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ISM - HOUSTON BUSINESS REPORT

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Press Release

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Multi-Sector Growth Continues Oil & Gas Shows Improvement

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

The July Houston Purchasing Managers Index registered 62.0, up 6.5 points from 55.5 last month. The performance of the four underlying indicators that have the strongest correlation with current economic activity (Employment, Lead Times, Production, and Purchases) all rose during the month. The Employment Index registered a seasonally adjusted 62.9, up 7.6 points from June. The Lead Times Index rose 5.9 points to 60.4. The Production Index registered 54.6, up 2.9 points. The Purchases Index registered 57.6, up 4.8 points.

The three-month forecast for the Houston PMI registered 57.1, up 3.9 points from its June reading of 53.2. The primary drivers for this improvement were higher sales/new orders, production, employment, and purchases, which are all directly correlated with economic activity at all forecast horizons. 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, Oil & Gas joined Health Care, Professional Services, Wholesale Trade, and Mid-stream Operations reporting expansion. Durable goods manufacturing activities continued to weaken. 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. Oil & Gas and Non-Durable Goods Manufacturing are also expected to strengthen.

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.

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