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ISM - HOUSTON BUSINESS REPORT

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Press Release

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by Ross S. Harvison

Sales Grow at a Much Slower Pace Respondents Report Improving Employment

(Houston, Texas) – According to Houston area Supply Chain leaders, the Houston economy expanded again in June, marking nine months predicting growth. The Houston Purchasing Managers Index registered 51.8, down from its May reading of 54.1.

Volatility in all underlying indicators, except Sales/New Orders, was relatively low for the first time this year. Additionally, all underlying indicators except the Purchased Inventory (Raw Materials) index are pointing to expansion near term.

The Sales/New Orders index, while falling 6.8 points to 51.8 in June, completed its 11th month pointing to expansion. The Production, Employment, Purchases, and Lead Times indices reported their seventh month of expansion, registering 52.6, 53.1, 55.4, and 53.9 respectively. These five indicators are directly correlated with economic activity. The Finished Goods Inventory index and Prices Paid index both completed their second month pointing to expansion registering 49.6 and 49.5 respectively. Both of these indicators are inversely correlated with economic activity.

As noted above, the Purchased Inventory Index is still suggesting a contraction in economic activity over the near term, registering 43.2 this month, its 31st month below neutral. This indicator is also directly correlated with economic activity.

On an industry specific basis, manufacturing, transportation, wholesale trade, professional services, healthcare continued to expand at a modest pace. Engineering and construction contracted for the fourth month. All other sectors reported minimal month to month growth.

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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