



FORECAST OF JULY 2007

NEW JERSEY: A BARE-BONES EXPANSION AHEAD!

Nancy H. Mantell, Ph.D.
Michael L. Lahr, Ph.D.

NEW JERSEY: EXECUTIVE SUMMARY

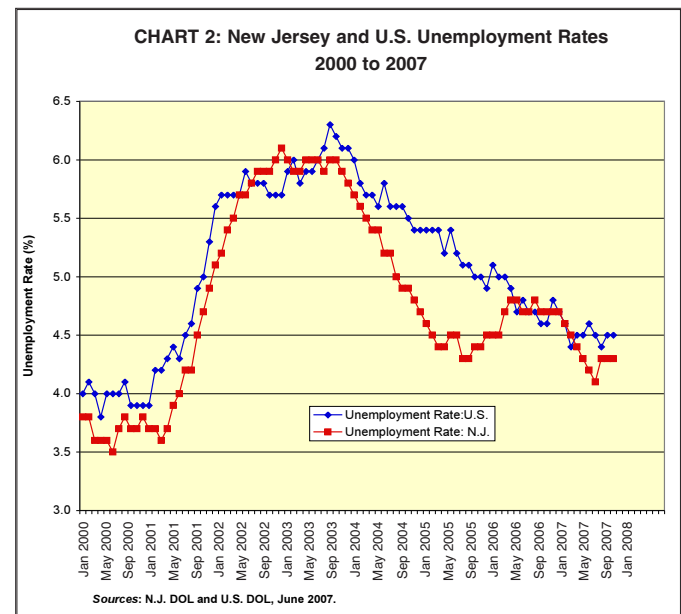
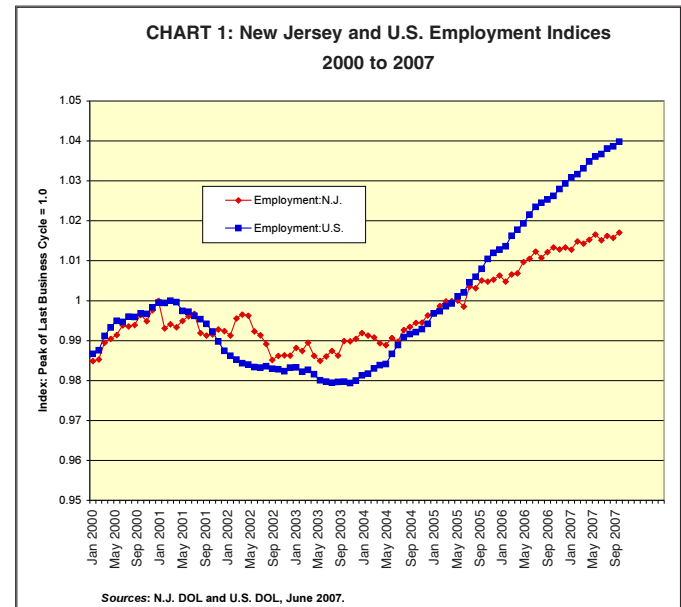
Job growth in New Jersey in the first 5 months in 2007 has been just enough to avoid a recession. The state has added only 7,200 jobs since December 2006, or 17,300 at an annual rate. This is only half of the slow expansion experienced in 2006. The state's job growth so far this year—0.4 percent, is less than half the nation's. (See **Chart 1.**) We expect New Jersey to continue to under perform the nation in terms of job growth for all 2007 as well as in 2008.

The state's unemployment rate was consistently lower than the nation's from mid-2003 through the end of 2005. However, starting in mid-2005 New Jersey's rate began to rise slowly, while the U.S. rate continued to ease downward. During the current year the state rate has again fallen below that of the nation. (See **Chart 2.**) It is expected to stay lower through 2008.

Well over half of the state's new jobs in 2007 have been added in its two largest private industries—education and health services and professional and business services. Most of the rest were in the public sector. Over half the jobs lost this year were in manufacturing. There was also a hefty loss in the construction sector, an engine of growth for the economy in the past 3 years.

The R/ECONTM forecast indicates that New Jersey's employment base will expand by only 0.5 percent in 2007. But it then will pick up steam from the national economy for the next several years. Employment will grow at an average rate of 0.9 percent, or 39,300 jobs, from 2007 to 2017. (See **Table 1.**)

Although the nation as a whole will add jobs more quickly than will New Jersey over the next few years, its rate of job growth will slow substantially after



2010. Through 2010, New Jersey's share of the nation's jobs will hover close to its current 3 percent and then edge up slightly. (See **Chart 3.**)

Growth in national real output has been more robust than growth in state real output since 2000. We expect this pattern to persist over the forecast period as well. Between 2006 and 2017 output in New Jersey will expand by an average rate of 2.1 percent a year compared to an average rate of 2.6 percent a year expected nationwide. This differential is due to the greater maturity of New Jersey’s economy and the state’s lower rate of population growth.

The state’s consumer inflation rate rose 3.9 percent in both 2005 and 2006, primarily because of high energy prices and, in 2006, increasing wage rates. The rate of inflation will slow to close to 1 percent in 2007 and 2008, and average 2.1 percent a year between 2008 and 2017. Low inflation rates for both the state and the nation over the next few years take account of declines in oil and housing prices that began in mid-2006.

New Jersey’s unemployment rate averaged 4.6 percent in 2005, up from 4.5 percent in the previous year. It will fall to 4.4 percent this year and average 4.9 percent over the rest of the forecast period. Beginning in 2009 the New Jersey rate will be slightly higher than the U.S. rate. (See **Chart 4.**)

After years of very slow growth, personal income in New Jersey rose 5.9 percent in 2004, 5.0 percent in 2005, and 6 percent in 2006. Income should rise 5 percent this year and an average of 5.3 percent a year from 2007 to 2017.

The state added 290,000 residents between 2000 and

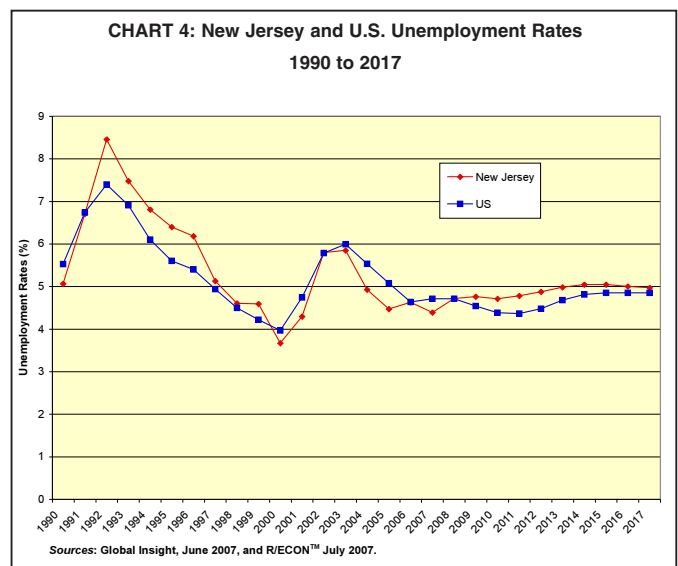
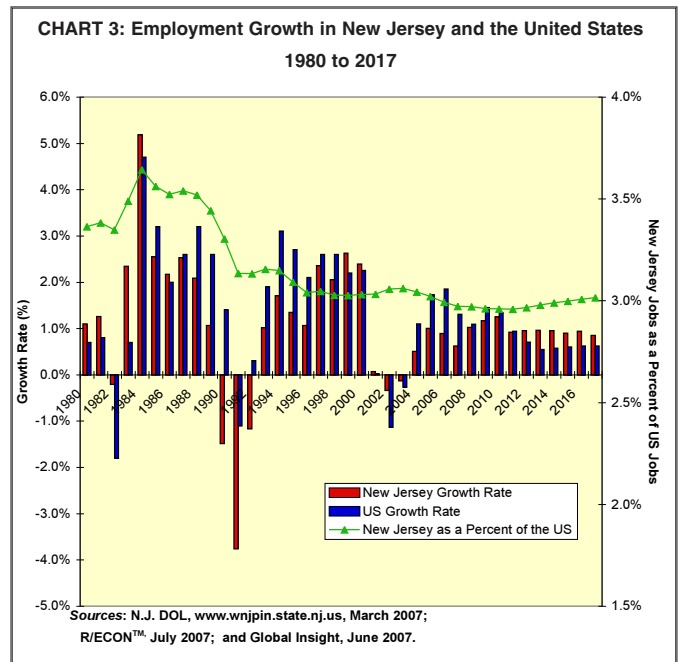


TABLE 1: Summary of New Jersey Economic Forecast

	2005	2006	2007	2008	2008 to 2017
Annual Percentage Growth					
Nonagricultural Employment	1.0%	0.9%	0.5%	0.9%	0.9%
Real Gross State Product	1.4%	2.9%	1.8%	2.0%	2.2%
Personal Income	5.0%	6.0%	5.0%	5.7%	5.3%
Population	0.3%	0.2%	0.3%	0.7%	0.7%
Consumer Prices	3.9%	3.9%	0.9%	1.2%	2.1%
Percentage					
Unemployment Rate(average)	4.5%	4.6%	4.4%	4.7%	4.9%

Source: R/ECON™, July 2007.

2006, growing at an average annual rate of 0.6 percent. It will expand by 0.7 percent a year between 2006 and 2017, adding 700,000 residents. As a result, New Jersey’s population will exceed 9 million in 2011, and reach 9.4 million in 2017. Population growth in New Jersey during the forecast period will continue to be slower than growth nationwide.

The fastest job growth in New Jersey during the forecast period will be experienced by two of the four service sectors—leisure and hospitality services and other services. These sectors will grow close to 2 percent a year through the forecast period. Other fast growth sectors will be professional and business serv-

ices and educational and health services: both will add jobs at rates exceeding 1 percent a year. Manufacturing and information will continue to lose jobs, although more slowly than in the recent past. The construction and utilities sectors will also lose some jobs.