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## ISM - HOUSTON BUSINESS REPORT

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# Press Release

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

## 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 continuing to move forward. The PMI has a possible range of 0 to 100. Readings 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 than last month, but still higher than 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.

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