

ISM - HOUSTON BUSINESS REPORT

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

Press Release

September 10, 2019

by Ross S. Harvison, CPSM

Sales/New Orders Return to Growth Manufacturing Concerns Moderate

(Houston, Texas) – According to Houston supply chain executives, manufacturing activity in Houston expanded in August for the 24rd consecutive month and overall economic activity expanded for the 37th month. The near-term forecast continues to point to overall economic growth. Concerns about potential near term manufacturing weakness have moderated somewhat. The overall rate of economic growth is now anticipated to be flat for the 3-month forecast horizon.

The August Houston Purchasing Managers Index registered 51.6, up very modestly from its July reading of 51.4. The three underlying indicators that have the strongest direct correlation with economic activity (sales/new orders, employment, and lead times) are all pointing to near term expansion. The sales/new orders index returned to indicating expansion for the first time in three months coming in at 51.3. The employment index, while continuing to point to expansion, fell to near neutral at 50.7. The lead times index rose modestly to 53.9. The underlying indicator that has the largest inverse correlation, finished goods inventory, fell further below neutral to 48.8.

The three-month forecast for the Houston PMI registered above neutral at 50.7, up 2.0 points from its July reading of 48.7. Strengthening of the sales/new orders, lead times, and prices paid indices were the primary drivers for this forecast HPMI improvement. These indices have a strong direct correlation with economic activity at the three-month forecast horizon.

On an industry specific basis healthcare, transportation and utilities, EPC firms, and non-durable goods manufacturing reported expansion, while non-durable goods manufacturing reported continued contraction. From a three-month forecast standpoint Transportation and Utilities and Health Care are expected to continue 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.