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President

Report TO MEMBERS

Weakening State Economy Forecast by NJBIA Survey

For 50 years, the New Jersey Business & Industry Association (NJBIA) has been surveying its member companies to find out where THEY think the state economy is headed and to collect THEIR views about the state's business climate.

And for 50 years, they've been telling it like it is.

Later this fall, we will release the findings of our 50th annual Business Outlook Survey (which was distributed to member companies in early September). As we await those findings, I wanted to explain the importance of this survey not only to our members, but also to the Governor, legislators and the news media.

Among the survey questions we regularly ask our members are several that probe their near-term expectations for the state and national economies—as well as for their own sales, profits and employment.

The results can be quite unexpected. But we have learned to trust the collective wisdom of our member companies. When as many as 2,000 companies tell us to expect a turn in the road, we listen, and for good reason. Again and again, the NJBIA survey has proven to be an accurate barometer of on-the-ground business conditions in New Jersey, and it has provided us with an accurate snapshot of business opinion about those conditions.

In this context, it is instructive to note that our 2006 Business Outlook Survey, which was conducted in the fall of 2005, anticipated New Jersey's current slowdown well in advance of any other survey or economic indicator.

As we noted in our news release at the time, "New Jersey employers are deeply concerned about the near-term outlook for the state and national economies, and they antici-

pate a slowdown in economic activity at all levels....A new pessimism has replaced last year's relative optimism. In 22 years of available survey data, this marks one of the most dramatic shifts from optimism to pessimism in a single year."

At the time, some state policymakers argued against this view of the state economy, saying it was too negative. But, as it turned out, our members were right. Their collective view was remarkably accurate and prescient.

We now know that New Jersey, formerly an employment-growth leader, fell to the bottom of the states in its rate of employment growth in 2006 and 2007, tumbling to 41st place. New Jersey added a mere 3,800 private-sector jobs in 2007, and in the first half of 2008, it lost 14,400.

More evidence of New Jersey's fading economic muscle comes from the US Bureau of Economic Analysis (BEA). Our economy grew at a 1.1 percent pace in 2007, less than half the rate of a year earlier, and well below the national average of 2 percent, according to the BEA. The pace of the state's expansion in 2006 was 2.3 percent, revised downward from 2.9 percent, and the rate of growth in 2005 was revised downward to 0.7 percent from 1.4 percent.

Clearly, New Jersey's economy has been weakening over the last three years—just as our members anticipated.

The NJBIA survey also finds that many businesses are sour on New Jersey's business climate. Only 19 percent say New Jersey is a good place for expansion of their facilities, near a record low. And most give New Jersey poor marks compared to other states for its business attraction and retention policies. They also said the high overall cost of doing business in this state is one of their top three problems.

These findings certainly explain why employers are creating more jobs in other states than they are in New Jersey. It's vital that we pay close attention to what the state's businesses are telling us. ❧