



August 2006
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 decreased in August. That reverses the increase in July. The survey indicates a PMI of 43.7 compared to an index of 57 in July. The Production Index also was on the downside with an index of 40. The Production index in July was 68.8. This month's index compares to the Institute for Supply Management's (ISM) Business Activity/Production Index for August of 57 percent compared to the 54.8 percent registered in July, indicating a faster rate of growth in business activity in August. (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 overall for non-manufacturing for the Denver Business Survey in August. The index for August is 53.5 compared to 49.5 in July. Prices increased in the MRO, Capital Goods, Raw Materials, Components, and Services sectors and decreased in the Computers sector. Lead times for services in our Denver survey remained unchanged in August. The July index was 45.6.

The New Orders Index decreased in August with an index of 34.6. July's index was 53.6. The Raw Materials Index and the Finished Goods Index both increased in August.

The Employment Index remained unchanged in August. July's index was 61.1. The Availability of Skilled Labor Index decreased in August. The Availability of Unskilled Labor Index remained unchanged in August.

Supplier performance in our Denver survey for non-manufacturing worsened in the MRO, Capital Goods, Raw Materials and Components sectors and improved in the Computers and Services sectors.

The ISM August New Orders Index decreased to 52.1 percent in August from the 55.6 percent registered in July. This indicates continued expansion of new orders, but at a slower rate of growth than in July. ISM's Non-Manufacturing Employment Index for August is 51.4 percent, a decrease of 3.1 percentage points from the 54.5 percent reported in July. 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.

August 2006 Colorado Front Range Non-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	43.7	Decreasing	From Increasing	NA*	NA	NA
Production	40	Decreasing	From Increasing	57	Increasing	Faster
New Orders	34.6	Decreasing	From Increasing	52.1	Increasing	Slower
Backlog of Orders	30.8	Decreasing	From Increasing	49.5	Decreasing	From Increasing
Prices	53.5	Increasing	From Decreasing	72.4	Increasing	Slower
Lead Times	50	No Change	From Decreasing	53.5	Increasing	Slower
Raw Material Inventory	58.3	Increasing	From Decreasing	51.5*	Increasing	Slower
Finished Goods Inventory	58.3	Increasing	Slower	NA	NA	NA
Employment	50	No Change	From Increasing	51.4	Increasing	Slower
Availability of Skilled Labor	43.3	Decreasing	From Increasing	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>August</u>	<u>August vs. July</u>	<u>August vs. July</u>
MRO Items	57.1	Increasing	From Decreasing
Capital Goods	57.1	Increasing	Slower
Raw Materials	55.6	Increasing	From Decreasing
Components	55	Increasing	From Decreasing
Computers	42.9	Decreasing	Faster
Services	53.6	Increasing	From Decreasing

Lead Times

MRO Items	53.6	Increasing	From No Change
Capital Goods	46.4	Decreasing	Slightly Faster
Raw Materials	50	No Change	From Decreasing
Components	50	No Change	From No Change
Computers	50	No Change	From Decreasing
Services	53.5	Increasing	Slower

<u>Supplier Performance</u>	<u>August</u>	<u>August vs. July</u>	<u>August vs. July</u>
MRO Items	42.9	Worsening	From Improving
Capital Goods	46.4	Worsening	From Improving
Raw Materials	43.8	Worsening	From Improving
Components	45	Worsening	Faster
Computers	57.1	Improving	From Worsening
Services	60.7	Improving	From Worsening