

Purchasing Managers Index of Puerto Rico Manufacturing

August 2011

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until 10:00 a.m. (AST) Monday, October 1, 2011

(787) 993-3336 • preguntas@estadisticas.gobierno.pr

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

MANUFACTURING PMI DECREASED TO 48.2 IN AUGUST AS WEATHER AFFECTED ACTIVITY

On a Non-Seasonally Adjusted (NSA) basis, the Purchasing Managers Index of Puerto Rico's manufacturing sector declined to 48.2 in August, remaining below the threshold for the second consecutive month. A reading below the threshold value of 50 suggests a contraction in the manufacturing sector with respect to the previous month. Weather conditions in August impacted business activity in an unfavorable way in 84.8 percent of manufacturing establishments. According to one manufacturing establishment, the weather caused delays in manufacturing operations and additional costs for restarting production. Another manufacturing establishment indicated that despite the fact that some hours of work were lost, these were compensated during the rest of the month by working overtime. The reduction in the PMI owes largely to a drop in the Own Inventories PMI sub-index, and a small reduction in the Employment PMI sub-index. PMI sub-indexes for New Orders, Production and Suppliers Deliveries were above the threshold in August.

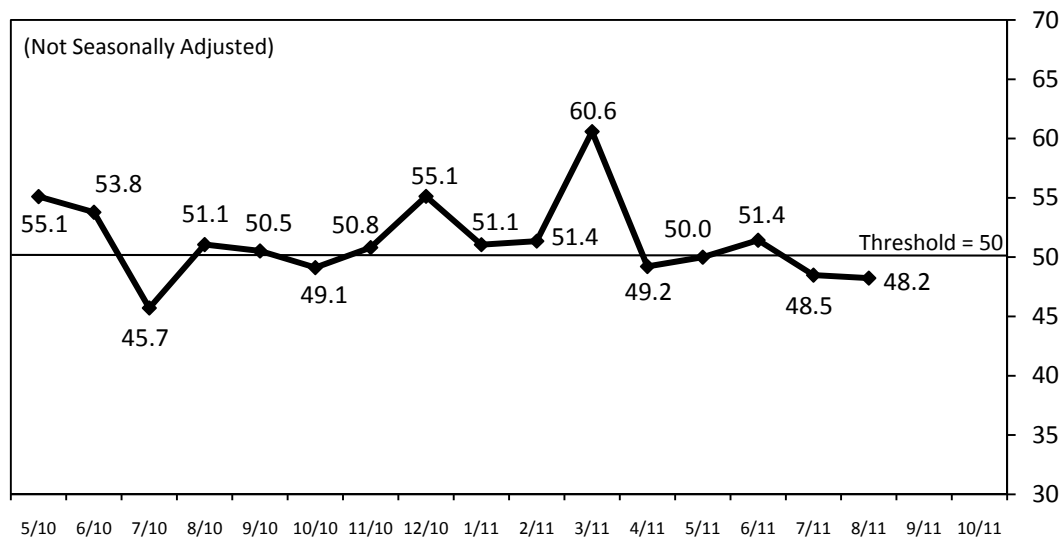


Table 1. Puerto Rico Manufacturing – Purchasing Managers' Index (NSA): August 2011

	Better	Same	Worse	PMI		
Órdenes nuevas	26.5	50	23.5	51.5	Higher	New orders
Producción	29.4	47.1	23.5	52.9	Higher	Production
Empleo	8.8	67.6	23.5	42.6	Lower	Employment
Entregas de suplidores	17.6	73.5	8.8	54.4	Slower	Supplier deliveries
Inventarios de su empresa	20.6	38.2	41.2	39.7	Lower	Own inventories

Puerto Rico Manufacturing – Purchasing Managers Index (NSA) 48.2 Contraction

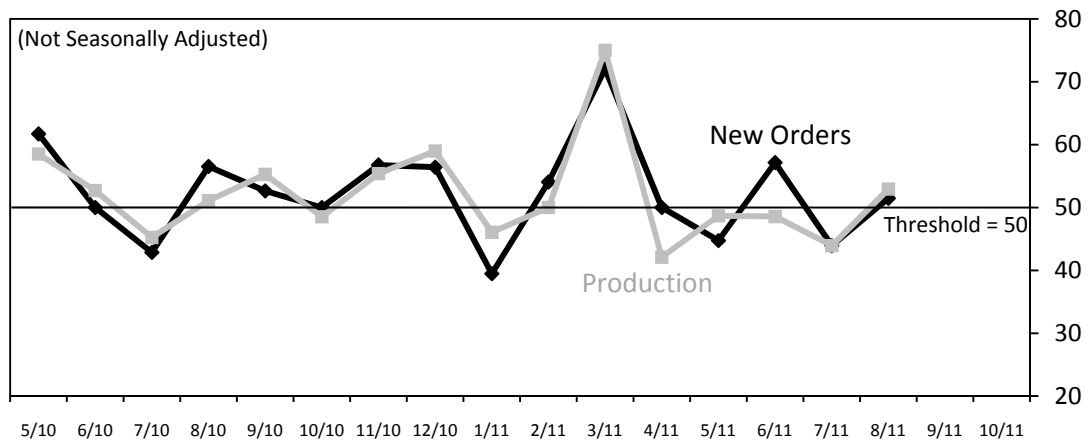
Note: Not Seasonally Adjusted (NSA)

New Orders

In August, the New Orders PMI (NSA) rose above the threshold to 51.5. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, new orders at manufacturing establishments in August were higher than in July.

Production

The Production PMI (NSA) increased above the threshold to 52.9 in August, after remaining four consecutive months below the threshold. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in August was higher than in July.

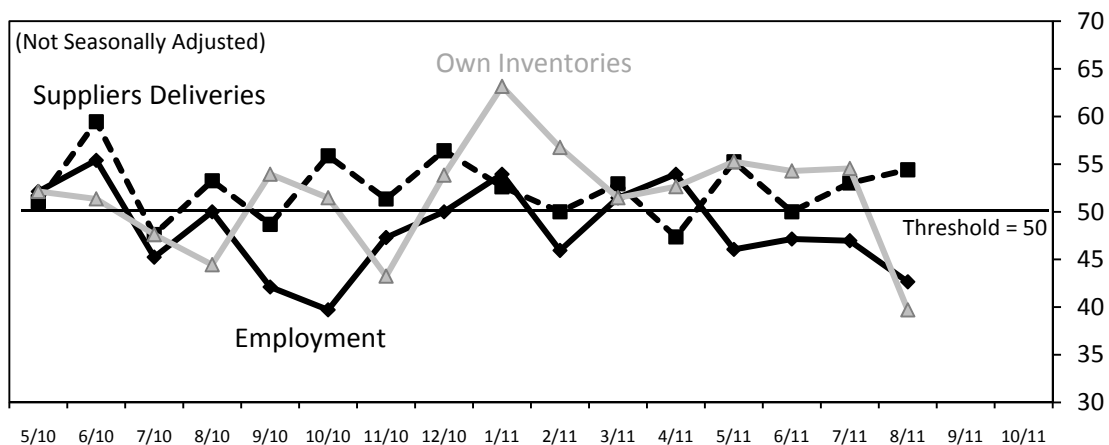


Employment

In August, the Employment PMI (NSA) edged down to 42.6, remaining below the threshold for the fourth consecutive month. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment in August was lower than in July.

Supplier Deliveries

The Supplier Deliveries PMI (NSA) edged up to 54.4, remaining at or above the threshold for the fourth consecutive month. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, the speed of supply deliveries in August was slower than in July. In turn, this may be a sign of higher demand for intermediate goods.



Own Inventories

The Own Inventories PMI dropped below the threshold to 39.7 in August, after eight consecutive months above the threshold. A reading below 50 indicates that inventories in manufacturing establishments were lower in August with respect to July.

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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Contact information

Contact person: Karen Flores, Statistical Project Manager

Addresses: Physical – 57 Quisqueya St., Suite 2000, San Juan, PR 00917; Postal – P.O. Box 195484, San Juan, PR 00919

Telephones: Direct – (787) 993-3340; Fax – (787) 993-3346; E-mail – karen.flores@estadisticas.gobierno.pr

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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	March 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