



SOUTH JERSEY BUSINESS SURVEY

Fourth Quarter 2010

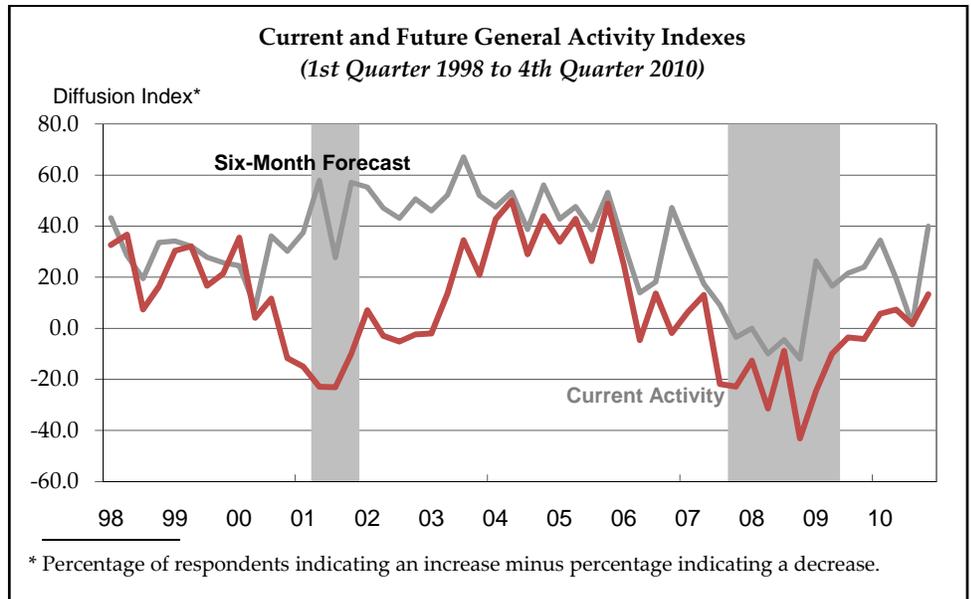
Firms in the South Jersey region reported a pickup in business activity during the fourth quarter. Employment among the firms polled, however, showed no increases compared with the third quarter. Firms were significantly more optimistic about growth prospects for the region and for their own companies over the first half of 2011, but less than a quarter of the firms expect a pickup in employment.

Current Indicators Suggest Improvement

The survey's broadest measure of performance, the index of general activity at individual companies, increased from 1.5 in the third quarter to 13.3 in the fourth quarter (see Chart). The index has remained positive for four consecutive quarters and is now at its highest reading since before the beginning of the recession that officially ended in June 2009. The percentage of firms reporting higher levels of business activity in the fourth quarter (40 percent) was greater than the percentage reporting lower levels (27 percent). The survey's sales indicator edged down slightly from 12.3 to 10.0 but has remained positive for three consecutive quarters.

The firms responding to the survey this quarter perceived significant improvement in the region's economy. The percentage of firms that believe regional business activity increased in the fourth quarter (30 percent) is notably higher than the percentage that believe it decreased (20 percent). This is the first positive reading in the index of general activity for the region since the fourth quarter of 2005.

Survey responses suggest steady labor market conditions in the fourth quarter. The



current employment index decreased from a reading of 3.1 in the third quarter to zero in the fourth quarter. The percentage of firms (17 percent) indicating an increase in employment was the same as the percentage reporting declines. Sixty percent of the firms indicated steady employment levels during the fourth quarter.

Firms Report Higher Prices for Inputs

Reductions in product prices were more common than increases in the fourth quarter. For the 11th consecutive quarter, the percentage of firms reporting price decreases (22 percent) exceeded the percentage reporting increases (15 percent). A significant share of South Jersey businesses reported higher input prices during the fourth quarter: 30 percent reported higher prices for purchased inputs, compared with 14 percent that reported higher input prices in the third quarter.

Firms Are More Optimistic About the Region and Their Business for 2011

South Jersey firms' outlook showed notable improvement this quarter. The index of future activity at individual companies increased from a reading of 1.5 in the third quarter to 40.0, more than recovering the dip that occurred in the third quarter (see Chart on page 1). The index is now at its highest level since the end of 2006. The percentage of firms expecting conditions to improve over the next six months (53 percent) exceeds the percentage expecting a deterioration (13 percent). The percentage of firms that believe sales will grow over the next six months (42 percent) is also significantly higher than the percentage that believe sales will decline (8 percent).

The outlook for future employment was only slightly more optimistic than in the third quarter. The future employment index rose just 5 points from its reading in the third quarter.

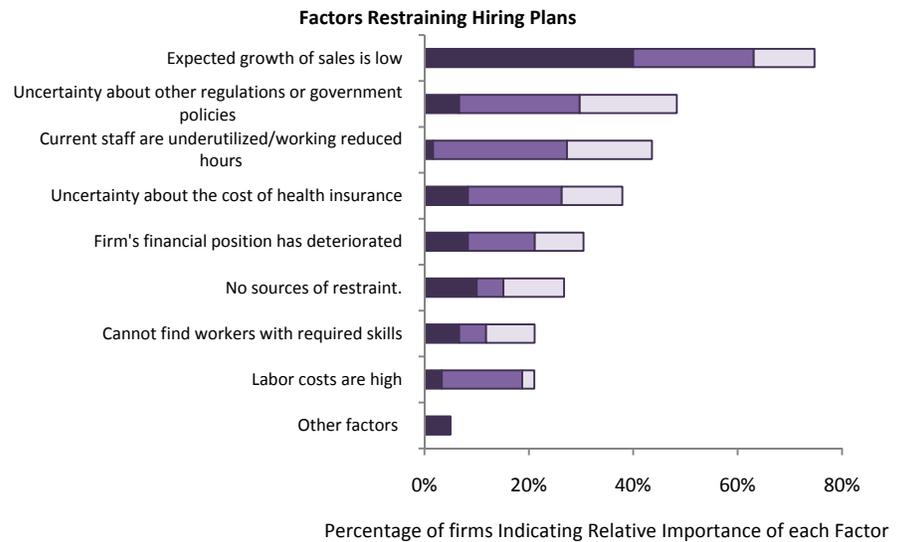
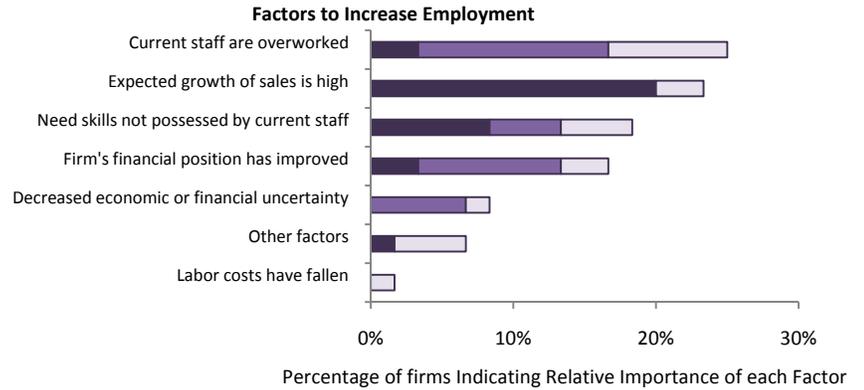
ter. The percentage of firms expecting to increase their payrolls over the next six months (23 percent) was greater than the percentage expecting to decrease them (17 percent).

The factors affecting firms' hiring plans can be gleaned from special questions that were asked in this quarter's survey (see Special Questions). Among firms that are planning to increase employment over the next six to 12 months, the most important reason was expected sales growth, but the most frequently cited was that current staff are overworked. The most frequently cited factor among those firms restraining hiring was low expectations for sales growth. Uncertainty about regulations and government policies was the second most frequently cited factor, followed by underutilization of current staff and uncertainty about the future cost of health insurance.

Summary

According to the latest *South Jersey Business Survey*, economic conditions in the region were improving at year-end. Indicators suggest a pickup in the pace of growth compared with the third quarter, but the indicator for employment showed no significant improvement. Firms reported declines in their own prices despite continued cost pressures, which were reported to be more widespread in the fourth quarter. Firms were notably more optimistic about future business growth, and there was a slight improvement in the employment forecast for the next six months.

Special Questions (Fourth Quarter 2010)



■ Most Important ■ Second Most Important □ Third Most Important

South Jersey Business Survey (Fourth 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?	-15.4	20.0	48.3	30.0	10.0	-3.1	8.3	41.7	46.7	38.3
1.2 at your company?	1.5	26.7	33.3	40.0	13.3	1.5	13.3	30.0	53.3	40.0
2. Specific company performance measures:		Lower	Same	Higher	Diffusion Index		Lower	Same	Higher	Diffusion Index
2.1 Total sales	12.3	23.3	30.0	33.3	10.0	6.2	8.3	35.0	41.7	33.3
2.2 Big ticket sales	-7.7	15.0	30.0	15.0	0.0	-12.3	8.3	30.0	23.3	15.0
2.2 Product Inventories	-6.2	13.3	23.3	10.0	-3.3	-18.5	5.0	33.3	0.0	-5.0
2.4 Number of employees	3.1	16.7	60.0	16.7	0.0	1.5	16.7	53.3	23.3	6.7
2.6 Prices actually received	-12.3	21.7	55.0	15.0	-6.7	-12.3	11.7	56.7	23.3	11.7
2.7 Prices paid for raw material (not energy)	6.2	1.7	28.3	30.0	28.3	10.8	0.0	23.3	35.0	35.0

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