

Purchasing Managers Index of Puerto Rico Manufacturing

March 2011

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PURCHASING MANAGERS INDEX FOR MANUFACTURING SURGES TO 60.6 IN MARCH

On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index of Puerto Rico's manufacturing sector jumped to 60.6 in March, staying above the threshold for the fifth consecutive month. A reading above the threshold value of 50 suggests an expansion in the manufacturing sector with respect to the previous month. All five of the PMI sub-indexes were above the threshold in March, with only Inventories decreasing from February to March. Most respondents indicated the March earthquake in Japan had not affected the business conditions of their firm, although several firms reported unfavorable effects. The PRM-PMI is currently available only on a Non-Seasonally Adjusted (NSA) basis which means that seasonal fluctuations, such as those that might occur in holiday months, can affect its performance. See next pages for details.

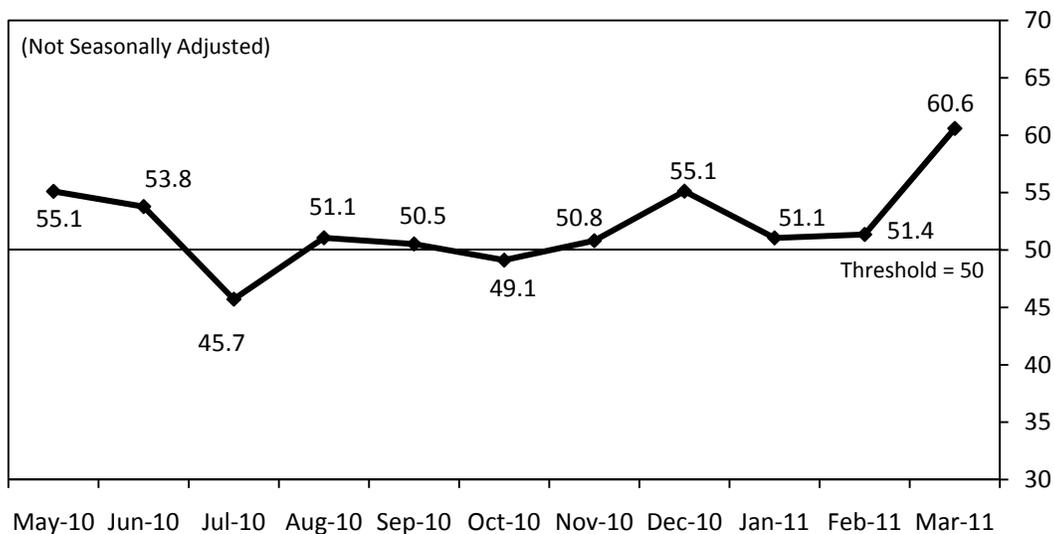


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): March 2011

	Better	Same	Worse	PMI		
Órdenes nuevas	52.9	38.2	8.8	72.1	Higher	New orders
Producción	55.9	38.2	5.9	75	Higher	Production
Empleo	14.7	73.5	11.8	51.5	Higher	Employment
Entregas de proveedores	8.8	88.2	2.9	52.9	Slower	Supplier deliveries
Inventarios de su empresa	29.4	44.1	26.5	51.5	Higher	Own inventories

Puerto Rico Manufacturing – Purchasing Managers Index (NSA) 60.6 Expansion

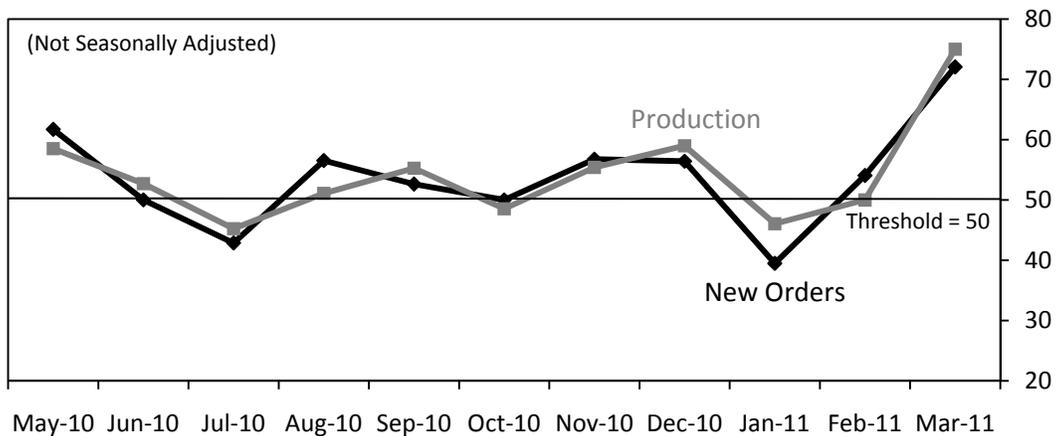
Note: Not Seasonally Adjusted (NSA)

New Orders

In March, the New Orders PMI (NSA) leapt to 72.1, remaining above the threshold for the second consecutive month. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, new orders at manufacturing establishments increased in March with respect to February. According to one manufacturing establishment, the increase was due in part to special orders.

Production

The Production PMI (NSA) vaulted up from the threshold to 75.0 in March. A reading above 50 suggests that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in March was higher than in February.



Employment

In March, the Employment PMI (NSA) rose from below the threshold to 51.5. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in March was higher than in February.

Supplier Deliveries

The Supplier Deliveries PMI (NSA) edged up from the threshold to 52.9. A reading above 50 suggests that on a Non-Seasonally Adjusted (NSA) basis, the speed of supply deliveries was slower in March than in February. This is the sixth consecutive month that the PMI of supplier deliveries remains at or above the threshold.



Own Inventories

The Own Inventories PMI decreased to 51.5, but remained above the threshold in March for the fourth consecutive month. A reading above 50 indicates that inventories in manufacturing establishments were higher in March than in February.

Methodological note

The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) is the result of a collaborative project between the Puerto Rico Manufacturers Association, Scotiabank, and the Puerto Rico Institute of Statistics. The PRM-PMI measures short-run business conditions in Puerto Rico's manufacturing sector, and provides a broad-based metric for the productive side of Puerto Rico's economy. It is currently in a testing phase to ensure a reliable methodology. The methodology is similar to PMI surveys conducted elsewhere. The survey questionnaire is available at <http://www.estadisticas.gobierno.pr/iepr/Encuestas/Manufactura.aspx>. The participants include manufacturing establishments with 50 or more employees with membership in the Puerto Rico Manufacturers Association. Currently, results are presented on a Non-Seasonally Adjusted (NSA) basis. In the future, with sufficient data points, a seasonally adjusted version of the PRM-PMI will be prepared, which will smooth away the influence of seasonal fluctuations.

The PRM-PMI is calculated as the simple average of 5 sub-indexes, representing different business conditions in manufacturing establishments: New Orders PMI, Production PMI, Employment PMI, Supplier Deliveries PMI, Own Inventories PMI. The sub-indexes are computed using a diffusion index methodology. In specific, for any given month with respect to the previous month, participants are asked to answer whether the business condition of the establishment: (1) improved, (2) remained the same, or (3) deteriorated. Diffusion indexes are calculated as the percentage of responses that indicate the business condition improved plus half of the percentage of responses that indicate the business condition remained the same. The survey also includes questions on other business conditions. The diffusion indexes, that correspond to these questions, are currently under evaluation.

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Publication calendar

The monthly PRM-PMI report is published at 10:00 a.m. on the first business day of the month. In specific, the table below shows the expected publication dates of the PRM-PMI report:

Reference month	Publication date	Reference month	Publication date
Jan 2011	March 1, 2011	Jul 2011	September 1, 2011
Feb 2011	April 1, 2011	Aug 2011	October 3, 2011
Mar 2011	May 2, 2011	Sep 2011	November 1, 2011
Apr 2011	June 1, 2011	Oct 2011	December 1, 2011
May 2011	July 1, 2011	Nov 2011	January 2, 2012
Jun 2011	August 1, 2011	Dec 2011	February 1, 2012