

P R E S S R E L E A S E

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Economy Continues on Upward Path

GDB Economic Activity Index goes up for the second consecutive month; Business Monitor International reports the Tax Reform is boosting Puerto Rico's economic recovery

SAN JUAN, P.R.- For the second consecutive month, Puerto Rico's economic activity experienced an upturn in March, driven mainly by a strengthened total payroll employment and improved cement sales, according to Government Development Bank for Puerto Rico's (GDB's) official statistics.

The Economic Activity Index (IAE-BGF) registered 127.3 in March 2011, a 0.3% increase when compared with February of this year and the second month-over-month increase since October 2010. When compared with February 2010, the GDB-EAI registered a 1.8% decrease, the lowest year-over-year reduction since August 2007.

“For the second consecutive month, the Economic Activity Index has improved, which means that the economy's fall has been slowing down and the economy is starting to rise,” GDB President Juan Carlos Batlle indicated.

Total payroll employment in March was 918,700, a 1,400 job increase compared to the previous month and a 6,300 net job increase since January of this year. Within total payroll employment, employment in the private sector experienced the second smallest year-over-year decline since September 2007.

Cement sales in February totaled 1.9 million bags, a 4.9% increase when compared to the same month of the previous year, reaching its highest level since July 2009. Year-to-date cement sales have registered a 10.3% increase when compared to the first quarter of 2010.

Electric power consumption reflected a decrease as a result of the dramatic rise in oil prices. In February, electric power consumption totaled 1,478 million kWh, a slight increase compared to 1,391 million kWh registered last month, but an 8.8% decrease compared to March 2010.

Gasoline consumption also decreased as a result of the increase in oil prices. In March 2011, gasoline consumption totaled 79.5 million gallons, an 11% decrease compared to March of last year.

“The GDB-EAI for March 2011 reflects that Puerto Rico's economy remains stable on the way towards recovery. Despite significantly higher oil prices, we see that economic activity, in general, has improved

on a month-over-month basis, driven mainly by a marked improvement in total payroll employment and cement sales, which foreshadows an improvement in the construction industry,” Batlle stated.

On a separate note, Department of Economic Development and Commerce Secretary José R. Pérez-Riera indicated that the upturn of the GDB-EAI in March confirms the report issued yesterday by Business Monitor International (BMI), an independent international organization that evaluates the behavior of economies around the world, stating that the recently implemented Tax Reform is helping to boost the economic upturn.

“The economy in Puerto Rico is finally gaining traction as unemployment comes down and consumer purchasing power increases,” BMI pointed out. “Sales tax revenue in March was 8.8% higher than in the same period in 2010, following 4.5% and 3.1% increases in January and February, respectively. Moreover, we believe these positive readings reflect the boost to private spending generated by Fortuño's cuts to personal taxation levels in late 2010,” the BMI report states.

According to Pérez-Riera, BMI's most recent opinion is an additional indication that the current Administration's economic plan is helping Puerto Rico get back on its feet after its worst historical recession. “This recent recognition from BMI reaffirms that the policies we've been implementing as part of the Strategic Model for a New Economy are leading us to a period of economic recovery. Initiatives such as the fiscal reform, the tax reform, the historic investment in infrastructure entailed by the Public-Private Partnership projects (e.g., the schools), and the incentives to productive industries, such as, tourism, film and biotechnology, are concrete actions that are working,” Pérez-Riera said.

About the GDB-EAI

The Economic Activity Index is an economic tool that summarizes the current trend and dynamics of the Puerto Rico economy. The GDB-EAI was formulated following a similar methodology as that used by the Conference Board in its coincident index. The GDB-EAI has a high correlation of 98% with Puerto Rico's real Gross National Product (GNP). GDB publishes the EAI on a monthly basis along with an economic comment in order to provide a clear understanding of the trend and current state of the local economy.

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