

## **First Quarter 1999**

The South Jersey economy continued to grow in the first quarter of 1999, and area businesses expect further improvement over the next six months. The firms polled for the first-quarter *South Jersey Business Survey* reported increases in sales and shipments and a rise in employment.

### **Current Indicators of Company Performance Show Improvement**

Over 49 percent of the South Jersey firms polled at the end of the first quarter indicated that economic conditions at their companies had improved from the previous quarter. In contrast, only 19 percent of the firms reported deterioration in their own business conditions. The current activity index for individual companies increased markedly from 16.4 in the fourth quarter to 30.4, the highest reading in three quarters (see chart).

Survey participants also perceive that general business conditions improved in the nation, the region, and the state during the quarter. The respondents' view of the larger economy was slightly less positive than the reports about their own firms, however. During the first quarter, about 30 percent of the firms perceived growth in the region's level of business activity, and about 26 percent perceived growth in the nation and state. The survey's indicators for state business activity, reflecting respondents' perceptions of growth in the state economy, increased notably from 1.7 to 19. Similarly, the national business activity index increased from 6.9 to 16.4.

Companies reported an improvement in sales growth this quarter. While 39 percent of firms in the fourth-quarter survey indicated growth in sales, nearly 51 percent reported sales growth in the first quarter. Moreover, the current sales and shipments index increased from 14.7 to 34.1, paralleling the increase in the individual company activity index.

Survey responses suggest modest increases in employment among the participating firms. Of the firms polled, 23 percent reported increases in employment; 17 percent reported decreases. The current employment index, however, decreased from 11.2 to 6.3. On balance, firms reported an increase in working hours for existing

employees: the percent of firms reporting increases in weekly hours (24 percent) was greater than the percent reporting decreases (8 percent).

### **Labor Cost and Price Indicators Suggest Modest Changes**

Although wage costs are on the rise, survey results indicate little change in upward pressure on product prices. Over 39 percent of South Jersey businesses reported increases in wage costs in the first quarter; 35 percent reported increases in benefits costs. The current wage cost index rose slightly from 33.6 in the fourth quarter to 39.2. Likewise, the benefits cost index increased from 26.7 to 34.1.

The prices paid for raw materials are also higher in the first quarter: the current prices paid index rose from 13.8 to 16.5, with about 20 percent of firms reporting higher prices. Upward price pressures in final good prices, however, remain moderate. While 17 percent of firms reported a rise in prices for their own goods in the first quarter, that percentage was partially offset by the 9 percent reporting price declines. The prices received index fell this quarter, from 12.1 to 7.6.

### **Forecasts Improve**

Most indicators of expectations for the next six months showed improvement in this quarter's survey. The future activity index for respondents' companies remained significantly positive and increased modestly from 33.6 to 34.2 (see chart on front page). While firms, on balance, expect continued growth in the national, state, and regional economies over the next six months, their responses to these questions are somewhat less optimistic than responses about their own businesses. For example, nearly 46 percent expect the level of business activity in their own company to increase over the next six months; only about 25 percent expect growth in the nation, state, and region.

Although 47 percent of firms expect growth in sales and shipments over the next six months, a somewhat lower percentage (39 percent) expect increases in employment. Nonetheless, expectations for future employment growth have continued to improve over the past three quarters. The future employment index, which increased from 25.9 to 30.3 this quarter, has risen in three consecutive quarters. Moreover, this employment expectations index is now at its highest level since the third quarter of 1997.

## Summary

Most current indicators of South Jersey business performance continued to improve in the first quarter. Firms reported growth of sales and shipments, and 1 in 5 firms reported growth in employment. Indicators of business perceptions about the nation, state, and region also rose modestly in the first-quarter survey. Firms' expectations for future growth in their own businesses, and especially for employment increases, continue to improve.

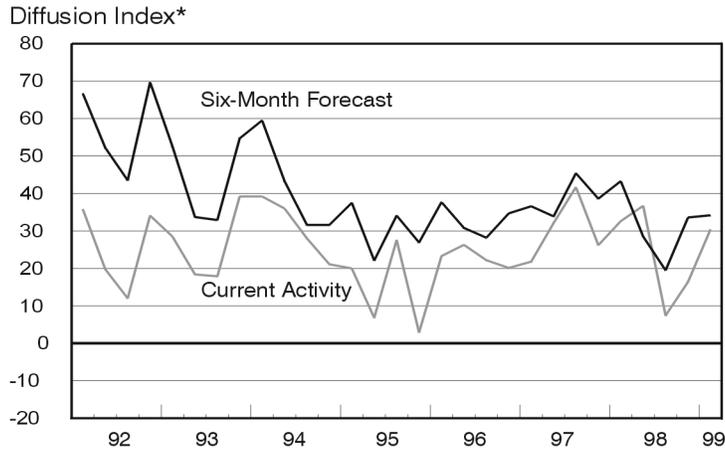
### *South Jersey Business Survey* (First Quarter 1999)

	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?	8.9	64.6	25.3	16.4	11.4	58.2	24.1	12.7
1.2 in the state?	7.6	64.6	26.6	19.0	11.4	55.7	26.6	15.2
1.3 in the region?	15.2	54.4	30.4	15.2	10.1	59.5	25.3	15.2
1.4 at your company?	19.0	31.6	49.4	30.4	11.4	39.2	45.6	34.2
2. Please tell us how the following business indicators are behaving at your company?								
2.1 Sales (Manufacturers please use shipments)	16.5	29.1	50.6	34.1	8.9	34.2	48.6	37.9
2.2 Inventories of the products you sell	8.9	43.0	15.2	6.3	3.8	48.1	12.7	8.9
2.3 Customer traffic or inquiries	12.7	36.7	46.8	34.1	7.6	43.0	39.2	31.6
2.4 Number of employees	16.5	59.5	22.8	6.3	8.9	45.6	39.2	30.3
2.5 Weekly hours	7.6	67.1	24.1	16.5	7.6	58.2	27.8	20.2
2.6 Prices actually received	8.9	72.2	16.5	7.6	3.8	65.8	21.5	17.7
2.7 Prices paid for raw materials (other than labor or energy)	3.8	54.4	20.3	16.5	1.3	45.6	26.6	25.3
2.8 Cost of Labor								
2.8.1 Wages	0.0	7.0	39.2	39.2	1.3	53.2	36.7	35.4
2.8.2 Benefits	1.3	58.2	35.4	34.1	2.5	55.7	31.6	29.1
2.9 Spending for:								
2.9.1 Acquisition of new space	3.8	67.1	16.5	12.7	5.1	57.0	22.8	17.7
2.9.2 Renovations of existing space	5.1	62.0	21.5	16.4	5.1	55.7	25.3	20.2
2.9.3 Equipment	7.6	58.2	29.1	21.5	3.8	60.8	29.1	25.3

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.

**Chart 1**

***Index of General Business Activity at Respondents' Companies  
South Jersey (1992-1999)***



\* Percentage of respondents indicating an increase minus percentage indicating a decrease. Indexes represent firms' responses to question 1.4 in the accompanying table.