

Purchasing Managers Index of Puerto Rico Manufacturing

May 2011

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

PURCHASING MANAGERS INDEX FOR MANUFACTURING EDGES UP TO 50.0 IN MAY

On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index of Puerto Rico's manufacturing sector inched up to 50.0 in May, reaching the threshold value. A reading equal to the threshold suggests that business conditions remained the same in the manufacturing sector with respect to the previous month. The Production, Suppliers Deliveries, and Inventories PMI's sub-indexes rose in May, while the New Orders and Employment PMI sub-indexes decreased. The Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) has been above the threshold value in 9 of the 13 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.

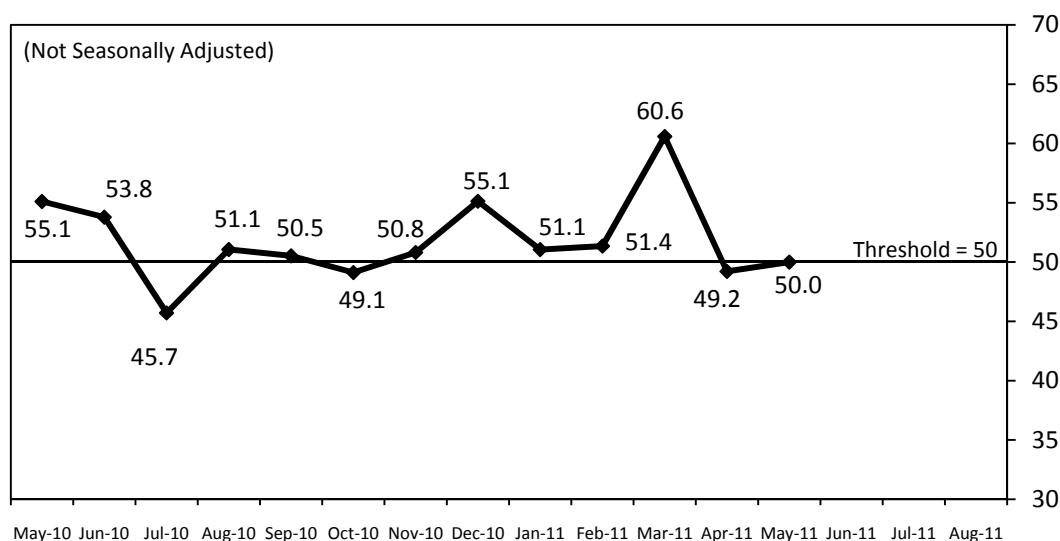


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): May 2011

	Better	Same	Worse	PMI		
Órdenes nuevas	18.4	52.6	28.9	44.7	Lower	New orders
Producción	23.7	50	26.3	48.7	Lower	Production
Empleo	15.8	60.5	23.7	46.1	Lower	Employment
Entregas de suplidores	13.2	84.2	2.6	55.3	Slower	Supplier deliveries
Inventarios de su empresa	34.2	42.1	23.7	55.3	Higher	Own inventories
Puerto Rico Manufacturing – Purchasing Managers Index (NSA)				50	No Change	

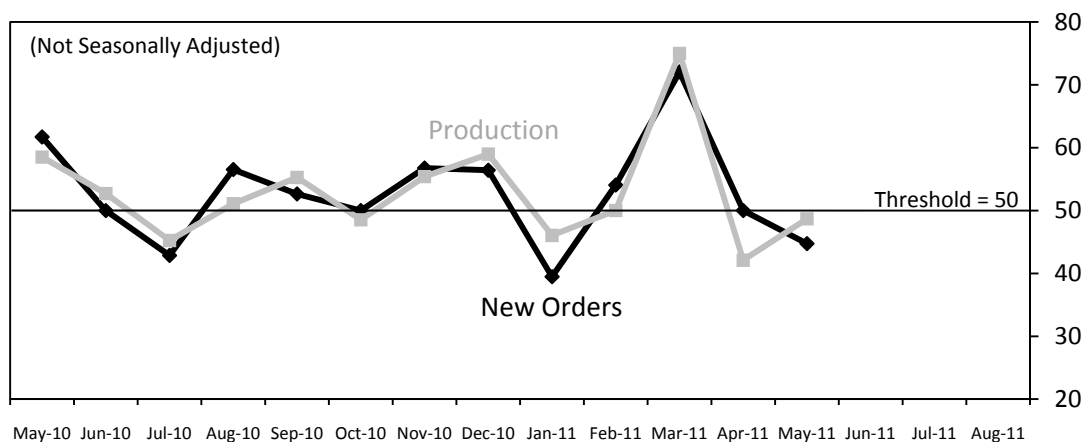
Note: Not Seasonally Adjusted (NSA)

New Orders

In May, the New Orders PMI (NSA) declined below the threshold to 44.7. 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. One manufacturing establishment indicated that heavy rains may have negatively impacted the new orders they received during May.

Production

The Production PMI (NSA) edged up to 48.7 in May but remained below the threshold for the second consecutive month. A reading below 50 suggests that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in May was lower than in April.

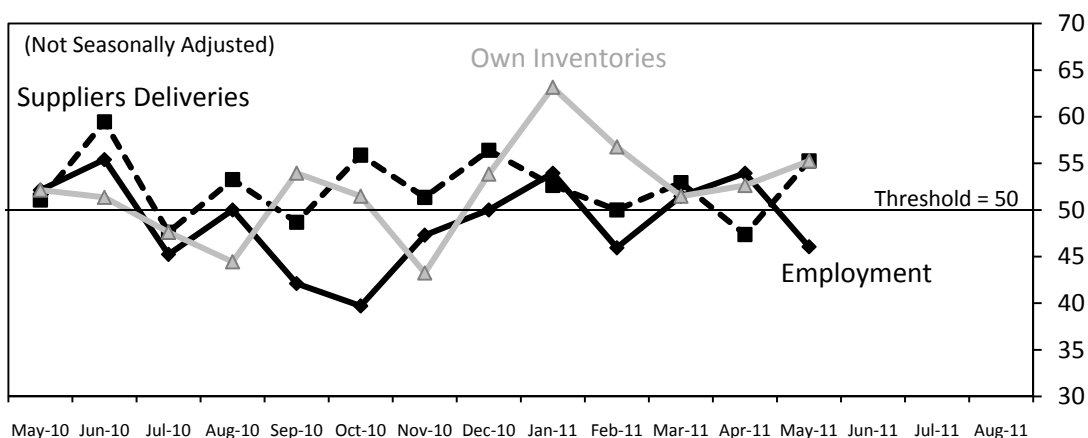


Employment

In May, the Employment PMI (NSA) fell below the threshold to 46.1. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in May was lower than in April.

Supplier Deliveries

The Supplier Deliveries PMI (NSA) jumped up above the threshold to 55.3. A reading above 50 suggests that on a Non-Seasonally Adjusted (NSA) basis, the speed of supply deliveries was slower in May than in April. In turn, this may be a sign of increased demand for intermediate goods.



Own Inventories

The Own Inventories PMI moved up to 53.3 in May, remaining above the threshold for the sixth consecutive month. A reading above 50 indicates that inventories in manufacturing establishments were higher in May with respect to 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, 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
Jan 2011	April 1, 2011
Feb 2011	April 1, 2011
Mar 2011	May 2, 2011
Apr 2011	June 1, 2011
May 2011	July 1, 2011
Jun 2011	August 1, 2011

Reference month	Publication date
Jul 2011	September 1, 2011
Aug 2011	October 3, 2011
Sep 2011	November 1, 2011
Oct 2011	December 1, 2011
Nov 2011	January 2, 2012
Dec 2011	February 1, 2012