



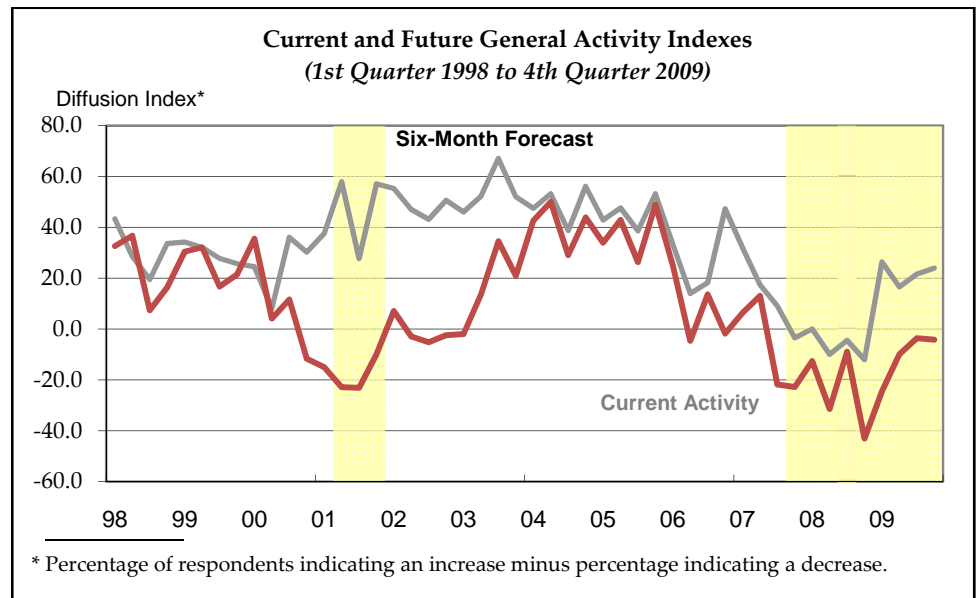
SOUTH JERSEY BUSINESS SURVEY

Fourth Quarter 2009

Respondents to the *South Jersey Business Survey* reported a continuation of weak economic conditions during the fourth quarter. Most of the survey's indicators of economic growth changed little from the previous quarter and continued to suggest declines in overall activity. Although firms, on balance, expect improvement in business over the next six months, they also expect continued employment losses at their firms.

Current Indicators Suggest Declines During the Fourth Quarter

The survey's broadest measure of performance, the index of general activity at individual companies, fell slightly from a reading of -3.6 in the third quarter to -4.2 in the fourth quarter (see the Chart). The index has remained negative since the third quarter of 2007 (just before the start of the recession). The percentage of firms reporting lower levels of business activity in the fourth quarter (30 percent) was greater than the percentage reporting higher levels (26 percent). The survey's indicator for sales also remained negative, although it edged slightly higher, from -7.2 to -4.2. The indicator for big ticket sales showed slight improvement but remains significantly negative. A sizable share of firms also shed inventories



over the quarter: 21 percent of firms reported declines and only 5 percent reported an increase in inventories.

Firms continue to report employment losses, and the current employment index remained significantly negative, although it increased from its reading of -26.6 in the third quarter to -25. Only 8 percent of the firms reported an increase in employment in the fourth quarter, while 33 percent reported decreases.

In special questions, firms were asked to characterize demand for their products over the past three months (see *Special Questions*). The lackluster performance in business is evident in their responses, since the percentage of firms indicating an increase in demand

was higher than the percentage indicating a decrease. Nearly 35 percent of firms indicated that demand had decreased modestly over the past three months, and 6 percent indicated significant decreases in demand. Twenty-eight percent indicated modest increases, while only 4 percent reported significant increases. When asked to compare current demand with what was expected three months ago, 27 percent of firms indicated that demand is less than expected; only 10 percent indicated it is greater than expected. Firms were slightly more certain regarding their forecasts for the first half of 2010 than they were six months ago.

Price Reductions Are Widespread

Reductions in product prices were reported during the fourth quarter, continuing the trend of previous quarters. For the seventh consecutive quarter, the percentage of firms reporting price decreases (27 percent) was greater than the percentage reporting increases (7 percent). Fifteen percent of the South Jersey businesses surveyed reported higher prices for raw materials in the fourth quarter, and only 9 percent reported lower prices. The largest percentage, 42 percent, reported steady input prices.

Firms Expect Recovery During the First Half of the Year

South Jersey firms remain relatively optimistic about the future in this quarter's survey. The index of future activity at individual companies remained positive and increased from 21.6 in the third quarter to 24.0 (see the Chart). The percentage of firms expecting conditions to improve over the next six months (45 percent) exceeds the percentage expecting deterioration (21 percent). The percentage of firms that believe sales will grow over the next six months (42 percent) is higher than the percentage of firms that believe sales will decline (16 percent).

But firms remain pessimistic about expansion of employment over the next six months. For the eighth consecutive quarter, the percentage of firms expecting to decrease their payrolls over the next six months (18 percent) was larger than the percentage expecting to increase them (14 percent).

Summary

According to the latest *South Jersey Business Survey*, weak economic condi-

tions continued in the fourth quarter. The survey's activity and sales indicators for individual companies continued to suggest marginal declines. Employment losses among the polled South Jersey firms continued to be relatively widespread. Firms are cautiously optimistic about future business growth but expect employment losses to continue over the next six months.

Special Questions (Fourth Quarter 2009)	
1. Over the past three months how would you characterize the underlying demand for your manufactured products? Exclude any purely seasonal effect.	
Increase significantly	3.7%
Increase modestly	27.8%
No change	27.8%
Decrease modestly	35.1%
Decrease significantly	5.6%
2. How does the current underlying demand for your products compare with what you expected three months ago?	
Less than expected	26.9%
About what was expected	62.8%
Greater than expected	10.3%
3. How would you characterize the level of certainty regarding your forecast for business growth over the next six months?	
Less certain than six months ago	27.8%
No difference than six months ago	38.9%
More certain than six months ago	33.3%

South Jersey Business Survey (Fourth Quarter 2009)	Compared with Third Quarter					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?	-18.0	31.3	50.0	14.6	-16.7	10.8	15.6	44.8	33.3	17.7
1.2 at your company?	-3.6	30.2	41.7	26.0	-4.2	21.6	20.8	32.3	44.8	24.0
2. Specific company performance measures:		Lower	Same	Higher	Diffusion Index		Lower	Same	Higher	Diffusion Index
2.1 Total sales	-7.2	29.2	30.2	25.0	-4.2	9.4	15.6	22.9	41.7	26.0
2.2 Big ticket sales	-23.0	29.2	27.1	7.3	-21.9	-2.9	18.8	33.3	12.5	-6.3
2.2 Product Inventories	-25.9	20.8	27.1	5.2	-15.6	-18.0	10.4	33.3	0.0	-10.4
2.4 Number of employees	-26.6	33.3	50.0	8.3	-25.0	-5.8	17.7	54.2	13.5	-4.2
2.6 Prices actually received	-25.2	27.1	52.1	7.3	-19.8	-13.7	14.6	53.1	16.7	2.1
2.7 Prices paid for raw material (not energy)	6.5	9.4	41.7	14.6	5.2	12.9	6.3	37.5	19.8	13.5
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										