



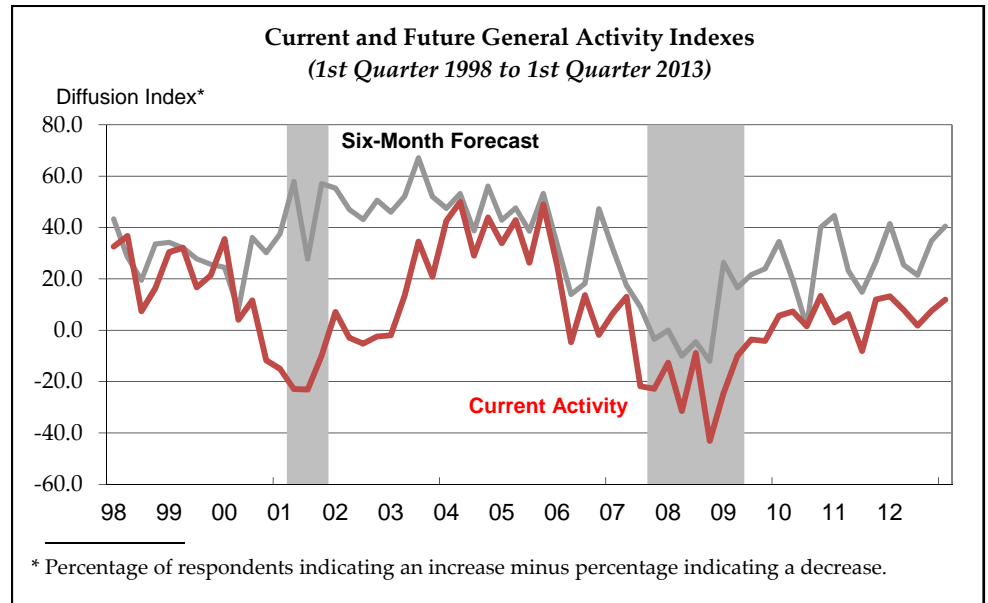
SOUTH JERSEY BUSINESS SURVEY

First Quarter 2013

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, but firms were more optimistic about adding workers over the next six months. Firms, on balance, expect increases in overall business over the first half of 2013 and most indicators for future growth have now shown notable improvement over the last two quarters.

Indicators Suggest Improvement

The survey's broadest measure of performance, the index of general activity at individual companies, increased from a reading of 7.6 in the fourth quarter to 11.9 in the first quarter (see Chart). The percentage of firms reporting higher levels of business activity at their firms in the first quarter (36 percent) was slightly higher than in the previous quarter (33 percent). Nearly 24 percent of firms reported declines in activity during the quarter. The survey's indicator for sales edged higher, from 1.5 to 9.5. Thirty-one percent reported higher sales, but 21 percent reported declines in sales. Firms report-



ed that sales of big-ticket items held steady, on balance.

Overall labor market conditions continued to be subdued. The current employment index remained positive, although it declined from 9.1 in the fourth quarter to 2.4. The percentage of firms that reported adding workers in the first quarter (19 percent) was near the percentage recorded last quarter (20 percent)

Product Prices Rise Less than Costs

Prices for the firms' products edged slightly higher in the first quarter. The share of firms reporting higher prices for their own products (21 percent) was higher than those reporting lower prices (14 percent). A significant share of South

Jersey businesses, 36 percent, reported paying higher input prices in the first quarter survey.

Firms' Outlook Improves

South Jersey firms showed notable improvement in their outlook for the future. The index of future activity at individual companies remained positive and increased from 34.8 in the fourth quarter to 40.5, its highest reading in four quarters (see Chart). The percentage of firms expecting conditions to improve over the next six months (57 percent) exceeded the percentage expecting deterioration (17 percent) by a large margin.

Special Questions (First Quarter 2013)

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

	Much More Favorable	More Favorable	Unchanged	More Unfavorable	Much More Unfavorable	Diffusion Index**
Demand for your firm's products or services	2.4%	52.3%	33.3%	7.1%	0%	47.6%
State regulatory climate	0%	7.1%	52.4%	21.4%	11.9%	-26.2%
Federal regulatory climate	0%	4.8%	26.2%	40.5%	21.4%	-57.1%
Credit conditions for your firm	0%	26.2%	57.1%	7.1%	2.4%	16.7%
Credit conditions for your customers	0%	14.3%	57.1%	11.9%	2.4%	0%
Difficulty in hiring qualified workers	0%	7.1%	52.4%	26.2%	2.4%	-21.5%

*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 question.

The future employment index improved notably from the previous survey, suggesting that employment growth may pick up over the next six months. Fifty-seven percent of the firms said that they would maintain current levels of employment over the next six months, but the percentage of firms expecting to increase their payrolls over the next six months (26 percent) was greater than the percentage planning to make cuts (7 percent). The future employment index rose from 10.6 to 19.0, its highest reading since the first quarter of 2007.

Firms were asked special questions about changes in factors that have affected their business over the past year

(see Special Questions). Fifty-two percent of firms said that demand conditions were more favorable, but only 2 percent characterized the change as much more favorable; only 7 percent characterized demand as more unfavorable. Firms perceive the state regulatory climate as being more unfavorable than one year ago, but the federal regulatory climate is even more unfavorable than a year ago. Also, the ability to hire qualified workers was cited as less favorable, on balance, than one year earlier. Credit conditions overall were considered more favorable than one year earlier.

Summary

Indicators for the first-quarter *South Jersey Business Survey* suggest modest improvement in levels of business activity. Firms reported a pickup in sales, but employment growth was still lackluster. Firms' optimism about growth prospects for their own businesses over the next six months improved notably. Firms are particularly more optimistic about increasing employment over the next six months.

South Jersey Business Survey (First Quarter 2013)

	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?	-7.6	16.7	50.0	26.2	9.5	19.7	11.9	35.7	42.9	31.0
1.2 At your company?	7.6	23.8	35.7	35.7	11.9	34.8	16.7	16.7	57.1	40.5
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	1.5	21.4	40.5	31.0	9.5	25.8	11.9	33.3	47.6	35.7
2.2 Big ticket sales	-12.1	19.0	35.7	19.0	0.0	-3.0	11.9	33.3	28.6	16.7
2.3 Product inventories	-4.5	9.5	42.9	11.9	2.4	-4.5	9.5	42.9	11.9	2.4
2.4 Number of employees	9.1	16.7	54.8	19.0	2.4	10.6	7.1	57.1	26.2	19.0
2.5 Prices actually received	3.0	14.3	54.8	21.4	7.1	10.6	19.0	52.4	19.0	0.0
2.6 Prices paid for raw material (not energy)	33.3	4.8	35.7	35.7	31.0	36.4	7.1	26.2	42.9	35.7

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