

Sliwinski, Janet

From: Gatling, Kerri
Sent: Friday, January 18, 2008 9:24 AM
To: Sliwinski, Janet
Cc: Smith, Kevin; Ospina, Marcela
Subject: Employment article 1.18.2008
Attachments: Study; N.J. economy in trouble -- Linda A. Johnson.htm

Another employment story. Link attached

The Record

Study: N.J. economy in trouble
Friday, January 18, 2008
BY LINDA A. JOHNSON
THE ASSOCIATED PRESS
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NEW BRUNSWICK -- 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.

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.

Last year, most job gains came in government, followed by education and health services and professional/business services, while half of all jobs lost were in manufacturing.

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.

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 to 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, Rosen said, 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.

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