



SOUTH JERSEY BUSINESS SURVEY

Second Quarter 2007

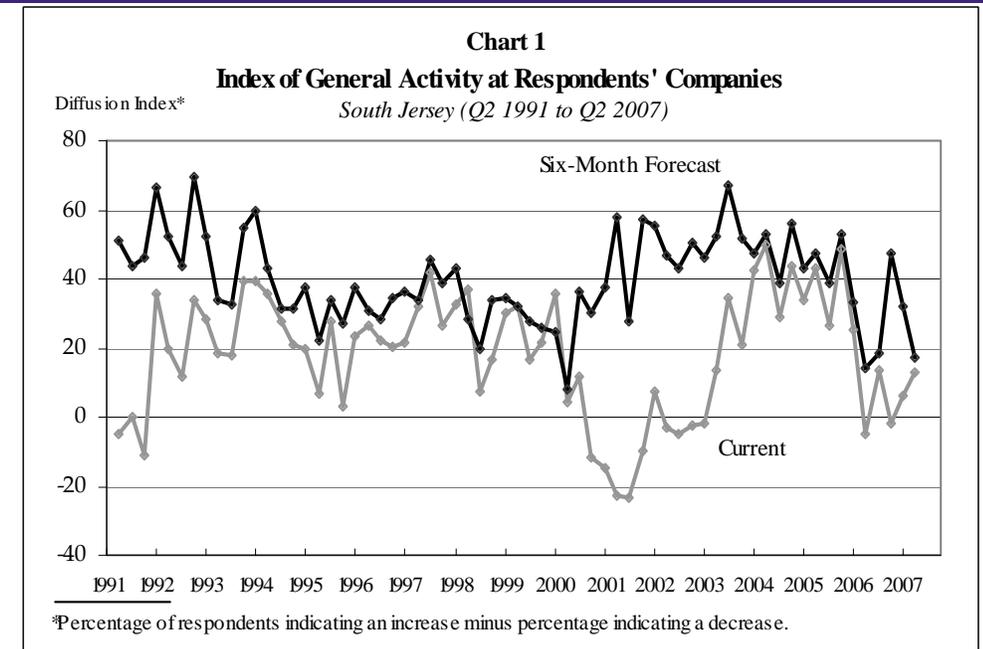
Economic activity in the South Jersey region improved slightly in the second quarter, according to firms polled for the *South Jersey Business Survey*. Respondents reported moderate growth in their own businesses during the second quarter but flat sales overall. Firms perceived that conditions continued to weaken for the national, state, and regional economies during the second quarter. The outlook for future business conditions at individual companies in the region declined for the second consecutive quarter; however, the number of firms that expect future growth continues to outnumber those that expect a decline by 2 to 1.

Firms Report Sluggish Activity and Perceive a Weakening Economy

The survey's broadest measure of performance, the index of general activity at individual companies, increased from 6.4 in the first quarter to 13.0 in the second quarter. The index has increased slightly for two consecutive quarters (see Chart). About 33 percent of the respondents reported higher levels of business activity at their companies; 20 percent reported lower levels.

The firms' responses about sales growth for the second quarter suggest nearly flat growth. The percentage of firms reporting higher sales (20 percent) was nearly the same as the percentage reporting lower sales (19 percent). Firms, however, noted an overall decline in customer traffic during the quarter.

Growth was evident in replies about employment and hours worked this quar-



ter. The percentage of firms reporting an increase in employment (17 percent) was higher than the percentage that reported an increase in the first quarter (6 percent). The current employment index increased 16 points, following a decline of nearly 20 points in the previous quarter. The average workweek among the reporting firms was also higher: 20 percent of the firms reported increased hours; 9 percent reported a decrease.

Firms perceived that conditions in the national, state, and regional economies are still deteriorating; all of the survey's indicators of general activity for the nation, state, and region remained negative, although they were higher than in the first quarter.

In response to a special question, the percentage of firms that perceived a weaker U.S. economy (37 percent) was only slightly higher than the percentage

(31 percent) perceiving a stronger national economy (see Special Question Chart). However, much higher percentages thought that the state and regional economies were still weakening (66 percent and 55 percent, respectively).

Cost Pressures Still Evident

Firms continued to report higher costs. Over 40 percent of the South Jersey businesses surveyed indicated higher prices for raw materials (excluding energy) in the second quarter, a slight increase from the 34 percent that reported higher costs in the first quarter. The prices paid index for these materials was 10 points higher than in the first quarter. Regarding their own prices, 28 percent noted higher prices during the second quarter; 13 percent reported lower prices.

Firms Are Less Optimistic About the Second Half of 2007

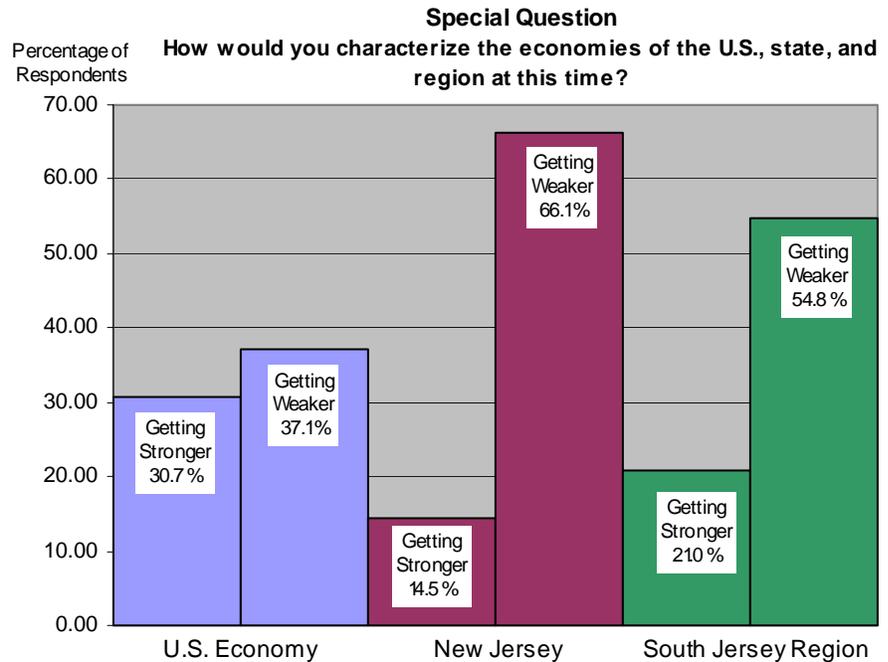
South Jersey firms were less optimistic about growth for the second half of this year. The index for future activity at individual companies fell 15 points in the second quarter, the second consecutive decline (see Chart 1). Nevertheless, the percentage of firms expecting an increase in activity over the next six months (35 percent) was more than twice as high as the percentage expecting decreases (17 percent). The future indicator for sales remained positive but declined seven points from the first quarter.

Firms were less optimistic about employment growth over the next six months. Twenty-two percent of the firms expect an increase in employment over the next six months; 7 percent expect a decline. The future employment index edged nine points lower from its first-quarter reading.

Summary

According to the latest *South Jersey Business Survey*, economic conditions were slightly improved at individual companies in the second quarter. Although overall sales were flat, the percentage of firms reporting higher employment rose slightly during the quarter. However,

firms perceived that the economies of the nation, state, and region were still deteriorating. Although South Jersey firms expect an increase in their own businesses over the next six months, the executives polled were less optimistic than in the first quarter.



South Jersey Business Survey (Second Quarter 2007)

	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 nation?	-29.8	24.6	39.1	21.7	-2.9	-2.1	26.1	40.6	18.8	-7.2
1.2 in the state?	-44.7	31.9	40.6	14.5	-17.4	-14.9	26.1	39.1	21.7	-4.3
1.3 in the region?	-34.0	23.2	43.5	20.3	-2.9	-6.4	21.7	46.4	18.8	-2.9
1.4 at your company?	6.4	20.3	33.3	33.3	13.0	31.9	17.4	37.7	34.8	17.4
2. Business indicators at your company:										
2.1 Sales (or shipments for manufacturers)	-4.3	18.8	31.9	20.3	1.4	29.8	8.7	31.9	31.9	23.2
2.2 Product inventories	-6.4	10.1	34.8	10.1	0.0	4.3	4.3	29.0	18.8	14.5
2.3 Customer traffic/inquiries	12.8	24.6	30.4	18.8	-5.8	29.8	14.5	29.0	27.5	13.0
2.4 Number of employees	-10.6	11.6	53.6	17.4	5.8	23.4	7.2	50.7	21.7	14.5
2.5 Weekly hours	2.1	8.7	52.2	20.3	11.6	29.8	4.3	53.6	23.2	18.8
2.6 Prices actually received	14.9	13.0	34.8	27.5	14.5	23.4	10.1	36.2	30.4	20.3
2.7 Prices paid for raw material (not labor or energy)	27.7	2.9	15.9	40.6	37.7	27.7	1.4	20.3	34.8	33.3
2.8 Cost of labor:										
2.8.1 Wages	40.4	2.9	37.7	42.0	39.1	38.3	5.8	30.4	49.3	43.5
2.8.2 Benefits	48.9	4.3	39.1	39.1	34.8	44.7	5.8	30.4	46.4	40.6
2.9 Spending for:										
2.9.1 Acquisition of new space	4.3	4.3	29.0	17.4	13.0	6.4	2.9	34.8	13.0	10.1
2.9.2 Renovation	14.9	5.8	31.9	17.4	11.6	14.9	5.8	37.7	8.7	2.9
2.9.3 Equipment	29.8	2.9	37.7	27.5	24.6	25.5	1.4	39.1	27.5	26.1

- 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.
- The diffusion index represents the percentage of respondents indicating an increase minus the percentage indicating a decrease. Items may not add to 100 because of omission by respondents.