



# SOUTH JERSEY BUSINESS SURVEY

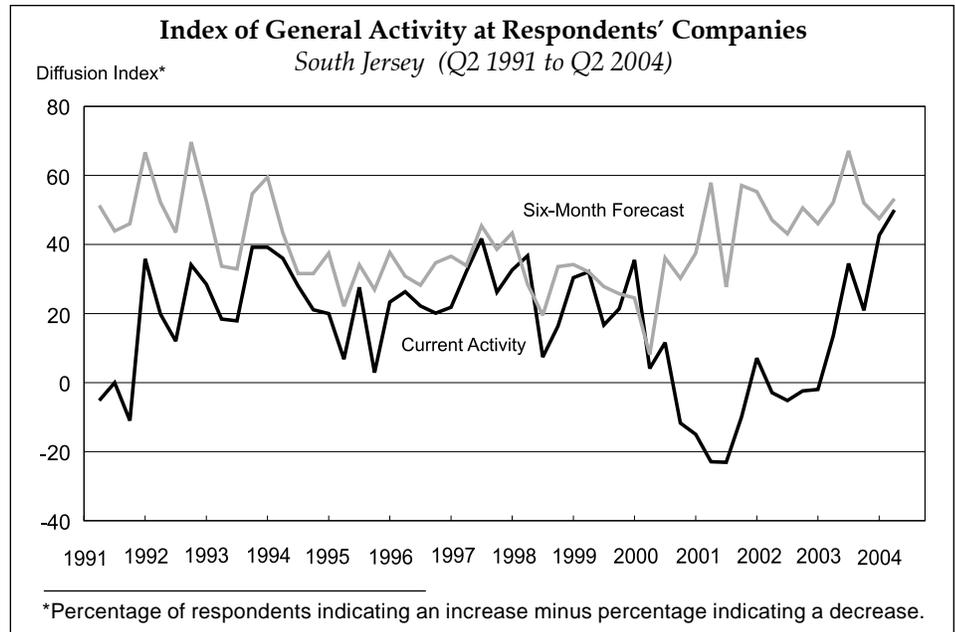
## Second Quarter 2004

Firms in the South Jersey region indicated a pickup in business during the second quarter. There was growth in overall activity and in sales. In addition, more than one-quarter of the respondents to the second-quarter survey reported hiring additional workers during the period. Firms also reported higher costs of doing business. The outlook for business conditions over the next six months remains favorable and has improved slightly from the first quarter.

### Current Indicators Show Improvement Again

The index of general business activity at individual companies improved from 42.6 in the first quarter to 50 in the second quarter. The index has increased 29 points over the past two quarters (see chart). Sixty-three percent of firms indicated increases in business activity in the second quarter, up from 56 percent in the first quarter. The survey's indicator for sales rose significantly, from 32.8 in the first quarter to 48.4. These responses are the highest in the history of the survey, indicating widespread growth among the region's businesses.

Firms also perceive that the economies of the region, state, and nation are improving. Sixty-six percent indicated that they saw improvement in the U.S. economy in the second quarter. About 60 percent noted improvement in the state and region.



Employment indicators also showed improvement this quarter, with the overall employment index increasing about six points. The percentage of firms reporting increased employment (27 percent) was higher than the percentage reporting lower employment (7 percent) for the fourth consecutive quarter. In response to a special question this quarter, half of the respondents indicated that within the past three months they have had to increase wages or wage offers to retain or attract workers (see Special Questions). Of those who reported higher wages were necessary, over half said that the increase was less than 4 percent.

### Higher Costs and Prices Are Reported

About 47 percent of the firms polled indicated that the costs of raw materials were higher in the second quarter—about the same percentage as in the first quarter. The prices paid index increased only two points from the first quarter but reached its highest level in the history of the series. Although 53 percent of the firms reported no change in prices of their own products during the second quarter, the percentage reporting increases (34 percent) was significantly higher than the percentage reporting decreases (8 percent).

Firms' expectations for price increases over the next six months

jumped as well. The future prices paid index increased nine points, but the future prices received index increased nearly 21 points.

### Outlook Remains Favorable

Almost 60 percent of the responding firms expect increases in the level of general business activity at their respective companies over the next six months. The future general activity index also increased modestly, from 47.5 to 53.2 (see chart). Other indexes of future activity reflect a similar degree of optimism. The future sales index increased nine points, and 60 percent of the firms expect increases in sales. Thirty-nine percent expect to increase employment, and the future employment index increased about six points.

### Summary

The second-quarter survey suggests continued expansion in the region's

### Special Questions (Second Quarter 2004)

In the past 3 months, have you had to increase wages or wage offers to retain or attract new workers?

	Percentage
Yes:	50.0
No:	50.0
<b>Total</b>	<b>100.0</b>

If yes, by how much?

	Percentage
0-2%	9.7
2-4%	41.9
4-6%	25.8
more than 6%	16.1
No response	6.5
<b>Total</b>	<b>100.0</b>

economy. The indicators for general activity and sales showed a significant increase for the second consecutive quarter. Respondents also reported increases in employment and work hours during the quarter. Firms continued to

note increases in costs, but a growing share reported an increase in prices for their own products. Expectations remain generally optimistic about the prospects for growth in the remainder of the year.

### South Jersey Business Survey (Second Quarter 2004)

	Compared With 3 Months Ago				6 Months from Now			
	Lower	Same	Higher	Diffusion Index	Lower	Same	Higher	Diffusion Index
1. What is your assessment of the level of general business activity?								
1.1 in the nation?	4.8	29.0	66.1	61.3	1.6	40.3	53.2	51.6
1.2 in the state?	11.3	29.0	59.7	48.4	6.5	40.3	48.4	41.9
1.3 in the region?	9.7	29.0	61.3	51.6	4.8	38.7	51.6	46.8
1.4 at your company?	12.9	21.0	62.9	50.0	6.5	27.4	59.7	53.2
2. Please tell us how the following business indicators are behaving at your company?								
2.1 Sales (Manufacturers report shipments)	16.1	16.1	64.5	48.4	6.5	21.0	59.7	53.2
2.2 Inventories of the products you sell	14.5	38.7	19.4	4.8	4.8	40.3	21.0	16.1
2.3 Customer traffic or inquiries	16.1	37.1	45.2	29.0	6.5	30.6	50.0	43.5
2.4 Number of employees	6.5	62.9	27.4	21.0	6.5	41.9	38.7	32.3
2.5 Weekly hours	8.1	50.0	37.1	29.0	6.5	50.0	27.4	21.0
2.6 Prices actually received	8.1	53.2	33.9	25.8	4.8	50.0	32.3	27.4
2.7 Prices paid for raw materials (other than labor or energy)	1.6	19.4	46.8	45.2	1.6	25.8	35.5	33.9
2.8 Cost of Labor								
2.8.1 Wages	1.6	67.7	29.0	27.4	0.0	43.5	43.5	43.5
2.8.2 Benefits	1.6	56.5	38.7	37.1	0.0	46.8	41.9	41.9
2.9 Spending for:								
2.9.1 Acquisition of new space	12.9	64.5	16.1	3.2	9.7	56.5	16.1	6.5
2.9.2 Renovation of existing space	8.1	69.4	17.7	9.7	6.5	59.7	17.7	11.3
2.9.3 Equipment	8.1	59.7	29.0	21.0	6.5	53.2	25.8	19.4

1. The *South Jersey Business Survey* is conducted each quarter and is based on responses from members of the Chamber of Commerce of Southern New Jersey.

2. Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. Items may not add to 100 percent because of omission by respondents.