

FORECAST OF OCTOBER 2013 NEW JERSEY: THE ECONOMY REMAINS IN RECOVERY MODE

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EXECUTIVE SUMMARY

The October 2013 R/ECON™ forecast for New Jersey looks for growth in nonagricultural employment of 1.6 percent—nearly 61,000 jobs in 2013, after growth of 1.3 percent or 49,100 jobs in 2012. The above-average growth rates in 2012 and 2013 will slow as the recovery/expansion progresses. (See Table 1.) Employment growth between 2013 and 2033 will average 0.7 percent or 31,000 jobs per year. In the two and a half years since the trough of the recession in January 2011 New Jersey had recovered 48 percent of its lost jobs by August 2013. At its expected rate of growth the state will regain the peak level of 4,092,200 achieved in January 2008 in late 2017. By the end of the forecast period in 2033 the employment base will be nearly 500,000 jobs greater than at that peak.¹

The jobs recovery in the U.S. continues to be considerably faster than that in New Jersey. By August 2013 it had already recouped 6.83 million, nearly 80 percent, of the 8.7 million jobs lost during the recession. It will begin its job expansion three years earlier than New Jersey—in mid-2014.² By the end of 2023 the nation’s employment base will exceed the peak reached in January 2008 by 9.9 percent. The nation will add jobs at the rate of 0.7 percent a year in the following decade. Given its slower recovery and similar rate of expansion, New Jersey’s share of the nation’s job base will

decline from its current 2.91 percent to 2.83 percent in 2033.

As a result of the recession, New Jersey lost 2.8 percent of its gross output between 2008 and 2010. Output rose in both 2011 and 2012 putting the state on track to more than regain the full loss this year. Between 2012 and 2033, output in New Jersey will expand at an average rate of 2.2 percent a year, about 15 percent slower than the average rate expected nationwide. The differential is due to, among other things, the relatively higher costs of living and doing business in New Jersey, the state’s lower rate of population growth, and the shift in industrial composition ever more heavily into the service economy.

The state’s unemployment rate will fall from its current (August 2013) level of 8.5 percent to 5.3 percent at the

Table 1					
SUMMARY OF NEW JERSEY ECONOMIC FORECAST					
	2012	2013	2014	2014 to 2023	2023 to 2033
<i>Annual Percentage Change</i>					
Nonagricultural Employment	1.3%	1.5%	0.8%	0.7%	0.7%
Real Gross State Product	1.3%	2.2%	2.4%	2.2%	2.2%
Personal Income	2.8%	3.4%	5.4%	4.3%	4.5%
Population	0.3%	0.4%	0.6%	0.7%	0.5%
Consumer Prices	1.9%	1.6%	1.4%	1.8%	2.1%
<i>Percentage</i>					
Unemployment Rate (average)	9.5%	8.6%	7.6%	5.7%	5.4%

Source: R/ECON™, October 2013.

¹ This report reflects the preliminary employment data for August 2013 released in mid-September 2013 by the N.J. Department of Labor.

² All U.S. forecast information in this report comes from the IHS Global Insight forecast of September 2013.

end of the forecast period. Even though the state rate has fallen substantially in the past year, it is still more than a percentage point higher than the national rate; it will remain at least a bit higher throughout the forecast period. More worrying than its height compared to the nation, is the fact that most of the decline in the unemployment rate has come from a decrease in labor force participation rather than an increase in resident employment.

New Jersey's consumer prices rose 1.9 percent in 2012, close to the inflation rate in the U.S. The state's inflation rate will fall to 1.6 percent this year and average, like that of the U.S., about 1.9 percent per year from 2012 to 2033. This rate of inflation is well within the stated comfort zone of the Federal Reserve.

Personal income rose 4.2 percent in 2011 as the state began to come out of the recession, but only 2.8 percent in 2012. Growth will be stronger in 2013 as employment picks up. Income is expected to rise at an average rate of 4.4 percent a year from 2013 to 2033, somewhat slower than the 4.5 percent annual growth

rate expected for the U.S. over the two decades.

The state added 434,000 residents between 2000 and 2012, growing at an average annual rate of 0.4 percent. This was just over half as fast as population growth in the 1980s and was only half as fast as national population growth. Population growth will average 0.6 percent a year from 2012 to 2033, compared to 0.7 percent a year for the U.S. The state will add 1.2 million residents over the two decades. As a result, New Jersey's population will top 9 million in 2015 and end the forecast period at 10 million. Since New Jersey's population growth will continue to be slower than growth nationwide, the state's share of U.S. population will fall from the current 2.82 percent to 2.74 percent in 2033. The state's share of national employment and personal income will remain higher than its share of the national population, so it will continue to be a high income state—that is, a good place for retailers but not necessarily for businesses looking for a low wage state in which to expand.