



# RUTGERS ECONOMIC ADVISORY SERVICE

Center for Urban Policy Research

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## FORECAST OF JULY 2003 NEW JERSEY: EMERGING FROM THE RECESSION

### EXECUTIVE SUMMARY

The “jobless” recovery remains a problem for the United States as a whole. However, New Jersey saw strong job growth in March and April 2003 and experienced only a small setback in May. (See **Chart 1**.) We think that this signals the end of the recession in the state. By June, employment in New Jersey was 3,600 jobs, or 0.1 percent, below the peak reached in December 2000, and 43,700 jobs above the low reached in February 2003.

Nationwide, output growth resumed in the fourth quarter of 2001 and continued through 2002; however, U.S. employment hardly changed over the course of 2002 and has declined every month since the beginning of the year. In June 2003, employment in the United States was 2.5 million, or 1.9 percent, below the peak reached in March 2001.

**Table 1**  
**SUMMARY OF NEW JERSEY ECONOMIC FORECAST**  
**2002 TO 2008**

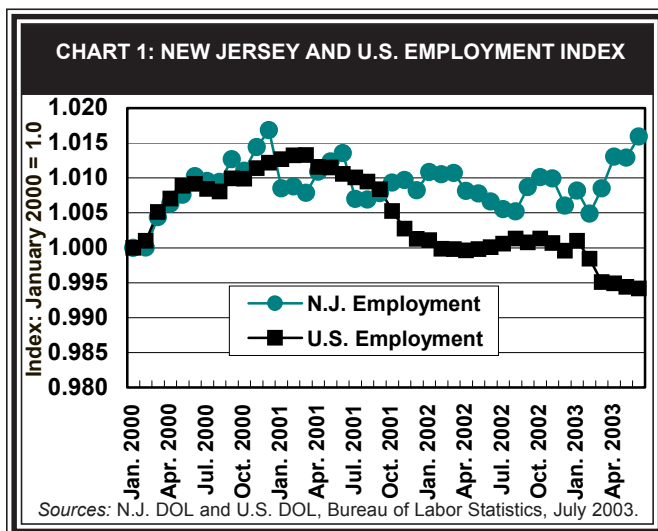
	2002	2003	2004	2004 to 2008
<i>Annual Percentage Growth</i>				
Nonagricultural Employment	-0.1	0.5	1.2	1.3
Real Gross State Product	1.3	1.6	1.6	2.0
Personal Income	3.1	4.7	4.2	5.0
Population	0.9	1.0	0.9	0.7
Consumer Prices	2.0	2.4	2.1	2.3
<i>Percentage</i>				
Unemployment Rate (average)	5.8	5.8	5.6	5.5

Source: R/ECON™.

R/ECON™ forecasts that jobs will grow in New Jersey at an average rate of 1.1 percent (or 45,800 jobs) a year between 2002 and 2008. Annual employment growth over the forecast period will be nearly identical to that of the past two decades.

Real output was unchanged in the recession year of 2001 in New Jersey, and we estimate that it grew slightly in 2002. (See **Table 1**.) The R/ECON™ forecast for New Jersey looks for relatively weak growth in real output throughout the forecast period.

The inflation rate of 2.4 percent in 2003 is up from last year’s rate, primarily because of the rapid rise in oil prices early in the year. The rate will fall back to 2.1 percent in 2004 and increase slightly during the rest of the forecast period. The moderate



economic growth expected will provide no impetus for rapid inflation.

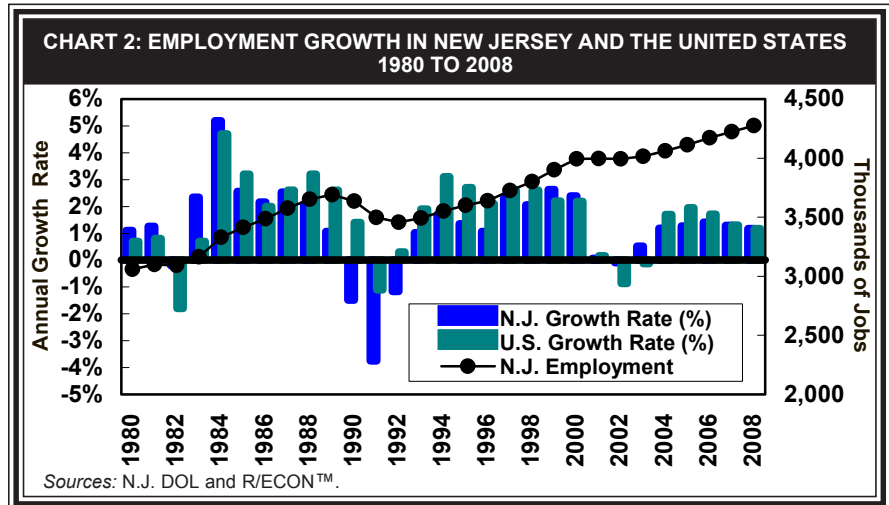
The state unemployment rate will average 5.8 percent this year, as it did in 2002. The rate will decrease slightly in 2004 and average 5.5 percent over the rest of the forecast period.

The recession kept personal income growth to only 3.1 percent in 2002. With the end of the recession, personal income should rise by 4.7 percent this year and 4.2 percent in 2004. Personal income growth will average 5 percent a year during the rest of the forecast period. Income growth will be sustained over the forecast period by relatively rapid growth in proprietors income and, in the later part of the period, by faster growth in interest, dividends, and rent. Transfer payments helped to sustain the level of income during the recession, but their growth will slow during the recovery.

The state's population rose by 0.9 percent a year between 2000 and 2002. It will increase 0.8 percent a year over the forecast period, adding 416,400 residents between 2002 and 2008. The population will just surpass 9 million in 2008.

During the recovery and expansion period after 2003, the state's employment growth rate is likely to be slower than the rate nationwide. (See **Chart 2**.) The state's recession was less severe than the nation's, so there is less bounce-back impact in the recovery. However, in the final two years of the forecast period, growth in the state and the nation will be very similar—a good performance for a state like New Jersey, which has a mature economy.

The manufacturing sector will continue to lose jobs throughout the forecast period, both in the state and throughout the nation. By 2008, only 8 percent of the state's jobs will be in manufacturing, down from 9 percent in 2002. (See **Chart 3**.) Growth in the state's construction sector will be slower than growth nationwide, where the construction sector will grow from 5 percent to 6 percent of total jobs. The state's transportation and information industries will be slow in recover-



ing from the massive problems of the past several years. The financial sector is likely to lose jobs in the next couple of years because of retrenching in the securities business and, later, because of less activity at insurance carriers and in real estate.

The service sectors will be the greatest sources of job generation over most of the forecast period. They will provide 72 percent of the state's new jobs and increase their job share from 39 percent in 2002 to 42 percent in 2008. The trade sectors will supply 17 percent of the job growth and hold their job share steady at 18 percent. The public sector will gain a few thousand jobs over the forecast period, keeping its job share steady at 15 percent of the total employment.

