



NEW YORK CITY REPORT ON BUSINESS
APPROACHING HOLIDAYS... APPROACHING RECOVERY

Just in time for the approach of the Holidays, the New York City economy appears to be approaching the threshold of recovery, and is hesitantly emerging from the protracted and deep recessionary slump of the past 2-1/2 years. These are the cheerful tidings embedded within the findings of the latest monthly survey of Big Apple purchasing managers conducted by the National Association of Purchasing Management-New York (NAPM-NY), an organization that often acts as a tripwire signaling alterations of major and minor importance in the local business pace. For although the economy of the five boroughs remains beset with a lingering caution, if not an outright torpor in such industries as computer services, advertising and, arguably, some segments of the real estate market, not to mention bedeviled by expectations of future municipal budget deficits, the business climate is surely warming elsewhere, especially in the pivotal financial services industry whose travails, and layoffs, in recent years soured everything from apartment sales to income growth to restaurant receipts. While the free-spending days of the "dot-com" excesses, and the torrid hiring of the financial industry that defined the late 1990s boom, are only distant memories, so, too, is the acute phase of the downturn endured throughout much of last year, when job losses were mounting and recovery prospects seemed dim.

Some of the most convincing evidence of the recent turn-for-the-better, besides an unanticipated swell of municipal tax receipts, can be found in the cold calculus of the job statistics and anecdotal arcana of "life in the city." Among the former: Private industry added 2,800 jobs in October, after seasonal adjustment, according to the New York City Comptroller's Office, an increase that comes on top of a 21,100 position advance in September; the job count in both the commercial banking and brokerage industries is on the upswing according to the State Labor Department, breaking the cycle of persistent financial industry layoffs and amplifying the solid employment advances in such other mainstay industries as healthcare and private education (colleges and universities now employ almost as many New Yorkers as does the real estate industry); and the citywide unemployment rate, while still well above the national and statewide averages, dropped from 8.8 percent in September to 8.2 percent in October. Among the anecdotal evidence: A greater difficulty in securing private car services during peak hours—due not to a lessened number of drivers, but rather a large number of recently-signed corporate clients.

The long-awaited resumption of employment creation is coinciding with a string of monthly gains in the Business Conditions Index (BCI) of the NAPM-NY, the Association's composite gauge of current economic activity. The BCI, which tends to mirror employment trends, has now been increasing for three straight months, rising by 0.4 percent in November month-over-month, and reaching a level of 227.3. Since September, when the ascent of this Index began, the BCI has risen by 2-1/2 percent—hardly breathtaking, to be sure, but sufficient to raise the possibility that the gross city product (GCP) may rise in the fourth quarter of this year which, if it does, would probably be the first quarterly advance in the GCP since late 2000 (the third quarter has yet to be estimated by the Comptroller's Office). And, although this month's increase was more subdued than in October, it was again broadly distributed. Both the non-manufacturing and manufacturing diffusion indexes remained in expansionary territory in November; in fact, for the first time this year, no respondents reported a deterioration in business conditions in November.

Despite the acceleration of business activity, there are few signs of any revival of inflation. No respondents reported higher prices in November, nor did any cite a slowing of supplier deliveries; the absence of inflation is one of the reasons underlying unflinching purchasing agent optimism. The NAPM-NY outlook/expectations index stood at 57.4 in November, somewhat below October's level, but slightly better than in November 2002. However, this upbeat mood does not extend to the upcoming Holiday selling season—two-thirds of the purchasing managers surveyed believe sales will be only "so-so." Commenting on these findings, Marc M. Goloven, senior regional economist at JPMorganChase and Chair of the NAPM-NY Business Survey Committee stated that "...the ongoing improvement in the New York City economy over the past three months may be a harbinger of a far better year in 2004 than was 2003. Further gains in the national business pace and the financial markets will only serve to hasten the Big Apple's recovery—which cannot come soon enough for the residents and businesses of the five boroughs. Let's hope the wait is over."

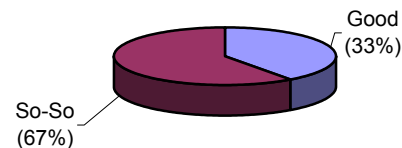
New York City Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
September'01	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
October	226.4	58.2	90.0	54.7	62.5
November	227.3	51.9	54.4	51.6	57.4

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

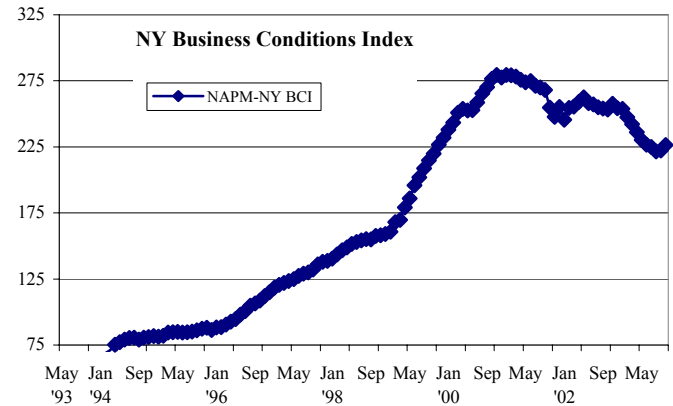
How do you assess the outlook for holiday sales?



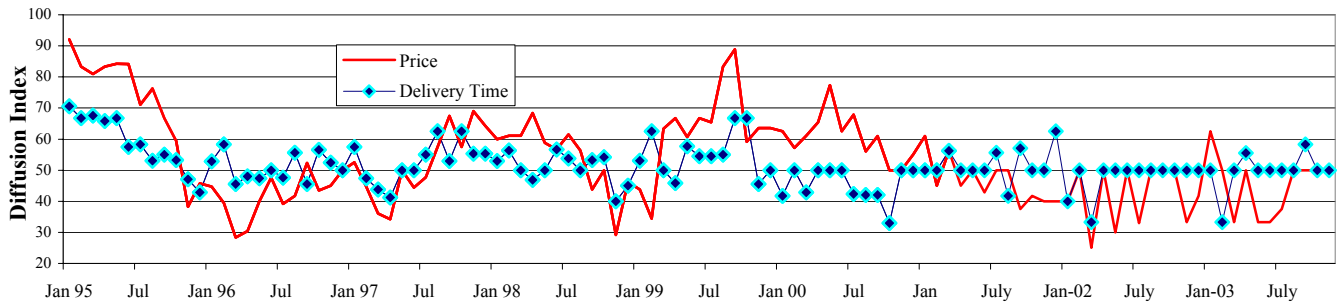
New York Business Conditions Index

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.

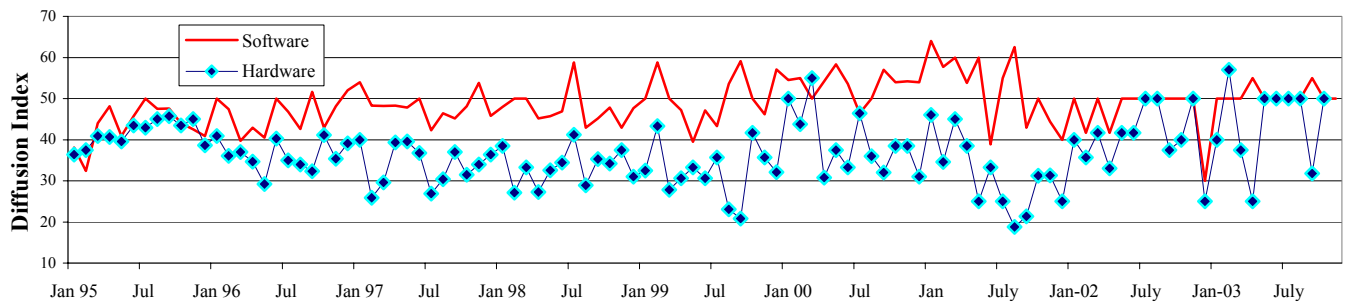
	Nov	Oct	Sep	Aug	Year ago Nov
NY BCI	227.3	226.4	222.2	221.7	257.6
% Change M/M	0.4	1.9	0.2	-1.4	1.7



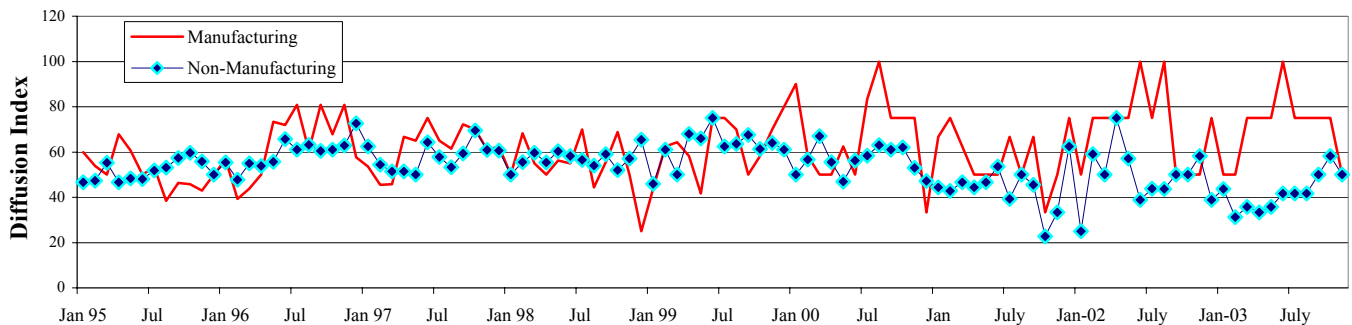
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



Current Conditions - Manufacturing vs. Non-Manufacturing Activity

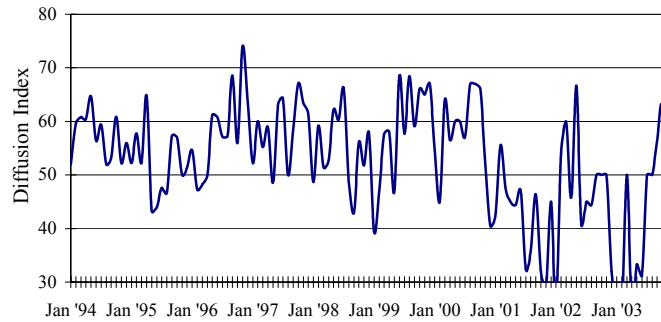


Quantity of Purchases

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

	Year ago					
	Nov	Oct	Sep	Aug	Jul	Nov
Composite	35	62	56	50	50	50
Manufacturing	50	75	100	100	50	50
Non-Mfg.	30	58	41	41	50	50

Quantity of Purchases

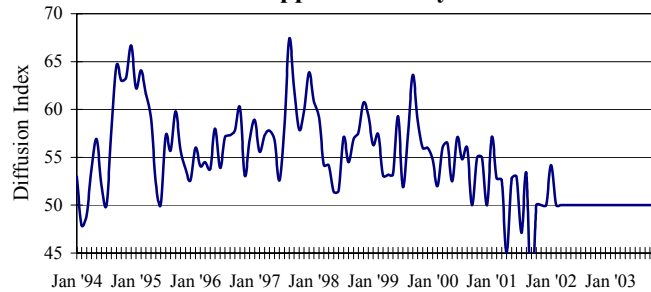


Supplier Delivery Time

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.

	Year ago					
	Nov	Oct	Sep	Aug	Jul	Nov
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

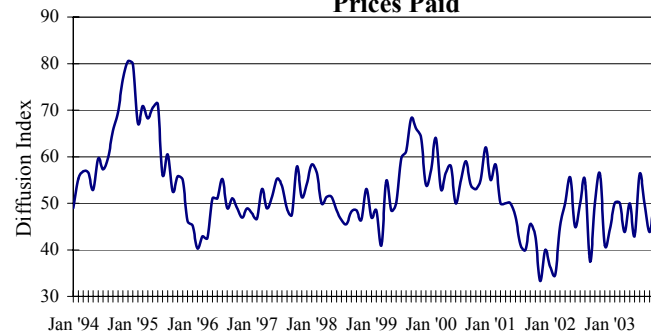


Prices Paid

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

	Year ago					
	Nov	Oct	Sep	Aug	Jul	Nov
Composite	50	50	43	50	56	56
Manufacturing	50	50	25	50	50	75
Non-Mfg.	50	50	50	50	38	50

Prices Paid

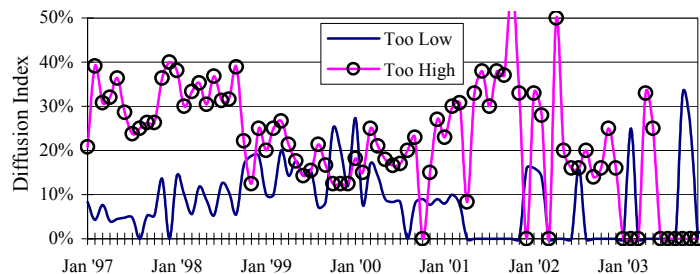


Finished Goods Inventory Relative to Use

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

	Year ago					
	Nov	Oc	Sep	Aug	Jul	Nov
Composite	50	37	33	50	50	58
% too high	0	0	0	0	0	16
Manufacturing	50	25	25	50	50	75
Non-Mfg.	50	50	50	50	50	50

Finished Goods Inventory vs. Expected Use

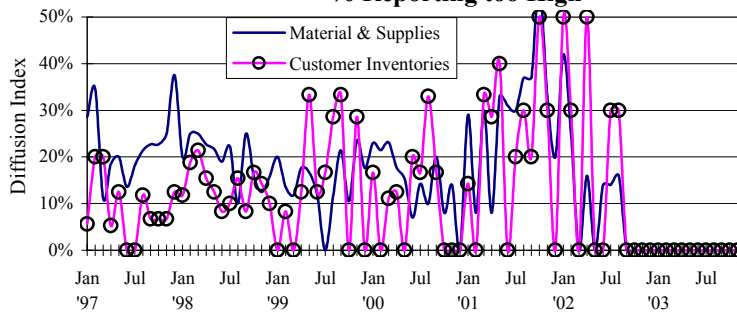


Raw Materials & Customer Inventory

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

	Year ago					
	Nov	Oct	Sep	Aug	Jul	Nov
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



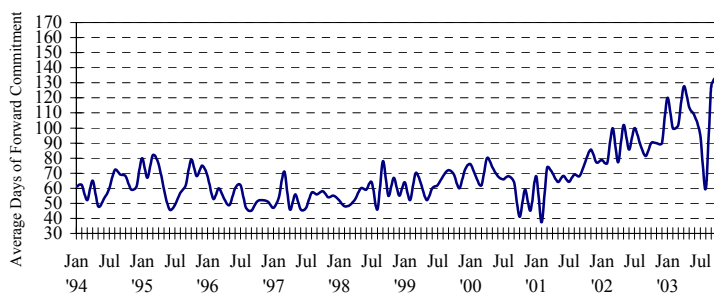
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Nov	Oct	Sep	Aug	Jul	Nov
Average Days	160	135	127	60	95	90

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
160	0%	0%	67%	0%	0%	33%

Production Materials



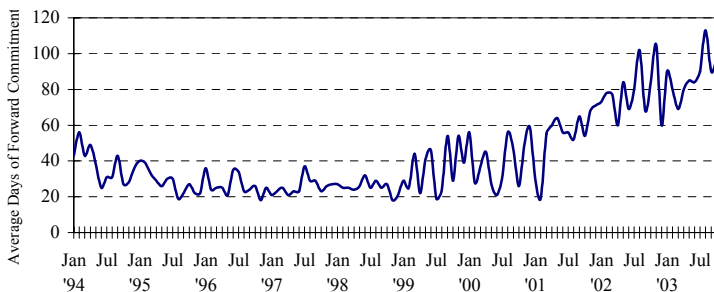
Buying Policy for MRO Supplies

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

	Year ago					
	Nov	Oct	Sep	Aug	Jul	Nov
Average Days	90	96	90	113	90	105

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



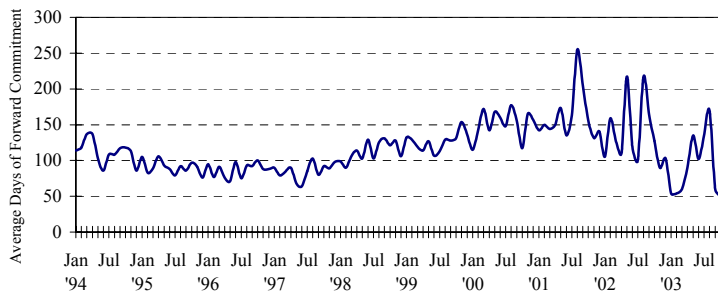
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Nov	Oct	Sep	Aug	Jul	Nov
Average Days	60	50	60	170	135	90

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 ---		
	Nov	Oct	Sep	Nov	Oct	Sep
Castings	50.0	50.0	50.0	50.0	50.0	66.7
Chemicals	50.0	50.0	50.0	50.0	50.0	50.0
Computer Hardware	50.0	50.0	31.8	50.0	50.0	42.9
Computer Software	+++ 50.0	50.0	55.0	50.0	50.0	41.7
Corrugated Packaging	50.0	50.0	50.0	50.0	62.5	58.3
Electrical Components		50.0	60.0			62.5
Energy	+++ 100.0	50.0	87.5		50.0	50.0
Ferrous Metals			50.0			
Food Products		50.0	50.0		50.0	50.0
Glass			50.0			
Hydraulic Components			50.0			50.0
Medical Supplies		50.0	66.7		50.0	75.0
Nonferrous Metals	75.0	66.6	50.0	25.0	50.0	50.0
Office Equipment (non-computer)	50.0	50.0	45.8	50.0	50.0	43.8
Office Supplies	50.0	50.0	50.0	50.0	50.0	50.0
Piping & Tubing		50.0	80.0		50.0	50.0
Plastics	50.0	50.0	50.0	50.0	50.0	50.0
Plating	50.0	50.0	55.0	50.0	50.0	50.0
Printing Paper	+++ 50.0	50.0	50.0	50.0	50.0	50.0
Rubber Products			50.0			
Textile Products			75.0			50.0
Wood & Pulp	100.0	50.0	50.0	50.0	50.0	75.0
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	50.0	57.4			
Construction	+++ 50.0	50.0	58.3			
Painting			60.0			
Engineering		50.0	50.0			
Architectural	+++ 50.0	50.0	57.1			
Temporary Personnel		50.0	50.0			
Computer Consultants		50.0	0.0	50.0		

+++ = 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.