



SOUTH JERSEY BUSINESS SURVEY

Second Quarter 2003

Participants responding to the *South Jersey Business Survey* perceived that business conditions improved for the nation, state, and region in the second quarter. Indicators for general business activity at individual companies also suggest improvement. Although employment among the firms surveyed remained virtually steady in the second quarter, a significant share of firms (31 percent) anticipate hiring over the next six months. South Jersey firms' outlook for business conditions over the next six months also improved in the second quarter.

Current Conditions Show Improvement

The index of general business activity at individual companies improved from -2.0 to 13.6, its first positive reading in five quarters (see Chart 1). Although general conditions improved, firms indicated very little growth in sales. Only a slightly larger share of firms reported increases in sales (31 percent) than reported decreases (29 percent). The current sales index increased from -6.0 in the first quarter to 1.7 in the second quarter.

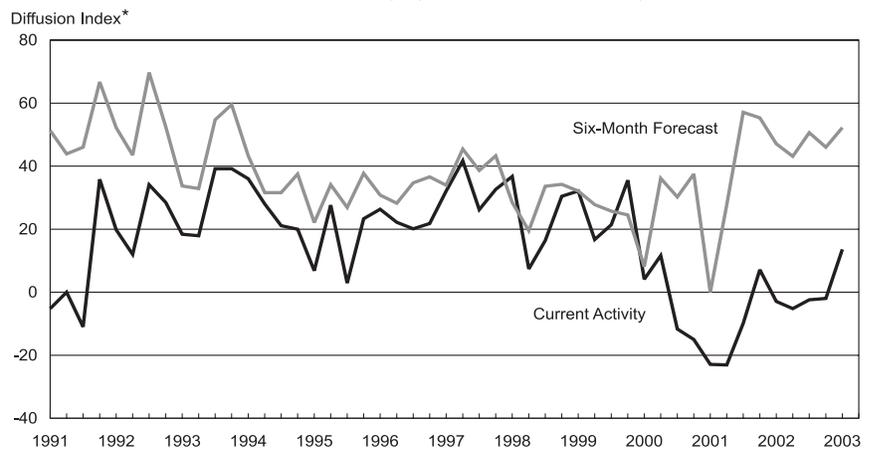
There was remarkable improvement in the survey's indexes for the nation, region, and state in the second-quarter survey. The general activity index for the nation (reflecting firms' assessment of the level of business activity nationally) increased from -36.0 to 8.5. This marks the first positive reading in 13 quarters. Similar improvement was noted in the state and regional indicators: the state index rose from -32.0 to -1.7 (its highest reading in 13 quarters) and the regional indicator (see Chart 2) rose from -28.0 to 1.7 (its highest reading in 13 quarters).

There was continued weakness in employment at the firms surveyed, although the current employment index increased slightly from -4.0 to -1.7. The percentage of

Chart 1

Index of General Activity at Respondents' Companies

South Jersey (Q2 1991 to Q2 2003)



*Percentage of respondents indicating an increase minus percentage indicating a decrease. Reflects responses to question 1.4 in the attached table.

firms reporting employment declines (19 percent) was slightly larger than the percent reporting increases (17 percent). On balance, firms reported an increase in average work hours in the second quarter, but the average workweek index declined slightly from 10.0 to 6.8.

Higher Costs Not Passed On

Many firms reported higher prices for raw materials (31 percent) in the second quarter; only 3 percent reported paying lower prices. The prices paid index also increased from 20.0 to 27.1 in the second quarter. Wage costs rose at 22 percent of the firms in the second quarter, and 48 percent reported higher benefits costs. Despite the reported upward pressures on costs, more firms reported declines in the prices of their final products (15 percent) than increases (9 percent). Moreover, the prices received index declined from 10.0 to -6.8 (near its reading in the fourth quarter of last year).

Expectations Remain Generally Optimistic

The firms remain generally optimistic in their outlook for future business conditions. The expectations indicators for the regional, state, and national economies increased to some of the highest levels in the survey's history (Chart 2). Likewise, the own company general activity index increased from 46.0 in the first quarter to 52.2, its highest reading in five quarters (see Chart 1). Fifty-nine percent of the firms expect growth in business activity over the next six months, and only 7 percent expect declines.

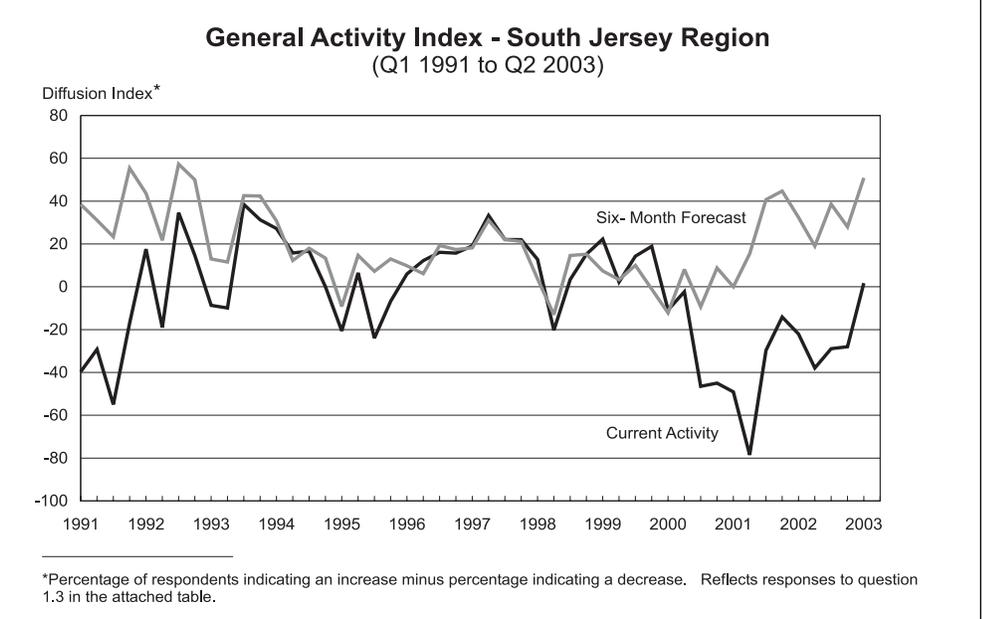
Employment forecasts also remained optimistic, although the overall indicator for future employment declined modestly, from 22.0 in the first quarter to 20.3 in the second quarter. Nearly 31 percent of the firms expect increases in employment over the next six months; only 10 percent expect reductions in employment. Firms' expectations regarding spending on capital equipment and physical plant remain

lackluster. Although 25 percent of firms indicated that equipment spending will rise over the next six months, 15 percent indicated spending will fall. This quarter's capital spending index fell from 20.0 to 10.2, its lowest reading in the history of the survey. Indexes for future spending on new and existing space remain near their lowest levels in the history of the survey.

Summary

According to results from the *South Jersey Business Survey*, economic conditions showed signs of improvement in the second quarter. The survey's broadest measures of business conditions suggest improvement for the first time in five quarters. Although firms reported little growth in sales in the second quarter, firms indicated they believe conditions improved for their own companies and in the nation, state, and region. Overall employment conditions remain weak, although 31 percent of firms

Chart 2



surveyed anticipate increasing employment over the next six months. Overall, the firms' six-month outlook improved markedly this quarter.

South Jersey Business Survey (Second 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?	18.6	54.2	27.1	8.5	5.1	42.4	49.2	44.1
1.2 in the state?	25.4	50.9	23.7	-1.7	8.5	37.3	50.9	42.4
1.3 in the region?	25.4	47.5	27.1	1.7	6.8	32.2	57.6	50.9
1.4 at your company?	25.4	33.9	39.0	13.6	6.5	34.8	58.7	52.2
2. Please tell us how the following business indicators are behaving at your company?								
2.1 Sales (Manufacturers report shipments)	28.8	35.6	30.5	1.7	3.4	40.7	44.1	40.7
2.2 Inventories of the products you sell	23.7	39.0	10.2	-13.6	10.2	44.1	13.6	3.4
2.3 Customer traffic or inquiries	32.2	32.2	35.6	3.4	8.5	40.7	45.8	37.3
2.4 Number of employees	18.6	62.7	17.0	-1.7	10.2	52.2	30.5	20.3
2.5 Weekly hours	18.6	52.5	25.4	6.8	3.4	54.2	32.2	28.8
2.6 Prices actually received	15.3	74.6	8.5	-6.8	10.2	66.1	15.3	5.1
2.7 Prices paid for raw materials (other than labor or energy)	3.4	47.5	30.5	27.1	0.0	42.4	33.9	33.9
2.8 Cost of Labor								
2.8.1 Wages	1.7	71.2	22.0	20.3	1.7	54.2	33.9	32.2
2.8.2 Benefits	3.4	44.1	47.5	44.1	1.7	44.1	44.1	42.4
2.9 Spending for:								
2.9.1 Acquisition of new space	17.0	64.4	13.6	-3.4	10.2	71.2	10.2	0.0
2.9.2 Renovation of existing space	13.6	61.0	17.0	3.4	11.9	62.7	15.3	3.4
2.9.3 Equipment	17.0	61.0	20.3	3.4	15.3	55.9	25.4	10.2

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. 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.