

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

## ISM - HOUSTON BUSINESS REPORT

For further information, contact Ross Harvison at [ross.harvison@intuitivum.com](mailto:ross.harvison@intuitivum.com) or 713-702-1088

---

### Press Release

January 12, 2015

by Ross Harvison

## Growth Continues at a Slower Pace

### Employment Remains Strong

The Houston affiliate of the Institute for Supply Management's survey of area supply chain professionals indicates that our economy's growth continued to slow in December. Only three of eight underlying indicators are now predicting expansion near term; the other five are pointing to potential moderate contraction.

The Houston Purchasing Managers Index (H-PMI) fell to **51.5%** in December 2014. The Employment Index continued at a strong level, which kept the Houston PMI above 50%. The Lead Times Index continued to point to expansion, albeit at a marginally slower pace, and the Purchased Inventory Index moved back to indicating near term expansion. The Production, Purchases and Prices Indices all moved from showing growth to indicating potential moderate slowing, and the Sales/New Orders and Finished Goods Inventory Indices continued to show potential contraction near term.

The Employment index fell from 37 to 29 this month. Sales/New Orders rebounded modestly from minus 7 to minus 3. Production fell, moving down from 13 to minus 4, as did Purchases, dropping from 10 to minus 3. Prices also fell, moving significantly down from 27 to minus 1, and Lead Times was down from 13 to 11. Purchased Goods Inventories fell from neutral (0) to minus 11 and Finished Goods Inventories fell from 17 to 14. Note that these underlying indicators are on a different scale than the H-PMI. Readings above zero for all but the Inventory Indicators generally forecast expansion. 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  
Subscriptions are available through ISM-Houston, Inc. and can be obtained by request at [ismhoustonbusinessreport@intuitivum.com](mailto:ismhoustonbusinessreport@intuitivum.com)  
The Institute for Supply Management-Houston is an affiliate of the Institute for Supply Management  
Copyright 2015 by ISM-Houston, Inc. All Rights Reserved