

Purchasing Managers Index of Puerto Rico Manufacturing

November 2020



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PUERTO RICO MANUFACTURING PMI DECREASED TO 46.2 IN NOVEMBER

On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index (PMI) for Puerto Rico's manufacturing sector decreased to 46.2 in November. A reading below the threshold level suggests a contraction in the manufacturing sector with respect to the previous month. The sub-indexes decreased with respect to the previous month except for the Employment and Supplier Deliveries sub-indexes. On a positive note, the Employment and Suppliers Deliveries sub-indexes were above the threshold level of 50. In a supplemental survey of manufacturing establishments, only 0% 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 (52%), a reduction in demand (48%), a reduction in staff (29%), a reduction in inventory (24%), and others (14%). The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) has been at or above the threshold level in 71 of the 127 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.

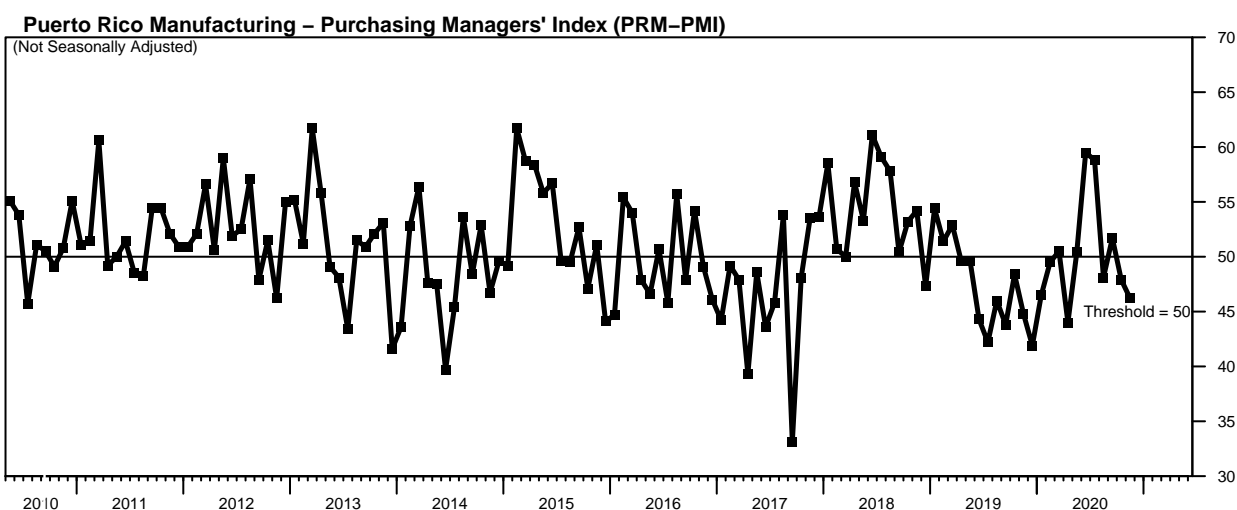


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): November 2020

| | Better | Same | Worse | PMI | | |
|---------------------------|--------|------|-------|------|--------|---------------------|
| Órdenes nuevas | 9.5 | 52.4 | 38.1 | 35.7 | Lower | New orders |
| Producción | 14.3 | 47.6 | 38.1 | 38.1 | Lower | Production |
| Empleo | 14.3 | 85.7 | 0 | 57.1 | Higher | Employment |
| Entregas de suplidores | 23.8 | 76.2 | 0 | 61.9 | Slower | Supplier deliveries |
| Inventarios de su empresa | 9.5 | 57.1 | 33.3 | 38.1 | Lower | Own inventories |

Puerto Rico Manufacturing – Purchasing Managers Index (NSA) 46.2 Contraction

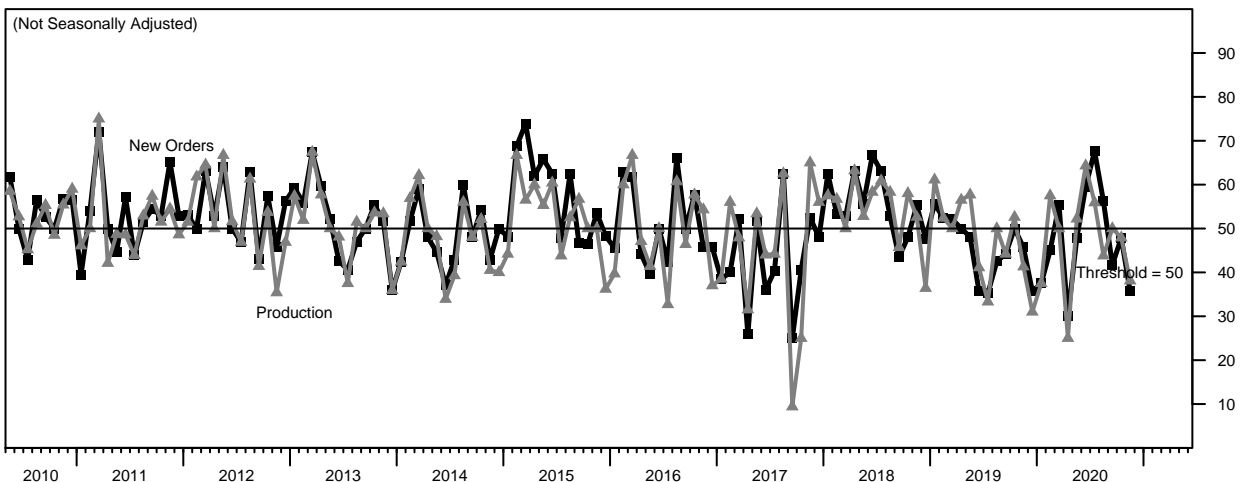
Note: Not Seasonally Adjusted (NSA)

New Orders

In November, the New Orders PMI (NSA) decreased to 35.7, being below the threshold for three consecutive months. A reading below 50 suggests that on a Non-Seasonally adjusted (NSA) basis, new orders at manufacturing establishments in November were lower than in October.

Production

The Production PMI (NSA) decreased to 38.1 in November, being below the threshold level for two consecutive months. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in November was lower than in October.

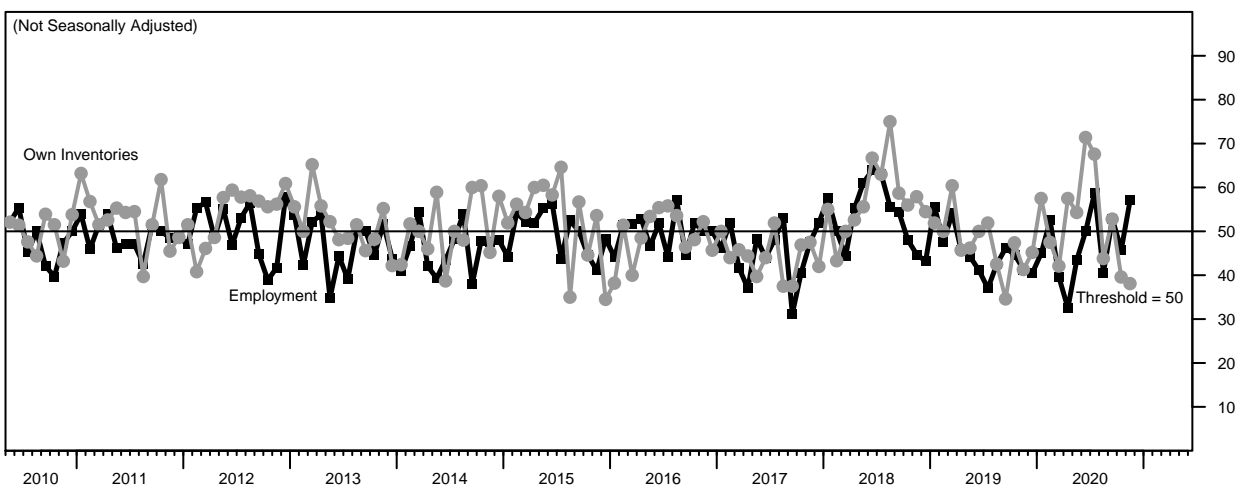


Employment

In November, the Employment PMI (NSA) increased to 57.1, after being below the threshold level last month. A reading above 50 suggests that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in November was higher than in October.

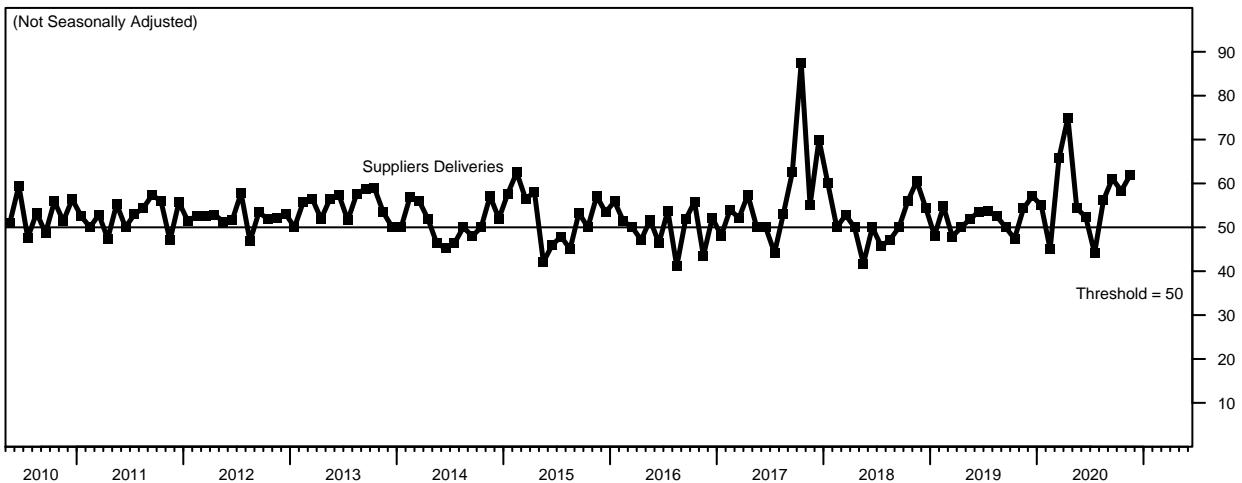
Own Inventories

In November, the Own Inventories PMI (NSA) decreased to 38.1. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, inventories in manufacturing establishments in November were lower than in October.



Supplier Deliveries

The Supplier Deliveries PMI (NSA) climbed up to 61.9 in November, being above the threshold for the fourth consecutive month. A reading above the threshold of 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, the speed of supplier deliveries in November was slower than in October.



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 |