

Purchasing Managers Index of Puerto Rico Manufacturing

September 2021



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PUERTO RICO MANUFACTURING PMI DECREASED TO 53.2 IN SEPTEMBER

The Purchasing Managers Index (PMI) for Puerto Rico's manufacturing sector is a collaborative effort between the Puerto Rico Manufacturers Association and the Puerto Rico Institute of Statistics. On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index (PMI) for Puerto Rico's manufacturing sector decreased to 53.2 in September. A reading above the threshold level suggests an expansion in the manufacturing sector with respect to the previous month. The New Orders and Production sub-indexes decreased with respect to the previous month. On a positive note, the Production, Employment and Supplier Deliveries sub-indexes were at or above the threshold level of 50. In a supplemental survey of manufacturing establishments related to the COVID-19 pandemic, factors affected by the pandemic in the manufacturing sector were: a reduction in suppliers' deliveries (52%), a reduction in staff (35%), a reduction in inventory (19%), and others (23%). In contrast, 16% of the respondents weren't affected by the pandemic. Among the biggest challenges faced by companies during the past month are: the Human Resources area (employment, recruitment, absenteeism), increased costs (raw material) and delay in the supply chain including transportation. The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) has been at or above the threshold level in 81 of the 137 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.

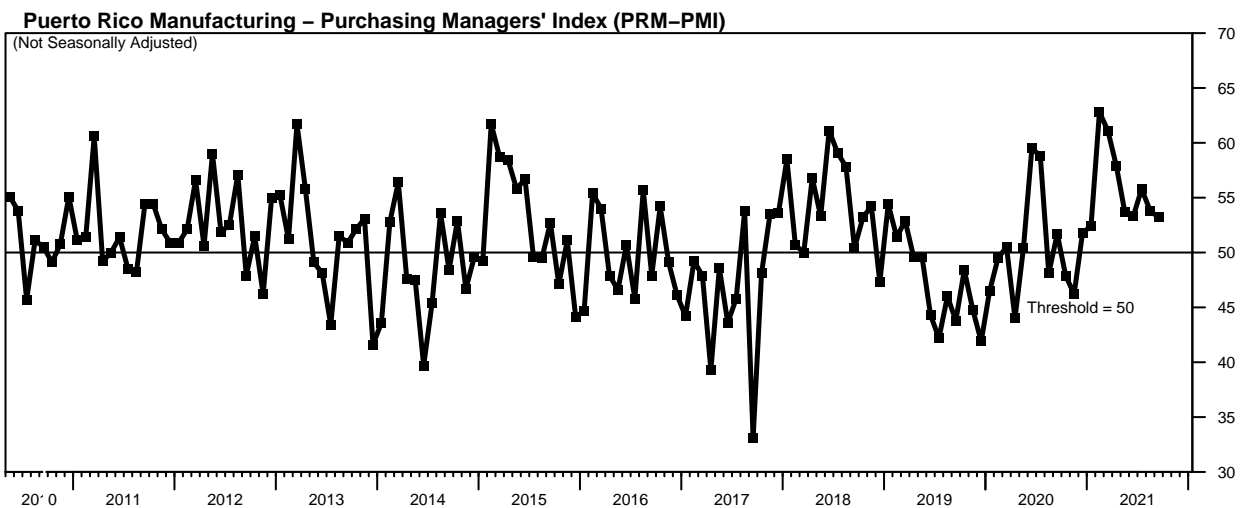


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): September 2021

| | Better | Same | Worse | PMI | | |
|---------------------------|--------|------|-------|------|--------|---------------------|
| Órdenes nuevas | 9.7 | 71 | 19.4 | 45.2 | Lower | New orders |
| Producción | 22.6 | 54.8 | 22.6 | 50 | Same | Production |
| Empleo | 12.9 | 74.2 | 12.9 | 50 | Same | Employment |
| Entregas de suplidores | 48.4 | 48.4 | 3.2 | 72.6 | Slower | Supplier deliveries |
| Inventarios de su empresa | 22.6 | 51.6 | 25.8 | 48.4 | Lower | Own inventories |

Puerto Rico Manufacturing – Purchasing Managers Index (NSA) 53.2 Expansion

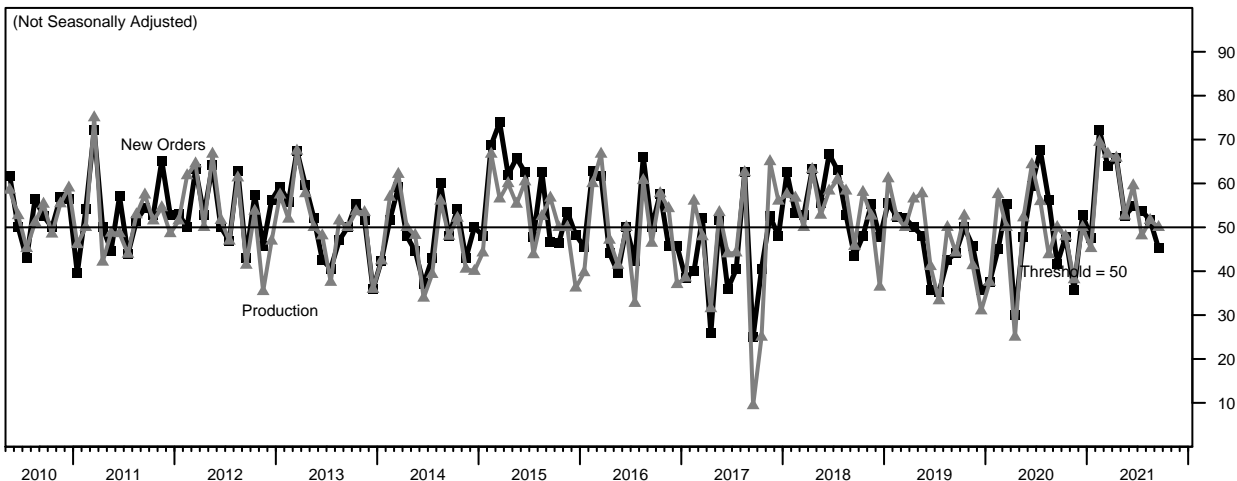
Note: Not Seasonally Adjusted (NSA)

New Orders

In September, the New Orders PMI (NSA) decreased to 45.2, after being above the threshold for seven consecutive months. A reading below 50 suggests that on a Non-Seasonally adjusted (NSA) basis, new orders at manufacturing establishments in September were lower than in August.

Production

The Production PMI (NSA) decreased to 50 in September, being at and above the threshold for two consecutive months. A reading of 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in September was the same as in August.

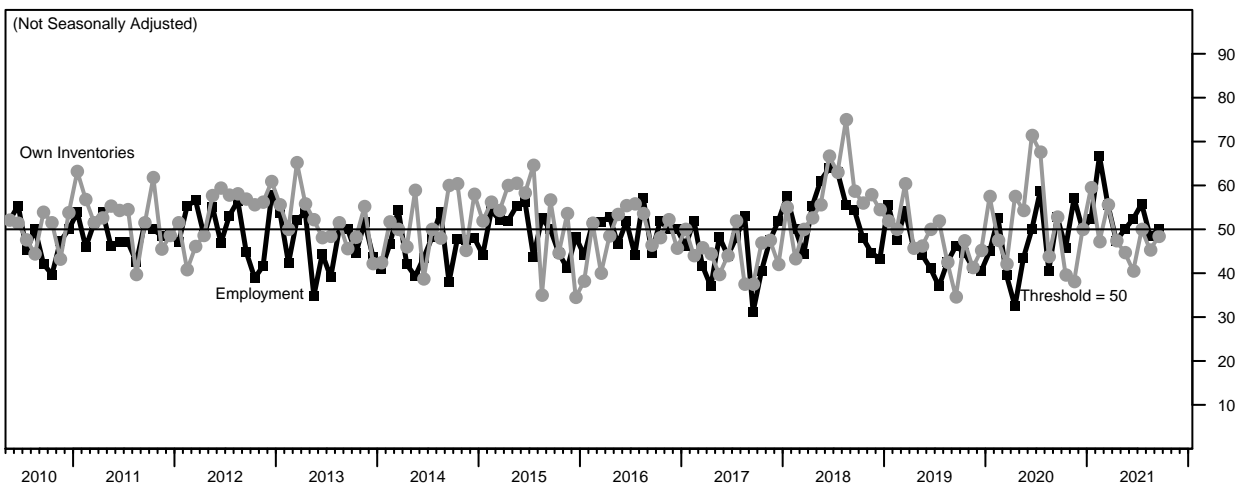


Employment

In September, the Employment PMI (NSA) increased to 50, after being below the threshold last month. A reading of 50 suggests that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in September was the same as in August.

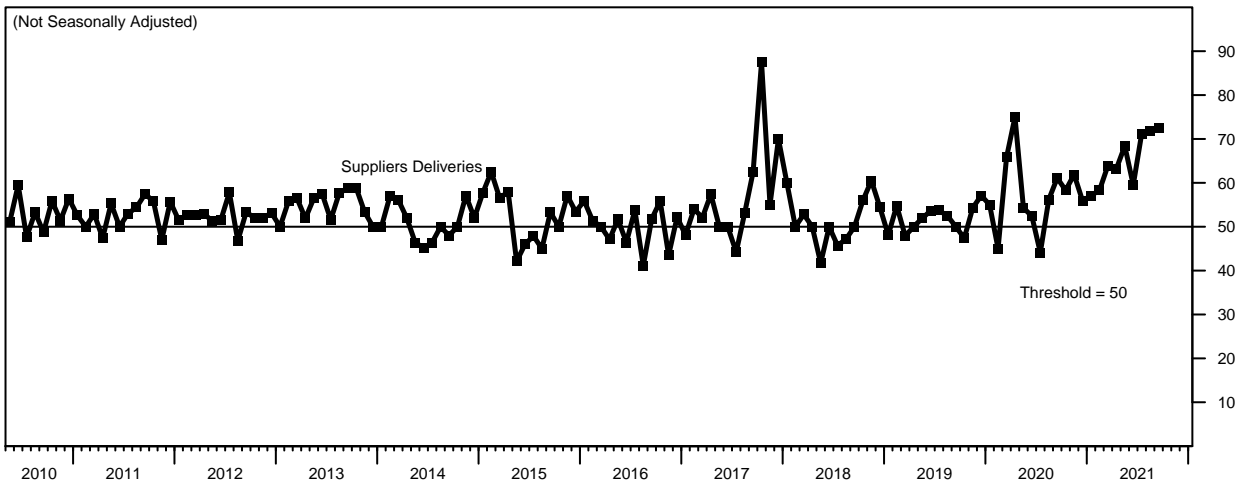
Own Inventories

In September, the Own Inventories PMI (NSA) increased to 48.4, being below the threshold for two consecutive months. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, inventories in manufacturing establishments in September were lower than in August.



Supplier Deliveries

The Supplier Deliveries PMI (NSA) increased to 72.6 in September, being above the threshold for fourteen consecutive months. A reading above the threshold of 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, the speed of supplier deliveries in September was slower than in August.



Methodological note

The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) is the result of a collaborative project between the Puerto Rico Manufacturers Association 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 <https://estadisticas.pr/encuestas/puerto-rico-manufacturing>. 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 any 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. Specifically, 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. Responses that indicate the business condition deteriorated are not taken into account in calculating diffusion indexes. 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 2020:

| Reference month | Publication date |
|-----------------|------------------|
| Nov-20 | January 4, 2021 |
| Dec-20 | February 4, 2021 |
| Jan-21 | March 1, 2021 |
| Feb-21 | April 5, 2021 |
| Mar-21 | May 3, 2021 |
| Apr-21 | June 1, 2021 |

| Reference month | Publication date |
|-----------------|-------------------|
| May-21 | July 1, 2021 |
| Jun-21 | August 2, 2021 |
| Jul-21 | September 1, 2021 |
| Aug-21 | October 4, 2021 |
| Sep-21 | November 1, 2021 |
| Oct-21 | December 6, 2021 |