



NEW YORK CITY REPORT ON BUSINESS
Crunch Continues

New York City business activity declined at a slower rate in August, according to the survey taken by the National Association of Purchasing Management-New York (NAPM-NY). The Current Business Conditions index came in at 45.3 in August, the seventh month of contraction in the first eight months of this year.

Future optimism returned, for now. The seasonally adjusted Six-Month Outlook index rebounded to 64.1 in August.

Cost pressures intensified and purchasing volume remained soft. The Prices Paid index rose to an eleven-month high of 75.9 in August, while the Quantity of Purchases index was 46.3.

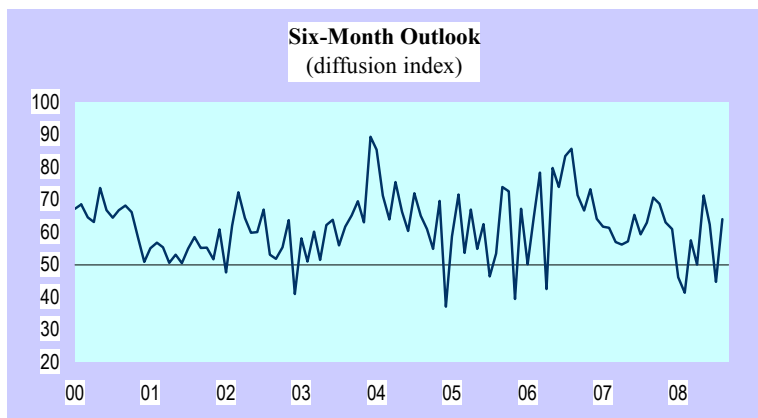
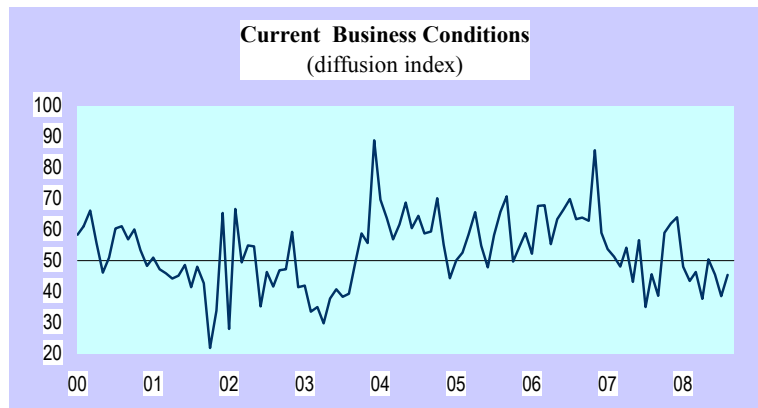
Business impediments: Credit crunch concerns were more evident in August. The share of respondents citing working capital shortages was twice that of last month, and it also was the highest percentage since the question was first posed in the November 2007 *Report on Business*.

| | Aug | Jul | Jun |
|---------------------------|-----|-----|-----|
| Skilled labor shortage: | 15% | 9% | 15% |
| Unskilled labor shortage: | 4% | 0% | 2% |
| Working capital shortage: | 30% | 15% | 11% |
| Raw material shortage: | 4% | 0% | 4% |
| Security concerns: | 7% | 0% | 15% |
| Abnormal weather: | 4% | 0% | 4% |
| “Other” difficulties: | 19% | 38% | 19% |
| No difficulties: | 22% | 21% | 28% |

August’s special question: The Federal Reserve is concerned that inflationary impulses from commodity prices could become embedded in the domestic wage- and price-setting process.

1. Are your suppliers beginning to put automatic escalator clauses tied to various measures of inflation into their long-term contracts? Yes 52%, No 48%. Suppliers are passing costs along, by a small majority.

2. Are your workers fearing higher inflation and starting to demand higher wages? No 65%, Yes 35%. There is no wage-price spiral here.

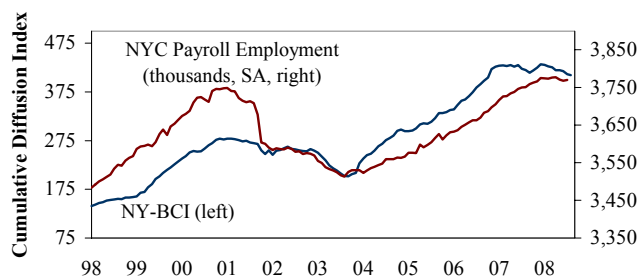


| Business Conditions in New York City (seasonally adjusted) | | | |
|----------------------------------------------------------------------|------------------------------------|--------------------------|----------------|
| | Current Business Conditions | Six-Month Outlook | NY-BCI* |
| August 2007 | 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 |
| July | 38.5 | 44.8 | 411.8 |
| August | 45.3 | 64.1 | 409.5 |

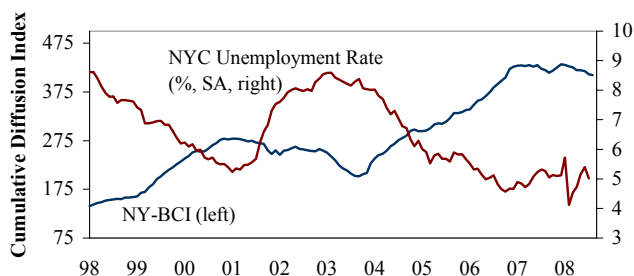
*The NY-BCI is a cumulative diffusion index constructed from the diffusion index of Current Business Conditions for non-manufacturing businesses in the New York City area.

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

NY-BCI vs. NYC Employment



NY-BCI vs. NYC Unemployment



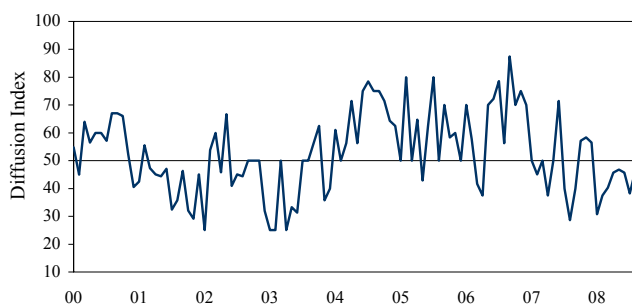
NYC Employment/Unemployment data from the Bureau of Labor Statistics. SA = seasonally adjusted. The NY-BCI often precedes local employment trends. Moreover, the NY-BCI offers advance information about forthcoming local labor market conditions because the count of local jobs is not available for one or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

| | Aug | Jul | Jun | May | Apr | Year ago Aug |
|-----------------|------|------|------|------|------|-----------------|
| Diffusion Index | 46.3 | 38.2 | 45.7 | 46.7 | 45.7 | 28.6 |

Quantity of Purchases

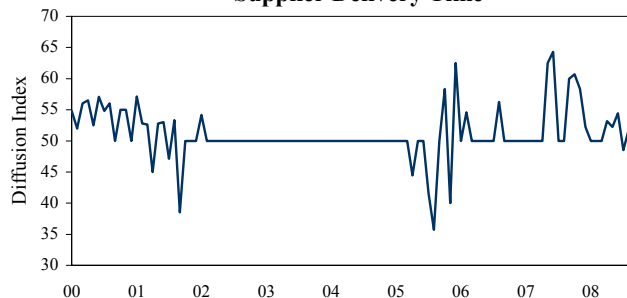


Supplier Delivery Time

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

| | Aug | Jul | Jun | May | Apr | Year ago Aug |
|-----------------|------|------|------|------|------|-----------------|
| Diffusion Index | 51.9 | 48.5 | 54.4 | 52.3 | 53.2 | 50.0 |

Supplier Delivery Time

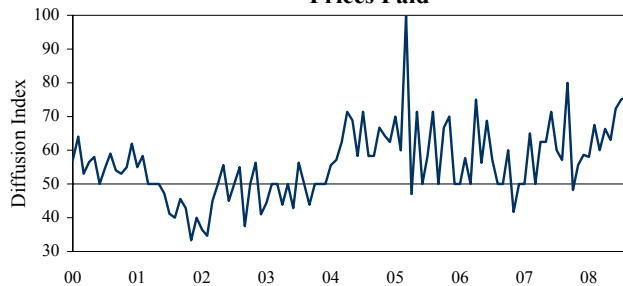


Prices Paid

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

| | Aug | Jul | Jun | May | Apr | Year ago Aug |
|-----------------|------|------|------|------|------|-----------------|
| Diffusion Index | 75.9 | 75.0 | 72.3 | 63.0 | 66.3 | 57.1 |

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.