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Rutgers Economist Offers ‘Theory of Relativity’ at Conference: Structure of New Jersey’s Economy Will Moderate Downturn Relative to National Recession

Nancy Mantell sees ‘small decline’ in state’s job base in 2009 followed by turnaround in early 2010

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NEW BRUNSWICK, N.J. – The basic structure of New Jersey’s economy will ease somewhat the effects of the national recession, and the state could experience slight job growth in early 2010. Though New Jersey’s unemployment rate will continue to climb, averaging 7 percent in 2009 before peaking at 7.2 percent in 2010, it will remain below the nation’s anticipated high of 8.7 percent in the first quarter of that year.

Rutgers Economic Advisory Service Director Nancy H. Mantell made those predictions at today’s R/ECON semiannual subscriber conference at the Edward J. Bloustein School of Planning and Public Policy. Jason Bram, an economist specializing in microeconomic and regional studies with the Federal Reserve Bank of New York, presented the outlook for the Empire State. They were joined by Bloustein School Dean James W. Hughes and University Professor Joseph J. Seneca, director and co-director, respectively, of the Rutgers Regional Report series of studies on socioeconomic trends in the New York-New Jersey metropolitan area.

Mantell said that since the National Bureau of Economic Research officially declared the U.S. in a recession in December 2007, through November 2008, New Jersey’s economy had lost 34,400 jobs (on a preliminary basis), about 1.8 percent of the 1.96 million jobs lost nationwide. “Since we have about 3 percent of the national job base, these numbers indicate that the state is doing less badly than the nation,” Mantell said. She added that Garden State forecast assumes the U.S. will experience a four-quarter dip in real gross product through mid-2009 and a period of declining employment lasting through year’s end.

Mantell said New Jersey will fare better than the nation during the recession thanks to the nature of its economy. “A large proportion of the country’s job losses has been and is likely to be in the manufacturing, construction and financial sectors,” Mantell said. “The state’s manufacturing sector comprises only 7 percent of the economy, compared to 10 percent in the nation.” Similarly, construction comprises about 4 percent of New Jersey jobs compared to 5.5 percent in the U.S., which already has lost about a half million construction jobs, a figure likely to be equaled in the next year or so. The total represents a nearly 20 percent loss of the 2006 national construction job base. New Jersey is likely to lose less than 10 percent of its 2006 construction job base during the recession, Mantell said.

The economist observed that the state does have a slightly greater proportion of its employment base in the financial sector than the country, but a smaller proportion in real estate, a sector that has been hit particularly hard during the downturn. “We have a large exposure to the securities industry, and we expect to lose nearly 20 percent of its 2007 job base during the recession,” Mantell noted, adding that New Jersey also will feel the impact of industry losses in New York City, since many Garden State residents work in the city.

“The impact will be seen in the extremely slow growth in the residence adjustment component of personal income in 2009 and 2010,” she said. As for overall personal income growth, Mantell foresees a 2.7 percent increase in 2009, roughly half the growth rate of two years ago. Income growth will approach 3 percent in 2010 and average 4.7 percent through the 2018 forecast period, she predicted.

Rapidly rising energy costs during the first six months of 2008 contributed to an annual 3.7 percent inflation rate. Inflation will turn briefly to deflation in 2009 as the recession and a lack of demand for goods and services of all types depress prices by 1.6 percent. A return to a “more normal” economic picture in 2010 will be accompanied by a low inflation rate averaging 2.5 percent annually between 2009 and 2018, Mantell said.

R/ECON’s director said that during the forecast period the fastest job growth in New Jersey will occur in the four service sectors: business and professional services, educational and health services, leisure and hospitality services, and “other” services. Taken together, the sectors will grow an average of 1.6 percent annually, she said. “The cyclical nature of the construction industry will leave it with a small decrease in jobs in 2018 compared with 2007,” Mantell said. “Manufacturing, utilities and information will continue to lose jobs as they have for many years,” she concluded.

R/ECON, offered by the Center for Urban Policy Research at the Bloustein School, provides its subscribers, including business and government agencies, comprehensive forecasting tools to plan their operations in line with expectations about the economic environment.

SUMMARY OF NEW JERSEY ECONOMIC FORECAST

	2007	2008	2009	2010	2010-18
Annual % Growth					
Nonagricultural Employment	0.1%	-0.2%	-0.6%	0.1%	0.9%
Personal Income	5.5%	3.4%	2.7%	2.9%	4.7%
Population	0.2%	0.4%	0.6%	0.6%	0.6%
Consumer Prices	2.4%	3.7%	-1.6%	2.6%	2.2%
Percentage					
Unemployment Rate (avg.)	4.2%	5.4%	7.0%	7.2%	5.6%

*Source:*R/ECON

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