

# Cross Timbers Business Report

Published by the College of Business Administration, Tarleton State University  
Articles by Members of Delta Mu Delta, William L. Beaty, Editor

Volume 17, No.2

Winter 2004

## Economic Growth Slows in the Fourth Quarter

By Kade Machen

Following the fastest annual growth rate in almost 20 years, real gross domestic product, an inflation-adjusted measure of all goods and services produced in the United States, increased at a 4 percent annual rate in the fourth quarter of 2003. This rate is only half of the growth figure posted the previous quarter but is still a significant

Consumer spending, which accounts for two-thirds of economic activity, gained 2.6 percent, following a 6.9 percent growth rate in the previous quarter. The purchase of durable goods, items that should last three or more years, increased consumer spending by only a small percentage. More of the consumer spending growth resulted from the purchase of nondurable goods during the period.

Business investment, which rose 12.8 percent in the third quarter, advanced 6.9 percent in the October-December period. This increase was led by a large increase in business inventories, which followed declines in the two previous periods.

Government spending rose only 0.8 percent compared to a 1.8 percent climb in the prior quarter. State and local government expenditures rose at a 0.9 percent rate, and federal government outlays advanced at a 0.7 percent annual pace.

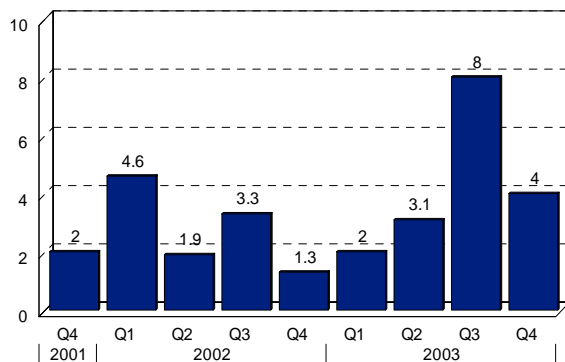
Exports rose by 19.1 percent in the fourth quarter, while imports increased by 11.3 percent. This increase in net exports was supported by a weaker U.S. dollar and stronger foreign demand for U.S. products.

The Bureau of Labor Analysis, a branch of the Department of Commerce, collects and reports national output data on a quarterly basis. Preliminary estimates are subject to two revisions in coming months.

*Kade Machen is a senior finance major at Tarleton State University*

### Changes in Real GDP

Annual Percentage Rates



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

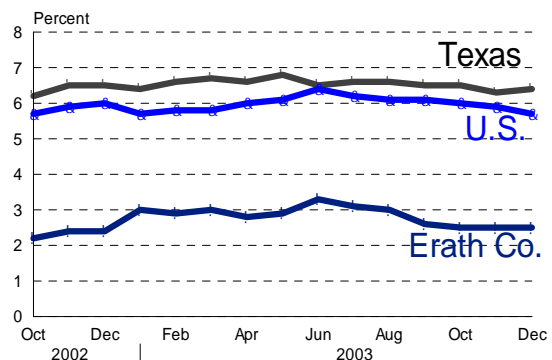
sign of economic recovery. This 4 percent annual growth rate for the three month period of October-December was slightly under the expected growth of 4.8%. Last quarter's advance was led by contributions from personal consumption, business equipment and software purchases, residential and inventory investment, and exports.

## Job Market Data Present Mixed Picture

By Aubrey Gideon

In December of 2003 the national unemployment rate declined to its lowest level in 14 months, while the Texas jobless statistic posted a slight increase. According to the Bureau of Labor Statistics, both areas experienced higher unemployment levels in 2003 than in 2002. Meanwhile, the Texas Workforce Commission reports all five Cross Timbers counties posted higher jobless figures last year than in the year before.

## UNEMPLOYMENT RATES



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

According to the *Wall Street Journal*, the December decrease in unemployment, from 5.9 percent to 5.7 percent, came in spite of anemic growth in total employment. Most of this decline was attributed to the fact that many individuals have ceased looking for jobs and are no longer part of the labor force. The nation's unemployment rate averaged 6.0 percent in 2003, which is slightly higher than the 5.8 percent average posted the previous year.

The Texas unemployment rate rose from 6.5 percent in January to 6.8 percent in May then declined to 6.3 and 6.4 percent in November and December. The state's average jobless figure of 6.5 percent last year is also slightly above the 6.3 percent figure noted in 2002.

In the Cross Timbers area, Bosque County's unemployment rate moved from 6.3 percent in January to 7.6 percent in June before declining to 5 percent at year's end. Last year's 6.1 percent average jobless rate compares unfavorably to the 5.5 percent figure reported in 2002.

In Comanche County, joblessness increased from 3.4 percent of the labor force in January to 4.4 percent in June then declined to 3.7 percent in December. The county's annual average was 3.6 percent, which represents a significant jump from the 2.9 percent value posted in 2002.

Eastland County's unemployment rate started 2003 at 4.2 percent, advanced to 4.7 percent in June, then declined to 3.4 percent in December. The annual average rate of 3.9 percent is up slightly from 3.8 percent in 2002.

The Erath County jobless figure rose from 3 percent in January to 3.3 percent in June, and then declined to 2.5 percent in December. The 2003 annual average was 2.8 percent, which marks a one-tenth percentage point increase over 2002.

Hamilton County's averages fluctuated from 3.6 percent in January to 4 percent in June to 2.8 percent in December. The annual average rate was 3.2 percent -- up seven-tenths of a point from 2002.

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

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

*The College of Business Administration at Tarleton State University presents the Cross Timbers Business Report <http://www.tarleton.edu/~econ/ctbr.htm> as a service to local residents. It is written by the members of Delta Mu Delta, a business honor society. This report is distributed without charge to any interested person or organization. To subscribe to this publication or make suggestions regarding its content, write William L. Beaty, Editor, P.O. Box T-920, Tarleton Station, TX 76402, phone 254-968-9622, or E-mail [beaty@tarleton.edu](mailto:beaty@tarleton.edu).*

## INFLATION POSTS MODEST GAIN

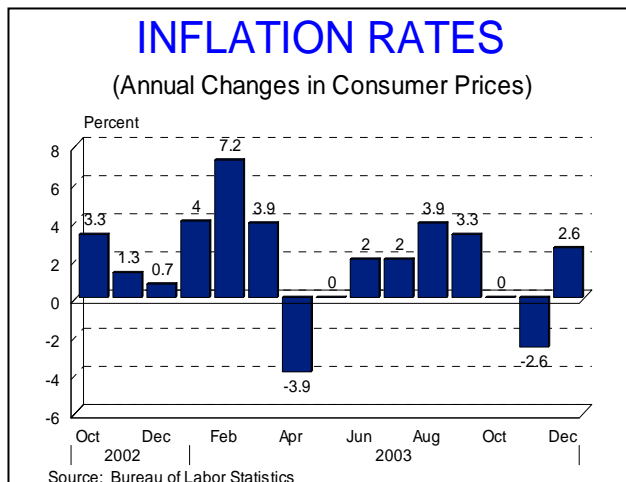
By Debra J. Ciccarelli

The consumer price index (CPI), a statistic that reports price movements for a collection of goods and services typically purchased by urban households, rose at an annual rate of 2.6 percent in December 2003, according

to the *Wall Street Journal*. Most of this change was attributed to a rise in food and energy prices.

Consumer prices increased 1.9 percent between December 2002 and December 2003, the smallest inflation rate in two years. The core rate, which excludes the volatile food and energy segments, increased by 1.1 percent, representing a 43-year low, or what policy makers regard as the "bottom" of the desirable range. - *The Wall Street Journal* also stated, "Although U.S. economy has grown rapidly for more than six months and the dollar has lost value against other major currencies, the Fed has said businesses haven't gained much power to raise prices."

The inflation numbers accurately match economist's forecasts, and they support the view of policy makers that inflation will stay low for most of 2004. This development supports the Federal Reserve's assertion that it is under no pressure to raise interest rates.



Other consumer prices such as food outlays, which account for 16 percent of the index, rose by 0.6 percent in December, accelerating slightly from a 0.4 percent gain in November. Energy prices rose 0.2 percent in De-

ember, rebounding from a 3 percent decline in November.

*Debra Ciccarelli is a junior business occupations major at Tarleton State University*

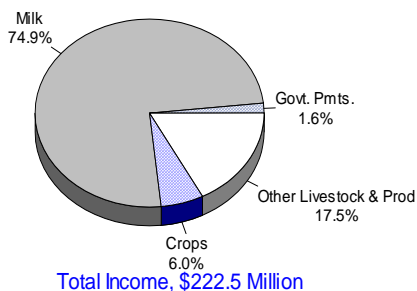
## Milk Sales Continue Domination of County's Agricultural Revenues

By Jessica Merritt

Erath County has several sources of agricultural income. These sources include milk sales, government payments, sales of other livestock and products, and crop revenues. Over the past several years income from these sources has fluctuated, but milk receipts have consistently dominated all other income sources.

### AGRICULTURAL INCOME BY SOURCE

Erath County, 2003



Source: Agricultural Extension Service

In 2001, milk income was \$211,111,400 which accounted for 78.9 percent of the county's agricultural receipts. Other livestock and product sales contributed 15.2 percent, or \$40,636,300. Crops produced \$11,893,200 in income (4.4 percent), and governmental payments contributed \$3,806,400 (1.4 percent) to Erath County's total farm revenues.

The year 2002 showed declines in most areas of agricultural income. Crop receipts dropped to \$11,547,000 (5.1 percent of total). Milk revenues fell to \$170,422,400 or 75.9 percent of income. Other livestock and product sales declined to \$36,709,500 (16.4 percent). However, government payments increased to \$5,768,200, which equaled 2.6% of the county's total income.

During 2003, governmental payments declined to \$3,631,200 or 1.6 percent of total agricultural income. Stimulated by strong beef prices, other livestock and product revenues rebounded to \$38,859,200, contributing 17.5 percent. Milk income dropped again, to \$166,671,000, but still equaled 74.9 percent of the

county's farm revenues, while crops rose to \$13,330,900 or 6.0 percent. These elements generated a total of \$222.5 million for the year. The income components for 2003 can be seen in the accompanying graph.

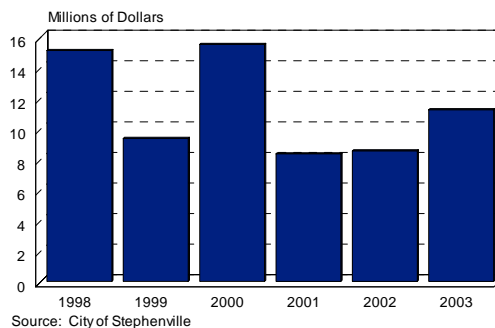
How do the years compare? It depends on the income source. Income from milk dropped 2.2 percent from 2002 to 2003 and 21.1 percent from 2001 to 2003. Government payments registered declines of 37 percent between 2002 and 2003 and 4.6 percent between 2001 and 2003. Income from other livestock and products declined by 4.4 percent from 2001 and 2003 but rose by 5.9% from 2002 to 2003. Crop income saw gains of 15.4 percent between 2002 and 2003 and 12.1 percent from 2001 and 2003. Erath County's total agricultural income for 2003 registered declines of 0.9 percent and 16.8 percent from 2002 and 2001 levels.

The Erath County extension office collects and publishes agricultural income data on an annual basis.

*Jessica Merritt is a graduate student majoring in Business at Tarleton State University.*

### BUILDING PERMITS

Stephenville, January - December



According to Troy Curtis, Building Inspector for the City of Stephenville, the largest volume of new home permits since 1994 pushed the building permit total to \$11,228,080 last year. This value represents a gain of 31.5 percent over the year before and an advance of 34.6 percent over the 2001 figure.

## ***Erath Milk Output Declines – Production Shifts Westward***

By Debra J. Ciccarelli

According to the USDA Market Administrator's Report, The milk production level for Texas has shown a steady increase over the past two years. Last year's 5,611.1 million pound output total reflects gains of 5.6 percent and 9 percent over 2002 and 2001 levels

Because of climatic and regulatory factors, production has been shifting to the Texas Panhandle for the last several years. At present, four of Texas' top ten producing counties are now located in the Southern High Plains area (Lamb, Deaf Smith, Parmer, and Castro Counties). These counties' 2003 output levels registered double and triple-digit gains over 2002 production aggregates.

Despite production declines in two local counties, more than 30 percent of Texas' total milk output is still produced in the Cross Timbers area.

Erath's 117 dairy farmers maintained their position as the state's top milk producers for all of last year. The county's production total of 1,237.1 million pounds still reflects more than 20 percent of the state's aggregate output. Erath County's 2003 production level fell 7.5 percent below figures for both 2002 and 2001.

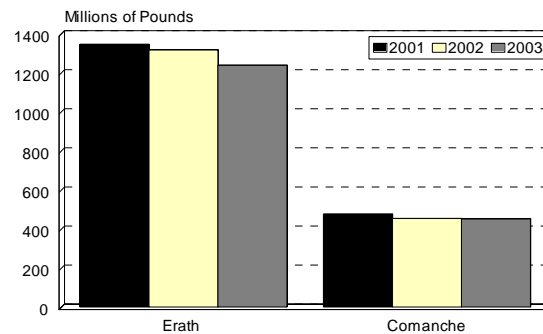
Comanche County's 34 dairy farmers produced 450.2 million pounds of milk last year and ranked third

out of Texas' 254 counties. The Comanche County output figure reflects approximately 8 percent of the state's total production. Comanche's 2003 output aggregate is about even with the previous year's production level but falls 6.6 percent below the figure for 2001.

The Market Administrator's Office (Southwest Marketing Area) collects and publishes milk production data for Texas and New Mexico on a monthly basis.

### **MILK PRODUCTION**

Area Counties, January - December



Source: Market Administrator's Report

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