



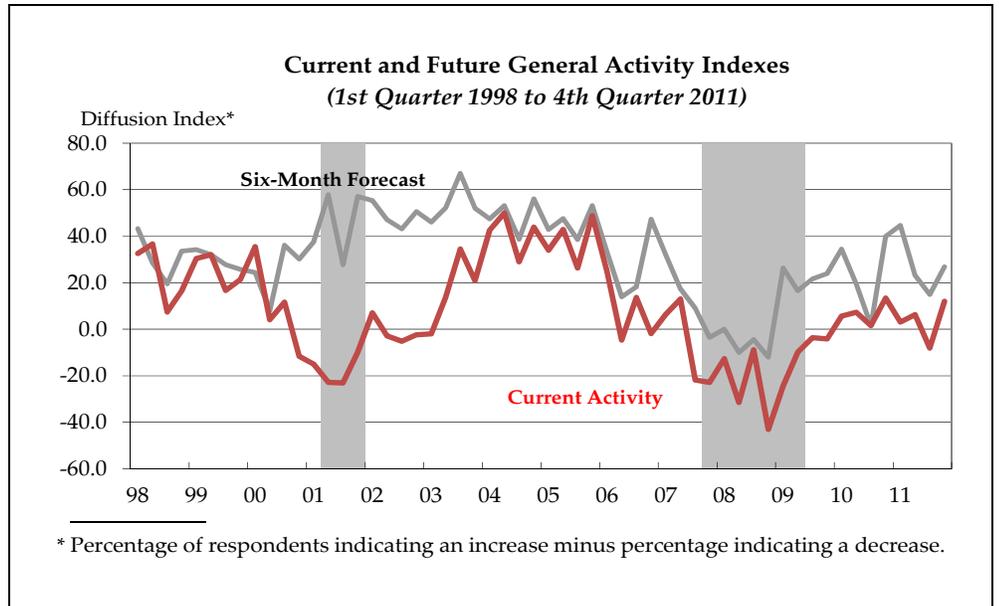
SOUTH JERSEY BUSINESS SURVEY

Fourth Quarter 2011

Firms in the South Jersey region reported a pickup in business activity within their companies during the fourth quarter. They also perceived some improvement in the region's economy. Employment among the firms polled showed overall increases for the quarter, which is an improvement over the previous survey. Firms, on balance, expect increases in business over the next six months, and most six-month indicators showed notable improvement from the third quarter.

Current Indicators Suggest Modest Increases in the Fourth Quarter

The survey's broadest measure of performance, the index of general activity at individual companies, increased from a reading of -8.1 in the third quarter to 11.9 in the fourth quarter (see Chart on this page). This is the highest reading of this index since the fourth quarter of 2010. The percentage of firms reporting higher levels of business activity in the fourth quarter (28 percent) was greater than the percentage reporting lower levels (16 percent). The survey's indicator for sales also moved higher, from -8.1 to 6.0, also reaching its



highest reading since the fourth quarter of 2010. Big ticket sales showed improvement as well: That index moved to its first positive reading since that question was initially asked in 2008.

The firms responding to the survey this quarter perceived overall improvement in the region's economy. The percentage of firms that believe regional business activity improved in the fourth quarter (31 percent) was greater than the percentage that believes activity deteriorated (24 percent). The general activity index for the region moved up to a positive reading, its first since the fourth quarter of 2010.

Survey responses suggest somewhat improved labor market conditions. The current employment index moved into positive territory, from -2.7 to 6.0, but remains at a relatively low reading. Although the share of firms that reported increases was relatively small (18 percent), it was still larger than the share reporting decreases (12 percent).

Firms Report Steady Prices

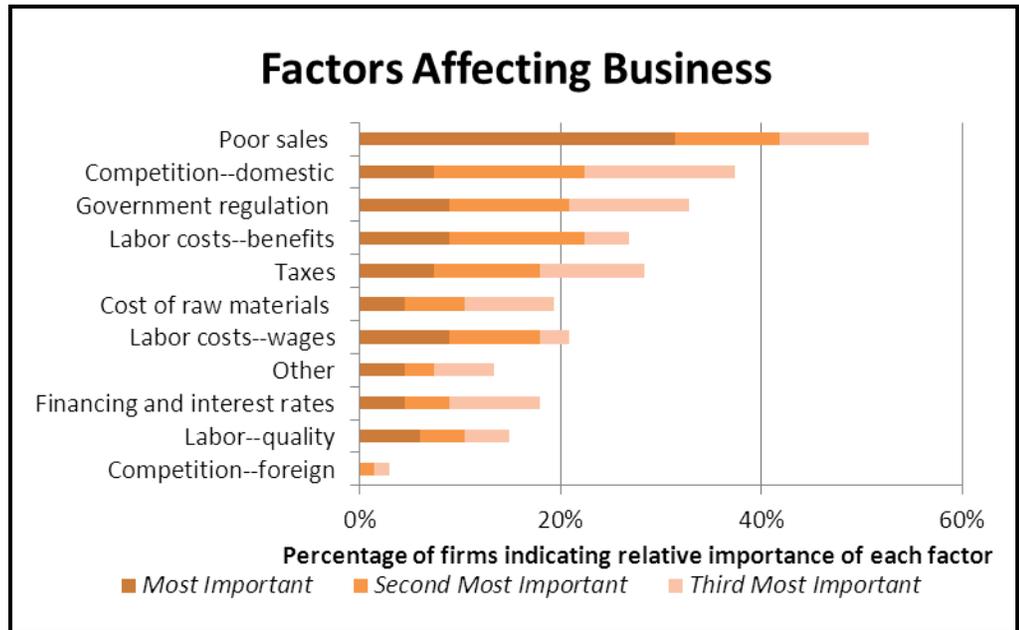
Prices for the firms' products were generally steady this past quarter, despite increased input costs. Fifty-seven percent of firms reported no change in product prices, while the percentage reporting price increases was identical to the percentage reporting price de-

creases (13 percent). A significant share of South Jersey businesses continued to report higher input prices during the fourth quarter: 24 percent versus only 2 percent that reported lower input prices.

Firms' Outlook Improves

South Jersey firms' outlook showed notable improvement this quarter. The index of future activity at individual companies remained positive and increased from a reading of 14.9 in the third quarter to 26.9 in the fourth (see Chart on page 1). The percentage of firms expecting conditions to improve over the next six months (39 percent) exceeded the percentage expecting deterioration (12 percent). The percentage of firms that believe sales will grow over the next six months (34 percent) was significantly higher than the percentage that believe sales will decline (12 percent).

The outlook for future employment was more favorable as well. The percentage of firms expecting to increase their payrolls over the next six months (22 percent) was slightly



greater than in the previous survey (16 percent). The future employment index increased from -5.4 to 7.5.

Firms were also asked to rank the most important problems they are currently facing in their businesses (see Chart on this page). In their rankings, by far the most important current problem was poor sales, followed by government regulation and labor costs (benefits and wages). Competition and taxes were also frequently cited problems among the respondents.

Summary

According to the latest *South Jersey Business Survey*, economic conditions in the region were improving at the end of 2011. Although indicators suggest a pace of growth that was greater than in the third quarter, firms cite poor sales growth as their top problem. Among the businesses polled, employment was slightly higher in the fourth quarter. Firms reported generally steady prices, but cost increases were still relatively widespread. Firms were notably more optimistic about growth, for their own business and the region, over the first half of 2012.

South Jersey Business Survey (Fourth Quarter 2011)

	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?	-27.0	23.9	40.3	31.3	7.5	-9.5	13.4	50.7	31.3	17.9
1.2 At your company?	-8.1	16.4	50.7	28.4	11.9	14.9	11.9	43.3	38.8	26.9
2. Specific company performance measures:										
2.1 Total sales	-8.1	19.4	46.3	25.4	6.0	6.8	11.9	44.8	34.3	22.4
2.2 Big ticket sales	-14.9	11.9	32.8	19.4	7.5	-8.1	10.4	28.4	22.4	11.9
2.3 Product inventories	-9.5	9.0	32.8	6.0	-3.0	-9.5	6.0	35.8	6.0	0.0
2.4 Number of employees	-2.7	11.9	61.2	17.9	6.0	-5.4	14.9	53.7	22.4	7.5
2.5 Prices actually received	-20.3	13.4	56.7	13.4	0.0	-8.1	9.0	46.3	26.9	17.9
2.6 Prices paid for raw material (not energy)	24.3	1.5	35.8	23.9	22.4	24.3	3.0	28.4	28.4	25.4

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. 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