

FORECAST OF APRIL 2001

NEW JERSEY: GROWTH FIZZLES, BUT DOESN'T DIE

EXECUTIVE SUMMARY

The economic expansion in New Jersey will continue this year and as far as we can see into the future. However, as in the rest of the nation, we expect considerably less growth in 2001 and 2002 than has been experienced in the recent past. We look for employment to increase by 40,000 jobs in 2001, but by only 19,200 in 2002. Stronger growth patterns will reassert themselves in 2003 and beyond, resulting in an average growth of more than 41,000 jobs a year between 2002 and 2005, and by an average of 43,000 thereafter (from 2005 to 2020).

The R/ECON™ forecast for New Jersey looks for a 2.3 percent growth in real output this year, following an estimated 3.5 percent rise in 2000. Modest growth in output will continue in 2002. The economy will strengthen after 2002, with output growth averaging 2.9 percent a year from 2002 to 2005 and 3.3 percent a year over the long term. The inflation rate will be down slightly this year from the 2.9 percent experienced in 2000, but will bounce back in 2002. (See Table 1.) The annual inflation rate will average 2.6 percent from 2002 to 2005 and 2.5 percent over the next 15 years.

Table 1
SUMMARY OF NEW JERSEY ECONOMIC FORECAST
 1999 to 2020

<i>Annual Percentage Growth</i>	1999	2000	2001	2002	2002 to 2005	2005 to 2020
Nonagricultural Employment	2.6	2.5	1.0	0.5	1.0	1.0
Real Gross State Product	3.4	3.5	2.3	1.7	2.9	3.3
Personal Income	4.2	6.2	5.6	5.3	5.4	5.0
Population	0.9	0.9	0.5	0.4	0.5	0.6
Consumer Prices	2.0	2.9	2.8	2.9	2.6	2.5
Percent						
Unemployment Rate (average)	4.6	3.8	3.9	4.2	4.4	4.5

Source: R/ECON™

The statewide growth in jobs over the next several years will not be vibrant enough to pull the unemployment rate back down to the 3.8 percent experienced in 2000. It will climb to 3.9 percent this year and average 4.4 percent from 2002 to 2005, edging up slightly in the longer run. With the slower economy,

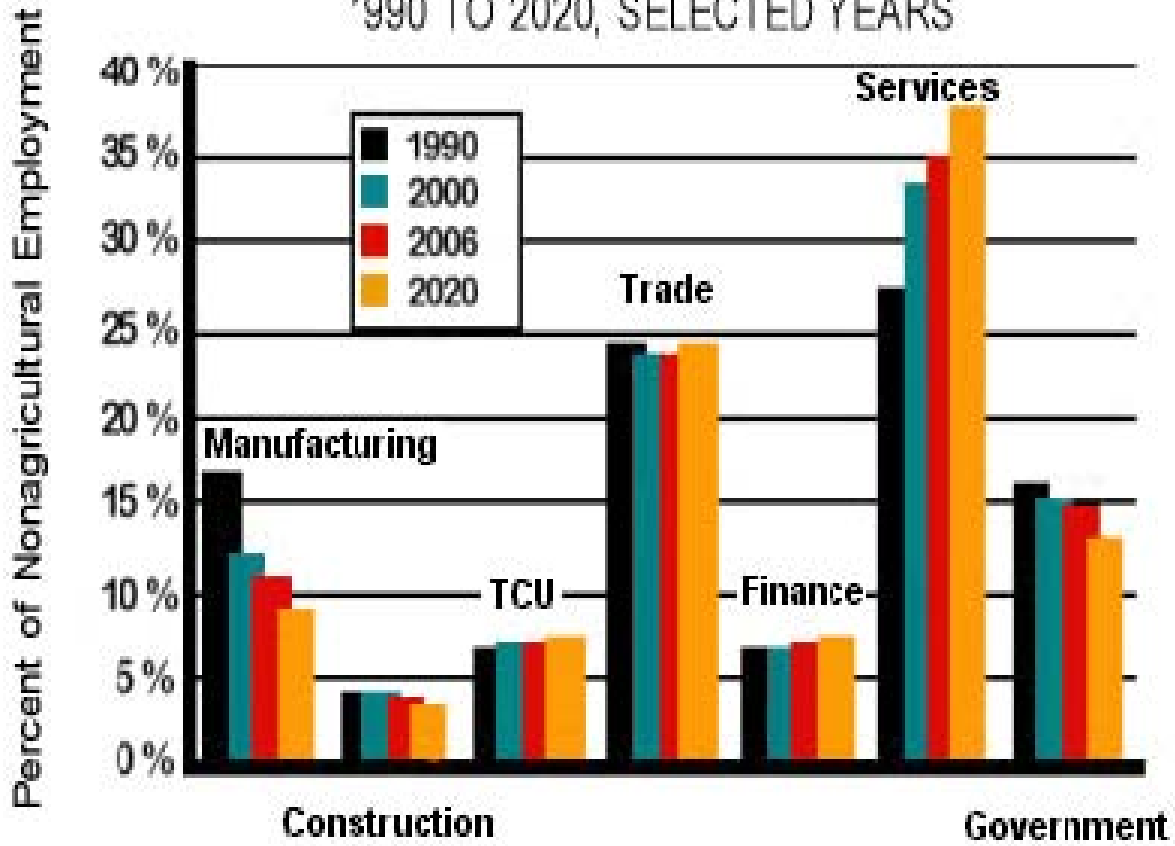
population growth will moderate to 0.5 percent a year between 2000 and 2005 and to 0.6 percent a year over the rest of the forecast period.

Personal income will rise 5.6 percent this year, down from the 6.2 percent growth estimated for 2000. The high rate of growth in income in 2000 was sustained by rapid growth in wages and salaries and proprietors income. Slower growth in these income categories, caused by a smaller increment in employment growth, as well as lower bonuses in the financial sector, will keep the growth rate under 6 percent for the next several years.

In the next five years, both the construction and manufacturing sectors will lose jobs. The service and trade sectors will provide 88 percent of the increase in total private- and public-services-producing employment. About 30 percent of the new service-sector jobs will be in business services; however, this represents a much smaller proportion of sectoral growth than during the 1990s, when business services provided 38 percent of new service-sector jobs. Other sectors that will display rapid growth in the next few years are hotels, non-bank finance, and transportation.

Employment declines in the manufacturing sector will slow from 2.7 percent per year over the past two decades to 1 percent a year between 2000 and 2005. By 2005, only 10.5 percent of the state’s job base will be in manufacturing, down from more than 16 percent in 1990 and 12 percent in 2000. (See Chart 1.) Continuing declines in many manufacturing industries will pull manufacturing’s share of employment down to 8.7 percent by 2020. In 2020, the service sector will provide 37 percent of the state’s jobs, up from 27 percent in 1990, 33 percent in 2000, and 35 percent in 2005.

CHART 1: NEW JERSEY EMPLOYMENT BY SECTOR '990 TO 2020, SELECTED YEARS



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