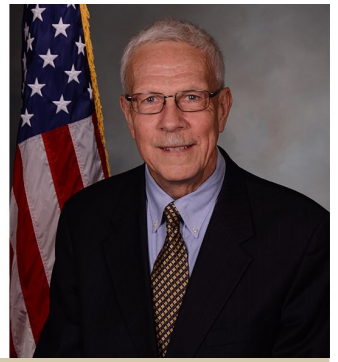


New Jersey Economic Insights

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Economic Snapshots New Jersey Post-Recession Payroll Employment Trends By Sector

To understand the New Jersey economy, think of a photo album of interconnected snapshots.

Each picture portrays a different view of the state's production and consumption of goods and services.

Employment is one of those snapshots.

On March 17, the Bureau of Labor Statistics (BLS) revised its estimates of total monthly and annual employment for New Jersey and the other 49 states. From a base of approximately four million, New Jersey's total employment for 2013 was revised upward by 20,500, and for 2014 by 6,800. The Bureau makes these revisions each year by supplementing its monthly "Current Employment Survey" with more detailed information from its "Quarterly Census of Employment and Wages." The details of this process are described by the New Jersey Department of Labor

on its website: http://lwd.dol.state.nj.us/labor/lpa/LMI_index.html

The revision of this critically important data series provides a convenient moment to begin a review of the status of the New Jersey economy. In this edition of *Economic Insights*, we begin with the first of a series of simple "snapshots" of employment in the Garden State. This will be followed in subsequent editions by a related set of snapshots on wages and salaries, "close-ups" of specific economic sectors, and a landscape view of the New Jersey housing market. It is hoped that the emerg-

ing "photo album" will provide readers with useful insights on a genuinely complex and critically important set of questions surrounding the growth and transformation of the New Jersey economy.

The chart on page two provides the first picture in the album. It displays total payroll employment in the Garden State during the 21st Century (left-hand scale), and it

compares it with total U.S. national employment during the same period (right-hand scale).

The following points emerge most sharply:

- *The national economy recovered all of the jobs it lost in the recession by April 2014.*
- *By January 2015, New Jersey remains 97,500 or 2.4% below peak employment in January 2008.*
- *There have been significant differences in employment growth among industries in the 53 months since the beginning of New Jersey's recovery.*

- New Jersey began the 21st Century with total payroll employment at 3,961,500;

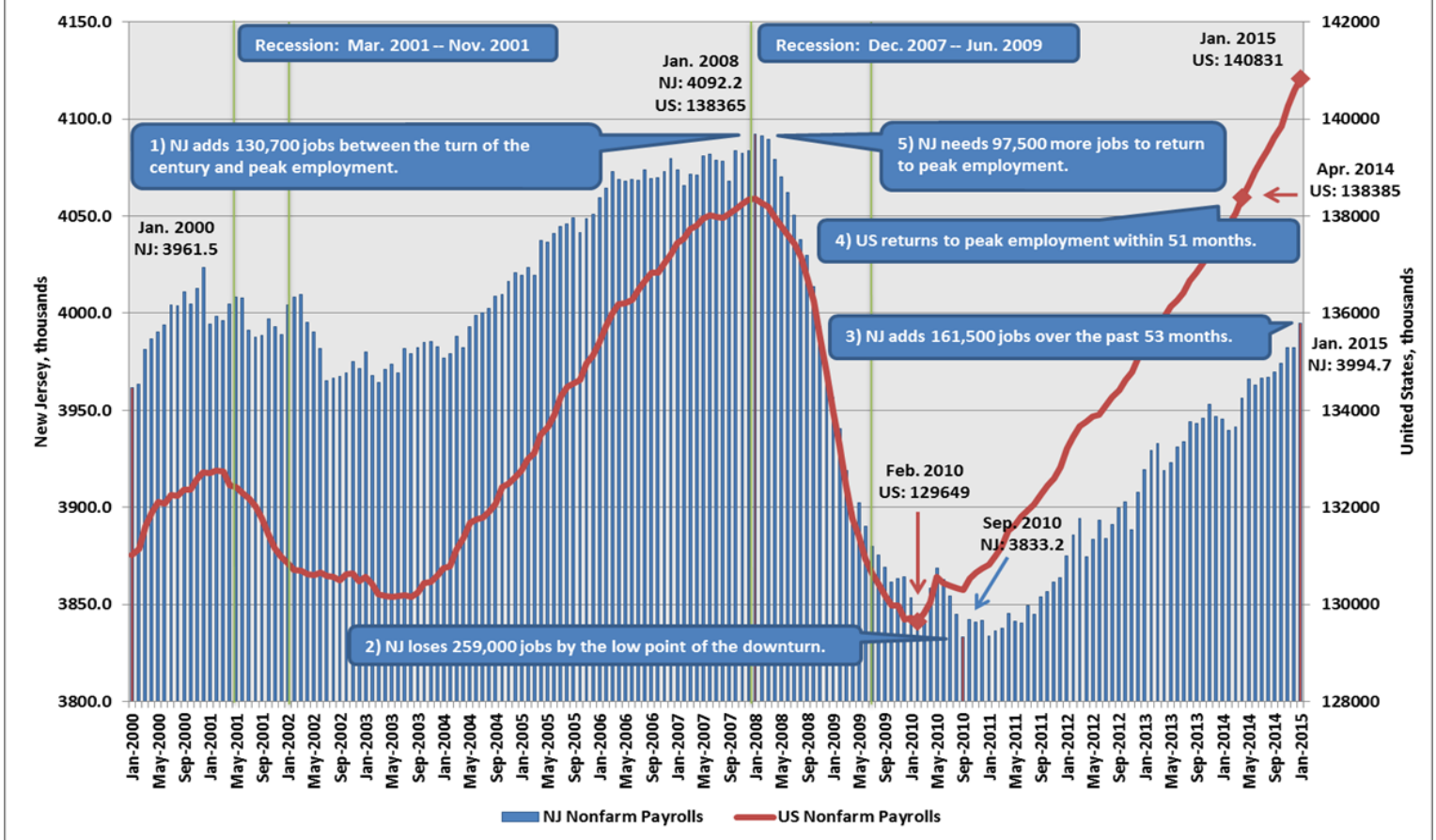
- At the peak of the economic expansion, the total number of jobs had reached 4,092,200 for an increase of **130,700**;

- At the low employment point of the Great Recession -- September, 2010, the total number of jobs fell by **259,000** to reach 3,833,200;

ber, 2010, the total number of jobs fell by **259,000** to reach 3,833,200;

- The most recently available data (January, 2015) show total employment at 3,994,700. This represents an increase of **161,500** jobs in the 53 months since the lowest employment. However, it is still **97,500** less than the highest level of employment at the peak of the expansion in January 2008. It is only **33,200** greater than the level of employment with which we began the new century 15 years ago;

Chart I. New Jersey Nonfarm Payrolls In The 21st Century



- Total employment for the nation as a whole rose to a peak in 2008 and declined sharply during the recession. Unlike New Jersey, however, the broader national economy regained all of the jobs that it lost by April 2014. By January 2015, total national employment had surpassed its peak level in 2008 by 2,466,000 jobs.

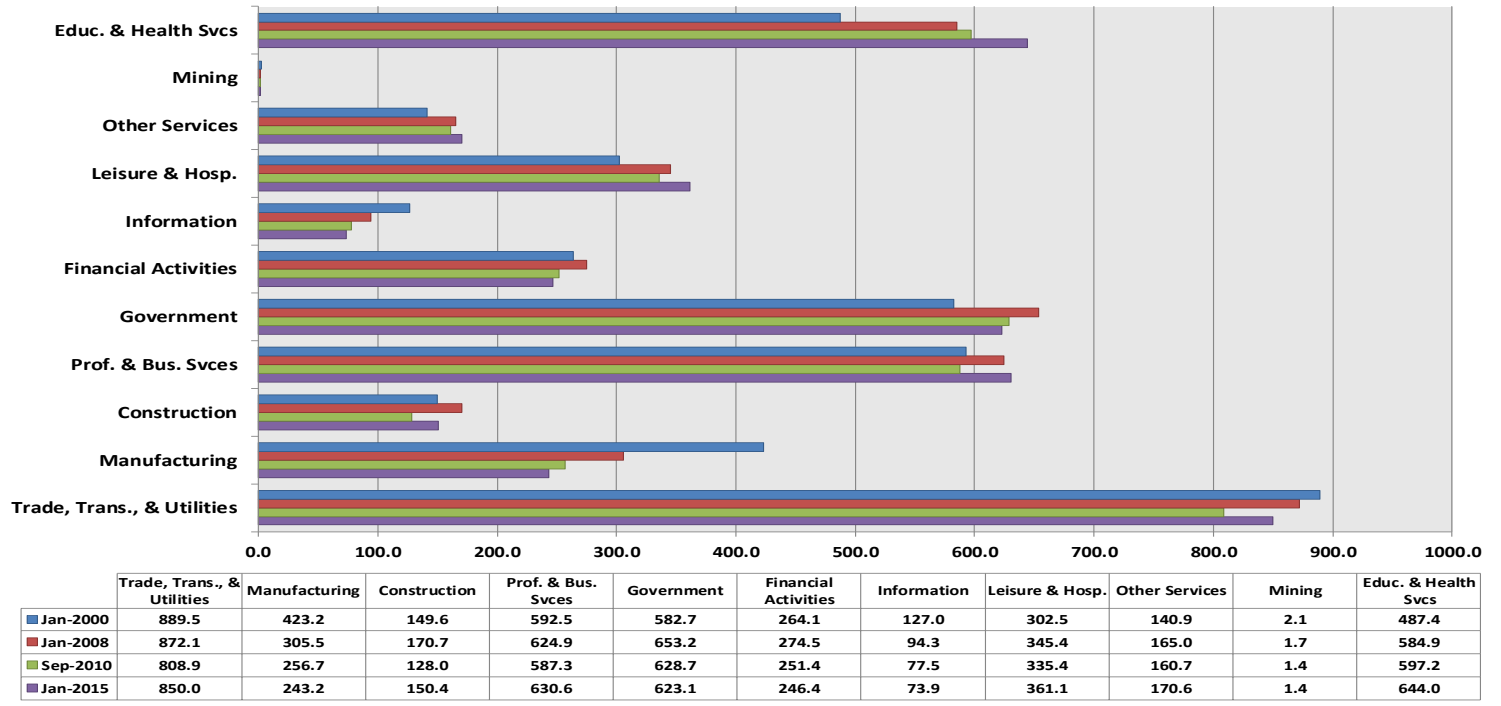
This final point is both important and disturbing. Simply put, the New Jersey economy has underperformed the national economy during the current economic expansion. In order to recover all of the jobs that were lost, total employment would have had to increase a total of 6.8% over the 53-month period since the low-employment point. However, it only increased 4.2%, for a meager annual growth rate of 0.9% per year. There is no single reason for this shortfall, and it must be noted, relative underperformance has not been unique to the Garden State during the current period. It is something that can be said for most of the Northeast region – with important exceptions.

The remaining snapshots below help to examine this underperformance in more detail by focusing on the 11 major industrial sectors that the BLS tracks. Were all of them expanding at the sluggish annual growth rate of 0.9% per year? Or were some doing better and some worse? The chart and tables below show there were significant differences among the major industrial sectors during both the economic contraction and the expansion that followed.

The accompanying chart and table display total employment for the major industrial sectors at four points in time:

- January 2000, the turn of the century;
- January 2008, peak employment in the Garden State in the 21st century;
- September 2010, the lowest level of employment in the “Great Recession”;
- January 2015, the most recent period for which employment figures are available.

Chart II. New Jersey Payrolls By Sector (thousands)



The chart and table demonstrate that there have been very large performance differences among the sectors, both in the severity of the economic downturn and in the strength of the subsequent recovery.

The data from Chart II is used to produce the last table titled “Private Industry Employment Trends.” We looked at the following three points in time: January 2008: Peak Employment (Column 1), September 2010: Low-Employment Point (Column II), and January 2015: The Present (Column III). The Table sorts the industrial sectors by the severity of job loss during the economic downturn and divides the sectors into one of four major performance types or “profiles.” Thus, the “biggest job-loser” (Column IV) was “Trade, Transportation and Utilities,” which shed 63,200 jobs. It is followed by “Manufacturing,” which shed 48,800 and “Construction,” which shed 42,700.

What happened next? Column V, immediately to the right shows the change in employment after the low-employment point of the recession. After shedding 63,200 jobs in the economic downturn, “Trade, Transportation and Utilities” staged a partial “bounce-back” by adding 41,100 jobs between September 2010 and January 2015. “Manufacturing,” on the other hand, con-

tinued to shed jobs after the overall, low-point losing an additional 13,500 jobs between September 2010 and the present. Columns VI through VIII separate the 11 industrial sectors into four profiles:

Profile I is “Lost and Continue to Lose.” These sectors, highlighted in red on the table, experienced employment reduction in the downturn but have not recovered. They continue to shed jobs. The table displays the difference in employment between the January 2008 peak and current employment.

The combined job loss for “Manufacturing”, “Government”, “Financial Activities”, “Information” and “Mining” to September 2010 was **113,500**. After that date, they continued to lose another **27,700**. Currently employment in these sectors is **141,200** below peak levels. Simply put, these sectors have experienced no recovery whatsoever and the job loss numbers are quite high, both in absolute terms and relative to employment in the individual sectors.

PROFILE I: LOST AND CONTINUE TO LOSE

Sector	Job Loss to September 2010	Job Change Since 2010	Difference Between Current Employment and January 2008 Peak
Manufacturing	-48,800	-13,500	-62,300
Government	-24,500	-5,600	-30,100
Financial Activities	-23,100	-5,000	-28,100
Information	-16,800	-3,600	-20,400
Mining	-300	—	-300
TOTALS	-113,500	-27,700	-141,200

“Sluggish Recovery: Growth, but Not Enough:” Sectors in this profile are highlighted in orange in Profile II. These sectors shed jobs in the recession, but then staged a recovery that was still not sufficient to replace the jobs that were lost.

“Trade Transportation and Utilities” and “Construction” are very large industrial sectors. They experienced a massive employment reduction during the recession and they have enjoyed a moderate rebound in the subsequent 53 months. In total, however, they remain **42,500** short of their peak employment levels in 2008.

PROFILE II: “SLUGGISH RECOVERY: GROWTH, BUT NOT ENOUGH”

Sector	Job Loss to September 2010	Job Change Since 2010	Difference Between Current Employment and January 2008 Peak
Trade, Transportation and Utilities	-63,200	41,100	-22,100
Construction	-42,700	22,400	-20,300
TOTALS	-105,900	63,500	-42,500

Profile III is “Lost, but Now Greater Than Before.” These sectors are highlighted in yellow on the table. These sectors shed jobs during the recession but by now have recovered more than they originally lost.

“Professional and Business Services” combined with “Other Services” and “Leisure and Hospitality” shed **51,900** jobs during the recession, but have more than fully recovered. In the 53 months since September 2010, they added **78,900** jobs for a net increase of **27,000** jobs.

PROFILE III: “LOST, BUT NOW GREATER THAN BEFORE.”

Sector	Job Loss to September 2010	Job Change Since 2010	Difference Between Current Employment and January 2008 Peak
Professional and Business Services	-37,600	43,300	5,700
Leisure and Hospitality	-10,000	25,700	15,700
“Other” Services	-4,300	9,900	5,600
TOTALS	-51,900	78,900	27,000

Profile IV is “Positive Growth Throughout the Period, or What Recession?” This profile includes a single sector: “Education and Health Services.” It is highlighted in green.

Unlike every other industrial sector, “Education and Health Services” actually added jobs during the recession and in the 53 months since has increased its level of employment by another **46,800**. Total employment in this sector now stands **59,100** higher than at New Jersey’s overall peak employment level in 2008.

PROFILE IV: “POSITIVE GROWTH THROUGHOUT THE PERIOD— WHAT RECESSION?”

Sector	Job Loss to September 2010	Job Change Since 2010	Difference Between Current Employment and January 2008 Peak
Education and Health Services	12,300	46,800	59,100
TOTALS	12,300	46,800	59,100

Conclusion: The *economic* recovery in the Garden State is sluggish in comparison with the overall national economy, and indeed, it is sluggish by any standard.

The average annual growth rate of only 0.9% over more than four years is very low. However, as seen in the previous snapshots, the recovery has not been sluggish across the board. Some sectors have higher levels of employment than before the economic contraction, some never experienced any economic contraction at all, and others have not yet begun to experience a recovery. This last point is reason for pause – the three sectors in the “Lost and Continue to Lose” profile have been important pillars of the New Jersey economy, and they continue to contract. Manufacturing has lost 20.4% of its total employment since 2010, “Financial Activities” has lost 10.2%, and “Information” has lost 21.6%. Among the three, the total job loss since January 2008 is **111,100**. This is very serious.

This and other topics will be explored in subsequent editions of Economic Insights.

Private Industry Employment Trends

Column	I	II	III	IV	V	VI	VII	VIII	IX
						Difference Between January 2008 and January 2015			
Industrial Sector	January 2008: Peak Employment	September 2010: Low Point of Job Loss	January 2015: The Present:	Change January 08 to September 2010	Change in Employment After Low Point of Employment in September 2010	Lost and Continue to Lose	Growth but not Enough	Lost but Now Greater Than Before	Positive Growth Throughout Period
Trade, Trans., & Utilities	872.1	808.9	850.0	-63.2	41.1		-22.1		
Manufacturing	305.5	256.7	243.2	-48.8	-13.5	-62.3			
Construction	170.7	128.0	150.4	-42.7	22.4		-20.3		
Prof. & Bus. Svces	624.9	587.3	630.6	-37.6	43.3			5.7	
Government	653.2	628.7	623.1	-24.5	-5.6	-30.1			
Financial Activities	274.5	251.4	246.4	-23.1	-5.0	-28.1			
Information	94.3	77.5	73.9	-16.8	-3.6	-20.4			
Leisure & Hosp.	345.4	335.4	361.1	-10.0	25.7			15.7	
Other Services	165.0	160.7	170.6	-4.3	9.9			5.6	
Mining	1.7	1.4	1.4	-0.3	0.0	-0.3			
Educ. & Health Svcs	584.9	597.2	644.0	12.3	46.8				59.1
Total Payrolls	4092.2	3833.2	3994.7	-259.0	318.1	-141.2	-42.4	27.0	59.1



New Jersey Business Pulse Survey

October/December Business Pulse Survey Results

October to December Business Pulse Survey Results

The New Jersey Business Pulse survey includes 14 questions about current and prospective conditions in New Jersey and the nation and allows respondents to give their views on other topics of their choice. Forty-two firms responded to the October survey, 18 responded to the November survey and 42 responded to the December survey. Detailed results from these and past surveys can be found at <http://www.state.nj.us/treasury/economicsurveyresults.shtml>. The website also contains charts and tables summarizing the results, as well as an explanation on how indices are constructed from the answers to the questions.

Business Conditions and Revenues Show Strength

New Jersey business owners' sentiment about current business conditions rose strongly at the end of 2014 compared to 2013. Respondent firms also expressed confidence that their businesses would experience a favorable climate in the near future.

Meanwhile, revenue expectations also climbed impressively compared to year end 2013. And, unlike some past survey results, this growth is anticipated by both New Jersey firms and their out-of-state affiliates.

New Jersey Firms Plan to Boost Hiring

Consistent with the results for business conditions and revenues, the number of business owners reporting plans to do additional hiring also increased compared to

the same period last year. This was true for businesses inside and outside the state. Employers also reported little difficulty in recruiting qualified employees for open positions, continuing a downward trend in this indicator since March of 2014.

Capital Spending on the Rise

More New Jersey firms reported plans to increase capital spending at the end of 2014 compared to the year before. Highlighting the upward trend for the year, October saw the highest number for this indicator since the survey has been in existence.

Prices Holding Steady

The number of firms reporting that they charged more for their goods and services remained largely unchanged from the end of 2013. However, the number of firms paying more for their inputs increased slightly.

Conclusion

Spurred by the perceived improvement in the business climate and growing revenues, New Jersey employers are beginning to hire more workers and increase capital spending. These results suggest an uptick in the overall New Jersey economy and are consistent with recent reporting from the Federal Reserve Bank of Philadelphia as well as national trends.

-Noel Popwell

The New Jersey Business Pulse Survey has been created to look beyond conventional economic data and gather views in real time directly from a diverse group of businesses in the state. If your New Jersey firm is interested in participating in this monthly survey, please contact Jerry Charles-Reid at 609-633-6781.