



New York City Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

NEW YORK CITY REPORT ON BUSINESS
STILL CONTRACTING... INTRODUCING THE CONFLICT FACTOR

With the New York City economy still wallowing in the bog of a lengthy and sharp recession—beset by the deleterious impact of a spongy labor market and a widespread skepticism that the business pace will improve anytime soon—the outbreak of hostilities with Iraq has introduced one more volatile factor into the Big Apple's economic prognosis for the balance of this year. For while the length and severity of this conflict may have a major impact upon such mainstay industries as financial services, advertising and tourism in the months ahead, since no one knows what the length and severity of the conflict will be, neither does anyone know the ultimate impact—either good or bad. However, it appears to be a better-than-equal bet that a quick and successful resolution of hostilities will be good for the city and that anything else will be not-so-good; until then, business caution—and economic malaise—are likely to maintain a steely grip on the city economy. This is surely the message embedded within the findings of the latest monthly survey of New York City purchasing managers conducted by the National Association of Purchasing Management-New York (NAPM-NY), which once again portrays a local economy unable to acquire expansionary momentum.

In fact, local purchasing managers are suggesting that the Big Apple economy continued to contract as the vernal equinox approached. This coincides with other disquieting news during the past month—including a sharp upward re-estimate of New York City job losses in 2002, which the State Labor Department now pegs at 117,000, a 3.2 percent year-over-year decline, a sizable leap in the jobless rate in every borough in January 2003 compared with year-earlier levels and the ongoing woes of the municipal budget. Mirroring the air pocket that the economy has entered, the Business Conditions Index (BCI) of the NAPM-NY, the Association's composite gauge of current business conditions, continues to slide lower. It fell to 240.3 in March (see table), a decline of 1.8 percent compared with the February level. While last month's swoon was less pronounced than the 3.1 percent drop in February, the BCI—which tends to track trends in employment and gross city product—stands 4.8 percent below the March 2002 level.

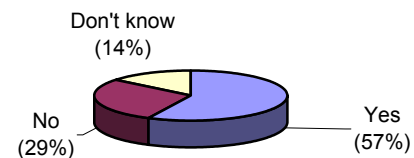
The weakness in New York City's economy is broadly distributed throughout the industry mix, with the service-producing industries that comprise the bulk of the local economy taking it on the chin—and March lengthened the glum trends of the past two years. The statistical evidence of this torpor is contained within the NAPM-NY current conditions diffusion index for the non-manufacturing industries—a gauge of the breadth of economic expansions and contractions within the services industries. This index stood at a lowly 36.8 in March, only an eyelash higher than the February reading—and well below the dividing line of 50 which typically defines the difference between a growing economy (readings above 50) and a shrinking one (readings below 50). In the latest month, a very sizable minority of all respondents stated that business conditions in their industry were deteriorating (43 percent); while the manufacturing industries are doing far better, they are only a small, and dwindling segment of the economy.

Although the diagnosis of the economy is downbeat, and the prognosis is being darkened by the lengthening shadows of war, the purchasing managers remain surprisingly upbeat. Standing at odds with the prevailing pessimism, the NAPM-NY outlook/expectations index rose to 61.1 in March; at this level, far more purchasing agents believe that the business climate will improve than do those who think the opposite. Perhaps one reason for this optimism is the majority opinion that if "geopolitical uncertainties" recede—which translates into resolving the Iraq conflict successfully and quickly—then the outlook for New York City will improve significantly. Nearly 60 percent of the purchasing managers share this view—and anything that boosts either confidence or the equity markets will be welcome at this juncture. Commenting on these findings, Marc M. Goloven, senior regional economist at JPMorganChase and Chair of the NAPM-NY Business Survey Committee, stated that "...the outlook for New York City's economy as spring commences is hardly suggestive of imminent renewal but, rather, is laden with languor. However, it is not bereft of optimism, especially among the city's purchasing managers and, at some point, this could be one of the wellsprings from which a multi-sourced recovery will eventually flow."

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
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
March	240.3	41.1	79.4	36.8	61.1

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

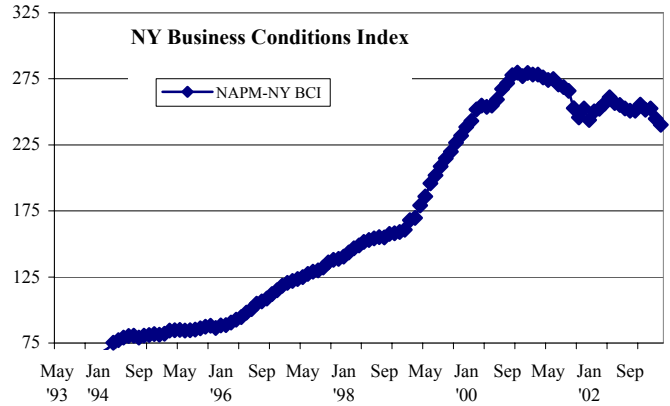
Will New York City's economic outlook improve significantly if "geopolitical uncertainties" are resolved?



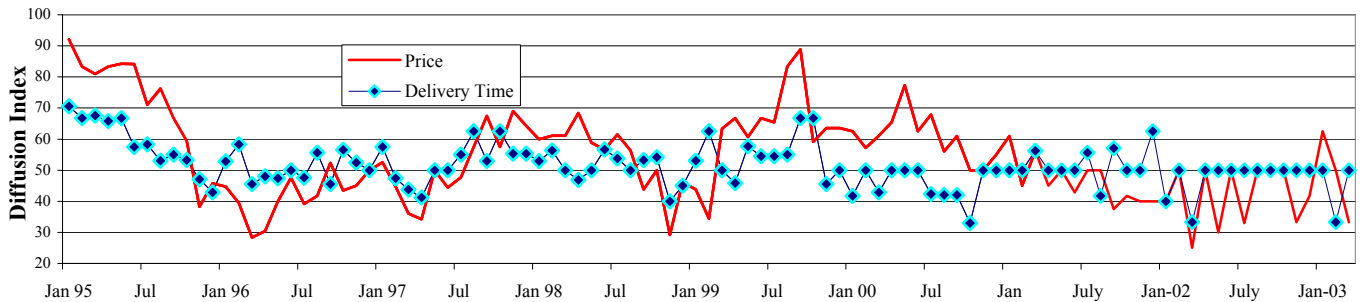
New York Business Conditions Index

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.

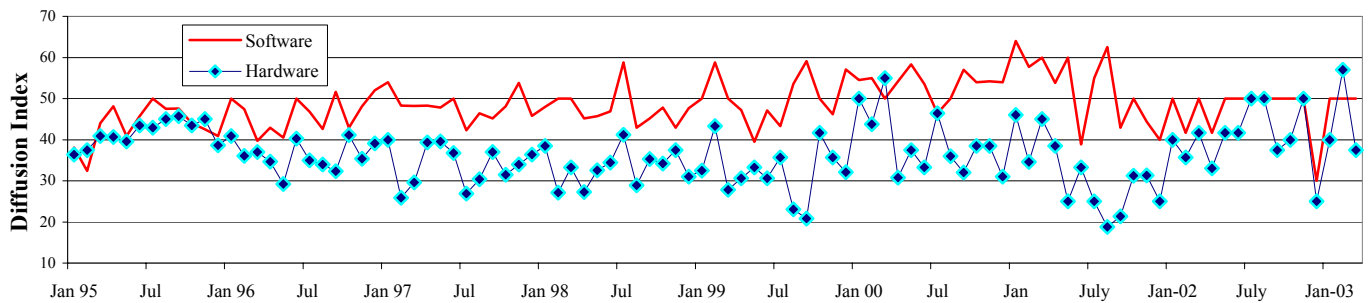
	Mar	Feb	Jan	Dec	Year ago Mar
NY BCI	240.3	244.8	252.6	251.6	252.4
% Change M/M	-1.8	-3.1	0.4	-1.5	0.9



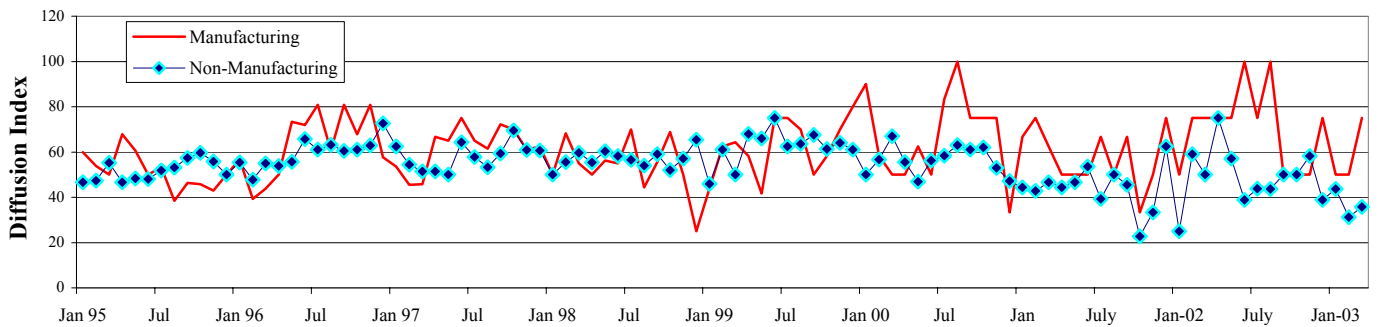
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



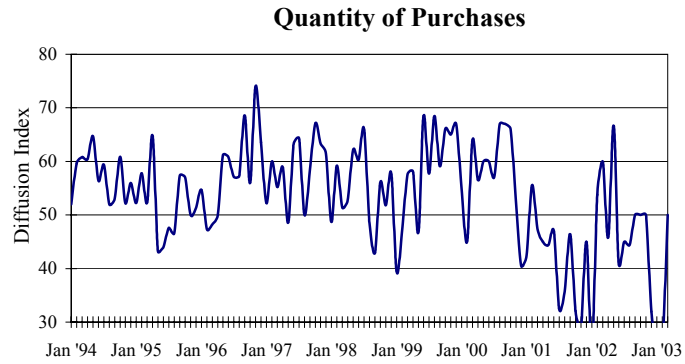
Current Conditions - Manufacturing vs. Non-Manufacturing Activity



Quantity of Purchases

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

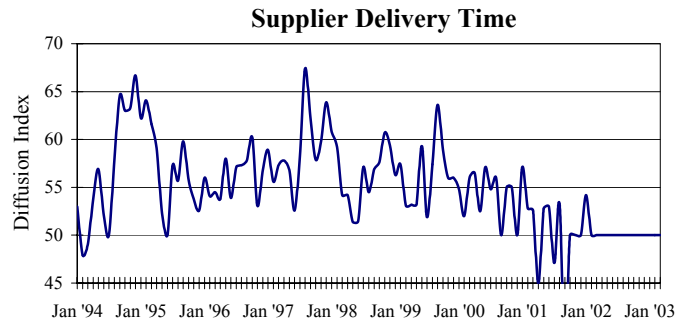
	Mar	Feb	Jan	Dec	Nov	Year ago Mar
Composite	50	25	25	35	50	60
Manufacturing	75	50	50	50	50	75
Non-Mfg.	42	18	21	27	50	56



Supplier Delivery Time

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

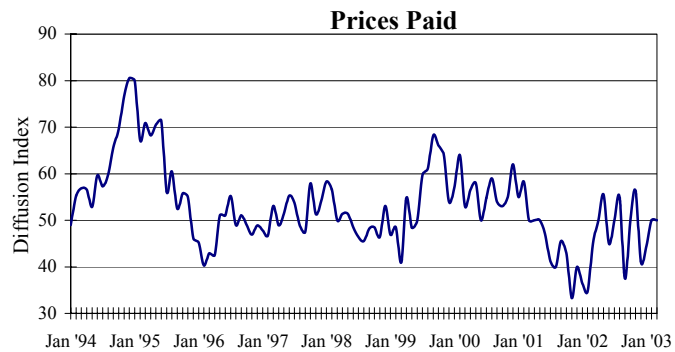
	Mar	Feb	Jan	Dec	Nov	Year ago Mar
Composite	50	50	50	50	50	50
Manufacturing	50	50	50	50	50	50
Non-Mfg.	50	50	50	50	50	50



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.

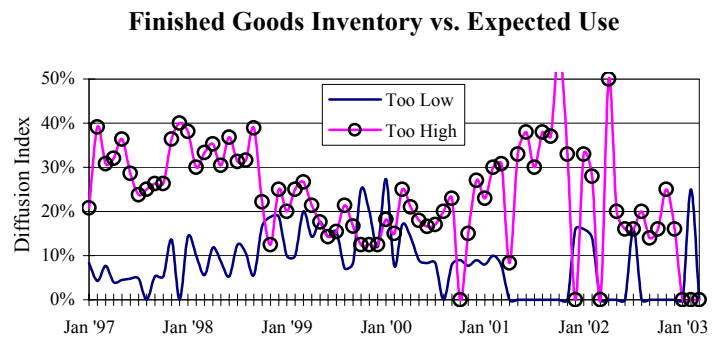
	Mar	Feb	Jan	Dec	Nov	Year ago Mar
Composite	50	50	44	41	56	45
Manufacturing	50	50	50	25	75	50
Non-Mfg.	50	50	43	44	50	43



Finished Goods Inventory Relative to Use

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

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

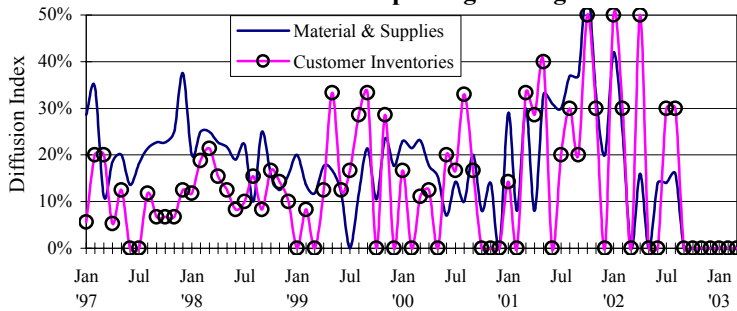


Raw Materials & Customer Inventory

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

	Year ago					
	Mar	Feb	Jan	Dec	Nov	Mar
Materials & Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Customer Inventories	0.0	0.0	0.0	0.0	0.0	0.0

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



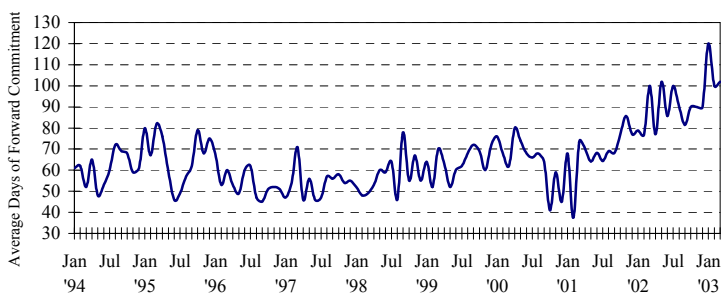
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Mar	Feb	Jan	Dec	Nov	Mar
Average Days	102	100	120	90	90	100

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
102	20%	20%	40%	0%	0%	20%

Production Materials



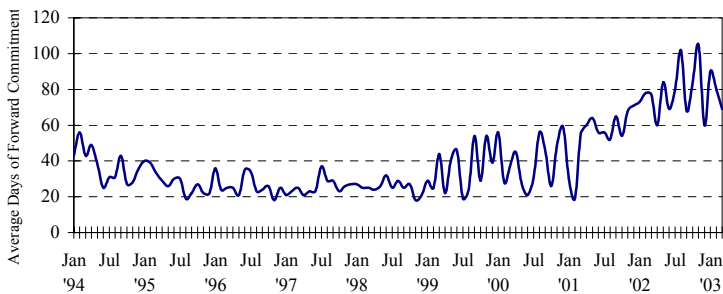
Buying Policy for MRO Supplies

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

	Year ago					
	Mar	Feb	Jan	Dec	Nov	Mar
Average Days	69	80	90	60	105	77

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
69	29%	57%	0%	0%	0%	14%

MRO Supplies



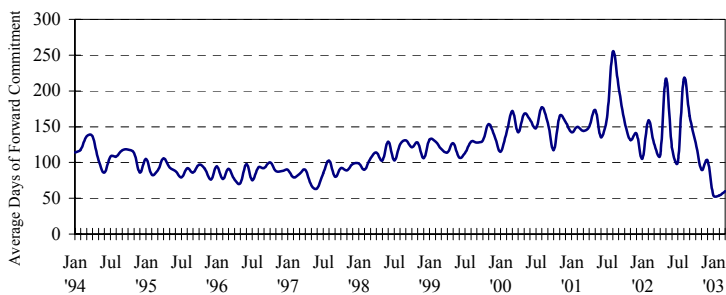
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Mar	Feb	Jan	Dec	Nov	Mar
Average Days	60	54	54	102	90	126

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

Capital Equipment



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Mar	Feb	Jan	Mar	Feb	Jan
Castings	50.0	50.0	50.0	50.0	100.0	100.0
Chemicals	50.0	50.0	50.0	50.0	50.0	50.0
Computer Hardware	37.5	57.0	40.0	50.0	50.0	50.0
Computer Software	+++ 50.0	50.0	50.0	50.0	50.0	50.0
Corrugated Packaging	33.3	50.0	62.5	50.0	33.3	50.0
Electrical Components		50.0	50.0		50.0	50.0
Energy	+++	100.0	100.0		50.0	50.0
Ferrous Metals			50.0			
Food Products		50.0			50.0	
Glass			50.0			50.0
Hydraulic Components						
Medical Supplies		50.0	50.0		50.0	50.0
Nonferrous Metals	100.0	50.0	75.0	50.0	66.7	50.0
Office Equipment (non-computer)	37.5	50.0	40.0	50.0	50.0	50.0
Office Supplies	33.3	41.7	41.7	41.7	50.0	50.0
Piping & Tubing		50.0	25.0		50.0	50.0
Plastics	100.0	100.0	83.3		50.0	50.0
Plating		50.0	50.0		50.0	50.0
Printing Paper	+++ 25.0	41.7	50.0	50.0	50.0	50.0
Rubber Products	50.0			50.0		
Textile Products						
Wood & Pulp	100.0	100.0	50.0	50.0	100.0	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	+++ 50.0	66.7	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	33.0	50.0	50.0			
Computer Consultants	33.0	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 ISM 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.