

Purchasing Managers Index of Puerto Rico Manufacturing

March 2018

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until 10:00 a.m. (AST) Tuesday, May 1, 2018

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PUERTO RICO MANUFACTURING PMI EDGED DOWN TO 50.0 IN MARCH

On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index (PMI) for Puerto Rico's manufacturing sector inched down to the threshold level of 50.0 in March. This is the fifth consecutive month at or above the threshold level. A reading of 50 suggests that business conditions remained the same in the manufacturing sector with respect to the previous month. All the sub-indexes were at or above the threshold level in March, except for the Employment sub-index. The Supplier Deliveries sub-index rose to 52.8 in March, remaining at or above the threshold level, since before Hurricane Maria made landfall in Puerto Rico. However, a full 6 months after the Hurricane, a third of manufacturing businesses indicated that they were unable to resume normal operations during March. More than half of respondents (56%) indicated lack of reliable electricity as a factor that was continuing to affect their operations. The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) has been at or above the threshold level in 55 of the 95 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.

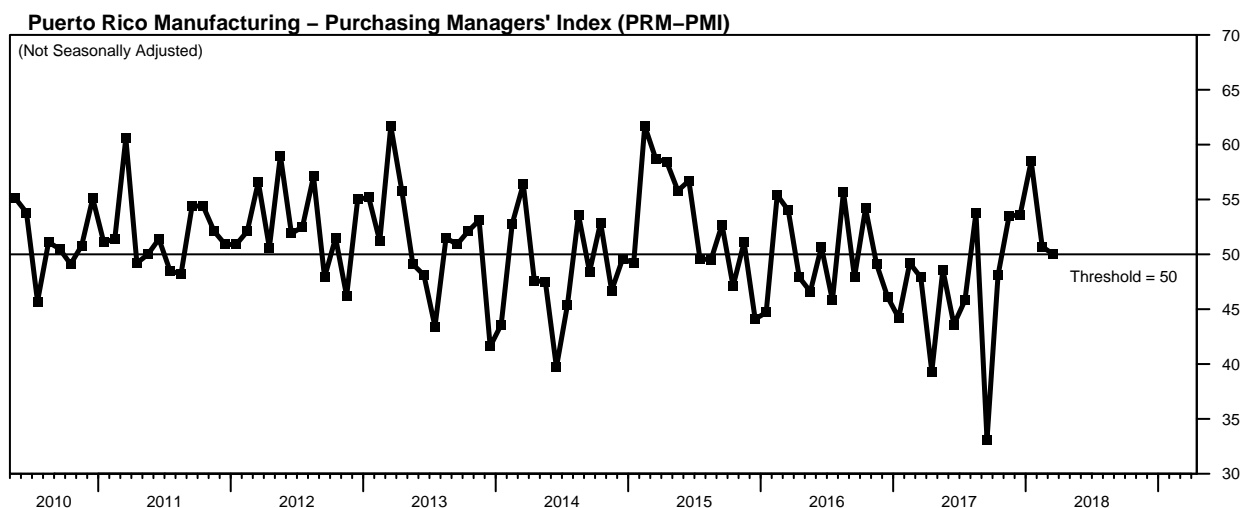


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): March 2018

	Better	Same	Worse	PMI		
Órdenes nuevas	27.8	50	22.2	52.8	Higher	New orders
Producción	33.3	33.3	33.3	50	Same	Production
Empleo	11.1	66.7	22.2	44.4	Lower	Employment
Entregas de suplidores	11.1	83.3	5.6	52.8	Slower	Supplier deliveries
Inventarios de su empresa	27.8	44.4	27.8	50	Same	Own inventories
Puerto Rico Manufacturing – Purchasing Managers Index (NSA)				50	Same	

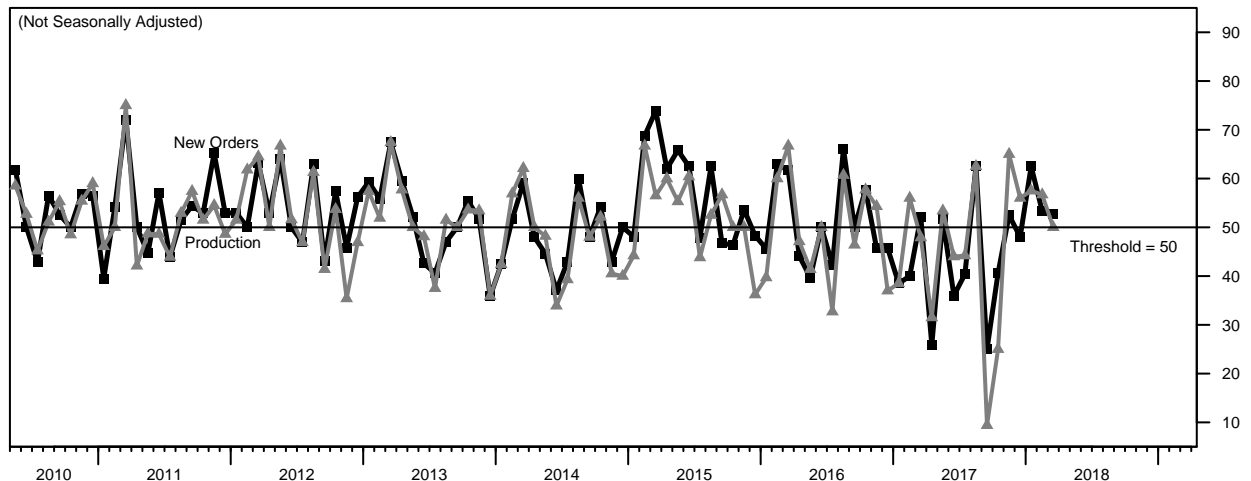
Note: Not Seasonally Adjusted (NSA)

New Orders

In March, the New Orders PMI (NSA) ticked down to 52.8, but remained over the threshold level for the third consecutive month. A reading above 50 indicates that on a Non-Seasonally adjusted (NSA) basis, new orders at manufacturing establishments in March were higher than in February.

Production

The Production PMI (NSA) declined to the threshold level of 50.0 in March, but remained at or above the threshold level for the fifth consecutive month. A reading of 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in March was the same than in February.

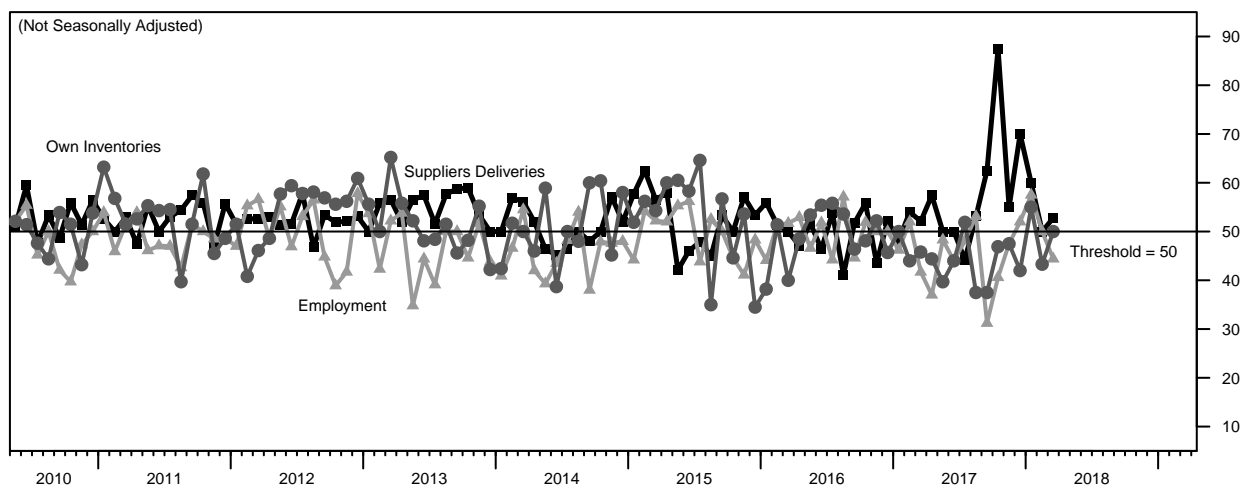


Employment

In March, the Employment PMI (NSA) sank below the threshold level to 44.4, after three consecutive months at or above it. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in March was lower than in February.

Supplier Deliveries

The Supplier Deliveries PMI (NSA) rose to 52.8 in March, remaining at or above the threshold level, since before Hurricane Maria made landfall in Puerto Rico. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, the speed of supply deliveries in March was slower than in February, potentially suggesting an increased demand for intermediate goods.



Own Inventories

In March, the Own Inventories PMI (NSA) climbed to the threshold level of 50. A reading of 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, inventories in manufacturing establishments in March were the same as in February.

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 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 during calendar year 2018:

Reference month	Publication date
Nov-17	January 2, 2018
Dec-17	February 1, 2018
Jan-18	March 1, 2018
Feb-18	April 2, 2018
Mar-18	May 1, 2018
Apr-18	June 1, 2018

Reference month	Publication date
May-18	July 2, 2018
Jun-18	August 1, 2018
Jul-18	September 4, 2018
Aug-18	October 1, 2018
Sep-18	November 1, 2018
Oct-18	December 3, 2018