

Purchasing Managers Index of Puerto Rico Manufacturing

June 2014

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<http://www.estadisticas.gobierno.pr/iepr/Publicaciones/Encuestas/ManufacturaPMI.aspx>

PUERTO RICO MANUFACTURING PMI FELL TO 39.7 IN JUNE

On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index (PMI) for Puerto Rico's manufacturing sector dropped to 39.7 in June, its lowest reading since the survey was first undertaken. This is the third consecutive month below the threshold level of 50. A reading below 50 suggests a contraction in the manufacturing sector with respect to the previous month. All of the sub-indexes were below the threshold level; three of them Production, Suppliers Deliveries, and the Own Inventories were at record lows. On the other hand, the Employment sub-index edged up in comparison to its May reading. The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) has been at or above the threshold level in 35 of the 50 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.

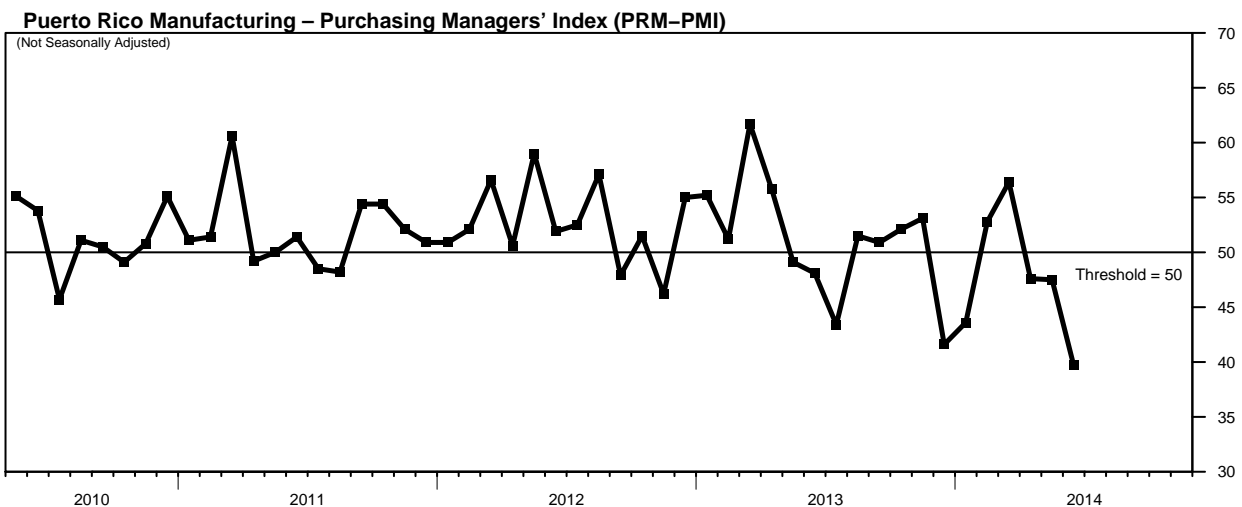


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): June 2014

| | Better | Same | Worse | PMI | | |
|---------------------------|--------|------|-------|------|--------|---------------------|
| Órdenes nuevas | 6.5 | 61.3 | 32.3 | 37.1 | Lower | New orders |
| Producción | 6.5 | 54.8 | 38.7 | 33.9 | Lower | Production |
| Empleo | 12.9 | 61.3 | 25.8 | 43.5 | Lower | Employment |
| Entregas de suplidores | 6.5 | 77.4 | 16.1 | 45.2 | Faster | Supplier deliveries |
| Inventarios de su empresa | 19.4 | 38.7 | 41.9 | 38.7 | Lower | Own inventories |

Puerto Rico Manufacturing – Purchasing Managers Index (NSA) 39.7 Contraction

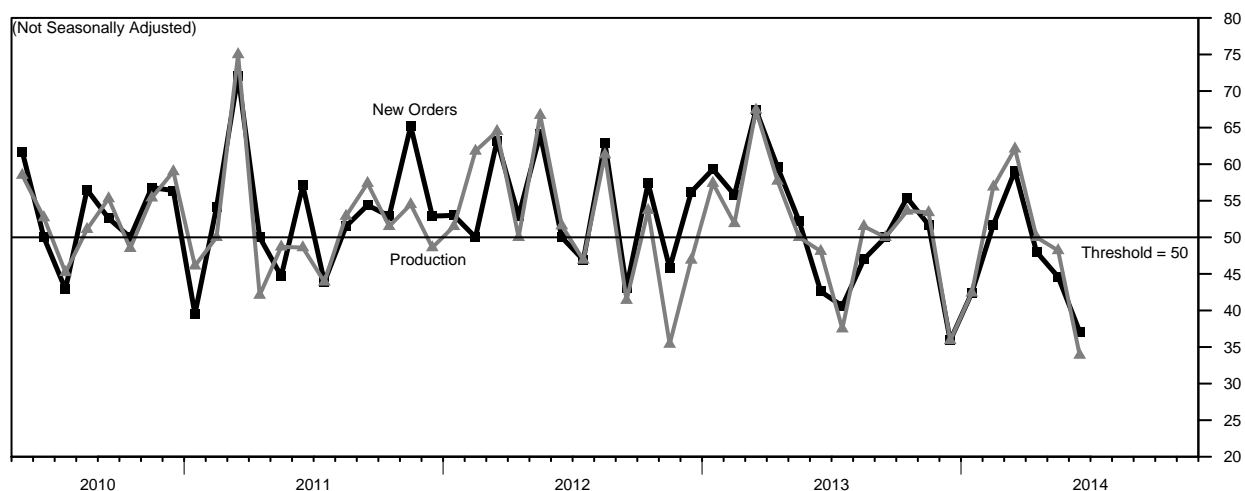
Note: Not Seasonally Adjusted (NSA)

New Orders

In June, the New Orders PMI (NSA) decreased further below the threshold to 37.1, remaining below for the third consecutive month. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, new orders at manufacturing establishments in June were lower than in May.

Production

The Production PMI (NSA) fell further below the threshold to 33.9 in June, remaining below for the second consecutive month. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in June was lower than in May.

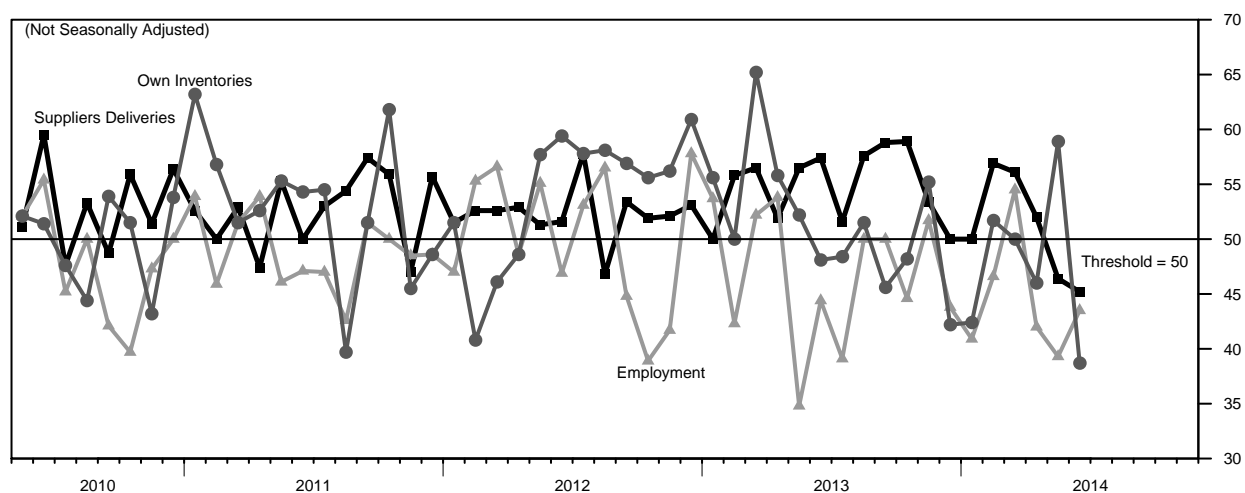


Employment

In June, the Employment PMI (NSA) edged up to 43.5 in June, but remained below the threshold level for the third consecutive month. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in June was lower than in May.

Supplier Deliveries

The Supplier Deliveries PMI (NSA) fell further below the threshold to 45.2 in June, remaining below for the second consecutive month. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, the speed of supply deliveries in June was faster than in May, suggesting a lower demand for intermediate goods.



Own Inventories

In June, the Own Inventories PMI (NSA) plummeted below the threshold level to 38.7 in June, after one month above. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, inventories in manufacturing establishments in June were lower than in May.

Methodological note

The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) is the result of a collaborative project between the Puerto Rico Manufacturers Association, Scotiabank, 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 <http://www.estadisticas.gobierno.pr/iepr/Publicaciones/Encuestas/ManufecturaPMI.aspx>. 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 2014:

| Reference month | Publication date |
|-----------------|------------------|
| Nov-13 | January 2, 2014 |
| Dec-13 | February 3, 2014 |
| Jan-14 | March 3, 2014 |
| Feb-14 | Apr 1, 2014 |
| Mar-14 | May 1, 2014 |
| Apr-14 | June 2, 2014 |

| Reference month | Publication date |
|-----------------|-------------------|
| May-14 | July 1, 2014 |
| Jun-14 | August 1, 2014 |
| Jul-14 | September 2, 2014 |
| Aug-14 | October 1, 2014 |
| Sep-14 | November 3, 2014 |
| Oct-14 | December 1, 2014 |