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ISM - HOUSTON BUSINESS REPORT

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Press Release

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by Ross S. Harvison

Sales and Production Growth Moderate Prices and Lead Times Increase

(Houston, Texas) – According to Houston area Supply Chain leaders, the Houston area economy will continue to expand near term. The Houston Purchasing Managers Index registered 51.8, the same as its June reading. Six of the indexes underlying indicators are now pointing to expansion.

The Sales/New Orders index fell a modest 1.3 points to 50.6 in July, completed one year pointing to expansion. The Production, Employment, Purchases, and Lead Times indices reported their eighth month of expansion. The Production Index was down 0.9 points to 51.7. The Employment Index registered 50.9 points, down 2.2 from June. The Purchases Index was flat at 55.4 points. The Lead Times Index rose a strong 5.9 points to 59.8. These five indicators are directly correlated with economic activity. The last indicator that is directly correlated with expansion, the purchased inventory index, continues to suggest contraction near term registering 43.8 points this month, down modestly from June.

The Finished Goods Inventory index completed its third month pointing to expansion registering 48.3 points. This indicator is inversely correlated with economic activity. The other indicator that is inversely related to the economy, Prices Paid, returned to indicating potential contraction near term, registering 57.8 points, up 8.3 from June.

On an industry specific basis, manufacturing, transportation, wholesale trade, professional services, and health care continue to expand. Engineering and construction contracted for the fifth month. All other sectors reported minimal month to month change.

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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