

August 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 improved more in August as the Denver Manufacturing PMI was 54.6. July's index was 50.7. The Production index also increased with an index of 58 which compares to July's rate of 52.9. The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI of 53.6 percent, a decrease of 3 percentage points when compared to July's reading of 56.6 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 July. All sectors increased except for the computers sector which remained unchanged. Lead times in our Denver survey increased in August at a faster rate than in July. All sectors increased except the services sector which showed a decrease. The New Orders index decreased in August for the first time since November 2004. The Imports index declined for the first time since March 2005. The raw materials inventory and finished goods inventory indices both increased in August, reversing July's decrease.

August's Employment Index showed an increase which reversed July's decrease. The availability of skilled workers and unskilled workers indices both decreased in August.

Supplier performance in our Denver survey improved in all sectors except MRO where it remained unchanged from July's index.

ISM's New Orders Index grew in August with a reading of 56.4 percent. The index is 4.2 percentage points lower than the 60.6 percent registered in July, and August is the 28th consecutive month the index has exceeded 50 percent. ISM's Employment Index registered growth in August for the second consecutive month. The index registered 52.6 percent in August compared to 53.2 percent in July, a decrease of 0.6 percentage point. 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 August'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.

August 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>August</u>	<u>August vs. July</u>	<u>August vs. July</u>	<u>August</u>	<u>August vs. July</u>	<u>August vs. July</u>
Purchasing Managers' Index	54.6	Increasing	Faster	53.6	Increasing	Slower
Production	58	Increasing	Faster	55.9	Increasing	Slower
New Orders	48	Decreasing	From Increasing	56.4	Increasing	Slower
Backlog of Orders	50	No Change	From Increasing	50.5	Increasing	From Decreasing
Prices	59.5	Increasing	Faster	62.4	Increasing	From Decreasing
Lead Times	57.8	Increasing	Faster	50.5	Increasing	Slower
Import Orders	45.8	Decreasing	From No Change	53.4	Increasing	Slower
Raw Material Inventory	58	Increasing	From Decreasing	45.7*	Decreasing	Faster
Finished Goods Inventory	60	Increasing	From Decreasing	NA	NA	NA
Employment	56	Increasing	From Decreasing	52.6	Increasing	Slower
Availability of Skilled Labor	45.7	Decreasing	Slower	NA	NA	NA
Availability of Unskilled Labor	45.7	Decreasing	Faster	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>August</u>	<u>August vs. July</u>	<u>August vs. July</u>
MRO Items	64	Increasing	Slightly Slower
Capital Goods	62.5	Increasing	Faster
Raw Materials	60	Increasing	Faster
Components	60.9	Increasing	Faster
Computers	50	No Change	From Increasing
Services	62	Increasing	Faster
<u>Lead Times</u>			
MRO Items	54	Increasing	From No Change
Capital Goods	54.2	Increasing	Slower
Raw Materials	58.3	Increasing	Faster
Components	66	Increasing	Faster
Computers	56.3	Increasing	Faster
Services	42.5	Decreasing	From No Change
<u>Supplier Performance</u>			
	<u>August</u>	<u>August vs. July</u>	<u>August vs. July</u>
MRO Items	50	No Change	From Increasing
Capital Goods	52.1	Improving	Slower
Raw Materials	54	Improving	Faster
Components	54	Improving	From No Change
Computers	57.1	Improving	Slower
Services	54.8	Improving	Slower