

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

Expansion Continues at a Slow Pace

Sales Increase for the Fourth Month

(Houston, Texas) – Area Supply Chain leaders indicate that economic activity in Houston expanded for the second month during November.

The Houston Purchasing Managers Index (H-PMI) fell from its October level of 51.1 to 50.5 in November, only the second month above neutral since late 2014. The Sales/New Orders index pointed towards expansion for the fourth month in a row, while the Production index moved back to indicating contraction after only one month showing expansion. The Employment, Lead Times, and Purchased Goods Inventory indices, while still indicating a tendency towards contraction, are all approaching neutral for the first time in almost two years. The Purchases index continues to predict contraction near term. The Prices Paid index, one of only two indicators that are inversely correlated to economic activity, is near neutral. The remaining inverse indicator, Finished Goods Inventory, is now pointing to near term expansion.

Durable goods manufacturing and wholesale trade are showing strong indications of near term expansion. Oil & gas, construction, and non-durable goods manufacturing are showing contraction. All other industries are indicating near neutral performance.

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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