



Economic Activity Index

For the month of May 2010

June 23, 2010



GDB-EAI:

Commentary for the month of May 2010

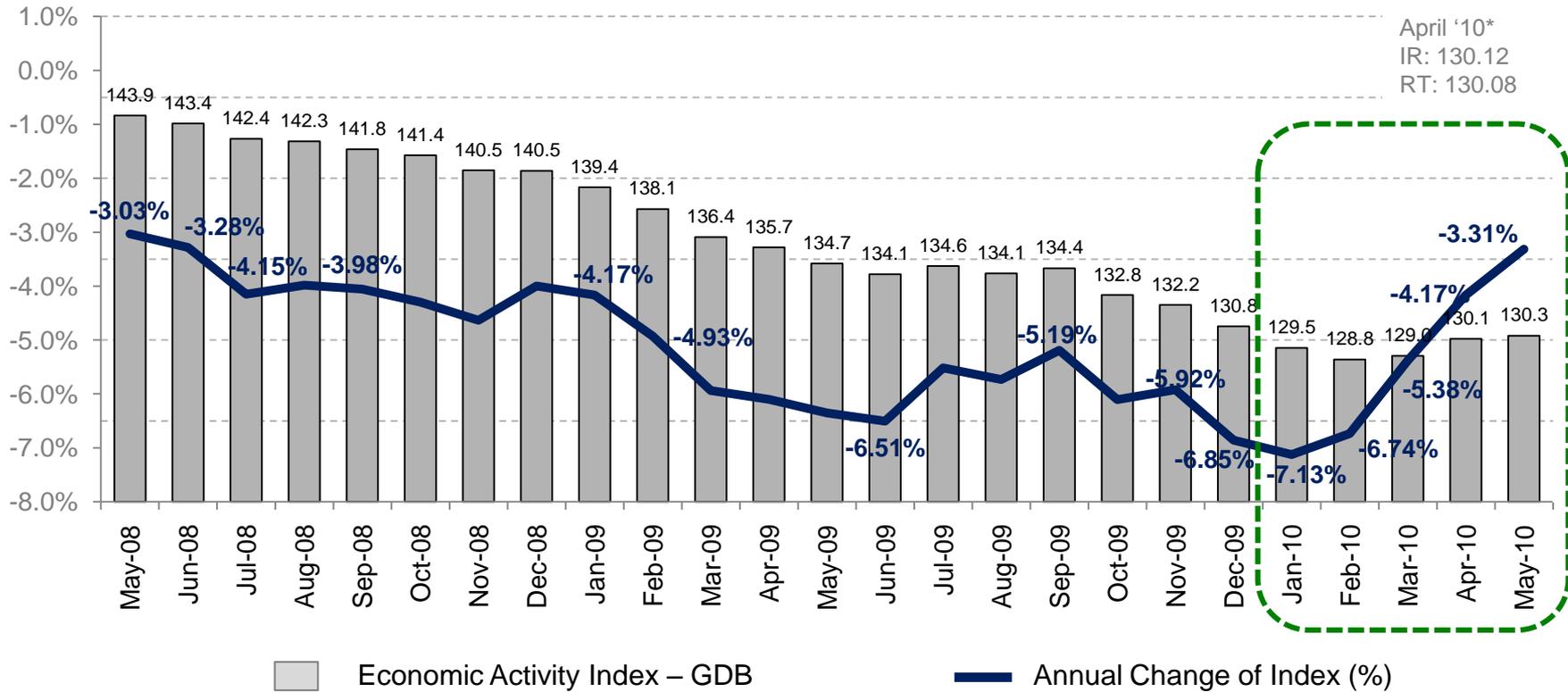
GDB-EAI increases to 130.3 during the month of May 2010, the fourth consecutive monthly increase. Year-over-year decline rate is the lowest since May 2008 further signaling an improving trend.

- The GDB-EAI reflected a month-over-month increase of 0.2% in May 2010, after a revised month-over-month growth of 0.8% in April 2010. Compared to May 2009 (year-over-year basis) the GDB-EAI showed a decline of 3.3%, the lowest rate since May 2008. In overall, the index is showing an improvement on the year-over-year growth rate, which is necessary before an actual inflection point is observed on this variable.
- The GDB-EAI components registered the following year-over-year changes in May 2010:
 - Payroll employment: -3.1%, after a -3.6% in April 2010
 - Cement sales: -18.8% after a -26.0% in April 2010
 - Gasoline consumption: -2.5% after a 10.2% in April 2010
 - Electric power consumption: 4.3% after a 7.5% in April 2010
- Cement sales appear to be stabilizing as evidenced by activity in the last four months but the construction sector continues to face significant challenges.
- Electricity consumption has increased strongly during the current fiscal year, particularly during the last three months. Projections are pointing towards electricity consumption registering a year-over-year positive growth of 3.5% in FY2010, the first annual positive growth since FY2007.
- Finally, gasoline consumption remains in its average trend of 91 million gallons of consumption on a monthly basis.



GDB Economic Activity Index For the month of May 2010

GDB Economic Activity Index

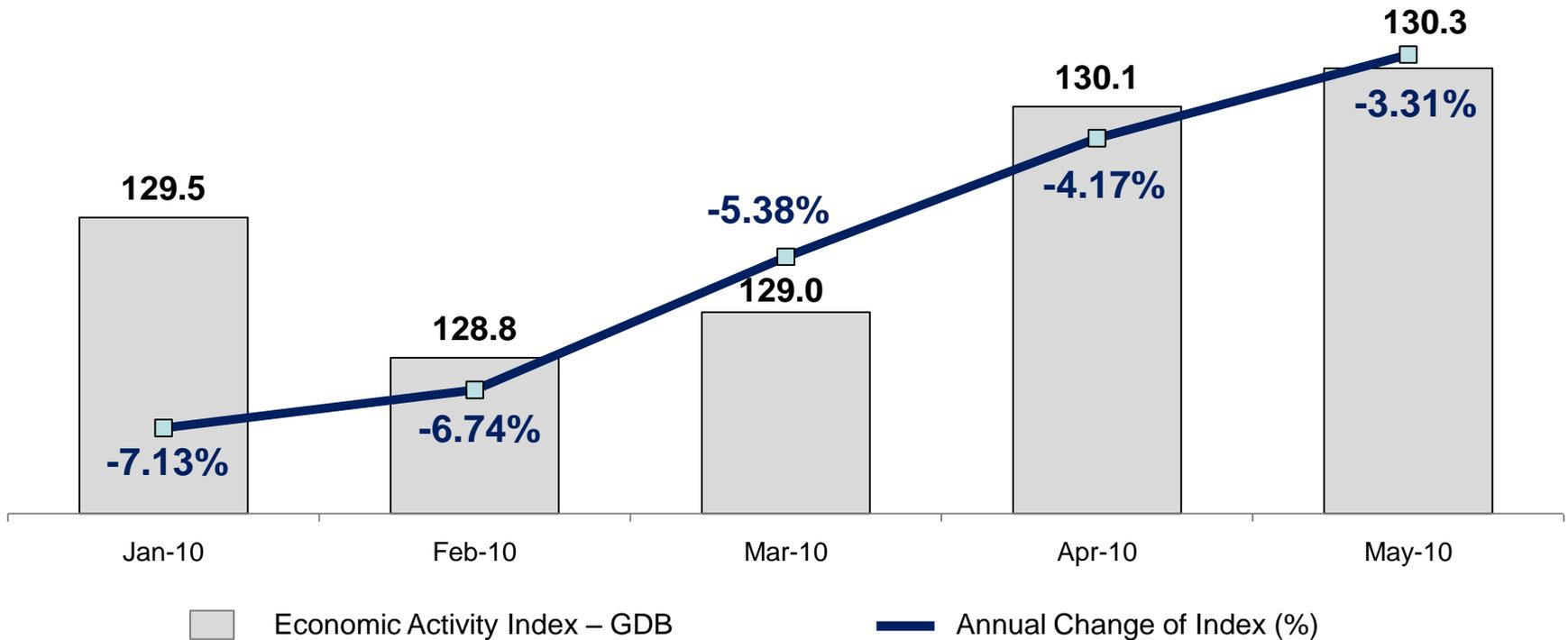


Data used for GDB-EAI is adjusted for seasonality and volatility.



Economic activity since January shows further signs of improvement...

GDB Economic Activity Index



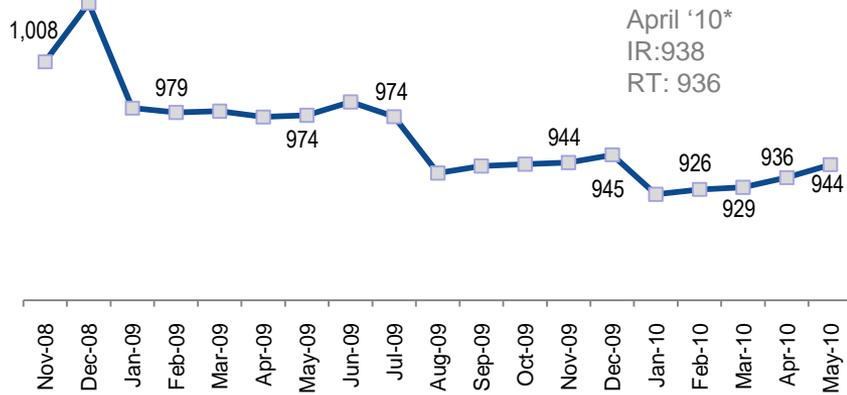
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GDB Economic Activity Index Components

Total Payroll Employment

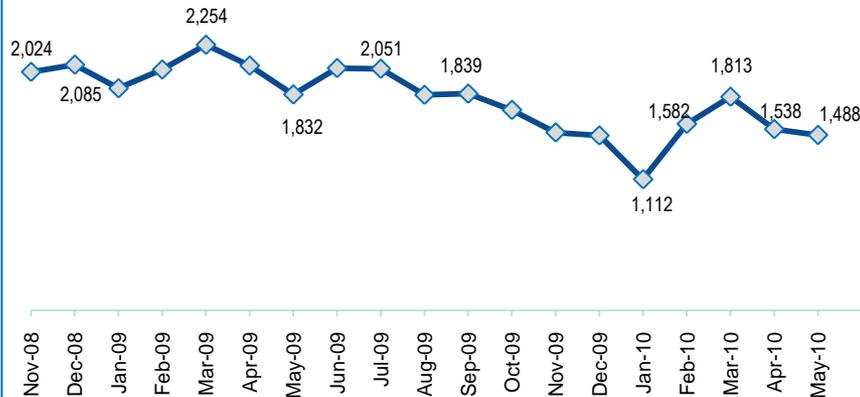
(Thousands of jobs)



- Total payroll employment has increased by 18,400 jobs since January, with the service sector responsible for the creation of 13,700 jobs.
- Total payroll employment decreased by 3.1% compared to May 2009. This is the lowest year-over-year decline since July 2009.
- Federal government employment has increased considerably during recent months in relation to the US census.

Cement Sales

(Cement Bags sold, in thousands)



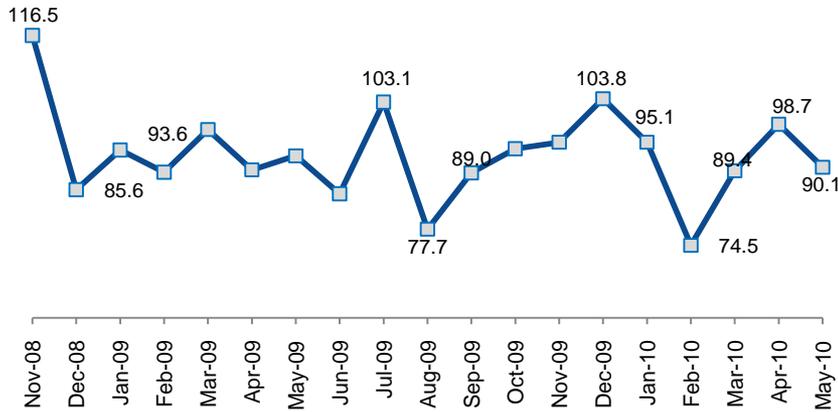
- Cement sales are showing signs of stabilization and year-over-year growth rates are starting to improve.
- Part of the volatility of this variable is due to weather conditions. Nevertheless, the general trend is highly related to economic factors.
- Close monitoring will be place in the sector to follow-up on a further trend formation.



GDB Economic Activity Index Components

Gasoline Consumption

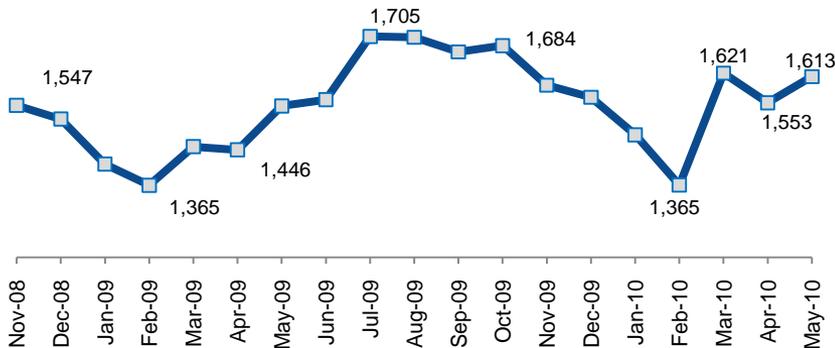
(Millions of gallons)



- On a year-over-year basis, gasoline consumption decreased by 2.5%, while showing only a 1.1% deviation from annual average.
- For the 11-month period of FY2010, gasoline consumption is 1.6% below same period in FY2009, in spite of recent spike in gasoline prices.
- Monthly consumption of gasoline for fiscal year 2010 is averaging 91 million gallons.

Electric Power Consumption

(Millions of kWh)



- On a year-over-year basis, electric power consumption recorded an increase of 4.3% to 1.61 million kwh, compared to 1.55 million kwh during the previous year.
- For the 11-month period of FY2010, electric power consumption is 3.5% over the same period in FY2009, signaling a strong improvement in energy consumption.



Description of the GDB-Economic Activity Index

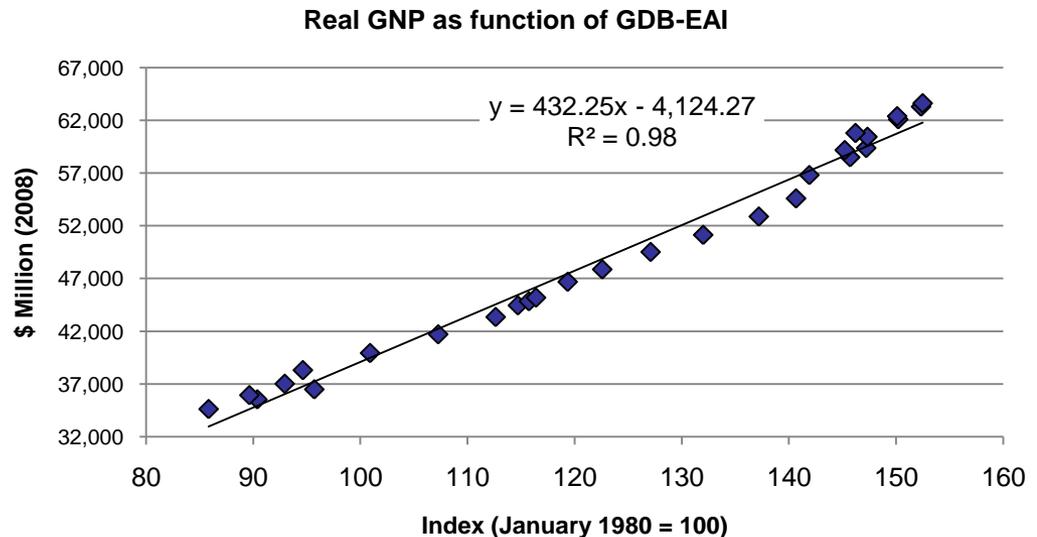


Description of the GDB-Economic Activity Index (GDB-EAI)

- 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

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