EXECUTIVE SUMMARY

The New Jersey economy has added jobs at a rapid pace over the past year. The state gained 67,600 jobs from October 2003 to October 2004—a growth rate of 1.7 percent—and more than 100,000 jobs between the bottom of the employment cycle in March 2003 and October 2004.

Employment in the state is now at an all-time high—40,600 jobs or 1 percent above the previous peak reached in December 2000. Nationwide, employment has grown 1.7 percent since its low point in August 2003, and the national employment level is still nearly half a million jobs (0.4 percent) below the peak reached in March 2001. (See Chart 1.)

The relative strength of the New Jersey economy on the employment front also can be seen in the unemployment rate. The state’s unemployment rate stood at 4.8 percent in August and September 2004, and fell to 4.7 percent in October, down from a peak of 6.1 percent in July 2003. In August and September, the U.S. unemployment rate stood at 5.4 percent, down only nine-tenths of a percentage point from the peak of 6.3 percent reached in June 2003, but it edged back up to 5.5 percent in October. Thus, the U.S. unemployment rate remains well above New Jersey’s rate. (See Chart 2.) It is likely that the increase in the U.S. rate in October was the result of the reentry into the labor force of workers who had previously left because of weak job prospects.

CHART 1: NEW JERSEY AND U.S. EMPLOYMENT INDICES JANUARY 2000 TO OCTOBER 2004


CHART 2: NEW JERSEY AND U.S. UNEMPLOYMENT RATES JANUARY 2000 TO OCTOBER 2004

Growth in U.S. gross domestic product has surpassed output growth in the state. U.S. gross domestic product rose 3 percent in 2003 and 3.6 percent in the first three quarters of 2004. We estimate that state output rose only 2.1 percent in 2003 and 3 percent in the first three quarters of 2004.

The R/ECON™ forecast indicates that employment will grow at a rate of 1.5 percent in New Jersey this year and at an average annual rate of 1.1 percent (or 46,000 jobs) between 2004 and 2014. Over the forecast period, the United States also will add jobs at a rate of 1.1 percent a year. Thus, the state will add jobs at a pace that will assure that it retains its 3.1 percent share of national employment. (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. (See Table 1 and Table 2.) Output growth in the state will average 2.8 percent a year from 2003 to 2014—four-tenths of a percentage point lower than the average annual growth rate in that period for the nation. The implied increase in productivity in the state is 1.6 percent a year, about three-quarters the rate of productivity growth for the United States as a whole.

The state’s consumer inflation rate will rise to 3.7 percent this year, primarily because of the rapid rise in oil prices in the spring and in the late summer and fall. The rate will fall back to 2.1 percent in 2005 and average 2 percent from 2005 to 2014. The fallback in inflation rates to the 2 percent range in both the state and the nation assumes that oil prices will retreat from their highs (which reached $55 per barrel in October) to a range near $35 a barrel after next year.

The state unemployment rate averaged 5.9 percent in 2003, up slightly from the previous year. It will fall to 5 percent this year and in 2005 and then remain in the low 5 percent range through 2014. The state and national rates will begin to converge after this year, and the national rate will move below New Jersey’s rate in 2014. (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. This year, personal income is ex-
expected to rise 5 percent. It will increase at an even faster rate 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 2014. The state will add 766,000 residents during the forecast period, pushing the population to 9 million in 2008 and 9.4 million in 2014. 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, as of September 2004, employment in the private sector remained 15,000 below the peak reached in December 2000, while jobs in public administration had increased by 54,000 (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 improvement in the manufacturing, transportation, and information sectors; however, most job growth in New Jersey will be in the service supersectors, primarily in education and health care and in professional and business services. (See Chart 5.) Together, these two service supersectors will provide 43 percent of the state’s new jobs, while all sectors, other than manufacturing and natural resources, will gain jobs.

Sources: N.J. DOL, Global Insight, and R/ECON™.