



**NEW YORK CITY BUSINESS FOCUS:  
EMERGING FROM THE DARKNESS**

Although it may still be somewhat premature to suggest that New York City's economy has commenced a full-fledged, "no-turning-back" recovery, the results of the latest monthly survey of the *National Association of Purchasing Management-New York (NAPM-NY)* surely do suggest that the Big Apple is emerging from the dreadful darkness into which it unexpectedly descended on September 11. For while the citywide business clip has yet to recover to the levels existing in September 2001—not to mention the boom times of autumn 2000—it is indeed on the rebound; according to the *NAPM-NY*, April not only marked the third straight month of economic improvement, but also the busiest business pace since that fateful September morning of last year. To be sure, this is only the initial brightening associated with recovery's dawn and, because it is, several decidedly weak spots continue to degrade the local economic fabric—and one needs to look no further than the nine percent-plus unemployment rate besetting the *Bronx* or the yawning municipal budget gap confronting *Mayor Bloomberg* or the acres of vacant commercial office space dotting the landscape, all-too-often a signpost of the unreachable destinations of many erstwhile travelers along the information superhighway.

But despite the dislocations of disappearing "dot-coms" and the persistent pruning of people in the financial services industry, there is mounting evidence that the economic impact of the attack on lower Manhattan is fading. Although the citywide unemployment rate continues to rise, both the *State Labor Department* and the *City Comptroller's Office* are reporting that the substantial job losses and geographic job shifting occurring in the post-September 11 period are dwindling toward zero; the most recent *Federal Reserve Beige Book* claims that commercial real estate is stabilizing; such tourism-related bellwethers as the hotel occupancy rate and the proportion of advance ticket sales on Broadway are rising; and Manhattan's co-op and condo market is strengthening. And, the *Business Conditions Index (BCI)* of the *NAPM-NY*, the Association's principal gauge of current economic activity is strengthening, as well. The *BCI* rose to a level of 256.2 in April (1996=100), an increase of 1-1/2 percent compared with the month-earlier reading; while this Index still stands four percent below its September 2001 level, the climbout from the tailspin into which the economy fell last autumn continues—and the *BCI* is up by five percent over the past three months.

Perhaps even more important, last month's advance was broadly distributed across the industry spectrum. Take, for example, the current conditions diffusion index, the Association's gauge of the industry dispersal of economic upturns and downturns. With both the manufacturing and non-manufacturing (the lion's share of the Big Apple economy) components increasing in April compared with March, the current conditions index hit 57.5 this month—one of the highest readings of the past year-and-a-half. Since any number above 50 usually indicates business expansion (and below 50 the opposite), April's level is signaling, at a minimum, that the worst is over. What's more, with 90 percent of all respondents reporting either improving, or stable business conditions last month, it may not be too long before these "better times" could be translating into a resumption of sorely-missed employment growth; until this happens, the light of recovery's dawn will be dimmed by the cloud-covered labor market.

While the job market may remain cloud-covered, purchasing manager optimism, if realized, suggests fairer skies ahead. After plunging in November of last year, far more upbeat sentiment since then has positioned the outlook/expectations index firmly on the positive side of the ledger. There are several reasons for this—one of which is a general sense that the Federal Reserve will be reluctant to alter today's business-supportive level of interest rates. As shown in the chart, two-thirds of the managers surveyed do not expect a rate hike before this autumn; nearly one-fifth don't expect one until next year. Commenting on these findings, survey director and senior regional economist at *JPMorgan*, Marc M. Goloven stated that "...the April *NAPM-NY* survey is another supportive indication of the view that the Big Apple's recovery will bloom this spring. While opinions about the economic prognosis are, admittedly, never carved in stone, they shouldn't be—things frequently change. But, at least for now, they are changing for the better."

**New York City Business Conditions Indexes**

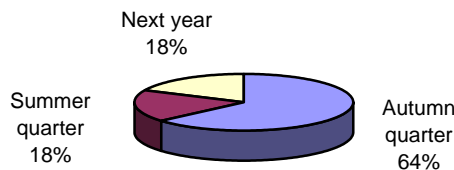
(Seasonally Adjusted, Except Where Noted)

	NY-BCI	Current*	Mfg.	Non-Mfg.	Outlook**
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
February	250.2	63.1	72.3	62.1	65.4
March	252.5	54.6	82.8	51.5	75.0
April	256.2	57.5	87.6	54.2	66.6

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

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

**When do you think the Federal Reserve will begin raising interest rates?**

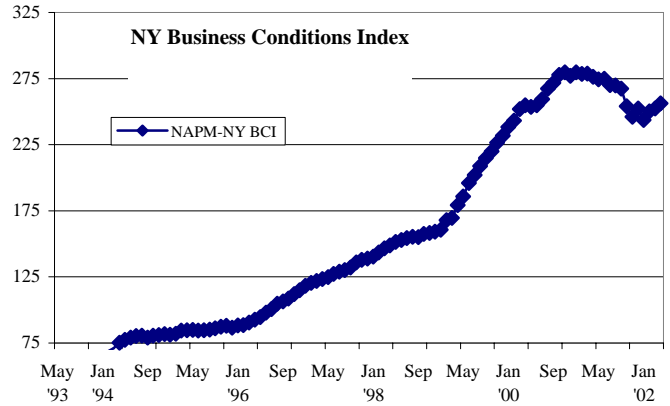


## New York Business Conditions Index

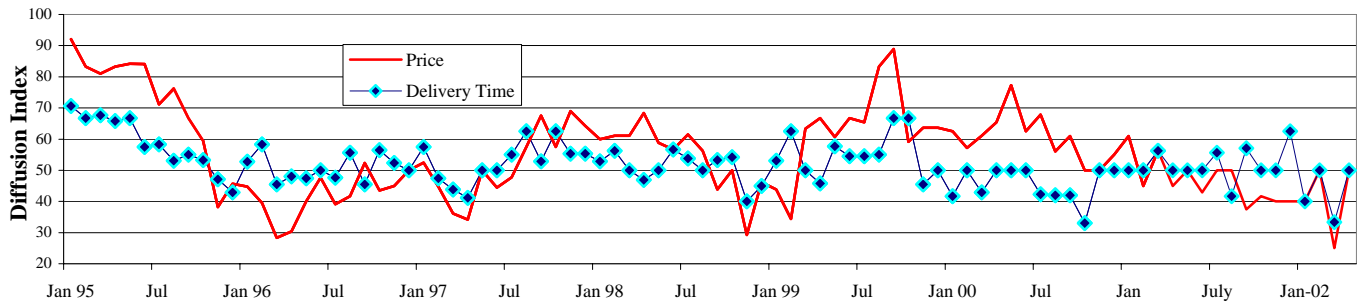
The NY business conditions index is a cumulative diffusion index of the NYC-area's current business conditions. The BCI tends to precede or move with local-area employment. However, the employment data are available 1 or 2 months later than that of the NAPM-NY BCI.

	Apr	Mar	Feb	Jan	Year ago Apr
NY BCI	256.2	252.5	250.2	243.6	276.4
% Change M/M	1.5	0.9	2.7	-3.4	-0.8

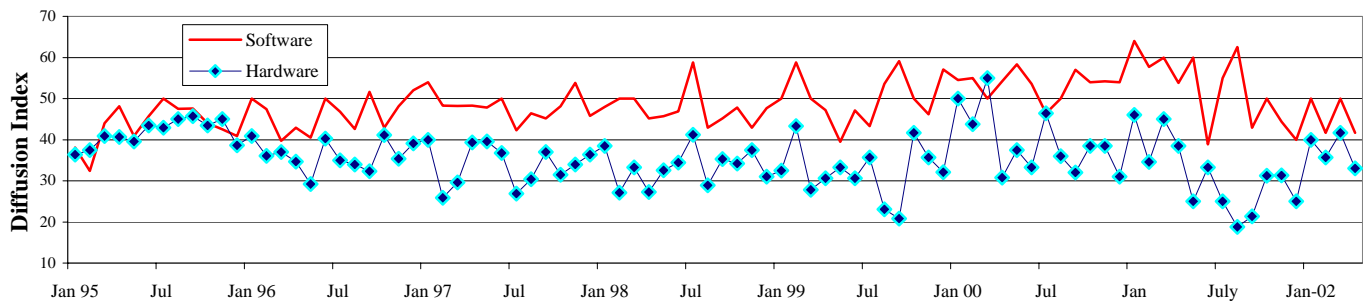
Comments: Beginning to see improvement.  
Uneven upturn, so far.



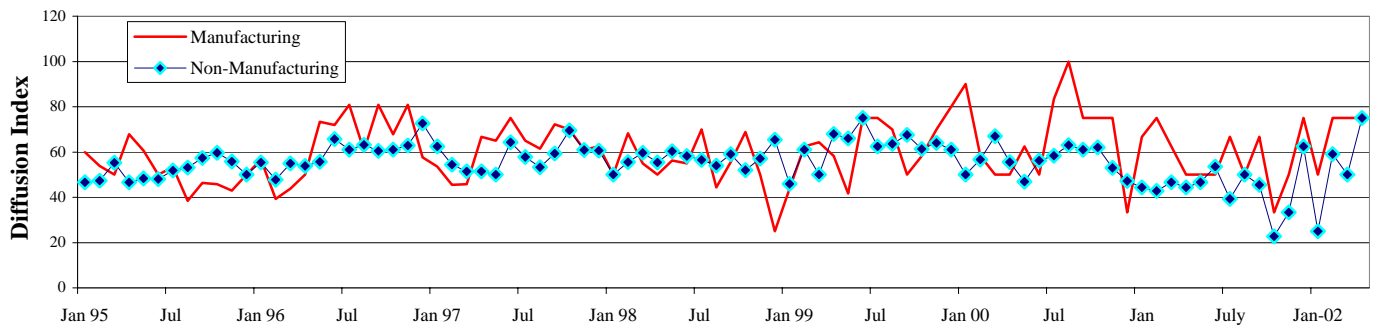
## Corrugated Packaging Prices & Delivery Time



## Computer Hardware & Software Prices



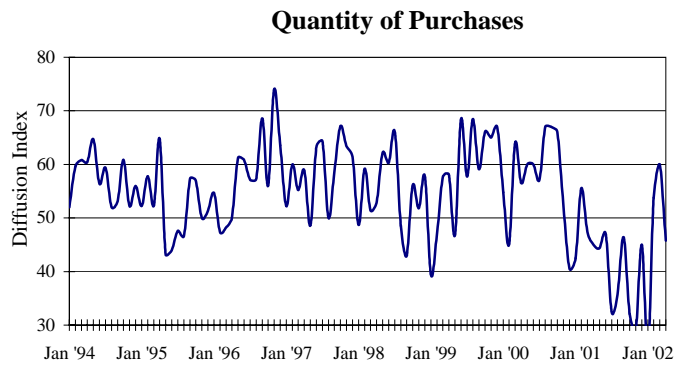
## Current Conditions - Manufacturing vs. Non-Manufacturing Activity



## Quantity of Purchases

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

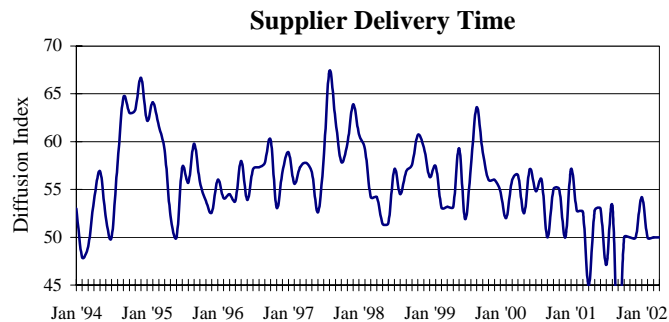
	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	45	60	53	25	45	45
Manufacturing	75	75	75	25	25	75
Non-Mfg.	40	56	50	25	50	41



## 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.

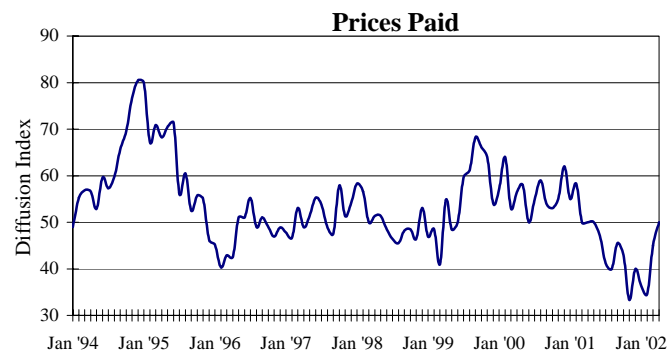
	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	50	50	50	54	50	45
Manufacturing	50	50	50	50	50	50
Non-Mfg.	50	50	55	50	50	44



## 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.

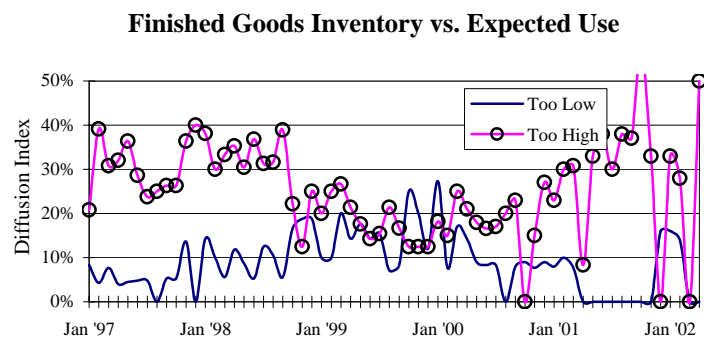
	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	50	45	34	36	40	50
Manufacturing	75	50	25	25	25	50
Non-Mfg.	45	43	36	38	43	50



## Finished Goods Inventory Relative to Use

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

	Apr	Mar	Feb	Jan	Dec	Year ago Apr
Composite	75	50	57	58	41	54
% too high	50	0	28	33	0	8
Manufacturing	75	50	25	25	25	50
Non-Mfg.	75	50	70	75	50	55

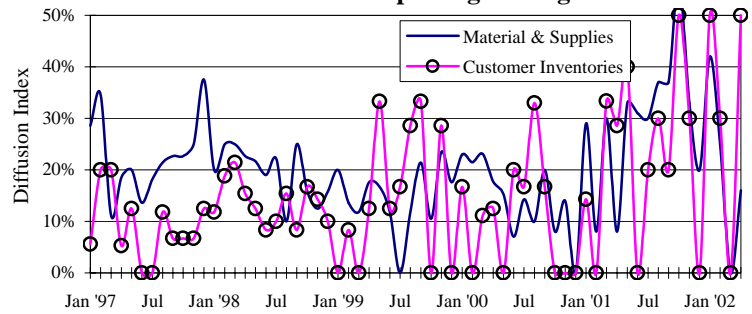


## Raw Materials & Customer Inventory

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	16.0	0.0	25.0	42.0	20.0	8.0
Customer Inventories	50.0	0.0	30.0	50.0	0.0	30.0

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



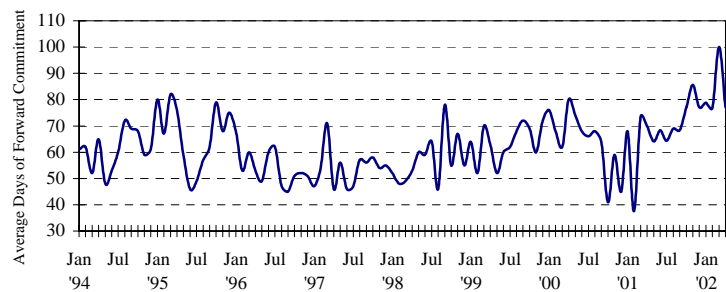
## Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Average Days	77	100	76	78	77	70

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
77	29%	29%	29%	0%	0%	14%

## Production Materials



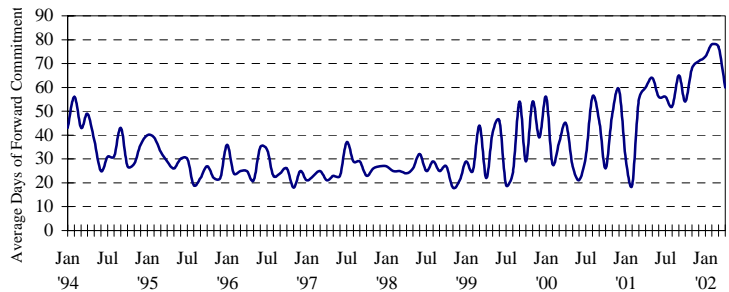
## Buying Policy for MRO Supplies

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

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Average Days	60	77	78	73	71	60

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
60	38%	50%	0%	0%	0%	13%

## MRO Supplies



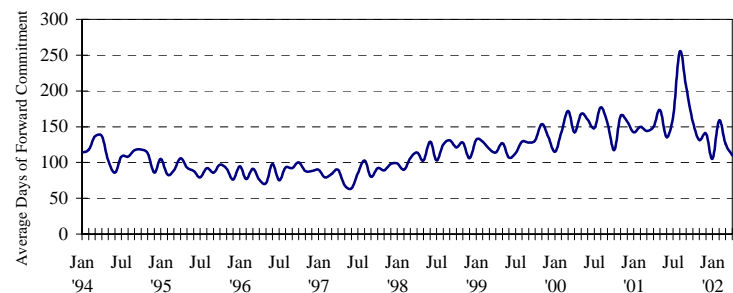
## Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Apr	Mar	Feb	Jan	Dec	Apr
Average Days	110	126	158	105	140	150

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
110	33%	0%	33%	0%	17%	17%

## Capital Equipment



## Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---		
	Apr	Mar	Feb	Apr	Mar	Feb
Castings	50.0	50.0	50.00	50.0	0.0	25.00
Chemicals	50.0	50.0	50.00	50.0	50.0	50.00
Computer Hardware	33.3	41.7	35.70	50.0	50.0	50.00
Computer Software	+++ 41.7	50.0	41.70	50.0	50.0	50.00
Corrugated Packaging	50.0	25.0	50.00	50.0	33.3	50.00
Electrical Components	50.0	50.0	50.00	50.0	50.0	50.00
Energy	+++ 0.0	25.0	50.00	50.0	50.0	50.00
Food Products			50.00	50.0		50.00
Glass						
Hydraulic Components						
Medical Supplies	50.0			50.0		
Nonferrous Metals	50.0	50.0	50.00	50.0	50.0	50.00
Office Equipment (non-computer)	50.0	40.0	42.90	50.0	37.5	50.00
Office Supplies	42.9	41.7	38.90	50.0	40.0	50.00
Piping & Tubing	50.0	50.0	75.00	50.0	50.0	50.00
Plastics	50.0	50.0	25.00	50.0	50.0	50.00
Plating	50.0		50.00	50.0		50.00
Printing Paper	+++ 30.0	30.0	33.30	50.0	37.5	50.00
Rubber Products						
Textile Products						
Wood & Pulp	100.0	100.0	100.00	100.0	50.0	100.00
<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	+++ 50.0		50.00			
Construction	+++ 50.0		50.00			
Painting	50.0		60.00			
Engineering	50.0		62.50			
Architectural	+++ 25.0		40.00			
Temporary Personnel	50.0		50.00			
Computer Consultants	33.3		0.00			

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

### Items in Short Supply

### Purchaser Comments

General increase in level of business, and in purchasing dept. as well.  
 Lumber tariffs very problematic.  
 Things are slowly getting better, but very uneven.  
 Business still hangs on certain contracts being won in the near future.  
 Still reorganizing and downsizing.

### 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.