



NEW YORK CITY REPORT ON BUSINESS
MEANDERING INTO SUMMER

Although expectations are running high that the national economy may be poised at the threshold of a decided acceleration of economic activity, such hopes are in shorter supply in New York City. For while the pace of job losses is ebbing and a fiscal year 2004 city budget has been fashioned which avoids substantial layoffs and spending cuts, *the Big Apple meandered into summer with several of its principal industries still sputtering*, according to the latest monthly survey of local business conditions conducted by the National Association of Purchasing Management-New York (NAPM-NY). The relatively tepid tone of the local economy portrayed by the purchasing agents dovetails with the latest snapshot of the economy and the job market provided by the New York City Comptroller's Office and the State Labor Department. According to the former, New York City lost another 2,000 jobs in May, after seasonal adjustment, bringing total losses during the first five months of this year to 12,500—hardly a crippling blow but a setback, nonetheless; according to the latter, the city has lost 62,000 jobs over the past 12-months, stretching from May 2002-to-May 2003, a 1.7 percent drop. While this is anything but welcome news, it is far better than the 125,000 jobs lost during the immediately-preceding 12-months, a 3-1/2 percent decline.

As has been the all-too-familiar pattern over the past two-plus years, job losses persist in such mainstay industries as investment banking, technology and telecommunications, not to mention the relentless downsizing of the apparel manufacturing industry. While a large chunk of these losses have been offset by the hiring of healthcare, higher education and, more recently, some tourism-related businesses, *the scales are still tilted toward contraction*—albeit more modest than even three months ago. This is precisely the message embedded within the latest purchasing management survey. The *Business Conditions Index (BCI)* of the NAPM-NY, the Association's composite gauge of current business conditions, dropped again in June month-over-month. As shown in the table opposite, the BCI fell to a level of 226.7 in June, a decline of 1-1/2 percent compared with May. This marks the seventh straight month in which the Index has declined—*although the dip in June was much milder than the average monthly drop of 2.3 percent posted during the preceding three month, March-to-May period.*

While manufacturing may be losing jobs—there are now 131,000 factory jobs within the five boroughs, or just 3.7 percent of the 3-1/2 million citywide job count—not all manufacturers are suffering. Food-related production appears to be thriving; Long Island City and East Williamsburg are chock-a-block with so-called “niche” manufacturers who are successfully navigating past the shoals of de-industrialization. This is reflected in the upward bounce of the *NAPM-NY manufacturing diffusion index* which has been trending higher for much of this year. The diffusion indexes measure the industry breadth of business expansions and contractions; readings above 50 indicate expansion and below 50 suggest the opposite—*while the service-providing industries languished again in June, the relative health of the city's small manufacturing sector lifted the composite current conditions diffusion index to 43.1.* This is the loftiest level since January. While no one assumes that manufacturing will lead the Big Apple from the recessionary woods, any pocket of growth is a welcome bright spot in today's business landscape.

Another bright spot is purchasing manager sentiment. While the purchasing managers have been the messengers of generally glum news over the past 18 months, *their optimism has not waned for long.* In June, the *NAPM-NY outlook/expectations index* inched upward, reaching its highest level since July 2002. *Perhaps one reason for the upswing in sentiment is the hiring outlook at their respective companies.* Only one-quarter of the firms surveyed planned staff cutbacks and 13 percent actually anticipated personnel increases; a similar survey in January was downright gloomy, with 60 percent of the firms questioned planning job cuts and none contemplating employment increases. 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 economy is still struggling with the slowdown of investment banking activity, the bursting of the dot-com frenzy, the so-so health of global tourism and the expense of costly counter-terrorism measures. But if the national economy perks up, its beneficial impact will be felt here, too—but this may still be months away.”

New York City Business Conditions Indexes

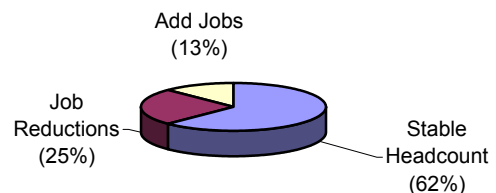
(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
April'01	275.8	45.3	55.1	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	245.6	30.9	58.4	27.9	50.0
February	254.4	67.5	75.3	66.6	65.4
March	255.4	52.0	75.3	49.4	75.0
April	259.1	57.5	81.1	54.8	66.6
May	262.6	56.9	78.3	54.6	61.1
June	258.1	41.0	93.1	35.2	59.1
July	257.1	48.1	64.4	46.3	75.0
August	255.0	45.7	82.4	41.6	50.0
September	254.0	48.1	59.4	46.9	50.0
October	253.2	48.4	59.2	47.2	50.0
November	257.6	58.7	54.1	59.2	56.3
December	254.3	43.4	62.4	41.3	41.0
January '03	253.8	49.0	58.4	48.0	61.1
February	247.5	37.3	50.3	35.9	55.0
March	242.1	39.2	74.8	35.3	61.1
April	236.1	38.0	80.6	33.3	56.3
May	230.2	38.3	78.8	33.8	61.1
June	226.7	43.1	92.8	37.5	62.5

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

Note: As of June 2003, new seasonal adjustment factors were applied to the data.

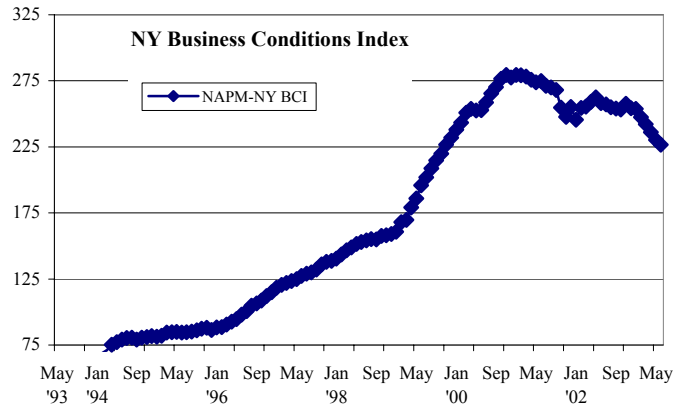
What is the hiring outlook for the second half of 2003?



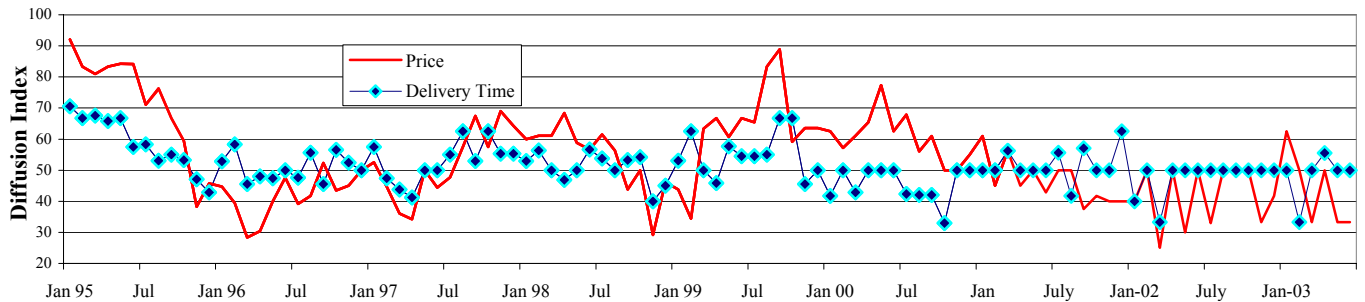
New York Business Conditions Index

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.

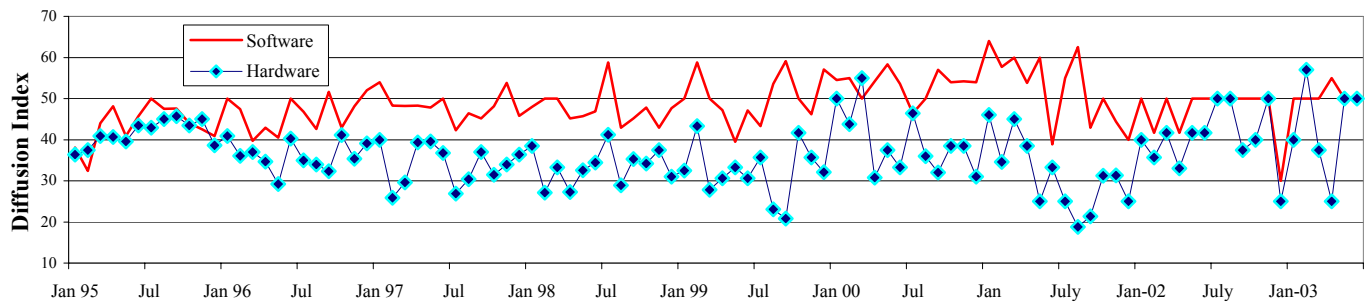
	Jun	May	Apr	Mar	Year ago Jun
NY BCI	226.7	230.2	236.1	242.1	258.1
% Change M/M	-1.5	-2.5	-2.5	-2.2	-1.7



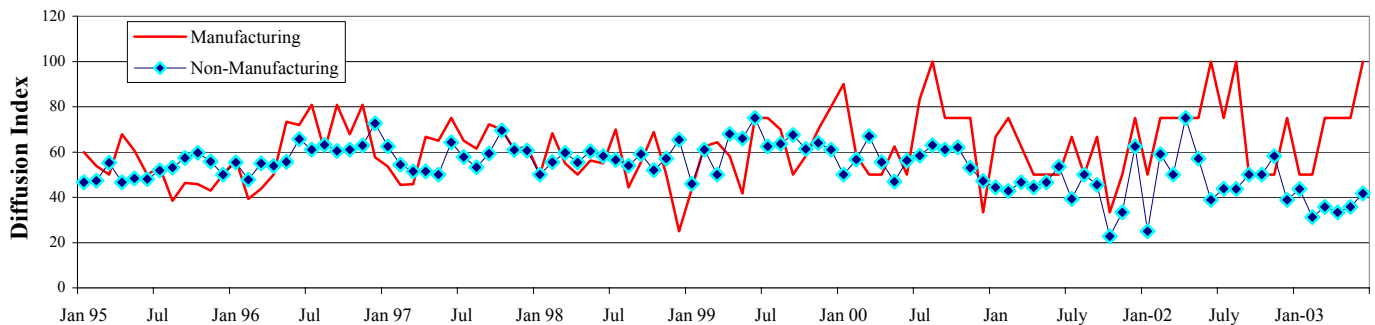
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



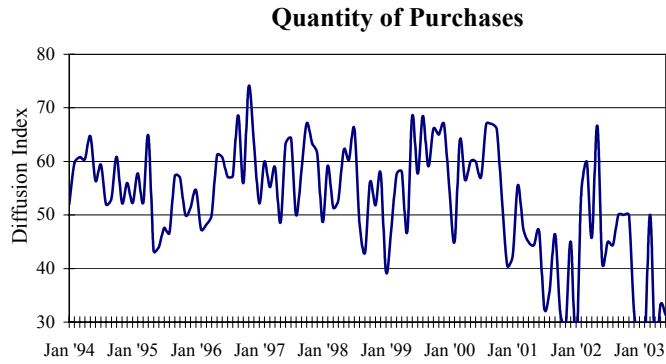
Current Conditions - Manufacturing vs. Non-Manufacturing Activity



Quantity of Purchases

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

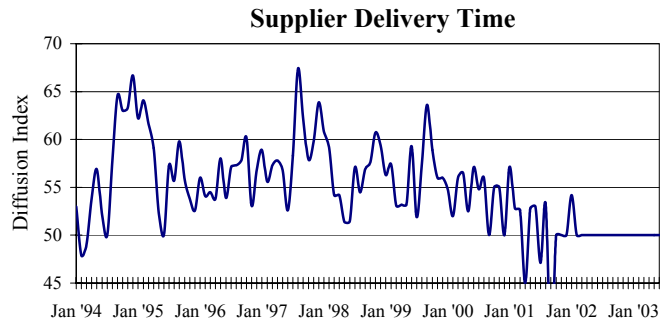
	Jun	May	Apr	Mar	Feb	Year ago Jun
Composite	31	33	25	50	25	40
Manufacturing	50	50	50	75	50	75
Non-Mfg.	25	28	16	42	18	33



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.

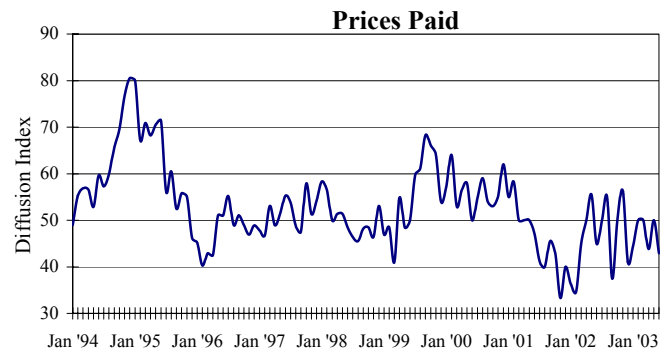
	Jun	May	Apr	Mar	Feb	Year ago Jun
Composite	50	50	50	50	50	50
Manufacturing	50	50	50	50	50	50
Non-Mfg.	50	50	50	50	50	50



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.

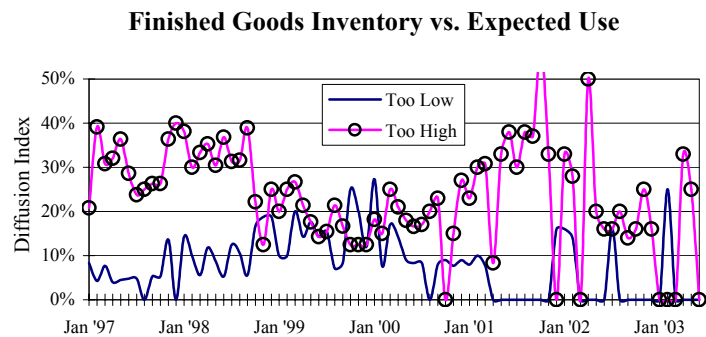
	Jun	May	Apr	Mar	Feb	Year ago Jun
Composite	42	50	43	50	50	45
Manufacturing	25	50	25	50	50	50
Non-Mfg.	50	50	50	50	50	43



Finished Goods Inventory Relative to Use

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

	Jun	May	Apr	Mar	Feb	Year ago Jun
Composite	50	62	66	50	37	58
% too high	0	25	33	0	0	16
Manufacturing	50	75	75	50	25	50
Non-Mfg.	50	50	50	50	50	62

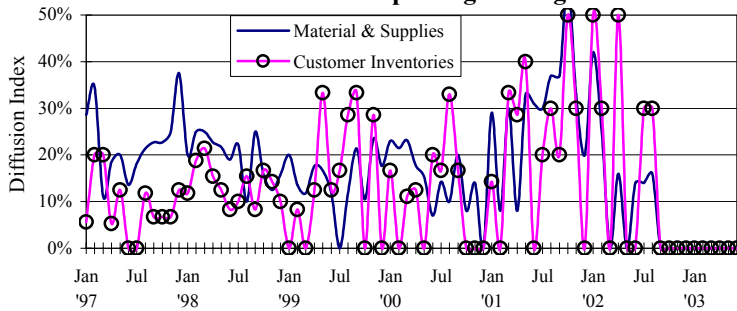


Raw Materials & Customer Inventory

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

	Year ago					
	Jun	May	Apr	Mar	Feb	Jun
Materials & Supplies	0.0	0.0	0.0	0.0	0.0	14.0
Customer Inventories	0.0	0.0	0.0	0.0	0.0	0.0

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



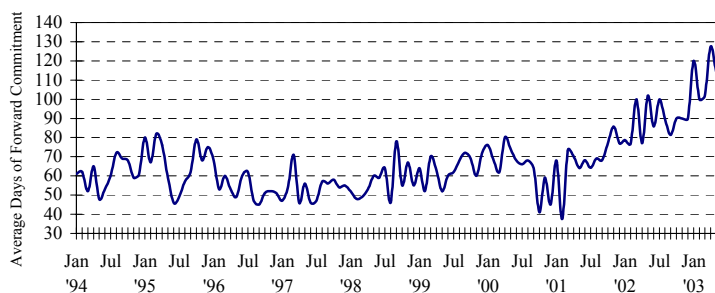
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Jun	May	Apr	Mar	Feb	Jun
Average Days	108	114	127	102	100	85

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
108	0%	40%	40%	0%	0%	20%

Production Materials



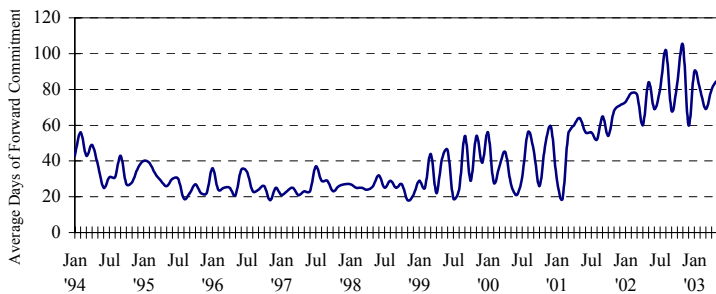
Buying Policy for MRO Supplies

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

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

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
84	40%	40%	0%	0%	0%	20%

MRO Supplies



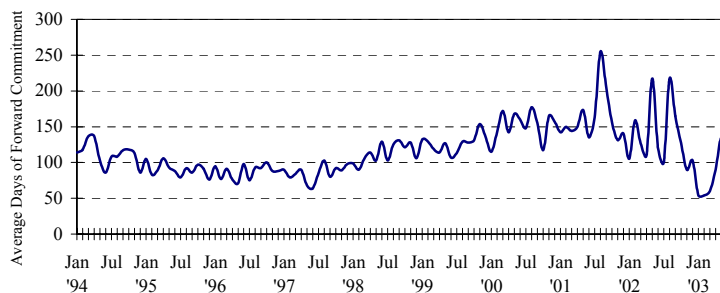
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Jun	May	Apr	Mar	Feb	Jun
Average Days	102	135	90	64	54	120

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

Capital Equipment



Specific Price Changes & Supplier Deliveries

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

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

Items in Short Supply

Purchaser Comments

1. No relief in sight from poor business conditions and lousy weather.
2. Business holding steady.

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.