

Opportunity for NYC to Build a Local Medical Supplies Industry

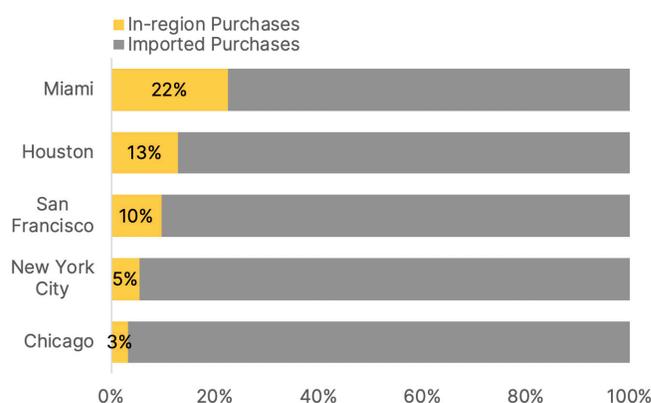
The COVID-19 crisis has exposed the need for increased medical supplies manufacturing capacity in New York City. As the city reported a record high number of confirmed cases, hospitalizations and deaths in early April, major shocks to domestic and global supply chains created a personal protective equipment (PPE) shortage in the city. Surgical gowns and masks, face shields and gloves became scarce resources, particularly among medical workers in the city's hospital system.

Examining New York City hospitals' purchases from medical supplies and equipment manufacturers underscores the city's over-reliance on imports. To better understand local supply chains for PPE and other medical supplies, the Partnership reviewed data on hospitals' domestic purchases from surgical and medical instrument manufacturers (NAICS 339112) and surgical appliance and supplies manufacturers (NAICS 339113). Boston Scientific, Hill-Rom Holdings, Medline Industries and Stryker are examples of national employers with facilities covered by these two industries. Goods produced by manufacturers in these two sectors include but are not limited to PPE and other safety supplies, including everything from personal safety devices, respiratory masks, surgical dressings, gloves, IVs, stethoscopes and surgical knives to hospital beds.

New York City hospitals purchase a smaller share of domestic medical supplies locally than other large cities.

- 5% of the \$482 million New York City hospitals spent domestically on medical equipment and supplies in 2019 went to manufacturers within the five boroughs.
- Hospitals in other major U.S. cities locally source a larger proportion of medical supplies purchases, with 13% of Houston's and 22% of Miami's domestic medical supply purchases going to local manufacturers.

New York City Hospitals Import A Larger Share of Medical Supplies Than Comparable Cities

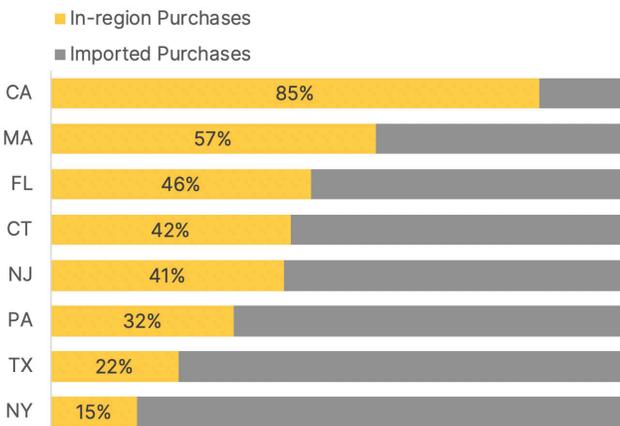


Note: U.S. purchases only.

This trend persists at the regional and state level:

- 34% of the \$976 million hospitals in the New York metropolitan statistical area spent on medical equipment and supplies in 2019 went to in-region manufacturers.
 - Boston, Chicago, San Jose and Los Angeles metro area hospitals spent more than half of their domestic medical supply expenditures at local manufacturers.
- Statewide, 15% of New York hospitals' \$984 million in spending on medical supplies went to in-state manufacturers, significantly lower than the share in states like Pennsylvania (32%), New Jersey (41%), Florida (46%) and California (85%).

New York State Hospitals Purchase a Smaller Share of Medical Supplies Locally Than Other States



Note: U.S. purchases only.

New York City's medical supplies manufacturing industry is undersized relative to the local hospital industry. While economic output from the city's medical supplies manufacturing industry has slightly exceeded growth in citywide gross city product (GCP) and industry employment growth has kept pace with citywide job growth over the past decade, the number of medical supplies manufacturing businesses in the city is virtually unchanged from a decade ago. Accordingly, the city's medical supplies manufacturing industry is undersized relative to the size of the local hospital industry when compared to other large U.S. cities. New York City's hospitals contributed \$164 million to GCP in 2019—143 times larger than the output of the local medical equipment and supplies manufacturing industry. By comparison, the economic

output of hospitals in Houston, San Francisco and Miami is only 42, 30 and 29 times the output of the local medical supplies manufacturing industry.

The city's cost structure has likely constrained growth in the medical supplies manufacturing industry and diminished local businesses' incentive to expand. While employment in the city's broader manufacturing sector has stabilized somewhat since declining sharply from 2001 and 2010, employment is down 56% since 2001 and 13% since 2010. Many mass manufacturing sectors, such as traditional apparel, have relocated to lower cost regions. Manufacturers that continue to operate in the city face challenges such as finding viable leases for production facilities, scaling their businesses and navigating a costly tax and regulatory environment. While traditional manufacturers are unlikely to return to the city, addressing these barriers would help support medical supplies manufacturers and the city's broader advanced manufacturing industry cluster.

New York has an opportunity to build on the momentum of manufacturing initiatives enacted during COVID-19 to expand local capacity. New York City businesses pivoted quickly in the face of COVID-19 and its garment, advanced manufacturing and artisan sectors were producing gowns, masks, shields, ventilators and testing kits within 12 weeks. The Brooklyn Navy Yard Development Corporation mobilized its tenants to produce 25% of the city's output of PPE and other critical supplies during the early phases of the crisis. Navy Yard businesses produced more than 750,000 units of PPE by mid-April and nearly 2 million units within three months.

While these programs provided immediate relief, the city's manufacturing industry needs better agility and increased access, digitization and space to expand their supply chain and manufacturing operations. Permanently directing resources to the city's advanced manufacturing sector could increase local employment, improve supply chain resiliency during future crises, promote entrepreneurship and complement the city's thriving tech sector and competitive advantage in technologies like 3-D printing.