



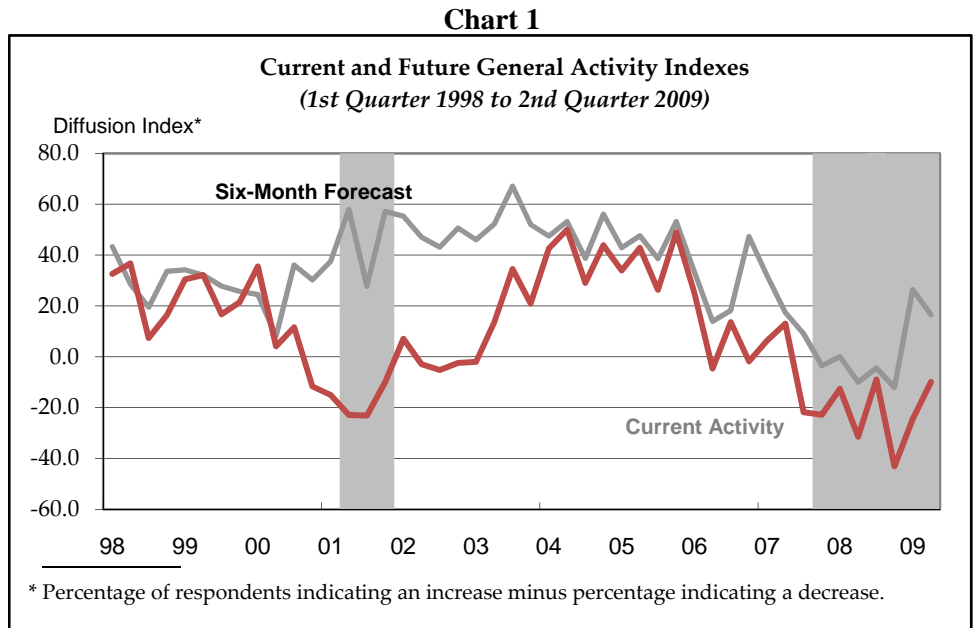
# SOUTH JERSEY BUSINESS SURVEY

## Second Quarter 2009

Firms in the South Jersey region reported more moderate declines in business growth during the second quarter compared with the first quarter. Although declines in business remain widespread, most indicators suggest that the pace of decline has moderated. Employment trends, however, showed no improvement, with more than one-third of the firms surveyed reporting declines in employment this quarter. Firms, on balance, expect business conditions to improve before the end of year, although few firms expect a pickup in hiring.

### Current Indicators Suggest Smaller Overall Declines

The survey's broadest measure of performance, the index of general activity at individual companies, increased from a reading of -24.5 to -9.9. The index has remained negative, thus indicating overall decline, since the third quarter of 2007 (just before the start of the current recession; see Chart 1). The percentage of firms reporting lower levels of business activity in the second quarter (36 percent) was greater than the percentage reporting higher levels (26 percent). The survey's indicator for sales also remained negative but edged higher, from -26.4 to -14.6. Firms also



shed inventories over the quarter: 17 percent of firms reported declines in inventories, and only 7 percent reported an increase.

Improvement in the survey's broad indicators, including sales, did not carry over to employment, however. Firms continue to report employment losses, and the current employment index weakened further, declining from a reading of -22.6 in the first quarter to -31.8 in the second quarter. The index is now at its lowest reading in the history of the survey (see Chart 2). Only 7 percent of the firms reported an increase in employment; 38 percent reported a decrease.

### Price Reductions Are Widespread

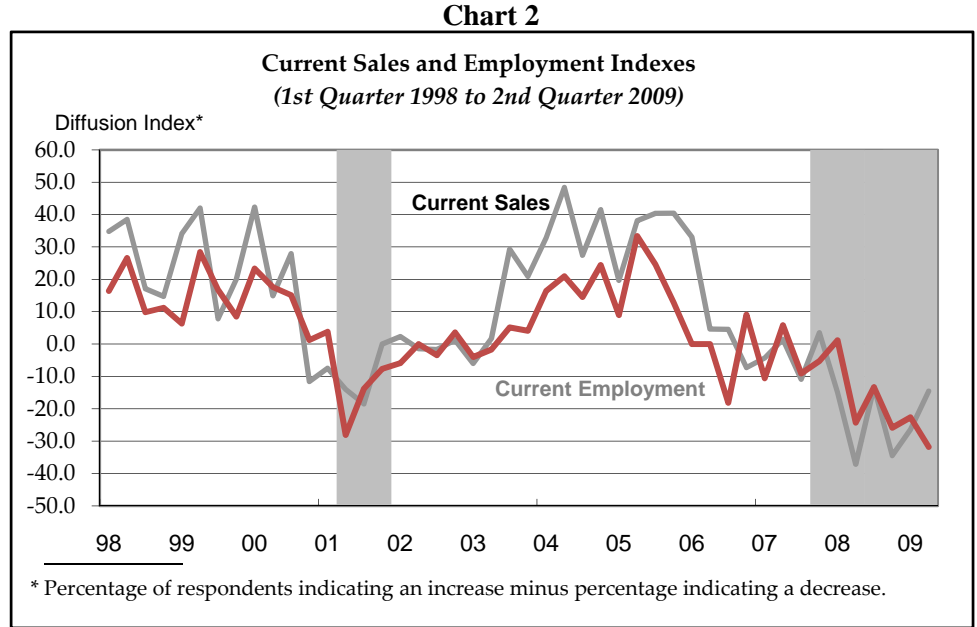
South Jersey businesses reported widespread reductions in prices for products during the second quarter. The percentage of firms reporting price decreases (29 percent) was greater than the percentage reporting increases (11 percent) for the fifth consecutive quarter. Cost pressures remain, but they have diminished somewhat. Twenty-three percent of South Jersey businesses surveyed reported higher prices for raw materials in the second quarter, only slightly lower than the 26 percent that reported higher prices in the first quarter. The prices paid index for raw materials moved three points lower.

## Firms Expect Recovery

South Jersey firms remain optimistic about the future in this quarter's survey. The index of future activity at individual companies, although remaining positive, dropped from 26.4 in the first quarter to 16.6 in the second quarter (see Chart 1). Still, the percentage of firms expecting conditions to improve over the next six months (38 percent) exceeds the percentage expecting deterioration (21 percent). Firms remain pessimistic about employment growth over the next six months. The future employment index fell nine points, and the percentage of firms expecting to decrease employment over the next six months remained at about 20 percent. Only 9 percent of firms are expecting an expansion of employment over the next six months.

## Summary

According to the latest *South Jersey Business Survey*, economic conditions in the region continued to deteriorate in the second quarter. However, the survey's activity and sales indicators for



the individual companies indicate more moderate declines in business compared to previous quarters. But employment losses continued to be widespread. Firms are cautiously optimistic about future growth but expect employment losses to continue during the second half of 2009.

## South Jersey Business Survey (Second Quarter 2009)

	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?	<b>-50.9</b>	52.3	34.4	11.3	-41.1	<b>-7.5</b>	30.5	40.4	25.2	-5.3
1.2 at your company?	<b>-24.5</b>	35.8	36.4	25.8	-9.9	<b>26.4</b>	21.2	37.7	37.7	16.6
2. Specific company performance measures:		Lower	Same	Higher	Diffusion Index		Lower	Same	Higher	Diffusion Index
2.1 Total sales	<b>-26.4</b>	38.4	22.5	23.8	-14.6	<b>18.9</b>	18.5	29.8	30.5	11.9
2.2 Big ticket sales	<b>-35.8</b>	35.1	23.2	10.6	-24.5	<b>-11.3</b>	24.5	26.5	14.6	-9.9
2.2 Product Inventories	<b>-28.3</b>	16.6	26.5	6.6	-9.9	<b>-24.5</b>	13.2	31.1	0.0	-13.2
2.4 Number of employees	<b>-22.6</b>	38.4	46.4	6.6	-31.8	<b>-1.9</b>	19.9	57.6	9.3	-10.6
2.6 Prices actually received	<b>-20.8</b>	29.1	46.4	10.6	-18.5	<b>3.8</b>	17.2	57.6	11.9	-5.3
2.7 Prices paid for raw material (not energy)	<b>15.1</b>	9.9	67.6	22.5	12.6	<b>13.2</b>	9.3	43.0	16.6	7.3
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. 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										