



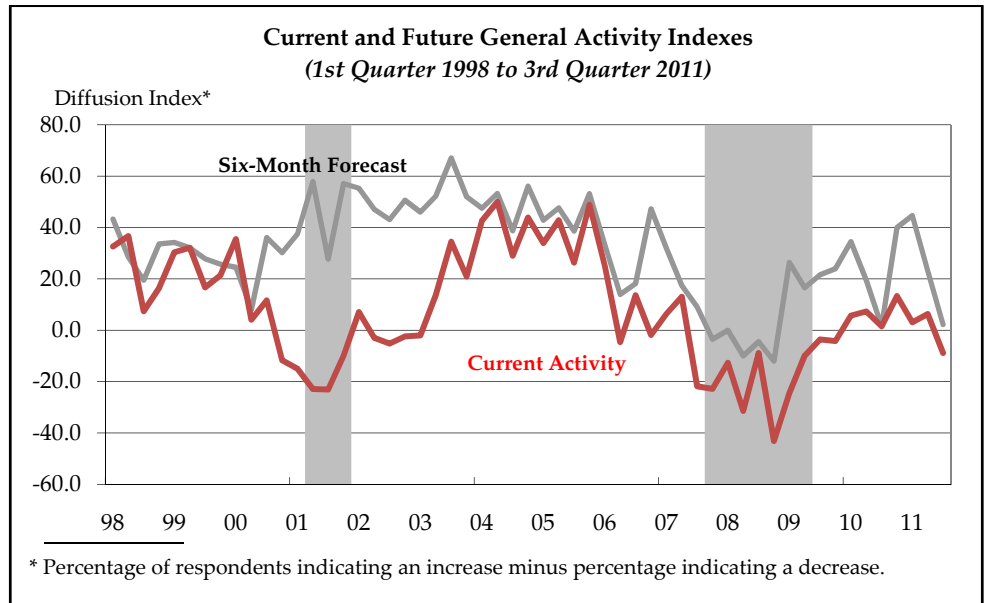
SOUTH JERSEY BUSINESS SURVEY

Third Quarter 2011

Following several quarters of lackluster growth, firms in the South Jersey region reported a slight deterioration in business activity at their own businesses during the third quarter. Firms reported overall declines in business activity and sales, compared with the previous quarter. Overall, employment among the polled firms showed slight decreases, indicating a further deterioration from previous surveys. Firms, on balance, expect a modest pickup in their businesses over the next six months, but the firms were less optimistic about the future than in the previous quarter.

Current Indicators Suggest Weakening Business in Third Quarter

The survey's broadest measure of performance, the index of general activity at individual companies, decreased from a reading of 6.3 in the second quarter to -8.1 in the third quarter (see Chart on this page). The index had remained positive, albeit at low readings, for the past six quarters. The percentage of firms reporting lower levels of business activity in the third quarter (37 percent) was slightly greater than the percentage reporting higher levels (28 percent). The survey's indicator for sales also



edged lower, from 5.3 to -8.1 (see Chart on next page). Big ticket sales continue to be weak as that index remained negative for the 12th consecutive quarter.

The firms responding to the survey this quarter also perceived a notable deterioration in the region's economy. The percentage of firms that believe regional business activity deteriorated in the third quarter (41 percent) exceeded the percentage that believe it improved (14 percent). The general activity index for the region dropped from -5.3 to -27.0

Paralleling the weakening in the survey's broad indicators, labor market indicators saw a similar weaken-

ing. The current employment index, which had increased into positive territory in the second quarter, fell 13 points and was slightly negative (see Chart on next page). The share of firms that reported employment decreases (18 percent) narrowly outnumbered those reporting increases (15 percent).

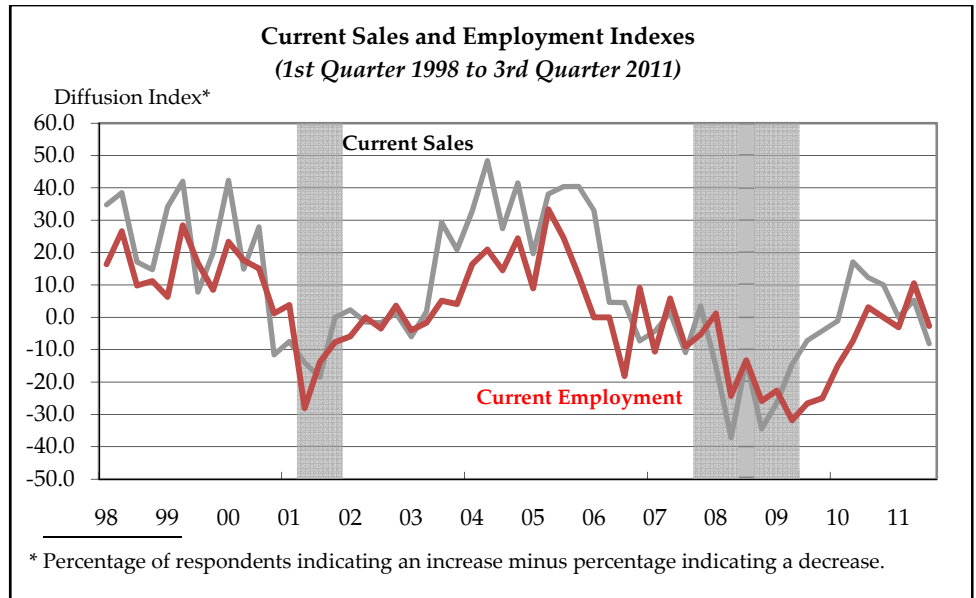
Firms Report Lower Prices for Own Products

Reductions in product prices were more common than increases in the third quarter, despite reported increases in costs. The percentage of firms reporting price decreases (28 percent) exceeded the percentage reporting in-

creases (8 percent). A significant share of South Jersey businesses continued to report higher input prices during the third quarter: 31 percent reported higher prices for purchased inputs, only a slight decline from the 26 percent that reported higher input prices in the second quarter.

Firms Expect Slight Improvement Over Next Six Months

South Jersey firms' outlook showed notable deterioration this quarter, but firms, overall, expect positive growth over the next six months. The index of future activity at individual companies remained positive but fell from a reading of 23.2 in the second quarter to 14.9 in the third (see Chart on page 1). The percentage of firms expecting conditions to improve over the next six months (39 percent) still exceeds the percentage expecting deterioration (24 percent). The percentage of firms that believe sales will grow over the next six months (34 percent) is slightly higher than the percentage that believe sales will decline (27 percent).



The outlook for future employment was notably weaker this quarter. The percentage of firms expecting to decrease their payrolls over the next six months (22 percent) was slightly greater than the percentage expecting to increase them (16 percent). The future employment index fell below zero for the first time in four quarters.

Summary

Indicators for the latest *South Jersey Business Survey* suggest that overall growth in the region, which had already been lackluster in previous quar-

ters, deteriorated in the third quarter. More firms reported lower sales compared with the second quarter and also reported no overall expansion in employment. Firms indicated declines in their own prices despite continued cost increases. Those firms polled this quarter were less optimistic about future business conditions, yet they still believe overall business conditions will improve and sales will pickup over the next six months. However, more firms indicate their employment will be lower in six months than indicate it will be higher, because overall growth is likely to remain weak.

South Jersey Business Survey (Third Quarter 2011)	Compared with Previous 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?	-5.3	40.5	44.6	13.5	-27.0	13.7	27.0	52.7	17.6	-9.5
1.2 At your company?	6.3	36.5	35.1	28.4	-8.1	23.2	24.3	35.1	39.2	14.9
2. Specific company performance measures:	Previous Diffusion Index	Lower	Same	Higher	Diffusion Index	Previous Diffusion Index	Lower	Same	Higher	Diffusion Index
2.1 Total sales	5.3	39.2	28.4	31.1	-8.1	17.9	27.0	35.1	33.8	6.8
2.2 Big ticket sales	-1.1	28.4	27.0	13.5	-14.9	2.1	23.0	28.4	14.9	-8.1
2.2 Product Inventories	-3.2	13.5	29.7	4.1	-9.5	-4.2	12.2	32.4	2.7	-9.5
2.4 Number of employees	10.5	17.6	51.4	14.9	-2.7	12.6	21.6	44.6	16.2	-5.4
2.6 Prices actually received	1.1	28.4	62.2	8.1	-20.3	2.1	23.0	58.1	14.9	-8.1
2.7 Prices paid for raw material (not energy)	23.2	6.8	33.8	31.1	24.3	23.2	5.4	33.8	29.7	24.3

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