

SOUTH JERSEY

Federal Reserve Bank
of Philadelphia

B U S I N E S S

Survey

Fourth Quarter 1999

As South Jersey businesses began the new year, economic growth was continuing at a healthy pace. Firms surveyed at the beginning of the year indicated that general business activity had improved at their companies in the fourth quarter of 1999. They also gave optimistic forecasts for the first half of this year.

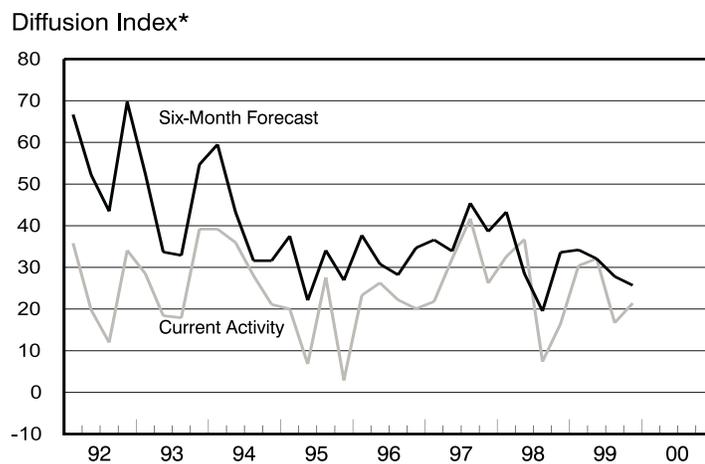
Most Indicators Show Improvement, But Input Price Pressures Become Evident

Most of the survey's indicators of economic performance showed improvement in the fourth quarter of 1999. The general activity index for individual companies increased from a reading of 16.7 in the third quarter to 21.4 in the fourth quarter (see Chart). Nearly 36 percent of the firms polled indicated higher levels of general business activity; 14 percent reported lower levels. Similarly, 34 percent of firms reported increases in sales during the quarter, and 14 percent reported decreases. Moreover, the current sales (shipments) index increased from 7.8 in the third quarter to 20.0 in the fourth quarter.

In addition to reported improvements at their own companies during the fourth quarter, the firms in the survey perceived improvements in the national, state, and regional economies. For example, the index of general activity for the region increased from 2.2 in the third quarter to 14.3 in the fourth quarter.

Increases in business resulted in the hiring of additional workers at 21 percent of the firms polled in the fourth quarter; 13 percent reported declines in employment. The current employment index continued to suggest increasing employ-

Chart
Index of General Business Activity at Respondents' Companies South Jersey (1992-2000)



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

ment in the region, although the index fell from a reading of 16.7 in the third quarter to 8.5 in the fourth quarter. Nearly 23 percent of the firms reported increases in weekly hours, and only 9 percent reported decreases.

Responses regarding the prices paid for nonenergy raw materials showed some increases in the fourth quarter. Nearly 33 percent of the firms reported a rise in such input prices; 26 percent reported a rise in the previous quarter. Moreover, the current prices paid index increased for the second consecutive quarter, increasing from 25.6 in the third quarter to 31.5. Despite input price pressures, less than 20 percent of firms surveyed reported a rise

in the prices of their own final goods. The current prices received index, nevertheless, increased from -2.2 in the third quarter to 7.2 in the fourth quarter.

Six-Month Forecasts Remain Optimistic

Most indicators measuring firms' expectations over the next six months remained near their levels in the previous survey. The index of future activity at reporting firms' own companies fell modestly from 27.8 to 25.7 (see Chart). On

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balance, firms remain optimistic about the prospects of their companies through the first half of 2000. Nearly 39 percent of the firms expect increases in general business activity; 13 percent expect decreases. Nearly 43 percent of the firms expect increases in sales through the first six months of the year.

Economic expansion is expected to result in an increase in the number of workers at 27 percent of the firms surveyed; only 4 percent expect a decrease.

Wages are expected to rise at nearly 59 percent of the firms, and 51 percent of firms expect increases in the cost of benefits. Investment in equipment is forecast to rise at 40 percent of the firms, although only about 20 percent forecast additional spending for new space or renovations of existing space.

Summary

Results from the *South Jersey Business Survey* indicated a healthy pace of eco-

nomie growth in the fourth quarter. Firms perceived improvements in the economies of the nation, state, and region at the end of 1999. Input price increases are reported on the rise by nearly one-third of those surveyed. But upward price pressures on final goods are less evident. Over 20 percent of firms reported increases in employment in the fourth quarter, and 27 percent expect increases over the first six months of this year.

South Jersey Business Survey

(Fourth 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?	5.7	64.3	27.1	21.4	18.6	54.3	21.4	2.8
1.2 in the state?	8.6	62.9	25.7	17.1	15.7	58.6	20.0	4.3
1.3 in the region?	10.0	62.9	24.3	14.3	12.9	58.6	22.9	10.0
1.4 at your company?	14.3	48.6	35.7	21.4	12.9	42.9	38.6	25.7
2. Please tell us how the following business indicators are behaving at your company?								
2.1 Sales (Manufacturers please use shipments)	14.3	44.3	34.3	20.0	12.9	35.7	42.9	30.0
2.2 Inventories of the products you sell	8.6	47.1	5.7	-2.9	14.3	32.9	17.1	2.8
2.3 Customer traffic or inquiries	17.1	47.1	32.9	15.8	10.0	41.4	41.4	31.4
2.4 Number of employees	12.9	62.9	21.4	8.5	4.3	58.6	27.1	22.8
2.5 Weekly hours	8.6	64.3	22.9	14.3	10.0	55.7	22.9	12.9
2.6 Prices actually received	11.4	62.9	18.6	7.2	10.0	60.0	21.4	11.4
2.7 Prices paid for raw materials (other than labor or energy)	1.4	45.7	32.9	31.5	1.4	38.6	34.3	32.9
2.8 Cost of Labor								
2.8.1 Wages	7.1	58.6	31.4	24.3	1.4	31.4	58.6	57.2
2.8.2 Benefits	4.3	55.7	37.1	32.8	0.0	40.0	51.4	51.4
2.9 Spending for:								
2.9.1 Acquisition of new space	2.9	57.1	27.1	24.2	2.9	61.4	21.4	18.5
2.9.2 Renovations of existing space	1.4	62.9	27.1	25.7	1.4	67.1	20.0	18.6
2.9.3 Equipment	5.7	60.0	32.9	27.2	5.7	48.6	40.0	34.3

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.