



NEW YORK CITY REPORT ON BUSINESS
STILL STRUGGLING... MODEST JANUARY THAW

The New York City economy continued to struggle to find firmer footings through early winter, *although it did experience a modest January thaw when compared with the harsh business chill of December*, according to the latest monthly survey of local purchasing managers conducted by the *National Association of Purchasing Management-New York (NAPM-NY)*. For after diving southward in December, the business pace and purchasing agent optimism rebounded somewhat in January; unfortunately for the Bloomberg Administration which finds itself confronting a tide of budgetary red-ink or the nearly 300,000 New York City residents who were unemployed at the end of last year, the economy essentially hibernated throughout 2002, and closed the year with an extremely cold December. How cold? Very, with the New York City *Comptroller's Office* reporting the loss of 11,700 private industry jobs during the year's final month; the citywide jobless rate rising to 8.4 percent compared with eight percent in November; Holiday retail sales that were disappointingly tepid; and the *NAPM-NY Business Conditions Index*—which provided the initial snapshot of a dreary December—dropping to one of its lowest points of the year.

While January may well prove to be a bit warmer than December, several business retardants will persist well into 2003. These include the mounting geopolitical concerns, the periodic shuddering of the equity market, the persistent layoffs in the financial services industry and the coming cuts in municipal spending and the city workforce. While the merits of the latter may provide the grist for policy debate, there is little disagreement that their immediate impact will be hurtful; reflecting the dour diagnosis and the sobering prognosis, the *Business Conditions Index (BCI)* of the *NAPM-NY*, the Association's composite gauge of current business conditions, continues to meander essentially sideways. In January, the *BCI* bobbed higher, rising to a reading of 252.6, up by 0.4 percent compared with an upwardly-revised December reading of 251.6 (see table opposite). *This places the January 2003 BCI reading within a whisker of the depressed 2002 annual average of 253.1, reaffirming that the city's fatigue has yet to abate.*

On a more welcome note, the *current conditions diffusion index*—the *NAPM-NY* sampler which measures the industry breadth of business expansions and contractions—pushed higher in January, rising to a reading of 51.9. This reflects a decided reversal of conditions in the service-producing industries that comprise the core of the Big Apple economy; indeed, the non-manufacturing diffusion index jumped from 39.1 in December to 51.5 in January. But although readings above 50 typically indicate that the economy is expanding, and below 50 the opposite, *any abrupt 180 degree move must be treated with skepticism, and this one should be, too.* The January result is largely due to fewer firms reporting a deterioration of business conditions, rather than a swell of companies reporting a measurable upswing (although some did); *most of those surveyed stated that little change in business conditions occurred in January compared with December.* Since this outcome is far better than a continued unraveling of the business pace, the rising diffusion index is the statistical reflection of this "improvement."

Another positive element is the sharp rise in purchasing manager optimism in January, which tumbled in tandem with December's business dive. The *outlook/expectations index* climbed to its highest monthly level since mid-summer in January; this clearly reflects hope, rather than the present-day reality of the city's economy. Nor does it reflect the downright glum hiring outlook. When asked about hiring prospects for 2003, *no one thought that their industry would be adding workers and a hefty 60 percent believed that there would be staff reductions*; 40 percent stated that there would be neither hiring nor firing—which is what passes for good news in today's job market. Commenting on these findings, Marc M. Goloven, senior regional economist at *JPMorganChase* and Chair of the *NAPM-NY Business Survey Committee*, stated that "...the New York City business prognosis in general, and the hiring outlook in particular, suggest that 2003 may be another challenging year for companies and employees alike. But if the geopolitical uncertainties dissipate, and if the financial markets rally in response, challenge could quickly give way to opportunity—and, if nothing else, New Yorkers know how to make the most of opportunity."

New York City Business Conditions Indexes

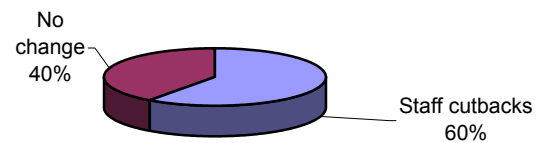
(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
November'00	279.8	54.1	74.7	51.8	52.3
December	277.0	44.5	32.4	45.9	50.0
January '01	279.5	55.0	75.8	52.6	57.1
February	278.3	47.7	71.1	45.1	58.3
March	278.3	49.9	66.1	48.1	57.9
April	276.1	45.6	57.8	44.2	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	243.7	32.2	56.1	29.5	50.0
February	250.3	63.1	71.2	62.2	65.4
March	252.4	54.3	79.3	51.5	75.0
April	256.3	57.7	86.8	54.5	66.6
May	261.0	59.4	80.8	57.0	61.1
June	256.8	41.5	98.9	35.2	59.1
July	255.3	47.1	62.9	45.3	75.0
August	252.7	44.7	86.5	40.1	50.0
September	250.8	46.4	50.9	45.9	50.0
October	250.8	49.8	55.1	49.4	50.0
November	255.4	59.3	48.7	60.5	56.3
December	251.6	42.4	71.8	39.1	41.0
January '03	252.6	51.9	55.7	51.5	61.1

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

Note: As of January 2003, new seasonal factors were applied to data since 2002.

How would you assess the hiring outlook for 2003 in your industry?

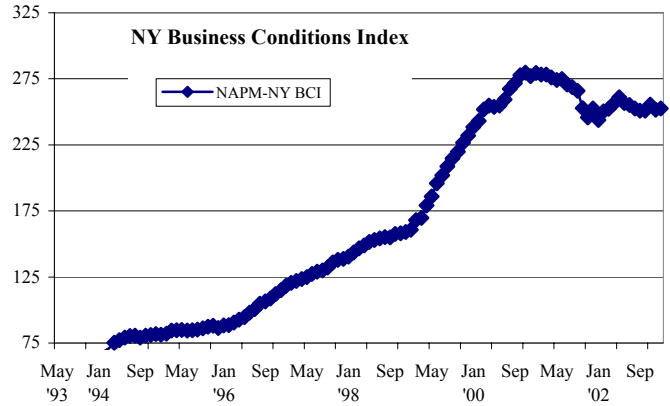


New York Business Conditions Index

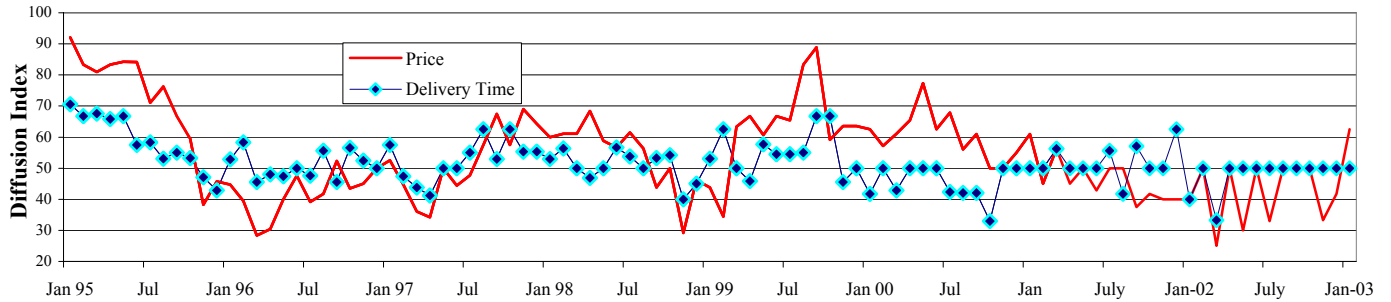
The NY business conditions index is a cumulative diffusion index of the NYC-area's current business conditions. The BCI tends to precede or move with local-area employment. However, the employment data are available 1 or 2 months later than that of the NAPM-NY BCI.

	Jan	Dec	Nov	Oct	Year ago Jan
NY BCI	252.6	251.6	255.4	250.8	243.7
% Change M/M	0.4	-1.5	1.9	0.0	-3.5

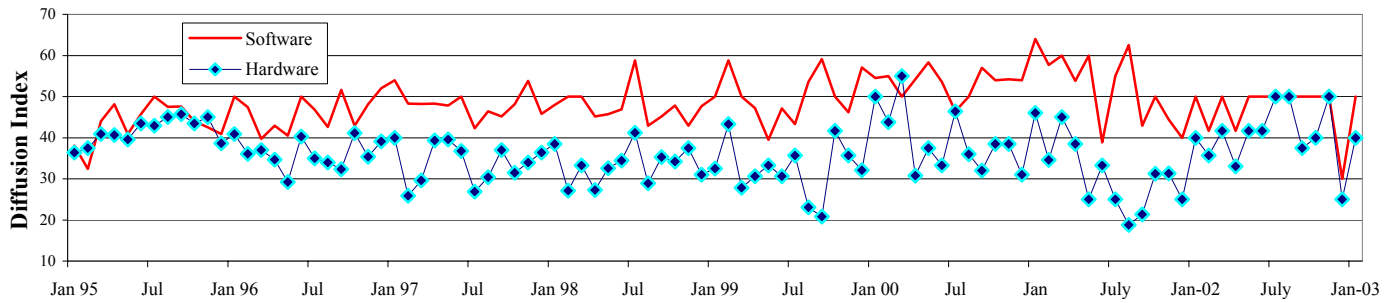
Comments: Still grim but have adjusted our spend model to compensate and wait for market to rebound.



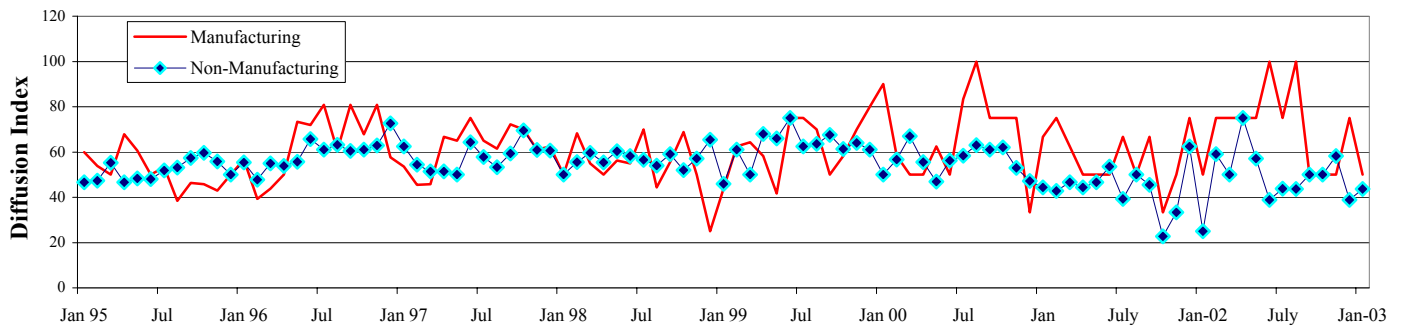
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



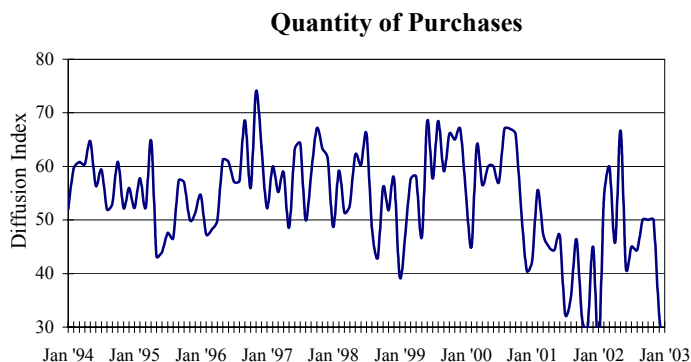
Current Conditions - Manufacturing vs. Non-Manufacturing Activity



Quantity of Purchases

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

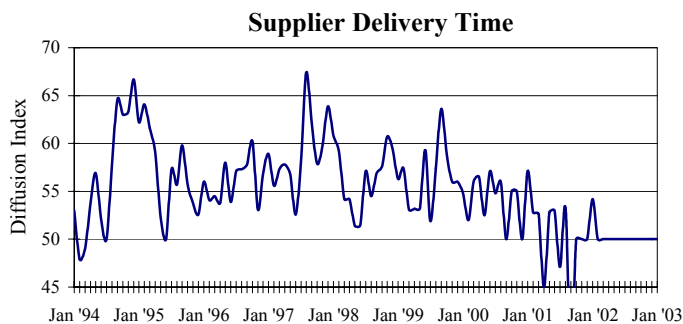
	Jan	Dec	Nov	Oct	Sep	Year ago Jan
Composite	25	32	50	50	50	25
Manufacturing	50	50	50	50	50	25
Non-Mfg.	21	27	50	50	50	25



Supplier Delivery Time

An aggregate evaluation of the current month's delivery performance (lead time) compared January'00. This index is the percent reporting slower deliveries plus one-half reporting same.

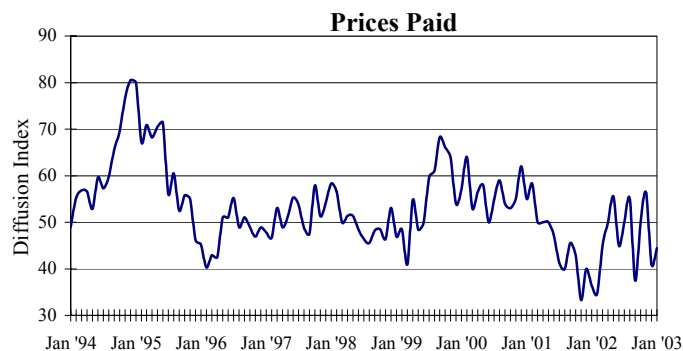
	Jan	Dec	Nov	Oct	Sep	Year ago Jan
Composite	50	50	50	50	50	54
Manufacturing	50	50	50	50	50	50
Non-Mfg.	50	50	50	50	50	55



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.

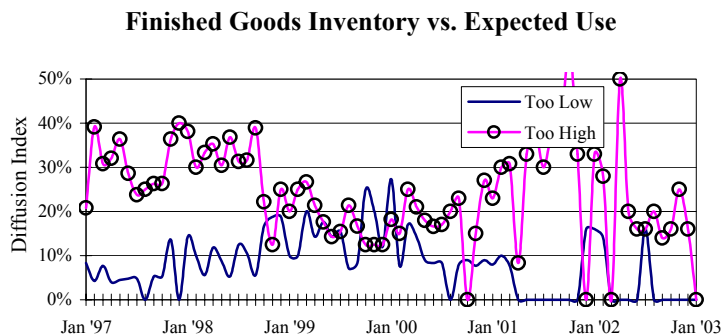
	Jan	Dec	Nov	Oct	Sep	Year ago Jan
Composite	44	41	56	50	37	36
Manufacturing	50	25	75	50	50	25
Non-Mfg.	43	44	50	50	35	38



Finished Goods Inventory Relative to Use

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

	Jan	Dec	Nov	Oct	Sep	Year ago Jan
Composite	50	58	62	58	57	58
% too high	0	16	25	16	14	33
Manufacturing	50	50	75	75	75	25
Non-Mfg.	50	62	50	50	50	75

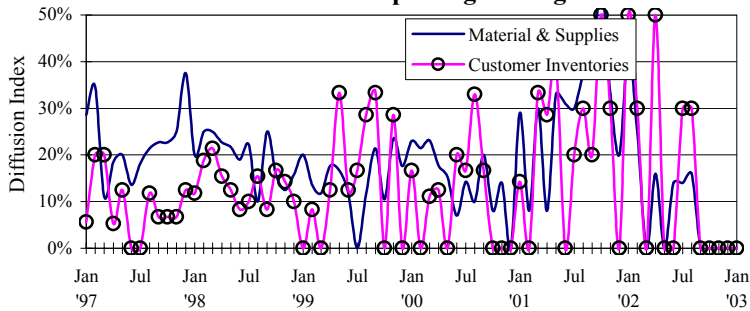


Raw Materials & Customer Inventory

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

	Year ago					
	Jan	Dec	Nov	Oct	Sep	Jan
Materials & Supplies	0.0	0.0	0.0	0.0	0.0	42.0
Customer Inventories	0.0	0.0	0.0	0.0	30.0	50.0

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



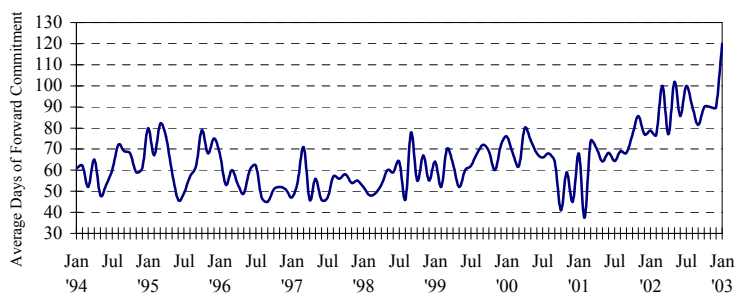
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Jan	Dec	Nov	Oct	Sep	Jan
Average Days	120	90	90	90	81	78

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
120	0%	20%	40%	20%	0%	20%

Production Materials



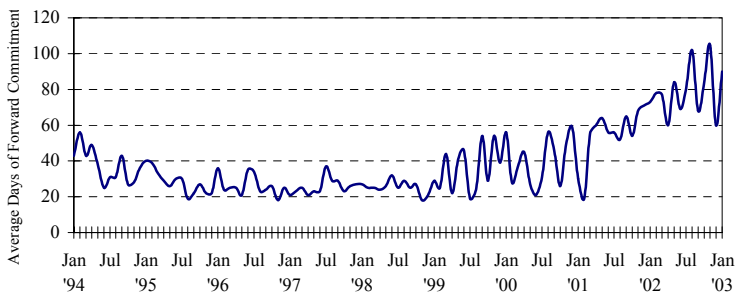
Buying Policy for MRO Supplies

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

	Year ago					
	Jan	Dec	Nov	Oct	Sep	Jan
Average Days	90	60	105	84	68	73

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
90	17%	50%	0%	17%	0%	17%

MRO Supplies



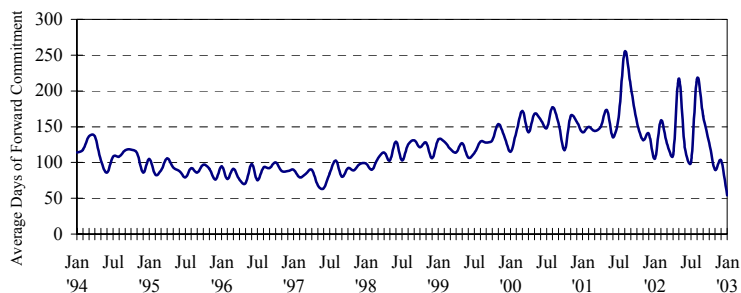
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Jan	Dec	Nov	Oct	Sep	Jan
Average Days	54	102	90	127	165	105

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
54	20%	20%	20%	40%	0%	0%

Capital Equipment



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Jan	Dec	Nov	Jan	Dec	Nov
Castings	50.0	50.0	100.0	100.0	75.0	100.0
Chemicals	50.0	50.0	50.0	50.0	50.0	50.0
Computer Hardware	40.0	25.0	50.0	50.0	50.0	50.0
Computer Software	+++ 50.0	30.0	50.0	50.0	50.0	50.0
Corrugated Packaging	62.5	41.7	33.3	50.0	50.0	50.0
Electrical Components	50.0	50.0	50.0	50.0	50.0	50.0
Energy	+++ 100.0	83.3		50.0	50.0	
Ferrous Metals	50.0					
Food Products		50.0			50.0	
Glass	50.0			50.0		
Comments:						
Medical Supplies	50.0	50.0		50.0	50.0	
Nonferrous Metals	75.0	50.0	75.0	50.0	50.0	50.0
Office Equipment (non-computer)	40.0	40.0	50.0	50.0	50.0	50.0
Office Supplies	41.7	35.7	50.0	50.0	50.0	50.0
Piping & Tubing	25.0	50.0	50.0	50.0	50.0	75.0
Plastics	83.3	66.7	50.0	50.0	50.0	50.0
Plating	50.0	50.0	Oct	50.0	50.0	50.0
Printing Paper	+++ 50.0	75.0	100.0	50.0	50.0	50.0
Rubber Products						
Textile Products						
Wood & Pulp	50.0	50.0	100.0	50.0	50.0	100.0
Services (Contracted)				"Hot Spots" are those commodities & services that have experienced upward price pressure with delivery delays (for commodities) for at least three months. Where are the HOT SPOTS? 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	50.0	33.3	50.0			
Computer Consultants	33.3	25.0	50.0			

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

Items in Short Supply

Purchaser Comments

Continued slow growth.

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.