

ISM - HOUSTON BUSINESS REPORT

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Press Release

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Sales/New Orders and Employment Strengthen Lead Times Moderate

(Houston, Texas) – According to Houston supply chain executives, manufacturing activity in Houston expanded in September for the 25th consecutive month and overall economic activity expanded for the 38th month. The near-term forecast continues to point to overall economic growth. The overall rate of growth is anticipated to moderate to close to neutral at the 3-month forecast horizon.

The September Houston Purchasing Managers Index registered **53.5**, up 1.9 points from its August reading of 51.6. The three underlying indicators that have the strongest direct correlation with economic activity (sales/new orders, employment, and lead times) continue to point to near term expansion. The sales/new orders index rose 4.3 points to 55.6. The employment index rose 3.7 points to 54.4. The lead times index fell 2.8 points to remain above neutral at 51.1. The underlying indicator that has the largest inverse correlation, finished goods inventory, rose 3.0 points to return above neutral at 51.8.

The three-month forecast for the Houston PMI was relatively unchanged at 50.8, up 0.1 points from its August reading. Strengthening of the sales/new orders index was offset by weaker lead times and prices paid indices. These indices have a strong direct correlation with economic activity at the three-month forecast horizon.

On an industry specific basis, both Service Producing and Goods Producing industries improved in overall performance. Professional services, health care, transportation and utilities, and EPC firms reported expansion. All other sectors reported near neutral. From a three month forecast standpoint, construction, 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.