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Energy prices concern manufacturers

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Manufacturers across the state and nationwide are facing pressures from rising energy costs, but many are still optimistic about economic conditions.

About two-thirds of U.S. industrial manufacturers are absorbing higher energy costs, rather than passing them through to customers, according to a quarterly survey of large manufacturers by PricewaterhouseCoopers. The survey was released in late April.

Survey respondents predicted energy costs would rise still higher in the next 12 months, and many company executives said that would be a barrier to growth.

In Colorado, the number of Coloradans employed in manufacturing was flat for February and March, holding steady at 149,000 after a 3,000 drop from the 149,300 figure posted in January, according to the U.S. Department of Labor, Bureau of Labor Statistics.

But business conditions were positive in April, according to two economic surveys.

The April survey of manufacturers in Denver posted an index of 64.8, up from an index of 56.8 reported in March, according to a survey of local purchasing managers jointly conducted by the Denver chapter of the National Association of Purchasing Managers (NAPM) and the College of Business at the University of Colorado at Denver.

A score below 50 indicates the majority of respondents reported a decline in conditions compared to the previous months. The further below 50, the greater the number of respondents reporting a decline. An index over 50 indicates growth, increase or improvement -- with a higher number indicating more respondents reported positive conditions, according to NAPM.

A second, wider survey of general business conditions in Colorado, conducted by Creighton University Economics Professor Ernie Goss, posted an index of 68 points. While down from the 80.6 supply managers and business posted in March, the April index is still quite positive.

"Colorado added 14,000 jobs in the first quarter for an annualized rate of 2.5 percent," Goss said. "Based on our survey, I expect the state to gain over 12,000 jobs in the second quarter before higher interest rates and mounting energy prices begin to slow growth."

Coping with rising energy costs is a constant worry for manufacturers.

At Sinton Dairy Foods Co. LLC in Colorado Springs, the company has felt rising energy costs in a variety of ways -- from the cost of petroleum-based resin to make the gallon-size plastic jugs for milk to the \$3-per-gallon diesel prices that affect the cost of operating truck routes along the Front Range and Eastern Plains.

"When petroleum goes up our resin costs go up. Fuel goes up. Plastic wrap to wrap the crates goes up," said Karl Konrad, business development manager for Sinton.

The private dairy company's utility bills run about \$100,000 a month, said Bill Keating, operations manager.

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