

May 2005
Manufacturing
Business Conditions Survey

A Joint Project of the College of Business
At the University of Colorado at Denver
And NAPM-Denver

The local Denver manufacturing economy continued its improvement trend in May as the Denver Manufacturing PMI was 55. Although not as strong an increase as April's index of 60.1, May's index was still on the positive side. The Production index also increased with an index of 55.3 which compares to April's rate of 64.7. The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI of 51.4 percent, a decrease of 1.9 percentage points when compared to April's reading of 53.3 percent. (ISM publishes the national PMI).

(As a reminder to our readers, an index below 50 indicates the majority of our respondents reported a decline versus the previous month. The further below 50, the greater the number of respondents reporting a decline. An index over 50 indicates growth, increase, or improvement).

The overall Price Index of the Denver Manufacturing Survey continued to increase and at a faster rate than in April. All sectors increased except computers which remain unchanged from April. Lead times in our Denver survey increased in May at a slower rate than in April. Lead times in all sectors increased except the MRO and services sectors which were unchanged from April's indices. The New Orders and the Import indices remained unchanged from April. The raw materials inventory and the finished goods inventory indices increased at a faster rate than in April.

May's Employment Index increased in our Denver survey at a faster rate than in April. The availability of skilled workers index recorded no change in May. The availability of unskilled workers index increased in May.

Supplier performance in our Denver survey improved in all sectors except MRO which showed no change.

ISM's New Orders Index grew in May with a reading of 51.7 percent. The index is 2 percentage points lower than the 53.7 percent registered in April, and May is the 25th consecutive month the index has exceeded 50 percent. ISM's Employment Index declined in May, following an 18-month trend of expansion. The index registered 48.8 percent in May compared to 52.3 percent in April, a decrease of 3.5 percentage points.

Go to www.ism.ws for the complete ISM report.

The Business Conditions Survey is a joint project of University of Colorado at Denver and NAPM-Denver. Dr. M.P. Parthasarathy of the College of Business conducted May's survey at the University of Colorado at Denver. For further information on the survey, or to participate in it, call Dr. Parthasarathy at 303-556-5849.

*Note: In the below tables, an index over 50 indicates growth, increase, or improvement. Below 50 is indicative of decrease or worsening.

May 2005 Colorado Front Range Manufacturing Survey

	<i>Colo. Index</i>	<i>Direction</i>	<i>Rate of Change</i>	<i>National Index</i>	<i>Direction</i>	<i>Rate of Change</i>
<u>Series</u>	<u>May</u>	<u>May vs. April</u>	<u>May vs. April</u>	<u>May</u>	<u>May vs. April</u>	<u>May vs. April</u>
Purchasing Managers' Index	55.3	Increasing	Slower	51.4	Increasing	Slower
Production	55.3	Increasing	Slower	54.9	Increasing	Slower
New Orders	50	No Change	From Increasing	51.7	Increasing	Slower
Backlog of Orders	50	No Change	From Increasing	51	Increasing	Slower
Prices	65.8	Increasing	Faster	58	Increasing	Slower
Lead Times	54.1	Increasing	Slower	50.5	Increasing	Slower
Import Orders	50	No Change	From Increasing	53.9	Increasing	Slower
Raw Material Inventory	63.9	Increasing	Faster	47.8*	Decreasing	Slightly Faster
Finished Goods Inventory	60	Increasing	Faster	NA	NA	NA
Employment	60	Increasing	Faster	48.8	Decreasing	From Increasing
Availability of Skilled Labor	50	No Change	From Decreasing	NA	NA	NA
Availability of Unskilled Labor	52.6	Increasing	From No Change	NA	NA	NA

*The national index surveys only total inventories.

Note: The index for the overall economy is a composite based on five components: delivery times, inventory levels, new orders, production and employment. It is constructed to parallel the national overall index. An index above 50 means the manufacturing economy is generally expanding.

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	<u>Colo. Index</u>	<u>Direction</u>	<u>Rate of Change</u>
<u>Prices:</u>	<u>May</u>	<u>May vs. April</u>	<u>May vs. April</u>
MRO Items	65	Increasing	Faster
Capital Goods	67.7	Increasing	Faster
Raw Materials	73.8	Increasing	Slightly Slower
Components	72.5	Increasing	Faster
Computers	50	No Change	From No Change
Services	62.5	Increasing	Faster
<u>Lead Times</u>			
MRO Items	50	No Change	From Decreasing
Capital Goods	52.4	Increasing	Slower
Raw Materials	61.1	Increasing	Faster
Components	54.8	Increasing	Slower
Computers	52.4	Increasing	Slower
Services	50	No Change	From Increasing
<u>Supplier Performance</u>	<u>May</u>	<u>May vs. April</u>	<u>May vs. April</u>
MRO Items	50	No Change	From Worsening
Capital Goods	52.8	Improving	From Worsening
Raw Materials	52.4	Improving	From Worsening
Components	52.4	Improving	From Worsening
Computers	52.5	Improving	From Worsening
Services	52.5	Improving	From No Change