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NEWS RELEASE

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REBOUND OR REDUX? NEW ADVANCE & RUTGERS REPORT EXAMINES MID-YEAR HITCH IN ECONOMIC RECOVERY

NEW BRUNSWICK, N.J. – Now two years since the official “end” of the Great Recession, another patch of economic uncertainty has arisen despite overall long-term improvements in the output and labor market conditions of the United States. In the new *Advance & Rutgers Report*, “Economic Soft Patch 2: A Second-Half Rebound or Redux?” sponsored by real estate owner and developer Advance Realty, authors James W. Hughes, dean of Rutgers University’s Edward J. Bloustein School of Planning and Public Policy, and Joseph J. Seneca, university professor and an economist at the Bloustein School, discuss the recent slowdown in economic recovery as a result of a series of one-time negative events as well as potential deeper national and global structural problems.

Authors Hughes and Seneca indicate that June 2011 marked the 16th straight month of private-sector payroll employment increases in the U.S., with a gain of approximately 945,000 jobs in the first six months of 2011. However, higher oil prices, harsh weather, supply-chain disruptions from the March 2011 natural disaster in Japan, and the debate to extend the U.S. debt ceiling contributed to a new economic “soft patch” similar to that of early 2010. After a strong early start to the year, there was a sharp decline in private-sector employment growth in May and June.

“If the pace of job growth shown in the first six months of 2011 continues, the overall increase for all of 2011 would be almost 1.9 million jobs, which is 61 percent higher than in 2010,” the authors note in the report. “While this is certainly a move in the right direction, the challenges currently facing the economy are greater and the risks are significant.”

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The economic slowdown in the spring of 2010 was linked to temporary factors, including the European sovereign debt crisis and the Gulf oil spill. Despite these setbacks, there was a modest overall growth of 1.2 million jobs in 2010. This was a major rebound from 2009, which had a record annual loss of 5 million private sector jobs. The key issue currently is whether the newest slowdown will also be temporary, or whether the combination of this year's version of one-time negative events along with more tenacious concerns such as the U.S. and EU debt problems — thought to be a one-time event last year! — result in a tepid, at best, growth pattern for some time to come.

A positive factor noted by the authors is the comparison of the components of monthly employment change — hires, quits, layoffs and discharges and the number of job openings. Data provided by the Job Openings and Labor Turnover Survey (JOLTS) of the U.S. Bureau of Labor Statistics does reveal a strengthening employment trajectory. After more than 5 million new hires per month in 2005 and 2006, by 2009 monthly new hires fell to less than 3.5 million. In 2010 more than 3.6 million new monthly hires were recorded, and through May 2011, that number has exceeded 3.7 million new hires per month.

“These are encouraging signs that the market is improving. For the real estate industry in particular, we are seeing that companies are becoming increasingly confident in making real estate-related decisions, including addressing new space requirements and identifying solutions to unlock value in their real estate holdings,” stated Peter Coccoziello, CEO of Advance Realty. “Ultimately, sustained job growth is needed for the economy to fully stabilize, but today's market presents considerable opportunities for companies to take advantage of rebounding market conditions to strengthen their position.”

“Despite the positive trajectories of employment growth, the U.S. faces a long road back to pre-recession market conditions. By the end of the fourth quarter of 2010 America's Gross Domestic Product (GDP) had recovered all of the losses* suffered during the Great Recession, but total private-sector employment remained 6.6 percent below its pre-recession peak,” said the authors. “There is still a very long road to traverse before achieving full job recovery, but the employment recovery process is under way.”

The *Advance & Rutgers Report* is published by the Edward J. Bloustein School of Planning and Public Policy, with support from Advance Realty. “Economic Soft Patch 2: A Second-Half Rebound or Redux?” is available at <http://policy.rutgers.edu/reports/arr/ARR-Aug2011.pdf> and at <http://www.advancerealtygroup.com>.

* The Bureau of Economic Analysis of the U.S. Department of Commerce released revised Gross Domestic Product (GDP) estimates on July 29, 2011 that showed the December 2007–June 2009 recession to be far deeper than originally determined. This change affects several of the figures included in the report. However, the conclusions in the report remain valid: The U.S. economy today is close (real GDP in the second quarter of 2011 is 0.42 percent below the fourth quarter of 2007) to producing the same pre-recessionary economic output with about 7 million fewer private-sector workers, and the time elapsed for full recovery of economic output (42 months and counting) is far more severe than the recovery time (21 months) from the July 1981–November 1982 recession, the previous post-World War II record holder.