



**December 2010
Non-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 Non-Manufacturing economy increased slower in December with the Denver Non-Manufacturing PMI at 54.6. The Production Index increased faster with an index of 65. The Denver Non-Manufacturing Index compares to the Institute for Supply Management's (ISM) Non-Manufacturing NMI (Non-Manufacturing Index) of 57.1 percent, indicating continued growth in the non-manufacturing sector for the 12th consecutive month. ISM's Non-Manufacturing Business Activity Index in December registered 63.5 percent, an increase of 6.5 percentage points when compared to the 57 percent registered in November. Fourteen industries reported increased business activity, and two industries reported decreased activity for the month of December. Two industries reported no change from November. Comments from respondents include: "Consumer optimism increasing" and "More end-of-year budget releases."

The industries reporting growth of business activity in December — listed in order — are: Real Estate, Rental & Leasing; Retail Trade; Information; Professional, Scientific & Technical Services; Accommodation & Food Services; Mining; Arts, Entertainment & Recreation; Transportation & Warehousing; Management of Companies & Support Services; Utilities; Construction; Finance & Insurance; Health Care & Social Assistance; and Wholesale Trade. The industries reporting decreased business activity in December are: Public Administration and Educational Services.

(ISM publishes the national NMI and the Business Activity/Production Non-Manufacturing Index).

(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 Non-Manufacturing Survey registered 47.1 in December. Prices decreased in the Capital Goods, Raw Materials and Services sectors and registered 50 in the MRO, Components and Computers sectors.

The New Orders Index was at 50 in December. Both the Raw Materials Inventory and the Finished Goods Inventory Indices increased in December.

The Employment Index was at 50 in December. The Availability of Skilled Workers Index decreased and the Availability of Unskilled Workers Index was at 50 in December.

Supplier performance in our Denver survey improved in the Capital Goods and Services sectors, worsened in the Components sector and was at 50 in the MRO, Raw Materials and Computers sectors.

ISM's Non-Manufacturing New Orders Index grew in December for the 16th consecutive month. The index registered 63 percent, which is an increase of 5.3 percentage points from the 57.7 percent reported in November. Comments from respondents include: "Increased demand for new products recently launched" and "Increase in business from existing clients and increased marketing efforts."

The 14 industries reporting growth of new orders in December — listed in order — are: Real Estate, Rental & Leasing; Mining; Retail Trade; Information; Arts, Entertainment & Recreation; Construction; Transportation & Warehousing; Professional, Scientific & Technical Services; Finance & Insurance; Management of Companies & Support Services; Health Care & Social Assistance; Utilities; Accommodation & Food Services; and Wholesale Trade. The two industries reporting contraction of new orders in December are: Public Administration and Educational Services.

Employment activity in the non-manufacturing sector grew in December, as ISM's Non-Manufacturing Employment Index registered 50.5 percent. This reflects a decrease of 2.2 percentage points when compared to the 52.7 percent registered in November. Nine industries reported increased employment, seven industries reported decreased employment, and two industries reported unchanged employment compared to November. Comments from respondents include: "We had a small reduction in force to reduce operating costs" and "We've added approximately 3 percent to our workforce for sessional [legislative] (part-time) season."

The industries reporting an increase in employment in December — listed in order — are: Mining; Retail Trade; Information; Other Services; Utilities; Finance & Insurance; Transportation & Warehousing; Professional, Scientific & Technical Services; and Educational Services. The industries reporting a reduction in employment in December are: Construction; Agriculture, Forestry, Fishing & Hunting; Arts, Entertainment & Recreation; Accommodation & Food Services; Health Care & Social Assistance; Public Administration; and Wholesale Trade. 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 December'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.

December 2010 Colorado Front Range Non-Manufacturing Survey

<i>Series</i>	<i>Colo. Index December</i>	<i>Direction December</i>	<i>Rate of Change December vs. November</i>	<i>National Index December</i>	<i>Direction December</i>	<i>Rate of Change December vs. November</i>
Purchasing Managers' Index	54.6	Increasing	Slower	57.1*	Increasing	Faster
Business Activity/ Production	65	Increasing	Faster	63.5	Increasing	Faster
New Orders	50	No Change	From Increasing	63	Increasing	Faster
Backlog of Orders	50	No Change	From Increasing	51.5	Increasing	Slower
Imports	75	Increasing	From No Change	51	Increasing	Slower
Prices	47.1	Decreasing	Slower	70	Increasing	Faster
Lead Times	N/A	N/A	N/A	51.5	Increasing	Slower
Raw Material Inventory	58.3	Increasing	From No Change	52.5**	Increasing	Faster
Finished Goods Inventory	55.6	Increasing	From Decreasing	NA	NA	NA
Employment	50	No Change	From Increasing	50.5	Increasing	Slower
Availability of Skilled Labor	43.8	Decreasing	Slightly Slower	NA	NA	NA
Availability of Unskilled Labor	50	No Change	From Decreasing	NA	NA	NA

N/A = Not Available

*The national index is called the NMI (Non-Manufacturing Index)

**The national non-manufacturing survey lists only total inventories.

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

	<u>Colo. Index</u>	<u>Direction</u>	<u>Rate of Change</u>
<u>Prices:</u>	<u>December</u>	<u>December</u>	<u>December vs. November</u>
MRO Items	50	No Change	From No Change
Capital Goods	41.7	Decreasing	From No Change
Raw Materials	43.8	Decreasing	From No Change
Components	50	No Change	From No Change
Computers	50	No Change	From Decreasing
Services	43.8	Decreasing	From Increasing

Lead Times – Not Available

<u>Supplier Performance</u>	<u>December</u>	<u>Direction</u>	<u>Rate of Change</u>
MRO Items	50	No Change	From Improving
Capital Goods	62.5	Improving	Slower
Raw Materials	50	No Change	From Improving
Components	43.8	Worsening	From No Change
Computers	50	No Change	From No Change
Services	62.5	Improving	Slower