



SOUTH JERSEY BUSINESS SURVEY

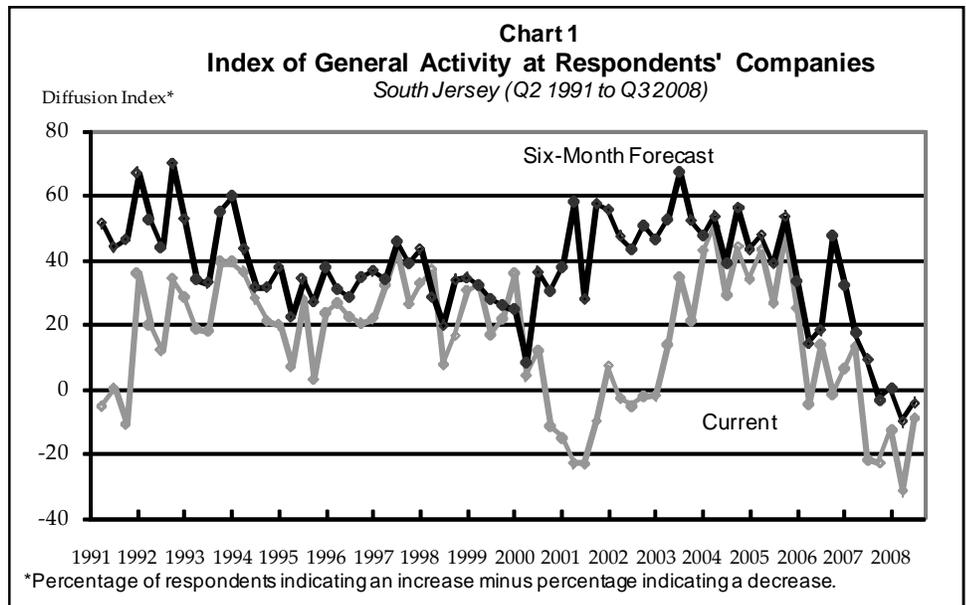
Third Quarter 2008

Firms in the South Jersey region reported continued contraction in business during the third quarter. Firms surveyed noted deterioration in overall business conditions as well as declines in sales and employment. Four in 10 firms reported higher business costs, but for the second consecutive quarter, more firms reported price declines for their own products than reported increases. Some firms reported that recent credit conditions were adversely affecting current business. The outlook for future business conditions at individual companies remained at depressed levels relative to recent surveys.

Indicators Remain Negative

The survey's broadest measure of performance, the index of general activity at individual companies, remained negative but increased from a record low of -31.4 in the second quarter to -8.9 in the third quarter. The index has remained negative for five consecutive quarters (see Chart). The percentage of firms reporting declines in business activity (36 percent) exceeded the percentage reporting increases (27 percent). The survey's sales index also remained negative but rose 23 points from its very low reading in the second quarter.

Firms' perceptions of the health of the regional, state, and national economies improved negligibly from the previous survey. The same percentage of responding firms (71 percent) saw deterioration in both the national and state economies in the third quarter (only a slightly lower



percentage believed the region's economy has deteriorated).

There was no overall growth in employment reported by the South Jersey firms polled: The percentage of firms indicating a decrease in employment in the third quarter (27 percent) was greater than the percentage reporting an increase (13 percent). The current employment index was negative for the second consecutive quarter.

Costs Increases Reported, But Firms' Own Prices Decrease

Economic weakness is having an impact on firms' prices received, despite continued cost increases. Forty-two percent of the South Jersey businesses surveyed indicated paying higher prices for raw materials and other purchased inputs in the third quarter; this is slightly lower than the 50 percent that reported higher

costs in the second quarter. Regarding prices received for their own products, however, the percentage reporting a decrease (29 percent) was significantly higher than the percent reporting an increase (9 percent).

Expectations Remain Depressed

South Jersey firms exhibited little optimism for future growth this quarter. Indexes measuring expectations for future growth suggest that firms remain generally pessimistic about the economies of the nation, region, and state. The index of future activity at individual companies also remained negative, although it increased from a reading of -10 in the second quarter to -4.4. The percentage of firms expecting deterioration in conditions for their own company (31 percent) continued to exceed the percentage expecting improvement (27 percent).

Firms remain generally pessimistic about employment growth over the next six months. The future employment index remained negative: The percentage of firms expecting lower employment over the next six months (20 percent) exceeded that of firms expecting higher employment (13 percent).

In special questions this quarter, firms were asked about problems related to the recent turmoil in credit markets (see Special Questions). Over 22 percent of the firms polled indicated that they had experienced problems obtaining credit to finance ongoing activities over the past month; however, a larger percentage of firms (36 percent) reported that their customers were having this problem. About 24 percent said credit problems had affected their sales. Firms were also asked if changes in financial conditions had prompted them to revise their planned capital spending over the next six months. About 70 percent said they have revised their spending plans downward (38 percent said "substantially"); only 3 percent indicated an upward revision.

Half of the firms reported that actual spending would be lower over the next six months compared to actual spending over the past six to 12 months. Only 8 percent expect to increase spending.

Summary

According to the latest survey, economic conditions in the nation, state, and region continued to weaken in the third quarter. Sales and employment indicators for the individual companies also suggest overall declines, although levels of indicators were less negative than in the previous quarter. A notable share of the firms indicated that credit conditions had adversely affected their businesses. Firms remained generally pessimistic about growth over the next six months: The percentage of firms expecting continued declines in activity is greater than the percentage expecting increases.

Special Questions (Q3 2008)		
1) In the last month have either your firm or your customers experienced problems obtaining credit to finance ongoing activities?		
	Your firm	Your customers
Yes	22.2%	35.6%
No	44.4%	22.2%
2) If yes, have the problems adversely affected levels of your sales, production, or inventories?		
Sales	24.4%	
Production	13.3%	
Inventories	4.4%	
Other	6.7%	
3) Have recent changes in financial conditions prompted your firm to revise its planned spending on new plant and equipment over the next six to 12 months?		
Substantial downward revision	37.8%	
Small downward revision	32.3%	
No change	27.2%	
Upward revision	2.7%	
4) Do you expect your firm's spending on new plant and equipment over the next six to 12 months to increase, decrease, or be about unchanged relative to your actual spending over the past six to 12 months?		
Decrease	50.0%	
No change	41.7%	
Increase	8.3%	

South Jersey Business Survey (Third Quarter 2008)	Compared with 3 Months Ago					Six Months From Now				
	Previous Diffusion Index	Lower	Same	Higher	Diffusion Index	Previous Diffusion Index	Lower	Same	Higher	Diffusion Index
1. What is your assessment of the level of general business activity?										
1.1 in the nation?	-72.9	71.1	22.2	2.2	-68.9	-32.9	55.6	22.2	13.3	-42.2
1.2 in the state?	-78.6	71.1	15.6	4.4	-66.7	-44.3	55.6	20.0	13.3	-42.2
1.3 in the region?	-74.3	64.4	22.2	2.2	-62.2	-35.7	48.9	24.4	13.3	-35.6
1.4 at your company?	-31.4	35.6	31.1	26.7	-8.9	-10.0	31.1	33.3	26.7	-4.4
2. Business indicators at your company:		Lower	Same	Higher	Diffusion Index		Lower	Same	Higher	Diffusion Index
2.1 Sales (or shipments for manufacturers)	-37.1	33.3	17.8	20.0	-13.3	-10.0	22.2	24.4	20.0	-2.2
2.2 Product inventories	-18.6	17.8	24.4	0.0	-17.8	-10.0	11.1	24.4	4.4	-6.7
2.3 Customer traffic/inquiries	-37.1	42.2	28.9	17.8	-24.4	-8.6	22.2	33.3	20.0	-2.2
2.4 Number of employees	-24.3	26.7	46.7	13.3	-13.3	-11.4	20.0	42.2	13.3	-6.7
2.5 Weekly hours	-12.9	28.9	42.2	15.6	-13.3	-7.1	24.4	37.8	13.3	-11.1
2.6 Prices actually received	-14.3	28.9	37.8	8.9	-20.0	2.9	20.0	40.0	11.1	-8.9
2.7 Prices paid for raw material (not labor or energy)	50.0	2.2	13.3	42.2	40.0	38.6	0.0	17.8	35.6	35.6
2.8 Cost of labor:										
2.8.1 Wages	17.1	13.3	51.1	22.2	8.9	15.7	8.9	46.7	26.7	17.8
2.8.2 Benefits	38.6	15.6	35.6	31.1	15.6	38.6	4.4	31.1	42.2	37.8
2.9 Spending for:										
2.9.1 Acquisition of new space	-1.4	15.6	31.1	13.3	-2.2	-2.9	11.1	33.3	13.3	2.2
2.9.2 Renovation	0.0	17.8	24.4	15.6	-2.2	4.3	20.0	26.7	11.1	-8.9
2.9.3 Equipment	1.4	22.2	24.4	17.8	-4.4	8.6	17.8	28.9	15.6	-2.2
1. The <i>South Jersey Business Survey</i> is conducted each quarter and is based on responses from members of the Chamber of Commerce of Southern New Jersey.										
2. Diffusion index represents the percentage of respondents indicating an increase minus the percentage indicating a decrease. Items may not add to 100 because of omission by respondents.										