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ISM - HOUSTON BUSINESS REPORT

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Press Release

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Modest Expansion Continues

Six of Eight Indicators Pointing to Growth

(Houston, Texas) – Area Supply Chain leaders indicate that economic activity in Houston expanded for the third month in a row during December.

The Houston Purchasing Managers Index (H-PMI) rose from its November level of 50.5 to 50.7 in December, only its third month above neutral since late 2014. The Sales/New Orders index pointed towards expansion for the fifth month. The Production, Employment, Purchases, and Lead Times indices all moved back to indicating expansion. The Prices Paid index, one of only two indicators that are inversely correlated to economic activity during most of the economic cycle, is now significantly above neutral. However, during the initial part of a recovery, this indicator often moves in the same direction as the economy. The remaining inverse indicator, Finished Goods Inventory, is now pointing to near term expansion for the second month.

Durable goods manufacturing and wholesale trade continue to show strong indications of near term expansion. Oil & gas is also expanding, albeit at a slower pace. Non-durable goods manufacturing is 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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