

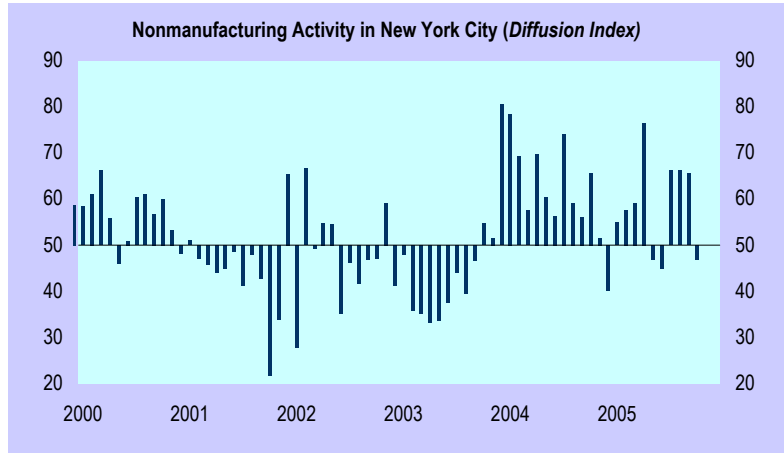


NEW YORK CITY REPORT ON BUSINESS
October Was a Disappointment In More Ways than One

Business activity in New York City slowed somewhat in October, taking the results of the latest survey conducted by the National Association of Purchasing Management-New York (NAPM-NY) at face value. This could be a signal that pressures related to rising energy costs are becoming a challenge. Nonetheless, given the normal volatility in business sentiment surveys, the latest downbeat findings probably should be treated with caution, especially because the drop in the assessment of current conditions was confined to only a few respondents. The New York Federal Reserve Bank's broader survey of manufacturers operating in the Empire State showed a more gentle moderation in activity and indicates that manufacturing output remains solid. Respondents remain generally optimistic about the economic outlook.

Purchasing managers reported that prices paid rose in October, repeating a trend seen in other regional surveys. This finding likely is the result of the surge in prices of energy and some other commodities this fall.

The NAPM-NY Business Conditions Index (BCI) eased slightly in October, with the Current Conditions index technically indicating a moderate decline in activity. Nonetheless the BCI remains high. This index has tended to parallel job trends in the City. The number of jobs in the Big Apple is growing and accelerated a touch in September to almost 1¼% from a year earlier, but the City's payroll count remains well below the 2000 peak.



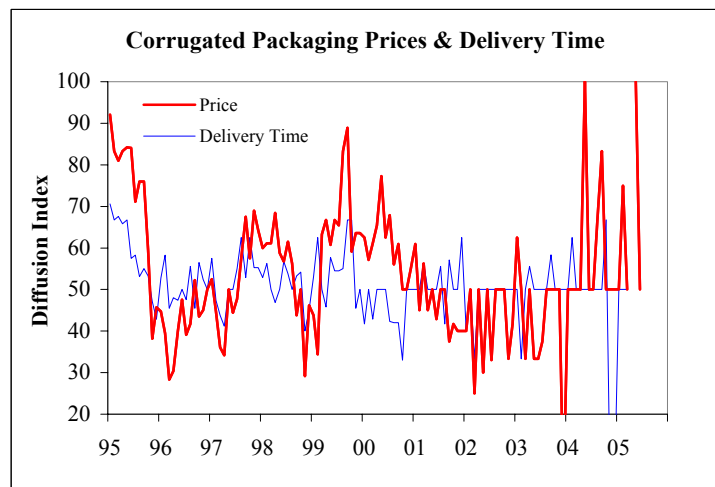
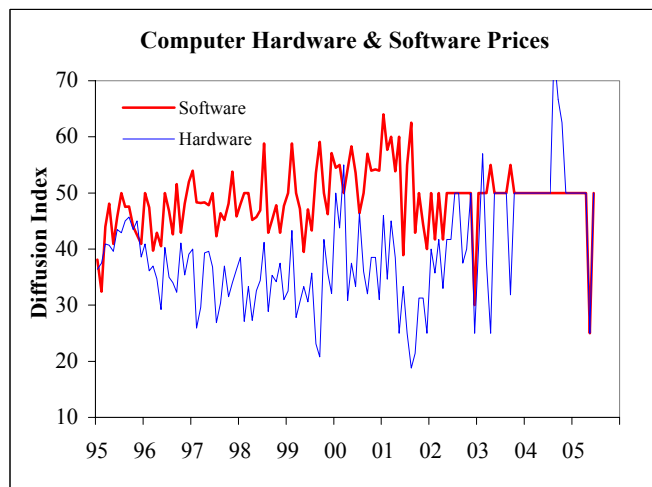
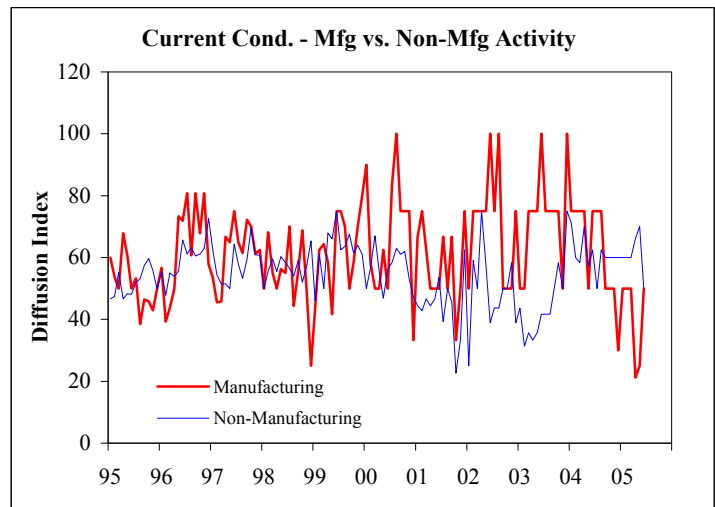
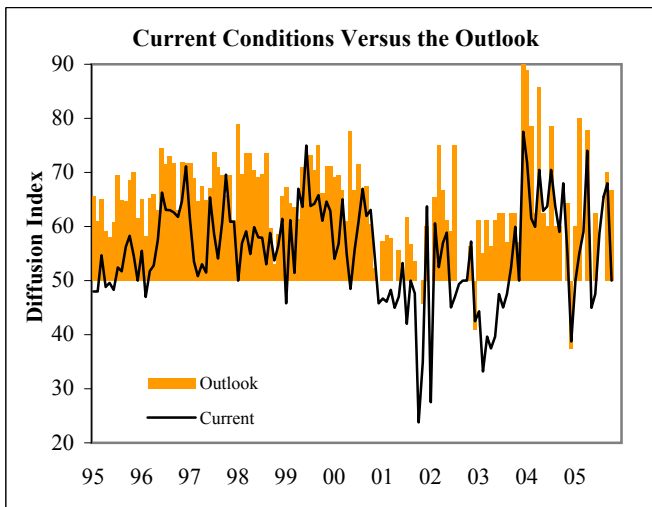
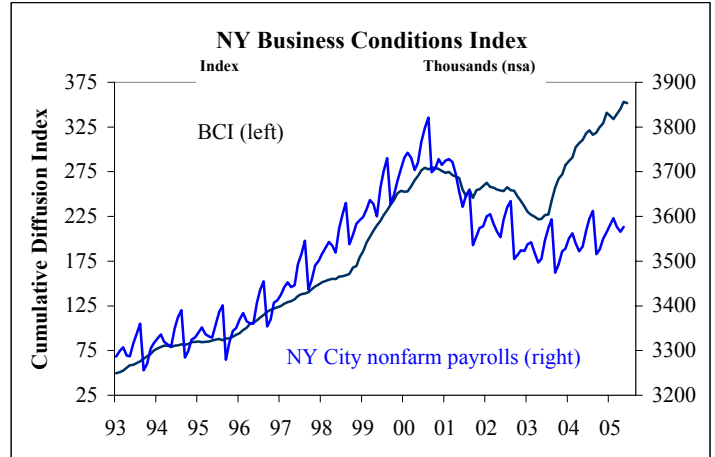
New York City Business Conditions Indexes
(Seasonally Adjusted, Except Where Noted)

	Current Conditions	Outlook*	NY-BCI
September '03	46.8	62.5	222.2
October	54.7	62.5	226.4
November	51.6	57.1	227.3
December	80.5	90.0	242.6
January '04	78.5	88.9	257.3
February	69.2	78.6	267.2
March	57.5	62.5	271.8
April	69.8	85.7	282.2
May	60.4	62.5	287.1
June	56.3	60.0	290.9
July	74.1	78.5	302.5
August	59.1	60.0	307.1
September	56.2	60.0	310.4
October	65.7	50.0	318.0
November	51.6	64.3	321.2
December	40.2	37.5	316.3
January '05	54.9	60.0	319.0
February	57.6	80.0	324.9
March	59.2	50.0	329.1
April	76.5	77.8	341.2
May	47.0	50.0	337.3
June	45.0	62.5	333.7
July	66.2	50.0	339.6
August	66.2	50.0	345.4
September	65.5	70.0	353.2
October	46.9	66.7	351.6

* Based on responses from nonmanufacturing businesses since August 2005.

New York Business Conditions Index (NY-BCI)

The New York business conditions index (BCI) is a cumulative diffusion index of current business conditions in the New York City area. The BCI tends to precede or coincide with local-area employment. As a result, because employment data are not available until one or two months, the BCI provides advance information about local labor market conditions. So far, however, City payrolls have not matched the recovery in the NY-NAPM's BCI since 2003 (see the figure to the right).

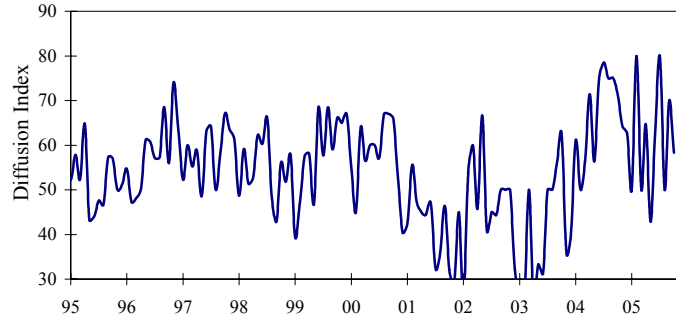


Quantity of Purchases

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

	Oct	Sept	Aug	July	June	Year ago Oct
Composite	58	70	50	80	63	71
Manufacturing	NA	50	25	50	50	75
Non-Mfg.	58	75	60	100	75	70

Quantity of Purchases

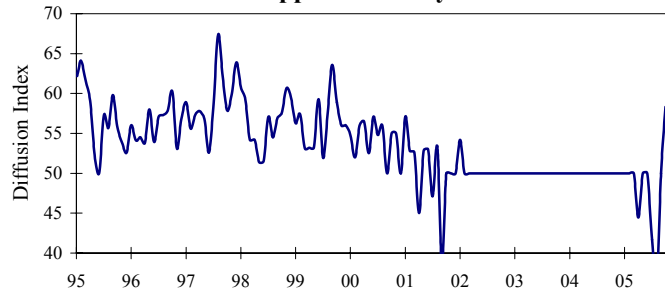


Supplier Delivery Time

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

	Oct	Sept	Aug	July	June	Year ago Oct
Composite	58	50	36	42	50	50
Manufacturing	50	50	50	50	50	50
Non-Mfg.	58	50	50	50	50	50

Supplier Delivery Time

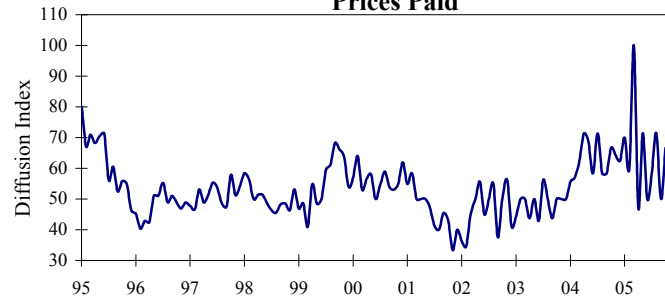


Prices Paid

The change from the prior month in prices of items -- goods and services, purchased. This is an overall evaluation weighted by quantity of purchase.

	Oct	Sept	Aug	July	June	Year ago Oct
Composite	67	50	71	58	50	67
Manufacturing	50	50	75	75	50	50
Non-Mfg.	67	50	70	50	50	63

Prices Paid

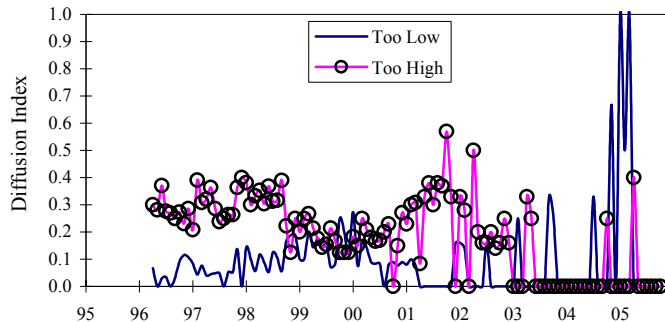


Finished Goods Inventory Relative to Use

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

	Oct	Sept	Aug	July	June	Year ago Oct
Composite	50	50	50	58	50	63
% too high	0	0	0	0	0	0
Manufacturing	NA	50	50	75	50	50
Non-Mfg.	50	50	N/A	50	NA	75

Finished Goods Inventory vs. Expected Use

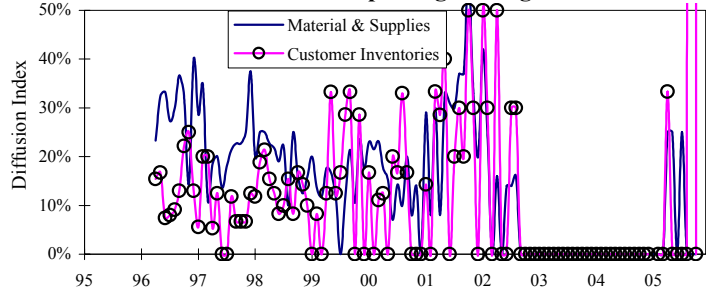


Raw Materials & Customer Inventory

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

	Year ago					
	Oct	Sept	Aug	July	June	Oct
Materials & Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Customer Inventories	0.0	0.0	0.0	0.0	0.0	0.0

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



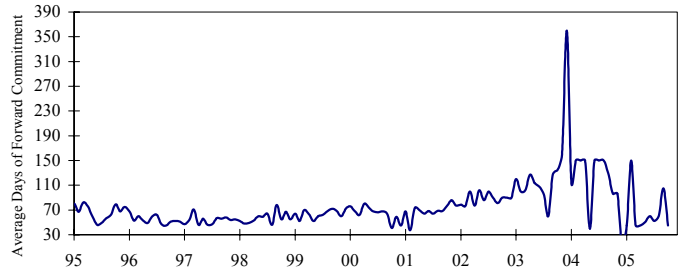
Buying Policy for Production Materials

The period of forward commitment for production materials.

	Year ago					
	Oct	Sept	Aug	July	June	Oct
Average Days	45	105	60	53	60	96

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
45	0%	50%	50%	0%	0%	0%

Production Materials



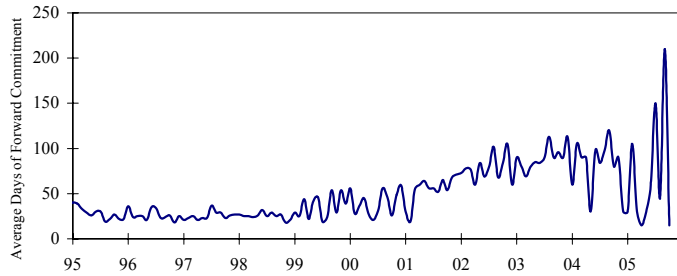
Buying Policy for MRO Supplies

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

	Year ago					
	Oct	Sept	Aug	July	June	Oct
Average Days	15	210	45	150	15	80

Weighted Average Number of Days	Hand to Mouth	30 Days	60 Days	90 Days	6 Months	1 Year or More
15	50%	50%	0%	0%	0%	0%

MRO Supplies



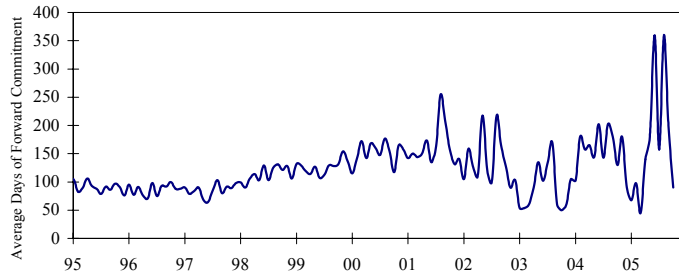
Buying Policy for Capital Expenditures

The period of forward commitment for capital goods.

	Year ago					
	Oct	Sept	Aug	July	June	Oct
Average Days	90	200	360	157.5	360	130

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

Capital Equipment



Specific Price Changes & Supplier Deliveries

COMMODITIES	--- PRICE CHANGES ---			--- VENDOR DELIVERIES ---			
		Oct	Sept	Aug	Oct	Sept	Aug
Castings				100.00			50.00
Chemicals			100.00				
Computer Hardware	+++	50.00	25.00	25.00	50.00	50.00	50.00
Computer Software	+++	50.00	33.33	25.00	50.00	66.67	50.00
Corrugated Packaging		50.00	50.00	100.00			
Electrical Components							
Energy			100.00	100.00			
Ferrous Metals							
Food Products							
Glass							
Hydraulic Components							
Medical Supplies							
Nonferrous Metals	+++						
Office Equipment (non-computer)	+++	50.00	50.00	33.33	50.00	50.00	50.00
Office Supplies	+++	50.00	50.00	33.33	50.00	50.00	50.00
Piping & Tubing							
Plastics			100.00	100.00			50.00
Plating		100.00			50.00		
Printing Paper	+++		50.00	100.00		50.00	50.00
Rubber Products							
Textile Products							
Wood & Pulp				100.00			50.00
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		60.00	60.00	64.29			
Construction		62.50	62.50	60.00			
Painting		62.50	62.50	66.67			
Engineering	+++	50.00	50.00	50.00			
Architectural	+++	62.50	62.50	62.50			
Temporary Personnel	+++	58.33	58.33	56.25			
Computer Consultants	+++	60.00	60.00	58.33			

+++ = 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 ISM 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.