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ISM - HOUSTON BUSINESS REPORT

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Press Release

November 10, 2017

by Ross S. Harvison

Production and Employment Improve Sales Fall at a Slower Pace

(Houston, Texas) – According to Houston area Supply Chain leaders, the Houston area economy contacted at a slower pace in October, nearly completing its recovery from the impacts of Hurricane Harvey. The Houston Purchasing Managers Index moved up 0.7 points from 48.6 in September to 49.3 in October.

Four underlying indicators are now pointing to near term economic expansion. The Production index moved up 2.5 points to 52.5. The Employment index improved an additional 3.7 points to 55.2. The Purchases index gained 4.8 points to 50.5, returning to indicating expansion after two months below neutral. The Lead Times index fell a modest 1.2 points to 53.3. These four indicators are directly correlated with economic activity.

The remaining four indicators are now pointing to a moderate potential for contraction near term. The Sales/New Orders index rose 0.9 points to 49.0, just below neutral. The Purchased Inventory index fell back below neutral to 48.9, after one month indicating potential expansion. These indicators are also directly correlated with economic activity. The Prices Paid index rose 0.3 points to 59.8, its fourth month above neutral. The Finished Goods Inventory index gained 7.0 points to 56.0, its first time above neutral in six months. These last two indicators are inversely correlated with economic activity.

On an industry specific basis, EPC (Engineering, Procurement, and Construct) joined Health Care in pointing to expansion near term. Oil & Gas continued to show potential contraction. All other sectors are reported near neutral.

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.

The ISM-Houston Business Report began in January 1995
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