

ISM-Houston, Inc., P.O. Box 32, Bellaire, TX 77402

ISM - HOUSTON BUSINESS REPORT

For further information, contact Ross Harvison at ross.harvison@ism-houston.org or 713-702-1088

Press Release

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by Ross S. Harvison

Manufacturing and Overall Economic Growth Improve Forecast Growth Also Strengthens

(Houston, Texas) – According to Houston supply chain executives, manufacturing activity in Houston expanded in February for the 18th consecutive month and overall economic activity expanded for the 31st month. The near-term forecast points to continued overall economic growth. The forecast for manufacturing strengthened further.

The February Houston Purchasing Managers Index registered 56.1, up marginally from last month. The three underlying indicators that have the strongest direct correlation with current economic activity (sales/new orders, employment, and lead times) continue to point towards growth near term. The underlying indicator that has the largest inverse correlation, finished goods inventory, has been tracking close to neutral for the last several months.

The three-month forecast for the Houston PMI registered 53.7, up 2.9 points from its January reading of 50.8. A significantly higher prices paid index, along with sustained positive performance of the sales/new orders, production, and lead times indices were the primary drivers for the improvement in the forecast index. These indices are all directly correlated with economic activity at all forecast horizons.

On an industry specific basis Health Care, Professional Services, Construction, and Durable Goods Manufacturing reported expansion. Non-durable Goods manufacturing and Oil & Gas showed contraction. From a three-month forecast standpoint, Construction, Health Care, and Professional Services are pointing to continued strength.

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.