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ISM - HOUSTON BUSINESS REPORT

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Press Release

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by Ross S. Harvison

Manufacturing Growth Accelerates Employment Index at 4 Year High

(Houston, Texas) – According to Houston supply chain executives, manufacturing activity in Houston expanded in March for the 19th consecutive month and overall economic activity expanded for the 32nd month. The near-term forecast points to higher manufacturing and overall economic growth than previously reported.

The March Houston Purchasing Managers Index registered 64.0, up significantly from its February reading of 56.1. The three underlying indicators that have the strongest direct correlation with current economic activity (sales/new orders, employment, and lead times) strengthened considerably during the month. The underlying indicator that has the largest inverse correlation, finished goods inventory, continues to track just below neutral.

The three-month forecast for the Houston PMI registered 58.5, up 4.8 points from its February reading of 53.9. Sizable increases in the sales/new orders, production, and lead times indices along with the continued strength of the prices paid index drove this large improvement in the forecast index. These indices are all directly correlated with economic activity at all forecast horizons.

On an industry specific basis Oil & Gas, EPC activities, Manufacturing, Mid-Stream Operations, Wholesale Trade, and Professional Services all reported strong expansion while Health Care returned to near neutral. From a three-month forecast standpoint, all these sectors are pointing to moderate to strong expansion.

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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