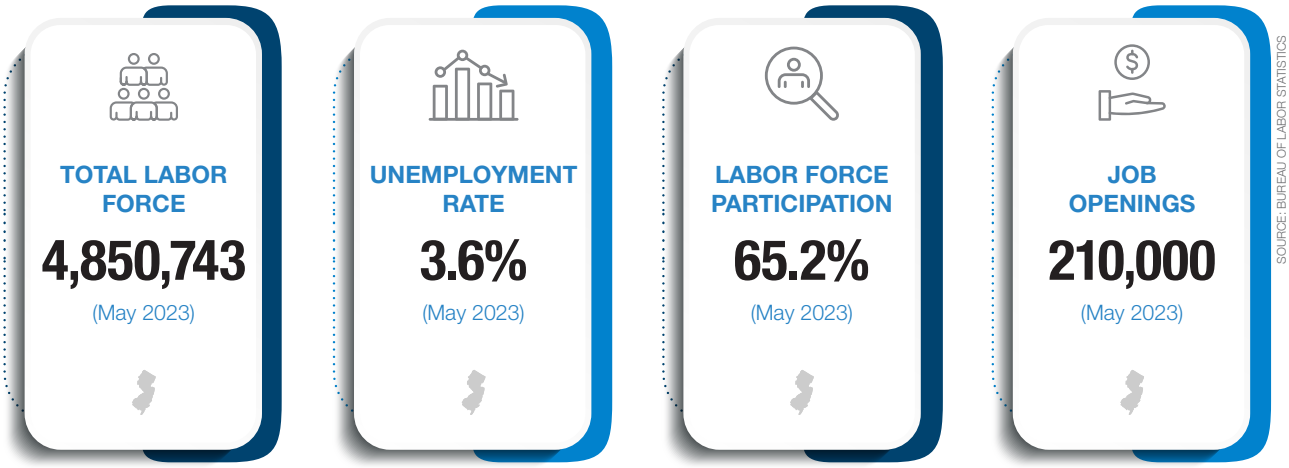
FOCUS NJ
Center for Economic Research & Workforce Solutions

2023 Economic Review

Mid-Year Checkpoint



For much of the last two years, watchers of economic indicators have continually noted the seeming imminence of a nationwide slowdown. Yet, more than three years after the onset of the COVID-19 pandemic, unemployment in the Garden State remains near historic lows, labor force participation has surpassed pre-pandemic levels, and Gross Domestic Product (GDP) continues to grow, modestly or not, quarter after quarter.

As we pass the midpoint of 2023, two major trends/questions emerge:

1. The state's labor force participation rate continues to grow past pre-pandemic levels. This was not true for much of the past three years, and has significant implications for employers still struggling to hire – are there more workers who can be brought off the sidelines to fill vacant positions?

2. New Jersey was among the leaders regarding GDP growth in 2022, but the most recent two quarters tell a different story. Will the state's economy rebound throughout the rest of the year, or have New Jersey's economic winds begun to shift?

All figures in this document are accurate as of July 2023, and represent the most up-to-date information available at that time. For more information or to compare New Jersey's economy to other states, visit focusnj.org or contact Kyle Sullender, Executive Director at KSullender@focusnj.org

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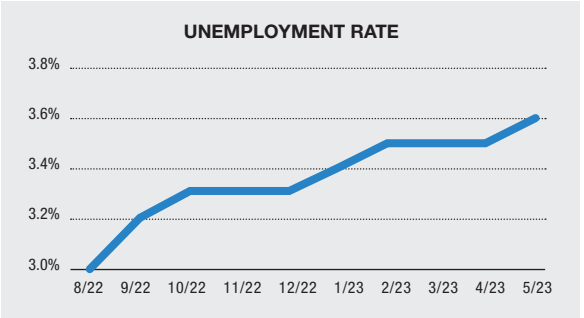
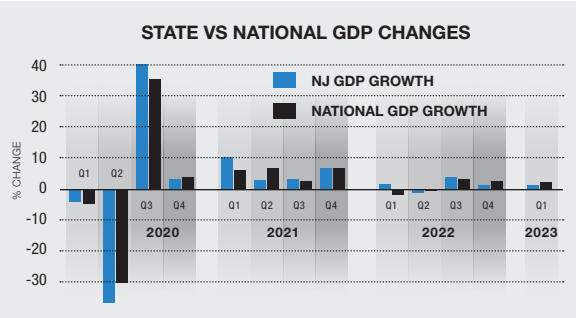


Unemployment: New Jersey's unemployment rate reached its lowest rate since at least 1976 (the earliest available from the Bureau of Labor Statistics) in August 2022 (3.0%). In the months since, that rate has climbed slowly, but remains at or near 20-year lows.

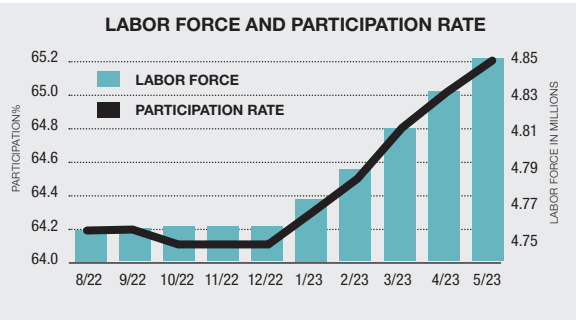


GDP: New Jersey ended 2022 with strong GDP growth (2.6%) which ranked 13th in the nation. However, the most recent two quarters have told a less optimistic story. New Jersey's GDP grew just 1.1% in Q4 2022 compared to the national growth rate of 2.6%, and again trailed the nation in Q1 2023 by growing just 1% compared to the nation's 2%.

EMPLOYMENT
(Seasonally Adjusted)

	DEC '22	MAY '23	+/-
Construction	163.2k	165.8k	2,600
Education and Health Services	756.5k	776.7k	20,200
Financial Activities	259k	259.3k	300
Government	583.3k	587.7k	4,400
Information	76.5k	77.2k	700
Leisure and Hospitality	387.5k	399.7k	12,200
Manufacturing	252k	253.2k	1,200
Other Services	170.6k	169.6k	-1,000
Professional Business Services	725.4k	725.1k	-300
Trade, Transportation, Utilities	921.7k	921.6k	-100

Industry Employment: Since December 2022, seven of 10 major industries in New Jersey have experienced employment gains. Other Services (-1,000), Professional and Business Services (-300), and Trade, Transportation, and Utilities (-100) are the only industries to have experienced a loss since the start of the year. The largest gain has been in Education and Health Services (+20,200), which was slower than most industries to recover jobs after the pandemic.



Labor Force: New Jersey ended 2022 with a labor force participation rate slightly below its pre-pandemic level of 64.5%. In the first six months of 2023, however, New Jersey has continued to attract residents into its labor force, and in doing so has surpassed pre-pandemic conditions.

As of May, New Jersey's labor force consists of approximately 4.85 million workers, compared to its pre-pandemic height of 4.75 million, and its pandemic-era low of 4.49 million. Consequently, the state's labor force participation rate – which measures the number of active workers and unemployed persons seeking employment – has climbed to a high of 65.2% from its pre-pandemic height of 64.5%.

Summary: Since the initial shocks of the pandemic, New Jersey has had just one quarter of economic contractions (Q2 2022), and its strong 2022 overall should be viewed as more significant than its disappointing recent quarters. Still, with inflation remaining higher than federal fiscal policymakers prefer, and the possibility of interest rates continuing to rise as a result, it is hard to predict how the rest of the year may develop and what impact these conditions will have on businesses and workers.

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