

Cross Timbers Business Report

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Economic Growth Remains Anemic

By Matt Hillman

Overall gross domestic product (GDP) for the United States has stayed at a consistent 0.6 percent growth rate for the last and first quarters of 2007 and 2008. According to the seasonally adjusted data reported by U.S. Department of Commerce, the last time the growth rate fell below 1.0 percent was in the fourth quarter of 2002 when it touched 0.2 percent.

The reason for the drop in last two quarters can be attributed to shaken mortgage businesses and exploding fuel prices. These forces are likely causes for the cutback in consumer and business spending. GDP is heavily affected

2007, and non-durable purchases dropped by 1.3 percent. The only gain was in Services spending which climbed 3.4 percent.

The housing sector showed a significant drop of 26.7 percent in the first quarter of this year, which reduced overall GDP by 1.23 percentage points.

Exports rose by 5.5 percent and imports by a smaller 2.5 percent in the first quarter of 2008 thus adding 0.22 percentage points to GDP. Business spending fell by 2.5 percent when compared to a moderate rise of 6 percent in the last quarter of 2007. Federal government spending rose 4.6 percent for the first quarter of this year, which compares to the 0.5 percent gain for the previous quarter.

The price index for gross domestic purchases measuring the prices paid by the U.S. populace rose 3.5 percent for the fourth quarter.

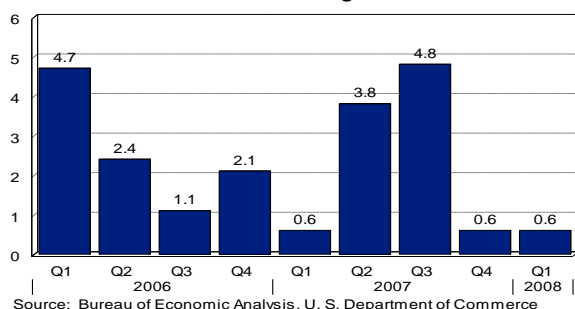
There is a major debate about a possible turnaround in the second quarter. Consumers will receive economic stimulus payments during this period, and the Federal Reserve's aggressive interest rate cuts should offset some negative effects of higher energy prices and falling home equities.

GDP data is collected and reported by the Department of Commerce on a quarterly basis. A final estimate will be posted after two revisions are made.

Matt Hillman is a senior graduating with a Bachelor's degree in marketing and will continue his education in the MBA program at Tarleton State University.

Changes in Real GDP

Annual Percentage Rates



by consumer spending which makes up 68 percent of this economic scoreboard, thus the weak 1.0 percent growth for consumer spending in the first quarter had a major impact on the overall GDP.

Durable goods purchases dropped 6.1 percent last quarter versus the 2.0 percent increase for the last quarter of

Inflation Rates Remain Moderate

By Cindy Pierce

The average increase in consumer prices in the first quarter of 2008 was lower than the average for the last quarter of 2007. The largest contributor to last quarter's inflation rate was energy, which posted a steep increase in March. Prices for apparel are currently taking a downturn in the market. However, a larger increase in the index for household furnishings and operations, in addition to an increase in airline fares, offset this decline.

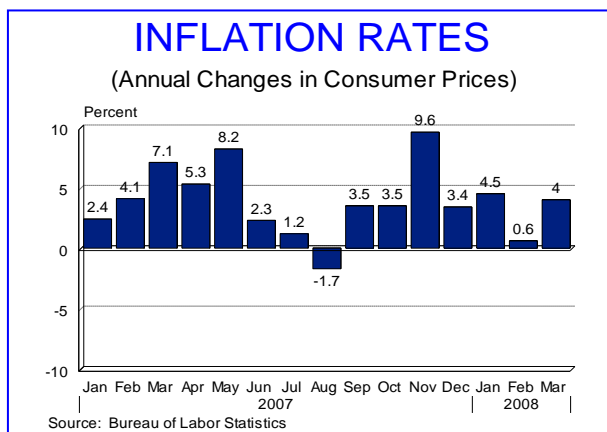
The CPI (Consumer Price Index) stood at 212.5 at the beginning of 2008, and then rose to 213.3 by the end of March

(base year 1982-1984). This value indicates a 4.0 percent increase from one year ago. On a seasonally adjusted basis, the index advanced 0.3 percent in March, and no change was recorded for February. The energy index made a significant increase of 1.9 percent, after declining 0.5 percent in February.

The food index increased 0.4 percent in February and 0.2 percent in March. The index for food at home also increased 0.2 percent. After virtually no change in February, the index for all items less food and energy rose 0.2 percent in March.

For the first three months of 2008, consumer prices increased at a seasonally adjusted annual rate of 3.1 percent compared to an increase of 4.1 percent for 2007.

According to a *Wall Street Journal* article, inflation caused by soaring oil prices is a major concern for the Federal Reserve policy makers. The article further states that, while oil prices have



increased 79 percent since last year, home construction has “plummeted 12 percent during March, dropping to its lowest level in 17 years.”

Consumer price index figures are published monthly by the Bureau of Labor Statistics. The CPI is the nation’s most commonly cited inflation measure.

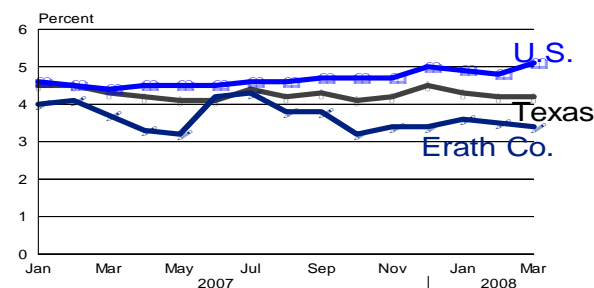
Cindy Pierce is graduating with a bachelor’s degree in management from Tarleton State University.

National Jobless Rate Climbs

By Citlalli Najera

During the first quarter of 2008, unemployment rates increased for the United States. However, Texas and Erath County experienced declining rates compared to last year.

UNEMPLOYMENT RATES



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

Throughout 2007 the United States unemployment rate showed only a slight increase. However, by the end of the first quarter in 2008 the rate showed an increase, moving from 4.5 percent in the first quarter of 2007 to 5.0 percent in early 2008. This figure has not been this high since the last quarter of 2001. Texas’ unemployment figure has moved in the opposite direction from the United States rate. Texas’ unemployment rate dropped from 4.5 percent in March of 2007 to 4.2 percent in March of this year. This percentage represents the lowest rate seen in the last eight years.

Erath County has also shown a great improvement compared to last year’s reported unemployment rates. The jobless rate for Erath County declined from 3.9 percent in 2007 to 3.4 percent this year.

The other local counties also reported decreases in the first quarter of 2008 when compared to the same period last year. Bosque County showed a decrease from 4.8 percent in March of 2007 to 4.1 in March of 2008. This figure is at its lowest level since 2005.

Comanche County showed a decrease from 4.3 percent in 2007 to 3.6 percent in 2008. This is the lowest rate that has been reported in the last 3 years.

Eastland County also showed an improvement in 2008. The jobless rate for this county fell from 4.5 percent in the first quarter of 2007 to 4.2 percent in the first quarter of this year.

Hamilton County observed a slight decrease in its unemployment rate from 4.0 percent in 2007 to 3.8 percent in 2008.

The U.S. Department of Labor Statistics collects and reports unemployment data for the United States and Texas, while the Texas Workforce Commission reports county figures. National and state data are adjusted for normal seasonal variation, while local figures remain unadjusted.

Citlalli Najera is a senior majoring in Accounting at Tarleton State University.

Retail Sales, Gross Sales, Population Show Strong Correlation

By Neil Knauth

Over the last twenty years, the five counties comprising the Cross Timbers area have seen a generally increasing population trend, though some counties reported decreases between the 1987 and 1997 censuses.

Census data show Erath County with the largest increase in population, with a 13.2 percent increase over the last decade, which raises the county’s total population to 35,633 in 2007. This figure represents a whopping 37.1 percent growth since 1987.

Bosque County showed a 7.4 percent increase in population in the last ten years, bringing its total to 17,942

in 2007. Last year’s figure represents a growth of 18.8 percent since 1987.

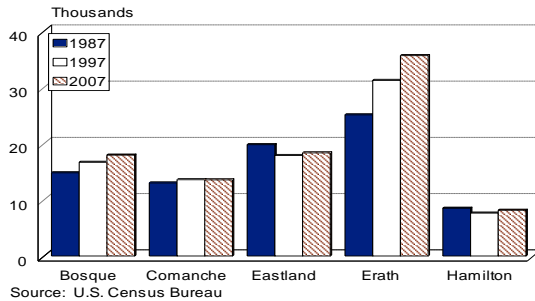
Hamilton County’s population rebounded between 1997 and 2007, increasing 7.0 percent to 8,138. This advance comes after a 2.0 percent decline in population from 1987 to 1997.

Eastland County saw a modest increase of 4.8 percent in the past decade, bringing the population to 18,337. Despite this increase, the population has not yet increased to its previous high of 19,800 in 1987.

The only county posting a decrease in the last decade was Comanche, losing 0.3 percent of its population to bring its total to 13,541. This decline comes after a 5.0 percent increase between 1987 and 1997.

POPULATION

Cross Timbers Counties



While the three-year time frame of the following data does not directly correspond to the three-decade time frame used in the previous analysis, one can note a positive correlation between the increase in population and the increases in gross sales and retail sales over time.

Area retail sales continued an upward trend over the last two years with all five counties showing increases. Comanche County saw the greatest overall advance between 2006 and 2007, with the cumulative total for the January-September period of \$80.9 million representing a 12.3 percent increase. Last year's figure corresponds to a 17.2 percent increase over the 2006 aggregate.

Hamilton County saw the second-largest growth in retail sales in 2007. Its 11.2 percent growth between 2006 and 2007 resulted in total sales of \$58.3 million. Last year's figure represents a 25.4 percent increase over the 2005 value.

Bosque County's 2007 retail sales grew a modest 8.0 percent over 2006 to \$61.2 million. This total shows an 11.6 percent improvement over 2005 retail sales.

Erath County's total retail sales of \$323.5 million were the largest in the Cross Timbers area but only increased 6.3 percent over 2006. However, this minor increase

comes after a major jump in area retail sales in 2006, making 2007's sales aggregate a whopping 40.1 percent larger than 2005's.

Eastland County showed the smallest increase in retail sales between 2006 and 2007 at 4.3 percent. Last year's \$202.8 million figure represents a 19.8 percent increase over 2005 sales.

Gross sales, the total volume of all sales, leases and rentals of personal property and all labor and service charges, increased in all five Cross-Timbers counties in 2007, continuing the upward trend of the previous year.

Hamilton County showed the largest increase of gross sales over the past two years, displaying a 12.3 percent increase to \$137.4 million. This increase represents a 23.4 percent increase over the 2005 gross sales total

Comanche County saw an 8.2 percent increase to \$163.2 million between 2006 and 2007. Last year's total represents a 19.4 percent growth over the 2005 aggregate.

Erath County's gross sales of \$619.4 million in 2007 represent a 7.8 percent increase over the previous year and a 21.7 percent increase over the 2005 sales figure.

Eastland County also saw moderate growth in gross sales with a 7.0 percent increase to \$574.7 million over the period from 2006 to 2007. Last year's value represents a slowdown after a large increase between 2005 and 2006. The cumulative sales growth for the entire 2005-2007 period for Eastland County was 30.1 percent.

Bosque County showed the smallest increase of any Cross Timbers county with its 4.6 percent growth over 2006 bringing the 2007 gross sales to \$177.5 million. This advance follows a very slight increase between 2005 and 2006, with the two years' growth only amounting to 4.7 percent.

Population estimates are published annually by the Bureau of the Census, while area sales values are reported by the State Comptroller's Office.

Neil Knauth is a senior majoring in computer information systems at Tarleton State University.

Interest Rates Show Declines in First Quarter

By Chris Gabel

The first quarter of 2008 displayed significant decreases in most benchmark interest rates.

The College of Business Administration at Tarleton State University presents the [Cross Timbers Business Report](http://www.tarleton.edu/~econ/ctbr.htm) (<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, as well as other interested students. 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.

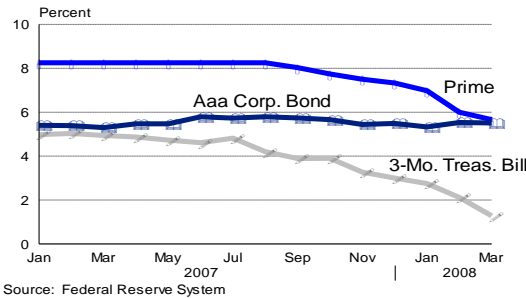
The measures of cost of funds include the prime rate, the Aaa corporate bond rate, and the three-month Treasury Bill rate.

The Board of Governors of the Fed regularly examines economic conditions and uses interest rates to control inflation and overall economic growth.

The rate of three-month T-Bill, a short-term IOU issued by the U.S. Treasury, averaged 2.05 percent in first quarter of 2008 compared to 4.98 percent in first quarter in 2007. This decline followed a similar trend for the prime rate, the rate of interest charged by banks to their most important business borrowers. Prime for the first quarter of 2008 had a mean of 6.21 percent compared to 8.25 percent in the same period last year.

INTEREST RATES

Averages of Daily Figures



The Moody's prime quality bond rate, Aaa, stood at an average of 5.36 percent one year ago but the same rate ran counter to the others by increasing slightly to 5.46 percent in first quarter of 2008.

The overall assumption is that the lower the interest rate, the more readily funds are available for borrowers leading to economic growth. In contrast, higher interest rates lead to reduced availability of borrowed funds, which reduces economic growth.

Chris Gabel is a senior majoring in economics at Tarleton State University.

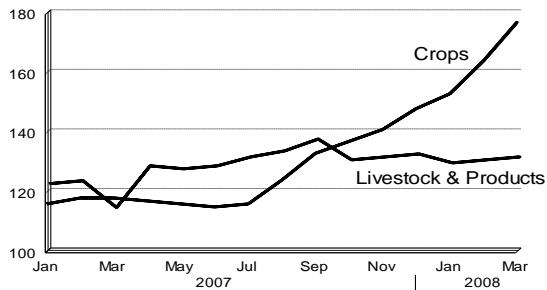
Crop Prices Escalate

By Nelly DiCiccio

Texas farmers and ranchers saw a gigantic increase in the price of crops and a steady increase in the price of livestock and products over the past year. On the national level, prices received by agricultural producers have risen consistently with the prices of Texas farmers and ranchers. These trends resulted in a slight improvement in the purchasing power of agricultural products.

INDEX NUMBERS OF PRICES

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



The index of prices for all farm products jumped from 123 percent of the 1990-1992 average in March 2007 to 147 this year. Texas farmers and ranchers benefitted from a huge increase in the price of crops received; the price index went from 116 in March 2007 to 177 this March. Livestock and products showed a steady increase from 118 in March 2007 to the 131 this year.

Milk prices increased to \$19.50 per hundredweight in March 2008 from \$16.00 in March 2007. Milk and beef prices have fluctuated over the past year due to continuous increase in feed cost. Beef prices dropped from \$93.90 in March 2007 to \$90.30 in March 2008.

Texas producers received higher prices in several commodities this past year. The significant increase in crop prices reflects higher revenues from corn, wheat, and grain sorghum. Corn went from \$3.60 per bushel in March 2007 to \$5.43 per bushel in March 2008. Wheat shot up from \$4.40 in March 2007 to \$11.80 in March 2008. Cotton jumped from 46.20 cents per pound in March 2007 to 63.00 in March 2008. Eggs soared from 65.0 cents per dozen in

March 2007 to 129.0 in March 2008. The higher prices in eggs resulted from an increase in feeding cost.

The national index of prices received by farmers expanded 12.8 percent over the past year according to the U.S. Farm Price Index. This increase overshadowed the 10.7 percent advance in prices paid and resulted in a 1.6 percent improvement in the ratio of prices paid to prices received by farmers and ranchers.

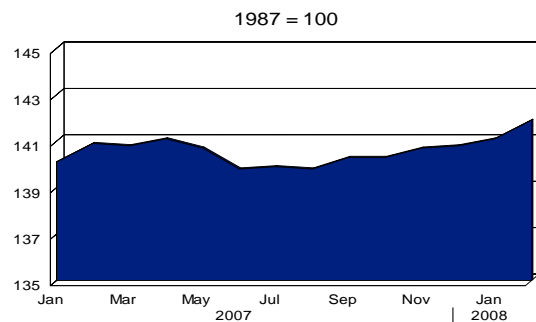
Nelly DiCiccio is a senior management major graduating in August at Tarleton State University.

Texas Industrial Production Shows Steady Increase

By Nidhi Gupta

The Texas Industrial Production Index stood at 141.9 percent of the 1987 average in February 2007, rising from 140.9 a year ago. The components that showed upward trends were durable goods output, which that showed a 0.7 percent advance, and non-durable goods production, which grew by 2.3 percent.

TEXAS INDUSTRIAL PRODUCTION



Mining and utilities both showed a significant drop of 0.5 percent each from the previous year. This index is calculated by Federal Reserve Bank of Dallas and is adjusted for normal seasonal variation.

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