



# THE SOUTH JERSEY ECONOMIC REVIEW

Spring/Summer 2008

## About the SJER

The SJER is part of a broader and on-going Stockton College initiative whose aim is to provide the region's stakeholders and policy-makers timely, high-quality research products and technical assistance that focus on the region's economy, its development, and its residents' well-being. The SJER is produced and distributed exclusively as an electronic journal. If you would like to be electronically notified of future releases of the Review, send an email to [sjer@loki.stockton.edu](mailto:sjer@loki.stockton.edu) with the subject line "Subscribe SJER".



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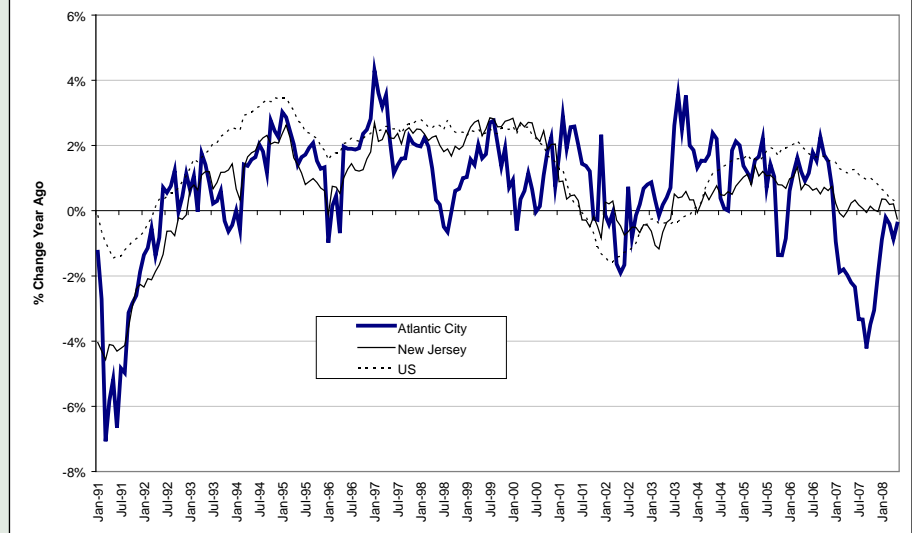
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## WEAKNESS IN ATLANTIC CITY'S ECONOMY CONTINUES



While the Atlantic City metropolitan area's economy has improved modestly during recent months—the rate of job loss has slowed to 0.6% year-on-year from 2007's 2.6% pace—it remains weak. (See Figure 1) The average monthly number of jobs in the metropolitan area through May was 147,300, down 800 from the same period in 2007. Continued job losses in the construction and leisure and hospitality sectors continue to constitute serious drags on the economy. State government employment, which contracted significantly in 2007, has continued to decline this year. The two bright spots in the local economy remain retail trade and education/health care/social services—both of which added jobs year-to-date through May. ■

Figure 1: Employment Growth: Atlantic City, New Jersey, and the U.S.  
January 1991 to May 2008



## Industry Detail

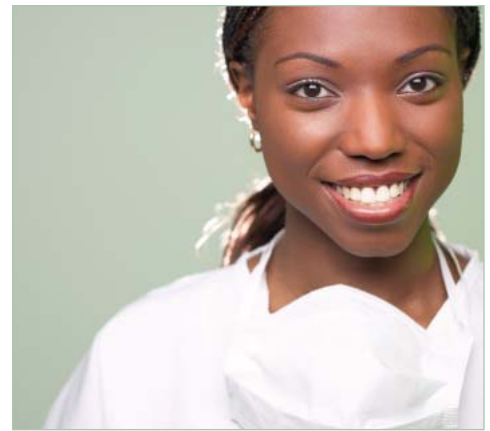
The construction and accommodations industries remain the most significant drags on job growth in the metropolitan area. While construction employment declined by 600 jobs year-to-date through May, employment in accommodations was off 700 year-on-year through May. (See Figure 2) The casino hotels segment was responsible for 400 of the 700 lost jobs in accommodations.

After declining by 500 jobs (a hefty 11.7%) last year, state government employment in the metropolitan area has continued to decline (by another 300 jobs) this year. The current budget outlook suggests that state government employment levels will likely come under additional pressure in the quarters ahead.

Somewhat surprisingly, given strong evidence of a weak job market and swooning consumer confidence, retail trade employment in Atlantic City increased by 500 jobs (or, 3%) year-to-date through May. The retail trade industry's apparent resilience should be watched closely over the second half of the year, as its ability to create jobs (and income) has been especially important in an otherwise soft job market.

Bucking the accommodations sector's trend, employment in restaurants and bars (which along with accommodations accounts for the bulk of the metropolitan area's key leisure and hospitality sector) increased by 300 jobs year-to-date through May. Importantly, this increase surpassed the 200 job gain the industry recorded for all of 2007.

Employment in the education/health care/social services sector, which accounts for 12.5% of total metropolitan area employment, increased by 400 jobs (+ 2.2%) year-to-date through May. This rate of job growth in the sector was significantly above



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**Figure 2: Employment by Industry/Sector, Atlantic City**

Establishment Employment (000) Industry/Sector	2007			2008		
	Level	Chg. 2006-2007	% Chg. 2006-2007	YTD thru May	Chg. from 2007	% Chg. from 2007
Total Nonfarm	150.2	-3.9	-2.6%	147.3	-0.8	-0.6%
Total Private Sector	127.6	-3.2	-2.5%	124.7	-0.7	-0.5%
Service-Providing	139.5	-3.4	-2.4%	137.3	0.0	0.0%
Private Service-Providing	116.8	-2.7	-2.3%	114.7	0.1	0.1%
Goods Producing	10.8	-0.5	-4.6%	10.1	-0.8	-7.2%
Manufacturing	3.8	-0.3	-8.0%	3.7	-0.2	-4.1%
Natural Resources, Mining & Construction	6.9	-0.2	-2.7%	6.4	-0.6	-8.9%
Educational, Health & Social Services	18.2	0.1	0.5%	18.5	0.4	2.2%
Hospitals	6.2	0.1	1.5%	6.3	0.1	2.3%
Financial Activities	4.5	0.0	0.0%	4.4	0.0	-0.4%
Information	1.1	0.1	6.2%	1.2	0.0	3.6%
Professional and Business Services	11.5	0.4	3.5%	11.3	-0.1	-0.5%
Other Services	4.4	0.1	3.5%	4.3	0.1	1.4%
Trans. & Warehousing, Utilities	2.9	0.0	1.1%	2.9	0.0	0.7%
Retail Trade	16.4	0.4	2.3%	16.3	0.5	3.0%
Wholesale Trade	3.0	0.1	2.8%	2.9	-0.1	-2.7%
Trade, Transportation, Warehousing & Utilities	22.4	0.5	2.2%	22.1	0.4	1.9%
Leisure and Hospitality	54.7	-3.9	-6.6%	52.8	-0.7	-1.3%
Accommodation and Food Services	52.9	-3.6	-6.3%	51.3	-0.4	-0.7%
Accommodation	41.1	-3.8	-8.4%	39.9	-0.7	-1.6%
Casino Hotels	38.6	-3.3	-7.9%	37.9	-0.4	-1.0%
Food Services and Drinking Places	11.8	0.2	1.7%	11.4	0.3	2.5%
Government	22.7	-0.7	-3.1%	22.6	-0.2	-0.7%
Federal Government	2.7	0.0	-0.9%	2.7	0.0	1.5%
State Government	3.9	-0.5	-11.7%	3.8	-0.3	-7.8%
Local Government	16.0	-0.2	-1.1%	16.1	0.1	0.7%

**Figure 3: Job Growth in New Jersey's Metropolitan Areas and Divisions**

Metropolitan Division/Area	YTD thru May			2007-2008 YTD	
	2007	2007	2008	Change	% Change
<b>New Jersey</b>	4,073.8	4030.9	4037.7	6.8	<b>0.2%</b>
% Change	0.1%				
<b>Atlantic City MSA</b>	150.2	148.2	147.3	-0.8	<b>-0.6%</b>
% Change	-2.6%				
<b>Camden MD</b>	540.9	535.7	540.3	4.5	<b>0.8%</b>
% Change	-0.1%				
<b>Edison MD</b>	1,041.8	1026.6	1027.1	0.5	<b>0.1%</b>
% Change	1.0%				
<b>Newark-Union MD</b>	1,036.3	1028.2	1028.4	0.2	<b>0.0%</b>
% Change	0.4%				
<b>Trenton-Ewing MSA</b>	237.8	236.3	238.3	2.0	<b>0.8%</b>
% Change	0.2%				
<b>Vineland-Millville-Bridgeton MSA</b>	62.0	62.0	61.2	-0.8	<b>-1.3%</b>
% Change	-1.2%				
<b>Bergen-Hudson-Passaic MSA</b>	907.5	900.2	902.8	2.6	<b>0.3%</b>
% Change	0.4%				

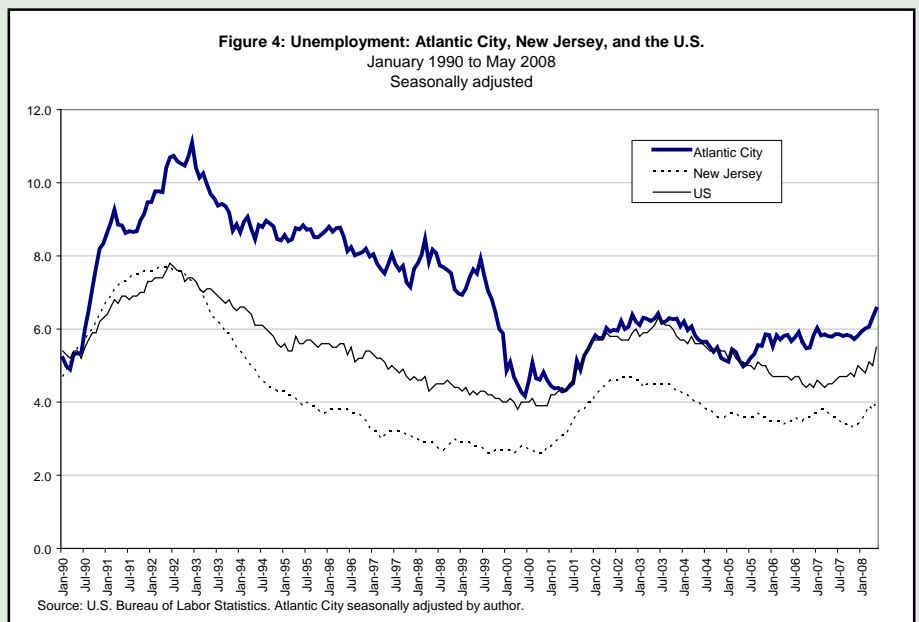
Note: Data for Ocean City are no longer available.  
Source: U.S. Bureau of Labor Statistics.

its 0.5% rate in 2007. Given the often close connection that exists between this sector's job creation ability and the state's fiscal outlook, it seems unlikely that it will maintain its current rate of job growth during the remainder of the year.

As Figure 3 shows, the Southern New Jersey region's recent economic performance, as measured by job growth, has been considerably worse than other metro areas' around the state. Similar to Atlantic City's, Vineland-Millville-Bridgeton's (VMB) economy has been especially weak this year, as some 800 jobs have been lost (a 1.3% decline). More importantly, this year's weakness in both Atlantic City and VMB represent continuations of last year's significant contractions. In fact, the 2.6% decline in jobs experienced by Atlantic City last year represented the largest since 1991 when the economy's job base contracted by 4.1%. ■

## Unemployment Picture

The continuing weakness of Atlantic City's economy is reflected in the labor market. Atlantic City's unemployment rate climbed to a seasonally adjusted 6.6% in May, well above the state's 4% and the nation's 5.5%. (See Figure 4) May's unemployment reading, moreover, was significantly higher than the 5.8% recorded in May 2007. The rise in the metropolitan area's unemployment rate is all the more significant in light of its declining labor force. Atlantic City's labor force stood at 134,688 in the first quarter, down nearly 2,300 from the first quarter of 2006, and down 780 from last year's first quarter. ■





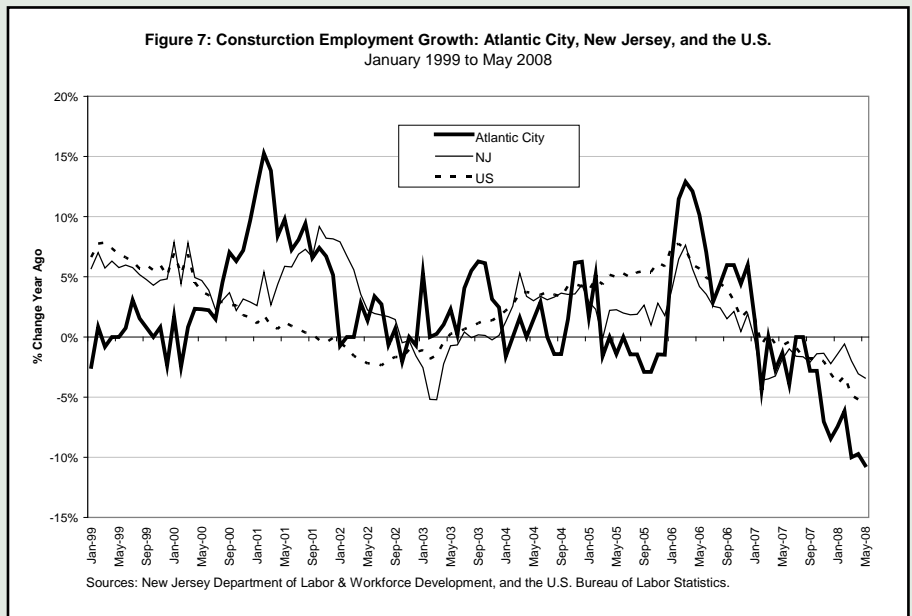
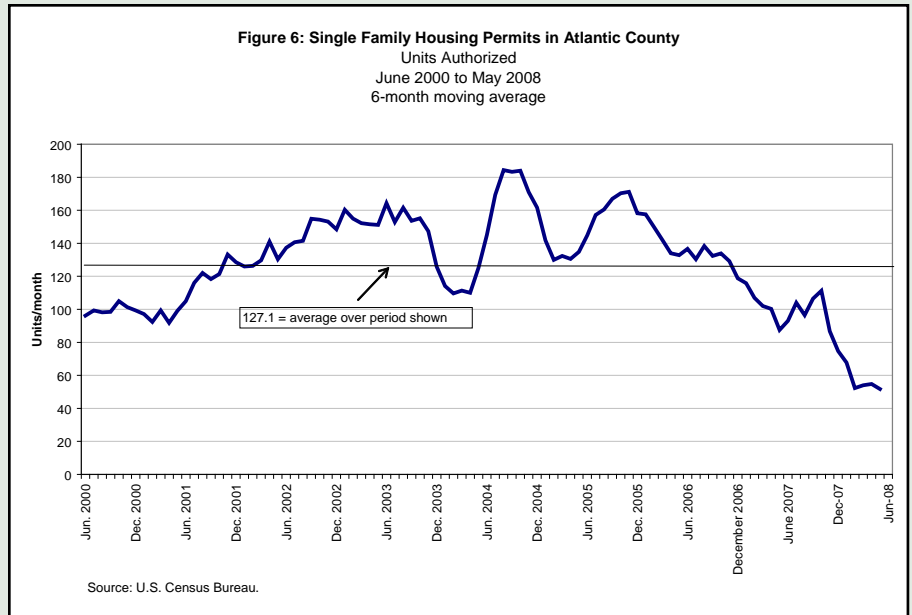
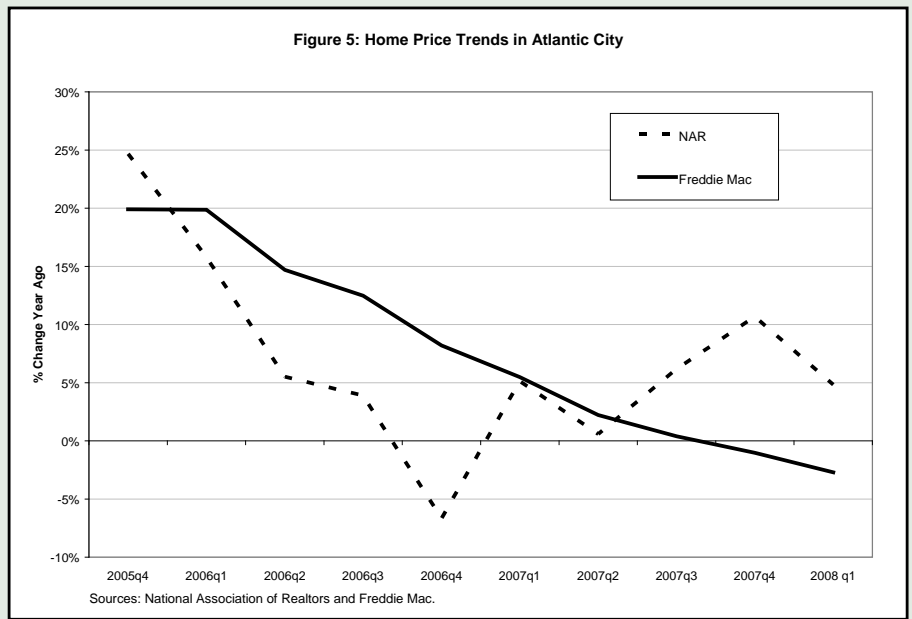
## Housing Market

As it has for some time now, the trend in home prices in the Atlantic City metropolitan area remains ambiguous, as the two most widely-watched indicators of metropolitan area home prices—the National Association of Realtor’s (NAR) series of median prices of existing single-family homes and Freddie Mac’s conventional mortgage home price index (CMHPI)—continue to show divergent trends. (See Figure 5)

In a sign that Atlantic City’s housing market has still not reached bottom, the CMHPI shows that single-family home prices in Atlantic City declined 2.7% in the first quarter of this year, a larger year-over-year decline than the 1% decline recorded in last year’s final quarter. It should be noted, however, that despite the index’s last two quarterly declines (the first since the first quarter of 1997), its value in the first quarter, at 344.5, remains well above its five-year ago level of 203.

The NAR series meanwhile indicates that median home price of existing single-family homes in Atlantic City largely began to stabilize in 2007. The median home price of \$277,400 in this year’s first quarter represented a 4.8% increase on the prior year level.

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**Housing Market**  
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Reflecting the on-going shakeouts in the credit market as well as the apparent continued hesitancy of homebuilders, the trend in single-family permits—a leading indicator of future home-building activity—suggests that the home-building market in Atlantic County remains anemic. (See Figure 6) The six-month moving average of single-family permits in Atlantic County declined to 51.8 in May, or 41% below its prior year level.

The continued weakness in Atlantic City's homebuilding market is reflected in the construction industry's payrolls which continue to plummet. (See Figure 7) Construction employment in the metropolitan area was contracting at a 10.7% year-on-year rate in May. Average monthly construction employment in Atlantic City through May totaled 6,400 down from 7,000 the prior year. Given several major on-going commercial projects and/or expansions in Atlantic City, which ostensibly should be providing some relief from the residential sector's on-going troubles, the construction industry's weakness is especially noteworthy. ■



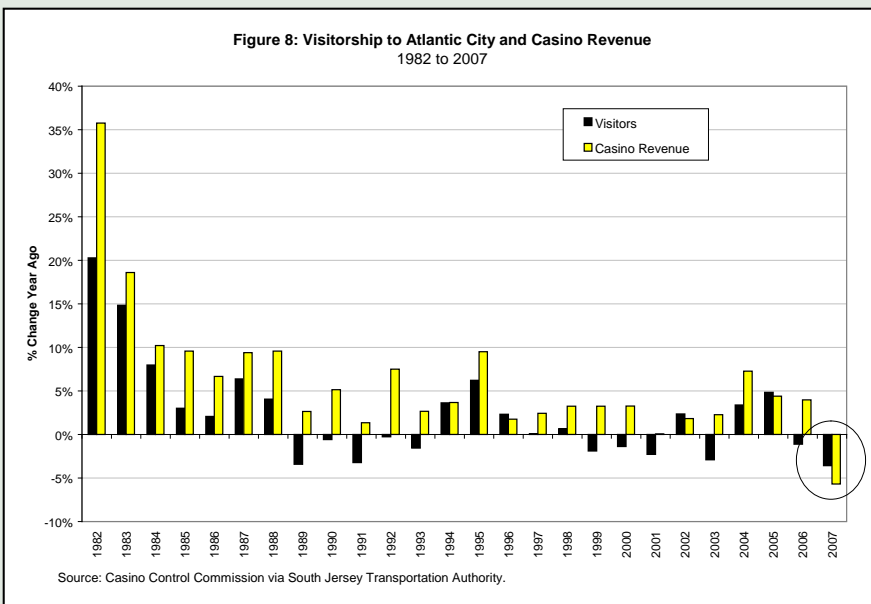
<sup>1</sup> Jointly developed by Freddie Mac and Fannie Mae and first published by Freddie Mac starting in 1994, the Conventional Mortgage Home Price Index features indexes for the nine Census divisions as well as a national index. The national index is the average of the nine divisional indexes weighted by the distribution of one-unit detached, single-family structures in each Census division. Unlike other home price indexes based on mean or median values of homes sold during a given period, the Conventional Mortgage Home Price Index is constructed, using regression techniques, from observations of actual sales prices or appraised values of the same homes over time. The street addresses of properties that serve as collateral for mortgages funded by the two secondary mortgage market firms are first processed using software certified by the United States Postal Service to create a uniform address format and are then matched to identify consecutive transactions on the same property. There are currently more than 34 million records in the repeat-transactions database used to construct the classic Conventional Mortgage Home Price Index - this database includes transactions on one-unit detached and single-family townhome properties serving as collateral on loans originated through the first quarter of 2008 and purchased by Freddie Mac and Fannie Mae by April 30, 2008.

**Looking Ahead**

As Figure 8 shows, the 3.6% decline in visitorship to Atlantic City in 2007 was the largest on record. While most have assumed that last year's decline in visitorship largely reflected heightened regional gaming competition (which drew people away from Atlantic City's casinos), the poor national economic environment also likely played an important part in the story. Indeed, a recent Wall Street Journal article noted that the weak national economic environment has negatively affected several Las Vegas gaming operators as well. Despite this caveat, however, the fact that Atlantic City gaming industry revenue declined for

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**Figure 8: Visitorship to Atlantic City and Casino Revenue**  
1982 to 2007





**Looking Ahead**  
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the first time last year (whereas, historically, it has always managed to grow in national economic slowdowns), appears to suggest that the impact of heightened regional gaming competition represents one of the most important developments for Atlantic City's economy in some time. Year-to-date statistics, moreover, indicate that Atlantic City's gaming industry remains under considerable pressure (year-to-date revenue through April for the industry declined 6.7% year-on-year).

In light of these developments, an important question regards the larger macroeconomic implications of possible continued visitorship declines (related to heightened regional gaming competition) to Atlantic City. Clearly, continued declines could hold important implications for the gaming industry's revenues, employment, and payroll levels. Beyond the gaming industry's employment and payroll (which

constitute its most obvious and direct economic impact), continued pressure on industry revenues and margins could have deleterious effects on the industry's volume of business with local businesses (input purchases). In 2007, the industry spent \$1.6 billion with local (Atlantic County-based) businesses. Alternatively, the industry spent \$0.33 of every dollar of gaming revenue it earned with local businesses. This volume of business represented (an estimated) approximately 16% of total personal income in the metropolitan area in 2007.

In addition to its role in supporting local gaming-industry vendors, the gaming industry also obviously helps stimulate non-gaming revenue for many local businesses. According to The Atlantic City Convention & Visitors Authority's most recent comprehensive visitor profile report (conducted in 2004), the total economic impact of Atlantic City visitation in 2004 was

\$6.5 billion. This compared to \$4.8 billion in the gaming industry's gaming revenue the same year. Given 2004 visitorship to Atlantic City of 33.3 million, this implies non-gaming expenditures of \$51 per visitor in 2004.

Last year's 3.6% decline in visitorship to Atlantic City represented a loss of 1.23 million visitors to the metropolitan area. If one assumes the \$51 figure just cited represents a lower-bound estimate of non-gaming expenditures per visitor (a reasonable assumption in light of the increase in Atlantic City's non-gaming entertainment and amenities offerings in recent years), last year's decline in visitorship would translate into \$62.9 million in lost revenue (non-gaming expenditures) for local businesses. This loss represents 0.6% of the metropolitan area's 2007 total personal

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**Looking Ahead**  
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income. And, this estimate does not take into account the associated tax revenue loss nor the larger negative multiplier effects (employment and income losses) that ostensibly flowed from this lost business.

While the above estimates are admittedly very rough ones (and, thus, should be interpreted with some caution), they nevertheless underscore the continuing economic significance of the health of Atlantic City's gaming industry to the wider metropolitan economy. While several on-going and/or planned developments in the gaming industry hold important implications for the future of the industry's competitiveness vis-à-vis other regional gaming operations (and, thus, the industry's wider future impact on the metropolitan area economy), some of these development have been temporarily put on hold or had their start and/or completion dates pushed back owing to the continuing shake-out in global credit markets and the weak national economic picture. This suggests that the above-estimated impact of continued declines in Atlantic City visitorship (related to heightened regional gaming industry competition) may be more likely to continue over the coming year or so. Finally, it should be noted that continued elevated gas prices exacerbate the detrimental effects (on Atlantic City visitorship) of heightened regional gaming competition.

Current local developments related to heightened regional gaming competition, as well as larger national ones—which are increasingly taking their toll in myriad ways on many U.S. households and their consumption—suggest that Atlantic City's economic outlook, like many other metropolitan areas', is unlikely to improve significantly over the near term. Atlantic City's medium and longer term economic prospects will only begin to come into sharper focus once several major on-going and planned projects begin to come on-line in 2009 and beyond.

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<sup>1</sup> Audi, Tamara, and Jeffrey McCracken, "Debt-Laden Casinos Squeezed by Slowdown" Wall Street Journal, July 1, 2008

<sup>2</sup> 2007 personal income data for metropolitan areas have not yet been released by the Bureau of Economic Analysis. The estimate cited applies New Jersey's rate of personal income growth in 2007 (5.5%) to Atlantic City's 2006 personal income in order to estimate a 2007 figure for the metropolitan area. In light of Atlantic City's poor 2007 economic environment the 16% figure cited likely represents a lower bound estimate.

<sup>3</sup> Atlantic City Convention & Visitors Authority, 2004 Atlantic City Visitor Profile.

<sup>4</sup> Chet Sherman, Pipeline, May 7, 2008. See: [http://www.atlanticcapewib.info/pdf/pipeline\\_last.pdf](http://www.atlanticcapewib.info/pdf/pipeline_last.pdf)

**All Analysis in this issue by:**

**Oliver D. Cooke, Ph.D., Assistant Professor of Economics, The Richard Stockton College of New Jersey. Please direct comments and questions to: [oliver.cooke@stockton.edu](mailto:oliver.cooke@stockton.edu).**