



**December 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 slower in December with an index of 61.6. The November index was 72.5. The Production index for December was 67.3.

The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI of 53.9 percent, an increase of 1.2 percentage points when compared to November's reading of 52.7 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 31st consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 29th consecutive month. Holcomb stated, "The past relationship between the PMI and the overall economy indicates that the average PMI for January through December (55.3 percent) corresponds to a 4.5 percent increase in real gross domestic product (GDP). In addition, if the PMI for December (53.9 percent) is annualized, it corresponds to a 4 percent increase in real GDP annually."

The overall Price Index of the Denver Manufacturing Survey increased slower with an index of 65.7 in December. Prices increased in all sectors. The Lead Time Index increased at a slower rate with an index of 60 in December. Lead Times increased in the MRO, Capital Goods, Raw Materials and Components sectors and remained unchanged in the Computers and Services sectors.

The Raw Materials Inventory Index decreased and the Finished Goods Inventory Index remained unchanged in December.

December's Employment Index increased faster in December. The Availability of Skilled Workers Index increased slower and the Availability of Unskilled Workers Index remained unchanged in December.

Supplier performance in our Denver survey remained unchanged with an index of 50 in all sectors.

ISM's New Orders Index registered 57.6 percent in December, which is an increase of 0.9 percentage point when compared to the November reading of 56.7 percent, and represents a continuation of growth for the third consecutive month. 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 nine industries reporting growth in new orders in December — listed in order — are: Printing & Related Support Activities; Textile Mills; Apparel, Leather & Allied Products; Primary Metals; Paper Products; Machinery; Computer & Electronic Products; Food, Beverage & Tobacco Products; and Electrical Equipment, Appliances & Components. The seven industries reporting decreases in new orders in December — listed in order — are: Furniture & Related Products; Plastics & Rubber Products; Wood Products; Chemical Products; Nonmetallic Mineral Products; Fabricated Metal Products; and Transportation Equipment.

ISM's Employment Index registered 55.1 percent in December, which is 3.3 percentage points higher than the 51.8 percent reported in November. This is the 27th 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, 10 reported growth in employment in December in the following order: Printing & Related Support Activities; Petroleum & Coal Products; Textile Mills; Apparel, Leather & Allied Products; Machinery; Food, Beverage & Tobacco Products; Fabricated Metal Products; Transportation Equipment; Paper Products; and Computer & Electronic Products. The six industries reporting a decrease in employment in December — listed in order — are: Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Furniture & Related Products; Plastics & Rubber Products; Nonmetallic Mineral Products; and Primary Metals.

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 December'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.

December 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>December</u>	<u>December</u>	<u>December vs. November</u>	<u>December</u>	<u>December vs. November</u>	<u>December vs. November</u>
Purchasing Managers' Index	61.6	Increasing	Slower	53.9	Increasing	Faster
Production	60	Increasing	Slower	59.9	Increasing	Faster
New Orders	41.7	Decreasing	From Increasing	57.6	Increasing	Slightly Faster
Backlog of Orders	33.3	Decreasing	From Increasing	48	Decreasing	Slower
Imports	37.5	Decreasing	From No Change	54	Increasing	From Decreasing
Prices	65.7	Increasing	Slower	47.5	Decreasing	Slower
Lead Times	60	Increasing	Slower	49.9	Decreasing	No Change
Raw Material Inventory	40	Decreasing	From Increasing	47.1*	Decreasing	Faster
Finished Goods Inventory	50	No Change	From Decreasing	NA	NA	NA
Employment	100	Increasing	Faster	55.1	Increasing	Faster
Availability of Skilled Labor	64.3	Increasing	Slower	NA	NA	NA
Availability of Unskilled Labor	50	No Change	From No Change	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>December</u>	<u>December</u>	<u>December vs. November</u>
MRO Items	64.3	Increasing	Slower
Capital Goods	64.3	Increasing	Slower
Raw Materials	64.3	Increasing	Faster
Components	78.6	Increasing	Slower
Computers	57.1	Increasing	Slower
Services	57.1	Increasing	Slower
<u>Lead Times</u>	<u>December</u>	<u>December</u>	<u>December vs. November</u>
MRO Items	57.1	Increasing	Slower
Capital Goods	67.3	Increasing	Slower
Raw Materials	57.1	Increasing	Slower
Components	71.4	Increasing	Slower
Computers	50	No Change	From Increasing
Services	50	No Change	From Increasing
<u>Supplier Performance</u>	<u>December</u>	<u>December</u>	<u>December vs. November</u>
MRO Items	50	No Change	From No Change
Capital Goods	50	No Change	From No Change
Raw Materials	50	No Change	From No Change
Components	50	No Change	From No Change
Computers	50	No Change	From No Change
Services	50	No Change	From No Change