



# SOUTH JERSEY BUSINESS SURVEY

## First Quarter 2005

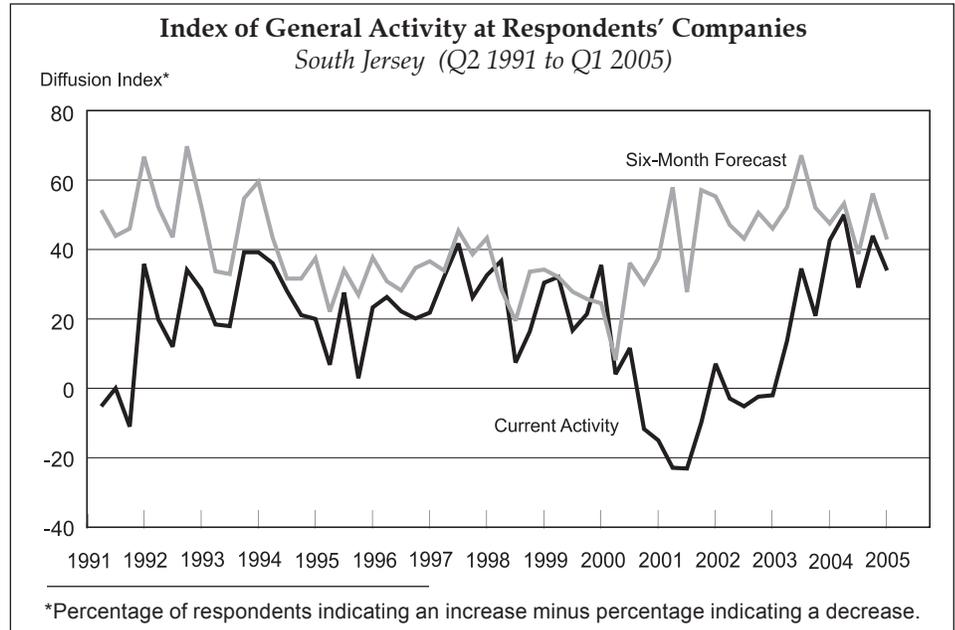
Firms responding to the *South Jersey Business Survey* reported that business activity continued to grow in the first quarter, but at a slower pace. Indicators for general business activity and sales at individual companies remained positive, although readings were lower than in the fourth quarter of last year. Participants in the quarterly survey also perceived that the economies of the nation, state, and region grew at a slower pace during the first quarter. In their opinion the slowdown in growth at the national and state levels was also greater than at their own firms. Indicators of business executives' expectations for the next six months suggest less optimism about business activity in that period.

### Current Indicators Suggest Slower Pace of Growth in First Quarter

The index of general activity at individual companies decreased from a high of 43.9 in the fourth quarter to 33.9 in the first quarter. The index has now remained positive for eight consecutive quarters (see Chart). Nearly 52 percent of the firms reported higher levels of activity during the first quarter; 18 percent reported lower levels.

The survey's indicator for sales also suggests a deceleration in growth this quarter, with the sales index decreasing 22 points, to its lowest reading in seven quarters. Forty-three percent of the firms reported increases in sales this quarter, compared to 51 percent in the fourth quarter. The percentage of firms reporting decreases in sales increased from 10 percent in the fourth quarter to 23 percent this quarter.

Firms perceived that the economies of the region, state, and nation grew more moderately in the first quarter, as shown by the corresponding indexes, which fell from their readings in the fourth quarter. Only 32 percent of the firms perceived



that economic activity increased in the U.S. during the first quarter, compared with 46 percent in the fourth quarter. The portion of firms that noted an improvement in the region's economy also dropped from 46 percent last quarter to 38 percent this quarter.

Evidence of slower growth was also seen in the firms' responses regarding employment growth this quarter. The diffusion index for current employment, although positive for the seventh consecutive quarter, fell 16 points. Twenty-five percent of firms reported higher employment during the first quarter, but this was down from 34 percent in the fourth quarter of last year.

In special questions, firms were asked about problems filling job openings in the first quarter. About 72 percent of the firms said they had had job openings over the past three months; 38 percent of these firms indicated that they filled those positions with temporary or contract workers (down only slightly from 42 percent one year

earlier). A little more than one-third of responding firms said they are planning to fill openings in the next six months with temporary or contract workers, about the same percentage that said so one year earlier.

### Firms Report Higher Costs

Many firms continued to report higher prices for raw materials (46 percent) in the first quarter. The prices paid index rose slightly from its relatively high reading in the fourth quarter. Costs of wages increased at 46 percent of reporting firms, and 48 percent of the firms reported higher benefits costs. But firms apparently are having a hard time passing on higher costs to customers: only 21 percent indicated higher prices for their own products, and 16 percent reported receiving lower prices for their products during the quarter.

### Six-Month Outlook Less Optimistic

The six-month outlook of the firms surveyed was less optimistic this quarter. One-half of the firms expect increases in

business activity over the next six months, but this is down from 61 percent in the fourth quarter. The index of future activity at individual companies edged down from 56.1 in the fourth quarter to 42.9 this quarter. Still, over 55 percent of the firms expect increases in sales over the next six months.

Firms were less optimistic about future increases in employment. The future employment index fell seven points. On balance, firms expect increases in weekly hours over the next six months.

### Summary

According to the latest survey, economic growth in the South Jersey region continued to grow in the first quarter, but at a slower pace. The survey's indicators for general business activity, sales, and employment remained positive but were at lower readings than in the fourth quarter. The survey's future indicators, reflecting respondents' outlook for the next six months, suggest that the region's economy will continue its expansion during that period, but growth may be at a slower pace than last year.

### Special Questions (First Quarter 2005)

#### 1. Have you had any job openings in the last three months?

	2005	2004
Yes	72.2%	78.9%
No	27.8%	21.1%

#### 2. What problems, if any, have you had filling job openings in the past three months?

	2005	2004
Lack of qualified applicants	55.6%	57.8%
Applicants' salary requirements too high	11.1%	26.7%
Applicants had other opportunities	24.4%	11.1%
Other	8.9%	4.4%

#### 3. Have you filled any recent openings with temporary or contract workers?

	2005	2004
No	62.3%	58.3%
Yes, to fill what are usually temp positions	13.2%	30.0%
Yes, not ready to take on permanent workers	15.1%	11.7%
Yes, could not find permanent workers	9.4%	0.0%

#### 4a. Do you expect openings in the next six months?

	2005	2004
Yes	82.1%	77.0%
No	17.9%	23.0%

#### 4b. Are you planning to fill any of them with temporary or contract workers?

	2005	2004
Yes	34.6%	35.1%
No	65.4%	64.9%

\*All comparisons are between first quarter 2005 and first quarter 2004.

### South Jersey Business Survey

(First Quarter 2005)

	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?	17.9	48.2	32.1	14.3	16.1	51.8	30.4	14.3
1.2 in the state?	16.1	53.6	28.6	12.5	14.3	57.1	28.6	14.3
1.3 in the region?	14.3	44.6	37.5	23.2	10.7	50.0	37.5	26.8
1.4 at your company?	17.9	26.8	51.8	33.9	7.1	41.1	50.0	42.9
2. Please tell us how the following business indicators are behaving at your company?								
2.1 Sales (manufacturers report shipments)	23.2	25.0	42.9	19.6	5.4	30.4	55.4	50.0
2.2 Inventories of the products you sell	7.1	37.5	19.6	12.5	14.3	37.5	14.3	0.0
2.3 Customer traffic or inquiries	10.7	42.9	39.3	28.6	5.4	48.2	39.3	33.9
2.4 Number of employees	16.1	55.4	25.0	8.9	10.7	42.9	42.9	32.1
2.5 Weekly hours	10.7	64.3	21.4	10.7	7.1	60.7	28.6	21.4
2.6 Prices actually received	16.1	51.8	21.4	5.4	10.7	55.4	25.0	14.3
2.7 Prices paid for raw materials (other than labor or energy)	5.4	25.0	46.4	41.1	0.0	28.6	50.0	50.0
2.8 Cost of labor								
2.8.1 Wages	1.8	46.4	46.4	44.6	0.0	39.3	55.4	55.4
2.8.2 Benefits	0.0	46.4	48.2	48.2	0.0	37.5	57.1	57.1
2.9 Spending for:								
2.9.1 Acquisition of new space	7.1	55.4	21.4	14.3	10.7	57.1	17.9	7.1
2.9.2 Renovation of existing space	7.1	57.1	23.2	16.1	8.9	55.4	25.0	16.1
2.9.3 Equipment	7.1	53.6	33.9	26.8	8.9	48.2	37.5	28.6

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.