

Cross Timbers Business Report

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Third Quarter Growth Rate Disappoints Some Observers

By Adelaide Odoteye

The U.S. economy grew in the third quarter, but at a rate considerably less than many analysts predicted. Gross domestic product (GDP), a measure of all the goods and services produced in the U.S., increased at an annual rate of 3.7 percent during the period from July to September 2004. This growth exceeded the 3.3 percent rate posted in the second quarter, but was still significantly below the 4.3 percent that some economists predicted. The rate of growth last quarter was also below the 4.4 annual percentage increase reported for the first quarter of this year, and the 7.2 percent

For the third quarter, economists had alluded to evidence of rebounding consumer spending and a spurt in business spending as reasons to expect a larger growth rate. Consumer spending, which comprises two-thirds of total economic activity, did in fact increase by 4.6 percent, following a 1.6 percent gain in the previous quarter. Purchases of durable goods, such as cars and appliances that are intended to last three years or more, grew at a phenomenal 16.8 percent rate, a significant contrast from the 0.3 percent decline recorded in the second quarter. Spending on nondurable goods, such as clothing and food, rose by 3.9 percent – up from 0.1 percent in the previous period.

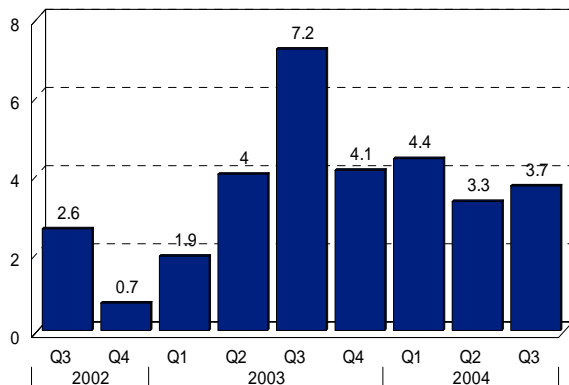
Business investment posted a solid increase of 8.5 percent, but this gain represented an overall decline from the 13.9 percent growth rate in the previous quarter. Federal government spending increased 4.6 percent, while spending by state and local governments fell by 0.5 percent. The economy realized a decrease in net exports of 2.6 percent, caused by exports increasing by only 5.1 percent, while imports advanced by 7.7 percent. The effect of imports on GDP was to reduce growth by 1.13 percentage points.

The third quarter readings, while below expectations, are encouraging nonetheless. As Richard Yamarone, an economist with the Argus Research Corp noted in a *Wall Street Journal* article, “The economy right now is running in the middle lane. We’re not in the fast lane, but we’re not on the shoulder or in the break-down lane.”

Adelaide Odoteye is a senior majoring in accounting at Tarleton State University

Changes in Real GDP

Annual Percentage Rates



Source: Bureau of Economic Analysis, U. S. Department of Commerce

increase experienced during the same period last year. Part of the reason for the slower rate of growth is that advances in consumer spending were offset by reduced inventory-building and lower net exports.

GDP is primarily influenced by consumer spending, business investment, government spending and net exports.

Labor Market Improvement Denoted By Employment Statistics

By Sukaina Jafri

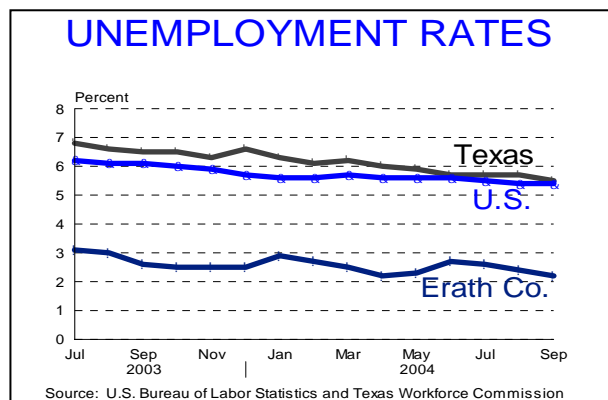
The Bureau of Labor Statistics recently reported that the national unemployment rate held steady at 5.4 percent from August to September. This stagnant pattern came despite an increase of 59,000 jobs over this period.

The August-September pattern marks a slight improvement when compared to July, when the national unemployment rate was at 5.5 percent. This year’s labor market data indicate the lowest jobless rates since October

2001. The latest figures may indicate the economy is making its way out of a soft spot. Following its September 21 meeting, the Federal Open Market Committee noted that, “after moderating earlier this year, partly in response to the substantial rise in energy prices, output growth appears to have regained some traction, and labor market conditions have improved modestly.”

The Texas unemployment rate fell from 5.7 percent in August to 5.5 percent in September. This is 1.1 percent lower than the jobless statistic noted the year before, although it remains slightly higher than the national average.

In the Cross Timbers area, all five counties experienced stable or improved unemployment rates when compared to last year, and all counties reported rates below the national and state averages.



Bosque County's unemployment rate decreased from 5.6 percent in July to 5.0 percent in August to 4.4 percent in September. The 5.1 percent average rate for the first nine months of 2004 is 1.3 percent below the 6.4 percent mean reported in 2003.

Comanche County also enjoyed a decrease in its unemployment rate – from 3.8 percent in July to 3.3 percent in August to 2.8 percent in September. The 3.7 percent average rate for the first nine months of 2004 equals the mean reported last year.

Eastland County's unemployment rate decreased from 3.5 percent in July to 3.2 percent in August to 2.8 in September. The 3.6 percent average rate for the first nine months of 2004 is 0.5 percent less than the 4.1 percent mean reported the previous year.

Erath County's jobless figure decreased from 2.6 percent in July to 2.4 percent in August to 2.2 percent in September. The 2.5 percent average rate for the first nine months of 2004 is significantly less than the 3.0 percent mean reported the previous year.

In Hamilton County, the unemployment rate decreased from 2.9 percent in July to 2.7 percent in August to 2.4 percent in September. The 2.9 percent average rate for the first nine months of 2004 is 0.5 percent less than the average reported in 2003.

The Bureau of Labor Statistics and the Texas Workforce Commission collect and report labor market data on a monthly basis. National and state figures are adjusted for normal seasonal variation, while local statistics remain unadjusted.

Sukaina Jafri is a senior economics major at Tarleton State University.

Rise in Consumer Prices Brought on By Higher Lodging Rates

By Rachel O'Dell

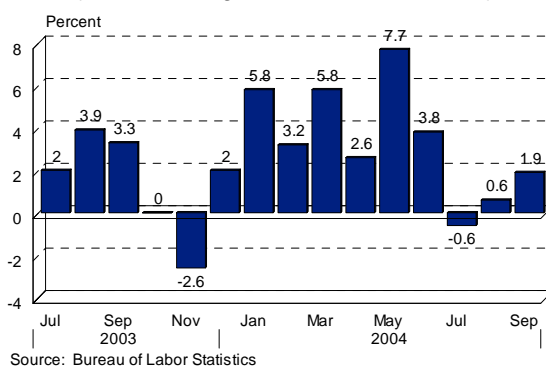
The consumer price index (CPI) is a statistic developed by the Bureau of Labor Statistics to measure changes in the cost of basic goods and services. Over the third quarter of 2004, this indicator rose at an annual average rate of only 0.6 percent. This increase compares favorably to the 4.7 percent average inflation rate reported the previous quarter.

The CPI decreased at an annual rate of 0.6 percent in July and advanced at rates of 0.6 and 1.9 percent in August and September. The increase in September's inflation rate was brought on by an increase in lodging rates, medical care prices, and transportation costs. According to the *Wall Street Journal*, the jump in lodging rates may have been aggravated by the sharp increase in demand for hotel and motel rooms brought about by hurricane-related evacuations in Florida. Energy prices declined for the third month in a row in September.

The core index, which excludes volatile food and energy items, rose at annual rates of 1.2 percent in August and 3.6 percent in September.

INFLATION RATES

(Annual Changes in Consumer Prices)



The Bureau of Labor Statistics collects and releases CPI data on a monthly basis.

Rachel O'Dell is a senior business management major at Tarleton State University.

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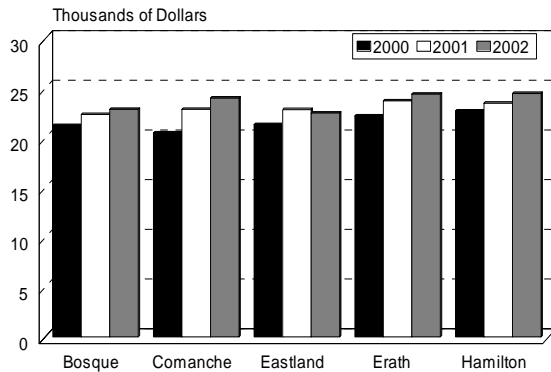
Most Cross Timbers Counties Post Income Gains

By Laurien C. McCaw

The Bureau of Economic Analysis recently reported on per capita personal income for all counties within the United States. Evidence from the report shows that with the exception of a slight decrease in Eastland County, all the counties within the Cross Timbers area experienced income growth in 2002.

Per Capita Personal Income

Area Counties



Source: U. S. Dept. of Commerce

Bosque County posted a 2.4 percent income growth from 2001 to 2002, which brought them to a per capita per-

sonal income level of \$22,902. As a result of this increase, Bosque rose from a ranking of 131st in 2001 to 122nd in 2002 out of 254 counties in Texas.

Comanche County reported an increase of 5.0 percent between 2001 and 2002, which was the highest growth rate of all five counties of the Cross Timbers area. The increase from \$22,892 to 24,036 caused Comanche to improve its Texas ranking from 100th to 92nd.

Eastland experienced a slight decrease in per capita personal income – from \$22,873 in 2001 to \$22,528 in 2002. Despite this drop off, Eastland County's ranking increased from 114th to 104th.

Erath County displayed a per capita personal income of \$24,431 in 2002. This figure represents a growth of 2.8 percent over the previous year. Erath rose from a ranking of 96th to 81st between 2001 and 2002.

Hamilton experienced the second highest growth rate (4.1 percent) between 2001 and 2002. The county's per capita personal income ranking rose from 98th to 79th over this period.

The Bureau of Economic Analysis, which is affiliated with the U.S. Department of Commerce releases county per-capita income data on an annual basis.

Laurien McCaw is a senior majoring in economics at Tarleton State University.

Retail Sales Hold Strong

By Zeb Pomeranke

According to retail sales figures released by the State Comptroller's Office for the first quarter 2004, the Cross Timbers counties as a whole experienced overall growth of 10.4 percent, with an aggregate sales increase of \$19.3 million over first quarter 2003. Four of the five counties comprising the Cross Timbers experienced an increase in gross retail sales in the first quarter of this year over the January-March 2003 value.

Bosque County's \$24 million in sales for the quarter gave it the largest percentage increase in the Cross Timbers area, with an advance of 48 percent over the 2003 value and a 60 percent increase over 2002's aggregate.

Erath County increased its sales total to \$93.6 million in the first quarter of 2004. This figure represents increases of 12 percent over 2003 and 9.7 percent over 2002.

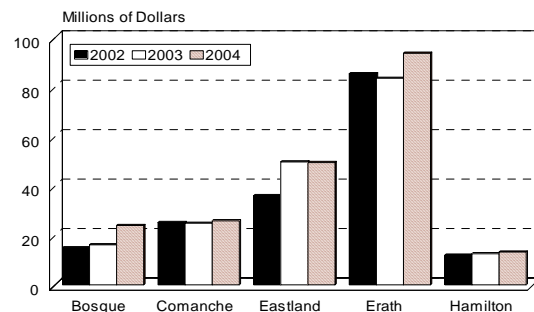
Hamilton County's retail sales total of \$13.2 million for 2004's first quarter reflects a gain of 5.5 percent over 2003 numbers and an advance of 10.8 percent over 2002.

Comanche County had total sales of \$25.9 million between January and March 2004, which represents a 4 percent increase over the previous year and 2.7 percent advance over the same period two years previous.

Eastland was the only Cross Timbers county to see a decline in retail sales. The county had first quarter 2004 sales of \$49.4 million – down from \$49.7 million in 2003. The slightly lower numbers still represent a 37 percent increase over the 2002 sales estimate.

RETAIL SALES

Area Counties, January - March



Source: State Comptroller's Office

The State Comptroller's Office collects and reports sales data on a quarterly basis.

Zeb Pomeranke is a graduating MBA student at Tarleton State University.

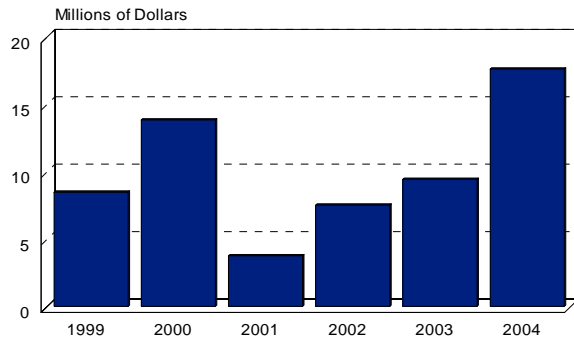
Building Permit Values at an Eight-Year High

By Ashley Mahone

Building permit values for the first nine months of 2004 are up 30% from the same period last year. Data reported by the City of Stephenville show that permit values have not been this high since before 1996. In June of this year, permits totaled over \$11 million—far surpassing

BUILDING PERMITS

Stephenville, January - September



Source: City of Stephenville

monthly totals from the past eight and a half years.

What contributed to such high values? According to Stephenville's building inspector, Troy Curtis, low interest rates are spurring construction. Two major permits were issued in June. Faith Lutheran Church was granted a permit to add a youth center, including a gym, representing a total of \$600,000. The other major permit was granted to Stam, Ltd for the Commons Apartments, a 173 unit complex on Vanderbilt Street, with an estimated value of \$9.6 million. Other factors contributing to this year's permit growth include a large number of single family housing permits business expansion permits, and permits for the construction of new business venues. Curtis predicted that permit values will continue at this healthy pace as long as interest rates remain low.

Stephenville requires permits for all new construction and remodeling within its boundaries. Changes in permit values precede actual construction expenditures.

Ashley Mahone is a senior marketing major at Tarleton State University.

Agricultural Prices Moderate

By Aubrey Gideon

According to data from the Texas Agricultural Statistics Service, prices of both crops and livestock and products declined in the third quarter from their historically high levels posted earlier this year.

During July of 2004, the index numbers for livestock and products dropped from 125 percent of its 1990-1992 level in June to 121 percent. This number then fell to 117 percent in August and 114 percent in September. The crop index number decreased from 111 percent in June 2004 to 98 percent in July. This statistic then dropped to 91 percent in August and to 90 percent in September. The livestock and products price index stood at 112 percent of its 1990-1992 value in September of last year, while the crop index value was 95.

The crop index numbers had the greatest effect on the index numbers for all farm products due to the greater decrease in percentage points. In June 2004 the all-products index number was 120. It then fell by 15 points over the next three months – by 9 points in July, by 3 points in August, and by another 3 points in September to a value of 105. The level of this statistic was 106 in September of 2003.

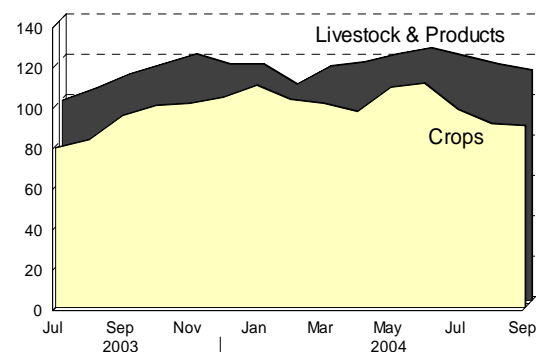
Beef cattle prices dropped over the third quarter from \$89.90 in July to \$89.30 in August to \$87.30 in September. However, in spite of the lowered prices, July showed a 19.9% increase over July 2003. August showed an increase

of 13.5 percent over August 2003 and September showed an increase of 4.4 percent.

Wholesale milk prices decreased from July to August (from \$16.70 to \$15.20), but the average price remained

INDEX NUMBERS OF PRICES

Received by Texas Farmers and Ranchers (1990-1992=100)



Source: Texas Agricultural Statistics Service

stable between August and September. July's price marks a 34.7 percent increase over July 2003; August's price was 13.4 percent higher than August 2003, and September's average milk price was equal to the previous September's level.

Aubrey Gideon is a senior accounting major at Tarleton State University.