

Purchasing Managers Index of Puerto Rico Manufacturing

December 2011

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until 10:00 a.m. (AST) Wednesday, February 1, 2012

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

PUERTO RICO MANUFACTURING PMI DECREASES TO 50.9 IN DECEMBER

On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index (PMI) for Puerto Rico's manufacturing sector edged down to 50.9 in December, but remained above the threshold for the fourth consecutive month. A reading above the threshold value of 50 suggests an expansion in the manufacturing sector with respect to the previous month. The PMI's sub-indexes for New Orders and Production decreased in December, whereas the Supplier Deliveries sub-index jumped back up above the threshold. The Employment and Own Inventories sub-indexes were below the threshold in December for the second consecutive month. The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) has been at or above the threshold value in 15 of the 20 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. See next pages for details.

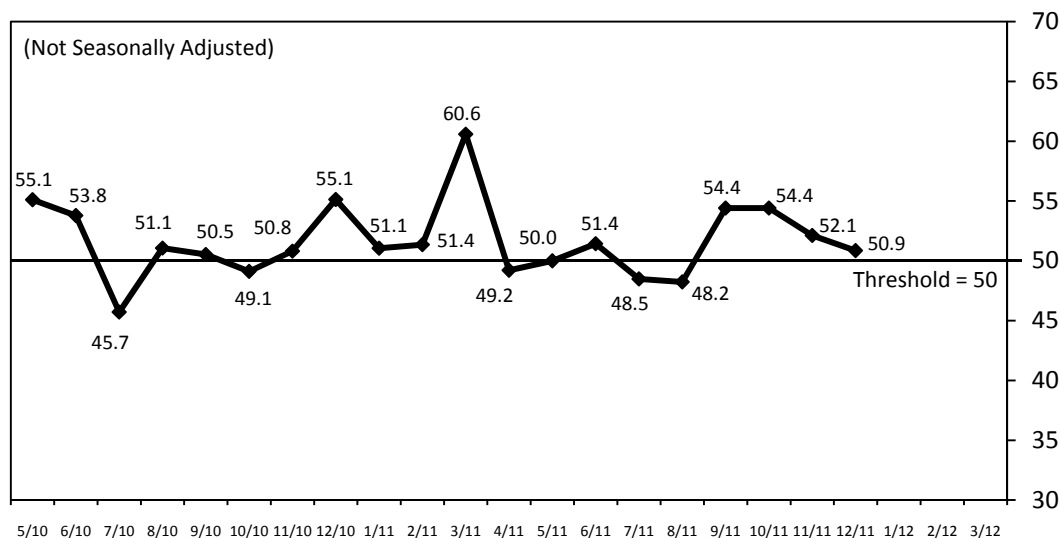


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): December 2011

	Better	Same	Worse	PMI		
Órdenes nuevas	34.3	37.1	28.6	52.9	Higher	New orders
Producción	25.7	45.7	28.6	48.6	Lower	Production
Empleo	17.1	62.9	20	48.6	Lower	Employment
Entregas de suplidores	17.1	77.1	5.7	55.7	Slower	Supplier deliveries
Inventarios de su empresa	31.4	34.3	34.3	48.6	Lower	Own inventories

Puerto Rico Manufacturing – Purchasing Managers Index (NSA) 50.9 Expansion

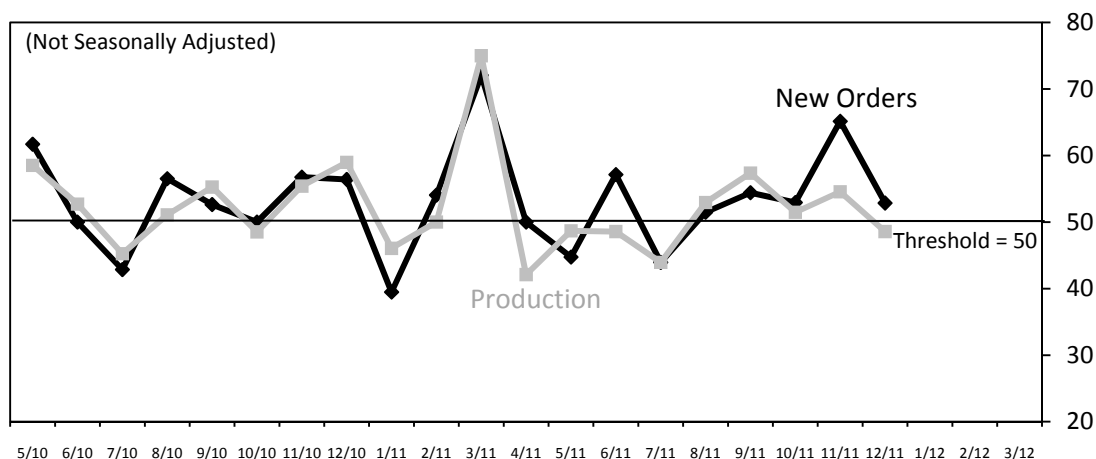
Note: Not Seasonally Adjusted (NSA)

New Orders

In December, the New Orders PMI (NSA) fell to 52.9, but remained above the threshold value for the fifth consecutive month. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, new orders at manufacturing establishments in December were higher than in November. According to one food manufacturing establishment, the increase owes to seasonal factors.

Production

The Production PMI (NSA) decreased below the threshold to 48.6 in December, following four consecutive months above the threshold. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in December was lower than in November.

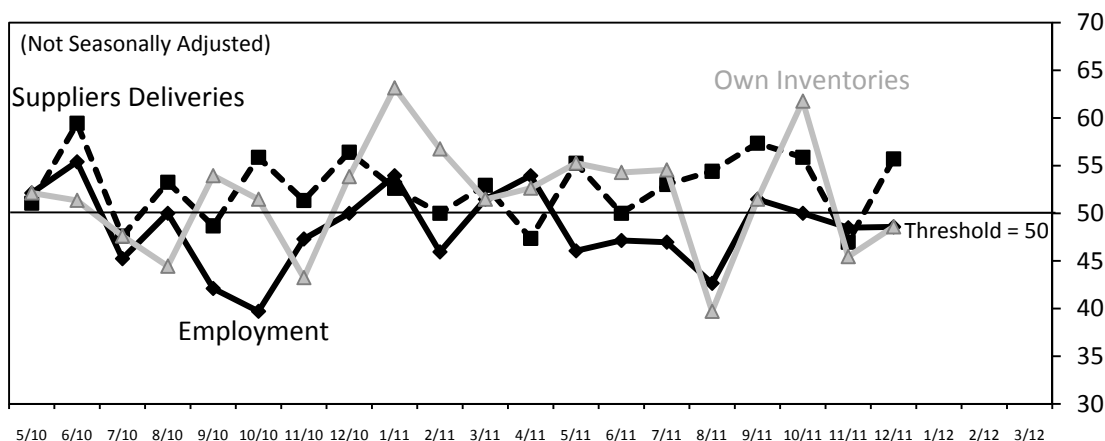


Employment

In December, the Employment PMI (NSA) ticked up to 48.6, but remained below the threshold for the second consecutive month. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in December was lower than in November.

Supplier Deliveries

The Supplier Deliveries PMI (NSA) jumped up above the threshold to 55.7. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, the speed of supply deliveries in December was slower than in November, which in turn suggests an increase in the demand for intermediate goods.



Own Inventories

The Own Inventories PMI edged up to 48.6 in December, but remained below the threshold for the second consecutive month. A reading below 50 indicates that inventories in manufacturing establishments in December were lower than in November.

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/Encuestas/Manufactura.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:

Reference month	Publication date
Nov 2011	January 3, 2012
Dec 2011	February 1, 2012
Jan 2012	March 1, 2012
Feb 2012	April 2, 2012
Mar 2012	May 1, 2012
Apr 2012	June 1, 2012

Reference month	Publication date
May 2012	July 2, 2012
Jun 2012	August 1, 2012
Jul 2012	September 4, 2012
Aug 2012	October 1, 2012
Sep 2012	November 1, 2012
Oct 2012	December 3, 2012