



SOUTH JERSEY BUSINESS SURVEY

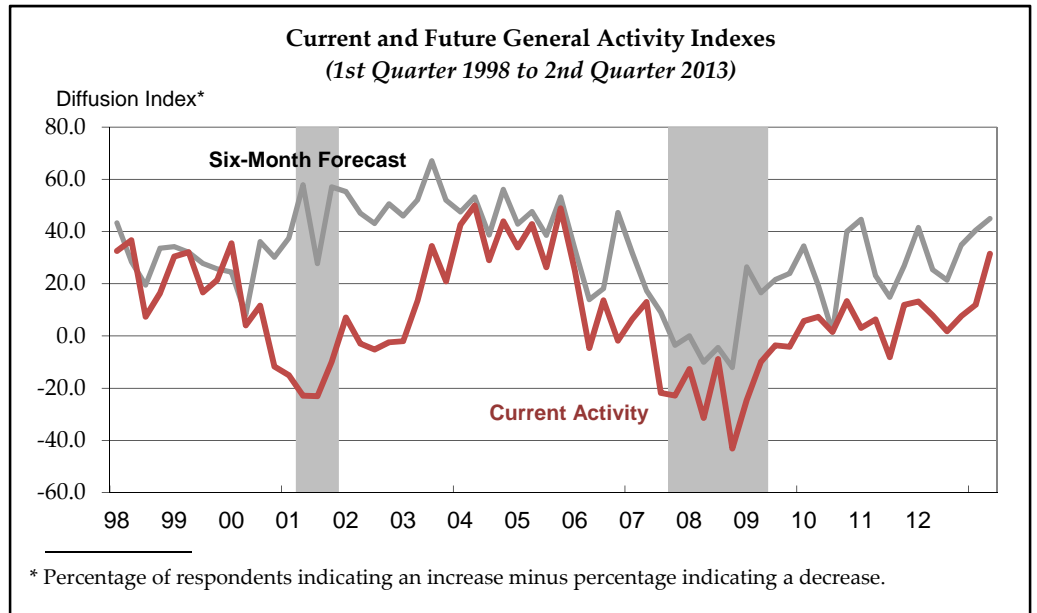
Second Quarter 2013

Firms in the South Jersey region reported a pickup in business activity during the second quarter. Firms reported overall increases in their own company business activity and sales compared with the previous quarter. However, employment among the firms polled showed deterioration. Firms also perceived improvement for the region as a whole during the quarter. Firms, on balance, expect increases in overall business over the second half of 2013, and most indicators for future growth have shown improvement over the last three quarters.

Second Quarter Indicators Improve

The survey's broadest measure of performance, the index of general activity at individual companies, increased from a reading of 11.9 in the first quarter to 30.2 in the second quarter (see Chart). The percentage of firms reporting higher levels of business activity at their firms in the second quarter (51 percent) was notably higher than in the first quarter (36 percent). The survey's indicator for sales edged higher, from 9.5 to 25.6. Forty-four percent reported higher sales, but 19 percent reported declines in sales. However, firms reported that sales of big-ticket items remained lower overall.

In addition to indicating improvement in their companies' performance in the second quarter, the firms perceived a significant improvement in the economy of



the region. The index of regional general business conditions increased notably, from a reading of 9.5 to 23.3, its highest reading since 2005.

Overall, labor market conditions continued to be subdued despite the notable pickup in other business indicators. The current employment index dipped below zero this quarter, falling from 2.4 to -9.3. The percentage of firms that reported decreasing employment in the second quarter (19 percent) was greater than the percentage reporting increasing employment (9 percent).

Firms' Outlook Improves

South Jersey firms indicated improvement in their outlook for the future. The index of future activity at individual companies remained positive and in-

creased from 40.5 in the first quarter to 44.2, its highest reading in nine quarters (see Chart). The percentage of firms expecting conditions to improve over the next six months (49 percent) exceeded the percentage expecting deterioration (5 percent) by a large margin.

The future employment index deteriorated from the previous survey, suggesting that employment growth will pick up only marginally. Seventy-two percent of the firms said that they would maintain current levels of employment over the next six months, and only 14 percent of the firms expect to increase their payrolls over the next six months, while 12 percent expect decreases. The future employment index fell from 19.0 to 2.3.

Firms Respond to Affordable Care Act

In special questions this month, firms were asked about the Affordable Care Act (ACA) and its effects on firms' health insurance plans and workforce (see Special Questions). Nearly 42 percent of the surveyed firms indicated that they have not made or do not plan to make changes to their health insurance plans. Nearly 33 percent indicated that their firms were too small to be subject to the employer mandate. (All survey responses were received after the announcement in early July of a delay of the employer mandate until 2015.) Over 9 percent of the firms indicated they would be making their plans more comprehensive to be compliant with the ACA. With regard to workforce changes to date, 65 percent reported minimal or no changes related to the ACA. But 9 percent indicated there has been more outsourcing of work, and 12 percent indicated shifts from full-time to part-time workers attributable to the ACA. With regard to future workforce changes, 16 percent of firms indicated they would outsource more work over the next year, and 16 percent indicated they would substitute part-time workers for full-time workers.

Special Questions (Second Quarter 2013)

1. Where are you receiving information and/or advice on the implications of the Affordable Care Act (ACA) on your business? Check all that apply.	
The Healthcare.gov website	20.9%
My state government's website	7.0%
A health-care insurance broker	44.2%
A professional consultant	18.6%
Haven't yet investigated the implications of the ACA on our business.	11.6%
Other	25.6%
2. What changes, if any, have you made or do you plan to make to your firm's health plan in response to the requirements of the ACA? Check all that apply.	
None. Firm has fewer than 50 full-time employees (FTEs) to be subject to the mandate.	32.6%
None. Already offer health insurance to our employees that satisfies the requirements of the ACA.	41.9%
We are making our health insurance more comprehensive to be compliant with the ACA.	9.3%
We are cutting back or dropping health insurance.	4.7%
Other	7.0%
3. What changes to your workforce, if any, have you already made in response to the ACA? Check all that apply.	
Fire/refrain from hiring in order to keep payroll under 50 FTEs.	2.3%
Shift from full-time to part-time workers.	11.6%
More outsourcing of work.	9.3%
Minimal or no changes in response to the ACA.	65.1%
Other	2.3%
4. What changes to your workforce, if any, do you anticipate making over the next year in response to the ACA? Check all that apply.	
Fire/refrain from hiring in order to keep payroll under 50 FTEs.	4.7%
Shift from full-time to part-time workers.	16.3%
More outsourcing of work.	16.3%
Minimal or no changes in response to the ACA.	55.8%
Other	11.6%

NOTES:

All responses were received after the announcement of a delay in deadline for the employer mandate until 2015. Percentages do not add to 100% due to multiple selections and nonresponse to some questions.

Summary

Indicators for the latest *South Jersey Business Survey* suggest improving business activity for their own companies and for the region during the second

quarter. Firms reported a pickup in sales, but employment growth among the surveyed firms was still lagging. Firms' optimism about growth prospects for their own businesses over the next six months

continued to improve, although employment optimism remains fleeting.

South Jersey Business Survey (Second 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?	9.5	23.3	30.2	46.5	23.3	31.0	11.6	39.5	46.5	34.9
1.2 At your company?	11.9	20.9	27.9	51.2	30.2	40.5	4.7	41.9	48.8	44.2
2. Specific company performance measures:										
2.1 Total sales	9.5	18.6	32.6	44.2	25.6	35.7	14.0	32.6	48.8	34.9
2.2 Big ticket sales	0.0	18.6	27.9	14.0	-4.7	16.7	11.6	32.6	16.3	4.7
2.3 Product inventories	2.4	9.3	37.2	11.6	2.3	2.4	9.3	37.2	11.6	2.3
2.4 Number of employees	2.4	18.6	69.8	9.3	-9.3	19.0	11.6	72.1	14.0	2.3
2.5 Prices actually received	7.1	16.3	55.8	9.3	-7.0	0.0	16.3	53.5	11.6	-4.7
2.6 Prices paid for raw material (not energy)	31.0	7.0	25.6	39.5	32.6	35.7	7.0	27.9	37.2	30.2
1. The <i>South Jersey Business Survey</i> 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										