



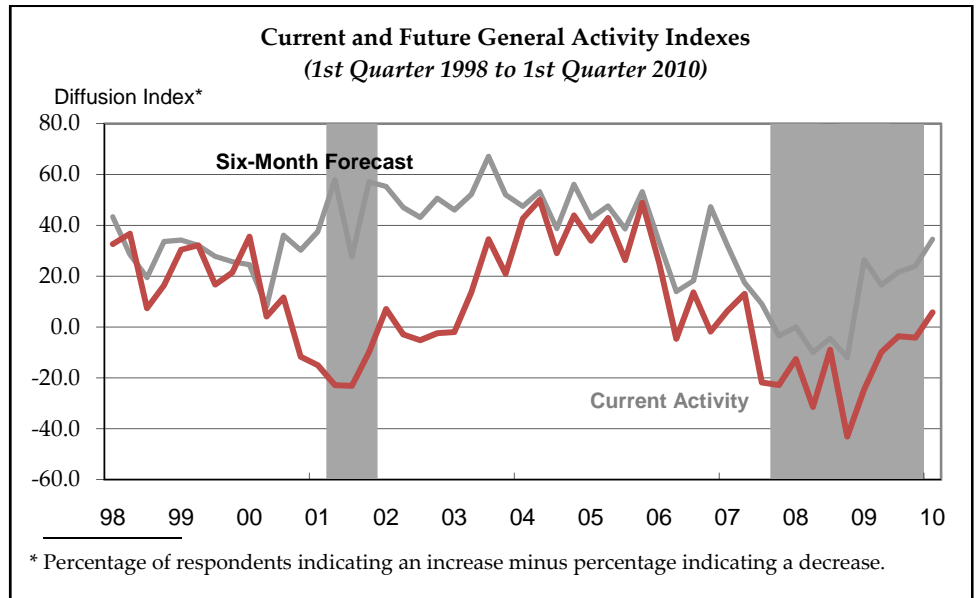
SOUTH JERSEY BUSINESS SURVEY

First Quarter 2010

Firms in the South Jersey region reported modest increases in business activity during the first quarter. Employment continued to decline among the firms surveyed, however: Nearly 30 percent of the firms reported declines in their payrolls in the first quarter. Although firms, on balance, expect improvement in their businesses over the next six months, they are also forecasting only modest increases in overall employment.

Current Indicators Suggest Small Increases in the First Quarter

The survey's broadest measure of performance, the index of general activity at individual companies, improved from a reading of -4.2 to 5.7, the first positive reading since the second quarter of 2007 (see Chart on this page). The percentage of firms reporting higher levels of business activity in the first quarter (32 percent) was slightly greater than the percentage reporting lower levels (26 percent). The survey's indicator for sales edged higher, from -4.2 to -1.1 (see Chart on next page). Although still negative, the sales index is at its highest reading since the fourth quarter of 2007. A significant share of firms shed inventories over the quarter: 17 percent reported declines but 9 percent reported an increase in inventories.



The firms polled perceived little improvement in the region's economy. The percentage of firms that believe regional business activity declined in the first quarter (35 percent) is nearly twice as high as the percentage that believe it increased (18 percent). The general activity index for the region was virtually unchanged at -16.1.

Despite improvement in the survey's broad indicators for individual companies, survey responses suggest continued weakness in the labor market. Firms continued to report employment losses, and the current employment index remained negative, even though it increased from a low reading of -25.0 in the fourth quarter to -14.9 in the first quarter (see Chart on next page). Near-

ly 30 percent of the firms reported decreases in employment, while 15 percent reported increases.

Price Reductions Are Widespread Despite Cost Increases

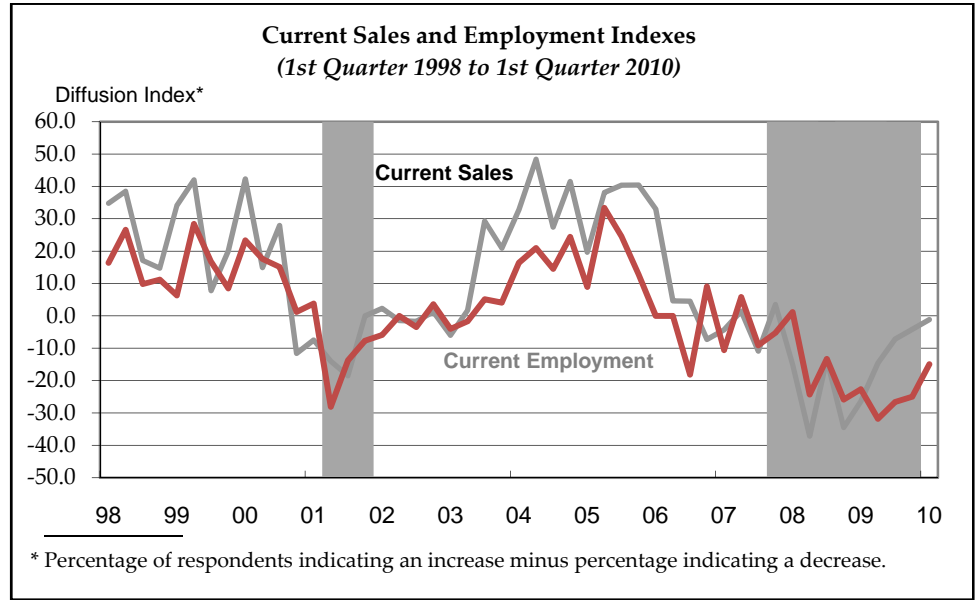
Reductions in product prices remained widespread during the first quarter, continuing the pattern of previous quarters. For the eighth consecutive quarter, the percentage of firms reporting price decreases (26 percent) was greater than the percentage reporting increases (6 percent). A sizable share of South Jersey businesses continued to report cost pressures: 18 percent reported higher prices for raw materials in the first quarter, and only 3 percent reported lower prices. The

largest percentage of firms (43 percent) reported steady input prices this quarter. The prices paid index for raw materials increased 10 points.

Firms Expect Recovery, But Employment Will Recover Little

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 24.0 in the fourth quarter to 34.5, its highest reading since the fourth quarter of 2006 (see Chart on page 1). The percentage of firms expecting conditions to improve over the next six months (46 percent) exceeds the percentage expecting deterioration (12 percent). The percentage of firms that believe sales will grow over the next six months (38 percent) is higher than the percentage that believe sales will decline (14 percent).

Despite improved optimism, the outlook for future employment remains lackluster, although it improved somewhat over recent surveys. For the first time since the fourth quarter of 2007, the percentage of firms expecting to increase their payrolls over the next six months (16 percent) was narrowly greater than the percentage expecting



to decrease them (13 percent). The improvement in the future employment index to a slightly positive reading suggests that firms believe that employment growth will return over the next six months, even though the increases will be slight.

Summary

According to the latest *South Jersey Business Survey*, economic conditions in the region improved in the first quarter, but growth was modest. Indicative of continued weakness, however, firms

reported declines in their own prices despite continued cost increases. Among the firms polled, employment losses continued to be widespread during the first quarter, although the overall pace of declines continued to moderate. Firms are becoming more optimistic about future business growth and expect employment gains to be slight over the next six months.

South Jersey Business Survey (First Quarter 2010)

	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?	-16.7	34.5	46.0	18.4	-16.1	17.7	18.4	44.8	35.6	17.2
1.2 at your company?	-4.2	26.4	41.4	32.2	5.7	24.0	11.5	42.5	46.0	34.5
2. Specific company performance measures:		Lower	Same	Higher	Diffusion Index		Lower	Same	Higher	Diffusion Index
2.1 Total sales	-4.2	32.2	28.7	31.0	-1.1	26.0	13.8	37.9	37.9	24.1
2.2 Big ticket sales	-21.9	26.4	24.1	14.9	-11.5	-6.3	16.1	24.1	25.3	9.2
2.2 Product Inventories	-15.6	17.2	27.6	9.2	-8.0	-10.4	9.2	32.2	0.0	-9.2
2.4 Number of employees	-25.0	29.9	46.0	14.9	-14.9	-4.2	12.6	59.8	16.1	3.4
2.6 Prices actually received	-19.8	26.4	56.3	5.7	-20.7	2.1	12.6	58.6	14.9	2.3
2.7 Prices paid for raw material (not energy)	5.2	3.4	42.5	18.4	14.9	13.5	4.6	43.7	18.4	13.8

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 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