

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

ISM - HOUSTON BUSINESS REPORT

For further information, contact:

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

Miekv1@windstream.net

281 240-4972

Press Release

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

HOUSTON ECONOMY COOLS DOWN!

Purchases and Prices were the Leading Indicators

The Institute for Supply Management (ISM) -- Houston reported this month that the Houston Purchasing Managers Index PMI was **57.8** for December, 2011. This is a 3.8 point pull back from November operations. Economic activity in the Houston area has been positive for the last twenty-six consecutive months, but experienced a decrease from last month. The PMI fell below 60 to start 2012.

The PMI, which indicates likely shifts in Production volume three or four months in advance and is showing that production is still slowly 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 the 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. Six of the eight categories fell from November to December, while one was the same and only one rose.

Employment stayed positive again increasing 5 points to 23 PMI. The leading decliners for December were Purchases at 10 fell 23 points and Prices Paid at 7 declining by 21. Production changed from 35 to 23 PMI points and Sales went from 33 to 27. All of the latest readings are some of the lowest for 2011.

Both of the reverse indicators also contributed to the over all fall in the total PMI for December. Finished Goods Inventory declined 10.5 points to -7 and Purchased Inventory fell 3 points to 0 PMI. The Prices Paid extreme change appears to be related to the recent Euro defaults / bailouts in Europe and the hint of inflation.

There was a 22% reduction of our participants responded that prices increased from last month and only 7% had prices decline. This is the lowest point for 2011. Inflation has apparently slowed is evident in this months responses.

The latest Employment numbers indicate that 27% of our respondent's had increased employment, with only 3% reducing staff in October. This total number indicates employment is leveling. **97%** 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 increased to an average of **60.1** over the last twelve months. There has been an improvement in the PMI number of **32.5%** 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.

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

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

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