

NAPM-New York

Report on Business



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NEW YORK CITY ECONOMIC FOCUS: ON THE MEND?

After experiencing an abrupt tailspin in business activity in October and November due to the events of September 11, the underlying vibrancy of the New York City economy struggled to re-assert itself in December—with some measure of success. For although expectations of a full-fledged economic rebound anytime soon may be premature—especially when you consider that the national economic recession still lingers, that the once-muscular local labor market has turned flabby and that the city budget for the upcoming fiscal year apparently teeters at the edge of a red-ink sea—there are scattered signs of stabilization emerging in several industries. While the citywide jobless rate continues to climb, the pace of private industry job losses—while still substantial—slowed between October and November; the tourism industry is experiencing a good-sized snapback during this Holiday season, with hotel bookings climbing, restaurants filling their tables and “daytrippers” flocking to the Big Apple; and the residential real estate price skid has ebbed, if not entirely ended. To be sure, these may only be the initial petals of recovery, but they do hint at the promise of a springtime flowering of the local economy.

Other petals in this prospective spring bouquet are nestled within the findings of the latest monthly survey of the *National Association of Purchasing Management-New York (NAPM-NY)*. New York City purchasing managers are well-positioned at the front lines of the local economy, and the economy-hobbling events of September 11 were immediately reflected in an unprecedentedly large 7.9 percent dive in the Association’s *Business Conditions Index (BCI)*—the principal gauge of the current health of the local economy—during the two-month October-November period. This drop was distributed across the entire industry mix and coincided with a sharp deterioration of the labor market (the *State Labor Department* estimates that nearly 83,000 jobs vanished in New York City during the 12-months ending in November of this year, most of them following the attack on lower Manhattan); the December findings are far more encouraging—as the BCI retraced nearly one-third of its October-November loss. This index stood at 252.3 in December, an increase of 2-1/2 percent compared with November’s level; this also marked the first monthly advance in the BCI since June, leaving the index 9.8 percent below the all-time peak reached in November 2000.

Since 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, the December reading of the BCI suggests that the worst of the economic pain associated with September 11 may have already occurred. Additional signs that the Big Apple is on the mend lie in the industry distribution of December’s sturdier economic footings. The current conditions diffusion index—a gauge of the industry breadth of economic upturns and downturns—popped sharply higher in December as both the manufacturing and non-manufacturing components of this index posted solid monthly advances. As a consequence, each diffusion index ends the year firmly in “expansion territory” (any reading above 50 percent); even if these indexes overstate the extent of the rebound, it should be noted that every respondent reported stable or improving business conditions in December—and no one reported a deterioration of the business pace.

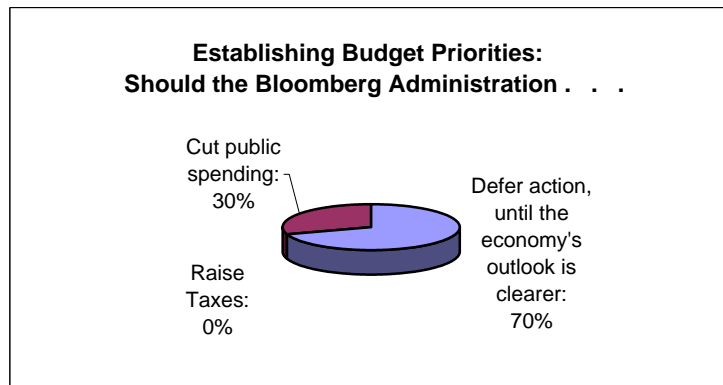
Perhaps because of the improvement in the business climate, purchasing manager optimism leaped higher—the outlook/expectations index reversed direction in December and rose to its second highest monthly level of 2001. This marks a 180-degree shift from yearend 2000, when the outlook index fell to its lowest point of the year in December—a souring of confidence that subsequent events proved to be exceptionally prescient. Commenting on these findings, survey director and senior regional economist at *JPMorgan*, Marc M. Goloven, stated that “...the apparent arrest of the business tailspin triggered by the events of September 11, and the renewed burst of purchasing manager optimism, bode well for New York City’s economy in 2002. While it may be premature to herald the onset of recovery, it would also be inappropriate to ignore the signs that the economy’s slide may have bottomed; it will take a couple of months to know for sure, but for the bruised Big Apple, these *NAPM-NY* findings are a timely dollop of relatively good cheer.” And, if the economy is on the mend, what new year’s policy advice do the purchasing managers have for the incoming Mayor? *Be patient say the overwhelming majority, and defer any action until the economy’s path becomes clearer.*

NY Regional Business Conditions Indexes

(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
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
July	270.1	40.6	54.4	39.1	61.8
August	269.8	49.4	50.2	49.3	56.7
September	267.3	44.9	67.4	42.4	53.6
October	254.0	23.5	34.2	22.3	50.0
November	246.2	34.4	49.9	32.7	45.8
December	252.3	62.2	72.6	61.0	60.0

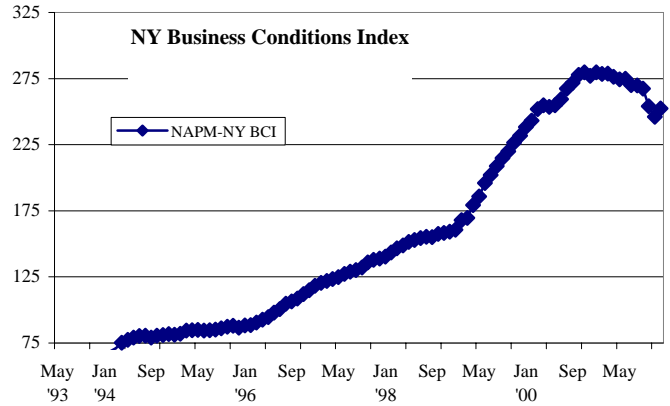
* This index is a weighted average of mfg. and non-mfg. ** Not seasonally adjusted.



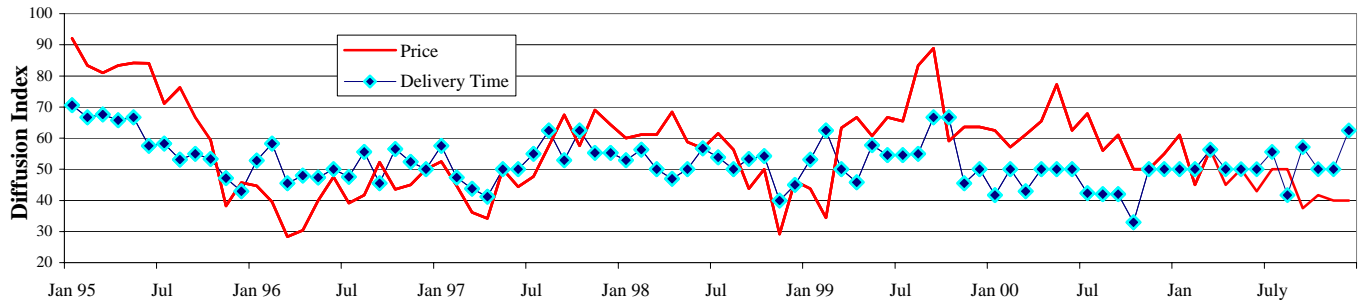
New York Business Conditions Index

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.

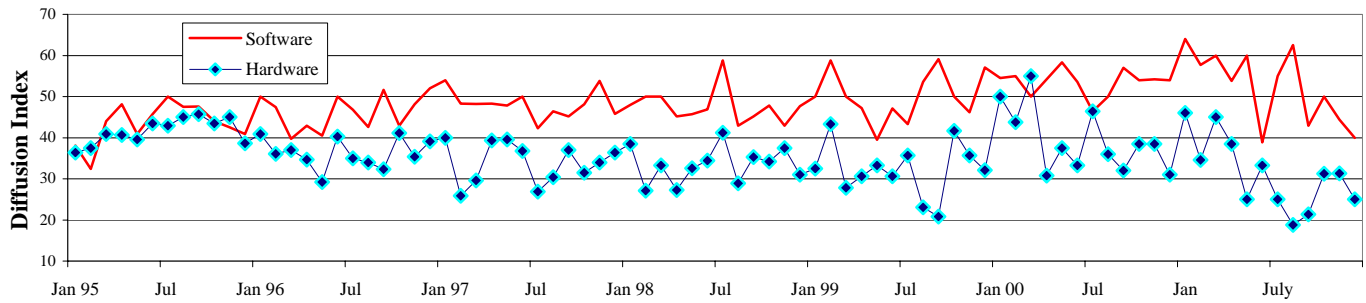
	Dec	Nov	Oct	Sep	Year ago Dec
NY BCI	252.3	246.2	254.0	267.3	277.0
% Change M/M	2.5	-3.1	-5.0	-0.9	-1.0



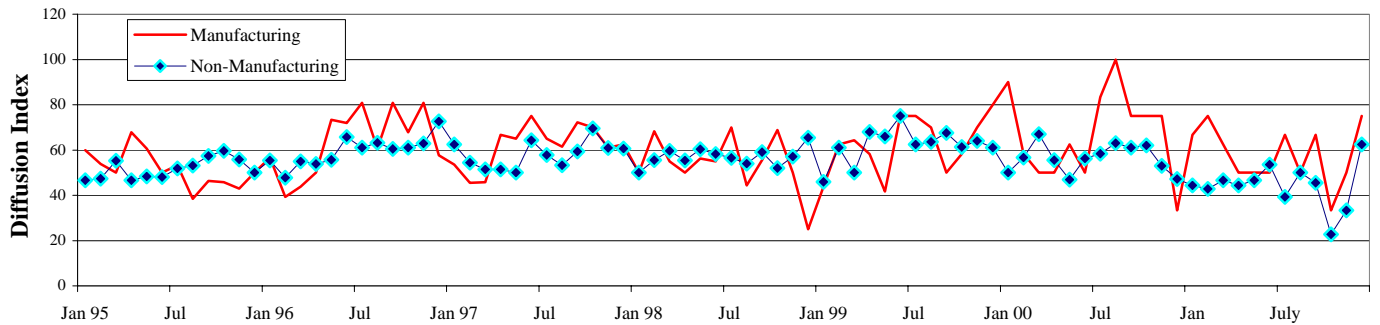
Corrugated Packaging Prices & Delivery Time



Computer Hardware & Software Prices



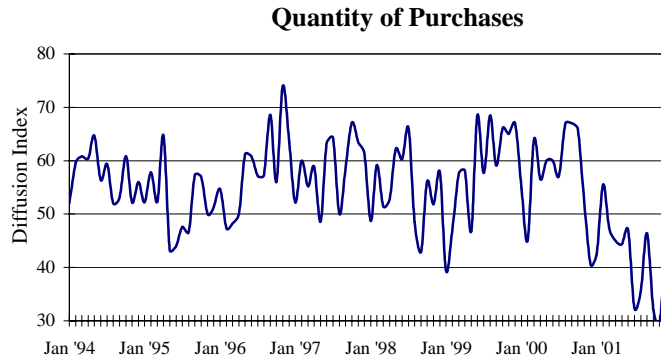
Current Conditions - Manufacturing vs. Non-Manufacturing Activity



Quantity of Purchases

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

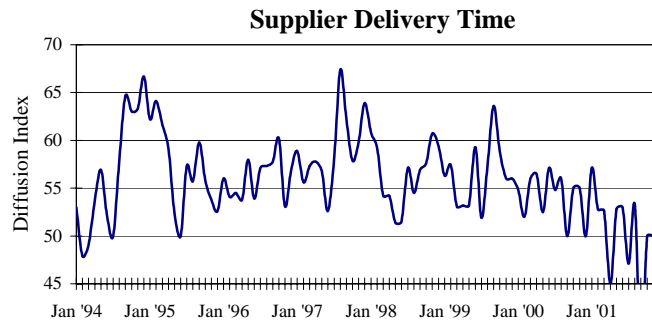
	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Composite	45	29	32	46	35	40
Manufacturing	25	33	33	66	50	17
Non-Mfg.	50	27	31	40	33	44



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.

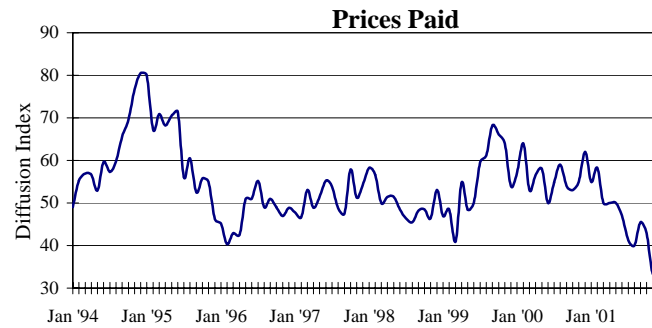
	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Composite	50	50	50	38	53	50
Manufacturing	50	50	50	33	50	50
Non-Mfg.	50	50	40	40	46	50



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.

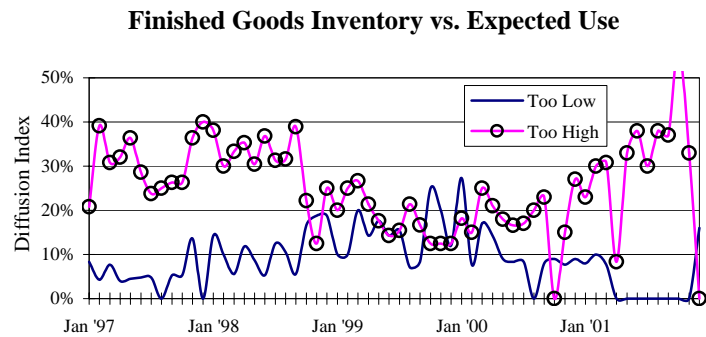
	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Composite	40	33	42	45	40	62
Manufacturing	25	33	16	50	0	50
Non-Mfg.	43	33	50	43	46	65



Finished Goods Inventory Relative to Use

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

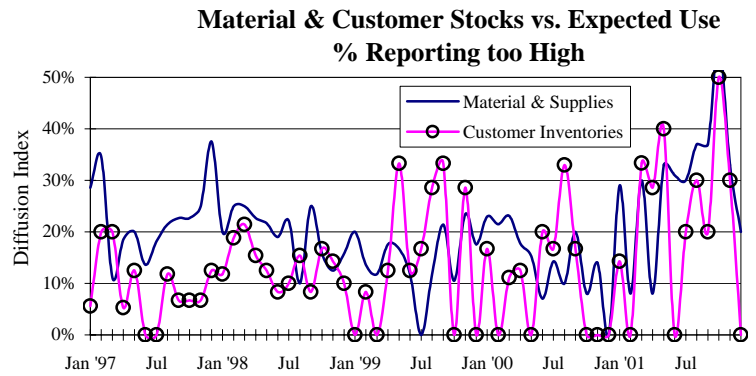
	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Composite	41	66	78	68	59	59
% too high	0	33	57	37	38	27
Manufacturing	25	66	66	66	50	50
Non-Mfg.	50	66	87	75	75	62



Raw Materials & Customer Inventory

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

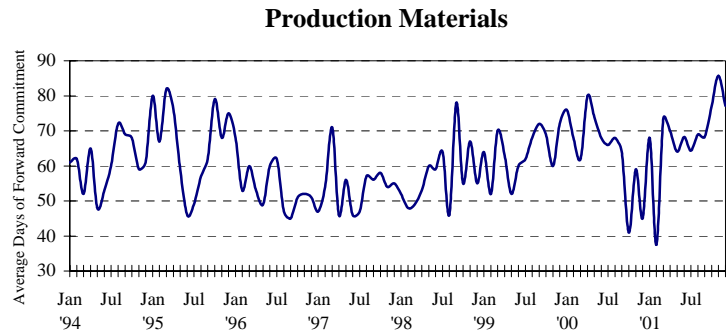
	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Materials & Supplies	20.0	33.0	57.0	37.0	37.0	0.0
Customer Inventories	0.0	30.0	50.0	20.0	30.0	0.0



Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Average Days	77	85	77	68	69	45

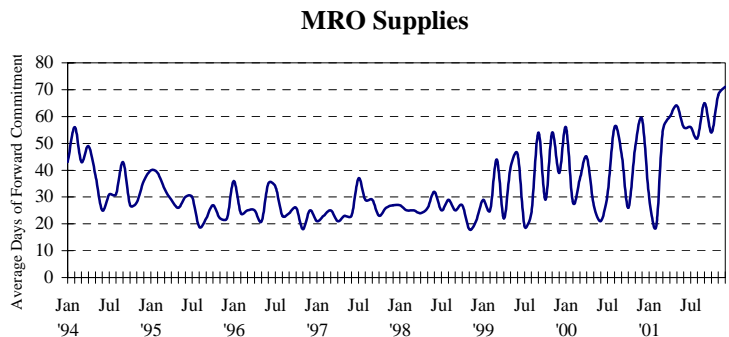


Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
77	14%	57%	14%	0%	0%	14%

Buying Policy for MRO Supplies

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

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Average Days	71	68	54	65	53	59

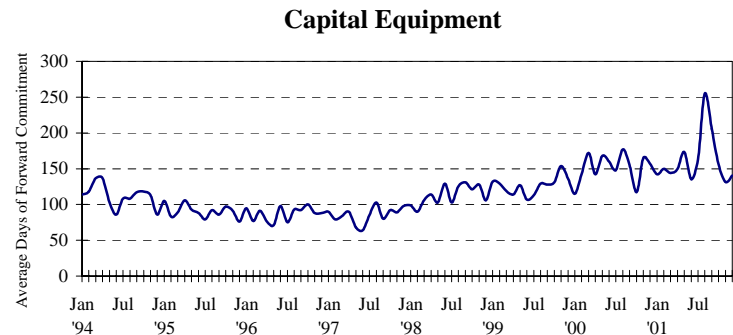


Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
71	38%	25%	13%	13%	0%	13%

Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Dec	Nov	Oct	Sep	Aug	Dec
Average Days	140	131	156	205	225	157



Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
140	17%	17%	0%	17%	0%	33%

Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Dec	Nov	Oct	Dec	Nov	Oct
Castings	50.00	50.00	50.00	50.00	50.00	50.00
Chemicals	50.00	50.00	50.00	50.00	50.00	50.00
Computer Hardware	25.00	31.25	31.25	50.00	50.00	41.67
Computer Software	+++ 40.00	44.40	50.00	50.00	50.00	41.67
Corrugated Packaging	40.00	40.00	41.67	62.50	50.00	50.00
Electrical Components	50.00	25.00	50.00	50.00	50.00	50.00
Energy	+++ 50.00	33.00	0.00	50.00	50.00	50.00
Ferrous Metals		25.00	50.00		50.00	50.00
Food Products						
Glass		50.00	50.00		50.00	50.00
Hydraulic Components						
Medical Supplies		25.00	50.00			
Nonferrous Metals	50.00	50.00	16.67	50.00	50.00	50.00
Office Equipment (non-computer)	50.00	50.00	50.00	50.00	50.00	50.00
Office Supplies	37.50	50.00	43.75	41.67	50.00	50.00
Piping & Tubing	50.00	0.00	50.00	50.00	50.00	50.00
Plastics	50.00		25.00	50.00	50.00	50.00
Plating	50.00		50.00	50.00	50.00	50.00
Printing Paper	+++ 41.67	50.00	40.00	50.00	50.00	50.00
Rubber Products		50.00	50.00		50.00	50.00
Textile Products						
Wood & Pulp	75.00	75.00	50.00	75.00	50.00	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, Construction and Architectural services.		
Cleaning	+++ 50.00	50.00	50.00			
Construction	+++ 50.00	50.00	50.00			
Painting	50.00	50.00	50.00			
Engineering	50.00	50.00	50.00			
Architectural	+++ 50.00	37.50	62.50			
Temporary Personnel	50.00	41.67	62.50			
Computer Consultants	50.00	40.00	40.00			

+++ = 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 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.