



# SOUTH JERSEY BUSINESS SURVEY

## Third Quarter 2003

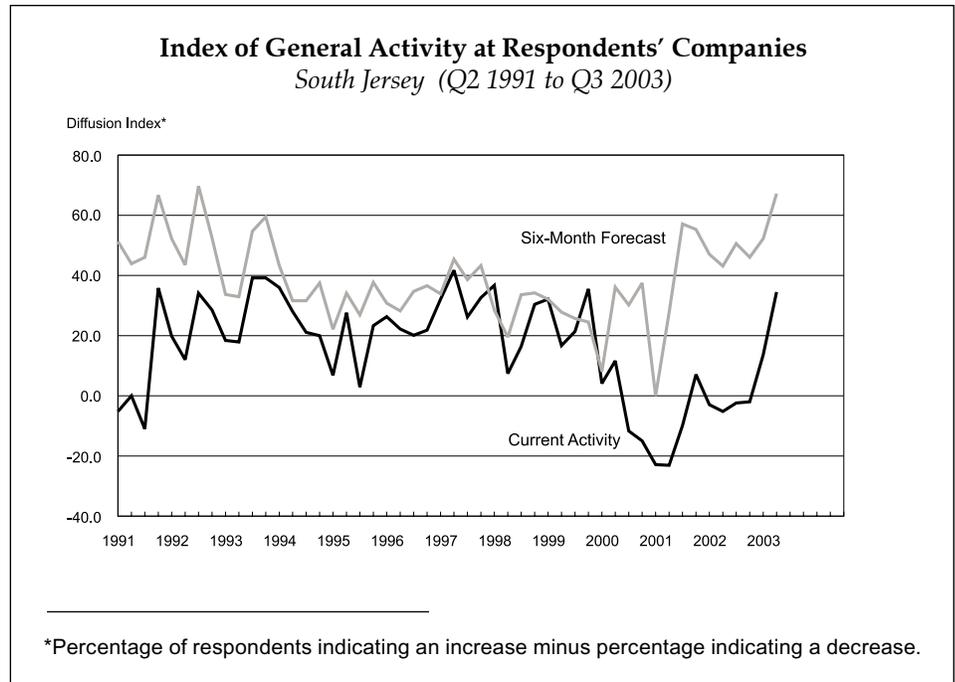
Firms responding to the *South Jersey Business Survey* indicated that business conditions improved significantly in the third quarter. Indicators for general business activity and sales at individual companies were up substantially from levels in the second quarter. Participants also perceived a turnaround in the overall economies of the nation, state, and region during the quarter. Indicators reflecting expectations for the next six months improved to near their highest readings in the 12-year history of the survey.

### Current Conditions Show Significant Improvement

The index of general business activity at individual companies improved from 13.6 in the second quarter to 34.5 in the third quarter (see Chart). This is the second consecutive positive reading and the highest level of the index since the first quarter of 2000. Over 48 percent of the firms surveyed reported increases in activity for the third quarter, compared with 39 percent who reported increases in last quarter's survey. The percentage of firms reporting declines dropped from 25 percent in the second quarter to 14 percent in the third quarter. The survey's indicator for current sales increased from 1.7 to 29.3, its highest reading in nearly four years.

Responses suggest that firms perceive the recovery in the economy is beginning to take hold. Over one-third of the respondents think that conditions in the U.S. economy improved in the third quarter; only 12 percent think that conditions deteriorated. Indexes for the U.S., state, and region increased significantly this quarter to their highest readings in five years.

Employment indicators improved moderately this quarter. The percentage of firms reporting higher employment in the third quarter (24 percent) exceeded the percentage reporting lower employment (19



percent). The current employment index increased from -1.7 to 5.1, its first positive reading in three quarters. Moreover, there was a notable rise in average hours worked; the average workweek index increased 16 points to its highest reading in more than three years.

### Firms Report Higher Costs

About 28 percent of the firms polled indicated that costs for raw materials were higher in the third quarter; only 2 percent indicated that they were lower. The prices paid index was little changed from its reading in the second quarter. Twenty-nine percent of the firms reported higher wage costs in the third quarter, and 45 percent reported higher benefits costs.

Although 60 percent of the firms in the survey reported no change in prices of their own products, almost 21 percent

reported higher prices, compared with 10 percent that reported lower prices. The prices received index rose from -6.8 to 10.4.

### Expectations Improve Significantly

The firms' outlook improved dramatically in this quarter's survey. The expectations indicators for the regional, state, and national economies rose to their highest readings since the period following the 1990-1991 recessions. The future general activity index for individual companies increased from 52.2 to 67.2, its highest reading since 1993 (see Chart). Nearly 66 percent of the firms expect an increase in sales in the next six months, and only 4 percent expect reductions.

In response to special questions this quarter, 40 percent of the firms indicated that they had increased their forecast for fourth quarter sales in the past few months. Over 26 percent of the firms forecast that sales will

**South Jersey Business Survey**  
Special Questions (Third Quarter 2003)

**1. In the past several months has your forecast for fourth-quarter sales:**

Increased	39.7%
Decreased	18.9%
Remained the same	41.4%
Total	100%

**2. What changes in sales do you expect in the fourth quarter?**

Decrease	12.3%
No change	29.9%
Increase 1-2%	17.5%
Increase 2-4%	14.0%
Increase 4-6%	12.3%
Increase > 6%	14.0%
Total	100%

**3. If increases occur, when will you need to hire additional workers?**

Q4 2003	19.0%
Q1 2004	34.5%
Q2 2004	36.2%
After Q2 2004	29.3%

Percentages for question 3 exceed 100 because firms could choose more than one quarter.

increase more than 4 percent in the fourth quarter (see Special Questions).

Employment forecasts also were markedly improved in this quarter's survey. Forty-three percent of the firms indicated they are expecting to increase employment over the next six months. In contrast, in the second quarter survey 31 percent expected to increase employment. Nineteen percent of the firms indicated that they would increase employment in the fourth quarter, but more than one third of the firms indicated that they would increase employment in the first or second quarter of next year.

**Summary**

According to results from the *South Jersey Business Survey*, economic conditions showed significant signs of improvement in the third quarter. The survey's broadest measure of business conditions was positive for the second consecutive quarter and increased markedly from the second quarter. Although overall employment growth in the quarter was modest, firms' outlook for employment over the next six months improved dramatically. Overall, expectations continue to improve, and the survey's six-month indicators reached their highest readings in 10 years.

**South Jersey Business Survey**  
(Third Quarter 2003)

	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?	12.1	50.0	34.5	22.4	5.2	27.6	62.1	56.9
1.2 in the state?	13.8	56.9	27.6	13.8	6.9	36.2	51.7	44.8
1.3 in the region?	12.1	58.6	27.6	15.5	5.2	36.2	51.7	46.5
1.4 at your company?	13.8	35.2	48.3	34.5	3.5	22.4	70.7	67.2
2. Please tell us how the following business indicators are behaving at your company?								
2.1 Sales (Manufacturers report shipments)	13.8	34.5	43.1	29.3	3.5	19.0	65.5	62.0
2.2 Inventories of the products you sell	17.2	37.9	10.3	-6.9	6.9	34.5	20.7	13.8
2.3 Customer traffic or inquiries	12.1	41.4	41.4	29.3	1.7	37.9	50.0	48.3
2.4 Number of employees	19.0	51.7	24.1	5.1	5.2	41.4	43.1	37.9
2.5 Weekly hours	8.6	56.9	31.0	22.4	5.2	37.9	46.6	41.4
2.6 Prices actually received	10.3	60.3	20.7	10.4	5.2	55.2	27.6	22.4
2.7 Prices paid for raw materials (other than labor or energy)	1.7	36.2	27.6	25.9	3.5	31.0	25.9	22.4
2.8 Cost of Labor								
2.8.1 Wages	0.0	65.5	29.3	29.3	0.0	34.5	53.5	53.5
2.8.2 Benefits	1.7	46.6	44.8	43.1	0.0	27.6	58.6	58.6
2.9 Spending for:								
2.9.1 Acquisition of new space	10.3	56.9	19.0	8.7	5.2	50.0	25.9	20.7
2.9.2 Renovation of existing space	8.6	63.8	15.5	6.9	3.5	56.9	22.4	18.9
2.9.3 Equipment	3.5	56.9	31.0	27.5	1.7	39.7	44.8	43.1

- 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.
- 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.