



NEW YORK CITY REPORT ON BUSINESS
RING OUT THE RECESSION...RING IN THE RECOVERY

As the year 2003 passes into the historical ledgers, not only is a new year being ushered in but, so, too, is the onset of New York City's economic recovery, according to the findings of the latest monthly survey of Big Apple purchasing managers conducted by the *National Association of Purchasing Management-New York (NAPM-NY)*. For after experiencing a protracted, nearly three-year business slump, there are multiplying signs of a gathering economic rebound; the most recent indicate that this year is ending on an extremely upbeat note. The New York City Comptroller's Office—one of the first to pronounce the recession's remission—recently reported that the *gross city product* actually expanded slightly in the third quarter of 2003, the first quarterly increase since the fourth quarter of 2000; the *State Labor Department* stated that the citywide jobless rate dipped to 7.7 percent in November, the lowest monthly unemployment rate since March 2002; the brokerage industry is enjoying a record-setting restoration of profitability; corporate event planners are noticing a swell of activity, a time-tasted harbinger of a broader advertising industry rebound; and tourists are again filling hotels, restaurants and sidewalks.

As 2003 rings out the recession, the quickening business pace now being felt by local purchasing managers promises to ring in the recovery in the new year. And, if the purchasing managers' assessment of the economic climate is correct, the *current burst of activity may herald a recovery that will be far stronger than what even the most optimistic analyst might have hoped for*. For the torrid national rebound is having a beneficial impact here; the *Business Conditions Index (BCI)* of the *NAPM-NY*, the Association's principal gauge of current economic conditions soared in December. As shown in the table opposite, the *BCI* rose to 242.6 in December, an increase of 6.7 percent compared with November levels. This is the biggest month-over-month advance since mid-1993; while the implications of an increase of this size upon the coming course of events seemingly bode well, *they should not be exaggerated*. This is because New York City is currently in the process of recapturing some of the ground lost over the past three years, rather than scaling new heights of prosperity; although this is inarguably better than the continued contraction of the local economy, it does not mean that jobs are again abundant, or that Downtown Manhattan is thriving or that the Mayor's budget woes are resolved.

Although the recovery will surely affect different industries at different speeds, the business upturn in December was broadly-distributed across the industry spectrum, *affecting both manufacturers—who have been experiencing improving conditions for much of the year—as well as the service-providing industries, whose betterment is of more recent vintage*. Either way, no respondents in the latest survey reported a deterioration of business conditions in December; reflecting this, the *current conditions diffusion index*, which measures the industry breadth of economic expansions and contractions, rose to 80.7 in December, up from 51.9 in November. Since readings above 50 are generally indicative of an expanding economy, the December outcome marks the *fourth straight month* in which the city's economy grew according to local purchasing agents—this finding is supportive of the *City Comptroller's* assertion that the recovery commenced in the third quarter of 2003. What's more, there are few signs of upward price pressures; prices paid for most items are stable.

The reawakening of New York City's economy is beneficially affecting purchasing manager spirits. The *NAPM-NY outlook/expectations index* vaulted higher in December, closing the year at one of the highest levels ever reached. But while purchasing agents are upbeat about the local economy, *many are not so sanguine about the national outlook—a sizable minority, 40 percent, do not expect the nation's recovery to last throughout 2004*. Commenting on these findings, Marc M. Goloven, senior regional economist at *JPMorganChase* and Chair of the *NAPM-NY Business Survey Committee* stated that "...it now appears that the protracted Big Apple recession of the past 2-1/2 years is largely over. While jobs are still in short supply and the unemployment rate is still too high, the good news is that improvement is likely in 2004; although there are no guarantees, at least the supporting evidence is now on the side of the optimists."

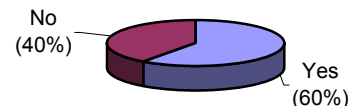
New York City Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
October'01	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
December	242.6	80.7	82.3	80.5	90.0

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

Will the national recovery persist throughout 2004?

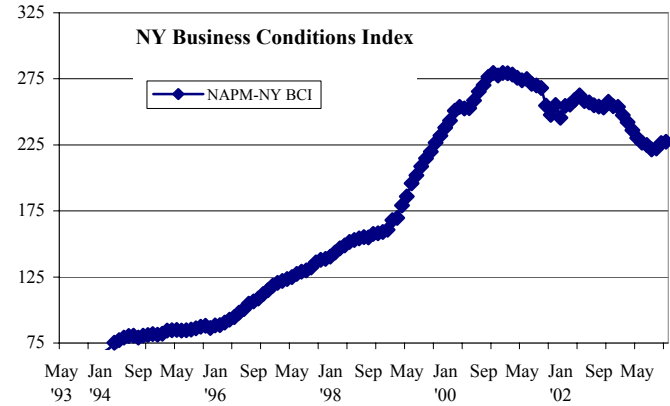


New York Business Conditions Index

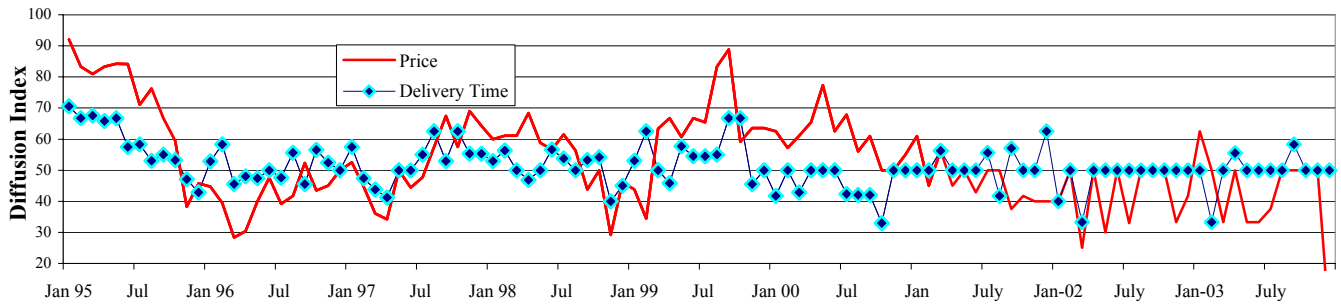
The NY business conditions index is a cumulative diffusion index of the NYC-area's current business conditions. The BCI tends to precede or move with local-area employment. However, the employment data are available 1 or 2 months later than that of the NAPM-NY BCI.

	Dec	Nov	Oct	Sep	Year ago Dec
NY BCI	242.6	227.3	226.4	222.2	254.3
% Change M/M	6.7	0.4	1.9	0.2	-1.3

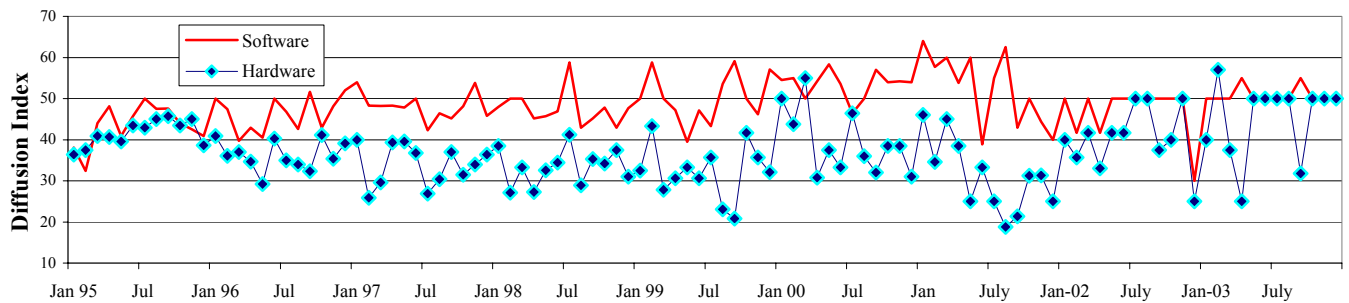
Comments: Uptick in activity; very controlled budget growth.



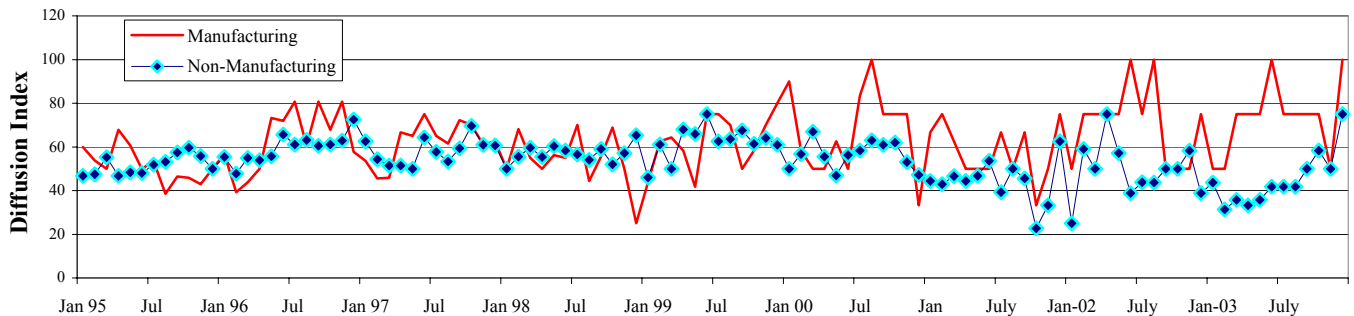
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



Current Conditions - Manufacturing vs. Non-Manufacturing Activity

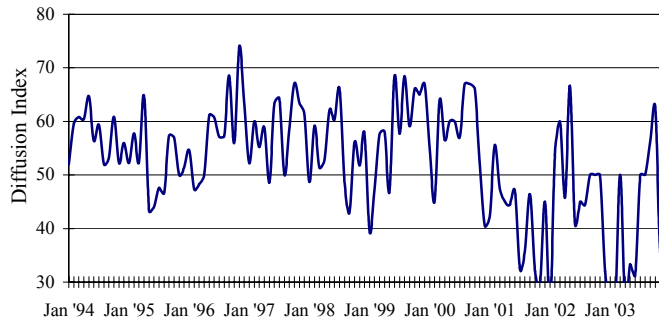


Quantity of Purchases

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

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Composite	40	35	62	56	50	32
Manufacturing	50	50	75	100	100	50
Non-Mfg.	37	30	58	41	41	27

Quantity of Purchases

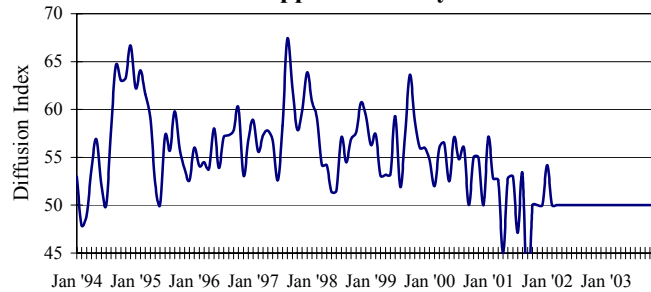


Supplier Delivery Time

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					
	Dec	Nov	Oct	Sep	Aug	Dec
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

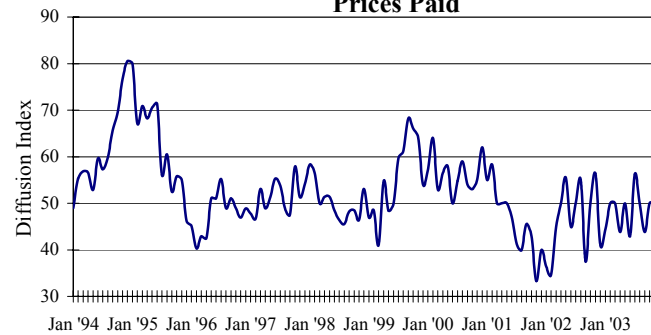


Prices Paid

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					
	Dec	Nov	Oct	Sep	Aug	Dec
Composite	50	50	50	43	50	41
Manufacturing	50	50	50	25	50	25
Non-Mfg.	50	50	50	50	50	44

Prices Paid

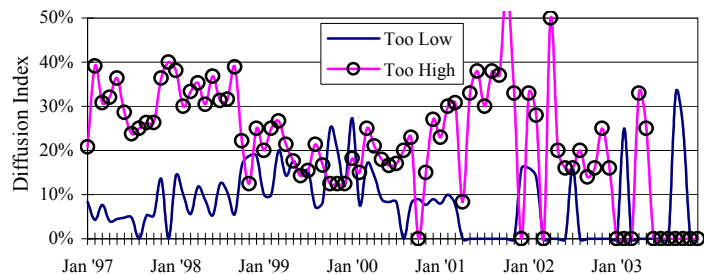


Finished Goods Inventory Relative to Use

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

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Composite	50	50	37	33	50	58
% too high	0	0	0	0	0	0
Manufacturing	50	50	25	25	50	50
Non-Mfg.	0	50	50	50	50	62

Finished Goods Inventory vs. Expected Use

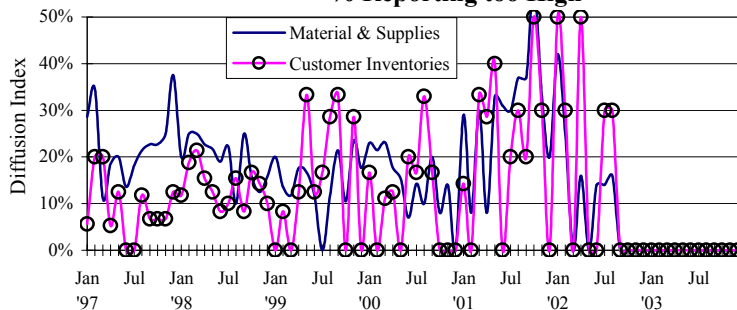


Raw Materials & Customer Inventory

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

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
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



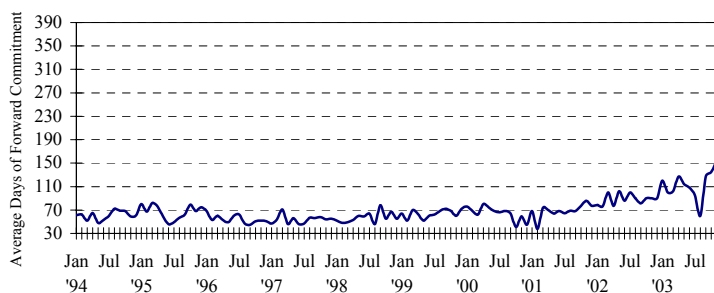
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Average Days	360	160	135	127	60	90

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
360	0%	0%	0%	0%	0%	0%

Production Materials



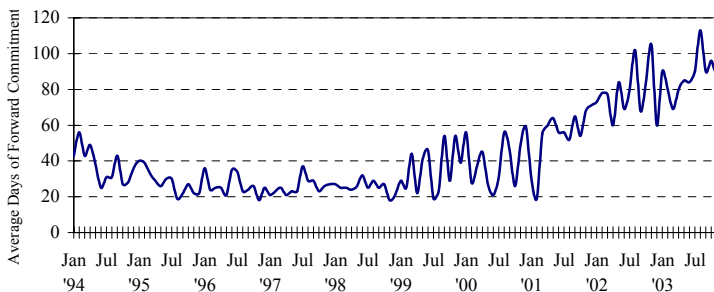
Buying Policy for MRO Supplies

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

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Average Days	113	90	96	90	113	25

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
113	0%	75%	0%	0%	0%	25%

MRO Supplies



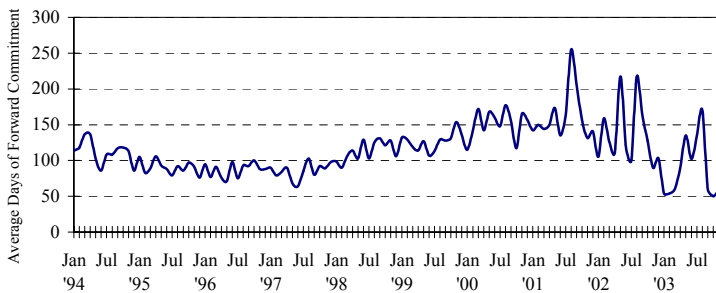
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Average Days	105	60	50	60	170	102

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
105	0%	0%	25%	50%	25%	0%

Capital Equipment



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Dec	Nov	Oct	Dec	Nov	Oct
Castings		50.0	50.0		50.0	50.0
Chemicals			50.0		50.0	50.0
Computer Hardware		50.0	50.0	50.0	50.0	50.0
Computer Software	+++	50.0	50.0	55.0	50.0	50.0
Corrugated Packaging		0.0	50.0	50.0	50.0	62.5
Electrical Components						50.0
Energy	+++		100.0	50.0		50.0
Ferrous Metals						
Food Products			50.0	50.0		50.0
Glass						
Hydraulic Components						
Medical Supplies						50.0
Nonferrous Metals		100.0	75.0	66.6	50.0	25.0
Office Equipment (non-computer)		50.0	50.0	50.0	50.0	50.0
Office Supplies		50.0	50.0	50.0	50.0	50.0
Piping & Tubing						80.0
Plastics			50.0	50.0		50.0
Plating					50.0	50.0
Printing Paper	+++	50.0	50.0	50.0	50.0	50.0
Rubber Products						
Textile Products						
Wood & Pulp			100.0	50.0		50.0
Services (Contracted)						
Cleaning	+++		50.0	50.0		
Construction	+++		50.0	50.0		
Painting						
Engineering		50.0	50.0			
Architectural	+++	50.0	50.0	50.0		
Temporary Personnel		50.0	50.0	50.0		
Computer Consultants		50.0	50.0	0.0		

"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.

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

Items in Short Supply

Purchaser Comments

1. Expecting an uptick in purchasing activity next year.

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.