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ISM - HOUSTON BUSINESS REPORT

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Press Release

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by Ross S. Harvison

Respondents Report Continued Economic Softness

Non-Durable Goods Manufacturing Weakens

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

The Houston Purchasing Managers Index (H-PMI) fell from its November level of 44.9 to 43.3 in December. 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 and Non-Durable Goods Manufacturing continue to perform near neutral overall. Wholesale Trade, Durable Goods Manufacturing, and Oil and Gas exploration related industries showed significant weakness and are the industries that are causing the greatest concerns for 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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