

## FORECAST OF APRIL 2014 NEW JERSEY: STILL IN THE SOUP

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### EXECUTIVE SUMMARY

The April 2014 R/ECON™ forecast shows continuing but slow growth for the state. The very tough winter of 2013/2014 has kept employment growth minimal early in the year, although it is up compared to the early part of 2013. The forecast includes growth in non-agricultural employment of 0.6 percent—nearly 24,400 jobs in 2014, after growth of 1.2 percent or 44,800 jobs in 2013. Growth will be moderate over the next 3 years—for an increase of 136,000 jobs between 2014 and 2017. At these rates the job base will return to the level of the first quarter of 2008 only in early 2018. The rate of growth will trend up slightly as the expansion continues and average 0.9 percent a year from 2017 through 2024. (See Table 1.) By the end of the forecast period in 2024 the employment base will be about 234,000 jobs greater than the base at the peak.<sup>1</sup>

The jobs recovery in the U.S. was considerably faster than that in New Jersey. By February 2014 the U.S. had recouped 92 percent of the 8.7 million jobs lost during the recession. It will begin its job expansion in mid-2014.<sup>2</sup> By the end of 2024 the nation's employment base will exceed the peak reached in January 2008 by 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 2.9 percent to 2.8 percent in 2024.

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 in 2013. Between 2013 and 2024, output in New Jersey will expand at an average rate of 2.3 percent a year, about 15 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 slight productivity advantage during the 1990s and until 2008. Since then, the advantage has been on the side of the nation—where it will stay through the forecast period. The differential in both productivity and growth is due to, among other things, the relatively higher costs of living and doing business in New Jersey,

<b>Table 1</b>				
<b>SUMMARY OF NEW JERSEY ECONOMIC FORECAST</b>				
	2013	2014	2015	2015 to 2024
<i>Annual Percentage Change</i>				
Non-agricultural Employment	1.2%	0.6%	1.1%	0.9%
Real Gross State Product	1.8%	2.4%	2.5%	2.3%
Personal Income	2.2%	4.0%	4.2%	4.6%
Population	0.4%	0.5%	0.7%	0.7%
Consumer Prices	1.4%	1.4%	1.4%	1.9%
<i>Percentage</i>				
Unemployment Rate (average)	8.2%	6.7%	5.9%	5.1%
<small>Source: R/ECON™, April 2014.</small>				

<sup>1</sup> This report reflects the preliminary employment data for February 2014 released in March 2014 by the N.J. Department of Labor as well as fourth quarter 2013 income data released in March 2014 by the U.S. Bureau of Economic Analysis.

<sup>2</sup> All U.S. forecast information in this report comes from the *IHS Global Insight* of March 2014.

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 (February 2014) level of 7.1 percent to 5 percent in the last years of the forecast period. 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 throughout most of the forecast period. While the height of the unemployment rate is a challenge, the real concern is that the unemployment rate has fallen primarily because people have stopped considering themselves to be part of the labor force.

New Jersey's consumer prices rose 1.4 percent in 2013, just less than the national rate. The state's inflation rate will rise 1.4 percent again this year and average, like that of the U.S., about 1.8 percent per year from 2013 to 2024. That is—inflation should not be a concern for the economy in the next decade.

Personal income rose 3.4 percent in 2012 and 2.2 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 rise at an average rate of 4.5 percent a year from 2013 to 2024, somewhat slower than the 4.7 percent annual growth rate expected for the U.S. over the decade.

The state added 469,000 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, compared to 0.8 percent a year for the U.S. The state will add 700,000 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. Since New Jersey's population growth will continue to be slower than growth nationwide, the state's share of U.S. population will drift down from its current 2.81 percent to 2.79 percent in 2024. 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.