



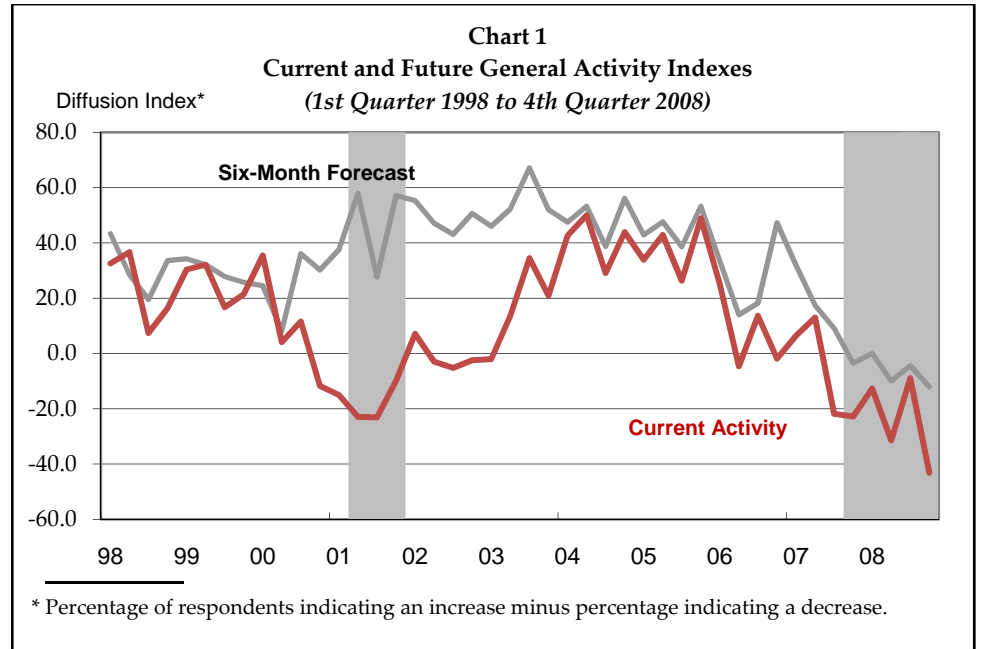
SOUTH JERSEY BUSINESS SURVEY

Fourth Quarter 2008

Firms in the South Jersey region reported continued deterioration in business conditions during the fourth quarter. The firms surveyed noted declines in overall business activity and sales at their own companies. Respondents also reported declines in employment, suggesting that the recession that started in December 2007 deepened at the end of last year. Firms also reported that cost pressures had moderated during the quarter, and more respondents reported declines in prices for their own products than reported increases. The six-month outlook for future business conditions at individual companies also deteriorated, and most future indicators are at new record lows

Current Indicators Deteriorate, Suggesting Greater Declines

The survey's broadest measure of performance, the index of general activity at individual companies, fell precipitously, from a reading of -8.9 in the third quarter, to -43.1 in the fourth quarter (see Chart 1). The index has remained negative since the third quarter of 2007 (just prior to the beginning of the current recession) and is now at its lowest reading since the beginning of the survey in 1991. Fifty-nine percent of the respondents reported lower levels of



business activity (compared to 36 percent that reported lower levels in the third quarter); only 16 percent reported higher levels of activity during the fourth quarter. The survey's indicator for sales plummeted 21 points (see Chart 2), and the percentage of firms reporting decreases in sales (47 percent) was significantly larger than the percentage indicating an increase (12 percent).

The survey's activity index for the region (reflecting firms' assessments of the level of business activity in the region) fell from -62.2, to -77.6, the index's lowest reading since the beginning of the survey in 1991. In the previous quarter, 64 percent of the firms perceived

deterioration in the region's economy; in the fourth quarter nearly 83 percent perceived deterioration.

Declines in employment among the firms polled were widespread: The percentage of firms indicating decreases in employment in the fourth quarter (36 percent) was significantly higher than the percentage indicating increases (10 percent). The current employment index fell 13 points, to its second-lowest reading on record (see Chart 2); the index was lower only during the 2001 recession.

Cost Pressures Moderate And Lower Prices Reported

Thirty-one percent of the South Jersey businesses surveyed reported higher prices for raw materials in the fourth quarter, but that was lower than the 42 percent that reported higher prices in the third quarter. The prices paid index for these materials moved 18 points lower. Regarding the prices received for their own products, the percentage reporting price decreases (22 percent) was greater than the percentage reporting increases (16 percent) for the third consecutive quarter. The prices received index, although still negative, edged up from a very low reading of -20.0 in the third quarter to -6.9 in the fourth quarter.

Expectations Less Optimistic

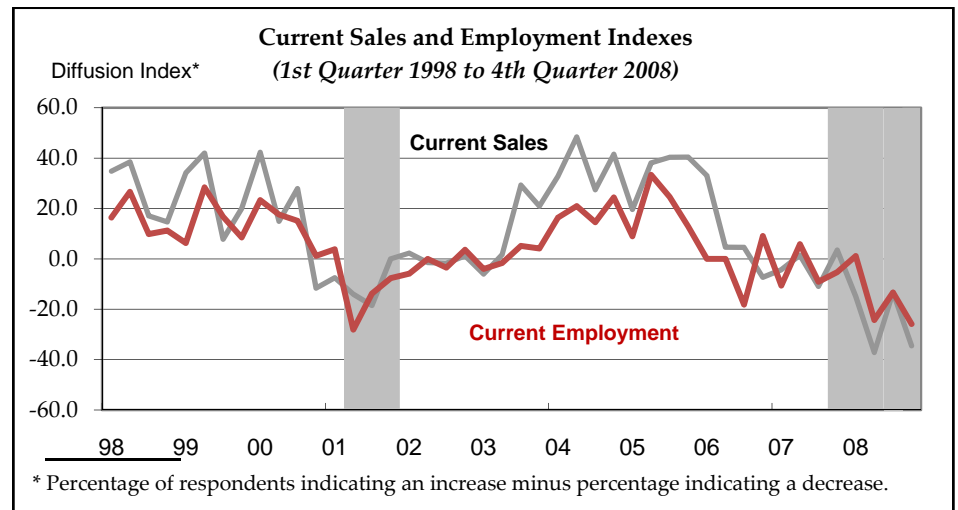
South Jersey firms were less optimistic about the future in this quarter's survey. The index of future activity at individual companies dropped from -4.4 in the third quarter to -12.1 in the fourth quarter. The index has remained negative in four of the last five quarters and is now at a historic low (see Chart 1). The per-

centage of firms expecting conditions to deteriorate over the next six months (41 percent) exceeds the percentage expecting improvement (29 percent). Firms were significantly more pessimistic about employment growth over the next six months. The future employment index fell 14 points, with the percentage of firms expecting employment cuts rising from 20 percent in the third quarter to 33 percent in the fourth quarter.

Summary

According to the latest *South Jersey Business Survey*, economic conditions in

the region continued to deteriorate in the final quarter of last year. Sales and employment indicators for the individual companies indicate more widespread and greater declines in business during the fourth quarter compared to the third quarter. Firms were also less optimistic about future growth and expect further declines in activity and employment through the first half of 2009.



South Jersey Business Survey (Fourth 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 region?	-62.2	82.8	8.6	5.2	-77.6	-35.6	56.9	31.0	10.3	-46.6
1.2 at your company?	-8.9	58.6	22.4	15.5	-43.1	-4.4	41.4	29.3	29.3	-12.1
2. Specific company performance measures:										
2.1 Total sales	-13.3	46.6	31.0	12.1	-34.5	-2.2	39.7	31.0	22.4	-17.2
2.2 Big ticket sales		44.8	22.4	6.9	-37.9		36.2	27.6	17.2	-19.0
2.2 Product Inventories	-17.8	32.8	34.5	5.2	-27.6	-6.7	34.5	31.0	0.0	-34.5
2.4 Number of employees	-13.3	36.2	39.7	10.3	-25.9	-6.7	32.8	48.3	12.1	-20.7
2.6 Prices actually received	-20.0	22.4	46.6	15.5	-6.9	-8.9	29.3	53.4	8.6	-20.7
2.7 Prices paid for raw material (not energy)	40.0	8.6	0.0	31.0	22.4	35.6	20.7	31.0	24.1	3.4
1. The <i>South Jersey Business Survey</i> is conducted each quarter and is based on responses from members of the Chamber of Commerce of Southern New Jersey.										
2. The diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. Items may not add to 100 because of omission by respondents.										