



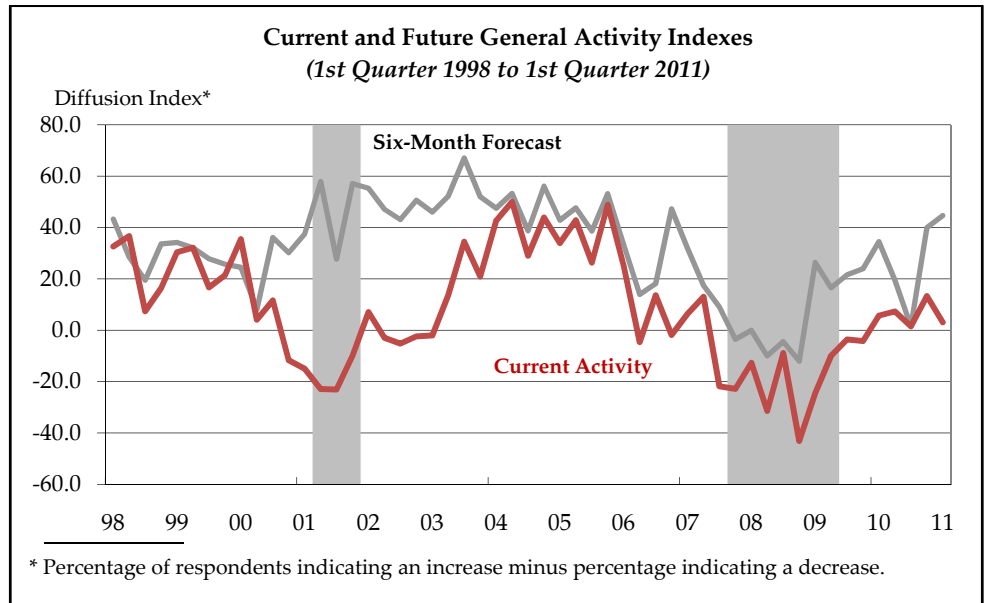
SOUTH JERSEY BUSINESS SURVEY

First Quarter 2011

Firms in the South Jersey region reported at best only slight gains in economic activity during the first quarter. Employment among the firms polled for the *South Jersey Business Survey* showed little change in the first quarter of this year compared with the fourth quarter of last year. Firms continued to report higher costs of conducting business but modest decreases in the prices of their own products and services. Firms remained optimistic about growth prospects for the region and for their own companies over the next six months, but less than one-fifth of the firms expect any pickup in employment.

Current Indicators Suggest Steady Conditions But Little Growth

The survey's broad indicators of performance turned in a mixed picture of the region's economy this quarter. The survey's broadest measure of performance, the index of general activity at individual companies, decreased from 13.3 in the fourth quarter to 3.1 in the first quarter (see Chart). The index has remained positive for five consecutive quarters, but the percentage of firms reporting higher levels of business activity in the first quarter (34 percent) was only narrowly greater than the percentage reporting lower levels (31 percent). The survey's sales indicator edged down



notably from 10 to zero (see Chart on page 2).

The firms responding to the survey this quarter perceived a slight deterioration in the region compared with the final quarter of last year. The percentage of firms that believe regional business activity decreased in the fourth quarter (28 percent) was slightly higher than the percentage that believe it increased (25 percent).

Survey responses suggested steady labor market conditions in the first quarter. The current employment index decreased slightly from a reading of zero in the fourth quarter to -3.1 (see Chart on page 2). The percentage of firms indicating a decrease in employment (14 percent) was nearly the same as the percent-

age reporting increases (11 percent). Fifty-five percent of the firms indicated steady employment levels during the first quarter.

Firms Report Higher Prices for Inputs

Reductions in product prices were more common than increases in the first quarter, despite reported higher costs. For the 12th consecutive quarter, the percentage of firms reporting price decreases (15 percent) exceeded the percentage reporting increases (12 percent). A significant share of South Jersey businesses continued to report higher input prices during the first quarter: 32 percent reported higher prices for purchased inputs, compared with 30 percent that reported higher input prices in the fourth quarter.

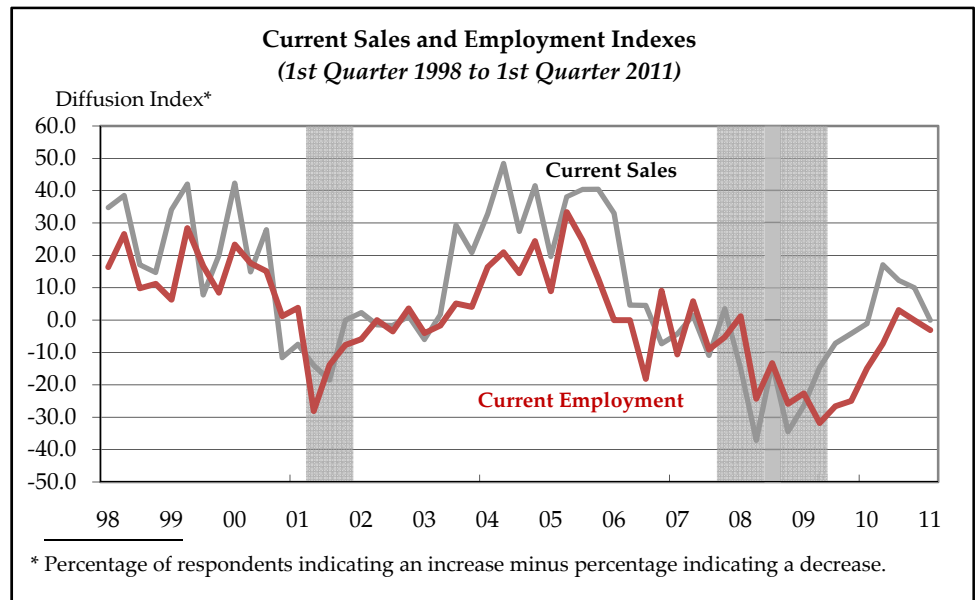
Firms Remain Optimistic About Their Businesses

South Jersey firms' outlook remained optimistic despite the disappointing growth in the first quarter. The index of future activity at individual companies increased from 40.0 in the fourth quarter to 44.6, putting it at its highest level since the end of 2006. The percentage of firms expecting conditions to improve over the next six months (57 percent) exceeds the percentage expecting a deterioration (12 percent). The percentage of firms that believe sales will grow over the next six months (44.6 percent) is also significantly higher than the percentage that believe sales will decline (19 percent).

The outlook for future employment was only slightly more optimistic than in the fourth quarter. The future employment index rose just 1 point from its reading in the fourth quarter. The percentage of firms expecting to increase their payrolls over the next six months (17 percent) was greater than the percentage expecting to decrease them (9 percent).

Summary

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



the region were lackluster. Indicators suggest a slower rate of growth than the pace in the fourth quarter. There was still no overall expansion in employment among the businesses polled for this survey. Firms reported modest declines in their own prices despite continued cost increases, which were reported to be widespread. Firms remained optimistic about future business growth; however,

there was only a slight improvement in the employment forecast for the next six months.

South Jersey Business Survey (First Quarter 2011)

	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?	10.0	27.7	46.2	24.6	-3.1	38.3	12.3	43.1	41.5	29.2
1.2 at your company?	13.3	30.8	33.8	33.8	3.1	40.0	12.3	27.7	56.9	44.6
2. Specific company performance measures:										
2.1 Total sales	10.0	32.3	27.7	32.3	0.0	33.3	18.5	26.2	44.6	26.2
2.2 Big ticket sales	0.0	23.1	24.6	16.9	-6.2	15.0	15.4	27.7	20.0	4.6
2.2 Product Inventories	-3.3	15.4	26.2	7.7	-7.7	-5.0	10.8	32.3	4.6	-6.2
2.4 Number of employees	0.0	13.8	55.4	10.8	-3.1	6.7	9.2	52.3	16.9	7.7
2.6 Prices actually received	-6.7	15.4	56.9	12.3	-3.1	11.7	10.8	49.2	23.1	12.3
2.7 Prices paid for raw material (not energy)	28.3	1.5	20.0	32.3	30.8	35.0	1.5	20.0	30.8	29.2

- 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.