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## ISM - HOUSTON BUSINESS REPORT

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### Press Release

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by Ross S. Harvison

## Houston Economy Continues to Contract in October

### Sales/New Orders, Production and Purchases Indices Weaken

(Houston, Texas) – Area Supply Chain leaders indicate that economic activity in Houston contracted in October for the tenth consecutive month.

The Houston Purchasing Managers Index (H-PMI) rose marginally from its September level of 47.6% to 48.0% in October. The seasonally adjusted Finished Goods Inventory and Prices Paid Indices, the only two indicators that are inversely correlated with economic activity, continue to predict economic expansion near term. All other indicators (Sales/New Orders, Production, Employment, Lead Times, Purchases, and Purchased Inventory) are showing continued contraction.

Health Care continues to be the only sector of the economy showing significant strength. Construction, Durable Goods Manufacturing, Non-Durable Goods Manufacturing, Transportation and Utilities, Financial Services, and Professional Services are all near neutral overall. Wholesale Trade is marginally 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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