



October 2007
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 course by decreasing in October as the Denver Non-Manufacturing PMI was 43.9. September's index was 55.4. This is the first month since March 2007 that the index has shown a decrease. The Production Index also decreased with an index of 33.3 which compares to September's rate of 56. The Denver Non-Manufacturing Production Index compares to the Institute for Supply Management's (ISM) Business Activity/Production Index of 55.8 percent, indicating a faster rate of growth in business activity compared to September. (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 decreased at in September. The MRO and Services sectors increased, the Capital Goods and Components sectors remained unchanged and the Raw Materials and Computers sectors decreased. Lead times in our Denver survey decreased in October. All sectors increased except the MRO and Services sectors which remained unchanged. The New Orders Index decreased in October. The Raw Materials Inventory Index and the Finished Goods Inventory Index decreased in October.

October's Employment Index increased. The Availability of Skilled Workers and the Availability of Unskilled Workers indices both decreased in October.

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

ISM's New Orders Index increased to 55.7 percent in October from the 53.4 percent registered in September.. This indicates continued expansion of new orders at a faster rate than in September. ISM's Employment Index was 51.8 percent, a 0.9 percentage point decrease from the 52.7 percent reported in September. 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 2007 Colorado Front Range Non-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 vs. September</u> | <u>October vs. September</u> | <u>October</u> | <u>October vs. September</u> | <u>October vs. September</u> |
| Purchasing Managers' Index | 43.9 | Decreasing | From Increasing | N/A | N/A | N/A |
| Production | 33.3 | Decreasing | From Increasing | 55.8 | Increasing | Slower |
| New Orders | 31.8 | Decreasing | From Increasing | 55.7 | Increasing | Faster |
| Backlog of Orders | 35 | Decreasing | Faster | 43.5 | Decreasing | Faster |
| Prices | 47.2 | Decreasing | From Increasing | 63.5 | Increasing | Slower |
| Lead Times | 47.8 | Decreasing | From Increasing | 50 | No Change | From Increasing |
| Raw Material Inventory | 38.9 | Decreasing | From Increasing | 49.5* | Decreasing | From No Change |
| Finished Goods Inventory | 45 | Decreasing | Faster | NA | NA | NA |
| Employment | 75 | Increasing | Faster | 51.8 | Increasing | Slightly Slower |
| Availability of Skilled Labor | 41.7 | Decreasing | Slower | NA | NA | NA |
| Availability of Unskilled Labor | 45.8 | Decreasing | Slower | NA | NA | NA |

*The national non-manufacturing survey does not list a PMI.

**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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| | <u>Colo. Index</u> | <u>Direction</u> | <u>Rate of Change</u> |
|-----------------------------|--------------------|------------------------------|------------------------------|
| <u>Prices:</u> | <u>October</u> | <u>October vs. September</u> | <u>October vs. September</u> |
| MRO Items | 55 | Increasing | Slower |
| Capital Goods | 50 | No Change | From Increasing |
| Raw Materials | 35.7 | Decreasing | From Increasing |
| Components | 50 | No Change | From Increasing |
| Computers | 45.5 | Decreasing | From Increasing |
| Services | 59.1 | Increasing | Slightly Faster |
| <u>Lead Times</u> | | | |
| MRO Items | 54.6 | Increasing | From No Change |
| Capital Goods | 50 | No Change | From Increasing |
| Raw Materials | 40.9 | Decreasing | From Increasing |
| Components | 43.8 | Decreasing | From Increasing |
| Computers | 50 | No Change | From Increasing |
| Services | 45.5 | Decreasing | From No Change |
| <u>Supplier Performance</u> | <u>October</u> | <u>October vs. September</u> | <u>October vs. September</u> |
| MRO Items | 50 | No Change | From No Change |
| Capital Goods | 50 | No Change | From No Change |
| Raw Materials | 57.1 | Improving | Faster |
| Components | 56.3 | Improving | From Worsening |
| Computers | 50 | No Change | From Worsening |
| Services | 54.6 | Improving | From Worsening |

