



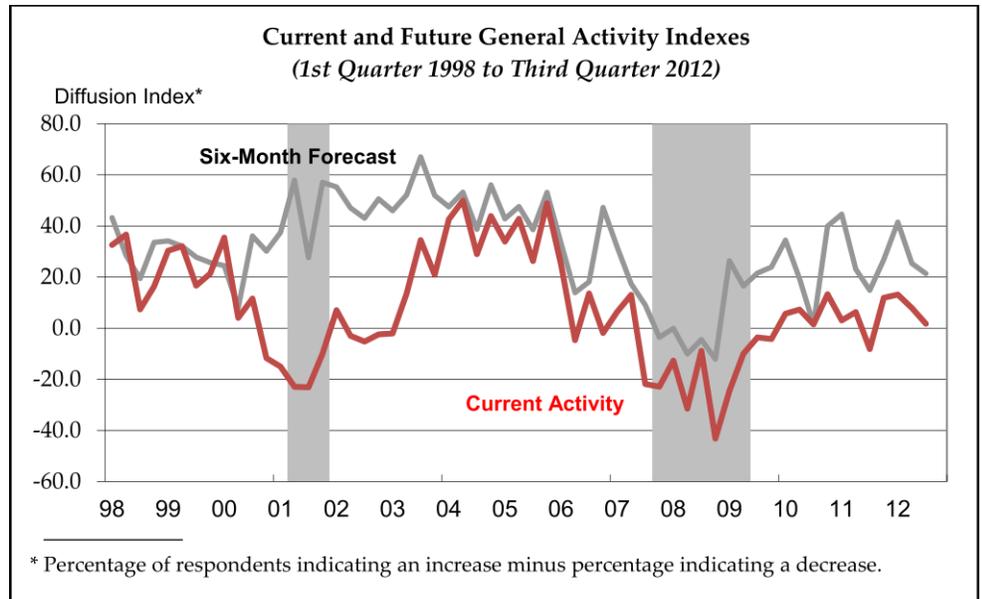
SOUTH JERSEY BUSINESS SURVEY

Third Quarter 2012

Firms in the South Jersey region reported steady business activity during the third quarter. Firms reported little increase in overall business activity and level sales, compared with the previous quarter. Employment among the firms polled showed some pickup, however. Firms, on balance, expect increases in overall business over the next six months, although optimism is weaker than in the first half of the year, as firms cited increased uncertainty about their outlook.

Indicators Suggest Steady Conditions

The survey's broadest measure of performance, the index of general activity at individual companies, decreased from a reading of 7.9 in the second quarter to 1.8 in the third quarter. This is the lowest reading of the index since the third quarter of 2011 (see Chart). The percentage of firms reporting higher levels of business activity in the third quarter (29 percent) remained greater than the percentage reporting lower levels (27 percent). Forty-five percent of firms said activity was unchanged. The survey's indicator for sales also edged down, from 6.3 to zero. Twenty-seven percent reported higher sales, but the same percentage reported lower sales. Firms reported that big ticket sales continued to fall.



Firms believe that the region's economy deteriorated in the third quarter. Business activity in the region was weaker, according to 27 percent of the firms polled, and stronger according to 16 percent.

In special questions this quarter, firms were asked to characterize the underlying demand for goods and services over the last three months (see Special Questions). Forty-three percent of the firms indicated a pickup in demand, while 23 percent reported declines. Moreover, the firms, on balance, indicated that their forecasts of future growth had become more uncertain. The percentage of firms indicating that their forecasts of future growth were less certain than they were six months

ago (32 percent) was higher than the percentage indicating forecasts were more certain (13 percent).

Higher Costs Reported

Prices for the firms' products were near steady this past quarter, but firms reported higher prices for purchased inputs. Sixty-eight percent of firms reported no change in product prices, while the percentage reporting price decreases (13 percent) was slightly higher than the percentage reporting price increases (9 percent). The prices received index increased from -14.3 to -3.6. A significant share of South Jersey businesses reported higher input prices in the third quarter survey, and increases were more widespread this quarter: 38 percent reported

higher prices for purchased inputs, up from 27 percent in the second quarter. The current prices paid diffusion index increased from 19.0 to 35.7.

Firms' Outlook Diminishes

South Jersey firms' outlook showed some moderation in the third quarter. The index of future activity at individual companies remained positive but decreased from a reading of 25.4 in the second quarter to 21.4 in the third quarter (see Chart on page 1). The percentage of firms expecting conditions to improve over the next six months (34 percent) still exceeded the percentage expecting deterioration (13 percent).

The future employment index deteriorated slightly, from 14.3 to 10.7. Fifty-nine percent of the firms said that they would maintain current levels of employment over the next six months, and the percentage of firms expecting to increase their payrolls over the next six months (21 percent) was greater than the percentage planning to make cuts (11 percent).

Summary

Indicators for the third quarter *South Jersey Business Survey* suggest little change in levels of business activity. While firms indicated that the underlying demand for their products had increased, they also reported no overall change in

SPECIAL QUESTIONS (Third Quarter 2012)		
1. Over the past three months how would you characterize the underlying demand for your products or services? Exclude any purely seasonal effect.		
		Subtotals
Increased significantly	7.1%	42.8%
Increased modestly	35.7%	
No change	30.4%	23.2%
Decreased modestly	21.4%	
Decreased significantly	1.8%	
N.R.	3.6%	
2. How does the current underlying demand for your products compare with what you expected three months ago?		
Less than expected	25.0%	
About what was expected	46.4%	
Greater than expected	25.0%	
N.R.	3.6%	
3. How would you characterize the level of certainty regarding your forecast for business growth over the next six months?		
Less certain than six months ago	32.1%	
No difference than six months ago	51.8%	
More certain than six months ago	12.5%	
N.R.	3.6%	

sales. Employment among the reporting firms edged higher in the third quarter. Although firms reported higher costs, slightly more reported lower prices for their products than reported higher prices. Firms remained generally optimistic about growth prospects for their own

businesses over the next six months, but, as a group, their forecasts indicate significantly more uncertainty about the future than just a few months ago.

South Jersey Business Survey (Third 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?	0.0	26.8	57.1	16.1	-10.7	19.0	10.7	57.1	26.8	16.1
1.2 At your company?	7.9	26.8	44.6	28.6	1.8	25.4	12.5	50.0	33.9	21.4
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	6.3	26.8	39.3	26.8	0.0	28.6	10.7	41.1	35.7	25.0
2.2 Big ticket sales	-4.8	14.3	37.5	8.9	-5.4	1.6	14.3	35.7	10.7	-3.6
2.3 Product inventories	-1.6	5.4	30.4	5.4	0.0	3.2	5.4	28.6	5.4	0.0
2.4 Number of employees	6.3	7.1	62.5	19.6	12.5	14.3	10.7	58.9	21.4	10.7
2.5 Prices actually received	-14.3	12.5	67.9	8.9	-3.6	-4.8	7.1	55.4	25.0	17.9
2.6 Prices paid for raw material (not energy)	19.0	1.8	17.9	37.5	35.7	22.2	1.8	14.3	39.3	37.5

- 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