



**NEW YORK CITY REPORT ON BUSINESS  
MAINTAINING MOMENTUM... IN MAY**

Although the nation's economy is being buffeted by the escalation of energy prices, the prospect of a tightening of monetary policy, the threat of global and domestic terrorism and the skittishness of the equity markets, *New York City's economic upswing maintained its momentum in May.* This is the principal finding of the latest monthly survey of Big Apple purchasing managers conducted by the *National Association of Purchasing Management-New York (NAPM-NY)*; as in recent months, the long-awaited acceleration of business activity is being accompanied by an intensification of inflation pressures. Indeed, the firming of the local economy is evident in a variety of statistics and anecdotal reports: The *City Comptroller's Office* is reporting that private sector jobs increased by a seasonally-adjusted 4,800 positions in April month-over-month; the *State Labor Department* stated that the citywide unemployment rate dropped from 7.9 percent in March to 7-1/2 percent in April; the residential real estate market is sizzling; tourism-related activities are bubbling; and the Mayor's *Budget Office* is now anticipating that this fiscal year's budget, basking in rising receipts, will be in *surplus* by as much as \$1-1/2 billion, if not more.

Even better, *there are signs that today's economic recovery is broadening*, sweeping into its widening net a larger number of industries and activities. While healthcare and higher education have been consistent catalysts of job creation through good times and bad, hiring appears to be spreading further afield: The job count in such other industries as *computer programming, legal services, motion pictures, publishing* and *courier services* are all on the rebound, with employment in each substantially-to-modestly higher than one year ago. So, too, the enhanced demand for workers is beneficially affecting employment placement agencies; *these firms—which typically provide "temporary" employees across much of the city's business mix—are currently experiencing one of the fastest employment growth rates of any industry in town.* All of these trends are being noticed by New York City purchasing agents and are reflected in the *Business Conditions Index (BCI)* of the *NAPM-NY*, the Association's principal gauge of *current* economic conditions. As shown in the table opposite, the *BCI* has been increasing for *nine straight months*—this Index rose to a level of 287.1 in May, an advance of 1.7 percent compared with April.

The May advance in business activity was well-distributed throughout the service-providing industries and, to a lesser extent, in the small manufacturing segment of the city's economy. The *NAPM-NY non-manufacturing diffusion index*, a gauge of the industry breadth of economic expansions and contractions, remained deeply riveted in expansion territory; it stood at 60.4 in May (readings above 50 indicate business growth), slightly below the April reading—this is because a larger percentage of respondents reported stable business conditions in May than they did in April. Among manufacturers, the unanimous judgment was that activity levels were stable in May; *there were no reports, however, among either the service providers or the manufacturers, that business conditions had deteriorated.* As a result, the composite current conditions diffusion index, which blends both services and manufacturing, stood at 59.7 in May—below the month-earlier level of 70.9, to be sure, but well above the May 2003 reading of this index, when New York City was bracing for the worst, and touching the depths of its economic swoon.

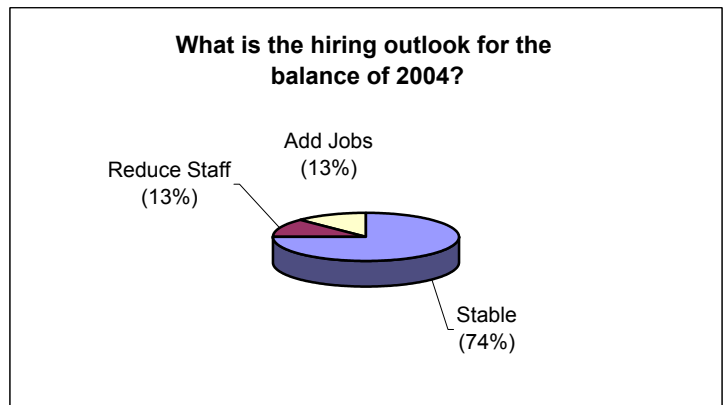
The quickening business pace is being accompanied by an intensification of price pressures; purchasing agents are reporting rising prices for such items as paper, plastics and petroleum. Although there has been no reported lengthening of delivery times—typically viewed as an indication of potential production bottlenecks and cost increases to come—a *hefty percentage of respondents are stating that prices are increasing.* This bolsters the belief that the Federal Reserve will soon tighten monetary policy; the likelihood of rising interest rates may also be responsible for the cautious hiring outlook. *When asked about staffing levels over the balance of this year, only 13 percent of the respondents thought that their firm would be adding workers in the months to come;* nearly three-quarters expect the head count at their firm to remain stable. Commenting on these findings, Marc M. Goloven, senior regional economist at *JPMorganChase* and Chair of the *NAPM-NY Business Survey Committee* stated that "...while New York City's economic recovery appears to be radiating throughout the industry mix, the hiring outlook still remains subdued. While this is disappointing, staffing intentions could change in a Big Apple minute if today's interest rate and inflation jitters subside."

**New York City Business Conditions Indexes**

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
March'02	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
May	287.1	59.7	52.7	60.4	62.5

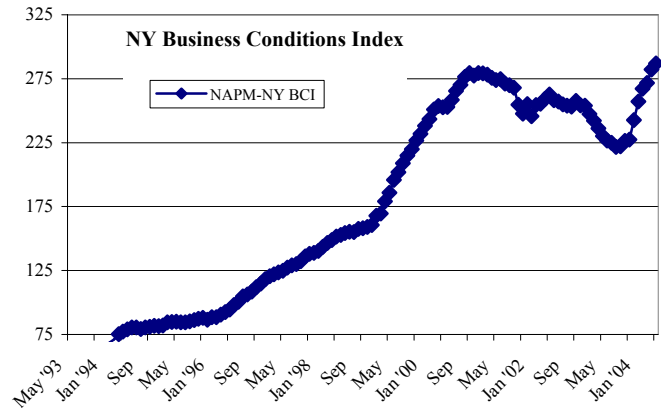
\* This index is a weighted average of mfg. and non-mfg. \*\* Not seasonally adjusted.



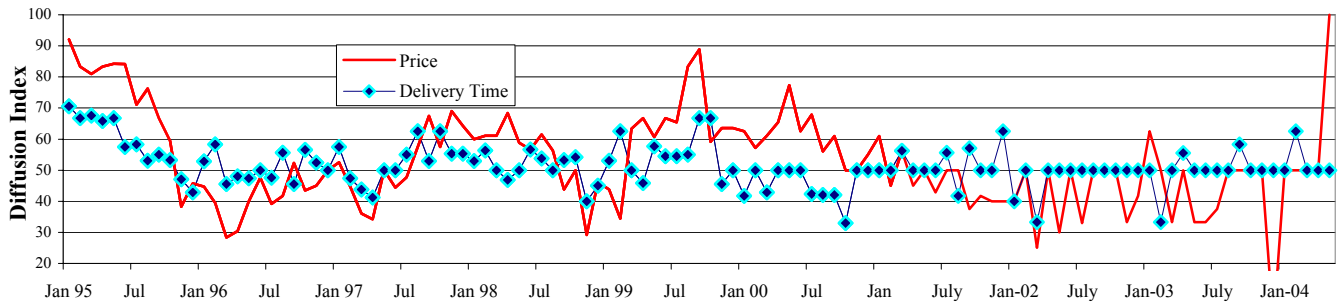
## New York Business Conditions Index

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.

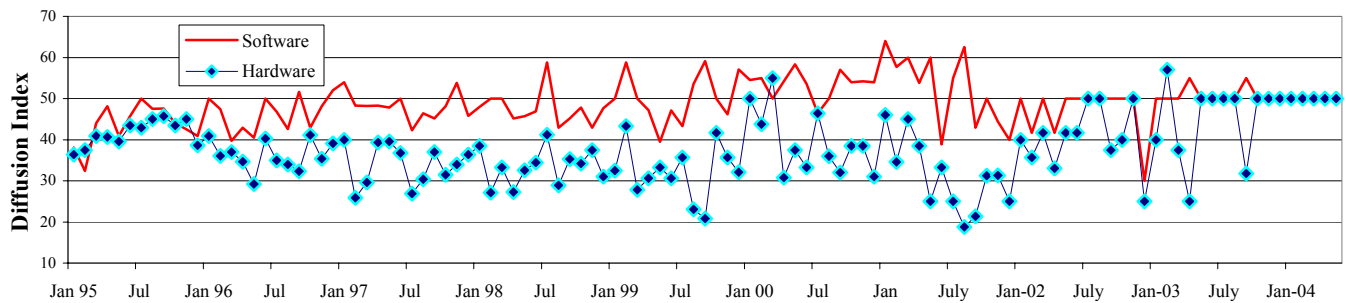
	May	Apr	Mar	Feb	Year ago May
NY BCI	287.1	282.2	271.8	267.2	230.2
% Change M/M	1.7	3.8	1.7	3.8	-2.5



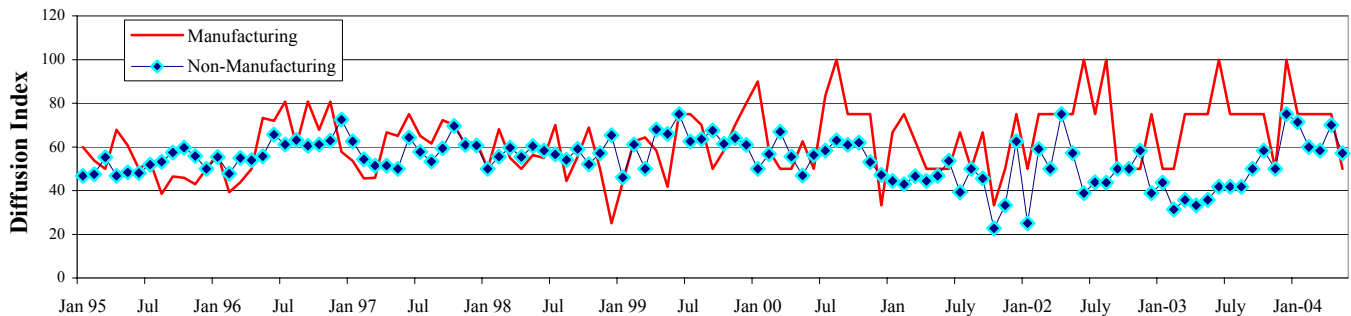
## Corrugated Packaging Prices & Delivery Time



## Computer Hardware & Software Prices



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

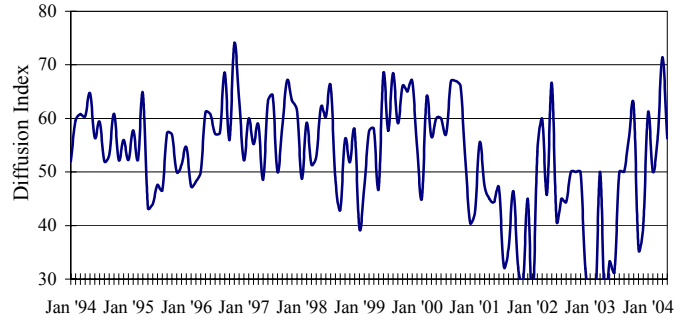


## Quantity of Purchases

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

	Year ago					
	May	Apr	Mar	Feb	Jan	May
Composite	56	75	56	50	61	33
Manufacturing	50	75	75	75	75	50
Non-Mfg.	57	70	50	40	57	28

## Quantity of Purchases

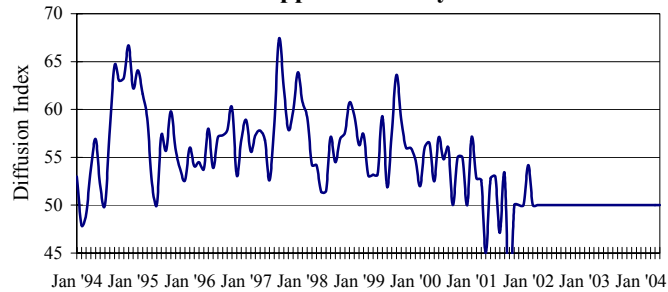


## Supplier Delivery Time

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					
	May	Apr	Mar	Fe	Jan	May
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

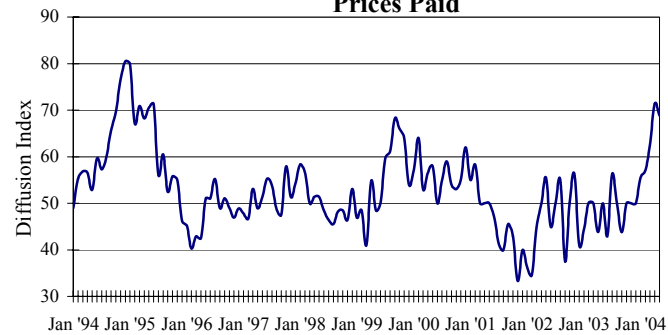


## Prices Paid

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					
	May	Apr	Mar	Feb	Jan	May
Composite	68	71	62	57	55	50
Manufacturing	50	75	50	50	50	50
Non-Mfg.	71	70	66	60	57	50

## Prices Paid

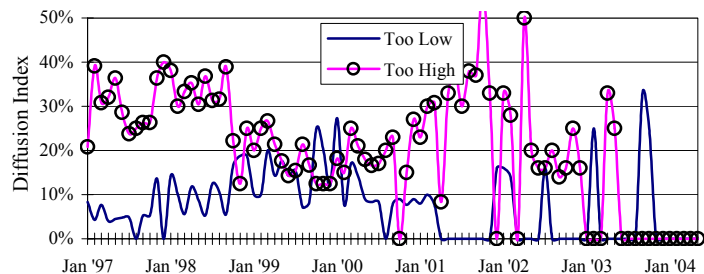


## Finished Goods Inventory Relative to Use

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

	Year ago					
	May	Apr	Mar	Feb	Jan	May
Composite	50	50	50	50	50	62
% too high	0	0	0	0	0	25
Manufacturing	50	50	50	50	50	75
Non-Mfg.	50	50	50	50	50	50

## Finished Goods Inventory vs. Expected Use

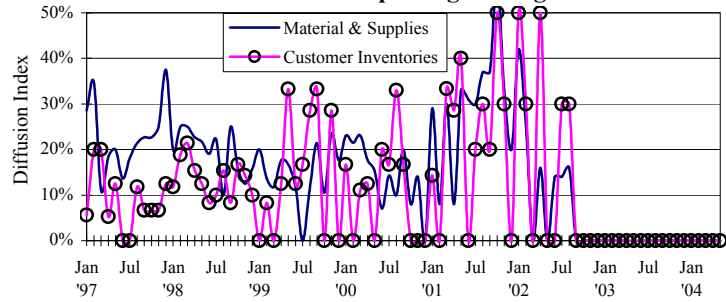


## Raw Materials & Customer Inventory

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

	Year ago					
	May	Apr	Mar	Feb	Jan	May
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



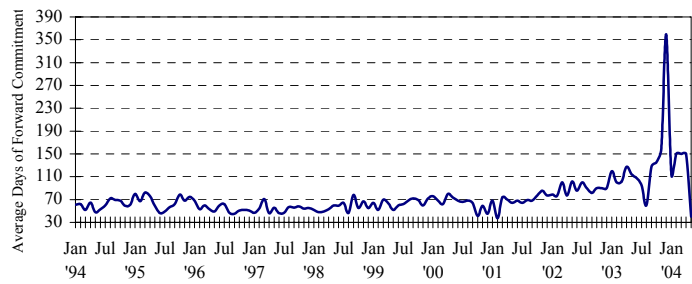
## Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	May	Apr	Mar	Feb	Jan	May
Average Days	40	150	150	150	114	114

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
40	0%	67%	33%	0%	0%	0%

## Production Materials



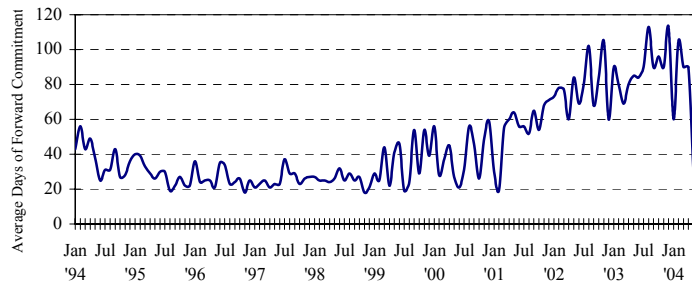
## Buying Policy for MRO Supplies

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

	Year ago					
	May	Apr	Mar	Feb	Jan	May
Average Days	30	90	90	105	60	85

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

## MRO Supplies



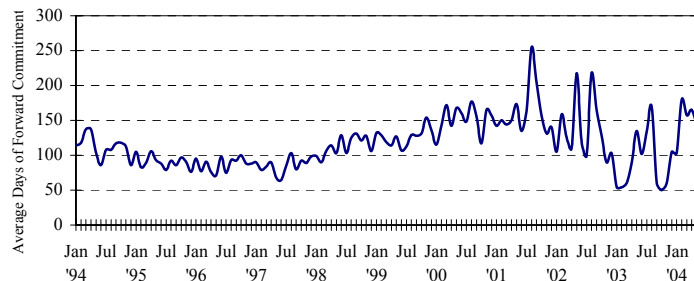
## Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Apr	Apr	Mar	Feb	Jan	May
Average Days	144	165	157	180	102	135

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
144	20%	0%	0%	40%	20%	20%

## Capital Equipment



## Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	May	Apr	Mar	May	Apr	Mar
Castings	75.0	100.0	75.0	50.0	50.0	50.0
Chemicals	50.0	50.0	62.5	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	100.0	50.0	50.0	50.0	75.0	50.0
Electrical Components	100.0	50.0	100.0	50.0	50.0	50.0
Energy	100.0	50.0	100.0		50.0	50.0
Ferrous Metals	75.0	100.0	100.0	50.0	50.0	50.0
Food Products					50.0	
Glass						
Hydraulic Components						
Medical Supplies						
Nonferrous Metals	+++ 66.7	100.0	100.0	50.0	50.0	50.0
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	100.0	75.0	100.0	75.0	50.0	50.0
Plastics	66.7	50.0	75.0	50.0	50.0	50.0
Plating	50.0	50.0	75.0	50.0	50.0	50.0
Printing Paper	+++ 70.0	50.0	66.6	50.0	50.0	50.0
Rubber Products						
Textile Products						
Wood & Pulp	75.0	50.0	75.0	100.0	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	57.1	66.7	58.3			
Construction	58.3	66.7	60.0			
Painting	58.3	62.5	50.0			
Engineering	+++ 50.0	50.0	50.0			
Architectural	+++ 58.3	60.0	58.3			
Temporary Personnel	+++ 56.3	62.5	56.2			
Computer Consultants	+++ 57.1	64.3	57.1			

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

### Items in Short Supply

### Purchaser Comments

1. Early signs of price pressures for paper and oil related products being seen.
2. Steel prices remain very high. Slight business uptick this month.
3. We continue to see a steady growth in demand for goods and services.
4. Petroleum and plastics are higher priced.

### 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.