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ISM - HOUSTON BUSINESS REPORT

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Press Release

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Houston PMI Remains Relatively Flat

Sales/New Orders and Production Indices Move Closer to Neutral

(Houston, Texas) – Area Supply Chain leaders indicate that economic activity in Houston’s manufacturing and services sectors contracted in September for the ninth consecutive month.

The Houston Purchasing Managers Index (H-PMI) rose marginally from its August level of 47.3% to **47.6%** in September. The seasonally adjusted Finished Goods Inventory and Prices Paid Indices, the only two indicators that are inversely correlated with economic activity, are strongly pointing to economic expansion. All other indicators (Sales/New Orders, Production, Employment, Lead Times, Purchases, and Purchased Inventory) are showing contraction.

The Sales/New Orders Index registered 47.2% in September, an increase of 5.5 percentage points from August. The Production Index registered 49.0%, an increase of 5.0 percentage points. The Employment Index registered 39.9%, a decrease of 4.2 percentage points. The Purchases Index registered 39.6%, a decrease of 6.3 percentage points. The Prices Paid Index registered 32.9%, a decrease of 5.8 percentage points. The Lead Time Index registered 39.2%, a decrease of 2.8 percentage points. The Purchase Inventory Index registered 40.4%, an increase of 0.9 percentage points. The Finished Goods Inventory Index registered 37.2%, a decrease of 3.4 percentage points.

Health Care is now the only sector of the economy showing robust growth. Construction, Durable Goods Manufacturing, Non-Durable Goods Manufacturing, Transportation and Utilities, Financial Services, and Professional Services are all near neutral. Wholesale Trade continues to improve, but remains below neutral. Oil and Gas exploration related industries, including services firms 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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