



Cape May County and Regional Economic Outlook

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*Oliver Cooke, Ph.D.
Associate Professor of Economics
Stockton University*

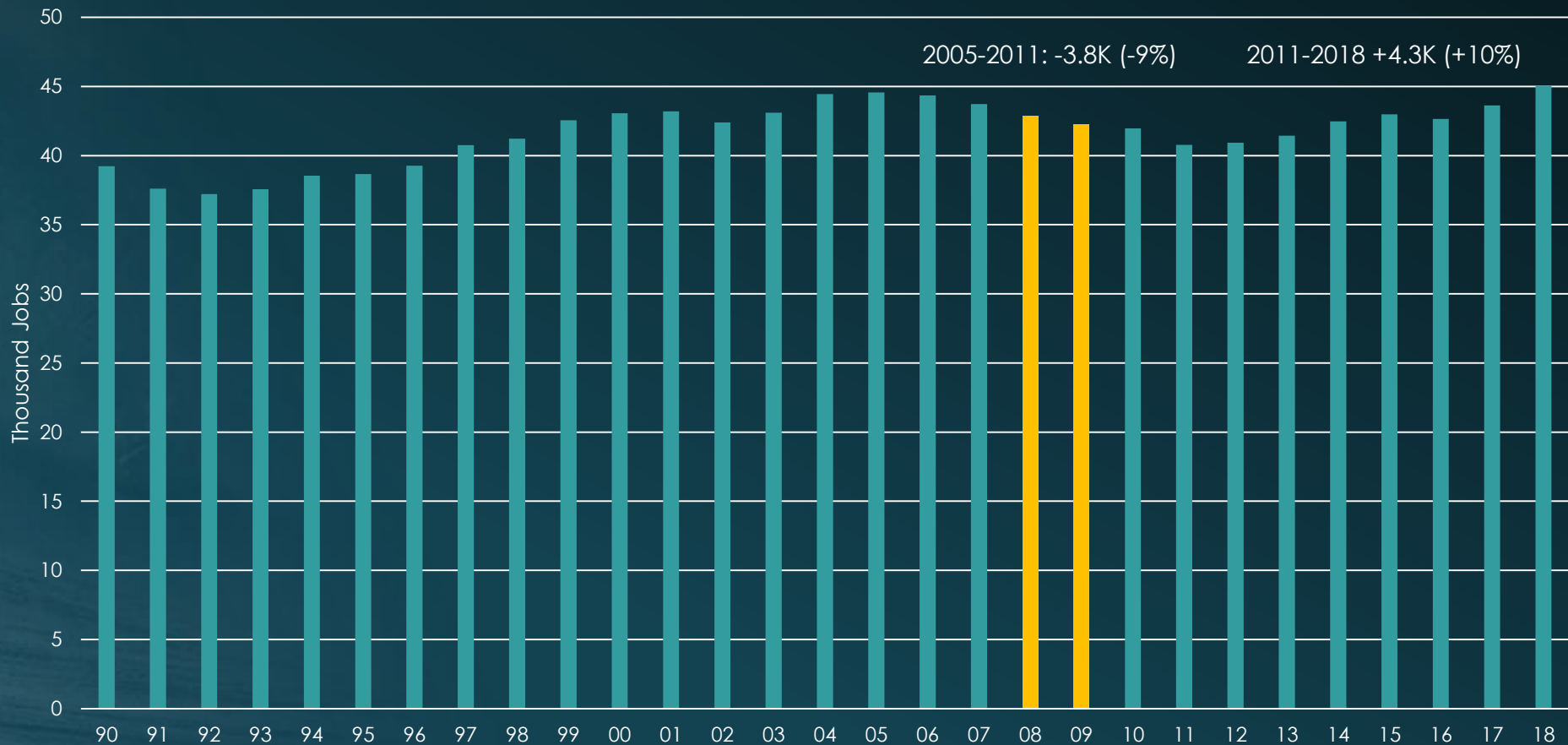


Last Year's Job Growth was Cape May's Strongest since 2004

- Ocean City metropolitan area employment grew 3.2% last year (+1,400 jobs)
- Leisure and hospitality sector employment actually *declined* 5.4% last year (-700 jobs)
- Thus, non-L&H employment in the local economy expanded by a robust 6.6% last year (+2,100 jobs)
- Data limitations preclude full identification of the industries that drove non-L&H job growth. Much of it occurred in:
 - Education and health services
 - Local government
 - Professional and business services

Cape May County Total Employment

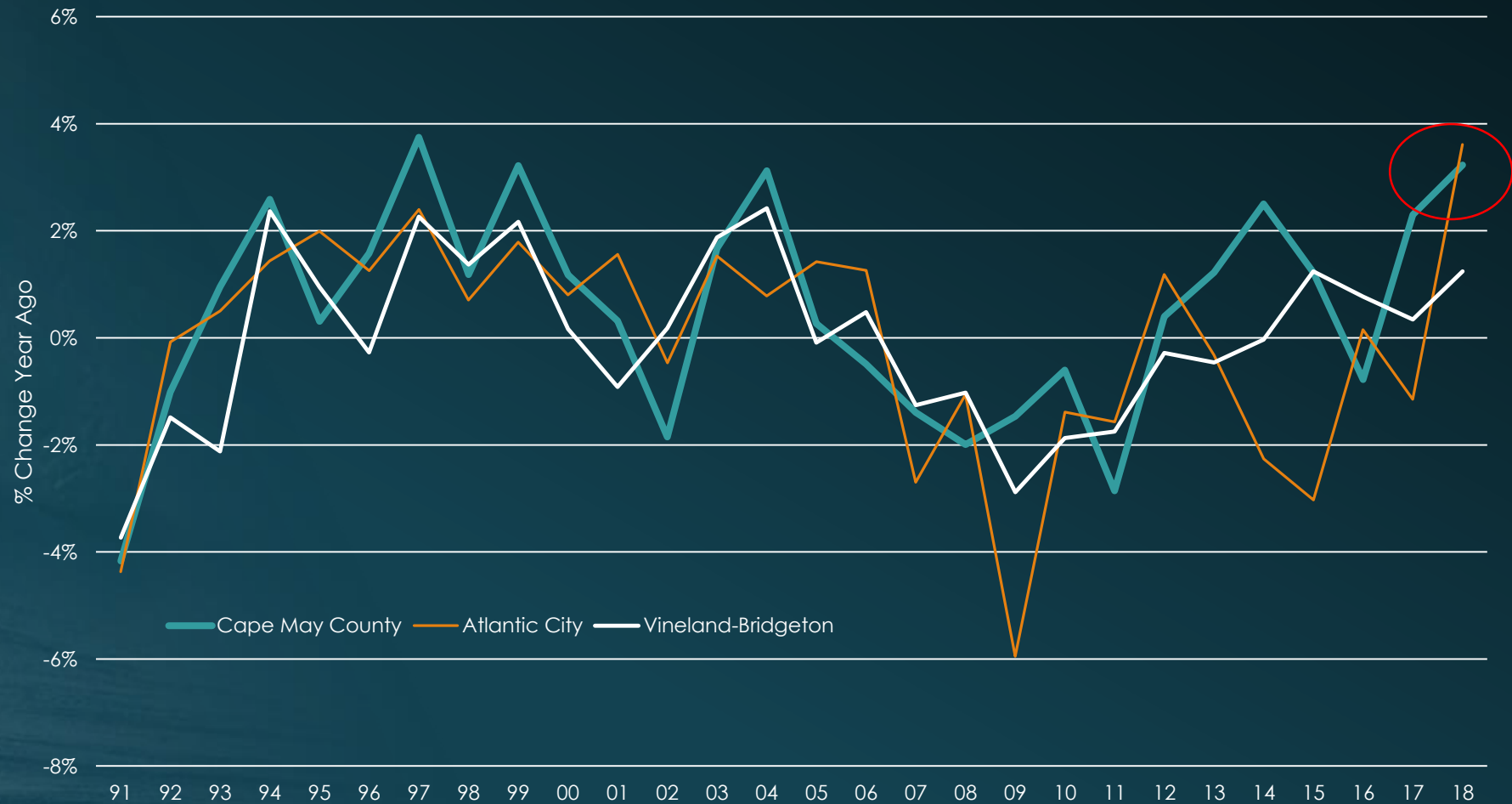
1990 to 2018



Source: U.S. Bureau of Labor Statistics.

Regional Employment Growth

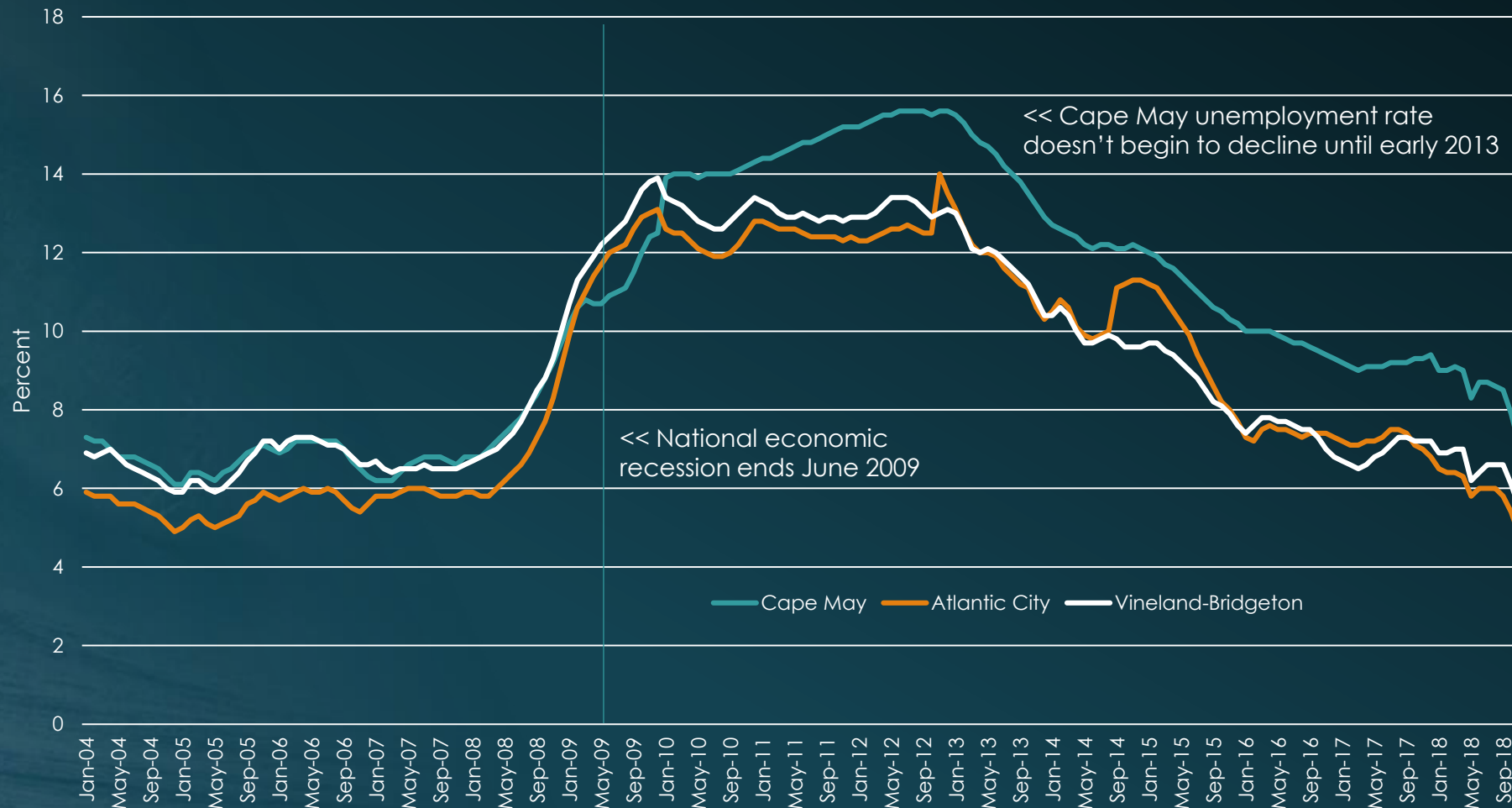
Annual Job Growth 1991 to 2018



Source: U.S. Bureau of Labor Statistics.

Regional Unemployment Rates

2004 to 2018



Source: U.S. Bureau of Labor Statistics.

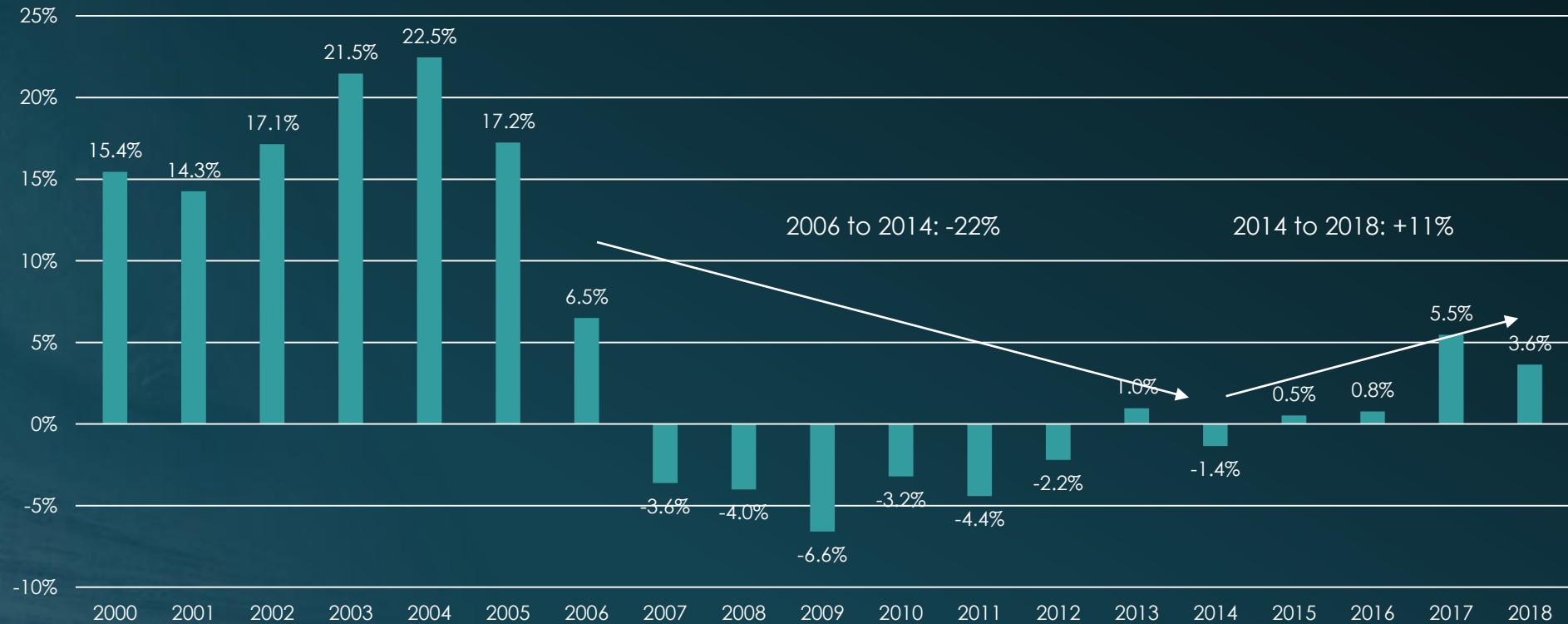


Hotel/Motel Sales Tax Data Suggest Summer of 2018 was “Good”

- Despite the overall job decline in Cape May’s leisure and hospitality sector in 2018, hotel/motel sales tax data suggest summer of 2018 was good:
 - **During the summer months, sales tax collections in Cape May County were up 4.7% year-on-year** (compared to rates of growth of 2.4% in 2017 and 3.4% in 2016)
 - Sales tax collections were up 3.3% year-on-year thru September 2018 (compared to rates of growth of 2.9% in 2017 and 2.7% in 2016)
- Toll transactions through the Egg Harbor Toll Plaza also suggest that last year’s summer season was solid:
 - **Total toll transactions last summer were up 4.6% year-on-year** (compared to growth of 2.7% in 2017, and a decline of 2.4% in 2016)

Single Family Home Prices Continued to Recover Last Year

Annual Single Family Home Price Growth: Ocean City, NJ Metropolitan Area
2000 to 2018



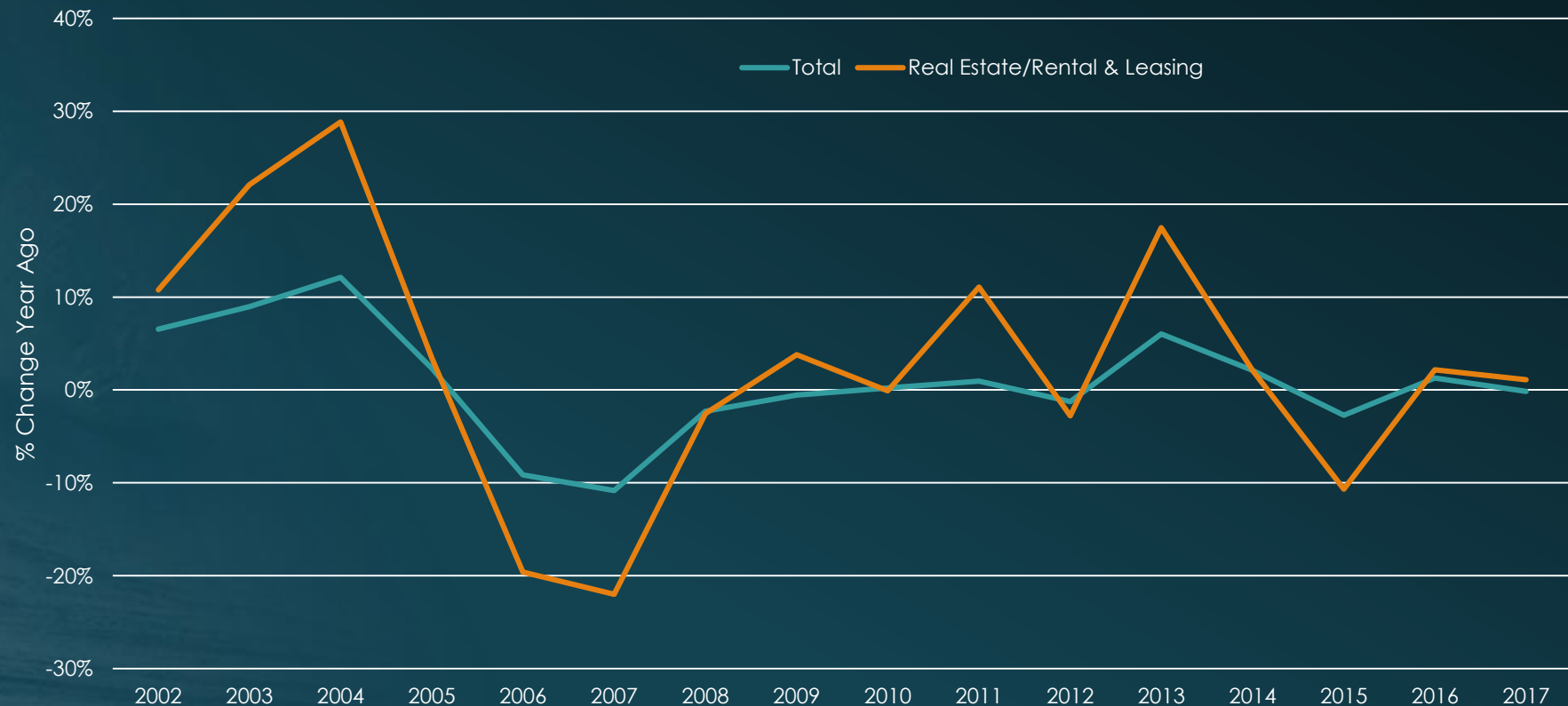
Source: Freddie Mac Single Family Home Price Index.

Regional Economic Outlook in 2019

- Regional economy's 2019 fortunes will be closely tied to national economy's health.
- Despite continued strong national job growth and a low national unemployment rate:
 - This summer will mark the 10th anniversary of the national expansion
 - Financial markets' late 2018 swoon worrying
 - Fed monetary policy will be important (**interest rates key to Cape May real estate**)
 - Banks already tightening consumer lending standards
 - Trade war will continue to weigh on national economy
 - Divided government's impact on national economy big wildcard
- **Ocean City metropolitan area economy's fortunes heavily dependent upon healthy consumer:**
 - Despite steady growth in consumer spending over past few years, wage growth has been more modest >> credit growth fairly robust last year
 - **35% of metro area's real GDP is tied to real estate and rental/leasing activity (14% nationally) >> second-home buying highly interest rate sensitive)**
 - 11% of real GDP tied to leisure and hospitality industry (4% nationally)
 - 8.5% of real GDP tied to retail trade activity (6% nationally)
 - Over half of the metro area's annual economic output tied to highly discretionary consumer spending on entertainment, vacationing, real-estate investing/transactions etc.

Ocean City Economy's Heavy Reliance on Real Estate Activity

Ocean City, NJ Real GDP
Annual Growth in Total Real GDP vs. Real Estate/Rental & Leasing
2002 to 2017



Source: U.S. Bureau of Economic Analysis.



Regional Outlook in 2019

- Health of Atlantic City's gaming sector will also play key role in regional economy's 2019 fortunes
 - Can sector sustain 2018 momentum generated by significant new supply?
 - Recent news of potential problems at Ocean Resort
 - Over 500 Cape May County residents work in casino hotels

Cape May long-run economic prospects

- Similar to Southern NJ regional economy, diversification key to Ocean City's longer-run economic prospects
 - Transforming summer resort economy into more diversified one easier said than done, however
 - Modest increases in professional and business services, health care, and non-durable goods manufacturing sectors' shares of real GDP in recent years
- Cape May County's population declined -3.8% between 2010 and 2017
 - Third-largest percentage decline among all state counties (Sussex and Salem)
 - Tied to diversification issue and regional economy's (especially gaming's) struggles over past decade
- **Age-old local economic development quandary: Which comes first: the people or the jobs?**



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