

# 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 18, No.3

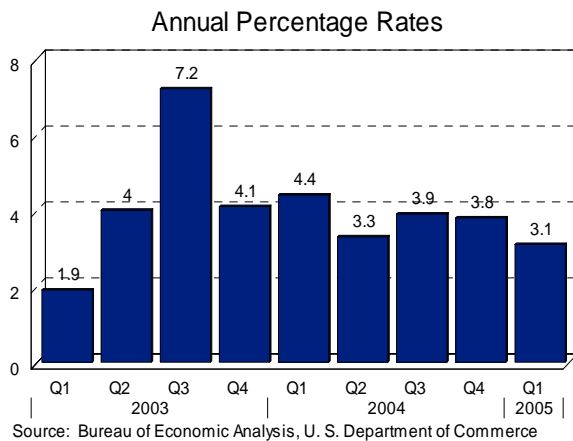
Spring 2005

## First Quarter Output Expands at Decelerating Pace

By Sukaina Jafri, Student Editor

The United States economy grew at an annual rate of 3.1 percent for the first quarter of 2005, slightly below the 3.5 percent rate predicted by a consensus of economists. This figure represents the slowest growth GDP has experienced in two years, after the figure for the last quarter of 2004 was revised to 3.8 percent.

### Changes in Real GDP



Gross domestic product (GDP), a measure of all the final goods and services produced in the United States has been gradually increasing but at rates that have disappointed some observers. GDP is composed of consumer spending, business investment, government spending, and net exports.

The sluggishness of the U.S. economy is partially due to a surge in the price of oil. This increase led to a restrained advance in both business and consumer spending. Consumer spending, which accounts for more than two-thirds of all U.S. economic activity, rose by 3.5 percent, less than the 4.2 percent gain seen in the fourth quarter of 2004. Business investment increased by 4.7 percent. However, spending on equipment and software is lower than it has been in the last two years.

High oil prices aided in widening the trade deficit and further hindered economic growth. Retail sales also waned with a 2.8 percent decrease for big-ticket manufactured goods for the month of March.

The first quarter readings, which are below expectations, are not particularly inspiring. Chief U.S. economist Joshua Shapiro at MFR Inc. said, "Uncertainty abounds, particularly relating to the duration and magnitude of both the growth slowdown and the acceleration in core inflation." In contrast Steven Wood of Insight Economics wrote that "growth is still strong enough, and inflation is still high enough" to keep the Federal Reserve tightening interest rates at a "measured" pace.

The Commerce Department will obtain additional data over the next two months that may lead to significant revisions of the current estimate of the first quarter's economic growth.

*Sukaina Jafri is a graduating economics major at Tarleton State University.*

## The Rise and Fall of Unemployment Rates

By Jasmine King

The national unemployment rate fluctuated slightly from the months of January through March 2005, varying from 5.2 percent to 5.4 percent. The nation's jobless rate averaged 5.3 percent this quarter. This figure is down from previous year's 5.7 percent average.

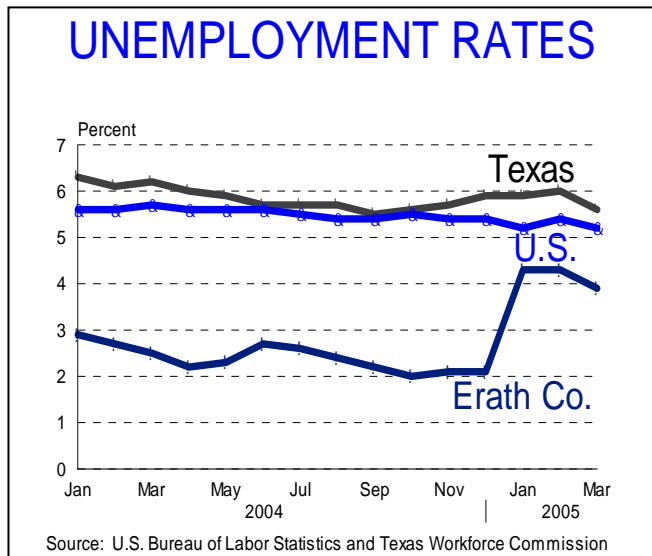
Texas, when compared to the nation, has experienced consistently higher unemployment rates. As of March, unemployment moved favorably to 5.6 percent from 6.0 percent the previous month. The average unemployment rate for the state's first quarter of 2004 was 5.8 percent -- below the 6.3 percent average of previous year.

In the Cross Timbers Area, all five counties reported similar or lower unemployment rates than either the national or state averages. Last year's rates were significantly lower than both Texas and national rates.

Bosque County's unemployment rate was high at 5.6 percent in January identical to month of February before declining to 4.9 percent in March. This quarter's average of 5.4 percent is higher than the 5.2 percent in 2004.

In Comanche County, the jobless rate was 5.1 percent in January and February then dropped 4.7 percent in March. This rate is significantly higher than years 2003 and 2004. The first quarter average jobless rate of 5.0

percent expanded a full percentage point from the previous year's 4.0 percent average.



Eastland County's unemployment rate increased from 3.3 percent at year's end to 5.5 percent in February before sliding to 4.9 percent in March. This quarter's average of 5.2 percent is much higher than last year's average of 4.0 percent.

Erath County consistently shows the lowest jobless rate in the Cross Timbers Area. However, in January the unemployment rate increased more than 2 percent over the December figure to 4.3 percent, which coincided with the February value, and then eased to 3.9 percent in March. Erath's first quarter average is at 4.2 percent -- well above the 2.7 percent average of last year.

The Hamilton County unemployment rate jumped to 4.8 percent in January, rose again to 5.0 percent in February, and then eased to 4.5 percent in March. The annual average for this quarter is 4.8 percent. This figure represents an increase over last year's average of 3.0 percent.

National and state labor market data are collected and reported by the U.S. Bureau of Labor Statistics and are adjusted for normal seasonal variation. County statistics are reported by the Texas Workforce Commission, and this information does not reflect seasonal adjustments.

*Jasmine King is a senior management major at Tarleton State University*

**Editor's Note:** At the beginning of 2005, the Texas Workforce Commission changed its methodology for measuring local unemployment statistics. Due to these changes, first quarter 2005 data for Cross Timbers counties are not directly comparable with previous figures.

## Consumer Prices on the Rise in 2005

By Josh Gaston

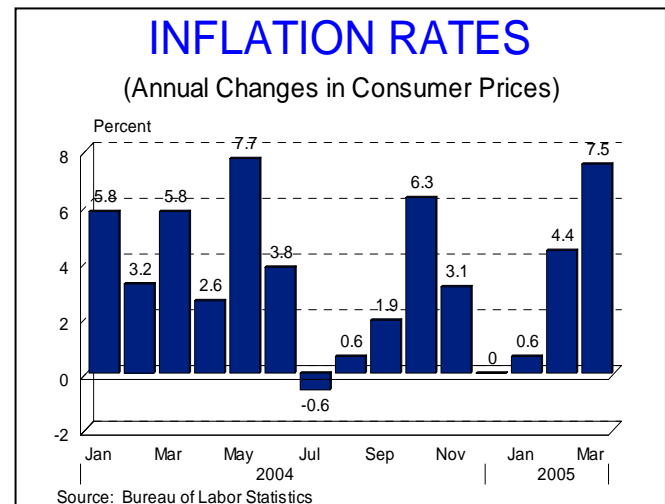
The Consumer Price Index (CPI) surged at an annual rate of 7.5 percent in March, marking its largest rise in ten months. This advance was driven by price increases in many major categories of goods. The core index, which considers all goods except food and energy products, escalated at its greatest rate in over two years at a 4.8 percent rate. The increase in the CPI fosters the belief that the Federal Reserve will accelerate increases in the federal funds rate, which has grown slowly but steadily over the past seven Federal Open Market Committee meetings. However, most economists agree otherwise weak economic indicators, such as lower retail sales, do not indicate larger increase in the near future.

Following a small descent at the end of 2004, the inflation rate in January 2005 rose at a 0.6 percent rate. February marked a much larger increase of 4.4 percent, and in March it climbed by 7.5 percent--its highest one-month gain since May 2004. As with the increases seen in 2004, oil prices provided the basis for much of the upward movement. Also, a four-year high increase of 6.0 percent in the housing sector contributed to much of the growth, as housing outlays make up slightly less than half of the CPI market basket. Other notable movements include a surge in gasoline prices, and a four-year high increase in airline fares.

The consumer price index may be the nation's most widely quoted economic statistic. It is used both to measure inflation and to adjust wages and social security benefits for

price changes. The Bureau of Labor Statistics collects and releases CPI data on a monthly basis, and all statistics are seasonally adjusted.

*Josh Gaston is a junior computer information systems major at Tarleton State University.*



---

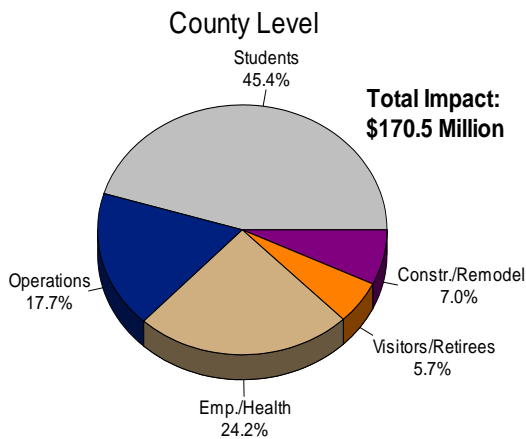
# Analyzing the Economic Impact of Tarleton State University

By Adelaide Odoteye

---

Institutions of higher learning provide both tangible and intangible benefits to society. For state-supported institutions, economic impact studies can be used to justify government spending in tangible terms and disprove the misconception that educational institutions create “losses” for government. To this end, Dr. S. Hussain Ali Jafri, Professor of Economics at Tarleton State University, conducted a study to estimate the economic significance of the university at the county and state levels for the 2003 – 2004 academic year.

## ECONOMIC IMPACT



Source: Economic Impact of Tarleton State University

The study explored seven categories of expenditures made by the university, namely, students, employees (including salaries and health benefits), maintenance/operations, visitors, retirees, new construction and remodeling/renovation. Results were explained in terms of the amount of money generated, the number of jobs created and the multiplier effect. A multiplier quantifies the ripple effect of a dollar spent in an impact area as it is spent and re-spent. For instance, a multiplier of 1.33 shows that for every dollar spent directly, an additional 33 cents is generated indirectly within the economy.

According to the study, students had the largest impact on Erath County, spending \$76.05 million on rent, groceries, utilities, books and automobile gas and repairs, to name a few categories. Such spending created 1,347 jobs in the community. The second largest impact was from university employee salaries and health benefits, bringing \$40.49 million to the county and employing 807 people. In addition, \$29.58 million was spent on maintenance and operations such as materials and supplies, communications, utilities and repairs, resulting in 333 new jobs.

More than 80,000 visitors came to the campus over the year as guests of students or employees, or as part of athletic events, concerts or various university-sponsored competitions. They spent \$7.35 million in the county on lodging, food, gasoline and retail shopping, thereby generating 146 additional jobs. Spending by retirees of the university produced \$5.20 million and generated 88 jobs within Erath County. Over the ten year period of 1994 – 2004, the university averaged \$9.51 million annually on new construction, including projects such as the \$31 million science building, a \$7.5 million student housing addition and a \$14 million reconstruction of the old science building which will house the Mathematics, Physics and Computer Science departments when complete. New construction created 98 jobs. During the same period, an average of \$2.26 million was spent annually on remodeling/renovation expenditures, generating 29 more jobs. Detailed information on the results of the economic impact study can be found at

[www.tarleton.edu/main/economic\\_impact.htm](http://www.tarleton.edu/main/economic_impact.htm)

In summary, while appropriations received from the state were only \$33.11 million, the university had an overall economic impact of almost \$170 million at the local level, when a multiplier effect of 1.50 is applied. The presence of Tarleton State University created a total of 3,415 jobs in the county, 2,575 of which were off-campus and 840 were on-campus. The employment multiplier was 1.53, and the total value added at the county level was \$85.45 million. At the state level, the economic impact of the university was \$311 million, with a multiplier of 2.01. This study thus emphatically confirms the significant economic role that Tarleton State University plays within both the county and the state.

*Adelaide Odoteye is a senior majoring in accounting 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).

# Retail Sales Continue to Increase

By Blake Williams

Retail sales for the first three quarters in the Cross Timbers area improved between from 2003 and 2004. In accordance with retail sales figures confirmed by the State Comptroller's Office, four out of the five counties in this region advanced in cumulative retail sales to achieve an aggregate increase of \$8.7 million, or 1.4 percent, for the Cross Timbers area as a whole. Comparatively, cumulative retail sales for the first three quarters of 2004 experienced a 9.8 percent increase over the same period of 2002.

Comanche County was the only county in the Cross Timbers region with a decrease in retail sales from 2003-2004 for the first three quarter period. Its cumulative sales total in 2003 fell by \$18.4 million, or 18.7 percent. Sales were also lower than the 2002 level by 1.5 percent.

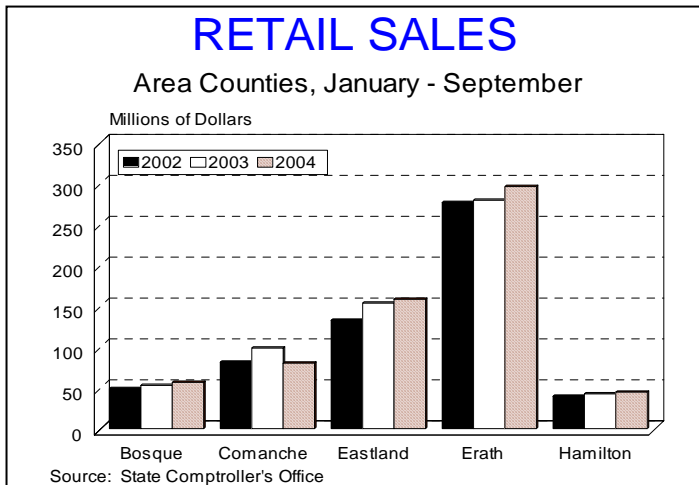
Between 2003 and 2004, Eastland County also had a cumulative increase in retail sales for the first three quarters. Sales grew by \$4.7 million over this span, which translated to a 3.1 percent increase. When compared to 2002, sales were up by 19.3 percent.

In Erath County, cumulative retail sales also increased from 2003 to 2004. Erath County posted a dollar increase of 16.8 million, or 6.0 percent over this span. Sales were also improved from the same period during 2002 by 7.1 percent.

Hamilton County also experienced an increase in retail sales from 2003 to 2004 for the first three-quarter time span. Sales were up roughly \$1.9 million, which represents an increase of about 4.5 percent. Hamilton County's cumulative 2004 retail sales figures showed an increase of 12.5 percent over the first three quarters of 2002.

The State Comptroller's office collects and reports sales and tax data for Texas' 254 counties on a quarterly basis. Typically five to six months elapse between the end of a quarter and the reporting of that period's statistics.

*Blake Williams is a senior majoring in management at Tarleton State University.*



Bosque County posted a \$3.8 million increase from 2003-2004 for the first three quarters, which gave it a 7.2 percent increase. The increase in retail sales from 2002-2004 was about 15.5 percent.

# Building Permit Values on Pace to Exceed Last Year's Numbers

By Tyler Kelly

Building permit values for the first three months of 2005 are up 57 percent from the same period last year. In March of this year, 33 permits were issued, which totaled nearly \$2.3 million dollars--far surpassing last year's \$700 thousand total.

Three major construction projects were the main contributors to March's high building permit value. These companies financing these projects were Bruner Motors, Dr. Robert Barbaree, and Beall's Department Store.

Stephenville requires all new construction and remodeling projects to obtain a building permit. Changes in permit values precede actual construction expenditures.

*Tyler Kelly is a junior computer information systems major at Tarleton State University.*

