



NEW YORK CITY REPORT ON BUSINESS
HINTS OF A TURNAROUND

With the onset of autumn in New York City, not only is the climate in the process of shifting gears, but there are some tentative signs that the local economy may be, too, according to the latest monthly findings of the National Association of Purchasing Management-New York (NAPM-NY). For although New York City is still being hobbled by injurious job losses—the City Comptroller's Office reported that the Big Apple shed 13,000 jobs in August after seasonal adjustment—and a lofty unemployment rate—which stood at 8.1 percent in August, or two full percentage points above the national average according to the State Labor Department—there are also hints of a looming turnaround in the crisper autumn air. While there are obviously no guarantees that a consistent improvement in the business climate is underway, these hints include a sharp restoration of profitability within the brokerage industry (and a corresponding tapering of financial industry layoffs); the likelihood of a substantial increase in yearend bonus payments to employees in financial services; a solid increase in office leasing activity, especially within the Class B segment by small- and medium-sized companies; and anecdotal evidence that the summer tourist season, and travel related revenues, were healthy this year.

Indeed, these positive developments seem to be filtering into the day-to-day workings of local purchasing managers, following a lengthy bout of the business blues. Breaking a string of nine straight months of decline, the Business Conditions Index (BCI) of the NAPM-NY—the Association's principal gauge of current economic activity—finally popped slightly higher in September. As shown in the table opposite, this index advanced to a level of 222.2 in September, rising by a modest 0.2 percent compared with August. To be sure, while the increase in the BCI was admittedly slight, it marks a welcome change in direction when compared with the 1.4 percent drop in the BCI in August or the 0.4 percent decline in the index in September of last year. Since trends in the BCI tend to mirror local employment developments over time, the truly good news embedded within the upturn of this index—if it persists—is that the Big Apple's job drought of the past three years may be finally easing.

Equally important, the reawakening of economic activity was relatively broad-based. The current conditions diffusion index, which measures the industry breadth of upturns and downturns, advanced into expansionary territory in September for the first time this year—rising to 51.1, or slightly above the dividing line of 50 which is usually thought to separate expansions (readings above 50) from contractions. Once again, the city's much-diminished manufacturing sector fared better than its much larger services industry counterpart; although the non-manufacturing diffusion index did post a good-sized gain in September due to a pickup in the financial services industry, it still remained in the murky area somewhere between “not-quite-expansion” but neither the clear-cut recessionary circumstances of earlier this year. Among the services industry respondents, in fact, only a small minority reported a deterioration of business in September (roughly one-in-six); all of the rest reported either stable conditions (two-thirds) or a quickening of activity.

The uptick in business activity was sufficient to brighten the spirits of the local purchasing managers. After dropping a bit in August, the NAPM-NY outlook/expectations index recaptured the lost ground over the past month; the sentiment barometer rose to 62.5, tying again the highest level recorded so far this year—not to mention standing well above the September 2002 level. And, in a city which has just marked the second anniversary of the terrorist crime committed in lower Manhattan, purchasing agents were asked if the prospect of further attacks has materially affected costs at their company and, by extension, profitability, hiring and activity levels. Although some respondents were unsure, the overwhelming majority said “no,” suggesting that security-related costs will not be an impediment to the eventual revival of the New York City economy. Commenting on these findings, Marc M. Goloven, senior regional economist at JPMorganChase and Chair of the NAPM-NY Business Survey Committee stated that “...the September results provide a welcome breath of fresh air compared with the glum findings of the preceding nine months. But whether this encouraging news persists in the months ahead remains to be seen; what we do know is that if the financial markets continue to improve, technology and advertising spending revives and the employment drought dissipates, then the approaching holiday season will be a lot more joyous for a lot more New Yorkers than it has been over the past two-plus years.”

New York City Business Conditions Indexes

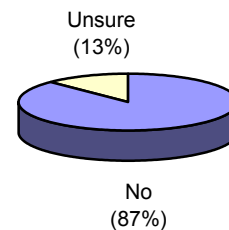
(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
July'01	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
August	221.7	43.6	81.6	39.4	57.1
September	222.2	51.1	90.2	46.8	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.

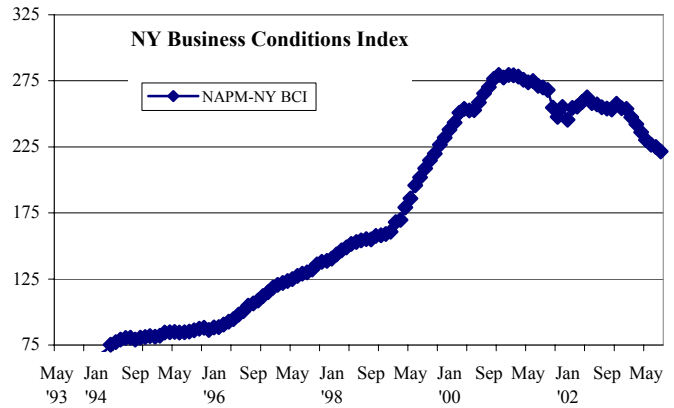
Has the prospect of terrorism materially affected costs at your company?



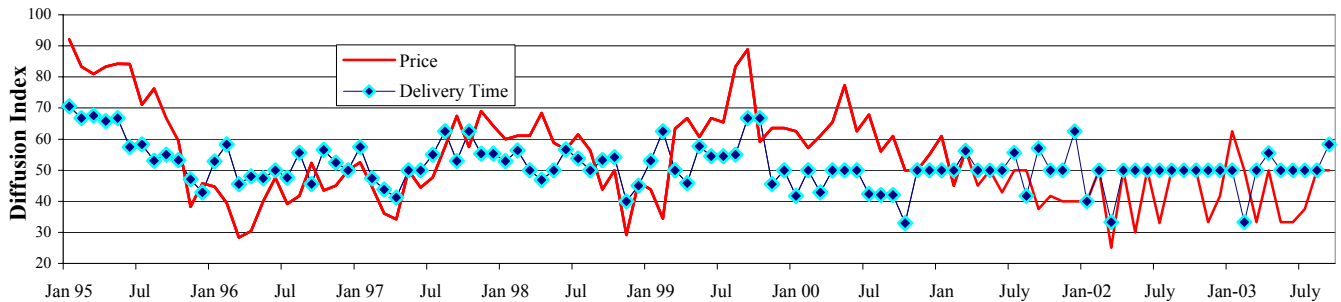
New York Business Conditions Index

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.

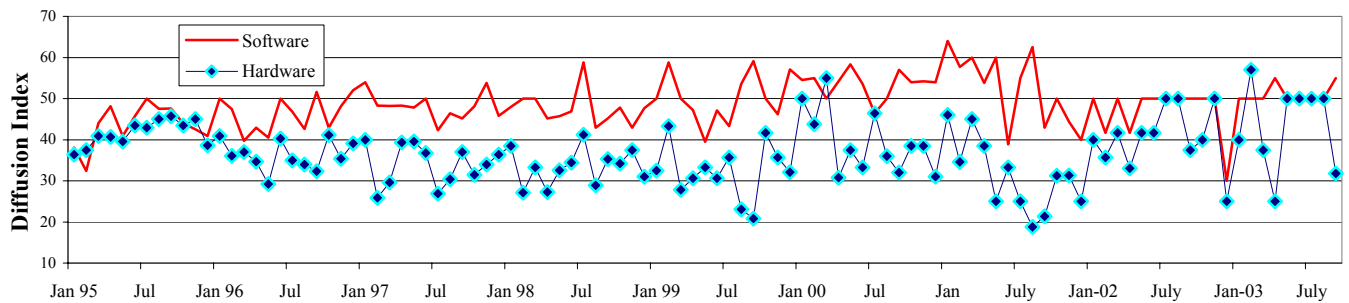
	Sep	Aug	Jul	Jun	Year ago Sep
NY BCI	222.2	221.7	224.9	226.7	254.0
% Change M/M	0.2	-1.4	-0.8	-1.5	-0.4



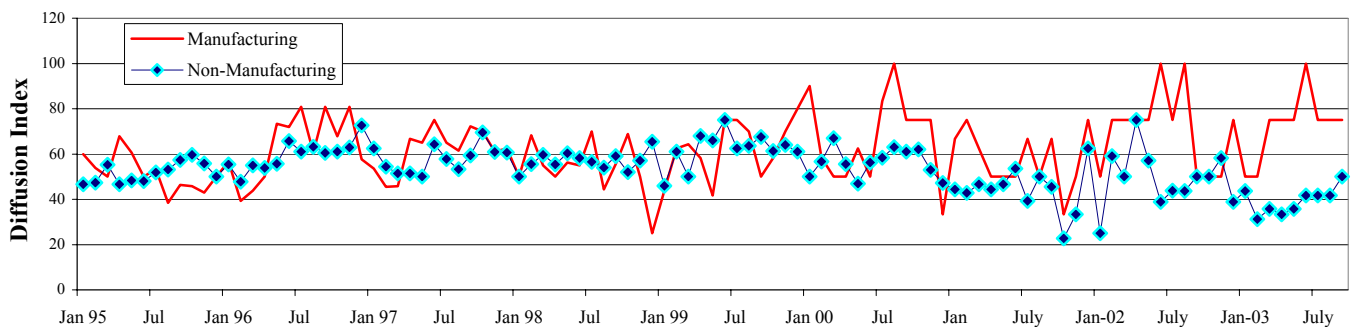
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



Current Conditions - Manufacturing vs. Non-Manufacturing Activity

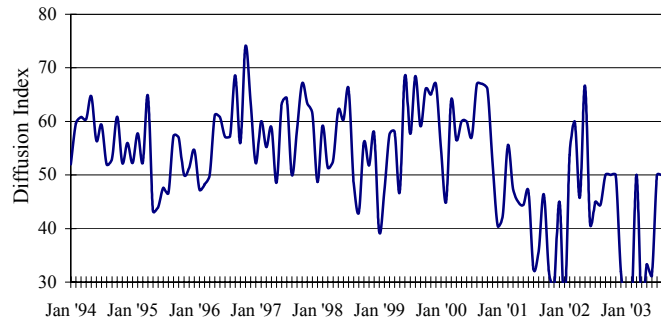


Quantity of Purchases

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

	Sep	Aug	Jul	Jun	May	Year ago Sep
Composite	56	50	50	31	33	50
Manufacturing	100	100	50	50	50	50
Non-Mfg.	41	41	50	25	28	50

Quantity of Purchases

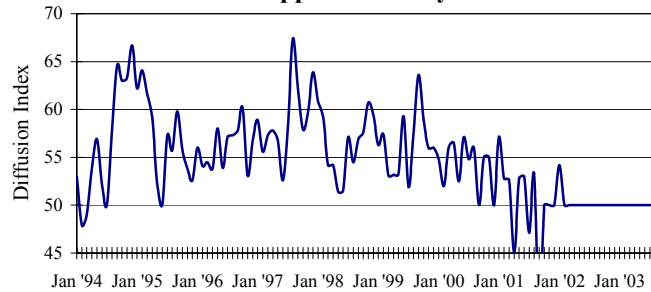


Supplier Delivery Time

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.

	Sep	Aug	Jul	Jun	May	Year ago Sep
Composite	50	50	50	50	50	50
Manufacturing	50	50	50	50	50	50
Non-Mfg.	50	50	50	50	50	50

Supplier Delivery Time

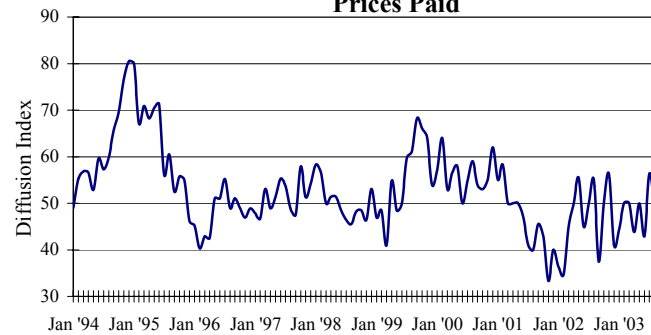


Prices Paid

The change from the prior month in prices of items -- goods and services, purchased. This is an overall evaluation weighted by quantity of purchase.

	Sep	Aug	Jul	Jun	May	Year ago Sep
Composite	43	50	56	42	50	37
Manufacturing	25	50	50	25	50	50
Non-Mfg.	50	50	38	50	50	35

Prices Paid

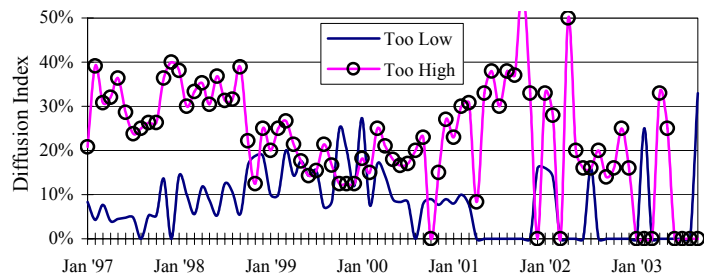


Finished Goods Inventory Relative to Use

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

	Sep	Aug	Jul	Jun	May	Year ago Sep
Composite	33	50	50	50	62	57
% too high	0	0	0	0	25	14
Manufacturing	25	50	50	50	75	75
Non-Mfg.	50	50	50	50	50	50

Finished Goods Inventory vs. Expected Use

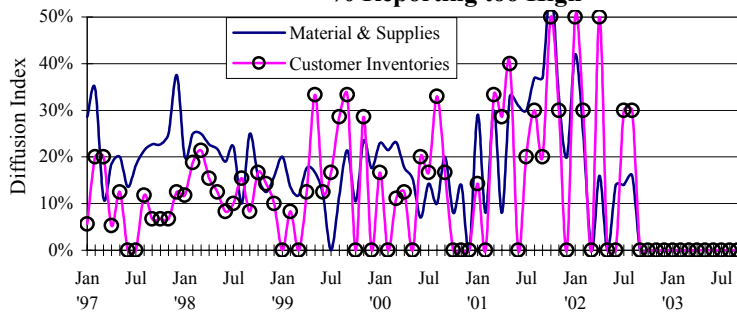


Raw Materials & Customer Inventory

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

	Year ago					
	Sep	Aug	Jul	Jun	May	Sep
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



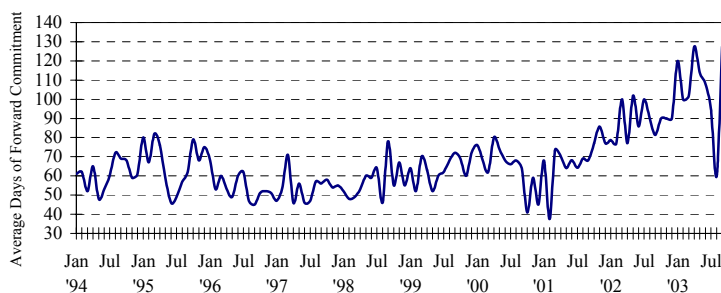
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Sep	Aug	Jul	Jun	May	Sep
Average Days	127	60	95	108	114	81

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



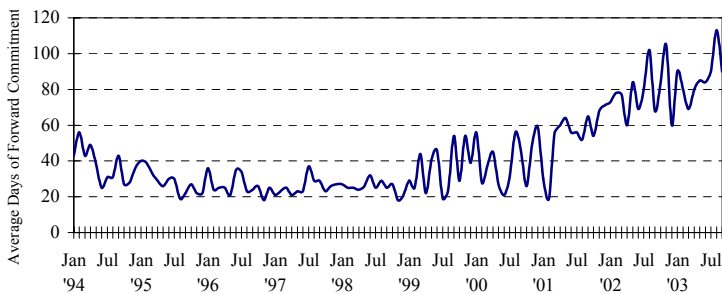
Buying Policy for MRO Supplies

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

	Year ago					
	Sep	Aug	Jul	Jun	May	Sep
Average Days	90	113	90	84	85	68

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

MRO Supplies



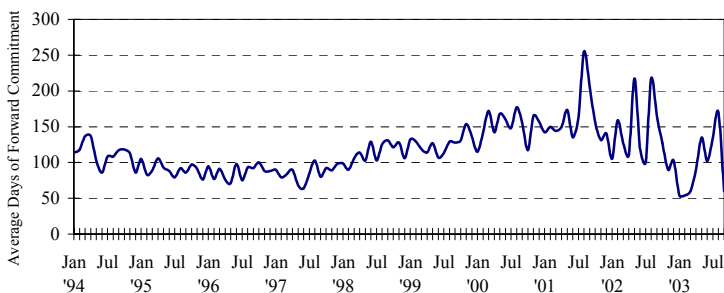
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Sep	Aug	Jul	Jun	May	Sep
Average Days	60	170	135	102	135	165

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
60	33%	0%	0%	67%	0%	0%

Capital Equipment



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---			
	Sep	Aug	Jul	Sep	Aug	Jul	
Castings	50.0		50.0	66.7		50.0	
Chemicals	50.0	50.0	50.0	50.0	50.0	50.0	
Computer Hardware	31.8	50.0	50.0	42.9	50.0	50.0	
Computer Software	+++	55.0	50.0	41.7	50.0	50.0	
Corrugated Packaging	50.0	50.0	37.5	58.3	50.0	50.0	
Electrical Components	60.0	50.0		62.5	50.0		
Energy	+++	87.5	100.0	50.0	50.0	50.0	
Ferrous Metals	50.0						
Food Products	50.0	50.0	50.0	50.0	50.0		
Glass	50.0						
Hydraulic Components	50.0			50.0			
Medical Supplies	66.7	50.0		75.0	50.0		
Nonferrous Metals	50.0	75.0	62.5	50.0	50.0	50.0	
Office Equipment (non-computer)	45.8	50.0	50.0	43.8	50.0	50.0	
Office Supplies	50.0	50.0	50.0	50.0	50.0	50.0	
Piping & Tubing	80.0	50.0	50.0	50.0	50.0	50.0	
Plastics	50.0	50.0	75.0	50.0	50.0	50.0	
Plating	55.0	50.0	50.0	50.0	50.0	50.0	
Printing Paper	+++	50.0	62.5	50.0	33.3	66.7	
Rubber Products	50.0		50.0				
Textile Products	75.0		50.0	50.0			
Wood & Pulp	50.0		50.0	75.0		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	+++	57.4	50.0				50.0
Construction	+++	58.3	50.0				50.0
Painting		60.0					50.0
Engineering		50.0					50.0
Architectural	+++	57.1	50.0				50.0
Temporary Personnel		50.0	50.0				50.0
Computer Consultants		50.0	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. Lots of talk about economy improving in NY metro, but no hard signs of it yet!

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.