



# **Economic Activity Index**

**For the month of June 2010**

**July 22, 2010**



# GDB-EAI:

## Commentary for the month of June 2010

**All GDB-EAI components experienced a month-over-month increase during month of June, closing FY 2010 with an improving trend. GDB-EAI remains at 130.0, improving year-over-year growth rate for the fifth consecutive month and further signaling economic stabilization.**

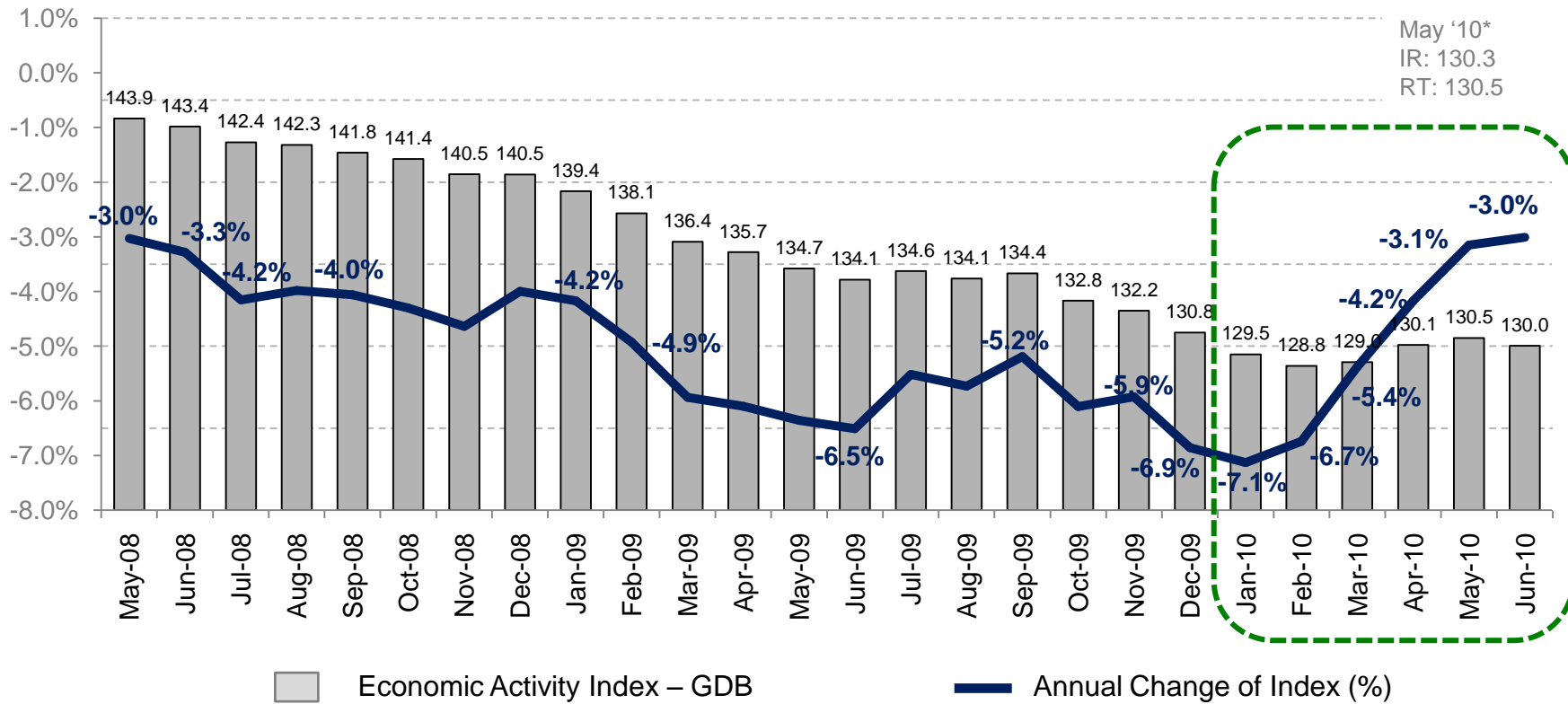
- The GDB-EAI reflected a month-over-month decline of 0.4% in June 2010, after a revised month-over-month growth of 0.3% in May 2010. Compared to June 2009 (year-over-year basis) the GDB-EAI showed a decline of 3.0%, the lowest declining rate since May 2008. In overall, the index is showing an improvement 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 month-over-month changes in June 2010:
  - Payroll employment: +0.2% after a +0.9% in May 2010
  - Cement sales: +6.2% after a -3.2% in May 2010
  - Gasoline consumption: +3.9% after a -8.7% in May 2010
  - Electric power consumption: +4.2% after a +3.8% in May 2010
- Cement sales appear to be stabilizing as evidenced by activity in the last five months but the construction sector continues to face significant challenges.
- Electricity consumption has shown year-over-year improvements every month since July 2009. Consumption during FY 2010 registered a year-over-year growth of 3.9% above FY 2009, the first annual positive growth since FY2007.
- Gasoline consumption during month of June 2010 totaled 93.6 million gallons, remaining in its average trend of 91 million gallons of consumption on a monthly basis.



# GDB Economic Activity Index

## For the month of June 2010

### GDB Economic Activity Index

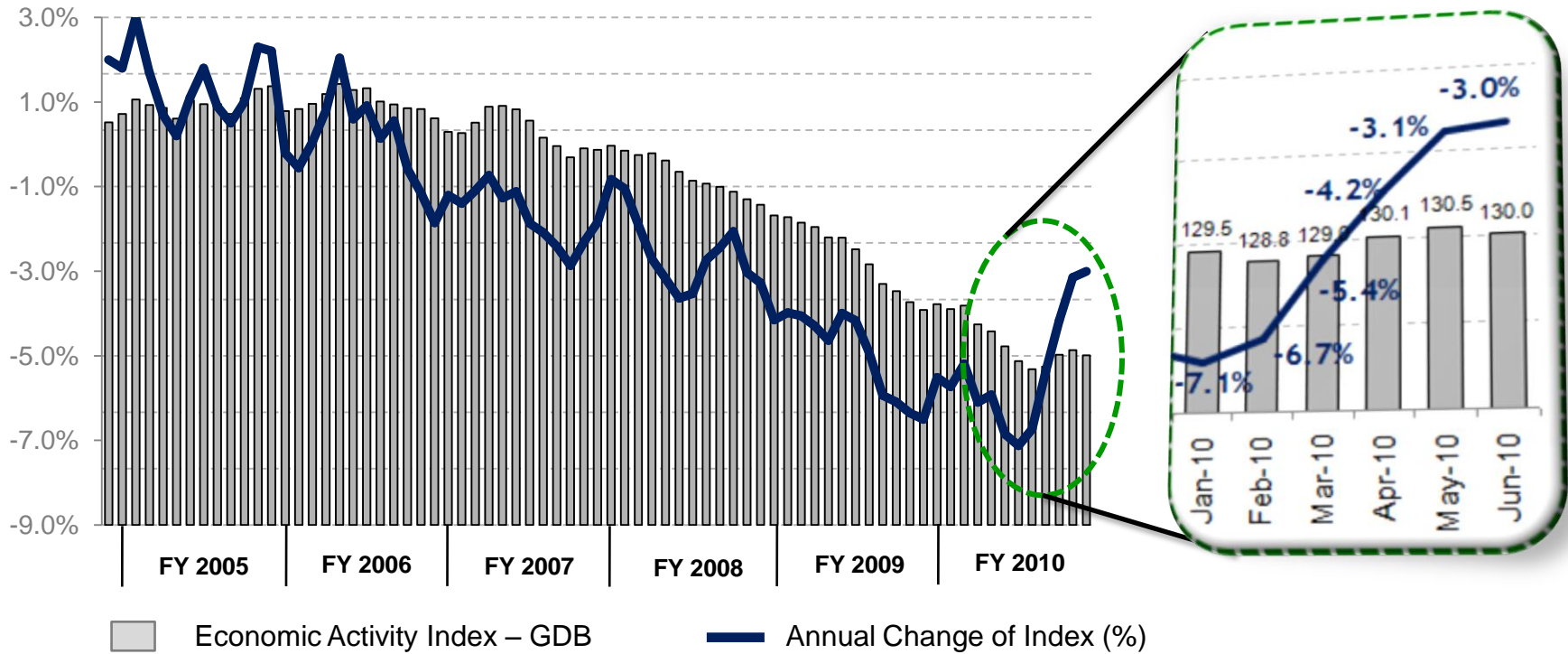


Data used for GDB-EAI is adjusted for seasonality and volatility.



# EAI reflects five consecutive months of recovery, a clear signal of improving economic activity

## GDB Economic Activity Index



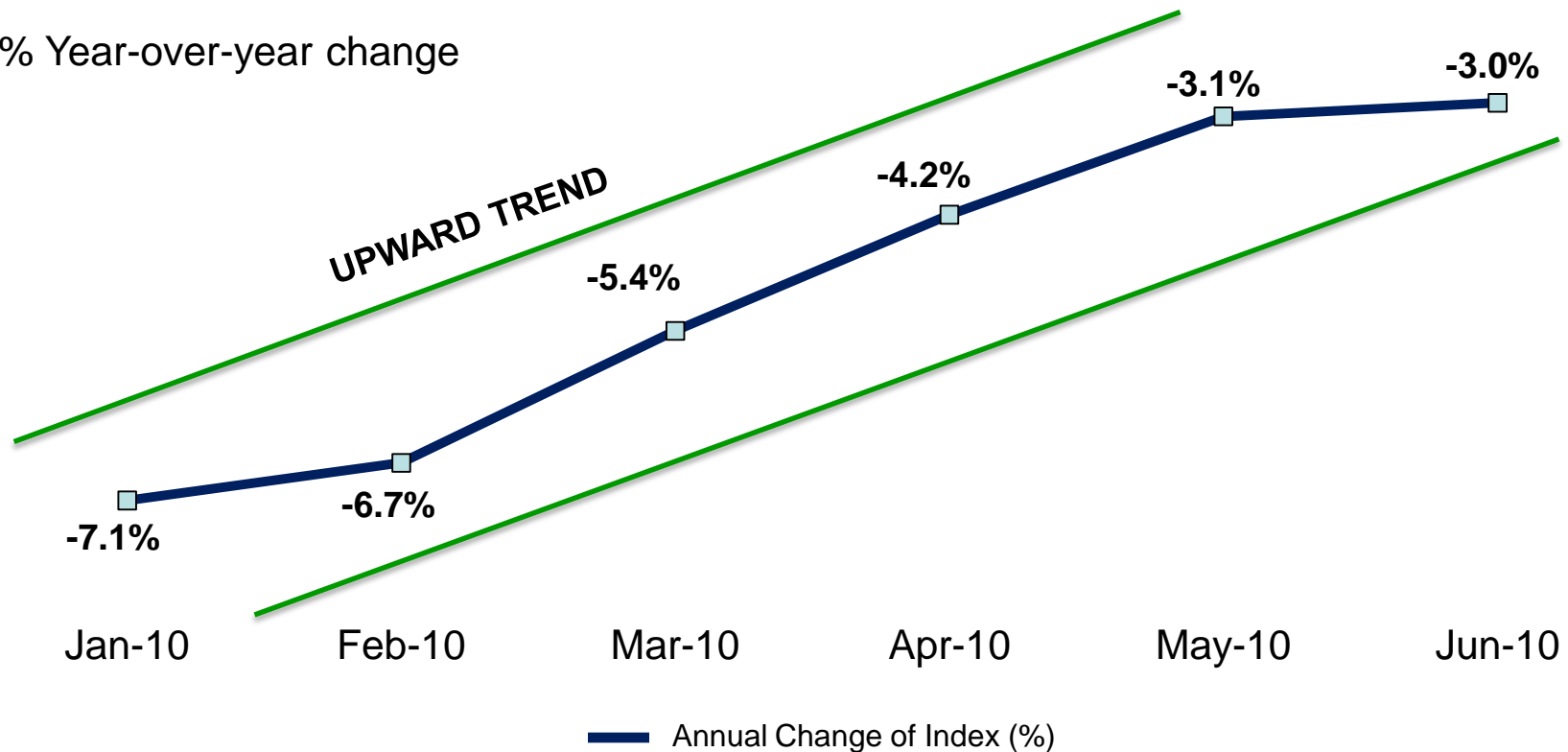
Improvement in the EAI during month of June 2010 was not achieved since May 2008



# Economic activity since January is showing further signs of improvement...

## EAI - 2<sup>nd</sup> Half FY 2010

% Year-over-year change

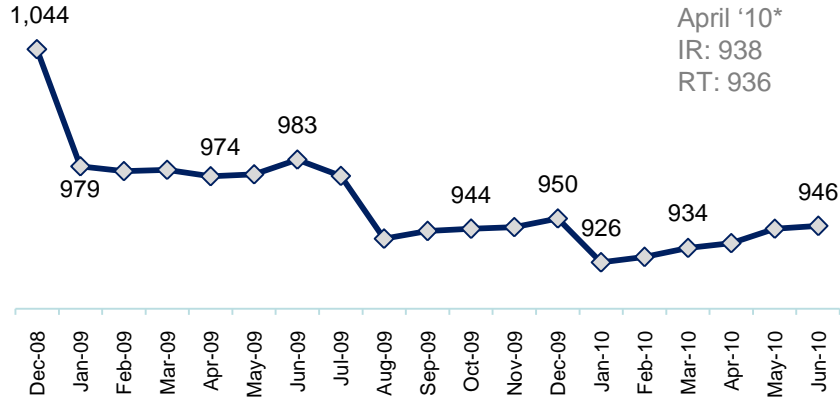




# GDB Economic Activity Index Components

## Total Payroll Employment

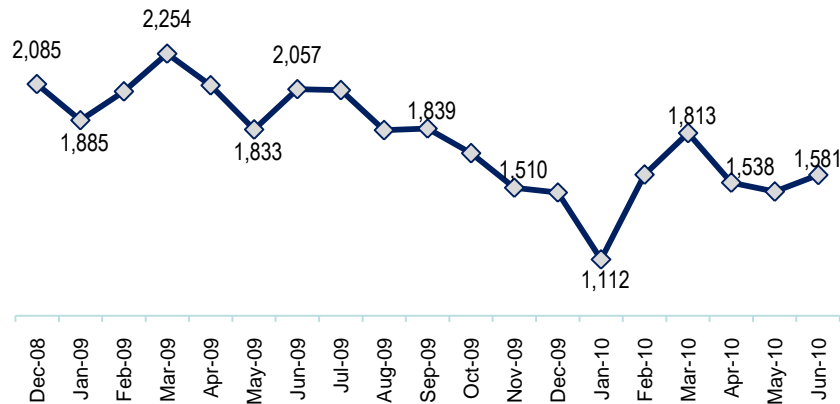
(Thousands of jobs)



- Total payroll employment has increased by 20,200 jobs since January, with the service sector responsible for the creation of 7,900 jobs.
- Federal government employment has increased considerably during recent months in relation to the US census.

## Cement Sales

(Cement Bags sold, in thousands)



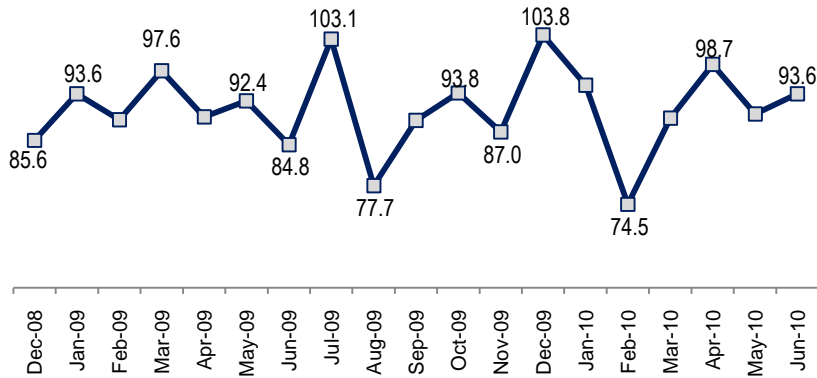
- Cement sales are showing signs of stabilization and year-over-year growth rates are starting to improve.
- Part of the volatility of this variable is due to weather conditions. Nevertheless, the general trend is highly related to economic factors.



# GDB Economic Activity Index Components

## Gasoline Consumption

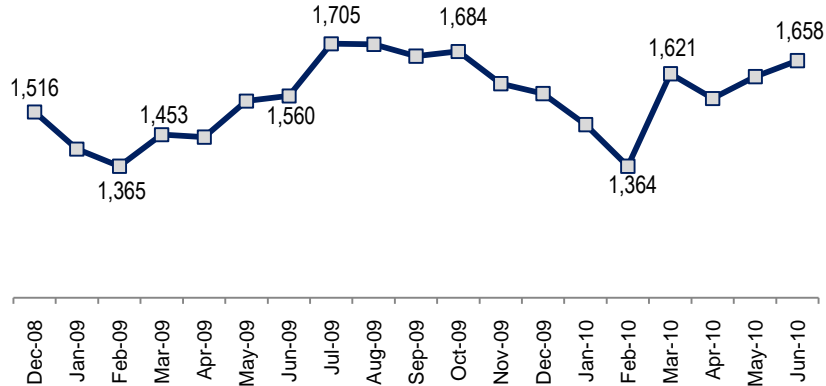
(Millions of gallons)



- On a year-over-year basis, gasoline consumption increased by 10.3% during June 2010
- For the fiscal year ended June 30, 2010 gasoline consumption was 0.7% below FY 2009, in spite of recent spike in gasoline prices.
- Monthly consumption of gasoline for FY 2010 was 91.3 million gallons.

## Electric Power Consumption

(Millions of kWh)



- On a year-over-year basis, electric power consumption recorded an increase of 7.8% in June 2010 to 1.68 million kwh, compared to 1.56 million kwh during the previous year.
- 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



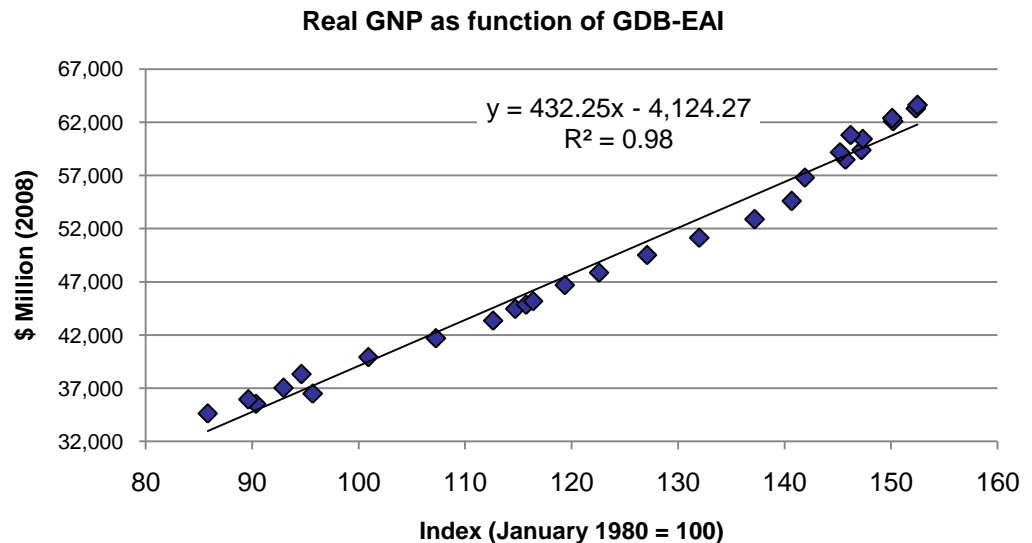


# Description of the GDB-Economic Activity Index (GDB-EAI)

- 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.