



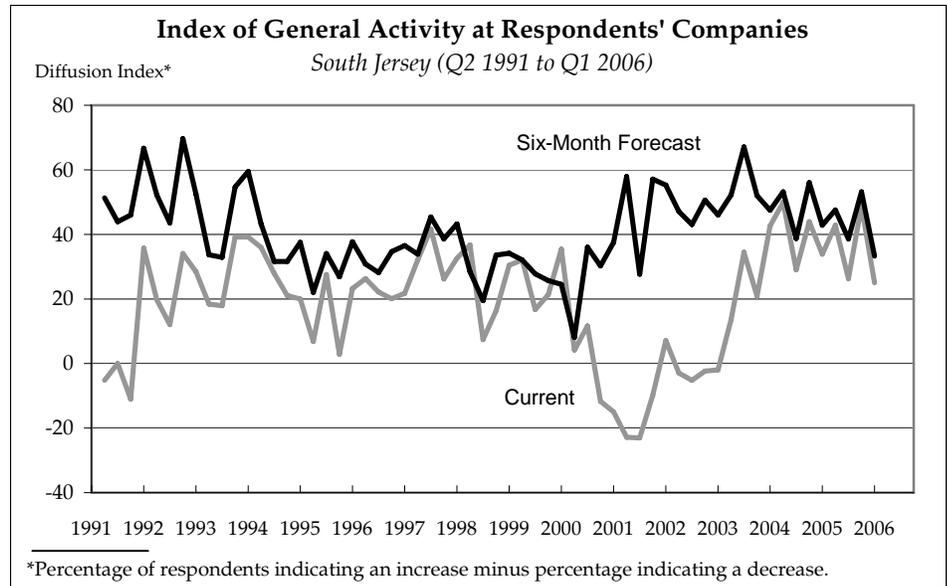
SOUTH JERSEY BUSINESS SURVEY

First Quarter 2006

Firms in the South Jersey region reported continued growth in business during the first quarter. The firms surveyed noted growth in both overall business activity and sales at their companies, although indicators for both suggest the pace of growth was not as great as in the fourth quarter. The percentage of firms reporting increased sales was nearly the same as in the previous quarter, but the percentage of firms reporting higher employment was lower. More firms reported higher business costs, and a significant share reported higher prices for their own products. The outlook for future business conditions at individual companies, while positive, was less optimistic than in the final quarter of 2005.

Current Indicators Decline but Suggest Continued Growth

The survey's broadest measure of performance, the index of general activity at individual companies, fell from a very high reading of 48.9 in the fourth quarter, to 25.0 in the first quarter. The index has been positive for 12 consecutive quarters and continues to suggest positive growth for the region (see Chart). Half of the respondents reported higher levels of business activity at their companies in the first quarter compared to the fourth quarter; 25 percent reported lower levels. The survey's indicator for sales decreased seven points from its high reading last quarter, but nearly the same percentage of firms as last quarter (54 percent) reported higher sales.



Firms' perceptions of the health of the economies of the region, state, and nation were less favorable than in the previous survey. Last quarter, 40 percent of the firms perceived improvement in the national economy; only 29 percent perceived improvement this quarter. The general activity index for the nation (reflecting firms' assessments of the level of business activity nationally) fell from 17.0 in the fourth quarter to -4.2. Also, more firms thought conditions in the region and state had deteriorated than thought they had improved.

There was no overall growth in employment among firms polled; the percentage of firms indicating declines in employment in the first quarter (13 percent) was the same as the percentage indicating increases. Moreover, the percentage of firms reporting higher em-

ployment fell from 21 percent in the fourth quarter to 13 percent in the first quarter. The percentage of firms reporting longer work hours (21 percent), however, remained higher than the percentage reporting shorter hours (8 percent).

Higher Costs and Prices Reported

Fifty percent of the South Jersey businesses surveyed indicated higher prices for raw materials in the first quarter, seven points higher than in the fourth quarter. The prices paid index for these materials increased 10 points. Forty-two percent of firms reported higher wage costs in the first quarter; 67 percent reported higher benefit costs.

Although 58 percent of the firms reported no change in prices for their own products, the percentage reporting increases (25 percent) was almost 1.5 times

the percentage reporting price decreases (17 percent). The prices received index, however, was down four points from its reading in the fourth quarter, suggesting that not all cost increases are being passed through to customers.

Expectations Less Optimistic

South Jersey firms were somewhat less optimistic about the future this quarter. The index of future activity at individual companies dropped notably, from 53.2 in the fourth quarter to 33.3 in the first quarter. The previous quarter's reading, however, was the highest in a year (see Chart). The percentage of firms expecting improvement in their own companies' business activity (42 percent) continued

to exceed the percentage expecting deterioration (8 percent). Indexes measuring expectations for future growth suggest that firms are more optimistic about the economies of the nation, region, and state than in the previous quarter: Future indexes for the nation, state and region increased notably this quarter.

Firms remain generally optimistic about employment growth over the next six months, but they were not as optimistic as in the fourth quarter. The future employment index fell 13 points, but the percentage of firms expecting higher employment (29 percent) still exceeded that of firms expecting lower employment (8 percent).

Summary

According to the latest *South Jersey Business Survey*, economic conditions in the region remained favorable in the first quarter, although some indicators were lower than in the final quarter of 2005 and may suggest a moderation in the pace of growth. Employment was flat among the reporting firms. One-half or more of the firms reported higher costs, but only one-quarter reported higher prices for their own products. Firms remained generally optimistic about growth over the next six months, although they were somewhat less optimistic about employment growth than at the end of last year.

South Jersey Business Survey (First Quarter 2006)

	Compared with 3 Months Ago					Six Months from Now				
	<i>Previous Diffusion Index</i>	Lower	Same	Higher	<i>Diffusion Index</i>	<i>Previous Diffusion Index</i>	Lower	Same	Higher	<i>Diffusion Index</i>
1. What is your assessment of the level of general business activity?										
1.1 in the nation?	17.0	33.3	37.5	29.2	-4.2	0.0	4.2	58.3	37.5	33.3
1.2 in the state?	12.8	33.3	50.0	16.7	-16.7	0.0	4.2	70.8	25.0	20.8
1.3 in the region?	14.9	33.3	37.5	29.2	-4.2	-4.3	4.2	62.5	33.3	29.2
1.4 at your company?	48.9	25.0	25.0	50.0	25.0	53.2	8.3	50.0	41.7	33.3
2. Please tell us how the following business indicators are behaving at your company.										
2.1 Sales (Manufacturers: use shipments)	40.4	20.8	16.7	54.2	33.3	59.6	4.2	41.7	29.2	25.0
2.2 Inventories of the products you sell	2.1	16.7	41.7	16.7	0.0	2.1	16.7	45.8	4.2	-12.5
2.3 Customer traffic or inquiries	31.9	20.8	45.8	33.3	12.5	61.7	8.3	37.5	37.5	29.2
2.4 Number of employees	12.8	12.5	70.8	12.5	0.0	34.0	8.3	45.8	29.2	20.8
2.5 Weekly hours	14.9	8.3	66.7	20.8	12.5	34.0	4.2	54.2	20.8	16.7
2.6 Prices actually received	12.8	16.7	58.3	25.0	8.3	25.5	4.2	62.5	20.8	16.7
2.7 Prices paid for raw material (other than labor or energy)	36.2	4.2	20.8	50.0	45.8	34.0	0.0	33.3	29.2	29.2
2.8 Cost of labor:										
2.8.1 Wages	44.7	0.0	50.0	41.7	41.7	55.3	0.0	33.3	41.7	41.7
2.8.2 Benefits	59.6	0.0	25.0	66.7	66.7	63.8	0.0	33.3	41.7	41.7
2.9 Spending for:										
2.9.1 Acquisition of new space	6.4	12.5	54.2	12.5	0.0	10.6	4.2	62.5	8.3	4.2
2.9.2 Renovation of existing space	27.7	8.3	45.8	25.0	16.7	23.4	12.5	54.2	8.3	-4.2
2.9.3 Equipment	31.9	8.3	45.8	29.2	20.8	17.0	4.2	50.0	25.0	20.8

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. The diffusion index represents the percentage of respondents indicating an increase minus the percentage indicating a decrease. Items may not add to 100 because of omission by respondents