

ISM - HOUSTON BUSINESS REPORT

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Press Release

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Overall Economic Expansion Continues Manufacturing Respondents Confirm Weakness

(Houston, Texas) – According to Houston supply chain executives, goods producing industry activity in Houston expanded in October. Construction, which has reported strong growth all year, boosted the overall result for this industry group. On a stand-alone basis oil & gas and manufacturing, the remaining industries in this group, have reported moderate contraction for several months. This accelerated somewhat in October. Services producing industry and overall economic activity expanded.

The October Houston Purchasing Managers Index registered 51.1, down 2.4 points from a month earlier. The three underlying indicators that have the strongest direct correlation with economic activity (sales/new orders, employment, and lead times), while weakening, continue to point to near term expansion. The sales/new orders index fell 1.7 points to 53.9. The employment index fell 4.4 points to neutral. The lead times index fell marginally to 51.0. The underlying indicator that has the largest inverse correlation, finished goods inventory, rose an additional 0.3 points to 52.1.

The three-month forecast for the Houston PMI fell 0.8 points to neutral. Strengthening of the prices paid index was offset by weaker sales/new orders and lead times indices. These indices have a strong direct correlation with economic activity at the three-month forecast horizon. This forecast is highly dependent on continued services producing industry strength.

On an industry specific basis, both services producing and goods producing industries indicated moderate growth at a slower pace. Health care, transportation and utilities, and construction reported expansion. As noted above, oil & gas and manufacturing reported contraction. From a three-month forecast standpoint, construction, transportation and utilities, and health care are expected to continue to expand.

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.