FORECAST OF OCTOBER 2014

NEW JERSEY: THE JOBS RECOVERY IS A NON-EVENT

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EXECUTIVE SUMMARY

The October 2014 R/ECON™ forecast shows continuing but slow growth for the state, with a distinct slowdown in growth this year following the very difficult winter of 2013/2014. What little job growth there has been this year (13,600 jobs between July 2013 and July 2014) has been and will be undercut by casino closures. The Atlantic Club closed in January, the Showboat at the end of August, and Revel and Trump Plaza in September. Further, layoff notices have gone out to employees at the Taj Mahal for a mid-November closure. Altogether those losses will decrease employment in the state's casino industry by 11,000 jobs this year. That's more than a third of the jobs in the sector in January 2014, and more than 8 percent of jobs in Atlantic City.

Partially as a result of the casino implosion, the forecast shows growth in nonagricultural employment of only 0.3 percent—or 11,800 jobs in 2014—after growth of 1.2 percent or 44,800 jobs in 2013. Growth will be much stronger in 2015 at 1.4 percent, with strong growth in several sectors, and then average 0.8 percent over the rest of the forecast period. (**See Table 1.**) At these rates the job base will return to the peak level reached in the first quarter of 2008 in early 2017. By the end of the forecast period in 2024 the employment base will be about 205,000 jobs greater than its level at the peak.[1]

As of May 2014, the jobs recovery in the U.S. was complete, as nonagricultural employment 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 about 11 percent. Given its slower recovery and rate of expansion, New Jersey's share of the nation's job base will decline from its current 2.84 percent to 2.80 percent in 2024.[2]

As a result of the recession, New Jersey lost 4.3 percent of its gross output between 2007 and 2009. The state's economy is on track to regain all the output lost in the recession this year, making the state's output recovery three years later than that

Table 1
SUMMARY OF NEW JERSEY ECONOMIC FORECAST

	2013	2014	2015	2015 to 2024
Annual Percentage Change				
Nonagricultural Employment	1.2%	0.3%	1.4%	0.8%
Real Gross State Product	1.1%	1.1%	3.0%	2.2%
Personal Income	2.3%	2.8%	4.2%	4.4%
Population	0.4%	0.4%	0.6%	0.7%
Consumer Prices	1.4%	1.5%	1.2%	2.2%
Percentage				
Unemployment Rate (average)	8.2%	6.7%	6.0%	5.4%

Source: R/ECON™, October 2014.

[1] This report reflects the preliminary employment data for August 2014 released in September 2014 by the N.J. Department of Labor as well as first quarter 2014 income data released in June 2014 by the U.S. Bureau of Economic Analysis. It also takes into account the preliminary gross domestic product data for 2013 released by the U.S. Bureau of Economic Analysis in June 2014.

[2] All U.S. forecast information in this report comes from the IHS Economics forecast of September 2014.

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of the U.S. Between 2013 and 2024, output in New Jersey will expand at an average rate of 2.3 percent a year, about 12 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. Since then, the advantage has declined, and it will continue to fall over the rest of the forecast period. 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 current August 2014 level of 6.6 percent to 5.2 percent from 2018 on. Even though the state rate has fallen substantially in the past year, it is still higher than the national rate; it will remain at least a bit higher through next year. While the height of the unemployment rate is a concern, the real problem is that the unemployment rate has fallen primarily because people have stopped considering themselves to be part of the labor force. This is evident in the labor force participation rate, which has fallen from 67 percent as recently as 2009 to an average of less than 64 percent this year.

New Jersey's consumer prices rose 1.4 percent in 2013, just less than the national rate. The state's inflation rate will rise 1.5 percent this year and average about 2.1 percent per year from 2014 to 2024, compared to 2.0 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 2.3 percent in 2013.[3] 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 rise at an average rate of 4.3 percent a year from 2013 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, somewhat less than the rate for the U.S. The state will add 708,000 residents over the decade. As a result, New Jersey's population will top 9 million in 2015 and end the forecast period at 9.6 million. The state's share of U.S. population will fall from the current 2.81 percent to 2.79 percent in 2014. 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.

[2] The database and forecast were completed before the latest release of personal income data by the U.S. Bureau of Economic Analysis at the end of September. That release shows even slower growth of personal income in New Jersey in 2013 than that included in this forecast. The new rate shown is 1.2 percent. It is held down by the slow growth in all components of income, but also by the huge increase in social insurance payments.