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## ISM - HOUSTON BUSINESS REPORT

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### Press Release

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by Ross S. Harvison

## Houston Purchasing Managers Index Sees Marginal Gain

### Sales and Production Improve, but Remain Below Neutral

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

The Houston Purchasing Managers Index (H-PMI) rose from its December level of 43.3 to 45.6 in January. 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.

The Health Care sector continues to show significant strength. Construction and Non-Durable Goods Manufacturing remain near neutral overall. Wholesale Trade and Durable Goods Manufacturing improved their performance to just below neutral. Oil and Gas exploration related industries continue to cause the greatest concern 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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