

# THE SOUTH JERSEY ECONOMIC REVIEW

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## ATLANTIC CITY'S ECONOMY FLICKERS ON: REVEL OR RECOVERY?

After suffering through the worst national recession in the post-WW II era, a global financial crisis, and a dramatic increase in regional gaming competition, Atlantic City's economy appears to have finally begun to turn the corner in 2012. Fueled by the opening of Revel, total establishment employment in the metropolitan area was increasing at a brisk 4.3% year-on-year rate in May (Figure 1).

While the early-2012 pace of job growth has proven welcome relief for the beleaguered metropolitan area economy, the critical question is whether or not the acceleration in job growth recorded during the past few months will spur a broader, sustainable recovery over the remainder of the year and into 2013.



While much of the recent acceleration in Atlantic City's rate of job growth was tied directly to Revel (construction jobs, the hiring of Revel staff, retail, and dining and bar establishments jobs), it should be recognized that the metro area's economy outside the leisure and hospitality sector recorded 15 consecutive monthly year-on-year job gains between March 2011 and May 2012—a fact highlighted in Figure 1. This figure declines to a still-impressive 10 months even if construction—which was temporarily buoyed in the months leading up to Revel's grand opening—is excluded. The leisure and

hospitality sector continued to lose jobs on a year-on-year basis through March of this year. Largely reflecting Revel's formal entrance into the local gaming market, employment in the leisure and hospitality sector increased by 1,800 year-on-year (a 4% increase) in April, and then rose by another 3,500 year-on-year in May (a 7.5% increase).

Table 1 (see page 2) shows industry-based average employment totals for the January–May period for this year compared to 2011. As shown, total establishment employment in Atlantic City was up 3,800 year-on-year—a

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2009-2010

% Change	Change	% Change	Change	% Change
-2.3%	-1.4	-1.0%	3.8	2.9%
-2.6%	-2.4	-2.1%	2.9	2.6%
-3.2%	-2.8	-5.6%	1.0	2.2%
-4.2%	-2.4	-5.2%	0.7	1.6%
-5.2%	-1.8	-5.2%	-0.1	-0.2%
-4.1%	-1.8	-5.3%	-0.2	-0.7%
-1.0%	-0.6	-5.1%	0.7	7.1%
3.5%	-0.5	-2.4%	0.4	1.9%
1.7%	-0.1	-2.1%	0.2	2.9%
-5.2%	-0.1	-1.8%	0.0	1.0%
-7.5%	-0.1	-9.9%	0.0	-4.8%
-5.7%	0.1	5.4%	-0.1	-5.3%
-3.2%	0.4	4.2%	0.2	1.9%
-0.3%	-0.4	-2.4%	0.4	2.6%
-4.1%	-0.2	-7.1%	-0.2	-5.9%
-2.2%	0.0	-0.9%	0.2	3.7%
-13.3%	0.9	20.1%	0.8	16.7%
-14.7%	0.1	5.7%	0.3	14.7%
-0.6%	1.0	4.6%	1.0	4.1%
3.8%	0.0	1.2%	0.0	0.0%
0.0%	1.2	40.3%	0.3	7.5%
-1.3%	-0.3	-1.6%	0.6	4.0%
-1.8%	1.3	1.5%	2.8	3.2%
-1.1%	0.4	0.5%	2.1	2.5%
-1.2%	1.2	3.3%	1.1	1.8%

t.2 Td (-5.2)uT)Tj 2

0.4

-0.1

-0.1

-0.21Tj 0.165 -1.2 Td (0.2)Tj T\* -0.6

-0.1

0.2

0.0

-0.4

-0.1

-0.1

0.2

0.0%

## AC'S ECONOMY FLICKERS ON continued from page 1

gain of nearly 3%. While several industries saw job increases, the most significant gains occurred in construction (+ 800), restaurants/bars (+ 700), retail trade (+ 400), and government (+ 1,000).

A significant portion of this year's increase in construction jobs was tied to work ahead of Revel's formal opening this spring. Sizable shares of the job gains recorded in restaurants/bars and retail trade were also tied to Revel's opening. However, whereas the construction jobs will be lost in coming months, most of those in restaurants/bars and retail trade will presumably remain. This suggests that the early-2012 pace of job growth will likely slow a bit over the coming months largely due to a wind-down of construction-related Revel jobs. The critical question is whether or not the rest of the private economy will continue to add jobs over the remainder of 2012. In particular, it seems unlikely that significant additional job gains in the public sector will materialize this year in light of continuing fiscal pressures.

The unemployment rate in Atlantic City stood at a seasonally adjusted 12.7% in May, up slightly from April's 12.6% though below the year-earlier rate of 13% (Figure 2). The modest upticks in the metro area's unemployment rate in both April and May reflected large

increases in the labor force. These increases may in part have been a reflection of Revel-induced reentrancy by long-term discouraged workers into the local labor force. Statewide, the unemployment rate stood at 9.2% in May, one percentage point above the national rate.

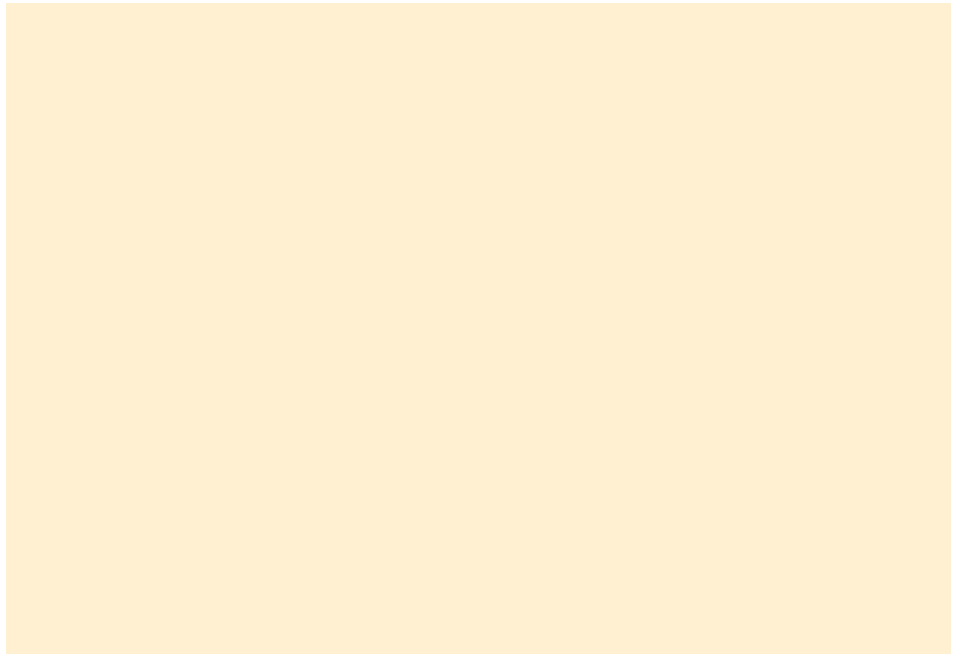
While the acceleration in Atlantic City's rate of job growth this spring has unquestionably been a positive development for the local economy, more important is the question of

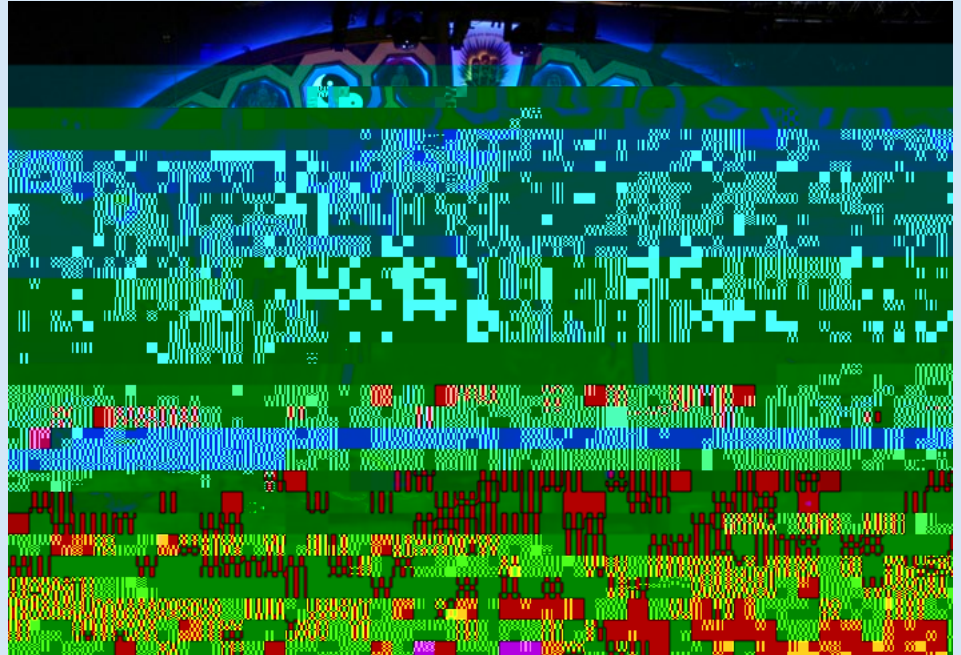
sustainability. Will the recent Revel-induced uptick in growth eventually propel a broad-based recovery? The path the national economy takes over the remainder of 2012 will figure prominently in the answer to this question. Unfortunately, after gathering steam in the final quarters of 2011, the national economy has slowed considerably in the first half of 2012. GDP growth fell to





Figure 5 shows the disastrous effects the Great Recession inflicted upon real wage growth in Atlantic City and New Jersey. On a four-quarter moving average basis, real wages began to decline in the fourth quarter of 2007, in tandem with the onset of the national recession which officially began in December 2007. The rate of real wage decline in the metropolitan area continued to accelerate through the fourth quarter of 2009, when real wages were contracting at a 6.7% pace year-on-year. This compared to the 4.1% rate of real wage decline statewide during the same quarter. While the rate of real wage contraction in both Atlantic City and New Jersey moderated during the past two years, real wages in Atlantic City continued to contract through the third quarter of 2011 (the most recent quarter of data available). Statewide, real wages began growing once again in the first quarter of 2011.





In an effort to better understand the SJER's readership, and solicit feedback from readers, you are cordially invited to participate in a brief, anonymous online survey. The survey will take less than two minutes to complete. You may access the survey here:

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