



May 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 economy is staying strong. The local Denver manufacturing economy index continued its positive trend in May, although the index was not as strong as in April. The May 2006 Denver Manufacturing PMI was 60.2. April's index was 64.8. The Production index increased at a slower rate with an index of 67.1, which compares to April's rate of 75. The Denver Manufacturing PMI compares to the Institute for Supply Management's (ISM) PMI of 54.4 percent, a decrease of 2.9 percentage points when compared to April's reading of 57.3 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 May at a faster rate than in April. All sectors increased. The Lead Times Index in our Denver survey increased in May at a slower rate than in April. All sectors increased except for the MRO sector which decreased. The New Orders Index increased at a slower rate and the Imports Index decreased. The Raw Materials Inventory Index decreased and the Finished Goods Inventory Index was unchanged from April.

May's Employment Index increased in May. Both the Availability of Skilled Workers and the Availability of Unskilled Workers indices showed decreasing rates in May.

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

ISM's New Orders Index registered 53.7 percent in May. The index is 3.9 percentage points lower than the 57.6 percent registered in April. ISM's Employment Index expanded for the 12th consecutive month in May. The index registered 52.9 percent in May compared to 55.8 percent in April, a decrease of 2.9 percentage points.. 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 May'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.

May 2006 Colorado Front Range 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>May vs. April</u>	<u>May vs. April</u>
Purchasing Managers' Index	60.2	Increasing	Slower	54.4	Increasing	Slower
Production	67.1	Increasing	Slower	57.2	Increasing	Slower
New Orders	66.2	Increasing	Slower	53.7	Increasing	Slower
Backlog of Orders	55.6	Increasing	No Change	53	Increasing	Slower
Prices	63.5	Increasing	Faster	77	Increasing	Faster
Lead Times	56.7	Increasing	Slower	57.6	Increasing	Slightly Slower
Import Orders	47.1	Decreasing	From No Change	59	Increasing	Faster
Raw Material Inventory	41.7	Decreasing	From Increasing	48*	Decreasing	From Increasing
Finished Goods Inventory	50	No Change	From Increasing	NA	NA	NA
Employment	54.1	Increasing	Faster	52.9	Increasing	Faster
Availability of Skilled Labor	45.7	Decreasing	Slower	NA	NA	NA
Availability of Unskilled Labor	39.4	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>May</u>	<u>May vs. April</u>	<u>May vs. April</u>
MRO Items	66.2	Increasing	Slightly Slower
Capital Goods	59.3	Increasing	Slightly Slower
Raw Materials	73	Increasing	Faster
Components	67.1	Increasing	Slower
Computers	51.6	Increasing	Slightly Slower
Services	63.5	Increasing	Slower
<u>Lead Times</u>			
MRO Items	43.1	Decreasing	From No Change
Capital Goods	54.1	Increasing	Slightly Slower
Raw Materials	53.2	Increasing	Slower
Components	73	Increasing	Slightly Slower
Computers	61.5	Increasing	Faster
Services	51.6	Increasing	From No Change
<u>Supplier Performance</u>	<u>May</u>	<u>May vs. April</u>	<u>May vs. April</u>
MRO Items	50	No Change	From Improving
Capital Goods	50	No Change	From No Change
Raw Materials	40.3	Worsening	Faster
Components	43.6	Worsening	Faster
Computers	48.4	Worsening	From Improving
Services	50	No Change	From Improving