

NEW JERSEY: THE EXPANSION CONTINUES ♦ THE PACE DIMINISHES
EXECUTIVE SUMMARY

Economic expansion in New Jersey will continue for the remainder of this year, and for many years into the future. We expect employment to increase by 61,900 jobs in 2000, nearly equaling last year's performance. Higher inflation and interest rates have yet to slow the economy substantially. However, we believe these rising rates began to exert a discernible drag in the third quarter that will continue for the next several years. Employment growth will slow to 1.1% in 2001 and 2002, with 84,800 jobs being added over the two-year period.

The R/ECON™ forecast for New Jersey looks for an inflation rate of 2.8% this year. (See **Table 1.**) This rate will decline in the next couple of years. The state's population will increase by 0.6% in 2000. It will climb 0.4% each year during the rest of the forecast period as foreign immigration declines and the population ages.

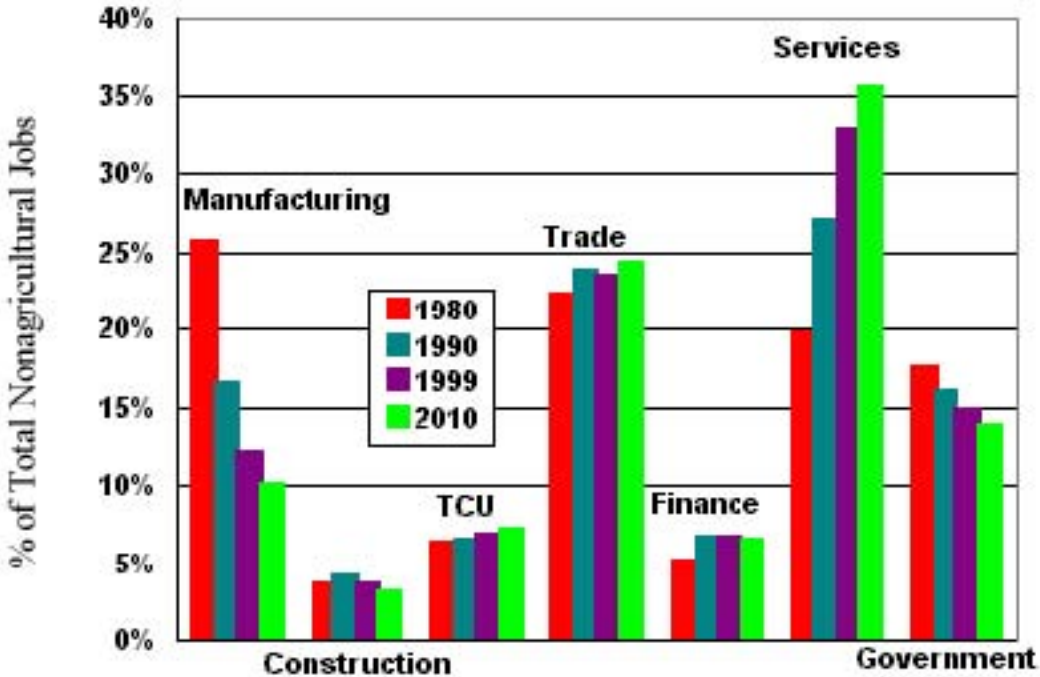
Table 1
SUMMARY OF NEW JERSEY ECONOMIC FORECAST
October 2000

<i>Annual Percentage Growth</i>	1999	2000	2001	2002	2002 to 2010
Nonagricultural Employment	1.7	1.6	1.1	1.1	0.8
Real Gross State Product	2.3	2.4	2.4	2.7	2.4
Personal Income	4.7	6.5	5.4	5.4	4.7
Population	0.6	0.6	0.4	0.4	0.4
Consumer Prices	2.0	2.8	2.3	2.2	2.4
Percent					
Unemployment Rate (average)	4.6	3.8	3.9	4.1	4.5
<i>Source: R/ECON™</i>					

In the next 10 years, the services and trade sectors will provide 95% of the net increase in employment. The fastest-growing major sectors will be communications and business services. However, the growth of business services will be only about one-quarter as fast as in the past two decades, while communications employment should grow at least twice as fast as it did in the same time period. Chart 1 makes it clear that

the structure of the economy has changed significantly during the past two decades, and that the changes ahead will be less dramatic. Declines in the manufacturing sector will slow from the -2.7% per year of the past two decades to -0.8% per year during the 2000 to 2010 period. By 2010, only 10% of the state's job base will be in manufacturing, down from more than 25% in 1980 and 12% in 1999. (See **Chart 1.**) The service sector will provide 35% of the state's jobs, up from 20% in 1980 and 33% in 1999.

Chart 1: Employment Structure of New Jersey's Economy 1980 to 2010 (Selected Years)



The state unemployment rate will average 3.8% this year, down from 4.6% in 1999. It will rise slowly during the next two years as economic activity at both the state and national levels slows, and will average 4.5% annually during the rest of the forecast period.

Personal income will rise 6.5% this year, up from 4.7% growth in 1999. The high rate of increase in income in 2000 is sustained by rapid growth in wages and salaries, proprietors income, and interest and dividends. Slower growth in these types of income will cause the growth rate to decline to an annual average of 5.4% during the next couple of years.

Real output will rise 2.4% in 2000, up from an estimated 2.3% in 1999. Strong growth in productivity will keep output expanding at a rate of 2.4% next year and 2.7% in 2002, even as employment growth falters. Gross state product will grow an average of 2.4% annually during the rest of the forecast period. Productivity will rise about 1.5% each year between 2000 and 2010.

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