



NEW YORK CITY REPORT ON BUSINESS
INCHING TOWARD RECOVERY?

Although the New York City economy has yet to emerge from the recessionary woods, the undergrowth impeding its progress appears to be thinning and the Big Apple may be inching toward recovery. To be sure, there is still an ample thicket of dark news—the New York City *Comptroller's Office* reported that the citywide job count declined by 9,000 positions in June month-over-month, after seasonal adjustment, a drop significantly larger than the 3,600 positions lost in May; the *State Labor Department* estimates that the city has shed nearly 66,000 jobs between June 2002 and June of this year, or 1.8 percent of the total; and municipal budget woes have prompted Mayor Bloomberg to turn off the decorative lights lining the cables of four bridges spanning the East River. *But local purchasing managers may be seeing some light at the end of the economic tunnel, if no longer on the East River bridges; according to the findings of the latest monthly survey of the National Association of Purchasing Management-New York (NAPM-NY), the pace of economic contraction slowed decidedly in July due to a limited improvement in several service-providing industries.*

Indeed, not only may the recession be easing, but it is doing so because the recessionary pattern of the past 2-1/2 years is slowly breaking down. Whereas investment banking and segments of the technology industries, with a big assist from garment manufacturing, had been at the epicenter of private industry job losses, the woes of finance and technology are ebbing and the dubious distinction of being the biggest job loser can now be claimed by the *motion picture industry*—which has been shedding an average of nearly 1,000 jobs per month over the past year. But because finance and technology loom far larger on the local landscape than does motion pictures—although the borough of Brooklyn may not concur—any signs of stabilization, not to mention betterment, in these all-important industries are immediately noted by local purchasing managers in several industries. As a result, the *Business Conditions Index (BCI)* of the *NAPM-NY*, the Association's principal gauge of current activity, eased only slightly in July, falling by 0.8 percent compared with June—about *one-third* the average monthly drop posted during this year's April-to-June quarter.

While the local economy was still contracting at mid-summer, the slower rate at which it was doing so is reflected in the *current conditions diffusion indexes*, which measure the industry breadth of economic upswings and downturns. In July, the *non-manufacturing diffusion index*, while still indicating that the lion's share of the local economy is not yet expanding, popped to its second-highest monthly reading of the year; the *majority of respondents reported stabilizing business conditions in their respective industries*. The small manufacturing segment of New York City's economy continued to expand, although at a slower pace in June; responses were evenly split between those industries experiencing improving activity levels and those where conditions are generally stable. As noted in the past, *food manufacturing continues to expand*, and is now—as measured by number of employees—nearly one-half the size of the once-mighty garment industry.

To be sure, the service-providing industries, as a group, are still struggling with the aftermath of recession, September 11th and the dot-com bubble, but the reawakening of investment banking activity and the growth of financial industry profits is buoying purchasing manager optimism—in not only the financial industry but such others as printing, advertising and even commercial real estate which often provide services to the commercial and investment banks. The *NAPM-NY outlook expectations index*, although unchanged from June, remained at its highest level of the year; keep in mind, sentiment in July is often upbeat, perhaps because of pending mid-summer vacations. 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 may be about to take a turn for the better, especially if the financial markets continue to improve. While the Big Apple is much more than the *Dow Jones Industrial Average*, trends in the latter often determine the general health of the former."

New York City Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
May'01	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
July	224.9	46.2	64.8	44.2	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.

**Short-term interest rates have touched 45-year lows.
Over the balance of this year, will they:**

Trend higher
(29%)

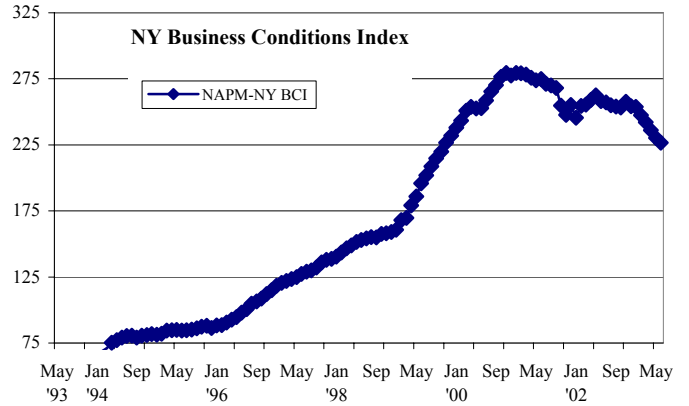


Remain
stable
(71%)

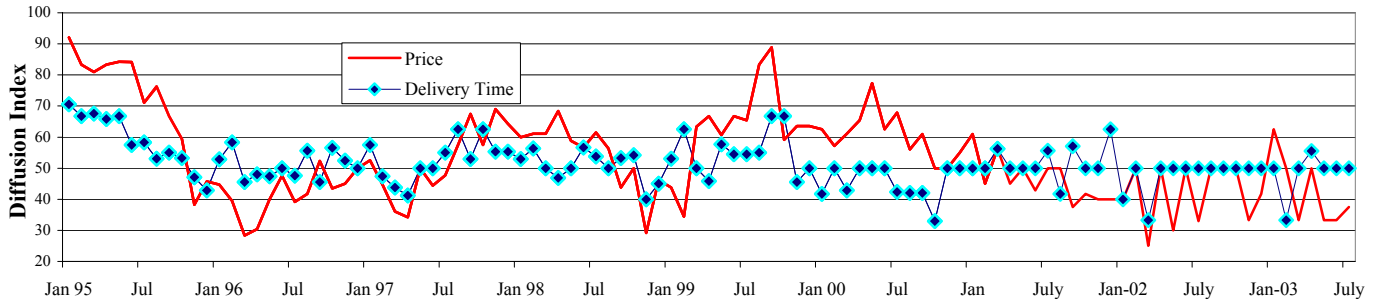
New York Business Conditions Index

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.

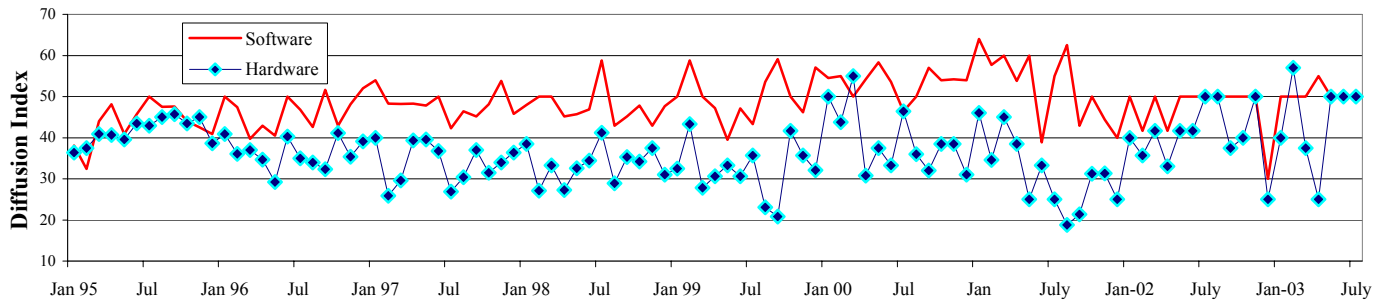
	Jul	Jun	May	Apr	Year ago Jul
NY BCI	224.9	226.7	230.2	236.1	257.1
% Change M/M	-0.8	-1.5	-2.5	-2.5	-0.4



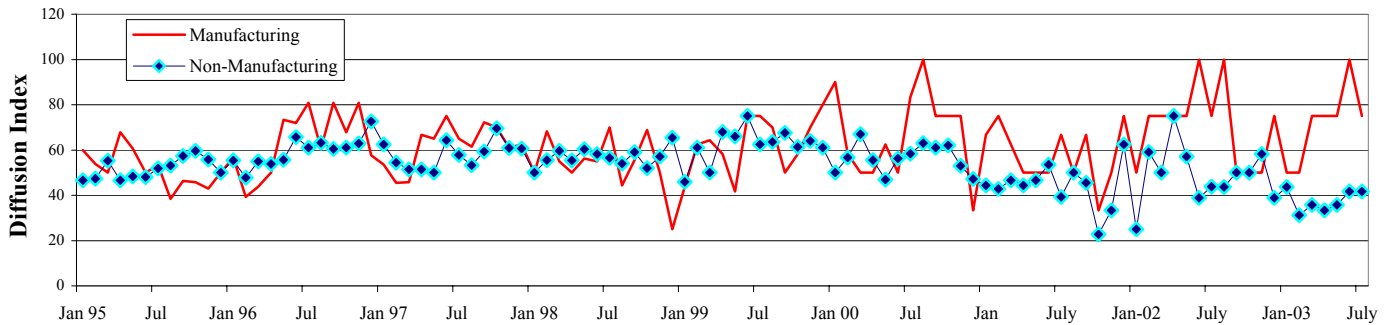
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



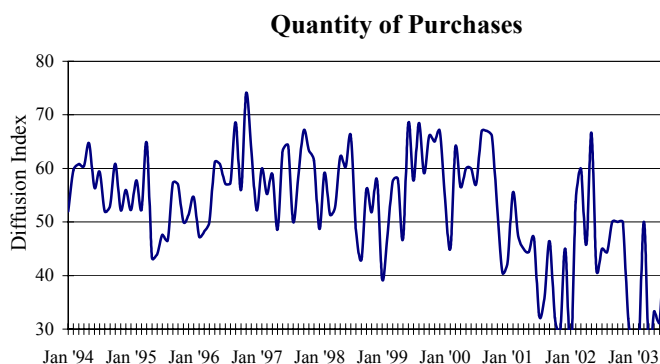
Current Conditions - Manufacturing vs. Non-Manufacturing Activity



Quantity of Purchases

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

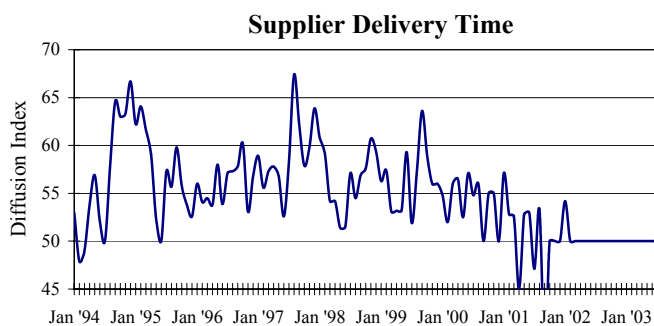
	Jul	Jun	May	Apr	Mar	Year ago Jul
Composite	50	31	33	25	50	45
Manufacturing	50	50	50	50	75	50
Non-Mfg.	50	25	28	16	42	43



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.

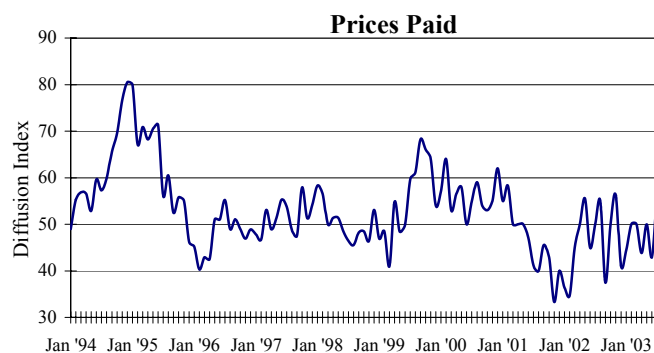
	Jul	Jun	May	Apr	Mar	Year ago Jul
Composite	50	50	50	50	50	50
Manufacturing	50	50	50	50	50	50
Non-Mfg.	50	50	50	50	50	50



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.

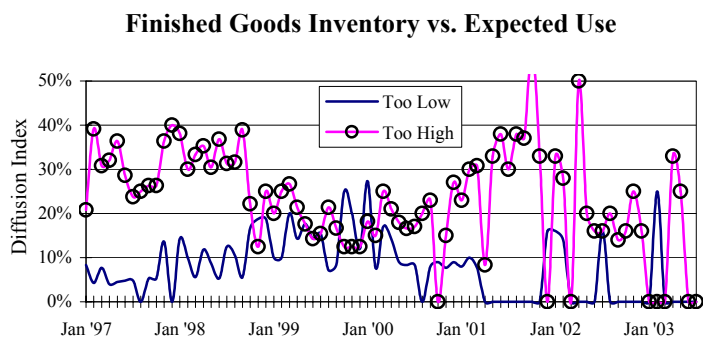
	Jul	Jun	May	Apr	Mar	Year ago Jul
Composite	56	42	50	43	50	50
1. Annual summe	50	25	50	25	50	50
Non-Mfg.	58	50	50	50	50	50



Finished Goods Inventory Relative to Use

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

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

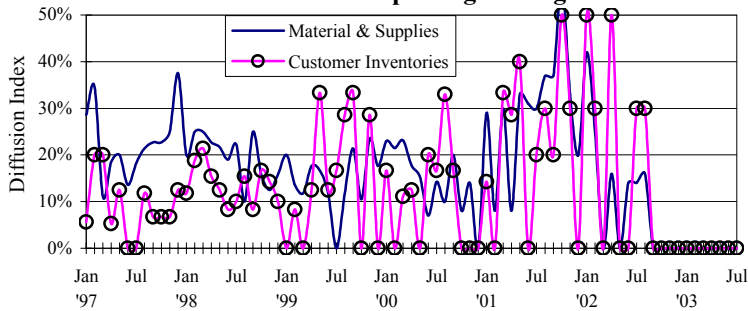


Raw Materials & Customer Inventory

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

	Year ago					
	Jul	Jun	May	Apr	Mar	Jul
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	30.0

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



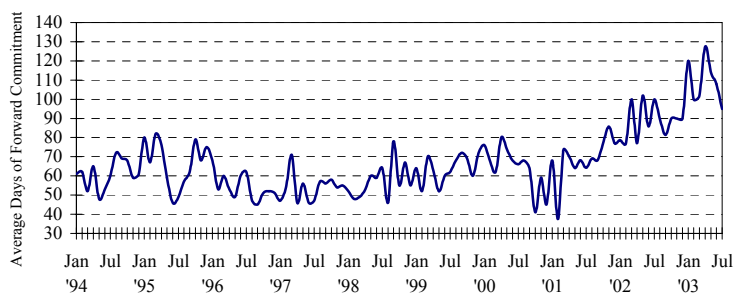
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Jul	Jun	May	Apr	Mar	Jul
Average Days	95	108	114	127	102	100

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
95	0%	50%	33%	0%	0%	17%

Production Materials



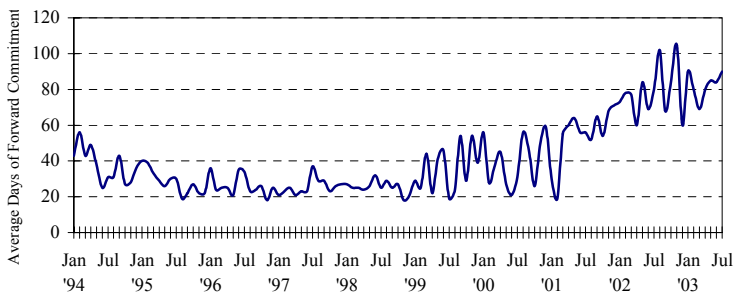
Buying Policy for MRO Supplies

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

	Year ago					
	Jul	Jun	May	Apr	Mar	Jul
Average Days	90	84	85	80	69	80

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
90	29%	43%	0%	0%	14%	14%

MRO Supplies



ing shutdown increased from three to four weeks.

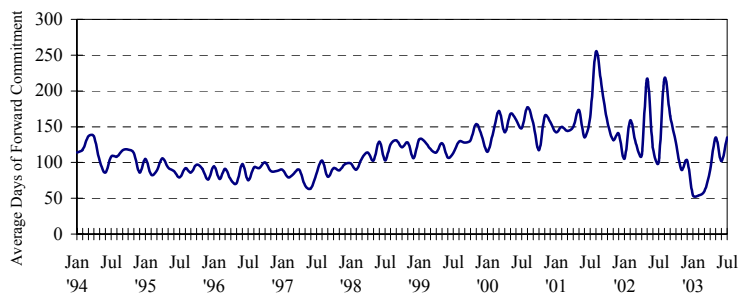
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Jul	Jun	May	Apr	Mar	Jul
Average Days	135	102	135	90	64	100

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 ---		
	Jul	Jun	May	Jul	Jun	May
Castings	50.0	50.0	50.0	50.0	50.0	100.0
Chemicals	50.0	50.0	50.0	50.0	50.0	50.0
Computer Hardware	50.0	50.0	50.0	50.0	50.0	50.0
Computer Software	+++ 50.0	50.0	50.0	50.0	50.0	50.0
Corrugated Packaging	37.5	33.3	33.3	50.0	50.0	50.0
Electrical Components		50.0	50.0		50.0	50.0
Energy	+++ 100.0		100.0	50.0		
Ferrous Metals			50.0			
Food Products	50.0	100.0				
Glass						
Hydraulic Components						
Medical Supplies						
Nonferrous Metals	62.5	75.0	50.0	50.0	50.0	50.0
Office Equipment (non-computer)	50.0	50.0	50.0	50.0	50.0	50.0
Office Supplies	50.0	41.7	40.0	50.0	50.0	50.0
Piping & Tubing	50.0	50.0	50.0	50.0	50.0	50.0
Plastics	75.0		100.0	50.0		
Plating	50.0			50.0		
Printing Paper	+++ 62.5	50.0	62.5	66.7	50.0	50.0
Rubber Products	50.0		50.0			50.0
Textile Products	50.0					
Wood & Pulp	50.0	100.0	50.0	50.0	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	+++ 50.0	75.0	50.0			
Construction	+++ 50.0	50.0	50.0			
Painting	50.0		50.0			
Engineering	50.0		50.0			
Architectural	+++ 50.0	50.0	50.0			
Temporary Personnel	50.0		50.0			
Computer Consultants	50.0		50.0			

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

Items in Short Supply

Purchaser Comments

1. Annual summer retooling shutdown increased from three to four weeks.

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.