

# The Star-Ledger

## Brutal job outlook shakes consumer confidence

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Even a new year isn't enough to ease the jitters among consumers.

Joanna Legacy, who lives in Roselle Park with her husband and daughter, is feeling the same worry as everyone else over the economy and spending. But nothing makes her as nervous as the uncertainty of the job market.

Earlier this year, the envelope-making plant where Legacy worked for 22 years shut its doors. She quickly landed a new job, but then her husband lost the supplemental income from his second job when the Gannett newspaper company laid off some of its truck drivers.

"Companies are closing left and right," she said. "I worry about the job, and the job leads to worry about money."

The slumping economy -- now, officially, a recession -- shattered New Jerseyans' consumer confidence during the past year as jobs vanished, the housing market slid deeper into a rut and the stock market's wild gyrations left retirement funds in tatters.

Consumer confidence, which is measured through the spending and saving activity of Americans, fell to its lowest level in 28 years as people like Legacy stopped eating out and postponed plans to buy cars and flat-screen TVs.

Meanwhile, economists and policy makers fretted over one more big problem for the economy: Consumer spending is considered vital because it drives 70 percent of the nation's economic growth.

Bernard Baumohl, executive director of The Economic Outlook Group in Princeton, doesn't expect consumers will begin feeling better or start opening up their wallets again any time soon.

"We're still going to have a recession at least in the first half of the year, if not longer," Baumohl said. "The outlook for jobs continues to deteriorate, therefore, the concerns consumers have about job security and income are very real.

"There's no doubt people will see their standard of living fall in 2009 as it did in 2008," he said. "People will be very careful in their discretionary spending -- anything that goes beyond the bare essentials of food and shelter."

When National Envelope announced it would close its Roselle plant in August, Joanna Legacy immediately began hunting for a new job.

"I looked every day from the minute they said they were closing the plant," she said.

She considers herself fortunate because she found a similar job in customer service at Roselle Paper. The job pays less, but it is close to home, a huge benefit in Legacy's eyes.

Still, the prospect of being unemployed and the sudden loss of income forced her and her husband to start taking stock of their living expenses.

"You think, how are we going to do it?" Legacy said.

"My concern is keeping the roof over my head and keeping food on the table, and I guess electric and gas," she said. "You start looking at the essentials, and then you start looking at what you don't need."

There are tens of thousands of other New Jersey residents who felt the same sense of dread in 2008 as economic difficulties forced businesses to reduce their operations and workers. In the first 11 months of the year, the state lost a total of 34,400 jobs. In November alone, 6,200 jobs vanished.

As the new year gets under way, experts predict the unemployment picture will only grow more gloomy, which is an unnerving prospect.

"The biggest issue (facing consumers) is probably the job market," said Scott Hoyt, the senior director of economics at Moody's Economy.com. "It's hard to get around the fact that we're bleeding jobs at an unfortunate rate.

"Even people who have jobs," he said, "may be fearful for them."

Diane and Michael Knoblock of South Brunswick consider themselves part of that group. Michael Knoblock is a third-generation body shop worker in a South River family business. His wife is a full-time teacher's aide who is also taking college courses for her teacher's certificate.

Still, they have friends who have lost their jobs.

"You start to realize, it can happen to you," Diane Knoblock said. "We realize you're never safe."

The Knoblocks, who have four children and a niece who lives with them, still feel comfortable and fortunate, but they're cutting back. In the last six months, Diane Knoblock said she's made more of an effort to rein in spending. The kids were put on notice that Christmas would be leaner this year.

"I think I was in denial. I never worried before," Knoblock said. "If I wanted something, I bought it."

Baumohl, the Economic Outlook executive director, said there's not likely to be a rebound in consumer confidence until the new president's stimulus package takes hold, creating jobs and igniting economic growth. Some stability in the housing market would also help, he said.

But those conditions could still be months and months away.

"There's a lot of alarming economic data out there to show this economy is continuing to deteriorate," Baumohl said. "That has a profound psychological impact on consumers."

The conditions have certainly rattled Legacy. Among other things, she's contemplating whether she can still afford to send her daughter to parochial school. There are other, smaller choices that she's making all the time now.

"It was nice on Fridays or Saturdays to be able to go out to eat, but we don't do that anymore. I make dinner for the week," she said. "We're cutting back on things we really don't need. It's going to have to be that way to push forward."

TOMORROW: Discretionary income -- how people are cutting back and what venues are doing about it.