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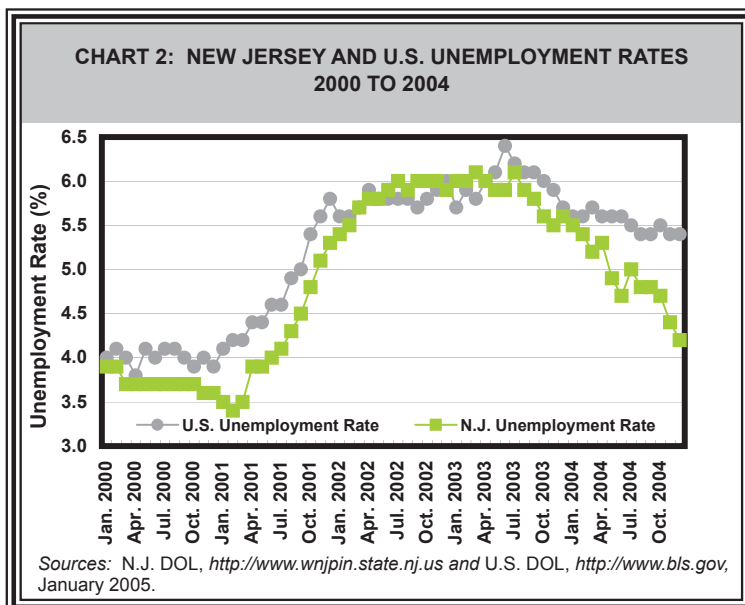
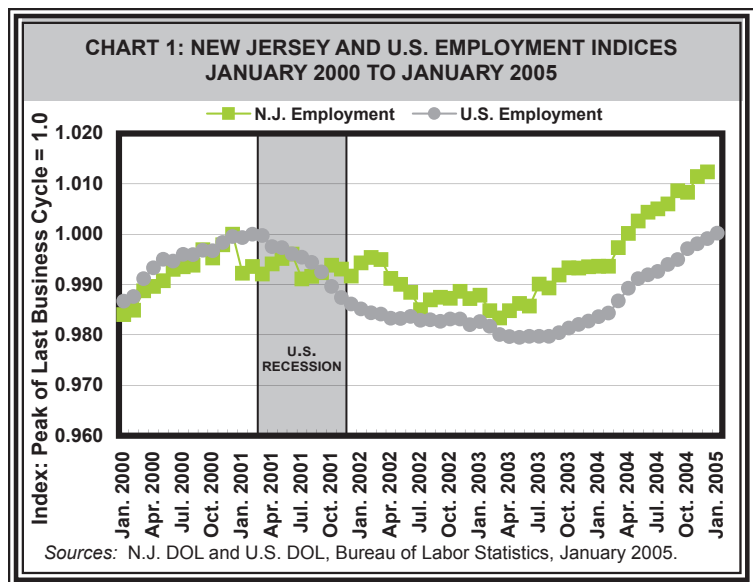
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## FORECAST OF APRIL 2005 NEW JERSEY: SOLID GROWTH AHEAD

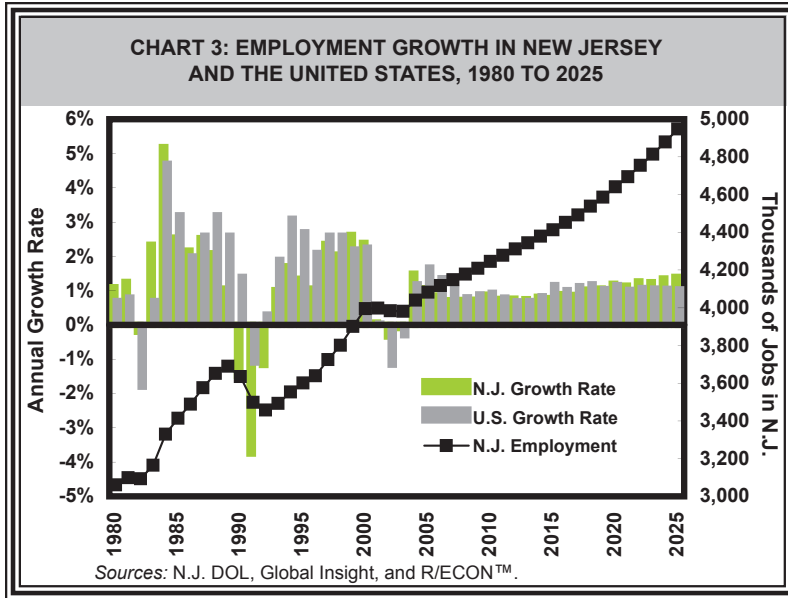
### EXECUTIVE SUMMARY

In 2004, the New Jersey economy added 59,600 jobs—more than recovering the 44,000 jobs lost in the previous two years.<sup>1,2</sup> This is a particularly impressive performance when compared with that of the country as a whole. The nation lost 1.8 million jobs between 2001 and 2003 and recovered only 1.4 million in 2004. As of December 2004, employment in the state was at an all-time high—49,800 jobs, or 1.2 percent, above the previous peak reached in December 2000. Nationwide, employment has grown 2.1 percent since its low point in May 2003, and as of January 2005, the national employment level was still 27,000 jobs (0.02 percent) below the peak reached in February 2001. (See **Chart 1**.)



The relative strength of the New Jersey economy on the employment front also is evident when the state's unemployment rate is compared with the rate for the country as a whole. The state's unemployment rate fell from 5.6 percent in December 2003 to 4.2 percent in December 2004. The U.S. unemployment rate decreased at a slower pace, from 5.7 percent in December 2003 to 5.4 percent in December 2004 and, further, to 5.2 percent in January 2005. Thus, at least through the end of 2004, the U.S. unemployment rate remained well above New Jersey's rate. (See **Chart 2**.)

Although New Jersey's economy outperformed the nation's economy in terms of job growth in 2004, the nation outpaced the



state in terms of output growth for the first time since 2000. U.S. gross domestic product increased by 4.2 percent, while New Jersey’s gross state product increased only 3.6 percent.

The R/ECON™ forecast indicates that employment will grow at a rate of 1.1 percent in New Jersey this year and at an average annual rate of 1 percent (or 43,200 jobs) between 2005 and 2025. Over the forecast period, the United States also will add jobs at a rate of 1 percent a year. Thus, the pace of employment growth in New Jersey will ensure that the state’s share of national employment remains just over 3 percent. (See **Chart 3.**)

The R/ECON™ forecast for New Jersey looks for growth in real output to be somewhat weaker than growth in the United States as a whole over the full forecast period (2.9 percent for New Jersey compared with 3 percent for the United States). Although growth in New Jersey will be slightly weaker through 2015, it will strengthen from 2015 to 2025. (See **Table 1** and **Table 2.**) The implied increase in productivity in the state is 1.9 percent a year, just less than the 2 percent rate of productivity growth for the United States as a whole.

The state’s consumer inflation rate rose to 3.8 percent in 2004, primarily due to the rapid rise in oil and natural gas prices during the middle part of the year. The rate will return to 2.1 percent in 2005, average 2.3 percent from 2005 to 2015, and rise to 2.8 percent in the latter part of the forecast period. The fallback in inflation rates to the 2 percent range in both the state and the nation in the next few years assumes that oil prices will retreat from their high of \$55 per barrel in October 2004 to an average of \$43.46 in 2005 and \$36.50 in 2006.

The state unemployment rate averaged 5.9 percent in 2003, a slight uptick from the previous year. The rate fell to 4.9 percent in 2004 and will fall further—to 4.4 percent—this year. It will then remain near 5 percent

**Table 1**  
**SUMMARY OF NEW JERSEY ECONOMIC FORECAST**  
**2003 TO 2025**

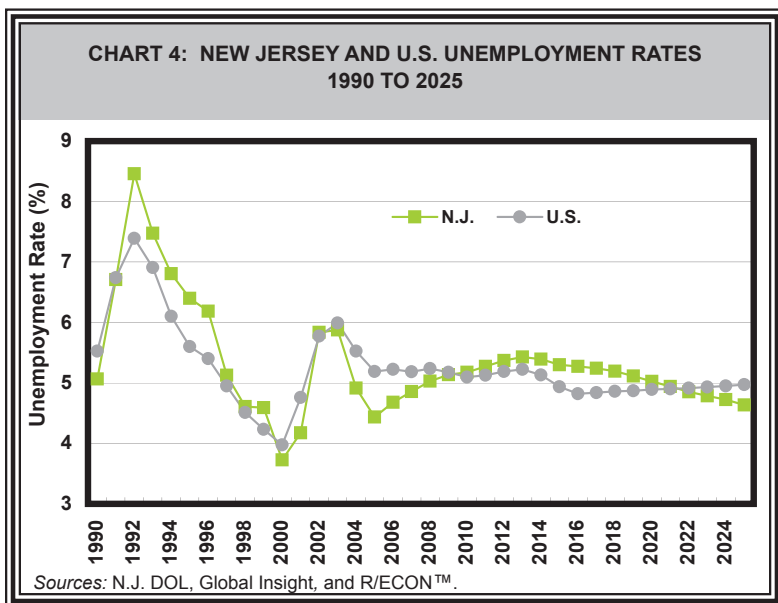
	2003	2004	2005	2005 to 2015	2015 to 2025
<i>Annual Percentage Growth</i>					
Nonagricultural Employment	-0.1	1.5	1.1	0.8	1.1
Real Gross State Product	3.3	3.6	3.2	2.6	3.3
Personal Income	2.3	4.4	4.8	5.5	6.1
Population	0.7	0.8	1.0	0.8	0.8
Consumer Prices	2.5	3.8	2.1	2.3	2.8
<i>Percentage</i>					
Unemployment Rate (average)	5.9	4.9	4.4	5.2	5.0

Source: R/ECON™.

**Table 2**  
**SUMMARY OF U.S. ECONOMIC FORECAST**  
**2003 TO 2025**

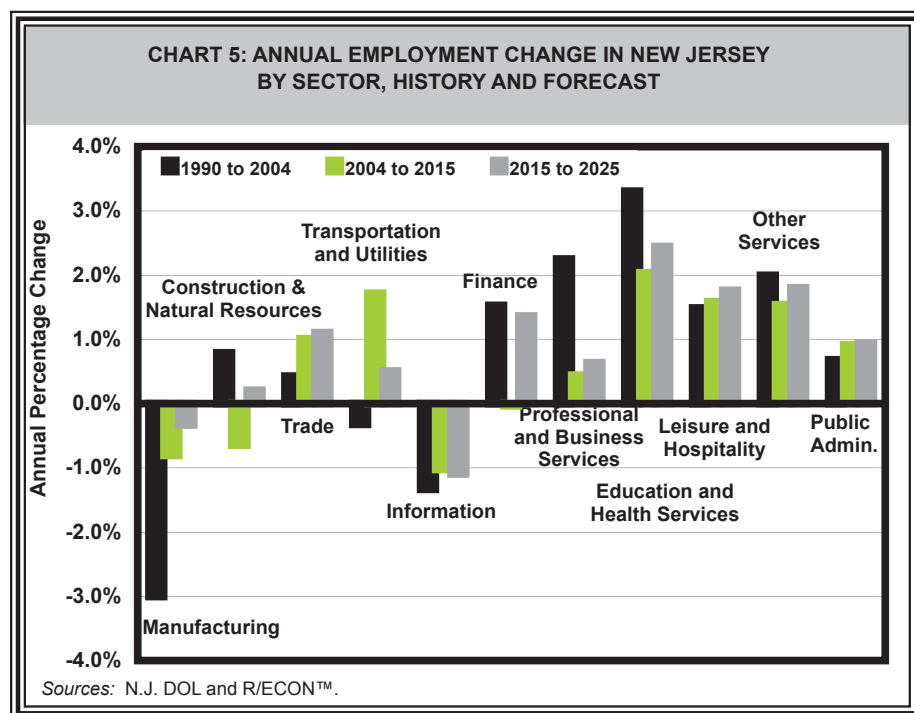
	2003	2004	2005	2005 to 2015	2015 to 2025
<i>Annual Percentage Growth</i>					
Nonagricultural Employment	-0.3	1.2	1.7	0.9	1.1
Real Gross Domestic Product	3.1	4.2	3.5	3.1	2.9
Personal Income	3.3	4.9	5.0	5.8	6.3
Population	0.9	0.9	0.9	0.9	0.8
Consumer Price Index	2.3	2.7	2.0	2.4	2.9
<i>Percentage</i>					
Unemployment Rate (average)	6.0	5.5	5.2	5.2	4.9

Source: Global Insight, U.S. Economic Outlook, February 2005.



through 2025. The state and national rates will begin to converge after this year, but the national rate is expected to fall below New Jersey's rate from 2010 to 2021. (See **Chart 4.**)

As New Jersey emerged from the recession in mid-2003, the rate of growth of personal income, which had been low in 2001 through early 2003, began to increase. Personal income is estimated to have risen 4.4 percent in 2004. It will increase by 4.8 percent this year and at an average rate of 5.8 percent per year through the rest of the forecast period.



The state's population increased at an average annual rate of 0.8 percent from 2000 to 2003. It will continue to increase at that rate through 2025. The state will add nearly 1.6 million residents during the forecast period, pushing the population to 9 million in 2008, 10 million in 2022, and 10.3 million in 2025. As was the case in the past decade, population growth in New Jersey will be slightly slower than growth nationwide.

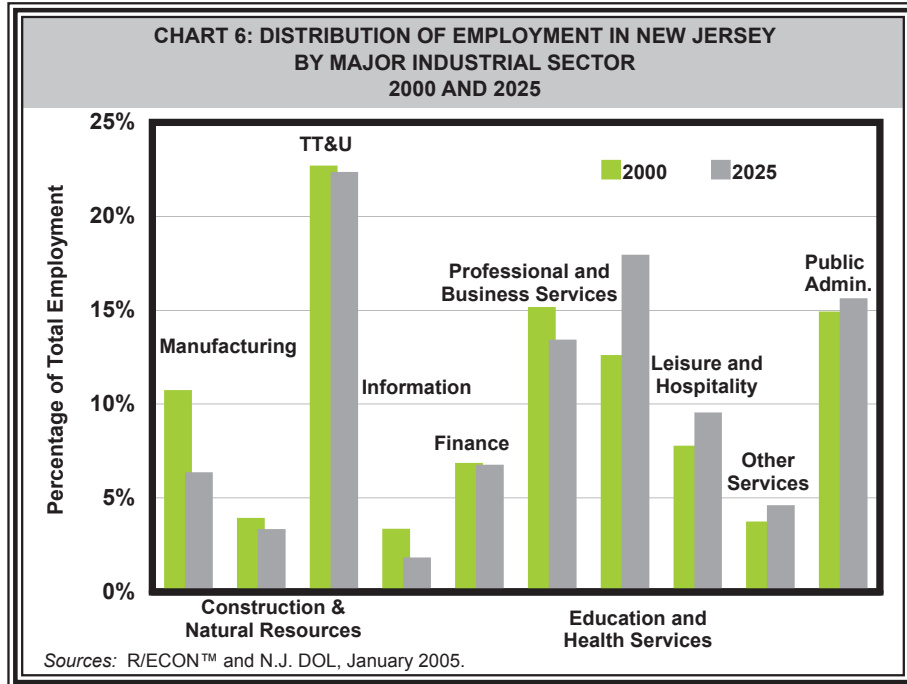
Although New Jersey had recovered from the recession in terms of its total job base by December 2004, employment in the private sector was still 6,000 below the peak reached in December 2000, while jobs in public administration had increased by 53,500 (9.1 percent). The private-sector

losses were scattered among several sectors, including manufacturing, information, wholesale trade, transportation, and professional and business services.

Over the forecast period, we expect smaller rates of decline in manufacturing and information jobs and some growth in transportation employment. The fastest job growth in New Jersey will be in the service sectors: education and health care, leisure and hospitality, and "other services." (See **Chart 5.**) These three service sectors and the trade sector will grow at average rates over 1 percent a year

throughout the forecast period and provide 71 percent of the state's new jobs.

As a result of the differences in growth rates, the industrial structure of New Jersey's economy in 2025 will be quite different from what it was in 2000. (See **Chart 6.**) Among the major changes, the manufacturing sector's share of employment will decline from 11 percent to 6 percent, while the education and health services sector will increase its share from 12 percent to 18 percent. The leisure and hospitality sector's share of employment will increase from 7 percent to 9 percent.



*Notes*

1. The state data and the nationwide data presented here are based on average annual employment.
2. This forecast was completed before the release of the rebenchmarked employment data on March 8, 2005. Appendix 1 shows and discusses the differences in the employment data for the period 2000 to 2004, benchmarked for 2003, and the data for the same period benchmarked for 2004.