

NEWS RELEASE

July 19, 2007

RUTGERS ECONOMIST SEES ‘MINIMAL’ JOB GROWTH IN 2007 AS STATE’S ECONOMY CONTINUES TO UNDERPERFORM NATION’S

Construction, a recent growth engine, sputters

New Brunswick, N.J. – New Jersey managed to add just 7,200 nonagricultural jobs through May or an annual rate of 17,300 jobs – “minimal growth,” according to Nancy H. Mantell, director of the Rutgers Economic Advisory Service (R/ECON). Mantell was equally pessimistic about the state’s chances for a quick economic turnaround. She anticipates the national economy to outpace New Jersey’s through the next few years.

Mantell made her predictions today in New Brunswick at R/ECON’s semiannual subscriber conference, “The New Jersey Energy Master Plan – What is it, how will it work and what will its impact be on New Jersey?” at the Edward J. Bloustein School of Planning and Public Policy at Rutgers, The State University of New Jersey.

Jeanne Fox, president of the state Board of Public Utilities, discussed the energy master plan, stressing its objectives. Frank Felder, director of the Bloustein School’s Center for Energy, Economic and Environmental Policy, offered feedback. They were joined by the Bloustein School Dean James W. Hughes and University Professor Joseph J. Seneca, who shared their perspectives on energy use and the economy.

“The addition of 17,300 jobs represents only half of the already slow pace of last year’s expansion,” Mantell said. “The state’s current 0.4 percent rate of job growth is less than half the nation’s, and we expect New Jersey to continue to underperform the nation in terms of employment growth for all 2007 and 2008.” Mantell sees a 0.5 percent growth rate by year’s end, rising to 0.9 percent – or 39,000 jobs – next year and remaining stable throughout the forecast period to 2017.

-more-

Mantell observed that well over half the state's new jobs in 2007 have been added in its largest private sectors: education and health services and also professional and business services. Continuing a longstanding trend, a decline in manufacturing was responsible for more than half the current the jobs losses. "There also was a hefty loss in the construction sector, an engine of growth for the economy in the past three years," she said.

While New Jersey's unemployment rate was consistently lower than the nation's from mid-2003 through the end of 2005, the gap closed beginning mid-2005 as the state's rate crept higher while the nation's eased downward. The state's rate of unemployment (4.3 percent in May) currently is lower than the national rate (4.5 percent) and is expected to remain so through next year. "Although the rate is low, there is some evidence in the labor force data that New Jerseyans are dropping out of the labor force as resident employment has fallen substantially this year," Mantell noted.

Growth in national real output has remained "more robust" than at the state's level since 2000, and that trend will continue, according to the forecast. Between 2006 and 2017, output in New Jersey will expand by a yearly average of 2.1 percent compared to an annual average of 2.6 percent nationwide.

Driven by high energy prices in 2005 and 2006, and increased wages in 2006, consumer prices rose by 3.9 percent in each of those years. The inflation rate will drop to under 2 percent this year and next, and average 2.1 percent annually through 2017. Mantell cautioned, however, that low inflation rates for both the state and nation in the near term are contingent upon stabilizing energy prices and a continuing weak housing market.

Leisure and hospitality services and "other" services are expected to experience the highest growth through the forecast, almost 2 percent annually, Mantell said. Professional and business services, and educational and health services will grow more modestly, at about 1 percent. Employment in manufacturing and the information sectors will continue to contract, although more slowly than in the recent past. The construction and utilities sectors also will lose jobs, Mantell said.

R/ECON, offered by the Center for Urban Policy Research at the Bloustein School, provides its subscribers, including business and government agencies, comprehensive forecasting tools to plan their operations in line with expectations about the economic environment.

SUMMARY OF NEW JERSEY ECONOMIC FORECAST

	2005	2006	2007	2008	2008-2017
<i>Annual Percentage Growth</i>					
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%	1.5%	1.8%	2.1%
 <i>Percentage</i>					
Unemployment rate (average)	4.5%	4.6%	4.4%	4.7%	4.9%

Source: R/ECON

#

RECONs07.ed
070719-1