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Report

TO MEMBERS

2008 BUSINESS OUTLOOK High Cost of Doing Business Overshadows Outlook for NJ

For a third consecutive year, New Jersey employers are more negative than positive in their outlook for the state economy, and they remain troubled by the high cost of doing business in New Jersey and state government's role in perpetuating those high costs.

These are among the major findings of the New Jersey Business & Industry Association's 2008 Business Outlook Survey, the largest statewide survey of its kind. Nearly 1,300 employers from all 21 New Jersey counties and in every industry sector participated in the fall survey, the vast majority of them companies with 2-49 employees.

These findings clearly point out the need to implement state policies that will encourage job growth and business expansion. We've been running on a quarter of a tank over the last few years, and pretty soon we will find ourselves sputtering on empty unless a serious effort is made to address the root causes of the malaise that is deeply affecting business in this state.

Only 13 percent of businesses expect overall business conditions in New Jersey to improve in the first six months of 2008, while 49 percent expect those conditions to deteriorate. This outlook is only marginally better than last year, which was among the weakest since the 1989-92 recession.

The 2008 survey also finds that NJ employers continue to have modest expectations for job growth in 2008. Their hiring plans remain near last year's subdued levels, with 25 percent expecting to hire more workers and 14 percent expecting to reduce employment. This is consistent with a pattern of weak job growth in New Jersey over the last several years, and it signals the likelihood that the rate of employment growth will remain at historically low levels.

Employers responding to our survey also remain very concerned about New Jersey as a place for business expansion and, in particular, by the high cost of operating a business here.

Only 18 percent of respondents (little changed from a record low of 17 percent last year) said New Jersey is a good place for expansion of their business facilities. They also identified the high overall cost of doing business as one of the three biggest problems they face in New Jersey, along with the cost of health insurance and property taxes.

A significant majority of survey respondents also say New Jersey does a worse job than other states in controlling government spending and taxes, as well as the cost of healthcare and regulatory compliance, all of which figure significantly in the high overall cost of doing business here.

Although survey participants feel better about their own companies' prospects for the year ahead, this should be more a cause for relief than celebration as a continued falloff in this outlook would almost certainly have signaled the onset of a period of serious economic distress. (The two previous surveys revealed a marked loss of confidence in the ability of companies to improve their own sales and profits in the year ahead.)

The business outlook for the US economy, while better than for New Jersey, remains more negative than positive.

Twenty percent expect the US economy to show improvement in the first six months of the year, while 37 percent expect conditions to deteriorate, and the remainder expect conditions to be little changed. This outlook is somewhat less positive than it was last year.

What is most significant about this year's survey findings, however, is businesses' continued concern about the high cost of doing business in New Jersey and a related loss of confidence in New Jersey as a place for business expansion. ❧