

ISM - HOUSTON BUSINESS REPORT

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Press Release

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Expansion Continues at a Slower Pace Sales, Production, and Employment Move to Neutral

(Houston, Texas) – According to Houston supply chain executives, manufacturing activity in Houston expanded in May for the 21st consecutive month and overall economic activity expanded for the 34th month. The near-term forecast continues to point to manufacturing and overall economic growth near term, but the rate of growth is anticipated to slow.

The May Houston Purchasing Managers Index registered 52.7, down from its April reading of 58.7. The three underlying indicators that have the strongest direct correlation with current economic activity (sales/new orders, employment, and lead times), while falling, continue to report above neutral. The underlying indicator that has the largest inverse correlation, finished goods inventory, remained below neutral.

The three-month forecast for the Houston PMI registered 51.1, down 4.8 points from its April reading of 55.9. Continued strong performance of the lead times index somewhat offset the fall of the sales/new orders and production indices to near neutral, and the drop of the prices paid index below neutral. These indices are all directly correlated with economic activity at the three-month forecast horizon.

On an industry specific basis Healthcare, Oil & Gas, EPC activities, Non-Durable Goods Manufacturing, and Mid-Stream Operations all reported expansion, while professional services reported contraction. From a three-month forecast standpoint Healthcare, EPC activities, and Mid-Stream Operations are expected to continue to expand. Oil & Gas and Non-durable Goods Manufacturing are anticipated to slow to near neutral.

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.