

August 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 declined in August reversing the positive trend. The August 2006 Denver Manufacturing PMI was 43.3. July's index was 56.6. August's below 50 rating is the first monthly one since December 2005. The Production index also declined with an index of 41.7, which compares to July's rate of 61.7. The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI of 54.5 percent, a decrease of 0.2 percentage point when compared to July's reading of 54.7 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 August at a faster rate than in July. All sectors increased. The Lead Times Index in our Denver survey increased in August at a slightly faster rate than in July. All sectors increased except for the MRO sector whose index decreased and the Services sector which remained unchanged. The New Orders Index decreased while the Imports Index remained unchanged. The Raw Materials Inventory Index and the Finished Goods Inventory Index decreased.

August's Employment Index decreased, which was the first time since March. The Availability of Skilled Workers Index and the Availability of Unskilled Workers Index decreased in August.

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

ISM's New Orders Index registered 54.2 percent in August. The index is 1.9 percentage points lower than the 56.1 percent registered in July. ISM's Employment Index registered 54 percent in August, an increase of 3.3 percentage points when compared to July's reading of 50.7 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 August'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.

August 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>August</u>	<u>August vs. July</u>	<u>August vs. July</u>	<u>August</u>	<u>August vs. July</u>	<u>August vs. July</u>
Purchasing Managers' Index	43.3	Decreasing	From Increasing	54.5	Increasing	Slightly Slower
Production	41.7	Decreasing	From Increasing	56.6	Increasing	Slower
New Orders	38.2	Decreasing	From Increasing	54.2	Increasing	Slower
Backlog of Orders	32.4	Decreasing	From Increasing	51.5	Increasing	Faster
Prices	72.9	Increasing	Faster	73	Increasing	Slower
Lead Times	60.2	Increasing	Slightly Faster	55	Increasing	Slightly Slower
Import Orders	50	No Change	From Decreasing	54	Increasing	Slower
Raw Material Inventory	35.3	Decreasing	From No Change	50.2*	Increasing	Slightly Slower
Finished Goods Inventory	41.2	Decreasing	Slightly Faster	NA	NA	NA
Employment	44.1	Decreasing	From Increasing	54	Increasing	Faster
Availability of Skilled Labor	40.6	Decreasing	Faster	NA	NA	NA
Availability of Unskilled Labor	40.6	Decreasing	Faster	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>August</u>	<u>August vs. July</u>	<u>August vs. July</u>
MRO Items	82.4	Increasing	Faster
Capital Goods	75	Increasing	Faster
Raw Materials	83.3	Increasing	Faster
Components	70.6	Increasing	Faster
Computers	53.3	Increasing	Slightly Slower
Services	70.6	Increasing	Faster
<u>Lead Times</u>			
MRO Items	46.9	Decreasing	From Increasing
Capital Goods	59.4	Increasing	Faster
Raw Materials	64.3	Increasing	Faster
Components	70.6	Increasing	Faster
Computers	60	Increasing	Slightly Slower
Services	50	No Change	From Decreasing
<u>Supplier Performance</u>	<u>August</u>	<u>August vs. July</u>	<u>August vs. July</u>
MRO Items	43.8	Worsening	From No Change
Capital Goods	53.3	Improving	From Worsening
Raw Materials	40.6	Worsening	Faster
Components	50	No Change	From Improving
Computers	56.7	Improving	Faster
Services	56.7	Improving	Slightly Faster