

From Prelude to Crescendo: CPAs and Bank Executives Track the Performance of New Jersey's Ailing Economy

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The recovery from this recession may not feature the kind of job growth we have seen in past turnarounds.

OMMERCE ASKED CPA FIRM AND BANK EXPERTS to analyze the New Jersey and U.S. economies for 2010-2011. Here are their predictions, observations and recommendations for the near term.



Amper Politziner & Mattia LLP (now EisnerAmper LLP)
*By Milton E. Kahn CPA,
Partner-in-Charge*

We have a significant fiscal crisis in New Jersey: as of this writing a \$10.9 billion deficit on a \$29.3 billion budget. The NJ economy can start to see a difference if the Cap 2.5 is passed. The Cap 2.5 is a proposed NJ constitutional amendment that will cap property tax increases and discretionary spending at 2.5 percent; it also contains a toolkit of 33 specific legislative reforms on collective bargaining, civil service, healthcare, education and pensions. In the long run, this can benefit New Jersey like it did Massachusetts. State spending has been excessive and this is potentially a way to control it. Although the recent economic environment has proven to be the worst financial crisis since the Great Depression, I am optimistic there is light at the end of the tunnel. The economic turmoil has shown us all that strategic changes need to be made if we plan on rebounding. The days of frivolous loose spending cannot continue when unemployment rates are so high and, the housing market has bottomed out, in addition to many other crises.



Bederson & Company LLP
*By Steven Bortnick, CPA,
Partner*

Although the economic climate seems to have stabilized compared to a year ago, businesses should always be concerned about another downturn's effect on profits and cash flow. Such concerns extend to their supporting financial institutions' willingness to lend or even their ability to survive. 2011 looks to be a year of uncertainty regarding federal and state taxes as governments continue to struggle with competing goals of balanced budgets and economic stimulus. The federal healthcare initiative will affect

everyone as healthcare providers, insurance companies, and employers react to changing coverage mandates. It is uncertain if universal coverage will unintentionally cause healthy individuals and businesses to drop plans and pay penalties rather than rising premiums; if healthcare providers stop accepting such plans; or if more covered participants create economies of scale for insurance companies and more patient volume for providers. Clearly New Jersey's budget cutbacks will impact companies supplying goods or services to schools, libraries and other governmental units. The unknown is the private sector's response to various stimulus programs.



Columbia Bank
*By E. Thomas Allen, Jr.,
Executive Vice President and
Chief Financial Officer*

The U.S. economy should grow at a slightly "above trend" rate during the remainder of 2010 and 2011. From a historical standpoint, this would be a relatively weak "post-recession" rate of growth pattern recognizing the economy still faces considerable headwinds that will prevent a faster pace of growth. These headwinds include a consumer that is more focused on repairing net worth (lost in the equity markets and the bursting of the real estate bubble) leading to higher rates of savings and lower consumer spending. Additionally, businesses—especially small businesses—face an uncertain business climate and the likelihood of higher taxes, higher healthcare costs and more government regulations. The New Jersey economy faces similar headwinds with an unemployment rate near the national average but, unlike the federal government, the state must try to operate with a balanced budget. The state's fiscal problems will mean a contraction in public-sector spending by state and municipal governments, along with the private sector businesses that support these entities. Specifically, I expect: an average GDP growth in the 3 percent to 3.5 percent range; a trend toward a faster pace of job growth during the second half of 2010; and unemployment should continue to fall from its current level, but at a stubbornly slow pace.

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