



# SOUTH JERSEY BUSINESS SURVEY

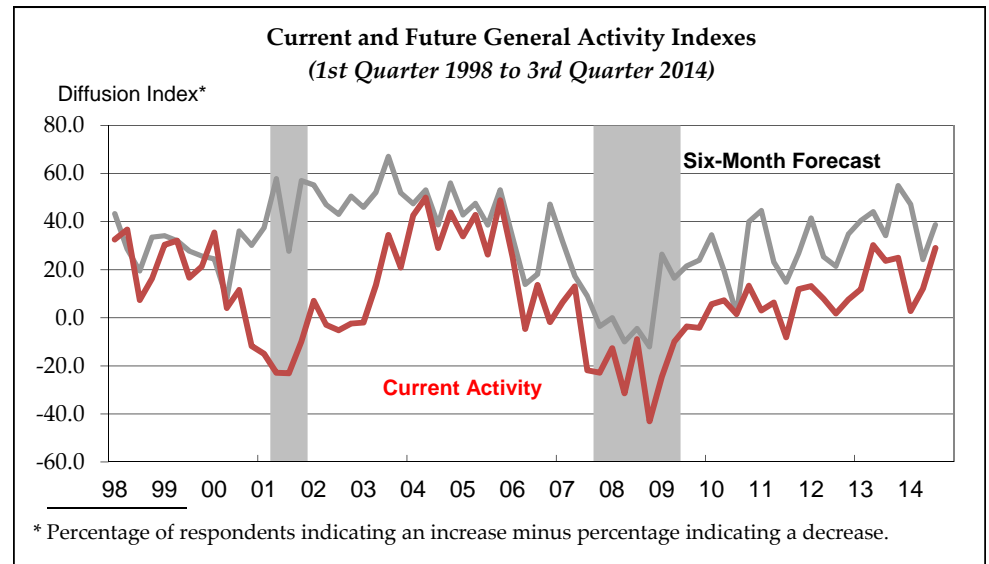
## Third Quarter 2014

Firms in the South Jersey region reported improvement in overall business conditions for the third quarter. Firms reported increases in overall activity and an increase in sales for the quarter. Employment among the firms polled also showed increases. Firms' forecasts for the next six months remained optimistic and improved from the second quarter. Firms' expectations for future employment, however, fell notably from last quarter's survey.

### Growth Continues in Third Quarter

The survey's indicators of business conditions showed improvement in the third quarter. The survey's broadest measure of performance, the index of general activity at individual companies, increased from a reading of 12.1 in the second quarter to 29.0 in the third quarter, its highest level in five quarters (see Chart). Almost 42 percent of the firms reported that activity at their companies grew in the third quarter; 13 percent reported weaker activity. Firms perceived only a modest increase in the region as a whole for the quarter: The index of regional general business conditions increased from a reading of 9.1 to 9.7.

More than 32 percent of the firms reported higher sales in the third quarter. The overall sales index increased from 9.1 to 22.6, its highest reading in five quarters. Firms were asked to character-



ize the underlying demand for their products or services over the past three months (see Special Questions on next page). The percentage of firms indicating increases (58 percent) exceeded the percentage of firms indicating decreases (10 percent) by a large margin. The largest share, 48 percent, characterized the demand as having increased modestly.

Labor market conditions continued to show overall improvement in the third quarter. Employment levels, which had held steady at reporting firms in the first quarter, have increased in the past two quarters. Nearly 30 percent of the firms reported hiring additional workers in the third quarter; a slightly higher percentage reported hiring in the second quarter. The

current employment index decreased modestly, from 21.2 to 19.4.

### Firms Report Steady Prices for Their Own Products and Services

A significant share of South Jersey businesses continue to report higher input prices. Nearly 23 percent reported paying higher input prices in the third quarter, but this was lower than the 30 percent that reported higher input prices in the second quarter. More than 58 percent of the firms reported that their own prices were steady in the third quarter. The percentage of firms reporting higher prices was exactly offset by the percentage reporting lower prices (10 percent). Both the prices paid and prices

received diffusion indexes decreased, compared with their second quarter readings.

### Firms Expect Continued Growth

The index of future activity at individual companies improved, from 24.2 in the second quarter to 38.7 in the third quarter (see Chart). The percentage of firms expecting conditions to improve over the next six months was 52 percent, compared with 39 percent expecting improvement last quarter.

More than 16 percent of the firms expect to hire additional workers over the next six months, but this number was down significantly from the 39 percent reported last quarter. The future employment diffusion index fell from 30.3 to zero.

### Summary

The *South Jersey Business Survey* results suggest improved business conditions in the third quarter. Firms reported continued expansion in sales and modest increases in the underlying demand for their products and services. For the second consecutive quarter, firms reported expanding payrolls. The prices of the firms' products/services held steady during the quarter. Although overall optimism about growth prospects for their own businesses over the next six months remained positive, firms' forecasts for future employment were scaled back.

### SPECIAL QUESTIONS (Third Quarter 2014)

1. Over the past three months, how would you characterize the underlying demand for your products or services? Exclude any purely seasonal effects.

		Subtotals
Increased significantly	9.7%	58.1%
Increased modestly	48.4%	
No change	32.3%	9.7%
Decreased modestly	3.2%	
Decreased significantly	6.5%	

2. How does the current underlying demand for your products compare with what you expected three months ago?

Less than expected	16.1%
About what was expected	61.3%
Greater than expected	22.6%

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	20.7%
No difference than six months ago	44.8%
More certain than six months ago	34.5%

### South Jersey Business Survey (Third 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?	9.1	16.1	54.8	25.8	9.7	12.1	9.7	54.8	32.3	22.6
1.2 At your company?	12.1	12.9	41.9	41.9	29.0	24.2	12.9	32.3	51.6	38.7
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	9.1	9.7	41.9	32.3	22.6	21.2	12.9	35.5	35.5	22.6
2.2 Big ticket sales	-3.0	12.9	29.0	6.5	-6.5	0.0	12.9	32.3	3.2	-9.7
2.3 Product inventories	6.1	9.7	22.6	22.6	12.9	12.1	19.4	19.4	16.1	-3.2
2.4 Number of employees	21.2	9.7	45.2	29.0	19.4	30.3	16.1	51.6	16.1	0.0
2.5 Prices actually received	6.1	9.7	58.1	9.7	0.0	6.1	9.7	61.3	6.5	-3.2
2.6 Prices paid for raw materials (not energy)	30.3	3.2	32.3	22.6	19.4	33.3	3.2	25.8	29.0	25.8

- 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.