



# RUTGERS ECONOMIC ADVISORY SERVICE

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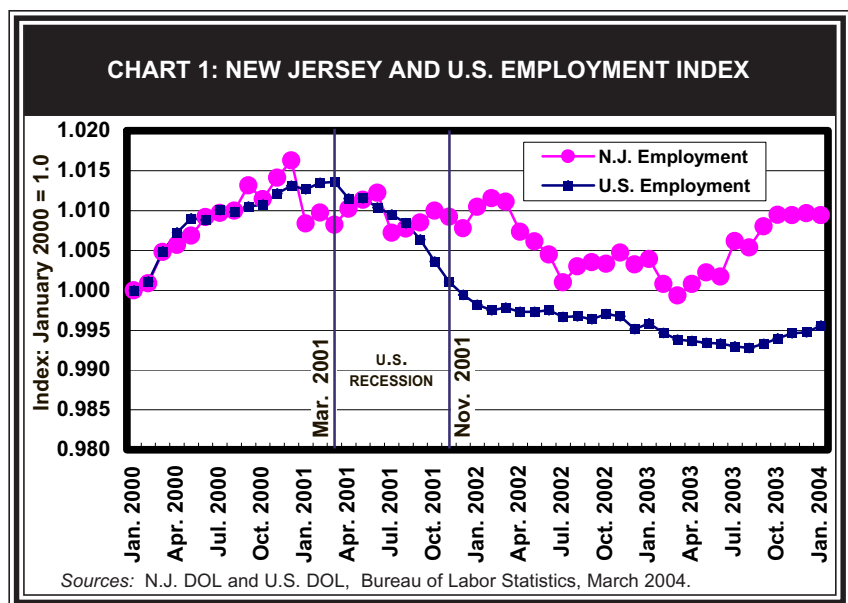
## FORECAST OF APRIL 2004 NEW JERSEY: THE PROSPECTS ARE BRIGHT

### EXECUTIVE SUMMARY

Over the past year, New Jersey's employment picture has been considerably stronger than that of the nation as a whole. Although the state lost 3,600 jobs between 2002 and 2003, employment began to increase in April 2003. By January 2004, employment was only 0.7 percent below the peak reached in December 2000. (See **Chart 1.**)<sup>1</sup>

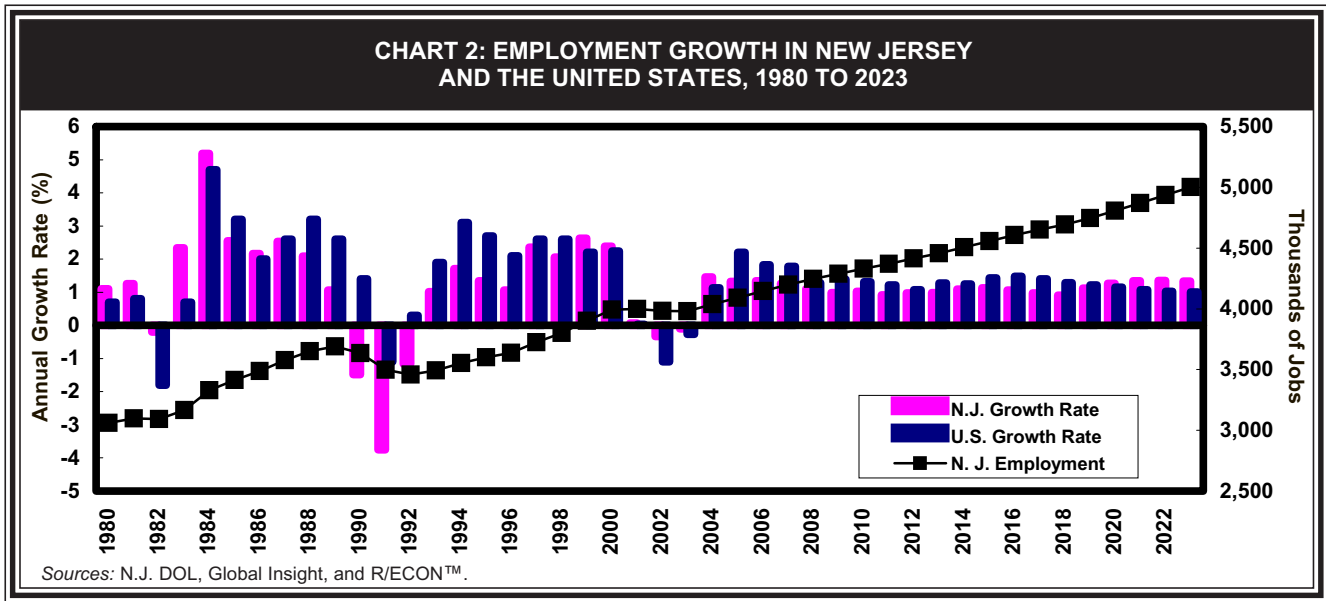
The national economy, on the other hand, lost jobs from March 2001 through August 2003. Between August 2003 and January 2004, only 13 percent of the 2.7 million jobs lost during the recession and its aftermath had been recovered. In January 2004, nationwide employment was still 1.8 percent below the peak level reached in March 2001. The national unemployment rate—at 5.6 percent in January 2004—is down only 0.7 percentage points from the peak of 6.3 percent reached in June 2003. Continuing the trend observed through most of the period since 2000, the national rate is slightly above New Jersey's rate, which was 5.5 percent in January 2004 (down from a peak of 6.1 percent reached in July 2003).

On the other hand, national output has grown rapidly in the past year, at 3.1 percent, compared with an estimated 1.5 percent for New Jersey's gross state product. Gross domestic product is expected to continue to expand rapidly in 2004, pushed by unusually large gains in productivity.



The R/ECON™ forecast indicates that employment will grow in New Jersey at an average annual rate of 1.3 percent (or 51,100 jobs) between 2003 and 2008, and at an average annual rate of 1.1 percent (or 50,500 jobs) between 2008 and 2023. In 2023, the state will have just over 5 million nonagricultural jobs. Although New Jersey emerged from the recent recession with less damage to its economy than that experienced by the country as a whole, the state will experience a weaker rebound from the recession. Employment growth in the United States will surpass growth in New Jersey after this year and will remain stronger until near the end of the forecast period. (See **Chart 2.**)





Real output was unchanged in the recession year of 2001 in New Jersey, and we estimate that it grew 1.3 percent in 2002 and 1.5 percent in 2003. (See **Table 1.**) The R/ECON™ forecast for New Jersey looks for growth in real output to be weak in the near term compared with growth in the United States as a whole. Nevertheless, output growth in New Jersey will accelerate through the forecast period, and average 2.8 percent a year from 2008 to 2023—the same as the average growth in that period for the United States. The implied increase in productivity in the state is 1.4 percent a year, about half that for the United States as a whole.

The inflation rate of 2.5 percent in 2003 was up from the rate for 2002, primarily because of the

rapid rise in oil prices early in the year and late in the summer. The rate will fall back to 1.5 percent in 2004 and average 1.8 percent from 2004 to 2008, and 3.2 percent for the rest of the forecast period. These rates are slightly higher than those of the national economy.

The state unemployment rate averaged 5.9 percent in 2003, up slightly from 2002. It will fall to 5.2 percent this year and remain in the low 5 percent range through 2012. During the last 10 years of the forecast period, unemployment will average 4.5 percent. With slower employment growth, the state unemployment rate will converge with the U.S. rate in 2012 and then remain slightly above the U.S. rate for the rest of the forecast period. (See **Chart 3.**)

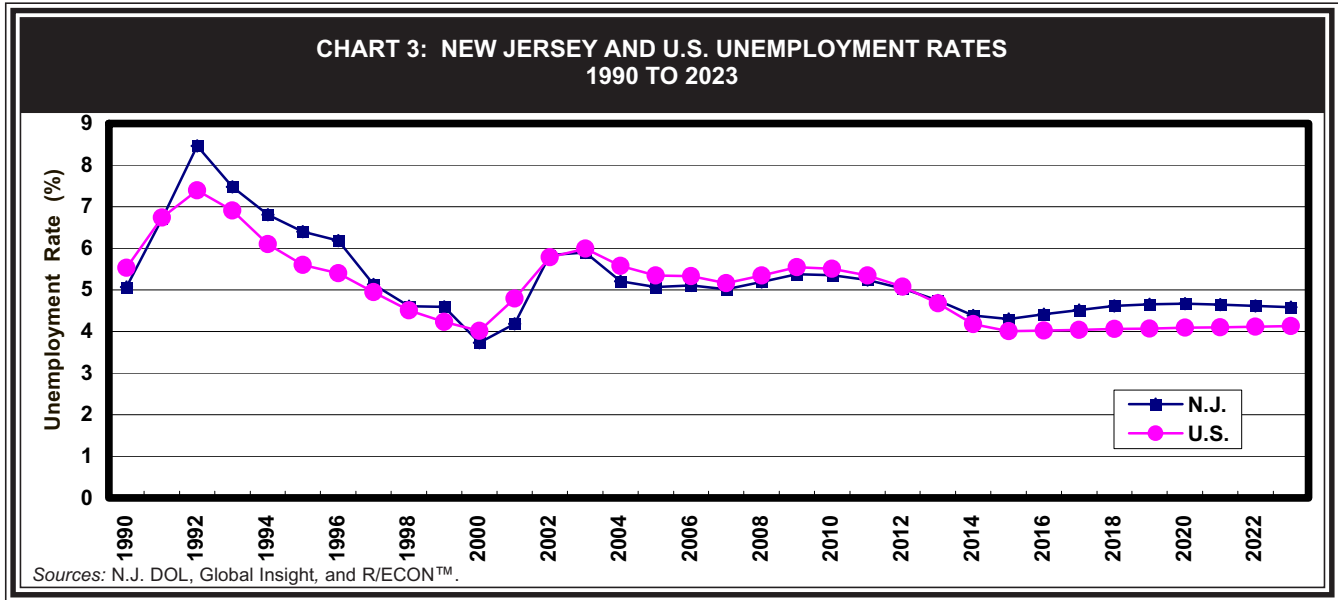
The recession and low inflation rates kept personal income growth low in the first years of the new century. Income rose an average of only 3.4 percent a year between 2000 and 2002. With the end of the recession, personal income rose by an estimated 3.7 percent in 2003, and the rate of increase will strengthen to 4.4 percent in 2004. Personal income growth will average 5.3 percent a year from 2004 to 2008 and 6.3 percent a year over the long term (2008 to 2023).

The state’s population rose by 0.9 percent a year between 2000 and 2003. It will increase 0.8 percent a year between 2003 and 2008. The state will add 333,000 residents between 2003 and 2008, pushing the population to just above 9 million in 2008. In the long term, the state’s

**Table 1**  
**SUMMARY OF NEW JERSEY ECONOMIC FORECAST**  
**2002 TO 2023**

	2002	2003	2004	2004 to 2008	2008 to 2023
<i>Annual Percentage Growth</i>					
Nonagricultural Employment	-0.3	-0.1	1.5	1.3	1.1
Real Gross State Product	1.3	1.5	1.7	2.1	2.8
Personal Income	3.4	3.7	4.4	5.3	6.3
Population	0.9	1.0	0.9	0.7	0.6
Consumer Prices	2.0	2.5	1.5	1.8	3.2
<i>Percentage</i>					
Unemployment Rate (average)	5.8	5.9	5.2	5.1	4.7

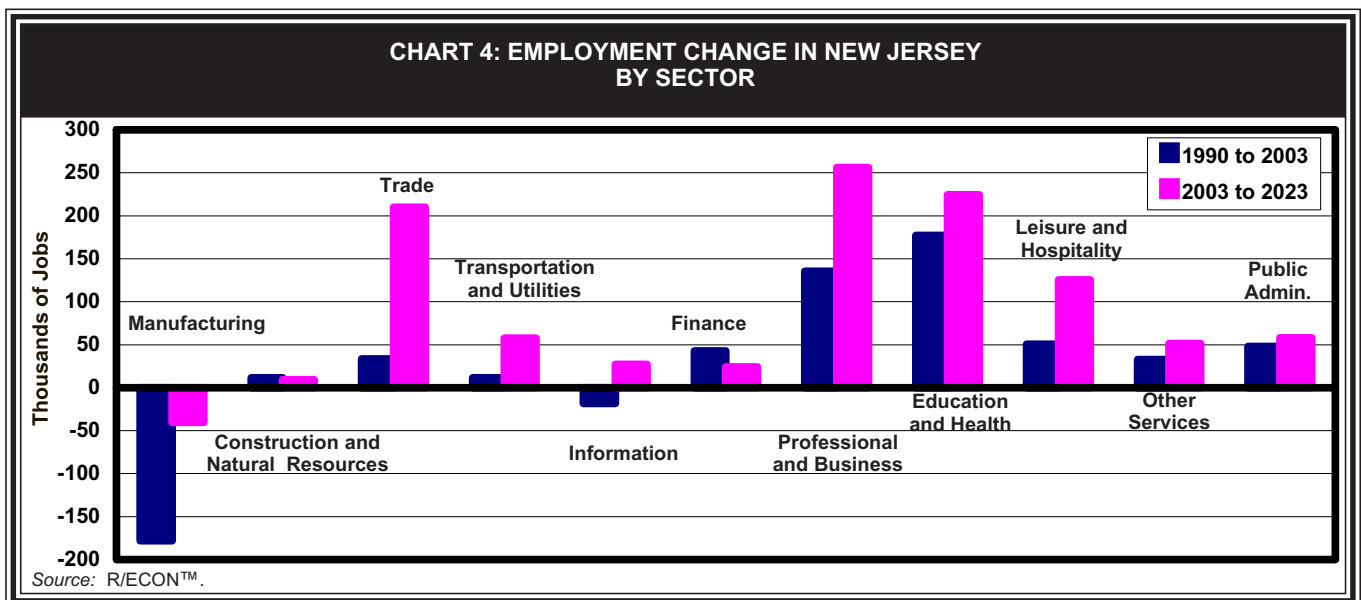
Source: R/ECON™.



population growth will slow to 0.6 percent a year, leading to an increase of 893,000 residents between 2008 and 2023, and bringing the population to 9.9 million in 2023. As in the past decade, population growth in New Jersey will be somewhat slower than growth nationwide over the full forecast period.

Through 2023, most job growth in New Jersey will be in the service supersectors, primarily in professional and business services and in education and health care. Together, the four supersectors will provide 62 percent of the state's new jobs and increase their job share

from 39 percent in 2002 to 45 percent in 2023. The manufacturing sector will shed a few thousand jobs, but there will not be anything like the enormous losses suffered in the 1990s. (See Chart 4.) The construction, information, financial, and public sectors each will add a few thousand jobs. The state's transportation sector will grow rapidly, recovering from the layoffs occasioned by the recession and the impacts of the terrorist attack of September 11, 2001. The trade sectors will supply 19 percent of the job growth and hold their job share steady at 18 percent.



*Note*

1. See the addendum for a discussion of the differences in employment data between the 2002 and 2003 benchmarks.