



## FORECAST OF APRIL 2008

### NEW JERSEY: HOW LONG WILL THE DOWNTURN LAST?

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#### NEW JERSEY: EXECUTIVE SUMMARY

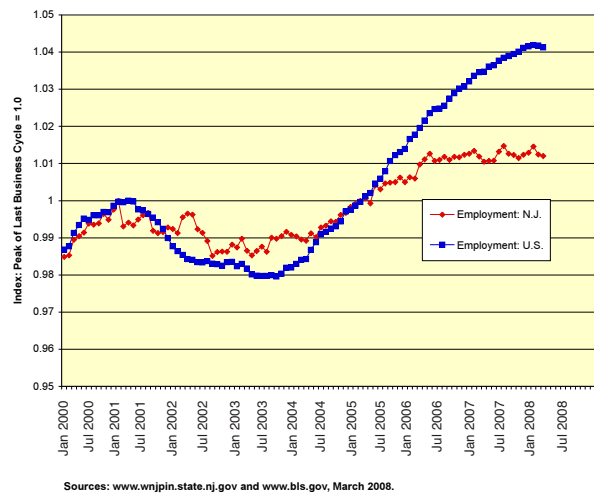
During the first two months of 2008, New Jersey's economy has lost 10,300 jobs, about 12 percent of the number of jobs lost thus far this year in the U.S. The state's job base has barely changed since the beginning of 2007, while employment in the U.S. continued to grow until December 2007. (See Chart 1.) We expect New Jersey to lose jobs this year and next, with the turnaround beginning in early 2010. However, real gross state product will decline only for a couple of quarters at the end of 2008. This forecast for New Jersey assumes that the U.S. will experience a mild recession in the early part of this year with the recovery beginning in the summer.

The state's unemployment rate was consistently lower than the nation's from 2000 to 2001, from mid-2003 through the end of 2005, and again in 2007. This year New Jersey's rate shot up from 4.2 percent to 4.8 percent between December 2007 and February 2008, so that it currently matches the U.S. rate. (See Chart 2.) The unemployment rate is expected to be close to the national rate in 2008 and 2009 and to exceed the national rate over the rest of the forecast period.

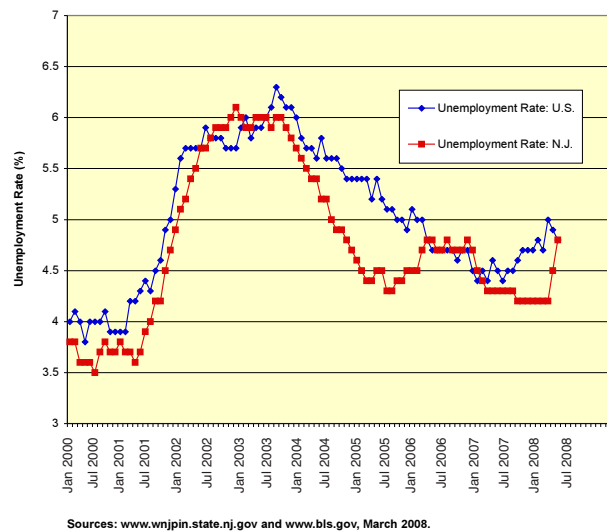
Between February 2007 and February 2008, 70 percent of the state's new jobs were added in its two largest private industries—education and health services and professional and business services. (See Chart 3.) The rest of this year's gains were in the leisure and hospitality services, other services, transportation and warehousing, information, and government services. Unlike last year, over half the jobs lost this year were in financial services. Most of the rest were in manufacturing, with a small number in construction and trade.

The R/ECON<sup>TM</sup> forecast indicates that New Jersey's employment base will decline by 0.3 percent in 2008 and by a further 0.1 percent in 2009. The rate of expansion will average 0.8 percent per year over the

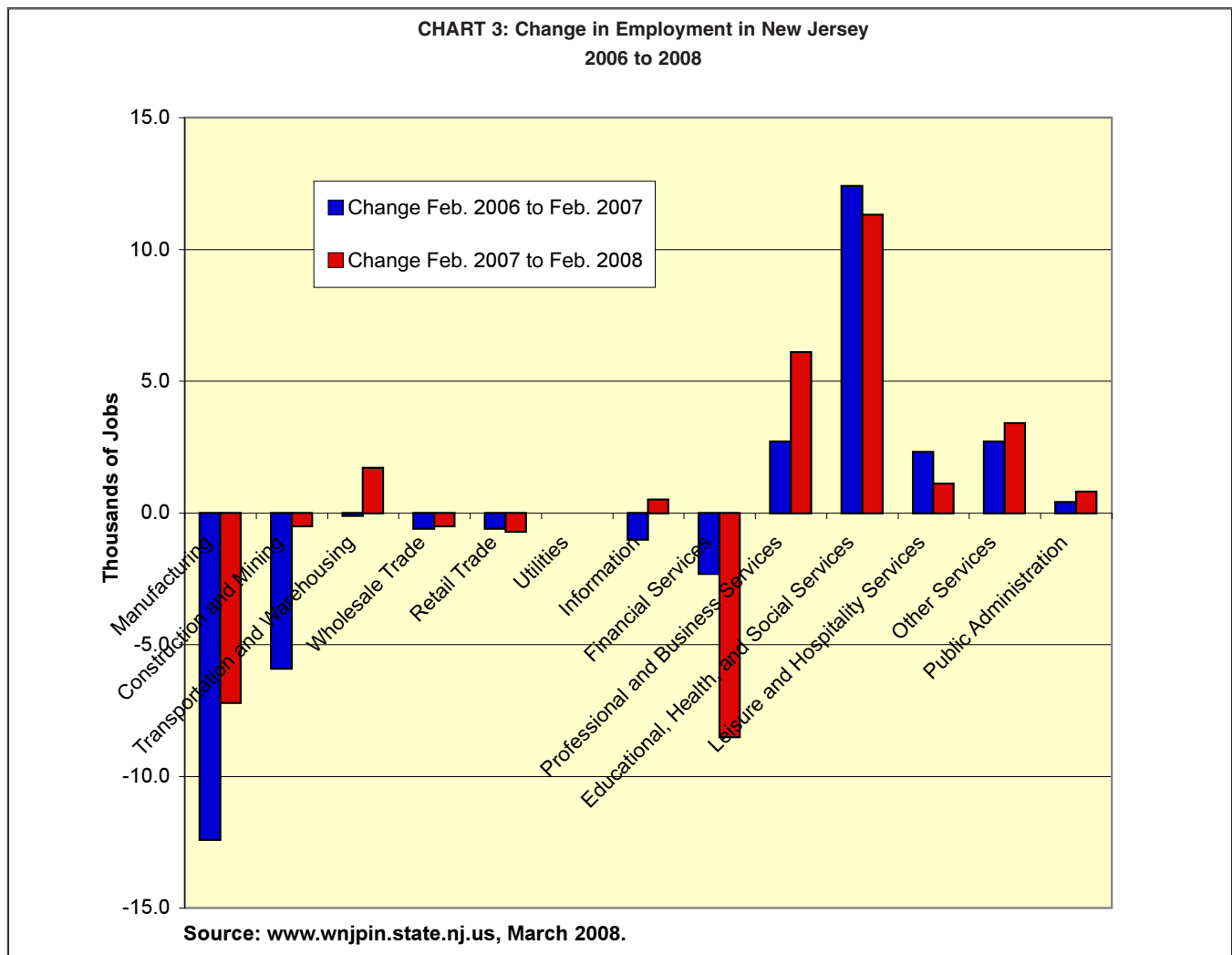
**CHART 1: New Jersey and U.S. Employment Indices 2000 to 2008**



**CHART 2: New Jersey and U.S. Unemployment Rates 2000 to 2008**



rest of the forecast period. (See Table 1.) Thus the state will add 690,000 jobs to its employment base over the course of the 20-year forecast. Employment growth in the U.S. has been considerably faster than in New



Jersey since 2004, and it will remain stronger through the first several years of the forecast period. Thus New Jersey’s share of the national job base will decline from its current 3 percent to about 2.8 percent. Toward the end of the forecast period job growth in the state will rally allowing New Jersey’s job share to increase to 2.9 percent by 2028. (See Chart 4.)

Since 2000, growth in national real output has been more robust than growth in state real output. We expect this pattern to persist over the forecast period as well. Between 2006 and 2028, output in New Jersey will expand by an average rate of 2.1 percent a year compared to an average rate of 2.4 percent a year expected nationwide. This differential is due to the

relatively higher costs of living and doing business in New Jersey as well as the state’s lower rate of population growth.

**TABLE 1: Summary of New Jersey Economic Forecast**

	2006	2007	2008	2009	2009 to 2028
<b>Annual Percentage Growth</b>					
Non-agricultural Employment	0.8%	0.1%	-0.3%	-0.1%	0.8%
Real Gross State Product	2.9%	3.5%	1.5%	0.1%	2.2%
Personal Income	7.2%	5.9%	4.3%	4.5%	4.7%
Population	0.2%	0.4%	0.7%	0.9%	0.5%
Consumer Prices	3.9%	2.4%	2.0%	1.6%	2.2%
<b>Percentage</b>					
Unemployment Rate (average)	4.7%	4.2%	5.1%	5.5%	5.2%

Source: R/ECON™ April 2008.