

NJBIA

REPORT TO MEMBERS *By Philip Kirschner, President*

Survey: Recession Hit NJ Businesses Early and Hard

On December 1, the National Bureau of Economic Research (NBER) officially declared that the United States was in a recession that began in December 2007.

One week earlier, the New Jersey Business & Industry Association declared — based on the findings of its 2009 Business Outlook Survey — that New Jersey was in a recession that had begun at about the same time.

More than 1,400 New Jersey employers, the large majority of them small companies with 1-49 employees, responded to the NJBIA survey in early September, and the message that emerged from their responses could not be clearer.

New Jersey was gripped by recession in 2008, and economic conditions are expected to get worse before they get better.

A majority of survey participants in virtually every industry reported that their industries were already in a recession or heading into one when this survey was conducted.

Many also reported that sales, profits and employment fell sharply for their companies over the past year. In fact, these measures of current business conditions fell in 2008 to their lowest levels since the 2001 and 1990-1991 recession surveys.

The current recession did not materialize overnight. Three years ago, respondents to the NJBIA survey voiced heightened pessimism about business conditions in New Jersey and the nation. Business confidence has weakened steadily since then,

finally giving way to the deeper pessimism seen in our current survey.

Companies were also glum in assessing prospects for sales and profits at their own companies over the coming year. These core measures of business activity fell dramatically from last year's levels, retreating to lows seen in earlier recessions.

Not surprisingly, only 17 percent of companies said they expect to expand employment in the year ahead,

> The outlook for 2009 is bleak. A majority of survey participants in every industry except healthcare expects conditions to deteriorate or remain at current levels in 2009.

with another nearly 20 percent saying they expect to shrink their payrolls. The net percentage expecting to hire more workers, at *minus 3 percent*, is at the second lowest level of the past 25 years. Only the 1991 survey produced a more negative employment outlook.

Businesses are no more ready to spend than they are to hire. The outlook for business spending in 2009 is essentially flat, with 32 percent expecting to spend less on purchases in 2009, and 33 percent of businesses expecting to spend more. This is the weakest outlook for business spending in 18 years.

Businesses also remain unhappy with New Jersey's business climate. Only 12 percent of survey participants said New Jersey is a "good" place for expansion of their business facilities, a record low.

There is no way to sugarcoat the current state of the economy. However, it's important to remember that even in the midst of this recession, New Jersey will continue to benefit from a diversified economy and resilient businesspeople. Even as some companies are retrenching, others will continue to grow and do reasonably well

One can also take hope from recent actions by the Governor and Legislature. Recognizing the dismal state of the economy, they are reforming the state's business tax structure, undertaking regulatory reform, and providing loans and loan guarantees to businesses. **NJB**

