



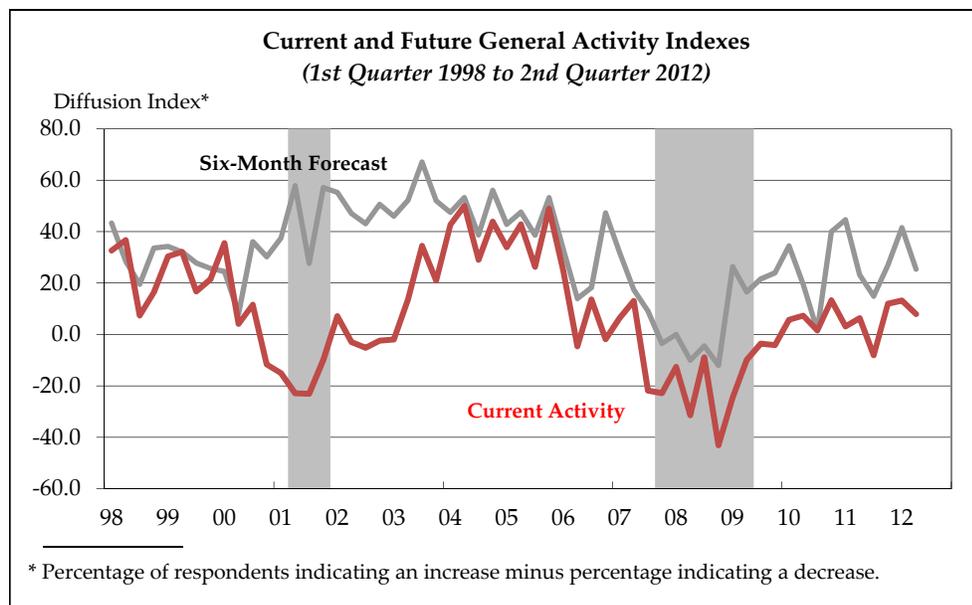
SOUTH JERSEY BUSINESS SURVEY

Second Quarter 2012

Firms in the South Jersey region reported a slowing in business activity during the second quarter. Firms reported overall increases in business activity and sales compared with the previous quarter, but the pace of growth was less. However, employment among the firms polled showed a slight pickup relative to the first quarter. Firms, on balance, expect increases in overall business over the next six months, but this optimism was not as strong as in the first quarter.

Indicators Suggest Modest Increases

The survey's broadest measure of performance, the index of general activity at individual companies, decreased from a reading of 13.2 in the first quarter to 7.9 in the second quarter. This is the first decline in the index since the third quarter of 2011 (see Chart). The percentage of firms reporting higher levels of business activity in the first quarter (27 percent) remained greater than the percentage reporting lower levels (19 percent). The lower index reading, however, suggests a slower pace of growth than in the first quarter. The survey's indicator for sales also edged lower, from 11.3 to 6.3. Twenty-nine percent reported higher sales; 22 percent reported lower sales. Firms reported that big ticket sales continued to fall.



In special questions this quarter, firms were asked to characterize the underlying demand for goods and services over the last three months (see Special Questions). Thirty-seven percent of the firms indicated a pickup in demand, while 28 percent reported declines. However, 33 percent of the firms indicated that the growth was less than they expected it would be just three months ago. Moreover, the firms, on balance, indicated that their forecast of future growth had become more uncertain. The percentage of firms (33 percent) indicating that their forecast of future growth was less certain than it was six months ago was higher than the percentage indicating it was more certain (26 percent).

Lower Prices Reported For Own Goods and Services

Prices of the firms' products were lower as a group this past quarter, and price pressures for purchased inputs diminished this quarter. Fifty-seven percent of firms reported no change in product prices, while the percentage reporting price decreases (25 percent) was higher than the percentage reporting price increases (11 percent). The prices received index fell from 5.7 to -14.3. A significant share of South Jersey businesses reported higher input prices in the first quarter survey, but the increases were less widespread this quarter: 27 percent reported higher prices for purchased inputs, down from 38 percent in

the first quarter. The current prices paid diffusion index fell from 35.8 to 19.0.

Firms' Outlook Diminishes

South Jersey firms' outlook showed some moderation this quarter. The index of future activity at individual companies remained positive but decreased 16 points from a reading of 41.5 in the first quarter to 25.4 in the second quarter (see Chart on page 1). The percentage of firms expecting conditions to improve over the next six months (38 percent) still exceeded the percentage expecting deterioration (13 percent). The future sales index also remained positive but fell 5 points.

Despite the decline in the indexes for future activity and sales, the outlook for future employment improved slightly. The future employment index increased marginally, from 11.3 to 14.3. Sixty-five percent of the firms said that they would maintain current levels of employment, and the percentage of firms expecting to increase their payrolls over the next six months (22 percent) was greater than the percentage planning to make cuts (8 percent).

Summary

Indicators for the latest *South Jersey Business Survey* fell somewhat in the second quarter but remained at levels that suggest continued modest growth.

SPECIAL QUESTIONS		
1. Over the past three months how would you characterize the underlying demand for your products or services? Exclude any purely seasonal effect.		
		Subtotals
Increased significantly	4.8%	37.1%
Increased modestly	32.3%	
No change	35.5%	27.5%
Decreased modestly	19.4%	
Decreased significantly	8.1%	
2. How does the current underlying demand for your products compare with what you expected three months ago?		
Less than expected	33.3%	
About what was expected	58.7%	
Greater than expected	6.3%	
NR	1.6%	
3. How would you characterize the level of certainty regarding your forecast for business growth over the next six months?		
Less certain than six months ago	32.8%	
No difference than six months ago	41.0%	
More certain than six months ago	26.2%	

Overall employment was reported to be only slightly higher in the second quarter. Although firms reported higher costs, more firms reported lower prices for their products than reported higher prices. Firms remained generally opti-

mistic about growth for their own businesses over the first next six months, but, as a group, firms' forecasts indicated less certainty about future growth than their forecasts of six months ago.

South Jersey Business Survey (Second Quarter 2012)

	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?	5.7	15.9	66.7	15.9	0.0	24.5	11.1	54.0	30.2	19.0
1.2 At your company?	13.2	19.0	54.0	27.0	7.9	41.5	12.7	47.6	38.1	25.4
2. Specific company performance measures:	Previous Diffusion Index	Lower	Same	Higher	Diffusion Index	Previous Diffusion Index	Lower	Same	Higher	Diffusion Index
2.1 Total sales	11.3	22.2	44.4	28.6	6.3	34.0	9.5	46.0	38.1	28.6
2.2 Big ticket sales	-11.3	12.7	49.2	7.9	-4.8	9.4	11.1	44.4	12.7	1.6
2.3 Product inventories	3.8	11.1	38.1	9.5	-1.6	9.4	6.3	41.3	9.5	3.2
2.4 Number of employees	3.8	11.1	68.3	17.5	6.3	11.3	7.9	65.1	22.2	14.3
2.5 Prices actually received	5.7	25.4	57.1	11.1	-14.3	1.9	19.0	58.7	14.3	-4.8
2.6 Prices paid for raw material (not energy)	35.8	7.9	42.9	27.0	19.0	32.1	4.8	42.9	27.0	22.2

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