



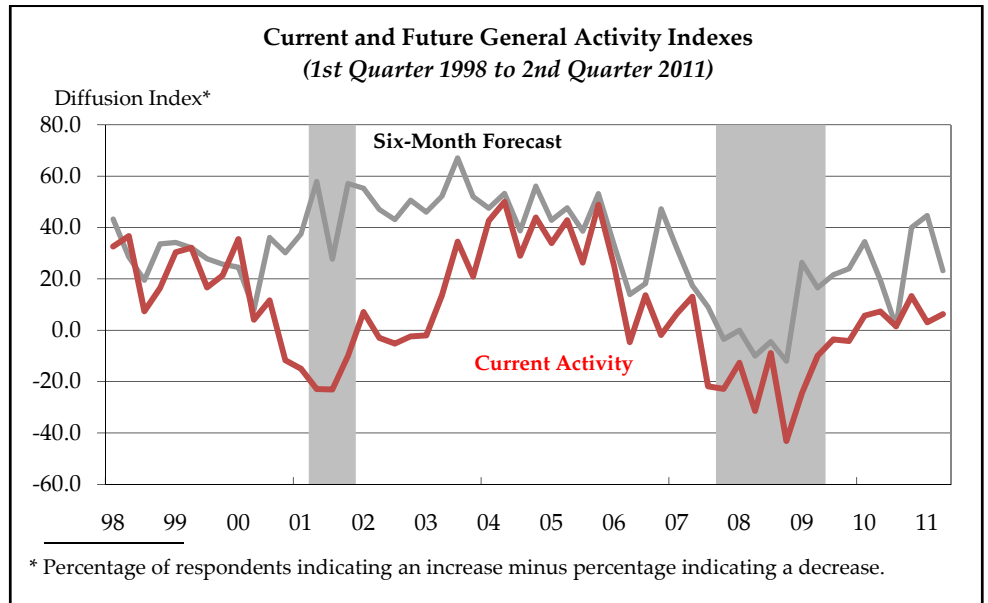
# SOUTH JERSEY BUSINESS SURVEY

## Second Quarter 2011

Firms in the South Jersey region reported modest overall increases in business activity at their companies during the second quarter but perceived slight decreases in the region. Employment among the firms polled showed slight increases, an improvement over previous surveys that indicated employment losses. Firms, on balance, expect improvement in business conditions over the next six months, although optimism has weakened somewhat since the previous survey.

### Indicators Suggest Modest Growth

The survey's broadest measure of performance, the index of general activity at individual companies, increased from a reading of 3.1 in the first quarter to 6.3 in the second quarter (see Chart on this page). The index has remained positive for six consecutive quarters but has remained at relatively low levels since the official end of the recession in June 2009. The percentage of firms reporting higher levels of business activity in the second quarter (30 percent) was slightly greater than the percentage reporting lower levels (23 percent). The survey's indicator for sales also edged higher, from flat to



5.3, but it remains below the average reading over the past year (see Chart on next page). Big ticket sales continue to be a weak: That index has remained negative for 10 of the last 11 quarters.

The firms responding to the survey this quarter perceived no overall improvement in the region's economy. The percentage of firms that believe regional business activity deteriorated in the second quarter (23 percent) was slightly larger than the percentage that perceived improvement (18 percent). The general activity index for the region edged slightly lower.

Despite the lackluster performance of the survey's broad company indi-

cators, responses suggest somewhat improved labor market conditions this quarter. The current employment index was positive for the second time in three quarters (see Chart on next page). Although the share of firms that reported increases (23 percent) was significantly larger than the percentage reporting decreases (13 percent), over half of the firms reported steady employment.

### Firms Report Overall Steady Prices for Own Goods and Services

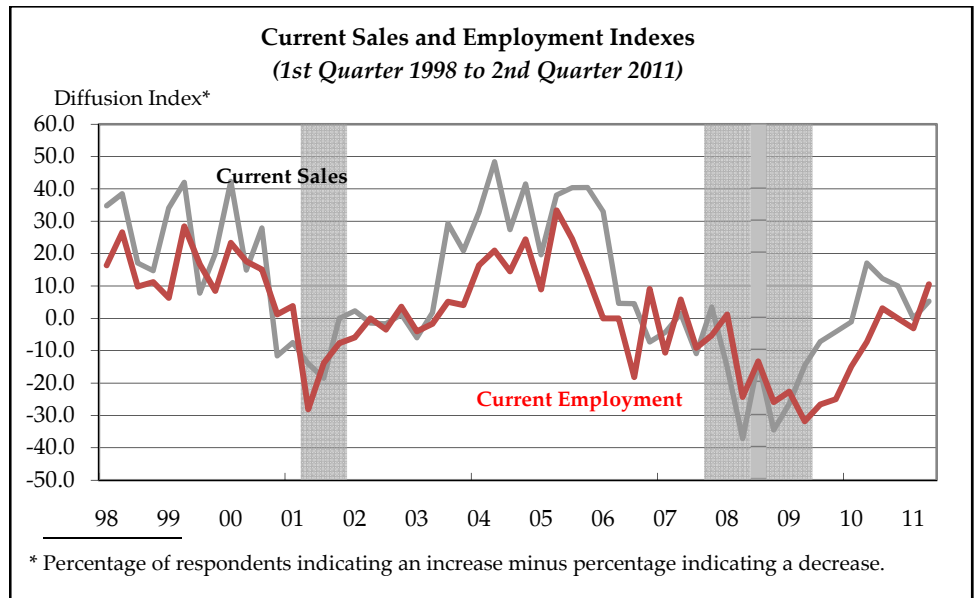
The percentage of firms reporting price decreases (12 percent) for their own goods was about the same as the percentage reporting price increases (13 percent), suggesting overall steady

prices among the reporting firms. However, a significant share of South Jersey businesses continued to report higher input prices during the second quarter: 26 percent compared with 32 percent in the first quarter.

### Firms' Optimism Wanes but Growth Still Expected in Second Half

Although South Jersey firms' outlook showed some deterioration from the first-quarter survey, it remained generally optimistic. The index of future activity at individual companies remained positive but fell from a relatively high reading of 44.6 in the first quarter to 23.2 in the second (see Chart on page 1). The percentage of firms expecting conditions to improve over the next six months (38 percent) still exceeds the percentage expecting deterioration (15 percent). The percentage of firms that believe sales will increase over the next six months (33 percent) also remains higher than the percentage of firms that believe sales will decline (15 percent).

The outlook for future employment showed modest improvement



despite the fallback in the other six-month indicators. The percentage of firms expecting to increase their payrolls over the next six months (22 percent) was greater than the percentage expecting to decrease them (10 percent). The future employment index increased 5 points.

### Summary

Indicators for the latest *South Jersey Business Survey* picked up somewhat in the second quarter but remain at levels that suggest modest growth. One positive sign was a slight pickup in employment among the South Jersey

firms polled and a slight improvement in their forecast for further employment increases. Firms reported generally steady prices for their own goods and services despite continued cost increases. Although expectations weakened in the second quarter, firms are relatively optimistic about growth for the remainder of this year. About one-fifth of firms expect employment increases during the second half of the year, but over one-half expect employment to be steady.

### South Jersey Business Survey (Second 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?	-3.1	23.2	55.8	17.9	-5.3	29.2	13.7	53.7	27.4	13.7
1.2 At your company?	3.1	23.2	43.2	29.5	6.3	44.6	14.7	43.2	37.9	23.2
2. Specific company performance measures:										
2.1 Total sales	0.0	22.1	34.7	27.4	5.3	26.2	14.7	34.7	32.6	17.9
2.2 Big ticket sales	-6.2	18.9	29.5	17.9	-1.1	4.6	18.9	26.3	21.1	2.1
2.3 Product inventories	-7.7	7.4	33.7	4.2	-3.2	-6.2	8.4	33.7	4.2	-4.2
2.4 Number of employees	-3.1	12.6	51.6	23.2	10.5	7.7	9.5	54.7	22.1	12.6
2.5 Prices actually received	-3.1	11.6	58.9	12.6	1.1	12.3	10.5	57.9	12.6	2.1
2.6 Prices paid for raw material (not energy)	30.8	3.2	24.2	26.3	23.2	29.2	2.1	28.4	25.3	23.2

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