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## ISM - HOUSTON BUSINESS REPORT

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### Press Release

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by Ross S. Harvison

## Most Gulf Coast Operations Show Recovery After Harvey Production and Employment Improve

(Houston, Texas) – According to Houston area Supply Chain leaders, the Houston area economy made a partial recovery from the impact of Hurricane Harvey. The Houston Purchasing Managers Index moved up from 46.5 in August to 48.6 in September. Five of the underlying indicators (Production, Employment, Lead Times, Purchased Goods Inventories, and Finished Goods Inventories) are now pointing to expansion and three (Sales/New Orders, Purchases, and Prices Paid) are indicating potential contraction near term.

The Sales/New Orders index gained 9.6 points to 48.1 in September, its second month indicating potential contraction. The Production index moved up 5.0 points to neutral. The Employment index moved back to indicating expansion, up 5.7 points to 51.5. The Purchases index gained 6.9 points, remaining below neutral at 45.7. The Lead Times index gained 2.2 points to 54.5 and the Purchased Inventory index rose 5.4 points to 50.3, its first time above neutral in almost three years. These six indicators are directly correlated with economic activity. The Finished Goods Inventory index completed its fifth month pointing to expansion registering 49.0 points. This indicator is inversely correlated with economic activity. The other indicator that is inversely related to the economy, Prices Paid, indicated potential contraction near term for the third month, registering 59.5, up 5.1 points.

On an industry specific basis, durable goods manufacturing, non-durable goods manufacturing, and Health Care are point to expansion near term. Oil & Gas, EPC, and Professional Services are showing potential contraction. All other sectors reported near neutral.

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.

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