

SOUTH JERSEY

Federal Reserve Bank
of Philadelphia

B U S I N E S S

Survey

Second Quarter 1999

Firms responding to the recent *South Jersey Business Survey* indicated continued growth in their businesses during the second quarter of 1999. Moreover, a sizable percentage of these firms indicated growth in employment. While the outlook for the nation, state, and region suggests little change, firms' forecasts for their own businesses are more optimistic.

Current Indicators Remain Healthy

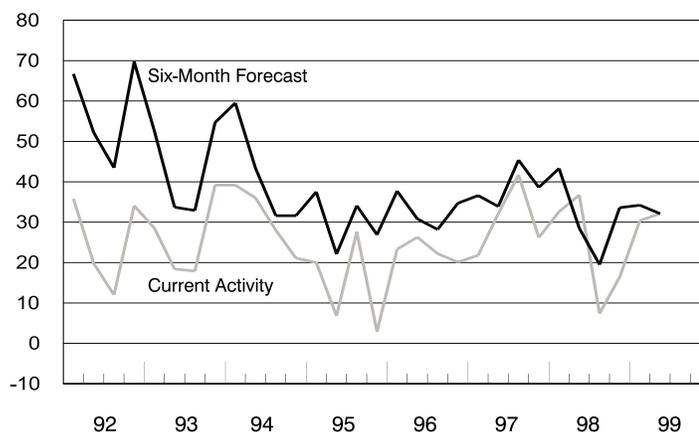
At the end of each quarter, South Jersey firms are polled about growth in their businesses compared to growth in the previous quarter. Nearly 47 percent of firms reported a higher level of business activity in the second quarter; only 15 percent reported a lower level. The corresponding current activity index for individual companies increased from 30.4 in the first quarter to 32.1 in the second (see chart). The responding firms also perceived improved business conditions in the nation, region, and state during the second quarter. Current activity indexes for the nation, state, and region increased slightly from their readings in the first quarter.

The participating companies also reported notable improvements in sales during the second quarter. Nearly 57 percent of the firms reported increases in sales or shipments during the quarter; only 15 percent reported decreases. Moreover, the sales and shipments index increased from 34.1 in the first quarter to 42.0 in the second quarter, the highest reading for this measure since the beginning of the survey in 1991.

Signs of improvement are also evident in the firms' responses about current employment conditions. Nearly 35 percent

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

Diffusion Index*



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

of the South Jersey firms indicated growth in the number of total employees during the second quarter; 6 percent reported declines. The current employment index increased markedly from 6.3 to 28.4. In addition to the increase in employment, the firms indicated that average work hours were also higher.

South Jersey businesses indicate increases in both input prices and the cost of labor, although there is no evidence of increased cost pressures relative to previous surveys. Over 33 percent of firms reported increases in wages this quarter and 22 percent reported higher cost for benefits. A somewhat lower percentage of firms (20

percent) reported increases in the prices paid for raw materials. All of the survey's cost index measures fell from readings in the previous quarter. With regard to their own output prices, however, a somewhat larger percentage of firms reported price increases this quarter (24 percent) compared with the previous survey (17 percent). The current prices received index increased from 7.6 in the first quarter to 17.3 this quarter.

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Economic Forecasts Moderate

Survey participants remain optimistic about continued expansion of their own businesses over the next six months, although most future indicators declined this quarter. The future activity index for respondents' companies remained significantly positive, but it moderated from 34.2 in the first quarter to 32.1 (see chart on first page). Nearly 47 percent of firms expect increases in their general business activity over the next six months, and only 15 percent expect declines. A much smaller percentage of firms (25 percent) expect an increase in

business conditions in the regional economy over the next six months, and an even smaller percentage (19 percent) expect increases for the state and national economy.

The firms' optimism about future business growth is reflected in their plans for hiring. Over 32 percent of those polled indicated plans to hire additional workers in the next six months, while 10 percent expect to reduce the number of workers. On balance, however, firms were slightly less optimistic about their employment plans: the future employment index fell from 30.3 to 22.2 this quarter.

Summary

Indicators from the *South Jersey Business Survey* suggest a healthy pace of expansion continued in the second quarter of 1999. Well over one-half of firms reported increases in sales above the first quarter, and over one-third of firms reported increases in employment. Although in the second quarter firms were somewhat less optimistic about an improvement in the economy of the nation, state, and region over the second half of the year, their forecasts for their own businesses remained relatively rosy.

South Jersey Business Survey (Second 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?	3.7	64.2	30.9	27.2	17.3	59.3	18.5	1.2
1.2 in the state?	4.9	67.9	27.2	22.3	13.6	64.2	18.5	4.9
1.3 in the region?	8.6	59.3	30.9	22.3	17.3	53.1	24.7	7.4
1.4 at your company?	14.8	37.0	46.9	32.1	14.8	33.3	46.9	32.1
2. Please tell us how the following business indicators are behaving at your company?								
2.1 Sales (Manufacturers please use shipments)	14.8	24.7	56.8	42.0	13.6	33.3	43.2	29.6
2.2 Inventories of the products you sell	6.2	37.0	17.3	11.1	9.9	39.5	9.9	0.0
2.3 Customer traffic or inquiries	9.9	40.7	42.0	32.1	11.1	45.7	30.9	19.8
2.4 Number of employees	6.2	54.3	34.6	28.4	9.9	46.9	32.1	22.2
2.5 Weekly hours	9.9	51.9	34.6	24.7	11.1	55.6	23.5	12.4
2.6 Prices actually received	6.2	65.4	23.5	17.3	7.4	60.5	18.5	11.1
2.7 Prices paid for raw materials (other than labor or energy)	3.7	46.9	19.8	16.1	1.2	37.0	24.7	23.5
2.8 Cost of Labor								
2.8.1 Wages	3.7	59.3	33.3	29.6	0.0	44.4	44.4	44.4
2.8.2 Benefits	6.2	67.9	22.2	16.0	2.5	48.1	38.3	35.8
2.9 Spending for:								
2.9.1 Acquisition of new space	7.4	60.5	21.0	13.6	7.4	56.8	19.8	12.4
2.9.2 Renovations of existing space	7.4	60.5	18.5	11.1	7.4	58.0	16.0	8.6
2.9.3 Equipment	7.4	58.0	28.4	21.0	4.9	54.3	29.6	24.7

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.