

SOUTH JERSEY BUSINESS SURVEY

First Quarter 2020

The region's economy experienced overall declines in the first quarter, attributable to the pandemic and mandated curtailment of business activity across the state in March, according to firms responding to the *South Jersey Business Survey*. The survey's indicators of overall company activity and sales dropped to their lowest readings in the 29-year history of the survey. The firms also registered notable deterioration of their forecast for the next six months.

Current Indicators Hit Record Lows

The survey's broad indicators for activity and sales plummeted in the first quarter (see Charts 1–3 on page 4). The survey's measure of individual company activity decreased from a high reading of 29.3 in the fourth quarter to -44.7 in the first quarter. Almost 65 percent of the firms reported declines in sales, while only 12 percent reported increases.

On balance, the respondents also reported decreases in employment in the first quarter. The current employment index fell from a high reading of 19.5 in the fourth quarter to -9.9, the first negative reading in 17 quarters (see Chart 4).

The firms were asked about the impact of the COVID-19 crisis on business (see *Special Questions* on pages 2–3).

As of the survey week, a large percentage of the firms reported either partial temporary shutdowns of their businesses (30 percent) or total temporary shutdowns (10 percent), with additional firms planning to do so. Over 36 percent of the firms had already reduced their payroll staff, and 32 percent had reduced the number of temp or contract workers. Similar percentages said they were planning to make cuts.

When asked about their concerns over the next quarter, 57 percent were

most concerned about maintaining adequate cash flow, 51 percent collecting payables from customers, and 30 percent incurring excessive debt.

Firms' Outlook Deteriorated

The survey's indicators for future activity and sales paralleled the decline in current indicators and hit record lows. The firms' employment forecast also deteriorated. More firms (51 percent) expect employment declines in the next six months than expect employment increases (5 percent).

South Jersey Business Survey (First Quarter 2020)

1. Current Measures (change from previous quarter)	Previous Diffusion Index (SA)*	Lower	Same	Higher	Diffusion Index (SA)
What is your assessment of the level of general business activity:					
In the region?	22.9	73.4	18.1	7.4	-62.6
At your company?	29.3	60.6	27.7	10.6	-44.7
Other company measures:					
Total sales	29.5	64.9	21.3	11.7	-47.8
Total employees	19.5	26.6	56.4	14.9	-9.9
Prices received	11.6	24.5	60.6	5.3	-20.9
Prices paid (excluding energy)	18.1	6.4	56.4	13.8	3.0
2. Future Measures (expectations for the next six months)					
Business activity for the region	29.2	92.6	3.2	3.2	-90.5
Business activity for your company	51.6	76.6	14.9	7.4	-70.3
Total sales	51.8	78.7	13.8	5.3	-75.4
Total employees	33.7	51.1	40.4	5.3	-46.9
Prices received	23.9	39.4	47.9	4.3	-32.7
Prices paid (excluding energy)	22.0	8.5	53.2	12.8	4.5
<p>1. The <i>South Jersey Business Survey</i> is conducted each quarter and is based on responses from members of the Chamber of Commerce Southern New Jersey.</p> <p>2. Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease. Percentages may not sum to 100 percent because of rounding, omission by respondents, or both.</p> <p>3. The previous diffusion index may be different from last quarter's because of seasonal adjustment.</p> <p>* SA: Seasonally adjusted</p>					

Released: April 9, 2020

Note: Survey responses were collected from March 30 to April 6.

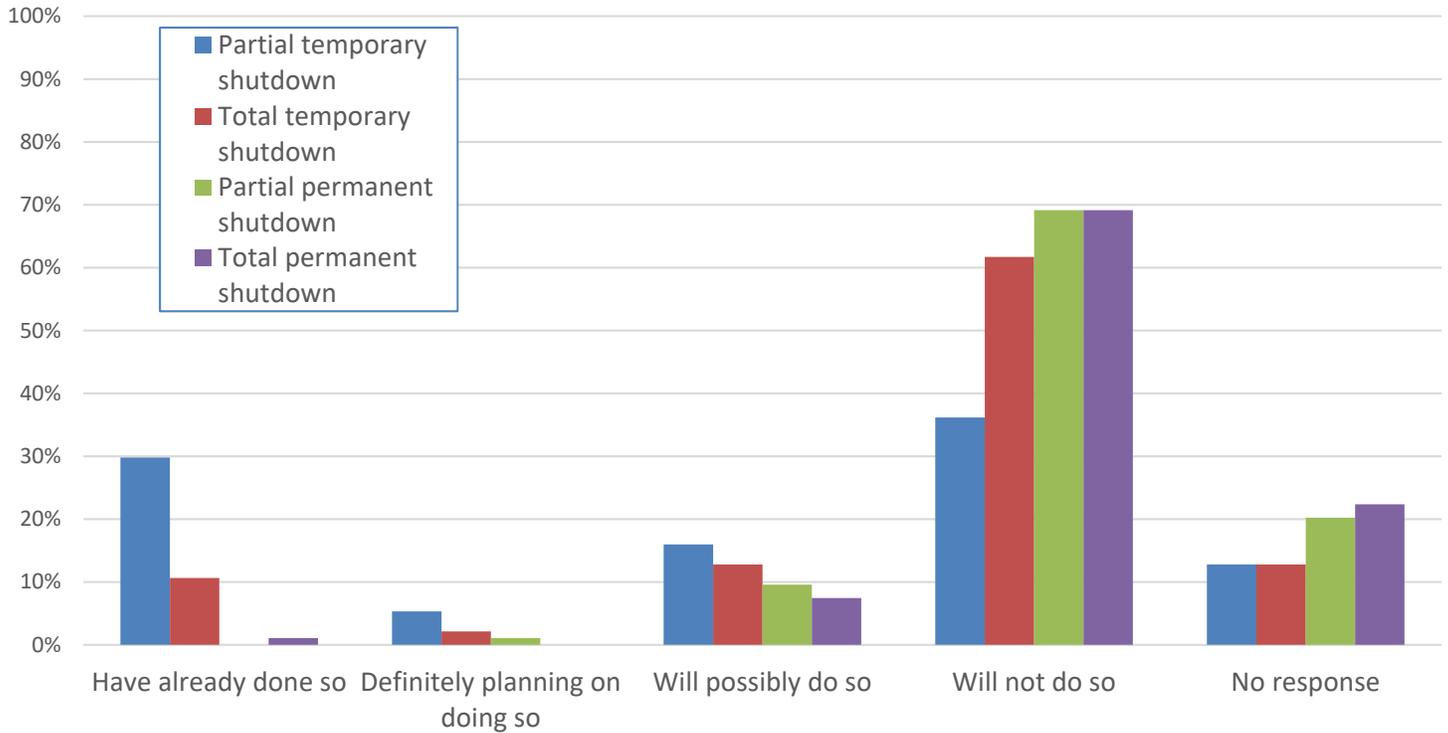
The Second Quarter 2020 *South Jersey Business Survey* will be released on July 9, 2020.

Note: The quarterly diffusion indexes for the 12 questions are available for as far back as 1991 on our website (<https://www.philadelphiafed.org/sjbs>).

South Jersey Business Survey, First Quarter 2020

Special Questions: COVID-19 Effects

Question 1: Are you planning or have you implemented a partial or total shutdown of your business until conditions improve?



Number of Responses: 94

Data collected Mar 30 – Apr 6, 2020

Question 2: Have you made any of the following changes to your workforce as a result of the impact of the coronavirus on your business?

	Reduced	No change	Increased	No response
Number of payroll staff	36.2%	43.6%	2.1%	18.1%
Hours of existing payroll staff	38.3%	42.6%	2.1%	17.0%
Number of temp or contract workers	31.9%	35.1%	5.3%	27.7%

Question 3: Do you plan to make any of the following changes to your workforce as a result of the impact of the coronavirus on your business?

	Reduced	No change	Increased	No response
Number of payroll staff	34.0%	37.2%	2.1%	26.6%
Hours of existing payroll staff	33.0%	37.2%	3.2%	26.6%
Number of temp or contract workers	28.7%	33.0%	4.3%	34.0%

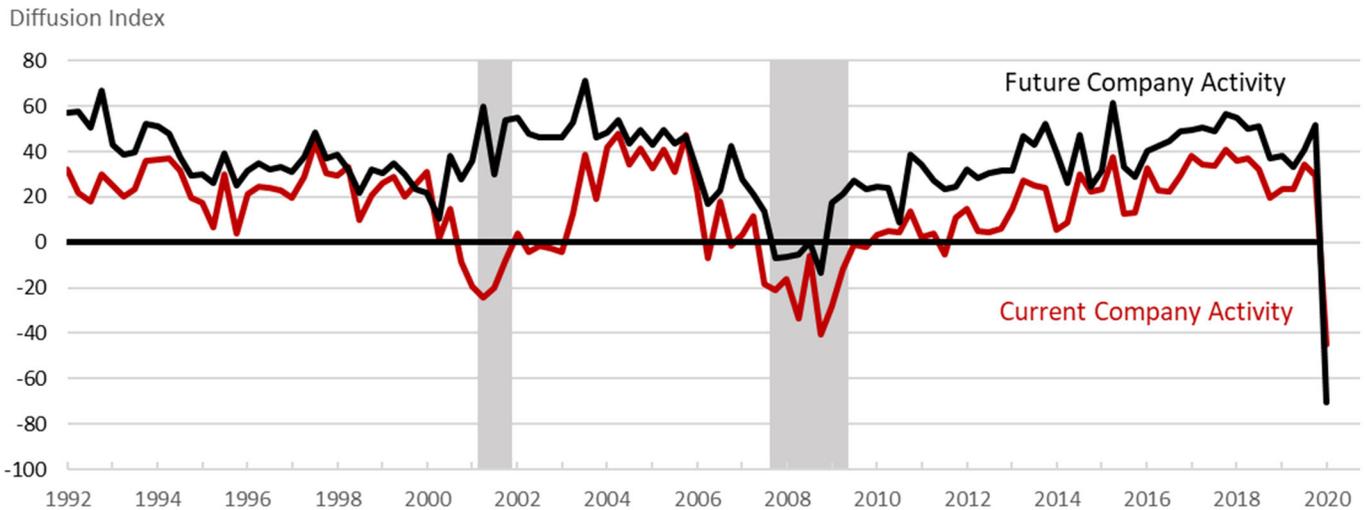
Question 4: Have you implemented any of the following workforce policies since the beginning of March as a result of the coronavirus outbreak?

	No	For some staff	For all staff	No response
Provide paid sick or family leave	36.2%	12.8%	30.9%	20.2%
Provide unpaid sick or family leave	40.4%	8.5%	22.3%	28.7%
Telecommuting or work from home for workers	6.4%	46.8%	37.2%	9.6%

Question 5: How concerned are you about your ability to deal with each of the following over the next quarter?

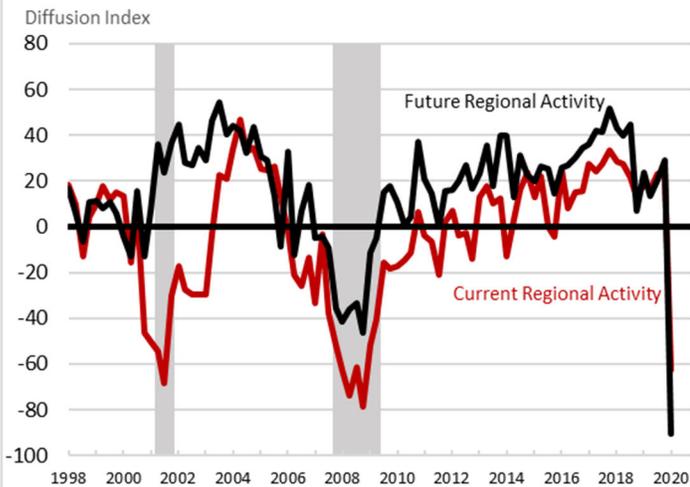
	Not at all concerned	Somewhat concerned	Very concerned	No response
Maintaining adequate cash flow	7.4%	33.0%	56.4%	3.2%
Incurring excessive debt	20.2%	45.7%	29.8%	4.3%
Collecting payables from customers	8.5%	35.1%	51.1%	5.3%
Getting adequate credit from suppliers	35.1%	35.1%	20.2%	9.6%
Maintaining solvency	31.9%	31.9%	27.7%	8.5%

Chart 1. Current and Future Company General Activity Indexes
1st Quarter 1992 to 1st Quarter 2020



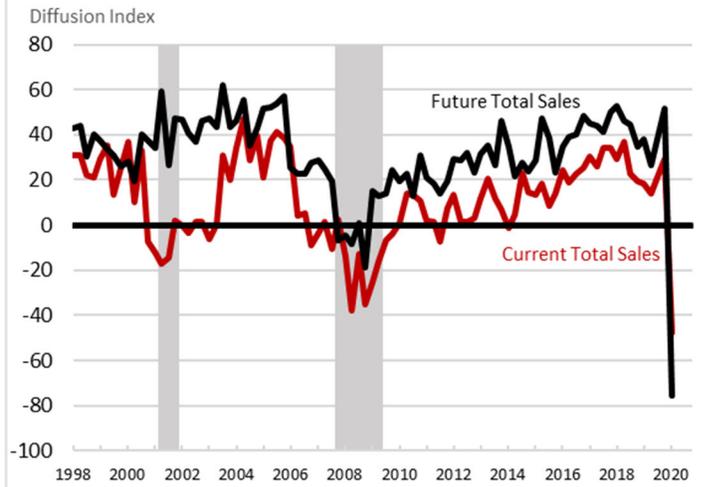
Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

Chart 2. Current and Future Regional General Activity Indexes
1st Quarter 1998 to 1st Quarter 2020



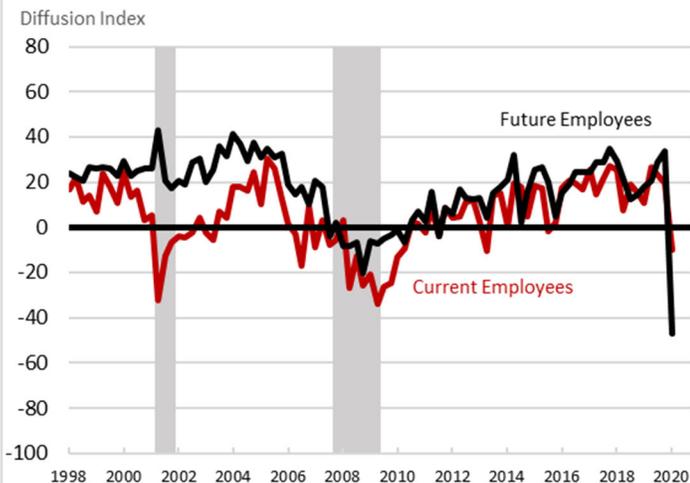
Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

Chart 3. Current and Future Total Sales Indexes
1st Quarter 1998 to 1st Quarter 2020



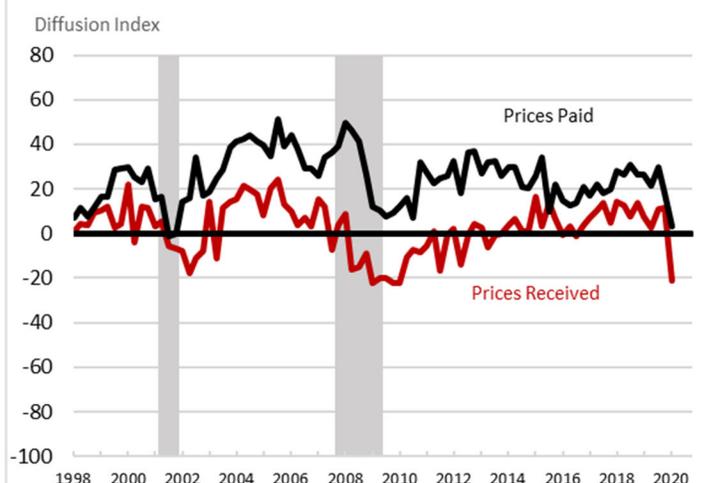
Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

Chart 4. Current and Future Employees Indexes
1st Quarter 1998 to 1st Quarter 2020



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

Chart 5. Current Prices Received and Prices Paid Indexes
1st Quarter 1998 to 1st Quarter 2020



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.