



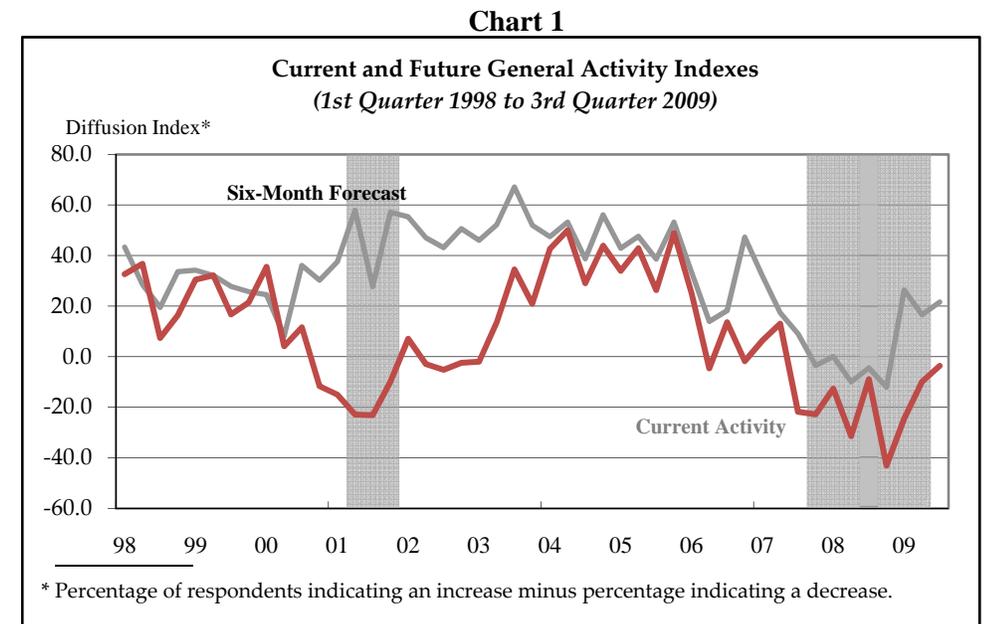
# SOUTH JERSEY BUSINESS SURVEY

## Third Quarter 2009

Firms in the South Jersey region reported declines in business growth during the third quarter, but the pace of declines moderated compared with earlier quarters. Employment trends, however, showed less dramatic improvement, with over one-third of the firms surveyed still reporting declines in employment in the third quarter. Although firms, on balance, expect improvement in business over the next six months, they also expect continuing employment losses.

### Current Indicators Suggest Smaller Overall Declines

The survey's broadest measure of performance, the index of general activity at individual companies, improved from a reading of -9.9 to -3.6. Although still negative, this is the highest level that this index has reached since the second quarter of 2007 (see Chart 1). Since the third quarter of 2007 (just before the start of the current recession), the index has remained negative, thus indicating overall decline. The percentage of firms reporting lower levels of business activity in the third quarter (36 percent) was greater than the percentage reporting higher levels (32 percent). The survey's indicator for sales also remained negative and edged higher, from -14.6 to -7.2 (see Chart 2). A significant share of firms also shed



inventories over the quarter: 31 percent of firms reported declines and only 5 percent reported an increase in inventories.

Improvement in the survey's broad indicators, including sales, did not carry over to employment, however. Firms continue to report employment losses, and the current employment index remained significantly negative, although it increased from its historical low reading of -31.8 in the second quarter to -26.6 in the third quarter (see Chart 2). Only 8 percent of the firms reported an increase in employment, while 35 percent reported decreases in employment.

### Price Reductions Are Widespread While Cost Pressures Lessen

Reductions in product prices were reported to be widespread during the third quarter, continuing the trend of previous quarters. For the sixth consecutive quarter, the percentage of firms reporting price decreases (33 percent) was greater than the percentage reporting increases (8 percent). Cost pressures remain but have diminished somewhat. Sixteen percent of the South Jersey businesses surveyed reported higher prices for raw materials in the third quarter, and only 9 percent reported lower prices. The prices paid index for raw materials decreased six points.

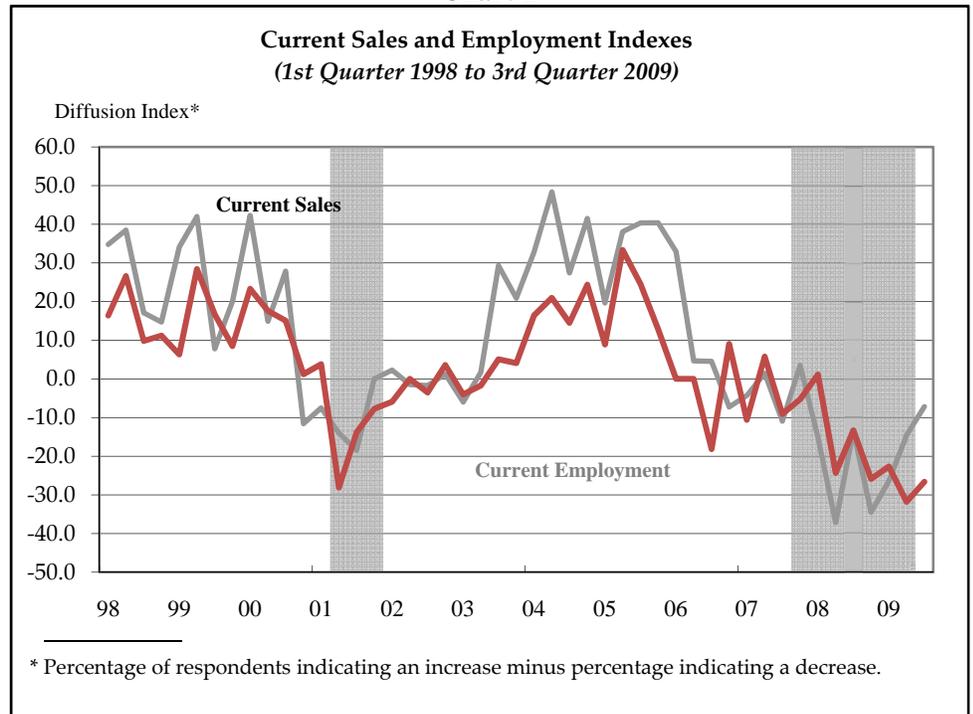
## Firms Expect Recovery, But Employment Will Continue to Decline

South Jersey firms remain relatively optimistic about the future in this quarter's survey. The index of future activity at individual companies remained positive and increased from 16.6 in the second quarter to 21.6 (see Chart 1). The percentage of firms expecting conditions to improve over the next six months (40 percent) exceeds the percentage expecting deterioration (18 percent). More firms believe that sales will grow over the next six months (30 percent) than believe that sales will decline (20 percent).

An improvement in the outlook was also evident in the firms' responses regarding the outlook for the region. The future general activity index for the region increased 16 points from -5.3 to 10.8, its first positive reading since the fourth quarter of 2006.

But firms remain pessimistic about expansion of employment over the next six months. For the seventh consecutive quarter, the percentage of firms expecting to decrease their payrolls over the next six months (23 percent) was larger than the percentage expecting to increase them (17 percent). The improvement in the future employment

Chart 2



index (it increased 5 points from its reading in the second quarter) suggests that firms believe the rate of decline may diminish.

### Summary

According to the latest *South Jersey Business Survey*, economic conditions in the region continued to decline in the third quarter but at a more moderate pace than in previous quarters. The survey's activity and sales indicators

for individual companies continued to suggest marginal declines. Among the polled firms, employment losses continued to be widespread and did not show the same moderating trend as the other indicators. Firms are cautiously optimistic about future business growth but expect employment losses to continue, although they believe losses will begin to moderate over the next six months.

### South Jersey Business Survey (Third Quarter 2009)

	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 region?	<b>-41.1</b>	37.4	40.3	19.4	-18.0	<b>-5.3</b>	21.6	43.2	32.4	10.8
1.2 at your company?	<b>-9.9</b>	36.0	30.9	32.4	-3.6	<b>16.6</b>	18.0	39.6	39.6	21.6
2. Specific company performance measures:		Lower	Same	Higher	Diffusion Index		Lower	Same	Higher	Diffusion Index
2.1 Total sales	<b>-14.6</b>	33.8	23.0	26.6	-7.2	<b>11.9</b>	20.1	33.8	29.5	9.4
2.2 Big ticket sales	<b>-24.5</b>	37.4	20.1	14.4	-23.0	<b>-9.9</b>	22.3	31.7	19.4	-2.9
2.2 Product Inventories	<b>-9.9</b>	30.9	20.1	5.0	-25.9	<b>-13.2</b>	18.0	31.7	0.0	-18.0
2.4 Number of employees	<b>-31.8</b>	34.5	46.0	7.9	-26.6	<b>-10.6</b>	23.0	48.9	17.3	-5.8
2.6 Prices actually received	<b>-18.5</b>	33.1	46.0	7.9	-25.2	<b>-5.3</b>	23.0	54.0	9.4	-13.7
2.7 Prices paid for raw material (not energy)	<b>12.6</b>	9.4	41.7	15.8	6.5	<b>7.3</b>	5.8	44.6	18.7	12.9

- 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.
- The diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. Items may not add to 100 because of omission by respondents.