

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

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by Ross S. Harvison, CPSM

Strong Economic Growth Continues Sales, Production, and Employment Rise

(Houston, Texas) – According to Houston supply chain executives, manufacturing activity in Houston expanded in April for the 20th consecutive month and overall economic activity expanded for the 33rd month. The near-term forecast continues to point to higher manufacturing and overall economic growth than anticipated earlier in the year.

The April Houston Purchasing Managers Index registered **58.7**, down from its March reading of 64.0. The three underlying indicators that have the strongest direct correlation with current economic activity (sales/new orders, employment, and lead times) showed continued strength. The underlying indicator that has the largest inverse correlation, finished goods inventory, moved further below neutral.

The three-month forecast for the Houston PMI registered 55.9, down 2.6 points from its March reading of 58.5. Continued strong performance of the production and lead times indices offset much of the drop in the sales/new orders index to limit the fall of the forecast index. These indices are all directly correlated with economic activity at all forecast horizons.

On an industry specific basis Oil & Gas, EPC activities, Non-Durable Goods Manufacturing, Mid-Stream Operations, Wholesale trade, Professional Services, and Health Care all reported expansion. From a three-month forecast standpoint, all these sectors are pointing to moderate to strong expansion.

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.

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