



**August 2011
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 decreased faster in August with an index of 29.8. The July index was 35.3. The Production index for August was 12.5.

The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI 50.6 percent, a decrease of 0.3 percentage point when compared to July's reading of 50.9 percent. The PMI registered the lowest reading since July 2009, when it registered 49 percent. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

A PMI in excess of 42.5 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the 27th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 25th consecutive month. Holcomb stated, "The past relationship between the PMI and the overall economy indicates that the average PMI for January through August (56.8 percent) corresponds to a 5 percent increase in real gross domestic product (GDP). In addition, if the PMI for August (50.6 percent) is annualized, it corresponds to a 2.8 percent increase in real GDP annually."

The overall Price Index of the Denver Manufacturing Survey increased slower with an index of 64 in August. Prices increased in the MRO, Capital Goods, Raw Materials and Components sectors and remained unchanged in the Computers and Services sectors. The Lead Time Index increased at a slower rate with an index of 58 in August. Lead Times increased in the Capital Goods, Raw Materials and Components sectors and registered 50 in the MRO, Computers and Services sectors.

The Raw Materials Inventory Index increased and the Finished Goods Inventory Index decreased in August.

August's Employment Index decreased with an index of 40. The Availability of Skilled Workers and the Availability of Unskilled Workers Induces remained unchanged in August.

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

ISM's New Orders Index registered 49.6 percent in August, which is an increase of 0.4 percentage point when compared to the 49.2 percent reported in July. This is the second consecutive month of contraction in the New Orders Index, following 24 months of growth. The last time the index contracted was in June of 2009, when the New Orders Index registered 48.9 percent. A New Orders Index above 52.1 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars).

The seven industries reporting growth in new orders in August — listed in order — are: Petroleum & Coal Products; Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Paper Products; Fabricated Metal Products; and Transportation Equipment. The seven industries reporting decreases in new orders in August — listed in order — are: Electrical Equipment, Appliances & Components; Textile Mills; Nonmetallic Mineral Products; Machinery; Chemical Products; Computer & Electronic Products; and Plastics & Rubber Products.

ISM's Employment Index registered 51.8 percent in August, which is 1.7 percentage points lower than the 53.5 percent reported in July. While this month represents the 23rd consecutive month of growth in manufacturing employment, the August reading is also the lowest reading since November 2009, when the index registered 50.4 percent. An Employment Index above 50.1 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment.

Of the 18 manufacturing industries, eight reported growth in employment in August in the following order: Wood Products; Paper Products; Primary Metals; Fabricated Metal Products; Machinery; Miscellaneous Manufacturing; Transportation Equipment; and Chemical Products. The six industries reporting a decrease in employment in August — listed in order — are: Petroleum & Coal Products; Apparel, Leather & Allied Products; Printing & Related Support Activities; Computer & Electronic Products; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products.

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 2011 Colorado Front Range 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>August</u>	<u>August</u>	<u>August vs. July</u>	<u>August</u>	<u>August vs. July</u>	<u>August vs. July</u>
Purchasing Managers' Index	29.8	Decreasing	Faster	50.6	Increasing	Slightly Slower
Production	12.5	Decreasing	Faster	48.6	Decreasing	From Increasing
New Orders	12.5	Decreasing	N/A	49.6	Decreasing	Slightly Slower
Backlog of Orders	25	Decreasing	Faster	46	Decreasing	Slower
Imports	25	Decreasing	No Change	55.5	Increasing	Faster
Prices	64	Increasing	Slower	55.5	Increasing	Slower
Lead Times	58	Increasing	Slower	50.6	Increasing	Slightly Faster
Raw Material Inventory	62.5	Increasing	Slower	52.3*	Increasing	From Decreasing
Finished Goods Inventory	37.5	Decreasing	From Increasing	NA	NA	NA
Employment	40	Decreasing	From No Change	51.8	Increasing	Slower
Availability of Skilled Labor	50	No Change	From No Change	NA	NA	NA
Availability of Unskilled Labor	50	No Change	From No Change	NA	NA	NA

*ISM has one category only for Inventory.

	<u>Colo. Index</u>	<u>Direction</u>	<u>Rate of Change</u>
<u>Prices:</u>	<u>August</u>	<u>August</u>	<u>August vs. July</u>
MRO Items	60	Increasing	From No Change
Capital Goods	60	Increasing	Slower
Raw Materials	80	Increasing	Faster
Components	70	Increasing	Slower
Computers	50	No Change	From No Change
Services	50	No Change	From No Change
<u>Lead Times</u>	<u>August</u>	<u>August</u>	<u>August vs. July</u>
MRO Items	50	No Change	From No Change
Capital Goods	70	Increasing	Slower
Raw Materials	60	Increasing	Slower
Components	60	Increasing	Slower
Computers	50	No Change	From No Change
Services	50	No Change	From Increasing
<u>Supplier Performance</u>	<u>August</u>	<u>August</u>	<u>August vs. July</u>
MRO Items	50	No Change	From No Change
Capital Goods	50	No Change	From No Change
Raw Materials	40	Worsening	From No Change
Components	40	Worsening	From No Change
Computers	50	No Change	From No Change
Services	50	No Change	From No Change