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*July 10, 2020*

For the first time since the start of the COVID-19 pandemic, **overall** economic activity in Houston has begun to expand. Manufacturing activity, however, continues to contract, albeit at a slower pace than in earlier months this year. That's based on a survey of local supply chain executives conducted by the Institute for Supply Management, Houston Chapter, and published monthly as the Houston Purchasing Managers Index (PMI).

The PMI, which had sunk to 34.6 in April, has inched up steadily in recent months, reaching 49.5 in June. Readings above 45 correlate with expansion of the **overall** economy, below 45 a contraction. For Houston's **goods producing sectors**, however, the PMI needs to top 50 to signal expansion. This includes Houston's mining, manufacturing and construction sectors.

The index is composed of eight underlying indicators: sales or new orders, production, employment, purchases, prices paid for major purchases, lead times from sellers, purchased materials inventory (raw materials and supplies), and finished goods inventories. In the June PMI, two of the three sub-indexes that correlate strongly with growth—sales/new orders and lead times—pointed to expansion while the employment index continued to signal contraction.

**Houston Purchasing Managers Index (PMI) Overall Components**

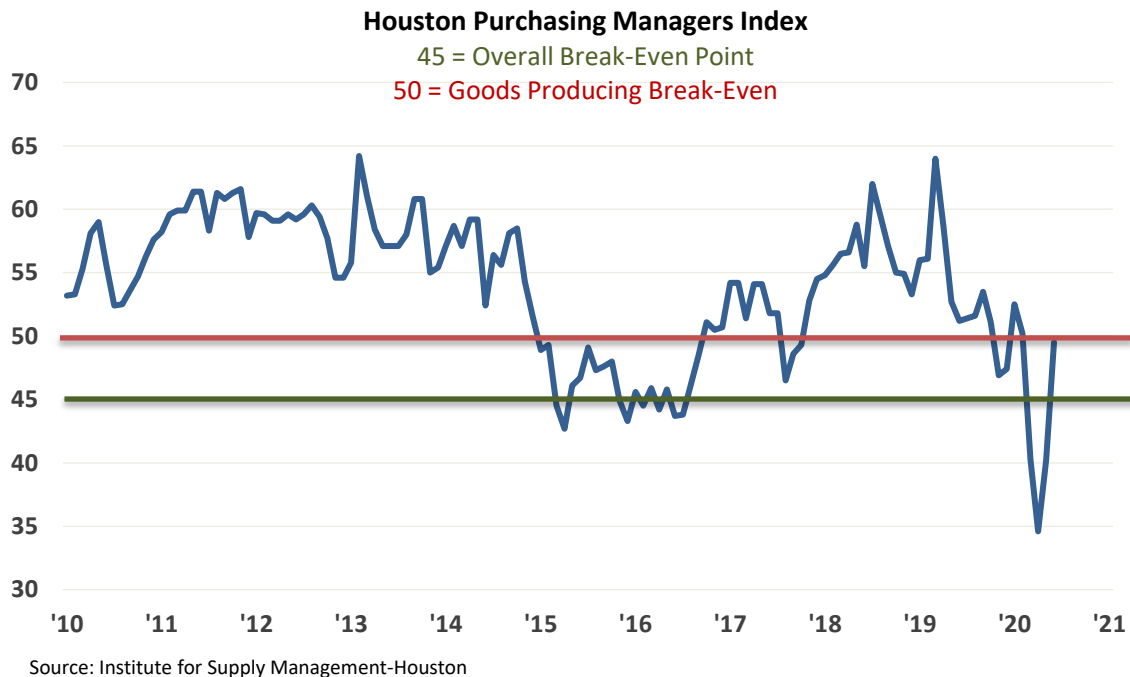
Index	Jun	May	Change
Houston PMI	49.5	40.2	9.3
Sales/New Orders	56.8	36.4	20.4
Production	55.5	43.2	12.3
Employment	44.8	38.1	6.7
Purchases	50.1	40.2	9.9
Prices Paid	50.7	47.4	3.3
Lead Times	51.7	51.5	0.2
Purchased Inventory	55.9	54.4	1.5
Finished Goods Inventory	58.3	63.6	-5.3

Source: Institute for Supply Management-Houston

On an industry specific basis, accommodations and foods services, transportation, utilities, and health care reported expansion in June after a very weak report in May. Real estate, oil and gas, and nondurable goods

manufacturing reported near neutral. Construction, durable goods manufacturing, and professional services continued to report contraction.

The forecast component of the Houston PMI, which suggests economic trends over the next three months, rose from 45.7 in May to 53.9 in June. This was driven by improvements in the sales/new orders, production, and prices paid indices. The accuracy of the three-month forecast is highly uncertain, however, as further economic improvement is dependent on the severity of the COVID-19 pandemic.



The Institute for Supply Management - Houston has published the Houston PMI monthly since January 1995 as a service to its members and the greater Houston business community. For additional information on the index, click [here](#).

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