

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 or 713-702-1088

Press Release

April 10, 2015

by Ross Harvison

Oil Sector Continues to Weaken; Others Show Strength

Utilities, Health Care and Some Non-Durable Goods Continue to Expand

The Houston affiliate of the Institute for Supply Management's survey of area supply chain professionals indicates that our economy showed an increasing potential for contraction near term. As with last month, six of the eight underlying indicators are predicting potential contraction, while the remaining two are showing support for economic expansion.

The Houston Purchasing Managers Index (H-PMI) fell from 49.3% to **44.5%** in March. The seasonally adjusted Finished Goods Inventory and Prices Paid Indices continued to point to expansion. All other indicators (Sales/New Orders, Production, Employment, Purchases, Lead Times, and Purchased Inventory) are indicating possible contraction, with the Lead Times index making a significant move down again this month.

Continuing the trend of the last few months, not all respondents are saying that they are being negatively impacted by the fall in crude oil prices. While much of the current predicted downturn has been driven by weakness in the Oil and Gas Exploration area along with its supporting industries, several industries are showing strength. Utilities, Health Care, and Durable Goods Manufacturing unrelated to the energy sector reported good results this month. Sales/New Orders and Purchases were up for these industries and relatively flat for others, including Non-Durable Goods Manufacturing, Construction, and Financial Services.

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: Sales/New Orders, Production, Employment, Purchases, Prices Paid, Lead Times, Purchase Inventory, and Finished Goods Inventory.

Note that ISM-Houston has changed the calculation method used to determine the H-PMI™. This change was made to improve the accuracy of the H-PMI™ as a forecast tool for the Houston economy. See the ISM-Houston Business Report for additional details.

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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