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June 10, 2020

The Houston Purchasing Managers Index (PMI), a short-term leading indicator for regional economic activity, registered 40.2 in May. This is up from 34.6 in April, which was the lowest reading in the history of the series. Readings above 50 signal expansion in the economy. Readings below 50 signal contraction. May was the third consecutive month with a reading below 50.

Although economic activity contracted in May, it did so at a slower pace than in April. Two of the three underlying components correlated with economic growth, employment and sales/new orders, improved slightly but continue to point to contraction. Lead times, the third indicator, increased, but this was likely due to supply chain issues and not increased demand.

The Houston PMI is derived from monthly surveys of local purchasing managers representing various industries. On an industry specific basis, no sector reported expansion in May. Transportation, utilities, wholesale trade, health care, and real estate reported near 50. Oil & gas, construction, manufacturing, professional services, and accommodations/food services all reported significant weakness.

Prepared by Greater Houston Partnership Research Division.