

NAPM - HOUSTON BUSINESS REPORT

For further information, contact:
Mike Valant, C.P.M., A.P.P.
Miekv1@windstream.net 281 518-8575

Press Release

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By Mike Valant, C.P.M., A.P.P.

HOUSTON ECONOMY IMPROVED

Purchases Lead the way!

The Houston Purchasing Managers Index, a leading indicator of regional production, moved up to **50.0**, marking five consecutive months of improvement in September. This is a 28% improvement since the March record low of **39.0** and the first time at or over 50.0 since October, 2008. The PMI, which indicates likely shifts in production volume three or four months in advance, now shows a signal that production has started 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 is 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 September from August was in Purchases at +2, which continued to improve since the low of -43 in March. There was an overall positive 5% shift of all categories to Same from Down between September from August.

Production improved from -15 to -5 PMI in September, well ahead of the -20 in February and April. Purchased Inventory had a slight improvement of 6 points to -16 for the month. Employment remained the same for 64% of the respondents, or -23 PMI which was a great improvement from the low of -48 in March. Prices Paid (for major purchases), which fell consistently from +13 last October to a deeply depressed -48 in April, continued up to -18 in September. Purchased Inventory and Finished Goods Inventory, the two components of the PMI for which declines represent *good* news, both improved to -16 and -27 last month from -20 and -15 respectively in February.

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 a robust 59.1 for the past seven months. In contrast, the Houston PMI has averaged 44.3 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.