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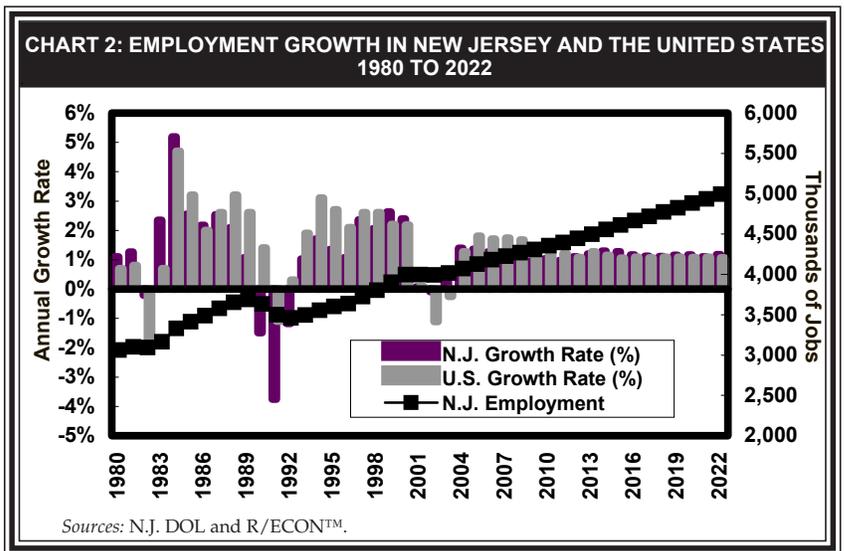
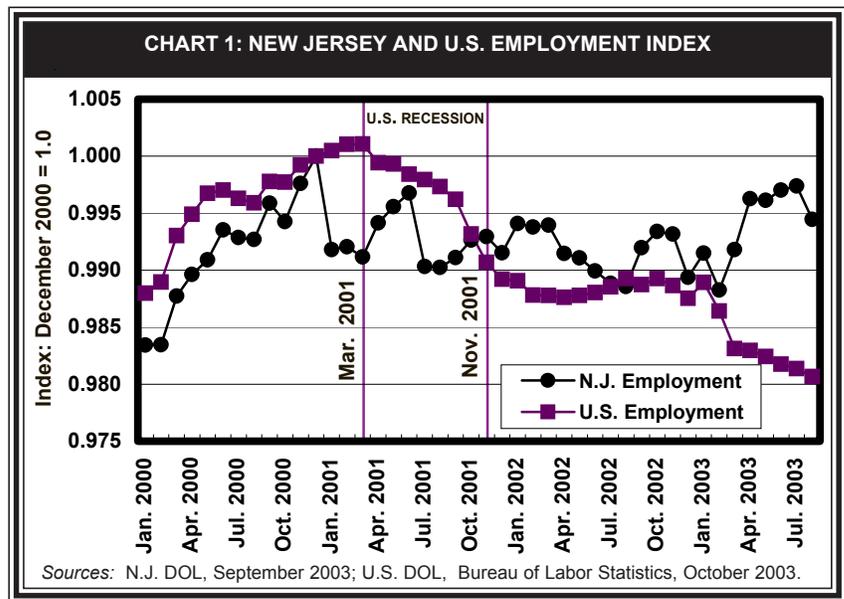
Nancy H. Mantell, Ph.D.  
Michael L. Lahr, Ph.D.

## FORECAST OF OCTOBER 2003 NEW JERSEY: THE RECOVERY IS "FOR REAL"

### EXECUTIVE SUMMARY

Although the United States as a whole remains mired in a "jobless recovery," New Jersey experienced strong employment growth between February and July 2003. (See Chart 1.) Even with the decline experienced in August, employment in New Jersey was only 16,700 jobs, or 0.4 percent, below the peak reached in December 2000. It was 30,600 jobs above the low reached in February 2003. In August 2003, employment in the United States was 2.7 million, or 2 percent, below the peak reached in March 2001.<sup>1</sup>

The R/ECON™ forecast indicates that employment will grow in New Jersey at an average annual rate of 1.1 percent (or 45,700 jobs) between 2002 and 2008. The average annual employment growth rate will remain at 1.1 percent over the long term (from 2008 to 2022) as well. Thus, annual employment growth over the forecast period will be nearly identical to that of the past two decades. Although New Jersey emerged from the recent recession with less damage than the country as a whole, the state will experience less of a bounce-back from the recession. Thus, employment growth in the United States will surpass that in New Jersey for the next



**Table 1**  
**SUMMARY OF NEW JERSEY ECONOMIC FORECAST**  
**2002 TO 2022**

	2002	2003	2004	2004 to 2008	2008 to 2022
<i>Annual Percentage Growth</i>					
Nonagricultural Employment	-0.1	0.6	1.4	1.2	1.1
Real Gross State Product	1.3	1.6	1.9	2.2	2.8
Personal Income	3.4	3.7	5.1	5.1	5.9
Population	0.9	1.0	0.9	0.7	0.6
Consumer Prices	2.0	2.3	1.7	2.0	3.1
<i>Percentage</i>					
Unemployment Rate (average)	5.8	5.7	5.6	5.2	4.7

Source: R/ECON™.

several years. During the out-years of the forecast, employment in the state and the nation will grow at a similar rate. (See **Chart 2**.)

Real output was unchanged in the recession year of 2001 in New Jersey, and we estimate that it grew 1.3 percent in 2002. (See **Table 1**.) The R/ECON™ forecast for New Jersey looks for growth in real output to be relatively weak, but accelerating, through the forecast period. The implied increase in productivity in the state is 1.4 percent a year, about 80 percent as fast as the growth rate for the United States as a whole.

The inflation rate of 2.3 percent in 2003 is up from last year's rate, primarily because of the rapid rise in oil prices early in the year and late in the summer. The rate will fall back to 1.7 percent in 2004 and range from 1.6 percent to 2.3 percent a year through 2008. The moderate economic growth expected will provide no impetus for rapid inflation, although the rate of inflation will increase in the later years of the forecast period as economic activity intensifies.

The state unemployment rate will average 5.7 percent this year, down slightly from 2002. The rate will decrease further through the forecast period, falling to 5.1 percent in 2008 and stabilizing at about 4.6 percent after 2013.

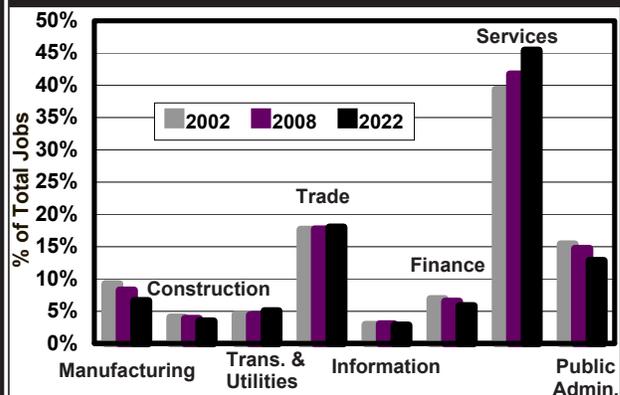
The recession kept personal income growth to only 3.4 percent in 2002. With the end of the recession, personal income should rise by 3.7 percent this year and 5.1 percent in 2004. Personal income growth will average 5.7 percent a year during the rest of the forecast period. Income growth will be sustained over the forecast period by relatively

rapid growth in proprietors income and, in the later part of the period, by faster growth in interest, dividends, and rent. Transfer payments helped sustain the level of income during the recession. Their growth will be slow for several years and then pick up in the later years of the forecast period as an increasingly large proportion of residents begin to receive social security and other retirement benefits.

The state's population rose by 0.9 percent a year between 2000 and 2002. It will increase 0.8 percent a year between 2002 and 2008 and 0.6 percent a year between 2008 and 2022. The state will add 425,300 residents between 2002 and 2008, pushing the population to just above 9 million in 2008. From 2008 through 2022, the population will increase by 824,200, bringing the total population to 9.84 million by the end of the forecast period.

New Jersey's industrial structure will stay on its path toward an increasingly service-dominated economy. The manufacturing sector will continue to lose jobs through most of the forecast period. By 2008, only 8 percent of the state's jobs will be in manufacturing, down from 9 percent in 2002. By 2022, the sector's share of total employment will fall below 7 percent. (See **Chart 3**.) The construction sector's share of employment will fall from the current level of 4 percent to 3 percent in 2022. The state's transportation, utilities, and information industries will be slow in recovering from the massive problems of the past several years. However, strong growth in the transportation sector in the later part of the forecast period will lead to an increase its share of jobs from the current level of 4.5 percent to 5 percent in 2022. The financial

**CHART 3: DISTRIBUTION OF EMPLOYMENT IN NEW JERSEY, BY INDUSTRY, 2002, 2008, AND 2022**



Sources: N.J. DOL and R/ECON™.

sector is likely to lose job share over the long term because of slow growth in real estate and employment declines in the insurance business.

The service supersectors will be the greatest sources of job generation over most of the forecast period. They will provide two-thirds of the state's new jobs and increase their job share from 39 percent in 2002 to 42 percent in 2008 and 45 percent in 2022. The trade sectors will supply 19 percent of the job growth and hold their job share steady at 18 percent. The public sector will gain a few thousand jobs over the forecast period, but its job share will fall from the current level of 15 percent to 13 percent by 2022.

*Note*

1. Employment in the United States ticked up by 57,000 jobs in September 2003, and New Jersey employment was adjusted up to 4,010,700 in August and rose to 4,016,400 in September, after the R/ECON forecast was completed.