



**May 2011
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 Non-Manufacturing economy reversed the gains of the past two months with a decline in May. The Denver Non-Manufacturing PMI for May was 42.3. The Production Index was 50.

The Denver Non-Manufacturing Index compares to the Institute for Supply Management's (ISM) Non-Manufacturing NMI (Non-Manufacturing Index) of 54.6 percent, indicating continued growth in the non-manufacturing sector for the 18th consecutive month. ISM's Non-Manufacturing Business Activity Index in May was 53.6 percent, a decrease of 0.1 percentage point when compared to the 53.7 percent registered in April. Fourteen industries reported increased business activity, and three industries reported decreased activity for the month of May. Comments from respondents include: "Customer demand for certain products has grown considerably" and "Increased orders due to more confidence in the economy."

The industries reporting growth of business activity in May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Real Estate, Rental & Leasing; Construction; Management of Companies & Support Services; Other Services; Transportation & Warehousing; Arts, Entertainment & Recreation; Finance & Insurance; Public Administration; Mining; Health Care & Social Assistance; Accommodation & Food Services; and Information. The three industries reporting decreased business activity in May are: Retail Trade; Educational Services; and Professional, Scientific & Technical Services.

(ISM publishes the national NMI and the Business Activity/Production Non-Manufacturing Index).

(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 Non-Manufacturing Survey registered 54.6 in May. Prices increased in the Capital Goods and Raw Materials sectors, decreased in the MRO and Computers sectors and remained unchanged in the Components and Services sectors. The Lead Time Index was 55.6 in May. Lead times increased in the Raw Materials and Component sectors, decreased in the MRO and Services sectors and remained unchanged in the Capital Goods and Computers sectors.

The New Orders Index was at 25 in May. The Raw Materials Inventory Index was 50 and the Finished Goods Inventory Index decreased in May.

The Employment Index registered 45 in May. The Availability of Skilled Workers Index decreased faster and the Availability of Unskilled Workers Index increased in May.

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

ISM's Non-Manufacturing New Orders Index grew in May for the 22nd consecutive month. The index registered 56.8 percent, an increase of 4.1 percentage points from the 52.7 percent reported in April. Comments from respondents include: "Slightly improved business conditions and outlook" and "Increased proposal activity."

The 15 industries reporting growth of new orders in May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Real Estate, Rental & Leasing; Mining; Management of Companies & Support Services; Other Services; Professional, Scientific & Technical Services; Transportation & Warehousing; Construction; Arts, Entertainment & Recreation; Finance & Insurance; Health Care & Social Assistance; Accommodation & Food Services; Public Administration; and Information. The two industries reporting contraction of new orders in May are: Retail Trade and Educational Services.

Employment activity in the non-manufacturing sector grew in May, as ISM's Non-Manufacturing Employment Index registered 54 percent. This reflects an increase of 2.1 percentage points when compared to the 51.9 percent registered in April. Thirteen industries reported increased employment, three industries reported decreased employment, and two industries reported unchanged employment compared to April. Comments from respondents include: "Preparing for growth" and "Business conditions indicate positive trends. We have begun converting contractors to permanent positions, as well as increasing permanent head count."

The industries reporting an increase in employment in May — listed in order — are: Mining; Arts, Entertainment & Recreation; Retail Trade; Agriculture, Forestry, Fishing & Hunting; Information; Transportation & Warehousing; Utilities; Management of Companies & Support Services; Wholesale Trade; Accommodation & Food Services; Finance & Insurance; Public Administration; and Health Care & Social Assistance. The industries reporting a reduction in employment in May are: Educational Services; Construction; and Professional, Scientific & Technical Services.

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 2011 Colorado Front Range Non-Manufacturing Survey

<i>Series</i>	<i>Colo. Index</i> <u>May</u>	<i>Direction</i> <u>May</u>	<i>Rate of Change</i> <u>May vs. April</u>	<i>National Index</i> <u>May</u>	<i>Direction</i> <u>May</u>	<i>Rate of Change</i> <u>May vs. April</u>
Purchasing Managers' Index	42.3	Decreasing	From Increasing	54.6*	Increasing	Faster
Business Activity/ Production	50	No Change	From Increasing	53.6	Increasing	Slightly Slower
New Orders	25	Decreasing	From Increasing	56.8	Increasing	Faster
Backlog of Orders	50	No Change	From Increasing	55	Increasing	Slightly Slower
Imports	50	No Change	From Increasing	50.5	Increasing	Slower
Prices	54.6	Increasing	Slower	69.6	Increasing	Slightly Slower
Lead Times	55.6	Increasing	Slower	54	Increasing	Faster
Raw Material Inventory	50	No Change	From Decreasing	55**	Increasing	Slightly Slower
Finished Goods Inventory	37.5	Decreasing	From Increasing	NA	NA	NA
Employment	45	Decreasing	From No Change	54	Increasing	Faster
Availability of Skilled Labor	35	Decreasing	Faster	NA	NA	NA
Availability of Unskilled Labor	62.5	Increasing	From No Change	NA	NA	NA

N/A = Not Available

***The national index is called the NMI (Non-Manufacturing Index)**

****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>May</u>	<u>May</u>	<u>May vs. April</u>
MRO Items	45	Decreasing	From No Change
Capital Goods	55.6	Increasing	Slower
Raw Materials	83.3	Increasing	Faster
Components	50	No Change	From Increasing
Computers	38.9	Decreasing	From No Change
Services	50	No Change	From Increasing
<u>Lead Times</u>	<u>May</u>	<u>Direction</u>	<u>Rate of Change</u>
MRO Items	44.4	Decreasing	From No Change
Capital Goods	50	No Change	From Increasing
Raw Materials	66.7	Increasing	Slower
Components	66.7	Increasing	Faster
Computers	50	No Change	From Increasing
Services	44.4	Decreasing	From Increasing
<u>Supplier Performance</u>	<u>May</u>	<u>Direction</u>	<u>Rate of Change</u>
MRO Items	50	No Change	From Improving
Capital Goods	50	No Change	From No Change
Raw Materials	50	No Change	From No Change
Components	50	No Change	From No Change
Computers	50	No Change	From No Change
Services	50	No Change	From No Change