



SOUTH JERSEY BUSINESS SURVEY

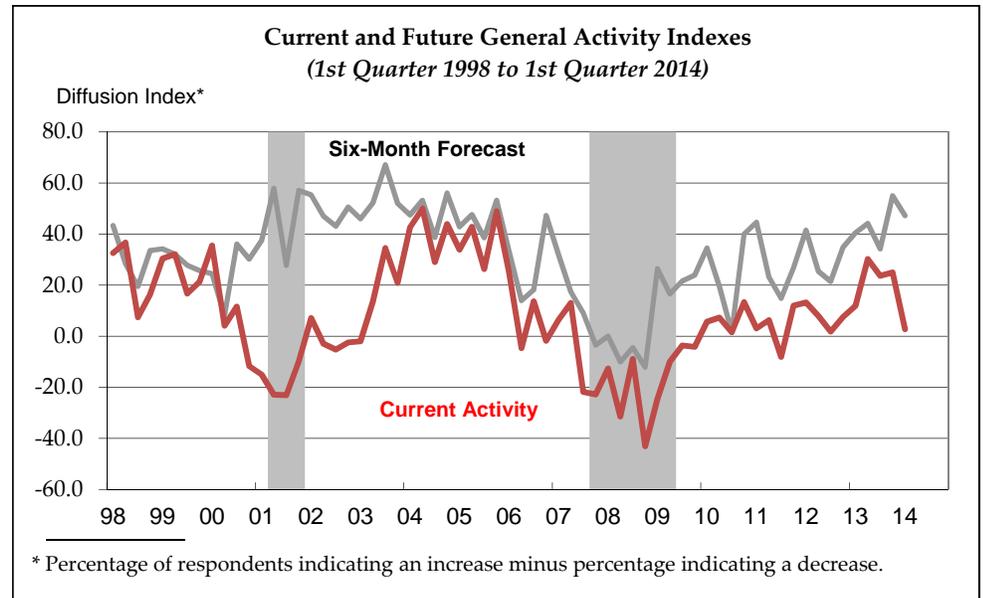
First Quarter 2014

Firms in the South Jersey region reported nearly flat growth in business activity during the first quarter, which was undoubtedly attributable to the extraordinary winter weather. Firms indicated, at best, slight increases in levels of overall activity and slight decreases in sales for the quarter. Employment among the firms polled also showed no growth but, looking forward, a notable share of firms expects to increase hiring. Indeed, most indicators for growth over the next six months remained generally positive about prospects for a pickup in activity.

First Quarter Activity Was Nearly Flat

The survey's broadest measure of performance, the index of general activity at individual companies, decreased from a reading of 25.0 in the fourth quarter to 2.8 in the first quarter (see chart). Thirty-six percent of firms reported that activity at their company grew in the first quarter, but this upswing in activity was nearly offset by the 33 percent that indicated activity was lower in the first quarter. Firms perceived a marked deterioration in the region as a whole for the quarter: The index of regional general business conditions decreased from a reading of 17.5 for the fourth quarter, to -16.7.

Nearly 31 percent of the firms reported higher sales in the first quarter, but 33 percent reported lower sales. The overall



sales index fell to its first negative reading in 10 quarters.

Employment levels held steady at reporting firms in the first quarter. The current employment index, which had remained positive for two consecutive quarters, slipped to a zero reading. The percentage of firms that reported increases in employment was exactly offset by the percentage reporting decreases (14 percent). More than 69 percent of the reporting firms noted no change in employment.

Some Firms Report Price Pressures

A significant share of South Jersey businesses continue to report higher input prices. More than 36 percent reported paying higher input prices, while 3 percent report-

ed paying lower prices. Prices for the firms' own products and services were steady for most reporting firms (69 percent). But the share of firms with higher prices (nearly 17 percent) was higher than the percentage with lower prices (8 percent). Both the prices paid and prices received diffusion indexes increased 11 points.

Firms Remain Optimistic

The index of future activity at individual companies edged down, from 55.0 in the fourth quarter to 47.2 (see chart on page 2). The index still remains at a relatively high reading and reflects overall

Special Questions (First Quarter 2014)

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**		
						Current	Prior Years***	
						Favorable-Unfavorable 2014	Favorable-Unfavorable 2013	Favorable-Unfavorable 2012
	%	%	%	%	%	%	%	%
Demand for your firm's products or services	2.8	47.2	27.8	19.4	2.8	27.8	47.6	28.3
Credit conditions for your firm	5.6	19.4	61.1	5.6	0	19.4	16.7	3.8
Credit conditions for your customers	2.8	19.4	66.7	5.6	2.8	13.9	0	-7.5
State regulatory climate	2.8	5.6	52.8	25.0	2.8	-19.4	-26.2	-9.4
Difficulty in hiring qualified workers	2.8	5.6	63.9	25.0	2.8	-19.4	-21.4	-5.7
Federal regulatory climate	0	2.8	41.7	27.8	16.7	-41.7	-57.1	-28.3

*Percentages may not add up to 100 percent because not all firms responded to all questions.
 **Diffusion index is the favorable minus the unfavorable responses for each question.
 ***The same questions were asked in the first quarter of 2013 and in the first quarter of 2012.

optimism about future business conditions. The percentage of firms expecting their conditions to improve over the next six months (64 percent) exceeded the percentage that expected deterioration (17 percent). The future employment index showed marked improvement, increasing from 15.0 to 27.8. More than 36 percent of the firms expect to hire additional workers over the next six months.

Firms were asked special questions about the change in factors that have affected their business during the past year (see Special Questions).

Fifty percent of firms reported that demand conditions were more favorable overall than one year earlier, but only 3

percent characterized the change as much more favorable; 22 percent characterized demand as more unfavorable or much more unfavorable. The state regulatory climate was perceived as being, on balance, more unfavorable than one year ago, but not as much as when the same question was asked last year.

Federal regulatory climate continued to be viewed as more unfavorable but not by the same degree as one year earlier. Also, the ability to hire qualified workers continued to be cited as less favorable, similar to last year's responses. Credit conditions, overall, were considered more favorable than one year ago.

Summary

The *South Jersey Business Survey* results were indicative of the impacts of adverse weather across the region during the first quarter. Firms reported near steady levels of activity but slight decreases in overall sales. Employment levels remained steady.

Firms' optimism about growth prospects for their own businesses over the next six months remained positive and firms were notably more optimistic about future employment growth.

South Jersey Business Survey (First Quarter 2014)

	Compared with Three 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?	17.5	41.7	33.3	25.0	-16.7	42.5	13.9	25.0	61.1	47.2
1.2 At your company?	25.0	33.3	30.6	36.1	2.8	55.0	16.7	19.4	63.9	47.2
2. Specific company performance measures:										
2.1 Total sales	5.0	33.3	27.8	30.6	-2.8	47.5	16.7	13.9	55.6	38.9
2.2 Big ticket sales	-5.0	13.9	25.0	11.1	-2.8	17.5	5.6	25.0	13.9	8.3
2.3 Product inventories	2.5	11.1	25.0	13.9	2.8	7.5	8.3	19.4	19.4	11.1
2.4 Number of employees	12.5	13.9	69.4	13.9	0.0	15.0	8.3	50.0	36.1	27.8
2.5 Prices actually received	-2.5	8.3	69.4	16.7	8.3	17.5	11.1	61.1	19.4	8.3
2.6 Prices paid for raw materials (not energy)	22.5	2.8	36.1	36.1	33.3	37.5	2.8	27.8	38.9	36.1

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 up to 100 because of omission by respondents.