

## Economy grows at blistering 7.2% rate

Economists hailed the surge in GDP, the largest in 19 years.

By BARRY FLYNN  
SENTINEL STAFF WRITER

The U.S. economy took flight in the third quarter at the fastest rate in nearly two decades, promising to reignite the job growth and healthy economic expansion that have been disturbingly absent for more than two years.

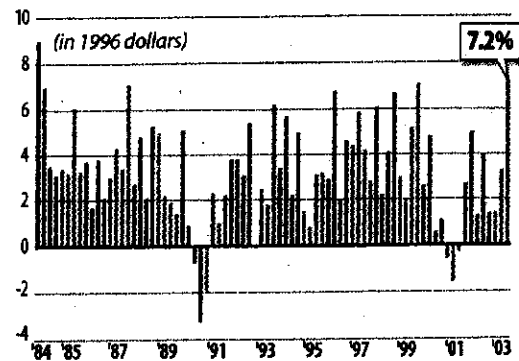
The nation's gross domestic product shot up at a hyperventilating 7.2 percent annualized pace in the July-through-September quarter, the U.S. Commerce Department reported Thursday.

That's the biggest leap in GDP — which is the broadest measure of economic activity — since the first quarter of 1984. The latest increase also is more than twice the rate of this year's second quarter.

"Our economy is strong and it's getting stronger," President Bush said in a speech to workers at an aluminum fabrication plant in Columbus, Ohio, crediting the tax cuts he pushed through

PLEASE SEE **ECONOMY, A14**

### QUARTERLY GDP PERCENTAGE CHANGE



SOURCE: U.S. Commerce Department ORLANDO SENTINEL

### ECONOMY FROM A1

Congress for the lion's share of the growth.

"The tax relief we passed is working," Bush said. "We left more money in the hands of the American people, and the American people are moving this economy forward."

Economists were almost giddy with the numbers, which outdid even their optimistic predictions of 6 percent annualized growth for the period.

"Pop the champagne corks," said Diane Swonk, chief economist at Bank One Corp. in Chicago. "We're finally seeing a real recovery."

### Job growth to follow?

The chief economist at Wachovia Corp. in Charlotte, N.C., Mark Vitner, was nearly as ebullient. "It gives me a great deal of confidence that the jobless recovery is now behind us," he said. Vitner, who had been among the earliest and most confident of economists in predicting a surge this year, said he felt vindicated by the government report.

"What really makes this number stand out is that the gain was broad-based," he said, with increases in a wide range of categories, from car and truck sales to furniture, travel and clothing sales to a broad array of business investment.

"I'd be surprised if we didn't see job gains in five of the next six months," Vitner predicted. "And solid gains — 100,000 jobs-plus a month."

Job growth is crucial. The nation has steadily lost jobs at an alarming rate since the recession ended in November 2001 — an unusually long period that economists have termed a "jobless recovery." That's 22 months of mild economic expansion without the strength to drive the substantial job creation normally expected during a rebound.

Add to that the eight months of recession, and jobs have been disappearing for more than two years.

For Central Florida, the Commerce Department report is "a very encouraging, breakout report that will lead to growth in payroll jobs if it is sustained," said David Scott, an economist and professor of finance at the University of Central Florida. By sustained, Scott said, he means growth at or above 4 percent — not the 7.2 percent seen in the third quarter, which he said would be impossible to sustain for long.

Many economists are expecting GDP growth near 4 percent for the next few quarters.

However, Lee Price, research director at the Economic Policy Institute, a liberal think tank in Washington, D.C., warned that two causes of the latest increase will not be repeated. They are the federal income-tax cut that took effect in late June, and an exceptional surge in mortgage refinancing that spurred consumer spending.

"We are currently getting an enormous boost from increased military spending, tax cuts and a temporary spike in mortgage activity for new homes and refinancing," Price said in a written statement. "Those stimuli will soon fade, however, and unless employers start hiring and increasing their real wage and salary payments, the current spurt in consumption will subside."

However, Wachovia's Vitner said those lower tax rates will remain in effect and will continue to stimulate the economy.

Earlier this week, the Federal Reserve stood pat on interest rates, leaving a key, short-term rate at 1 percent — a 45-year low — despite plenty of evidence that Thursday's GDP numbers would come in high.

"I think they had to expect at least a 6-percent gain," Vitner said. "I think their focus is on labor: Until we put together a string of five or six monthly employment gains, I don't think they'll even think about raising interest rates."

### U.S. gains 57,000 jobs

There was another encouraging report Thursday: The number of people filing first-time claims for unemployment compensation fell by another 5,000, or about 1.25 percent, last week, the U.S. Labor Department said.

Still, the 57,000 net increase in jobs that the U.S. economy produced last month barely put a dent in the 648,000 jobs that were lost nationwide in the 12 months before that.

Some Central Florida businesses said they had been feeling an upturn for some time, though an unscientific survey of local shoppers found consumers divided on whether they sense a strengthening economy.

"Government work is fairly brisk," Robert E. Clark said of business at his E.R. Precision Optical Corp. on West Robinson Street in Orlando. The company makes a wide range of high-tech optical devices, including lenses, sophisticated windows and prisms, many of which are used in combat equipment such as tanks.

In contrast, Clark said he has seen no change in commercial work yet.

At the Maitland office of Progressive Systems Inc., a South Carolina company that specializes in computer software and consulting for manufacturers, salesman Andrew Borgert said: "People are talking to us."

That's a big improvement from recent years, during which most manufacturers that were not already Progressive Systems' customers had hunkered down and would not even consider buying the company's services, Borgert said.

Because the computer products and services his company offers represent a significant investment for customers and require long lead times to sell, the renewed interest is a very good sign, Borgert said.

At Pro Image Solutions, an Altamonte Springs employment-placement agency, owner Henry Graeber said his company has already had an increase in demand for skilled workers and now is beginning to see demand grow for administrative employees.

But not every worker is feeling the upturn. Melissa Waldrep, 29, who works in Orlando as a representative to health-care providers for an insurance company, said she has a second job in a retail store to make ends meet.

Leslie Sengel, 20, an undergraduate at the University of Central Florida, said her part-time job, also in retail, shows no sign of an economic surge.

"I know the economy at the mall has been slow," she said. "I know people haven't been shopping as much as they used to." Even so, she has not curtailed her spending, she said. In contrast to the uncertainty among consumers, economists are surer.

"Recoveries are recapturing earlier losses," Bank One's Swonk said. "Expansions are when you get the icing on the cake" and grow to new highs.

"We're not there yet," she said of an expansion, "but we're moving in that direction — and we're moving there very rapidly."