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ISM - HOUSTON BUSINESS REPORT

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Press Release

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by Ross S. Harvison

Sales/New Orders Increase from December Forecast Growth Improves

(Houston, Texas) – According to Houston supply chain executives, manufacturing activity in Houston expanded in January for the 17th consecutive month and overall economic activity expanded for the 30th month. The near-term forecast points to continued economic growth. The manufacturing forecast returned to indicating growth at a slow pace during the coming quarter.

The December Houston Purchasing Managers Index registered **56.0**, up from 53.3 last month. The sales/new orders index rejoined the employment and lead times indices indicating strength. These three underlying indicators have the strongest positive correlation with current economic activity. The prices paid index fell again during the month indicating falling prices for the third month in a row.

The three-month forecast for the Houston PMI registered 50.8, up a modest 1.0 points from its December reading of 49.8. Rising sales/new orders, production, and lead times, which are all directly correlated with economic activity at all forecast horizons, were the primary drivers for the improvement in the forecast index.

On an industry specific basis Health Care, Professional Services, Durable Goods Manufacturing, and Wholesale Trade reported moderate to strong levels of expansion. Non-durable Goods manufacturing and Oil & Gas reported contraction. From a three-month forecast standpoint, Health Care, Construction, and Durable Goods Manufacturing should show continued strength. Non-durable Goods Manufacturing and Wholesale Trade are expected to weaken.

The Houston PMI provides a measure of current economic activity in the greater Houston area and a forecast of likely shifts in activity over a three-month forecast horizon. These indicators have a possible range of 0 to 100. Readings over 50 generally indicate manufacturing expansion; readings below 50 show contraction. A PMI above 45 generally correlates with expansion of the Houston-The Woodlands-Sugar Land Business Cycle Index. The current and forecast PMI indices are 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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