

# Purchasing Managers Index on Puerto Rico Manufacturing

## January 2011

Transmission of material in this release is embargoed

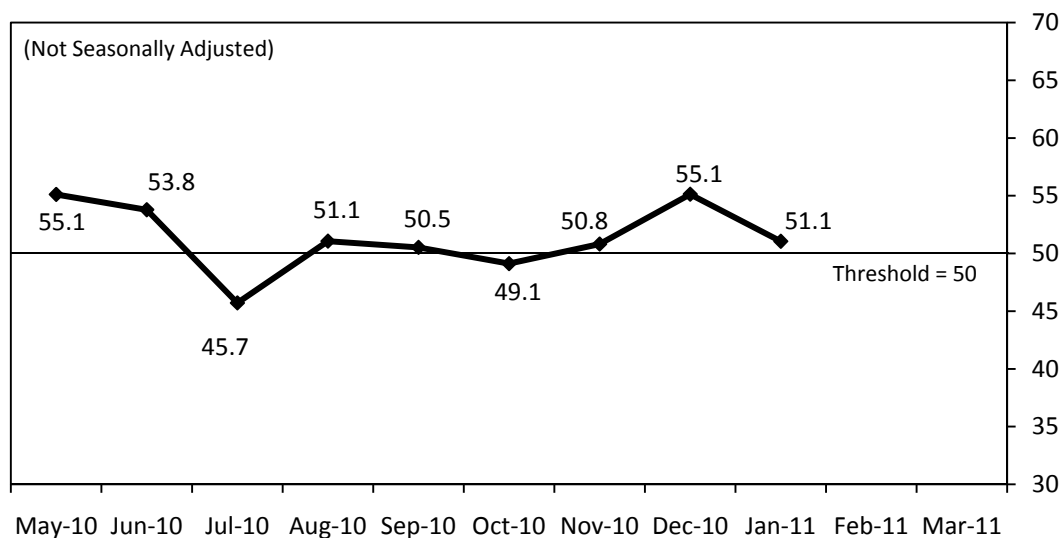
until 10:00 a.m. (AST) Tuesday, March 1, 2011

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### PUERTO RICO MANUFACTURING PMI DIPS TO 51.1 IN JANUARY

On a Non-Seasonally Adjusted (NSA) basis, the Puerto Rico Manufacturing-Purchasing Managers Index (PRM-PMI) edged down to 51.1 in January, but remained above the threshold for the third consecutive month. A reading above the threshold value of 50 suggests an expansion in the manufacturing sector with respect to the previous month. Three of the PMI sub-indexes decreased in January, while three remained at or above the threshold. The PRM-PMI is currently available only on a Non-Seasonally Adjusted (NSA) basis which means that seasonal fluctuations, such as those that might occur in holiday months, can affect its performance. Once sufficient data is available, a seasonally adjusted version of the PRM-PMI will be prepared. See next pages for details.



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

	Better	Same	Worse	PMI		
Órdenes nuevas	18.4	42.1	39.5	39.5	Lower	New orders
Producción	31.6	28.9	39.5	46.1	Lower	Production
Empleo	18.4	71.1	10.5	53.9	Higher	Employment
Entregas de suplidores	18.4	68.4	13.2	52.6	Slower	Supplier deliveries
Inventarios de su empresa	39.5	47.4	13.2	63.2	Higher	Own inventories
<b>Puerto Rico Manufacturing – Purchasing Managers Index (NSA)</b>				<b>51.1</b>	<b>Expansion</b>	

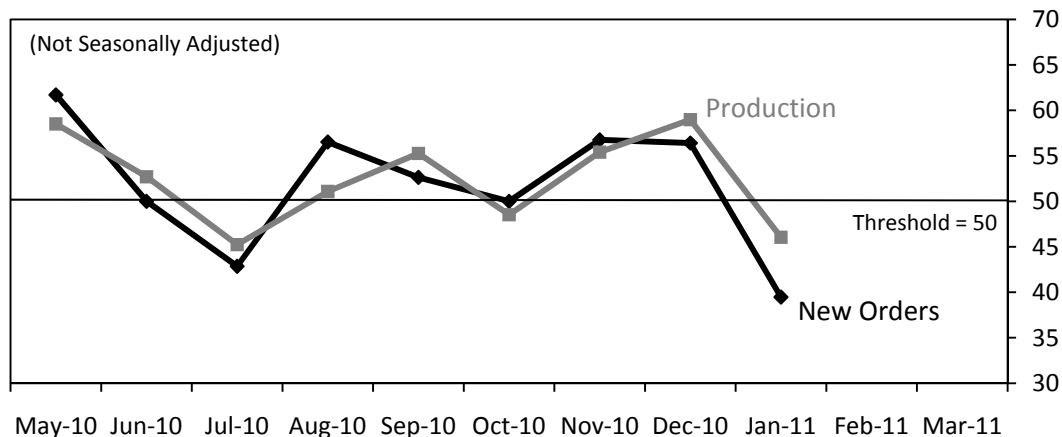
Note: Not Seasonally Adjusted (NSA)

## New Orders

In January, the New Orders PMI (NSA) fell below the threshold to 39.5. A reading below 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, new orders at manufacturing establishments decreased in January with respect to December. In January, new orders are typically lower according to two manufacturing establishments.

## Production

The Production PMI (NSA) dropped below the threshold to 46.1 in January. A reading below 50 suggests that on a Non-Seasonally Adjusted (NSA) basis, manufacturing production in January was lower than in December.

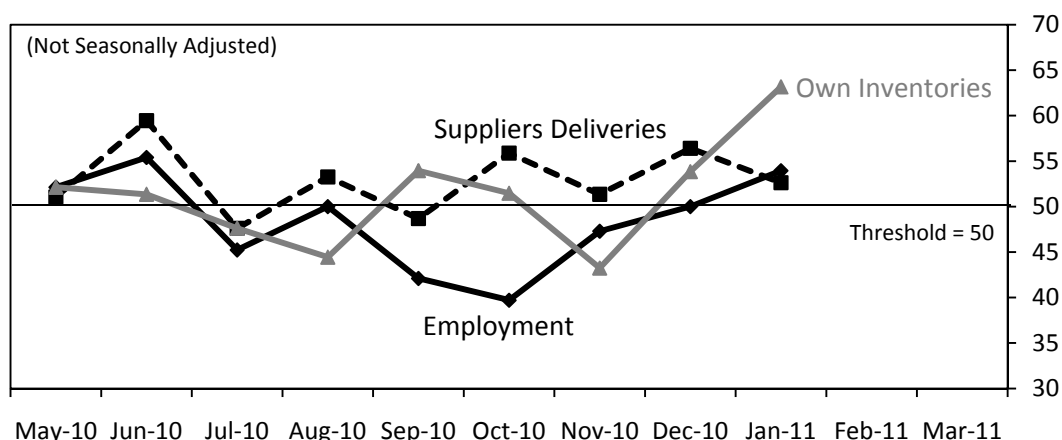


## Employment

In January, the Employment PMI (NSA) rose above the threshold to 53.9. A reading above 50 indicates that on a Non-Seasonally Adjusted (NSA) basis, manufacturing employment rose in January relative to December.

## Supplier Deliveries

The Supplier Deliveries PMI (NSA) edged down to 52.6 but remained above the threshold for the fourth consecutive month. A reading above 50 suggests that on a Non-Seasonally Adjusted (NSA) basis, the speed of supply deliveries was slower in January with respect to December. This may be a sign of increased demand for intermediate goods. However, according to one manufacturing establishment, heavy snow caused delays in deliveries for the second consecutive month.



## Own Inventories

The Own Inventories PMI jumped up above the threshold to 63.2 in January. A reading above 50 indicates that inventories in manufacturing establishments were higher in January than in December.

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### 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	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