



NEW YORK CITY REPORT ON BUSINESS
SPRINTING INTO SPRING

As the hours of daylight in New York City lengthen with the progression of spring, so, too, does the Big Apple's recovery according to the latest monthly survey of local purchasing managers conducted by the *National Association of Purchasing Management-New York (NAPM-NY)*. For the local economy now finds itself sprinting into spring, with a variety of economic indicators lending solid supporting evidence to the upbeat anecdotal assessments provided by the purchasing managers. Among the indicators that stand out: The *City Comptroller's Office*, which was at the leading edge of opinion in dating the recession's end during the autumn of last year, reports that the *gross city product* expanded at its quickest clip in 3-1/2 years in the fourth quarter of 2003, the residential real estate market is sizzling while the Manhattan office market is firming, hotel revenues are surging and Broadway receipts are booming while the *near-term* fiscal fortunes of New York City have strengthened to such an extent that the "doomsday" budgeting of a year ago has been replaced by expectations of a hefty surplus in the current fiscal year. *Even the job market, which has been stubbornly resistant to the tide of improvement, is taking a turn for the better*; the *State Labor Department* reports that private sector jobs were on the increase in February and March when compared with year-earlier levels.

To be sure, New York City's recovery from the protracted slump of 2001-2003 will remain incomplete, at least in the opinion of many residents if not economists, as long as the citywide jobless rate hovers near eight percent, not to mention 10-1/2 percent in the Bronx. But the purchasing managers surveyed have noticed a decided betterment of business and the trend continued in April. *The second quarter stepped off to a strong start*; the *Business Conditions Index (BCI)* of the *NAPM-NY*, the Association's principal gauge of current economic conditions, rose from 271.8 in March to 282.2 in April (see table opposite). This is a gain of 3.8 percent month-over-month and denotes an *acceleration* of business activity when compared with the *BCI's* advance of 1.7 percent in March month-over-month. And, what a difference a year can make. In April 2003, the *BCI* was traveling in the opposite direction, declining by 2-1/2 percent compared with March; at the time, local job losses were mounting, the national economy was only beginning to stir and the prognosis was glum.

The acceleration of the business pace was widely shared, *encompassing both the manufacturing and service-providing segments of the economy*. Among the latter, which comprise the lion's share of local businesses, April was a good month for the financial services industry, healthcare and hospitality and such business services as accounting and employee placement. As a consequence, the *NAPM-NY non-manufacturing diffusion index*, which measures the industry breadth of expansions and contractions, rose from a reading of 57.5 in March to 69.8 in April—since levels above 50 are generally indicative of expansion, the April result clearly suggests that the services side of the economy has put the past recession behind it. With the surveyed manufacturing industries also reporting brisk activity levels, the *composite current conditions diffusion index* advanced to its second highest reading of the year in April; in April 2003, the results were 180-degrees different—the composite diffusion index stood at 38.0, one of the lowest levels of 2003. There were no respondents reporting a deterioration of business conditions in April.

On a less optimistic note, *the intensification of economic activity is being accompanied by an intensification of inflation pressures*—in the services and manufacturing industries. One purchasing agent cites the adverse impact of the run-up in metals prices and the imposition of surcharges; supplier delivery times, in contrast, are unchanged and offer little hint of looming price pressures. Finally, purchasing manager optimism is trending steeply higher—the *NAPM-NY outlook/expectations index* rose to 85.7 in April, not far from the ebullient levels of December and January. But this does not mean that businesses are worry-free. One concern is "outsourcing," and a hefty 43 percent of purchasing managers surveyed believe that it will harm the city's economy. 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 is railing itself onto a faster recovery track, as more businesses are affected by the reviving economy. Although price pressures are building, a hint of business pricing power due to a strengthening economy seems preferable to the doldrums of deflationary despair. The next milestone will be an acceleration of hiring—which should soon commence."

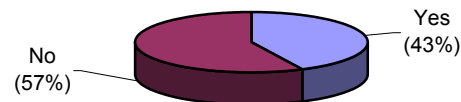
New York City Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
February '02	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
April	282.2	70.9	80.3	69.8	85.7

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

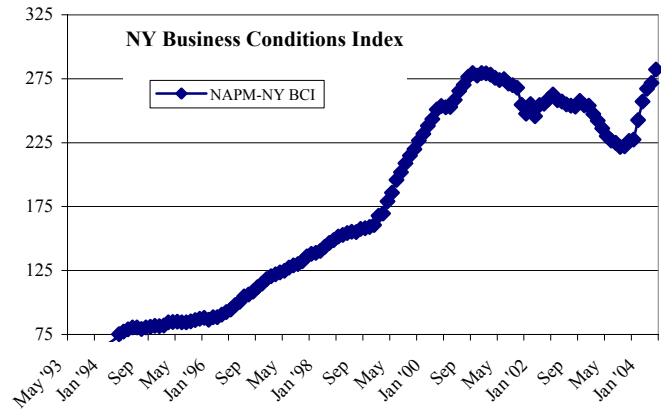
**Will the "outsourcing" of jobs harm
New York City's economy?**



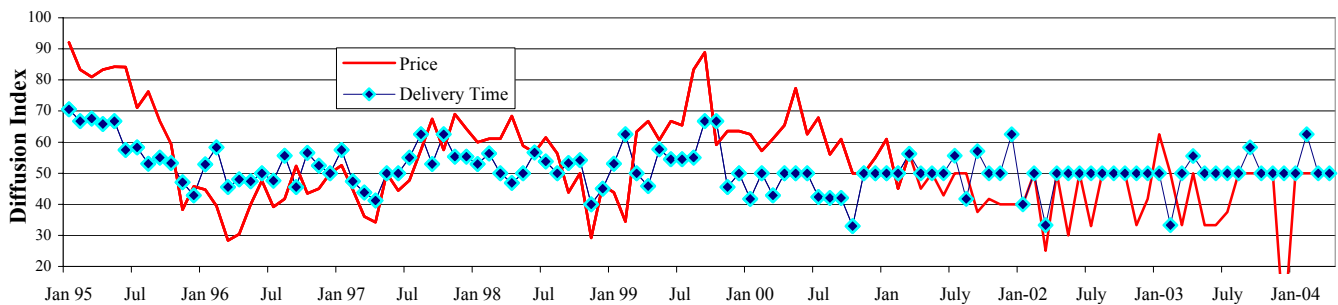
New York Business Conditions Index

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.

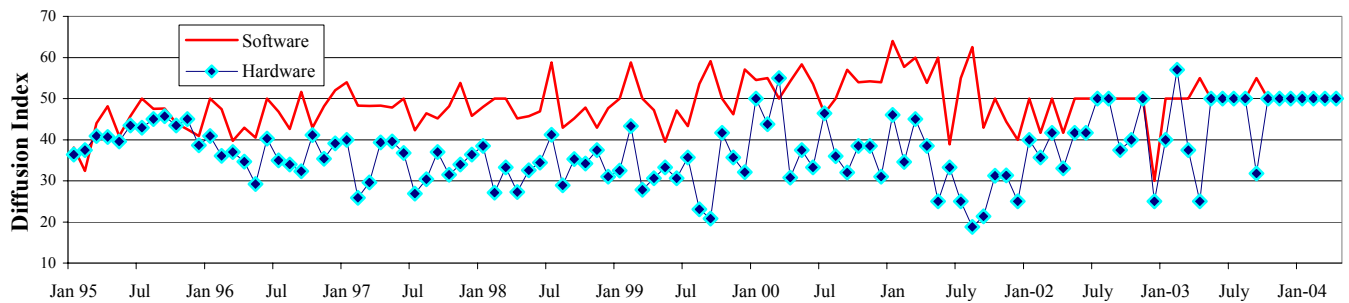
	Year ago				
	Apr	Mar	Feb	Jan	Apr
NY BCI	282.2	271.8	267.2	257.3	236.1
% Change M/M	3.8	1.7	3.8	6.1	-2.5



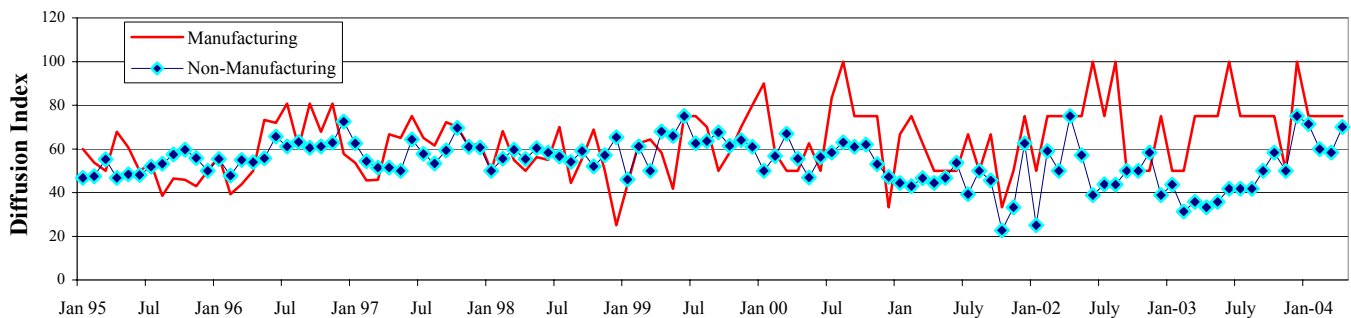
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



Current Conditions - Manufacturing vs. Non-Manufacturing Activity

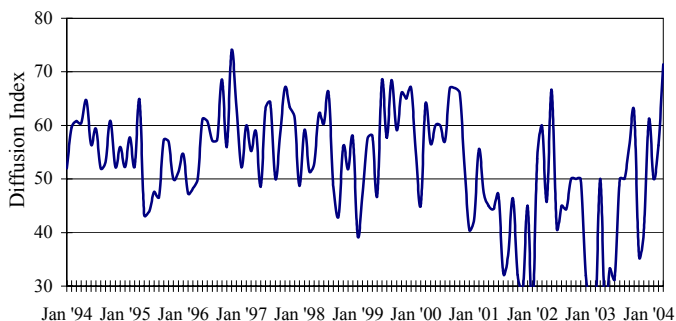


Quantity of Purchases

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

	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	71	56	50	61	40	25
Manufacturing	75	75	75	75	50	50
Non-Mfg.	70	50	40	57	37	16

Quantity of Purchases

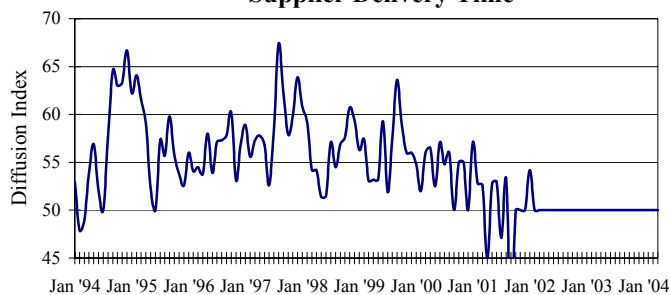


Supplier Delivery Time

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.

	Apr	Mar	Feb	Jan	Dec	Year ago Apr
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

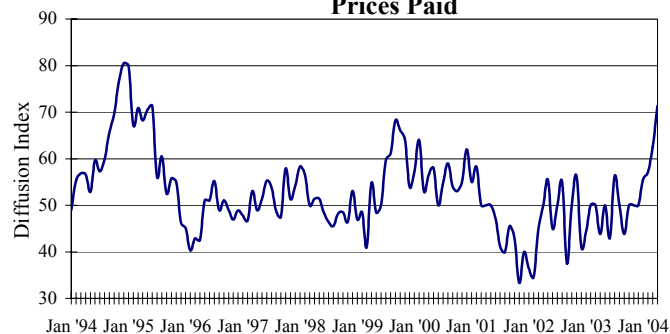


Prices Paid

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

	Apr	Mar	Feb	Jan	Dec	Year ago Apr
1. Metal prices ar	71	62	57	55	50	43
Manufacturing	75	50	50	50	50	25
Non-Mfg.	70	66	60	57	50	50

Prices Paid

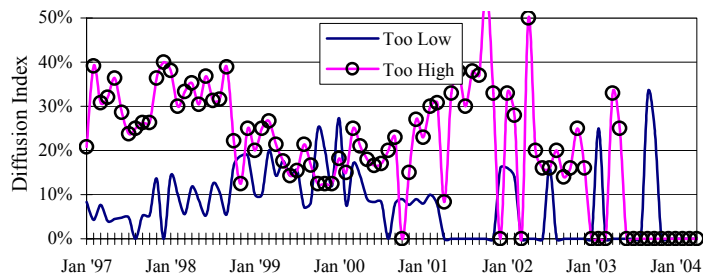


Finished Goods Inventory Relative to Use

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

	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	50	50	50	50	50	66
% too high	0	0	0	0	0	33
Manufacturing	50	50	50	50	50	75
Non-Mfg.	50	50	50	50	0	50

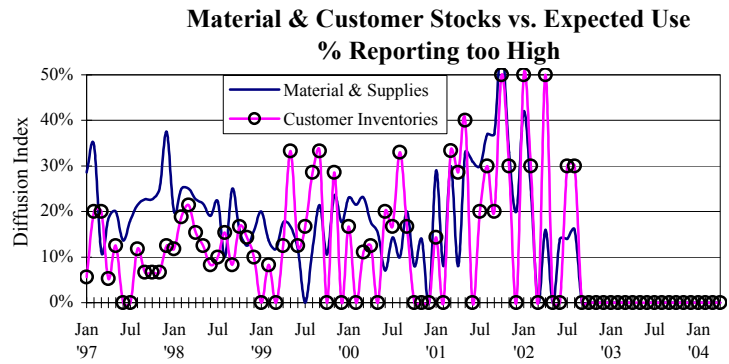
Finished Goods Inventory vs. Expected Use



Raw Materials & Customer Inventory

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

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
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

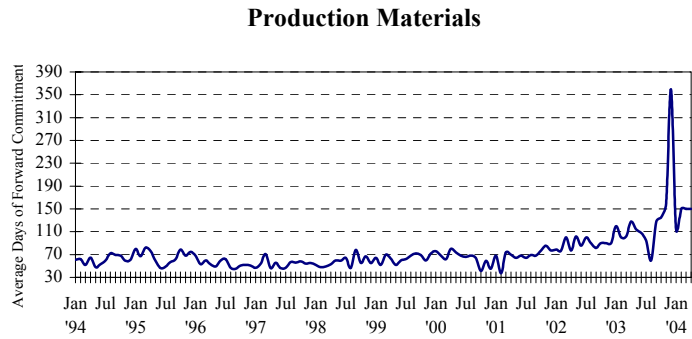


Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Average Days	150	150	150	114	360	127

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%

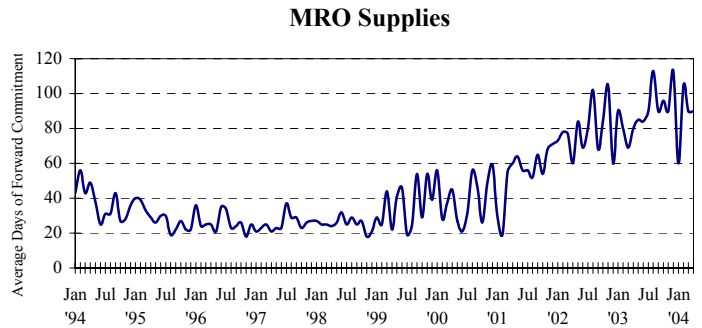


Buying Policy for MRO Supplies

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

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Average Days	90	90	105	60	113	80

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

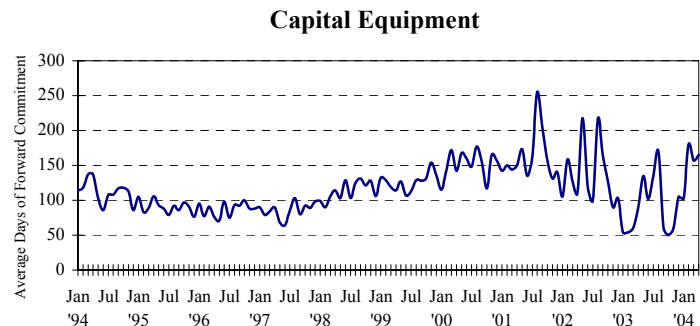


Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Average Days	165	157	180	102	105	90

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
165	0%	25%	0%	25%	25%	25%



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Apr	Mar	Feb	Apr	Mar	Feb
Castings	100.0	75.0	75.0	50.0	50.0	50.0
Chemicals	50.0	62.5	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	50.0	75.0	50.0	62.5
Electrical Components	50.0	100.0	50.0	50.0	50.0	50.0
Energy	50.0	100.0	100.0	50.0	50.0	
Ferrous Metals	100.0	100.0	100.0	50.0	50.0	100.0
Food Products			100.0	50.0		
Glass						
Hydraulic Components						
Medical Supplies						
Nonferrous Metals	+++ 100.0	100.0	83.3	50.0	50.0	66.7
Office Equipment (non-computer)	+++ 50.0	50.0	50.0	50.0	50.0	50.0
Office Supplies	+++ 50.0	50.0	50.0	50.0	50.0	50.0
Piping & Tubing	75.0	100.0	75.0	50.0	50.0	75.0
Plastics	50.0	75.0	75.0	50.0	50.0	50.0
Plating	50.0	75.0	100.0	50.0	50.0	50.0
Printing Paper	+++ 50.0	66.6	50.0	50.0	50.0	50.0
Rubber Products						
Textile Products						
Wood & Pulp	50.0	75.0		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	66.7	58.3	60.0			
Construction	66.7	60.0	62.5			
Painting	62.5	50.0	60.0			
Engineering	+++ 50.0	50.0	50.0			
Architectural	+++ 60.0	58.3	60.0			
Temporary Personnel	+++ 62.5	56.2	57.1			
Computer Consultants	+++ 64.3	57.1	66.7			

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

Items in Short Supply

Purchaser Comments

1. Metal prices are adversely impacting us, several suppliers adding "surcharges."

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.