

Institute for Supply Management - Houston, Inc.
PO Box 771203 - Houston, Texas 77215-1203

ISM - HOUSTON BUSINESS REPORT

July 10, 2011

by Mike Valant, C.P.M., A.P.P.

281 240-4972

Miekv1@windstream.net

Copyright 2011 by NAPM - Houston, Inc. All Rights Reserved

HOUSTON ACTIVITY STEADY!

Employment, Sales were the Leading Indicators

The Institute for Supply Management — Houston reported this month that the Houston Purchasing Managers Index PMI was **61.4** for June, 2011. Economic activity in the Houston area has been positive for the last twenty consecutive months and was exactly the same PMI from last month. This is the second time the PMI has been over 60 since June, 2008

The PMI, which indicates likely shifts in Production volume three or four months in advance, now shows a signal that production is still on the mend. The PMI has a possible range of 0 to 100. Reading's over 50 indicate production gains over the near term; readings below 50, show coming contraction.

The Houston PMI is based on diffusion indexes for eight indicators. (A diffusion index is simply the percentage of respondents reporting increases from the previous month less the percentage reporting declines.) The Houston PMI which is based on eight components had only two categories reporting improvement and one the same from May to June.

Employment and Sales were the outstanding indicators for June. Employment increased 8 PMI points to 28 for June. Sales rose from 30 to 35 PMI points. This is the highest level for both categories in 2011 and certainly better than all of 2010. Interesting this month is that these were the ONLY categories increasing for the period.

Prices Paid (Major Purchases) remained the same, while Production fell 3 PMI points to 15. That is the lowest level for 2011 from the peak of 37 in January. Lead Times were at 23 down from 25 in May and 33 in June. Neither of these are good signs for future production increases.

Only 50% of our participants responded that prices increased from last month and 5% had prices down. This is the lower then last month, but still higher then all of 2010.

The latest Employment numbers indicate that our respondent's employment Increased 5%, with only 3% reducing staff in June. This total number indicates employment is improving and is at the highest level for 2010 -11. **98%** of the respondents had the Same or Increased Employment levels. This remains to be good news for those looking for jobs at this time.

The Houston PMI has averaged **57.3** over the last twelve months. There has been an improvement in the PMI number of **36.4%** since March, 2009 the low point for recent times.

The Institute for Supply Management - Houston has published the Houston Purchasing Managers Index monthly since January, 1995 as a service to its members and the wider Houston business community.

Commodities in Short Supply:

Pharmaceuticals, Not experiencing any difficulties, yet, Closures.

Commodities UP in Price:

Pharmaceuticals, Pest control services, Steel fabrications, electrical components.

Commodities DOWN in Price:

Computers & Components, gasoline.

WHAT OUR RESPONDENTS ARE SAYING ...

Healthcare

Check the Medical Industry if you are looking for a job.

Electronics

We are still spending a huge amount of time trying to stay ahead of potential electronic supply issues due to the Japan quake and now the latest reports of more seismic activity may worsen the situation.

Oil & Gas {Mfg, Services, Contract Services}

Increasing staff has been a great help.

Very slow month.

Manufacturing

Slowed down in Sales this month.

June wasn't a particularly good month for bookings and shipments, but July has started off with a bang. All of a sudden we don't have enough technical people to handle the workload in a timely manner. Vendors are getting booked up and that makes quick deliveries difficult. With the current political uncertainty, businesses are still reluctant to commit to capital spending and hiring to increase capacity. These are challenging times.

Sorry Responses were very light this month. I am told due to vacation reduced staff and increased work loads.

PMI Index Summary Table

June, 2011

	UP	SAME	DOWN	N/A
Sales	45%	35%	10%	10%
Production	25%	53%	10%	13%
Employment	30%	68%	3%	0%
Purchases	35%	55%	10%	0%
Prices Paid (Major Purchases)	50%	45%	5%	0%
Lead Times (from Sellers)	30%	63%	8%	0%
Purchased Inventory	15%	55%	10%	20%
Finished Goods Inventory	13%	40%	28%	20%

Index 2010 - 2011 (9 months)

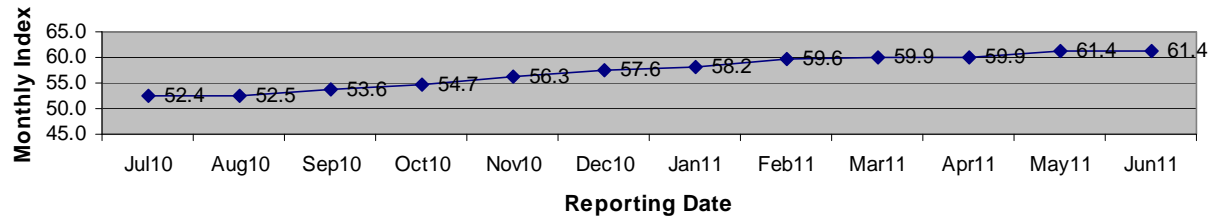
OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
21	28	27	32	33	23	20	30	35
21	30	27	37	30	20	20	18	15
-2	5	10	5	15	20	20	20	28
21	30	22	24	25	20	20	30	25
7	9	12	39	38	53	58	45	45
12	5	15	17	23	25	33	25	23
-5	5	2	20	15	5	-3	3	5
5	7	-5	5	-3	-10	-3	-20	-15

Note: Each monthly index was calculated by subtracting the "DOWN" percentage from the "UP" percentage. The indices are not seasonally adjusted.

	Jul10	Aug10	Sep10	Oct10	Nov10	Dec10	Jan11	Feb11	Mar11	Apr11	May11	Jun11
Composite PMI	52.4	52.5	53.6	54.7	56.3	57.6	58.2	59.6	59.9	59.9	61.4	61.4

A reading above 50 indicates that the Houston economy is generally expanding; a reading below 50 indicates that it is generally contracting.

Purchasing Manager's Index



The ISM-Houston Business Report began publication in January, 1995

Subscriptions to the report are available through ISM-Houston, Inc.

Institute for Supply Management-Houston is an affiliate of the Institute for Supply Management

Copyright 2011 by ISM-Houston, Inc. All Rights Reserved