



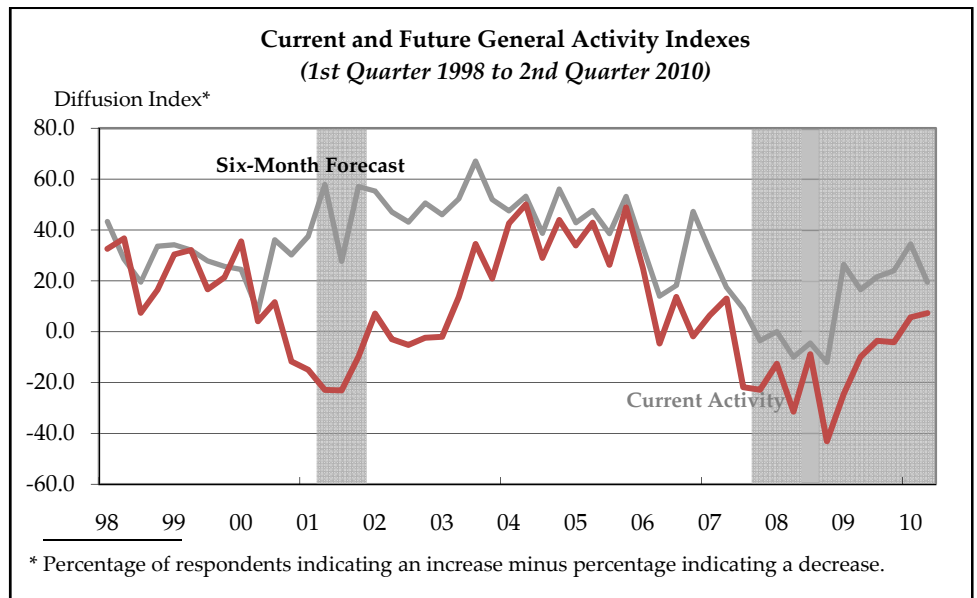
# SOUTH JERSEY BUSINESS SURVEY

## Second Quarter 2010

Firms in the South Jersey region reported modest increases in business activity during the second quarter. Total sales improved considerably: 39 percent of firms had increases, compared with 31 percent in the first quarter. Although firms, on balance, expect improvement in their businesses over the next six months, their expectations have weakened since the first quarter.

### Current Total Sales Index Improved Significantly in Second Quarter

The survey's broadest measure of performance, the index of general activity at individual companies, improved modestly from a reading of 5.7 to 7.3 (see Chart). The percentage of firms reporting higher levels of business activity in the second quarter (34 percent) was slightly greater than the percentage reporting lower levels (27 percent). The survey's indicator for sales increased significantly into positive territory, from -1.1 to 17.1 (see Chart 2). The percentage of firms seeing an increase in sales rose to 39 percent from 31 percent last quarter, and the percentage of firms reporting a decrease in sales declined from 32 percent to 22 percent. The diffusion index for inventories remains negative, although the rate of decline moderated from -8.0 to -2.4. The majority of firms, 32 percent,



kept inventories unchanged over the quarter.

The firms polled perceive little improvement in the region's economy. The percentage of firms that believe regional business activity declined in the second quarter (26.8 percent) is more than twice the percentage that believe it increased (12.2 percent). The general activity index for the region, however, improved slightly, to -14.6.

Firms continued to report employment losses, and the current employment index remained negative, even though it increased from a reading of -14.9 in the first quarter to -7.3 in the second quarter (see Chart 2). On a positive note for the labor market, over 75 percent of firms suggested that em-

ployment was increasing or stable, an improvement over the first quarter's reading of 61 percent.

### Price Reductions Softened, Costs Increased

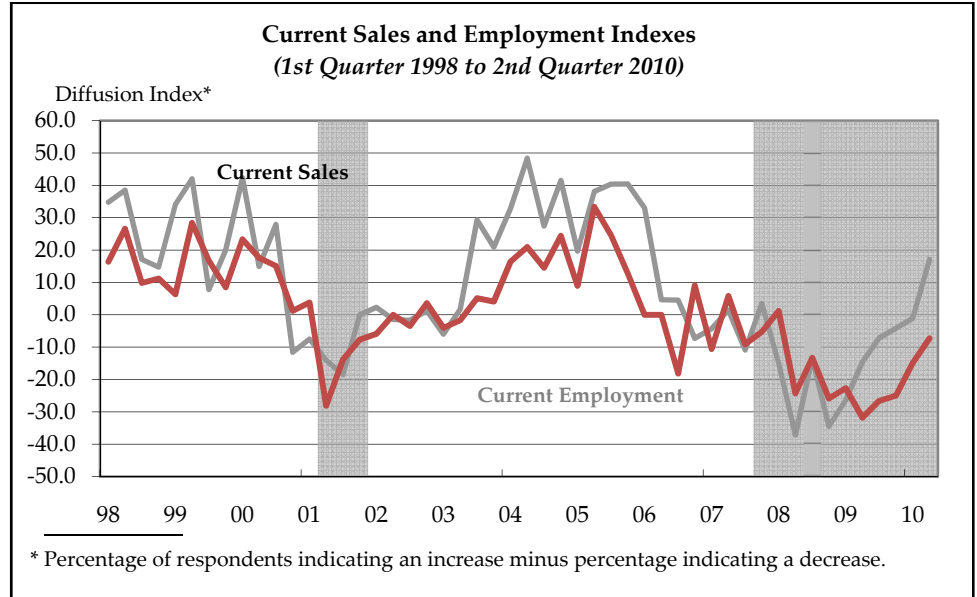
Reductions in prices received for products continued, although the percentage of respondents reporting declines fell from 26 percent to 17 percent. For the ninth consecutive quarter, the percentage of firms reporting price decreases (17 percent) was greater than the percentage reporting increases (7 percent). A sizable share of South Jersey businesses continue to report cost pressures: 20 percent reported higher prices for raw materials in the second quarter, and only 2 percent reported

lower prices. The largest percentage of firms (44 percent) reported steady input prices this quarter. The prices paid index for raw materials increased a modest 2 points.

### Firms Expect Recovery, But Expectations Have Weakened

In this quarter's survey, South Jersey firms remain optimistic about the future. The index of future activity at individual companies remained positive but decreased from 34.5 in the first quarter to 19.5 (see Chart 1). The percentage of firms expecting conditions to improve over the next six months (34 percent) exceeds the percentage expecting deterioration (15 percent). Firms that believe sales will increase over the next six months (34 percent) outnumber those that believe sales will decline (12 percent).

Most firms project a decline in sales of big ticket items, inventories, and employment. There are more firms (17 percent) projecting cost increases over the next six months than there are firms expecting declines (5 percent). Overall, firms expect general conditions to be unchanged in the region, a significant decline from their positive expectations in the first quarter.



### Summary

According to the latest *South Jersey Business Survey*, the economic conditions faced by firms in the region improved slightly in the second quarter. While a significant percentage of firms reported declines in employment, current total sales increased for the group. Price reductions for firms' products continue to be a concern, given that 20 percent of firms are reporting cost increases for inputs.

While firms report improved conditions in the second quarter, they have become less optimistic about the next six months, citing an expected decline in employment and in sales of big ticket items. The drop in expectations, although quite large, returns the six-month forecast to levels seen in early 2009, a period that coincides with an increase in expectations for a recovery.

### South Jersey Business Survey (Second 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?	-16.1	26.8	58.5	12.2	-14.6	17.2	22.0	53.7	22.0	0.0
1.2 at your company?	5.7	26.8	39.0	34.1	7.3	34.5	14.6	48.8	34.1	19.5
2. Specific company performance measures:		Lower	Same	Higher	Diffusion Index		Lower	Same	Higher	Diffusion Index
2.1 Total sales	-1.1	22.0	24.4	39.0	17.1	24.1	12.2	34.1	34.1	22.0
2.2 Big ticket sales	-11.5	22.0	26.8	12.2	-9.8	9.2	19.5	29.3	4.9	-14.6
2.2 Product Inventories	-8.0	9.8	31.7	7.3	-2.4	-9.2	14.6	29.3	0.0	-14.6
2.4 Number of employees	-14.9	19.5	63.4	12.2	-7.3	3.4	22.0	56.1	12.2	-9.8
2.6 Prices actually received	-20.7	17.1	63.4	7.3	-9.8	2.3	7.3	73.2	7.3	0.0
2.7 Prices paid for raw material (not energy)	14.9	2.4	43.9	19.5	17.1	13.8	4.9	46.3	17.1	12.2

- 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 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.