

Purchasing Managers Index of Puerto Rico Manufacturing

February 2014

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

PUERTO RICO MANUFACTURING PMI JUMPED UP TO 52.8 IN FEBRUARY

On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index (PMI) for Puerto Rico's manufacturing sector increased to 52.8 in February, vaulting over the threshold, after two consecutive months below. A reading above the threshold level of 50 suggests an expansion in the manufacturing sector with respect to the previous month. All of the sub-indexes rose when compared to their January reading, and all of the sub-indexes, except for the Employment sub-index, were above the threshold level in February. This month, in response to recommendations from manufacturers, an experimental question regarding manufacturing downtime was added and the survey results indicate that almost 30 percent experienced greater downtime during February as compared to January. The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) has been at or above the threshold level in 34 of the 46 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.

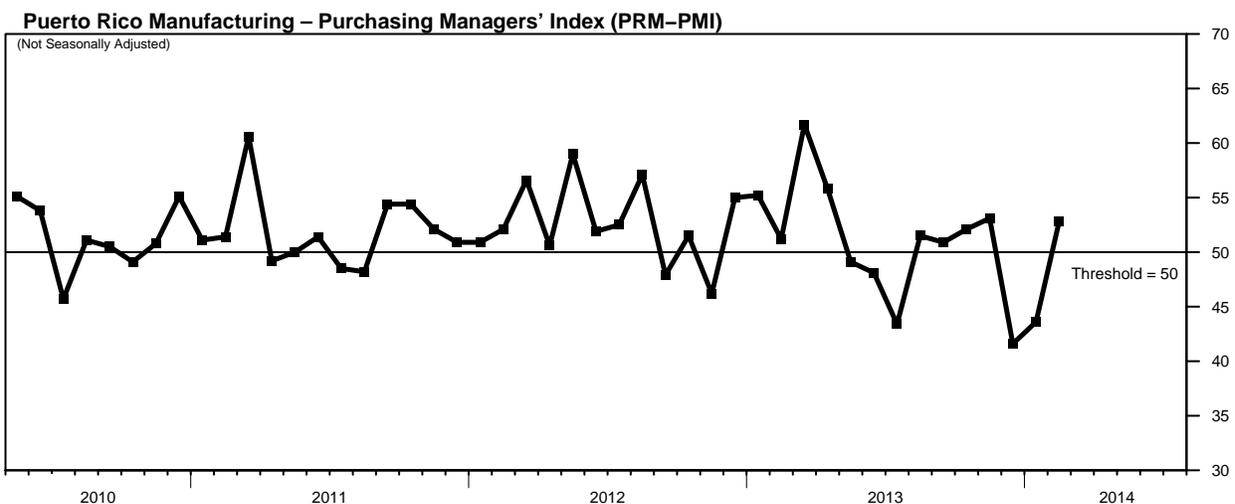


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): February 2014

| | Better | Same | Worse | PMI | | |
|---------------------------|--------|------|-------|------|--------|---------------------|
| Órdenes nuevas | 24.1 | 55.2 | 20.7 | 51.7 | Higher | New orders |
| Producción | 34.5 | 44.8 | 20.7 | 56.9 | Higher | Production |
| Empleo | 10.3 | 72.4 | 17.2 | 46.6 | Lower | Employment |
| Entregas de suplidores | 24.1 | 65.5 | 10.3 | 56.9 | Slower | Supplier deliveries |
| Inventarios de su empresa | 24.1 | 55.2 | 20.7 | 51.7 | Higher | Own inventories |

Puerto Rico Manufacturing – Purchasing Managers Index (NSA) 52.8 Expansion

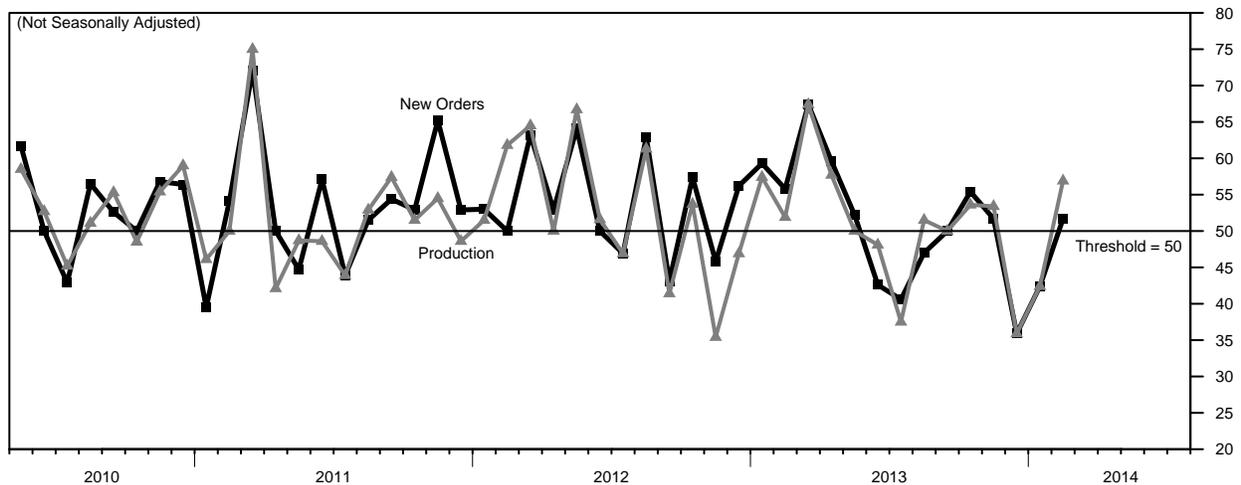
Note: Not Seasonally Adjusted (NSA)

New Orders

The New Orders PMI (NSA) surged to 51.7 in February, after remaining below the threshold level for two consecutive months. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, new orders at manufacturing establishments in February were higher than in January.

Production

In February, the Production PMI (NSA) vaulted over the threshold level to 56.9, after remaining below the threshold level for two consecutive months. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in February was higher than in January.

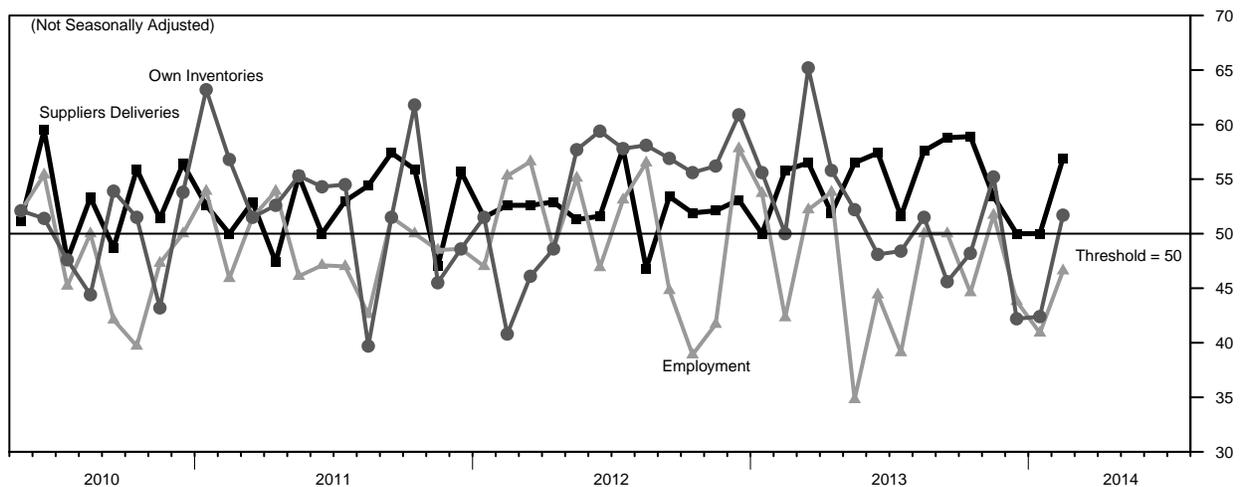


Employment

The Employment PMI (NSA) edged up to 46.6 in February, but remained below the threshold level for the third consecutive month. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in February was lower than in January.

Supplier Deliveries

In February, the Supplier Deliveries PMI (NSA) rose from the threshold level to 56.9. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, the speed of supply deliveries in February was slower than in January, suggesting a higher demand for intermediate goods.



Own Inventories

The Own Inventories PMI (NSA) rose above the threshold level to 51.7 in February, after remaining below the threshold level for two consecutive months. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, inventories in manufacturing establishments in February were lower than in January.

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-13 | January 2, 2014 |
| Dec-13 | February 3, 2014 |
| Jan-14 | March 3, 2014 |
| Feb-14 | April 1, 2014 |
| Mar-14 | May 1, 2014 |
| Apr-14 | June 2, 2014 |

| Reference month | Publication date |
|-----------------|-------------------|
| May-14 | July 1, 2014 |
| Jun-14 | August 1, 2014 |
| Jul-14 | September 2, 2014 |
| Aug-14 | October 1, 2014 |
| Sep-14 | November 3, 2014 |
| Oct-14 | December 1, 2014 |