



NEW YORK CITY FOCUS:
BUSINESS SLIPPAGE CEASES. . . BRIGHTER EXPECTATIONS

Following two straight months of modest declines in New York City's business pace from the unprecedented perch reached in November of last year, *the slippage ceased in February according to the latest monthly survey of Big Apple purchasing managers.* To be sure, the December-January slowdown was barely perceptible when viewed against the backdrop of the full-fledged five-borough boom; perhaps more worrisome was the threat to the economy's health arising from the steep erosion of purchasing agent expectations that took place in the fourth quarter of last year. But this slide, too, has been reversed convincingly over the past two months—an entirely appropriate attitudinal shift especially when you consider that the *City Comptroller's Office* recently reported in its yearend economic roundup that the city economy expanded at 2-1/2 times the speed of the national economy in the fourth quarter of last year, that total job creation posted its biggest quarterly increase in nearly 20 years during the period, and that inflation remains remarkably becalmed, notwithstanding the vibrant business clip and the escalation of energy prices. *If momentum counts for anything, then the Big Apple has it, possessing a degree of economywide gusto that is missing elsewhere—a trump card that ensures that this business upswing has yet to fold.*

Nor are local purchasing managers throwing in their cards. The *Business Conditions Index (BCI)* of the *National Association of Purchasing Management-New York* held steady in February, following the first back-to-back monthly drop in this gauge since the current business expansion began. The *BCI* stood at 287.8 in February (see table opposite), unchanged from the January reading; this comes on the heels of a modest 0.4 percent dip in the index in January compared with the December level. *Although it might be argued that this is indicative of an economy whose growth has flattened, two things should be noted:* First, a somewhat similar trend emerged last spring, in April-May when the index barely budged, but after which the economy's growth reaccelerated rapidly and business activity soared to an unprecedented intensity and, second, that the *BCI* still stands at one of its loftiest levels on record.

Since the monthly *NAPM-NY* business conditions survey is one of the most reliable, and timely, barometers of the New York City metro's business climate, these findings support the prevailing view that the national economic slowdown has *not* severely pinched economic activity in this region. And, while the *BCI* held steady, the *current conditions diffusion index*, illustrating the breadth of the business expansion within selected segments of the city's industry mix, bounced upward in February; after dipping below the 50 percent mark that typically defines the difference between an economy that is expanding and one that is not over the past two months, this gauge again climbed to the threshold of expansion in February. But what was pinched late last year was purchasing manager optimism. *This group turned decidedly glum in the waning months of 2000; since then, the NAPM-NY outlook/expectations index has staged one of the sharpest rebounds on record, rising in tandem with the Federal Reserve's actions to slice deeply into the existing level of short-term interest rates.*

Commenting on the data, survey director and senior regional economist at *JPMorgan*, Marc M. Goloven, stated that . . . "the February *NAPM-NY* survey results should provide both *relief and reassurance*—relief that the slippage in the business pace in December and January neither lingered nor intensified beyond the modest measure that did occur, and reassurance that the waning of optimism among those on the front lines of New York City's potent business upturn has been arrested, ensuring that an unwarranted pessimism was not permitted to transform itself into outright business torpor. Because of this, the Big Apple's economic prognosis has yet to be decidedly dented by the building wall of worry elsewhere." But the wall of worry will be chipped at further if local purchasing managers are correct in their assessment of the interest rate outlook—as shown in the chart opposite, just about 95 percent of those surveyed believe that the prospect of significantly lower interest rates in coming weeks is at least 50-50, or better.

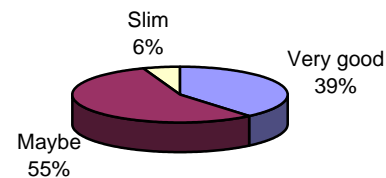
NY Regional Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
November'98	158.2	52.8	49.1	53.2	58.6
December	159.1	53.5	27.0	56.4	65.6
January '99	159.0	49.9	46.7	50.3	67.2
February	165.4	62.7	71.3	61.8	64.3
March	168.9	57.1	80.0	54.5	63.6
April	179.7	71.5	58.9	72.9	61.3
May	188.4	67.5	37.8	70.8	71.0
June	198.2	69.6	66.7	69.9	71.4
July	204.9	63.4	64.5	63.3	73.1
August	213.1	66.4	76.1	65.4	70.4
September	219.1	62.0	43.4	64.1	75.0
October	224.1	60.0	55.6	60.4	66.1
November	231.2	64.1	69.1	63.6	71.2
December	237.7	63.1	79.5	61.2	71.2
January'00	245.2	59.5	90.0	50.0	69.1
February	248.8	57.1	58.3	56.7	69.5
March	255.8	63.9	50.0	66.7	66.7
April	258.0	54.4	50.0	55.6	60.9
May	258.0	50.0	62.5	46.9	77.5
June	260.1	54.8	50.0	56.3	66.7
July	266.0	61.9	83.3	58.3	71.4
August	275.2	69.4	100.0	63.3	66.7
September	281.7	63.0	75.0	60.5	67.4
October	288.3	63.2	75.0	61.8	60.5
November	291.5	56.8	75.0	52.8	52.3
December	289.0	45.2	33.3	47.2	50.0
January'01	287.8	47.6	66.7	44.4	57.1
February	287.8	50.0	75.0	42.9	58.3

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

What is the prospect for significantly lower interest rates?

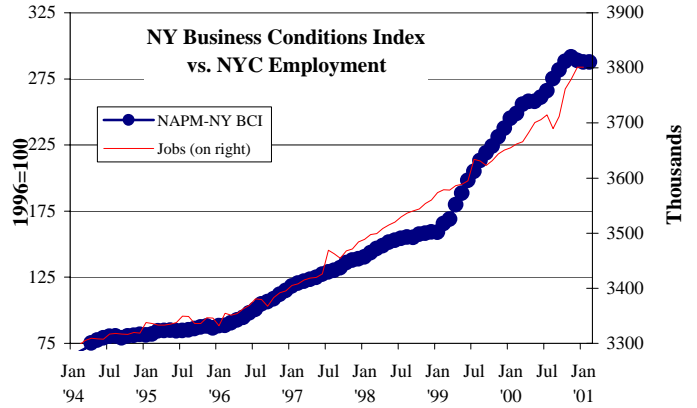


New York Business Conditions Index

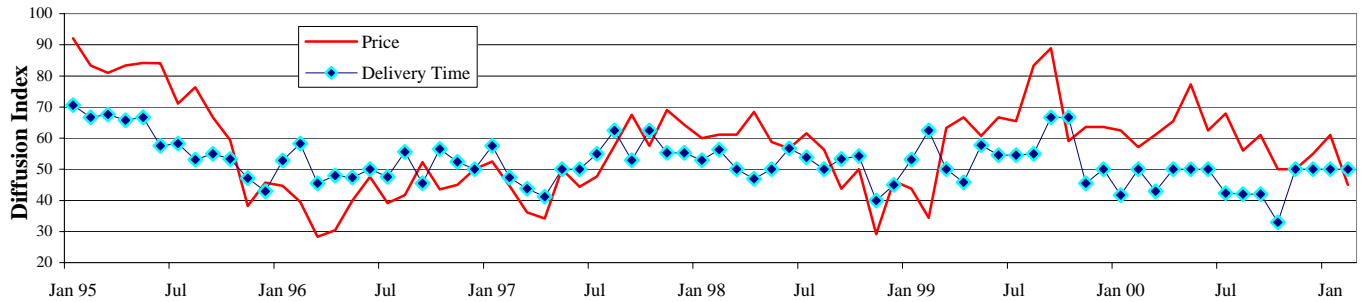
The NY business conditions index is a cumulative diffusion index of the NYC-area's current business conditions. The BCI tends to anticipate or move with local-area employment. However, the employment data are available 1 or 2 months later than that of the NAPM-NY BCI.

	Feb	Jan	Dec	Nov	Year ago Feb
NY BCI	287.8	287.8	289.0	291.5	248.8
% Change M/M	0.0	-0.4	-0.9	1.1	1.5

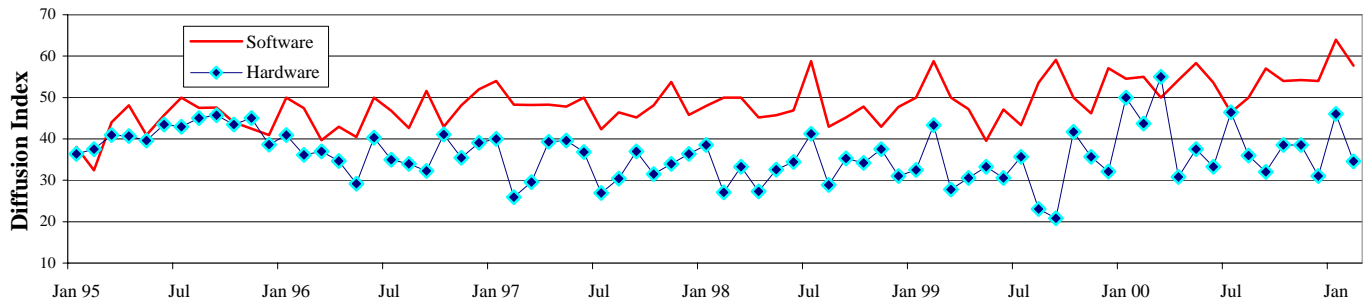
Comment: Will pick up next month. This downturn is normal for our industry this time of the year.



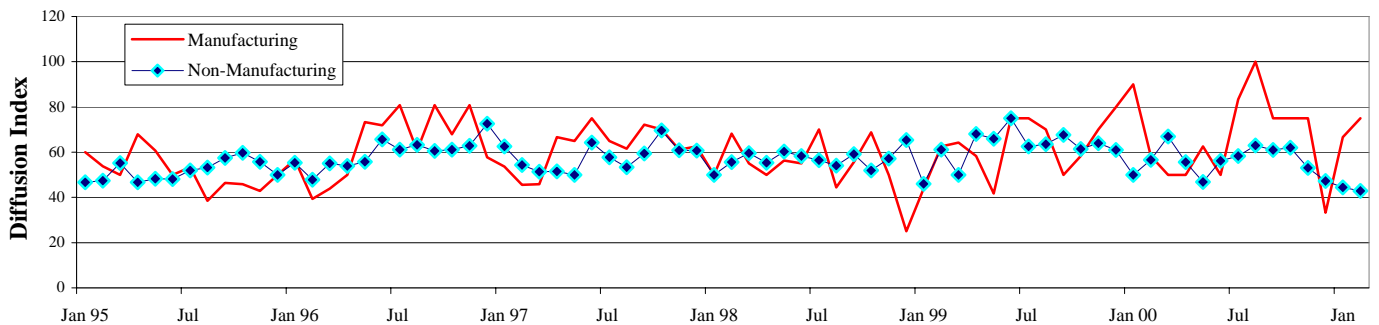
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



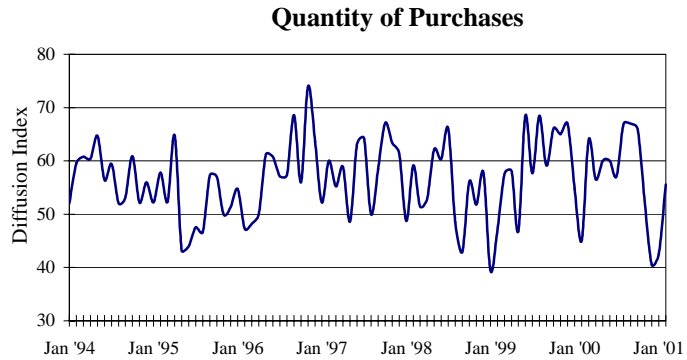
Current Conditions - Manufacturing vs. Non-Manufacturing Activity



Quantity of Purchases

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

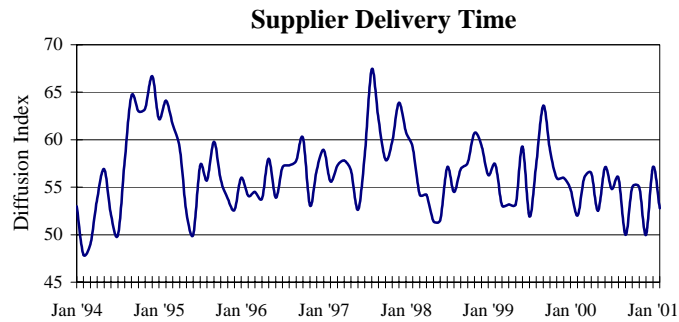
	Feb	Jan	Dec	Nov	Oct	Year ago Feb
Composite	56	43	40	52	66	45
Manufacturing	75	50	17	50	50	33
Non-Mfg.	50	41	44	53	68	50



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.

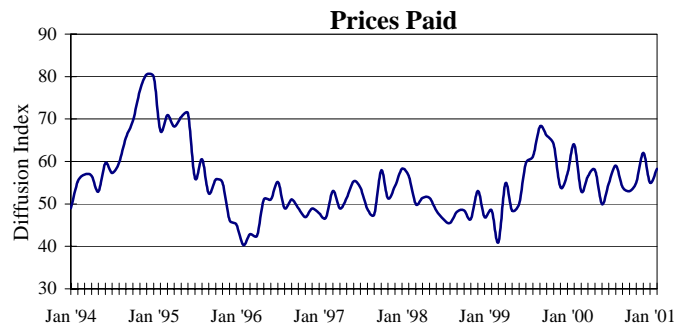
	Feb	Jan	Dec	Nov	Oct	Year ago Feb
Composite	53	57	50	55	55	52
Manufacturing	50	50	50	50	50	50
Non-Mfg.	54	58	50	56	56	53



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.

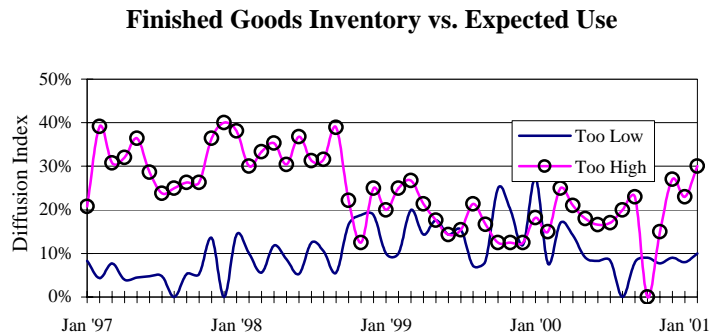
	Feb	Jan	Dec	Nov	Oct	Year ago Feb
Composite	58	55	62	55	53	64
Manufacturing	50	50	50	38	50	75
Non-Mfg.	61	56	65	58	53	60



Finished Goods Inventory Relative to Use

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

	Feb	Jan	Dec	Nov	Oct	Year ago Feb
Composite	60	58	59	54	45	NA
% too high	30	23	27	15	0	15
Manufacturing	50	50	50	50	25	50
Non-Mfg.	67	60	62	56	50	60

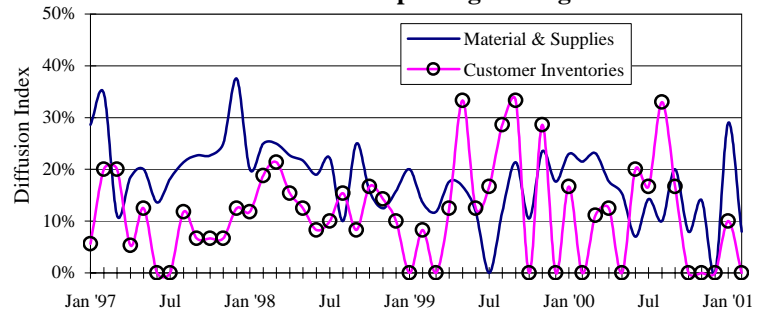


Raw Materials & Customer Inventory

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

% Reporting Too High		Year ago				
	Feb	Jan	Nov	Oct	Sep	Feb
Materials & Supplies	8.0	28.6	0.0	14.0	8.0	22.0
Customer Inventories	0.0	14.3	0.0	0.0	0.0	0.0

Material & Customer Stocks vs. Expected Use % Reporting too High



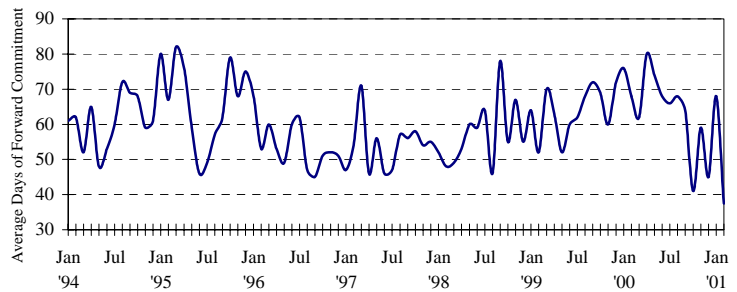
Buying Policy for Production Materials

The period of forward commitment for production materials.

Average Days		Year ago				
	Feb	Jan	Nov	Oct	Sep	Feb
Average Days	38	68	45	59	41	68

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
38	25%	42%	17%	17%	0%	0%

Production Materials



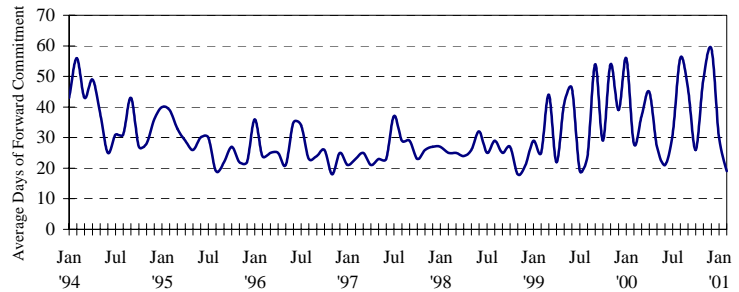
Buying Policy for MRO Supplies

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

Average Days		Year ago				
	Feb	Jan	Nov	Oct	Sep	Feb
Average Days	19	30	59	49	26	28

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
19	55%	27%	18%	0%	0%	0%

MRO Supplies



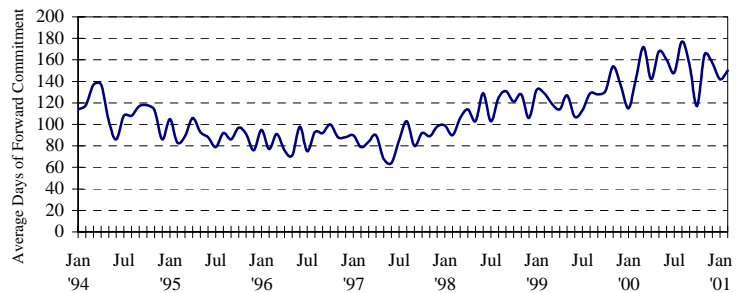
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

Average Days		Year ago				
	Feb	Jan	Nov	Oct	Sep	Feb
Average Days	150	142	157	165	117	142

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
150	27%	0%	18%	9%	18%	27%

Capital Equipment



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Feb	Jan	Dec	Feb	Jan	Dec
Castings	50.0	50.0	50.0	66.7	50.0	50.0
Chemicals	64.3	62.5	62.5	50.0	50.0	50.0
Computer Hardware	34.6	45.5	30.8	53.8	50.0	53.8
Computer Software	+++ 57.7	63.6	53.8	53.8	55.0	50.0
Corrugated Packaging	45.0	61.1	54.5	50.0	50.0	54.5
Electrical Components	50.0	50.0	50.0	58.3	50.0	50.0
Energy	+++ 85.7	80.0	100.0	57.1	50.0	50.0
Ferrous Metals	50.0	50.0	50.0	50.0	50.0	50.0
Food Products	50.0	50.0	50.0	66.7	50.0	50.0
Glass	50.0	50.0	50.0	50.0	50.0	50.0
Hydraulic Components	50.0	50.0	50.0	50.0	50.0	50.0
Medical Supplies	50.0	50.0	50.0	60.0	50.0	50.0
Nonferrous Metals	70.0	60.0	33.3	50.0	50.0	50.0
Office Equipment (non-computer)	50.0	50.0	50.0	53.8	45.0	50.0
Office Supplies	46.7	50.0	50.0	53.6	45.5	53.8
Piping & Tubing	50.0	50.0	50.0	50.0	50.0	50.0
Plastics	62.5	50.0	50.0	50.0	50.0	50.0
Plating	50.0	50.0	50.0	50.0	50.0	50.0
Printing Paper	+++ 50.0	55.0	61.1	56.3	56.3	50.0
Rubber Products	37.5	75.0	75.0	50.0	50.0	50.0
Textile Products	50.0	50.0	50.0	50.0	50.0	50.0
Wood & Pulp	50.0	50.0	75.0	50.0	37.5	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, Construction and Architectural services.		
Cleaning	+++ 66.7	100.0	57.1			
Construction	+++ 50.0	60.0	62.5			
Painting	50.0	66.7	50.0			
Engineering	66.7	83.3	75.0			
Architectural	+++ 62.5	75.0	62.5			
Temporary Personnel	66.7	50.0	50.0			
Computer Consultants	70.0	80.0	62.5			

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

Items in Short Supply

Laptops, memory, DVD & CD drives for Notebook computers
Concrete switches

Purchaser Comments

Business seems to have peaked. Outlook possibly flat or slightly down.

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 NAPM 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.