



NEW YORK CITY REPORT ON BUSINESS
AWAITING TIDBITS... OF BETTER NEWS

Although hopes are running high that the combination of Federal tax relief, ground-hugging interest rates and a lower-valued dollar will jumpstart the national economy in the second half of this year, *New York City continues to await the initial tidbits of better news*, challenged by a generally desultory pace of private sector business, a lengthening list of tax and fee increases and lurking public sector layoffs and spending cuts. Nor is the better news embedded within the latest monthly survey of local business conditions conducted by the *National Association of Purchasing Management-New York (NAPM-NY)*; quite the contrary, the local purchasing managers are providing a generally glum assessment of economic events in May, suggesting that the Big Apple economy contracted for the fourth straight month. To be sure, not all of the news of recent weeks was disquieting—the *State Labor Department* reported that the city's unemployment rate fell from 8.8 percent in February to 8-1/2 percent in March (stemming from fewer people looking for work) while the bond-rating agency *Standard & Poor's* upgraded its opinion of the city's general obligation debt—but much of it was, and no quick improvement is likely.

Since business cycle bottoms are typically accompanied by almost uniformly dour economic developments and few expectations of an imminent rebound, it might be argued that the Big Apple surely fits this description, and therefore must be approaching its nadir—and, if today's equity market rally persists, banking layoffs abate and the striking gains in the *NASDAQ* stock index usher in a turn for the better in the technology industries, thoughts of a recovery may not be that far-fetched. Until then, the current recessionary rut lingers according to local purchasing managers. The *Business Conditions Index (BCI)* of the *NAPM-NY*, the Association's composite gauge of current business conditions, eased again in May. As shown in the table opposite, the *Index* fell to a level of 229.6 in May, a decline of 2.1 percent compared with April. This marks the fourth straight monthly decline—over the past three months, stretching from March through May, *the BCI has dropped by 6.2 percent*, a stark contrast with the hints of recovery that seemed so abundant during the same period of 2002.

With selected segments of investment banking remaining soft, restaurants trimming prices, hotels looking for visitors and not-for-profits coping with diminished grants and shrinking endowments, the services side of the city's economy continues to struggle. Although healthcare and private education provide some beneficial balance—and, between them, employ nearly one-of-every five New Yorkers who are currently working—*hiring by these industries over the past year has only barely offset public sector employment reductions*, not to mention the downsizing occurring throughout a large swath of private industry. As a result, the *NAPM-NY current conditions diffusion index*, which measures the industry breadth of economic expansions and contractions, has been mired in recessionary territory since January of this year—and May, with a reading of 40.2, was only slightly better than April. This weakness is entirely attributable to the services industries; *manufacturing, especially food-related activity, is doing better*.

While today's economic climate is as chilly as the actual air temperature in this late-arriving spring, local purchasing managers are retaining a high degree of optimism. *To be sure, the good times were not that long ago and the purchasing agents of the NAPM-NY are generally upbeat—the outlook/expectations index rose to 61.1 in May, matching its highest level of the year.* This might reflect the view that lowly interest rates, a weakening dollar, softening energy prices and a dollop of Federal fiscal stimulus are about to bolster the national economy; *the purchasing agents are less sanguine about the impact of the cascade of local tax increases.* When surveyed about the effect that these higher levies will have, everyone believed their effect will range from "bad" to downright "ugly." Commenting on these findings, Marc M. Goloven, senior regional economist at *JPMorganChase* and Chair of the *NAPM-NY Business Survey Committee* stated that "...the health of New York City's economy remains disquieting, and local purchasing managers are among the most accurate diagnosticians. However, business downturns come and go, and this slowdown will go, too, especially if the national economy accelerates in the months ahead. In the near-term, the local economy is likely to drift sideways, at best."

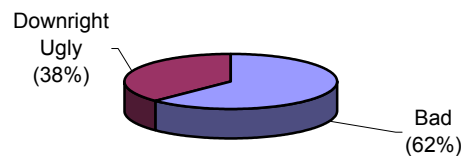
New York City Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
March'01	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
May	229.6	40.2	81.2	35.7	61.1

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

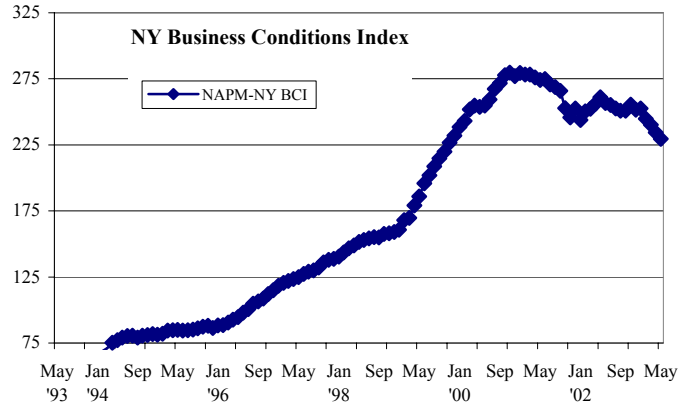
Large local tax increases are on the way. Will their impact be:



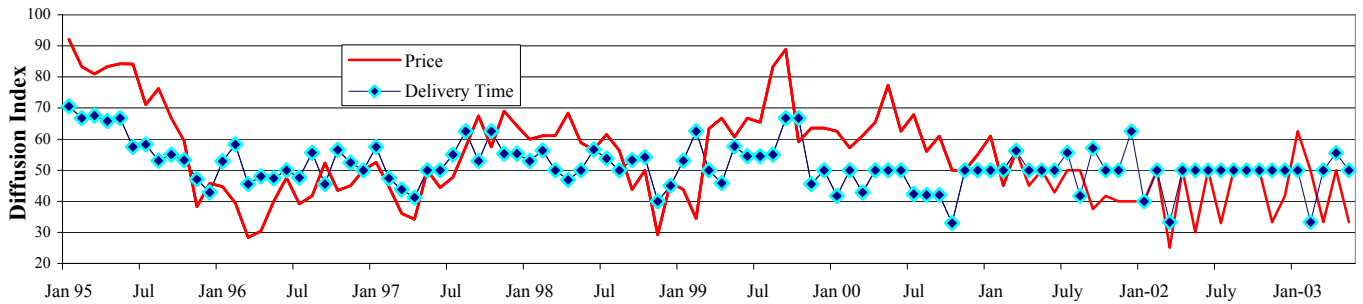
New York Business Conditions Index

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.

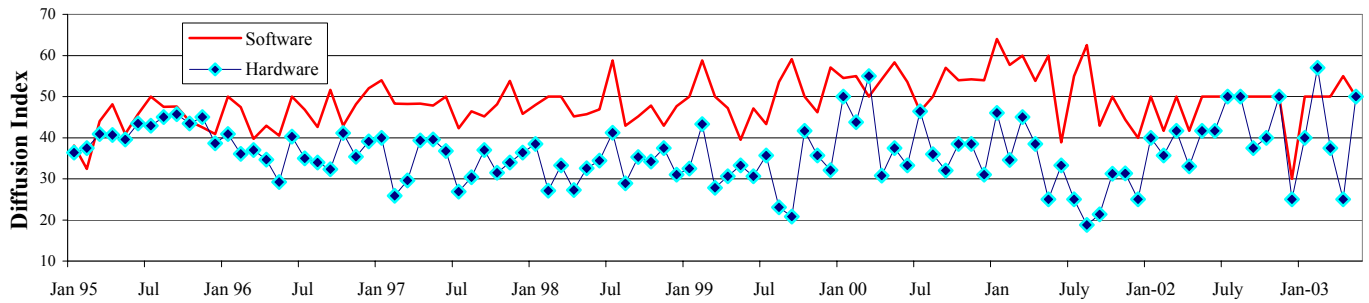
	May	Apr	Mar	Feb	Year ago May
NY BCI	229.6	234.5	240.3	244.8	261.0
% Change M/M	-2.1	-2.4	-1.8	-3.1	1.8



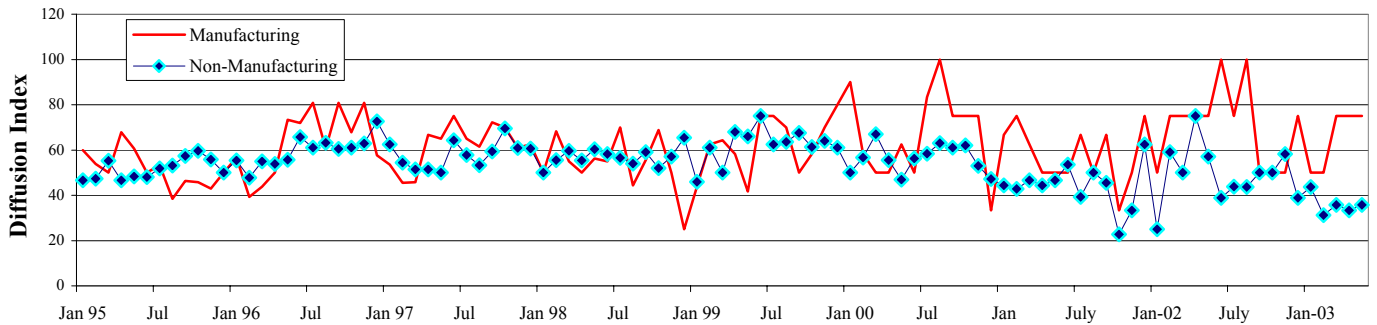
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



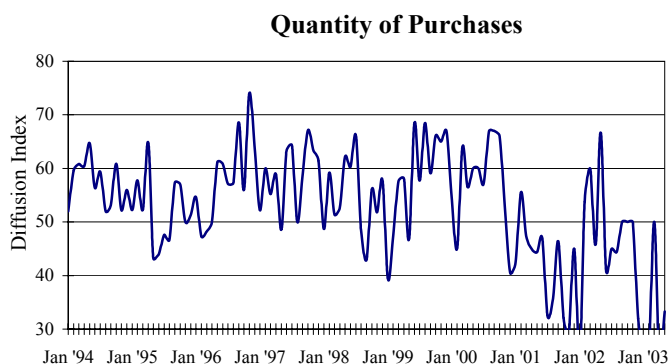
Current Conditions - Manufacturing vs. Non-Manufacturing Activity



Quantity of Purchases

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

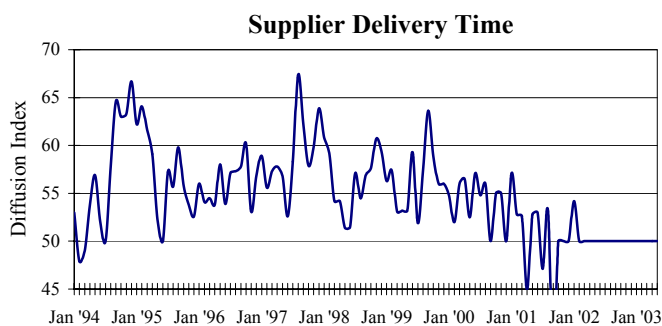
	May	Apr	Mar	Feb	Jan	Year ago May
Composite	33	25	50	25	35	66
Manufacturing	50	50	75	50	50	100
Non-Mfg.	28	16	42	18	21	57



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.

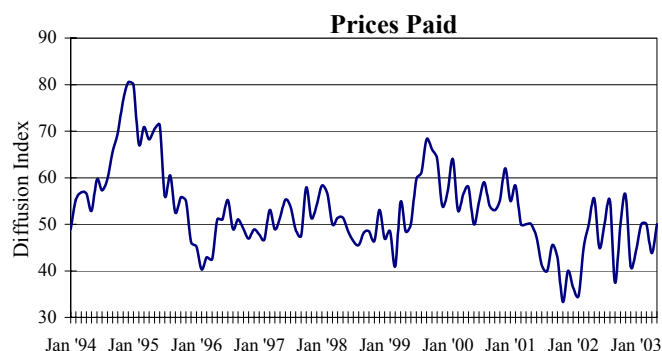
	May	Apr	Mar	Feb	Jan	Year ago May
Composite	50	50	50	50	50	50
Manufacturing	50	50	50	50	50	50
Non-Mfg.	50	50	50	50	50	50



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.

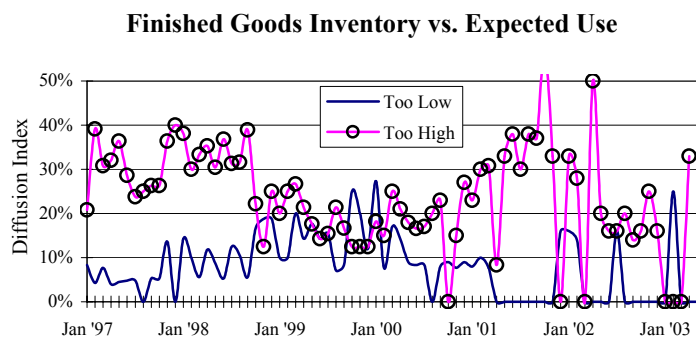
	May	Apr	Mar	Feb	Jan	Year ago May
Composite	50	43	50	50	44	55
Manufacturing	50	25	50	50	50	50
Non-Mfg.	50	50	50	50	43	57



Finished Goods Inventory Relative to Use

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

	May	Apr	Mar	Feb	Jan	Year ago May
Composite	62	66	50	37	50	60
% too high	25	33	0	0	0	20
Manufacturing	75	75	50	25	50	75
Non-Mfg.	50	50	50	50	50	50

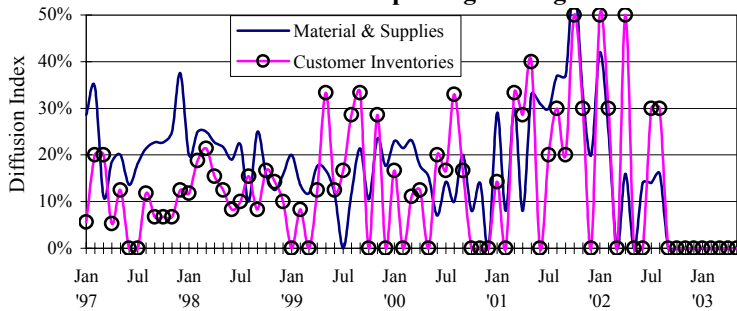


Raw Materials & Customer Inventory

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

	Year ago					
	May	Apr	Mar	Feb	Jan	May
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



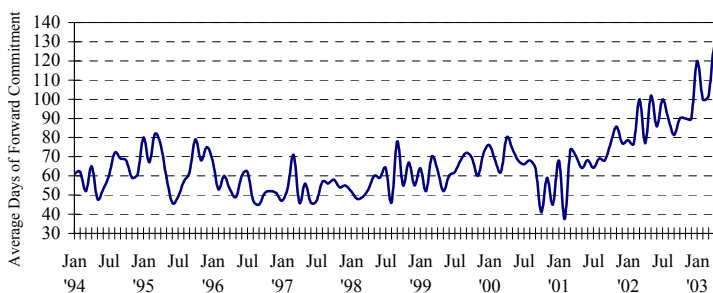
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	May	Apr	Mar	Feb	Jan	May
Average Days	114	127	102	100	120	102

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
114	0%	20%	60%	0%	0%	20%

Production Materials



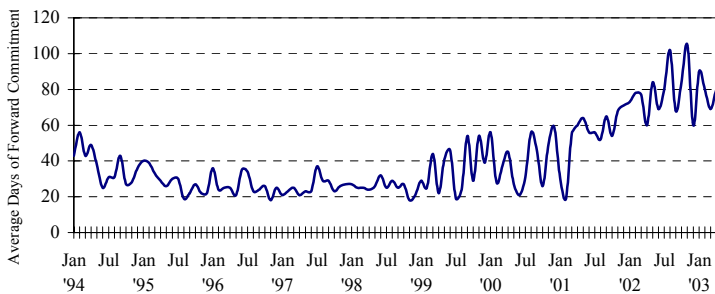
Buying Policy for MRO Supplies

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

	Year ago					
	May	Apr	Mar	Feb	Jan	May
Average Days	85	80	69	80	90	84

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
85	17%	50%	17%	0%	0%	17%

MRO Supplies



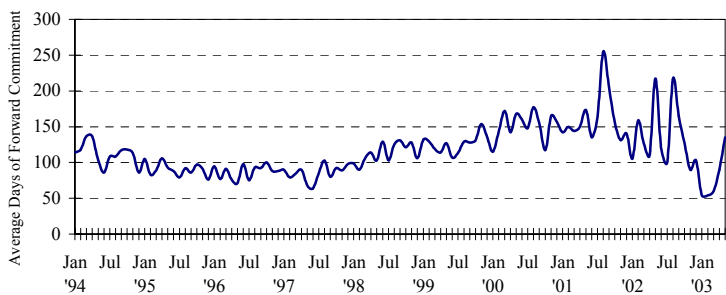
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	May	Apr	Mar	Feb	Jan	May
Average Days	135	90	60	54	54	217

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
135	25%	0%	0%	50%	0%	25%

Capital Equipment



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	May	Apr	Mar	May	Apr	Mar
Castings	50.0	62.5	50.0	100.0	62.5	50.0
Chemicals	50.0	50.0	50.0	50.0	50.0	50.0
Computer Hardware	50.0	25.0	37.5	50.0	50.0	50.0
Computer Software	+++ 50.0	55.0	50.0	50.0	50.0	50.0
Corrugated Packaging	33.3	50.0	33.3	50.0	55.6	50.0
Electrical Components	50.0	33.3		50.0	50.0	
Energy	+++ 100.0	33.3			50.0	
Ferrous Metals	50.0	50.0			50.0	
Food Products		50.0			50.0	
Glass		50.0			50.0	
Hydraulic Components		75.0			50.0	
Medical Supplies		50.0			50.0	
Nonferrous Metals	50.0	33.3	100.0	50.0	50.0	50.0
Office Equipment (non-computer)	50.0	41.7	37.5	50.0	45.5	50.0
Office Supplies	40.0	50.0	33.3	50.0	50.0	41.7
Piping & Tubing	50.0	50.0		50.0	50.0	
Plastics	100.0	50.0	100.0		50.0	
Plating		50.0			50.0	
Printing Paper	+++ 62.5	55.6	25.0	50.0	50.0	50.0
Rubber Products	50.0	50.0	50.0	50.0	50.0	50.0
Textile Products						
Wood & Pulp	50.0	50.0	100.0	50.0	25.0	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	60.0	50.0			
Construction	+++ 50.0	50.0	50.0			
Painting	50.0	50.0	50.0			
Engineering	50.0	66.7	50.0			
Architectural	+++ 50.0	50.0	50.0			
Temporary Personnel	50.0	50.0	33.0			
Computer Consultants	50.0	0.0	33.0			

+++ = 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.