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ISM - HOUSTON BUSINESS REPORT

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Press Release

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Sales and Production Expand at a Strong Pace Employment Continues to Move Up

(Houston, Texas) – According to area Houston area Supply Chain leaders, economic activity in Houston expanded for the seventh month in April. The Houston Purchasing Managers Index registered 54.1, up 2.7 points from March.

Five underlying indicators continue to show expansion over the 3-4 month forecast horizon. The Sales/New Orders index completed 9 months pointing to expansion, registering 63.0 in April, up 6.1 points. The Production, Employment, Purchases, and Lead Times indices reported their fifth month of expansion. The Production index registered 62.2, significantly above its March level of 54.4. The Employment index registered 55.1, rising 4.3 points. The Purchases index was also up significantly to 67.7, rising from its March level of 59.0. The Lead Times index registered 50.6, down from 57.2. 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 29th month indicating contraction, registering 48.5, down 0.8 points. This indicator is also directly correlated to economic activity. The Finished Goods Inventory index registered 51.2, up 0.3 points, completing its 4th 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 51.3, down from 57.2 in March.

On an industry specific basis, non-durable goods manufacturing, oil & gas, and professional services are expanding. Engineering and construction contracted for the second month. All other sectors reported 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.