

November 2008
Non-Manufacturing
Business Conditions Survey

**A Joint Project of the College of Business
At the University of Colorado at Denver
And NAPM-Denver**

The September and October local Denver Non-Manufacturing economic surveys did not appear because of software problems. The September, October and November local Denver Manufacturing surveys are also not available.

The local Denver Non-Manufacturing economy showed a decrease in November with the Denver Non-Manufacturing PMI at 49.3. The Production Index increased in November as the rate was 54.6. The Denver Non-Manufacturing Index compares to the Institute for Supply Management's (ISM) Non-Manufacturing PMI/NMI which registered 37.3 percent, its lowest level since the index began in January 2008, indicating contraction in the non-manufacturing sector. (ISM publishes the national 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 increased in November. Prices increased in the MRO, Capital Goods, Components and Services sectors, decreased in the Computers sector and registered an index of 50 in the Raw Materials sector. Lead times in our Denver survey increased in November. The Raw Materials and Computers sectors increased, the Capital Goods and Components sectors registered an index of 50 and the MRO and Services sectors decreased. The New Orders Index decreased in November. The Raw Materials Inventory index increased and the Finished Goods Inventory Index decreased in November.

The Employment Index was at 50 in November. The Availability of Skilled Workers Index and the Availability of Unskilled Workers Index decreased in November.

Supplier performance in our Denver survey showed improvement in the Computers and Services sectors, worsening in the MRO, Capital Goods and Components sectors and an index of 50 in the Raw Materials index.

ISM's Non-Manufacturing New Orders Index registered 35.4 percent, its lowest level since the index was first reported in 1997. This is a decline of 8.6 percentage points from the 44 percent registered in October. Comments from respondents include: "Budget tightening and overall economy"; "Temporary targeted budget freezes"; and "Reduced funding." ISM's Non-Manufacturing Employment Index for November registered 31.3 percent. This reflects a decrease of 10.2 percentage points when compared to the 41.5 percent registered in October. One industry reported increased employment, 16 industries reported a decrease, and one industry indicated employment is unchanged from October. Comments from respondents include: "Staff adjustments due

to fall off in sales"; "Hiring freeze in place. Almost impossible to fill open positions"; and "Restricting new hires unless service/productivity/demand warrants." 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 November'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.

November 2008 Colorado Front Range Non-Manufacturing Survey

<u>Series</u>	<i>Colo. Index</i>	<i>Colo. Index</i>	<i>National Index</i>	<i>Direction</i>	<i>Rate of Change</i>
	<u>November</u>	<u>Direction</u>	<u>November</u>	<u>November vs. October</u>	<u>November vs. October</u>
Purchasing Managers' Index	49.3	Decreasing	37.3*	Decreasing	Faster
Business Activity/ Production New Orders	54.6	Increasing	33	Decreasing	Faster
Backlog of Orders	38.9	Decreasing	35.4	Decreasing	Faster
Prices	43.8	Decreasing	39.5	Decreasing	Faster
Lead Times	53.1	Increasing	36.6	Decreasing	From Increasing
Raw Material Inventory	54.4	Increasing	49.5	Decreasing	Slower
Finished Goods Inventory	58.3	Increasing	46**	Decreasing	Faster
Employment	37.5	Decreasing	NA	NA	NA
Availability of Skilled Labor	50	Neither	31.3	Decreasing	Faster
Availability of Unskilled Labor	36.4	Decreasing	NA	NA	NA
	35	Decreasing	NA	NA	NA

*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.

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Colo. Index

<u>Prices</u>	<u>Index</u>	<u>Direction</u>
MRO Items	55	Increasing
Capital Goods	60	Increasing
Raw Materials	50	Neither
Components	55.6	Increasing
Computers	45	Decreasing
Services	54.6	Increasing
<u>Lead Times:</u>	<u>Index</u>	<u>Direction</u>
MRO Items	45.5	Decreasing
Capital Goods	50	Neither
Raw Materials	60	Increasing
Components	50	Neither
Computers	66.7	Increasing
Services	45	Decreasing
<u>Supplier Performance:</u>	<u>Index</u>	<u>Direction</u>
MRO Items	45.5	Worsening
Capital Goods	45	Worsening
Raw Materials	50	Neither
Components	44.4	Worsening
Computers	54.6	Improving
Services	54.6	Improving