



**October 2009
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 decreased in October with the Denver Non-Manufacturing PMI at 45.9. The Production Index was 54.6. The Denver Non-Manufacturing Index compares to the Institute for Supply Management's (ISM) Non-Manufacturing NMI (Non-Manufacturing Index) registered 50.6 percent, indicating expansion in the non-manufacturing sector for the second consecutive month since August 2008. ISM's Non-Manufacturing Business Activity Index in October registered 55.2 percent, an increase of 0.1 percentage point when compared to the 55.1 percent registered in September. Nine industries reported increased business activity, and seven industries reported decreased activity for the month of October. Two industries reported no change from September. Comments from respondents include "New customer requirements" and "New business and new capital projects." (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 50.9 in October. Prices decreased in the MRO, Capital Goods, and Computer sectors and increased in the Raw Materials, Components and Services sectors. Lead times in our Denver survey increased overall in October. Lead times increased in the Raw Materials and Components sectors and remained unchanged in all other sectors. The New Orders Index remained unchanged with an index of 50 in October. The Finished Goods Inventory Index decreased in October with an index of 30.

The Employment Index decreased with an index of 45.5 in October. The Availability of Skilled Workers Index increased and the Availability of Unskilled Workers Index decreased in October.

Supplier performance in our Denver survey worsened in all sectors.

ISM's Non-Manufacturing New Orders Index grew in October for the second consecutive month. The index registered 55.6 percent, which is an increase of 1.4 percentage points from the 54.2 percent registered in September. Comments from respondents include: "Some customers have capital budget money to spend before year-end" and "Stocking up on critical supplies." Employment activity in ISM's non-manufacturing sector contracted in October for the 21st time in the last 22 months. ISM's Non-Manufacturing Employment Index for October registered 41.1 percent. This reflects a decrease of 3.2 percentage points when compared to the 44.3

percent registered in September. Three industries reported increased employment, 12 industries reported decreased employment, and three industries reported unchanged employment compared to September. Comments from respondents include: "Recent reduction in workforce" and "It appears that there is a slowdown in new job postings and [a return to] hiring freezes again." 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 2009 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 | 45.9 | Decreasing | From Increasing | 50.6* | Increasing | Slightly Slower |
| Business Activity/ Production New Orders | 54.6 | Increasing | Slower | 55.2 | Increasing | Slightly Faster |
| Backlog of Orders | 50 | No Change | From Increasing | 55.6 | Increasing | Faster |
| Prices | 64.3 | Increasing | Faster | 53.5 | Increasing | Faster |
| Lead Times | 50.9 | Increasing | Slower | 53 | Increasing | From Decreasing |
| Raw Material Inventory | 54.5 | Increasing | Faster | 50.5 | Increasing | From No Change |
| Finished Goods Inventory | No Report | | | 43** | Decreasing | Faster |
| Employment | 30 | Decreasing | Faster | NA | NA | NA |
| Availability of Skilled Labor | 45.5 | Decreasing | Slower | 41.1 | Decreasing | Faster |
| Availability of Unskilled Labor | 54.6 | Increasing | Slower | NA | NA | NA |
| | 45 | Decreasing | From Increasing | 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.

| | <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 | 43.8 | Decreasing | From No Change |
| Capital Goods | 44.4 | Decreasing | From No Change |
| Raw Materials | 62.5 | Increasing | Slower |
| Components | 60 | Increasing | Slower |
| Computers | 43.8 | Decreasing | Slower |
| Services | 54.6 | Increasing | No Change |
| <u>Lead Times</u> | | | |
| MRO Items | 50 | No Change | No Change |
| Capital Goods | 50 | No Change | From Decreasing |
| Raw Materials | 62.5 | Increasing | No Change |
| Components | 60 | Increasing | Faster |
| Computers | 50 | No Change | From Decreasing |
| Services | 50 | No Change | From No Change |
| <u>Supplier Performance</u> | | | |
| | <u>October</u> | <u>October</u> | |
| MRO Items | 43.8 | Worsening | From No Change |
| Capital Goods | 44.4 | Worsening | From No Change |
| Raw Materials | 37.5 | Worsening | From No Change |
| Components | 40 | Worsening | From No Change |
| Computers | 43.8 | Worsening | No Change |
| Services | 45 | Worsening | From Improving |