



NEW YORK CITY REPORT ON BUSINESS
SUMMERTIME STRENGTH

The New York City economic climate continued to warm in June, exhibiting a degree of summertime strength that has been glaringly absent from the local landscape since 2000. 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)*; June marks the ninth month of a business rebound that is stimulating job creation, driving the unemployment rate lower; enhancing the gusto of the residential and commercial real estate markets and buoying the near-term fiscal fortunes of the city. Some of the best evidence of the ongoing turn for the better is contained within the latest employment statistics compiled by the *State Labor Department*: Substantial job gains compared with year-ago levels in the city's "ABC" industries—accounting, broadcasting and computer programming—as well as real estate and legal services; a decline in the citywide unemployment rate to seven percent in May; the lowest level since October 2001; and significant reductions in the number of people unemployed in each of the five boroughs.

To be sure, the increase in jobs over the past 12 months—14,600—is only a small slice of the nearly quarter-of-a-million jobs lost during the past recession. But the broadening of today's recovery throughout an ever-expanding swath of the city's industry mix and geographical confines is reflected in the responses of local purchasing managers. These are the professionals who are among the first to notice even slight alterations in the business pace; what they have been noticing since last September is a decided improvement in the health of the economy. For this reason, the *Business Conditions Index (BCI)* of the *NAPM-NY*, the Association's principal gauge of current economic conditions, is continuing to move higher. The *BCI* rose by 1.3 percent in June compared with May, reaching a level of 290.9 (see table opposite); this caps a second quarter *BCI* advance of seven percent. It also marks a 180-degree reversal of a very downcast second quarter of 2003, when the economy was riveted in recession and the *BCI* was declining by 6.4 percent.

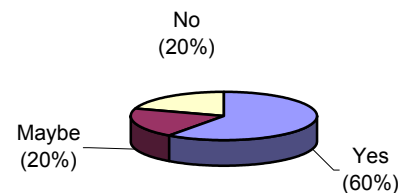
Contributing to the upturn in the *BCI* in June was an intensification of the business pace in the small manufacturing segment of the economy and the ongoing expansion of the service-providing industries. The *NAPM-NY current conditions diffusion index*—the gauge of the industry breadth of expansions and contractions—held roughly steady in June compared with May; at 57.6, this index remained comfortably within expansion territory. Although there was a slight slippage in activity levels among the services businesses, this is due to the fact that the slice of respondents reporting "better conditions" in June dipped a bit when compared with May. And, while sentiment among the purchasing managers remained generally positive, the *NAPM-NY outlook/expectations index* touched its lowest point of the year so far in June—and even stands below June 2003 levels. Amid all of the good news, what could be so troubling? It is the "I-word," inflation. A sizable majority of purchasing agents believe that accelerating inflation might shorten the longevity of this recovery—and recent events indicate that accelerating inflation is no longer a distant threat.

New York City Business Conditions Indexes
(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
April '02	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
June	290.9	57.6	69.6	56.3	60.0

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

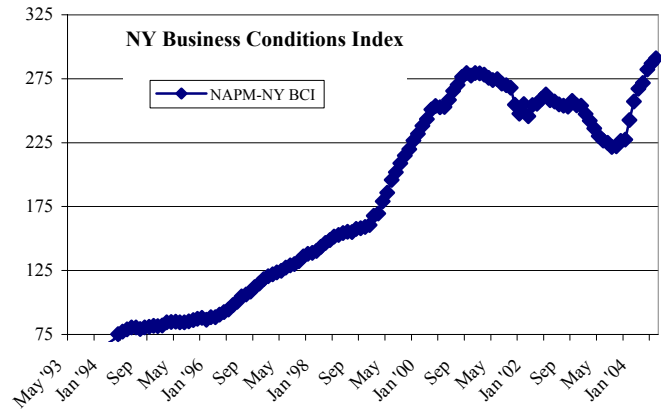
**Will accelerating inflation threaten
New York City's recovery?**



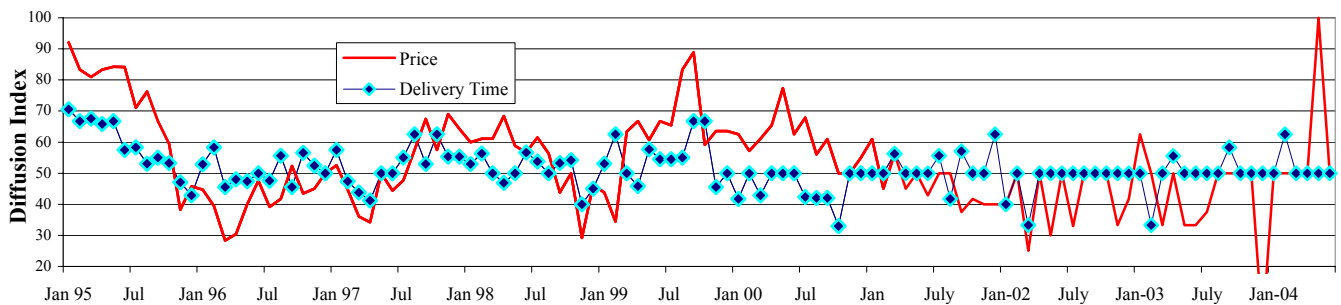
New York Business Conditions Index

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.

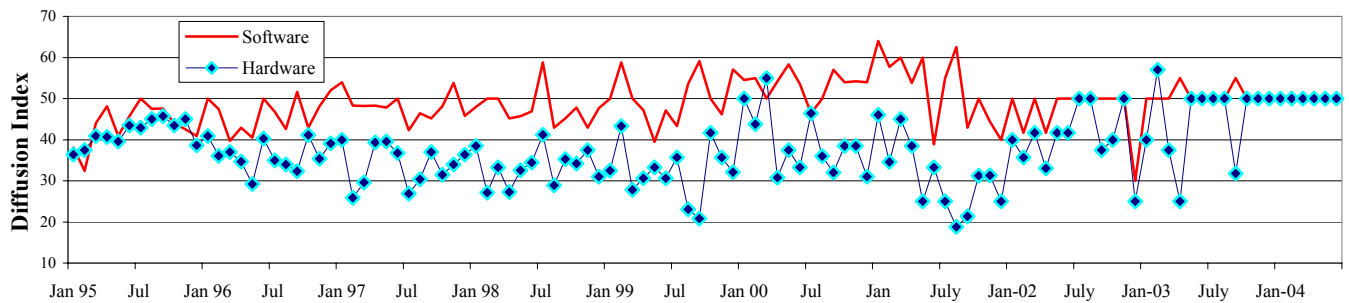
	Year ago				
	June	May	Apr	Mar	Jun
NY BCI	290.9	287.1	282.2	271.8	226.7
% Change M/M	1.3	1.7	3.8	1.7	-1.5



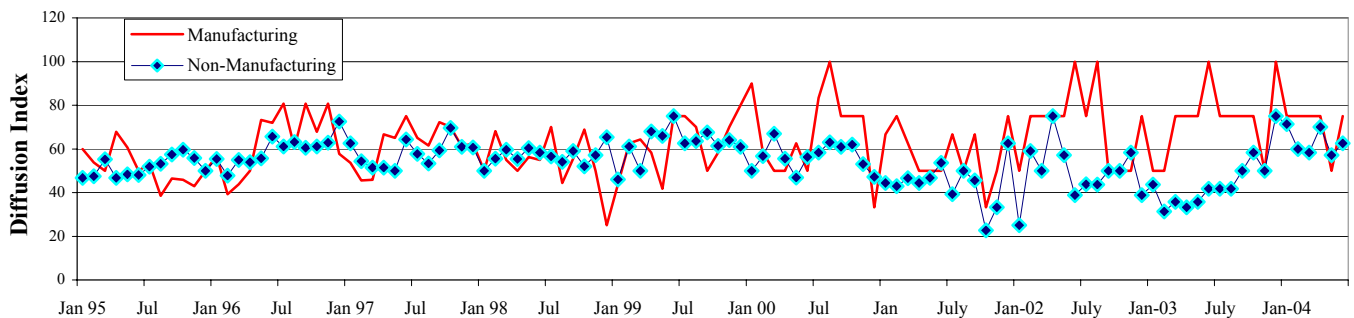
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



Current Conditions - Manufacturing vs. Non-Manufacturing Activity

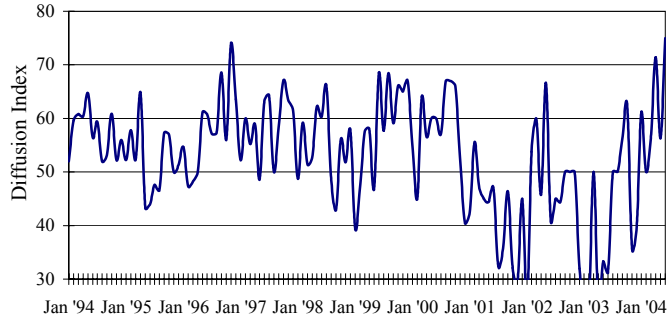


Quantity of Purchases

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

	Jun	May	Apr	Mar	Feb	Year ago Jun
Composite	75	56	75	56	50	31
Manufacturing	75	50	75	75	75	50
Non-Mfg.	75	57	70	50	40	25

Quantity of Purchases

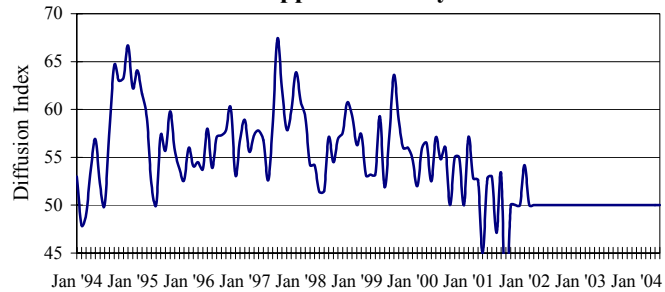


Supplier Delivery Time

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.

	Jun	May	Apr	Mar	Feb	Year ago Jun
Composite	50	50	50	50	50	50
Manufacturing	50	50	50	50	50	50
Non-Mfg.	50	50	50	50	50	25

Supplier Delivery Time

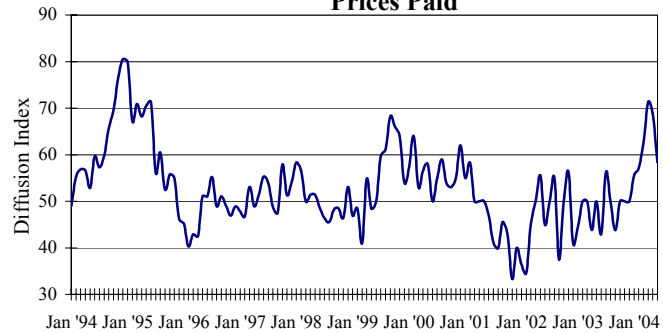


Prices Paid

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

	Jun	May	Apr	Mar	Feb	Year ago Jun
Composite	58	68	71	62	57	42
Manufacturing	50	50	75	50	50	25
Non-Mfg.	62	71	70	66	60	25

Prices Paid

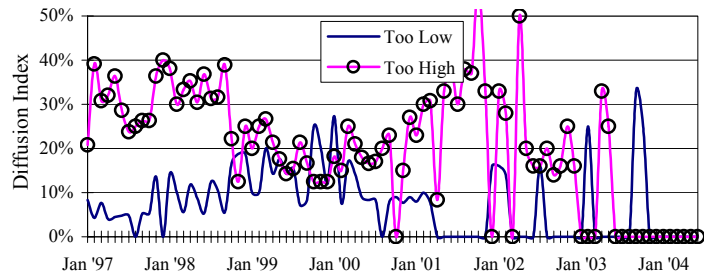


Finished Goods Inventory Relative to Use

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

	Jun	May	Apr	Mar	Feb	Year ago Jun
Composite	50	50	50	50	50	50
% too high	0	0	0	0	0	50
Manufacturing	50	50	50	50	50	50
Non-Mfg.	50	50	50	50	50	50

Finished Goods Inventory vs. Expected Use

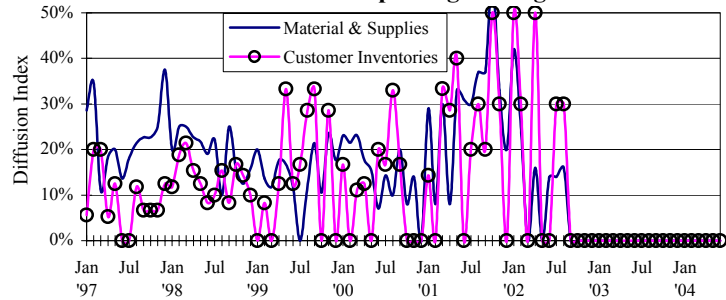


Raw Materials & Customer Inventory

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

	Year ago					
	Jun	May	Apr	Mar	Feb	Jun
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



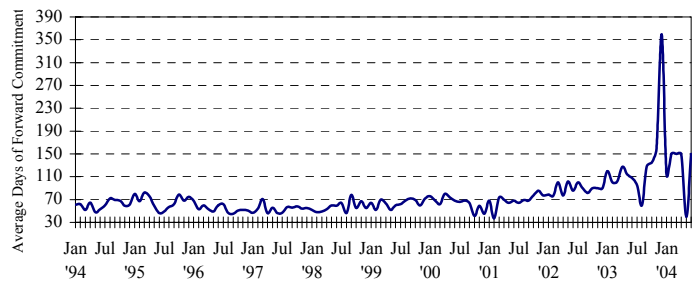
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Jun	May	Apr	Mar	Feb	Jun
Average Days	150	40	150	150	150	108

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



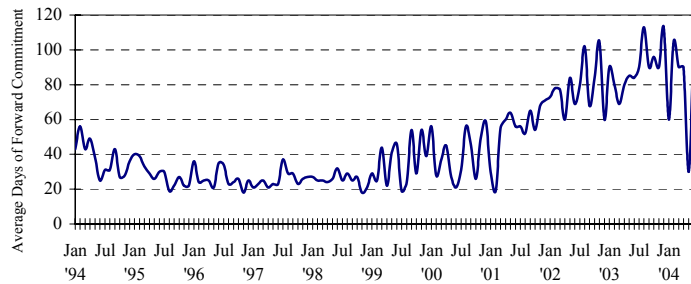
Buying Policy for MRO Supplies

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

	Year ago					
	Jun	May	Apr	Mar	Feb	Jun
Average Days	98	30	90	90	105	84

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
98	50%	25%	0%	0%	0%	25%

MRO Supplies



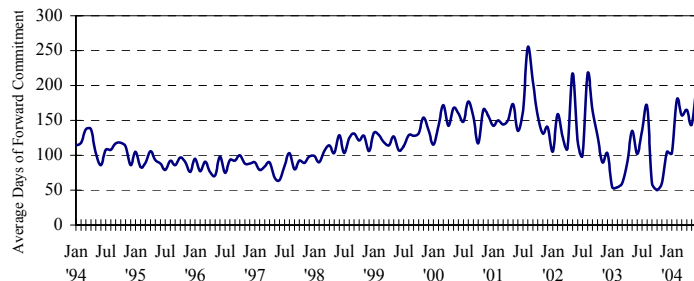
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Jun	May	Apr	Mar	Feb	Jun
Average Days	202	144	165	157	180	102

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
202	25%	0%	0%	25%	0%	50%

Capital Equipment



Specific Price Changes & Supplier Deliveries

--- PRICE CHANGES --- --- VENDOR DELIVERIES ---

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

+++ = 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.