



NEW YORK CITY REPORT ON BUSINESS
RIVETED IN A RECESSIONARY RUT

Although the onset of spring brings with it the promise of renewal from the barrenness of winter, the New York City economy hasn't seemed to notice, and it is still locked deeply in winter's business slumber. According to the latest monthly survey of the *National Association of Purchasing Management-New York (NAPM-NY)*, the New York City economy remained riveted in its two-year recessionary rut in April, suffering from the burdens of such business suppressants as mounting job losses, rising unemployment, wobbly equity markets and tepid technology industries. To this list must be added the likelihood of sizable public sector layoffs and substantial municipal spending cuts as Mayor Bloomberg braces the city for what is being dubbed as a *Doomsday Budget* for the upcoming fiscal year. While the economic reality is still somewhat brighter than the presumed finality of *Armageddon*, it is admittedly not good—especially for the 8.8 percent of the workforce who are currently unemployed or for the legions of others who fear that they may soon be joining the ranks of the jobless. While the pace of job losses has slowed, it may be several months before net employment creation resumes, especially in the absence of a steadying of investment banking, a revival of the information industries or some other business-bolstering catalyst.

With hostilities in Iraq winding down to a successful conclusion, this turn of events may eventually benefit New York City greatly, especially if today's business caution begins to dissipate, national economic activity accelerates and the equity markets rally with relief that better days lie ahead. Until then, the Big Apple is facing extremely challenging times and local purchasing managers provide a monthly glimpse of just how large the challenge is. The *Business Conditions Index (BCI)* of the *NAPM-NY*, the Association's composite gauge of current business conditions, fell again in April, marking the third straight monthly decline. *The BCI dropped to a level of 234.5 in April (see table opposite), a decline of 2.4 percent compared with the March level.* Over the past three months, from February through April, the *BCI* has eased by 7.2 percent; during the same three months of 2002, as New York City began a tentative, but ultimately short-lived rebound from the terrorist attack on lower Manhattan, the *BCI* rose by 5.2 percent.

The service-providing industries remained in a slump in April. Although in an economy as large as New York City there will typically be pockets of relative strength—and these include such private educational establishments as colleges and professional schools as well as healthcare and social services—these industries cannot compensate for the lethargy which lingers in investment banking, computer services, telecommunications and the personnel staffing agencies that provide “temp” workers to all of the above. As a consequence, the *NAPM-NY current conditions diffusion index*, which measures the industry breadth of economic expansions and contractions, remains deeply mired in recession territory, with a reading of 38.3 in April. In New York City, where the services industries dominate the economy, the *non-manufacturing diffusion index* reading of 32.9 is a clear-cut sign of business trouble (since a reading below 50 typically indicates that the economy is not growing); in the latest survey period, no respondents in the services industries reported a bettering of the business pace.

With municipal budget cuts lurking, many of the service-providing businesses that are already facing tough times will probably be facing even greater financial difficulties in the months ahead. *This dreary prognosis has surely taken a toll on confidence.* The *NAPM-NY outlook/expectations index* slipped in April to 56.3; a year earlier, in April 2002, optimism was in much greater supply. But at least the purchasing managers are optimistic that interest rates will not be impeding the recovery when it eventually does arrive—three of every four believe that interest rates will be either stable, or tilt lower over the balance of the year. Commenting on these findings, Marc M. Goloven, senior regional economist at *JPMorganChase* and Chair of the *NAPM-NY Business Survey Committee* noted that “...the diagnosis of New York City's economy continues to be downcast, as a variety of ills linger. Although the city budget dilemma seems to be dominating the economic debate, even its resolution will not jump start the economy; for that to happen, a combination of improving financial markets, an upturn in technology and an intensification of Downtown reconstruction would be the preferred prescription to achieve better health.”

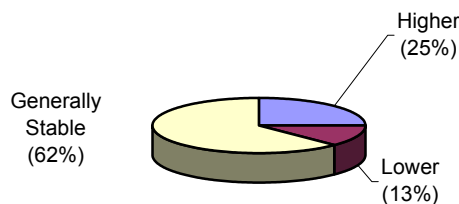
New York City Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
February '01	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
April	234.5	38.3	86.8	32.9	56.3

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

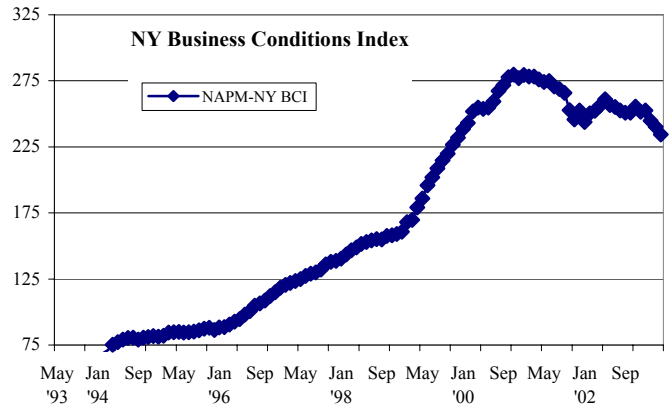
What is the outlook for interest rates over the balance of this year?



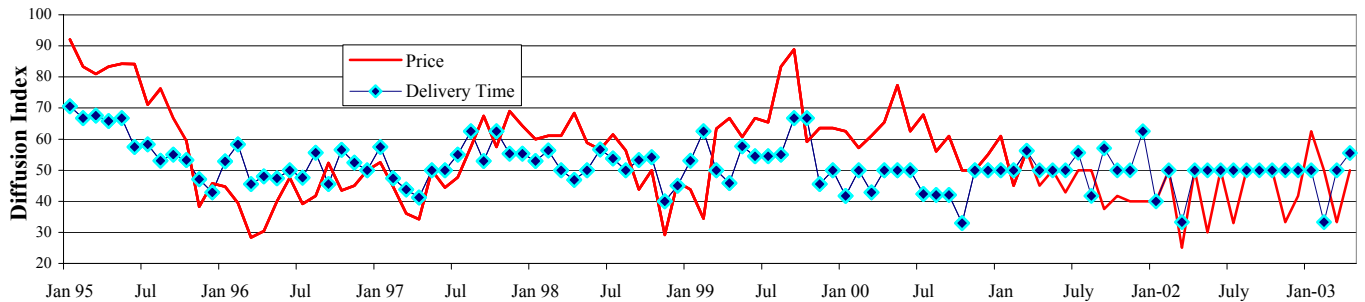
New York Business Conditions Index

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.

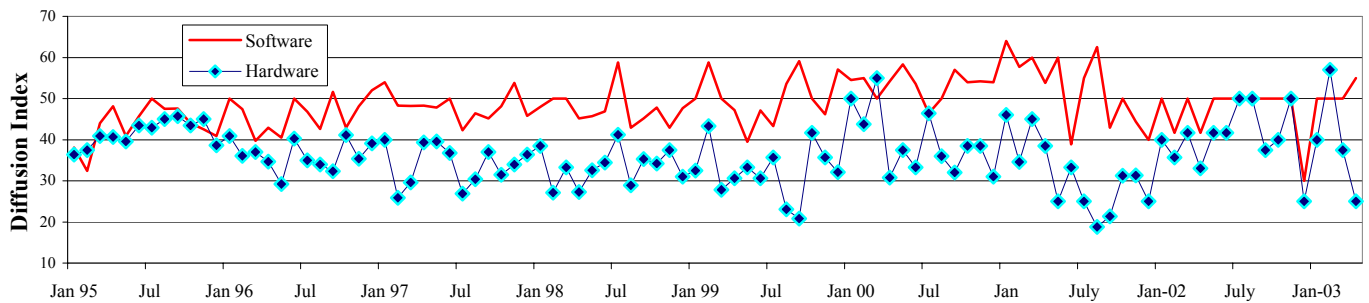
	Apr	Mar	Feb	Jan	Year ago Apr
NY BCI	234.5	240.3	244.8	252.6	256.3
% Change M/M	-2.4	-1.8	-3.1	0.4	1.5



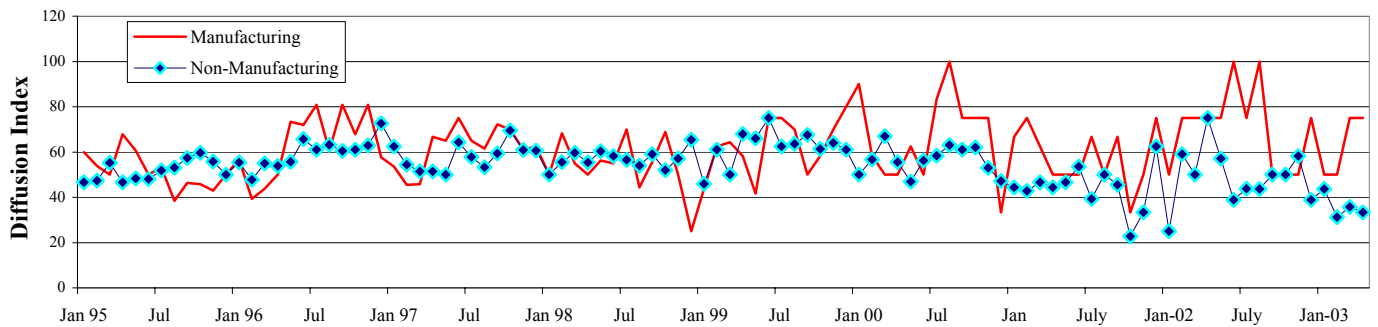
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



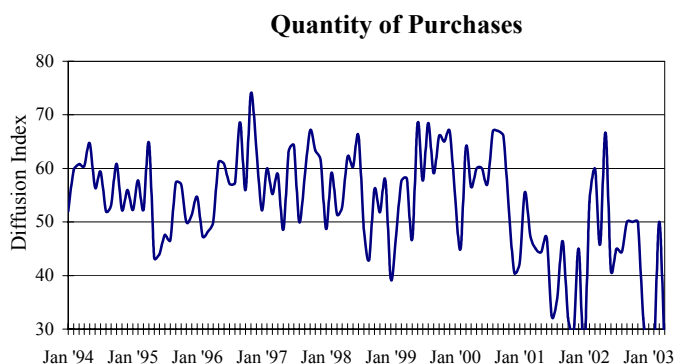
Current Conditions - Manufacturing vs. Non-Manufacturing Activity



Quantity of Purchases

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

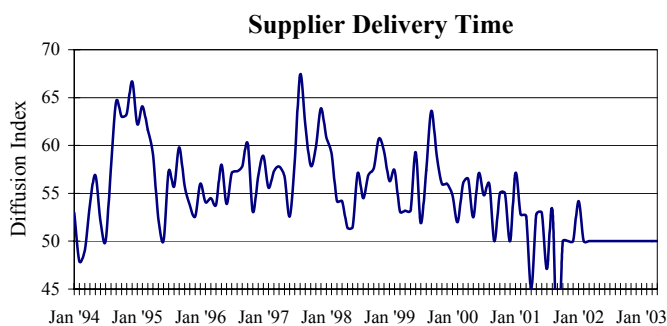
	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	25	50	25	35	35	45
Manufacturing	50	75	50	50	50	75
Non-Mfg.	16	42	18	21	27	40



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.

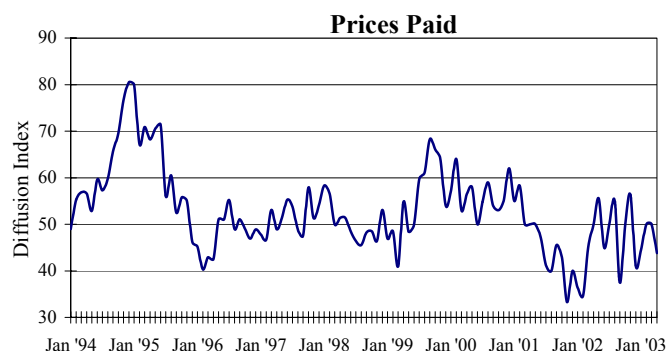
	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	50	50	50	50	50	50
Manufacturing	50	50	50	50	50	50
Non-Mfg.	50	50	50	50	50	50



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.

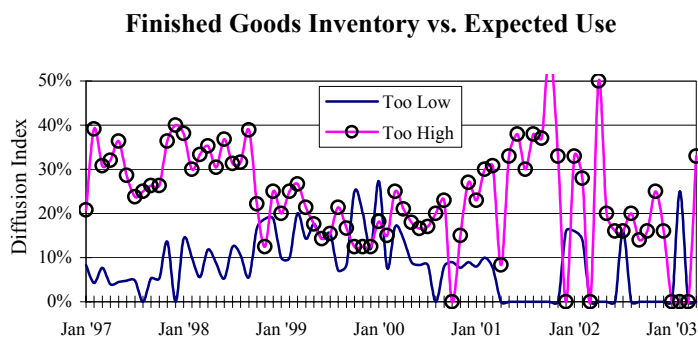
	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	43	50	50	44	41	50
Manufacturing	25	50	50	50	25	75
Non-Mfg.	50	50	50	43	44	45



Finished Goods Inventory Relative to Use

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

	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	66	50	37	50	58	75
% too high	33	0	0	0	16	50
Manufacturing	75	50	25	50	50	75
Non-Mfg.	50	50	50	50	65	75

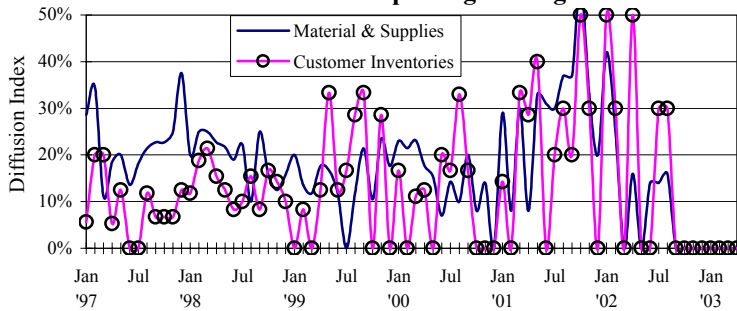


Raw Materials & Customer Inventory

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

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Materials & Supplies	0.0	0.0	0.0	0.0	0.0	16.0
Customer Inventories	0.0	0.0	0.0	0.0	0.0	50.0

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



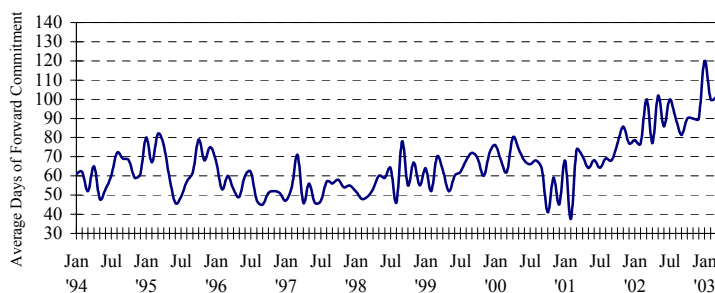
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Average Days	127	102	100	120	90	77

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
127	0%	25%	50%	0%	0%	25%

Production Materials



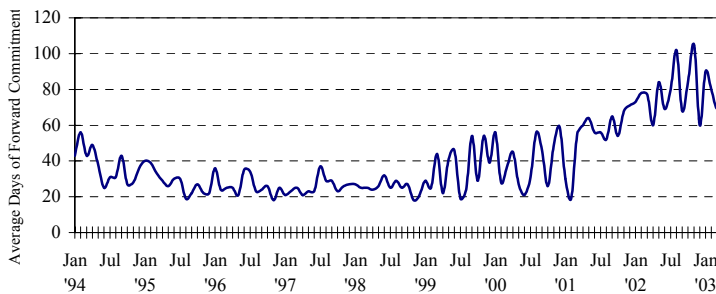
Buying Policy for MRO Supplies

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

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Average Days	80	69	80	90	60	60

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



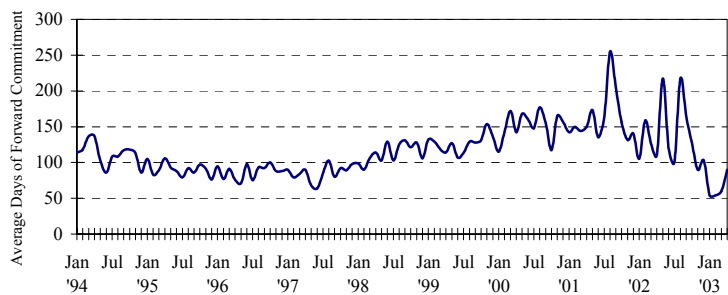
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Average Days	90	60	54	54	102	110

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
90	25%	0%	0%	50%	25%	0%

Capital Equipment



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Apr	Mar	Feb	Apr	Mar	Feb
Castings	62.5	50.0	50.0	62.5	50.0	100.0
Chemicals	50.0	50.0	50.0	50.0	50.0	50.0
Computer Hardware	25.0	37.5	57.0	50.0	50.0	50.0
Computer Software	+++ 55.0	50.0	50.0	50.0	50.0	50.0
Corrugated Packaging	50.0	33.3	50.0	55.6	50.0	33.3
Electrical Components	33.3		50.0	50.0		50.0
Energy	+++ 33.3		100.0	50.0		50.0
Ferrous Metals	50.0			50.0		
Food Products	50.0		50.0	50.0		50.0
Glass	50.0			50.0		
Hydraulic Components	75.0			50.0		
Medical Supplies	50.0		50.0	50.0		50.0
Nonferrous Metals	33.3	100.0	50.0	50.0	50.0	66.7
Office Equipment (non-computer)	41.7	37.5	50.0	45.5	50.0	50.0
Office Supplies	50.0	33.3	41.7	50.0	41.7	50.0
Piping & Tubing	50.0		50.0	50.0		50.0
Plastics	50.0	100.0	100.0	50.0		50.0
Plating	50.0		50.0	50.0		50.0
Printing Paper	+++ 55.6	25.0	41.7	50.0	50.0	50.0
Rubber Products	50.0	50.0		50.0	50.0	
Textile Products						
Wood & Pulp	50.0	100.0	100.0	25.0	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	+++ 60.0	50.0	66.7			
Construction	+++ 50.0	50.0	50.0			
Painting	50.0	50.0	50.0			
Engineering	66.7	50.0	50.0			
Architectural	+++ 50.0	50.0	50.0			
Temporary Personnel	50.0	33.0	50.0			
Computer Consultants	0.0	33.0	50.0			

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

Items in Short Supply

Purchaser Comments

1. With the war looking like it may be near an end and fuel prices dropping there is hope for better times.
2. Continued pessimism, war not a factor anymore.
3. Reduced travel via airlines has had a negative impact on our business.

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.