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ISM - HOUSTON BUSINESS REPORT

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Press Release

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Houston PMI Indicates Continued Near Term Growth

Durable Goods Manufacturing and Oil & Gas Strengthen Further

(Houston, Texas) – Economic activity in Houston expanded for the fifth month in a row during February according to area Supply Chain leaders. The Houston Purchasing Managers Index (H-PMI) registered 54.2, unchanged from January.

Five underlying indicators are now pointing towards expansion for at least the next 3-4 months. The Sales/New Orders index completed its 7th month indicating near term expansion, registering 60.8 in February, a decrease of 4.1 points. The Production, Employment, Purchases, and Lead Times indices have now completed one quarter indicating expansion. The Production index registered 51.3, a modest decline of 1.5. The Employment index registered 53.7, falling 8.2 points. The Purchases index registered 57.2, up 4.9 points. The Lead Times index registered 56.3, rising a modest 1.2 points. All of these indicators are directly correlated with economic activity.

Two underlying indicators are pointing to contraction near term. The Purchased Inventory (Raw Materials) index completed its 27th month indicating contraction near term, registering 45.9, down 1.4 points. This indicator is also directly correlated to economic activity. The Finished Goods Inventory index registered 55.2, up 5.1 points, completing its 2nd month pointing to contraction. This indicator is inversely correlated to economic activity.

The last underlying indicator, Prices Paid, is also inversely correlated to the economy over most of the economic cycle. However, it can show a direct correlation during the early stages of a recovery. The Prices Paid index registered 57.9, up 0.4 points.

On an industry specific basis, oil & gas, durable goods manufacturing, wholesale trade, and professional services are now expanding. All other sectors are indicating minimal month to month economic change.

The Houston PMI indicates likely shifts in economic activity 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.