



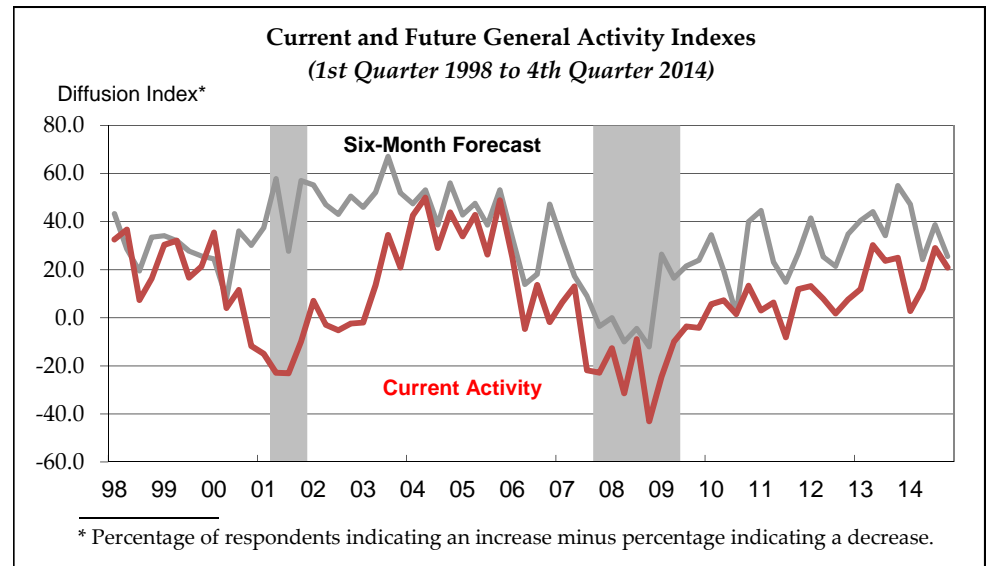
# SOUTH JERSEY BUSINESS SURVEY

## Fourth Quarter 2014

Firms responding to the *South Jersey Business Survey* reported continued growth in overall business in the fourth quarter of last year but at a moderated pace compared with the third quarter. Most of the survey's broad measures of individual company performance remained positive for the fourth quarter and at higher readings than in the first half of 2014. Firms' forecasts for the next six months remained generally optimistic.

## Continued Growth Reported

The survey's indicators of business conditions reflected continued, but slightly slower, growth in the fourth quarter. The survey's broadest measure of performance — the index of general activity at individual companies — decreased from a reading of 29.0 in the third quarter to 22.5, suggesting a slower pace of growth. The index, however, remained above its readings in the first and second quarters of 2014 (see Chart 1). Almost 43 percent of the firms reported that activity at their companies grew in the fourth quarter, which was nearly identical to the third quarter. Twenty percent reported weaker activity in the fourth quarter; 13 percent reported weaker activity in the previous quarter. Firms perceived a pickup in the region as a whole for the quarter: The index of regional general



business conditions increased from a reading of 9.7 to 27.5.

The overall sales index fell from 22.6 to 12.5 (see Chart 2). More than 37 percent of the firms reported higher sales in the fourth quarter, up slightly from 32 percent in the third quarter. However, the share of firms reporting sales declines rose from 10 percent in the third quarter to 25 percent in the fourth quarter.

Employment growth weakened in the fourth quarter, according to the reporting firms. Nearly 13 percent of the firms reported hiring additional workers in the fourth quarter, compared with 29 percent in the third quarter. The current employment index fell from 19.4 to 2.5.

## Price Pressures Moderate Slightly

Price pressures were slightly less in the fourth quarter. The index of prices paid for raw materials excluding energy fell from 19.4 to 17.5, its lowest reading since the third quarter of 2010. Nearly 23 percent reported paying higher input prices in the fourth quarter, which was nearly the same percentage as in the third quarter. Nearly 63 percent of the firms reported that their own prices were steady in the fourth quarter. The percentage of firms reporting lower prices (nearly 13 percent) was slightly higher than the percentage reporting higher prices (10 percent). Both the prices paid and prices received diffusion indexes decreased compared with their third quarter readings.

## Firms Expect Continued Growth

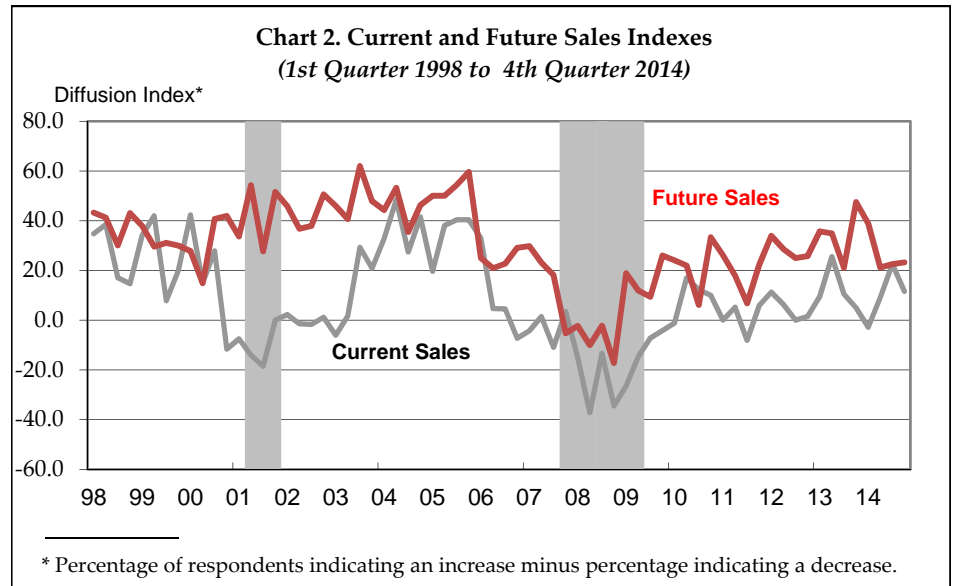
The index of future activity for the region as a whole improved, from 22.6 in the third quarter to 25 in the fourth quarter. The index of future activity for individual companies continued to show growth but fell from its reading of 38.7 in the third quarter to 27.5 in the fourth quarter. The percentage of firms expecting conditions to improve over the next six months was 40 percent, compared with nearly 52 percent expecting improvement last quarter.

The future total sales index increased 2 points, to 25.0, with 40 percent of the firms indicating that they expect sales increases and 15 percent expecting decreases. The index has increased modestly the past few quarters, but it still remains below average readings over the past few years (see Chart 2).

The future employment index, measuring firms' hiring expectations over the next six months, increased from zero last quarter to 12.5 in the fourth quarter. Twenty-five percent of the firms expect to hire additional workers over the next six months, rebounding from 16 percent last quarter.

## Summary

The *South Jersey Business Survey* suggests continued improvement in overall business conditions in the fourth quarter of last year.



Although still positive, some indexes fell from their third quarter readings, suggesting a slightly slower pace of growth. The reporting firms also noted slower employment growth. The survey's price indexes suggested moderating price pressures. However, future indicators for the region continue to reflect relative optimism about the future, and firms were more optimistic about future sales and employment growth over the next six months.

## *South Jersey Business Survey* (Fourth 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?	9.7	17.5	35.0	45.0	27.5	22.6	10.0	52.5	35.0	25.0
1.2 At your company?	29.0	20.0	35.0	42.5	22.5	38.7	12.5	45.0	40.0	27.5
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	22.6	25.0	32.5	37.5	12.5	22.6	15.0	40.0	40.0	25.0
2.2 Big ticket sales	-6.5	15.0	30.0	12.5	-2.5	-9.7	10.0	32.5	15.0	5.0
2.3 Product inventories	12.9	12.5	35.0	10.0	-2.5	-3.2	17.5	30.0	10.0	-7.5
2.4 Number of employees	19.4	10.0	75.0	12.5	2.5	0.0	12.5	57.5	25.0	12.5
2.5 Prices actually received	0.0	12.5	62.5	10.0	-2.5	-3.2	15.0	42.5	27.5	12.5
2.6 Prices paid for raw materials (not energy)	19.4	5.0	42.5	22.5	17.5	25.8	5.0	35.0	27.5	22.5
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.										