



*NEW YORK CITY REPORT ON BUSINESS  
RECOVERY RETAINS ROBUST MOMENTUM*

For the sixth consecutive month, the New York City economy expanded in February, notching another monthly advance that is not only sizable, but which is also an indication that the current recovery is retaining the robust momentum that began to build in the second half of last year. This is the principal finding embedded within the results of the latest monthly survey of New York City business conditions conducted by the National Association of Purchasing Management-New York (NAPM-NY); it lends support to recent statements by Mayor Michael Bloomberg that the business climate in the Big Apple is warming and it also provides the backdrop to the ongoing improvement in the city's financial fortunes over the past several months. To be sure, not all of the economic chill has been scoured from the five boroughs—the citywide job count is still well below pre-recession levels and the unemployment rate hovers near eight percent according to the State Labor Department—but it would be far too myopic to solely focus on the dour. The pace of job losses, which were so extensive in 2002 and early 2003, has slowed to a crawl when compared with year-ago levels; the financial services industry is experiencing a solid rebound in profitability and the hiring outlook in many other industries is brightening.

All of these upbeat tidings are being noticed by local purchasing managers who, by the nature of their positions, find themselves among the first to experience even slight alterations in the business pace. Within such businesses as food manufacturing, accounting and segments of the personnel supply industry, the pace of activity is intensifying; although the job count in the accounting industry, for example, is still below its December 2000 high, hiring has resumed in earnest and personnel agencies are noting brisk demand for accounting professionals. This is but one corner of today's recovery, but it is contributing to the ongoing rise in the Business Conditions Index (BCI) of the NAPM-NY; the BCI is the Association's principal gauge of current economic conditions. This Index has been increasing since September 2003—roughly the date that the City Comptroller believes the downturn ended—but the rate of rise has accelerated decidedly over the past three months. As shown in the table, the BCI stood at a level of 267.2 in February, an increase of 3.8 percent compared with the month-earlier reading. The BCI now stands at its highest level since September 2001, a date which no New Yorker will ever forget.

The recovery so far has had two very distinct phases when looking through the lens of the BCI. The first phase, stretching from September-through-November, only hinted at the onset of recovery's dawn—during this period, the BCI rose by a modest 2-1/2 percent. Since then, the recovery's breezes have freshened—during the three-month, December 2003-February 2004 period, the BCI has soared by 17.6 percent. This dichotomy is also mirrored in the current conditions diffusion index, the gauge that measures the industry breadth of economic expansions and contractions. Over the past three months, this Index has been deeply ensconced in expansion territory (readings well above 50 are the evidence); although the 69.8 February reading is below those of December and January, this is due to the fact that a slightly smaller proportion of survey respondents reported a quickening of the monthly business pace than they did at the turn of the year. However, no businesses suffered a slowing of activity, indicating that the gains of recent months are being retained.

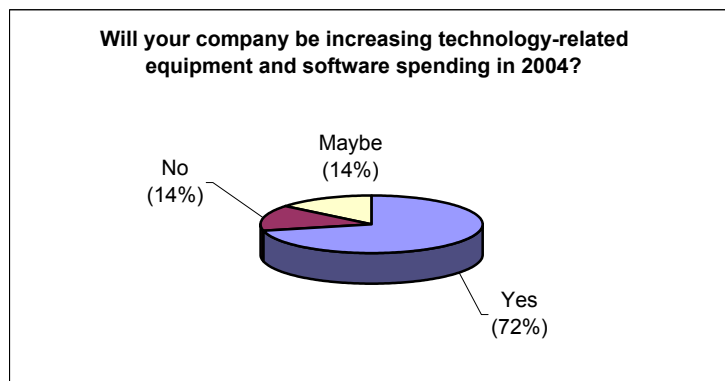
As the generally upbeat news continues, purchasing manager sentiment remains at optimistic levels. The NAPM-NY outlook/expectations index has vaulted sharply higher over the past three months; it stood at 78.6 in February which, although slightly below the levels of December and January, is well above the February 2003 reading of 55. But one question which overhangs the economic outlook, both nationally and locally, is the prognosis for business capital spending—the missing ingredient of the economic recovery until mid-2003. At least locally, it appears that technology-related spending will be robust in 2004; nearly three-quarters of survey respondents stated that their company will be increasing high tech spending this year, and only 14 percent stated that there would not be an increase. Commenting on these findings, Marc M. Goloven, senior regional economist at JPMorganChase and Chair of the NAPM-NY Business Survey Committee stated that "...as springtime approaches, it appears to be seasonally appropriate, if nothing else, that the protracted business chill is retreating and that the economy is beginning to flower. If all goes well, today's recovery will blossom into tomorrow's full-fledged economic expansion, completely erasing the residue of nearly three years of tough times."

**New York City Business Conditions Indexes**

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
December'01	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
February	267.2	69.8	75.4	69.2	78.6

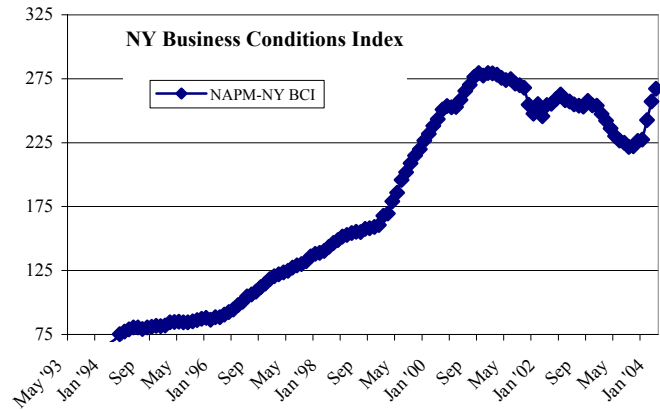
\* This index is a weighted average of mfg. and non-mfg. \*\* Not seasonally adjusted.



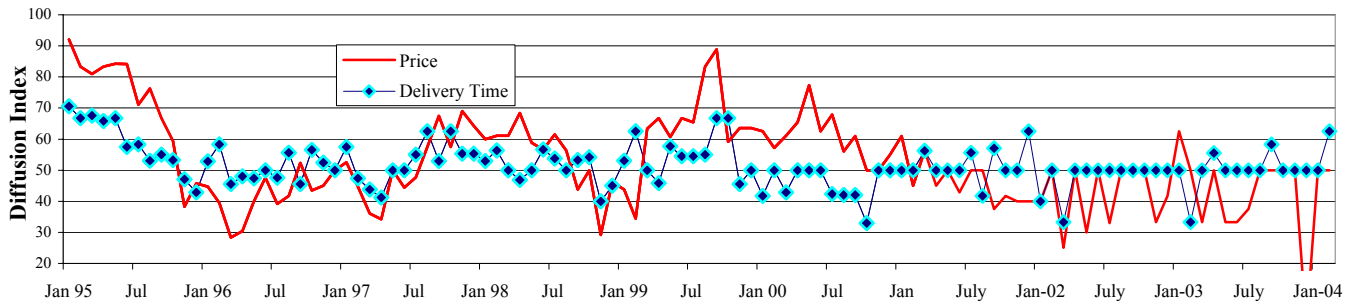
## New York Business Conditions Index

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.

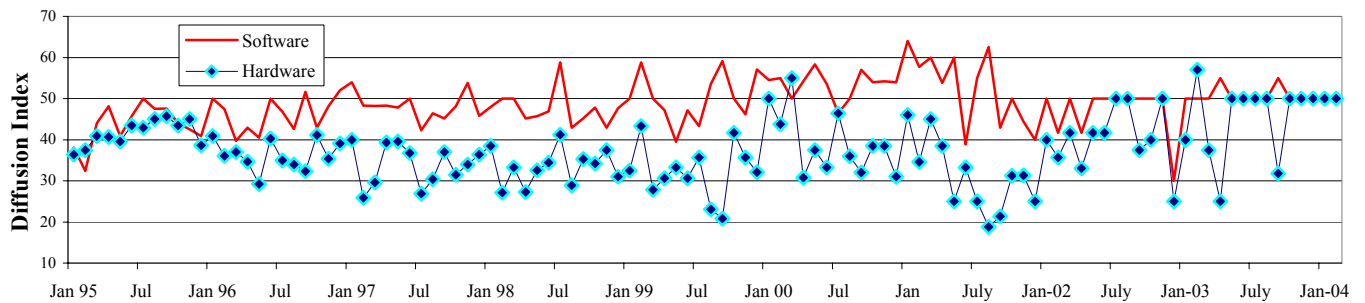
	Feb	Jan	Dec	Nov	Year ago Feb
NY BCI	267.2	257.3	242.6	227.3	247.5
% Change M/M	3.8	6.1	6.7	0.4	-2.5



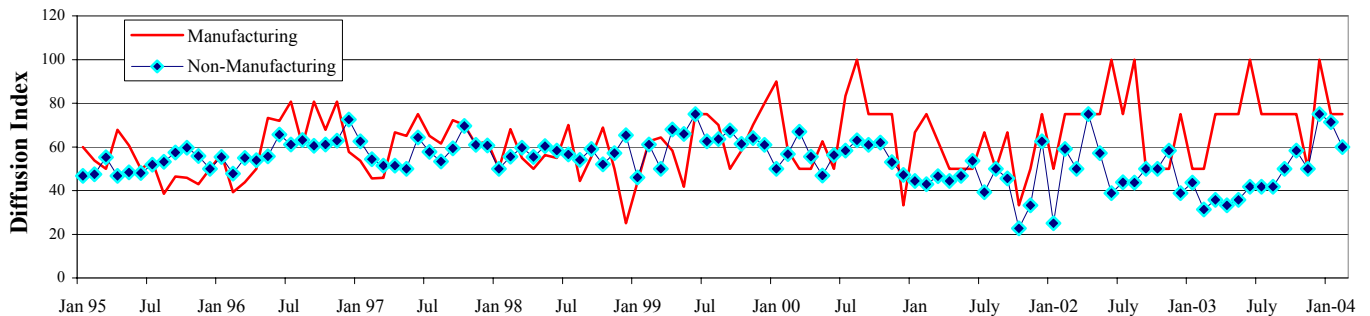
## Corrugated Packaging Prices & Delivery Time



## Computer Hardware & Software Prices



## Current Conditions - Manufacturing vs. Non-Manufacturing Activity

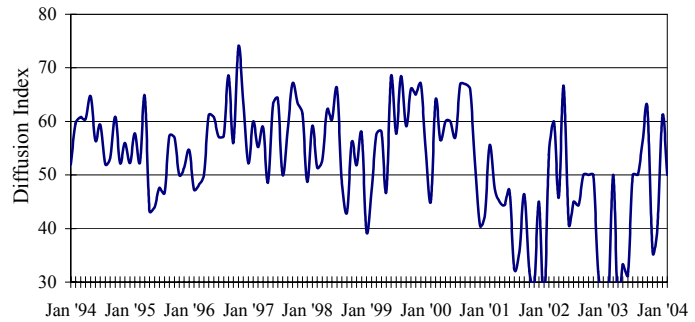


## Quantity of Purchases

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

	Year ago					
	Feb	Jan	Dec	Nov	Oct	Feb
Composite	50	61	40	35	62	25
Manufacturing	75	75	50	50	75	50
Non-Mfg.	40	57	37	50	58	18

## Quantity of Purchases

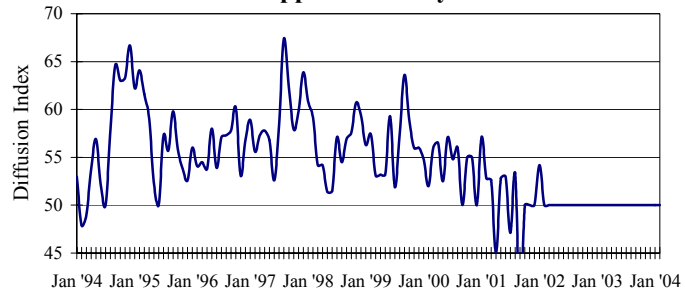


## Supplier Delivery Time

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					
	Feb	Jan	Dec	Nov	Oct	Feb
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

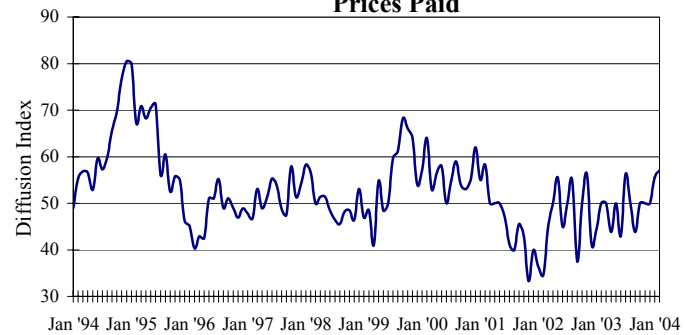


## Prices Paid

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					
	Feb	Jan	Dec	Nov	Oct	Feb
Composite	57	55	50	50	50	50
Manufacturing	50	50	50	50	50	50
Non-Mfg.	60	57	50	50	50	50

## Prices Paid

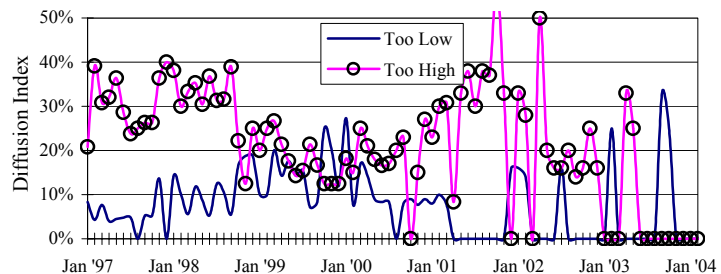


## Finished Goods Inventory Relative to Use

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

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

## Finished Goods Inventory vs. Expected Use

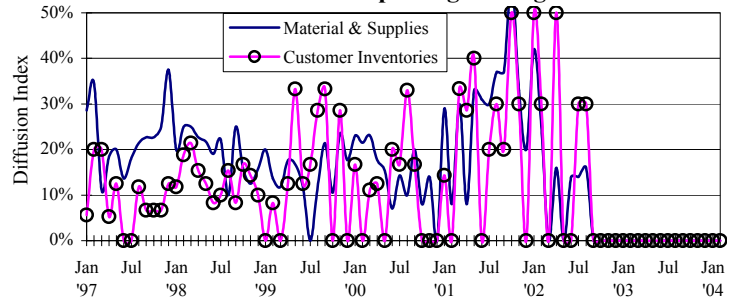


## Raw Materials & Customer Inventory

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

	Year ago					
	Feb	Jan	Dec	Nov	Oct	Feb
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



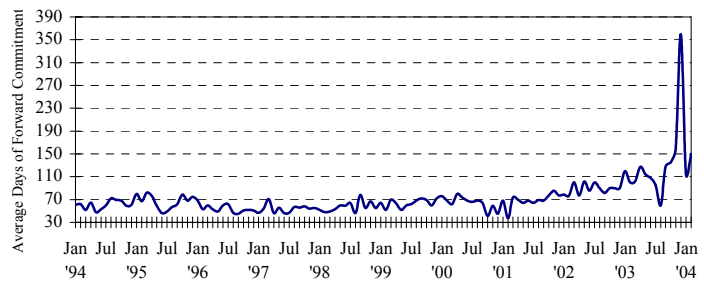
## Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Feb	Jan	Dec	Nov	Oct	Feb
Average Days	150	114	360	160	135	100

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
150	0%	33%	33%	0%	0%	33%

## Production Materials



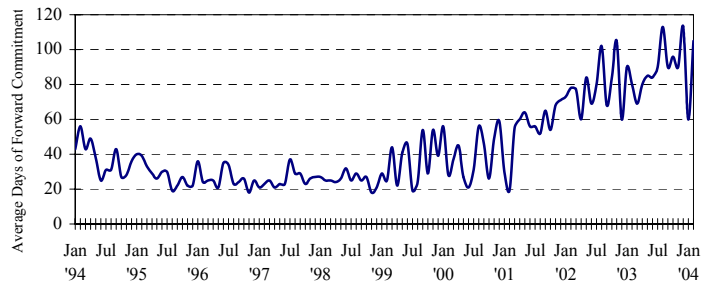
## Buying Policy for MRO Supplies

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

	Year ago					
	Feb	Jan	Dec	Nov	Oct	Feb
Average Days	105	60	113	90	96	80

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

## MRO Supplies



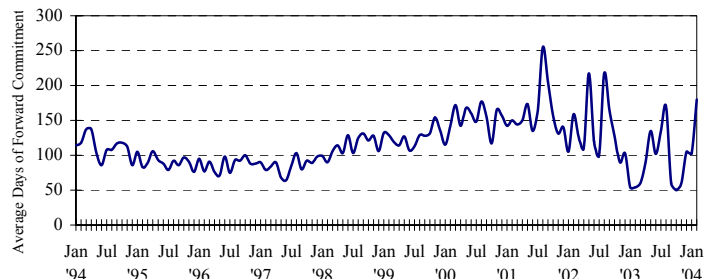
## Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Feb	Jan	Dec	Nov	Oct	Feb
Average Days	180	102	105	60	50	54

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
180	33%	0%	0%	0%	33%	33%

## Capital Equipment



## Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Feb	Jan	Dec	Feb	Jan	Dec
Castings	75.0	75.0		50.0	50.0	
Chemicals	75.0	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	50.0	0.0	62.5	50.0	50.0
Electrical Components	50.0	50.0		50.0	50.0	
Energy	100.0	50.0			50.0	
Ferrous Metals	100.0	100.0		100.0	50.0	
Food Products	100.0	50.0			50.0	
Glass						
Hydraulic Components						
Medical Supplies		50.0			50.0	
Nonferrous Metals	+++ 83.3	100.0	100.0	66.7		50.0
Office Equipment (non-computer)	+++ 50.0	50.0	50.0	50.0		50.0
Office Supplies	+++ 50.0	50.0	50.0	50.0	41.7	50.0
Piping & Tubing	75.0	75.0		75.0	50.0	
Plastics	75.0	66.7		50.0	50.0	
Plating	100.0	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			50.0	
<b>Services (Contracted)</b>				"Hot Spots" are those commodities & services that have experienced upward price pressure with delivery delays (for commodities) for at least three months. <b>Where are the HOT SPOTS?</b>		
Cleaning	60.0	58.3				
Construction	62.5	62.5				
Painting	60.0	60.0				
Engineering	+++ 50.0	50.0	50.0			
Architectural	+++ 60.0	60.0	50.0			
Temporary Personnel	+++ 57.1	50.0	50.0			
Computer Consultants	+++ 66.7	50.0	50.0			

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

### Items in Short Supply

1. Copper & stainless steel shortages causing increasing lead times and costs.

### Purchaser Comments

1. All talk but no action yet on business improvement. Construction remains very slow.
2. Although we expect an increase in purchasing activity in 2004, there is a continued emphasis on controlling spending through demand management.

### 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.