

FORECAST OF JANUARY 2013 NEW JERSEY: THE ECONOMY WILL CONTINUE ON A SLOW GROWTH PATH

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EXECUTIVE SUMMARY

The January 2013 R/ECON™ forecast for New Jersey looks for growth in non-agricultural employment of 1.2 percent or 45,700 jobs in 2012. All of the increase was in the first half of the year. Since June the number of jobs in the state has fallen, except in the month of August with the largest decline in November when the fallout from Hurricane Sandy was recorded. Although this is an above-average growth rate as the economy finally exits the “Great Recession,” the rate will slow as the recovery/expansion progresses. Growth will continue between 2012 and 2022 at an average rate of 0.8 percent or 33,700 jobs per year. The level of jobs will recover to the 2007 peak in 2018; by the end of the forecast period the employment level will be only 158,900 jobs greater than the peak level.

The U.S. will begin its job expansion more than three years earlier—in mid-2014. We expect that during the recovery and expansion, employment growth in the U.S. will outperform that in New Jersey—as it has for most of the past two decades. By the end of the forecast period the nation’s employment base will exceed the peak reached in 2007 by 9.6 percent, and New Jersey’s share of the national job base will decline from its current 2.93 percent to 2.81 percent in 2022.

In terms of gross output, New Jersey lost 4.8 percent in

2009 and regained 30 percent of it in 2010. Real gross domestic product fell 3.6 percent from \$444 billion in 2008 to \$428 billion in 2011, even with the upward bounce in 2010. Real output in the U.S. declined 3.8 percent, from 2007 to 2009, rather than from 2008 to 2011 as was the case in New Jersey. R/ECON™ forecasts that New Jersey output will return to the peak 2008 level by 2014. The loss in GDP for the U.S. in 2008 and 2009 was more than recovered by 2011. Between 2011 and 2022, output in New Jersey will expand at an average rate of 1.8 percent a year. (See **Table 1**.) This is considerably slower than the average rate of 2.6 percent a year expected nationwide. (See **Table 2**.) The differential is due to, among other things, the relatively higher costs of living and doing business in New Jersey and the state’s lower rate of population growth.

Table 1
SUMMARY OF NEW JERSEY ECONOMIC FORECAST

	2011	2012	2013	2013 to 2022
<i>Annual Percentage Change</i>				
Nonagricultural Employment	0.1%	1.2%	0.8%	0.8%
Real Gross State Product	-0.5%	1.1%	1.2%	2.0%
Personal Income	4.2%	3.9%	4.0%	4.1%
Population	0.3%	0.3%	0.5%	0.6%
Consumer Prices	2.7%	2.0%	1.6%	2.0%
<i>Percentage</i>				
Unemployment Rate (average)	9.3%	9.5%	9.0%	6.6%

Source: R/ECON™, January 2013.

Table 2
SUMMARY OF U.S. ECONOMIC FORECAST

	2011	2012	2013	2013 to 2022
<i>Annual Percentage Change</i>				
Nonagricultural Employment	1.2%	1.4%	1.6%	1.2%
Real Gross State Product	1.8%	2.2%	1.9%	2.7%
Personal Income	5.1%	3.3%	3.6%	4.7%
Population	0.7%	0.9%	1.0%	1.0%
Consumer Prices	3.1%	2.1%	1.4%	1.9%
<i>Percentage</i>				
Unemployment Rate (average)	9.0%	8.1%	7.7%	6.1%

Source: Global Insight U.S. Forecast, December 2012.

The state's unemployment rate will fall from its current (November 2012) level of 9.6 percent to 6 percent at the end of the forecast period. Thus by 2022 the unemployment rate will be below the 6.1 percent state average unemployment rate over the period from 1970 till 2007.

New Jersey's consumer prices rose 2.7 percent in 2011 because of high inflation rates in agricultural and oil prices in the early part of the year. The rate of inflation will be much slower in the forecast period, at 2 percent in 2012 and just less than 2 percent a year from 2012 to 2022.

Personal income rose 4.2 percent in 2011 as the state began to come out of the recession. It will rise at an average rate of 4.1 percent a year from 2011 to 2022, somewhat lower than the 4.4 percent growth expected for the U.S. On a real per capita basis, income will grow only slightly more slowly in the state than in the nation at about 1.5 percent per annum for the state and 1.6 percent per annum for the United States.

The state added 378,000 residents between 2000 and 2010, growing at an average annual rate of 0.44 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 0.6 percent a year from 2010 to 2022, compared to 0.9 percent a year for the U.S. The state will add 600,000 residents in that period. As a result, New Jersey's population will top 9 million in 2016 and come close to 9.4 million in 2022. 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 2.8 percent to 2.7 percent in 2032. The state's share of national employment and personal income will remain slightly higher than its share of the national population.

¹ IHS Global Insight, December 2012 U.S. Executive Summary, p. 1.

² All U.S. forecast information is from the IHS Global Insight U.S. Forecast of December 2012.