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ISM - HOUSTON BUSINESS REPORT

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Press Release

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by Ross Harvison

Houston PMI Stays Relatively Flat at 46.7%

Mid-Stream and Downstream Activities Improve

The Houston affiliate of the Institute for Supply Management's survey of area supply chain professionals indicates potential contraction in the Houston economy during the coming quarter, however, there continues to be strength in many areas within the economy. Six of the eight underlying indicators continue to show weakness with the rate of potential contraction slowing for four of these six indicators. The remaining two indicators continue to show support for economic expansion.

The Houston Purchasing Managers Index (H-PMI) rose modestly from its May level of 46.1% to **46.7%** in June. The seasonally adjusted Finished Goods Inventory and Prices Paid Indices remained on the positive side, while all other indicators (Sales/New Orders, Production, Employment, Purchases, Lead Times, and Purchased Inventory) continue to point to possible contraction. However, while remaining below neutral, the Sales/New Orders, Production, Purchases, and Lead Times indices all rose more than 3 percentage points. The employment and Purchased Inventory indices were relatively unchanged.

Oil and Gas related industries, including those areas with a high proportion of sales to this sector, remained weak. Wholesale Trade also showed weakness. Construction, Financial Services, and Professional Services remained just above neutral. Health Care showed continued strength. The greatest strengthening was found in the mid-stream and downstream non-durable goods sectors where Sales, Production, and Purchases were noted as up by many of the respondents in this area.

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.

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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