

December 2005
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 area Non-Manufacturing survey turned itself around rebounding from a decline in November. The survey indicates a PMI of 55.2 compared to an index of 47.3 in November. The production index also reversed from the decline in November. The rate in December was 53.9. The Production index in November was 38.5. This month's index compares to the Institute for Supply Management's (ISM) Business Activity/Production Index for December which eased somewhat to 58.5 percent from November's 60 percent, indicating a slower rate of growth of activity in December. (ISM publishes the national non-manufacturing survey).

(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).

Prices increased at a slower rate for non-manufacturing for the Denver Business. The index for December is 57.7 compared to 69.4 in November. Prices in all sectors stayed on the positive side. Lead times in our Denver survey also increased at a slower rate in December. The index for lead times overall was 52.5 compared to 56.5 in November.

The new orders index remained unchanged from November. The raw materials index remained unchanged from November and the finished goods inventories index declined at a slower rate in December compared to November.

The Non-Manufacturing index for employment also reversed itself from November. The index in December is 69.2. The availability of skilled labor index and the availability of unskilled labor remained unchanged in December.

Supplier performance in our Denver survey for non-manufacturing showed improvement in the computers and services sectors, while it worsened in the raw materials and components sectors and remained unchanged in the MRO and capital goods sectors. .

ISM's Non-Manufacturing New Orders Index increased to 59.5 percent in December from 58.2 percent in November. This indicates continued expansion of new orders at a faster rate of growth than in November. ISM's report showed employment activity in the non-manufacturing sector increased at a faster rate in

December compared to November. This was the 26th consecutive monthly increase in non-manufacturing employment.

For the complete ISM report, go to www.ism.ws

For further information on the Denver non-manufacturing survey, or to participate in it, call Dr. MP 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 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>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	55.2	Increasing	From Decreasing	NA*	NA	NA
Production	53.9	Increasing	From Decreasing	58.5	Increasing	Slower
New Orders	50	No Change	From No Change	59.5	Increasing	Faster
Backlog of Orders	50	No Change	From Decreasing	54	Increasing	Slower
Prices	57.7	Increasing	Slower	74.2	Increasing	Slower
Lead Times	52.5	Increasing	Slower	60.5	Increasing	Faster
Raw Material Inventory	50	No Change	From No Change	54*	Increasing	From No Change
Finished Goods Inventory	45	Decreasing	Slower	NA	NA	NA
Employment	69.2	Increasing	From Decreasing	57	Increasing	Faster
Availability of Skilled Labor	50	No Change	From No Change	NA	NA	NA
Availability of Unskilled Labor	50	No Change	From Increasing	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.

	<u>Colo. Index</u>	<u>Direction</u>	<u>Rate of Change</u>
<u>Prices:</u>	<u>December</u>	<u>December</u> <u>vs.</u> <u>November</u>	<u>December vs. November</u>
MRO Items	65.4	Increasing	Faster
Capital Goods	62.5	Increasing	Slower
Raw Materials	55.6	Increasing	Slower
Components	55	Increasing	Slower
Computers	50	No Change	From Increasing
Services	58.3	Increasing	Slower

Lead Times

MRO Items	45.8	Decreasing	From Increasing
Capital Goods	50	No Change	From Increasing
Raw Materials	54.2	Increasing	Slower
Components	62.5	Increasing	Faster
Computers	50	No Change	From No Change
Services	50	No Change	From Increasing

<u>Supplier Performance</u>	<u>December</u>	<u>December</u> <u>vs.</u> <u>November</u>	<u>December vs. November</u>
MRO Items	50	No Change	From No Change
Capital Goods	50	No Change	From Worsening
Raw Materials	43.8	Worsening	From No Change
Components	45	Worsening	From No Change
Computers	58.3	Improving	Improving Same
Services	54.2	Improving	Slower