STOCKTON UNIVERSITY | WILLIAM J. HUGHES CENTER FOR PUBLIC POLICY

THE SOUTH JERSEY ECONOMIC REVIEW

About the SJER

Since 2006, the South Jersey Economic Review has provided the region's stakeholders and policymakers timely, high-quality research that focuses on the regional economy. The Review analyzes the region's key industries and tracks its most important labor force, wage, and demographic trends. The Review is published bi-annually under the aegis of Stockton University's William J. Hughes Center for Public Policy.

IN THIS ISSUE

One Year On: Assessing the Impact of the 2020 COVID-19 Recession on the Southern New Jersey Regional Economy

Signs of a national economic recovery represent especially good news for a southern New Jersey regional economy that was battered by last year's COVID recession.

In addition to exploring the broader employment and labor force impacts of last year's COVID recession on the southern New Jersey regional economy, this edition of the South Jersey Economic Review provides estimates of the decline in Atlantic City's overall economic activity (gross domestic product) last year, documents the rise of SNAP recipiency by regional households, analyzes the regional housing market, and assesses the region's economic outlook over the near-term horizon.

Several recent signs suggest that the national economy has finally embarked on a solid recovery from last year's COVID-induced recession. Should the national recovery continue to gather steam over the remainder of 2021—as many forecasters believe is likely—it would be especially welcome news for the southern New Jersey regional economy.

Table 1 displays the ten largest employment declines recorded by U.S. metropolitan areas in 2020. As shown, the Atlantic City metropolitan area (which is coincident with Atlantic County), saw its employment decline

Table 1: Ten Largest Employment Declines Among U.S. Metrpolitan Areas in 2020

	Metropolitan Area	Employment (thousands) 2019	2020	Chg.	% Chg.	Rank Among U.S. Metro. Areas*
1	Kahului-Wailuku-Lahaina, HI	80.7	60.8	-19.9	-24.7%	383
2	Lake Charles, LA	114.5	96.3	-18.2	-15.9%	382
3	**Atlantic City-Hammonton, NJ**	**133.3**	**112.2**	**-21.1**	**-15.8%**	**381**
4	Odessa, TX	84.2	71.8	-12.4	-14.7%	380
5	Midland, TX	113.7	97.8	-15.8	-13.9%	379
6	Urban Honolulu, HI	473.9	409.8	-64.1	-13.5%	378
7	Norwich-New London-Westerly, CT-RI	129.8	113.4	-16.4	-12.6%	377
8	Las Vegas-Henderson-Paradise, NV	1,037.2	909.1	-128.1	-12.3%	376
9	Napa, CA	74.8	66.0	-8.8	-11.7%	375
10	Barnstable Town, MA	107.2	94.8	-12.4	-11.6%	374

*There are 384 U.S. metropolitan statistical areas. Rank out of 383 owing to unavailability of data for Poughkeepsie-Newburgh-Middletown, NY.
The median employment decline across all U.S. metropolitan areas was -5.3 percent.
Source: U.S. Bureau of Labor Statistics.

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by 15.8 percent (-21,100 jobs) last year, the third-largest decline (in proportional terms) among all U.S. metropolitan areas.

Unsurprisingly, Table 1 is dominated by metropolitan area economies that rely heavily on the leisure and hospitality (L&H) sector and oil-related industries.[1] As is well-known, the nature of the pandemic and the lockdowns it induced wreaked havoc on the nation's leisure and hospitality sector which includes the accommodations (including casino hotels), restaurants and bars, and arts and entertainment industries. While total payroll employment at the national level declined 5.7 percent last year, it declined 19.4 percent in L&H (with L&H job losses accounting for 37 percent of all lost jobs). Employment in Atlantic City's L&H sector (whose casinos endured a sixteen week-long shutdown) declined by 34.4 percent. The 14,300 jobs lost in the L&H sector accounted for 66 percent of all jobs lost last year in the A.C. metropolitan area.

The Ocean City metropolitan area (Cape May County), which lies immediately south of the Atlantic City metropolitan area, and whose summer shore season makes its economy heavily dependent upon the L&H sector, also suffered significant job losses last year. While total employment in Ocean City declined 9.2 percent last year (the 36th-largest decline among all U.S. metropolitan areas), L&H employment declined by 20.5 percent.

While last year's COVID recession was decidedly different than the Great Recession of 2009 (a fact returned to below), it is nevertheless illustrative to compare last year's job losses with those of 2009. During the Great Recession, total employment in Atlantic City declined 5.8 percent, while L&H employment fell 7 percent. The comparable figures for Ocean City were -1.4 percent and -0.3 percent. Thus, the 2020 COVID recession's impact on Atlantic City's total employment was nearly three times as large as the Great Recession's, while it was more than six times as large in Ocean City.

These rather grim regional employment statistics from last year throw the current expectations of a strong *national* recovery into sharp relief: the damage imparted on the southern New Jersey regional economy by the 2020

Table 2: Establishment Employment by Industry, Atlantic City, NJ Metropolitan Area

Industry/Sector	2020 vs. 2019: 2Q Job Loss No.	2020 vs. 2019: 2Q Job Loss %	2020 vs. 2019: 2Q Share Job Loss	2020 vs. 2019: Summer Months Job Loss No.	2020 vs. 2019: Summer Months Job Loss %	2020 vs. 2019: Summer Months Share Job Loss	2020 vs. 2019 Job Loss No.	2020 vs. 2019 Job Loss %	2020 vs. 2019 Share Job Loss	2009 vs. 2008 Job Loss No.	2009 vs. 2008 Job Loss %	2009 vs. 2008 Share Job Loss
Total	**-45.2**	**-33.7%**	**100%**	**-33.1**	**-24.2%**	**100%**	**-21.1**	**-15.8%**	**100%**	**-8.5**	**-5.8%**	**100%**
Construction	-0.7	-12.9%	1.6%	-0.4	-6.5%	1.1%	-0.4	-7.5%	2.0%	-1.9	-27.4%	22.0%
Manufacturing	-0.1	-5.6%	0.3%	-0.1	-4.2%	0.3%	0.0	-0.7%	0.1%	-0.8	-25.6%	9.8%
Wholesale Trade	-0.3	-12.2%	0.7%	-0.2	-8.0%	0.6%	-0.2	-6.8%	0.8%	-0.3	-8.4%	3.1%
Retail Trade	-3.0	-20.5%	6.6%	-1.7	-11.1%	5.0%	-1.3	-8.9%	6.3%	-0.9	-5.3%	10.2%
Transportation, Warehousing, and Utils.	-0.5	-17.0%	1.1%	-0.2	-8.1%	0.7%	-0.1	-4.0%	0.6%	-0.2	-7.9%	2.7%
Information	-0.1	-16.7%	0.2%	-0.1	-16.7%	0.3%	-0.1	-12.5%	0.4%	-0.1	-6.3%	0.8%
Financial Activities	-0.2	-4.3%	0.4%	-0.1	-3.4%	0.4%	-0.1	-1.7%	0.3%	-0.3	-6.7%	3.5%
Professional and Business Services-	1.2	-11.0%	2.7%	-0.9	-7.8%	2.7%	-0.3	-2.9%	1.5%	-0.7	-7.0%	8.5%
Education and Health Services	-3.6	-16.4%	7.9%	-2.9	-13.2%	8.7%	-2.1	-9.7%	9.9%	-0.1	-0.3%	0.6%
Hospitals	-0.6	-9.6%	1.3%	-0.4	-7.3%	1.3%	-0.3	-5.7%	1.6%	0.1	1.3%	-1.0%
Leisure and Hospitality	-31.5	-74.6%	69.8%	-22.7	-50.4%	68.8%	-14.3	-34.4%	67.6%	-3.7	-6.9%	44.1%
Accommodation and Food Services	-30.3	-76.2%	67.2%	-21.7	-51.5%	65.7%	-13.9	-35.4%	65.7%	-3.6	-7.0%	42.7%
Accommodation	-23.4	-86.6%	51.8%	-16.2	-57.5%	48.9%	-10.7	-39.9%	50.6%	-3.4	-8.3%	39.8%
Casino Hotels	-22.2	-89.5%	49.1%	-15.3	-59.5%	46.3%	-10.1	-41.1%	47.9%	-3.0	-7.8%	34.9%
Food Services and Drinking Places	-6.9	-54.3%	15.4%	-5.6	-39.6%	16.8%	-3.2	-25.6%	15.1%	-0.2	-2.1%	2.8%
Other Services	-2.6	-47.9%	5.8%	-1.8	-32.4%	5.5%	-1.3	-23.1%	6.0%	-0.1	-1.5%	0.8%
Government	-1.3	-6.1%	2.8%	-1.9	-9.7%	5.8%	-1.0	-4.7%	4.6%	0.5	2.4%	-6.2%
Federal Government	0.1	5.6%	-0.3%	0.2	6.8%	-0.5%	0.1	5.7%	-0.7%	0.1	4.2%	-1.3%
State Government	-0.4	-12.5%	1.0%	-0.3	-9.9%	0.9%	-0.4	-10.0%	1.7%	0.0	1.3%	-0.5%
Local Government	-1.0	-6.5%	2.1%	-1.8	-12.5%	5.4%	-0.8	-5.1%	3.6%	0.4	2.3%	-4.4%

Source: U.S. Bureau of Labor Statistics.

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COVID recession was significant. While there are good reasons for believing the regional economy has begun to heal, a complete recovery may take considerable time.

Atlantic City Industry Employment Detail

Table 2 (p.2) shows employment trends by industry for the Atlantic City metropolitan area for several periods last year: the second quarter, the summer months, and the entire year. Job losses during 2009 amid the Great Recession are also shown for comparison purposes. As shown, total establishment employment plummeted by 45,000 jobs (nearly -34 percent) year-on-year in last year's second quarter following the COVID-induced lockdown that began in mid-March 2020. While job losses were widespread, those in Atlantic City's L&H sector—which totaled 31,500—accounted for 70 percent of all job losses during that quarter.

The summer months saw the metropolitan area economy pare some of its initial job losses as lockdown restrictions began to ease in early July. Employment in the L&H sector rebounded somewhat, as the sector's year-on-year job decline shrank from 31,500 to 22,700 during the summer months. The summer months also saw construction, retail trade, and other services recover some of their second-quarter job losses. At the same time, job losses in local government increased. Overall, summer employment in Atlantic City remained 33,000 (-24.2 percent) below its 2019 level.

The metropolitan area economy continued to rebound during the final two quarters of last year though the pace of recovery varied across industries. Most importantly, the key leisure and hospitality sector had regained about 22,000 jobs by last year's final quarter though its fourth quarter employment remained nearly 24 percent below (-9,500 jobs) its 2019 level.

For the year, total establishment employment in Atlantic City declined nearly 16 percent (-21,100). Job losses in L&H, which totaled -14,300 (34 percent), accounted for 68 percent of the metropolitan area's total 2020 job decline. Beyond the leisure and hospitality sector, the largest proportional employment declines occurred in other services (-23 percent), education and health services (nearly -10 percent), retail trade (-9 percent), and local government (-5 percent). Combined, these four industries accounted for 26 percent of last year's job losses.

One way to get a sense of the overall impact of last year's COVID-induced recession on the Atlantic City economy is to compare it to 2009—the trough year of the Great Recession. Table 2's right-most column provides job loss data for the metropolitan area in 2009 and thus provides a ready means of comparing the employment impacts of these two recessions.

As shown, the impact of last year's COVID recession on Atlantic City's economy was significantly worse in job loss terms than the Great Recession. In proportional terms, the 2020 COVID recession resulted in job losses that were 2.8 times greater than those experienced by the metropolitan area during the Great Recession (-15.8 percent vs. -5.8 percent). To take but a handful of examples in specific industries, this multiple equaled 5 for the leisure and hospitality sector; 35 for educational and health services; 15.8 for other services; and, 1.7 for retail.

The "Share Job Loss" columns for last year and the Great Recession shown in Table 2 also make clear that the industry-based employment impacts of last year's COVID recession were decidedly different than those during the Great Recession—a fact that grew increasingly clear over the course of the pandemic. For example, job losses in manufacturing and wholesale trade accounted for 13 percent of metropolitan area job losses during the Great Recession compared to just 1 percent last year. Similarly, whereas job losses in professional and business services and financial services accounted for 12 percent of Great Recession metro area job losses, they accounted for just 1.8 percent of last year's losses.

In contrast, Atlantic City restaurants and bars' share of job losses during the Great Recession equaled 2.8 percent compared to their 15.1 percent share in 2020. A similar dynamic occurred in other services which includes an array of traditional small businesses, e.g., automotive repair shops, personal care businesses, laundry services, etc. Among the most noticeable differences across the two recessions occurred in government employment. Whereas gains in government employment during the Great Recession helped offset job declines in the private sector, declines in state and local government payrolls last year exacerbated private sector job losses.

Unemployment and the Labor Force

As Figure 1 (p.4) shows, Atlantic City's unemployment rate rose significantly last spring following the commencement of the COVID-19 lockdown. The local unemployment rate, which stood at 5.3 percent in March 2020, skyrocketed to 34 percent in April, as the number of unemployed individuals in the Atlantic City metropolitan area climbed to more than 42,000 from 6,400. It remained elevated through June as the local labor force *expanded*—a fact that likely reflected an initial wave of new entrants seeking to offset job/income losses suffered by other household members.

The unemployment rate declined sharply in July (to 25 percent from 35 percent in June) in tandem with the partial reopening of the economy and a significant decline in the local labor force. It continued to decline through September of last year aided by significant declines in the labor force in August and September (which likely reflected labor force departures tied

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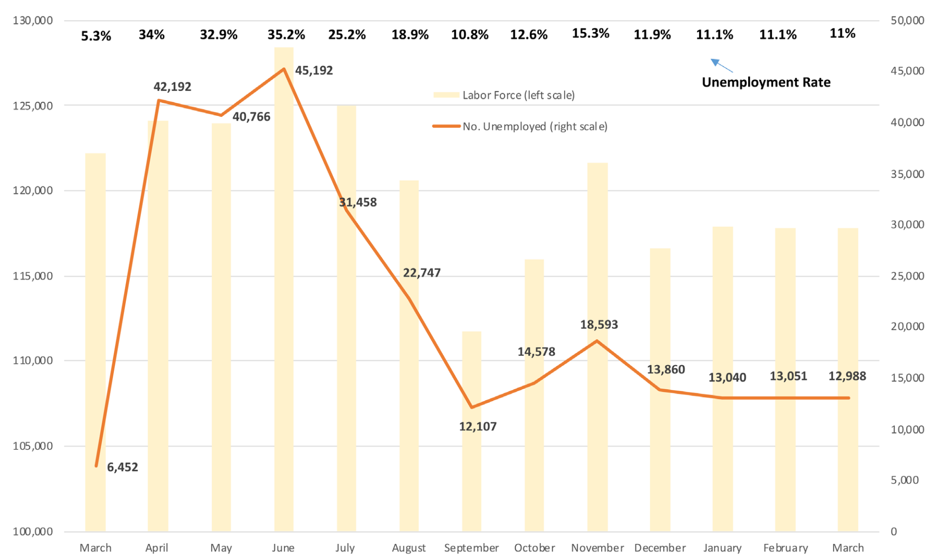
Figure 1: Atlantic City, NJ Metropolitan Area
Labor Force, No. Unemployed, Unemployment Rate
March 2020 to March 2021



Source: U.S. Bureau of Labor Statistics.

to the restart of remote-based public education last fall). Unemployment began rising again last fall (climbing to 15.3 percent in November from 10.8 percent in September) before declining in December in tandem with another significant decline in the labor force.

In March of this year, the metropolitan area's unemployment rate stood at a seasonally adjusted 11 percent. The local labor force has declined 3.6 percent since March 2020 (-4,300), while the number of officially unemployed individuals stands at nearly 13,000—twice its March 2020 level.

Estimating the Decline in Atlantic City's Gross Domestic Product

While the U.S. Bureau of Economic Analysis won't release 2020 GDP figures for metropolitan areas until December of this year, state level GDP figures (which are released on a more timely basis) can be leveraged

Table 3: New Jersey GDP for Selected Industries & Sectors: Comparing the COVID Recession with the Great Recession

	2020 COVID Recession			2009 Great Recession		
	Change %	Change ($ millions)	Share of $ Change	Change %	Change ($ millions)	Share of $ Change
All industry total	**-4.1%**	**-$22,597**	**100%**	**-4.1%**	**-$21,892**	**100%**
Utilities	1.7%	$145	-0.6%	-0.3%	-$29	0.1%
Construction	-3.7%	-$670	3.0%	-12.2%	-$2,340	10.7%
Manufacturing	-1.3%	-$638	2.8%	-18.7%	-$11,613	53.0%
Wholesale trade	-4.0%	-$1,869	8.3%	-12.2%	-$5,609	25.6%
Retail trade	-3.9%	-$1,369	6.1%	-5.6%	-$1,728	7.9%
Transportation and warehousing	-13.0%	-$2,660	11.8%	-2.3%	-$401	1.8%
Information	6.5%	$1,973	-8.7%	-3.5%	-$850	3.9%
Finance, insurance, real estate, rental, and leasing	-1.6%	-$1,739	7.7%	3.9%	$4,437	-20.3%
Real estate and rental and leasing	-2.0%	-$1,550	6.9%	-0.1%	-$83	0.4%
Professional and business services	-1.2%	-$1,138	5.0%	-4.3%	-$3,234	14.8%
Educational services, health care, and social assistance	-7.4%	-$4,016	17.8%	2.8%	$1,262	-5.8%
Educational services	-9.2%	-$631	2.8%	8.1%	$476	-2.2%
Health care and social assistance	-7.1%	-$3,379	15.0%	2.1%	$796	-3.6%
Arts, entertainment, and recreation	-42.0%	-$2,334	10.3%	-1.6%	-$71	0.3%
Accommodation and food services	-26.2%	-$3,115	13.8%	-15.5%	-$2,026	9.3%
Other services (except government and government enterprises)	-16.4%	-$1,715	7.6%	-5.9%	-$670	3.1%
Government and government enterprises	-4.0%	-$2,232	9.9%	-0.3%	-$204	0.9%

Source: U.S. Bureau of Labor Statistics.

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to shed additional light (beyond the employment impact described above) on how the COVID recession affected Atlantic City's overall economy last year.

Recently released (though preliminary) state GDP figures show that New Jersey's economy contracted 4.1 percent last year—identical to its rate of contraction in 2009 amid the Great Recession. By way of comparison, the national economy contracted 3.5 percent last year which was worse than its 2.5 percent contraction in 2009.

While New Jersey's experience last year was (in output terms) on par with its Great Recession experience, Table 3 (p.4) makes clear that the 2020 COVID recession was quite different than the Great Recession. In particular, the COVID recession produced much larger proportional output declines than the Great Recession did *in the industries most affected by each recession.* For example, in 2020, the state's arts, entertainment, and recreation industry along with its accommodation and food services industry (which jointly constitute the broad leisure and hospitality sector) saw real output declines of 42 and 26 percent, respectively. In contrast, the two largest industry-based output declines experienced during the Great Recession were smaller: -18.7 percent in manufacturing and -15.5 percent in accommodation and food services.

At the same time, the COVID recession's impact was more widespread than the Great Recession's. For example, the output declines experienced by manufacturing (-$11.6 billion) and wholesale trade (-$5.6 billion) accounted for nearly 80 percent of the state's total GDP decline in 2009 (which equaled -$21.9 billion). The two largest output declines in 2020 occurred in health care services (-$3.4 billion) and transportation and warehousing (-$2.7 billion). These declines accounted for just 27 percent of the state's total GDP decline (-$22.6 billion), however.

Several other differences across the two recessions are noteworthy. The unique nature of the COVID recession proved especially hard on both the educational and health services industries. Reflecting their general "recession proof" tendencies, both industries experienced output *gains* during the Great Recession. In 2020, both industries recorded significant declines. The "other services" category (which tends to be dominated by an array of small businesses) was also deeply affected by last year's recession. Whereas this industry's output declined 6 percent in 2009, last year it declined by 16.4 percent. Retail trade meanwhile weathered the COVID recession relatively well as its decline of 4 percent was less than the -5.6 percent it recorded in 2009. Finally, the information industry (which includes traditional publishing, software, radio and TV broadcasting, cable and wireless, and data processing and hosting) recorded a robust 6.5 percent output increase last year. In 2009, it saw output decline -3.5 percent. The analysis that follows leverages these state level industry-based output figures to provide a set of estimates of the overall effect of the COVID recession on Atlantic City's GDP last year.

I begin by dividing Atlantic City's economy into two broad segments: the leisure and hospitality (L&H) sector and a broad non-L&H sector. This reflect two considerations. First, while the L&H sector's contribution to Atlantic City's economy has declined considerably since the Great Recession (from 28.7 percent of total metropolitan area GDP in 2008 to 16.7 percent in 2019), it remains central to Atlantic City's economy. In fact, the sector's share of Atlantic City's GDP is five times greater than its share of statewide GDP (3.1 percent). Figure 2 plots the historic relationship between real annual rates of output growth in Atlantic City's L&H sector against those for its overall economy (total GDP). While growth in leisure and hospitality has not been a *necessary* condition of overall growth, it remains true that four of the five best years for Atlantic City's economy since 2002 were ones that saw the leisure and hospitality sector record its strongest growth (2002, 2005, 2006, and 2011).[2] Figure 2 also clearly shows the 2009 Great Recession experience: L&H output declined 26.9 percent, while metropolitan area GDP contracted 11.4 percent.

Figure 2: Real GDP Growth in Atlantic City Total vs. Leisure & Hospitality Sector
2002 to 2019

Source: U.S. Bureau of Economic Analysis.

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The second consideration regards a point made previously. Namely, the COVID recession had an extremely adverse impact on the L&H sector. Nationally, L&H output declined 27 percent last year. Statewide, it declined by 31 percent (-$5.4 billion), implying that it accounted for 24 percent of the state's total GDP decline. Given the importance of the L&H sector to Atlantic City's economy (and, more specifically, the casino industry, which was shuttered between mid-March and early July—a period of nearly sixteen weeks), it seems appropriate to center the analysis of the COVID recession's impact on Atlantic City's broader economy squarely upon its L&H sector.

Just how significant was last year's contraction in Atlantic City's L&H sector? Given the nature of last year's COVID recession and the importance of the gaming industry to Atlantic City's economy, it strains credulity to believe that the sector contracted at the same rate as it did statewide. Indeed, such a decline would have been only slightly larger (in proportional terms) than the decline it registered in 2009 amid the Great Recession.

Table 4 provides a range of estimates for the decline in Atlantic City's GDP last year. The estimates shown are derived by crossing differently-sized estimates of output declines in the L&H sector with ones for the non-L&H sector. For example, if the metropolitan area's L&H and non-L&H sectors recorded output declines on par with their statewide benchmarks (-31.3 percent and -3.2 percent), Atlantic City's economy would have contracted 7.9 percent last year (shown in the table's cell A1). Such a rate of contraction would look "good" in comparison to Atlantic City's 2009 Great Recession experience when the local economy contracted 11.4 percent. As shown, the estimates of last year's GDP contraction range from a low of -7.9 percent (the state benchmark scenario) to a high of -15.3 percent (shown in the table's D3 cell) which would reflect a 60 percent decline in L&H output along with a -6.4 percent decline in the non-L&H sector (twice the sector's rate of decline on the state level).

Several factors suggest that last year's GDP contraction in Atlantic City was likely closer to the high-end estimate (-15 percent) than the low-end estimate (-8 percent). First, employee compensation (labor income) is the principal driver of the U.S. Bureau of Economic Analysis's GDP estimates for metropolitan areas. As noted, and shown in Table 2, total employment in Atlantic City declined by 15.8 percent last year—2.7 times greater than its 2009 decline of 5.8 percent. While the employment loss in the non-L&H sector (-7.4 percent) was 1.5 times greater than its Great Recession decline (-5.1 percent), the job loss in the L&H sector (-34.4 percent) was a remarkable five times greater than its Great Recession decline (-6.9 percent). The 2009 employment declines generated output declines of -5.5 percent and -26.3 percent in the non-L&H and L&H sectors, respectively. This suggests that last year's overall decline in GDP was almost assuredly greater than its 2009 decline of 11.4%.

At the same time, the contribution of the L&H sector to the overall economy declined considerably between 2009 and 2019. While the L&H sector's share of employment in Atlantic City fell from nearly 37 percent in 2009 to 31 percent in 2019, its share of GDP declined from nearly 29 percent to about 17 percent. The implication is that last year's job losses and output declines in the L&H sector were likely somewhat *less* impactful on the metropolitan area's overall economy (GDP) than they were during the Great Recession.

On the other hand, the COVID recession's impact on Atlantic City's gaming industry last year was stark. As Table 5 (p.7) shows, brick and mortar casino "win" at the metropolitan area's casinos (which excludes internet betting and sports wagering) declined nearly 44 percent ($-1.17 billion) last year.[3] This decline of course reflected the aforementioned sixteen-week shuttering of the industry by gubernatorial order between mid-March and early July. The industry's closure not only resulted in significant gaming industry job losses, but also had a significant spillover effect on non-gaming businesses whose products are often complements to the gaming industry's, e.g., retail establishments, restaurants, and bars. Brick and mortar win declined 13.2 percent in 2009. Last year's decline was thus more than three times as large as what the industry experienced during the Great Recession.

Table 4: Estimating the Impact of the COVID 2020 Recession on Atlantic City's Economy
Percentage Decline in Atlantic City Real 2020 GDP

			COLUMN A	COLUMN B	COLUMN C	COLUMN D
			Leisure & Hospitality Output:			
Row			**-31.3%**	**-40.0%**	**-50.0%**	**-60.0%**
1	Non-Leisure & Hospitality Output:	**-3.2%**	-7.9%	-9.3%	-11.0%	-12.7%
2		**-4.8%**	-9.2%	-10.6%	-12.3%	-14.0%
3		**-6.4%**	-10.5%	-12.0%	-13.6%	-15.3%

Source: U.S. Bureau of Economic Analysis.

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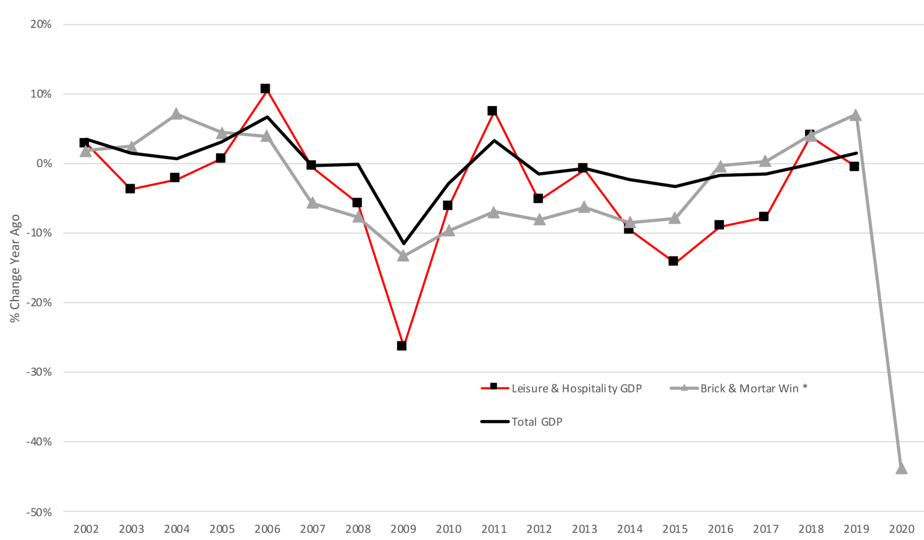
Table 5: Comparing the Great Recession of 2009 with the COVID Recession of 2020 in Atlantic City

	Great Recession 2009	COVID Recession 2020
Leisure & Hospitality		
Employment (% decline)	-6.9%	-34.4%
Output (% decline)	-26.3%	??
Non Leisure & Hospitality		
Employment (% decline)	-5.1%	-7.4%
Output (% decline)	-5.5%	??
Total		
Employment (% decline)	-5.8%	-15.8%
Output (% decline)	-11.4%	??
L&H Share of Employment/Output in Year Prior to Recession		
Employment	36.7%	31.2%
Output	28.7%	16.7%
Casino Industry Brick & Mortar Win*		
% Decline in Recession Year	-13.2%	-43.7%
As % of AC GDP in Year Prior to Recession	29.1%	23.7%

* Excludes internet and sports betting.
Sources: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics.

Figure 3: Atlantic City Leisure & Hospitality and Total GDP vs. Casino Industry Brick & Mortar Win
2002 to 2020



* Excludes internet betting and sports wagering.
Source: U.S. Bureau of Economic Analysis and UNLV Center for Gaming Research.

Figure 3 shows the historic relationship between annual rates of growth in gaming industry win, L&H output, and total GDP over the past twenty years in Atlantic City. The correlation coefficient between annual rates of growth in the gaming industry's brick and mortar win and L&H output equaled +0.57 between 2002 and 2019. While this correlation does not provide a basis for drawing concrete conclusions about the relationship between the two series, it nevertheless suggests that the 50-60 percent declines shown in Table 4 (p. 6) were feasible. Thus, even if one assumes that the decline in Atlantic City's non-L&H sector was only -4.8 percent last year (i.e., 1.5 times the sector's statewide decline or *smaller* than its Great Recession decline of -5.5 percent), one still ends up with an overall 2020 GDP decline between -12 and -14 percent (shown in cells C2 and D2 in Table 4). In constant dollar terms, such a decline would translate into an output decline between $1.5 and $1.7 billion.

An Alternative GDP Gauge: Toll Transactions Activity

Figure 4 (p.8) provides an alternative lens through which the above estimates of the decline in Atlantic City's GDP last year might be gauged. In particular, it overlays annual EZ Pass toll transaction activity through the Pleasantville EZ Pass toll plaza (a key Atlantic City Expressway entry point for visitors to Atlantic City) with Atlantic City's GDP as well as the average dollar amount of GDP per toll transaction (shown on the figure's right-hand scale).

Between 2009 and 2019, the average dollar amount of GDP associated with each EZ Pass toll transaction at the Pleasantville toll plaza equaled $654. As shown, EZ Pass toll transactions plummeted to 14 million last year from nearly 20 million in 2019 (a decline of nearly 30 percent).[4] Applying the $654 average to last year's toll transaction activity yields a 2020 GDP estimate

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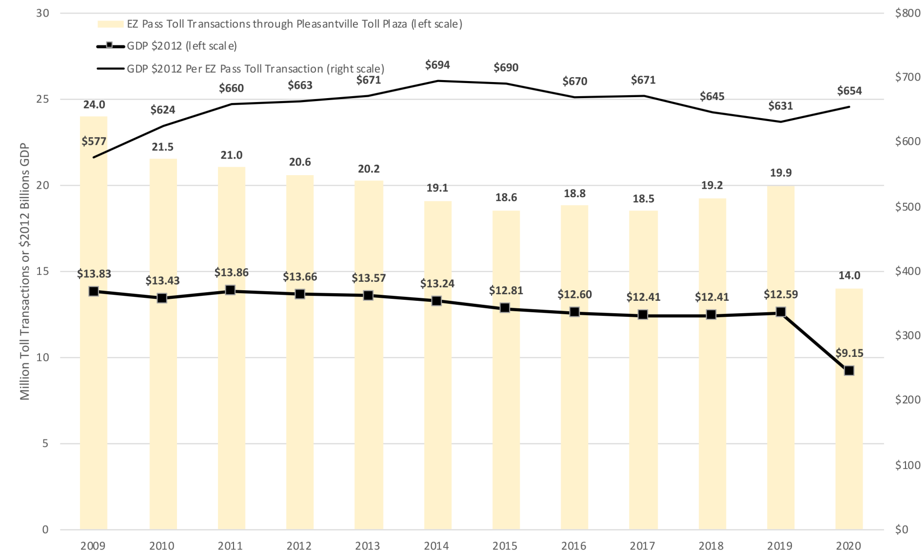
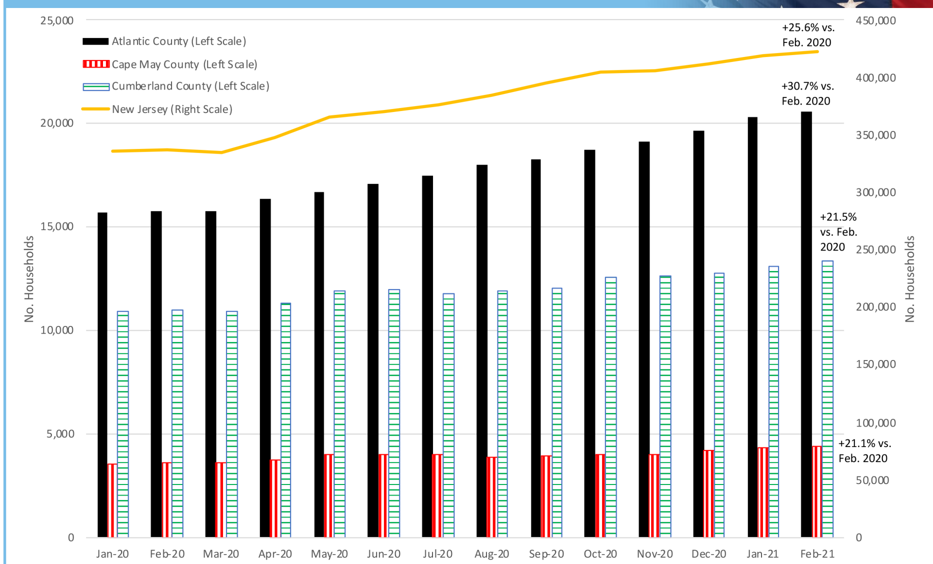
Figure 4: EZ Pass Toll Transactions vs. Atlantic City GDP and GDP Per Toll Transaction
2009 to 2020*



* 2020 GDP is an estimate as explained in the text.
Source: U.S. Bureau of Economic Analysis and the South Jersey Transportation Authority.

Figure 5: SNAP Recipiency in the Southern New Jersey Regional Economy
January 2020 to February 2021



Source: New Jersey Department of Human Services, Division of Family Development.

of $9.1 billion. This would translate into a -27.3 percent decline in Atlantic City's GDP last year—roughly double the estimate set out above. Considering this alternative metric, it may well turn out that the -12 to -14 percent range estimate for the decline in Atlantic City's 2020 GDP (cited above) proves "conservative."[5]

SNAP Recipiency in the Southern New Jersey Regional Economy

SNAP recipiency data from the N.J. Department of Human Services provides another vehicle for gauging the economic hardship wrought on regional households by the COVID pandemic over the past year. As shown in Figure 5, SNAP recipiency across the state began climbing quickly last spring. In February 2020, the number of New Jersey households receiving SNAP benefits stood at 336,000. By February of 2021, that figure stood at 423,000—a 25.6 percent increase. Over the same period, SNAP recipiency in Atlantic County was up 30.7 percent. In February 2021, some 20,600 Atlantic County households were receiving SNAP benefits. The comparable figures for Cape May County were 21.1 percent and 4,390. In Cumberland, these figures were 21.5 percent and 13,328. Based on American Community Survey data for 2019, these recipiency numbers imply that approximately 20 percent of households in Atlantic County were receiving SNAP benefits in February of this year. The comparable rates for Cape May, Cumberland, and New Jersey were 10.7 percent, 26 percent, and 13 percent, respectively.

The Regional Housing Market

The single-family housing market and related industries (e.g., residential real estate) have been among a select group of industries that have benefited from the COVID pandemic. Fueled by historically low mortgage rates (the product of the Federal Reserve's ultra-accommodative monetary policy during the pandemic), the switch to remote-based work, and elevated preferences for larger spaces outside major urban centers, single-family home prices increased a robust 11.5 percent nationally between February 2020 and February 2021 according to Freddie Mac's House Price Index.[6] This national year-on-year rate of single-family home price appreciation is among the highest ever recorded outside the housing market boom during the mid-2000s (which ended in the historic housing market collapse that helped trigger the

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Great Recession and related financial crisis) and the late 1970s. Statewide, single-family home prices were up 13.1 percent between February 2020 and February 2021. In the Atlantic City and Ocean City metropolitan areas (Atlantic County and Cape May County, respectively) prices rose 18.6 and 17.9 percent, respectively, during this period. (Figure 6)

The COVID recession's impact on the regional housing market warrants careful scrutiny over the coming year. This is especially true in the case of the Ocean City metropolitan area whose economy is heavily dependent on real estate (both for summer shore rental home and second-home reasons).[7] Anecdotal evidence from around the country suggests that many second-home owners in places like Cape May took up quasi-permanent residency in their second homes during the past year owing to the ability to work remotely during the pandemic. This dynamic has not only affected the supply of summer shore rentals but may prove to have longer-term economic implications should these owners continue to live and work in their second homes on a more regular basis in the future.

Looking Ahead: Late 2021 and 2022

While the current momentum of the national recovery should translate into a solid summer 2021 shore season, a sustained recovery for the southern New Jersey regional economy in late 2021 and 2022 will hinge on the longer-term post-pandemic strategy of the local gaming industry and continued regional economic diversification.

National Outlook

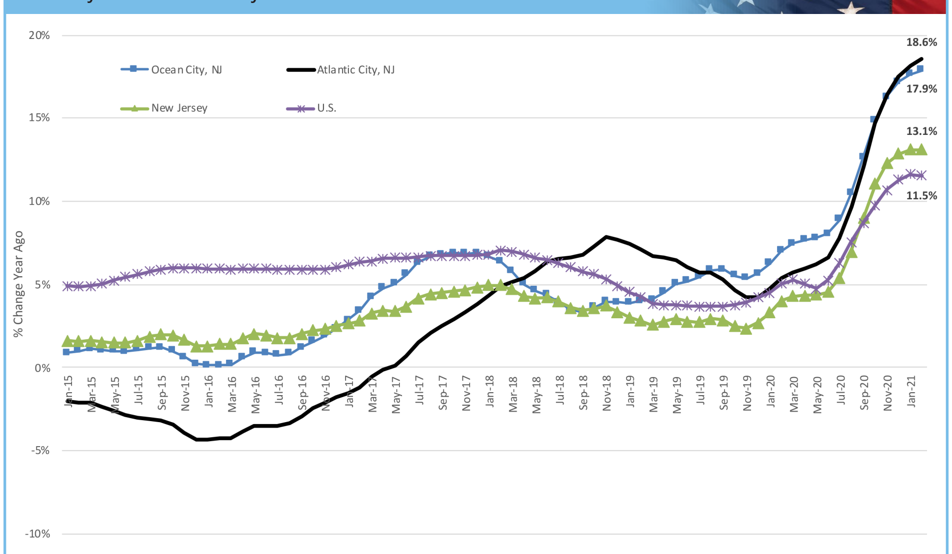
Reflecting the recovery's accelerating momentum, the U.S. economy advanced at a 6.4 percent annual rate in this year's first quarter, up from a 4.3 percent clip in last year's fourth quarter. This was the third-fastest rate of advance (outside of last year's third-quarter initial bounce-back from the second quarter COVID-induced lockdown) recorded by the national economy since the third quarter of 2003. The first quarter figure was driven by a robust 11.3 percent advance in personal consumption expenditures and a 44.8 percent increase in non-defense federal spending. While the national job reports in April and May were somewhat weaker than expected, it remains true that the national economy has added jobs in twelve of the past thirteen months. (At the same time, employment remains 7.6 million below February 2020.)

The national unemployment rate stood at a seasonally adjusted 5.8 percent in May compared to 14.8 percent in April 2020 (its high-water mark during last year's recession). Importantly, weekly initial claims for unemployment insurance have trended lower since early February 2021. While the national job market story over the coming months will hinge critically on the labor force (which remains nearly 3.5 million (-2.1 percent) below its February 2020 level), current expectations of the national economy's trajectory over the remainder of 2021 remain high, with many forecasters expecting GDP growth of 6 percent or more in 2021.

Indeed, several indicators beyond the regular government-produced statistics suggest that a post-COVID boom may well be underway. For example, an economic-activity index produced by *The Economist* that leverages Google-based mobility data to track visits to workplaces, stations, retail outlets and recreation sites, jumped to 20 percent below its pre-pandemic baseline in March, from 30 percent below in February.[8] Data from OpenTable, a booking platform, indicate that restaurant dining was only 18 percent below normal in mid-April compared to 48 percent below in February. Meanwhile, passenger volumes at U.S. airports hit pandemic records, with 1.7 million travelers passing through airport security checkpoints on two days in early May.[9]

The recent rapid resumption of consumer behavior that more closely resembles pre-pandemic norms not only reflects growing comfort of public places (itself tied to the on-going national vaccination program and easing public health restrictions), but also the significant savings some

Figure 6: Single-Family Home Price Appreciation
Freddie Mac House Price Index
January 2015 to February 2021



Source: Freddie Mac.

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Americans amassed during the COVID recession of 2020. In fact, by one estimate, Americans managed to accumulate "excess savings" (savings in excess of what they would have saved absent the pandemic) of roughly 6 percent of GDP through the first three quarters of 2020. The most recent round of federal stimulus checks—which were deposited into many Americans' bank accounts by the U.S. Treasury in mid-March—added yet more to this cash pile.

Meanwhile, most housing markets around the country continue to be white-hot. Fueled by historically low mortgage rates (the product of the Federal Reserve's ultra-accommodative pandemic monetary policy), and pandemic-induced changes in preferences for larger homes and open space, home prices of existing single-family homes jumped dramatically over the past year. According to the Wall Street Journal, "The S&P CoreLogic Case-Shiller National Home Price Index, which measures average home prices in major metropolitan areas across the nation, rose 13.2% in the year that ended in March, up from a 12% annual rate the prior month. March marked the highest annual rate of price growth since December 2005."

While some continue to be wary of the inflationary pressures that have begun to appear in some areas of the economy, many, including (most importantly) Federal Reserve officials, appear at this time to be convinced that such pressures will ultimately prove transitory. That said, there is considerable debate in Washington over the question of whether such inflationary pressures are primarily the product of significant fiscal stimulus and pent-up demand and savings or trade policies enacted by the Trump administration, e.g., the tariffs imposed on steel and lumber.

Beyond the inflation issue, my own sense is that much of the 2021 rebound's future trajectory will hinge on two issues. The first relates to the job market and in particular the interplay of the demand for labor over the remainder of the year (which will be intimately tied to employers' confidence in the recovery) and the national labor force. The economy's ability to continue to record solid job gains over the remainder of the year will not only reflect employer confidence, but also broader labor force dynamics. As noted, the number of establishment jobs in the U.S. remains more than 7 million below its February 2020 level, while the national labor force remains 2 percent (-3.5 million) below its pre-pandemic level. A more normal opening of the 2021-2022 school year—with students and teachers returning to a traditional face-to-face modality—and a consistent (even if slow) continued rise in the rate of vaccination should help set the stage for a balanced and more complete labor market recovery as many parents with young children will likely return to the labor force.[10]

The second issue—which will remain a wildcard—is the potential for further economic disruptions tied to additional COVID variants in the fall and winter months. Such disruptions could throw a wrench into what appears as of early June 2021 to be a solid (albeit far from complete) recovery from one of the worst recessions ever recorded.

Regional Outlook

The timing of the national economy's rebound and its apparent momentum over the past two months—aided by the recent rounds of federal fiscal stimulus this winter and spring and pent-up savings—should translate into a strong summer shore season for the southern New Jersey regional economy. Indeed, according to the New York Times, by the end of March, 90 percent of vacation homes on the Jersey Shore and Cape Cod listed on Vrbo were booked for July. This was up from 60 percent in 2019. As vaccination rates have increased and COVID restrictions on businesses have eased in recent weeks, lockdown-fatigued consumers appear increasingly comfortable returning to their pre-pandemic consumption and vacation behaviors. These trends should translate into a summer shore vacationing bonanza over the next few months.

While there has been recent debate over the difficulty some businesses are having in finding workers to fill open jobs on the shore—a debate that has largely centered over whether such difficulties are tied to the enhanced unemployment insurance benefits Congress extended (through early September) earlier this year—it seems likely such difficulties reflect a bevy of factors in addition to the potential disincentives that may be tied to enhanced unemployment benefits. Among others, these include continued COVID-related fears among would-be workers (many of whom would occupy public facing service-oriented positions), on-going childcare constraints, and the backlog in applications for the U.S. State Department's non-immigrant J1 visa program (which was closed down last spring amid the initial COVID lockdown) that brings nearly 5,000 international student workers to New Jersey beach towns every summer. While wage increases may allow some businesses to eventually find workers in the coming weeks, it seems likely that many will have to endure an expected brisk summer shore season with less-than-optimal hiring levels.

While the regional economy's near-term health should be buoyed by a strong 2021 summer shore season, more important will be the trajectory it takes during the fall months and early 2022. As noted, Atlantic City's economy shed nearly 16 percent of its jobs base last year (-21,000 jobs). Thus, the hole left in the wake of the COVID pandemic is significant. While a normal fall school opening will

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likely serve to lift the drag on the local economy imposed by its educational services sector (whose employment along with health services declined a combined 9.7 percent last year—allowing it to account for 10 percent of the metropolitan area's total job loss in 2020), the other services industry also warrants careful scrutiny over the remainder of the year as it will provide a rough proxy of the small business sector's recovery.

Perhaps most important to the regional economy's near-term outlook (in late 2021 and 2022) will be the direction its casino industry takes over the coming year. Nearly one-half of the jobs lost in Atlantic City's economy last year (-10,100) were in the casino industry. Despite Atlantic City's on-going diversification, the casino industry will remain vital to Atlantic City's and the region's long-term success. Indeed, after several years of retrenchment in the aftermath of the Great Recession and a wave of casino closures in the fall of 2014 (which was tied to the brisk expansion of casino gaming across the Northeastern region—especially in Pennsylvania), gaming industry employment in Atlantic City stabilized and began increasing in 2018 and 2019 (following the openings of the Hard Rock Hotel & Casino and Ocean Casino Resort in June 2018). Unsurprisingly, Atlantic City recorded its first meaningful employment growth since 2006 in those years.

Among the most important issues facing Atlantic City's broader economy will be the nature of its casino industry's post-pandemic recovery strategy. More specifically, the industry's ability to muddle through its most trying year in history was tied squarely to its burgeoning sports wagering and internet gaming revenue streams. While last year's lockdowns led the industry's traditional brick and mortar win to plummet 44 percent (to $1.5 billion from $2.7 billion in 2019), sports wagering and internet gaming revenues grew briskly: sports wagering revenue was up 35 percent (to $166 million from $123 million), and internet revenue more than doubled to $970 million from $482 million. These "silver lining" revenue streams for the industry materialized of course amid an historic pandemic that not only significantly reduced casino hotels' required staffing levels, but kept millions of Americans holed up for months with limited entertainment options besides those accessible via their computers and smartphones.

Thus, a key question that will loom over the regional economy as the national and regional recoveries playout over the remainder of 2021 and into 2022 is whether Atlantic City casino industry managers elect to return their physical properties' personnel levels to pre-pandemic benchmarks or redirect resources to these types of higher profit margin revenue streams (which require far fewer brick and mortar workers). If the latter strategy is pursued in earnest over the next few years, the industry's broader employment and income impacts on the local and regional economies will decline. This possibility—which may prove far from remote given the ever-rising competition among brick-and-mortar gaming properties across the Northeastern region—underscores the importance of the past decade's worth of efforts by policymakers and regional economic development officials to diversify the regional economy.[11] While some of those efforts have already begun to bear fruit, considerably more work remains.

Endnotes

1 The presence of three oil dependent metropolitan areas in Table 1 reflects the collapse of oil prices which plunged to an 18-year low last spring in response to the pandemic-induced national lockdown.

2 The openings of the Hard Rock Hotel & Casino and Ocean Casino Resort in June 2018 helped buoy the leisure and hospitality sector that year.

3 Brick and mortar win represents casino win only (slots and table games), i.e., it excludes internet gaming, and sports wagering revenue. Brick and mortar win is a better indicator for tracking the gaming industry's impact on the local economy as it requires visitation to Atlantic City.

4 The South Jersey Transportation Authority raised the toll at the Pleasantville Plaza to $1.25 from $0.75 on September 13, 2020. This toll hike thus also likely negatively affected toll transaction activity over the final quarter or so of 2020. Still, it seems clear that last year's significant decline in toll transaction activity through the Pleasantville Plaza was squarely tied to the casino industry's sixteen-week closure.

5 Moreover, it is likely that the $654 figure used in this calculation overstates the dollar amount of GDP associated with each toll transaction in 2020 owing to the casino industry's closure.

6 Freddie Mac publishes the monthly index values of the Freddie Mac House Price Index (FMHPI[SM]) each quarter. Index values are available for the nation, the 50 states and the District of Columbia, and the more than 380 metropolitan statistical areas (MSAs) in the U.S. The FMHPI is a repeat transactions index that measures price appreciation while holding constant property type and location by comparing the price of the same property over two or more transactions. By construction, therefore, the repeat transaction requirement excludes new homes. The change in price of a given property measures the underlying rate of appreciation because basic factors such as physical location, climate, housing type, etc., are constant between transactions.

7 Approximately 35 percent of Ocean City's economy is tied to real estate compared to a national metropolitan area benchmark of 14 percent. Cape May County topped a 2019 National Association of Realtors' report of vacation home counties where second home mortgages accounted for largest share (64 percent) of home purchase loans in 2018. See: https://www.nar.realtor/sites/default/files/documents/2019-us-vacation-home-counties-report-10-18-2019.pdf

8 "America's boom has begun. Can it last?" *The Economist,* April 10, 2021 print edition.

9 Alison Sider, "Air Travel Is Back, Including All the Things You Hated" *Wall Street Journal (online),* May 12, 2021.

10 The labor force participation rate of women with children between 6-17 declined to 75.4 percent in 2020 from 76.8 percent in 2019. This rate declined to 91.4 percent from 92 percent for men. See: "Employment Characteristics of Familiar Summary" Economic News Release, U.S. Bureau of Labor Statistics, April 21, 2021. https://www.bls.gov/news.release/famee.nr0.htm

11 Special thanks to Anthony Marino for drawing attention to this important issue.

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