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ISM - HOUSTON BUSINESS REPORT

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Press Release

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Houston Economy Grows at a Slower Pace in March Non-Durable Goods Manufacturing and Transportation Strengthen

(Houston, Texas) – Economic activity in Houston expanded for the sixth month in a row during February according to area Supply Chain leaders. The Houston Purchasing Managers Index (H-PMI) registered 51.4, down from its February level of 54.2.

Five underlying indicators continue to point towards expansion for the 3-4 month forecast horizon. The Sales/New Orders index completed its 8th month indicating expansion, registering 56.9 in March, down from 60.8 in February. The Production, Employment, Purchases, and Lead Times indices have now completed four months indicating expansion. The Production index registered 54.4, a strong increase from 51.3 in February. The Employment index registered 50.8, falling an additional 2.9 points. The Purchases index registered 59.0, up 1.8 points. The Lead Times index registered 57.2, rising 0.9 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 28th month indicating contraction near term, registering 49.3, up 3.4 points. This indicator is also directly correlated to economic activity. The Finished Goods Inventory index registered 50.9, down 4.3 points, completing its 3rd 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 61.9, up 4.9 points.

On an industry specific basis non-durable goods manufacturing and transportation (mid-stream operations) joined oil & gas, durable goods manufacturing, and wholesale trade as expanding. Construction has moved back to contraction. All other sectors are indicating minimal month to month 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.