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Critical Juncture for the Garden State

Economists and policy analysts in the region frequently opine on the recovery and future of the New Jersey economy. The Garden State represents the eighth largest state-level economy in the nation (with the 11th largest population). Household incomes are significantly above the national average and the state possesses a highly educated work force. Many observers see promise in specific industries such as logistics, biotechnology and cybersecurity.

Nevertheless, the snail's pace of New Jersey's rebound from the Great Recession has frustrated many. Economic activity, whether measured by production or employment, has trailed rates experienced east of the Hudson River and by the US as a whole. It was not until early 2017 that the state economy surpassed the employment peak reached prior to the 2008/2009 financial crisis. The state rests at a critical juncture, with plenty of resources and no shortage of ideas on how to prime the pump for the long haul.

What's happened in New Jersey? Some of the basics have been well covered before in this and other publications but are still worth mentioning again. Most sectors including construction, finance and real estate saw pronounced declines in employment during the Great Recession. Thinking long term, while the striking decline in domestic manufacturing employment over the past half-century has certainly not spared the Greater New York region, the change has been particularly acute in New Jersey over the past few decades. Manufacturing employment specific to pharmaceuticals and medicine, to highlight one example, fell by 40 percent (to 22,855 jobs) between 2001 and 2016 in New Jersey; national employment in the same industry was flat over the same time (below).

THE WATCHLIST

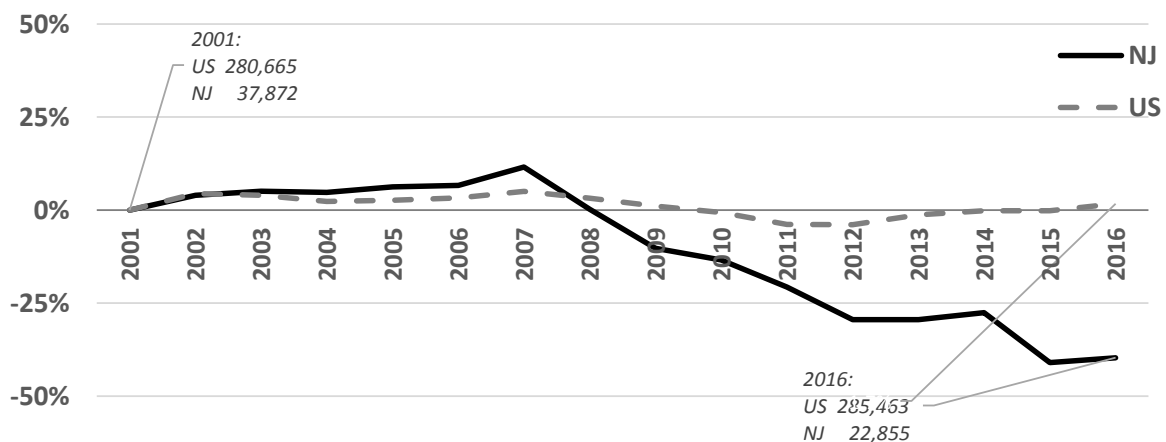
Economic Variables		Current - One Year Trend	
UNITED STATES			
Real GDP [Annual Rate]	Q4 2017	2.6%	Dec 2016 - Dec 2017
Unemployment Rate	Dec-17	4.1%	
Consumer Price Index [Annual]	Dec-17	2.1%	
Gasoline Price [Regular]	Dec-17	\$2.48	
PORT AUTHORITY REGION			
Regional Employment [NY MSA]	Dec-17	9,673	
Consumer Price Index [Annual]	Dec-17	1.6%	
Port District Exports [\$Bill]	Dec-17	\$11.51	
Port District Imports [\$Bill]	Dec-17	\$23.23	
Case-Shiller Home Price Index	Nov-17	5.7%	
Commercial Real Estate Asking Rent			
Midtown	Q4 2017	\$84.20	
Downtown	Q4 2017	\$62.95	

Beyond a count of jobs is a change in underlying economic activity. The real value of gross production in the nine New Jersey counties falling within the Port Authority's district – counties that account for two-thirds of the state's population and the lion's share of its economy – has grown, on average, by less than 1 percent a year. That falls well short of growth experienced in the nine Port Authority-district counties in New York. Specifically, higher real output from the real estate, health care and recreational sectors have only managed to help cover for declines in manufacturing and construction. And the general cost of doing business in New Jersey is higher than at the start of the new millennium.

What should the state, or the region, be doing to bolster New Jersey's economic prospects? Opinions abound.

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Figure: Percent change, employment in pharmaceutical and medicine manufacturing



Source: Quarterly Census of Employment and Wages, U.S. Bureau of Labor Statistics.

MONTHLY ECONOMIC INDICATORS

THE PORT AUTHORITY OF NY & NJ

Planning and Regional Development Department

January 2018

AVIATION	Nov '17	YTD	Nov '17/'16	YTD '17/'16	PORT COMMERCE	Nov '17	YTD	Nov '17/'16	YTD '17/'16
Revenue Passengers (000's)	10,470.9	121,524.5	1.4%	2.1%	Port Trade				
John F. Kennedy International Airport (JFK)	4,476.0	54,611.0	-0.3%	0.6%	Container Imports (TEUs)	285,070	3,122,103	4.9%	6.3%
LaGuardia Airport (LGA)	2,547.8	27,023.9	3.9%	-1.2%	Container Exports (TEUs)	128,760	1,294,229	12.1%	4.0%
Newark Liberty International Airport (EWR)	3,402.0	39,487.3	1.2%	6.6%	Containers lifted on/off Express Rail	47,055	518,959	8.0%	4.2%
Stewart International Airport (SWF)	45.1	402.2	105.2%	59.8%					
Revenue Freight (Short Tons)	203,128	2,032,846	10.9%	7.9%	TUNNELS, BRIDGES & TERMINALS	Nov '17	YTD	Nov '17/'16	YTD '17/'16
Domestic	74,776	715,651	12.3%	6.6%	Eastbound Vehicle Volumes (000's)	9,898	109,365	1.2%	0.6%
International	128,352	1,317,195	10.0%	8.6%	George Washington Bridge	4,286	47,438	1.0%	0.3%
Flights	104,297	1,182,389	-0.9%	-0.7%	Lincoln Tunnel	1,582	17,430	-0.3%	-0.9%
Domestic Air Carrier	75,276	841,597	-2.1%	-1.3%	Holland Tunnel	1,241	13,605	-2.4%	-3.2%
International Air Carrier	23,100	275,110	4.5%	1.1%	Bayonne Bridge	218	2,132	31.9%	40.7%
General Aviation	5,921	65,682	-4.8%	1.7%	Goethals Bridge	1,306	14,473	2.3%	1.0%
Paid Parked Cars	533,338	6,531,344	-5.5%	-10.2%	Outerbridge Crossing	1,265	14,287	1.9%	2.5%
Revenue AirTrain Passengers	1,763,655	19,287,402			Eastbound Volumes by Vehicle Type (000's)				
					Autos	9,031	99,915	1.1%	0.6%
					Trucks	620	6,724	1.6%	0.8%
					Buses	245	2,721	2.1%	-0.3%
FERRY OPERATIONS	Nov '17	YTD	Nov '17/'16	YTD '17/'16	PORT AUTHORITY PULSE	Apr '17	Mar '17	Change	
Passengers (000's)					(Seasonally Adjusted, 2010=100)				
New Jersey Ferries	710.9	8,295.0	9.0%	3.4%	PA Pulse (Transportation Activity Index)	100.7	98.2	2.5%	
					PA Freight Pulse	97.1	95.3	1.9%	
					PA Passenger Pulse	104.2	101.1	3.1%	
PATH	Nov '17	YTD	Nov '17/'16	YTD '17/'16	U.S. TRANSPORT. SERVICES INDEX	Nov '17	Oct '17	Change	
Passengers (000's)	6,827.0	76,412.0	5.7%	5.8%	(Prelim., Seasonally Adj., 2000=100)				
Average Weekday	291.6	3,138.3	5.1%	5.7%	TSI - Combined Index	129.8	129.5	0.2%	
Average Saturday	115.5	1,278.3	10.3%	7.7%	TSI - Freight	130.8	130.5	0.2%	
Average Sunday	87.1	984.2	10.2%	8.3%	TSI - Passenger	127.2	127.0	0.2%	

TRANSPORTATION FOCUS

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The research overwhelmingly indicates policymakers should be cautious before providing money – financial incentives – toward solutions without subjecting proposals to rigorous analysis. The state’s taxpayers are already on the hook for \$8.4 billion in tax breaks issued since 2010, a rate of \$61,000 per subsidized job, using estimates from the New Jersey Policy Perspective. Previous research generally suggests such incentives provide far less bang for the buck than sponsors hope. More tailored recommendations are already available.

The global consulting firm McKinsey & Company surveyed the scene in July and made a handful of suggestions. First, aside from the usual suspects (improve transportation infrastructure and craft intelligent business incentives), the firm recommended that the state take steps to address a shortage of middle-skill workers – those with some higher education but not enough to make them specialists in technical, non-manufacturing industries. Second, the authors suggest New Jersey try and nurture younger firms, including startups ... and, more importantly, that it find a way to keep them around as they grow and mature.

The Fund for New Jersey recently published far reaching policy recommendations aimed at the incoming Murphy administration. The Fund has taken a broad look at important issues in the state around fiscal policy, climate change, workforce development, transportation, criminal justice reform, housing and education. Success depends on near-term initiatives such as addressing education funding and fiscal problems while keeping an eye on longer term problems like the impacts of climate change on the state.

We agree that the success of New Jersey’s economy depends on multiple factors beyond just tax reform. The state has a critical location and education advantage and should leverage these competitive characteristics to develop a diversified and dynamic economy going forward. The future of the Port region depends on it.

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