The region continued to grow at a solid pace in the third quarter, according to the firms responding to the South Jersey Business Survey. The survey’s broad own-company indicator of business activity remained positive and improved slightly from its readings in the second quarter. The firms also reported more widespread increases in employment in the third quarter. Surveyed firms in the South Jersey region remained generally optimistic about growth over the next six months.

**Current Indicators Show Improvement and Employment Increases**

The survey’s current broad indicators remained positive in the third quarter. The survey’s broad measure of individual company activity edged 3 points higher, from 35.5 in the second quarter to 38.3 (see Chart 1). Nearly 48 percent of the firms reported increases in activity in the third quarter, while 11 percent reported decreases. The survey’s company-level sales index, although still positive, fell 10 points. But 40 percent of the firms still reported higher sales than in the second quarter. The current employment index remained positive and increased 10 points (see Chart 4). Over 29 percent of the businesses reported employment increases, compared with 23 percent last quarter.

The index measuring perceptions of the overall regional economy remained positive and increased 1 point. Nearly 32 percent of the respondents perceived higher activity for the South Jersey region in the third quarter, although that percentage remains lower than the 48 percent who reported higher activity for their own companies.

**Input Price Pressures Increase**

The firms’ responses suggest more widespread cost pressures in the third quarter. The prices paid index increased 10 points to 34.2, with 33 percent of the firms reporting increasing prices for inputs excluding energy. Last quarter, 24 percent reported higher input prices. The prices received index, however, decreased 4 points, with 15 percent of the firms reporting higher prices for their own products.

**Firms’ Overall Optimism Improves**

Overall, expectations remain optimistic, and most of the survey’s future indicators improved from last quarter. The index for future company activity increased 9 points, from 47.2 to 56.2, its highest reading since the fourth quarter of 2017 (see Chart 1). Over 56 percent of the firms expect increases in activity over the next six months, and only 6 percent expect decreases. The firms’ forecast for future employment, however, decreased 8 points. Over 24 percent of the firms expect to hire additional workers over the next six months, down from 29 percent in the second quarter.

### South Jersey Business Survey (Third Quarter 2018)

<table>
<thead>
<tr>
<th>1. Current Measures (change from previous quarter)</th>
<th>Previous Diffusion Index (SA)*</th>
<th>Lower</th>
<th>Same</th>
<th>Higher</th>
<th>Diffusion Index (SA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your assessment of the level of general business activity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In the region?</td>
<td>25.1</td>
<td>8.5</td>
<td>53.7</td>
<td>31.7</td>
<td>26.5</td>
</tr>
<tr>
<td>At your company?</td>
<td>35.5</td>
<td>11.0</td>
<td>40.2</td>
<td>47.6</td>
<td>38.3</td>
</tr>
<tr>
<td>Other company measures:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales</td>
<td>35.4</td>
<td>14.6</td>
<td>32.9</td>
<td>40.2</td>
<td>26.0</td>
</tr>
<tr>
<td>Total employees</td>
<td>9.3</td>
<td>9.8</td>
<td>56.1</td>
<td>29.3</td>
<td>19.3</td>
</tr>
<tr>
<td>Prices received</td>
<td>11.2</td>
<td>7.3</td>
<td>68.3</td>
<td>14.6</td>
<td>7.0</td>
</tr>
<tr>
<td>Prices paid (excluding energy)</td>
<td>24.1</td>
<td>0.0</td>
<td>45.1</td>
<td>32.9</td>
<td>34.2</td>
</tr>
<tr>
<td>2. Future Measures (expectations for the next six months)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business activity for the region</td>
<td>38.5</td>
<td>6.1</td>
<td>39.0</td>
<td>45.1</td>
<td>45.9</td>
</tr>
<tr>
<td>Business activity for your company</td>
<td>47.2</td>
<td>6.1</td>
<td>34.1</td>
<td>56.1</td>
<td>56.2</td>
</tr>
<tr>
<td>Total sales</td>
<td>42.6</td>
<td>6.1</td>
<td>29.3</td>
<td>50.0</td>
<td>48.2</td>
</tr>
<tr>
<td>Total employees</td>
<td>20.1</td>
<td>14.6</td>
<td>53.7</td>
<td>24.4</td>
<td>12.0</td>
</tr>
<tr>
<td>Prices received</td>
<td>17.8</td>
<td>4.9</td>
<td>56.1</td>
<td>29.3</td>
<td>27.8</td>
</tr>
<tr>
<td>Prices paid (excluding energy)</td>
<td>29.4</td>
<td>0.0</td>
<td>39.0</td>
<td>40.2</td>
<td>41.8</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 Southern New Jersey.
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.
3. The previous diffusion index may be different from last quarter’s published number because of seasonal adjustment.

* SA: Seasonally adjusted

**Note:** The diffusion indexes are now adjusted for seasonality and are presented in the table and charts. The quarterly diffusion indexes for the 12 questions are available for as far back as 1991 on our website (https://www.philadelphiafed.org/sjbs).
Chart 1. Current and Future Company General Activity Indexes
1st Quarter 1991 to 3rd Quarter 2018

Diffusion Index

Future Company Activity

Current Company Activity

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 3rd Quarter 2018

Diffusion Index

Future Regional Activity

Current Regional Activity

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 3rd Quarter 2018

Diffusion Index

Future Total Sales

Current Total Sales

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 3rd Quarter 2018

Diffusion Index

Future Employees

Current Employees

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 3rd Quarter 2018

Diffusion Index

Prices Received

Prices Paid

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.