

June 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 kept its positive position in June as the Denver Manufacturing PMI was 54.7. May's index was 55.3. The Production index also increased with an index of 54.2 which compares to May's rate of 55.3. The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI of 53.8 percent, an increase of 2.4 percentage points when compared to May's reading of 51.4 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, but at a slower rate than in May. All sectors increased except computers which showed a decrease from May. Lead times in our Denver survey increased in June at a slower rate than in May. Lead times in the capital goods and components sectors increased while they decreased in the MRO sector and remained unchanged in all other sectors. New Orders increased in June while the Imports index remained unchanged from May. The raw materials inventory index increased and the finished goods inventory index was unchanged in June.

June's Employment Index increased in our Denver survey at a slower rate than in May. The availability of skilled workers index decreased in June. The availability of unskilled workers index was unchanged in June.

Supplier performance in our Denver survey improved in the capital goods, computers and services sectors, worsened in the raw materials and components sectors and was unchanged in the MRO sector.

ISM's New Orders Index grew in June with a reading of 57.2 percent. The index is 5.5 percentage points higher than the 51.7 percent registered in May, and June is the 26th consecutive month the index has exceeded 50 percent. ISM's Employment Index declined in June for the second consecutive month, and this contraction follows an 18-month expansion period. The index registered 49.9 percent in June compared to 48.8 percent in May, an increase of 1.1 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 June'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.

June 2005 Colorado Front Range Manufacturing Survey

| <i>Series</i> | <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>June</u> | <u>June vs. May</u> | <u>June vs. May</u> | <u>June</u> | <u>June vs. May</u> | <u>June vs. May</u> |
| Purchasing Managers' Index | 54.7 | Increasing | Slower | 53.8 | Increasing | Faster |
| Production | 54.2 | Increasing | Slower | 55.6 | Increasing | Faster |
| New Orders | 58.7 | Increasing | From No Change | 57.2 | Increasing | Faster |
| Backlog of Orders | 45 | Decreasing | From No Change | 51 | Increasing | From No Change |
| Prices | 60.9 | Increasing | Slower | 50.5 | Increasing | Slower |
| Lead Times | 52.5 | Increasing | Slower | 53.1 | Increasing | Faster |
| Import Orders | 50 | No Change | No Change | 54.2 | Increasing | Slightly Faster |
| Raw Material Inventory | 52.2 | Increasing | Slower | 47.8* | Decreasing | From No Change |
| Finished Goods Inventory | 50 | No Change | From Increasing | NA | NA | NA |
| Employment | 52.3 | Increasing | Slower | 49.9 | Decreasing | Slower |
| Availability of Skilled Labor | 45.2 | Decreasing | From No Change | NA | NA | NA |
| Availability of Unskilled Labor | 50 | No Change | From Increasing | 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>June</u> | <u>June vs. May</u> | <u>June vs. May</u> |
| MRO Items | 64.6 | Increasing | Slightly Slower |
| Capital Goods | 63.2 | Increasing | Slower |
| Raw Materials | 68.8 | Increasing | Slower |
| Components | 60.4 | Increasing | Slower |
| Computers | 47.7 | Decreasing | From No Change |
| Services | 58.3 | Increasing | Slower |
| <u>Lead Times</u> | | | |
| MRO Items | 45.7 | Decreasing | From No Change |
| Capital Goods | 56.5 | Increasing | Faster |
| Raw Materials | 50 | No Change | From Increasing |
| Components | 60.4 | Increasing | Faster |
| Computers | 50 | No Change | From Increasing |
| Services | 50 | No Change | No Change |
| <u>Supplier Performance</u> | | | |
| | <u>June</u> | <u>June vs. May</u> | <u>June vs. May</u> |
| MRO Items | 50 | No Change | No Change |
| Capital Goods | 52.6 | Improving | Slightly Slower |
| Raw Materials | 45.7 | Worsening | From Improving |
| Components | 43.5 | Worsening | From Improving |
| Computers | 55 | Improving | Faster |
| Services | 52.4 | Improving | Slightly Slower |