

FORECAST OF DECEMBER 1998

NEW JERSEY: SLOWER GOING AHEAD!

EXECUTIVE SUMMARY

The expansion of New Jersey's economy that began in May 1997 will continue-- though at a reduced rate--through the forecast period that ends in 2001. New Jersey's job base has grown by 104,000 positions in the last year and a half. Its unemployment rate, 5.2% in May 1997, fell to 4.5% in October 1998. In October, the state's unemployment rate was below the U.S. rate for the first time in several years. Price inflation in the state has been mild: the Consumer Price Index (CPI) for New York-New Jersey-Connecticut has risen 1.6% this year, while that for Pennsylvania-New Jersey-Delaware increased to just over 1%. These rates are comparable to U.S. consumer price inflation of about 1.5%.

In 1998, R/ECONTM forecasts that employment will rise by 76,000 jobs, or 2.0%, with output growth of 3.4% and little inflation. We expect the state to add another 134,000 jobs in the next three years. The unemployment rate will stay near 5%, and output growth will simmer down to an average of 2.3% a year. (See Table 1.)

Most of the increase in employment this year and throughout the forecast period will be in the various service sectors and in retail trade. We also project strong growth in the communications sector. Declines in the manufacturing sector will be slower than in the past two decades. The share of employment in manufacturing will decline for 13% in 1997 to 12% in 2001, while the share of service sector jobs will rise from 31% to 33%.

Table 1
SUMMARY OF NEW JERSEY ECONOMIC FORECAST
December 1998

<i>Annual Percentage Growth</i>	1998	1999	2000	2001
Nonagricultural Employment	2.0	1.4	1.1	1.0
Real Gross State Product	3.4	2.7	2.1	2.2
Personal Income	5.0	4.3	4.4	4.9
Population	0.6	0.6	0.6	0.5
Consumer Prices	1.3	2.3	2.4	2.6
Percent				
Unemployment Rate(average)	4.9	4.9	5.0	5.0

Personal income will rise about 5.0% this year, down from 5.3% in 1997. As growth in both wages and unearned income lags in the next several quarters, income growth will slow to 4.3% in 1999.

Population growth of 0.6% per year is likely between 1997 and 2001. The state's population will swell from 8.05 million in 1997 to 8.23 million in 2001.

Since the recovery began in New Jersey, the expansion of real output has been considerably faster than job growth, indicating strong productivity growth. Output should rise 3.4% in 1998 and 2.7% in 1999 as robust growth in the productivity of the state's businesses continues.

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