



# Economic Activity Index

For the month of December 2010

February 4, 2011



# Commentary for the month of December 2010

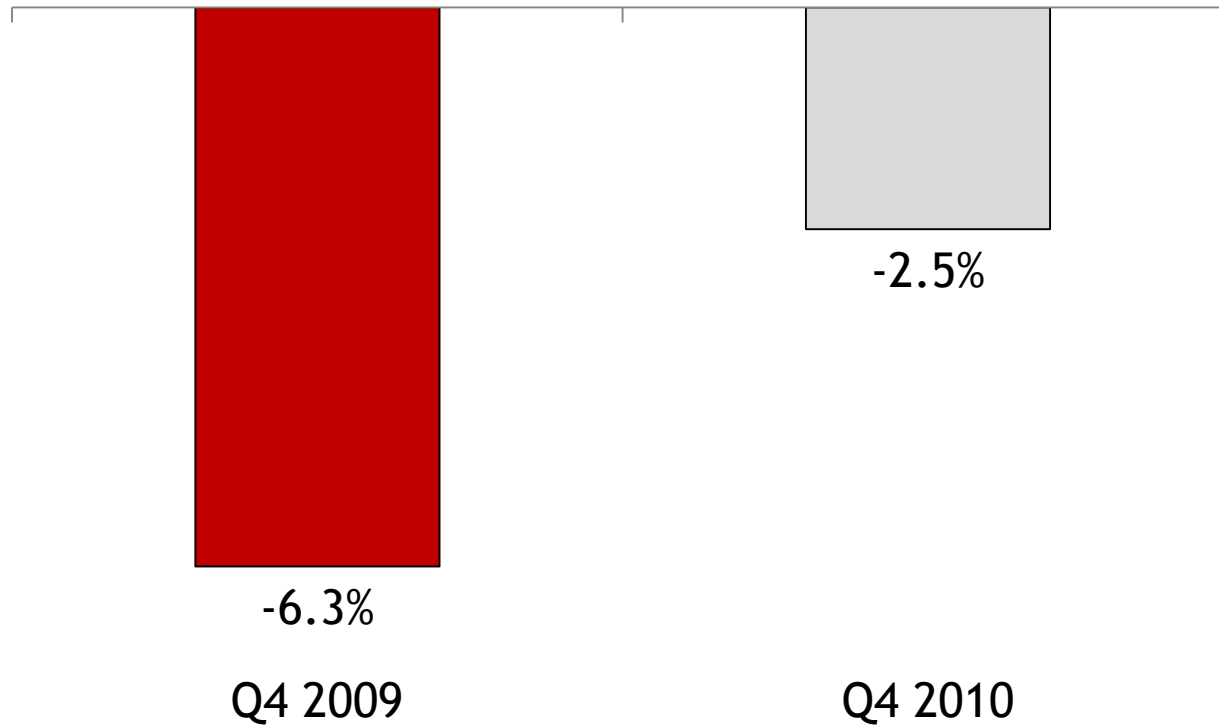
GDB-EAI for the month of December registered 127.6, a year-over-year reduction of 2.48% and a quarterly average reduction of 2.5% for the 4th quarter of 2010, the lowest average quarterly reduction rate since the 3rd quarter of 2007.

- The GDB Economic Activity Index has registered the lowest year-over-year declines during the last three months since the third quarter of 2007, when a 1.3% decline was registered.
- Total payroll employment during the month of December 2010 increased to 939,200, reflecting an improvement of 10,400 jobs when compared to November 2010 and 27,600 jobs from August 2010.
- Total payroll employment fell by only 1.1%, the lowest year-over-year rate of decline since December 2008. In particular, private employment decreased by only 0.4%, the lowest year-over-year reduction since September 2007.
- Household survey during the month of December concluded a further drop in unemployment rate from 16.9% in July to 14.7%, the fourth consecutive month reflecting improved unemployment.
- Cement sales totaled 1.420 million bags during the month of December 2010, registering a year-over-year reduction of 4.3%. Average sales during the first 6-month period of FY 2011 has been 1.491 million bags, denoting sales 4.8% below YTD average.
- Electricity consumption amounted to 1,473 million kWh, a 6.0% reduction on a year-over-year basis. Lower consumption was mainly due to a significant increase in fuel prices. Oil cost per barrel has increased 19.7% when compared to previous year, affecting consumption patterns, particularly among residential users.
- Gasoline consumption during month of December 2010 totaled 83.1 million of gallons, and for the first semester of fiscal year 2011 gasoline consumption decreased by 3.4% with respect the same period of fiscal year 2010.



# EAI reflected the lowest year-over-year quarterly average reduction

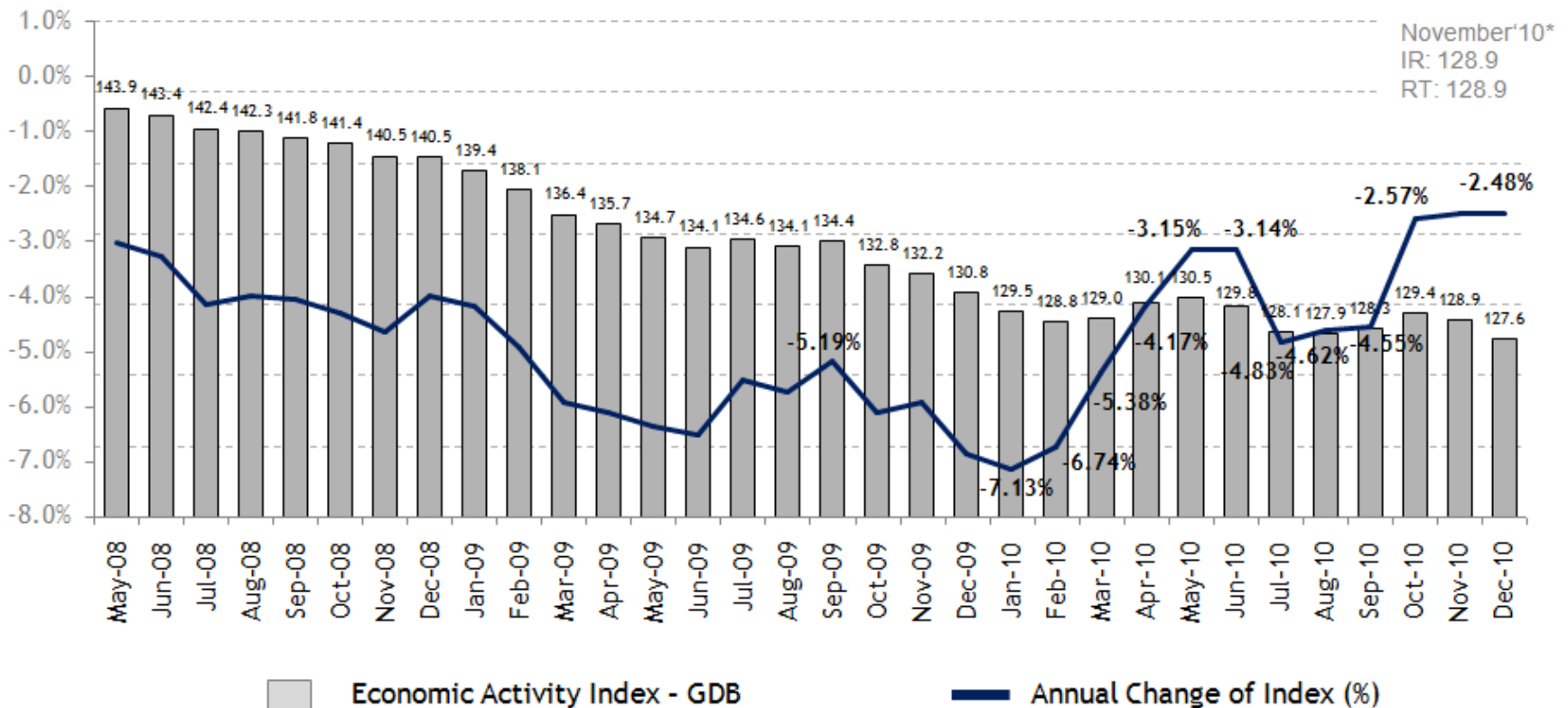
## Year-over-year 4<sup>th</sup> quarter EAI growth





# GDB Economic Activity Index For the month of December 2010

## GDB Economic Activity Index

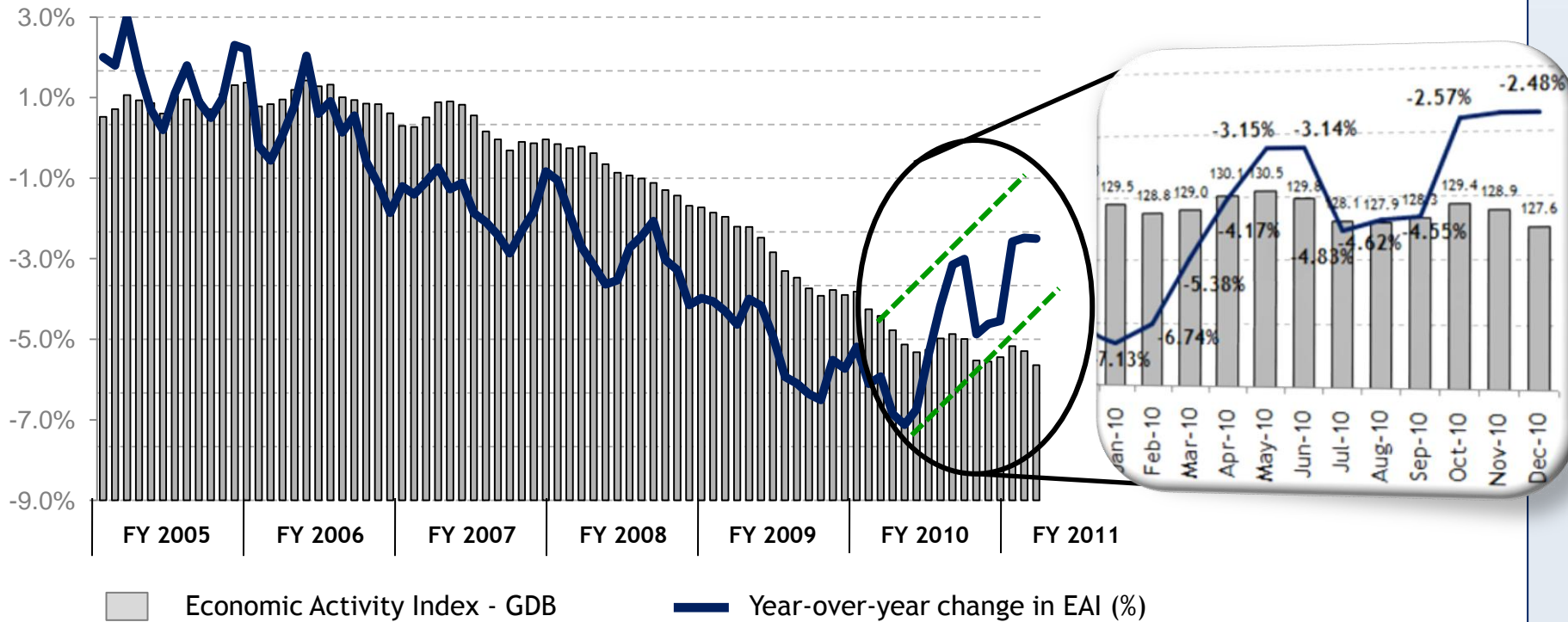


Data used for GDB-EAI is adjusted for seasonality and volatility.



# Economic Activity Index is reflecting constant improving economic trends...

## GDB Economic Activity Index (EAI): 98% correlation with GNP



Recent months improvement in EAI has not been seen since April 2008



# Private sector employment registered the most favorable growth since September 2007

## Private Sector Employment (Year-over-year Change in Payroll Employment)

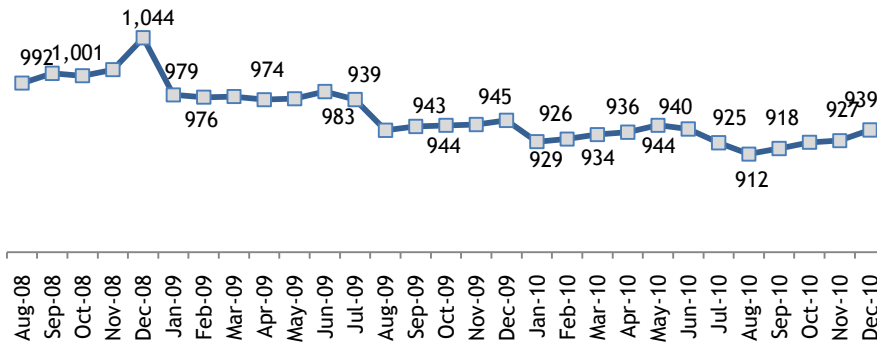




# GDB Economic Activity Index Components

## Total Payroll Employment

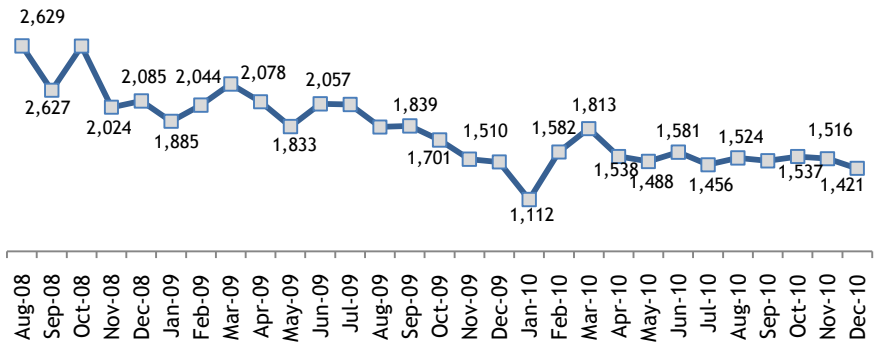
(Thousands of jobs)



- Employment in service sector continues its improving trend, adding 12,200 jobs in December 2010, with respect to December 2009; which implies a year-over-year growth rate of 4.0%.
- 27,600 job growth from August 2010 to December 2010.
- Total payroll employment declined by 1.1%, the lowest year-over-year reduction since December 2008.
- Unemployment rate improved to 14.7% for the month of December, from 16.9% in July 2010.

## Cement Sales

(Cement Bags sold, in thousands)



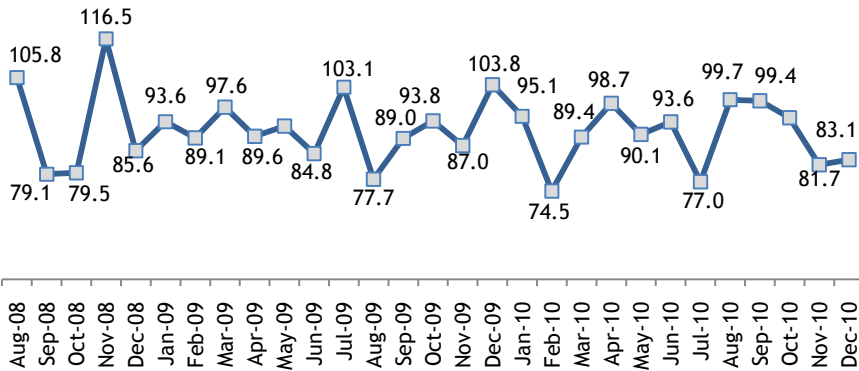
- YTD average cement sales for FY 2011 are 1.491 million bags.
- Cement sales reported during the month of December were 1.42 million bags.
- On a year-over-year basis, cements sales during December declined 4.3%, significantly lower than average YTD decline of 12% during FY 2011.



# GDB Economic Activity Index Components

## Gasoline Consumption

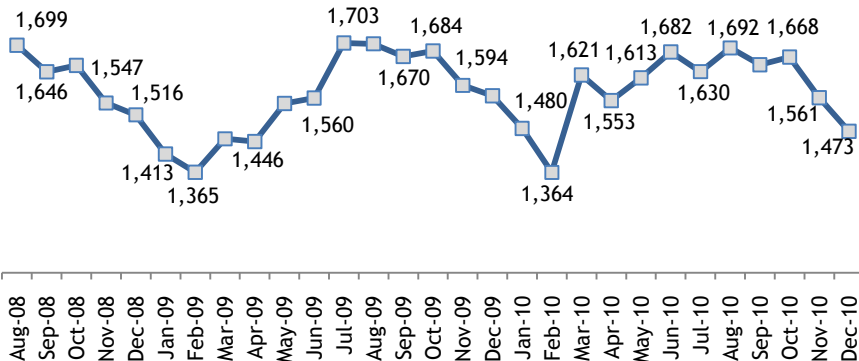
(Millions of gallons)



- Gasoline consumption during the month of December 2010 totaled 83.1 million gallons.
- Monthly average consumption of gasoline for FY 2010 was 91.3 million gallons versus 91.9 million gallons in FY 2009.
- Average consumption during the first semester of FY 2011 was down 3.5% with respect the same period of FY 2010.

## Electric Power Consumption

(Millions of kWh)



- Electric power consumption was 1,473 million kWh during the month of December 2010.
- Consumption reflected a 6.0% year-over-year decline, principally as a result of significantly higher oil prices when compared to December 2009.
- For the semester of FY 2011 electric power consumption was 2.5% below the first semester of FY2010.





# Description of the GDB-Economic Activity Index

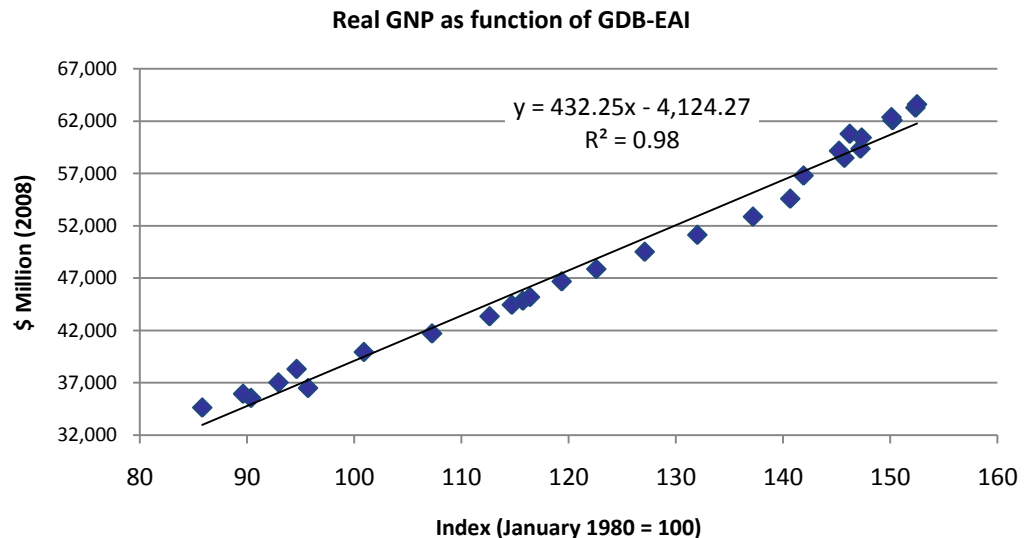


# Description of the GDB-Economic Activity Index (GDB-EAI)

- The GDB-EAI is a coincident index for the economy of Puerto Rico. It is a valuable tool that summarizes the behavior of four major monthly economic indicators.
- This index was developed following the methodology similar to that used by *The Conference Board* in their coincident index. This methodology follows a standard procedure to adjust the data for seasonality and volatility factors.

## High Correlation with Puerto Rico Real GNP

The GDB-EAI levels show a high degree of correlation ( $R^2$  of 0.98) with respect to Real GNP levels





# GDB-EAI Highlights and Composition

## GDB Economic Activity Index Highlights

### **Advantages of the GDB-EAI:**

- Readily available
- Highly correlated to Puerto Rico's real GNP
- Reliable tool to monitor actual trend of Puerto Rico economy

### **The GDB-EAI is made up of 4 indicators:**

- Total Payroll Employment (Establishment Survey/ Thousand of employees)
- Total Electric Power Consumption (Millions of KWH)
- Cement Sales (Millions of bags)
- Gas Consumption (Millions of gallons)



## Disclaimer

The GDB Economic Activity Index and its indicators are subject to monthly revisions. While the information comprising the GDB Economic Activity Index has been obtained from sources GDB believes to be reliable, GDB is not responsible for any errors or omissions, or for the results obtained from the use of this information.