



SOUTH JERSEY BUSINESS SURVEY

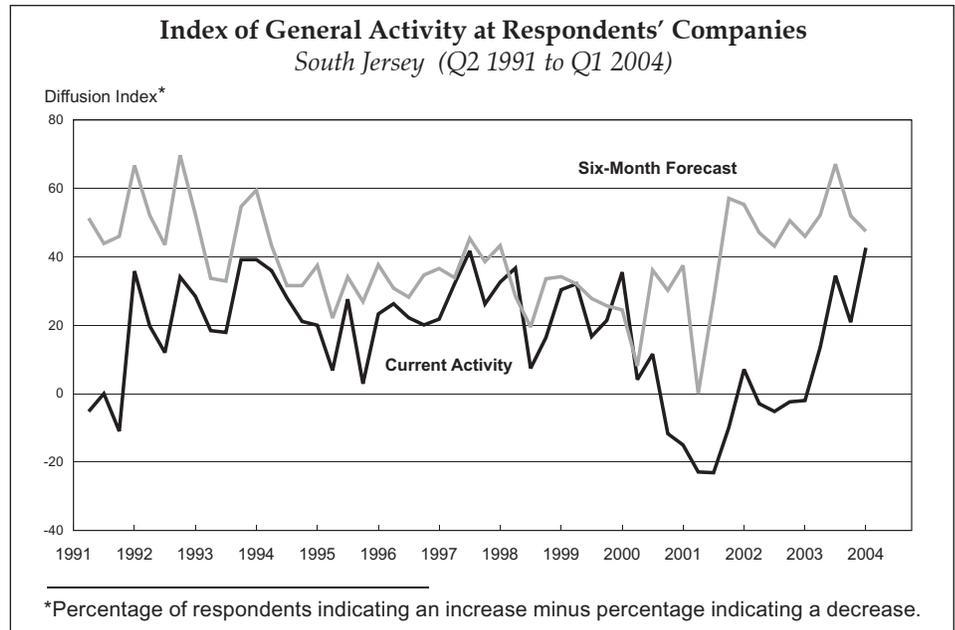
First Quarter 2004

Firms responding to the quarterly *South Jersey Business Survey* indicated that business conditions improved significantly in the first quarter of 2004. Indicators for general business activity and sales at individual companies registered marked increases. Firms also indicated overall increases in employment and work hours. South Jersey firms' outlook for business conditions over the next six months remained favorable. Notably, firms have become more optimistic about future employment growth.

Current Indicators Show Improvement

The index of general business activity at individual companies improved from 20.9 in the fourth quarter to 42.6 in the first quarter. This is the fourth consecutive positive reading for the index and its highest mark since the survey began (see Chart). Nearly 56 percent of the firms indicated increases in business activity in the first quarter, up from 42 percent in the fourth quarter's survey. The survey's indicator for sales also rose substantially, from 20.9 in the previous quarter to 32.8. The most dramatic improvement was in the index for customer traffic or inquiries, which increased from 14.6 in the fourth quarter to 41.0.

Employment indicators also improved for the first-quarter survey. The percentage of firms reporting higher employment (31 percent) exceeded the percentage reporting lower employment (15 percent) for the third consecutive quarter. The current employment index increased from 4.1 to 16.4, its highest reading since the second quarter of 2000. More firms reported an expansion in weekly hours (39 percent) than reported a contraction (12 percent).



Firms Report Higher Costs

About 46 percent of the firms polled indicated that costs for raw materials were higher in the first quarter; this is up slightly from 40 percent in the fourth quarter. The prices paid index increased from 37.5 to 42.6, its highest reading in the 14-year history of the survey. Forty-four percent of the firms reported higher wage costs and 53 percent reported higher costs for benefits.

Although 49 percent of the firms reported no change in prices of their own products, 26 percent reported higher prices, compared with 15 percent that reported lower prices. The prices received index fell from 14.6 to 11.5.

Expectations Remain Optimistic

Although the future general activity index for individual companies fell slightly, from 52.0 in the fourth quarter to 47.5 in the first quarter, the index remains at a high level (see Chart). Over

57 percent of the firms polled expect increases in the level of general business activity at their companies over the next six months. Indexes of expectations for the state and national economies, which last quarter had reached their highest readings since the period following the 1990-91 recession, fell slightly but remain at high levels. Other indicators reflect a continued high degree of optimism for the future. Fifty-three percent expect increases in the level of sales. Forty-six percent of the firms indicated they expect to increase employment over the next six months; only 3 percent expect declines. The future employment index increased notably from 33.3 to 42.6, its highest reading in the 14-year history of the survey.

Firms were asked special questions this quarter regarding their experience filling recent job openings (see Special Questions). Nearly 79 percent of the firms reported they had had job open-

Special Questions (First Quarter 2004)

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

Yes 78.9%
No 21.1%

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

Lack of qualified applicants 57.8%
Applicants' salary requirements too high 26.7%
Applicants had other opportunities 11.1%
Other 4.4%

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

No 58.3%
Yes, to fill what are usually temp positions 30.0%
Yes, not ready to take on permanent workers in these positions 11.7%

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

Yes 77.0%
No 23.0%

5. Are you planning to fill any of them with temporary or contract workers?

Yes 35.1%
No 64.9%

ings in the past three months. The most frequently cited problem in filling such positions was a lack of qualified applicants (58 percent), followed by too high a salary requirement (27 percent). Forty-two percent of the firms indicated that they have filled recent openings with temporary or contract workers. Seventy-seven percent of firms anticipate openings over the next six months, and among these firms 35 percent expect to fill some positions with temporary or contract workers.

Summary

According to results from the *South Jersey Business Survey*, economic conditions showed marked improvement in the first quarter. Indicators for company activity, sales, and customer traffic suggest a pickup in the pace of growth from the previous quarter. Moreover, a larger percentage of firms reported increases in employment during the quarter, compared to the fourth quarter. A growing percentage of firms report higher prices for raw materials. Firms in South Jersey expect business activity to increase in the nation, the state, and the region over the next six months, and firms expect continued expansion in their company sales and employment.

South Jersey Business Survey (First Quarter 2004)

	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?	16.4	47.5	34.4	18.0	11.5	31.2	49.2	37.7
1.2 in the state?	11.5	45.9	37.7	26.2	14.8	27.9	45.9	31.1
1.3 in the region?	8.2	45.9	41.0	32.8	9.8	27.9	50.8	41.0
1.4 at your company?	13.1	31.2	55.7	42.6	9.8	24.6	57.4	47.5
2. Please tell us how the following business indicators are behaving at your company?								
2.1 Sales (Manufacturers report shipments)	14.8	26.2	47.5	32.8	8.2	21.3	52.5	44.3
2.2 Inventories of the products you sell	9.8	36.1	9.8	0.0	9.8	32.8	9.8	0.0
2.3 Customer traffic or inquiries	14.8	22.9	55.7	41.0	6.6	42.6	39.3	32.8
2.4 Number of employees	14.8	47.5	31.2	16.4	3.3	37.7	45.9	42.6
2.5 Weekly hours	11.5	42.6	39.3	27.9	4.9	47.5	34.4	29.5
2.6 Prices actually received	14.8	49.2	26.2	11.5	13.1	52.5	19.7	6.6
2.7 Prices paid for raw materials (other than labor or energy)	3.3	22.9	45.9	42.6	3.3	34.4	27.9	24.6
2.8 Cost of Labor								
2.8.1 Wages	1.6	49.2	44.3	42.6	3.3	44.3	39.3	36.1
2.8.2 Benefits	0.0	41.0	52.5	52.5	1.6	42.6	41.0	39.3
2.9 Spending for:								
2.9.1 Acquisition of new space	6.6	68.9	11.5	4.9	8.2	55.7	16.4	8.2
2.9.2 Renovation of existing space	6.6	65.6	14.8	8.2	6.6	59.0	16.4	9.8
2.9.3 Equipment	8.2	63.9	26.2	18.0	8.2	60.7	19.7	11.3

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.