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**July 31, 2008**

**NEW YORK CITY REPORT ON BUSINESS**  
*Rebound In Doubt*

New York City business activity declined at a faster pace in July, according to the survey taken by the National Association of Purchasing Management-New York (NAPM-NY). The Current Business Conditions index fell to 38.5 in July and has contracted in six of the first seven months of 2008.

Future optimism turned to pessimism, abruptly. The (new) seasonally adjusted Six-Month Outlook index dropped to 44.8 in July.

Cost pressures were widespread and purchasing volume weakened further. The Prices Paid index rose to a ten-month high of 75.0 in July, while the Quantity of Purchases index fell to 38.2.

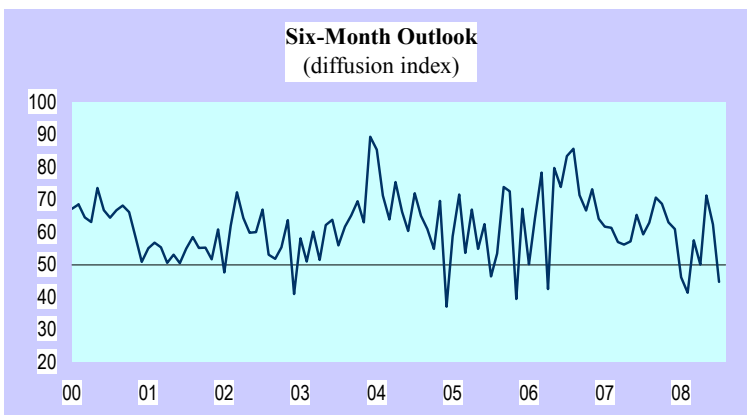
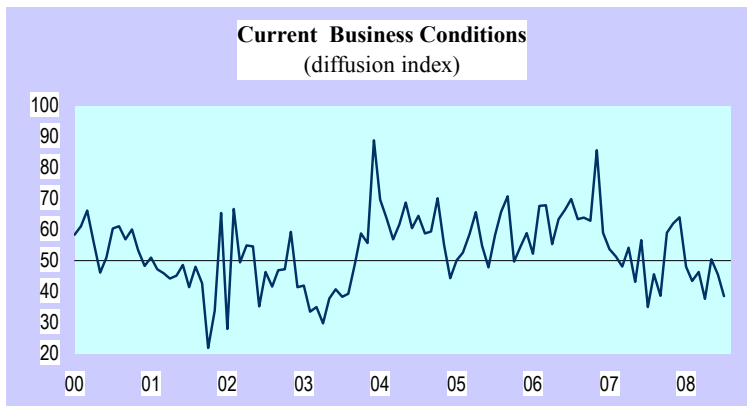
Business impediments: "Other" difficulties picked up sharply and can be split into three groups: 1) Financial concerns – "credit crisis, credit markets, market conditions, market slowdown, market uncertainty, market volatility;" 2) Growth concerns – "consumer spending, current economic conditions, decreasing revenue;" 3) Inflation concerns – "energy/fuel, high energy costs, price increases across the board, rising raw materials costs."

	Jul	Jun	May
Skilled labor shortage:	9%	15%	13%
Unskilled labor shortage:	0%	2%	4%
Working capital shortage:	15%	11%	15%
Raw material shortage:	0%	4%	7%
Security concerns:	0%	15%	7%
Abnormal weather:	0%	4%	0%
"Other" difficulties:	38%	19%	17%
No difficulties:	21%	28%	30%

July's special question: New York City lost more payroll jobs in May (-4K) than at any time in the last three years. At the same time, the New York inflation rate in May (4.0%) was the highest in two years. Which is a bigger threat to economic stability in the New York City area? Job losses edged out higher inflation.

Job losses	55%
Higher inflation	45%

Starting with the July 2008 *Report on Business*, the Six-Month Outlook index will be reported on a seasonally adjusted basis. Historical data are available upon request.



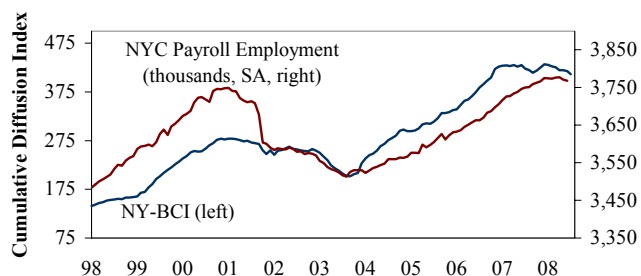
**Business Conditions in New York City**  
(seasonally adjusted)

	Current Business Conditions	Six-Month Outlook	NY-BCI*
July 2007	35.0	59.3	422.6
August	45.6	63.0	420.4
September	38.6	70.7	414.7
October	59.0	68.8	419.1
November	61.9	63.1	425.1
December	63.9	61.0	432.1
January 2008	47.9	46.1	431.0
February	43.4	41.4	427.7
March	46.3	57.5	425.8
April	37.6	50.0	419.6
May	50.4	71.4	419.8
June	45.4	62.4	417.5
<b>July</b>	<b>38.5</b>	<b>44.8</b>	<b>411.8</b>

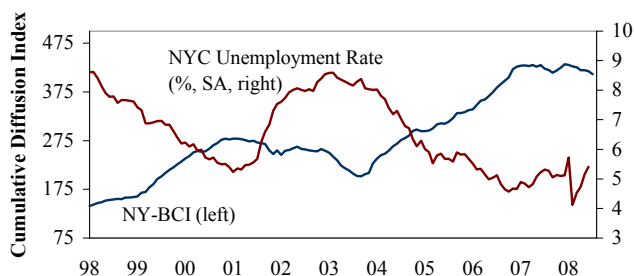
\*The NY-BCI is a cumulative diffusion index constructed from the diffusion index of Current Business Conditions for non-manufacturing businesses in the New York City area.

## New York Business Conditions Index and the New York City Labor Market

### NY-BCI vs. NYC Employment



### NY-BCI vs. NYC Unemployment



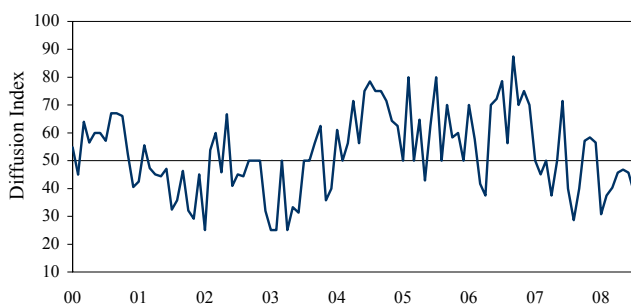
NYC Employment/Unemployment data from the Bureau of Labor Statistics. SA = seasonally adjusted. The NY-BCI often precedes local employment trends. Moreover, the NY-BCI offers advance information about forthcoming local labor market conditions because the count of local jobs is not available for one or two months.

### Quantity of Purchases

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

	Jul	Jun	May	Apr	Mar	Jul
Diffusion Index	38.2	45.7	46.7	45.7	40.3	40.0

### Quantity of Purchases

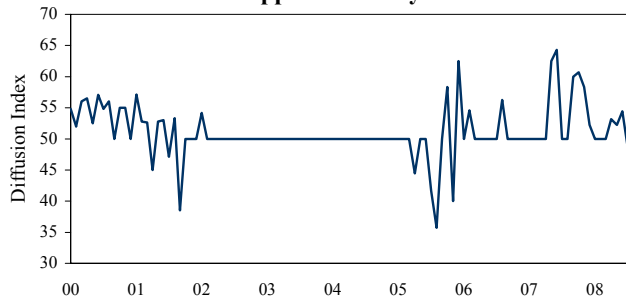


### Supplier Delivery Time

An aggregate evaluation of the current month's delivery performance (lead time) compared to the prior month.

	Jul	Jun	May	Apr	Mar	Jul
Diffusion Index	48.5	54.4	52.3	53.2	50.0	50.0

### Supplier Delivery Time

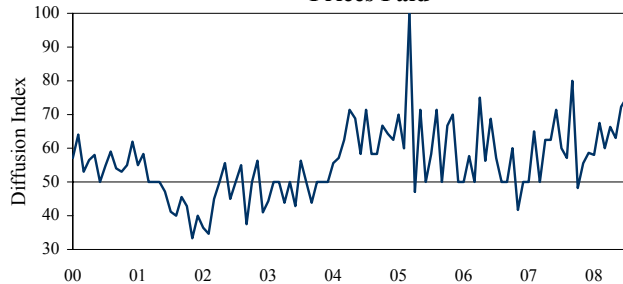


### Prices Paid

The change from the prior month in prices paid for goods and services.

	Jul	Jun	May	Apr	Mar	Jul
Diffusion Index	75.0	72.3	63.0	66.3	60.0	60.0

### Prices Paid



### About the Survey

The purpose of the survey is to quickly assess business conditions among non-manufacturing firms/organizations in the New York City area. The survey results are compiled as diffusion indices - the percent of positive responses plus one-half of those responding the same (considered positive). A reading of 50% means no change from the prior month, greater than 50% indicates a faster pace of activity, and less than 50% a slower rate. The Current Business Conditions index, Six-Month Outlook index and NY-BCI are seasonally adjusted. All other measures are not seasonally adjusted.