

# SOUTH JERSEY

B U S I N E S S

Federal Reserve Bank  
of Philadelphia

Survey

First Quarter 1998

The region's economy continued to grow in the first quarter of 1998, and area businesses expect further improvements over the near term. The firms polled for the first-quarter *South Jersey Business Survey* reported continued increases in sales and shipments. Employment growth also picked up.

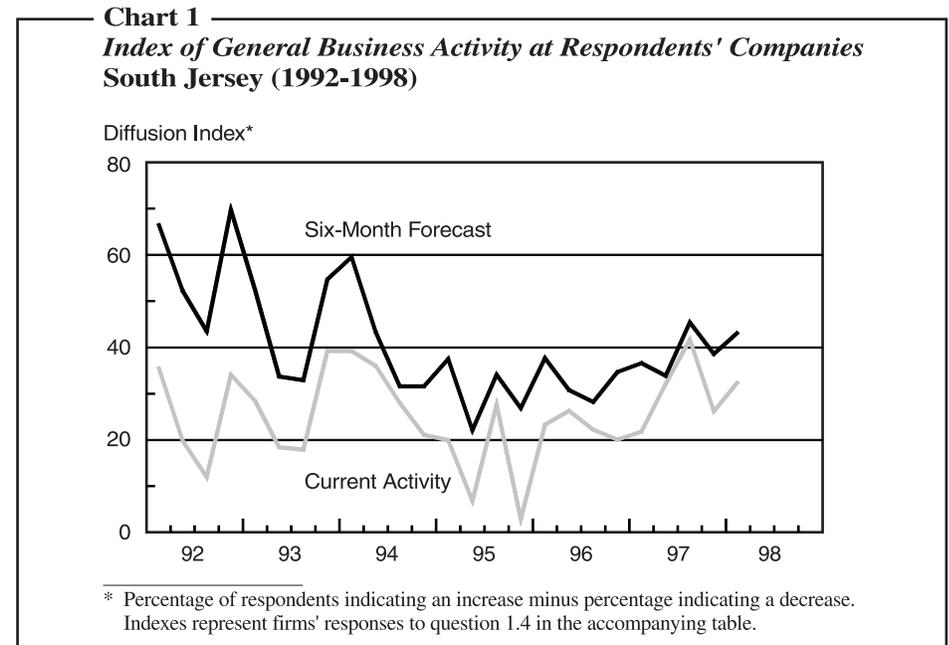
### Current Indicators Remain Positive

The survey's broadest measure of overall economic performance, the general activity diffusion index for individual companies, edged slightly higher in the first quarter, increasing to 32.6 from 26.2 in the fourth quarter (see Chart 1). Nearly 50 percent of the firms indicated a higher level of activity in the first quarter compared with the fourth quarter, while 17 percent reported a lower level.

South Jersey businesses surveyed perceive that general business activity also improved in both the U.S. and in the state during the quarter. The U.S. index was up slightly, but business activity in the state declined slightly, to 17.1 from 22.7. For the South Jersey region, the index was unchanged at 22.0.

Firms report continued steady growth of sales during the first quarter. The overall sales and shipments index improved modestly, to 34.8 from 26.9; more than 50 percent of firms reported sales growth during the quarter, and 16 percent reported declines.

The current employment index also improved, to 16.4 from 14.5, and has remained positive for nine consecutive



quarters. In the first quarter, 27 percent of the businesses polled reported increases in the number of employees during the quarter; 11 percent reported reductions in their work force. Increases in the average hours worked were reported by 35 percent of the firms; only 5 percent reported declines.

A special survey of participants in the *South Jersey Business Survey* was conducted in March to gather some details on labor-market conditions. Fifty-seven percent of the firms responding to the survey indicated they were experi-

encing difficulty hiring new workers; 43 percent reported no difficulty. Firms having difficulties are undertaking a broad range of measures to alleviate the hiring problem (Table 1). The most frequent response was an attempt to raise efficiency, and more than half the firms experiencing difficulty hiring were raising base wages.

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### **Input Pressures Moderate and Own Prices Hold Steady**

A slightly lower percentage of firms (35 percent) reported increases in wages during the first quarter than in the previous survey (42 percent). The current wage cost index decreased to 33.4 from 42.1. The current benefits cost index also declined slightly, to 29.8 from 31.7.

For raw materials and other purchased inputs, 14 percent of the firms reported increases in prices; only 7 percent reported reductions. The current prices paid index decreased to 7.1 from 20.7, the lowest reading of this index since the survey started in 1991. When asked about their own prices, 61 percent reported them steady, and the percentage reporting

decreases (16 percent) was slightly higher than that reporting increases (15 percent).

### **Expectations of Further Growth Are Favorable**

Most of the firms polled expect continued economic growth at the national, state, and regional levels through the next six months. More than 25 percent of those surveyed expect improvement in the national and state economies, and a slightly higher percentage (33 percent) expect growth in the region. But a much higher percentage (53 percent) expect improvement in their own business over the next six months.

Optimism is also evident in firms' forecast for employment growth at their companies. Although firms are expect-

ing to pay higher costs for labor and benefits packages, nearly 32 percent of the companies expect to hire additional workers over the next six months. Weekly hours are also expected to increase.

### **Summary**

The *South Jersey Business Survey* suggests that the region's economy continued to grow at a steady pace in the first quarter. More than half of the respondents indicated growth in sales and shipments, and more than one quarter of firms reported higher employment. Responses regarding both input and output prices suggest nearly stable prices. Our respondents expect economic growth to continue over the next six months.

**Table 1  
Labor-Market Conditions  
March 1998**

Fifty-seven percent of the firms responding to the special survey indicated they were experiencing difficulty hiring new workers; 43 percent reported no difficulty. Tabulations of measures taken to alleviate the problem are presented below.

<b>Measures Taken</b>	<b>Percent of Firms</b>
Raising base wages	52.1
Increasing targeted wages	37.5
Hiring bonuses	20.8
Hiring temporary workers	33.3
Seeking efficiency gains	58.3
Training lesser-skilled workers	47.9
Passing up business	8.3
Other*	37.5

\*Included the following: seeking employee referrals, paying for overtime, using co-op students, outsourcing, paying performance bonuses, paying relocation expenses, using advertising and other recruiting efforts more.

Responses sum to more than 100 percent because respondents could give more than one answer.

## South Jersey Business Survey

(First Quarter 1998)

	Compared with 3 Months Ago				6 Months from Now			
	Lower	Same	Higher	Diffusion Index	Lower	Same	Higher	Diffusion Index
1. What is your evaluation of the level of general business activity?								
1.1 in the nation?	6.4	58.2	31.9	25.5	17.0	51.8	25.5	8.5
1.2 in the state?	10.6	59.6	27.7	17.1	12.8	54.6	28.4	15.6
1.3 in the region?	13.5	48.2	35.5	22.0	12.1	48.9	33.3	21.2
1.4 at your company?	17.0	33.3	49.6	32.6	9.2	36.2	52.5	43.3
2. Please tell us how the following business indicators are behaving at your company?								
2.1 Sales (Manufacturers please use shipments)	15.6	31.2	50.4	34.8	10.6	27.0	53.9	43.3
2.2 Inventories of the products you sell	9.2	41.8	19.9	10.7	10.6	47.5	12.1	1.5
2.3 Customer traffic or inquiries	12.1	36.9	46.8	34.7	6.4	44.7	41.1	34.7
2.4 Number of employees	10.6	60.3	27.0	16.4	4.3	58.2	31.9	27.6
2.5 Weekly hours	5.0	59.6	34.8	29.8	8.5	58.9	29.1	20.6
2.6 Prices actually received	16.3	61.0	14.9	-1.4	11.3	60.3	17.7	6.4
2.7 Prices paid for raw materials (other than labor or energy)	7.1	52.5	14.2	7.1	9.2	44.0	18.4	9.2
2.8 Cost of Labor								
2.8.1 Wages	1.4	61.0	34.8	33.4	0.0	57.4	36.2	36.2
2.8.2 Benefits	1.4	64.5	31.2	29.8	1.4	61.0	31.9	30.5
2.9 Spending for:								
2.9.1 Acquisition of new space	9.2	63.1	14.2	5.0	10.6	53.2	21.3	10.7
2.9.2 Renovations of existing space	5.7	62.4	17.7	12.0	7.1	58.9	19.1	12.0
2.9.3 Equipment	5.7	55.3	34.8	29.1	7.1	51.8	35.5	28.4

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. 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.

