



SOUTH JERSEY BUSINESS SURVEY

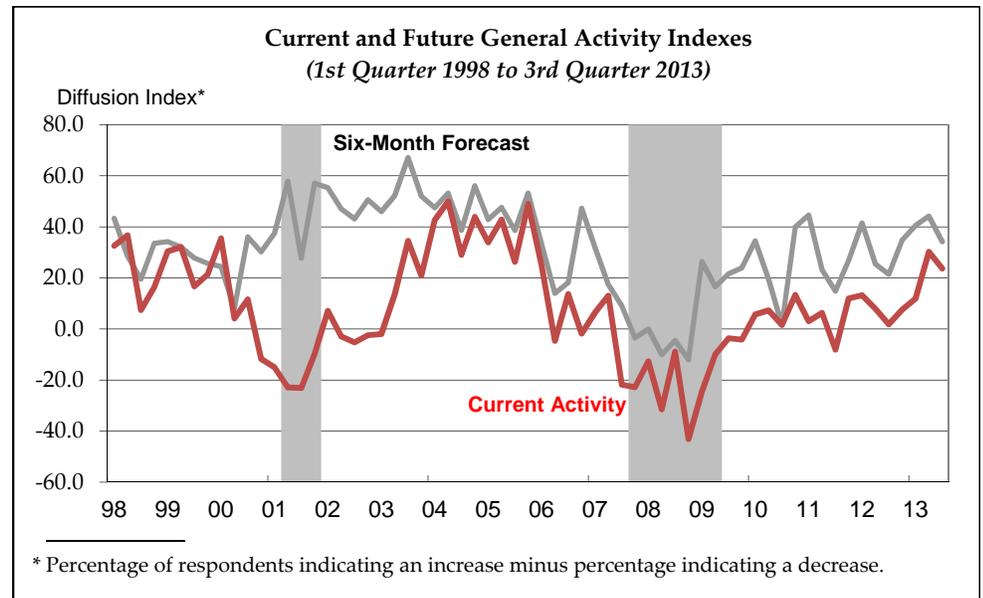
Third Quarter 2013

Firms in the South Jersey region reported continued growth in business activity during the third quarter. Firms indicated overall increases in their own companies' business activity and sales compared with the previous quarter. The indicators for activity and sales, however, were slightly lower than in the second quarter. Employment among the firms polled showed notable improvement. Looking to the future, firms on balance expect increases in overall business for the next six months, although most indicators for future growth also edged down from the previous quarter.

Third Quarter Indicators Suggest Continued Growth

The survey's broadest measure of performance, the index of general activity at individual companies, decreased from a reading of 30.2 in the second quarter to 23.7 in the third quarter (see Chart). Forty-two percent of firms reported that activity grew in the third quarter, compared with 51 percent in the second quarter. Firms perceived continued growth for the region, but a slowing in growth during the third quarter. The index of regional general business conditions decreased notably, from a reading of 23.3 (its highest reading since 2005) to just 2.6.

Thirty-four percent of the firms reported higher sales in the third quarter, compared with 44 percent that reported higher sales in the second quarter. Firms reported that sales of big-ticket items



were unchanged overall. In special questions this quarter, firms were asked to characterize the underlying demand for their products (see Special Questions). Fifty percent indicated that demand had increased over the past three months, while just under 24 percent indicated that demand had fallen off. Nearly 32 percent of the firms characterized demand as being less than had been anticipated three months earlier, whereas over 13 percent said demand had been greater than expected.

Overall labor market conditions improved notably in the third quarter. The current employment index increased, from -9.3 in the second quarter to 15.8, its highest reading since 2005. The percentage of firms that reported increases in

employment in the third quarter (21 percent) was greater than the percentage reporting decreases in employment (5 percent). But 58 percent of the reporting firms reported no change in employment.

Costs Rise But Product Prices Remain Steady for Most Firms

A significant share of South Jersey businesses reported higher input prices in the third quarter survey (34 percent) but this number is less than that reported in the second quarter (40 percent). Prices for the firms' products and services were steady for most reporting firms (71 percent). The share of firms reporting lower prices for their own products (13 percent) was only slightly higher

than those reporting higher prices (11 percent).

Firms Remain Optimistic

The index of future activity at individual companies remained positive but decreased from 44.2 to 34.2 in the third quarter (see Chart). The percentage of firms expecting conditions to improve over the next six months (40 percent) still exceeded the percentage expecting deterioration (5 percent) by a large margin. The future employment index, paralleling the improvement in the current employment index, increased 11 points to 13.2. Although 47 percent of the firms said they would maintain current levels of employment over the next six months, 24 percent of the firms expect to increase their payrolls over the next six months, while 11 percent expect decreases.

Summary

Indicators for the latest *South Jersey Business Survey* continue to suggest growth in business activity for South Jersey businesses. Firms reported an expansion in sales and employment at their businesses, although they perceived a slower rate of overall growth for the region during the third quarter. Firms' optimism about growth prospects for their own businesses over the next six months remained positive, while employment expectations showed improvement.

SPECIAL QUESTIONS (Third Quarter 2013)		
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	10.5%	50.0%
Increased modestly	39.5%	
No change	23.7%	23.7%
Decreased modestly	18.4%	
Decreased significantly	5.3%	
N.R.	2.6%	
2. How does the current underlying demand for your products compare with what you expected three months ago?		
Less than expected	31.6%	
About what was expected	50.0%	
Greater than expected	13.2%	
N.R.	5.3%	
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	18.4%	
No difference than six months ago	63.2%	
More certain than six months ago	13.2%	
N.R.	5.3%	

South Jersey Business Survey (Third 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?	23.3	23.7	44.7	26.3	2.6	34.9	7.9	71.1	15.8	7.9
1.2 At your company?	30.2	18.4	36.8	42.1	23.7	44.2	5.3	50.0	39.5	34.2
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	25.6	23.7	31.6	34.2	10.5	34.9	7.9	55.3	28.9	21.1
2.2 Big ticket sales	-4.7	15.8	34.2	15.8	0.0	4.7	13.2	39.5	10.5	-2.6
2.3 Product inventories	2.3	7.9	26.3	2.6	-5.3	2.3	5.3	28.9	0.0	-5.3
2.4 Number of employees	-9.3	5.3	57.9	21.1	15.8	2.3	10.5	47.4	23.7	13.2
2.5 Prices actually received	-7.0	13.2	71.1	10.5	-2.6	-4.7	7.9	71.1	13.2	5.3
2.6 Prices paid for raw material (not energy)	32.6	2.6	34.2	34.2	31.6	30.2	5.3	21.1	36.8	31.6
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 up to 100 because of omission by respondents										