



**NY City Business Conditions Indexes**

(Seasonally Adjusted, Except Where Noted)

**NEW YORK CITY ECONOMIC FOCUS:  
RECOVERY-DELAYING DETOUR OR SEASONAL POTHOLE?**

Although last month's survey of local purchasing managers conducted by the *National Association of Purchasing Management-New York (NAPM-NY)* strongly suggested that the New York City economy was beginning to stabilize following a steep tailspin in October and November, the Big Apple seemingly suffered a relapse in January 2002. Whereas virtually every business surveyed in December reported either steady, or improving business conditions—and purchasing manager optimism was bubbling higher as well—many of these same respondents, especially in the non-manufacturing industries, stated that January was noticeably weaker. For this reason, the bellwether gauges of the economy published by the *NAPM-NY* each month deteriorated markedly in January. Having said this, there does not seem to have been any singular event, or series of setbacks, that would account for such a pullback; quite the contrary, the pace of job losses is slowing, retailers experienced a far better Holiday selling season than anticipated, residential real estate is reportedly reclaiming its erstwhile vigor, and "day-trippers" continue to flock to the city, providing pivotal support to the weakened tourism industry.

This apparent contradiction begs for a closer look. Since January is typically a softer month than is December, it is also possible that rather than steering toward a lengthy recovery-delaying detour, the Big Apple economy—and the monthly gauges compiled by *NAPM-NY*—have instead hit a short-lived seasonal/statistical pothole, notwithstanding the introduction of a new set of "seasonal adjustment factors" designed to preclude just such an occurrence. At this time of year, economic statistics are often buffeted by potent Holiday-related influences, adding to their volatility and this *Report* may be no exception. To be sure, while December's findings may have exaggerated the degree of the business pick-up, the odds favor the view that January's results are minimizing it—only time will tell. With these qualifiers in mind, the Association's *Business Conditions Index (BCI)*—the principal gauge of the current health of the local economy—declined by 3.4 percent in January month-over-month, more than reversing December's 2-1/2 percent monthly increase. The index now stands at 243.6, or 12.9 percent below its November 2000 peak.

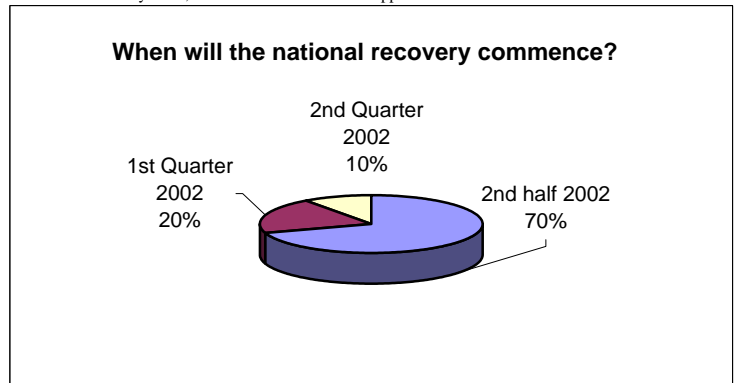
The sharp deterioration of the business pace was largely centered in the non-manufacturing industries in January. The *non-manufacturing diffusion index*, a gauge of the industry breadth of business expansions and contractions, dropped to 29.8 in January, a reading only slightly above the October low point—and a level deeply embedded in recession territory. One-half of the respondents stated that business was slower in January than in December—it remains to be seen whether this is, indeed, a seasonal "pothole." But pothole or not, it overwhelmed the somewhat better conditions prevailing in manufacturing, lowering the composite current conditions index to 32.6, the second lowest reading on record, and also deep within contractionary territory.

While expectations about the future hovered right at the dividing line between "sweet" and "sour," these too slipped from December, but certainly not as much as the activity indexes. Expectations have waxed and waned over the past 15 months, although on only one occasion—in November of last year—did the consensus of the group turn unambiguously downcast. Commenting on these findings, survey director and senior regional economist at *JPMorgan*, Marc M. Goloven, stated that "...the findings of the January survey indicate that the Big Apple economy is still suffering from the business-hobbling reverberations of September 11, the national economic recession and Wall Street's wobbles. Nevertheless, with retailing, real estate, tourism and manufacturing reporting improving business conditions, at least when compared with three months ago, a springtime rebound still remains quite possible—the likelihood of which will increase dramatically if the national economy gets itself re-railed on the growth track in the weeks ahead." And, while signs are multiplying that the national recovery may be underway, local purchasing agents are generally saying "not-so-fast"; as shown in the chart, while one-fifth of local purchasing managers do believe that the recovery will commence in the current quarter, fully 70 percent think it will occur later, in the second half of this year—delaying not only the national upturn, but the local rebound as well.

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
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
January'02	243.6	32.6	57.6	29.8	50.0

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

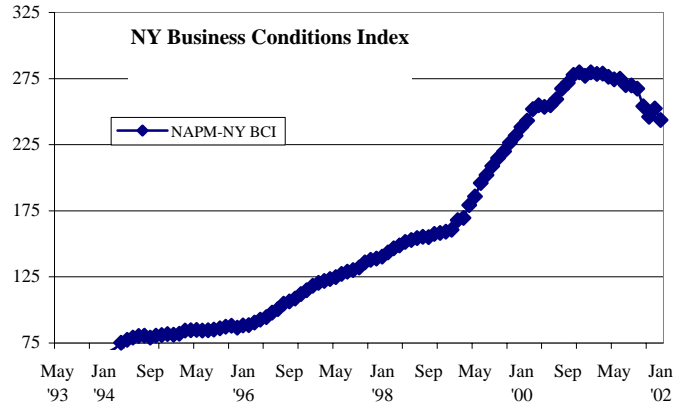
Note: As of January 2002, new seasonal factors were applied.



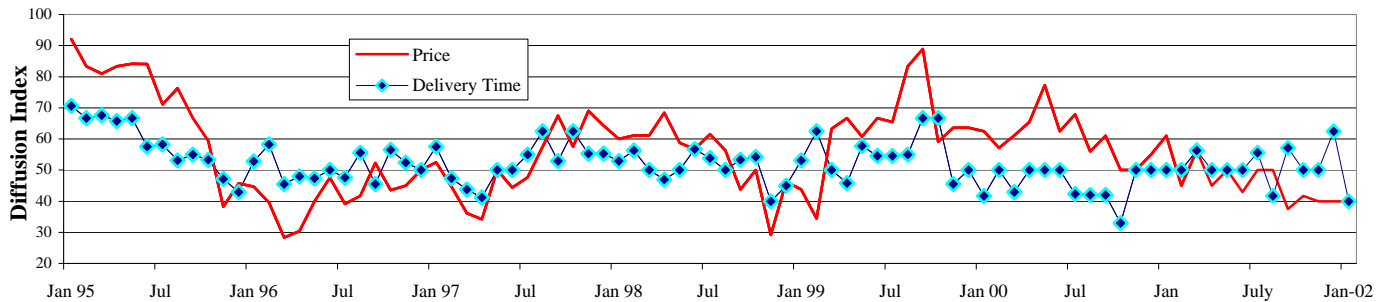
## New York Business Conditions Index

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.

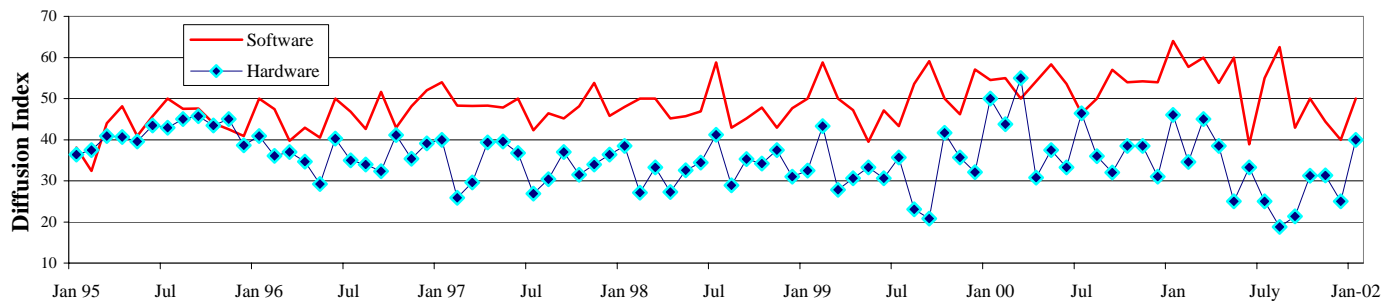
	Jan	Dec	Nov	Oct	Year ago Jan
NY BCI	243.6	252.3	246.2	254.0	279.6
% Change M/M	-3.4	2.5	-3.1	-5.0	0.9



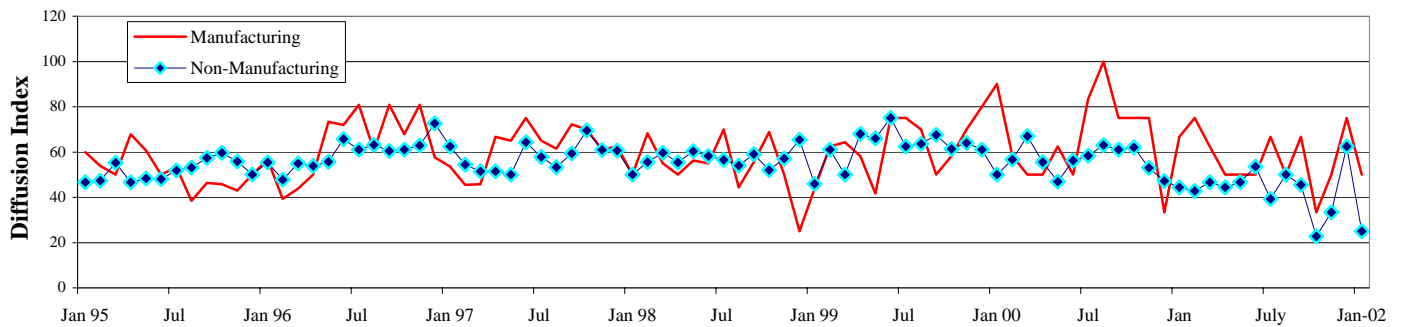
## Corrugated Packaging Prices & Delivery Time



## Computer Hardware & Software Prices



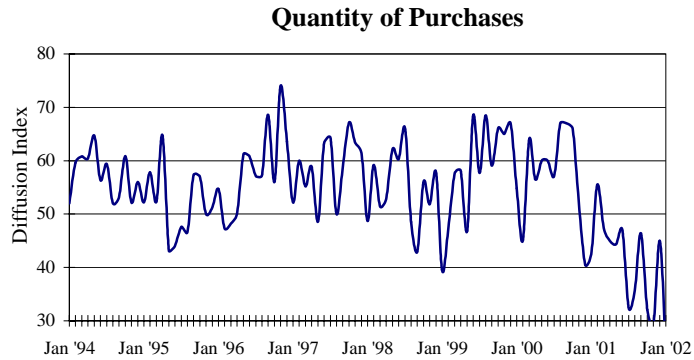
## Current Conditions - Manufacturing vs. Non-Manufacturing Activity



### Quantity of Purchases

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

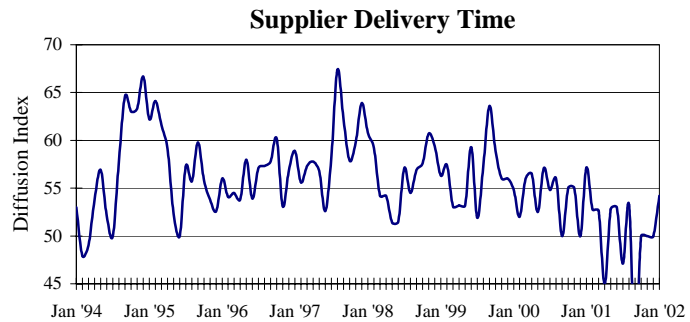
	Jan	Dec	Nov	Oct	Sep	Year ago Jan
Composite	25	45	29	32	46	42
Manufacturing	25	25	33	33	66	50
Non-Mfg.	25	50	27	31	40	41



### 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.

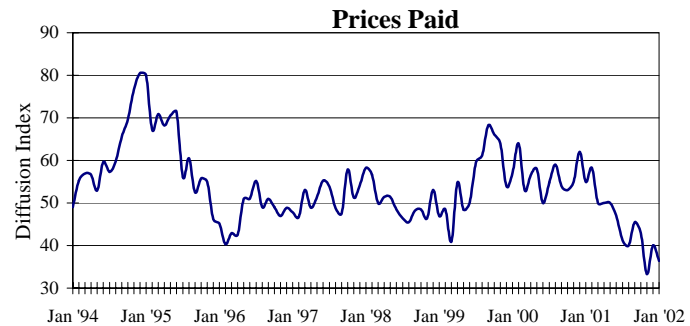
	Jan	Dec	Nov	Oct	Sep	Year ago Jan
Composite	54	50	50	50	38	57
Manufacturing	50	50	50	50	33	50
Non-Mfg.	55	50	50	40	40	58



### 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.

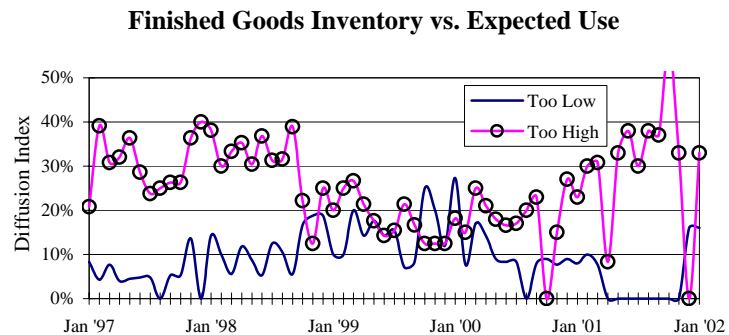
	Jan	Dec	Nov	Oct	Sep	Year ago Jan
Composite	36	40	33	42	45	55
Manufacturing	25	25	33	16	50	50
Non-Mfg.	38	43	33	50	43	56



### Finished Goods Inventory Relative to Use

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

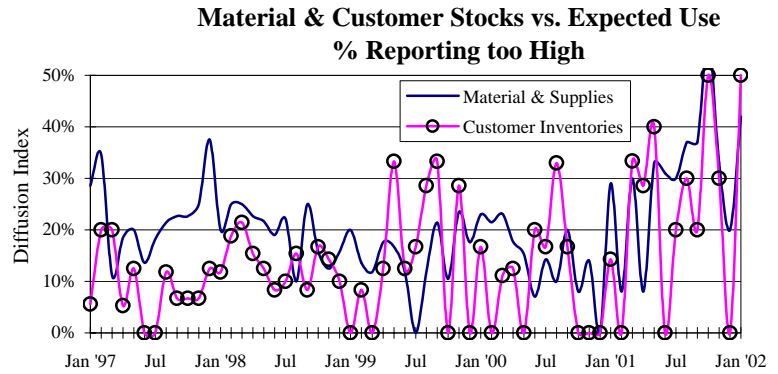
	Jan	Dec	Nov	Oct	Sep	Year ago Jan
Composite	58	41	66	78	68	58
% too high	33	0	33	57	37	23
Manufacturing	25	25	66	66	66	50
Non-Mfg.	75	50	66	87	75	60



## Raw Materials & Customer Inventory

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

	Year ago					
	Jan	Dec	Nov	Oct	Sep	Jan
Materials & Supplies	42.0	20.0	33.0	57.0	37.0	29.0
Customer Inventories	50.0	0.0	30.0	50.0	20.0	10.0

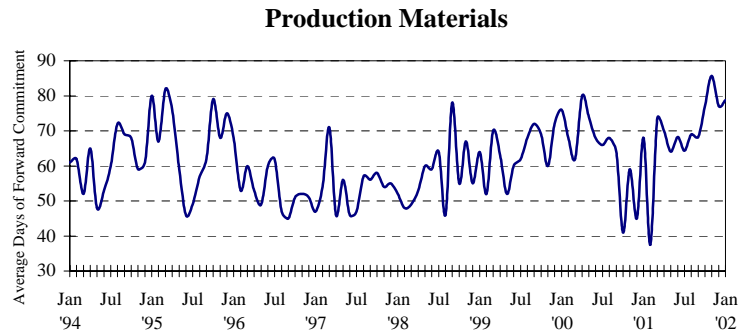


## Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Jan	Dec	Nov	Oct	Sep	Jan
Average Days	78	77	85	77	68	68

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
78	13%	50%	13%	13%	0%	13%

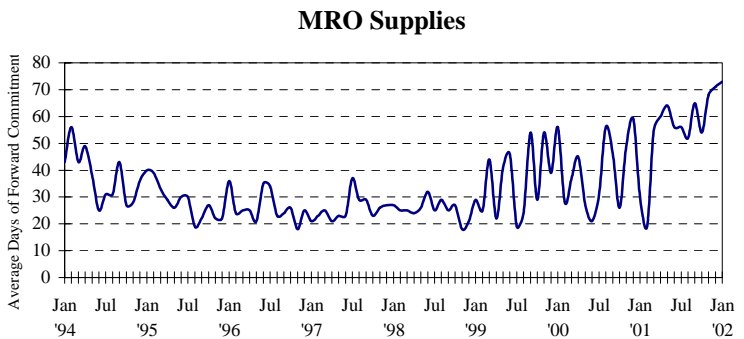


## Buying Policy for MRO Supplies

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

	Year ago					
	Jan	Dec	Nov	Oct	Sep	Jan
Average Days	73	71	68	54	65	30

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
73	34%	44%	0%	0%	11%	11%

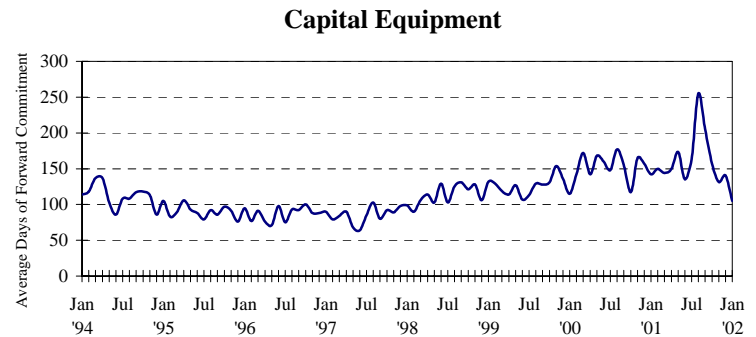


## Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Jan	Dec	Nov	Oct	Sep	Jan
Average Days	105	140	131	156	205	142

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
105	17%	17%	17%	33%	0%	17%



**Specific Price Changes & Supplier Deliveries**

--- PRICE CHANGES ---

--- VENDOR DELIVERIES ---

**COMMODITIES**

	Jan	Dec	Nov	Jan	Dec	Nov
Castings	50.00	50.00	50.00	50.00	50.00	50.00
Chemicals	37.50	50.00	50.00	50.00	50.00	50.00
Computer Hardware	40.00	25.00	31.25	60.00	50.00	50.00
Computer Software	+++ 50.00	40.00	44.40	50.00	50.00	50.00
Corrugated Packaging	40.00	40.00	40.00	40.00	62.50	50.00
Electrical Components	50.00	50.00	25.00	50.00	50.00	50.00
Energy	+++ 0.00	50.00	33.00	50.00	50.00	50.00
Ferrous Metals			25.00	50.00		50.00
Food Products						
Glass			50.00			50.00
Hydraulic Components						
Medical Supplies	50.00		25.00	50.00		
Nonferrous Metals	50.00	50.00	50.00	50.00	50.00	50.00
Office Equipment (non-computer)	50.00	50.00	50.00	50.00	50.00	50.00
Office Supplies	50.00	37.50	50.00	50.00	41.67	50.00
Piping & Tubing	50.00	50.00	0.00	50.00	50.00	50.00
Plastics	0.00	50.00		75.00	50.00	50.00
Plating	50.00	50.00		50.00	50.00	50.00
Printing Paper	+++ 42.86	41.67	50.00	50.00	50.00	50.00
Rubber Products			50.00			50.00
Textile Products						
Wood & Pulp	75.00	75.00	75.00	50.00	75.00	50.00
<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	+++ 50.00	50.00	50.00			
Construction	+++ 33.30	50.00	50.00			
Painting	50.00	50.00	50.00			
Engineering	50.00	50.00	50.00			
Architectural	+++ 25.00	50.00	37.50			
Temporary Personnel	50.00	50.00	41.67			
Computer Consultants	50.00	50.00	40.00			

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

**Items in Short Supply**

**Purchaser Comments**

Business volume down 12 percent past three months in all metro area markets.

**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.