



**NEW YORK CITY REPORT ON BUSINESS  
WRAPPING UP THE YEAR . . . ON A SOUR NOTE**

In another sign of New York City's fitful, and tepid rebound from the effects of the recession of 2001, the destruction of the *World Trade Center*, the shakeout on *Silicon Alley* and the volatility on *Wall Street*, the Big Apple wrapped up a disappointing 2002 on a sour note according to the latest monthly survey of local purchasing agents conducted by the *National Association of Purchasing Management-New York (NAPM-NY)*. Reversing the upward business bounce in November, a *Grinch-like turn of events enveloped the local economy in December*; the equity markets again stumbled, financial industry layoffs persisted, the Holiday selling season seemed lackluster and the city budget outlook deteriorated. These developments come on top of a further erosion of the job market in November—the seasonally-adjusted citywide unemployment rate rose from 7.8 percent in October to eight percent in November, while the jobless rate in the *Bronx*—arguably the most vulnerable borough to the vicissitudes of public sector spending and contemplated cutbacks—vaulted over ten percent.

To be sure, the cloudy economic outlook for 2003 may give way to brighter-than-anticipated skies, especially if the national economy strengthens, the financial markets and investment banking rebound and the recent improvements in the advertising and media industries quicken. But that's next year; until then, *the New York City economy continues to struggle*, and the local purchasing managers are feeling the torpor. The *Business Conditions Index (BCI)* of the *NAPM-NY*, the Association's principal gauge of current business activity, shifted into reverse once again in December, due to a sharp, but probably exaggerated decline in the city's service-producing industries which account for roughly 90 percent of the local economy. *The BCI fell by 1.7 percent month-over-month to a reading of 250.4* (see table opposite). This erases the 1.2 percent increase in the *BCI* in November, and closes out the year with the current activity index standing at its lowest level since February—and nearly one percent below the level of a year-ago.

While this may be the season of good cheer, there is little to cheer about in the details of the December survey. The *current conditions diffusion index*—which measures the industry breadth of economic expansions and contractions—slid sharply in December, falling well below the 50 mark which is the dividing line between expansions (a reading above 50) and contractions (a reading below 50). For while the small manufacturing slice of the city's economy improved, the non-manufacturing segment of the economy did not, experiencing a substantial tumble in activity levels. During the month, *none of the non-manufacturing respondents reported a quickening of the business pace and nearly one-quarter reported a deterioration of business*; this marks an abrupt shift for the worse compared with November. While some of the fall-off may be temporary, weakness was indeed widespread—enveloping *retailers, financial services companies, temporary personnel agencies and not-for-profit organizations*.

Although there are few signs of inflation in this month's survey—prices paid are generally becalmed and supplier delivery times have remained strikingly stable for months—*there is one big sign of deflation*, not of prices or wages, but of confidence. The *NAPM outlook/expectations index* slipped to its lowest level of the year in December, a marked contrast with purchasing manager attitudes at this time last year when spirits rose to one of the highest levels of 2001. Perhaps one reason for the prevailing pessimism is the anticipated impact of tax and fee increases on the city's economy in the coming year; as shown in the chart, 56 percent of the purchasing managers surveyed believe that these will have a depressing effect on the business pace in 2003. Commenting upon the December findings, survey director and senior regional economist at *JPMorganChase*, Marc M. Goloven, stated that "...the New York City economy ended the year on the same weak note that it began 2002—struggling to right itself from the multiple blows of recession and terrorism, financial industry layoffs and city budget woes. It will take time, but business slumps come and go—and this downturn will go, too."

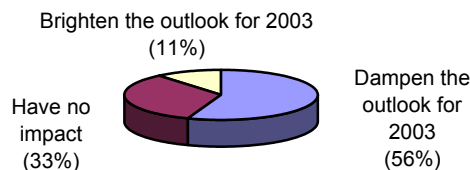
**New York City Business Conditions Indexes**

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
October'00	277.7	62.2	76.9	60.5	60.5
November	279.8	54.1	74.7	51.8	52.3
December	277.0	44.5	32.4	45.9	50.0
January '01	279.6	55.2	76.9	52.8	57.1
February	278.6	47.9	72.7	45.1	58.3
March	278.7	50.2	69.1	48.1	57.9
April	276.4	45.4	57.8	44.0	50.0
May	274.5	46.2	48.1	46.0	55.6
June	274.8	50.2	47.1	50.5	50.0
July	270.1	40.6	54.4	39.1	61.8
August	269.8	49.4	50.2	49.3	56.7
September	267.3	44.9	67.4	42.4	53.6
October	254.0	23.5	34.2	22.3	50.0
November	246.2	34.4	49.9	32.7	45.8
December	252.3	62.2	72.6	61.0	60.0
January'02	243.6	32.6	57.6	29.8	50.0
February	250.2	63.1	72.3	62.1	65.4
March	252.5	54.6	82.8	51.5	75.0
April	256.2	57.5	87.6	54.2	66.6
May	260.2	57.9	72.2	56.3	61.1
June	256.4	42.4	94.1	36.7	59.1
July	254.1	45.4	61.2	43.6	75.0
August	253.5	48.9	100.0	43.2	50.0
September	252.0	47.0	50.5	46.6	50.0
October	251.6	49.3	51.4	49.0	50.0
November	254.7	56.2	49.9	56.9	56.3
December	250.4	41.4	72.6	38.0	41.0

\* This index is a weighted average of mfg. and non-mfg. \*\* Not seasonally adjusted.

**New York City property taxes and fees are being hiked by substantial sums. Do you think these actions will:**





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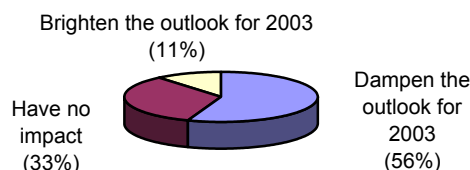
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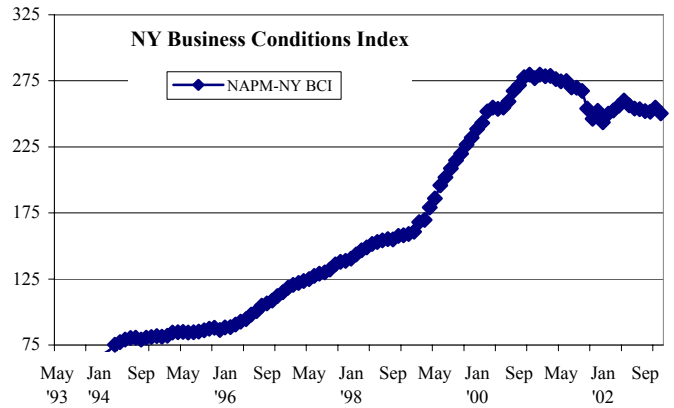
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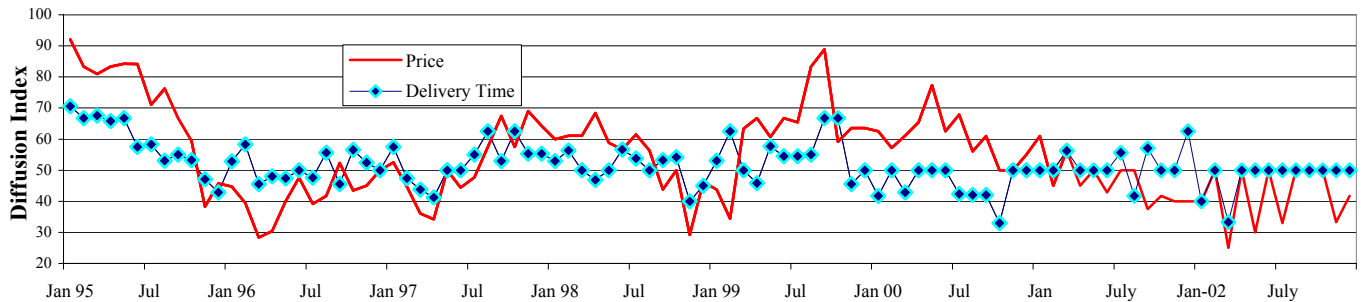
## New York Business Conditions Index

The NY business conditions index is a cumulative diffusion index of the NYC-area's current business conditions. The BCI tends to precede or move with local-area employment. However, the employment data are available 1 or 2 months later than that of the NAPM-NY BCI.

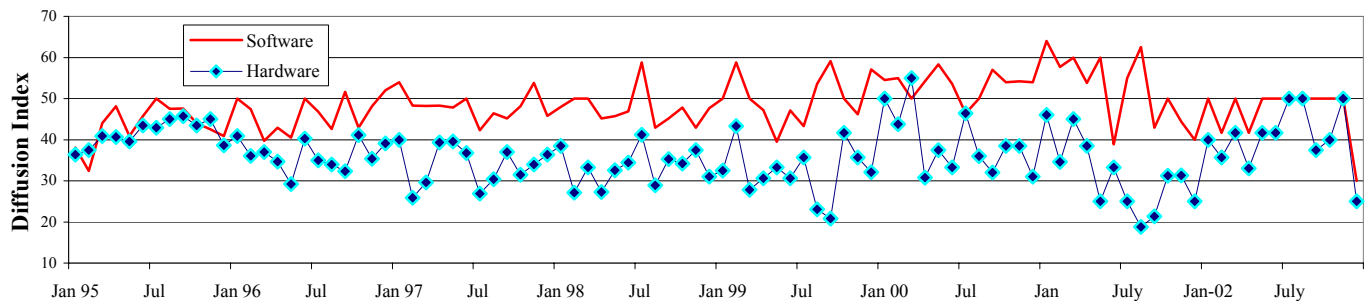
	Dec	Nov	Oct	Sep	Year ago Dec
NY BCI	250.4	254.7	251.6	252.0	252.3
% Change M/M	-1.7	1.2	-0.2	-0.6	2.5



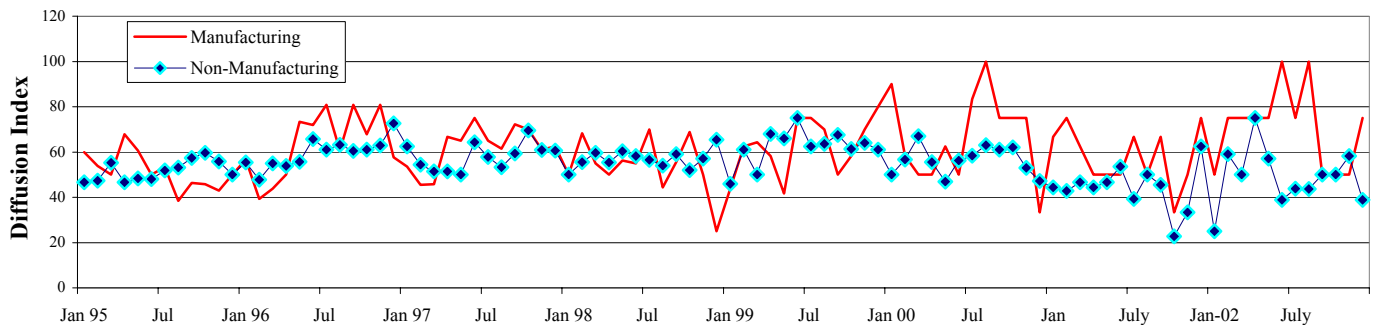
## Corrugated Packaging Prices & Delivery Time



## Computer Hardware & Software Prices



## Current Conditions - Manufacturing vs. Non-Manufacturing Activity

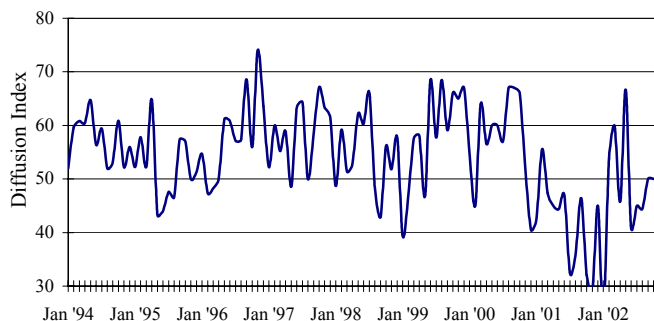


## Quantity of Purchases

The overall quantity (units not dollars) of purchases, including raw materials, MRO, components, intermediates, and services, compared with the previous month.

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Composite	32	50	50	50	44	45
Manufacturing	50	50	50	50	50	25
Non-Mfg.	27	50	50	50	43	50

## Quantity of Purchases

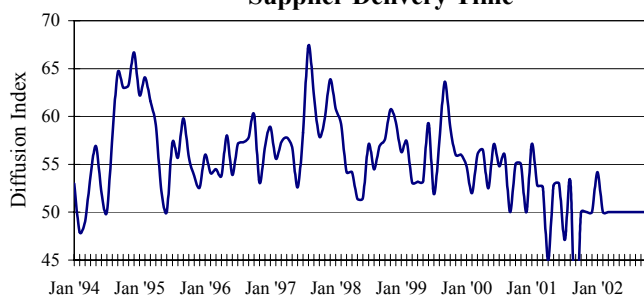


## Supplier Delivery Time

An aggregate evaluation of the current month's delivery performance (lead time) compared Oct. This index is the percent reporting slower deliveries plus one-half reporting same.

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Composite	50	50	50	50	50	50
Manufacturing	50	50	50	50	50	50
Non-Mfg.	50	50	50	50	50	50

## Supplier Delivery Time

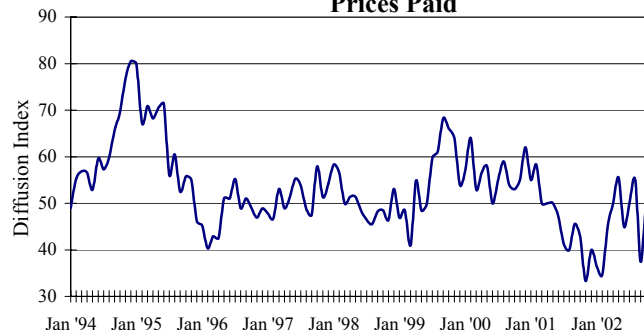


## Prices Paid

The change from the prior month in prices of items -- goods and services, purchased. This is an overall evaluation weighted by quantity of purchase.

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Composite	41	56	50	37	55	40
Manufacturing	25	75	50	50	50	25
Non-Mfg.	44	50	50	35	56	43

## Prices Paid

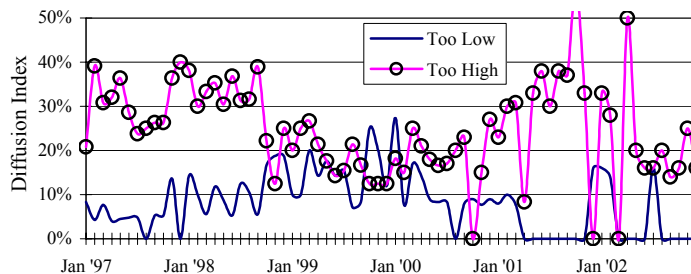


## Finished Goods Inventory Relative to Use

The overall inventory level (units, not dollars) of products held for sale (finished goods) relative to expected use.

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Composite	58	62	58	57	60	41
% too high	16	25	16	14	20	0
Manufacturing	50	75	75	75	50	25
Non-Mfg.	62	50	50	50	62	50

## Finished Goods Inventory vs. Expected Use

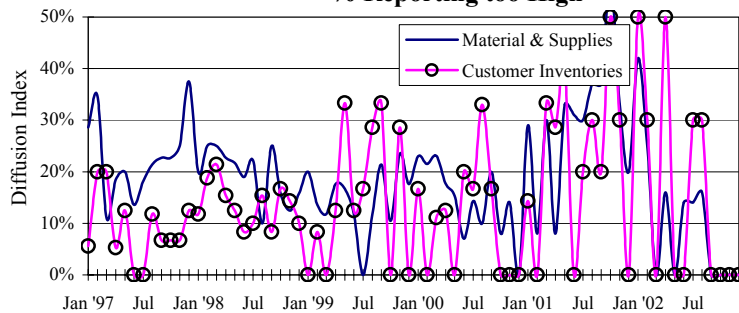


## Raw Materials & Customer Inventory

The overall inventory level (units, not dollars) of products held for sale (finished goods) relative to expected use.

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Materials & Supplies	0.0	0.0	0.0	0.0	16.0	20.0
Customer Inventories	0.0	0.0	0.0	30.0	30.0	0.0

## Material & Customer Stocks vs. Expected Use % Reporting too High



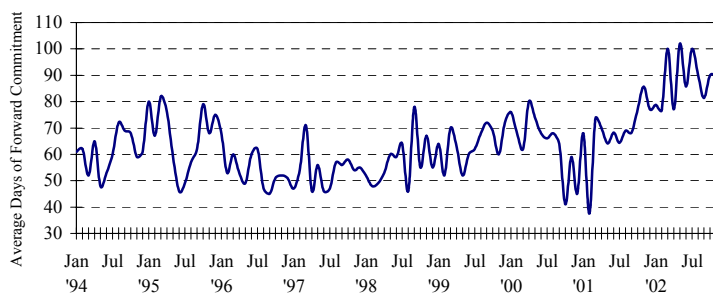
## Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Average Days	90	90	90	81	90	77

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
90	0%	43%	43%	0%	0%	14%

## Production Materials



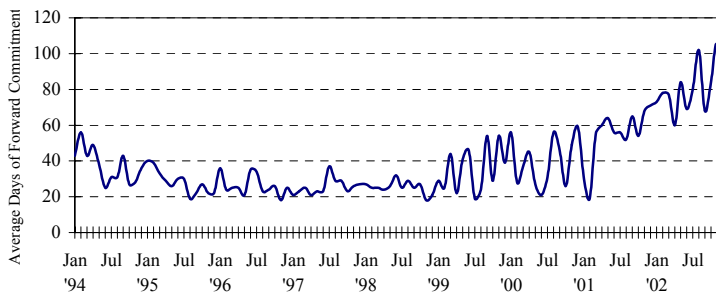
## Buying Policy for MRO Supplies

The period of forward commitment for maintenance, repair, and operation supplies.

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Average Days	60	105	84	68	102	71

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
60	22%	67%	0%	0%	0%	11%

## MRO Supplies



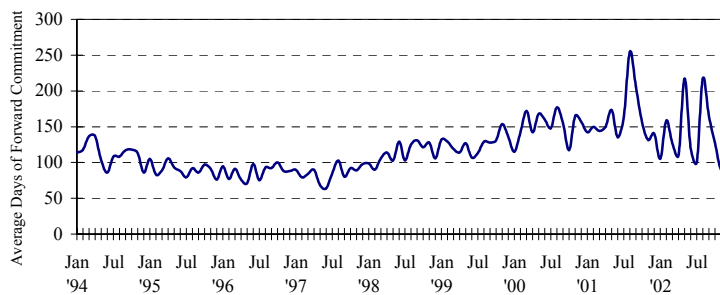
## Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Average Days	102	90	127	165	217	140

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
102	14%	14%	14%	43%	0%	14%

## Capital Equipment



## Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Dec	Nov	Oct	Dec	Nov	Oct
Castings	50.0	100.0	50.0	75.0	100.0	50.0
Chemicals	50.0	50.0	50.0	50.0	50.0	50.0
Computer Hardware	25.0	50.0	40.0	50.0	50.0	50.0
Computer Software	+++ 30.0	50.0	50.0	50.0	50.0	50.0
Corrugated Packaging	41.7	33.3	50.0	50.0	50.0	50.0
Electrical Components	50.0	50.0	50.0	50.0	50.0	50.0
Energy	+++ 83.3		33.3	50.0		50.0
Ferrous Metals						
Food Products	50.0		50.0	50.0		50.0
Glass			50.0			50.0
Comments:						
Medical Supplies	50.0		50.0	50.0		
Nonferrous Metals	50.0	75.0		50.0	50.0	
Office Equipment (non-computer)	40.0	50.0	41.7	50.0	50.0	50.0
Office Supplies	35.7	50.0	41.7	50.0	50.0	50.0
Piping & Tubing	50.0	50.0	66.7	50.0	75.0	50.0
Plastics	66.7	50.0	75.0	50.0	50.0	50.0
Plating	50.0	Oct	50.0	50.0	50.0	50.0
Printing Paper	+++ 75.0	100.0	40.0	50.0	50.0	50.0
Rubber Products			50.0			50.0
Textile Products			50.0			50.0
Wood & Pulp	50.0	100.0	75.0	50.0	100.0	
<b>Services (Contracted)</b>				"Hot Spots" are those commodities & services that have experienced upward price pressure with delivery delays (for commodities) for at least three months. <b>Where are the HOT SPOTS?</b> Cleaning, Construction and Architectural services.		
Cleaning	+++ 50.0	50.0	50.0			
Construction	+++ 50.0		50.0			
Painting	50.0		50.0			
Engineering	50.0	50.0	50.0			
Architectural	+++ 50.0	50.0	50.0			
Temporary Personnel	33.3	50.0	50.0			
Computer Consultants	25.0	50.0	33.3			

+++ = Commodity or service price diffusion index above 50% for at least the last three months.

### Items in Short Supply

### Purchaser Comments

### About the Survey

The purpose of the survey is to quickly assess business conditions among manufacturers and non-manufacturing firms/organizations doing business in the New York area. The survey results are compiled into three summary measures for: (1) all industries, (2) manufacturing firms, and (3) non-manufacturing establishments. The manufacturing component can be compared to the NAPM Purchasing Manager's Index for the nation. The survey results are compiled as diffusion indexes, which are calculated by taking the percentage of the respondents answering higher plus one-half of the percentage of respondents who answer same or no change. Hence, a reading of 50% means no change from the prior month; greater than 50% indicates a faster pace of activity while a reading of less than 50% indicates a slowing in the pace of activity.