

# FORECAST OF JULY 2013

## NEW JERSEY: THE ECONOMIC RECOVERY APPEARS TO BE SPEEDING UP

*Nancy H. Mantell, Ph.D.*

*Michael L. Lahr, Ph.D.*

### EXECUTIVE SUMMARY

The July 2013 R/ECON™ forecast for New Jersey looks for growth in nonagricultural employment of 1.5 percent—nearly 60,000 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 after the “Great Recession” progresses. (See **Table 1.**) Employment growth between 2013 and 2023 will average 0.9 percent or 39,200 jobs per year. By May 2013 New Jersey had recovered 44 percent of the jobs lost in the recession. The level of jobs will recover to the 2007 peak in late 2016 and by the end of the forecast period the employment base will be 267,200 jobs greater than the peak level of 4,092,200 achieved in January 2008.<sup>1</sup>

The jobs recovery in the U.S. continues to be considerably faster than that in New Jersey. By May 2013 it had already recouped 6.3 million, nearly two-thirds, of the 8.7 million jobs lost during the recession. It will begin its job expansion two and a half years earlier—in mid-2014. By the end of the forecast period the nation’s employment base will exceed the peak reached in January 2008 by 9.4 percent. Given its slower recovery and expansion, New Jersey’s share of the national job base will decline from its current 2.92 percent to 2.89 percent in 2023.

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. By way of a comparison, real output in the U.S. declined 3.5 percent from 2007 to 2009, and surpassed its previous peak in 2011. Between 2013 and 2023, output in New Jersey will expand at an average rate of 2.2 percent a year, nearly half a 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 (May 2013) level of 8.6 percent to 5.4 percent at the end of the forecast period. Even though the state rate has

<b>Table 1</b>					
<b>SUMMARY OF NEW JERSEY ECONOMIC FORECAST</b>					
	2011	2012	2013	2014	2014 to 2023
<i>Annual Percentage Change</i>					
Nonagricultural Employment	0.0%	1.3%	1.5%	1.1%	0.9%
Real Gross State Product	0.2%	1.3%	2.2%	2.2%	2.2%
Personal Income	4.2%	2.8%	4.8%	4.2%	4.3%
Population	0.4%	0.3%	0.4%	0.7%	0.7%
Consumer Prices	2.7%	1.9%	1.3%	1.6%	2.1%
<i>Percentage</i>					
Unemployment Rate(average)	9.4%	9.5%	8.8%	7.8%	5.7%

Source: R/ECON™, July 2013.

<sup>1</sup> This report reflects the preliminary employment data for May 2013 released in late June 2013 by the N.J. Department of Labor.

fallen substantially in the past year, it is still more than a percentage point higher than the national rate; it will remain higher throughout the forecast period.

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 1.3 percent this year and average, like that of the U.S., about 2 percent in the forecast period. Thus the inflation rate is well within the comfort level 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 4.3 percent a year from 2013 to 2023, somewhat lower than the 4.5 percent growth expected for the U.S.

The state added 434,000 residents between 2000 and 2012, growing at an average annual rate of 0.42 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 0.65 percent a year from 2012 to 2023, compared to 0.8 percent a year for the U.S. The state will add 659,000 residents in that period. As a result, New Jersey's population will top 9 million in 2015 and end the forecast period at 9.5 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 2.81 percent to 2.78 percent in 2023. 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.