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ISM - HOUSTON BUSINESS REPORT

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Press Release

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by Ross S. Harvison

Houston Economy Continues to Improve Sales, Employment, and Lead Times Show Strong Growth

(Houston, Texas) – According to greater Houston area supply chain executives, economic activity in the region expanded for the third consecutive month in January. Additionally, ISM-Houston's forecast indicates that the economy should continue to grow over the 3-4 month forecast horizon.

The January Houston Purchasing Managers Index registered 54.8, a modest increase from 54.5 last month. The three underlying indicators that have the strongest direct correlation with the Houston economy over a 3-4 month forecast horizon (Sales/New Orders, Employment, and Lead Times) all showed strong performance. The Sales/New Orders Index registered 60.1, a modest decrease of 0.8 points from its seasonally adjusted reading of 60.9 in December. The Employment Index registered 57.2, a 3.4 point drop from its seasonally adjusted reading of 60.6 in December. The Lead Times Index registered 57.5, a gain of 7.0 points from its seasonally adjusted reading of 50.5 in December, giving 14 consecutive months of slowing delivery times for purchased products. The underlying indicator that has the strongest inverse correlation with the Houston economy over the 3-4 month forecast horizon, Prices Paid, was unchanged from December, registering 59.3 in January, indicating strong economic activity at present. However, a Prices Paid Index at this level may constrain economic activity 3-4 months out.

On an industry specific basis, Transportation, Wholesale Trade, Non-durable Goods Manufacturing, EPC (Engineering, Procurement, and Construction), Health Care, and Professional Services are now strongly pointing to expansion. Durable Goods Manufacturing is indicating moderate expansion. 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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