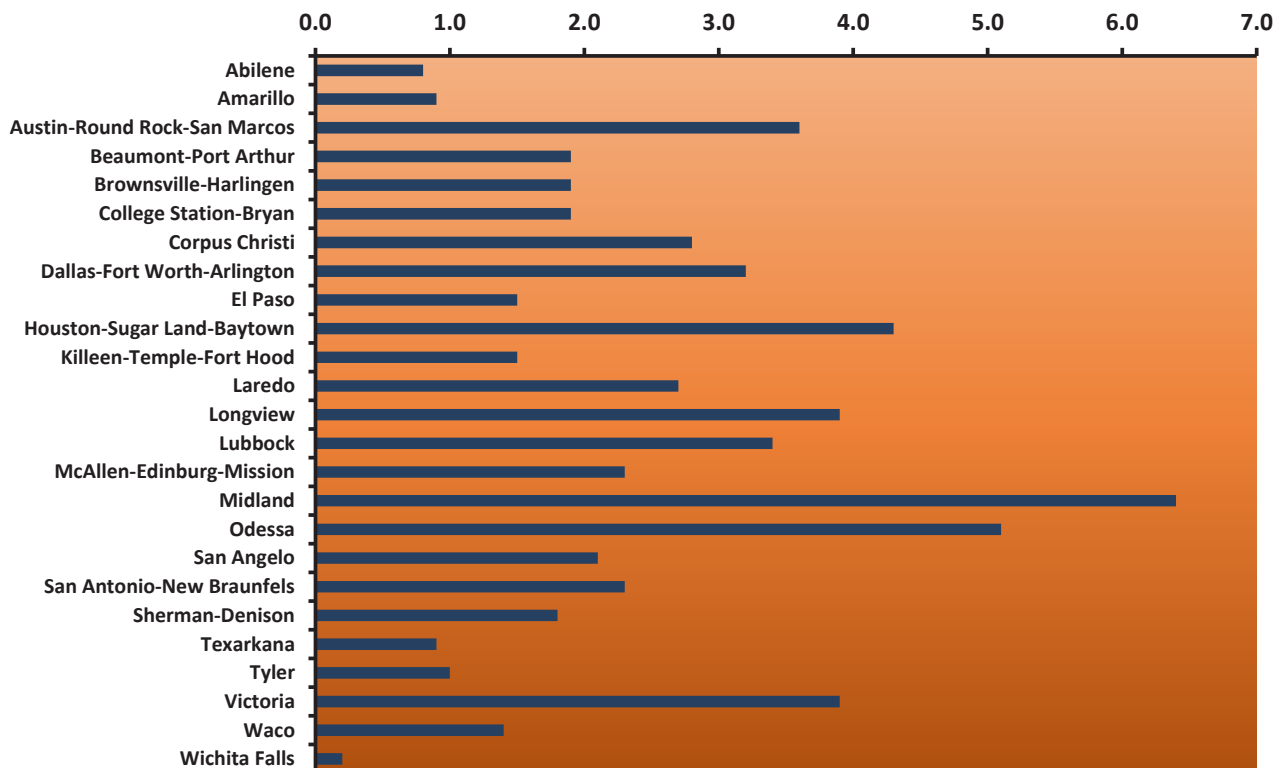


Chart 6 - Percent Change (%) in Employment for Texas MSAs Jun 2014 - June 2015



### Chart 7 - Employment Statistics for Wichita Falls MSA, TX

Data Series	Feb	Mar	Apr	May	June (P)	% Increase
	2015	2015	2015	2015	2015	Jun-Feb
<b>Labor Force Data</b>						
Civilian Labor Force (1)	65.3	65.0	64.8	64.8	64.6	-1.1%
Employment (1)	62.6	62.4	62.3	62.1	61.7	-1.4%
Unemployment (1)	2.7	2.7	2.5	2.6	2.9	7.4%
Unemployment Rate (2)	4.2	4.1	3.9	4.1	4.4	4.8%
<b>Nonfarm Wage and Salary Employment</b>						
Total Nonfarm (3)	57.9	57.8	57.9	57.9	57.9	0.0%
Mining, Logging, and Construction (3)	3.8	3.8	3.8	3.7	3.7	-2.6%
Manufacturing (3)	5.0	5.0	4.9	4.9	4.8	-4.0%
Trade, Transportation, and Utilities (3)	11.4	11.5	11.5	11.6	11.7	2.6%
Information (3)	1.1	1.1	1.1	1.1	1.1	0.0%
Financial Activities (3)	2.7	2.7	2.7	2.7	2.7	0.0%
Professional and Business Services (3)	3.4	3.2	3.3	3.2	3.2	-5.9%
Education and Health Services (3)	9.2	9.2	9.2	9.2	9.2	0.0%
Leisure and Hospitality (3)	6.1	6.0	6.0	6.0	6.1	0.0%
Other Services (3)	2.8	2.8	2.9	2.9	2.9	3.6%
Government (3)	12.4	12.5	12.5	12.6	12.5	0.8%
12-month % change	-0.8	-1.6	-1.6	-1.6	0.0	

Data extracted on: August 21, 2015

Source: U.S. Bureau of Labor Statistics

**Footnotes**

(1) Number of persons, in thousands, not seasonally adjusted.

(2) In percent, not seasonally adjusted.

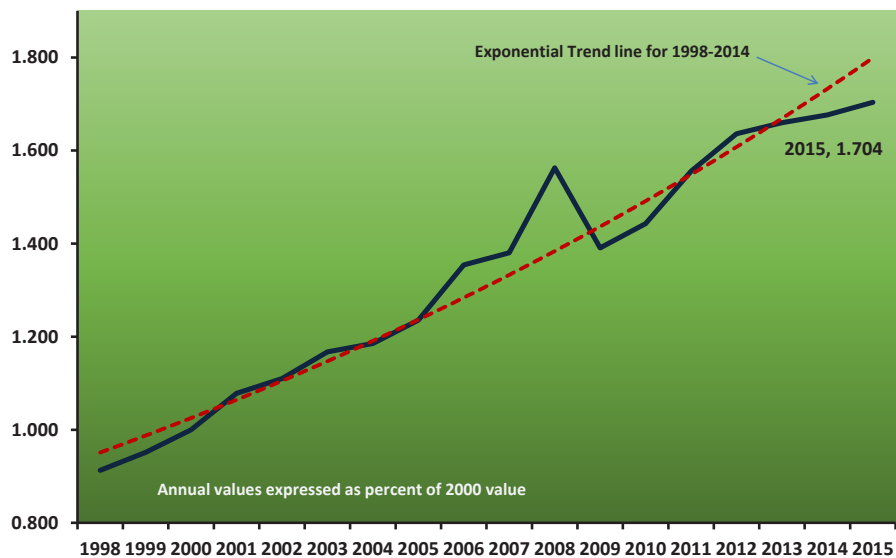
(3) Number of jobs, in thousands, not seasonally adjusted.

(P) Preliminary

### Annual Personal Income Growth Index for the Wichita Falls Region for Mid-Year 2015

**Chart 8** provides a birds-eye view of the local area economy from 1998 through mid-year 2015. As the chart indicates, the local area economy stalled in late 2007, taking a severe nosedive throughout much of 2008 and 2009. Since late 2009, the local area economy has rebounded, albeit at a much weaker pace than desired. Most recently, that growth seems to have tapered off a bit. While no region has complete immunity from a national recession, the short-term outlook for the Wichita Falls area economy does not look as bleak as might have suggested by losses in energy. As the indirect and induced effects of recent business expansions continue to percolate throughout the general economy, the likelihood of another downturn is diminished.

Chart 8 - Growth Trend for Wichita Falls MSA  
Actual and Potential Personal Income



## Summary and Conclusions

After falling precipitously for much of 2008 and 2009, the local Wichita Falls economy, as measured by the Wichita Falls General Business Index (WFGBI), has been growing at a modest pace for the past five years. Local area economic growth over the past year was positive, showing steady improvement from the previous year. As measured by local GDP, the local economy generated just over \$100 million in new economic activity.

Local housing conditions showed a downward trajectory since 2006 mid-year until the fourth quarter of 2011. However, since that time, the WFHCI appears to have turned around, with three years of slow but continuous growth. Though the trend may have reversed itself in 2011, local housing growth has been rather anemic, at least when compared to growth in other metro areas in Texas. From the fourth quarter of 2011 through the fourth quarter of 2014, sales volume and unit sales fell slightly in Wichita Falls while increasing significantly in the Abilene and San Angelo MSAs. A similar pattern is also detected for average sales price. The average price of homes sold increased by more than 6 percent in Abilene and San Angelo, while decreasing by more than 10 percent in Wichita Falls over the past year. Moreover, the problem in Wichita Falls is compounded because of flat population growth. Wichita Falls is the only MSA in Texas that has not experienced population growth in the past ten years.

Since energy comprises one of the largest sectors of the Wichita Falls and North Texas region, the BBGR also constructs a Weighted Average Oil and Gas Price Index (WAGPI). Though the WAGPI dropped significantly in 2008, it climbed steadily through the first quarter of 2014. Beginning with the fourth quarter of 2014, the index began falling and has continued to fall through mid-year 2015.

Mirroring its dormant population growth pattern, total non-farm employment in the Wichita Falls region has steadily declined over the last 10 years. Total employment fell quite significantly from 2006 through 2011. However, employment growth in the area has held fairly steady since 2011, falling only modestly over the past four years. Over the past year, Wichita Falls experienced the slowest growth of all the MSAs in Texas. Most sectors comprising the local economy held steady over the past six months. However, two sectors experiencing decline, the energy and manufacturing sector, are two of the most important drivers of the local economy. The Government sector which had been decreasing over the past three years finally stabilized beginning in the second half of 2014.

Based on the most recent information available, the local Wichita Falls economy over the first half of 2015 has experienced only modest growth. However, those gains may soon fade because of falling oil prices. With continued dependence on the energy sector, the local economy may be headed for a rough patch until that trend reverses itself.

# Economic Impact of Travel on the Local Economy

by Dr. John E. Martinez

This report analyzes the economic significance of the travel industry for the Wichita Falls Metropolitan Area (MSA). The findings show the level of travel expenditures by visitors traveling to and within the local area as well as the impact this spending has on the economy in terms of earnings and employment. The estimates of the direct impacts associated with traveler spending in Wichita Falls were derived using the Regional Travel Impact Model (RTIM) developed by Dean Runyan Associates.

## The Wichita Falls Travel Industry Continues To Grow

Since 2008, the Wichita Falls travel industry expanded each year through 2014. No data is currently available for 2015. All major indicators of the industry – spending, employment and travel activity showed strong increases.

- **Spending**

Direct travel spending was \$258.8 Million in 2014. This represents a 2.8 percent increase over the preceding year and a 6.5 percent increase since 2008.

- **Travel Activity**

Room demand in Texas increased by 5.3 percent from 2013 to 2014, and by 13.5 percent overall from 2008 to 2014.

- **Employment**

The travel industry generated 3,358 jobs in 2014, showing an increase of 1.8 percent over 2013. Since 2008, employment has increased by 1.9 percent per year.

The multi-million dollar travel industry in the Wichita Falls MSA is a vital part of the local economy. The industry is represented primarily by retail and service firms, including lodging establishments, restaurants, retail stores, gasoline service stations, and other types of businesses that sell their products and services to travelers. The money that visitors spend on various goods and services while in the local area produces business receipts at these firms, which in turn, employs and pays salaries to local residents. State and local government units benefit from travel as well, primarily in the form of excise taxes on the goods and services purchased by visitors.

## Secondary Impacts <sup>1</sup>

Travel spending within the Wichita Falls MSA brings money in the form of business receipts. Portions of these receipts are spent within the local area for labor and supplies. Employees, in turn, spend a portion of their earnings on goods and services in the local economy. This re-spending of travel-related revenues creates *indirect* and *induced impacts*.

To summarize:

- Direct impacts represent the employment and earnings attributable to travel expenditures made directly by travelers to businesses in the local community.
- Indirect impacts represent the employment and earnings associated with industries that supply goods and services to the direct businesses.
- Induced impacts represent the employment and earnings that result from purchases for food, housing, transportation, recreation, and other goods and services made by travel industry employees, and the employees of the indirectly affected industries.

### **Total Employment and Earnings Generated by Travel Spending in Wichita Falls**

Direct travel spending for the local economy was estimated to be \$258.8 million in 2014. The dollars spent on travel generated a \$21.8 million increase in local earnings. In turn, the direct earnings effect led to secondary effects in the form of indirect and induced effects on earnings. Using an earnings multiplier of 1.88, the combined secondary effects generated an additional \$19.2 million in earnings. Thus the total effects of travel-related spending, comprised of direct and secondary effects, was \$41 million on local earnings for 2014.

The dollars spent on travel also generated an increase in local employment, which was estimated to be 3,358 in 2014. As before, this direct employment effect led to secondary effects in the form of indirect and induced effects on employment. Using an earnings multiplier of 1.56, the combined secondary effects generated an additional 1,895 jobs. Thus the total effects, comprised of direct and secondary effects, of travel on local employment was 5,253 in 2014.

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<sup>1</sup> A more detailed analysis of direct and secondary employment can be found in *Texas Travel Industry Employment and Wages* (January 2013) prepared by Dean Runyan Associates for Texas Tourism. This report compares average hourly wages, educational attainment, demographic characteristics and other factors for occupations in the Texas travel industry and other industries in the state.



The BBGR assists and encourages student and faculty research related to economic development as it pertains to the Wichita Falls community and the region. The Bureau also promotes partnerships in the business and local community around contemporary economic, business, and governmental issues.



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