



May 2008
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 economic index changed course in May by decreasing from April's increase. May's index is 46.6. April's index was 53.6. The Production index also decreased in May with a rate of 42.3. April's Production index was 55.3. The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI of 49.6 percent, 1 percentage point higher than the 48.6 percent reported in April. (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 increased in May. All sectors increased except the Computers sector which decreased. Lead times in our Denver survey increased in May. The Raw Materials, Components and Computers sectors increased while the MRO, Capital Goods, and Services sectors remained unchanged. The New Orders Index decreased in May. The Imports Index decreased at a faster rate in May compared to April. The Raw Materials Inventory and the Finished Goods Inventory Indices showed increases in May.

May's Employment Index increased reversing the previous two-month decrease. The Availability of Skilled Workers Index remained unchanged and the Availability of Unskilled Workers Index increased in May.

Supplier performance in our Denver survey worsened in the Capital Goods and Raw Materials sectors and remained unchanged in all other sectors.

ISM's New Orders Index was 46.5 percent in May, the same as in April. A New Orders Index above 51.6 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars). ISM's Employment Index registered 45.4 percent in May, which is a decrease of 3.8 percentage points when compared to the 49.2 percent reported in April. An Employment Index above 49.5 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment. 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 2008 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 | 46.6 | Decreasing | From Increasing | 49.6 | Decreasing | Slower |
| Production | 42.3 | Decreasing | From Increasing | 51.2 | Increasing | From Decreasing |
| New Orders | 38.5 | Decreasing | From Increasing | 49.7 | Decreasing | Slower |
| Backlog of Orders | 34.6 | Decreasing | From Increasing | 46 | Decreasing | From Increasing |
| Prices | 64.2 | Increasing | Slightly Faster | 87 | Increasing | Faster |
| Lead Times | 52.3 | Increasing | From Decreasing | 53.7 | Increasing | Slightly Slower |
| Import Orders | 20 | Decreasing | Faster | 49.5 | Decreasing | Slower |
| Raw Material Inventory | 58.3 | Increasing | No Change | 48* | Decreasing | Slightly Faster |
| Finished Goods Inventory | 53.9 | Increasing | From Decreasing | NA | NA | NA |
| Employment | 53.9 | Increasing | From Decreasing | 45.5 | Decreasing | Slightly Slower |
| Availability of Skilled Labor | 50 | No Change | From Increasing | NA | NA | NA |
| Availability of Unskilled Labor | 54.2 | Increasing | Slower | 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.

May 2008

| | <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 | 61.5 | Increasing | Slower |
| Capital Goods | 65 | Increasing | Slower |
| Raw Materials | 75 | Increasing | Faster |
| Components | 73.1 | Increasing | Faster |
| Computers | 46.2 | Decreasing | From Increasing |
| Services | 61.5 | Increasing | Slower |
| <u>Lead Times</u> | | | |
| MRO Items | 50 | No Change | From Decreasing |
| Capital Goods | 50 | No Change | From Decreasing |
| Raw Materials | 54.6 | Increasing | Slower |
| Components | 53.6 | Increasing | From No Change |
| Computers | 53.6 | Increasing | From Decreasing |
| 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 No Change |
| Capital Goods | 45.5 | Worsening | From Improving |
| Raw Materials | 46.4 | Worsening | Slightly Faster |
| Components | 50 | No Change | From Worsening |
| Computers | 50 | No Change | From Improving |
| Services | 50 | No Change | From Improving |