

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

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by Ross S. Harvison

Houston PMI Reverses Recent Improvements

Durable Goods Manufacturing and Wholesale Trade Results Deteriorate

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

The Houston Purchasing Managers Index (H-PMI) fell from its October level of 48.0% to 44.9% in November. 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 continues to expand at a relatively low pace and Non-Durable Goods Manufacturing, Financial Services, and Professional Services continue to perform near neutral overall. Wholesale Trade and Durable Goods Manufacturing moved to below neutral in the latest results, potentially joining Oil and Gas exploration related industries as major concerns that could impact the near term growth of 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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