Second Quarter 2005

Firms in the South Jersey region reported continued growth in business during the second quarter. The surveyed firms noted growth in both overall activity and sales. In addition, more than one-third of the businesses indicated increases in employment and a rise in the average workweek during the quarter. Firms continued to report higher costs of doing business, and more firms reported an increase in the prices of their own goods this quarter than last quarter. The outlook for business conditions over the next six months remains favorable and was slightly more optimistic than in the first quarter.

Current Indicators Show Improvement

The survey’s broadest measure of performance, the index of general activity at individual companies, increased from 33.9 in the first quarter to 42.9 in the second quarter. The index has been positive for nine consecutive quarters (see Chart). Nearly 55 percent of respondents reported higher levels of activity in the second quarter; 12 percent reported lower levels of activity. The survey’s indicator for sales increased notably, up 19 points. Fifty-seven percent of the surveyed firms reported higher sales for the quarter, and 41 percent reported increases in customer traffic or inquiries.

Firms perceived that the economies of the region, state, and nation improved in the second quarter. The general activity index for the nation (reflecting firms’ assessment of the level of business activity nationally) increased from 14.3 to 19. The regional indicator rose from 23.2 to 28.6, and the state indicator rose from 12.5 to 26.2.

There was an improvement in responses regarding employment growth this quarter. The percentage of firms reporting higher employment increased from 25 percent in the first quarter to 36 percent in the second quarter. The current employment index increased markedly, from 8.9 to 33. Firms also reported an increase in average hours worked in the second quarter: the average workweek index increased from 10.7 to 26.2.

Higher Costs and Prices Reported

About 41 percent of the surveyed South Jersey businesses reported higher prices for raw materials in the second quarter, but this was slightly lower than the 46 percent that reported higher raw material prices in the first quarter. The prices paid index for these materials decreased three points but remains at a relatively high reading. Although 60 percent of the firms reported no change in the prices of their own products during the second quarter,
the percentage reporting increases (31 percent) was higher than in the first  
quarter (21 percent). The current prices received index increased 19 points to its  
highest reading in four quarters.

Firms’ expectations for price increases  
over the next six months remain elevated.  
Forty-five percent of firms expect a rise  
in raw material prices over the next six  
months; 26 percent expect increases in  
the prices of their own products.

**Expectations Remain Optimistic**

South Jersey firms remain generally  
optimistic in their outlook for future  
business conditions. The expectations  
indicators for the region, state, and  
national economies increased from the  
first quarter. Likewise, the company  
general activity index increased from  
42.9 to 47.6 (see Chart). Sixty-two  
percent of the firms expect growth  
in business activity over the next six  
months, compared to 50 percent in the  
first quarter. The future sales index was  
unchanged at a high reading of 50, with  
nearly 60 percent of the firms expecting  
higher sales over the next six months,  
compared with 55 percent last month.

Employment forecasts also remained  
optimistic, although the future  
employment diffusion index fell one  
point. Nearly 36 percent of firms expect  
increases in employment over the  
next six months; only 5 percent expect  
debutes. Firms, on balance, expect the  
average workweek to increase: the future  
workweek index increased 14 points to  
its highest reading in seven quarters.

**Summary**

According to this quarter’s survey,  
economic growth in the region continued  
in the second quarter. The survey’s  
indicators for general business activity,  
sales, and employment suggest a slightly  
faster pace of growth than in the first  
quarter. The survey’s future indicators,  
reflecting respondents’ outlook for the  
rest of this year, suggest the region’s  
economy will continue to expand during  
that period.

### South Jersey Business Survey

*(Second Quarter 2005)*

<table>
<thead>
<tr>
<th>Compared With 3 Months Ago</th>
<th>6 Months from Now</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower</td>
</tr>
<tr>
<td>1. What is your assessment of the level of general business activity?</td>
<td></td>
</tr>
<tr>
<td>1.1 in the nation?</td>
<td>16.7</td>
</tr>
<tr>
<td>1.2 in the state?</td>
<td>14.3</td>
</tr>
<tr>
<td>1.3 in the region?</td>
<td>16.7</td>
</tr>
<tr>
<td>1.4 at your company?</td>
<td>11.9</td>
</tr>
<tr>
<td>2. Please tell us how the following business indicators are behaving at your company?</td>
<td></td>
</tr>
<tr>
<td>2.1 Sales (Manufacturers report shipments)</td>
<td>19.0</td>
</tr>
<tr>
<td>2.2 Inventories of the products you sell</td>
<td>14.3</td>
</tr>
<tr>
<td>2.3 Customer traffic or inquiries</td>
<td>14.3</td>
</tr>
<tr>
<td>2.4 Number of employees</td>
<td>2.4</td>
</tr>
<tr>
<td>2.5 Weekly hours</td>
<td>7.1</td>
</tr>
<tr>
<td>2.6 Prices actually received</td>
<td>7.1</td>
</tr>
<tr>
<td>2.7 Prices paid for raw materials (other than labor or energy)</td>
<td>2.4</td>
</tr>
<tr>
<td>2.8 Cost of Labor</td>
<td></td>
</tr>
<tr>
<td>2.8.1 Wages</td>
<td>0.0</td>
</tr>
<tr>
<td>2.8.2 Benefits</td>
<td>0.0</td>
</tr>
<tr>
<td>2.9 Spending for:</td>
<td></td>
</tr>
<tr>
<td>2.9.1 Acquisition of new space</td>
<td>0.0</td>
</tr>
<tr>
<td>2.9.2 Renovation of existing space</td>
<td>2.4</td>
</tr>
<tr>
<td>2.9.3 Equipment</td>
<td>2.4</td>
</tr>
</tbody>
</table>

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. Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. Items may not add to 100 percent because of omission by respondents.