



**July 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 July with an index of 35.3. This compares to June's decrease of 42.4. The Production index for July was 25.

The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI 50.9 percent, a decrease of 4.4 percentage points when compared to June's reading of 55.3 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 26th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 24th consecutive month. Holcomb stated, "The past relationship between the PMI and the overall economy indicates that the average PMI for January through July (57.6 percent) corresponds to a 5.3 percent increase in real gross domestic product (GDP). In addition, if the PMI for July (50.9 percent) is annualized, it corresponds to a 2.9 percent increase in real GDP annually."

The overall Price Index of the Denver Manufacturing Survey increased faster with an index of 65 in July. Prices increased in the Capital Goods, Raw Materials and Components sectors and remained unchanged in the other sectors. The Lead Time Index increased at a slower rate with an index of 60 in July. Lead Times increased in the Capital Goods, Raw Materials, Components and Services sectors, and registered 50 in the MRO and Computers sectors.

The Raw Materials Inventory and the Finished Goods Inventory Indices increased in July.

July's Employment Index increased with an index of 50. The Availability of Skilled Workers and the Availability of Unskilled Workers Indices remained unchanged in July.

Supplier performance in our Denver survey remained unchanged in all sectors.

ISM's New Orders Index registered 49.2 percent in July, which is a decrease of 2.4 percentage points when compared to the 51.6 percent reported in June. This is the first month of contraction in the New Orders Index since June of 2009, when it 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 nine industries reporting growth in new orders in July — listed in order — are: Petroleum & Coal Products; Wood Products; Paper Products; Furniture & Related Products; Transportation Equipment; Food, Beverage & Tobacco Products; Fabricated Metal Products; Computer & Electronic Products; and Chemical Products. The seven industries reporting decreases in new orders in July — listed in order — are: Apparel, Leather & Allied Products; Plastics & Rubber Products; Textile Mills; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Miscellaneous Manufacturing; and Machinery.

ISM's Employment Index registered 53.5 percent in July, which is 6.4 percentage points lower than the 59.9 percent reported in June. While this month represents the 22nd consecutive month of growth in manufacturing employment, the July reading is also the lowest reading since December 2009, when the index registered 53.2 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, nine reported growth in employment in July in the following order: Computer & Electronic Products; Paper Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Transportation Equipment; Machinery; and Chemical Products. The five industries reporting a decrease in employment in July are: Petroleum & Coal Products; Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Plastics & Rubber Products; and Food, Beverage & Tobacco Products.

Go to [www.ism.ws](http://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 July'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.

## July 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>July</u>	<u>July</u>	<u>July vs. June</u>	<u>July</u>	<u>July vs. June</u>	<u>July vs. June</u>
Purchasing Managers' Index	35.3	Decreasing	Faster	50.9	Increasing	Slower
Production	25	Decreasing	Faster	52.3	Increasing	Slower
New Orders	N/A	N/A	N/A	49.2	Decreasing	From Increasing
Backlog of Orders	37.5	Decreasing	Slower	45	Decreasing	Faster
Imports	25	Decreasing	Faster	53.5	Increasing	Faster
Prices	65	Increasing	Faster	59	Increasing	Slower
Lead Times	60	Increasing	Slower	50.4	Increasing	Slower
Raw Material Inventory	100	Increasing	From Decreasing	49.3*	Decreasing	From Increasing
Finished Goods Inventory	100	Increasing	Faster	NA	NA	NA
Employment	50	No Change	From Decreasing	53.5	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>
<b><u>Prices:</u></b>	<u>July</u>	<u>July</u>	<u>July vs. June</u>
MRO Items	50	No Change	From Increasing
Capital Goods	62.5	Increasing	Faster
Raw Materials	75	Increasing	Slower
Components	87.5	Increasing	Faster
Computers	50	No Change	From Increasing
Services	50	No Change	From Increasing
<b><u>Lead Times</u></b>	<u>July</u>	<u>July</u>	<u>July vs. June</u>
MRO Items	50	No Change	From Increasing
Capital Goods	75	Increasing	Slower
Raw Materials	62.5	Increasing	Faster
Components	62.5	Increasing	Slower
Computers	50	No Change	From No Change
Services	62.5	Increasing	Faster
<b><u>Supplier Performance</u></b>	<u>July</u>	<u>July</u>	<u>July vs. June</u>
MRO Items	50	No Change	From Improving
Capital Goods	50	No Change	From No Change
Raw Materials	50	No Change	From Increasing
Components	50	No Change	From Decreasing
Computers	50	No Change	From Decreasing
Services	50	No Change	From No Change