

RUTGERS ECONOMIC ADVISORY SERVICE

FORECAST OF APRIL 2000

NEW JERSEY: EXPECT THE GOOD TIMES TO ROLL ON

EXECUTIVE SUMMARY

New Jersey enjoyed a third year of strong economic growth in 1999 after a four-year period during which it pulled slowly out of the recession of the early 1990s. We expect growth to continue this year, although at a slower pace, as the economy adjusts to more inflation and higher interest rates.

The R/ECON™ forecast for New Jersey looks for employment to rise in 2000 by 55,900 jobs, or 1.4%, with growth in real output of 2.4% and inflation at 2.9%. (See **Table 1.**) The state's population will increase by 0.6% in 2000 and grow at an average rate of 0.6% a year over the forecast period.

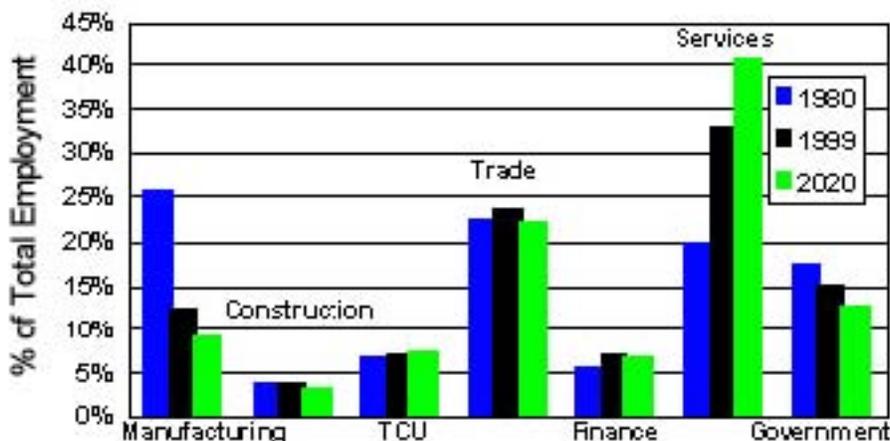
Table 1
SUMMARY OF NEW JERSEY ECONOMIC FORECAST
April 2000

<i>Annual Percentage Growth</i>	1999	2000	2001	2002	2002 to 2020
Nonagricultural Employment	1.7	1.4	0.7	1.0	1.0
Real Gross State Product	2.4	2.4	2.2	1.9	2.3
Personal Income	5.8	5.6	5.8	5.0	5.1
Population	0.6	0.6	0.6	0.5	0.6
Consumer Prices	2.0	2.9	2.9	2.8	2.7
Percent					
Unemployment Rate (average)	4.6	4.3	4.6	4.7	5.1
<i>Source: R/ECON™</i>					

The services and trade sectors will provide 90% of the net increase in employment over the forecast period. The fastest growth will occur in the communications and services sectors. Declines in the manufacturing sector will slow from -2.7% per year over the past two decades to an average of -0.5% per year during the forecast period. The structure of the economy will thus continue to shift away from reliance on manufacturing and toward dependence on services. (See **Chart 1.**) By 2020, only 9% of the state's job base

will be in manufacturing, down from more than 25% in 1980 and 12% in 1999. The service sector will provide 40% of the state's jobs, up from 20% in 1980 and 33% in 1999. The public sector's share of the job base will also continue to decline significantly over the forecast period.

CHART 1: CHANGING EMPLOYMENT STRUCTURE OF NEW JERSEY'S ECONOMY



The state unemployment rate is expected to average 4.3% this year, down from 4.6% in 1999. It will rise to 4.6% in 2001 as economic activity at both the state and national levels slows, and average 5.1% over the rest of the forecast period.

Personal income rose by approximately 5.8% in 1999. Income growth will remain rapid in 2000 as higher interest rates push up unearned income. Wages will rise approximately 5.2% a year during the forecast period. The decline in interest rates after this year will slow the rate of growth of unearned income, keeping income growth at an average of 5.1% a year over the forecast period.

Since the recovery from the recession of the early 1990s began in New Jersey, real output growth has been considerably faster than job growth, indicating strong productivity growth. Output rose by an estimated 2.4% in 1999. The slower economic growth expected over the next two years will include a decrease in the growth rate of gross state product to 2.2% next year and to 1.9% in 2002. During the rest of the forecast period, we expect output to rise at an average rate of 2.3% a year. These rates imply productivity increases of more than 1% a year between 2000 and 2020.

R/ECON April 2000 Forecast

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