



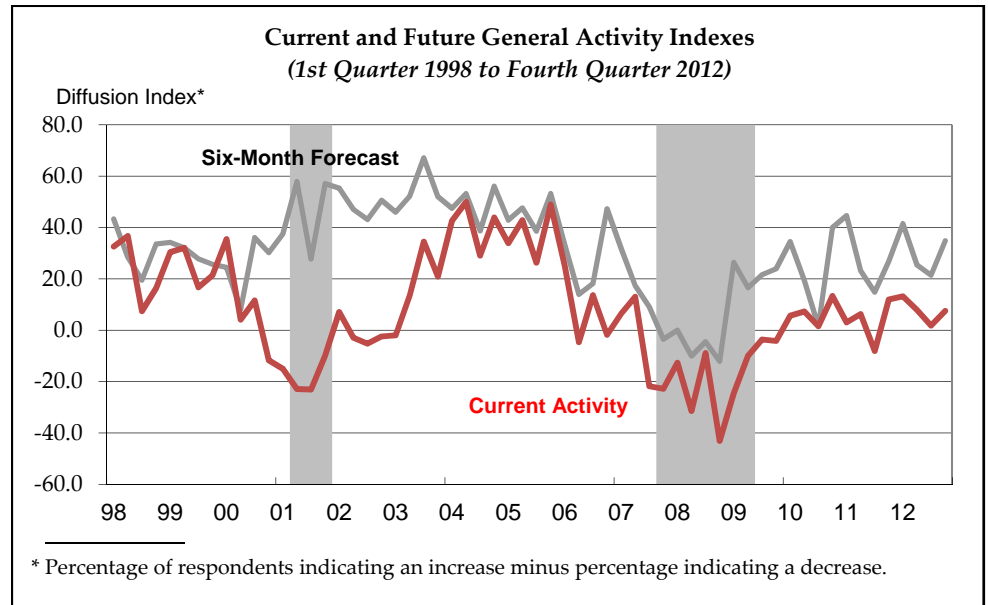
SOUTH JERSEY BUSINESS SURVEY

Fourth Quarter 2012

Despite the impact of Hurricane Sandy the firms responding to the quarterly *South Jersey Business Survey* indicated a modest improvement in overall business activity during the fourth quarter compared with the third quarter. Firms reported steady sales compared with the previous quarter, and employment among the firms polled continued to improve. Firms, on balance, expect increases in overall business over the next six months, and overall optimism improved slightly from the previous quarter.

Indicators Suggest Some Expansion

The survey's broadest measure of performance, the index of general activity at individual companies, increased from a reading of 1.8 in the third quarter to 7.6 in the fourth quarter (see Chart). The percentage of firms reporting higher levels of business activity at their firms in the fourth quarter (33 percent) was only slightly higher than in the previous quarter (26 percent). Nearly 26 percent of firms reported declines in activity during the quarter. The survey's indicator for sales edged only slightly higher, from zero to 1.5. Thirty-two percent reported higher sales, but 30 percent reported declines in sales. Firms reported that sales of big-ticket items continued into the fall, on balance.



Overall labor market conditions continued to improve. The current employment index remained positive, although it declined from 12.5 in the third quarter to 9.1. The percentage of firms that reported adding workers in the fourth quarter (20 percent) exceeded the percentage that made cuts (11 percent).

Product Prices Rise Little

Prices for the firms' products edged slightly higher in the fourth quarter. The share of firms reporting higher prices for their own products (21 percent) was only narrowly higher than those reporting lower prices (18 percent). A significant share of South Jersey businesses reported higher input prices in the fourth quarter

survey, 38 percent, this number is identical to that reported in the third quarter.

Firms' Outlook Improves

South Jersey firms showed moderate improvement in their outlook for the future. The index of future activity at individual companies remained positive and increased from 21.4 in the third quarter to 34.8 (see Chart). The percentage of firms expecting conditions to improve over the next six months (47 percent) exceeded the percentage expecting deterioration (12 percent) by a large margin.

The future employment index changed little from that of the previous survey, suggesting continued slow employment growth over the next six months. Fifty-five percent of the firms

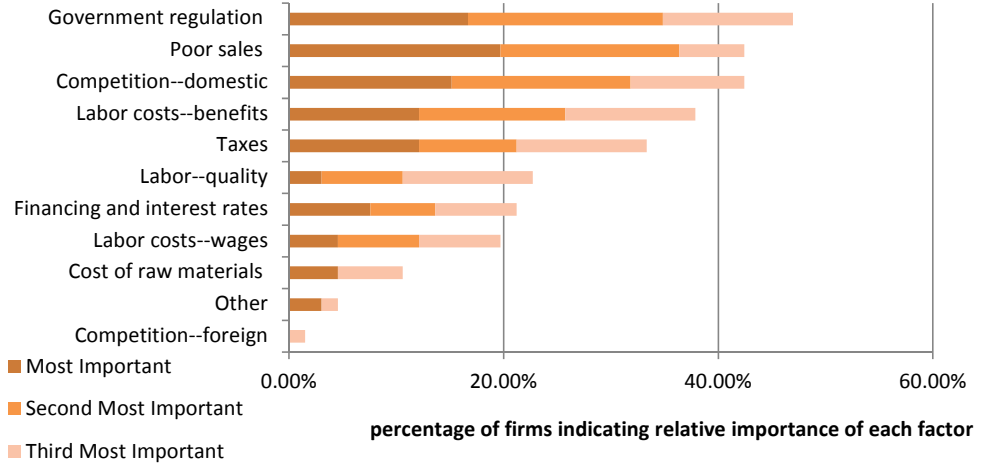
said that they would maintain current levels of employment over the next six months, although the percentage of firms expecting to increase their payrolls over the next six months (23 percent) was greater than the percentage planning to make cuts (12 percent).

Firms were also asked to rank the most important problems they are currently facing in their businesses (see Charts on this page). In their rankings, the most important current problem was poor sales, followed by government regulation and competition. Government regulation now ranks first, when adding the first, second, and third most important problems cited. Last year it ranked third.

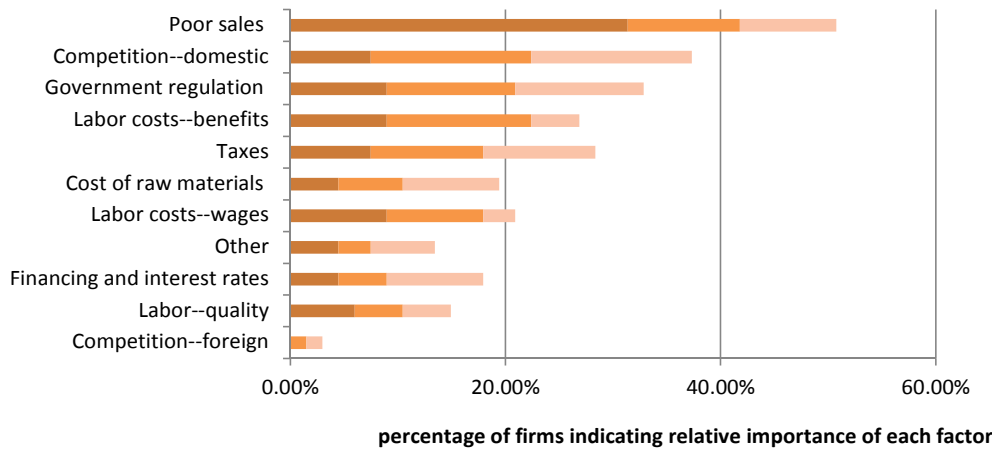
Summary

Indicators for the fourth quarter *South Jersey Business Survey* suggest modest improvement in levels of business activity. Firms reported little overall change in sales but a pickup in hiring. Firms' optimism about growth prospects for their own businesses over the next six months also improved notably. Firms continued to report sales growth as the most important issue currently facing their businesses, but they were notably more concerned about the negative effects of government regulation on their businesses than one year ago.

**The Most Important Problems Facing South Jersey Businesses
(Survey Conducted January 2013)**



Compared to One Year Earlier (January 2012)



South Jersey Business Survey (Fourth 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?	-10.7	27.3	53.0	19.7	-7.6	16.1	7.6	65.2	27.3	19.7
1.2 At your company?	1.8	25.8	37.9	33.3	7.6	21.4	12.1	37.9	47.0	34.8
2. Specific company performance measures:										
2.1 Total sales	0.0	30.3	24.2	31.8	1.5	25.0	12.1	36.4	37.9	25.8
2.2 Big ticket sales	-5.4	22.7	27.3	10.6	-12.1	-3.6	18.2	27.3	15.2	-3.0
2.3 Product inventories	0.0	10.6	33.3	6.1	-4.5	0.0	10.6	33.3	6.1	-4.5
2.4 Number of employees	12.5	10.6	59.1	19.7	9.1	10.7	12.1	54.5	22.7	10.6
2.5 Prices actually received	-3.6	18.2	50.0	21.2	3.0	17.9	12.1	54.5	22.7	10.6
2.6 Prices paid for raw material (not energy)	35.7	4.5	27.3	37.9	33.3	37.5	1.5	30.3	37.9	36.4

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.