



NEW YORK CITY REPORT ON BUSINESS
PROTRACTED ECONOMIC WINTER...TURNING HARSHER

Despite some hints of a January thaw in New York City's cold business climate, these hints were completely erased in February as the Big Apple's protracted economic winter turned even harsher according to the latest monthly survey of local purchasing managers conducted by the *National Association of Purchasing Management-New York (NAPM-NY)*. Indeed, with a rising proportion of local firms reporting a seemingly sudden deterioration of business conditions in February, *the New York City economy took a decided turn for the worse late last month*; while the impact of a briefly crippling *Presidents' Day* snow storm may have contributed to the deterioration, it did not cause it. Rather, the intensification of geopolitical concerns is again jolting the equity markets and eroding business confidence—in this environment, the job market is casualty number one, since employers seem to be on a hiring strike in all but the most recession-resistant industries. And, while layoffs in the financial industry may be about to ebb, it will be too late to recover the thousands of jobs already lost or to recoup the billions of dollars of bonus payments that will never be paid.

The deterioration of the business pace in February will only compound the challenge confronting Mayor Bloomberg and his budget stewards, who are wrestling with a worrisome widening of the already large gap between anticipated tax revenues and actual receipts. They, too, experienced a dismal February, and are now preparing the city for what-could-be painful budget cuts and possible public sector layoffs. Whether these are implemented or not is still uncertain; what is certain is that the prospect of economic recovery anytime soon is seemingly evermore distant. Reflecting all of this, the *Business Conditions Index (BCI)* of the *NAPM-NY*, the Association's composite gauge of current business conditions, fell sharply last month. In February, the *BCI* slumped to a level of 244.8, a tumble of 3.1 percent compared with January. *At this level, the Index is only slightly higher than where it stood in January 2002*, an extremely glum month for the economy as it reeled from the impact of the destruction of the *World Trade Center*.

The heaviest toll extracted by February's slump came from the city's service-producing industries. This is hardly surprising since 90 percent of the Big Apple economy is comprised of services businesses—and the well-publicized woes of the technology and investment banking industries have been responsible for a large chunk of the 175,000-plus jobs lost citywide over the past two years. With a sizable proportion of the services businesses surveyed last month reporting a weakening of business activity, and virtually no one reporting any improvement, the *non-manufacturing current conditions diffusion index*—which provides a monthly snapshot of the industry breadth of upturns and downturns—slid sharply lower in February. It touched its lowest point, 33.0, since January 2002 (see table opposite), placing it deep in contraction territory. While the *manufacturing diffusion index* was little changed, it is such a small segment of the city economy that even brightening factory conditions will be overwhelmed by trends in the services industries; *the results of the past month bode ill for February employment levels*.

Although the majority of purchasing managers surveyed still remain somewhat upbeat regarding the economic prognosis for 2003, several seem to be turning more skeptical; the *NAPM-NY outlook/expectations index* dipped from a reading of 61.1 in January to 55.0 in February. What's more, few of those surveyed believe firmly that Washington's proposed fiscal stimulus package will help much; *there is a significant degree of doubt that the President's plan will provide a boost to New York City*. While 30 percent thought that it would benefit the city's economy, 50 percent did not think so; the other 20 percent were hopeful. Commenting on these findings, Marc M. Goloven, senior regional economist at *JPMorganChase* and Chair of the *NAPM-NY Business Survey Committee* stated that "...the inability of the city's service-producing industries to gain upside traction darkens the business outlook for the first half of this year, and spells further trouble for both the job market and the city budget. While the eventual lifting of geopolitical tensions will surely brighten the prognosis for the city and the financial markets, this remains in the future; for now, the message in this survey is obvious: The Big Apple's protracted economic winter just got harsher."

New York City Business Conditions Indexes

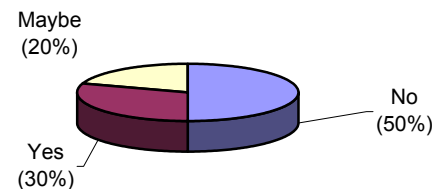
(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
December'00	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
February	244.8	34.5	47.6	33.0	55.0

* 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.

Will the President's economic stimulus plan have much impact in New York City?

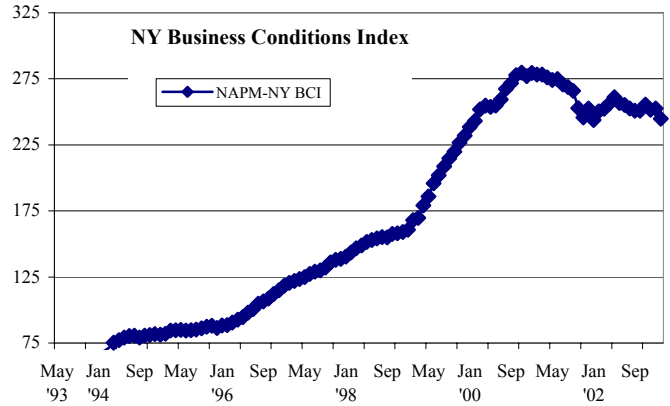


New York Business Conditions Index

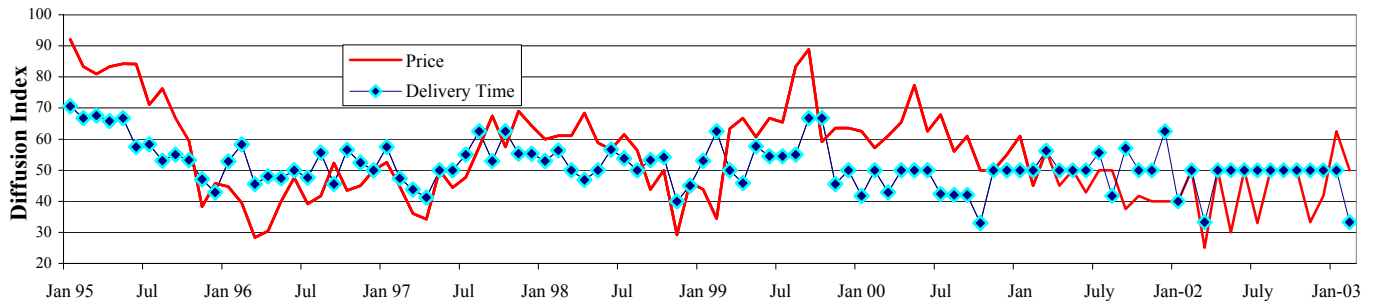
The NY business conditions index is a cumulative diffusion index of the NYC-area's current business conditions. The BCI tends to precede or move with local-area employment. However, the employment data are available 1 or 2 months later than that of the NAPM-NY BCI.

	Feb	Jan	Dec	Nov	Year ago Feb
NY BCI	244.8	252.6	251.6	255.4	250.3
% Change M/M	-3.1	0.4	-1.5	1.9	2.7

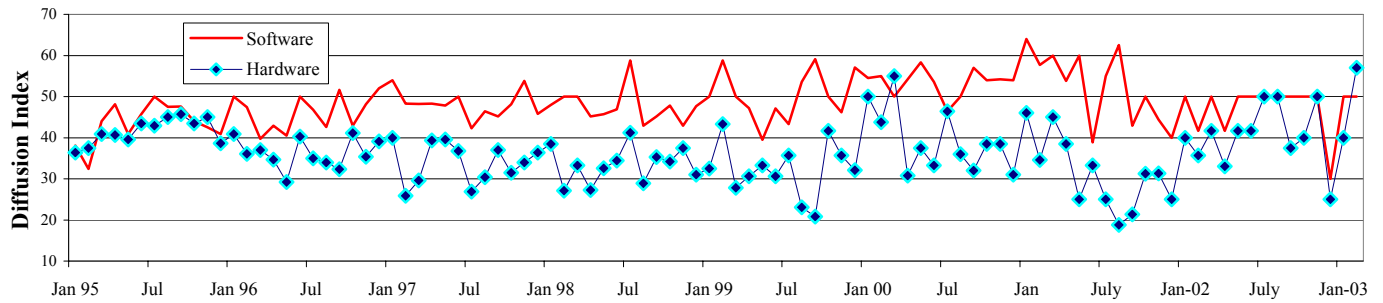
Comments: Financial services sector still in flux.
Adverse conditions include war footing drain on recovery.



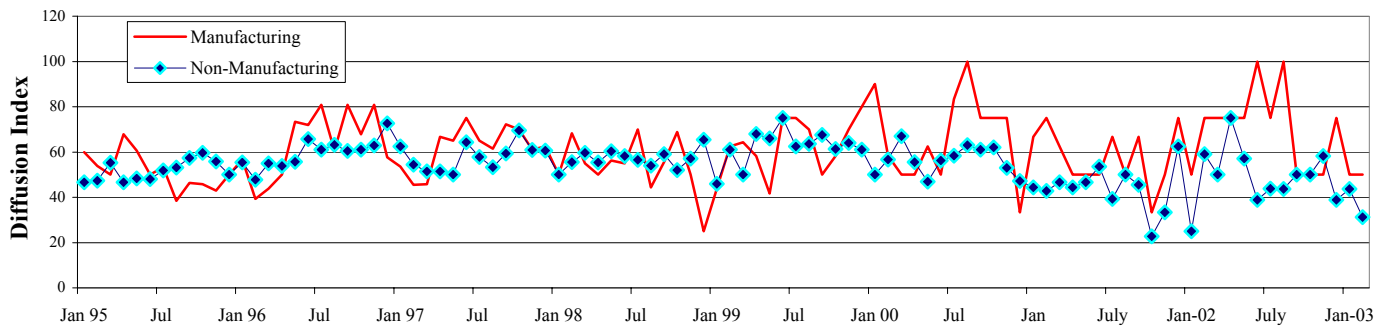
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



Current Conditions - Manufacturing vs. Non-Manufacturing Activity

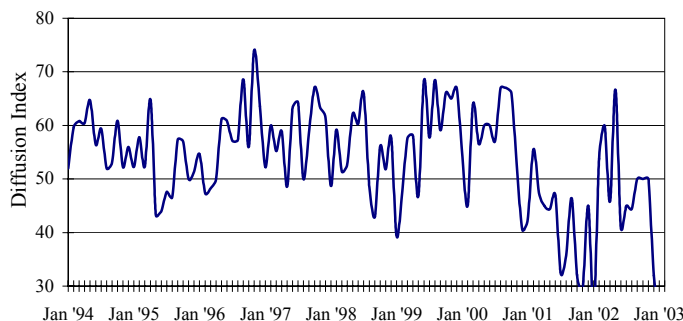


Quantity of Purchases

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

	Feb	Jan	Dec	Nov	Oct	Year ago Feb
Composite	25	25	32	50	50	53
Manufacturing	50	50	50	50	50	75
Non-Mfg.	18	21	27	50	50	50

Quantity of Purchases

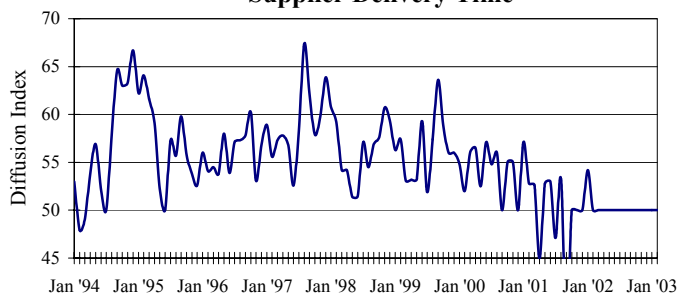


Supplier Delivery Time

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.

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

Supplier Delivery Time

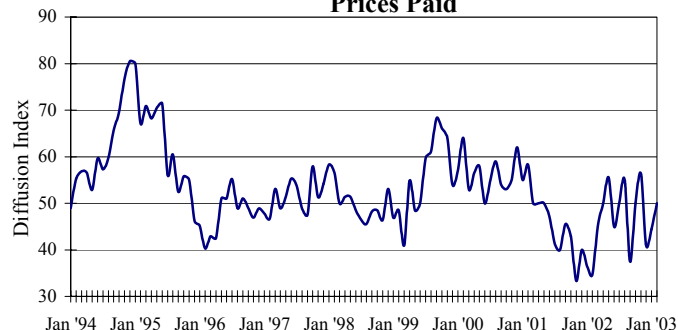


Prices Paid

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

	Feb	Jan	Dec	Nov	Oct	Year ago Feb
Composite	50	44	41	56	50	34
Manufacturing	50	50	25	75	50	25
Non-Mfg.	50	43	44	50	50	38

Prices Paid

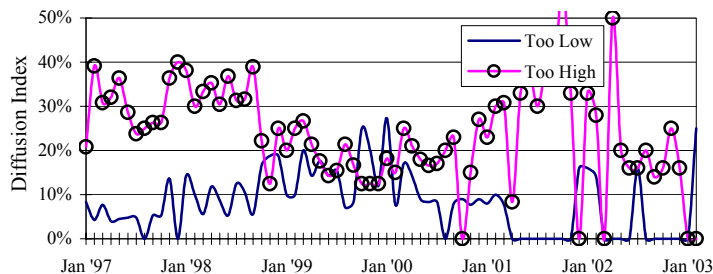


Finished Goods Inventory Relative to Use

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

	Feb	Jan	Dec	Nov	Oct	Year ago Feb
Composite	37	50	58	62	58	57
% too high	0	0	16	25	16	28
Manufacturing	25	50	50	75	75	25
Non-Mfg.	50	50	65	50	50	70

Finished Goods Inventory vs. Expected Use

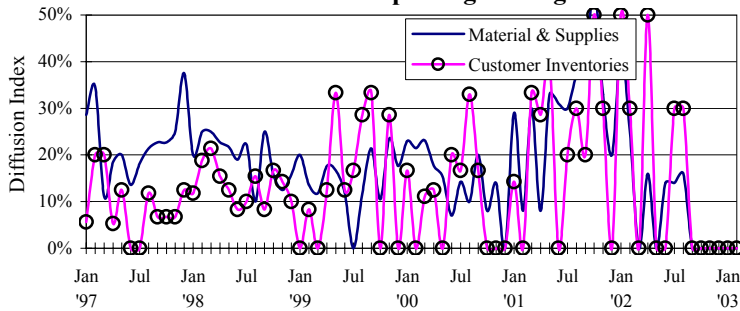


Raw Materials & Customer Inventory

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

	Year ago					
	Feb	Jan	Dec	Nov	Oct	Feb
Materials & Supplies	0.0	0.0	0.0	0.0	0.0	25.0
Customer Inventories	0.0	0.0	0.0	0.0	30.0	30.0

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



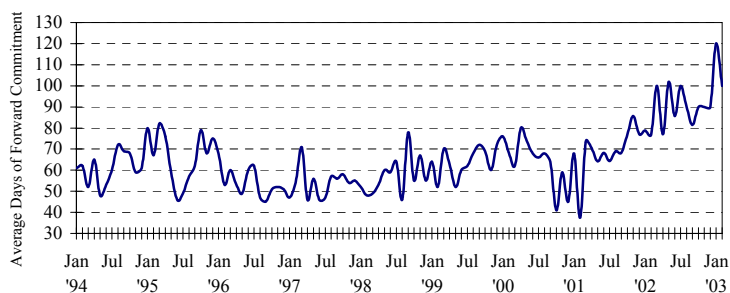
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Feb	Jan	Dec	Nov	Oct	Feb
Average Days	100	90	90	90	90	76

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
100	17%	17%	33%	17%	0%	17%

Production Materials



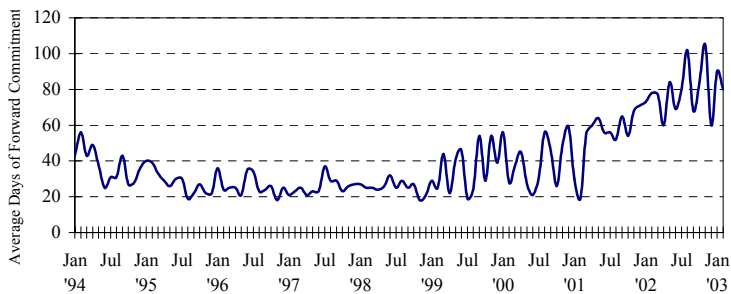
Buying Policy for MRO Supplies

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

	Year ago					
	Feb	Jan	Dec	Nov	Oct	Feb
Average Days	80	90	60	105	84	78

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
80	17%	67%	0%	0%	0%	17%

MRO Supplies



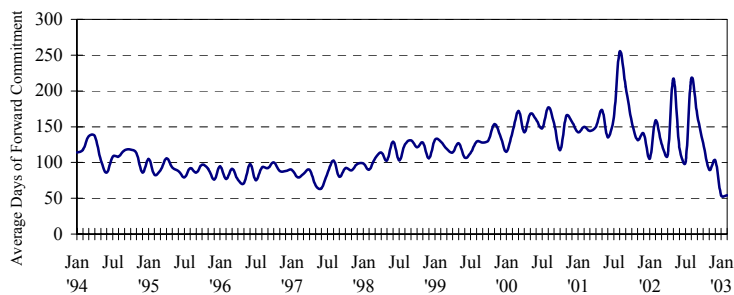
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Feb	Jan	Dec	Nov	Oct	Feb
Average Days	54	54	102	90	127	158

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 ---		
	Feb	Jan	Dec	Feb	Jan	Dec
Castings	50.0	50.0	50.0	100.0	100.0	75.0
Chemicals	50.0	50.0	50.0	50.0	50.0	50.0
Computer Hardware	57.0	40.0	25.0	50.0	50.0	50.0
Computer Software	+++ 50.0	50.0	30.0	50.0	50.0	50.0
Corrugated Packaging	50.0	62.5	41.7	33.3	50.0	50.0
Electrical Components	50.0	50.0	50.0	50.0	50.0	50.0
Energy	+++ 100.0	100.0	83.3	50.0	50.0	50.0
Ferrous Metals		50.0				
Food Products	50.0		50.0	50.0		50.0
Glass		50.0			50.0	
Hydraulic Components						
Medical Supplies	50.0	50.0	50.0	50.0	50.0	50.0
Nonferrous Metals	50.0	75.0	50.0	66.7	50.0	50.0
Office Equipment (non-computer)	50.0	40.0	40.0	50.0	50.0	50.0
Office Supplies	41.7	41.7	35.7	50.0	50.0	50.0
Piping & Tubing	50.0	25.0	50.0	50.0	50.0	50.0
Plastics	100.0	83.3	66.7	50.0	50.0	50.0
Plating	50.0	50.0	50.0	50.0	50.0	50.0
Printing Paper	+++ 41.7	50.0	75.0	50.0	50.0	50.0
Rubber Products						
Textile Products						
Wood & Pulp	100.0	50.0	50.0	100.0	50.0	50.0
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	+++ 66.7	50.0	50.0			
Construction	+++ 50.0	50.0	50.0			
Painting	50.0	50.0	50.0			
Engineering	50.0	50.0	50.0			
Architectural	+++ 50.0	50.0	50.0			
Temporary Personnel	50.0	50.0	33.3			
Computer Consultants	50.0	33.3	25.0			

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

Items in Short Supply

Purchaser Comments

Continued soft; war worries continue; holding back capital spending.

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.