



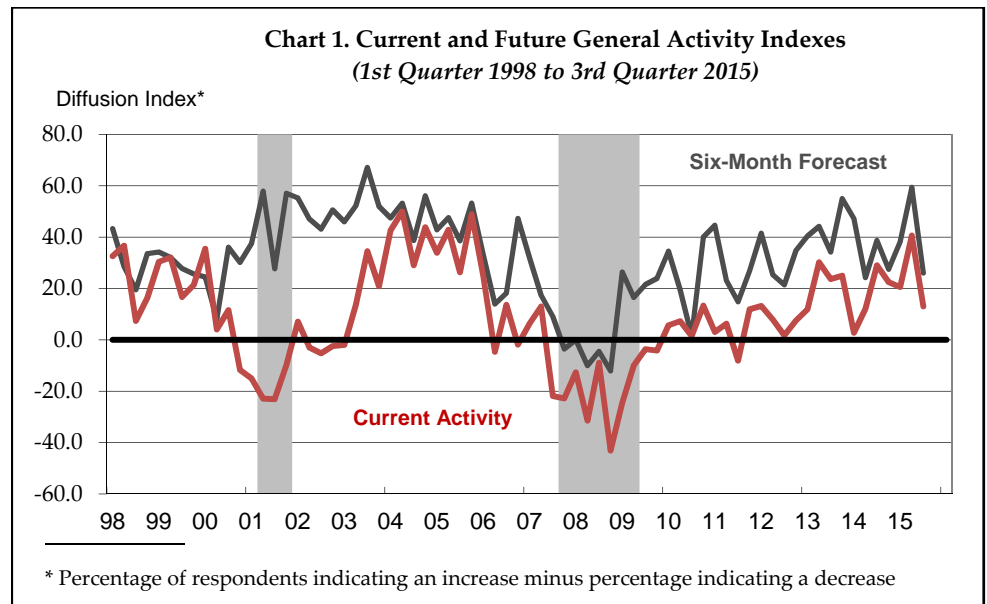
SOUTH JERSEY BUSINESS SURVEY

Third Quarter 2015

Overall business slowed in the third quarter, according to firms responding to the *South Jersey Business Survey*. The survey's broadest measure of individual company performance remained positive but fell significantly from its reading in the second quarter. Firms also reported flat employment for the third quarter. Although only a small percentage of businesses expect activity to decline over the next six months, firms were notably less optimistic this quarter.

Current Indicators Suggest Slower Growth

The survey's indicators of business conditions for the third quarter reflected a slowing in growth. The survey's broadest measure of performance, the index of general activity at individual companies, decreased from a reading of 40.6 in the second quarter to 13.0. This is the lowest reading in five quarters (see Chart 1). About 39 percent of the firms reported that activity at their companies grew in the third quarter, which was down from 50 percent in the second quarter. Firms perceived a deterioration in the growth of the region as a whole for the quarter: The index of regional general business conditions decreased from a reading of 28.1 to -4.3.



The overall sales index for individual companies remained positive for the sixth consecutive quarter but fell from 21.9 in the third quarter to 8.7 (see Chart 2). About 35 percent of the firms reported higher sales in the third quarter, although 26 percent reported lower sales.

Employment growth held steady in the third quarter, according to the reporting firms. Only 13 percent of the firms reported hiring additional workers, compared with 31 percent in the previous quarter. Thirteen percent of firms reported lower employment in the third quarter. The current employment index

decreased from 18.8 to zero, suggesting flat employment during the quarter (see Chart 2).

Moderating Input Prices Reported

Cost pressures eased in the third quarter, according to the surveyed firms. The index of prices paid for raw materials excluding energy decreased from 34.4 to 8.7, the lowest reading since the third quarter of 2010. The index for prices received increased from 3.1 to 13.0. Seventeen percent of the firms reported higher prices received, while only 4 percent reported lower prices. The largest

percentage of firms (70 percent) reported stable prices during the third quarter.

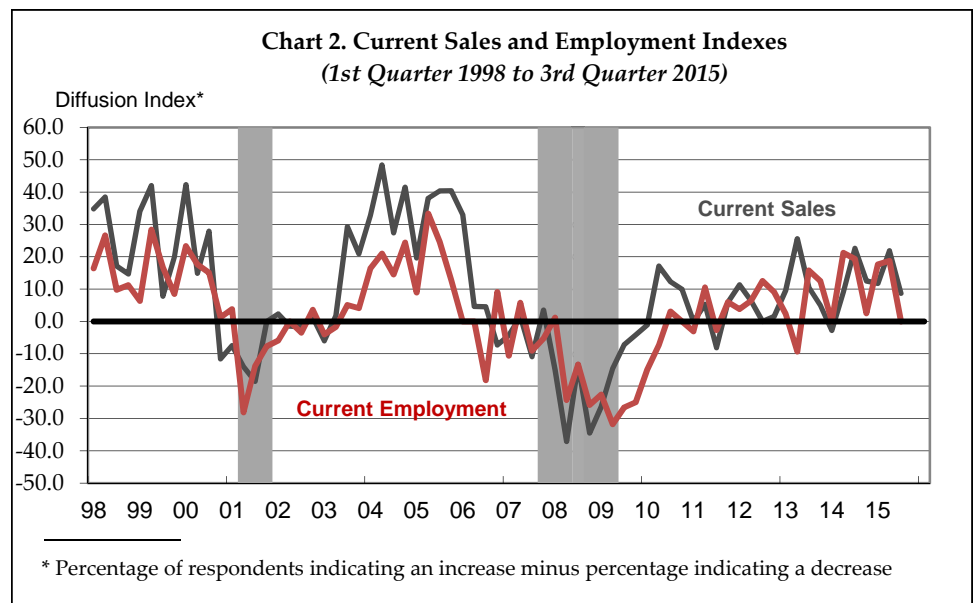
Firms Expect Growth to Continue, But Optimism Wanes

Indexes representing firms' expectations for the next six months were lower for the third quarter. The index of future activity for the region as a whole decreased from 25 in the second quarter to 17.4 in the third quarter. The index of future activity for individual companies also retreated from its very high reading of 59.4 in the second quarter to 26.1 (see Chart 1). The percentage of firms expecting conditions to improve over the next six months was 35 percent, compared with 9 percent expecting a deterioration over the next six months. The future total sales index fell 12 points to 34.8, a reading below its average over recent years.

The future employment index, measuring firms' hiring expectations over the next six months, remained positive but decreased 8 points this quarter. The index fell to a reading of 17.4, its lowest reading in three quarters.

Summary

The *South Jersey Business Survey* suggests a moderation in growth in the third quarter of 2015. Most broad indexes remained positive but were lower than they were in the second quarter. Employment growth,



however, stalled among the polled firms. The survey's price indexes suggested reduced price pressures, although some firms continued to report higher prices of their own products. Future indicators for the region suggest that few firms expect a decline in business over the next six months, but overall optimism was lower in the third quarter compared with levels over the past few years.

South Jersey Business Survey (Third Quarter 2015)

	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?	28.1	26.1	47.8	21.7	-4.3	25.0	13.0	56.5	30.4	17.4
1.2 At your company?	40.6	26.1	34.8	39.1	13.0	59.4	8.7	56.5	34.8	26.1
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	21.9	26.1	34.8	34.8	8.7	46.9	13.0	34.8	47.8	34.8
2.2 Big ticket sales	9.4	21.7	39.1	13.0	-8.7	9.4	13.0	30.4	26.1	13.0
2.3 Product inventories	-12.5	4.3	56.5	0.0	-4.3	6.3	8.7	43.5	4.3	-4.3
2.4 Number of employees	18.8	13.0	73.9	13.0	0.0	25.0	13.0	56.5	30.4	17.4
2.5 Prices actually received	3.1	4.3	69.6	17.4	13.0	25.0	8.7	65.2	17.4	8.7
2.6 Prices paid for raw materials (not energy)	34.4	8.7	39.1	17.4	8.7	37.5	8.7	47.8	13.0	4.3

- 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.