

July 2006
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 area Non-Manufacturing survey increased in July. That reverses the decrease in June. The survey indicates a PMI of 57 compared to an index of 49.8 in June. The survey has been flip-flopping the last four months. The Production Index also was on the positive side with an index of 68.8. The Production index in June was 45.5. This month's index compares to the Institute for Supply Management's (ISM) Business Activity/Production Index for July of 54.8 percent compared to the 57 percent registered in June, indicating a slower rate of growth in business activity in July. (ISM publishes the national non-manufacturing survey).

(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).

Prices decreased overall for non-manufacturing for the Denver Business Survey in July. The index for July is 49.5 compared to 60 in June. Prices decreased in the MRO, Raw Materials, Components, Computers and Services sectors and increased in the Capital Goods sector. Lead times for services in our Denver survey decreased in July reversing the trend in June. The index for lead times overall was 45.6 compared to 56.5 in June.

The New Orders Index increased in July reversing June's decrease. The Raw Materials Index decreased and the Finished Goods Index increased in July.

The Employment Index increased in July at a faster rate than in June. The Availability of Skilled Labor Index increased in July at a faster rate than in June. The Availability of Unskilled Labor Index increased in July at a slower rate than in June.

Supplier performance in our Denver survey for non-manufacturing improved in the MRO, Capital Goods and Raw Materials sectors, worsened in the Components and Services sectors and remained unchanged in the Computers sector.

The ISM July New Orders Index decreased to 55.6 percent in July from the 56.6 percent registered in June. This indicates continued expansion of new orders, but at a slower rate of growth than in June. ISM's Non-Manufacturing Employment Index for July is 54.5 percent, an increase of 2.5 percentage points from the 52 percent reported in June. For the complete ISM report, go to www.ism.ws

For further information on the Denver non-manufacturing survey, or to participate in it, call Dr. MP 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.

July 2006 Colorado Front Range Non-Manufacturing Survey

<u>Series</u>	<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>July</u>	<u>July vs. June</u>	<u>July vs. June</u>	<u>July</u>	<u>July vs. June</u>	<u>July vs. June</u>
Purchasing Managers' Index	57	Increasing	From Decreasing	NA*	NA	NA
Production	68.8	Increasing	From Decreasing	54.8	Increasing	Slower
New Orders	53.6	Increasing	From Decreasing	55.6	Increasing	Slower
Backlog of Orders	52.8	Increasing	From Decreasing	56	Increasing	Slightly Faster
Prices	49.5	Decreasing	From Increasing	74.8	Increasing	Slightly Faster
Lead Times	45.6	Decreasing	From Increasing	54.5	Increasing	Slower
Raw Material Inventory	47.2	Decreasing	Slower	53*	Increasing	Faster
Finished Goods Inventory	61.1	Increasing	From Decreasing	NA	NA	NA
Employment	61.1	Increasing	Faster	54.5	Increasing	Faster
Availability of Skilled Labor	63.6	Increasing	Faster	NA	NA	NA
Availability of Unskilled Labor	53.9	Increasing	Slower	NA	NA	NA

*The national non-manufacturing survey does not list a PMI.

**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>July</u>	<u>July vs. June</u>	<u>July vs. June</u>
MRO Items	41.2	Decreasing	From Increasing
Capital Goods	66.7	Increasing	Faster
Raw Materials	47.2	Decreasing	From Increasing
Components	47.2	Decreasing	From Increasing
Computers	45	Decreasing	From Increasing
Services	46.2	Decreasing	From Increasing

<u>Lead Times</u>			
MRO Items	50	No Change	From Decreasing
Capital Goods	47.2	Decreasing	From Increasing
Raw Materials	47.2	Decreasing	From Increasing
Components	50	No Change	From Increasing
Computers	33.3	Decreasing	From Increasing
Services	81.8	Increasing	From Decreasing

<u>Supplier Performance</u>	<u>July</u>	<u>July vs. June</u>	<u>July vs. June</u>
MRO Items	61.1	Improving	From No Change
Capital Goods	66.7	Improving	From No Change
Raw Materials	52.9	Improving	From Worsening
Components	47.2	Worsening	From No Change
Computers	50	No Change	From Improving
Services	45.5	Worsening	From Improving