

Purchasing Managers Index of Puerto Rico Manufacturing

OCTOBER 2012

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<http://www.estadisticas.gobierno.pr/iepr/Publicaciones/Encuestas/ManufacturaPMI.aspx>

PUERTO RICO MANUFACTURING PMI INCREASED TO 51.5 IN OCTOBER

On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index (PMI) for Puerto Rico's manufacturing sector rose above the threshold to 51.5 in October, after one month below. A reading above the threshold value of 50 suggests an expansion in the manufacturing sector with respect to the previous month. The only sub-index below the threshold was the Employment sub-index, which dropped further below the threshold to 38.9 in October, its lowest level ever since the survey began 30 months ago. While the Suppliers Delivers and Own Inventories sub-index edged down in October, the New Orders and Production sub-indices jumped above the threshold level. The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) has been at or above the threshold value in 24 of the 30 months since the survey was first undertaken. The PRM-PMI is currently available only on a Non-Seasonally Adjusted (NSA) basis which means that seasonal fluctuations can affect its performance.

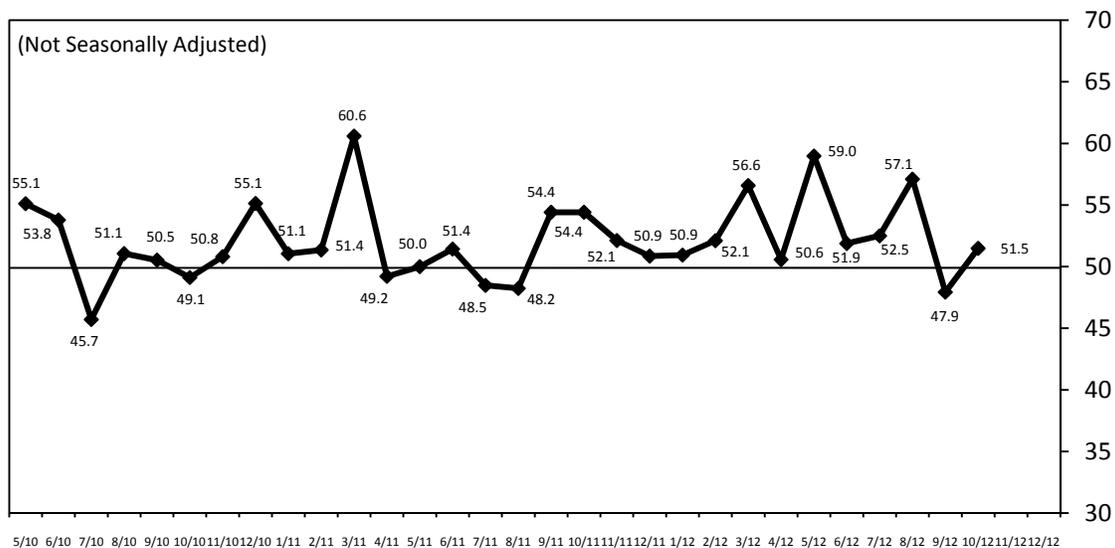


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): October 2012

	Better	Same	Worse	PMI		
Órdenes nuevas	44.4	25.9	29.6	57.4	Higher	New orders
Producción	40.7	25.9	33.3	53.7	Higher	Production
Empleo	11.1	55.6	33.3	38.9	Lower	Employment
Entregas de suplidores	11.1	81.5	7.4	51.9	Slower	Supplier deliveries
Inventarios de su empresa	25.9	59.3	14.8	55.6	Higher	Own inventories

Puerto Rico Manufacturing – Purchasing Managers Index (NSA) 51.5 Expansion

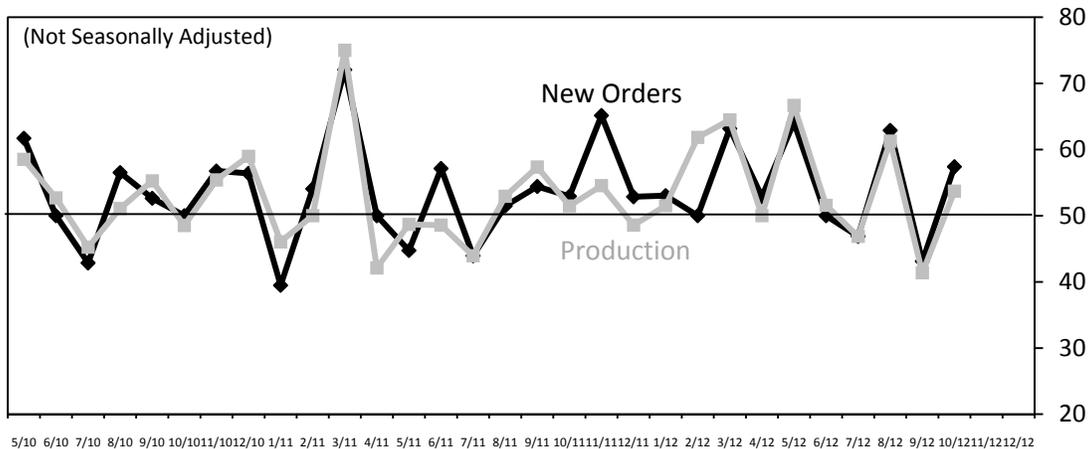
Note: Not Seasonally Adjusted (NSA)

New Orders

In October, the New Orders PMI (NSA) jumped above the threshold to 57.4. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, new orders at manufacturing establishments in October were higher than in September.

Production

The Production PMI (NSA) rose above the threshold to 53.7 in October, after being below it last month. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in October was higher than in September.

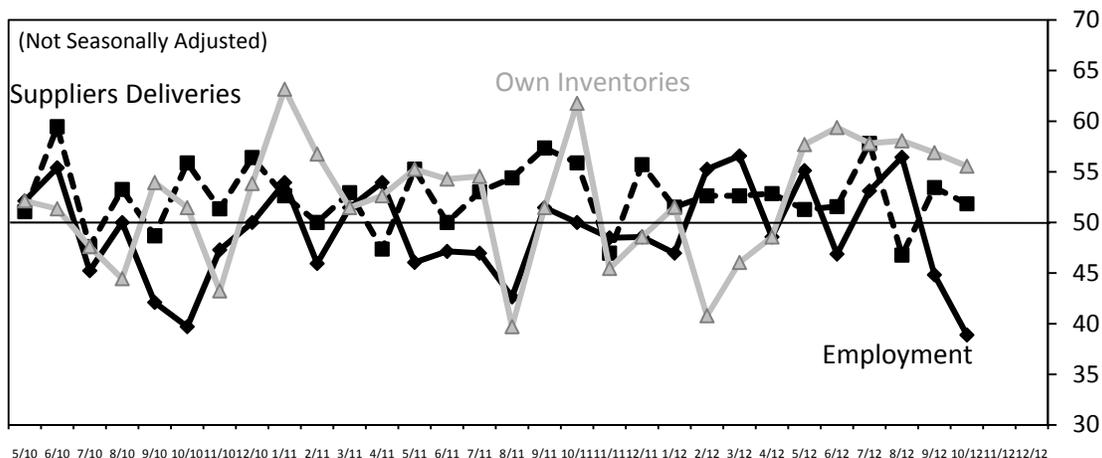


Employment

In October, the Employment PMI (NSA) dropped further below the threshold to 38.9, to its lowest level ever since the PRM-PMI survey began 30 months ago. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in October was lower than in September.

Supplier Deliveries

The Supplier Deliveries PMI (NSA) edged down to 51.9 in October but remained above the threshold for the second consecutive month. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, the speed of supply deliveries in October was slower than in September, suggesting a higher demand for intermediate goods.



Own Inventories

In October, the Own Inventories PMI (NSA) inched down to 55.6, but remained above the threshold for the sixth consecutive month. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, inventories in manufacturing establishments in October were higher than in September.

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/Publicaciones/Encuestas/ManufacturaPMI.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 during calendar year 2013:

Reference month	Publication date
Nov-12	January 2, 2013
Dec-12	February 1, 2013
Jan-13	March 1, 2013
Feb-13	April 1, 2013
Mar-13	May 1, 2013
Apr-13	June 3, 2013

Reference month	Publication date
May-13	July 1, 2013
Jun-13	August 1, 2013
Jul-13	September 3, 2013
Aug-13	October 1, 2013
Sep-13	November 1, 2013
Oct-13	December 2, 2013