

Purchasing Managers Index of Puerto Rico Manufacturing

May 2020



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PUERTO RICO MANUFACTURING PMI INCREASED TO 50.4 IN MAY

On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index (PMI) for Puerto Rico's manufacturing sector increased to 50.4 in May. A reading above the threshold level suggests an expansion in the manufacturing sector with respect to the previous month. The New Orders, Production and Employment sub-indexes increased with respect to the previous month. On a positive note, the Production, Suppliers Deliveries and Own Inventories sub-indexes were at or above the threshold level of 50. In a supplemental survey of manufacturing establishments, only 13% 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 were: a reduction in suppliers' deliveries (78%), a reduction in inventory (52%), a reduction in demand (48%), a reduction in staff (44%), and others (13%). The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) has been at or above the threshold level in 68 of the 121 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.

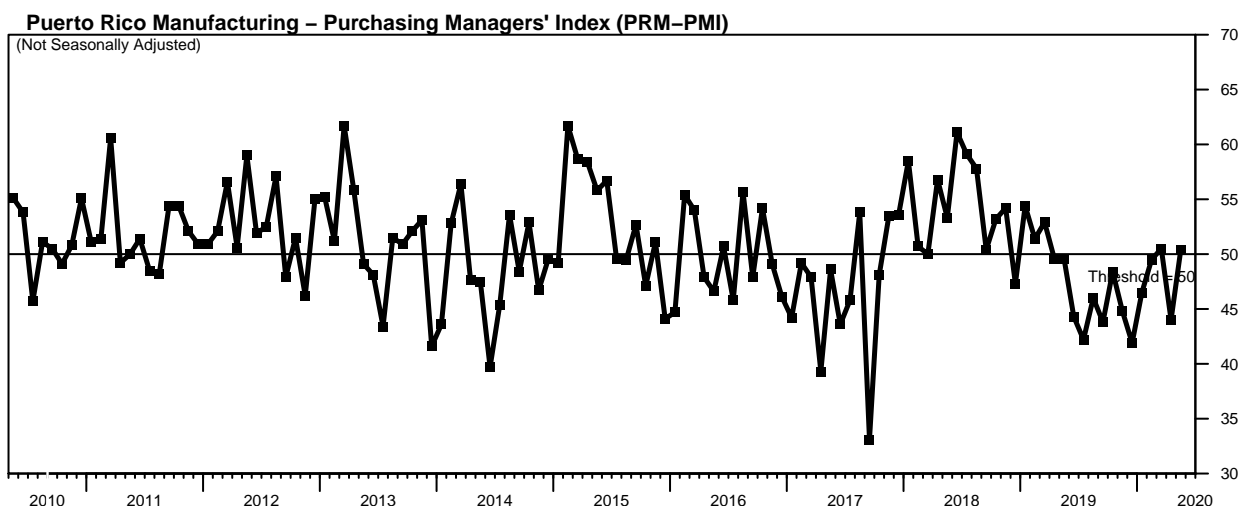


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): May 2020

	Better	Same	Worse	PMI		
Órdenes nuevas	26.1	43.5	30.4	47.8	Lower	New orders
Producción	30.4	43.5	26.1	52.2	Higher	Production
Empleo	8.7	69.6	21.7	43.5	Lower	Employment
Entregas de suplidores	26.1	56.5	17.4	54.3	Slower	Supplier deliveries
Inventarios de su empresa	30.4	47.8	21.7	54.3	Higher	Own inventories
Puerto Rico Manufacturing – Purchasing Managers Index (NSA)				50.4	Expansion	

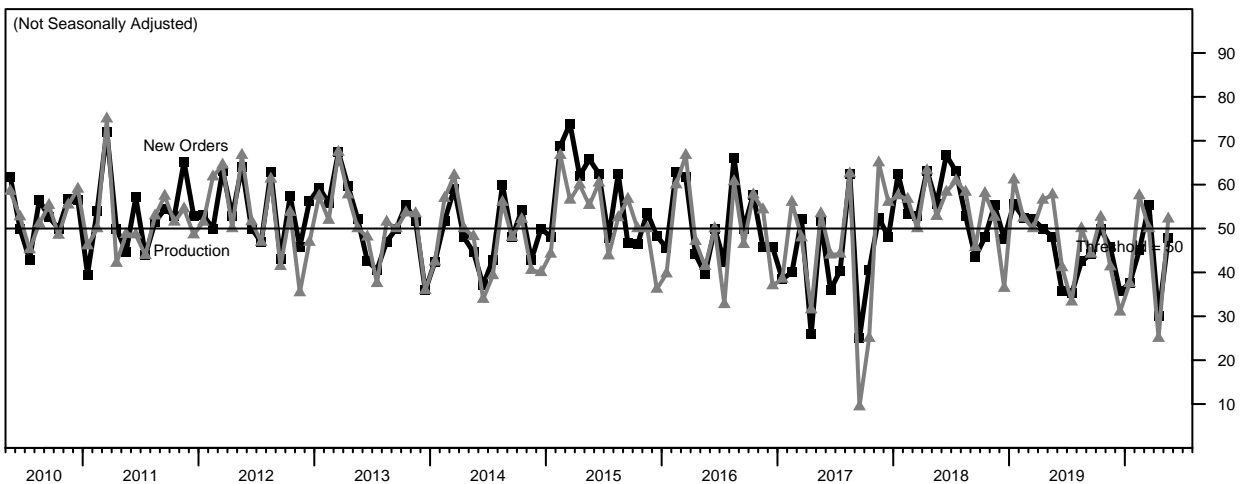
Note: Not Seasonally Adjusted (NSA)

New Orders

In May, the New Orders PMI (NSA) increased to 47.8 but it remained below the threshold level. A reading below 50 indicates that on a Non-Seasonally adjusted (NSA) basis, new orders at manufacturing establishments in May were lower than in April.

Production

The Production PMI (NSA) increased to 52.2 in May. A reading of above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in May were higher than in April.

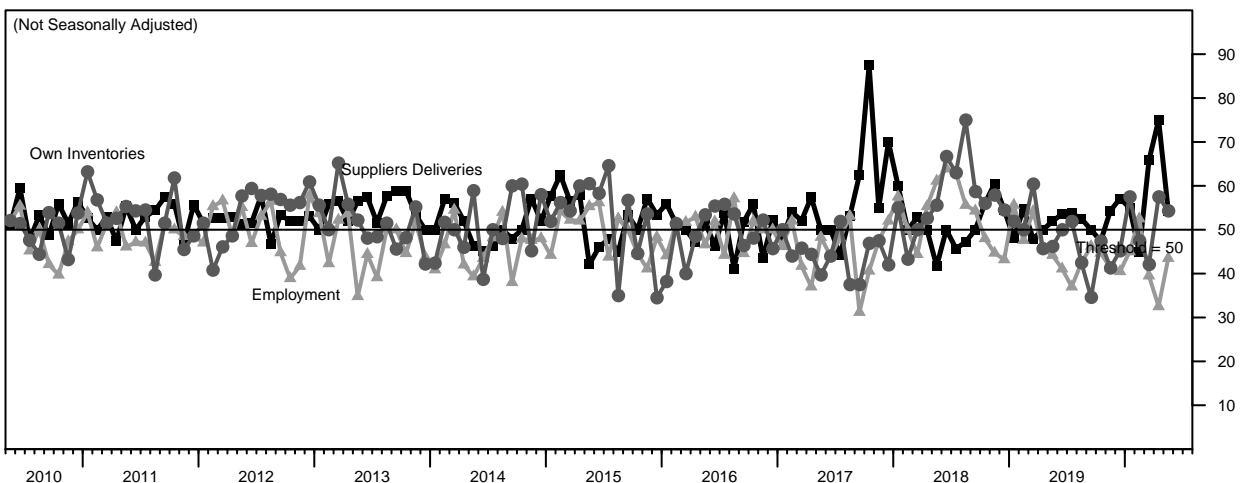


Employment

In May, the Employment PMI (NSA) increased to 43.5, but it remained below the threshold level. A reading below 50 suggests that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in May were lower than in April.

Supplier Deliveries

The Supplier Deliveries PMI (NSA) decreased to 54.3 in May, 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 May was slower than in April.



Own Inventories

In May, the Own Inventories PMI (NSA) decreased to 54.3, but it remained above the threshold level of 50. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, inventories in manufacturing establishments in May were higher than in April.

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