



SOUTH JERSEY BUSINESS SURVEY

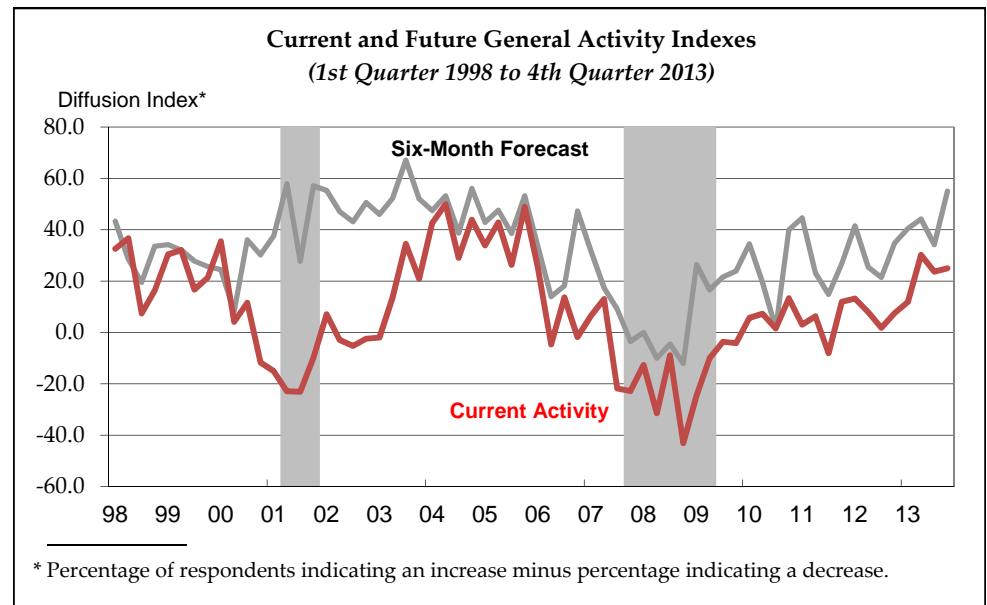
Fourth Quarter 2013

Firms in the South Jersey region reported continued growth in business activity during the fourth quarter. Firms indicated overall increases in their own companies' business activity and sales for the quarter. Employment among the firms polled showed growth but no pickup in the pace of that growth reported in the third quarter. Looking forward, most indicators for growth over the next six months showed notable improvement from the previous quarter.

Fourth Quarter Indicators Suggest Continued Growth

The survey's broadest measure of performance, the index of general activity at individual companies, increased from a reading of 23.7 in the third quarter to 25.0 in the fourth quarter (see chart). Forty-five percent of firms reported activity at their company grew in the fourth quarter, compared with 42 percent that reported growth in the third quarter. Firms perceived an improvement in growth for the region: The index of regional general business conditions increased from a reading of 2.6 in the third quarter to 17.5 for the fourth quarter.

Thirty percent of the firms reported higher sales in the fourth quarter, compared with 34 percent that reported higher sales in the third quarter. The overall sales index remained positive but fell 10 points from its third quarter reading.



Employment continued to grow in the fourth quarter. The current employment index remained positive but decreased from 15.8 in the third quarter to 12.5. However, for the second consecutive quarter the percentage of firms that reported increases in employment in the fourth quarter (25 percent) was greater than the percentage reporting decreases in employment (13 percent). One-half of the reporting firms noted no change in employment.

Costs Rise But Product Prices Remain Steady for Most Firms

A significant share of South Jersey businesses continue to report higher input prices. For this quarter's survey, 28 percent

reported paying higher input prices; 5 percent reported paying lower prices. Prices for the firms' products and services were steady for most reporting firms (53 percent). The share of firms reporting lower prices for their own products (15 percent) was slightly higher than those reporting higher prices (13 percent) this quarter.

Firms Grow More Optimistic

The index of future activity at individual companies increased notably, from 34.2 in the third quarter to 55.0, its highest reading since 2004 (see chart). The percentage of firms expecting conditions to improve over the next six months (60 percent) exceeded the percentage expecting deterioration (5 percent). The future

employment index improved but increased modestly, from 13.2 to 15.0.

In the special questions this quarter, firms were asked to characterize their long-term plans for employment (see special questions). Forty-five percent indicated that they plan to expand their payrolls over the next 12 months; only 5 percent reported plans to decrease employment. Among those planning to increase employment, expected sales growth was the “most important” influencing factor. All firms were asked about factors restraining hiring. The need to keep operating costs low and expected slow sales growth were the “most important” factors restraining employment growth. But uncertainty about the cost of health insurance and the need to keep operating costs low were the most cited among the top three important factors restraining employment growth.

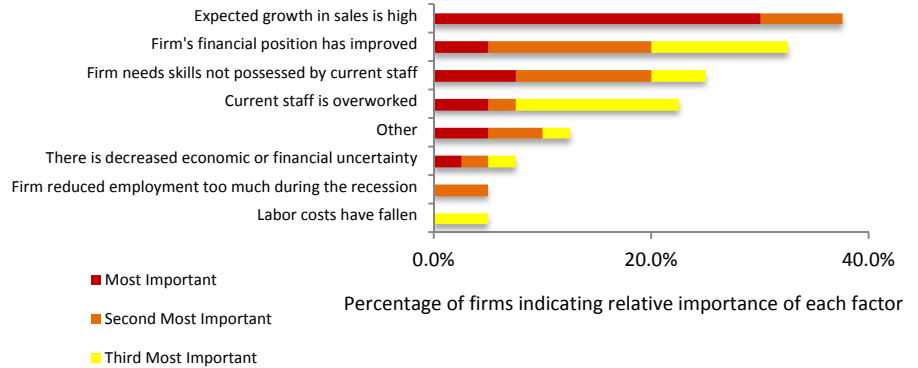
Summary

Results for the latest *South Jersey Business Survey* continue to indicate growth in business activity for South Jersey businesses. Firms reported continued modest expansion in sales and employment at their businesses, but they also perceived a more rapid rate of overall growth for the region during the fourth quarter. Firms’ optimism about growth prospects for their own businesses over the next six months remained positive and improved from the third quarter.

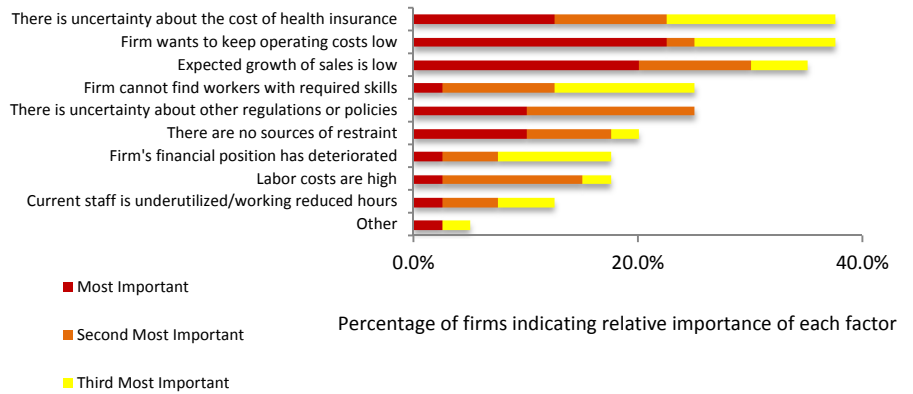
Special Questions (Fourth Quarter 2013)

1. Do you expect your firm to increase employment, leave unchanged, or decrease employment over the next 12 months?	
Increase	45.0%
Unchanged	45.0%
Decrease	5.0%
NR	5.0%
	100.0%

Factors Influencing Increasing Employment



Factors Restraining Hiring



South Jersey Business Survey (Fourth 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?	2.6	20.0	42.5	37.5	17.5	7.9	5.0	47.5	47.5	42.5
1.2 At your company?	23.7	20.0	35.0	45.0	25.0	34.2	5.0	35.0	60.0	55.0
2. Specific company performance measures:										
2.1 Total sales	10.5	25.0	27.5	30.0	5.0	21.1	5.0	22.5	52.5	47.5
2.2 Big ticket sales	0.0	22.5	20.0	17.5	-5.0	-2.6	10.0	22.5	27.5	17.5
2.3 Product inventories	-5.3	12.5	22.5	15.0	2.5	-5.3	10.0	22.5	17.5	7.5
2.4 Number of employees	15.8	12.5	50.0	25.0	12.5	13.2	10.0	52.5	25.0	15.0
2.5 Prices actually received	-2.6	15.0	52.5	12.5	-2.5	5.3	12.5	37.5	30.0	17.5
2.6 Prices paid for raw material (not energy)	31.6	5.0	32.5	27.5	22.5	31.6	5.0	17.5	42.5	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 up to 100 because of omission by respondents.