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GDP grows at fastest rate since 1984

Alamance County unemployment remains above state average

Steve Earley
 News Editor

The nation's economy grew at a 7.2 percent annual rate during the third quarter – as measured by the gross domestic product – marking the highest rate of quarterly growth since 1984.

The 7.2 percent rate – which reflects how much the GDP would grow if last quarter's trends continued for an entire year – was more than double the second quarter's 3.3 percent growth rate and exceeded forecasts of 6 percent growth.

While the better-than-expected growth is encouraging news, it is far from a guarantee of smooth sailing for the recovering economy, especially for the Burlington area, said local economic experts.

Coinciding with the significant rise in GDP – which measures the value of goods and services produced in the United States – is a nationwide drop in inventories.

Steve DeLoach, associate professor of economics, said this is a promising sign.

"A drop in inventories means people are spending faster than businesses thought," he said. Businesses, naturally, have to replace these inventories, DeLoach said. And that can lead to increased production and increased labor demand.

Helping explain the rise in spending are the Bush tax cuts and

“If we were to have another terrorist attack in the next six months, what inventories are really doesn't matter.”
 —Steve DeLoach, associate professor of economics

an increase in consumer confidence. Both of these factors, however, rest on shaky ground.

The tax cuts, combined with deficit spending, traditionally intended to be short-term measures, have done their job, DeLoach said.

However, for long-term growth, he said, it depends where the government's money is being spent.

Spending money on education or roads – or other endeavors which help long-run productivity – will ultimately help the economy, DeLoach said, adding that, spending money on guns and ammunition – or other endeavors which, social and political factors aside, have no long-run benefit, will ultimately hurt the economy.

The war in Iraq and terrorism can also have negative economic effects by damaging consumer and investor confidence, DeLoach said.

"If we were to have another terrorist attack in the next six months, what inventories are really doesn't matter," he said.

Locally, globalization is an ongoing concern. In recent years century-old textile manufacturers have closed shop due to foreign competition.

"Textiles are not tied to the

cyclical nature of the economy," DeLoach said. "When those jobs are lost, they're lost for good. There's just no way you can make socks in a plant in Burlington when you can do it just as well and cheaper in Mexico and China."

The compounding effects of globalization and recession recovery show through in the lines at the local employment office.

The county's unemployment rate did improve over the third quarter, falling from 7.8 percent in July to 6.7 percent in September. However, county figures remain above the state average, which fell from 6.9 percent to 6 percent over the same period.

"If the reports say the economy's getting better, it hasn't hit the little man in Alamance County," said Jerome Cheek, manager of the North Carolina Employment Security Commission's Burlington office.

As far as what the GDP growth means for the graduate job market, Thomas Tiemann, professor of economics, said, "It's better than if it hadn't happened, that's for sure. But it doesn't mean things are going to be real easy. It's still a tough market to find a job in."

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Gross domestic product percent change by quarter

The gross domestic product measures the value of goods and services produced in the United States. The 7.2 percent rise in the GDP last quarter exceeded forecasts of a 6 percent increase and was the biggest single-quarter jump since 1984.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2001	-0.6	-1.6	-0.3	2.7
2002	5.0	1.3	4.0	1.4
2003	1.4	3.3	7.2	—