



# Economic Activity Index

For the month of August 2010

October 1, 2010



# Commentary for the month of August 2010

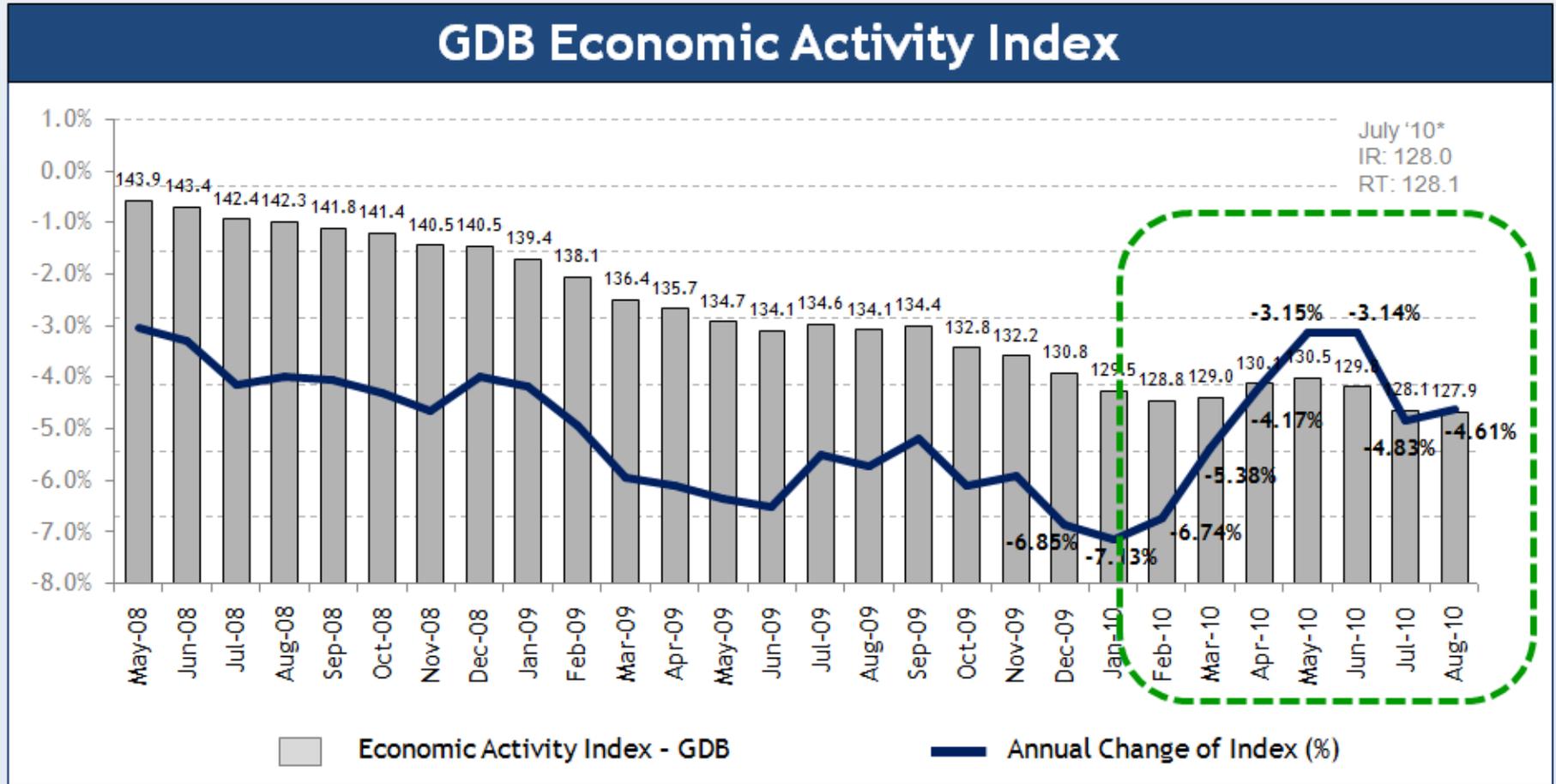
GDB-EAI for the month of August was 127.9, reflecting the lowest year-over-year decline in payroll employment in 13 months.

- The GDB-EAI reflected an improvement in year-over-year rate of decline compared to the rate registered in July 2010 with a -4.6%. Three of the GDB-EAI components registered a month-over-month improvement and payroll employment resulted in the lowest rate of decline in 13 months.
- Year-over-year growth rates continue to show improvement when comparing last 6-month period of CY 2009 with -6.02% and CY 2010 with -4.21%.
- The GDB-EAI components registered the following month-over-month changes in July 2010:
  - Cement sales: +4.7% after a -7.9% in July 2010
  - Gasoline consumption: +28.3% after a -17.7% in July 2010
  - Electric power consumption: +3.8% after a -3.1% in July 2010
  - Payroll employment: -1.6% after a -1.7% in July 2010
- Construction sector showed a month-over-month improvement of 4.7% during the month of August 2010, reporting cement sales of 1.524 million bags.
- Electricity consumption was 1,692.2 million kWh, reflecting a 3.8% month-over-month improvement and a 0.6% decline on a year-over-year basis during the month of August 2010 .
- Gasoline consumption during month of August 2010 totaled 99.7 million gallons, reflecting a 28.3% month-over-month improvement, 9.2% above FY 2010 average consumption.



# GDB Economic Activity Index

## For the month of August 2010

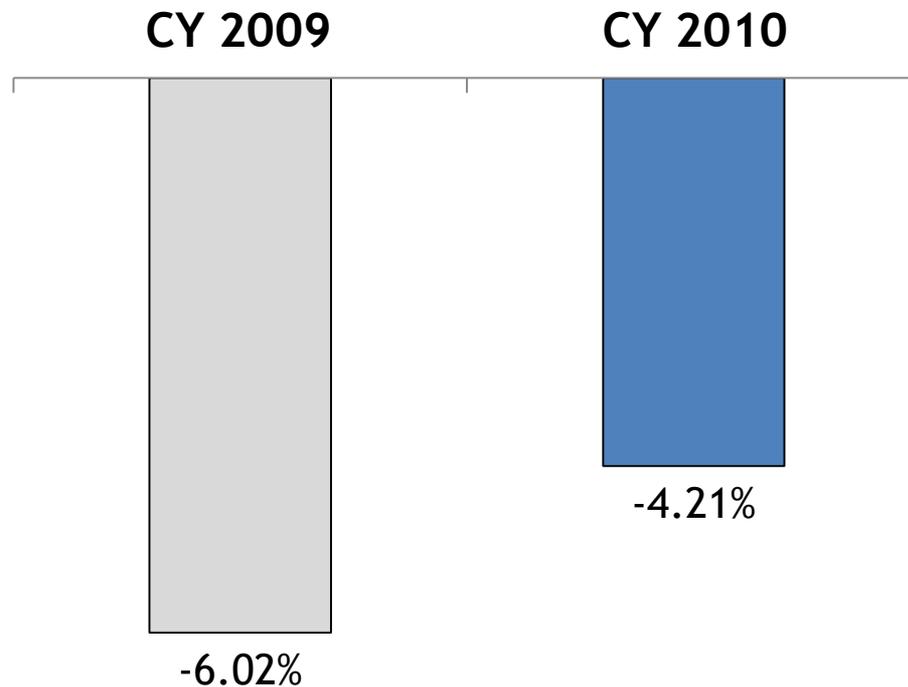


Data used for GDB-EAI is adjusted for seasonality and volatility.



# The last six months of CY 2010 has shown improvement in economic activity, but still reflects a contraction

## Average year-over-year growth rate



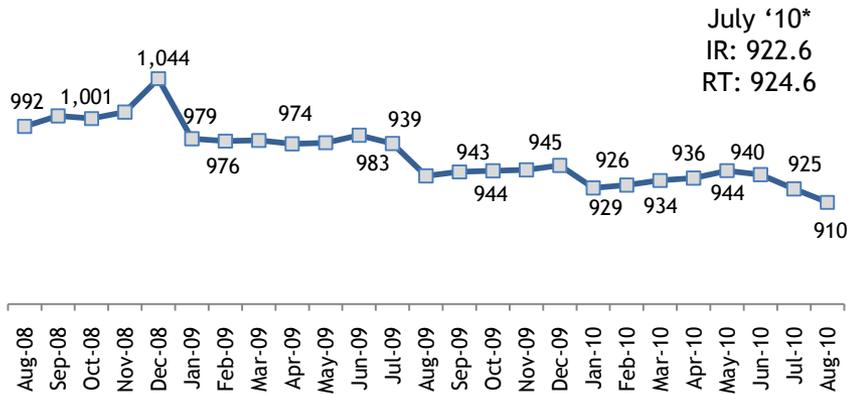
Last 6-month period



# GDB Economic Activity Index Components

## Total Payroll Employment

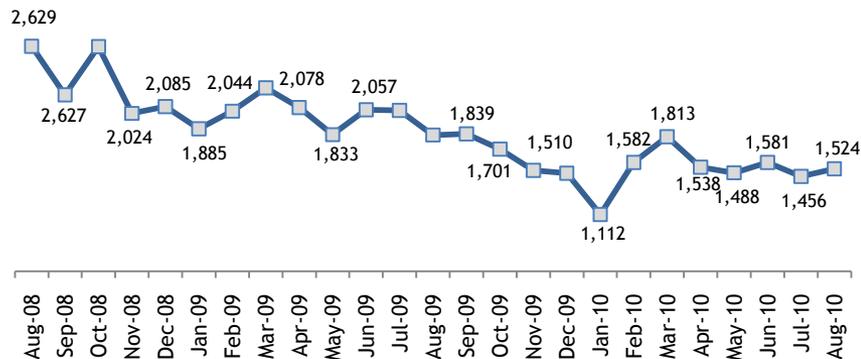
(Thousands of jobs)



- The services sector continues its improving trend with a 6,100 job growth when compared to August 2009. This year-over-year growth rate of 2.1% is the largest registered since September 2007.
- Private sector employment reflected the lowest rate of decline since March 2008.
- Total payroll employment resulted in a decline of 3.06% on a year-over-year basis, the smallest rate of decline in 13 months.

## Cement Sales

(Cement Bags sold, in thousands)



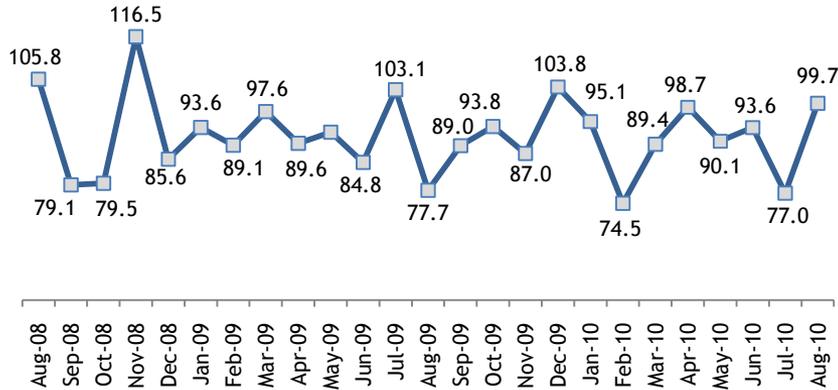
- Cement sales reported during the month of August were 1.524 million, a month-over-month increase of 4.7%.
- Year-over-year decline was the smallest registered since September 2009.



# GDB Economic Activity Index Components

## Gasoline Consumption

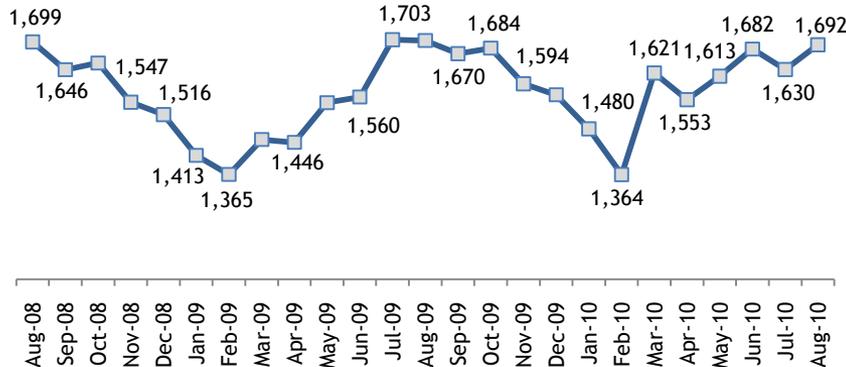
(Millions of gallons)



- Gasoline consumption during the month of August totaled 99.7 million gallons.
- Monthly average consumption of gasoline for FY 2010 was 91.3 million gallons versus 91.9 million gallons in FY 2009.
- Consumption during August 2010 showed a 9.2% improvement compared to FY 2010 average of 91.3 million gallons

## Electric Power Consumption

(Millions of kWh)



- Electricity consumption was 1,692.2 million kWh during the month of August 2010.
- Consumption reflected a 0.6% year-over-year decline.
- For the fiscal year ended June 30, 2010 electric power consumption was 3.9% over FY2009, signaling a strong improvement in energy consumption.



# Description of the GDB-Economic Activity Index

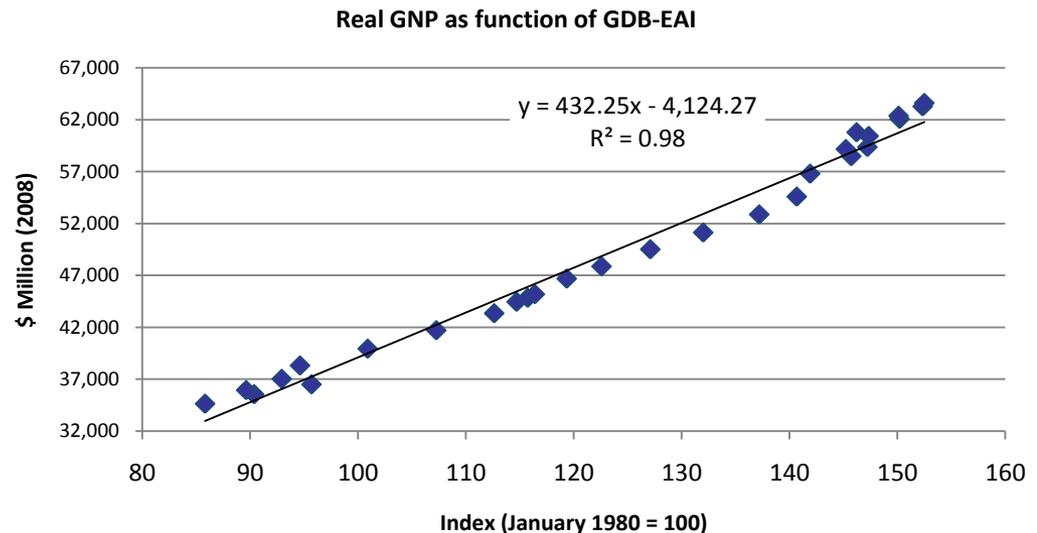


# Description of the GDB-Economic Activity Index (GDB-EAI)

- 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

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.