

**October 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 stayed on the positive (increasing) side in October although not increasing as fast as in September. The October 2006 Denver Manufacturing PMI was 54.6. September's index was 60.5. The Production index also was positive with an index of 57.9, which compares to September's rate of 66.7. The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI of 51.2 percent, a decrease of 1.7 percentage points when compared to September's reading of 52.9 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 October at a faster rate than in September. All sectors increased except the Computers sector decreased. The Lead Times Index in our Denver survey increased in October at a slightly slower rate than in September. The MRO, Raw Materials, Components and Computers sectors increased while the Capital Goods sector was unchanged and the Services sector decreased. The New Orders Index decreased. The Imports Index was unchanged. The Raw Materials Inventory Index and the Finished Goods Inventory Index increased.

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

Supplier performance in our Denver survey improved Components, Computers and Services sectors, worsened in the Raw Materials sector and was unchanged in the MRO and Capital Goods sectors.

ISM's New Orders Index registered 52.1 percent in October. The index is 2.1 percentage points lower than the 54.2 percent reported in September. ISM's Employment Index registered 50.8 percent in October, an increase of 1.4 percentage points when compared to September's reading of 49.4 percent. 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 2006 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>October</u>	<u>October vs. Sept</u>	<u>October vs. Sept</u>	<u>October</u>	<u>October vs. Sept</u>	<u>October vs. Sept</u>
Purchasing Managers' Index	54.6	Increasing	Slower	51.2	Increasing	Slower
Production	57.9	Increasing	Slower	51.9	Increasing	Slower
New Orders	47.2	Decreasing	From Increasing	52.1	Increasing	Slower
Backlog of Orders	46.9	Decreasing	Slightly Slower	44.5	Decreasing	Faster
Prices	66	Increasing	Faster	47	Decreasing	From Increasing
Lead Times	55.7	Increasing	Slightly Slower	50.2	Increasing	Slower
Import Orders	50	No Change	From Increasing	57	Increasing	Faster
Raw Material Inventory	52.8	Increasing	Slower	49.4*	Decreasing	Slower
Finished Goods Inventory	55.6	Increasing	Faster	NA	NA	NA
Employment	61.8	Increasing	Faster	50.8	Increasing	From Decreasing
Availability of Skilled Labor	46.9	Decreasing	Slower	NA	NA	NA
Availability of Unskilled Labor	46.9	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>October</u>	<u>October vs. Sept</u>	<u>October vs. Sept</u>
MRO Items	61.1	Increasing	Slower
Capital Goods	66.7	Increasing	Faster
Raw Materials	80.6	Increasing	Faster
Components	75	Increasing	Faster
Computers	46.7	Decreasing	From No Change
Services	66.7	Increasing	Faster

Lead Times

MRO Items	52.8	Increasing	Slower
Capital Goods	50	No Change	From No Change
Raw Materials	56.3	Increasing	Faster
Components	60.5	Increasing	Slower
Computers	58.8	Increasing	From No Change
Services	46.7	Decreasing	From No Change

<u>Supplier Performance</u>	<u>October</u>	<u>October vs. Sept</u>	<u>October vs. Sept</u>
MRO Items	50	No Change	From Worsening
Capital Goods	50	No Change	From No Change
Raw Materials	47.1	Worsening	Slightly Slower
Components	52.9	Improving	From No Change
Computers	56.7	Improving	From No Change
Services	50	Improving	From No Change