

**September 2006
Manufacturing
Business Conditions Survey**

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

The local manufacturing economy's PMI index rebounded quite nicely in September reversing the one-month negative picture. The September 2006 Denver Manufacturing PMI was 60.5. August's index was 43.3. The Production index also bounced back with an index of 66.7, which compares to August's rate of 41.7. The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI of 52.9 percent, a decrease of 1.6 percentage points when compared to August's reading of 54.5 percent. (ISM publishes the national PMI).

(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 Manufacturing Survey increased in September at a slower rate than in August. All sectors increased except the Computers sector which remained unchanged. The Lead Times Index in our Denver survey increased in September at a slower rate than in August. The MRO, Raw Materials, and Components sectors increased while the Capital Goods, Computers and Services sectors remained unchanged. The New Orders Index, the Imports Index, the Raw Materials Inventory Index and the Finished Goods Inventory Index all increased.

September's Employment Index increased reversing the dip in August. The Availability of Skilled Workers Index and the Availability of Unskilled Workers Index decreased in September at a slower rate than in August

Supplier performance in our Denver survey worsened in the MRO and Raw Materials sectors and remained unchanged in the all other sectors.

ISM's New Orders Index registered 54.2 percent in September. The index is the same as reported in August. September is the 41st consecutive month the index has exceeded 50 percent. ISM's Employment Index registered 49.4 percent in September, a decrease of 4.6 percentage points when compared to August's reading of 54 percent. This contraction follows two consecutive months of growth in employment. 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 September'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.

September 2006 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>September</u>	<u>Sept vs. August</u>	<u>Sept vs. August</u>	<u>September</u>	<u>Sept vs. August</u>	<u>Sept vs. August</u>
Purchasing Managers' Index	60.5	Increasing	From Decreasing	52.9	Increasing	Slower
Production	66.7	Increasing	From Decreasing	56.1	Increasing	Slower
New Orders	60.7	Increasing	From Decreasing	54.2	Increasing	No Change
Backlog of Orders	46.4	Decreasing	Slower	46.5	Decreasing	From Increasing
Prices	61.8	Increasing	Slower	61	Increasing	Slower
Lead Times	56.3	Increasing	Slower	54.1	Increasing	Slightly Slower
Import Orders	66.7	Increasing	From No Change	56	Increasing	Faster
Raw Material Inventory	64.3	Increasing	From Decreasing	46.4*	Decreasing	From Increasing
Finished Goods Inventory	53.6	Increasing	From Decreasing	NA	NA	NA
Employment	53.6	Increasing	From Decreasing	49.4	Decreasing	From Increasing
Availability of Skilled Labor	42.3	Decreasing	Slower	NA	NA	NA
Availability of Unskilled Labor	41.7	Decreasing	Slower	NA	NA	NA

*The national index surveys only total inventories.

Note: The index for the overall economy is a composite based on five components: delivery times, inventory levels, new orders, production and employment. It is constructed to parallel the national overall index. An index above 50 means the manufacturing economy is generally expanding.

	<u>Colo. Index</u>	<u>Direction</u>	<u>Rate of Change</u>
<u>Prices:</u>	<u>September</u>	<u>Sept vs. August</u>	<u>Sept vs. August</u>
MRO Items	67.9	Increasing	Slower
Capital Goods	63.6	Increasing	Slower
Raw Materials	66.7	Increasing	Slower
Components	60.7	Increasing	Slower
Computers	50	No Change	From Increasing
Services	61.5	Increasing	Slower

Lead Times

MRO Items	57.7	Increasing	From Decreasing
Capital Goods	50	No Change	From Increasing
Raw Materials	54.6	Increasing	Slower
Components	69.2	Increasing	Slower
Computers	50	No Change	From Increasing
Services	50	No Change	From No Change

<u>Supplier Performance</u>	<u>September</u>	<u>Sept vs. August</u>	<u>Sept vs. August</u>
MRO Items	46.4	Worsening	Slower
Capital Goods	50	No Change	From Improving
Raw Materials	46.2	Worsening	Slower
Components	50	No Change	From No Change
Computers	50	No Change	From Improving
Services	50	No Change	From Improving