



**October 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 increased in October with an index of 60. The September index was 42.3. The Production index for October was 75.

The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI of 50.8 percent, a decrease of 0.8 percentage point when compared to September's reading of 51.6 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 29th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 27th consecutive month. Holcomb stated, "The past relationship between the PMI and the overall economy indicates that the average PMI for January through October (55.7 percent) corresponds to a 4.6 percent increase in real gross domestic product (GDP). In addition, if the PMI for October (50.8 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 62.6 in October. Prices increased in all sectors. The Lead Time Index increased at a slower rate with an index of 53.1 in October. Lead Times increased in the MRO and Capital Goods sectors and registered 50 in all other sectors.

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

October's Employment Index increased faster with an index of 71.4. The Availability of Skilled Workers Index increased and the Availability of Unskilled Workers Index increased in October.

Supplier performance in our Denver survey improved in the Capital Goods, Raw Materials, Components and Services sectors and remained unchanged in the MRO and Computers sectors.

ISM's New Orders Index registered 52.4 percent in October, which is an increase of 2.8 percentage points when compared to the September reading of 49.6 percent, and represents a return to growth after three consecutive months of contraction. 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 eight industries reporting growth in new orders in October — listed in order — are: Petroleum & Coal Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Computer & Electronic Products;

Primary Metals; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; and Miscellaneous Manufacturing. The nine industries reporting decreases in new orders in October — listed in order — are: Wood Products; Textile Mills; Chemical Products; Furniture & Related Products; Printing & Related Support Activities; Paper Products; Transportation Equipment; Machinery; and Apparel, Leather & Allied Products.

ISM's Employment Index registered 53.5 percent in October, which is 0.3 percentage point lower than the 53.8 percent reported in September. This is the 25th consecutive month the Employment Index has been above 50 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 October in the following order: Textile Mills; Primary Metals; Fabricated Metal Products; Petroleum & Coal Products; Transportation Equipment; Paper Products; Machinery; and Computer & Electronic Products. The six industries reporting a decrease in employment in October — listed in order — are: Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Chemical Products; Apparel, Leather & Allied Products; 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 October'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.

October 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>October</u>	<u>October</u>	<u>October vs. September</u>	<u>October</u>	<u>October vs. September</u>	<u>October vs. September</u>
Purchasing Managers' Index	66	Increasing	From Decreasing	50.8	Increasing	Slightly Slower
Production	75	Increasing	From Decreasing	50.1	Increasing	Slower
New Orders	58.3	Increasing	From Decreasing	52.4	Increasing	From Decreasing
Backlog of Orders	58.3	Increasing	From No Change	47.5	Decreasing	Slower
Imports	83.3	Increasing	From No Change	49.5	Decreasing	From Increasing
Prices	62.6	Increasing	Faster	41	Decreasing	From Increasing
Lead Times	53.1	Increasing	Slower	51.3	Increasing	Slightly Slower
Raw Material Inventory	75	Increasing	From Decreasing	46.7*	Decreasing	From Increasing
Finished Goods Inventory	66.7	Increasing	From No Change	NA	NA	NA
Employment	71.4	Increasing	Faster	53.5	Increasing	Slightly Slower
Availability of Skilled Labor	66.7	Increasing	Faster	NA	NA	NA
Availability of Unskilled Labor	58.3	Increasing	From Decreasing	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>October</u>	<u>October</u>	<u>October vs. September</u>
MRO Items	66.7	Increasing	Faster
Capital Goods	75	Increasing	Faster
Raw Materials	57.1	Increasing	Slower
Components	57.1	Increasing	From No Change
Computers	57.1	Increasing	Slower
Services	66.7	Increasing	Faster
<u>Lead Times</u>	<u>October</u>	<u>October</u>	<u>October vs. September</u>
MRO Items	58.3	Increasing	Slower
Capital Goods	57.1	Increasing	From No Change
Raw Materials	50	No Change	From Increasing
Components	50	No Change	From No Change
Computers	50	No Change	From No Change
Services	50	No Change	From No Change
<u>Supplier Performance</u>	<u>October</u>	<u>October</u>	<u>October vs. September</u>
MRO Items	50	No Change	From Improving
Capital Goods	58.3	Improving	From No Change
Raw Materials	66.7	Improving	From No Change
Components	57.1	Improving	From No Change
Computers	50	No Change	From Improving
Services	58.3	Improving	From No Change