

May 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 increased in May. That compares to decreases in the two previous months. (Editor's Note: Because of technical difficulties, there was no local Denver Non-Manufacturing April 2006 report.) The survey indicates a PMI of 53.2 compared to an index of 49.4 in April. The Production Index also was positive with an index of 52.9. The Production index in April was 50. This month's index compares to the Institute for Supply Management's (ISM) Business Activity/Production Index for May of 60.1 percent compared to the 63 percent registered in April, indicating a slower rate of growth of activity in May. (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 May at a slower rate than in April. The index for May is 60.3 compared to 64.3 in April. Prices in all non-manufacturing sectors except computers increased. Lead times for services in our Denver survey increased in May at a slower rate than in April. The index for lead times overall was 53.9 compared to 64.3 in April.

The New Orders Index increased in May reversing April's decrease. The Raw Materials Index was unchanged and the Finished Goods Index increased in May.

The Employment Index increased in May. The Availability of Skilled Labor Index increased and the Availability of Unskilled Labor Index declined in May.

Supplier performance in our Denver survey for non-manufacturing improved in all sectors except the raw materials sector.

The ISM May New Orders Index decreased to 59.6 percent in May from the 64.6 percent registered in April. This indicates continued expansion of new orders, but at a slower rate of growth than in April. 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.

May 2006 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>May</u>	<u>May vs. April</u>	<u>May vs. April</u>	<u>May</u>	<u>Jan. vs. Dec.</u>	<u>Jan. vs. Dec.</u>
Purchasing Managers' Index	53.2	Increasing	From Decreasing	NA*	NA	NA
Production	52.9	Increasing	From No Change	60.1	Increasing	Slower
New Orders	52.8	Increasing	From Decreasing	59.6	Increasing	Slower
Backlog of Orders	44.1	Decreasing	Slower	52	Increasing	Slower
Prices	60.3	Increasing	Slower	77.5	Increasing	Faster
Lead Times	53.9	Increasing	Slower	56.5	Increasing	Faster
Raw Material Inventory	50	No Change	From Increasing	59*	Increasing	No Change
Finished Goods Inventory	56.7	Increasing	Slower	NA	NA	NA
Employment	55.3	Increasing	From No Change	58	Increasing	Faster
Availability of Skilled Labor	57.9	Increasing	From No Change	NA	NA	NA
Availability of Unskilled Labor	44.4	Decreasing	Slower	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>May</u>	<u>May vs. April</u>	<u>May vs. April</u>
MRO Items	63.9	Increasing	Slightly Slower
Capital Goods	61.1	Increasing	Slower
Raw Materials	66.7	Increasing	Slower
Components	60	Increasing	Slower
Computers	50	No Change	From Increasing
Services	61.1	Increasing	Slower

Lead Times

MRO Items	52.9	Increasing	Slower
Capital Goods	52.8	Increasing	Slower
Raw Materials	55.9	Increasing	Slower
Components	57.7	Increasing	Slower
Computers	50	No Change	From No Change
Services	52.9	Increasing	From No Change

Supplier Performance

	<u>May</u>	<u>May vs. April</u>	<u>May vs. April</u>
MRO Items	52.9	Improving	Slightly Slower
Capital Goods	52.9	Improving	Slightly Slower
Raw Materials	50	No Change	From No Change
Components	53.3	Improving	Slower
Computers	55.9	Improving	Faster
Services	61.8	Improving	Slightly Faster