



# Economic Activity Index

For the month of January 2011

March 22, 2011



## Disclaimer

During the month of March 2011, the GDB-Economic Activity Index was revised according to yearly benchmark revision of trailing 18 months payroll employment data as required by the Bureau of Labor Statistics. This annual revision resulted in the recalculation of the GDB-Economic Activity Index to reflect revision of payroll employment data.



# Commentary for the month of January 2011

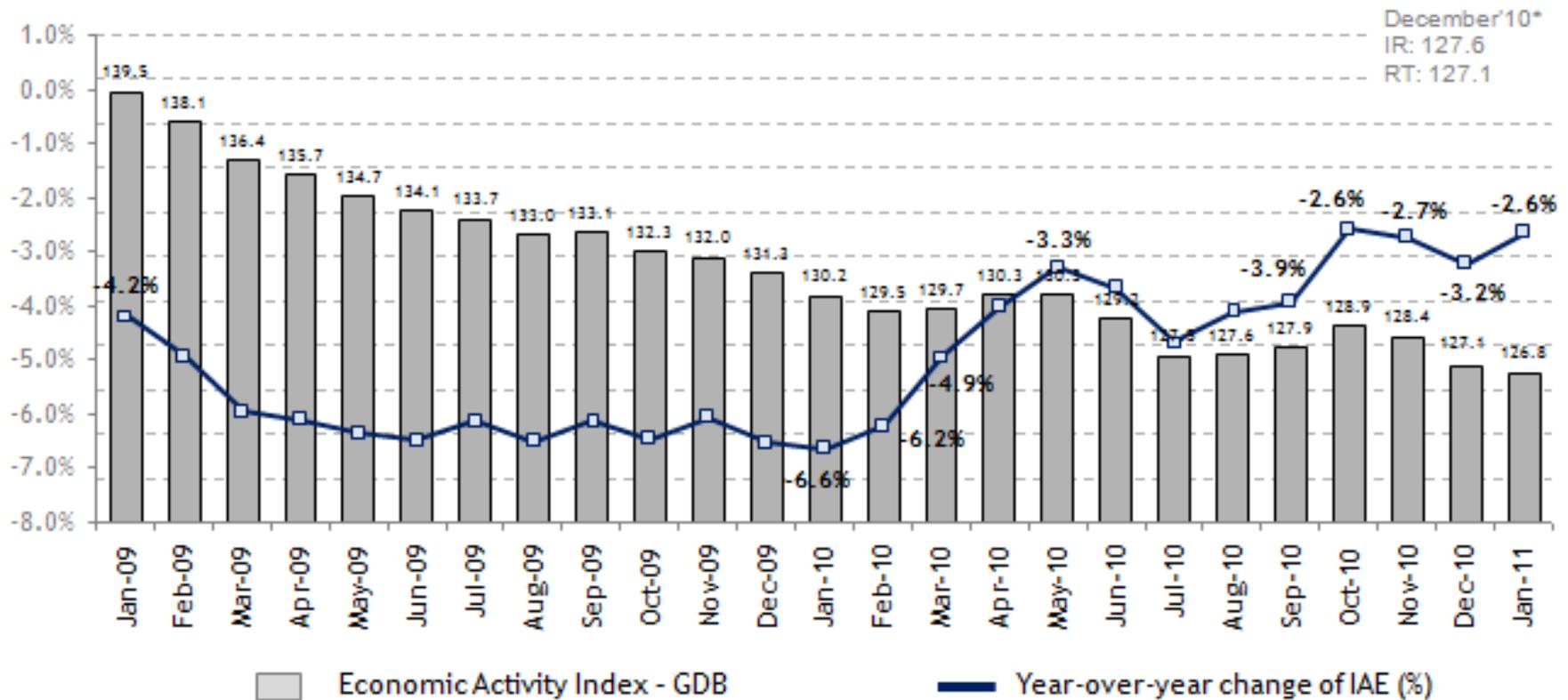
GDB-EAI for the month of January registered 126.8, a year-over-year reduction of 2.6% when compared to January 2010. Year-to-date performance of the EAI for FY 2011 reflects lowest year-over-year decline since FY 2008.

- During the month of January 2011, the GDB-EAI registered a year-over-year (“YOY”) decline of 2.6%, an improvement when compared to December 2010 in which the EAI registered a YOY decline of 3.2%. The YOY decline of 2.6% registered in January 2011 is, along with October 2010, the smallest since April 2008.
- Total payroll employment during the month of January 2011 was 915,200, reflecting a YOY decline of 1.9%, the smallest decline since December 2008.
- Private sector employment continues its improving trend with total private sector employment registering the smallest YOY rate of decline since September 2007.
- Cement sales totaled 1.404 million bags during the month of January 2011, registering a YOY increase of 26.2%, the second YOY increase since April 2008. Average monthly cement sales for FY 2011 has been 1.478 million bags.
- Electric power consumption during the month of January 2011 totaled 1,381 million kWh, a 6.7% reduction on a YOY basis. Lower consumption was mainly due to a significant increase in fuel prices in recent months. Oil cost per barrel has increased over 20% when compared to previous year, affecting consumption patterns, particularly among residential users.
- Gasoline consumption during month of January 2011 totaled 91.1 million of gallons. Average monthly gasoline consumption for FY 2011 has been 90.0 million gallons.



# GDB Economic Activity Index For the month of January 2011

## GDB Economic Activity Index

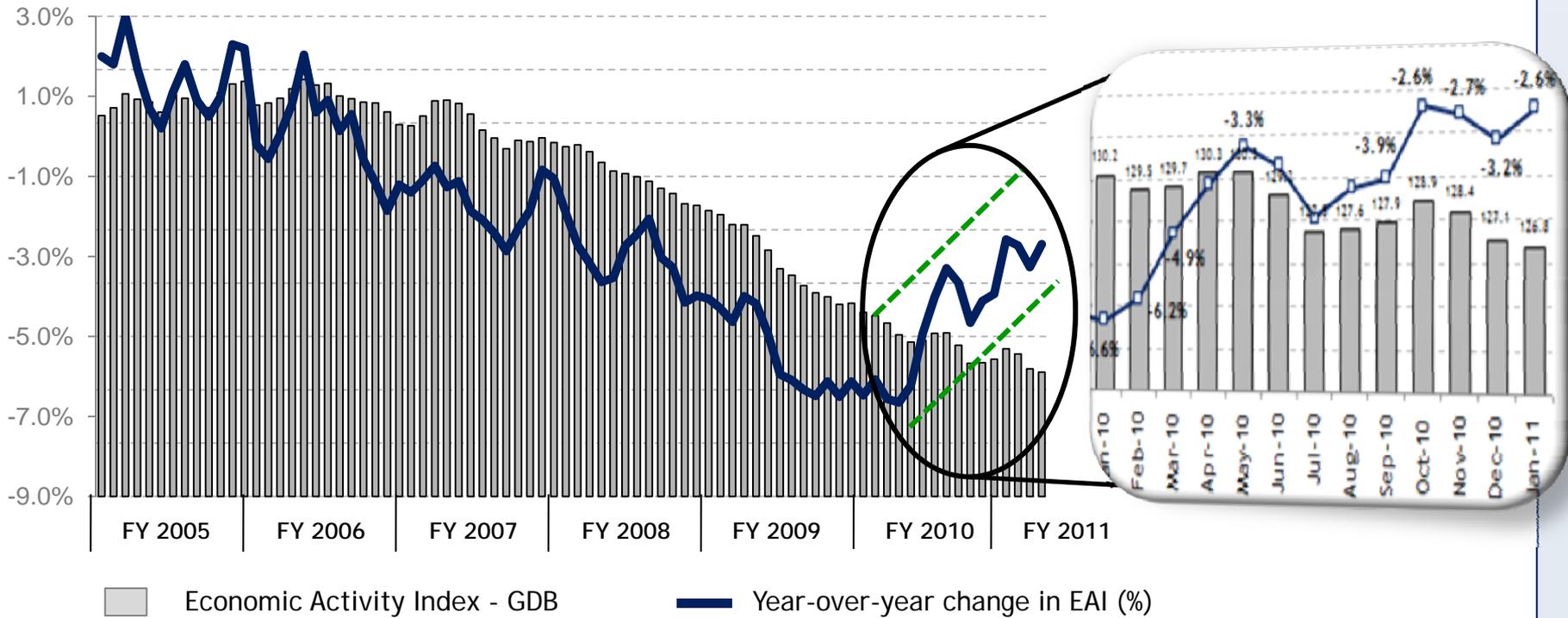


Data used for GDB-EAI is adjusted for seasonality and volatility.



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

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

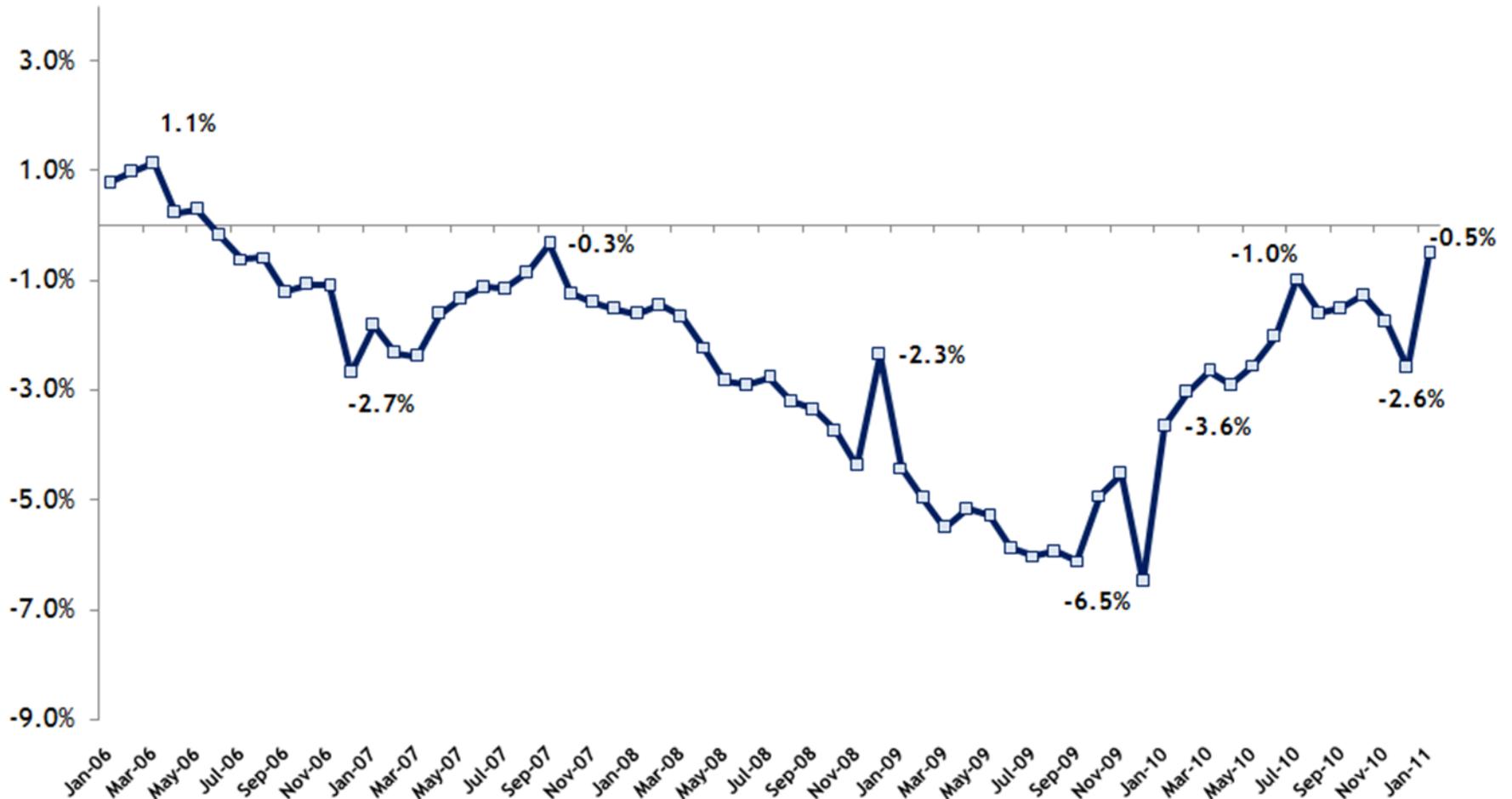


Recent months improvement in EAI has not been seen since April 2008



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

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

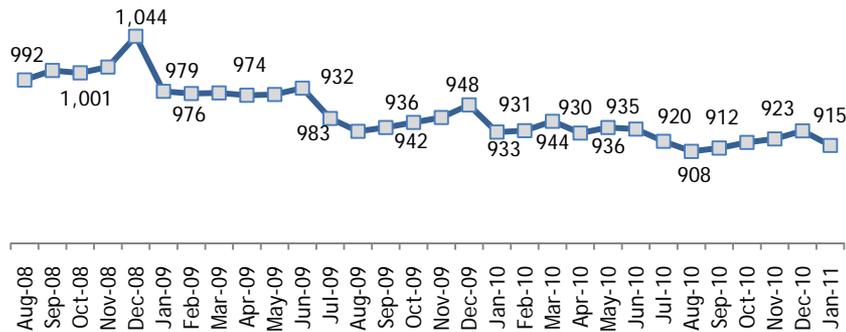




# GDB Economic Activity Index Components

## Total Payroll Employment

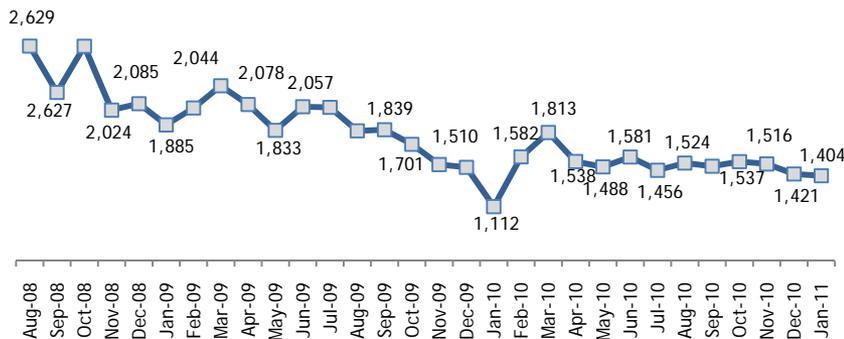
(Thousands of jobs)



- Employment in service sector continues its improving trend. When compared to January 2010, YOY employment in the service sector has increased by 2.4%, or 7,000 jobs.
- Total payroll employment totaled 915,000, the smallest YOY decline since December 2008.
- Total private sector employment registered the smallest YOY rate of decline since September 2007.

## Cement Sales

(Cement Bags sold, in thousands)



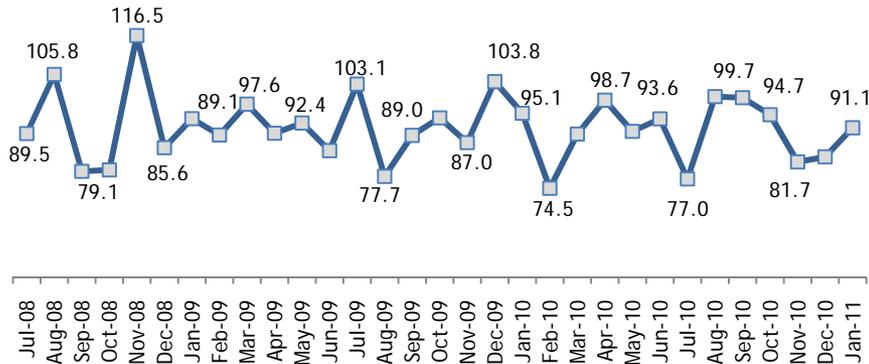
- Cement sales reported during the month of January were 1.404 million bags.
- On a year-over-year basis, cement sales during the month of January 2011 were 292,000 more than January 2010, reflecting the largest YOY increase in over 9 years.



# GDB Economic Activity Index Components

## Gasoline Consumption

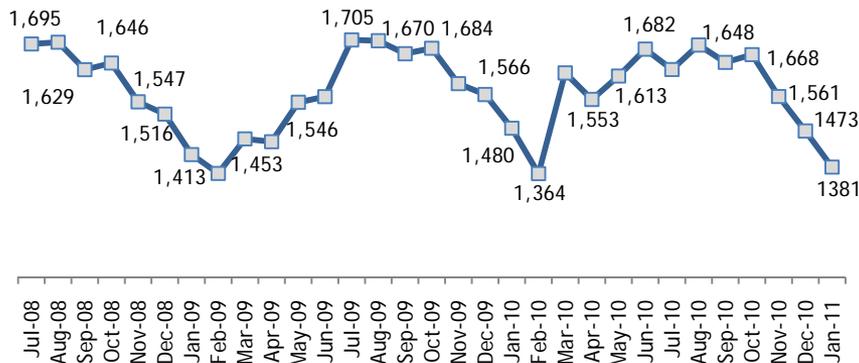
(Millions of gallons)



- Gasoline consumption during the month of January 2011 totaled 91.1 million gallons.
- Despite rising oil prices, January gasoline sales increased by 7.7 million gallons compared to December 2010.
- Average monthly gasoline consumption for FY 2011 has been 90.0 million gallons.

## Electric Power Consumption

(Millions of kWh)



- Electric power consumption was 1,381 million kWh during the month of January 2011.
- Consumption reflected a 6.7% year-over-year decline, principally as a result of significantly higher oil prices when compared to January 2010.



# Description of the GDB-Economic Activity Index

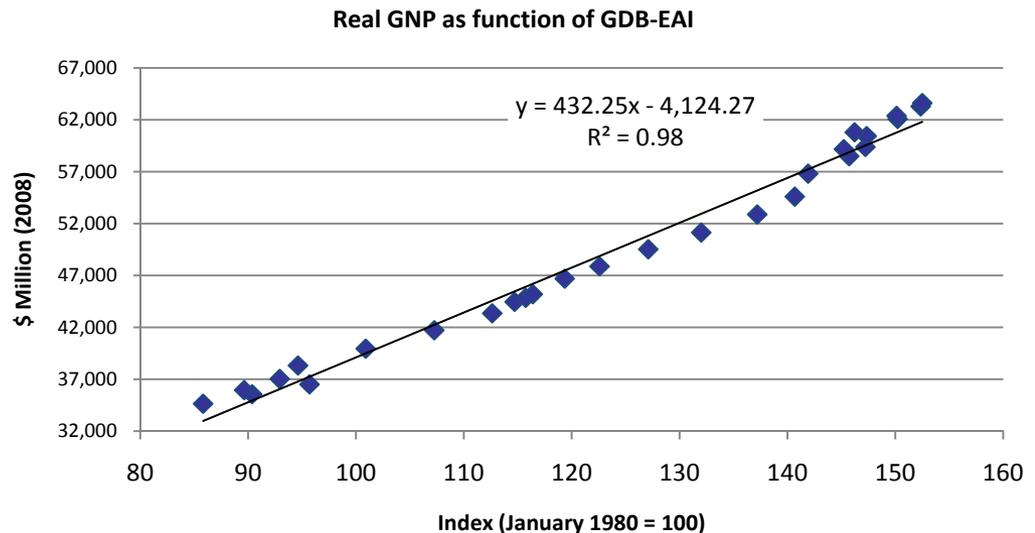


# Description of the GDB-Economic Activity Index (GDB-EAI)

- 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.