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July 31, 2009

NEW YORK CITY REPORT ON BUSINESS
One Step Up and Two Steps Back

New York City business activity contracted for a second time in July after May's bounce, according to the survey taken by the National Association of Purchasing Management-New York (NAPM-NY). The Current Business Conditions index came in at 48.3 in July from 44.8 in June.

Purchasing and supply management executives' confidence in recovery persisted and improved. The Six-Month Outlook index stayed above 50 for the fifth straight month, rising to 59.3 in July from 58.3 in June.

The pace of job cuts has abated. The Employment index rose to a 13-month high of 37.5 in July from 28.2 in June.

Purchasing volume contracted for the nineteenth consecutive month, but stayed off the lows. The Quantity of Purchases index came in at 31.8 in July, compared to 34.6 in June.

Cost pressures remained subdued. The Prices Paid index fell to 25.0 in July from 30.8 in June.

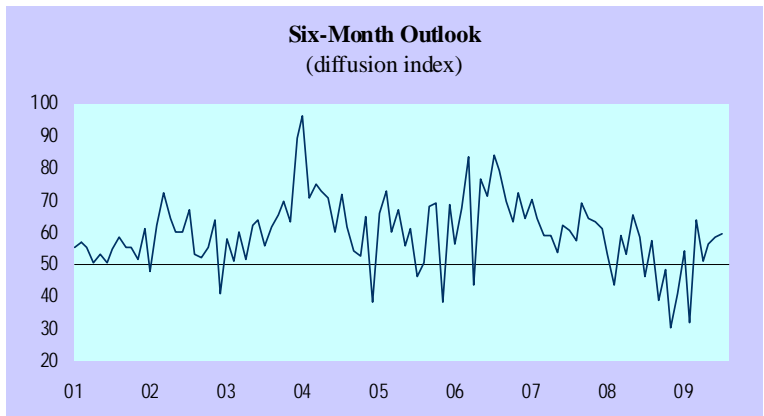
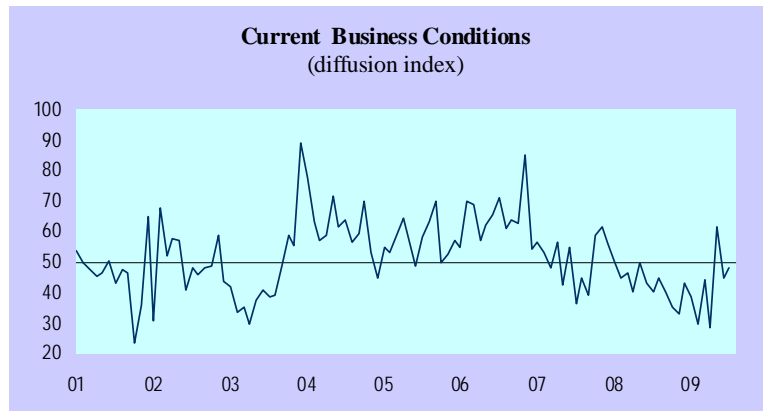
Business Impediments: Working capital shortages matched the highest level since the question was first asked in the November 2007 *Report on Business*.

	Jul	Jun	May
Skilled labor shortage	11%	5%	15%
Unskilled labor shortage	5%	0%	4%
Working capital shortage	36%	33%	30%
Raw material shortage	2%	3%	2%
Security concerns	9%	13%	11%
Abnormal weather	0%	3%	2%
"Other" difficulties	20%	23%	17%
No difficulties	23%	21%	15%
	*	*	*

July's Question of the Month: What are your firm's plans for worker compensation during the next 6 months?

Raise	0%
Hold Steady	88%
Lower	13%

A huge majority said compensation plans would be steady. The remaining respondents said plans would be lower. No wage pressures are expected over the balance of the year. This is consistent with the rapid rise in unemployment. The New York City unemployment rate was at a 12-year high of 9.5% in June, and the 2.5 percentage point rise so far this year is the largest for any six month period on record.



Business Conditions in New York City (seasonally adjusted)			
	Current Business Conditions	Six-Month Outlook	NY-BCI*
July 2008	40.4	46.1	413.1
August	44.5	57.6	410.4
September	40.0	38.8	405.3
October	35.3	48.3	398.0
November	32.7	30.2	389.3
December	43.1	40.7	385.9
January 2009	38.4	54.2	380.1
February	29.6	31.8	369.9
March	43.9	63.8	366.9
April	28.3	51.2	356.0
May	61.3	56.1	361.6
June	44.8	58.3	359.0
July	48.3	59.3	358.2

*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.

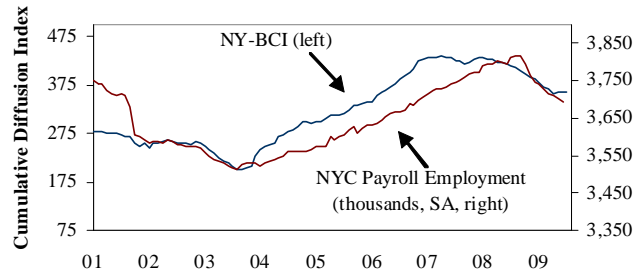
New York City Labor Market

Employment

Current employment trends compared to the previous month.

	Jul	Jun	May	Apr	Mar	Year ago Jul
Diffusion Index	37.5	28.2	33.7	30.0	23.6	29.4

NY-BCI vs. NYC Employment



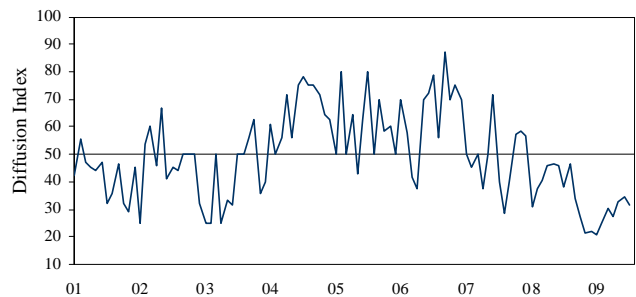
NYC employment data from the Bureau of Labor Statistics. SA = seasonally adjusted. The NY-BCI offers advance information about forthcoming labor market conditions because the local job count is not available for one or two months.

Quantity of Purchases

The current month's level of expenditures (units, not dollars) compared to the previous month.

	Jul	Jun	May	Apr	Mar	Year ago Jul
Diffusion Index	31.8	34.6	32.6	27.6	30.6	38.2

Quantity of Purchases

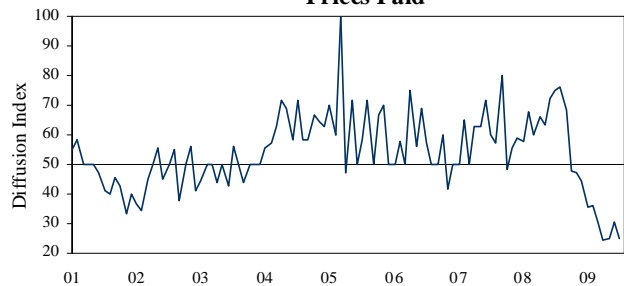


Prices Paid

The current month's overall change in prices paid for goods and services compared to the previous month.

	Jul	Jun	May	Apr	Mar	Year ago Jul
Diffusion Index	25.0	30.8	25.0	24.5	30.6	75.0

Prices Paid

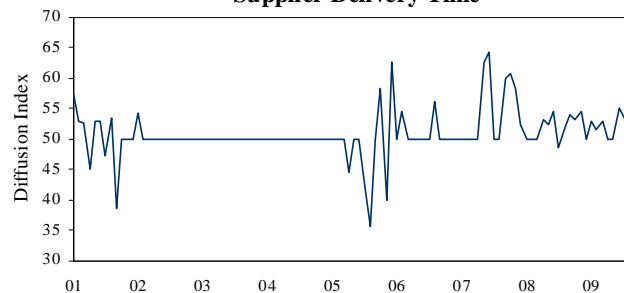


Supplier Delivery Time

The current month's overall delivery performance compared to the previous month.

	Jul	Jun	May	Apr	Mar	Year ago Jul
Diffusion Index	53.4	55.1	50.0	50.0	52.8	48.5

Supplier Delivery Time



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.