



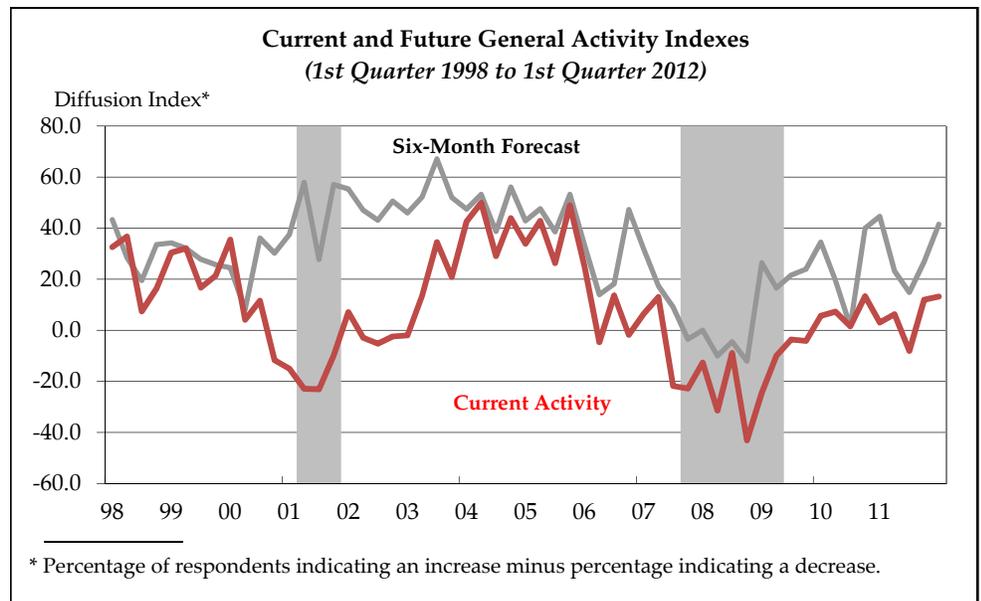
# SOUTH JERSEY BUSINESS SURVEY

## First Quarter 2012

Firms in the South Jersey region reported continued improvement in business activity within their companies during the first quarter. Firms reported overall increases in business activity and sales compared with the previous quarter. Employment among the firms polled showed only slight increases, and firms were only slightly more optimistic about adding workers over the next six months. However, firms, on balance, expect increases in overall business over the next six months, and most indicators for future growth have shown notable improvement over the last two quarters.

### Current Indicators Suggest Continued Modest Increases

The survey's broadest measure of performance, the index of general activity at individual companies, increased from a reading of 11.9 in the fourth quarter to 13.2 in the first quarter. This is the second consecutive quarterly increase and the highest reading of this index since the fourth quarter of 2010 (see Chart). The percentage of firms reporting higher levels of business activity in the first quarter (36 percent) was greater than the percentage reporting lower levels (23 percent). The survey's indicator for sales also moved higher, from 6.0 to 11.3, its highest reading since the third quarter of 2010. The percentage of firms reporting higher sales (36 percent) was a significant increase from the fourth quarter (25 percent).



Survey responses suggest modest gains in employment among the firms polled. The share of firms that reported increases in employment remained relatively small (15 percent) but was slightly larger than in the fourth quarter (13 percent). The current employment index, although positive, fell 2 points from its reading in the fourth quarter.

In special questions, firms were asked about changes in factors that have affected their business over the past year (see Special Questions). Firms reported a marked improvement in the demand for their products and services compared with one year earlier. Thirty-six percent of firms said that demand conditions were more favorable; 8 percent characterized the change in conditions as much more favorable; only 15 percent charac-

terized demand as more unfavorable. On balance, credit conditions were also cited as more favorable compared with one year earlier. State and, in particular, federal regulatory climates were cited as being less favorable. Also, the ability to hire qualified workers was cited as slightly less favorable, compared with a year ago.

### Firms Report Higher Costs

Prices of firms' products were slightly higher as a group this past quarter, while the share of firms reporting higher costs was more widespread this quarter. Fifty-one percent of firms reported no change in prices received for their products, while the percentage reporting price increases (19 percent) was slightly higher than the percentage reporting price decreases (13 per-

## Special Questions (First Quarter 2012)

1. How would you characterize each of the following factors affecting your business, compared with one year ago?\*

	Much More Favorable	More Favorable	Unchanged	More Unfavorable	Much More Unfavorable	Diffusion Index**
Demand for your firm's products or services	8%	36%	38%	15%	0%	28%
State regulatory climate	0%	17%	45%	17%	9%	-9%
Federal regulatory climate	2%	4%	47%	26%	8%	-28%
Credit conditions for your firm	2%	15%	58%	9%	4%	4%
Credit conditions for your customers	2%	11%	53%	17%	4%	-8%
Difficulty in hiring qualified workers	4%	8%	58%	9%	8%	-6%

\*Percentages may not add up to 100% because not all firms responded to all questions.

\*\*Diffusion index is the favorable minus the unfavorable responses for each factor.

cent). A significant share of South Jersey businesses continued to report higher input prices during the first quarter: 38 percent reported higher prices for purchased inputs, up from 24 percent in the fourth quarter.

### Firms' Outlook Improves

South Jersey firms' outlook showed notable improvement again this quarter. The index of future activity at individual companies remained positive and increased 15 points from a reading of 26.9 in the fourth quarter to 41.5, the second consecutive increase and highest reading in four quarters (see Chart on page 1). The percentage of firms expecting conditions to improve over the next six months (49 percent) exceeded the percentage expecting a deterioration (8 percent). The percentage of firms that believe sales will

grow over the next six months (45 percent) was significantly higher than the percentage that believe sales will decline (11 percent).

The outlook for future employment improved slightly. Two-thirds of the firms said that they would maintain current levels of employment, and the percentage of firms expecting to increase their payrolls over the next six months (17 percent) was slightly lower than in the fourth quarter (22 percent). The future employment index increased marginally, from 7.5 to 11.3, attributable to a lower share of firms expecting declines in employment.

### Summary

Indicators for the latest *South Jersey Business Survey* improved in the first quarter but remained at levels that suggest only modest

growth. One bright spot was a pickup in the share of firms reporting higher sales growth. Firms reported only slightly higher employment in the first quarter. More firms reported higher prices for their products, and cost increases were more widespread than in the fourth quarter. Firms were notably more optimistic about growth for their own business over the next six months, but employment forecasts remained subdued.

## South Jersey Business Survey (First Quarter 2012)

	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?	7.5	22.6	45.3	28.3	5.7	17.9	11.3	45.3	35.8	24.5
1.2 At your company?	11.9	22.6	39.6	35.8	13.2	26.9	7.5	37.7	49.1	41.5
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	6.0	24.5	30.2	35.8	11.3	22.4	11.3	34.0	45.3	34.0
2.2 Big ticket sales	7.5	20.8	32.1	9.4	-11.3	11.9	11.3	26.4	20.8	9.4
2.3 Product inventories	-3.0	5.7	26.4	9.4	3.8	0.0	3.8	22.6	13.2	9.4
2.4 Number of employees	6.0	11.3	64.2	15.1	3.8	7.5	5.7	66.0	17.0	11.3
2.5 Prices actually received	0.0	13.2	50.9	18.9	5.7	17.9	13.2	50.9	15.1	1.9
2.6 Prices paid for raw material (not energy)	22.4	1.9	22.6	37.7	35.8	25.4	1.9	20.8	34.0	32.1

- 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.
- 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.