

**Prepared Remarks of James W. Hughes
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to
The Senate Budget and Appropriations Committee
New Jersey State Legislature
April 13, 2005**

Thank you for this opportunity again to appear before this distinguished committee.

There is a basic division of labor this morning. The testimony that I will give will analyze the economy mainly from an employment or job perspective. My colleague – Professor Joseph J. Seneca – will then follow with an examination of a more comprehensive set of economic indicators. Let me start with that overwhelming force that will help shape New Jersey and the broader region in fiscal year 2005: the national economy.

The National Economy

Despite a lot of hand-wringing and fretting, 2004 actually turned out to be a break-out year for the American economy. It should prove useful to take a brief glance in the rear-view economic mirror to see how we got to the current stage of the business cycle. The starting point will be the 2001 national recession. Officially, it lasted only eight months – March 2001 to November 2001. However, employment declined for a full 18 months following this eight month-long

downturn, despite sustained growth in economic output during this period. This was not simply “*job-less*” economic growth – a phrase invented in the early 1990s to describe that phase of the business cycle – but “*job-loss*” economic growth. There was absolutely no precedent for this.

The Final Autopsy: between March 2001 (the nation’s cyclical employment peak) and May 2003 (the cyclical employment low), *2.7 million jobs* were lost over the 26-month period. *This just missed being the worst employment contraction in the nation since the Great Depression.* And it defined the fierce economic headwinds that New Jersey had to confront for more than two years.

But, America’s labor markets finally awoke during the 2nd quarter of 2003. Between May 2003 and March 2005, despite some soft patches, the nation has recaptured *3.1 million jobs*. Thus, America had fully dug itself out of a very deep economic hole, finally reaching a new record employment total in January 2005.

The bottom line is that 2004 was the best employment-growth year in the United States since 1999. The nation added nearly *2.2 million jobs* in 2004, confirming that the nation is firmly back in the job-creation business. The implication for New Jersey is that national economic *headwinds* have been transformed into national economic *tail winds*. *But not only was 2004 was the best job-growth year in the United States since 1999, it was also the best economic output year since 1999.* Final growth in Gross Domestic Product (GDP) for 2004 came in at *4.4 percent*, breaking the 4 percent threshold for the first time in five years. In addition, 2004 had the exact same growth rate as 1999 – 4.4 percent. So, 2004 also had the highest growth in output in five years.

The obvious caveat to this impressive performance was that it was obviously bolstered with unprecedented fiscal and monetary stimuli: massive deficit spending and record-low interest rates. Nonetheless, a key driver of the 2004 national economy was the long awaited return of business capital investment. Business-led growth began to power the economy, surpassing consumer-led growth which sustained the nation throughout the recession and its aftermath. Thus, the United States entered 2005 with substantial economic momentum.

As an aside, forecasting is a difficult undertaking and we do have to admit that sometimes our forecasts tend to miss the mark. However, this is not unusual. Let me cite the predictions of some very smart, very astute people over the years:

“Stocks have reached what looks like a permanently high plateau.”

Irving Fisher, Financial Guru and Distinguished Professor of Economics, Yale University, shortly before black Tuesday and the stock market crash of October 29, 1929.

“I think there is a world market for maybe 5 computers.”

Thomas Watson, founder and Chairman of IBM, 1943

“There is no reason why anyone would want a computer in their home.”

Ken Olson, founder and chairman of Digital Equipment Corporation, 1977 –
and

“640K ought to be enough for anybody.”

Bill Gates, founder of Microsoft, 1981

With this experience in mind, we're basically forecasting 2005 to be an extension of the very positive 2004 national economic experience. However, 2005 may see GDP growth decelerate somewhat to the 4 percent range. This should not be a concern to worry about. A slowdown is not unusual at this stage of the business cycle – the fourth year of an economic expansion. Similarly, national employment growth in 2005 should decline slightly from 2.2 million jobs to the vicinity of 2.0 million jobs. This would still be another strong labor market performance, with the unemployment rate falling to the 5 percent range. As a result, the problem of skilled labor shortfalls will again resurface in America.

Thus, 2005 will see the return of the American "Goldilocks Economy": not too hot, not too cold – just right, or not too strong, not too weak – just right. Nevertheless, rising interest rates, the waning influence of the fiscal and monetary stimuli that brought us out of the recession, the expiration of bonus depreciation for business capital spending, and new energy cost thresholds all will continue to act as a drag on more robust growth.

Moreover, there are a number of "wild cards" that could derail the national forecast. Ever-present risks in 2005 include a dollar in free-fall, a major energy crisis, a sharp slowdown in global economic growth, a housing bubble gone "pop," and unsustainably large trade deficits. *Nonetheless, the national economic tailwinds that helped New Jersey in 2004 should remain in force in 2005.*

The New Jersey Economy

Now within the sometimes surprising world of American economic change, how did New Jersey fare? Fortunately, we have some good news. Unfortunately, we

also have some bad news. Let's start with the good news: *2004 was the best job growth year in New Jersey since 2000, and it marked the third straight year of economic improvement.* In 2001, the state lost 34,000 jobs. In 2002, a small improvement was registered as employment losses were reduced to 18,000 jobs. In 2003, the balance sheet finally turned positive as the state gained 13,000 jobs. Finally, in 2004, we had continued improvement (+46,000 jobs). So we have a positive trend in the making: -34,000, -18,000, +13,000, +46,000.

But unfortunately, there is also *bad news*. Revised (rebenchmarked) employment data released by the Department of Labor in March 2005 revealed much more modest growth than initially reported throughout 2004. Let's take a second look through the economic rear-view mirror to see how we got to this situation. Between December 2000 (New Jersey's cyclical employment peak) and July 2002 (the cyclical employment low), New Jersey lost *62,200 jobs*. As a point of reference, the state lost *259,000 jobs* in the 1989-1992 recession. This is quite a different order of magnitude. Thus, New Jersey really didn't experience a recession, but a "recessionette," even though it did cause more than enough real economic pain.

Nonetheless, the state's economy did not fall into the labor market dumpster and it finally exited its shallow trough. Between July 2002 (the cyclical employment low) and February 2005 (the most current data), New Jersey has gained nearly *77,000 jobs*. A new record employment peak was finally achieved in the state in November 2004, finally topping the older December 2000 peak. It took the nation until January 2005 – two months longer – to accomplish this same feat. However,

it must be pointed out that the nation was coming out of a very deep recessionary hole, while New Jersey was exiting a very shallow one. Thus, this is not a great achievement.

Part of it was due to the less than stellar performance of the state economy in 2004. *While the United States had a breakout year in 2004, New Jersey did not.* Revised employment data released last month showed that the state gained only *46,300 jobs* in 2004, measured between December 2003 and December 2004. This is actually below our long-term expected trend growth of *50,000 jobs* per year. Previously, older data (before revisions) indicated that New Jersey had gained *75,900 jobs* in 2004, a level fully 50 percent higher than long-term trend growth. This is what we had actually projected a year ago, and we spent most of January and February trumpeting the fact that we had finally nailed the forecast. Thus, we have not been a pair of happy economists for the past month. *We thought the state's economic stars were in full alignment. Unfortunately, it looks like the basic astrology was wrong. The new revisions benchmark a substantial downgrade of our economic performance.*

Now it's not like the state was downgraded from economic rooster to economic capon. *But New Jersey no longer leads the nation – instead we lag it.* A key benchmark is the states relative employment size. New Jersey ranks 9th among the 50 states in terms of total employment. Thus, if the state grows at the same pace as the nation, we should rank 9th in total employment growth. Based on the earlier unrevised data, New Jersey ranked 5th in 2004, indicating above average growth. Based on the new revised data, we ranked 13th in 2004, revealing below average growth. In 2004, for the first time in five years, the nation's job growth rate (*1.7 percent*) eclipsed that of New Jersey (*1.2 percent*). However, this comparison may

actually understate our lag.

The state's leading job growth sector in 2004 was government. Government accounted for *32.4 percent* – nearly one third – of all the jobs gained in 2004. This compares to only *6.7 percent* for the nation as a whole. In contrast, private-sector employment has been lagging badly in New Jersey. We ranked 21st among the states in absolute private-sector employment growth, adding *31,100* private-sector jobs in 2004. In contrast, New York ranked 5th (*+82,000* private sector jobs), nearly triple that of New Jersey, while Pennsylvania ranked 10th (*+49,000* private-sector jobs), nearly double that of New Jersey.

Thus, New York and Pennsylvania have now sprinted ahead of us in the national employment-growth rankings. *Based on the old unrevised data, we proclaimed New Jersey as the regional economic locomotive. Based on the new revised data, it looks like we are the regional economic caboose.*

If we shift the analysis to “rates of growth” instead of “absolute growth” for 2004, the state's lagging position is even more apparent. *New Jersey ranked 31st among the 50 states in the rate of growth of total employment in 2004, and 41st among the 50 states in the rate of growth of private-sector employment.* Moreover, we still have not gotten back to the private-sector employment peak of December 2000. There are still *32,000* fewer *private-sector* jobs today in New Jersey than we had more than four years ago.

Moreover, employment data for the 1st quarter of 2005 reveal job growth lagging behind that of a disappointing 2004. The state added only 4,600 jobs for the first

three months of this year. *This translates into an annual equivalent of only 18,400 jobs in 2005. The trend that I so adroitly discerned earlier now appears to be history.* The 18,400-job pace in 2005 will be far below the 46,300 jobs gained in 2004.

Thus, it appears we will certainly fall short of long-term trend growth in 2005. This compares to the *above-trend* forecast for the nation as a whole. *A scenario of vigorous employment growth sharply boosting state revenues does not appear to be in the economic cards.*

But all is certainly not lost. The state has endured economic soft patches in the past. And despite our recent slippage, New Jersey still remains in an enviable position. So let me finish by providing a brief cutting edge profile – a flattering profile – of our beloved Garden State. This will take the form of six key economic/demographic factoids:

1. In 2003, the last year for which we have data, New Jersey had the highest median household income and the highest median family income among the 50 states.

This benchmarks our current unique demographic-economic capacity. If we seceded from the United States and became a separate nation, we'd be the wealthiest country on earth, followed by Luxembourg.

2. New Jersey ranks 3rd among the states in the percentage of foreign born. In 2003, 19.2 percent of the state's population was foreign born – almost 1 out of 5 people.

This benchmarks our unique demographic diversity – a key advantage in a global economy.

3. We rank 2nd in mass transit usage.

This benchmarks our unique demographic transportation virtue. There are very few states that have equivalent public transit infrastructures.

4. We rank 3rd in length of commute.

This demonstrates our unique demographic-transportation fortitude. Nothing – absolutely nothing – inhibits New Jerseyans from getting to work each morning.

5. We rank # 1 in density – we are the densest state in America – a position we've held since 1970.

We are the only state with more than 1,000 people per square mile – a status we achieved in 1982. Our current 2003 density is 1,165 people per square mile.

To put this in perspective, the density of Japan is 835 people per square mile, while the density of India is 914 people per square mile.

This probably demonstrates our demographic resiliency.

6. Finally, despite this density, a higher proportion of New Jersey is covered by forest than states like California and Alaska.

In fact we have more horses per capita than any other state in the nation.

Or, from a horse's perspective, there are fewer humans per horse than any other state – and horses like it like that.

This demonstrates our unique environment and quality of life – a key advantage in a knowledge-driven economy.

Lets hope we can maintain this position. Thank you very much.

**Remarks of Joseph J. Seneca
University Professor, Edward J. Bloustein School
Rutgers, The State University of New Jersey
to
Senate Budget and Appropriations Committee
New Jersey State Legislature
13 April 2005**

Thank you Mr. Chairman. I appreciate the opportunity to meet with you again and discuss the status and outlook for New Jersey's economy - - the underlying determinant of the tax revenue flows that comprise half of the task before you in formulating the state's fiscal year 2006 budget.

My colleague, Jim Hughes, has focused on the state's labor markets and the prevailing conditions and trends in employment. I would like to add to that discussion with an examination of other performance indicators of New Jersey's economy and their implications for the FY06 budget.

The amount of income earned in New Jersey is a key economic indicator. It is a highly useful summary measure of the health of the economy, both in an absolute sense and relative to the region and the country. The level of, and changes in, total personal income in New Jersey are important determinants of consumer spending, housing demand, new vehicle sales, and overall economic activity - - all key drivers of both NJ income and sales tax revenues.

As measured by the U.S. Bureau of Economic Analysis, of the U.S. Department of Commerce total personal income consists of income from

three categories - - net earnings (that is, wages and salaries), second, dividends, interest and rent payments received by individuals, and third, transfer payments by governments to individuals. These data are available for the U.S. and the 50 states. Thus, total personal income for NJ reflects the total income received by all NJ residents from these three sources.

In NJ in 2004, total personal income was \$359.5 billion. Wages and salaries represent about 73% of total income, dividends, interest and rent make up about 15%, and transfer payments comprise 12%.

For perspective, total personal income in New Jersey grew strongly in the boom period of the late 1990s. From 1995 to 2000, total personal income in NJ grew by 38%, a remarkable increase. Moreover, NJ's growth exceeded the U.S. growth in personal income of 37% over this same time. This occurred despite NJ's slower growing population (4.3% vs. the U.S. population growth of 5.7%). In the last year of the boom, 2000, personal income in NJ increased by a very large 9.9%!

However, over the next three years as the recession and the job-loss economic recovery took their toll, personal income growth plummeted and this Committee knows from first hand experience what that meant for tax revenues and the NJ budget.

In 2001, personal income in NJ grew by 2.9% (quite a comedown from the 9.9% growth of only a year before) and then, it got worse. In 2002, personal income grew by only .4%.

The good news is that since then, total personal income has rebounded as the state's economic recovery gained strength. In 2003 income growth improved to 2.3% and in the latest year, 2004, income growth raced ahead to a 5.1% pace, well-over twice the rate of increase of the year before.

The bad news, however, is unlike the boom years of the 1990s when the state's income growth matched or exceeded that of the nation, New Jersey's income growth has now fallen behind the U.S. pace (nationally, personal income grew by 5.7% in 2004). We also trailed our neighboring states of NY, CT and Mass. Our 5.1% increase ranked 40th among the 50 states for 2004 (Tables 5 and 6). NJ's increase in the wages and salaries component of personal income (recall, this component is about 73% of the total) was 5.3%, which also placed us 40th among the states in terms of the rate of increase in wages and salaries, and we trailed the national growth of 5.9% in this component.

For the entire post-boom period from 2000 to 2004, total personal income in NJ grew by 11.1% versus the U.S. increase of 14.8%.

The outlook for the current year, 2005, given the modest gains expected in new jobs and the likely slowing in the national economy, is for personal income in NJ to grow in the 4.5% to 5% range, a solid number, but we do not expect an acceleration from this past year's pace.

The housing sector is another key component of economic growth, both nationally and in NJ. Here the news is good. With low interest rates, rising personal income growth, steady new household formation, significant

immigration into NJ that has added to housing demand, and a once burned, twice shy hesitation about the roller coaster rides of the equity markets as a place for investment, the new and existing home markets have done very well. Annual total residential building permits have risen steadily since 2001, and reached over 36,000 in 2004, a level higher than any year of the 1990s. Building permits in NJ grew by 9.2% in 2004 compared to an increase of 7.1% nationally (Table 7).

Sales of existing homes have also set records each year. Remodeling, re-furbishing and re-construction activity has boomed as well. Accordingly, despite rising interest rates, and a recent slowdown in price appreciation, NJ should have another good housing year in 2005 with new residential permits remaining in the mid thirty thousand range.

The outlook with respect to commercial construction is not as rosy. NJ now has about the same number of office jobs as we had in December 2000, the peak level of employment of the last business cycle, yet we are using about 12% less office space. This is due to a new cost discipline in the use of office space as the over leasing and over hiring of the late 1990s has given way to a much more disciplined control of costs. The Class A space vacancy rate in the 11 county north and central NJ area is about 26% (this translates into 30.6 million square feet of available direct or sublet Class A space as of the 4th quarter of 2004). We will need several years of employment growth at the current levels to decrease the vacancy rate and generate significant new office construction.

International trade has been another growth sector for New Jersey. Our ports, distribution, and warehousing areas have benefited significantly from the surge in international trade. Exports from NJ totaled \$19 billion in 2004 and increased by a very healthy 14.1% over 2003 as the depreciation in the dollar improved the competitiveness of U.S. goods and services. For perspective, U.S. exports rose by 13% in 2004 (Table 8). With a further decline in the dollar expected, and if improved economic growth continues in our major trading partners (Canada, U.K., Germany, Israel, Japan and Mexico), exports should bolster the state's economy in 2005.

New vehicle sales - - a key component of sales tax revenue - - had a decent year in 2004, but cannot expect to contribute to growth in 2005. At the national level, 17.2 million new vehicles were sold in 2004, an increase of 1.4% over 2003. In NJ, new vehicle registrations totaled 630,939 in 2004, a decrease of 1.9% from 2003, despite the sizeable growth in personal income last year (Table 9). The complexities of various on-again, off-again dealer incentives, rising interest rates, an expected slowdown in income growth, and significantly higher gasoline prices imply that new vehicle registrations in 2005 will likely remain near or below 2004 levels.

The New Jersey workforce is one of the most productive in the country. New Jersey's output per worker (i.e. Gross State Product per employee) was \$82,508 and NJ ranked 2nd among all the states in 2003. Again, however, in terms of rate of growth of that output, the news is mixed. In 2003 NJ's GSP rose by 4.6% compared to the national rate of increase of 4.8%. In the two years prior, NJ's GSP growth rate exceeded that of the nation; 5% vs. 2.9% in 2001 and 4.8% vs. 3.7% in 2002, (Table 10).

New Jersey's inflation rate continues to exceed that of the nation. In 2004, the NJ/NY CPI rose by 3.5% compared to the national CPI increase of 2.7%. There have been higher rates of inflation in NJ vs. the U.S. annually since 2002 and this is likely to continue next year (Table 7). Specifically, higher inflation in New Jersey, compared to the nation, occurred in housing and food, while the consumer energy price component of the CPI rose by over 10% in both NJ and the nation. Energy prices have risen significantly further in 2005 and this will drain consumer spending from other goods and services. Each one cent increase in the price of gasoline is estimated to divert \$1 billion nationally from other consumer expenditures. Average gasoline prices have risen 43 cents since December 2004, or by 23%. For New Jersey that represents about \$1.3 billion in diverted consumer expenditures from other goods and services to gasoline - - this is a large drag on the economy.

Overall, the economic outlook is for modest economic growth with the state trailing the nation in economic activity. The OLS and Treasurer's Office revenue estimates, which are very close to each other over the 15 month forecast period, are consistent with this modest growth, and prudently so in my view, given the national uncertainties in the economic outlook (large trade and federal debt, rising inflation, rising interest rates, energy price increases, large, and possibly precarious, foreign lending to the U.S.).

Finally, here are several brief observations on fiscal issues.

First, the fiscal flow between NJ and the Federal government has worsened. In 2002, NJ received 62 cents in federal expenditures for each tax dollar the state sent to Washington. This ranked us dead last among all the states. In 2003, NJ received 58 cents on each federal tax dollar, again placing us 50th among all the states but with a 6% reduction in federal spending per federal tax dollar.

To provide a perspective on what this imbalance means in terms of its total fiscal impact on New Jersey, consider that if NJ were taxed at the federal level according to its population share (and I am not saying we should be, because a federal progressive tax structure represents the responsibility of affluence), but if we were so taxed, then our federal tax payments in 2003 would have been \$50.5 billion instead of our actual federal tax payments of \$76.2 billion, that difference of \$26 billion exceeded the state's FY 04 budget!

On the federal expenditure side, the perspective is similar. In 2003, federal expenditures totaled \$2.6 trillion. Three percent of those expenditures (NJ's population share) is \$61.8 billion. That contrasts with actual federal expenditures of \$53.7 billion in NJ. This is a difference in one year alone of \$8.1 billion.

Unfortunately, this net deficit with the federal government is likely to get worse as the Alternative Minimum Tax encompasses more and more taxpayers each year in NJ. The AMT removes the relatively high state

income tax deductions NJ taxpayers take on their federal returns. Moreover, even for those NJ taxpayers not liable under the expanding perimeter of the AMT, a likely federal tax change this year will eliminate altogether the deductibility of state income taxes, penalize high income tax states in the NE like NJ and sending more tax dollars to Washington. New Jersey has become a cash-cow for the nation. The good work of our NJ delegation in Washington needs to be continued and ratcheted up to redress some of this imbalance, particularly on the federal expenditure side of the equation.

As a last observation as you begin your difficult work, and in the spirit that all alternatives on both sides of the budget should be examined, you may wish to consider the asymmetry in how NJ treats income for tax purposes depending on the residence of employees. This is an issue that has been considered in the past, but it has not emerged in the current discussions despite its significant implications for economic development in NJ and, also, for NJ tax revenues.

Specifically, New Jersey residents who work in PA are taxed by NJ for state income tax purposes. PA residents who work in NJ are liable for state income tax purposes for the PA income tax. This is exactly opposite to the equivalent tax protocol between NJ and NY, where income is taxed for state tax purposes based on where the income is earned. This later arrangement is the prevailing protocol across almost all the states.

The asymmetry of the NJ - PA tax relation vs. the NJ - NY protocol creates some problematic incentives that encourage NJ employees to live in PA given the significant difference in state income tax rates. There is some

evidence that the PA counties on the west side of the Delaware River are becoming tax avoidance destination places of residence. In addition to this negative incentive for location of residence, the asymmetric treatment of state income tax liability simultaneously results in a loss in tax revenues to New Jersey. This asymmetry deserves attention as New Jersey grapples with its short run revenue problems and continues to shape its long term economic development strategy.

Thank you.

New Jersey Economic Data

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Prepared for

**The Senate Budget and Appropriations Committee
New Jersey State Legislature**

April 13, 2005

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Table 1
Total Nonfarm Employment
Absolute Change, December 2003 - December 2004
(Seasonally adjusted, in thousands)

	State	Dec. 2003	Dec. 2004	Absolute Change
1	Florida	7,323.7	7,608.6	284.9
2	California	14,393.1	14,645.5	252.4
3	Texas	9,396.9	9,530.6	133.7
4	Virginia	3,524.5	3,623.5	99.0
5	Arizona	2,326.8	2,414.8	88.0
6	<i>New York</i>	<i>8,410.8</i>	<i>8,491.5</i>	<i>80.7</i>
7	Nevada	1,113.5	1,187.1	73.6
8	North Carolina	3,794.5	3,856.7	62.2
9	Georgia	3,853.1	3,906.6	53.5
10	Washington	2,669.2	2,722.4	53.2
11	<i>Pennsylvania</i>	<i>5,615.1</i>	<i>5,665.9</i>	<i>50.8</i>
12	Colorado	2,153.2	2,203.4	50.2
13	New Jersey	3,985.9	4,032.2	46.3
14	Oregon	1,570.3	1,616.2	45.9
15	Maryland	2,498.7	2,540.9	42.2
16	Indiana	2,902.5	2,943.6	41.1
17	Minnesota	2,658.9	2,697.0	38.1
18	Tennessee	2,679.2	2,716.4	37.2
19	Alabama	1,877.4	1,914.4	37.0
20	Utah	1,083.8	1,116.1	32.3
21	Wisconsin	2,780.0	2,812.1	32.1
22	Missouri	2,675.0	2,706.6	31.6
23	Ohio	5,388.1	5,414.6	26.5
24	Oklahoma	1,458.6	1,483.8	25.2
25	Connecticut	1,641.1	1,664.6	23.5
26	Massachusetts	3,166.1	3,188.1	22.0
27	Kansas	1,313.1	1,334.2	21.1
28	Hawaii	572.3	591.3	19.0
29	Illinois	5,794.7	5,812.7	18.0
30	New Mexico	782.4	799.1	16.7
31	Iowa	1,446.5	1,461.8	15.3
32	Idaho	576.3	591.5	15.2
33	Montana	404.3	419.4	15.1
34	Arkansas	1,151.3	1,164.1	12.8
35	Kentucky	1,790.8	1,802.7	11.9
36	New Hampshire	621.7	632.7	11.0
37	Delaware	418.4	429.0	10.6
38	Nebraska	916.3	926.1	9.8
39	South Carolina	1,810.0	1,819.5	9.5
40	Mississippi	1,119.0	1,127.6	8.6
41	West Virginia	730.0	736.8	6.8
42	Maine	610.2	616.2	6.0
43	South Dakota	379.3	384.4	5.1
44	Wyoming	252.7	257.7	5.0
45	Vermont	301.8	306.6	4.8
46	Rhode Island	486.1	490.2	4.1
47	North Dakota	334.2	337.9	3.7
48	Alaska	301.2	304.3	3.1
49	Louisiana	1,915.7	1,916.9	1.2
50	Michigan	4,401.9	4,386.8	-15.1

- NJ ranks 9th in total employment size.
- If NJ matches the nation in growth, it should also rank 9th in growth.
- However, NJ ranked 13th in 2004.
- NY (6th) and PA (11th) now lead NJ.

Table 2
Total Nonfarm Private Sector Employment
Absolute Change, December 2003 - December 2004
(Seasonally Adjusted, in thousands)

State	Dec. 2003	Dec. 2004	Absolute Change
1 California	11,996.7	12,264.7	268.0
2 Florida	6,265.1	6,531.8	266.7
3 Texas	7,753.7	7,865.9	112.2
4 Virginia	2,883.4	2,967.6	84.2
5 <i>New York</i>	6,921.5	7,003.0	81.5
6 Arizona	1,932.0	2,009.2	77.2
7 Nevada	977.6	1,046.2	68.6
8 North Carolina	3,149.1	3,206.2	57.1
9 Washington	2,148.0	2,197.7	49.7
10 <i>Pennsylvania</i>	4,870.5	4,919.8	49.3
11 Maryland	2,035.6	2,079.3	43.7
12 Colorado	1,798.3	1,841.4	43.1
13 Georgia	3,220.6	3,263.1	42.5
14 Oregon	1,303.2	1,344.8	41.6
15 Indiana	2,477.5	2,518.4	40.9
16 Minnesota	2,247.4	2,285.9	38.5
17 Tennessee	2,267.4	2,303.8	36.4
18 Alabama	1,519.3	1,554.5	35.2
19 Ohio	4,585.0	4,617.2	32.2
20 Missouri	2,246.4	2,278.4	32.0
21 <i>New Jersey</i>	3,360.1	3,391.4	31.3
22 Wisconsin	2,369.1	2,399.8	30.7
23 Utah	886.8	916.7	29.9
24 Massachusetts	2,758.0	2,782.9	24.9
25 Connecticut	1,397.9	1,422.6	24.7
26 Illinois	4,950.8	4,974.5	23.7
27 Iowa	1,200.1	1,218.4	18.3
28 Kansas	1,062.3	1,080.2	17.9
29 Hawaii	453.4	471.1	17.7
30 Oklahoma	1,161.8	1,177.5	15.7
31 New Mexico	585.3	598.9	13.6
32 Montana	318.0	331.5	13.5
33 Kentucky	1,481.1	1,494.5	13.4
34 Idaho	463.0	476.2	13.2
35 New Hampshire	530.9	541.9	11.0
36 Arkansas	951.7	962.5	10.8
37 Nebraska	756.6	766.2	9.6
38 Delaware	361.2	370.4	9.2
39 West Virginia	587.4	594.2	6.8
40 Mississippi	878.9	884.7	5.8
41 South Dakota	305.0	309.8	4.8
42 Maine	506.1	510.8	4.7
43 Rhode Island	420.5	424.9	4.4
44 Wyoming	188.9	193.2	4.3
45 Vermont	249.6	253.7	4.1
46 North Dakota	259.2	263.1	3.9
47 Alaska	219.7	223.2	3.5
48 South Carolina	1,485.7	1,488.9	3.2
49 Louisiana	1,535.5	1,535.5	0.0
50 Michigan	3,717.5	3,698.8	-18.7

• NJ also ranks 9th in total private sector employment size.

• However, NJ ranks 21st in private sector growth in 2004.

• NY (5th) and PA (10th) rank far higher.

Note: Totals calculated as total non-farm employment less government employment for each state.
Source: U.S. Bureau of Labor Statistics

Table 3
Total Nonfarm Employment
Percentage Change, December 2003 - December 2004
(Seasonally Adjusted)

State	Dec. 2003	Dec. 2004	Percentage Change
1 Nevada	1,113.5	1,187.1	6.6 %
2 Florida	7,323.7	7,608.6	3.9
3 Arizona	2,326.8	2,414.8	3.8
4 Montana	404.3	419.4	3.7
5 Hawaii	572.3	591.3	3.3
6 Utah	1,083.8	1,116.1	3.0
7 Oregon	1,570.3	1,616.2	2.9
8 Virginia	3,524.5	3,623.5	2.8
9 Idaho	576.3	591.5	2.6
10 Delaware	418.4	429.0	2.5
11 Colorado	2,153.2	2,203.4	2.3
12 New Mexico	782.4	799.1	2.1
13 Washington	2,669.2	2,722.4	2.0
14 Wyoming	252.7	257.7	2.0
15 Alabama	1,877.4	1,914.4	2.0
16 New Hampshire	621.7	632.7	1.8
17 California	14,393.1	14,645.5	1.8
18 Oklahoma	1,458.6	1,483.8	1.7
19 Maryland	2,498.7	2,540.9	1.7
20 North Carolina	3,794.5	3,856.7	1.6
21 Kansas	1,313.1	1,334.2	1.6
22 Vermont	301.8	306.6	1.6
23 Minnesota	2,658.9	2,697.0	1.4
24 Connecticut	1,641.1	1,664.6	1.4
25 Texas	9,396.9	9,530.6	1.4
26 Indiana	2,902.5	2,943.6	1.4
27 Georgia	3,853.1	3,906.6	1.4
28 Tennessee	2,679.2	2,716.4	1.4
29 South Dakota	379.3	384.4	1.3
30 Missouri	2,675.0	2,706.6	1.2
31 New Jersey	3,985.9	4,032.2	1.2
32 Wisconsin	2,780.0	2,812.1	1.2
33 Arkansas	1,151.3	1,164.1	1.1
34 North Dakota	334.2	337.9	1.1
35 Nebraska	916.3	926.1	1.1
36 Iowa	1,446.5	1,461.8	1.1
37 Alaska	301.2	304.3	1.0
38 Maine	610.2	616.2	1.0
39 New York	8,410.8	8,491.5	1.0
40 West Virginia	730.0	736.8	0.9
41 Pennsylvania	5,615.1	5,665.9	0.9
42 Rhode Island	486.1	490.2	0.8
43 Mississippi	1,119.0	1,127.6	0.8
44 Massachusetts	3,166.1	3,188.1	0.7
45 Kentucky	1,790.8	1,802.7	0.7
46 South Carolina	1,810.0	1,819.5	0.5
47 Ohio	5,388.1	5,414.6	0.5
48 Illinois	5,794.7	5,812.7	0.3
49 Louisiana	1,915.7	1,916.9	0.1
50 Michigan	4,401.9	4,386.8	-0.3

- The nation's total employment grew by 1.7% in 2004.
- NJ grew by only 1.2% in 2004.
- NJ ranked 31st.

Table 4
Total Nonfarm Private Sector Employment
Percentage Change, December 2003 - December 2004
(Seasonally Adjusted)

State	Dec. 2003	Dec. 2004	Percentage Change
1 Nevada	977.6	1,046.2	7.0 %
2 Florida	6,265.1	6,531.8	4.3
3 Montana	318.0	331.5	4.2
4 Arizona	1,932.0	2,009.2	4.0
5 Hawaii	453.4	471.1	3.9
6 Utah	886.8	916.7	3.4
7 Oregon	1,303.2	1,344.8	3.2
8 Virginia	2,883.4	2,967.6	2.9
9 Idaho	463.0	476.2	2.9
10 Delaware	361.2	370.4	2.5
11 Colorado	1,798.3	1,841.4	2.4
12 New Mexico	585.3	598.9	2.3
13 Alabama	1,519.3	1,554.5	2.3
14 Washington	2,148.0	2,197.7	2.3
15 Wyoming	188.9	193.2	2.3
16 California	11,996.7	12,264.7	2.2
17 Maryland	2,035.6	2,079.3	2.1
18 New Hampshire	530.9	541.9	2.1
19 North Carolina	3,149.1	3,206.2	1.8
20 Connecticut	1,397.9	1,422.6	1.8
21 Minnesota	2,247.4	2,285.9	1.7
22 Kansas	1,062.3	1,080.2	1.7
23 Indiana	2,477.5	2,518.4	1.7
24 Vermont	249.6	253.7	1.6
25 Tennessee	2,267.4	2,303.8	1.6
26 Alaska	219.7	223.2	1.6
27 South Dakota	305.0	309.8	1.6
28 Iowa	1,200.1	1,218.4	1.5
29 North Dakota	259.2	263.1	1.5
30 Texas	7,753.7	7,865.9	1.4
31 Missouri	2,246.4	2,278.4	1.4
32 Oklahoma	1,161.8	1,177.5	1.4
33 Georgia	3,220.6	3,263.1	1.3
34 Wisconsin	2,369.1	2,399.8	1.3
35 Nebraska	756.6	766.2	1.3
36 New York	6,921.5	7,003.0	1.2
37 West Virginia	587.4	594.2	1.2
38 Arkansas	951.7	962.5	1.1
39 Rhode Island	420.5	424.9	1.0
40 Pennsylvania	4,870.5	4,919.8	1.0
41 New Jersey	3,360.1	3,391.4	0.9
42 Maine	506.1	510.8	0.9
43 Kentucky	1,481.1	1,494.5	0.9
44 Massachusetts	2,758.0	2,782.9	0.9
45 Ohio	4,585.0	4,617.2	0.7
46 Mississippi	878.9	884.7	0.7
47 Illinois	4,950.8	4,974.5	0.5
48 South Carolina	1,485.7	1,488.9	0.2
49 Louisiana	1,535.5	1,535.5	0.0
50 Michigan	3,717.5	3,698.8	-0.5

• The nation's private sector employment grew by 1.7% in 2004.

• NJ grew by only 0.9% in 2004.

• NJ ranked 41st.

Note: Totals calculated as total non-farm employment less government employment for each state.
Source: U.S. Bureau of Labor Statistics

Table 5
Percentage Change in Total Personal Income
U.S. and New Jersey, 1995 - 2004

Year	United States	New Jersey	
1995	5.3%	5.9%	• NJ personal income growth topped 5% in 2004, but still trailed the national rate (5.7%) for the fourth consecutive year.
1996	6.0	6.1	
1997	6.1	6.1	
1998	7.4	7.3	
1999	5.1	4.1	
2000	8.0	9.9	• NJ personal income growth has recovered well from the .4% growth in 2002.
2001	3.5	2.9	
2002	1.8	0.4	
2003	3.2	2.3	
2004	5.7	5.1	

*Source: Bureau of Economic Analysis,
U.S. Department of Commerce*

Table 6
Percentage Change in Total Personal Income
U.S. and States, 2003-2004

Rank	State	Percentage Change: 2003-2004
	United States	5.7
1	Nevada	9.0
2	North Dakota	8.7
3	Iowa	8.3
4	South Dakota	7.8
5	Arizona	7.5
6	Washington	7.4
7	Florida	7.0
8	Hawaii	6.8
9	Montana	6.7
10	Wyoming	6.7
11	Idaho	6.6
12	Arkansas	6.5
13	Virginia	6.5
14	Vermont	6.4
15	Delaware	6.4
16	Utah	6.4
17	New Hampshire	6.3
18	New Mexico	6.2
19	Connecticut	6.1
20	Minnesota	6.1
21	California	6.1
22	New York	5.9
23	Mississippi	5.8
24	Tennessee	5.8
25	Texas	5.8
26	Massachusetts	5.7
27	Rhode Island	5.7
28	Maryland	5.7
29	North Carolina	5.7
30	West Virginia	5.6
31	Oklahoma	5.6
32	Colorado	5.6
33	Maine	5.5
34	Wisconsin	5.5
35	Alabama	5.5
36	Georgia	5.4
37	Louisiana	5.3
38	South Carolina	5.2
39	Oregon	5.2
40	New Jersey	5.1
41	Kansas	5.1
42	Indiana	5.0
43	Kentucky	5.0
44	Alaska	4.9
45	Pennsylvania	4.8
46	Illinois	4.7
47	Missouri	4.5
48	Nebraska	4.4
49	Ohio	4.2
50	Michigan	2.8

• The nation's personal income grew by 5.7% in 2004.

• New Jersey personal income growth accelerated from 2.3% in 2003 to 5.1% in 2004, but still trailed the nation's increase, and our neighbouring states of NY and CT.

Table 7
Percentage Change in
Residential Building Permits
U.S. and New Jersey, 1995-2004

Year	United States	New Jersey	
1995	-2.8%	-15.2%	
1996	7.0	12.3	
1997	1.1	15.9	
1998	11.9	11.9	• Following a sharp decline in 2001, NJ residential building permits have grown faster than the national rate for the past three years.
1999	3.2	2.0	
2000	-4.3	8.2	
2001	2.8	-18.3	
2002	6.8	7.7	
2003	8.1	8.4	
2004	7.1	9.2	

Total Residential Building Permits
U.S. and New Jersey, 1994-2004

Year	United States	New Jersey	
1994	1,371,637	25,388	
1995	1,332,549	21,521	
1996	1,425,616	24,173	• Driven by rising personal income, NJ's 36,033 residential building permits in 2004 reached their highest level since 1988.
1997	1,441,136	28,018	
1998	1,612,260	31,345	
1999	1,663,533	31,976	
2000	1,592,267	34,585	
2001	1,636,676	28,267	
2002	1,747,678	30,441	
2003	1,889,214	32,984	
2004	2,024,211	36,033	

Note: Building Permits refers to new, privately owned housing units authorized.

Note: 2004 figures are preliminary.

Source: U.S. Bureau of the Census

Table 8
U.S. and New Jersey Goods Exports
Percentage Change, 2001-2004

Year	United States	New Jersey
2001	-6.3%	1.7%
2002	-5.2	-10.3
2003	4.4	-1.1
2004	13.0	14.1

• In 2004, the weakening dollar resulted in strong export growth for both NJ and the nation.

New Jersey Total Goods Exports
2001-2004
(thousands of dollars)

Year	Goods Exports
2000	\$18,637,554
2001	18,945,751
2002	17,001,514
2003	16,817,673
2004	19,192,131

*Source: International Trade Administration,
U.S. Department of Commerce*

Table 9
U.S. New Vehicle Sales vs. NJ New Vehicle Registrations
Percentage Change, 2001-2004

Year	U.S. Sales	NJ Registrations	
		Percent Change	Total Number
2001	-1.3%	-1.2%	655,491
2002	-1.8	-1.4	646,381
2003	-1.0	-0.5	643,011
2004	1.4	-1.9	630,939

• While national auto sales picked up in 2004, NJ new vehicle registrations declined for the fourth consecutive year.

Note: Vehicle sales and registrations refer only to passenger cars and light trucks/vans.

Sources: NJ Department of Labor (NJ vehicle registrations); U.S. Bureau of Economic Analysis (U.S. vehicle sales)

• The national outlook for auto sales in 2005 has weakened as energy prices have increased significantly.

Table 10
Percentage Change in Gross State Product
U.S. vs. New Jersey, 2000-2003
(based on current dollar estimates)

Year	United States	New Jersey
2000	6.0%	5.6%
2001	2.9	5.0
2002	3.7	4.8
2003	4.8	4.6

• After outpacing the nation for two years, New Jersey's GSP growth dropped below the U.S. rate in 2003.

Note: Gross State Product for the U.S. represents the sum of GSPs of all 50 states.

Source: U.S. Bureau of Economic Analysis

Table 11
Percent Change in CPI-U (Base: 1982-84=100)
U.S. and New Jersey, 1995-2004
(based on non-seasonally adjusted data)

Year	U.S. City Average	NY-NJ-CT-PA	
1995	2.8%	2.5%	
1996	3.0	2.9	• Regional inflation equalled or lagged behind the national rate from the mid 1990s through the early 2000s.
1997	2.3	2.3	
1998	1.6	1.6	
1999	2.2	2.0	
2000	3.4	3.1	• However, sharp increases in the cost of energy (26.7%), medical care (6.2%) and housing (8.4%) since 2002 have pushed the region's inflation rate above national increases.
2001	2.8	2.5	
2002	1.6	2.6	
2003	2.3	3.1	
2004	2.7	3.5	

Note: NY-NJ-CT-PA represents the New York-Northern New Jersey-Long Island Metropolitan Statistical Area

Source: Bureau of Labor Statistics, U.S. Department of Labor