

Cross Timbers Business Report

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First Quarter GDP Posts a Healthy Rise

By Kade Machen

The economy maintained a healthy growth rate during the first quarter of 2004, as gross domestic product, a measure of all U.S. produced goods and services, increased at an annual rate of 4.1 percent. This advance was identical to the growth rate exhibited the previous quarter. The growth rate for the January through March period was below the expected growth of 5 percent value that economists had forecast, but it was well above the 3.1 percent average expansion for the past thirty years. Last quarter's advance was led by strong spending for personal consumption, equipment and software purchases, inventory investment, and exports. An increase in government spending and a decrease in imports also contributed to this increase.

Consumer purchases, which account for two-thirds of total economic activity, gained 3.8 percent in the first quarter, following a 3.2 percent advance in the previous period. The purchase of durable goods, items that should last three or more years, decreased slightly, but advances in nondurable goods and services expenditures made up for this weakness.

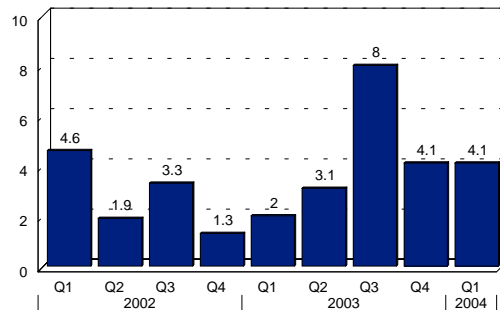
Business investment advanced by 7.2 percent, following a 10.9 percent increase the previous quarter. Federal government spending increased 10.1 percent this quarter compared to a slight 0.7 percent gain in the prior period. State and local government spending declined by 2.6 percent. Exports rose by 3.2 percent in the first quarter, while imports only increased by 2.0 percent. This increase in net exports was supported by a

weaker U.S. dollar and stronger foreign demand for U.S. products.

Some analysts estimate the second quarter's output level will increase somewhere in the 4.5 to 5 percent range. The second half of 2004 may see a growth of only 4 percent, but this rate is still healthy. Alan Greenspan, the Federal Reserve Chairman, recently said "Looking forward, the prospects for sustaining solid economic growth in the period ahead are good."

Changes in Real GDP

Annual Percentage Rates



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

The Bureau of Labor Analysis, a branch of the U.S. Department of Commerce collects and reports national output data on a quarterly basis. Preliminary estimates are subject to later revision.

Kade Machen is a graduating finance major at Tarleton State University.

Labor Market Statistics Indicate Expanding Economy

By Aaron Johnson

During the month of March, *The Wall Street Journal* reported U.S. employers hired workers at the fastest rate in four years. Nonfarm business payrolls grew by 308,000 jobs, a rate significantly higher than the 120,000 jobs projected by many economists. Even so, the unemployment rate increased by a tenth of a percentage point to 5.7 percent. This increase can be attributed to the emergence of job seekers renewing their searches, causing the labor force to grow slightly faster than those individuals who are actually employed. Steven Wood, chief economist at Insight Economics, writes

"this is the most hopeful sign that we have had that the economic expansion is becoming self-sustaining."

The latest figures from the Bureau of Labor Statistics show unemployment rose from 5.6 percent in February to 5.7 percent in March. The first quarter average for 2004, listed at 5.6 percent, is slightly lower than the 5.8 percent posted in 2003.

In Texas, employment gains in Trade, Transportation, and Utilities, Leisure and Hospitality, and Education and Health Services helped push the state's unemployment rate from 6.3 percent in January to 6.1 percent in February to 6.2 percent in March. Unemployment for the

first three months of 2004 averaged 6.2 percent, a marked improvement from the 6.8 percent figure posted during the same period in 2003.

Four Cross Timbers counties, Bosque, Eastland, Erath, and Hamilton, exhibited lower jobless rate averages in 2004 than in 2003. Only Comanche County showed a significant increase. All five counties' jobless rates were below the national average.

Bosque County reported a decline in unemployment from 5.2 percent in January and February to 5.1 percent in March. The 5.2 percent average rate for the first three months of 2004 is a full percentage point lower than the average reported the previous year.

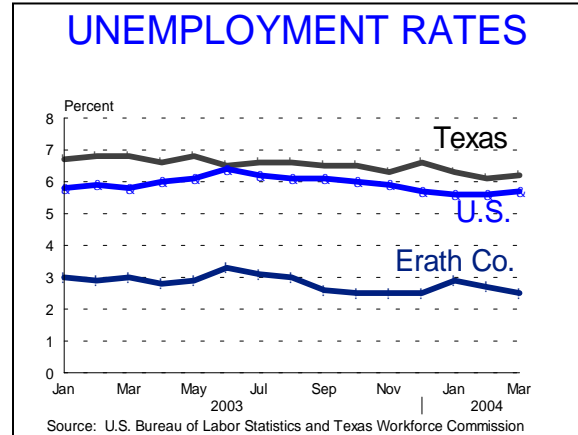
Comanche County noted an equaling out in its jobless statistic, from 4.1 percent in January to 3.7 percent in February to 4.1 percent in March. The county average of 4.0 percent for the first quarter is considerably higher than the 3.2 percent mean posted in 2003.

Eastland County's unemployment rate showed a decrease from 4.4 percent in January to 3.7 percent in February to 3.9 percent in March. The 4.0 percent average for the three months is slightly lower than the 4.2 percent figure posted in 2003.

Erath County noted a decrease in its jobless rate from 2.9 percent in January to 2.7 percent in February to 2.5 percent in March. The 2.7 percent average for the first quarter of 2004 is .3 percentage points lower than

the value posted for the same period in the previous year.

Hamilton County's unemployment rate held steady at 3.0 percent for the first three months of this year. This figure is lower than the 3.4 percent mean posted for the first quarter of 2003.



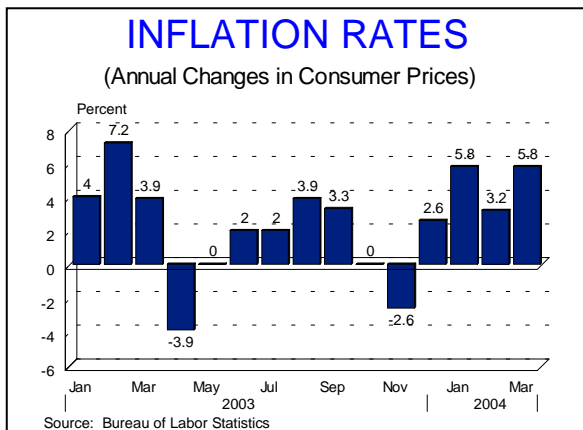
The Bureau of Labor Statistics and the Texas Workforce Commission collect and report labor market data on a monthly basis. National and state figures are adjusted for normal seasonal variation, while local statistics remain unadjusted.

Aaron Johnson is a graduating student majoring in economics at Tarleton State University.

Consumer Price Data Indicate Worsening Inflation

By Kristi Turner

The consumer price index (CPI), a statistic used to measure changes in the cost of basic goods and services, increased at an average annual rate of 4.9 percent in the first quarter of 2004. This value is significantly higher than the 1.8 percent average rate increase shown between March 2003 and March 2004.



As reported by the *Wall Street Journal*, the core index, which excludes volatile food and energy items, rose at a 4.8 percent rate in March, its largest increase since November 2001. This rise in the core index resulted from gains in clothing prices and in the cost of lodging. In the broader index, rising energy costs were also a factor, as higher crude oil prices were passed along to consumers. Part of the worsening price picture resulted from a strengthening economy, which allowed companies to regain pricing power after struggling through the recent economic downturn.

"The news may further fan fears that the Federal Reserve will raise interest rates later this year from a 46-year low of 1%. Most economists now expect the Fed to boost rates as early as August," the *Wall Street Journal* states. For the next few months, however, economists believe the Fed can afford to wait for further signs of the rising price trend and will probably keep interest rates low in an attempt to cultivate economic growth.

Kristi Turner is a senior accounting major at Tarleton State University.

Interest Rates Remain Stable

By Jessica Merritt

The Federal Reserve System reported relatively stable interest rates for the first quarter of 2004. These rates were slightly lower than the values posted during the same period of 2003.

The prime rate is the interest rate offered by banks to their lowest-risk corporate customers. The prime rate for the first quarter of 2004 was a constant 4 percent. This number was down slightly down from 4.25 percent figure reported for the same period last year.

The interest rate for three-month Treasury bills during the first quarter averaged .92 percent. This percentage was down from a 1.16 percent average for the same three months of last year.

The interest rates for Aaa corporate bonds showed the largest change from the first quarter of 2003 to the same period in 2004. Aaa corporate bond rates were 5.54, 5.50 and 5.33 for January, February and March of this year. The average rate for the same time period last year was 6.0 percent.

The Federal Reserve System constantly tracks and reports interest rate figures. Interest rates determine the cost of personal and business borrowing and indicate the direction of monetary policy.

Jessica Merritt is a graduating MBA student 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.

Gross Sales Show Signs of Strengthening

By Tana Boucher

Texas State Comptroller Carole Keeton Strayhorn recently released the State Sales and Use Tax Analysis Report for the third quarter of 2003. All five counties in the Cross Timbers area experienced increases in gross sales compared to the cumulative third quarter value for 2002, but two counties reported decreases when compared to the same period in 2001.

Erath County, with revenues of \$434.9 million, had the highest cumulative sales of any Cross Timbers county for the first nine months of 2003. Last year's total is up 2.5 percent from the 2002 figure and is 3.9

percent higher than the aggregate reported for the same period in 2001.

Eastland County experienced the highest growth rate since 2001. The cumulative third quarter figure for 2003 was \$385.5 million, representing an increase of 3.9 percent over 2002 gross sales. The 2003 value represents a 23 percent increase from the 2001 figure.

Comanche County had \$163.2 million in gross sales for the first nine months of 2003. This value compares favorably to postings of 145.5 million in 2002 and 144.6 million in 2001.

Bosque County had cumulative gross sales of \$122 million through the third quarter of 2003. This value is up 1.9 percent from the 2002 figure but is down 11.2 percent from the 2001 aggregate.

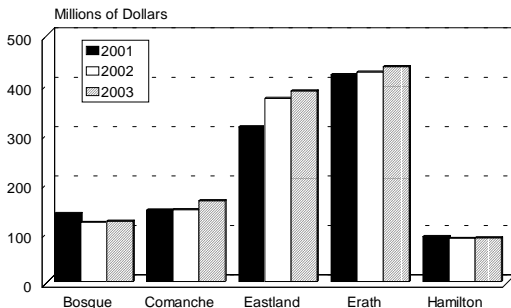
Hamilton County reported \$88.6 million in gross sales for the first nine months of 2003. This value represents an increase of 1.3 percent from the 2002 figure and a 2.5 percent decrease from the 2001 gross sales value.

The State Sales and Use Tax Analysis Report is released quarterly by the State Comptroller's Office. For more information concerning the performance of other Texas counties or the breakdown of gross sales per industry visit www.window.state.tx.us/taxinfo/staxqtr/

Tana Boucher is a sophomore majoring in accounting at Tarleton State University

GROSS SALES

Area Counties, January-September

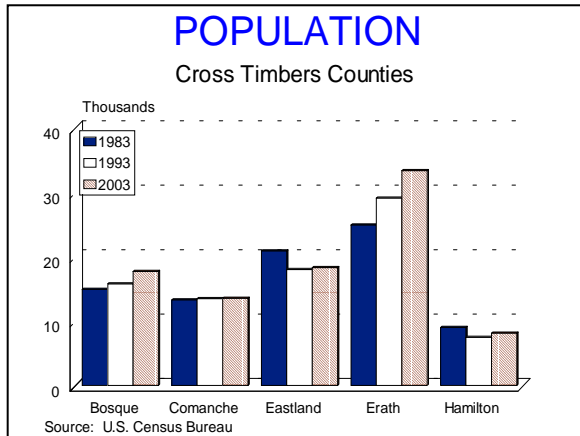


Source: State Comptroller's Office

Area Populations Increase Over Past Ten Years

By Joanna Shaw

The United States Bureau of the Census recently reported that all five Cross Timbers counties experienced population growth over the ten years between 1993 and 2003. However, two counties witnessed population declines in the twenty year span since 1983.



Bosque County's population rose by 12.4 percent over the past ten years, moving from 15,742 in 1993 to 17,696 in 2003. During the past two decades the county experienced an overall population growth of 18.8 percent.

Comanche County has posted a slower population expansion over the past two decades. The 1983 population of 13,300 moved to 13,490 in 1993 and to 13,541 in 2003. These values reflect only a .04 percent population growth for the past ten years and a 1.8 percent increase over the past twenty years.

Eastland County's 18,300 population figure for 2003 is only 1.8 percent higher than the value reported ten years earlier and falls 12.4 percent below the value estimated in 1983.

Erath is the most populous Cross Timbers county and has maintained the most consistent and rapid population expansion over the past 20 years. The county reported a 2003 population of 33,370. This value is significantly higher than the 29,088 and 24,900 population aggregates posted in 1993 and 1983.

Hamilton with a 2003 population of 8,118 is the least populous Cross Timbers county. Last year's population total is 8.6 percent above the 1993 value but is 9.8 percent less than the 1983 estimate.

The Bureau of the Census updates population estimates for all U.S. cities and counties on an annual basis.

Joanna Shaw is a graduate student majoring in human resource management at Tarleton State University

Tax Allocations Up Through April

By Carl Stovall

According to recent reports from the Texas State Comptroller's Office, sales tax allocations for the Cross Timbers area are on the rise this year through the month of April when compared to the same months of last year.

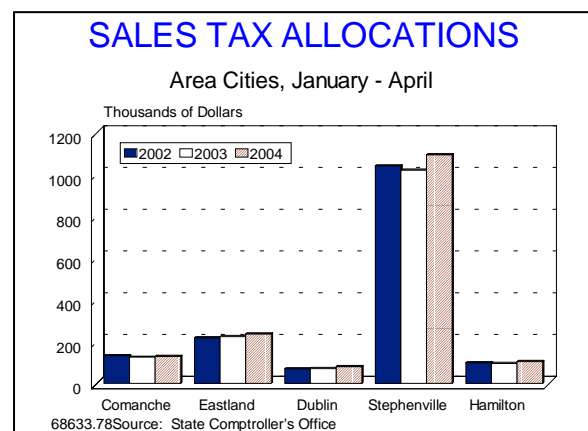
Stephenville, with cumulative allocations of \$1,093,000 realized a 7.1 percent gain over last year. This year's aggregate is 5.1 percent higher than the figure for the same four months of 2002.

Eastland has received \$235,508 thus far in 2004. This value marks a 5.3 percent rise from 2003 and an 8.7 percent advance over 2002.

Comanche's \$127,943 rebate total for January through April 2004 is 3.0 percent higher than the value for last year but is 3.0 percent lower than the 2002 figure.

Hamilton's current allocations for 2004 are at \$103,963, which represents a 10.4 percent increase from 2003 and a 6.7 percent increase from 2002.

In Dublin, allocations through April are at \$78,753. This figure represents a 12.6 percent rise from the same period in 2003 and a 14.7 percent increase from 2002.



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.

Carl Stovall is a graduate student majoring in information systems at Tarleton State University