



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

NEW YORK CITY REPORT ON BUSINESS
2004 Closes on a Hopeful Note for the Big Apple

Business activity appears to be firming somewhat in New York City, notwithstanding a decline in some assessments of the outlook. Activity in the service sector, which is most representative of the City's economy, continued to firm, according to the latest survey of purchasing managers conducted by the National Association of Purchasing Management-New York (NAPM-NY). The index of nonmanufacturing activity climbed to 64.4, returning to the lofty levels reached at the start of 2004—index levels over 50 imply that a majority of respondents sees an improving business environment. Responses from those in manufacturing businesses signaled some moderation, but the low response rate for the survey in this holiday season suggests the decline may not be statistically significant. The NAPM-NY surveys match a similar upbeat message reflected in the Federal Reserve Bank of New York's business survey for the Empire State.

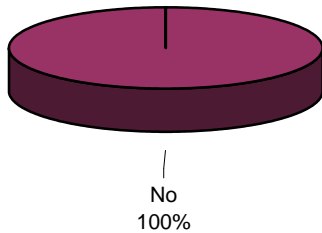
The results from the NAPM-NY parallel further gains in the region's job market. Earlier, the Bureau of Labor statistics reported that the metropolitan area's unemployment rate has declined significantly and that employment in businesses that are important to the Big Apple's economy is strengthening.

Respondents report no visible impact on the City's economy owing to the fall in the dollar versus the euro.

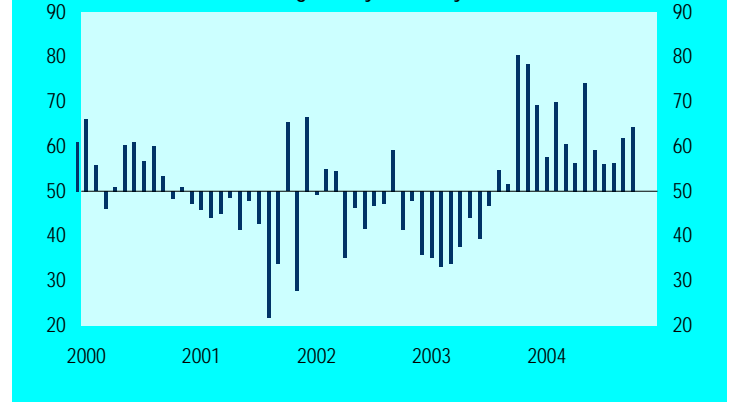
| | NY-BCI | Current* | Mfg. | Non-Mfg. | Outlook** |
|-------------|--------|----------|------|----------|-----------|
| October | 253.2 | 48.4 | 59.2 | 47.2 | 50.0 |
| November | 257.6 | 58.7 | 54.1 | 59.2 | 56.3 |
| December | 254.3 | 43.4 | 62.4 | 41.3 | 41.0 |
| January '03 | 253.8 | 49.0 | 58.4 | 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 |
| July | 302.5 | 73.2 | 64.8 | 74.1 | 78.5 |
| August | 307.1 | 59.3 | 61.2 | 59.1 | 60.0 |
| September | 310.4 | 56.6 | 60.1 | 52.6 | 60.0 |
| October | 313.7 | 56.7 | 60.0 | 56.3 | 50.0 |
| November | 319.3 | 61.1 | 54.4 | 61.9 | 64.3 |
| December | 325.5 | 62.1 | 41.2 | 64.4 | 37.5 |

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

The euro has climbed 45% relative to the dollar over the past two years. Has the dollar's decline versus the euro had a visible impact on your business?



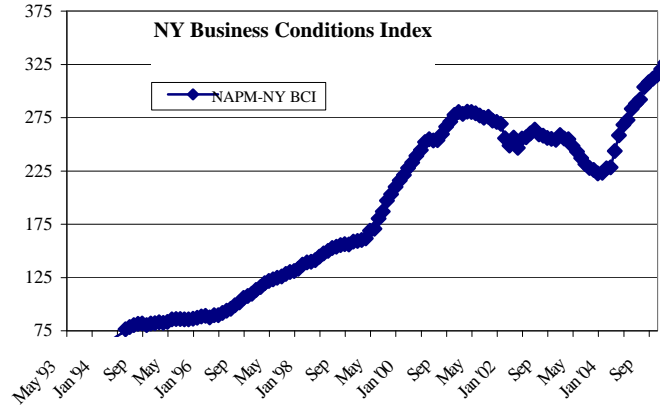
Nonmanufacturing Activity in the City, Diffusion Index



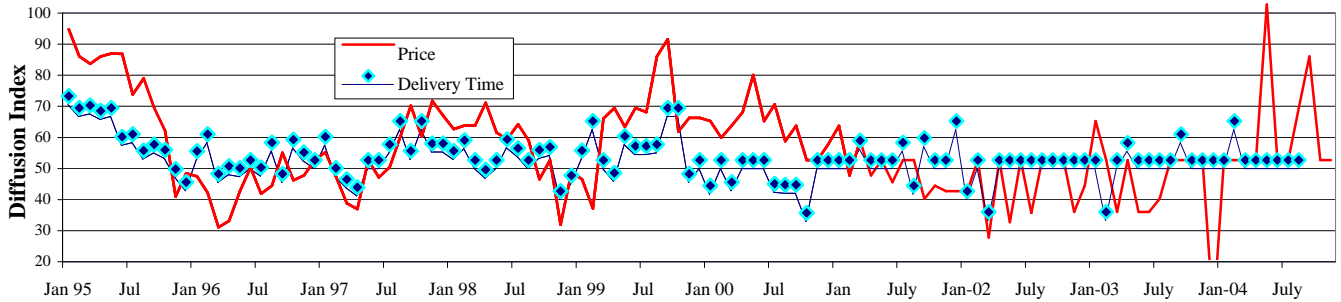
New York Business Conditions Index

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.

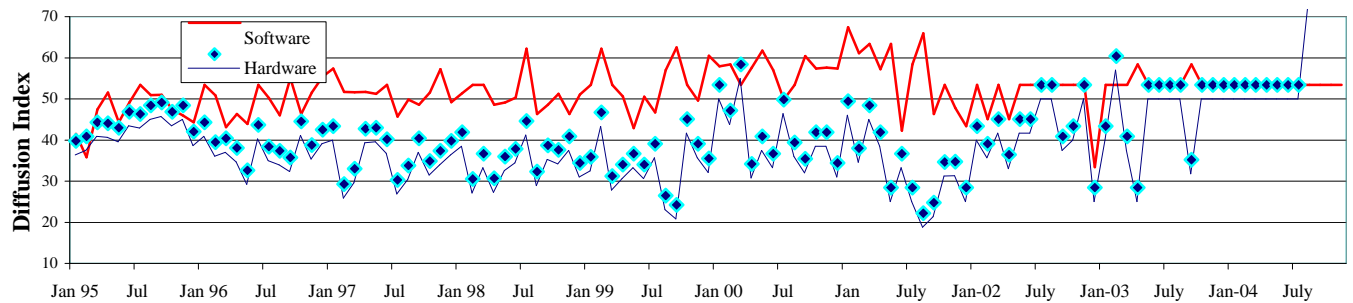
| | Year ago | | | | |
|--------------|----------|-------|-------|-------|-------|
| | Dec | Nov | Oct | Sept | Dec |
| NY BCI | 325.3 | 319.3 | 313.7 | 310.4 | 242.6 |
| % Change M/M | 1.9 | 1.8 | 1.1 | 1.1 | 6.7 |



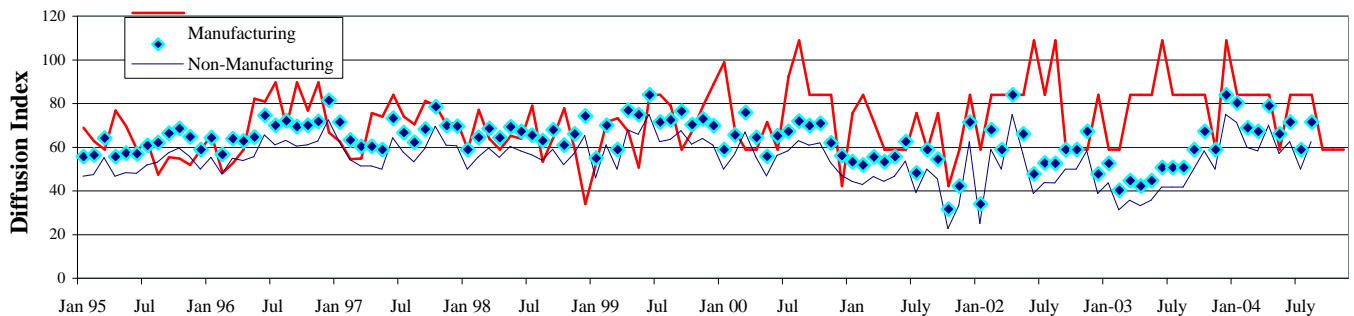
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



Current Conditions - Manufacturing vs. Non-Manufacturing Activity

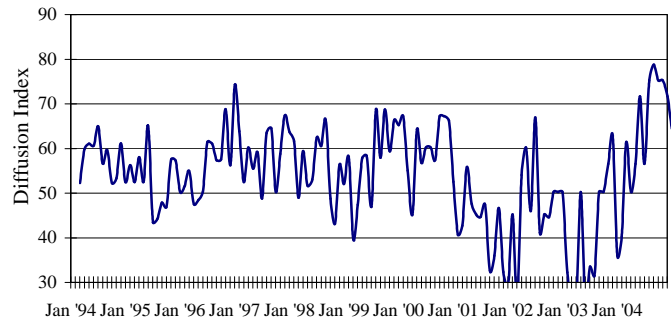


Quantity of Purchases

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

| | Dec | Nov | Oct | Sept | Aug | Dec |
|---------------|----------|-------|------|------|------|------|
| | Year ago | | | | | |
| Composite | 62.5 | 64.3 | 71.4 | 58.3 | 75.0 | 40.0 |
| Manufacturing | NA | 100.0 | 75.0 | 50.0 | 75.0 | 50.0 |
| Non-Mfg. | 62.5 | 50.0 | 70.0 | 60.0 | 75.0 | 37.5 |

Quantity of Purchases

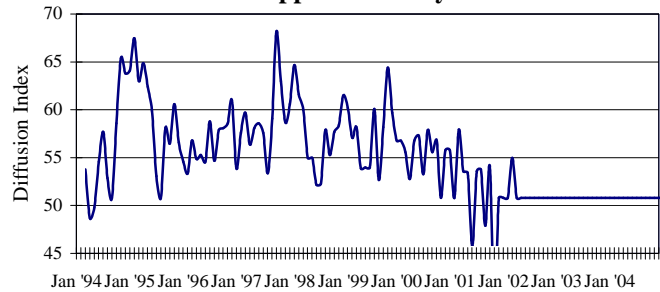


Supplier Delivery Time

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.

| | Dec | Oct | Oct | Sept | Aug | Dec |
|---------------|----------|------|------|------|------|------|
| | Year ago | | | | | |
| Composite | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| Manufacturing | NA | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| Non-Mfg. | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |

Supplier Delivery Time

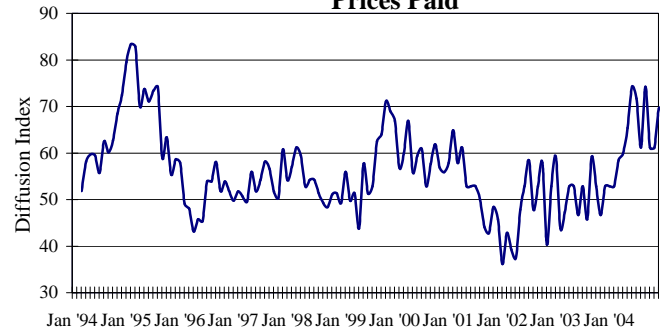


Prices Paid

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

| | Dec | Nov | Oct | Sept | Aug | Dec |
|---------------|----------|------|------|-------|------|------|
| | Year ago | | | | | |
| Composite | 62.6 | 64.3 | 66.7 | 75.0 | 58.3 | 50.0 |
| Manufacturing | NA | 75.0 | 50.0 | 100.0 | 50.0 | 50.0 |
| Non-Mfg. | 62.5 | 60.0 | 75.0 | 70.0 | 62.5 | 50.0 |

Prices Paid

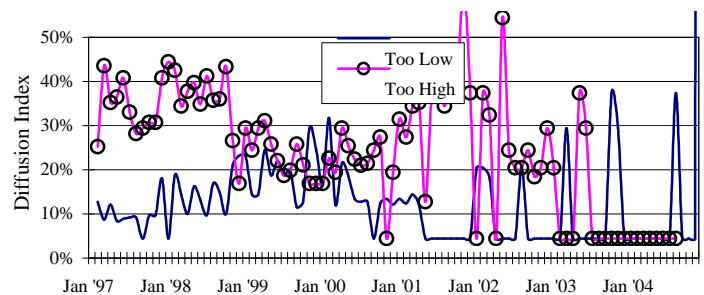


Finished Goods Inventory Relative to Use

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

| | Dec | Nov | Oct | Sept | Aug | Dec |
|---------------|----------|-----|-----|------|-----|-----|
| | Year ago | | | | | |
| Composite | NA | 63 | 63 | 50 | 50 | 50 |
| % too high | 0 | 0 | 0 | 50 | 0 | 0 |
| Manufacturing | NA | 50 | 50 | 50 | 50 | 50 |
| Non-Mfg. | NA | 75 | 75 | 50 | 50 | 0 |

Finished Goods Inventory vs. Expected Use

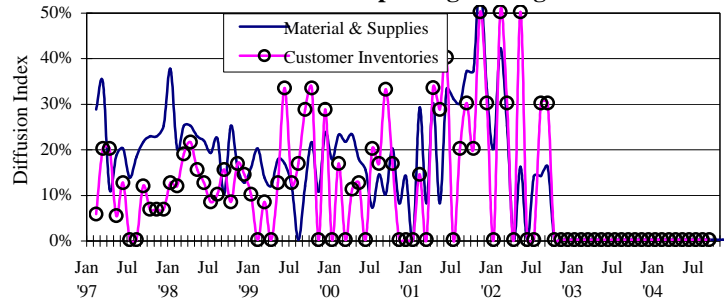


Raw Materials & Customer Inventory

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

| | Year ago | | | | | |
|----------------------|----------|-----|-----|------|-----|-----|
| | Dec | Nov | Oct | Sept | Aug | Dec |
| 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



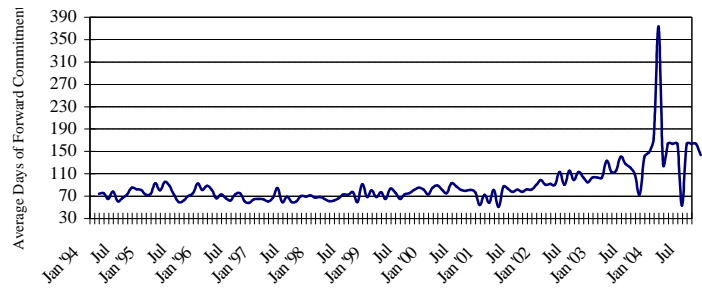
Buying Policy for Production Materials

The period of forward commitment for production materials.

| | Year ago | | | | | |
|--------------|----------|-----|-----|------|-----|-----|
| | Dec | Nov | Oct | Sept | Aug | Dec |
| Average Days | 15 | 96 | 96 | 150 | 150 | 360 |

| Weighted Average Number of Days | Hand to Mouth | 30 Days | 60 Days | 90 Days | 6 Months | 1 Year or More |
|---------------------------------|---------------|---------|---------|---------|----------|----------------|
| 15 | 50% | 50% | 0% | 0% | 0% | 0% |

Production Materials



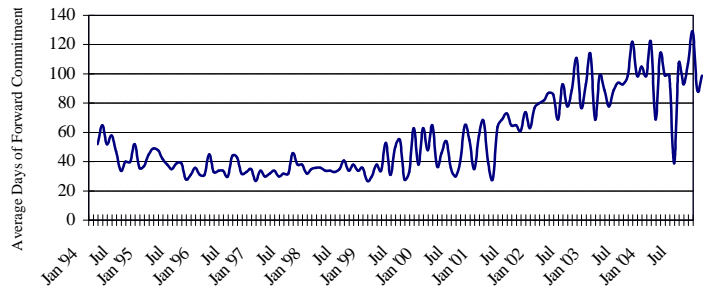
Buying Policy for MRO Supplies

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

| | Year ago | | | | | |
|--------------|----------|-----|-----|------|-----|-----|
| | Dec | Nov | Oct | Sept | Aug | Dec |
| Average Days | 30 | 80 | 120 | 98 | 84 | 113 |

| Weighted Average Number of Days | Hand to Mouth | 30 Days | 60 Days | 90 Days | 6 Months | 1 Year or More |
|---------------------------------|---------------|---------|---------|---------|----------|----------------|
| 30 | 0% | 100% | 0% | 0% | 0% | 0% |

MRO Supplies



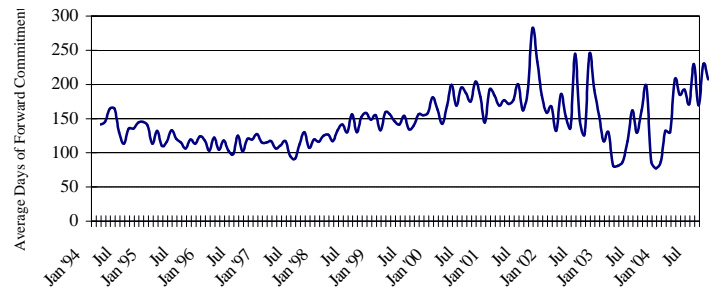
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

| | Year ago | | | | | |
|--------------|----------|-----|-----|------|-----|-----|
| | Dec | Oct | Oct | Sept | Aug | Dec |
| Average Days | 90 | 130 | 130 | 180 | 203 | 105 |

| Weighted Average Number of Days | Hand to Mouth | 30 Days | 60 Days | 90 Days | 6 Months | 1 Year or More |
|---------------------------------|---------------|---------|---------|---------|----------|----------------|
| 90 | 0% | 0% | 0% | 100% | 0% | 0% |

Capital Equipment



Specific Price Changes & Supplier Deliveries

| COMMODITIES | --- PRICE CHANGES --- | | | --- VENDOR DELIVERIES --- | | |
|---------------------------------|-----------------------|-------|-------|---|------|------|
| | Dec | Nov | Oct | Dec | Nov | Oct |
| Castings | | 75.0 | 100.0 | | 50.0 | 50.0 |
| Chemicals | 50.0 | 50.0 | 50.0 | | 50.0 | |
| Computer Hardware | +++ | 33.3 | 62.5 | 50.0 | 50.0 | 50.0 |
| Computer Software | +++ | 33.3 | 50.0 | 50.0 | 50.0 | 50.0 |
| Corrugated Packaging | | 50.0 | 50.0 | | 66.7 | 50.0 |
| Electrical Components | | 50.0 | 50.0 | | 50.0 | 50.0 |
| Energy | | 100.0 | 100.0 | 50.0 | 50.0 | |
| Ferrous Metals | | 100.0 | 100.0 | 50.0 | | 50.0 |
| Food Products | | | | | | |
| Glass | | | | | | |
| Hydraulic Components | | | | | | |
| Medical Supplies | | | | | | |
| Nonferrous Metals | +++ | | 100.0 | | 50.0 | 50.0 |
| 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 |
| Piping & Tubing | | | 100.0 | | 50.0 | 50.0 |
| Plastics | | 100.0 | 83.3 | | 50.0 | 50.0 |
| Plating | | | 50.0 | | 50.0 | 50.0 |
| Printing Paper | +++ | 75.0 | 60.0 | 50.0 | 50.0 | 50.0 |
| Rubber Products | | | | | | |
| Textile Products | | | | | | |
| Wood & Pulp | | | 100.0 | | 75.0 | |
| 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 | | 57.1 | | | | |
| Construction | | 66.7 | | | | |
| Painting | | 60.0 | | | | |
| Engineering | +++ | 50.0 | | | | |
| Architectural | +++ | 58.3 | | | | |
| Temporary Personnel | +++ | 56.3 | | | | |
| Computer Consultants | +++ | 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.