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## ISM - HOUSTON BUSINESS REPORT

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**Press Release**  
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**by Ross Harvison**

### **Five Years of Expansion and Going Strong** **Seven of the Eight Survey Areas Point to Continued Growth**

The Houston area economy continued its expansion in August reaching its 60<sup>th</sup> month of continuous growth according to area supply professionals surveyed by the Houston affiliate of the Institute for Supply Management (ISM) for its latest ISM-Houston Business Report. Seven of the eight underlying indicators are now pointing to expansion near term. The remaining indicator shows a potential for moderate contraction.

The Houston Purchasing Managers Index (H-PMI) fell modestly to **55.6%** in August 2014. Sales/New Orders, Production, Employment, Purchases, Prices and Lead Times continued their long period pointing to near term expansion and Purchased Inventory changed track from contraction to expansion. Only the Finished Goods Inventory index is pointing to possible contraction near term.

The Employment index was up modestly from 5 to 10, as was the Prices index, which moved from 26 to 33. The Lead Times index moved up from 5 to 29. New Orders fell 18 points to 19, Production was down 2 to 14, and Purchases was down 11 points to 10. The Purchased Inventory index, which is a reverse indicator of economic activity, fell 10 to minus 5, returning it to showing expansion after five months indicating potential contraction. The Finished Goods Inventory Index rose 9 points to 14. Note that, as explained below, these underlying indicators are on a different scale than the H-PMI.

The Houston PMI indicates likely shifts in Production three or four months in advance. This indicator has a possible range of 0 to 100%. Readings over 50 generally indicate production expansion over the near term, while readings below 50 show coming contraction. This index is based on diffusion indices for eight underlying indicators: New Orders, Production, Employment, Purchases, Prices, Lead Times, Purchase Inventory and Finished Goods Inventory. The value of these indicators is simply the percentage of respondents who cite a positive shift from the previous month minus the percentage who cite a negative shift. Values above zero for the first six indicators point towards expansion and values below zero signal contraction. The two Inventory indicators are inversely correlated to economic activity, meaning that lower inventories point to expansion and higher inventories point to contraction.

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 in January 1995  
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