



October 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 took a nosedive in October. The PMI decreased reversing the increase in September. The survey indicates a PMI of 39.2 compared to an index of 57.1 in September. The Production Index also reversed its September reading with an index of 20. The Production index in September was 66.7. The Non-Manufacturing PMI has been on a roller coaster ride for the last six months. This month's index compares to the Institute for Supply Management's (ISM) Business Activity/Production Index for October of 57.1 percent compared to the 52.9 percent registered in September, indicating a faster rate of growth in business activity in October. (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 were unchanged overall for non-manufacturing for the Denver Business Survey in October. The index for October is 50 compared to 52.1 in September. Prices increased in the Capital Goods sector, decreased in the MRO sector and remained unchanged in the Raw Materials, Components, Services, and Computers sectors. Lead times for services in our Denver survey decreased in October at a slower rate than in September. The October index is 48.5. The September index was 43.9.

The New Orders Index decreased in October with an index of 41.7. September's index was 56.3. The Raw Materials Inventory Index decreased in October and the Finished Goods Inventory Index increased at a faster rate in October than in September.

The Employment Index was unchanged in October with an index of 50. September's index was 60.

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

The ISM October New Orders Index decreased to 56.5 percent in October from the 57.2 percent registered in September. ISM's Non-Manufacturing Employment Index for October is 51 percent, a decrease of 2.6 percentage points from the 53.6 percent reported in September. 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.

October 2006 Colorado Front Range Non-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>Series</u>	<u>October</u>	<u>October vs. Sept</u>	<u>October vs. Sept</u>	<u>October</u>	<u>October vs. Sept</u>	<u>October vs. Sept</u>
Purchasing Managers' Index	39.2	Decreasing	From Increasing	NA*	NA	NA
Production	20	Decreasing	From Increasing	57.1	Increasing	Faster
New Orders	41.7	Decreasing	From Increasing	56.5	Increasing	Slower
Backlog of Orders	68.8	Increasing	Faster	51.5	Increasing	Slower
Prices	50	No Change	From Increasing	51.9	Increasing	Slower
Lead Times	48.5	Decreasing	Slower	54.5	Increasing	Slightly Faster
Raw Material Inventory	43.8	Decreasing	From No Change	53*	Increasing	Faster
Finished Goods Inventory	58.3	Increasing	Faster	NA	NA	NA
Employment	50	No Change	From Increasing	51	Increasing	Slower
Availability of Unskilled Labor	37.5	Decreasing	From Increasing	NA	NA	NA

Note: Availability of Skilled Labor not available this month.

***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>October</u>	<u>October vs. Sept</u>	<u>October vs. Sept</u>
MRO Items	42.9	Decreasing	From Increasing
Capital Goods	57.1	Increasing	Slower
Raw Materials	50	No Change	From Decreasing
Components	50	No Change	From No Change
Computers	50	No Change	From No Change
Services	50	No Change	From No Change
<u>Lead Times</u>			
MRO Items	40	Decreasing	From Increasing
Capital Goods	42.9	Decreasing	From No Change
Raw Materials	42.9	Decreasing	From No Change
Components	50	No Change	From Increasing
Computers	66.7	Increasing	From No Change
Services	75	Increasing	Slower

<u>Supplier Performance</u>	<u>October</u>	<u>October vs. Sept</u>	<u>October vs. Sept</u>
MRO Items	50	No Change	From No Change
Capital Goods	57.1	Improving	From No Change
Raw Materials	50	No Change	From Worsening
Components	50	No Change	From Improving
Computers	42.9	Worsening	From Improving
Services	25	Worsening	From No Change