

Cross Timbers Business Report

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Consumer and Business Spending Contribute to Soaring National Output

Fueled by strong advances in consumer and business spending, gross domestic product, the inflation-adjusted statistic that measures nation's output of goods and services, soared at the fastest annual rate in almost 20 years during the third quarter of 2003. This period's 7.0 percent increase follows advances of 3.2 percent in the second quarter and 1.4 percent in the first quarter.

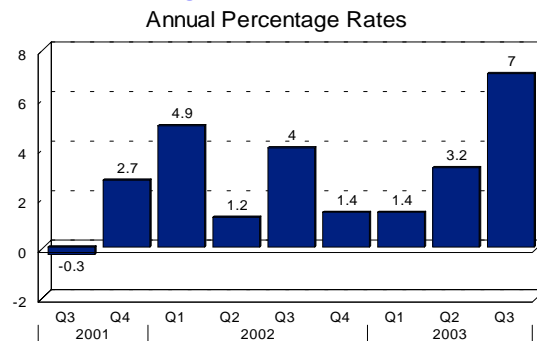
A healthy upturn in durable good outlays pushed consumption spending to an annual growth rate of 6.6 percent in the July-September period following a 3.8 percent increase in the previous quarter. Nondurable good purchases also advanced at a healthy pace.

Business investment has been a weak element of total spending since early 2000. Last quarter, this component staged a dramatic rebound and shot up at an 11.1 percent rate. Outlays for computers and equipment and for residential construction were the primary contributors to this increase.

Federal government purchases, which grew at a 25.5 percent rate in the second quarter, increased by only 1.4 percent in the July-September period. Third-quarter national defense expenditures were unchanged from the previous period.

Net exports also contributed to the quarter's output advance. Exports grew by 9.3 percent during the July-September period, while imports inched up by only 0.1 percent.

Changes in Real GDP



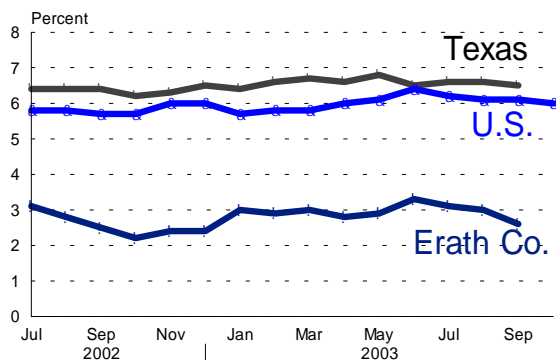
Source: Bureau of Economic Analysis, U. S. Department of Commerce

The Department of Commerce compiles and publishes national output data on a quarterly basis. All statistics are adjusted for normal seasonal variation, and preliminary figures are subject to later revision.

Labor Markets Show Tentative Signs of Strengthening

Economists identify unemployment as a lagging indicator of economic activity. This classification implies movements in the jobless statistic follow changes in other key macroeconomic variables such as stock prices and real GDP. Nevertheless, when the unemployment rate re-

UNEMPLOYMENT RATES



Source: U.S. Bureau of Labor Statistics and Texas Workforce Commission

mained above six percent after seven consecutive quarters of output advances and healthy corporate profit reports, some reporters expressed concerns that above-normal joblessness would persist far into the business recovery.

The latest employment report from the Bureau of Labor Statistics indicates the economic rebound is finally having a positive impact on labor demand, as the unemployment rate declined to 6 percent in October for the first time since April. Although this figure is only 0.1 percent lower than the value reported the previous month, it accompanies an unexpectedly strong increase of 126,000 in nonfarm business payrolls, the sharpest gain in nine months. The 6.0 percent average jobless rate for the first ten months of 2003 is slightly higher than the 5.7 percent average posted the year before.

In Texas, employment gains in construction, trade, government, transportation, and utilities helped push the jobless statistic down from 6.6 percent in August to 6.5 percent in September. The state's 6.6 percent average unemployment rate for the first nine months of 2003 is 0.3 percent higher than the value noted the year before.

All five Cross Timbers counties exhibited higher jobless rate averages in 2003 than in 2002. Four of these counties' rates were significantly below the national average, however.

Bosque County reported a decline in unemployment from 6.9 percent in July to 6.6 percent in August to 5.9 percent in September. The 6.4 percent average rate for the first nine months of 2003 is almost a full percentage point above the 5.5 percent mean reported the previous year.

Comanche County also experienced a decrease in its jobless statistic, from 4.1 percent in July to 3.5 percent in September. The county's 3.7 percent average rate for the

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first three quarters of this year compares unfavorably to the 2.9 percent value noted in 2002.

Eastland County's unemployment figure fell from 4.3 percent in July to 3.8 percent in August to 3.5 percent in September. The 4.1 percent average rate for the first nine months of 2003 is only slightly higher than the 3.9 percent figure posted for the same period last year.

Erath County's unemployment rate declined from 3.1 percent in July to 2.6 percent in September. The 3.0 percent average rate for 2003's first three quarters is 0.2 percent higher than the value noted for the same period in 2002.

Hamilton County reported a slight increase in joblessness, from 3.5 percent in July to 3.6 percent in August and then noted a decline to 3.3 percent in September. The county's 3.4 percent average jobless value for the first nine months of this year is significantly higher than the 2.6 percent figure reported last year.

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.

Inflation Remains Moderate

According to data recently released by the Bureau of Labor Statistics, the Consumer Price Index, a measure of prices paid for goods and services purchased by the average urban resident, increased at an average annual rate of 3.1 percent in the third quarter of 2003. Although this increase is somewhat greater than the 2.4 percent rate posted during the same period last year, it lies within the 0-4 percent range that indicates low to moderate inflation.

Higher motor fuel prices received most of the blame for last quarter's inflationary pressures. Housing, governmental services, and medical-care costs also rose. Consumer prices have risen by 2.3 percent over the past twelve months.

Governmental statisticians collect and report consumer price statistics on a monthly basis. All monthly figures are adjusted for normal seasonal variations.

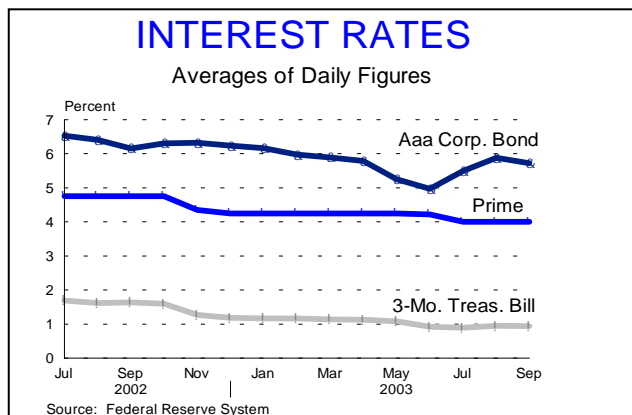
Interest Rates Show Little Change

Data from the Federal Reserve System indicate long and short-term interest rates were relatively stable in 2003's third quarter. Rates on these debt instruments were below values for the same period last year.

The interest rate for three-month Treasury bills moved from 0.9 percent in July to 0.95 percent in August to 0.94 percent in September. These figures fall just below the Federal Reserve's one-percent target for the federal funds rate and lie well below the average rate of 1.65 percent reported on Treasury bills in 2002's third quarter.

The interest rate on low-risk Aaa corporate bonds jumped from 5.49 percent in July to 5.88 percent in August then eased back to 5.72 percent in September. These figures are significantly below the 6.36 percent average value posted during the same three months of last year.

The prime interest rate banks offer their lowest-risk corporate borrowers remained steady at four percent between July and September of this year. The prime rate stood at 4.75 percent during the same period in 2002.



The Federal Reserve reports interest rate movements on a regular basis and maintains a large data base of historical figures. Interest rates both determine borrowing costs and serve as indicators of monetary policy.

Retail Sales Reveal Mixed Pattern

According to figures from the State Comptroller's Office, retail sales in the five Cross Timbers counties followed a mixed pattern in the first quarter of this year. Three counties posted revenue increases over the previous year, while two counties noted declines.

Eastland County reported the largest sales gain during the January-March period. Its \$49.7 million revenue figure for 2003 is 37.9 percent greater than the value reported the year before and is 41.5 percent above the estimate for 2001.

Bosque County also posted a sales increase during 2003's first three months. This county's \$16.2 million total reflects a gain of 8.3 percent over the previous year and an advance of 0.5 percent over the same period two years ago.

Hamilton County's \$12.6 million revenue aggregate reflects gains of 5.3 percent and 9.9 percent over 2002 and 2001 totals.

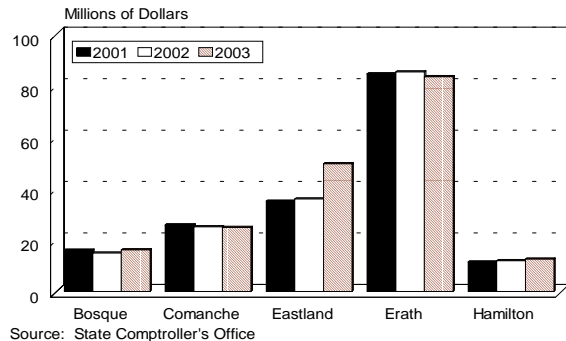
Comanche County retail merchants posted sales of \$24.9 million in this year's first quarter. This value is 1.1 percent less than the year before and is 3.6 percent below the same period two years earlier.

Erath County reported the largest percentage retail sales decline between 2002 and 2003. Its \$83.5 million

revenue total for the January-March period falls 2.2 percent short of the value posted for the same period last year and is 1.3 percent less than the 2001 figure.

RETAIL SALES

Area Counties, January - March



The State Comptroller's Office collects and reports retail sales data on a quarterly basis. Five to six months typically elapse between the end of a quarter and the release of that period's figures.

Notice of Possible Format Change

Budgetary considerations have prompted Tarleton State University to consider a change in the publication format of the *Cross Timbers Business Report* effective with the winter issue. Tentative plans call for a posting on the Tarleton Web site at the following address: <http://www.tarleton.edu/~econ/ctbr.pdf>. Public notice of new postings will be published in the *Stephenville Empire Tribune*. A mailing list will be maintained for individuals who prefer to receive this publication in a printed format. If you would like to have your name added to this list, write William L. Beaty, P.O. Box T-920, Tarleton Station, TX 76402, E-mail beaty@tarleton.edu, or call 254-968-9622.

Tax Allocations Register Slight Improvement

A recent report from the State Comptroller's Office indicates four of five Cross Timbers cities experienced improvements in sales tax allocations during the first ten months of 2003 when compared to the same period last year. Three of these cities registered declines when compared to 2002 figures.

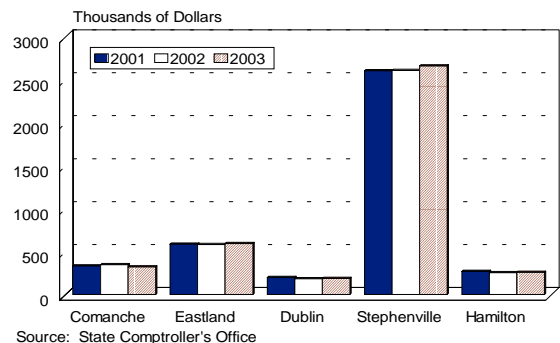
Stephenville received \$2,663,439 in tax rebates during the January-October period of this year. This value represents a gain of 2.0 percent over the year before and an advance of 2.1 percent when compared to the same period two years earlier.

Eastland's \$592,704 sales tax allocation for the first ten months of 2003 reflects a 1.6 percent improvement over the 2002 value and a 1.3 percent advance over the 2001 figure.

Hamilton received \$255,736 in sales tax rebates between January and October of this year. This value is 1.0

SALES TAX ALLOCATIONS

Area Cities, January - October



percent greater than the figure reported the year before but falls 4.8 percent short of the value for 2001.

Dublin's \$186,090 allocation for the first ten months of this year compares favorably to the \$183,153 value for the year before but falls well below the \$195,939 value noted two years earlier.

Comanche received \$321,192 in tax allocations between January and October of 2003. This value falls 7.3

percent short of the aggregate for the year before and 2.9 percent below the value for 2001.

The State Comptroller's Office collects and returns the one or one-and-one-half percent sales tax authorized by city governments on a monthly basis. Movements in these allocations roughly parallel changes in the sales of taxable commodities two months earlier.

Agricultural Prices Move Higher

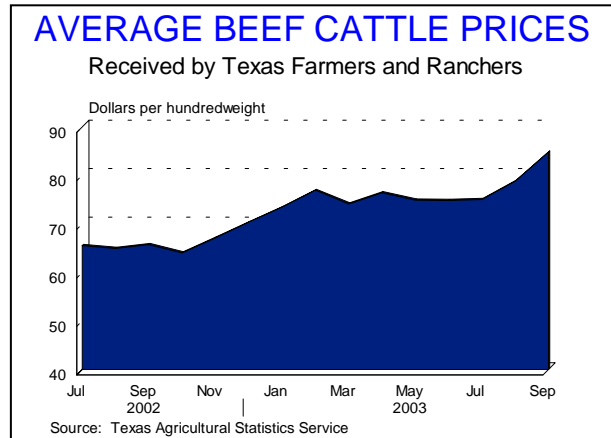
A surge in beef cattle prices led revenue advances for most other Texas agricultural commodities to yield an 18.4 percent increase in the price index for agricultural products, according to data from the Texas Agricultural Statistics Service. On the national level, the index of prices paid by farmers rose at a slower rate than the index of prices received resulting in a net improvement in the purchasing power of agricultural products.

A 29.1 percent surge in beef cattle prices led a broad advance in livestock and livestock products to move this index from 89 percent of its 1990-1992 level in September 2002 to 112 percent this September. Wholesale milk prices rose by 11 percent over this span, while hogs, sheep, and eggs also posted advances.

The crop price index moved from 83 percent of the 1990-1992 level last September to 86 percent this year. Cotton, cottonseed, and hay prices advanced over the past year, while corn, grain sorghum, and wheat revenues declined.

The U.S. farm price index registered an 11.2 percent increase in average revenues received from the sale of agricultural products, while the average of prices paid advanced by 2.4 percent. As a result of these movements, the ratio of prices received to prices paid improved from

78.4 percent of the 1990=1992 average in September 2002 to 85.2 percent this September.



The Texas Agricultural Statistics Service, which represents a joint effort by the United States Department of Agriculture and the Texas Department of Agriculture collects and publishes agricultural commodity price data on a monthly basis. None of these figures are adjusted for normal seasonal variation.

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