



NEW YORK CITY REPORT ON BUSINESS
JULY SWELL...GOOD NEWS FOR JOB MARKET RECOVERY

The Big Apple's economy is on the move, judging by the July survey of purchasing managers conducted by the National Association of Purchasing Management-New York (NAPM-NY) together with local job market statistics compiled by the State Labor Department. New York City's good fortune parallels state-wide gains reported earlier in the New York Federal Reserve Bank's July business survey. The Business Conditions Index (BCI), the Association's principal gauge of current economic conditions, surged 4% in July, extending the string of steady gains that has been building since last September and paralleling the acceleration in the national economy. The BCI now has recovered all of the ground lost between early 2001 and summer 2003 and three months ago broke into record territory. The city's economic conditions have not improved this quickly since the surge in activity in 1999 and 2000 when preparations for the New Millennium supercharged the technology industry. Indications from local purchasing managers provide important clues to the direction of the local economy, because these are the professionals who are among the first to notice slight alterations in the pace of business activity.

An eye-popping improvement in the city's core businesses—the service-providing industries—led the impressive rise in the July BCI. The NAPM-NY current conditions diffusion index—a gauge of the breadth of industry trends—leaped to a reading of 73.2, returning to the “boom-type” levels reached last winter. Advances were led by strength in nonmanufacturing businesses. Manufacturing businesses carry a much smaller footprint in the city than they do in the economy at large, yet the vigorous national factory recovery is echoed in the area's businesses as well; the NAPM-NY's index of manufacturing activity, easing back to 64.8, remained comfortably in expansion territory.

The latest survey of purchasing managers offers promising news for New York's job market. The NAPM's business conditions index—a cumulative diffusion index of trends in the local economy—tends to be a harbinger of local-area employment conditions. As, Governor Pataki's Labor Department has been reporting, the New York's job market is on the mend. Private-sector jobs in the New York metropolitan area—the 8-county area—expanded by almost 40 thousand over the past 12 months as of last month. The 1.1% rise over that period only slightly lags behind the national jobs recovery. The City's unemployment rate ticked up in June, even though employment rose, but remains significantly below last summer's rate. Unemployment rose, even though more jobs were added, because the improving economy is attracting many more new job seekers.

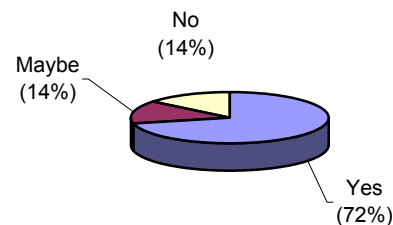
New York City Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
May '02	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	
June	290.9	57.6	69.6	56.3	60.0
July	302.5	73.2	64.8	74.1	78.5

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

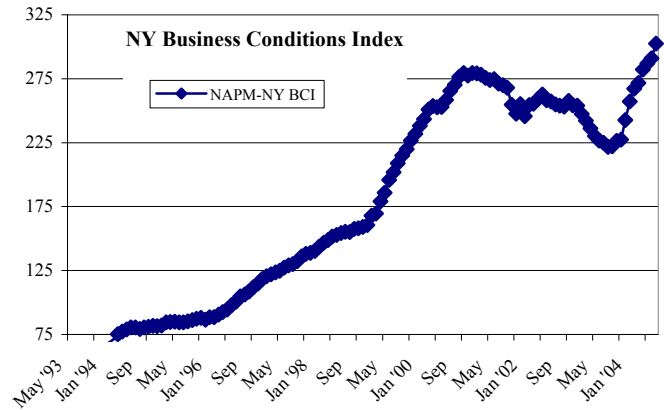
Will the Federal Reserve raise interest rates in August?



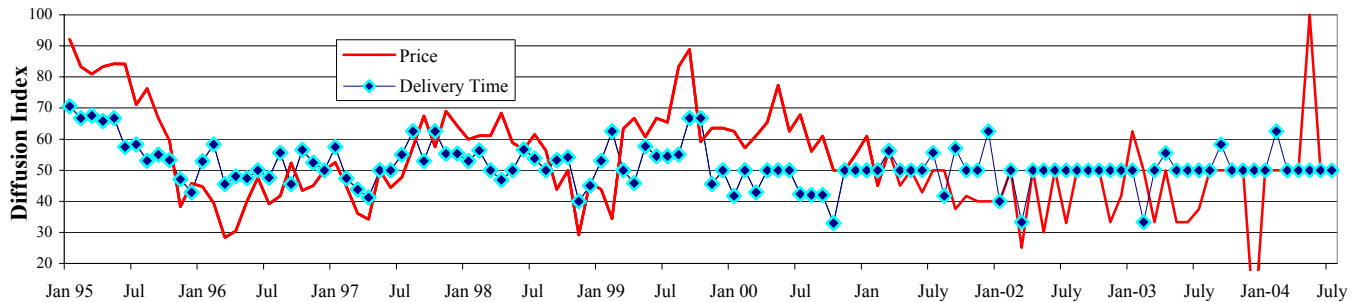
New York Business Conditions Index

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.

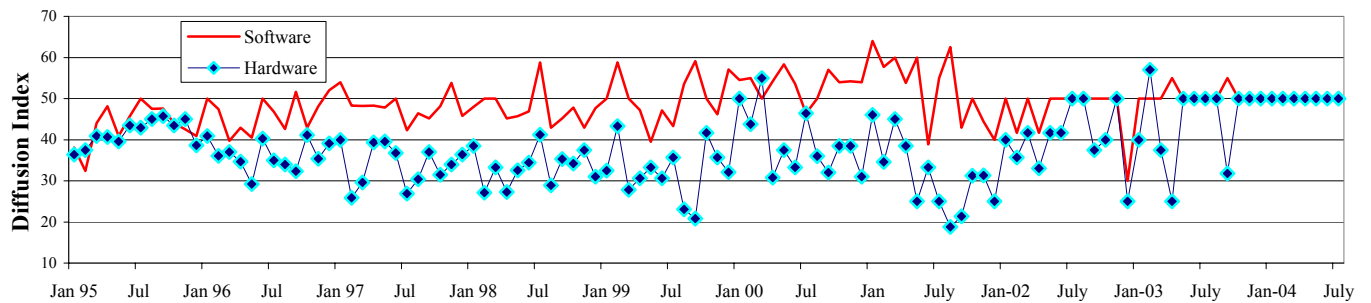
	July	June	May	Apr	Year ago July
NY BCI	302.5	290.9	287.1	282.2	224.9
% Change M/M	4.0	1.3	1.7	3.8	-0.8



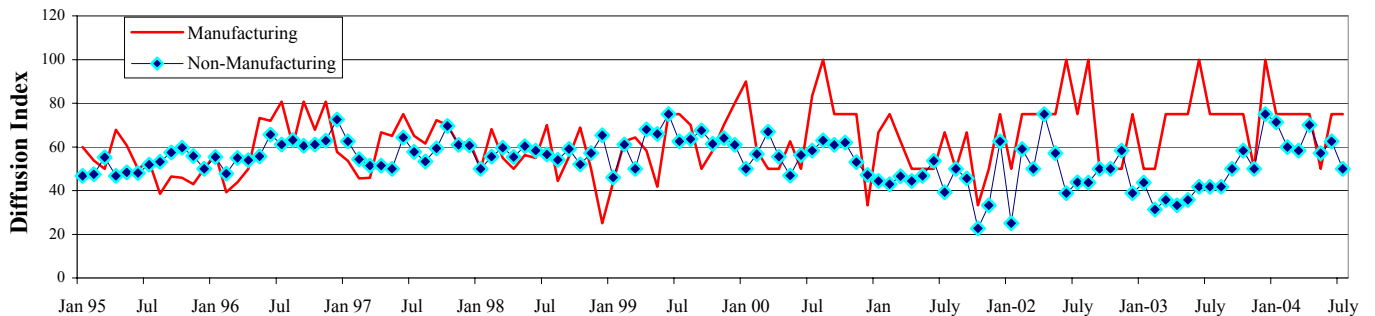
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



Current Conditions - Manufacturing vs. Non-Manufacturing Activity

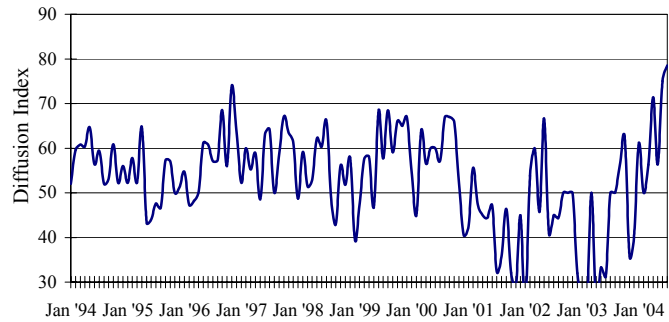


Quantity of Purchases

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

	July	June	May	Apr	Mar	Year ago July
Composite	78	76	56	75	56	50
Manufacturing	75	75	50	75	75	50
Non-Mfg.	80	75	57	70	50	50

Quantity of Purchases

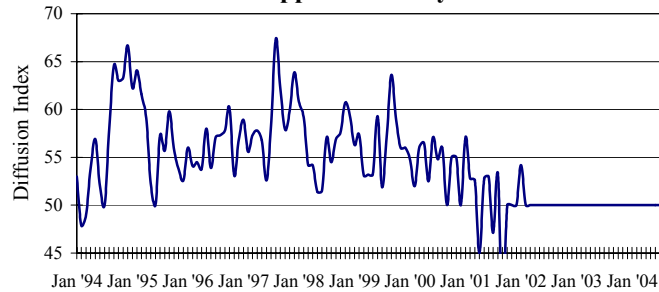


Supplier Delivery Time

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.

	July	June	May	Apr	Mar	Year ago July
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

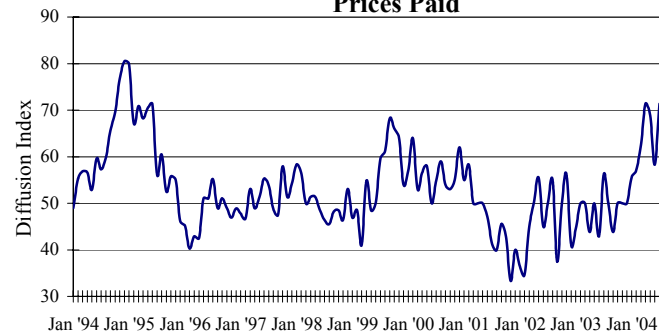


Prices Paid

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

	July	June	May	Apr	Mar	Year ago July
Composite	71	58	68	71	62	56
Manufacturing	50	50	50	75	50	50
Non-Mfg.	80	62	71	70	66	58

Prices Paid

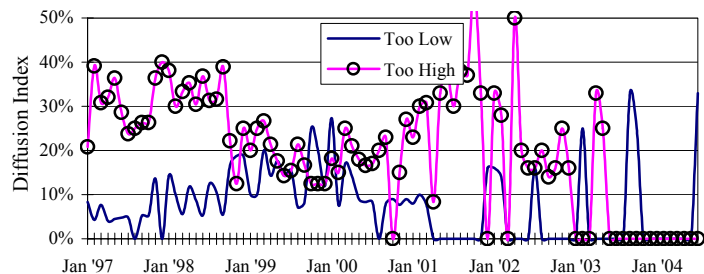


Finished Goods Inventory Relative to Use

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

	July	Jun	May	Apr	Mar	Year ago July
Composite	33	50	50	50	50	50
% too high	0	0	0	0	0	0
Manufacturing	50	50	50	50	50	50
Non-Mfg.	0	50	50	50	50	50

Finished Goods Inventory vs. Expected Use

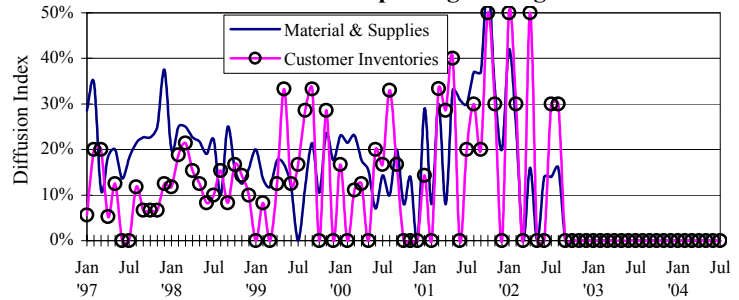


Raw Materials & Customer Inventory

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

	Year ago					
	July	Jun	May	Apr	Mar	July
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



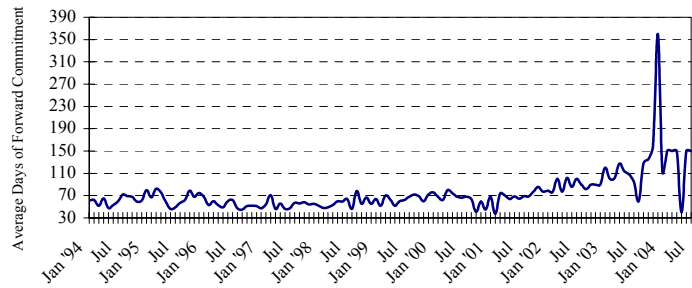
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	July	June	May	Apr	Mar	July
Average Days	150	150	150	150	150	95

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
152	0%	33%	33%	0%	0%	33%

Production Materials



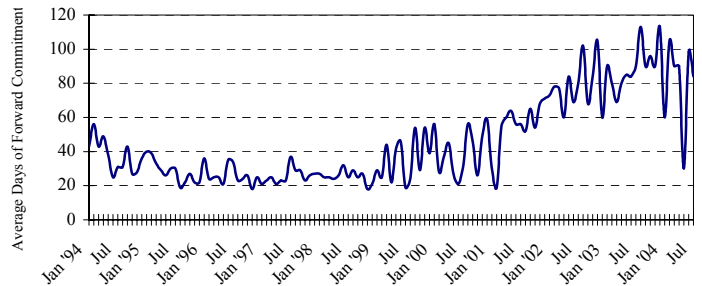
Buying Policy for MRO Supplies

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

	Year ago					
	July	June	May	Apr	Mar	July
Average Days	84	98	90	90	90	90

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
84	40%	40%	0%	0%	0%	20%

MRO Supplies



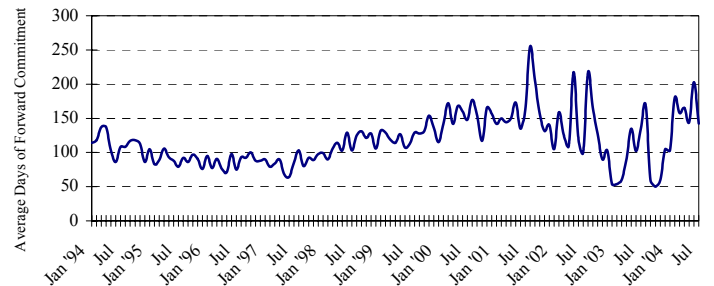
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	July	June	May	Apr	Mar	July
Average Days	142	202	144	165	157	135

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
142	0%	25%	0%	50%	0%	25%

Capital Equipment



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	July	June	May	July	June	May
Castings	100.0	75.0	75.0	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	50.0	100.0	50.0	50.0	50.0
Electrical Components		50.0	100.0		50.0	50.0
Energy	100.0		100.0	50.0		
Ferrous Metals		100.0	75.0		50.0	50.0
Food Products						
Glass						
Hydraulic Components						
Medical Supplies	75.0			50.0		
Nonferrous Metals	+++ 50.0	100.0	66.7	50.0	50.0	50.0
Office Equipment (non-computer)	+++ 50.0	50.0	50.0	50.0	50.0	50.0
Office Supplies	+++ 75.0	50.0	50.0	50.0	50.0	50.0
Piping & Tubing	50.0	75.0	100.0	50.0	50.0	75.0
Plastics	50.0	50.0	66.7	50.0	50.0	50.0
Plating	50.0	75.0	50.0	50.0	50.0	50.0
Printing Paper	+++	66.6	70.0		50.0	50.0
Rubber Products		50.0				
Textile Products	100.0			50.0		
Wood & Pulp		100.0	75.0		50.0	100.0
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 <i>HOT SPOTS</i>?		
Cleaning	64.3	66.7	57.1			
Construction	66.7	70.0	58.3			
Painting	60.0	62.5	58.3			
Engineering	+++ 50.0	50.0	50.0			
Architectural	+++ 60.0	60.0	58.3			
Temporary Personnel	+++ 62.5	62.5	56.3			
Computer Consultants	+++ 64.3	66.7	57.1			

+++ = 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.