

Institute for Supply Management - Houston, Inc.  
PO Box 771203 - Houston, Texas 77215-1203

## ISM - HOUSTON BUSINESS REPORT

For further information, contact Ross Harvison at [ross.harvison@intuitivum.com](mailto:ross.harvison@intuitivum.com) or 713-702-1088

---

### Press Release

December 11, 2017

by Ross S. Harvison

## Forecast for Near Term Expansion Returns Sales and Production Improve Significantly

(Houston, Texas) – According to Houston area Supply Chain leaders, after three months of forecasting contraction following Hurricane Harvey, the Houston area economy is now poised for near term expansion. The Houston Purchasing Managers Index moved up 3.5 points to 52.8.

Six of the eight underlying indicators that make up the PMI are now pointing to economic growth. The Sales/New Orders, Production, and Purchases indices all rose sharply to 58.3, 60.6, and 59.5 respectively. The Employment and Lead Times indices fell moderately, but remained above neutral at 52.1 each. The Finished Goods Inventory Index fell significantly to 45.0, returning to forecasting expansion after only one month above neutral. This inventory indicator is inversely related to economic activity.

The remaining two indicators, Prices Paid and Purchased Goods Inventories, continue to forecast potential contraction near term. Both fell moderately, with the Prices Paid and Purchased Inventory indices coming in at 59.7 and 46.4 respectively. The Prices Paid index is inversely correlated with economic activity during most of the economic cycle.

On an industry specific basis, Manufacturing, Midstream Operations, EPC (Engineering, Procurement, and Construction), Professional Services, and Health Care are now forecasting expansion. While oil prices are up, Oil & Gas continues to show potential contraction. All other sectors 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  
Subscriptions are available through ISM-Houston, Inc. and can be obtained by request at [ismhoustonbusinessreport@intuitivum.com](mailto:ismhoustonbusinessreport@intuitivum.com)  
The Institute for Supply Management-Houston is an affiliate of the Institute for Supply Management  
Copyright 2017 by ISM-Houston, Inc. All Rights Reserved