



RUTGERS

Edward J. Bloustein School
of Planning and Public Policy

THE POST-PANDEMIC ECONOMY

THE NATION AND NEW JERSEY
WITH A FOCUS ON THE PUBLIC SECTOR

MICHAEL L. LAHR

R/ECON™ & NJ STATE POLICY LAB





OVERVIEW

- 1. HOW IS NJ'S ECONOMY DOING?**
- 2. THE US OUTLOOK**
- 3. PANDEMIC'S LONG-RUN EFFECT ON CONSUMER SPENDING**
- 4. HOUSING DEMAND AND PRICES IN NJ**
- 5. THE FUTURE OF REMOTE WORK?**
- 6. AN OFFICE SPACE PROBLEM?**
- 7. WHAT DOES THE INFRASTRUCTURE BILL HAVE IN STORE?**
- 8. A QUESTION OF REASSESSMENTS**



SELECTED KPIS FOR NEW JERSEY 2020 (1 = BEST, 50 = WORST)

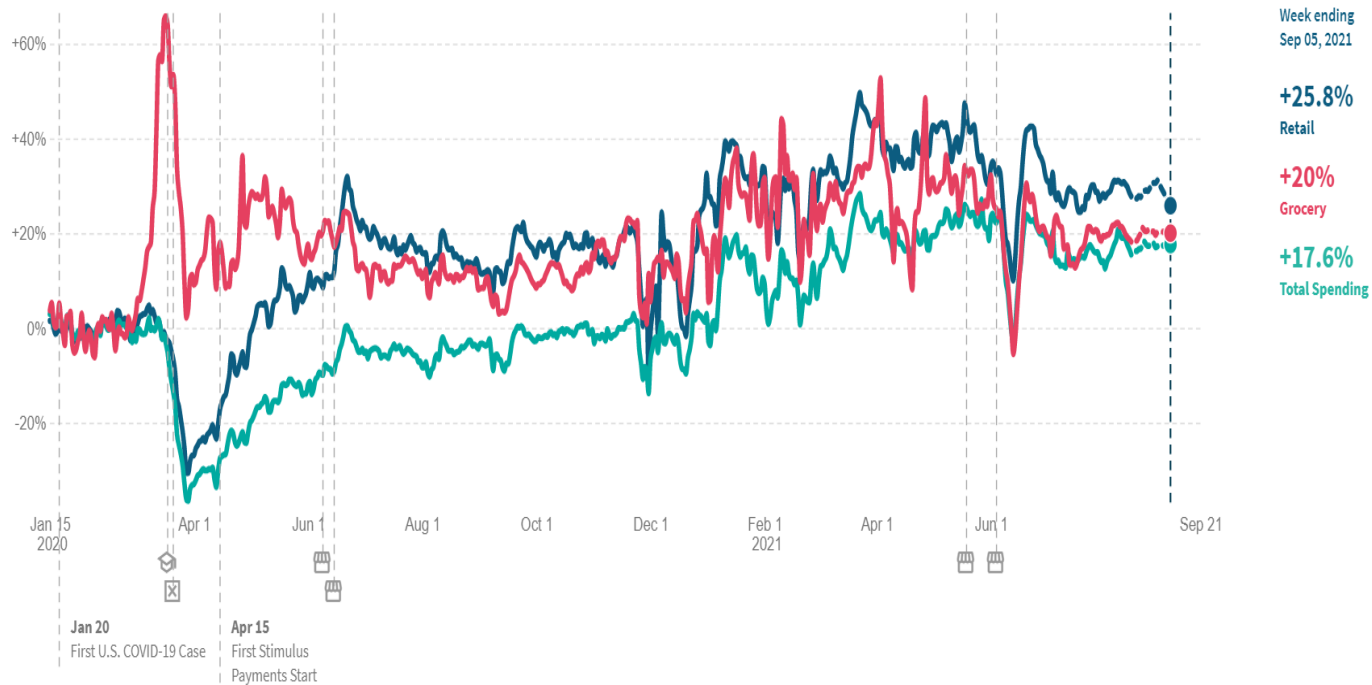
KPI	New Jersey Rank
Fiscal Stability	49/50
Unemployment	48/50
GDP Growth Rate	36/50
Employment Growth	44/50
Per Capita GDP	10/50
Poverty Rate	5/50
Credit Ratings (S&P; Moody's, Fitch)	49/50
Property Tax Rate	47/50
Personal Income Tax Rate	47/50
Pension Deficit (% liabilities)	49/50
State Debt Per Capita	45/50
Quality Education of K-12 Schools	1/50

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve System, Department of Education, U.S. News & World Report



Percent Change in All Consumer Spending*

In **New Jersey**, as of **September 05 2021**, retail spending (including online purchases, excluding groceries) by all consumers **increased** by **25.8%** compared to January 2020.



data source: **Affinity**

*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

last updated: **September 14, 2021** next update expected: **September 22, 2021**

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Percent Change in All Consumer Spending*

In New Jersey, as of September 05, 2021, transportation spending by all consumers increased by 0.2% compared to January 2020.



data source: Affinity

*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

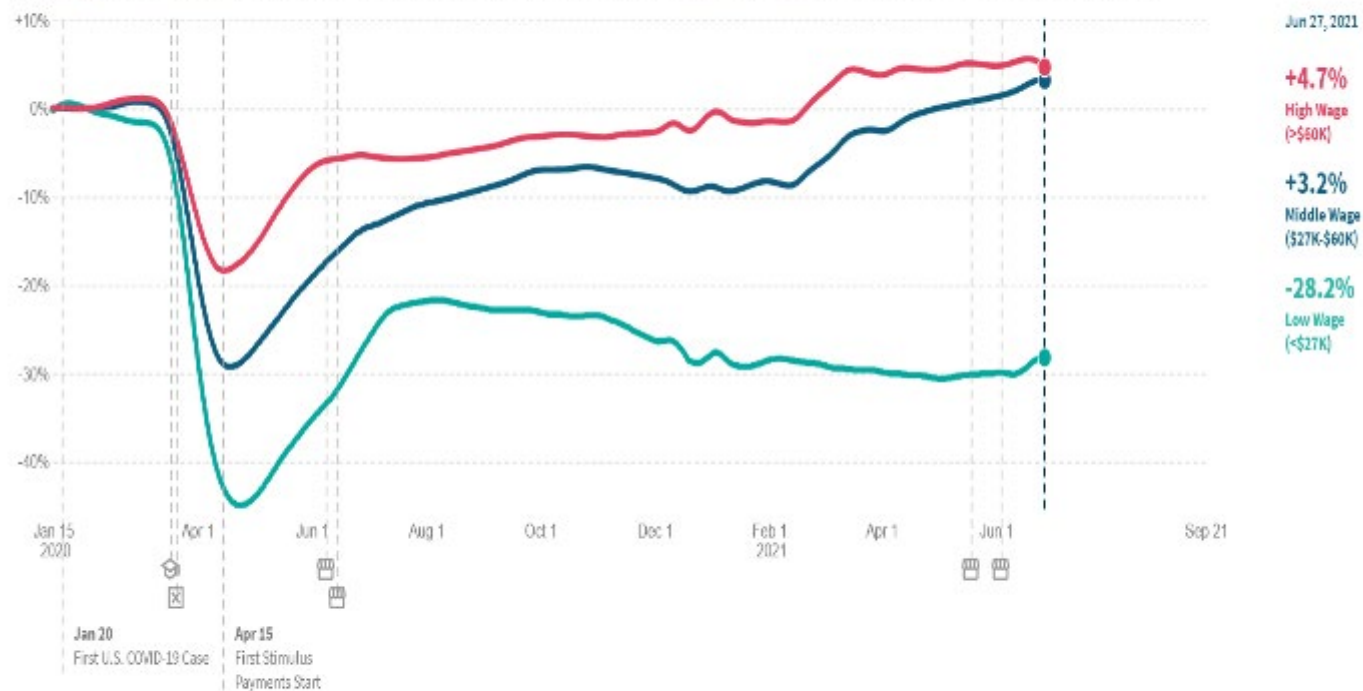
last updated: September 16, 2021 next update expected: September 22, 2021

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Percent Change in Employment*

In **New Jersey**, as of **June 27, 2021**, employment rates among workers in the middle wage quartiles **increased by 3.2%** compared to January 2020 (not seasonally adjusted).



data source: Earnings, Intuit, Kronos, Paychex

*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnings, and timesheet data from Kronos. The dotted line is a prediction of employment rates based on Kronos and Paychex data.

last updated: August 10, 2021 next update expected: September 24, 2021

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IN JULY 2021, JUST AS THE PANDEMIC WAS WANING...

- **ECONOMIC FUNDAMENTALS REMAIN STRONG**

- ✓ **Consumers sitting on savings**
- ✓ **GDP above pre-pandemic levels**
- ✓ **Continued government action, including vaccination mandate**

- **LOCKDOWNS MINIMAL**

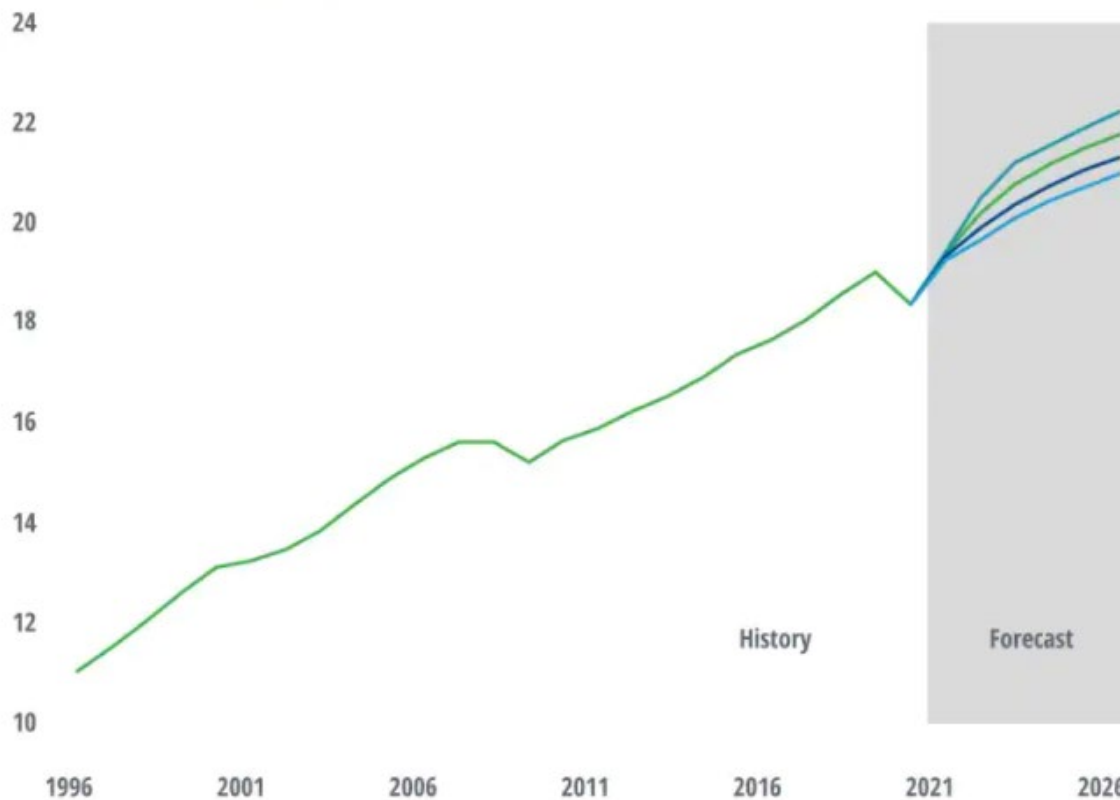
- ✓ **Sporting events ↑**
- ✓ **Religious services ↑**
- ✓ **Air travel ↓, but planes remain loaded**



Real GDP, US\$ trillion

— Baseline — Paging Dr. Pangloss — Side effects in post-op — The patient relapses

US\$ trillion, chained 2012 prices



Source: Deloitte analysis.



WHY THE ROSY OUTLOOK?: PLUSES

- **PENT-UP DEMAND FOR TRAVEL AND ENTERTAINMENT (DOMESTIC AND FOREIGN TOURISTS)**
- **PRODUCTIVITY GROWTH → INFLATION UNNOTICEABLE**
 - ✓ **Infrastructure Bill...in some form**
 - ✓ **Business investment ↑**
 - ✓ **Pandemic advancements**
- **INTEREST RATES STAY RELATIVELY LOW**
- **UNEMPLOYMENT RATE APPROACHES 4%**





WHY THE ROSY OUTLOOK?: THE RISKS

- **DURABLE GOODS PRODUCTION DIPS**
- **NONRESIDENTIAL CONSTRUCTION STALLS**
- **RESIDENTIAL CONSTRUCTION'S STRENGTH WEAKENS**



WHAT SPENDING WILL CHANGE?

- **PANDEMIC ACCELERATED
“AMAZONIZATION” OF THE ECONOMY**
 - ✓ Bricks & mortar retail riskier investment
 - ✓ From cash to card
- **BICYCLES & HOME GYMS**
- **ELECTRONIC HOME ENTERTAINMENT**
- **SMALL KITCHEN APPLIANCES**
- **MOVEMENT OUT OF BIG CITIES?**
 - ✓ Elderly and 20-somethings to TODs
 - ✓ 30-somethings forming families





HOUSING DEMAND



- **SURPRISING PERFORMANCE**
 - ✓ Bypassing local restrictions?
 - ✓ Millennials at prime home-buying age
 - ✓ Remote work
- **LIKELY TO WANE**
 - ✓ Household Size already relatively small
 - ✓ Population growth subsiding
 - ✓ Immigration?

THE FUTURE OF REMOTE WORK

- **LIKE THE CASE OF HOME DELIVERY, WE LEFT TO THE FUTURE WRT SOMETHING PROMISED IN 1980**



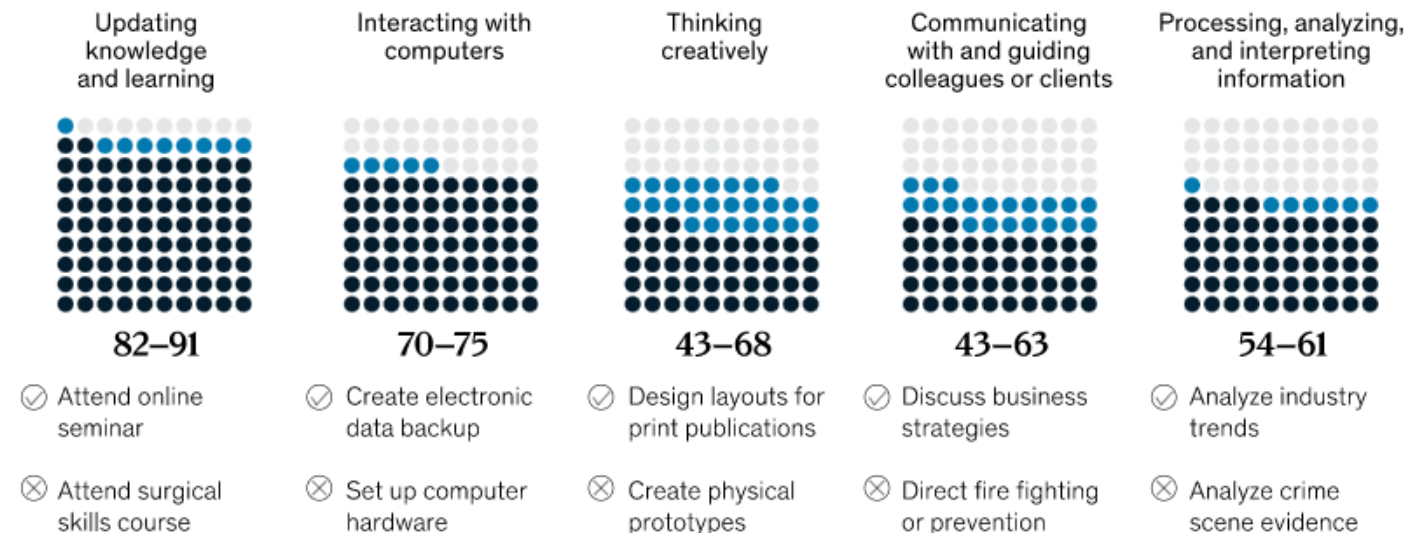
- **POTENTIAL IS OVER-HYPED. WILL PERSIST**
 - ✓ **Only for a highly educated, well-paid minority**
 - ~20% could work from home 3-5 days per week
 - = 3 × to 4 × as many workers at home as pre-pandemic
- **PRODUCTIVITY SUFFERED FOR MANY JOBS, E.G., TEACHING**



Activities with the highest potential for remote work include updating knowledge and interacting with computers.

Potential share of time spent working remotely for select activity categories in the United States, %

- Effective potential (no productivity loss)
- Theoretical maximum
- ☑ Task that can be done remotely
- ⊗ Task that cannot be done remotely



Note: The theoretical maximum includes all activities not requiring physical presence on-site; the effective potential includes only those activities that can be done remotely without losing effectiveness. Model based on more than 2,000 activities across more than 800 occupations.

Source: McKinsey Global Institute analysis

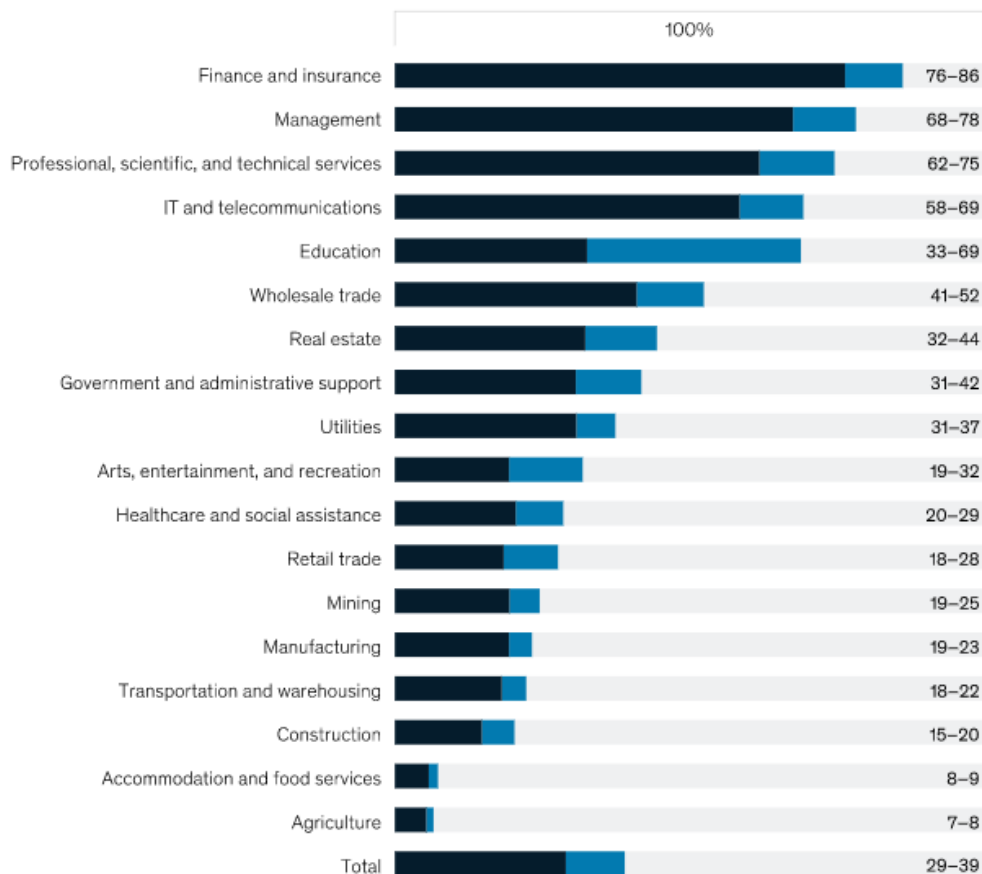
**McKinsey
& Company**



The finance, management, professional services, and information sectors have the highest potential for remote work.

Potential share of time spent working remotely by sector in the United States, %

■ Effective potential (no productivity loss) ■ Theoretical maximum



Note: The theoretical maximum includes all activities not requiring physical presence on-site; the effective potential includes only those activities that can be done remotely without losing effectiveness. Model based on more than 2,000 activities across more than 800 occupations.

Source: McKinsey Global Institute analysis

**McKinsey
& Company**



REDUCED DEMAND FOR OFFICE SPACE

- **1/3 OF CEOS SURVEYED PLAN TO REDUCE SPACE WHEN LEASES EXPIRE**
 - ✓ **Implication to service jobs that cater to office workers?**
 - ✓ **Implication to local tax revenues?**
- **...BUT AMAZON NOTED LACK OF SPONTANEITY IN VIRTUAL TEAMWORK**
 - ✓ **Inability to train new high-end workers**
 - ✓ **Building trust in a team**
 - ✓ **Understanding co-workers**
- **THE HYBRID WORKPLACE...**
 - ✓ **Core hours optional ...say, 10am-3pm**
 - ✓ **Special meeting facilities**



NJ & THE INFRASTRUCTURE BILL

- **TRANSPORTATION**

- ✓ \$60.0 billion for Amtrak.
- ✓ \$6.9 billion for highways,
- ✓ \$4.2 billion for transit,
- ✓ \$1.1 billion for bridges, and
- ✓ \$24.4 million for ferry service.

- **REMEDIATION**

- ✓ \$3.5 billion to clean up Superfund sites and
- ✓ \$1 billion to tear down or cover highways, e.g., Interstate 280

- **TECH**

- ✓ \$104.4 million for EV charging stations and
- ✓ \$100 million for high-speed internet connections





MORE FOR NJ & THE BILL VIA GRANTSMANSHIP



- **\$11.6 billion for Gateway Tunnel?**
- **NJ's Federal credits for own-road improvements**
- **Airports**
- **Removing lead pipes**
- **Flood mitigation**
- **Greening of homes**



THE QUESTION OF REASSESSMENTS

- **LESSONS OF 2007**
- **BEYOND THE PAYCHECK PROTECTION SYSTEM**
- **SPEED AND EXTENT OF REBOUND**
- **WHAT IS CREATED AS LINES OF BUSINESS DIE?**
 - ✓ **Who will new entrepreneurs be?**
 - ✓ **Short-term meeting rental space?**
 - ✓ **Mental health facilities for hospitalized COVID patients**
 - ✓ **Return of courier drop-off points?**



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