

ISM - HOUSTON BUSINESS REPORT

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Press Release

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Goods Producing Industries Weaken Further Overall Expansion Continues at a Very Modest Pace

(Houston, Texas) – According to Houston supply chain executives, goods producing industry activity in Houston contracted in November for the first time since August of 2017 when Hurricane Harvey impacted local operations. Excluding the slowdown caused by this hurricane, goods producing activity had expanded for 36 months. Construction, which had reported strong growth until this month, is no longer boosting the overall result for this industry group. Overall economic activity continued to expand at a very modest rate.

The November Houston Purchasing Managers Index registered 46.9, down 4.2 points from October. The three underlying indicators that have the strongest direct correlation with economic activity (sales/new orders, employment, and lead times) all fell below neutral and are pointing to near term contraction. The sales/new orders index fell 11.3 points to 42.6. The employment index fell 2.3 points to 47.7. The lead times index fell 1.1 points to just below neutral at 49.9 points. The underlying indicator that has the largest inverse correlation, finished goods inventory, fell 2.8 points to 49.3.

The three-month forecast for the Houston PMI fell 2.1 points to 47.9. Weakening of the sales/new orders, production, prices paid, and lead times indices drove most of this reduction. These indices have a strong direct correlation with economic activity at the three-month forecast horizon.

On an industry specific basis, only health care reported as expanding. Oil & gas, durable goods manufacturing, transportation and utilities, and professional services reported as contracting. From a three-month forecast standpoint, no significant changes are expected in this assessment.

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 goods producing industry 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.