



NEW YORK CITY FOCUS:
SLIGHTLY SOFTER BUSINESS PACE . . . EXPECTATIONS DARKEN

After the periodic recomputation of the *Business Conditions Index (BCI)* of the *National Association of Purchasing Management-New York* due to the introduction of a revised set of seasonal adjustment factors, the bottom line is essentially the same: *Economic activity in New York City remains intense, although the intensity of the business expansion is somewhat more subdued than initially thought.* This tends to mirror the trend in private employment creation in the Big Apple in recent months, perhaps the most important bellwether of local business conditions. During the 12-months ending in March of this year, the private industry job count increased by 2.4 percent, or by 75,400 positions; while this was more than twice the speed of private sector job growth experienced nationally, it was slightly shy of the three percent private job growth rate posted during the immediately-preceding 12-months, spanning the period from March 1999-to-March 2000. *Although this can be indicative of a slowdown, perspective counts in comparisons such as these—New York City experienced its speediest private job growth on record last year, and topping the performance of 2000 would have been extremely tough even under the best of circumstances.*

One reason for the difficulty in bettering last year's breakneck growth—besides financial market jitters and dot-com retrenchment—is the onset of another bout of accelerating factory job losses in the Big Apple. Suffering the loss of more than 14,000 manufacturing jobs between March 2000 and March 2001, *this development did two things:* First, it shaved the city's private industry job growth rate by nearly one percentage point and, second, it contributed to the slide in the manufacturing component of the *NAPM-NY* current conditions diffusion index which has been underway for three straight months. This, in turn, has had a suppressing effect upon the *BCI*; as the second quarter opened, this gauge of current activity levels—although remaining at one of its loftiest heights on record—slipped a bit in April compared with March. As shown in the table opposite, the *BCI* stood at 276.4 in April (1996=100), *down a modest 0.8 percent month-over-month.* This compares with a slight monthly advance in March and a 1.2 percent monthly gain in this index in April 2000.

Since the monthly *NAPM-NY* business conditions survey is one of the most reliable, and timely, barometers of New York City's business climate, *these findings suggest that the national business slowdown currently underway may have dented, but has not significantly damaged, the local economy's armor.* To be sure, the *current conditions diffusion index*, illustrating the breadth of the business expansion across the city's industry mix, is well below year-ago levels—indicating a narrowing of the number of high-octane industries for the moment—but the most significant corrosive effect has been on purchasing manager expectations. After rebounding smartly earlier this year, the mood of the purchasing agents surveyed darkened considerably in April. The *NAPM-NY outlook/expectations index* slumped from a reading of 57.9 in March to 50.0 in April, *the biggest monthly slide since last autumn* when worries about the economy began to intensify. Although this is just a snapshot of the current mood, it does reflect a deepening unease among local businesses about what might come next.

Commenting on the data, survey director and senior regional economist at *JPMorgan*, Marc M. Goloven, stated that ". . . although the April *NAPM-NY* results point to a moderation of business activity across much of the industry spectrum compared with March, the business pace still remains exceptionally vibrant. Perhaps more worrisome is the resumption of the slide in optimism among the purchasing agents; while this may not be surprising in the wake of dour developments elsewhere, if left unchecked this attitudinal swoon might become tomorrow's spending and hiring fatigue." And there may be some signs of this already. In light of the overarching importance of employment conditions in any diagnosis of the economy, the purchasing managers were asked about the hiring outlook at their company in the months ahead. Although more than 60 percent of the purchasing agents surveyed expect that the job count at their firm will remain stable in the months ahead, *only 13 percent anticipated that there would be employee additions.* At the beginning of this year, 22 percent of the purchasing agents thought that their companies would be ramping up hiring. This suggests that slower job growth may well be on the horizon.

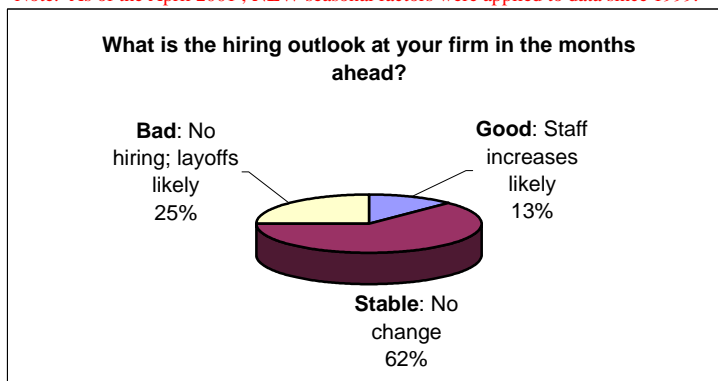
NY Regional Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
January '99	160.6	53.1	50.4	53.4	67.2
February	167.9	64.5	63.4	64.7	64.3
March	169.6	53.4	72.9	51.3	63.6
April	179.2	69.1	63.9	69.7	61.3
May	186.0	63.5	39.4	66.2	71.0
June	196.0	70.1	69.7	70.1	71.4
July	202.0	62.0	62.1	62.0	73.1
August	208.8	63.7	71.4	62.8	70.4
September	214.9	62.1	49.4	63.5	75.0
October	219.9	60.1	59.5	60.2	66.1
November	226.5	63.3	69.5	62.6	71.2
December	231.9	60.7	78.4	58.7	71.2
January'00	238.4	63.1	100.0	59.0	69.1
February	243.1	59.5	57.3	59.7	69.5
March	251.9	67.4	55.6	68.7	66.7
April	254.8	55.8	56.6	55.7	60.9
May	253.7	47.8	59.8	46.5	77.5
June	254.8	52.3	46.9	52.9	66.7
July	259.3	59.0	68.3	58.0	71.4
August	267.5	66.2	100.0	62.5	66.7
September	271.7	58.4	75.2	56.5	67.4
October	277.7	62.2	76.9	60.5	60.5
November	279.8	54.1	74.7	51.8	52.3
December	277.0	44.5	32.4	45.9	50.0
January'01	279.6	55.2	76.9	52.8	57.1
February	278.6	47.9	72.7	45.1	58.3
March	278.7	50.2	69.1	48.1	57.9
April	276.4	45.4	57.8	44.0	50.0

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

Note: As of the April 2001, NEW seasonal factors were applied to data since 1999.

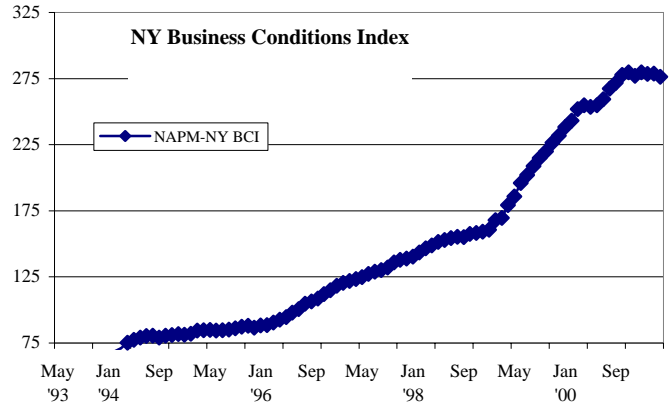


New York Business Conditions Index

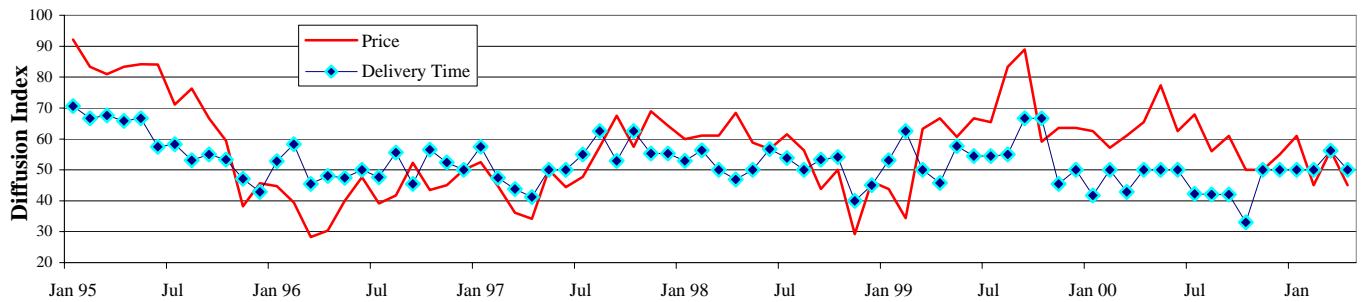
The NY business conditions index is a cumulative diffusion index of the NYC-area's current business conditions. The BCI tends to precede or move with local-area employment. However, the employment data are available 1 or 2 months later than that of the NAPM-NY BCI.

	Apr	Mar	Feb	Jan	Year ago Apr
NY BCI	276.4	278.7	278.6	279.6	254.8
% Change M/M	-0.8	0.0	-0.4	0.9	1.2

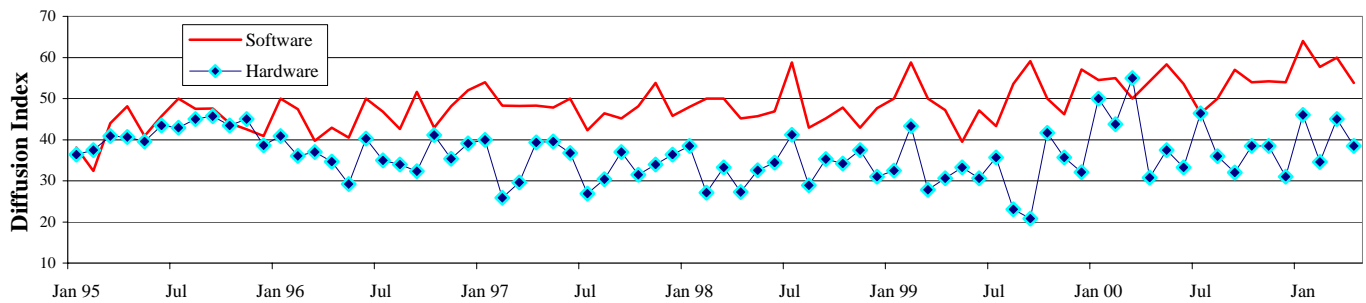
Comment: Advertising lineage down over comparable period in 2000.



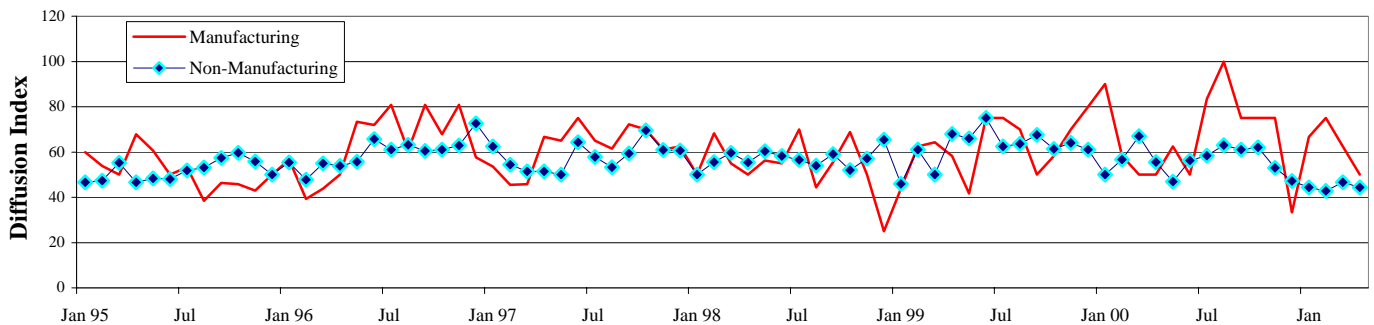
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



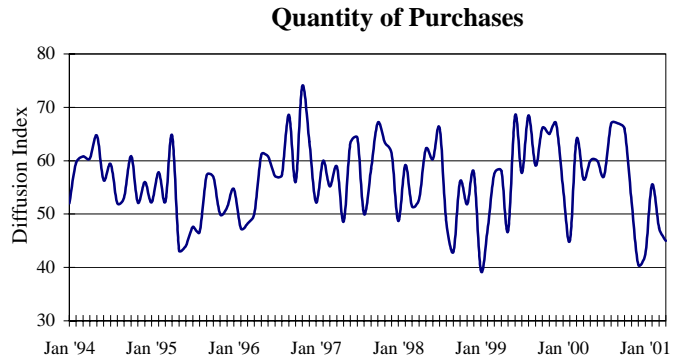
Current Conditions - Manufacturing vs. Non-Manufacturing Activity



Quantity of Purchases

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

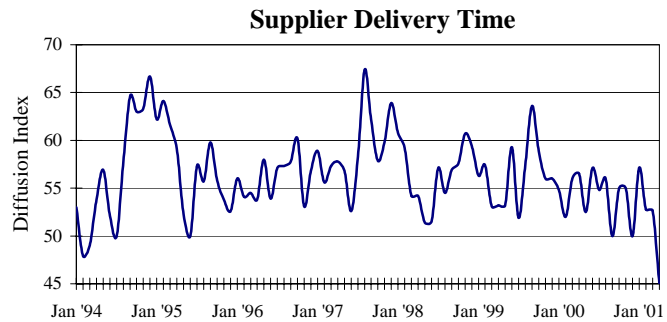
	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	45	47	56	43	40	57
Manufacturing	75	50	75	50	17	70
Non-Mfg.	42	47	50	41	44	53



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.

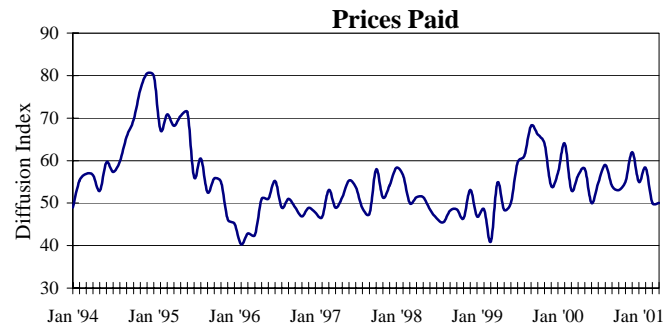
	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	45	53	53	57	50	57
Manufacturing	50	50	50	50	50	60
Non-Mfg.	44	53	54	58	50	56



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.

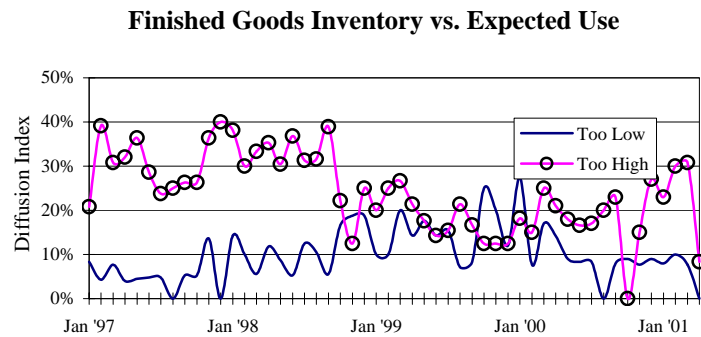
	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	50	50	58	55	62	57
Manufacturing	50	38	50	50	50	60
Non-Mfg.	50	53	61	56	65	56



Finished Goods Inventory Relative to Use

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

	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	54	62	60	58	59	54
% too high	8	31	30	23	27	21
Manufacturing	50	50	50	50	50	40
Non-Mfg.	55	67	67	60	62	61

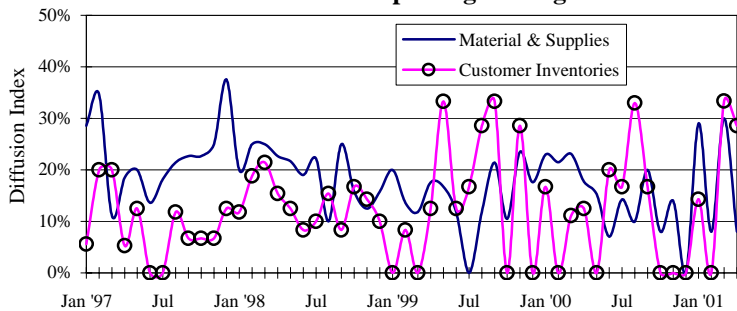


Raw Materials & Customer Inventory

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

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Materials & Supplies	8.0	30.0	8.0	28.6	0.0	17.7
Customer Inventories	28.6	33.3	0.0	14.3	0.0	12.5

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



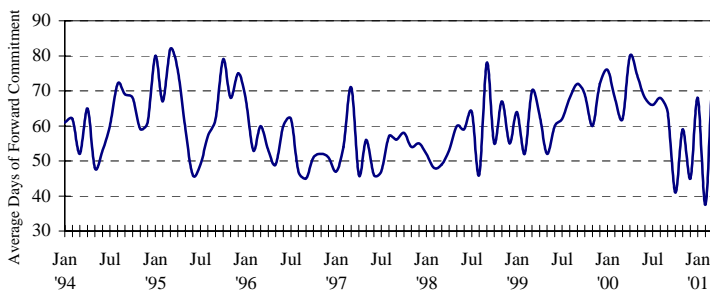
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Average Days	70	74	38	68	45	80

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
70	17%	42%	8%	25%	0%	8%

Production Materials



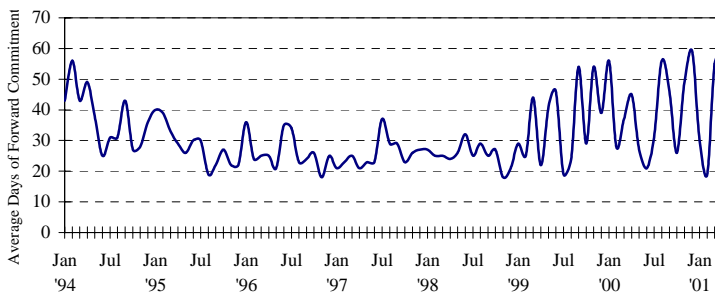
Buying Policy for MRO Supplies

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

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Average Days	60	55	19	30	59	45

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
60	43%	21%	14%	7%	7%	7%

MRO Supplies



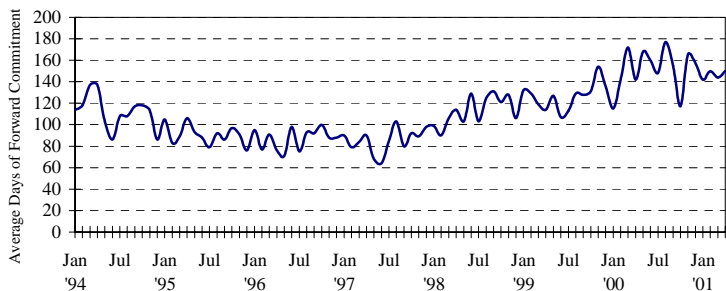
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Average Days	150	144	150	142	157	142

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
150	8%	8%	8%	42%	8%	25%

Capital Equipment



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Apr	Mar	Feb	Apr	Mar	Feb
Castings	50.0	50.0	50.0	75.0	75.0	66.7
Chemicals	62.5	50.0	64.3	50.0	50.0	50.0
Computer Hardware	38.5	45.0	34.6	40.9	55.0	53.8
Computer Software	+++ 53.8	60.0	57.7	45.5	55.6	53.8
Corrugated Packaging	45.0	56.3	45.0	50.0	56.3	50.0
Electrical Components	58.3	62.5	50.0	50.0	50.0	58.3
Energy	+++ 75.0	80.0	85.7	40.0	62.5	57.1
Ferrous Metals	50.0	50.0	50.0	50.0	50.0	50.0
Food Products	66.7	83.3	50.0	50.0	66.7	66.7
Glass	100.0	50.0	50.0	50.0	50.0	50.0
Hydraulic Components	66.7	50.0	50.0	50.0	50.0	50.0
Medical Supplies	50.0	50.0	50.0	50.0	50.0	60.0
Nonferrous Metals	33.3	40.0	70.0	50.0	50.0	50.0
Office Equipment (non-computer)	45.8	50.0	50.0	45.5	50.0	53.8
Office Supplies	42.9	45.5	46.7	45.8	50.0	53.6
Piping & Tubing	62.5	58.3	50.0	50.0	50.0	50.0
Plastics	66.7	50.0	62.5	50.0	50.0	50.0
Plating	50.0	50.0	50.0	50.0	50.0	50.0
Printing Paper	+++ 60.0	57.1	50.0	55.6	57.1	56.3
Rubber Products	40.0	50.0	37.5	50.0	50.0	50.0
Textile Products	50.0	50.0	50.0	50.0	50.0	50.0
Wood & Pulp	60.0	50.0	50.0	62.5	50.0	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, Construction and Architectural services.		
Cleaning	+++ 66.7	66.7	66.7			
Construction	+++ 68.8	50.0	50.0			
Painting	50.0	62.5	50.0			
Engineering	66.7	64.3	66.7			
Architectural	+++ 58.3	62.5	62.5			
Temporary Personnel	50.0	50.0	66.7			
Computer Consultants	58.3	58.3	70.0			

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

Items in Short Supply

Lumber, Track Machinery

Purchaser Comments

Business is slow.
 Waiting anxiously for improved business conditions.
 Business is down. Making more product than selling.
 Some softening in maintenance spending, but overall business remains rather good.

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.