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ISM - HOUSTON BUSINESS REPORT

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Press Release

July 10, 2018

by Ross S. Harvison

Slower Expansion Anticipated Over the Next Quarter Sales and Employment Growth Continue at a Strong Pace

(Houston, Texas) – According to Houston supply chain executives, economic activity in the region expanded in June for the eighth consecutive month. The near-term outlook points to continued growth.

The June Houston Purchasing Managers Index registered 55.5, down 3.3 points from 58.8 last month. The performance of the four underlying indicators that have the strongest correlation with current economic activity (Employment, Lead Times, Production, and Purchases), while continuing to point to expansion, all fell during the month. The Employment Index registered a seasonally adjusted 55.3, down 6.4 points from May. The Lead Times Index fell 7.5 points to 54.5. The Production Index registered 51.7, down 5.1 points. The Purchases Index registered 52.8, down 6.6 points.

The three-month forecast for the Houston PMI registered 53.2, down 3.6 points from its May reading of 56.8. The primary drivers for this deterioration were lower production, employment, and purchased inventories, which are all directly correlated with economic activity at all forecast horizons. The continued high sales/new orders index prevented the forecast PMI from falling further. High prices paid continue to have a negative impact on this forecast as prices have an inverse correlation with economic activity at the 3-4 month horizon.

On an industry specific basis, Health Care, Professional Services, Wholesale Trade, and Mid-stream Operations continue to expand. EPC and durable goods manufacturing activities weakened. All other sectors are near neutral. From a three-month forecast standpoint, Health Care, Mid-stream Operations, Wholesale Trade, and Professional Services are expected to show continued healthy growth. EPC firms show further weakness.

The Houston PMI provides a measure of current economic activity in the greater Houston area and a forecast of likely shifts in activity over a four-month forecast horizon. These indicators have a possible range of 0 to 100. Readings over 50 generally indicate economic expansion, while readings below 50 show contraction. The current and forecast PMI indices are 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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