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ISM - HOUSTON BUSINESS REPORT

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Press Release

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by Ross S. Harvison

Houston PMI Gives Back Much of Last Month's Gain

Sales/New Orders and Production Indices Fall

The Houston affiliate of the Institute for Supply Management's survey of area supply chain professionals showed potential near term contraction in the Houston economy again this month. The Houston Purchasing Manager's Index gave back almost all of last month's gain, led by significant softening of the Sales/New Orders and Production Indices. After last month's move of these underlying indicators from forecasting contraction to indicating potential expansion for the first time since the beginning of the year, they both fell significantly back into the potential contraction range. Four other indicators continue to point to contraction, while two are pointing to expansion.

The Houston Purchasing Managers Index (H-PMI) fell just under two percentage points from its July level of 49.1% to **47.3%** in August. The seasonally adjusted Finished Goods Inventory and Prices Paid Indices remain on the positive side. All other indicators (Sales/New Orders, Production, Employment, Lead Times, Purchases, and Purchased Inventory) are pointing to possible contraction.

Healthcare continues to be the most robust sector in the Houston economy, with non-durable goods manufacturing showing strength at a lower level. Construction, Financial Services, and Professional Services remain near or just above neutral. Durable Goods manufacturing and Wholesale Trade are improving, but remain below neutral. Oil and Gas related industries, including those areas with a high proportion of sales to this sector, continue to be the greatest concern for near term growth in the Houston economy.

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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