

Purchasing Managers Index of Puerto Rico Manufacturing

July 2011

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

PURCHASING MANAGERS INDEX FOR MANUFACTURING DECLINED TO 48.5 IN JULY

On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index of Puerto Rico's manufacturing sector decreased below the threshold to 48.5 in July. A reading below the threshold value of 50 suggests a contraction in the manufacturing sector with respect to the previous month. Three of the PMI sub-indexes, New Orders, Production and Employment, were below the threshold in July, after moving down from the previous month. The remaining two PMI sub-indexes, Suppliers Deliveries and Own Inventories, were above the threshold, after moving up from the previous month. The PRM-PMI was at or above the threshold in 11 of the last 15 months since the survey began. 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 summer vacation months, can affect its performance. Once sufficient data is available, a seasonally adjusted version of the PRM-PMI will be prepared.

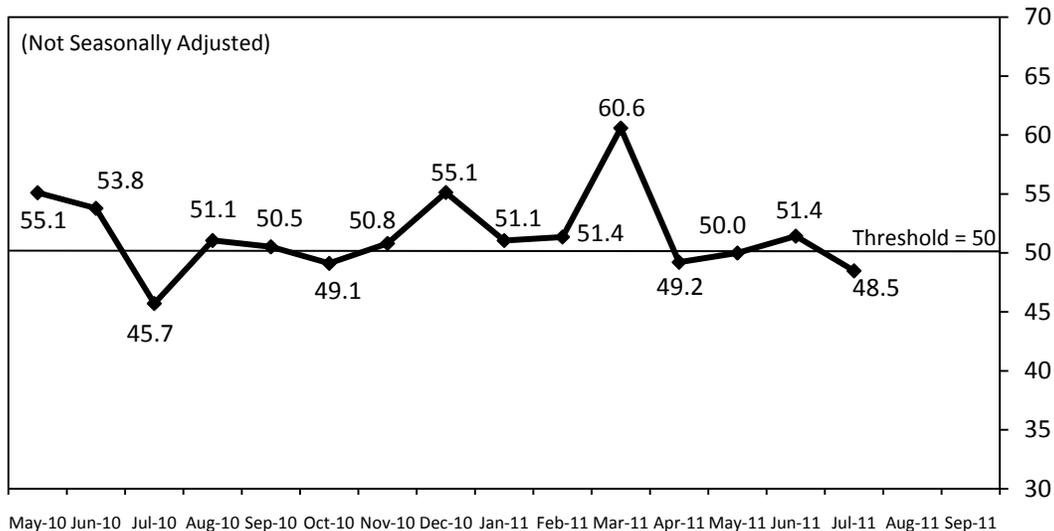


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): July 2011

	Better	Same	Worse	PMI		
Órdenes nuevas	27.3	33.3	39.4	43.9	Lower	New orders
Producción	30.3	27.3	42.4	43.9	Lower	Production
Empleo	15.2	63.6	21.2	47	Lower	Employment
Entregas de suplidores	21.2	63.6	15.2	53	Slower	Supplier deliveries
Inventarios de su empresa	21.2	66.7	12.1	54.5	Higher	Own inventories

Puerto Rico Manufacturing – Purchasing Managers Index (NSA) 48.5 Contraction

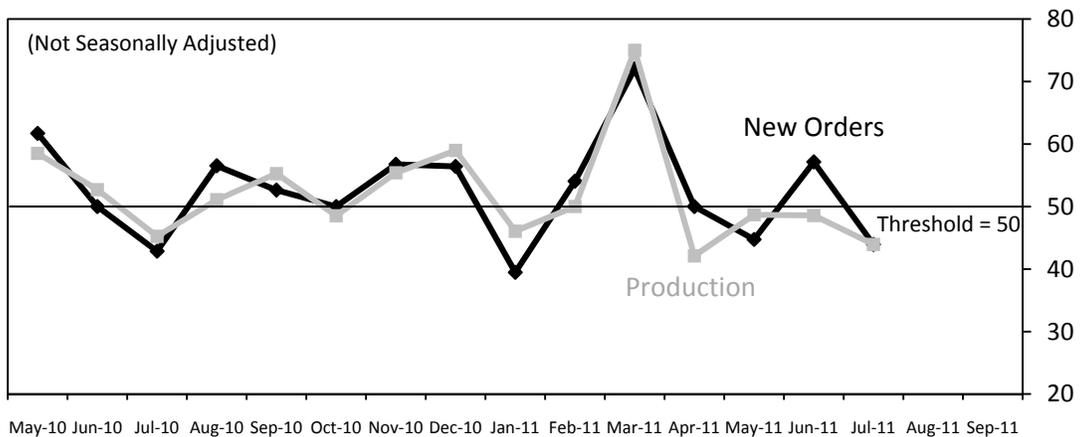
Note: Not Seasonally Adjusted (NSA)

New Orders

In July, the New Orders PMI (NSA) fell below the threshold to 43.9. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, new orders at manufacturing establishments in July were lower than in June.

Production

The Production PMI (NSA) declined to 43.9 in July, remaining below the threshold value for the fourth consecutive month. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in July was lower than in June.



Employment

In July, the Employment PMI (NSA) ticked down to 47.0, remaining below the threshold for the third consecutive month. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in July was lower than in June.

Supplier Deliveries

The Supplier Deliveries PMI (NSA) increased from the threshold to 53.0. A reading above of 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, the speed of supply deliveries in July was slower than in June. In turn, this may be a sign of increased demand for intermediate goods.



Own Inventories

The Own Inventories PMI moved up to 54.5 in June, remaining above the threshold for the eighth consecutive month. A reading above 50 indicates that inventories in manufacturing establishments were higher in July with respect to June.

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
Jan 2011	May 1, 2011
Feb 2011	May 1, 2011
Mar 2011	June 2, 2011
Apr 2011	June 1, 2011
May 2011	July 1, 2011
Jun 2011	August 1, 2011

Reference month	Publication date
Jul 2011	September 1, 2011
Aug 2011	October 3, 2011
Sep 2011	November 1, 2011
Oct 2011	December 1, 2011
Nov 2011	January 2, 2012
Dec 2011	February 1, 2012