



NEW YORK CITY REPORT ON BUSINESS
JANUARY THAW . . . THE ECONOMY HEATS UP

Although most New Yorkers are eagerly awaiting a climatological thaw following a protracted stretch of harsh winter weather, for the moment they will have to be satisfied with a somewhat different January thaw—*namely, a further warming of the Big Apple economy.* This is the finding of the latest monthly survey of New York City purchasing managers conducted by the *National Association of Purchasing Management-New York (NAPM-NY)*; it now appears that the recognizable signs of recovery that began to emerge in the second half of last year are providing a substantial lift to the economy in the new year. These signs included a surge of yearend visitors to view the Holiday trimmings, rising hotel occupancy and crowded restaurants, a restoration of brokerage industry profitability and fatter bonus payments and a striking turnaround in the near-term fiscal fortunes of the five boroughs. On the opposite side of the ledger, the labor market is still admittedly beleaguered, as it is in many other locales—according to the *City Comptroller*, 800 private sector jobs were lost in December after adjusting for seasonal variations, a modest number to be sure, unless you happened to be one of the unfortunate 800 who lost a job.

Nonetheless, there are noteworthy improvements even in the job market that bode well for the year ahead. After declining by 38,000 positions, or 19 percent, during the 36-months ending in December 2003, the job count in the backbone brokerage industry is stabilizing and incomes are rising; so, too, the massive loss of jobs in the technology and telecommunications industries—which had been averaging 2,500 positions *each month* between end-2000 and mid-2003 according to the *State Labor Department*—has come to a virtual halt. *The brightening of the employment picture in these industries, and others, reflects an intensification of activity levels, a progression of beneficial events currently being noticed by local purchasing agents.* With the business pace accelerating, the *Business Conditions Index (BCI)* of the *NAPM-NY*, the Association's principal gauge of current economic conditions, advanced smartly in January. As shown in the table opposite, the *BCI* rose to 257.3 in January, an increase of 6.1 percent compared with month-earlier levels. This gain lifted the *BCI* to its highest monthly level since November 2002, and caps a two-month advance of 13.2 percent—the *biggest two-month increase in over a decade.*

As in December, the warming of the economy in January was broadly-based, and was widely-distributed across the industry spectrum. Both manufacturing and service-providing businesses were encompassed in the cocoon of the economic upturn; with no firms reporting a deterioration of the business pace in January, and an expansive minority stating that business was improving, the *current conditions diffusion index*, which measures the industry breadth of economic expansions and contractions, remained at a lofty level. It stood at 79.4 in January, retaining virtually all of the gain of December; *the services-providing industries, in fact, commenced the year on their most upbeat footing since the onset of recession in 2001.* On a less sanguine note, some services businesses are reporting upward price pressures in January following a prolonged period of price stability—they are still a small minority, however, and vendor performance, or supplier delivery times, showed no such deterioration.

Not surprisingly, the intensification of economic activity is bolstering the spirits of Big Apple purchasing agents. The *NAPM-NY outlook/expectations index* has soared over the past two months as outright optimism has replaced the guarded caution of the past two years; one reason for the upbeat assessment may be due to interest rate expectations. Very few purchasing managers expect an increase in interest rates in the first half of this year—the *majority believes that the Federal Reserve will remain on the sidelines until the second half of the year, at the earliest, before tightening monetary policy.* Commenting on these findings, Marc M. Goloven, senior regional economist at *JPMorganChase* and Chair of the *NAPM-NY Business Survey Committee* stated that “...the improvement in the local economy has now been underway for five straight months, an advance that was modest in the beginning, but has accelerated decidedly over the past two months. But unless the job market mirrors these gains, the average New Yorker may be unconvinced that the economy has turned the corner—and until then, today's recovery will remain incomplete.”

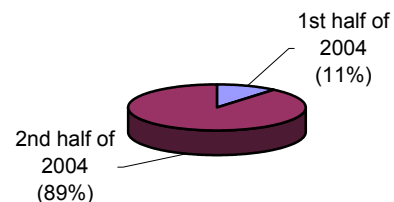
New York City Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
November'01	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
January '04	257.3	79.4	87.6	78.5	88.9

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

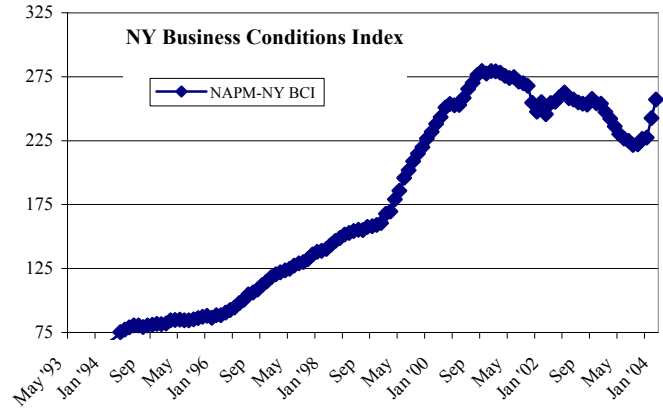
The Federal Reserve may raise short-term interest rates this year. If so, do you believe this will occur in:



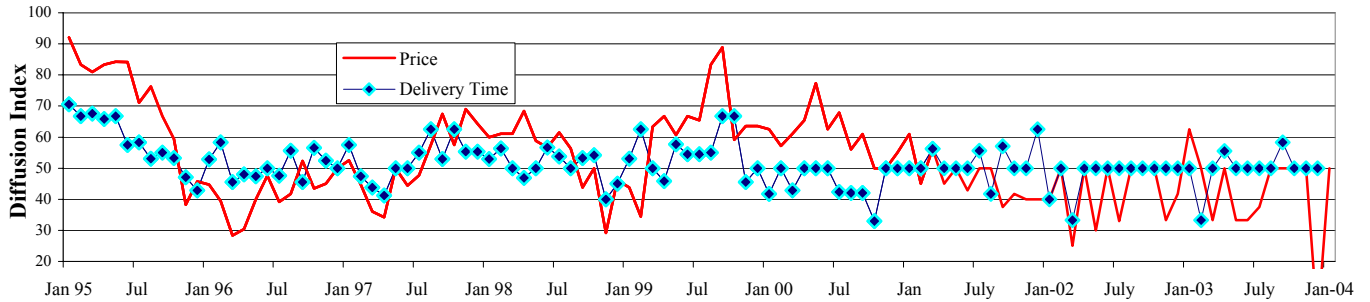
New York Business Conditions Index

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.

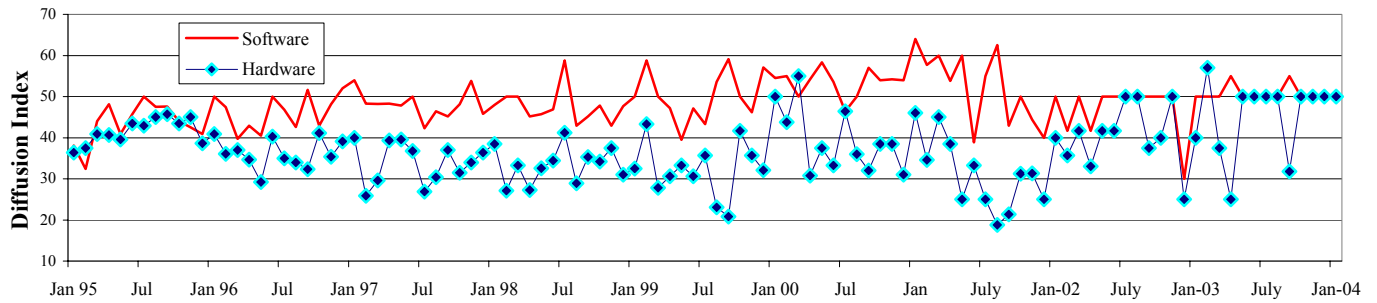
	Jan	Dec	Nov	Oct	Year ago Jan
NY BCI	257.3	242.6	227.3	226.4	253.8
% Change M/M	6.1	6.7	0.4	1.9	-0.2



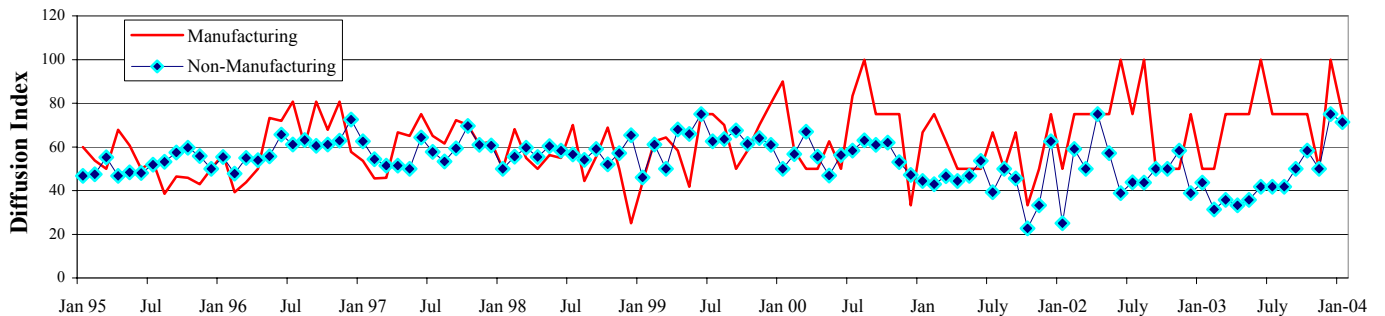
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



Current Conditions - Manufacturing vs. Non-Manufacturing Activity

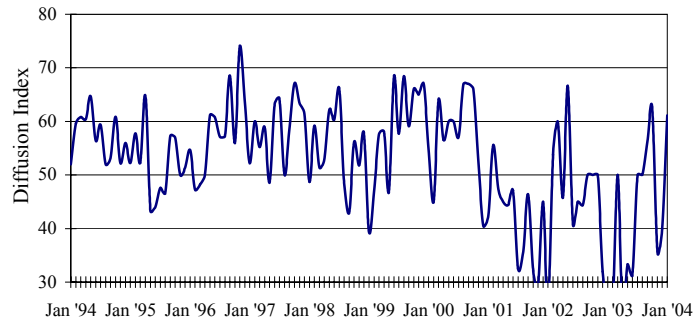


Quantity of Purchases

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

	Jan	Dec	Nov	Oct	Sep	Year ago Jan
Composite	61	40	35	62	56	25
Manufacturing	75	50	50	75	100	50
Non-Mfg.	57	37	50	58	41	21

Quantity of Purchases

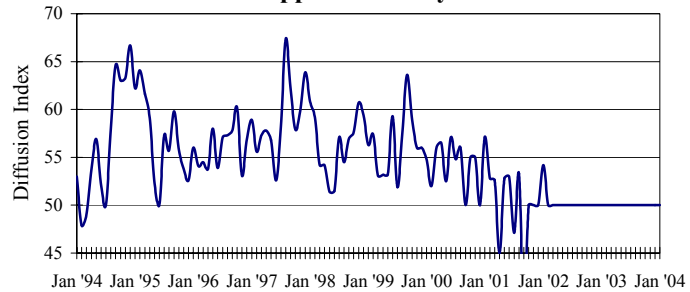


Supplier Delivery Time

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.

	Jan	Dec	Nov	Oct	Sep	Year ago Jan
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

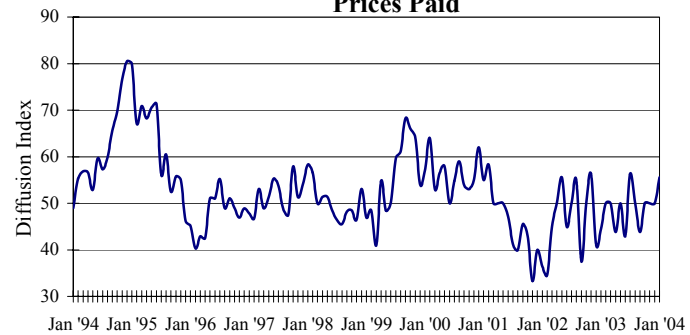


Prices Paid

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

	Jan	Dec	Nov	Oct	Sep	Year ago Jan
Composite	55	50	50	50	43	44
Manufacturing	50	50	50	50	25	50
Non-Mfg.	57	50	50	50	50	43

Prices Paid

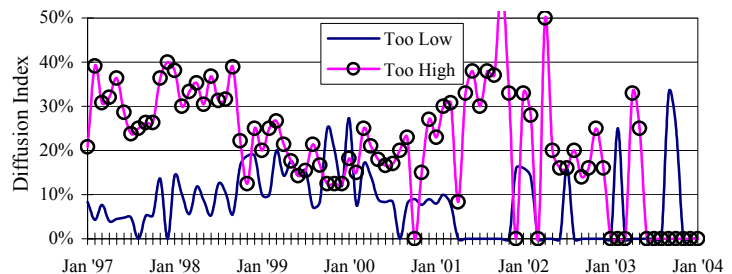


Finished Goods Inventory Relative to Use

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

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

Finished Goods Inventory vs. Expected Use

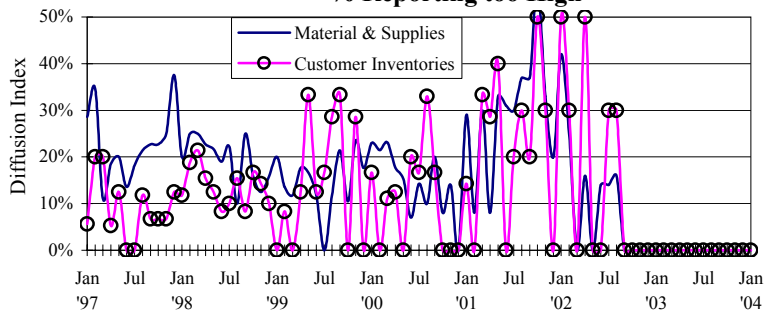


Raw Materials & Customer Inventory

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

	Year ago					
	Jan	Dec	Nov	Oct	Sep	Jan
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



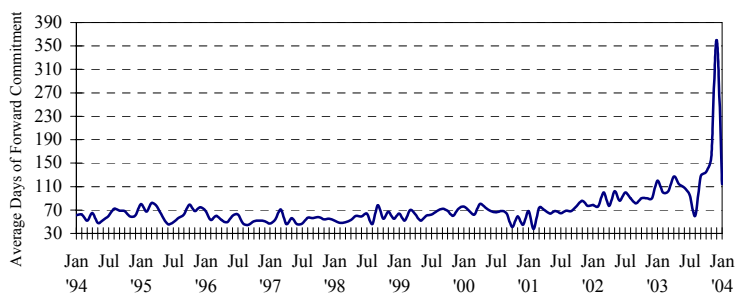
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Jan	Dec	Nov	Oct	Sep	Jan
Average Days	114	360	160	135	127	120

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
114	0%	40%	20%	20%	0%	20%

Production Materials



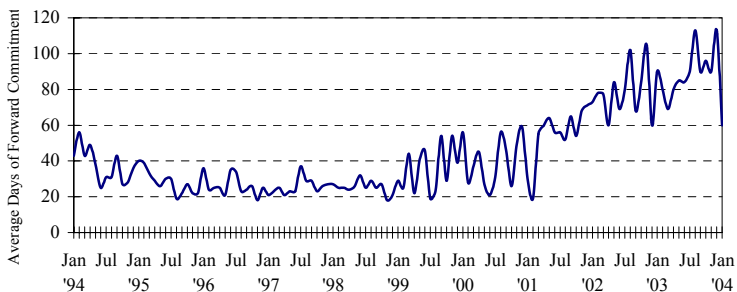
Buying Policy for MRO Supplies

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

	Year ago					
	Jan	Dec	Nov	Oct	Sep	Jan
Average Days	60	113	90	96	90	90

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
60	38%	50%	0%	0%	0%	13%

MRO Supplies



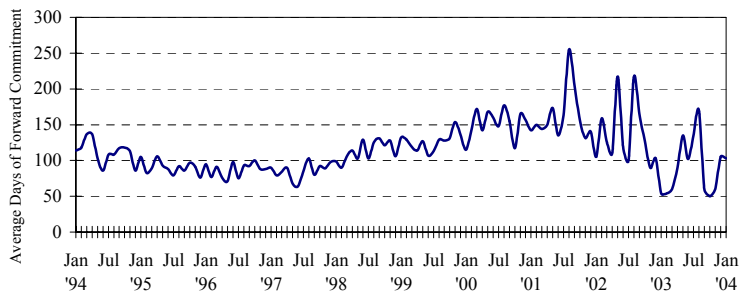
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Jan	Dec	Nov	Oct	Sep	Jan
Average Days	102	105	60	50	60	54

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
102	0%	29%	29%	29%	0%	14%

Capital Equipment



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Jan	Dec	Nov	Jan	Dec	Nov
Castings	75.0		50.0	50.0		50.0
Chemicals	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	50.0	0.0	50.0	50.0	50.0	50.0
Electrical Components	50.0			50.0		
Energy	+++ 50.0		100.0	50.0		
Ferrous Metals	100.0			50.0		
Food Products	50.0		50.0	50.0		
Glass						
Hydraulic Components						
Medical Supplies	50.0			50.0		
Nonferrous Metals	100.0	100.0	75.0		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	41.7	50.0	50.0
Piping & Tubing	75.0			50.0		
Plastics	66.7		50.0	50.0		50.0
Plating	50.0		50.0			50.0
Printing Paper	+++ 50.0	50.0	50.0	50.0	50.0	50.0
Rubber Products						
Textile Products						
Wood & Pulp	50.0		100.0	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	+++ 58.3		50.0			
Construction	+++ 62.5		50.0			
Painting	60.0					
Engineering	50.0	50.0	50.0			
Architectural	+++ 60.0	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. We expect an increase in purchasing activity in 2004.
2. Retail department stores--December sales highest month of the year.
3. Price pressure is upward due to metal increases, especially copper.

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.