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## **The Gross Domestic Product is Up, and The Legislative Session Ends on Time**

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Two major stories dominated last week's news.

At the national level real gross domestic product grew at a 4.1 percent pace in the first quarter. Although any growth above 3 percent is good, the first quarter number undershot my expectations and those of most analysts. The 4.1 percent growth was about the same as the prior quarter.

Growth in the first quarter was broad based and sustainable. Consumption rose at 3.8 percent despite a pull-back in purchases of durable goods, especially cars. Business investment spending rose across the board, but construction has clearly peaked out. A major source of disappointment was the meager gains in inventory rebuilding. With demand surging, a rebuilding of inventories was widely expected, but failed to occur. However, this will set the stage for inventory restocking in the second quarter, since retail sales continue to be very strong.

The overall picture is of a healthy, sustainable – but not spectacular – recovery. The only ominous sign was the pickup in inflation; the price index for the GDP jumped by 3.2 percent compared to 1.3 percent in the previous quarter. Worse yet, the rate of core inflation, excluding oil and food, has doubled to 2.3 percent. For Florida this was a good report and presages continuing growth in tourism and retirement.

Closer to home the Florida legislature ended the 2004 session on time, which is a significant accomplishment compared to the last few years. With an additional \$3.2 billion to spend, courtesy of Florida's booming economy, lawmakers had little trouble agreeing to a \$58 billion budget. This budget provides for a modest 4.5 percent increase in spending per pupil, or about \$250 more per student across the state. However, much of this money will be earmarked for the voter-mandated reduction in class size.

Legislators found money to preserve most social and healthcare programs, but hospitals and nursing homes will endure millions of dollars in cuts to Medicaid patients. The long delayed northwest segment of Orlando's expressway system was approved, preserving much of the remaining Wekiva watershed, protecting the area's fragile environment, and providing a much needed connecting link in the expressway system. Finally, legislators established a voter-mandated pre-kindergarten program, although the Governor has threatened to veto the measure because it may not provide the level of quality voters demanded.

The session ended without major controversy and without many achievements beyond ending on time. All things considered, this is probably a good outcome for Florida's economy.

This is Hank Fishkind for 90.7 FM, WMFE News.

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