As of May 2014, the jobs recovery in the U.S. was complete. Nonagricultural employment had regained slightly more than all 8.7 million jobs lost in the recession. The private sector recovery was accomplished a couple of months earlier. By the end of 2024 the nation’s employment base will exceed the peak reached in January 2008 by more than 10 percent. Given its slower recovery and rate of expansion, New Jersey’s share of the nation’s job base will decline from its current 2.83 percent to 2.81 percent in 2024.

Three years into its recovery, the state’s economy regained all the output lost in the recession in mid-2014, making the state’s output recovery three years later than that of the U.S. Between 2013 and 2024, output in New Jersey will expand at an average rate...
of 2.1 percent a year, about 16 percent slower than the average rate expected nationwide. Using the ratio of output to employment as a rough measure of productivity, it appears that New Jersey had a substantial productivity advantage during the 1990s and until 2008 when the state’s advantage was 17 percent. Since then, the advantage has declined, and it will continue to fall to about 10 percent in 2024. The differential in output growth leading to the state’s falling productivity advantage 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 its smaller proportion of working age population.

The state’s unemployment rate will fall from its November 2014 level of 6.4 percent to under 5.4 percent from 2020 on. Even though the state rate has fallen substantially in the past year, it is still higher than the national rate; it will remain 10 to 30 basis points higher through the forecast period. The good news here is that the labor force has risen by nearly 45,000 workers over the past year. That growth was the result of a steady increase in household employment as well as a steady decline in the number of workers reporting themselves to be unemployed. Besides the decrease in the unemployment rate those trends have led to increases in both labor force participation rates and the portion of the population that is employed.

New Jersey’s consumer prices rose 1.4 percent in both 2013 and 2014, just less than the national rate. The state’s inflation rate will rise only 0.5 percent this year, held down by falling oil prices, and average about 2.4 percent per year from 2015 to 2024, compared to 2.3 percent a year for the U.S. Thus inflation should not be a concern for the economy in the next decade.

Personal income rose 3.4 percent in 2012 and 1.2 percent in 2013. The slowdown was the result of the increase in payments for social insurance as the federal social insurance tax rate reverted to its pre-reduction (2010) level. Income is expected to have risen 3.1 percent in 2014, and growth will average 4.5 percent a year from 2014 to 2024, somewhat slower than the 4.8 percent annual growth rate expected for the U.S. over the decade.

The state added 476,000 residents between 2000 and 2013, 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 less than half as fast as national population growth. Population growth will average 0.7 percent a year from 2013 to 2024, slightly less than the rate for the U.S. The state will add 709,000 residents over the decade. As a result, New Jersey’s population will top 9 million in 2016 and end the forecast period at 9.6 million. The state’s share of U.S. population will fall from the current 2.8 percent to 2.79 percent in 2024. The state’s share of national employment, personal income, and real output will all remain higher than its share of the national population during the forecast period. Thus New Jersey will remain a state with both high income per capita and high productivity.