Press Release

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ECONOMY SHOWS CONTINUED GROWTH

Prices Paid are increasing!

The Houston Purchasing Managers Index, a leading indicator of regional production, moved up to 51.2 in November, making eight consecutive months of improvement since April. This increase would appear to reflect heightened confidence in near term Economic growth.

The PMI, which indicates likely shifts in Production volume three or four months in advance, now shows a signal that production is likely to continue to improve.

The PMI has a possible range of 0 to 100. Reading’s over 50 indicate production gains over the near term; readings below 50, show coming contraction. September was the Houston PMI’s first month at or over 50.0 after ten consecutive months in negative territory.

The Houston PMI is based on diffusion indexes for eight indicators. (A diffusion index is simply the percentage of respondents reporting increases from the previous month less the percentage reporting declines.) The largest change among the eight components in November from October was in Lead Times at 0, which continued to improve since the low of -43 in March. There was an 18% improvement from just last month.

Prices Paid (for major purchases) showed a definite increase from -24 to -11 from our October responses. So it appears inflation is on the way as the dollar continues to decline. It is interesting that while Sales slipped ever so litely, Production and Employment remained the Same. Finished Goods Inventories, which have been -27 for the last several months increased to -11 last month. So It looks like we are building some inventory again for the hoped improved economy. Purchased Inventory a components of the PMI for which declines represent good news, had a slight 4% increase to help the PMI improvement.

The Houston PMI has fallen sharply over the past 12 months. In May and June last year, it posted readings above 60, a level that represents an extremely positive outlook for regional production. Before turning negative last November, the Houston PMI posted 58 consecutive months of positive readings that averaged 46.8 for the past seven months. In contrast, the Houston PMI has averaged 44.4 over the last twelve months.

The recent improvements of PMI components have finally taken us out of negative territory, indicating an improvement in the Houston economic picture. The rate at which regional performance declines should taper, but it definitely appears Houston has started to rebound from the worst of the economic condition.

The National Association of Purchasing Management - Houston has published the Houston Purchasing Managers Index monthly since January, 1995 as a service to its members and the wider Houston business community.