



SOUTH JERSEY BUSINESS SURVEY

First Quarter 2008

Firms in the South Jersey region reported a continued weakening of business activity during the first quarter. Firms perceived that conditions continued to deteriorate for the national, state, and regional economies during the first quarter. The firms surveyed noted a decline in business activity and sales at their own companies, but employment remained steady. Firms also reported negative influences on their businesses from higher energy prices and the weakness in the construction and financial sectors. The outlook for future business conditions at individual companies was virtually unchanged from the previous quarter, with firms expecting no overall growth over the next six months.

Current Indicators Reflect Continued Weakening

The survey's broadest measure of performance, the index of general activity at individual companies, remained negative for the third consecutive quarter; however, it edged up slightly, from a reading of -22.8 in the fourth quarter to -12.6 in the first quarter (see Chart). More firms reported a decline in business activity (36 percent) than reported an increase (23 percent). The survey's indicator for sales fell from 3.5 to -14.9, its lowest reading since the third quarter of 2001. On balance, firms reported continued declines in customer traffic and inquiries.

Firms perceived continued deterioration in the health of the regional, state, and national economies. For example, 72 percent of the firms thought that conditions at the national level deteriorated this quarter, up from 53 percent in the previous quarter. The general activity index for the nation (reflecting firms' assessments of the level of business activity nationally) fell from -49.1 in the

fourth quarter to -71.3. A similar deterioration was evident in firms' appraisals of business conditions in the state and region.

There was essentially no overall growth in employment among the surveyed firms in the first quarter: the percentage of firms indicating an increase in employment (20 percent) was only slightly higher than the percentage indicating a decrease (18 percent). The current employment index increased from a reading of -5.3 in the previous quarter to 1.1 in the first quarter. The percentage of firms reporting longer work hours (21 percent) was higher than the percentage reporting shorter hours (13 percent).

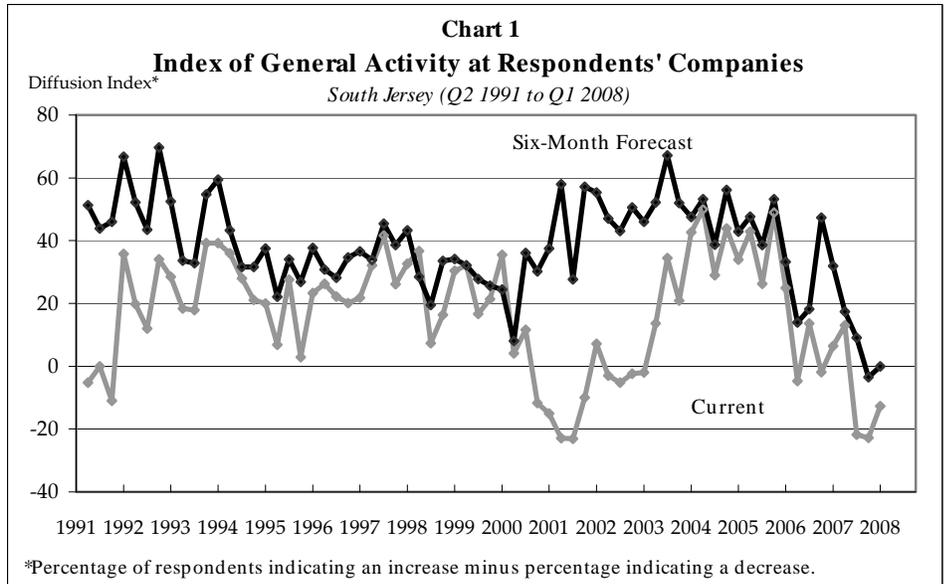
In special questions this quarter, firms were asked about any adverse effects on sales or employment as a result of recent changes in the construction and financial sectors (see Special Questions). Over half of the firms noted an adverse effect on sales: 25 percent reported a slight decline in sales, 14 percent a moderate decline, and 14 percent a substantial decline. In contrast, only 28 percent reported an adverse effect on employ-

ment: 13 percent reported a slight decline, 9 percent a moderate decline, and 6 percent a substantial decline. Firms were also asked about the net effect of higher energy prices on demand for their goods or services. Thirty percent of the firms indicated some decrease in demand resulting from energy prices; only 12 percent indicated some positive effect on demand.

Higher Costs and Prices Reported

Fifty-two percent of the South Jersey businesses surveyed indicated higher prices for raw materials in the first quarter, up significantly from 35 percent in the fourth quarter. The prices paid index for materials (excluding labor and energy) rose 17 points. Indexes for wages and benefits costs were also up, 12 points and 31 points, respectively.

With regard to the prices received for their own products, the percentage reporting increases (23 percent) was greater than the percentage reporting decreases (14 percent). The largest portion, 44 percent, reported



stable prices during the quarter. The prices received index rose from the fourth quarter, but only four points.

Firms Expect No Business Growth

The index of future activity at individual companies increased slightly from -3.5 in the fourth quarter to zero in the first quarter (see Chart). Overall, firms expect no growth: the percentage of firms expecting improvement in conditions exactly offset the percentage expecting deterioration (26 percent). South Jersey firms remained pessimistic about the outlook for the national, state, and regional economies. Although some firms expect deterioration in conditions (26 percent) at their own businesses, about twice as many firms expect deterioration at the national, state, and regional levels.

Firms' expectation of no growth in their businesses over the next six months is mirrored by responses concerning employment plans. The percentage of firms expecting lower employment (17 percent) was slightly higher than the percentage expecting higher employment (13 percent), and the future employment index decreased six points.

Summary

According to the latest *South Jersey Business Survey*, economic conditions in the nation, state, and region deteriorated in the first quarter. Activity and sales indicators for the individual companies polled in the South Jersey region suggest a weakening in business conditions; however, employment levels remained steady. Over half of the firms reported a negative effect on sales from changes in the construction and financial sectors, and 30 percent reported a negative effect on demand from higher energy prices. Just over one-half of the firms reported higher costs this quarter, a substantial increase from last quarter, and almost one-quarter of the firms reported higher prices for their own products. Firms expect continued deterioration in national, state, and regional economic conditions over the next six months, but they anticipate that conditions in their own businesses will be mostly unchanged over the same period.

Special Questions (First Quarter 2008)

1. Have the most recent changes in the construction and financial sectors had any direct or indirect adverse effect on sales or employment at your business?

	SALES	EMP.
No impact	34.5	55.2
Slight decline	25.3	12.6
Moderate decline	13.8	9.2
Substantial decline	13.8	5.8
No response	12.6	17.2
Total	100.0%	100.0%

2. What has been the net effect of higher energy prices on the demand for your goods or services?

Substantial decrease in demand	12.7
Slight decrease in demand	17.2
No change in demand	51.7
Slight increase in demand	10.3
Substantial increase in demand	1.2
No response	6.9
Total	100.0%

South Jersey Business Survey (First Quarter 2008)

	Compared with 3 Months Ago					Six Months From Now				
	Previous Diffusion Index	Lower	Same	Higher	Diffusion Index	Previous Diffusion Index	Lower	Same	Higher	Diffusion Index
1. What is your assessment of the level of general business activity?										
1.1 in the nation?	-49.1	72.4	20.7	1.1	-71.3	-33.3	41.4	39.1	11.5	-29.9
1.2 in the state?	-56.1	75.9	16.1	2.3	-73.6	-45.6	55.2	28.7	8.0	-47.1
1.3 in the region?	-50.9	65.5	23.0	3.4	-62.1	-35.1	49.4	33.3	9.2	-40.2
1.4 at your company?	-22.8	35.6	34.5	23.0	-12.6	-3.5	26.4	40.2	26.4	0.0
2. Business indicators at your company:		Lower	Same	Higher	Diffusion Index		Lower	Same	Higher	Diffusion Index
2.1 Sales (or shipments for manufacturers)	3.5	32.2	29.9	17.2	-14.9	-5.3	23.0	31.0	20.7	-2.3
2.2 Product inventories	-1.8	17.2	34.5	6.9	-10.3	-1.8	16.1	36.8	5.7	-10.3
2.3 Customer traffic/inquiries	-12.3	32.2	29.9	20.7	-11.5	0.0	19.5	35.6	20.7	1.1
2.4 Number of employees	-5.3	18.4	50.6	19.5	1.1	1.8	17.2	54.0	12.6	-4.6
2.5 Weekly hours	-7.0	12.6	54.0	20.7	8.0	-1.8	9.2	58.6	14.9	5.7
2.6 Prices actually received	5.3	13.8	43.7	23.0	9.2	7.0	13.8	43.7	19.5	5.7
2.7 Prices paid for raw material (not labor or energy)	35.1	0.0	11.5	51.7	51.7	29.8	1.1	16.1	47.1	46.0
2.8 Cost of labor:										
2.8.1 Wages	26.3	5.7	40.2	43.7	37.9	28.1	4.6	50.6	29.9	25.3
2.8.2 Benefits	24.6	1.1	29.9	56.3	55.2	31.6	1.1	41.4	40.2	39.1
2.9 Spending for:										
2.9.1 Acquisition of new space	-3.5	19.5	31.0	11.5	-8.0	-12.3	14.9	35.6	10.3	-4.6
2.9.2 Renovation	3.5	12.6	31.0	24.1	11.5	-1.8	11.5	36.8	17.2	5.7
2.9.3 Equipment	7.0	14.9	34.5	21.8	6.9	-1.8	14.9	41.4	16.1	1.1

- 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.
- 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.