



NEW YORK CITY REPORT ON BUSINESS
SPRING AWAKENING . . . RECOVERY FLOWERS

The economic recovery in New York City continued to flower in March, as the onset of spring is not only awakening the local flora but is also warming the Big Apple's business pace. This is the principal finding of the latest monthly survey of New York City purchasing managers conducted by the *National Association of Purchasing Management-New York (NAPM-NY)*; while the rate of expansion did slow in March, the most recent advance marked the seventh straight month in which the economy grew. Even better, *the current recovery is now beneficially affecting the long-suffering job market*—tentatively to be sure, but good news, nevertheless. According to the just-released statistics compiled by the *State Labor Department*, private sector employment in New York City is taking a turn for the better, posting its first year-over-year increase in February in nearly three years. While the gain was modest, a distinction that is hardly unique to New York City, it was well-distributed. The Governor's *Chief Economist* noted in his monthly assessment that employment gains were recorded in such mainstay industries as *broadcasting, technology and retailing*; it was also pointed out that activity at employment placement firms is picking up as well—indicating that the inclination to hire is finally on the rebound.

So, too, the *City Comptroller* has been stating for several months that the job market is improving, a development that is attributable in no small measure to the strengthening of the financial markets. But employment increases, although arguably the best barometer of local business conditions, are a so-called "trailing indicator" of alterations in the business pace; the *Business Conditions Index (BCI)* of the *NAPM-NY* is a far better coincident indicator of changes in the prevailing economic climate. The *BCI* is the Association's principal gauge of *current* conditions, and it represents a blend of responses from both the manufacturing and service-providing segments of the economy. As shown in the table opposite, the *BCI* rose to a level of 271.8 in March, an increase of 1.7 percent compared with the February level. While this gain was less than one-half the 3.8 percent increase posted in February month-over-month, it capped an *exceptionally strong first quarter*—during the January-March 2004 period, the *BCI* rose by 12 percent, a decided improvement compared with the 4.8 percent *decline* in the *BCI* in the first quarter of 2003.

The *Business Conditions Index* currently stands at its highest level since the heyday of the equity market/dot-com boom that swept the city in the late 1990s and 2000. And, the rebound has affected both the manufacturing industries as well as service-providing businesses. The fortunes of these industries are highlighted by trends in the *current conditions diffusion indexes*; readings above 50 are generally indicative of expansion, while readings below 50 signal the opposite. With no respondents reporting a deterioration of business conditions in March, the *composite diffusion index*, standing at 59.2 during the month, remained within expansion territory; while this is below the February reading of 69.8, the "slippage" stems from a greater proportion of services firms stating that business held steady in March while a slightly smaller slice reported that business had improved. Either way, the *latest snapshot of the services side of the economy marks a 180-degree turn for the better when compared with the unambiguously recessionary reading of March 2003.*

On a less upbeat note, the threads of inflation seem to be creeping back into the economic fabric. Since December 2003, a rising percentage of services businesses have been reporting an intensification of price pressures. This development cannot be lightly dismissed, especially when you consider the rapid escalation of such sensitive commodity prices as oil and scrap steel. *Local purchasing agents have experienced a decided deterioration of inflation expectations*; as shown in the chart, more than 80 percent of those surveyed expect inflation to worsen in the months ahead. While expectations are not always realized, the souring of inflation sentiment may be a contributing factor to the pullback in the *NAPM-NY outlook/expectations index* in March. Commenting on these findings, Marc M. Goloven, senior regional economist at *JPMorganChase* and Chair of the *NAPM-NY Business Survey Committee* stated that "...the New York City economy seems to be reacquiring some of the luster lost over the past three years—the housing market is red-hot; plans for everything from the restoration of the *World Trade Center* site to a *West Side Stadium* are being formalized; and the financial markets are again showering their largess upon the region. While things may change, 2004 is shaping up to be a much better year than many might have thought just six months ago."

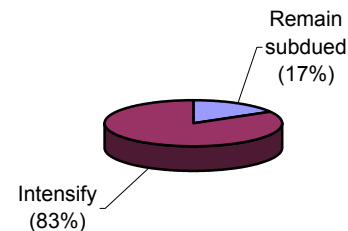
New York City Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
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
March	271.8	59.2	74.6	57.5	62.5

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

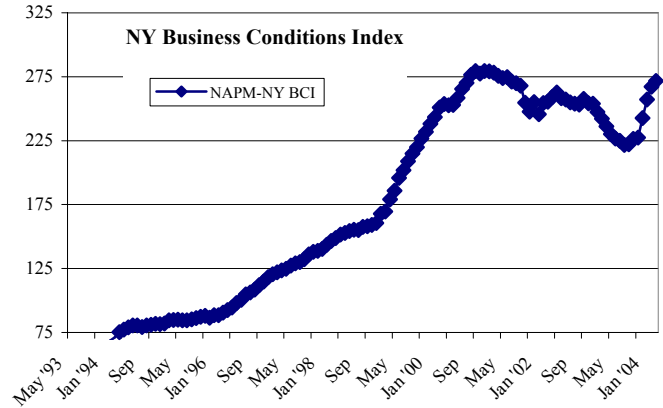
Do you believe that inflation will:



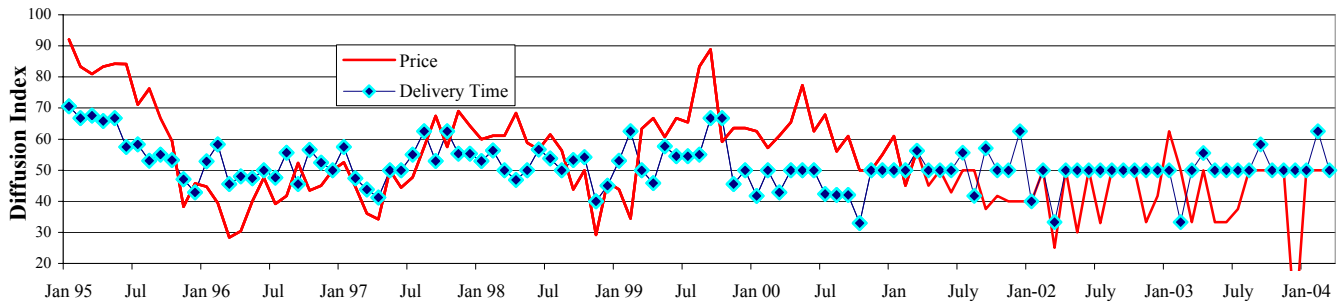
New York Business Conditions Index

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.

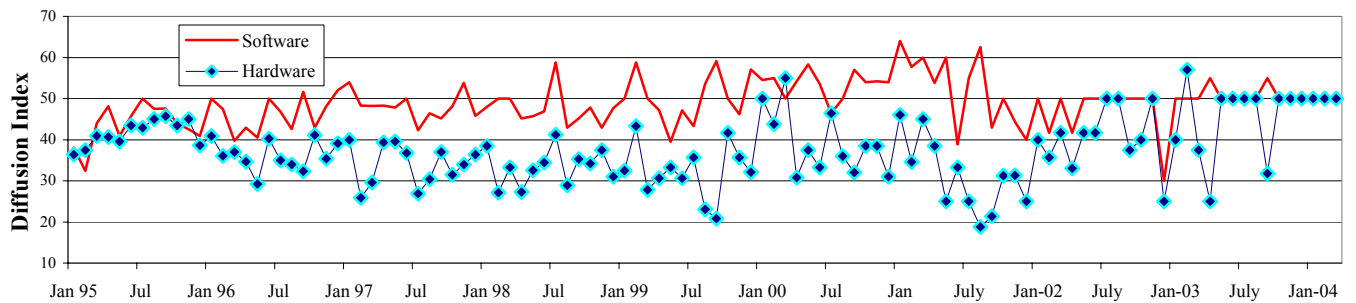
	Mar	Feb	Jan	Dec	Year ago Mar
NY BCI	271.8	267.2	257.3	242.6	242.1
% Change M/M	1.7	3.8	6.1	6.7	-2.2



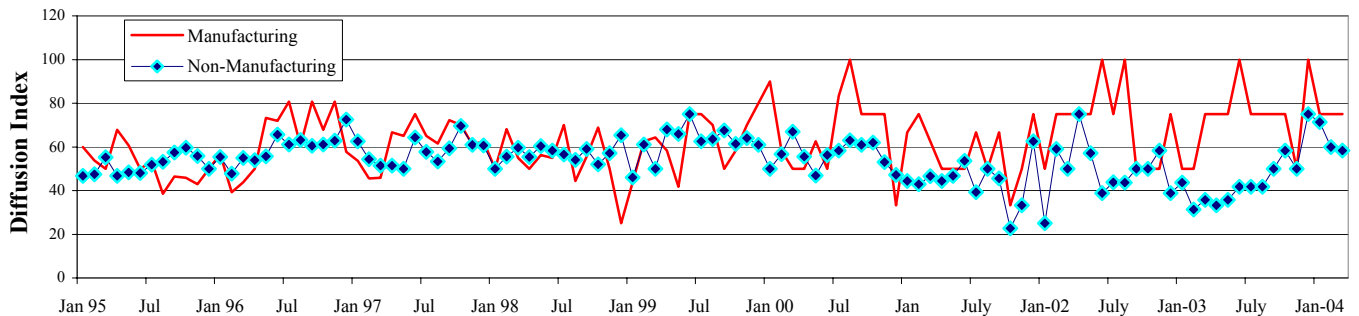
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



Current Conditions - Manufacturing vs. Non-Manufacturing Activity

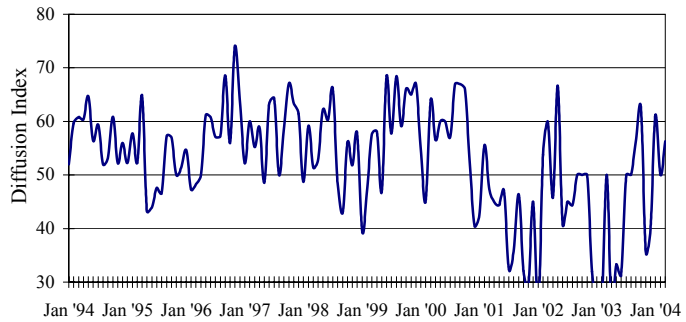


Quantity of Purchases

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

	Year ago					
	Mar	Feb	Jan	Dec	Nov	Mar
Composite	56	50	61	40	35	50
Manufacturing	75	75	75	50	50	75
Non-Mfg.	50	40	57	37	50	42

Quantity of Purchases

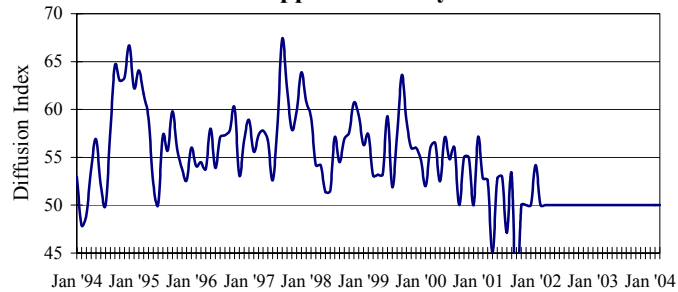


Supplier Delivery Time

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					
	Mar	Feb	Jan	Dec	Nov	Mar
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

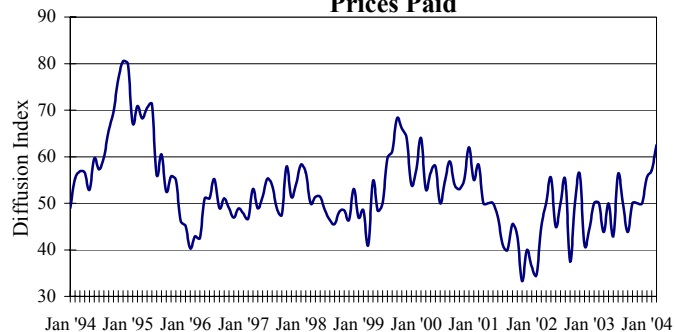


Prices Paid

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					
	Mar	Feb	Jan	Dec	Nov	Mar
Composite	62	57	55	50	50	50
Manufacturing	50	50	50	50	50	50
Non-Mfg.	66	60	57	50	50	50

Prices Paid

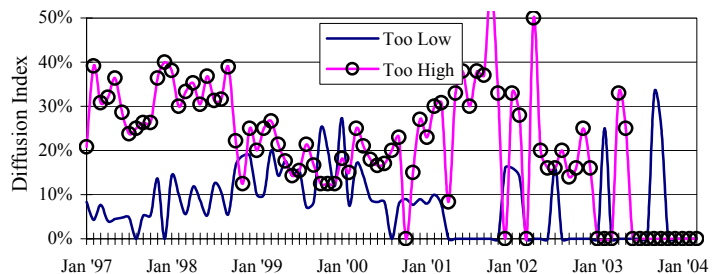


Finished Goods Inventory Relative to Use

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

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

Finished Goods Inventory vs. Expected Use

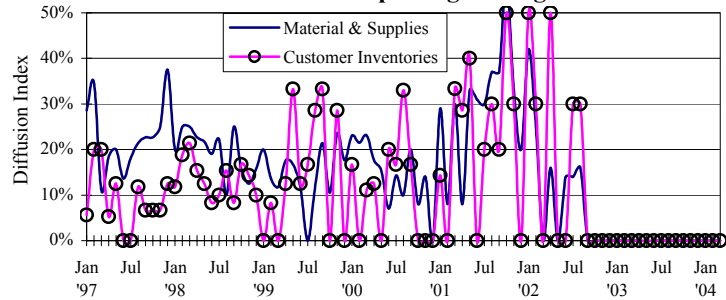


Raw Materials & Customer Inventory

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

	Year ago					
	Mar	Feb	Jan	Dec	Nov	Mar
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



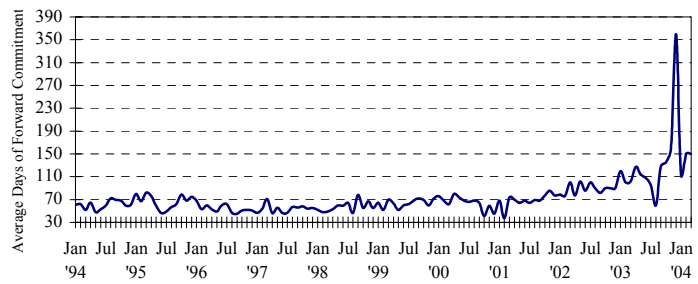
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Mar	Feb	Jan	Dec	Nov	Mar
Average Days	150	150	114	360	160	105

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



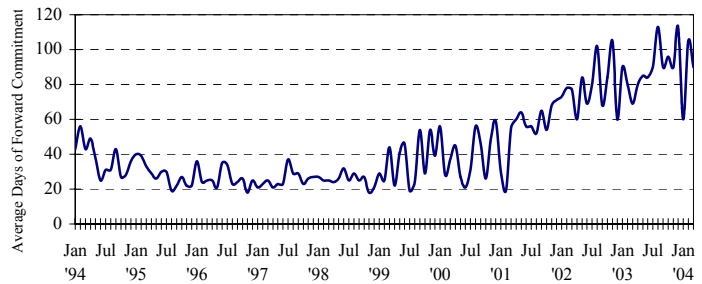
Buying Policy for MRO Supplies

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

	Year ago					
	Mar	Feb	Jan	Dec	Nov	Mar
Average Days	90	105	60	113	90	69

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

MRO Supplies



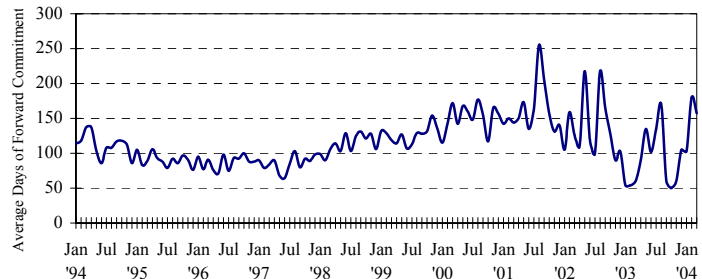
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Mar	Feb	Jan	Dec	Nov	Mar
Average Days	157	180	102	105	60	60

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
157	25%	0%	0%	25%	25%	25%

Capital Equipment



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Mar	Feb	Jan	Mar	Jan	Jan
Castings	75.0	75.0	75.0	50.0	50.0	50.0
Chemicals	62.5	75.0	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	50.0	50.0	50.0	62.5	50.0
Electrical Components	100.0	50.0	50.0	50.0	50.0	50.0
Energy	100.0	100.0	50.0	50.0		50.0
Ferrous Metals	100.0	100.0	100.0	50.0	100.0	50.0
Food Products		100.0	50.0			50.0
Glass						
Hydraulic Components						
Medical Supplies			50.0			50.0
Nonferrous Metals	+++ 100.0	83.3	100.0	50.0	66.7	
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	41.7
Piping & Tubing	100.0	75.0	75.0	50.0	75.0	50.0
Plastics	75.0	75.0	66.7	50.0	50.0	50.0
Plating	75.0	100.0	50.0	50.0	50.0	
Printing Paper	+++ 66.6	50.0	50.0	50.0	50.0	50.0
Rubber Products						
Textile Products						
Wood & Pulp	75.0		50.0	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	58.3	60.0	58.3			
Construction	60.0	62.5	62.5			
Painting	50.0	60.0	60.0			
Engineering	+++ 50.0	50.0	50.0			
Architectural	+++ 58.3	60.0	60.0			
Temporary Personnel	+++ 56.2	57.1	50.0			
Computer Consultants	+++ 57.1	66.7	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.