

FORECAST OF DECEMBER 1999

# NEW JERSEY ENTERS THE NEW MILLENNIUM

## EXECUTIVE SUMMARY

New Jersey enters the next century with a strong economy that is positioned for continued expansion. After an economic growth spurt in the 1980s, the state experienced a difficult period in the early 1990s. Although the job base contracted by 230,000 between 1989 and 1992, the corporate and governmental reorganizations of those years, as well as extensive investment in new computer and communications technologies, laid the foundation for current and future economic growth. The state recovered all of the lost jobs by early 1997, and it has since added 165,000 jobs.

R/ECON expects that the state will add 65,900 jobs this year and 56,600 in 2000. Growth will moderate in the first few years of the next century, with an average increase of 38,800 jobs a year between 2000 and 2004. New Jersey's unemployment rate has remained at levels under 5% since late 1997. We expect the unemployment rate to average 4.6% this year and to rise moderately to 4.8% in 2000. It will average 5.1% between 2000 and 2004. (See Table 1.) Although, historically, low unemployment rates have been associated with pressures on wage rates, these pressures have been largely absent during the current expansion. The rate of inflation, as measured by regional consumer prices, was well under 2% last year, and it is expected to rise to only 2.1% this year. Although next year is likely to see some acceleration in inflation, the rate of price increase will continue to be very moderate through the first few years of the next century.

**Table 1**  
**SUMMARY OF NEW JERSEY ECONOMIC FORECAST**  
 December 1999

<i>Annual Percentage Growth</i>	1998	1999	2000	2000 to 2004
Nonagricultural Employment	2.0	1.7	1.5	1.0
Real Gross State Product	2.8	2.4	1.5	1.8
Personal Income	5.7	5.8	6.1	5.0
Population	0.7	0.6	0.5	0.4
Consumer Prices	1.3	2.1	2.9	2.5
<b>Percent</b>				
Unemployment Rate (average)	4.6	4.6	4.8	5.1

Source: R/ECON™

**W**e expect personal income to rise by 5.8% this year, an increase from the 1998 rate of 5.7%. As employment and wage growth slow later in the forecast, income growth will average 5% a year between 2000 and 2004.

**O**ver the forecast period, population growth will average 0.5% a year. The population will rise from 8.1 million in 1998 to 8.2 million in 2000, and to 8.4 million in 2004. Assuming our current expectation for growth in the labor force, this will push the labor force to population ratio from its current 52% to 54% in 2004.

**S**ince the recovery from the recession of the early 1990s began in New Jersey, real output growth has been considerably faster than job growth, implying productivity increases of just less than 1% a year. Output should rise 2.4% this year, 1.5% in 2000, and at an average rate of 1.8% a year between 2000 and 2004.

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