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ISM - HOUSTON BUSINESS REPORT

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Press Release

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by Ross S. Harvison

Houston Economy Continues to Improve

Manufacturing, Oil & Gas, and Professional Services Show Strength

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

The Houston Purchasing Managers Index (H-PMI) rose from its December level of 50.7 to 54.2 in January, it's fourth month above neutral since late 2014. The Sales/New Orders index pointed towards expansion for the sixth month. The Production, Employment, Purchases, and Lead Times indices all indicated expansion for the second month. The Prices Paid index, one of only two indicators that are inversely correlated to economic activity during most of the economic cycle, stayed above neutral. However, as noted last month, this indicator often moves in the same direction as the economy during the initial part of a recovery. The remaining inverse indicator, Finished Goods Inventory, is very close to neutral.

Oil & gas, both durable goods and non-durable goods manufacturing, wholesale trade, and professional services are now pointing to strong growth near term. Most other sectors are indicating 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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