New Jersey's business outlook is the best in many years – sales, profits and hiring on the upswing.

By Christopher Biddle, Special to New Jersey Business magazine

Summary of Findings

Four years since the recession bottomed out in 2009, business confidence has reached the highest level in many years as measured by the New Jersey Business & Industry Association’s (NJBIA) annual Business Outlook Survey.

The outlook among individual companies for their own sales, profits and employment – after making steady improvement over the previous three survey years – is back to more positive pre-recession levels, the Association’s 55th annual survey finds.

The nearly 1,200 New Jersey businesses participating in the survey are not only more optimistic about their own companies’ prospects, but they are also the most positive in 16 years in the near-term outlook for the state economy.

New Jersey businesses also expressed great concern about the continuing escalation in the cost of health insurance and the impact of the Affordable Care Act.

Thirty-five percent of businesses expect business conditions in New Jersey to improve over the next six months, while 17 percent expect them to worsen, leaving a net 18 percent expecting improvement. This is the most positive near-term outlook for the state economy in 16 years.

The survey also finds employers in a more expansive hiring mood, with 26 percent planning to hire additional workers in the year ahead and just 9 percent anticipating workforce reductions. This is the most robust hiring outlook of the past nine years.

Survey participants’ positive views of the state’s business cli-
mate remain stable after making substantial improvement in the first three years of the Christie administration. Health insurance costs remain the top challenge facing most businesses, followed by the overall cost of doing business in New Jersey and property taxes.

Businesses also continued to give record-high marks to Governor Christie.

NJBA’s 55th annual Business Outlook Survey was conducted in September 2013. It was sent to a broad sample of the Association’s 21,000 member companies. (See ‘About this Survey’ on the last page of this report.)

Sales
The outlook for sales has brightened for the fourth year in a row among New Jersey employers, an outlook backed by a steady improvement in actual sales over the previous four years.

In the current survey, 57 percent said they expect the dollar-volume of their company sales to increase in the year ahead, up from 49 percent last year and a recession low of 40 percent in the 2010 outlook survey.

The net percentage of employers anticipating a sales increase has risen even more dramatically. While 57 percent expect sales to increase in 2014, 15 percent anticipate a decline, leaving a net positive outlook of +42 percent. Four years ago, the net percentage of companies expecting sales to rise was +9. (See Figure 2) As measured by this survey, this is the most positive sales outlook of the past 14 years.

This brighter outlook for sales coincides with an improvement in actual sales over the previous four years.

Sales increased for 47 percent of companies in 2013, but declined for 31 percent. The net percentage of businesses seeing an increase in sales, therefore, was +16 percent. This is up from a net 6 percent of businesses reporting a sales increase the year before. Between 2008 and 2011, more companies reported declining sales than reported rising sales. In 2009, for example, at the bottom of the recession as measured by this survey, 72 percent said sales had fallen while only 17 percent said sales had increased, leaving a net negative of -54 percent for the survey’s actual sales indicator.

Profits
The outlook for profits – and actual profitability – among individual com-
panies has improved steadily over the past four years.

In the current survey, 52 percent of companies said they expect profits to rise in the year ahead, versus 18 percent who expect profits to decline. The net percentage expecting profits to improve, therefore, is +34 percent, up from +23 percent last year. This is the highest level of profit expectations since the recession. (See Figure 3)

Forty percent of respondents said their profits increased in 2013, but 37 percent said profits declined. Therefore, the net percentage of companies enjoying higher profits over the past year was +3 percent. In the previous five years (2008-2012), the survey’s current profitability indicator was negative, hitting a low of -54 percent in 2009 before improving steadily to current levels.

**Purchases & Pricing Power**

As the sales and profits of individual companies have risen, so too has their ability to spend more.

Forty-seven percent of survey participants anticipate spending more on purchases in the year ahead, while 17 percent anticipate spending less. The net percentage expecting to spend more in 2014, therefore, is +30 percent. This is the most positive spending outlook of the past 13 years.

Actual spending levels in 2013 also improved from the previous year. Forty-two percent of employers spent more in 2013 than they spent in 2012, while 29 percent spent less. This means a net +13 percent spent more – the highest level of the past seven years and the first positive level in six years.

The percentage of survey participants raising prices for their primary products and services has reached the highest level of the past five years.

Thirty-four percent raised prices in 2013, up from 27 percent the year before and a five-year low of 19 percent...
in 2009. Conversely, a smaller percentage of companies are lowering prices. Eleven percent of survey participants cut prices in 2013, compared with 15 percent last year and 35 percent in 2009. The remainder of companies surveyed (56 percent) did not change their prices in 2013.

**Employment**

An important sign of a growing economy is the willingness of businesses to hire additional workers. The current survey finds employers in the most expansive hiring mood of the past nine years.

Twenty-six percent of companies anticipate hiring additional employees in the year ahead, while 9 percent expect to reduce staffing. The net percentage of companies in a hiring mood, therefore, is +17 percent. The remainder of respondents (65 percent) expect to keep employment at current levels.

At +17 percent, the net employment outlook is up from +8 percent last year and +2 percent the year before that. (See Figure 5)

This year’s more positive employment outlook follows six years in which actual hiring activity, as measured by this survey, was negative or flat.

In 2013, 20 percent of employers reported hiring additional workers while 20 percent reported making cuts. The remainder (60 percent) kept employment stable.

In the previous five years (2008-2012), net hiring activity was negative, hitting a low of -40 percent in 2009, but steady improvement has been seen since then.

(See Figure 4 for details on the outlook of individual companies for their sales, profits and employment in the year ahead.)

**Outlook for Economy & Industries**

As business conditions have improved, as measured by this survey, companies have taken a more optimistic view of the broader economy. The current near-term outlook for the state and national economies is at the highest level in many years.

Thirty-five percent of respondents expect the state economy to improve over the next six months, while 17 percent expect it to worsen. A net 18 percent of companies, therefore, expect improvement, up from +4 percent last year. (See Figure 6)

This is the highest level of the past 16 years, and it marks only the second time in nine years that survey participants have been more optimistic than pessimistic in their short-term outlook for New Jersey.

Businesses are similarly more optimistic in their outlook for the US economy, as shown in Figure 6.

The outlook for companies’ own industries has improved as well. The net percentage of companies expecting conditions to improve in their own industries over the next six months is +18 percent. This is up from +3 percent last year and is the most positive outlook of the past nine years.

Survey participants also find themselves in a better place in the economic cycle. Seventy percent said their industries are in an expansion phase, with 50 percent saying their industries are “moving from recession to expansion” and 20 percent saying their industries are “expanding.”

Thirty-percent said their industries are on the downside of the economic cycle, with 26 percent saying they are “in recession” and 4 percent “moving from expansion to recession.”

The net percentage of companies reporting their industries to be in an expansion phase, at +40 percent (70 percent expanding minus 30 percent receding), is now at the highest level of the past 14 years, matching the level found in the 2005 outlook survey.

**Outlook by Major Industry**

The outlooks for virtually all major industries have reached the most positive levels since the 2009 survey, which was conducted at the recession bottom. (See Figure 7)
The biggest improvement can be seen in the commercial and residential construction industries. There, the outlook has swung to a positive after 5 years in which it was negative or flat.

A net +25 percent of companies in the housing construction industry expect conditions to improve over the next six months. This is up from a net negative outlook of -15 percent in the previous survey. A net +28 percent of companies in the commercial construction industry anticipate better times ahead, up from -3 percent in the previous survey.

The outlook for manufacturing has also brightened, with a net +25 percent of companies in the durables subsector and a net +16 percent in the nondurables subsector expecting conditions to improve over the next six months. In the previous five years, the manufacturing outlook was mostly flat to negative.

The outlook is also positive – as well as much improved – in the finance, insurance and real estate (net positive outlook of +22 percent), services (+27 percent), transportation (+23 percent) and wholesale (+20 percent) industries.

### Challenges

Health insurance costs were identified as the top concern from a list of 12 concerns, with 71 percent of employers saying it was their first, second, third or fourth worst concern. Ranked second (67 percent) was the overall cost of doing business in New Jersey, and ranked third (63 percent) was property taxes.

### Property Taxes

Although property taxes remain a top concern among survey participants, property-tax inflation, as measured by this survey, remains fairly well contained for a third consecutive year.

Thirty-two percent of businesses expect their property tax bills to remain at current levels or decrease in the year ahead. This is the third largest percentage of businesses expecting their local tax bills to fall or remain stable over the last 12 survey years. It is also little changed from the levels seen in the 2012 and 2013 outlook surveys, when 34 percent and 36 percent of businesses, respectively, had this expectation.

Sixty-eight percent of businesses expect their property taxes to rise in 2014, with most (57 percent of respondents) expecting them to rise by 1 percent to 5 percent, in line with the 17-

---

*The “net outlook” is calculated by subtracting the percentage of companies expecting conditions to worsen from the percentage anticipating conditions to improve over first six months of the year ahead. Changes are calculated before rounding. Totals may not equal 100 percent.
year average for these data points.

Those expecting their tax bills to rise by 6 percent or more are little changed at 11 percent of survey participants, the second lowest level since hitting a high of 27 percent in the 2007 outlook survey. The lowest level was 10 percent, recorded in last year’s survey.

Wages
Fifty-three percent of companies gave pay raises to their employees in 2013, up from 49 percent in 2012 and the highest level for this survey’s wage indicator since 2009 when only 31 percent gave pay raises. In each of the five years preceding the recession (2003-2007), 70 percent of employers on average gave pay raises.

The outlook for pay raises in the year ahead is more positive. Fifty-seven percent of survey participants said they planned to give pay raises in 2014, compared with 55 percent who had planned to give raises the year before.

Of those planning to hand out pay increases in 2014, 44 percent of businesses plan to give raises in a range of 1 percent to 3 percent and 11 percent of businesses in a range of 4 percent to 5 percent. Two percent plan to give raises of 6 percent or more. (See Figure 8)

Rating Schools
Survey participants were also asked from which schools they would be most likely to recruit new employees, based on the quality of job applicants.

State colleges and universities received the top rating. Forty-two percent of employers said they would be very likely to recruit from these educational institutions, and 33 percent said they would be somewhat likely, for a total positive score of 75 percent.

County vocational-technical schools and the state’s 19 community colleges came in second as potential sources of recruitment.

Thirty percent of employers said they would be very likely, and 45 percent somewhat likely, to recruit from county vo-tech schools, for a total positive score of 75 percent.

Twenty-seven percent said they would be very likely, and 49 percent somewhat likely, to recruit from county-based community colleges, for a total positive score of 76 percent.

Public schools came in fourth with a total positive score of 64 percent (26 percent very likely + 38 percent somewhat likely), followed by private training institutes with a total positive score of 63 percent (21 percent very likely + 42 percent somewhat likely).

Private high schools came in last with a total positive score of 50 percent (17 percent very likely + 34 percent somewhat likely). Private colleges and universities were not included in the rankings.

Rating Governor Christie
Governor Chris Christie was given high marks for the fourth year in a row, making him by far the most popular Governor with business since this question was first asked in 1991.

Seventy-five percent of businesses said Governor Christie was doing a good-to-excellent job, up from 73 percent in the previous survey and 74 percent in the first two years of his administration.

New Jersey Business Climate
When asked how New Jersey rates as a place for expansion of their business facilities, companies gave the state better marks for the third year in a row.

Twenty-five percent said the state was good or very good as a place for business expansion, up from 22 percent in the previous survey, 18 percent the year before that, and 9 percent
three years ago. Another 53 percent said New Jersey was fair or average.

Only 22 percent said New Jersey was poor as a business expansion site, down from a high of 52 percent holding this negative view four years ago.

**New Jersey Compared**

When asked how New Jersey compares to other states on a variety of issues of concern to business, a majority of survey participants said it is the same as or better than other states in: the quality of its public schools; the quality of its workforce; protecting the environment; as a place to live; promoting economic development; controlling energy costs; and its attitude toward business.

Over the past four years, New Jersey has made the most improvement in the eyes of business in its attitude toward business, controlling energy costs and promoting economic development.

Survey participants said New Jersey is about the same as other states in attracting new business, timely issuance of permits and controlling government spending. The state’s ability to attract new business and control government spending has made the most improvement in this regard over the past four years.

More than half of respondents said New Jersey is worse than other states in controlling labor costs, regulatory compliance costs and healthcare costs.

**Conclusion**

NJBJA’s 2014 Business Outlook Survey finds New Jersey businesses to be the
most optimistic in many years in their outlook for the state economy and their own sales, profits and employment.

The economy’s four-year climb to current levels, as measured by this survey, has been built on the back of difficult times in a slow and uncertain economy.

In particular, the outlook for sales has brightened for the fourth year in a row among New Jersey employers, an outlook backed by a steady improvement in actual sales over the previous four years. Also, the profit outlook for 2014 has reached its highest level since the recession.

There is also clear, continuing concern about the rising cost of providing health insurance to employees and about the impact of the Affordable Care Act.

One can conclude, however, that ground-level business conditions have improved for a fourth consecutive year following the worst recession since the Great Depression. At the same time, the business outlook is now at some of the most positive levels of the past 10 years or more.

Given that this has been a slow recovery, the odds are that the findings of this survey, barring any unforeseen financial or economic adversity, signal continued steady growth in 2014.

**About this Survey**

NJBA’s 2013 Business Outlook Survey questionnaire was sent to a broad sample of the Association’s 21,000 member companies in September 2013. The responses are based on the first 1,175 valid responses, yielding a valid response rate of 8.4 percent.

Most respondents were small businesses, with 77 percent employing 1 to 24 employees; 10 percent 25 to 49 employees; 6 percent 50 to 99 employees; and 8 percent 100 employees or more.

Responses came from businesses in all 21 New Jersey counties. Every major industry sector was represented, with 32 percent of respondents in diverse service industries, 17 percent in manufacturing, 18 percent in construction, 6 percent in finance/insurance/real estate, 7 percent in wholesale, 6 percent in retail, 6 percent in healthcare, 3 percent in transportation and 5 percent in other industries. NJB

**Editor’s Note:**

The report was prepared by survey consultant Christopher Biddle, retired NJBA vice president of Communications. The complete results for any single survey question may equal slightly more or less than 100 percent due to calculations made before rounding. Any reference to “companies” or “businesses” or “employers” in this text refers to survey participants.

---

**New Jersey’s Top Leaders to be Inducted into the 2014 New Jersey Business Hall of Fame™**

Amy B. Mansue, president and CEO of Children’s Specialized Hospital; Peter Cocoziello, president and CEO of Advanced Realty; and Tom Bracken, president and CEO of the New Jersey Chamber of Commerce are being honored on April 3rd at the 12th Annual New Jersey Business Hall of Fame™ (NJBHOF) for their outstanding contributions in business excellence, innovative leadership and community involvement.

The event is New Jersey’s premier platform in acknowledging the state’s “ultimate” role models and benefits Junior Achievement of New Jersey, a statewide educational nonprofit that empowers young people to own their economic success through a network of thousands of business and community leaders. The organization’s 21st century learning programs serve as a no-cost solution to New Jersey schools that help students meet state standards and graduation requirements, while preparing them to become our future generation of leaders.

Barbara Koster (center), senior vice president and chief information officer of Prudential Financial, Inc., was among three business executives inducted into Junior Achievement’s New Jersey Business Hall of Fame in 2013.

To attend the event and pay tribute to the 2014 Laureates, contact Sandra Quick at 609.419.0404 x103 or sqquick@ja.org. Visit www.janj.org. NJB