Sliwinski, Janet

From: Gatling, Kerri
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Attachments: Philly manufacturing activity plummets in January -- Ruth Mantell.htm; Rutgers forecast; Higher unemployment, slow growth for NJ economy -- Linda A. Johnson.htm; Doldrums on horizon in N.J., warn economists -- Erik Ortiz.htm; Expert sees N.J. in a rut -- Beth Fitzgerald.htm

Good morning all,
Please see employment articles below. Links are attached.

Market Watch

Philly manufacturing activity plummets in January

By Ruth Mantell, MarketWatch
Last update: 12:24 p.m. EST Jan. 17, 2008

WASHINGTON (MarketWatch) -- Manufacturing in the Philadelphia region contracted sharply in January, the Federal Reserve Bank of Philadelphia reported Thursday -- news that alarmed some economists worried about increasing chances of a recession.

The Philly Fed diffusion index fell to a negative 20.9 in January -- the lowest level since October 2001 -- from negative 1.6 in December. Readings below zero indicate most manufacturing firms surveyed in the region bounded by eastern Pennsylvania, New Jersey and Delaware are reporting worsening business conditions.

'The huge slowdown in manufacturing activity does not bode well for an economy trying to stay afloat. In other words, this was a rout.'
â€" Joel Naroff, Naroff Economic Advisors

The Philly Fed data came out as Federal Reserve chief Ben Bernanke told lawmakers that Congress could help steer the nation's economy away from recession if it adopted a quick, efficient and temporary fiscal stimulus plan.

"Fiscal action could be helpful in principle, as fiscal and monetary stimulus together may provide broader support for the economy than monetary policies alone," he said. See full story.

The Philly index reading for January was much worse than the negative 1.0 that had been expected.

Most of the future indicators have "fallen considerably" over the past three months, according to the report, and the region's manufacturing executives were less optimistic about future activity. January's diffusion index for the six-month outlook on business activity declined to 5.2 from 11.1 in December.

"The huge slowdown in manufacturing activity does not bode well for an economy trying to stay afloat," wrote Joel Naroff, president of Naroff Economic Advisors. "In other words, this was a rout. Looking forward, pessimism seems to reign as the expectations index hit its lowest point since 2001 as well."

The report showed sharp drops in new orders and the average employee workweek. At the same time, the prices paid reading rose -- bad news for inflation, according to Drew Matus, economist with Lehman Bros.

"This would indicate a rise in both the producer and consumer price sides of the inflation issue," Matus wrote.

Firms' expectations for future activity "have deteriorated sharply" over the past three months, according to the report. At the same time, more firms expect growth over the next six months than expect declines.
"Rarely has the Philly survey been this weak without the economy in the throes of economic recession," wrote Tony Crescenzi, chief bond market strategist for Miller Tabak & Co. "The preponderance of data point to a contracting U.S. economy."
He expects more "rally killers," and worsening manufacturing and jobs data.
Earlier Thursday, the Labor Department reported first-time jobless claims dipped last week, while the recent upward trend in continuing claims reached its highest level in more than two years. See full story.
Also Thursday, the Commerce Department reported that construction on new homes fell 14% in December to a seasonally adjusted annual rate of 1.01 million, the slowest building pace in more than 16 years. See full story.
Economists say a more accurate reading on the factory sector will come Feb. 1 when the Institute for Supply Management releases its January national manufacturing survey.
Ruth Mantell is a MarketWatch reporter based in Washington.

Philly Burbs

Rutgers forecast: Higher unemployment, slow growth for NJ economy

By: **LINDA A. JOHNSON** (Thu, Jan/17/2008)

NEW BRUNSWICK, N.J. - New Jersey is caught in "the economic doldrums" and its economy likely will perform worse than the rest of the nation's through at least 2012, according to a Rutgers University semiannual economic forecast.

Slow job growth and rising unemployment are expected, with a quick turnaround unlikely, according to the Rutgers Economic Advisory Service forecast, released Thursday at a conference at the Edward J. Bloustein School of Planning and Public Policy at Rutgers.

Experts speaking at the conference said they see a 50 percent chance of a recession hitting the nation this year, possibly as soon as the first quarter.

"The fourth quarter (2007) gross domestic product number will be critical" in determining the trend, said Joseph Seneca, a professor at the school. "Certainly the (economic) numbers we're seeing are scary."

Nancy Mantell, the advisory service's director, said although New Jersey's 2007 unemployment rate of 4.3 percent was below the 4.7 percent national average, the state's workforce is shrinking.

"It seems to me that this may be the result of people either dropping out of the workforce or not getting into the workforce because they just don't see the jobs out there," Mantell told about three dozen business and government economists and others at the conference.

She expects an average jobless rate of 5 percent this year, followed by 5.2 percent over the following decade.

"The average unemployment rate is expected to exceed the national rate in 2008, as well as through the 2017 forecast period," Mantell said.

Last year, only 24,300 new jobs were created through November, or 5,600 fewer than in the same period of 2006, Mantell said. However, state Labor Commissioner David J. Socolow said Thursday night that revised figures released Wednesday upgrade the number of new jobs created through November to 26,400, meaning that the number of new jobs was only 3,500 fewer than the same period of 2006.

On the bright side, steady growth in personal income is forecast through 2017, with an average of nearly 5 percent per year , well above the expected annual inflation rate of 2 percent. That category includes income from wages, investments and other sources.

New Jersey's job growth this year is forecast at only 0.3 percent, down from 0.5 percent in 2007 and 0.9 percent in 2006, but should rebound to an average of 0.8 percent over the subsequent decade.

Through 2017, Mantell predicts New Jersey will add about 344,000 jobs.

Socolow said Thursday night that he believes the state's job situation is better than it was portrayed in the Rutgers forecast.

"We have a considerably more optimistic view of the state's employment picture," Socolow said, noting that the state's unemployment rate was "well below the national average and has been consistently for two years." Eighty percent of job growth in 2007 was in the private sector, he said.

New Jersey's gross state product is forecast to grow at a modest 2.2 percent on average through 2017, below the national average of 2.5 percent, Mantell said.

James Diffley, head of the U.S. Regional Services Group at the economic firm Global Insight Inc., said he sees the number of jobs growing slightly faster in New Jersey than Pennsylvania from now through 2010 , after New Jersey fell way behind Pennsylvania and the rest of the country in job growth in early 2007.

"In the last few months, New Jersey's catching up," he said.

That's despite salaries in New Jersey being 20-25 percent higher on average than Pennsylvania's.

The Garden State also had stronger personal income growth the past two years than Pennsylvania, Diffley said, "largely due to the financial sector" and its high-paying jobs and big bonuses.

Rae Rosen, senior economist at the Federal Reserve Bank of New York, said she sees job growth and economic activity getting "slower and slower" this year in both New York and New Jersey, but New York City will fare a little better given it still had momentum coming out of 2007.

She noted the office market there is "incredibly tight" and the number of residential building permits issued is still going up in the Big Apple, while it has been flat since 2005 in the rest of New York and declining in Pennsylvania and New Jersey.

"Housing production has been constrained in New Jersey" recently, which helped lower the inventory for sale, said James Hughes, dean of the Bloustein school. "But it doesn't insulate us from the (housing market) problems."

Also Thursday, Fairleigh Dickinson University's annual New Jersey consumer survey found residents' confidence in their near-term financial situation is eroding.

The survey found 41 percent saying they are worse off than a year ago, up from 35 percent last year. Meanwhile, 27 percent say they are better off than the year before, down slightly from 30 percent.

Only 37 percent expect to be better off financially a year from now, down from 42 percent a year ago.

On the Net:

Rutgers: http://www.rutgers.edu

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Press of Atlantic City

Doldrums on horizon in N.J., warn economists

By ERIK ORTIZ Staff Writer, 609-272-7253
(Published: January 18, 2008)

Researchers at Rutgers University predicted Thursday that New Jersey is on a path to "the doldrums," with a worsening job market and growth slower than the nation for the next decade.

The state's economic output is forecast to grow at a 2.2 percent annual average through 2017, below the expected national average of 2.5 percent.

Blame the relatively high costs of living and doing business here, along with a population growth that lags the rest of the country, according to the semiannual Rutgers Economic Advisory Service forecast.

New Jersey's unemployment rate in 2007 averaged 4.3 percent through November compared with 4.6 percent for the entire country, the forecast said.

"The state's low unemployment rate is reflective of a decline in labor force participation: the unemployed are dropping out of the labor force rather than continuing to look for work," the forecast said.

Meanwhile, the state's employment base grew about 0.6 percent in 2007, and is expected to increase this year by 0.3 percent, or by 11,000 to 12,000 jobs, said Nancy Mantell, director of Rutgers' Economic Advisory Service.

She added that the Atlantic County region will see an increase of about 10,000 jobs from 2007 to 2017.

Despite economic uncertainty, the state's southern shore region can count on some job security - particularly with major casino construction projects in Atlantic City - over the next few years, said Richard Perniciaro, director of the Center for Regional and Business Research at Atlantic Cape Community College.

"Our job growth has been pretty good and our housing prices have held up," Perniciaro said. "In some ways, the casino industry plus construction is a hedge against a more steep downturn than what it would be."

While the region also could benefit from an upswing in service industry jobs, declining casino revenues and tourism numbers weakened by gaming competition from Pennsylvania and New York will likely cut into the region's future profits, financial experts say.

"I don't know how building another casino is going to make much of a difference in the long term," said Peter Demirali, vice president and lead portfolio manager for Cumberland Advisor. "There are other places that are more attractive for the types of gamblers or visitors coming to the casinos in Atlantic City."

While New Jersey's population is expected to reach 9.27 million by 2017, its overall growth will drop from 2.9 percent to 2.8 percent in that same period.

The economic study comes two weeks after the Federal Reserve Bank of Philadelphia said New Jersey's economy will expand at a rate of 2.1 percent through August, following a 1.4 percent drop of initial unemployment claims in late 2007 and a general increase in financial services and construction jobs compared with decreasing national figures.

But on Wednesday, the New Jersey Department of Labor and Workforce Development said the state lost 1,400 construction jobs and 1,700 financial sector jobs last year.

In all, New Jersey added 29,400 jobs in 2007, or about 15 percent less than the year before - although December was the fourth consecutive month of job growth in a year that started off rocky. Revised numbers are expected to be released next month.

With all the predicted slow growth ahead, New Jersey isn't completely down and out, Mantell said.

The state may not be immune to the subprime mortgage meltdown, but it doesn't seem to have walloped residents here as much as in other states, she said.

Meanwhile, personal income growth has been on the rise since 2004, and is expected to grow an average 4.9 percent each year from 2008 to 2017.

Star Ledger

Expert sees N.J. in a rut

Predicts weak growth ahead
Friday, January 18, 2008
BY BETH FITZGERALD
Star-Ledger Staff

New Jersey's economy will lag the nation's through 2017, a Rutgers economist predicted yesterday during a 10-year economic outlook conference in New Brunswick.

Nancy Mantell, director of the Rutgers Economic Advisory Service, forecast a 2.2 percent rate of annual state employment and output growth between 2006 and 2017, slightly below her nationwide forecast of 2.5 percent in annual Gross Domestic Product expansion. GDP is the total market value of all final goods and services produced within a region, usually in a calendar year.

"This differential is due to the relatively higher cost of living and doing business in New Jersey, as well as our lower rate of population growth, expected to average 0.6 percent," Mantell said.

New Jersey added 29,400 jobs last year as the total work force hit a record 4.1 million. The unemployment rate edged up to 4.5 percent in December, but averaged 4.3 percent for the full year.

Mantell said while the state's unemployment rate was consistently lower than the nation's during 2007 -- 4.3 percent, on average, compared with 4.7 percent -- those days are ending.

"Our average unemployment rate is expected to exceed the national rate in 2008 as well as through the 2017 period," Mantell said. She predicted the state's unemployment rate will be 5 percent in 2008, and will average 5.2 percent through 2017.

In response to Mantell's forecast, David Socolow, commissioner of the New Jersey Department of Labor and Workforce Development, said, "We have a more optimistic view of New Jersey's employment picture. Our unemployment has been consistently below the national rate over the last two years. Eighty percent of the job growth in 2007 was in the private sector."

Mantell's forecast calls for the state to add only 11,000 to 12,000 new jobs in 2008, but the pace of job growth will pick up to about 30,000 a year in subsequent years, about even with 2007's jobs gain.

New York City has been the engine of regional economic growth for several years, and it's too early to gauge the effect of the banking industry's losses and job cuts, said Rae Rosen, senior economist for the Federal Reserve Bank of New York.

"We know we are entering a period of slower growth, but we are coming from a pretty high level, and it will not come to a screeching halt," Rosen said. "We may have enough momentum to still give us a plus for 2008."

And the New York City finance industry turmoil may create demand for the far less expensive office space in Jersey City, said James Hughes, a Rutgers economist.