



**NEW YORK CITY ECONOMIC FOCUS:**  
**NEITHER GLOWING NOR GLUM**

The New York City economy maintained much of its muscle as the spring quarter drew to a close, as a strengthening business pace in the service-producing industries more than offset the multi-month torpor affecting local manufacturing, according to the latest monthly survey of the *National Association of Purchasing Management-New York*. To be sure, *the breakneck expansion of the Big Apple economy that was so much in evidence in 1999 and much of 2000 has given way to a more subdued, and arguably more sustainable business clip*; following an unprecedented expansion of inventory, the hotel occupancy rate has eased, office vacancy rates have edged upward from historic lows and the once torrid growth of employment has moderated. Indeed, the job statistics reflect the prevailing diagnosis: During the 12-months ending in May of this year, the private industry job count expanded by 1.7 percent which, although more than *twice* the speed of private job creation nationally, is well shy of the 4.1 percent surge in private sector jobs occurring during the 12-months ending in May 2000.

Reflecting these trends, and influenced by the persistent softness of factory activity where layoffs have knocked about one-half of one percentage point off of the private job growth rate over the past year, the *Business Conditions Index (BCI)* of the *NAPM-NY*—the principal barometer of the current business climate—continued to move essentially sideways in June, although this gauge remained not far from the record level reached last autumn. As shown in the table opposite, the *BCI* stood at 274.8 in June (1996=100), an eyelash higher than the May reading. This compares with a 0.5 percent *increase* in the index in June of last year month-over-month; since peaking in November 2000, the *BCI* has edged 1.7 percent *lower*. Because the *NAPM-NY* business conditions survey is one of the most reliable, and timely, indicators of the business pace, and since it tends to mirror employment trends over time, *these findings are neither glowing nor glum but are, rather, symptomatic of an economy that has reached a comfortable cruising altitude at extremely lofty heights.*

Other elements of this month's survey contain both pluses and minuses. On the *plus side*, the *NAPM-NY current conditions diffusion index*, illustrative of the industry breadth of this expansion, climbed back above the 50 percent mark for the first time since March. Readings below 50 are typically associated with an economy that is either treading water or worse, while readings above 50 usually indicate expansion; *this result is due to two things—a decided strengthening of the services industry component of the index and a slowing of the deterioration of the manufacturing segment.* On the *minus side* of the ledger, the *outlook/expectations index* again took a tumble. While the local economy may have reached a smooth cruising altitude, thoughts about what may lie ahead have turned somewhat turbulent over the past seven months, seemingly shifting frequently depending upon the yin and yang of the economic statistics and the prevailing mood of the pundits. Nonetheless, this gauge has managed to hover at 50 or above throughout the year, indicating that purchasing manager sentiment remains generally positive, if not excessively exuberant.

Commenting on these findings, survey director and senior regional economist at *JPMorgan*, Marc M. Goloven, stated that "...the economy of the New York City metropolitan area continues to fare far better than many other locales that are in closer proximity to the epicenter of today's high technology manufacturing tailspin. For although pockets of weakness have emerged in recent months, particularly in the manufacturing industries and some distinct segments of financial services, employment creation remains brisk, construction is booming, and residential real estate is still eagerly sought. Unless something thoroughly disruptive, or thoroughly unexpected occurs, New York City should remain a beacon of business buoyancy while other regions await the lifting of the fog of uncertainty." Speaking of uncertainty, local purchasing agents are split as to what the Federal Reserve should do next. Following five interest rate cuts in five months, 57 percent stated that they should reduce rates further (which happened this week), but a sizable minority, 43 percent, stated that they should not. *This suggests that inflation worries may already be filtering into the thoughts of many managers, even though the current economic slowdown has yet to end.*

**NY Regional Business Conditions Indexes**

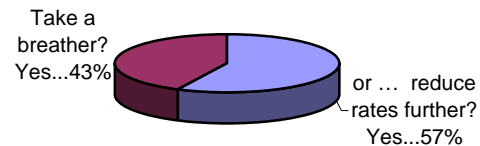
(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
March'99	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
May	274.5	46.2	48.1	46.0	55.6
June	274.8	50.2	47.1	50.5	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.

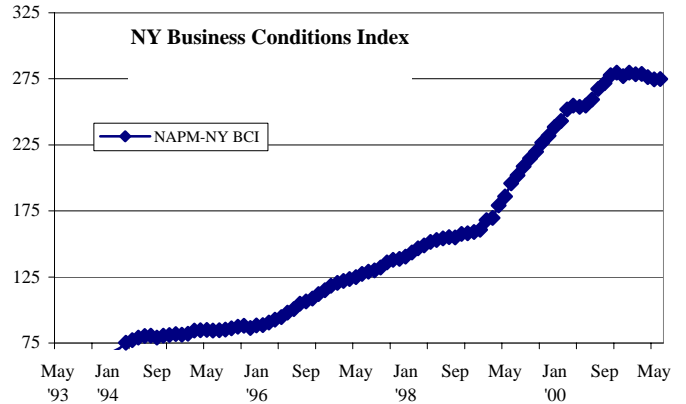
**The Federal Reserve has cut interest rates  
several times. Should they now:**



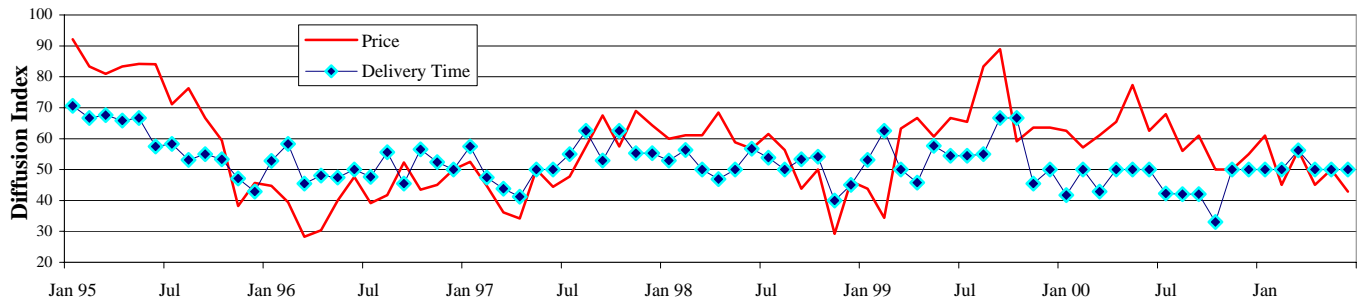
## New York Business Conditions Index

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.

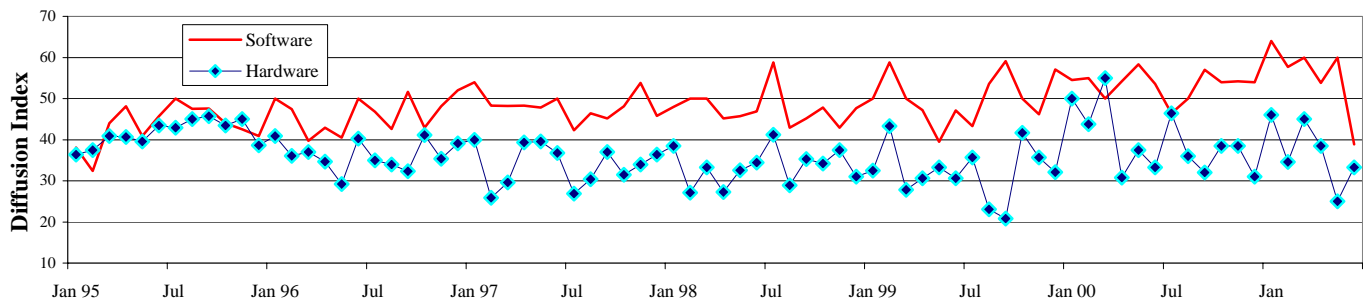
	June	May	Apr	Mar	Year ago June
NY BCI	274.8	March'99	276.4	278.7	254.8
% Change M/M	0.0	-0.7	-0.8	0.0	0.5



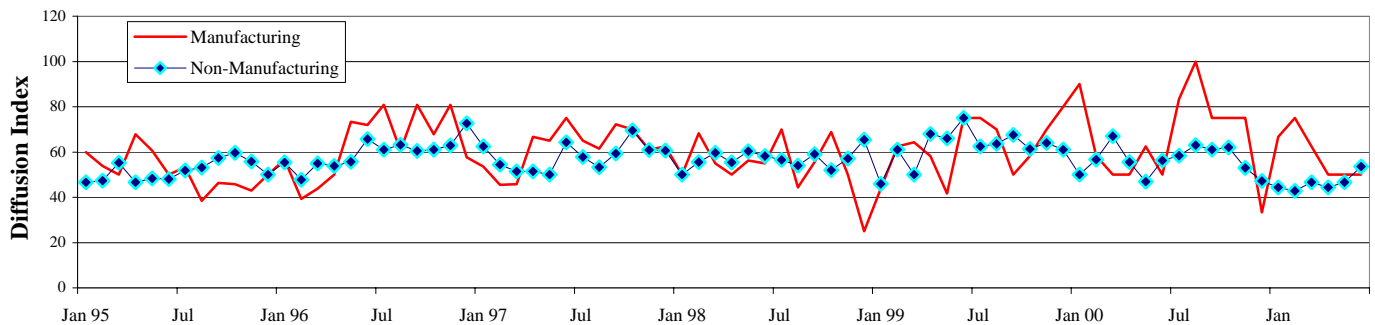
## Corrugated Packaging Prices & Delivery Time



## Computer Hardware & Software Prices



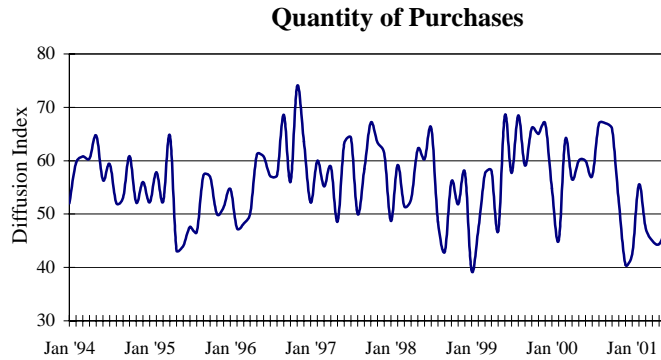
## Current Conditions - Manufacturing vs. Non-Manufacturing Activity



### Quantity of Purchases

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

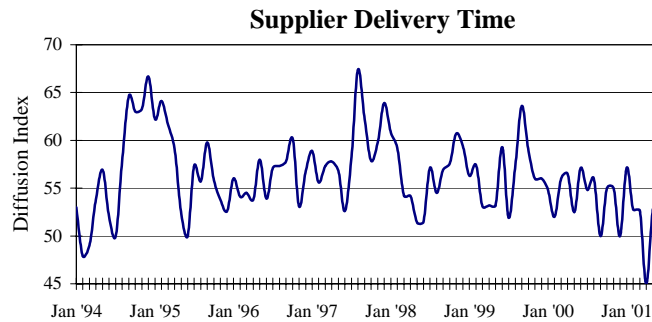
	June	May	Apr	Mar	Feb	Year ago June
Composite	47	44	March'9	47	56	60
Manufacturing	33	50	75	50	75	59
Non-Mfg.	50	43	42	47	50	60



### Supplier Delivery Time

An aggregate evaluation of the current month's delivery performance (lead time) compared January'00. This index is the percent reporting slower deliveries plus one-half reporting same.

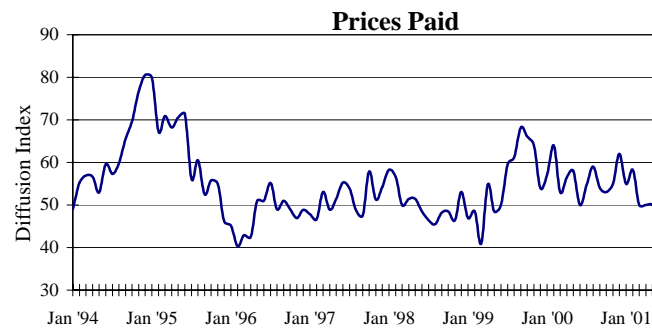
	June	May	Apr	Mar	Feb	Year ago June
Composite	53	53	45	53	53	57
Manufacturing	50	50	50	50	50	60
Non-Mfg.	54	44	44	53	54	56



### 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.

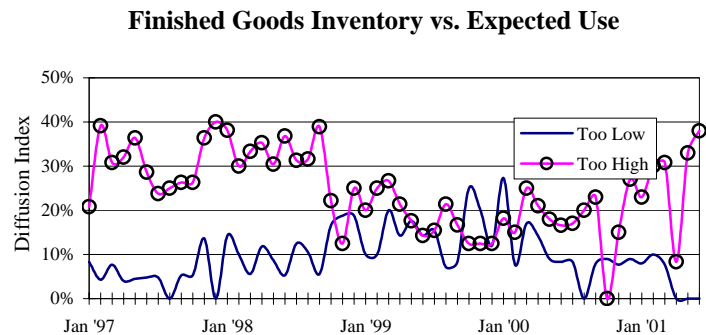
	June	May	Apr	Mar	Feb	Year ago June
Composite	47	50	50	50	58	50
Manufacturing	33	50	50	38	50	50
Non-Mfg.	50	50	50	53	61	50



### Finished Goods Inventory Relative to Use

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

	June	May	Apr	Mar	Feb	Year ago June
Composite	69	67	54	62	60	54
% too high	38	33	8	31	30	17
Manufacturing	67	67	50	50	50	50
Non-Mfg.	70	67	67	67	67	57

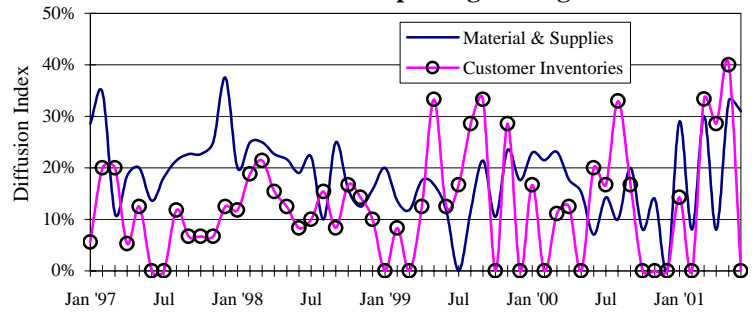


## Raw Materials & Customer Inventory

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

	Year ago					
	June	May	Apr	Mar	Feb	June
Materials & Supplies	31.0	33.0	30.0	30.0	8.0	7.0
Customer Inventories	0.0	40.0	March'9	33.3	0.0	20.0

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



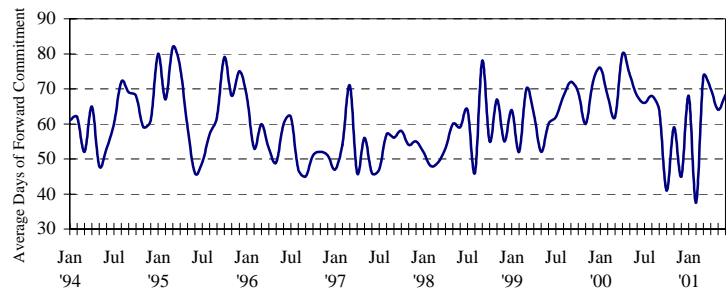
## Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	June	May	January'	Mar	Feb	June
Average Days	68	64	70	74	38	68

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
68	22%	33%	22%	0%	0%	11%

## Production Materials



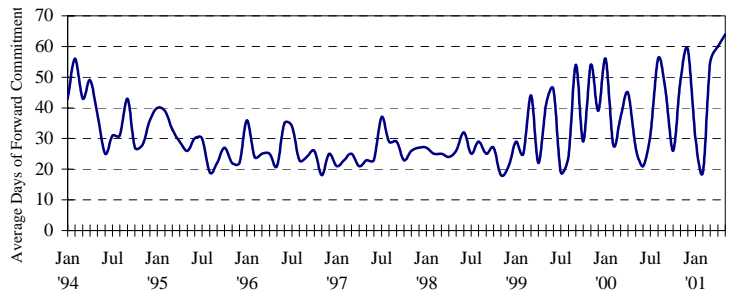
## Buying Policy for MRO Supplies

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

	Year ago					
	June	May	Apr	Mar	Feb	June
Average Days	56	64	60	55	19	21

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
56	45%	27%	0%	9%	0%	9%

## MRO Supplies



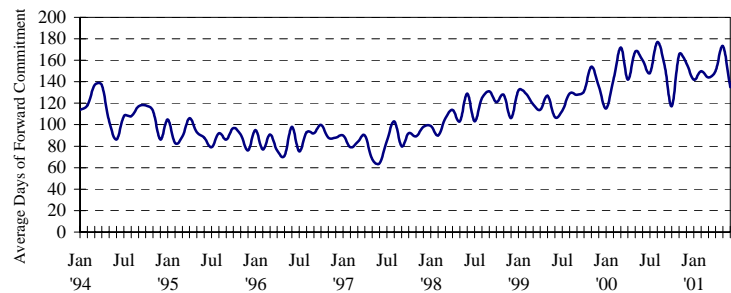
## Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	June	May	Apr	Mar	Feb	June
Average Days	135	173	150	144	150	160

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
135	13%	13%	13%	25%	13%	13%

## Capital Equipment



**Specific Price Changes & Supplier Deliveries**

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	June	May	Apr	June	May	Apr
Castings	50.0	50.0	50.0	75.0	100.0	75.0
Chemicals	62.5	58.3	62.5	50.0	50.0	50.0
Computer Hardware	33.3	25.0	38.5	50.0	42.9	40.9
Computer Software	+++ 38.9	60.0	53.8	50.0	50.0	45.5
Corrugated Packaging	42.9	50.0	45.0	50.0	50.0	50.0
Electrical Components	61.7	50.0	58.3	50.0	50.0	50.0
Energy	+++ 83.3	100.0	75.0	50.0	50.0	40.0
Ferrous Metals	50.0	March'99	50.0	50.0		50.0
Food Products	50.0		66.7	75.0		50.0
Glass	50.0	100.0	100.0	50.0	50.0	50.0
Hydraulic Components	50.0	75.0	66.7	50.0	50.0	50.0
Medical Supplies	50.0	50.0	50.0	50.0	50.0	50.0
Nonferrous Metals	33.3	50.0	33.3	50.0	50.0	50.0
Office Equipment (non-computer)	45.0	42.9	45.8	50.0	50.0	45.5
Office Supplies	50.0	44.4	42.9	55.0	50.0	45.8
Piping & Tubing	50.0	75.0	62.5	50.0	50.0	50.0
Plastics	66.7	75.0	66.7	50.0	50.0	50.0
Plating	50.0	January'00	50.0	50.0		50.0
Printing Paper	+++ 50.0	50.0	60.0	58.3	50.0	55.6
Rubber Products		66.7	40.0		50.0	50.0
Textile Products		100.0	50.0			50.0
Wood & Pulp	50.0	100.0	60.0	50.0	50.0	62.5
<b>Services (Contracted)</b>				"Hot Spots" are those commodities & services that have experienced upward price pressure with delivery delays (for commodities) for at least three months. <b>Where are the HOT SPOTS?</b> Cleaning, Construction and Architectural services.		
Cleaning	+++ 62.5	62.5	66.7			
Construction	+++ 75.0	75.0	68.8			
Painting	50.0	50.0	50.0			
Engineering	50.0	50.0	66.7			
Architectural	+++ 66.7	66.7	58.3			
Temporary Personnel	50.0	50.0	50.0			
Computer Consultants	66.7	66.7	58.3			

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

**Items in Short Supply**

**Purchaser Comments**

Increased emphasis from senior management on cost containment and cost reduction.

Inventories are a bit high. Will be working to reduce inventories over the next six months.

Softening in prices on economy sensitive service areas. Probably short term.

Experiencing lower price points on flat-panel screens.

**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.