



SOUTH JERSEY BUSINESS SURVEY

First Quarter 2003

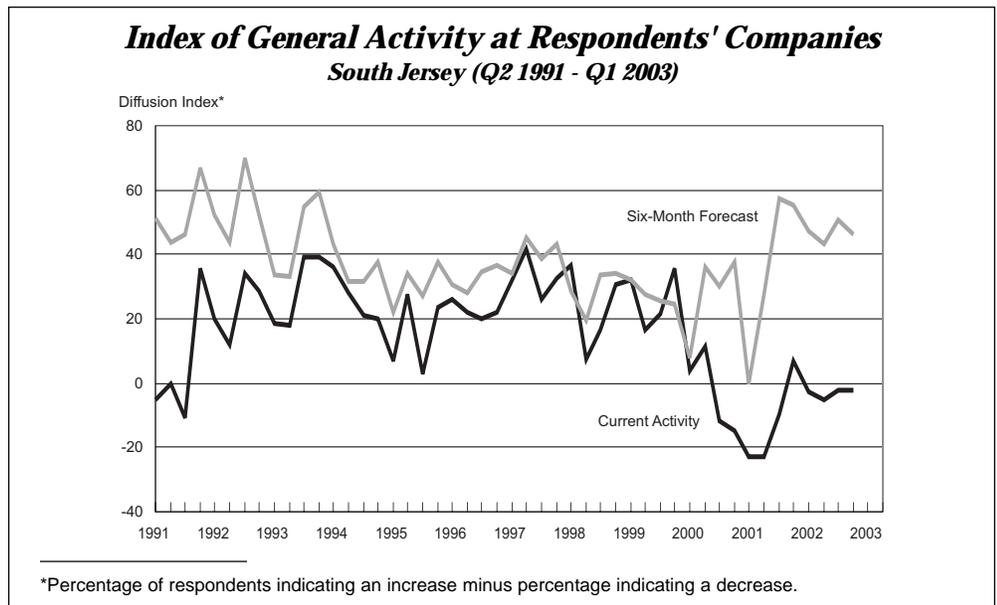
Firms responding to the *South Jersey Business Survey* indicated that business conditions did not improve in the first quarter. Indicators for general business activity and sales at individual companies suggest virtually no change from their levels in the fourth quarter of 2002. Employment among the firms surveyed declined slightly in the first quarter, and a significant share of firms have delayed both hiring and spending on capital since the beginning of the year. Expectations for the next six months remained optimistic, despite the lack of current growth.

Current Conditions Suggest Little Improvement

The index of general business activity at individual companies improved marginally, from -2.4 in the fourth quarter to -2.0 in the first quarter (see Chart). For the fourth consecutive quarter, the percentage of firms reporting decreases in activity was slightly larger than the percentage reporting increases in activity. Indicative of the continued weakness in conditions, the current sales index fell below zero again this quarter—it has been negative in three of the past four quarters.

Survey participants also perceived no turnaround in the overall economy in the first quarter. Most firms indicated that declines in activity continued in the nation, state, and region, and the corresponding indexes were all negative and remained near their readings in the fourth quarter.

There was a slight deterioration in employment at the firms surveyed. The diffusion index for current employment declined from 3.6 in the fourth quarter to -4.0 in the first quarter. The percentage of firms reporting employment declines (26 percent)



edged out the percentage reporting increases (22 percent). However, firms reported an increase in average work hours, and the workweek index increased from 3.6 to 10.0. In answer to a special question this quarter, 29 percent of the firms indicated they have delayed hiring since the beginning of the year. A slightly higher percentage (34 percent) indicated they had delayed increasing capital spending.

Some Firms Report Higher Prices

About one-quarter of the firms reported increases in the prices of their own products in the first quarter, and the prices received index increased from -6.0 in the fourth quarter to 10.0 in the first quarter, its highest reading in almost three years. One-fifth of the firms surveyed in the first quarter reported higher prices for raw materials (other than energy),

and the corresponding prices paid index increased slightly from 16.9 in the fourth quarter to 20.0 in the first quarter. Firms continue to report higher costs of wages and benefits. The benefits index increased eight points to its highest reading in the 13-year history of the survey.

Expectations Remain Generally Optimistic

The firms surveyed remain generally optimistic about the future, despite the lackluster performance of their own businesses for the quarter. The future general activity index for individual companies declined modestly, from 50.6 to 46.0, but remained at a relatively high level (see Chart). Fifty-eight percent of the firms expect growth in business activity over the next six months, and only 12 percent expect declines.

Twenty-eight percent of the firms expect to increase employment over the next six months, and about 32 percent anticipate an expansion in average work hours. Firms' employment forecasts are somewhat less optimistic than in the fourth quarter: the future employment index declined from 31.3 in the fourth quarter to 22.0 in the first quarter. Of those firms responding to special questions this quarter, 24 percent indicated they will add workers by the end of the year. Seventy-five percent of those firms indicated that they will add employees in the second quarter, and 90 percent indicated that they would add workers in the third (see Special Questions).

Summary

According to results from the *South Jersey Business Survey*, economic conditions were steady, at best, in the first quarter. Slightly more firms reported declines in activity, sales, and employment than reported increases. War concerns and a slowing in the national economy in general have

significantly impacted the region's businesses. About a quarter of the firms reported that since January they have delayed both hiring and spending on capital. Despite the weakness in current economic

conditions, firms' expectations remain generally optimistic. Firms in South Jersey expect business activity to increase in the nation, the state, and the region over the next six months.

Special Questions (First Quarter 2003)

1. For the remainder of 2003 do you plan to:

add workers?	24%
increase capital spending?	26%

If yes, which quarter(s) will you:

	Q2	Q3	Q4
add workers?*	75%	90%	50%
increase capital spending?*	27%	77%	61%

2. Since the beginning of the year have you changed the timing for:

	delayed	accelerated	not changed
adding workers?	29%	7%	64%
increasing capital spending?	34%	10%	56%

* Percentages add to greater than 100 because more than one quarter could be chosen.

South Jersey Business Survey

(First Quarter 2003)

	Compared With 3 Months Ago				6 Months from Now			
	Lower	Same	Higher	Diffusion Index	Lower	Same	Higher	Diffusion Index
1. What is your assessment of the level of general business activity?								
1.1 in the nation?	48.0	38.0	12.0	-36.0	14.0	34.0	48.0	34.0
1.2 in the state?	48.0	36.0	16.0	-32.0	14.0	50.0	34.0	20.0
1.3 in the region?	42.0	44.0	14.0	-28.0	12.0	46.0	40.0	28.0
1.4 at your company?	30.0	40.0	28.0	-2.0	12.0	26.0	58.0	46.0
2. Please tell us how the following business indicators are behaving at your company?								
2.1 Sales (Manufacturers report shipments)	36.0	30.0	30.0	-6.0	6.0	30.0	52.0	46.0
2.2 Inventories of the products you sell	22.0	30.0	18.0	-4.0	12.0	34.0	18.0	6.0
2.3 Customer traffic or inquiries	36.0	34.0	30.0	-6.0	10.0	38.0	44.0	34.0
2.4 Number of employees	26.0	50.0	22.0	-4.0	6.0	56.0	28.0	22.0
2.5 Weekly hours	20.0	48.0	30.0	10.0	8.0	50.0	32.0	24.0
2.6 Prices actually received	16.0	54.0	26.0	10.0	4.0	54.0	28.0	24.0
2.7 Prices paid for raw materials (other than labor or energy)	0.0	50.0	20.0	20.0	4.0	44.0	18.0	14.0
2.8 Cost of Labor								
2.8.1 Wages	2.0	72.0	24.0	22.0	0.0	62.0	28.0	28.0
2.8.2 Benefits	2.0	40.0	56.0	54.0	2.0	42.0	46.0	44.0
2.9 Spending for:								
2.9.1 Acquisition of new space	16.0	62.0	10.0	-6.0	12.0	60.0	12.0	0.0
2.9.2 Renovation of existing space	12.0	56.0	14.0	2.0	14.0	50.0	16.0	2.0
2.9.3 Equipment	10.0	54.0	24.0	14.0	8.0	48.0	28.0	20.0

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. 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.