



New Jersey
Economic Insights
By Dr. Charles Steindel

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Outlook New Jersey

State's Share of Wall Street's Back Office
Operations Is Poised to Grow

- **Geographic advantage**
- **Skilled workforce**
- **Need for specialized facilities**



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New Jersey's Data Center Opportunity

As last May's "flash crash"—when the Dow Jones Industrial Average plunged more than 900 points in a brief frenzy of automated trading—showed, **data processing for finance now involves much more than routine bookkeeping operations. In today's markets, sophisticated computers are programmed to take nearly instantaneous advantage of trading opportunities.**

Those computers are usually found in unassuming data centers located some distance from the trading floors of the stock exchanges themselves. **Setting up and running these centers is a growing industry in which New Jersey plays a prominent part.**

The state is well situated to take a leading role in this business because of its proximity to New York. This is an advantage both because we have a pool of labor that understands financial transactions and because in the business of transmitting electrons—even at the speed of light—physical distance affects how rapidly a signal can move from one computer to another, and hence how fast a particular trade can be executed.

Providing back office computer support for securities trades is a growing industry that draws upon the talents of a skilled work force of technicians and programmers, along with many resident financial professionals who establish and direct such enterprises.

One capstone of New Jersey's importance in this arena was last year's opening of the New York Stock Exchange's new data center in Mahwah. Big Board transactions are now done on Bergen County machines! In other words, "Mahwah is the new center of the universe.*"

Industries connected to data processing and comparable activities employed over 69,000 people in New Jersey in 2010, accounting for a bit less than 2% of total employment. While only a portion of these jobs are driven by the needs of finance, and the industry is spread throughout the state, **the last decade has seen particularly sharp growth in areas such as Hudson County,** likely reflecting the demands of the financial markets.

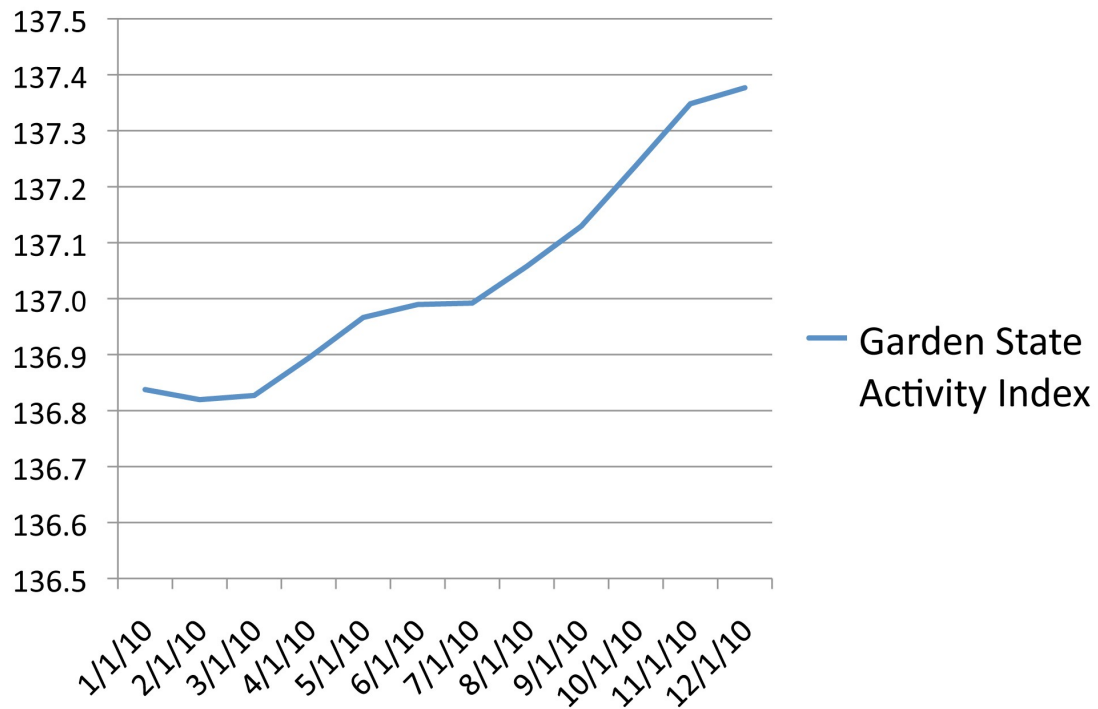
New Jersey accounts for about 3.5% of national employment in this area—higher than our typical national industry share of roughly 3%. Workers are quite well-paid; in 2009 average earnings for New Jersey employees in the sector were well over \$90,000. **In that year, the sector’s aggregate wages in New Jersey were more than \$6.5 billion, or nearly 4% of the state’s total.** To give some idea of the industry’s importance to personal income levels in the state, 2009 wages in the transportation and warehousing industry—with more than twice as many workers—were \$6.9 billion.

As has been the case for most industries, employment in data processing fell during the recession and has not yet begun to grow vigorously. Still, despite Wall Street’s reverses in the recession, **the odds are strong that the growth of computerized finance will continue, and New Jersey is likely to remain a key hub of the business. Expansion of this sector will also likely boost other industries, such as construction, because of its need for elaborate and sophisticated facilities.**

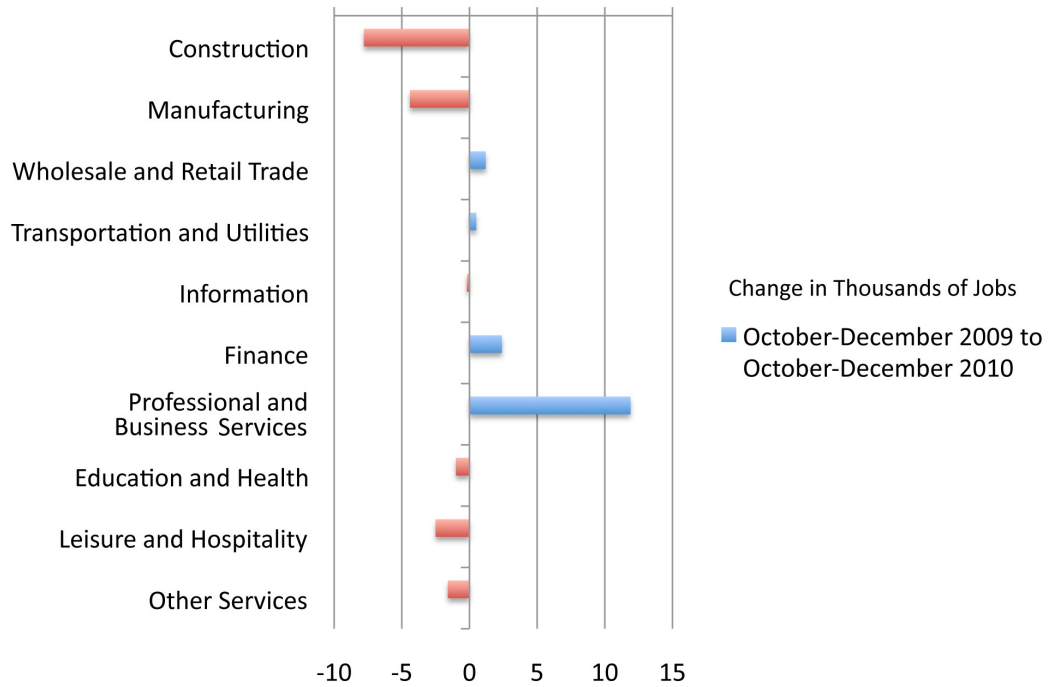
*Peter Chapman, “A Buttonwood Tree Grows in Mahwah,” TradersMagazine.com, May, 2010, http://www.tradersmagazine.com/issues/23_308/buttonwood-nyse-mahwah-nyfix-colocation-data-center-105760-1.html.

Garden State Activity Index

In this issue we introduce the *Garden State Activity Index*, a measure designed to provide a broad indicator of monthly economic activity in New Jersey. The index is an average of three other measures: the coincident economic indexes for the state produced by the Federal Reserve Banks of New York and Philadelphia, and a measure derived from the Philadelphia Bank’s South Jersey Business Survey. The latest reading is from December and shows the index was flat in that month. Over the past year, it has risen 0.4%, but still remains 4.5% under its early 2008 peak of 143.843.



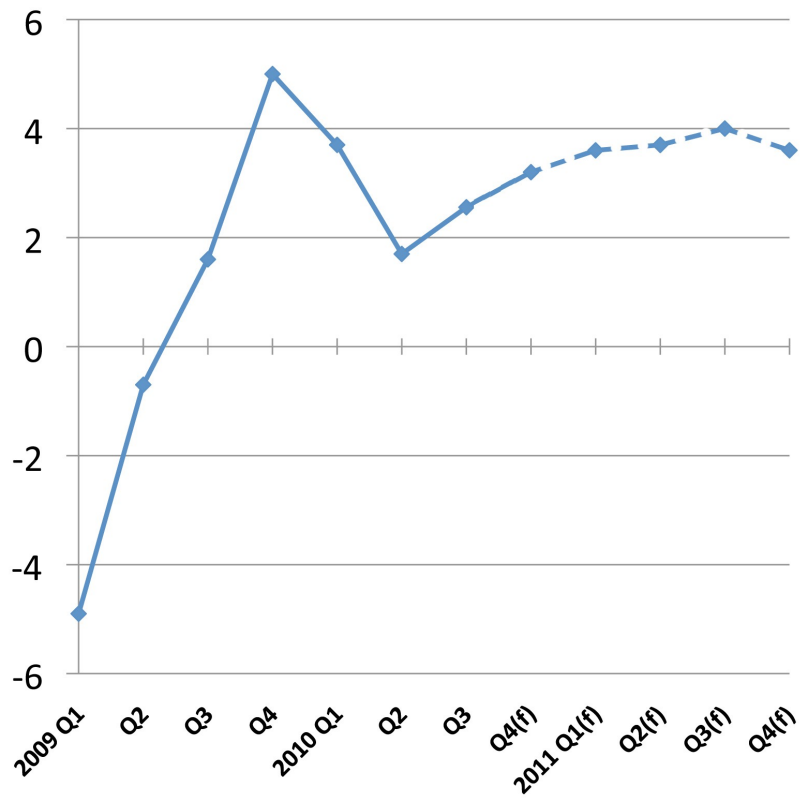
Private Industry Employment Trends



Data source: New Jersey Department of Labor

Real U.S. GDP Growth

(percent change, compound annual rate)



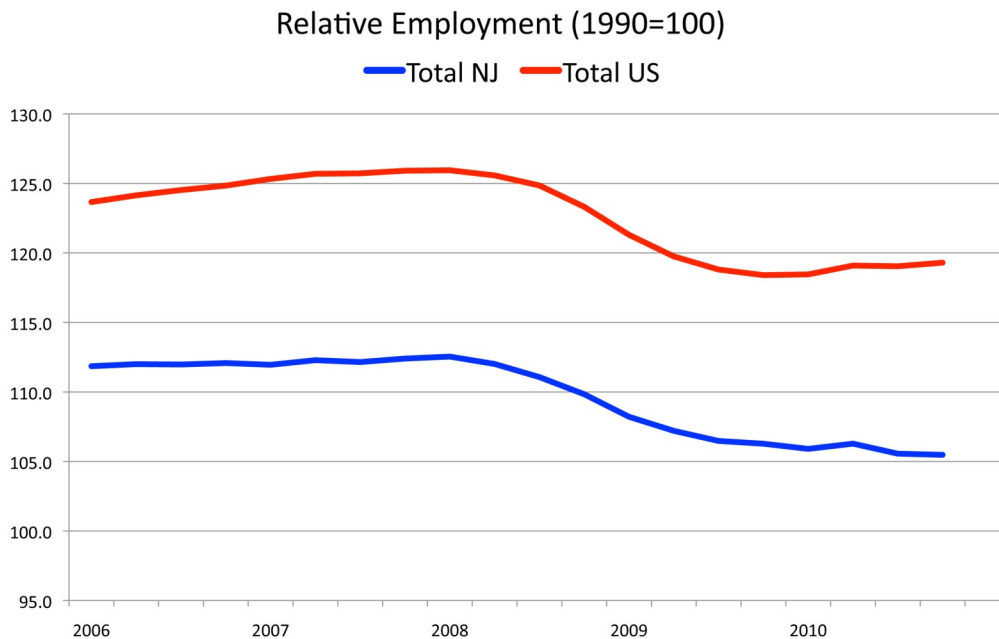
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Data source: U.S. Bureau of Economic Analysis

State & National Job Trends

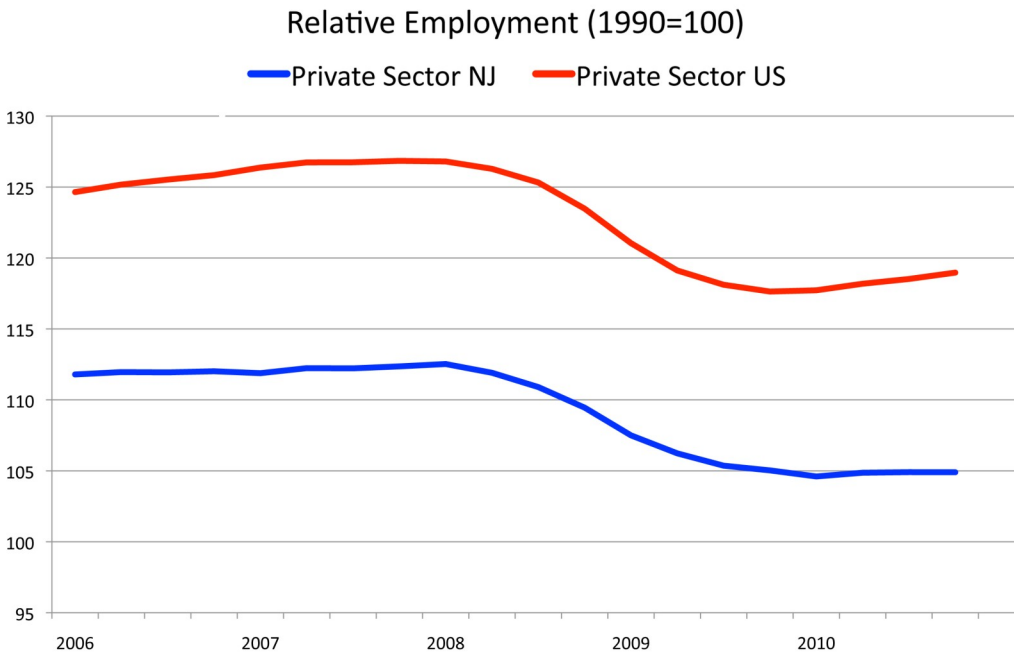
Total Employment

This chart compares the number of employed workers to the base year of 1990. The number 100 represents employment in 1990.



Private Sector Jobs

This chart compares the number of employed workers to the base year of 1990. The number 100 represents employment in 1990.



Data source: U.S. Bureau of Labor Statistics, New Jersey Department of Labor

Explanatory note: These charts track trends in total and private sector employment in New Jersey and compare them with those of the nation as whole measured against a 1990 baseline.

Disclaimer

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