



December 2005
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 economy index indicates a downturn in the economic news in December. The Denver Manufacturing PMI was 46.9. November's index was 51. The Production index showed another decrease with an index of 48.3, which compares to November's rate of 47. The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI of 54.2 percent, a decrease of 3.9 percentage points when compared to November's reading of 58.1 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 continued to increase at a slower rate than in November. All sectors increased. Lead times in our Denver survey increased in December also at a slower rate than in November. The sectors of capital goods, raw materials, components and computers increased while the sectors of MRO and services remained unchanged. The New Orders index decreased and the Imports index remained unchanged in December. The raw materials inventory index increased and the finished goods inventory index showed a decrease in December.

December's Employment Index again showed a decrease which is a reversal from November's increase. The availability of skilled workers decreased at a slower rate than in November while the availability of unskilled workers index was unchanged in December.

Supplier performance in our Denver survey improved in the services sector, decreased in the raw materials sector and remained unchanged in the MRO, capital goods, components and computers sectors.

ISM's New Orders Index grew in December with a reading of 55.5 percent. The index is 4.3 percentage points lower than the 59.8 percent registered in November, and December is the 32nd consecutive month the index has exceeded 50 percent. ISM's Employment Index expanded for the sixth consecutive month in December. The index registered 52.7 percent in December compared to 56.6 percent in November, a decrease of 3.9 percentage points. 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 2005 Colorado Front Range Manufacturing Survey

	<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>Series</u>	<u>December</u>	<u>December vs. November</u>	<u>December vs. November</u>	<u>December</u>	<u>December vs. November</u>	<u>December vs. November</u>
Purchasing Managers' Index	46.9	Decreasing	From Increasing	54.2	Increasing	Slower
Production	48.3	Decreasing	Slower	57	Increasing	Slower
New Orders	44.8	Decreasing	Slightly Faster	55.5	Increasing	Slower
Backlog of Orders	40	Decreasing	Slower	49.5	Decreasing	From Increasing
Prices	70.8	Increasing	Slower	63	Increasing	Slower
Lead Times	59.2	Increasing	Slower	53.5	Increasing	Slower
Import Orders	50	No Change	From Increasing	52.8	Increasing	Slower
Raw Material Inventory	51.7	Increasing	Slightly Faster	47.2*	Decreasing	Faster
Finished Goods Inventory	48.3	Decreasing	From No Change	NA	NA	NA
Employment	36.7	Decreasing	From Increasing	52.7	Increasing	Slower
Availability of Skilled Labor	48.2	Decreasing	Slower	NA	NA	NA
Availability of Unskilled Labor	50	No Change	From No Change	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.

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	<u>Colo. Index</u>	<u>Direction</u>	<u>Rate of Change</u>
<u>Prices:</u>			
	<u>December</u>	<u>December vs. November</u>	<u>December vs. November</u>
MRO Items	69	Increasing	Slower
Capital Goods	70	Increasing	Slower
Raw Materials	82.8	Increasing	Slower
Components	72.2	Increasing	Slower
Computers	60.4	Increasing	Faster
Services	58.6	Increasing	Slower
<u>Lead Times</u>			
MRO Items	50	No Change	From Increasing
Capital Goods	56.9	Increasing	Slower
Raw Materials	59.6	Increasing	Slower
Components	69	Increasing	Slower
Computers	60.4	Increasing	Slower
Services	50	No Change	From Increasing
<u>Supplier Performance</u>			
	<u>December</u>	<u>December vs. November</u>	<u>December vs. November</u>
MRO Items	50	No Change	From No Change
Capital Goods	50	No Change	From Improving
Raw Materials	48.3	Worsening	Slightly Faster
Components	50	No Change	From Improving
Computers	50	No Change	From Improving
Services	56	Improving	Slower