

Institute for Supply Management - Houston, Inc.
PO Box 771203 - Houston, Texas 77215-1203

ISM - HOUSTON BUSINESS REPORT

For further information, contact Ross Harvison at ross.harvison@intuitivum.com or 713-702-1088

Press Release

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by Ross S. Harvison

Houston Economy Strengthens Employment Joins Sales and Production Showing Strong Growth

(Houston, Texas) – According to Houston area Supply Chain leaders the Houston area economy will expand near term at a faster pace than previously forecast. The Houston Purchasing Managers Index moved up 1.7 points to a robust 54.5.

Six of the eight underlying indicators that make up the PMI are pointing to economic growth. The Employment index joined the Sales/New Orders, Production, and Purchases indices showing significant strength. The Employment index registered 60.6, Sales/New Orders came in at 60.9, Production ended at 57.3, and Purchases registered 66.9. The Lead Times and Purchased Inventories indices ended at or just above neutral registering at 50.5 and 50.0 respectively. These six indicators are directly related to economic activity.

The remaining two indicators, Prices Paid and Finished Goods Inventories, are now forecasting potential contraction near term registering 59.3 and 50.4 respectively. These indices are inversely correlated with economic activity.

On an industry specific basis, EPC (Engineering, Procurement, and Construction), Non-Durable Goods Manufacturing, Mid-Stream Operations, Professional Services, and Health Care are now strongly pointing to expansion. Durable Goods Manufacturing and Wholesale Trade are indicating moderate expansion, While oil prices continue to rise, Oil & Gas continues to show potential contraction.

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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