



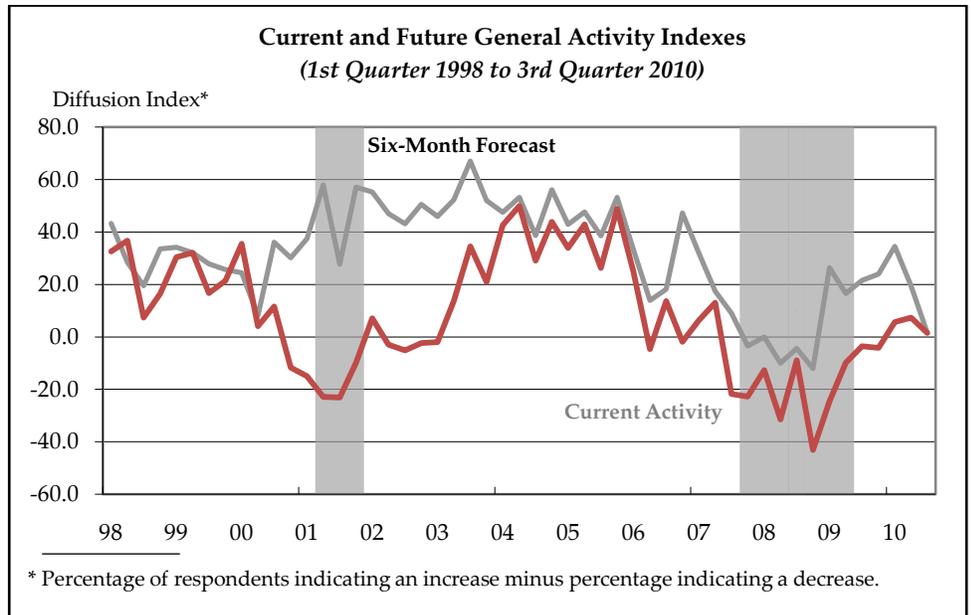
SOUTH JERSEY BUSINESS SURVEY

Third Quarter 2010

Firms in the South Jersey region reported modest overall increases in business activity during the third quarter. Employment among the polled firms showed slight increases, which are an improvement over previous surveys when employment losses were indicated. Firms, on balance, expect meager growth in their businesses over the next six months, inasmuch as they are forecasting only slight increases in activity, sales, and employment.

Current Indicators Suggest Small Increases in the Third Quarter

The survey's broadest measure of performance, the index of general activity at individual companies, fell from a reading of 7.3 in the second quarter to 1.5 in the third quarter (see Chart on this page). The index has remained positive for three consecutive quarters and remains above the readings reported during the recession that officially ended in June 2009. The percentage of firms reporting higher levels of business activity in the third quarter (23 percent) was slightly greater than the percentage reporting lower levels (22 percent). The survey's indicator for sales also edged lower, from 17.1 to 12.3, but has now re-



mained positive for two consecutive quarters (see Chart on next page). Big ticket sales continue to be weak as that index remained negative for the eighth consecutive quarter. A significant share of firms shed inventories over the quarter: 17 percent reported declines but 11 percent reported an increase in inventories.

The firms responding to the survey this quarter perceived little overall improvement in the region's economy. The percentage of firms that believe regional business activity declined in the third quarter (32 percent) is nearly twice as high as the percentage that believe it increased (17 percent). The general activity index for the region

was largely unchanged at -15.4.

Despite the lackluster performance of the survey's broad company indicators, survey responses suggest somewhat improved labor market conditions. The current employment index increased into positive territory for the first time in ten quarters (see Chart on next page). However, the share of firms that reported increases (14 percent) only narrowly outnumbered those reporting decreases (11 percent).

Price Reductions Remain Widespread Among Firms

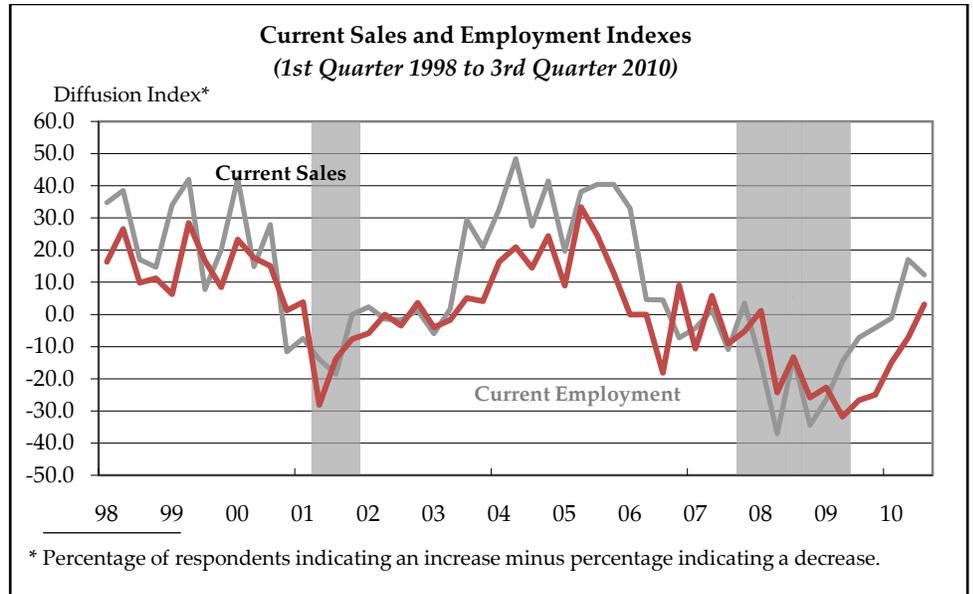
Reductions in product prices remained widespread during the third quarter, continuing the pattern of pre-

vious quarters. For the tenth consecutive quarter, the percentage of firms reporting price decreases (20 percent) was greater than the percentage reporting increases (8 percent). A significant share of South Jersey businesses continued to report cost pressures: 14 percent reported higher prices for raw materials in the third quarter, and only 8 percent reported lower prices.

Firms Expect Little Growth over the Next Six Months

South Jersey firms' outlook showed notable deterioration this quarter. The index of future activity at individual companies remained slightly positive but fell from a reading of 19.5 in the second quarter to 1.5 in the third (see Chart on page 1). The percentage of firms expecting conditions to improve over the next six months (22 percent) only narrowly exceeds the percentage expecting deterioration (20 percent). The percentage of firms that believe sales will grow over the next six months (32 percent) is only slightly higher than the percentage that believe sales will decline (26 percent).

The outlook for future employment was similar to the firms' general



outlook, although it improved somewhat over recent surveys. The percentage of firms expecting to increase their payrolls over the next six months (17 percent) was narrowly greater than the percentage expecting to decrease them (15 percent).

Summary

According to the latest *South Jersey Business Survey*, economic conditions in the region remained weak. Indicators suggest a slight decline in the pace of growth compared with the

second quarter, but the indicator for employment showed some improvement. Indicative of continued weakness, firms reported declines in their own prices despite continued cost pressures. Firms were notably less optimistic about future business growth than in the second quarter and expect employment to remain mostly flat for the next six months.

South Jersey Business Survey (Third Quarter 2010)

	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?	-14.6	32.3	43.1	16.9	-15.4	0.0	24.6	44.6	21.5	-3.1
1.2 at your company?	7.3	21.5	47.7	23.1	1.5	19.5	20.0	47.7	21.5	1.5
2. Specific company performance measures:		Lower	Same	Higher	Diffusion Index		Lower	Same	Higher	Diffusion Index
2.1 Total sales	17.1	20.0	30.8	32.3	12.3	22.0	26.2	24.6	32.3	6.2
2.2 Big ticket sales	-9.8	24.6	13.8	16.9	-7.7	-14.6	27.7	12.3	15.4	-12.3
2.2 Product Inventories	-2.4	16.9	18.5	10.8	-6.2	-14.6	18.5	16.9	0.0	-18.5
2.4 Number of employees	-7.3	10.8	56.9	13.8	3.1	-9.8	15.4	49.2	16.9	1.5
2.6 Prices actually received	-9.8	20.0	55.4	7.7	-12.3	0.0	21.5	50.8	9.2	-12.3
2.7 Prices paid for raw material (not energy)	17.1	7.7	27.7	13.8	6.2	12.2	6.2	29.2	16.9	10.8

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