

Purchasing Managers Index of Puerto Rico Manufacturing

August 2020



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PUERTO RICO MANUFACTURING PMI DECREASED TO 48.1 IN AUGUST

On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index (PMI) for Puerto Rico's manufacturing sector decreased to 48.1 in August. A reading below the threshold level suggests a contraction in the manufacturing sector with respect to the previous month. The Supplier deliveries sub-index increased with respect to the previous month. On a positive note, the New orders sub-index was above the threshold level of 50. In a voluntary supplemental survey of manufacturing establishments, only 6% of the respondents indicated that their operations ceased following the health measurements taken by the government due to the COVID-19 pandemic. Factors affected by the pandemic in the manufacturing sector were: a reduction in suppliers' deliveries (50%), a reduction in demand (63%), a reduction in staff (31%), a reduction in inventory (38%), and others (19%). The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) has been at or above the threshold level in 70 of the 124 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.

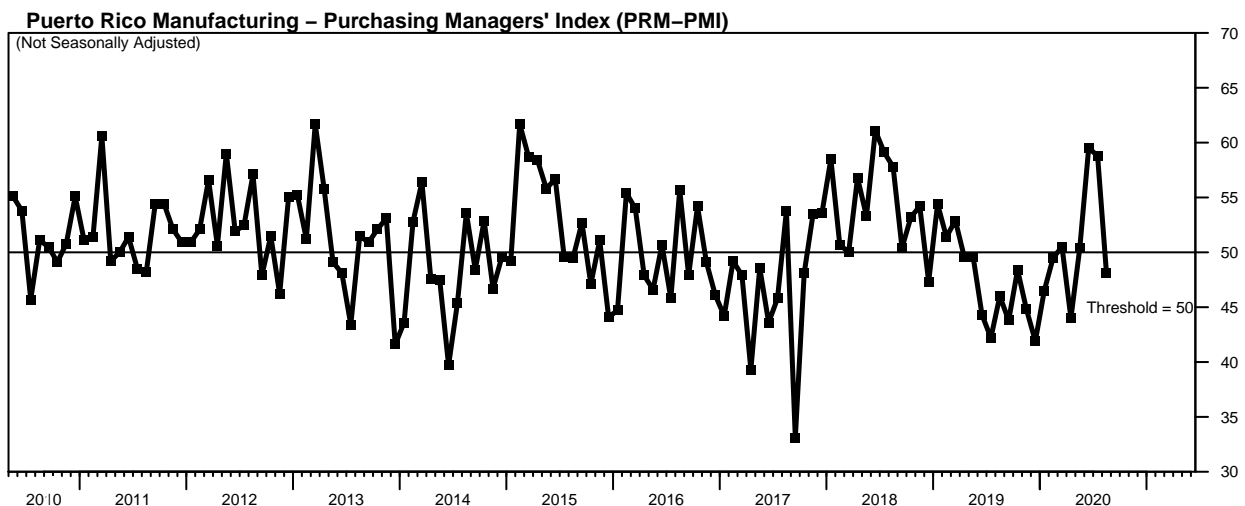


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): August 2020

	Better	Same	Worse	PMI		
Órdenes nuevas	25	62.5	12.5	56.2	Higher	New orders
Producción	18.8	50	31.2	43.8	Lower	Production
Empleo	0	81.2	18.8	40.6	Lower	Employment
Entregas de suplidores	12.5	87.5	0	56.2	Slower	Supplier deliveries
Inventarios de su empresa	18.8	50	31.2	43.8	Lower	Own inventories

Puerto Rico Manufacturing – Purchasing Managers Index (NSA) 48.1 Contraction

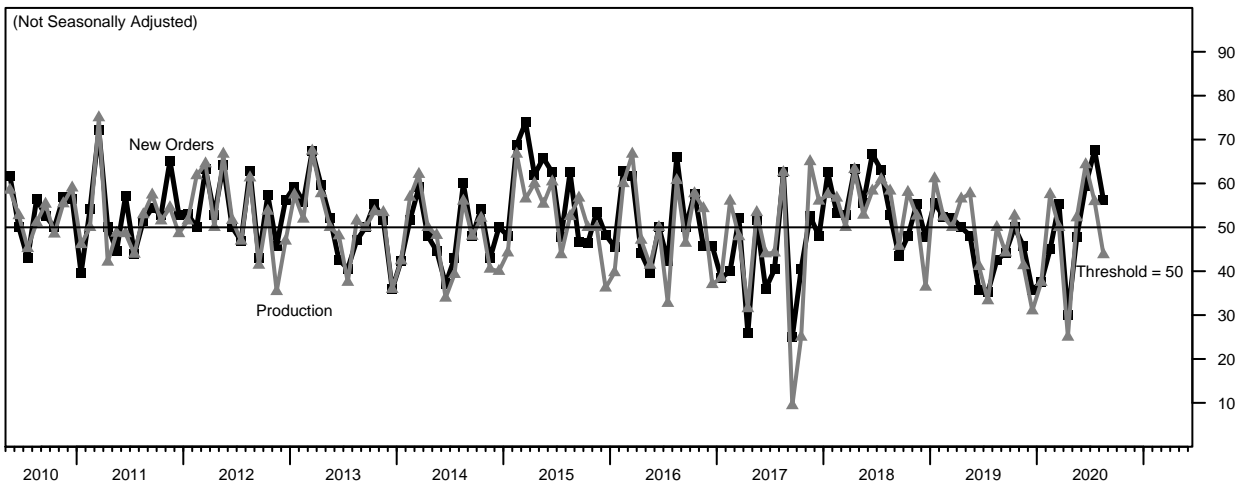
Note: Not Seasonally Adjusted (NSA)

New Orders

In August, the New Orders PMI (NSA) decreased to 56.2, being above the threshold for the third consecutive month. A reading above 50 indicates that on a Non-Seasonally adjusted (NSA) basis, new orders at manufacturing establishments in August were higher than in July.

Production

The Production PMI (NSA) decreased to 43.8 in August, after being above the threshold for three consecutive months. A reading of below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in August was lower than in July.

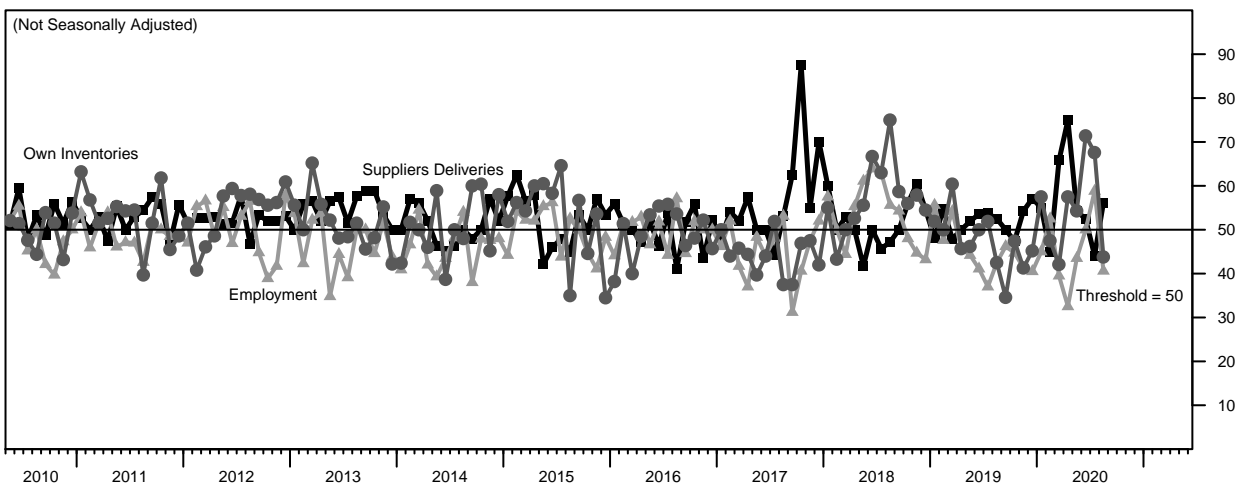


Employment

In August, the Employment PMI (NSA) decreased to 40.6, after being at or above the threshold for two consecutive months. A reading below 50 suggests that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in August was lower than in July.

Supplier Deliveries

The Supplier Deliveries PMI (NSA) climbed up to 56.2 in August, being above the threshold level. A reading above the threshold of 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, the speed of supplier deliveries in August was slower than in July.



Own Inventories

In August, the Own Inventories PMI (NSA) decreased to 43.8. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, inventories in manufacturing establishments in August were lower than in July.

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-19	January 2, 2020
Dec-19	February 3, 2020
Jan-20	March 3, 2020
Feb-20	April 1, 2020
Mar-20	May 1, 2020
Apr-20	June 1, 2020

Reference month	Publication date
May-20	July 1, 2020
Jun-20	August 3, 2020
Jul-20	September 1, 2020
Aug-20	October 1, 2020
Sep-20	November 2, 2020
Oct-20	December 1, 2020