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ISM - HOUSTON BUSINESS REPORT

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Press Release

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HOUSTON ECONOMY MOVES UP!

Purchased Inventories was the Leading Indicator

The Institute for Supply Management (ISM) — Houston reported this month that the Houston Purchasing Managers Index PMI was **61.3** for October, 2011. Economic activity in the Houston area has been positive for the last twenty-four consecutive months and experienced a slight 0.5 increase from last month. The PMI continues above 60 for the fifth month in 2011.

The PMI, which indicates likely shifts in Production volume three or four months in advance and is showing that production is still advancing. 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 with five of the eight categories reported an improvement from September to October.

The Purchased Inventory (a reverse indicator) was the leading category for October. Purchased Inventory fell from +8 to -10 PMI points. This reading is the highest level for Purchased Inventory for 2011. Sales, Production, Lead times and Finished Goods Inventory all rose 3 PMI points for the month.

Employment sank 10 more points to 10 PMI, after a 2011 high of 33 in August. Sales moved back up to 33 while Production was 28, the second highest reading for 2011. Lead times at 13 are rising apparently due in some part to the Japan earthquake and more recent flooding in Thailand. Although not large increases from last month these readings are still good indications for future positive economic activity in the Houston area.

33% of our participants responded that prices increased from last month and only 10% had prices decline. This is the lowest point for 2011, but still higher than all of 2010. Inflation is definitely evident in the responses, but slowing.

The latest Employment numbers indicate that only 25% of our respondent's had increased employment, with 15% reducing staff in October. This total number indicates employment is leveling. **85%** of the respondents had Increased or the Same Employment levels. This remains to be good news for those looking for employment in Houston.

The Houston PMI has averaged **59.7** 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 greater Houston business community.

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