

ISM-Houston, Inc., P.O. Box 32, Bellaire, TX 77402

ISM - HOUSTON BUSINESS REPORT

For further information, contact Ross Harvison at ross.harvison@ism-houston.org or 713-702-1088

Press Release

January 10, 2019

by Ross S. Harvison

Employment Continues Growth Sales/New Orders Slow

(Houston, Texas) – According to Houston supply chain executives, manufacturing activity in Houston expanded in December for the 15th consecutive month and overall economic activity expanded for the 29th month. The near-term forecast points to continued overall economic growth. Manufacturing growth may slow during the coming quarter.

The December Houston Purchasing Managers Index registered 53.3, down from 54.9 last month. The performance of the employment and lead times indices, two of the three underlying indicators that have the strongest positive correlation with current economic activity, showed continued strength. The other indicator with a very strong positive correlation to economic activity, the sales/new orders index, fell below neutral for the first time in 13 months. The prices paid index fell again during the month indicating falling prices for the second month in a row.

The three-month forecast for the Houston PMI registered 49.8, down 3.3 points from its November reading of 53.1. Weakening sales/new orders, production, and lead times, which are all directly correlated with economic activity at all forecast horizons, were the primary drivers for the fall in the forecast index.

On an industry specific basis Health Care, Oil and Gas, Construction, Manufacturing, and Wholesale Trade reported moderate to strong levels of expansion. Professional Services reported significant contraction. From a three-month forecast standpoint, Health Care and Construction should show continued strength. Manufacturing and Wholesale Trade are expected to weaken.

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 three-month forecast horizon. These indicators have a possible range of 0 to 100. Readings over 50 generally indicate manufacturing expansion; readings below 50 show contraction. A PMI above 45 generally correlates with expansion of the Houston-The Woodlands-Sugar Land Business Cycle Index. 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.