



Economic Activity Index

For the month of April 2012



Disclaimer

During the month of April 2012, the GDB-Economic Activity Index (“Index”) was revised in order to substitute electric power consumption for electric power generation. This change is due to the more timely availability of data, increased reliability that is subject to fewer and smaller revisions, and a slightly higher correlation of electric power generation with Puerto Rico’s GNP.

The electric generation variable has been substituted throughout the historical series of the index in order to maintain consistency.

For a detailed explanation please refer to Appendix I



Commentary for the month of April 2012

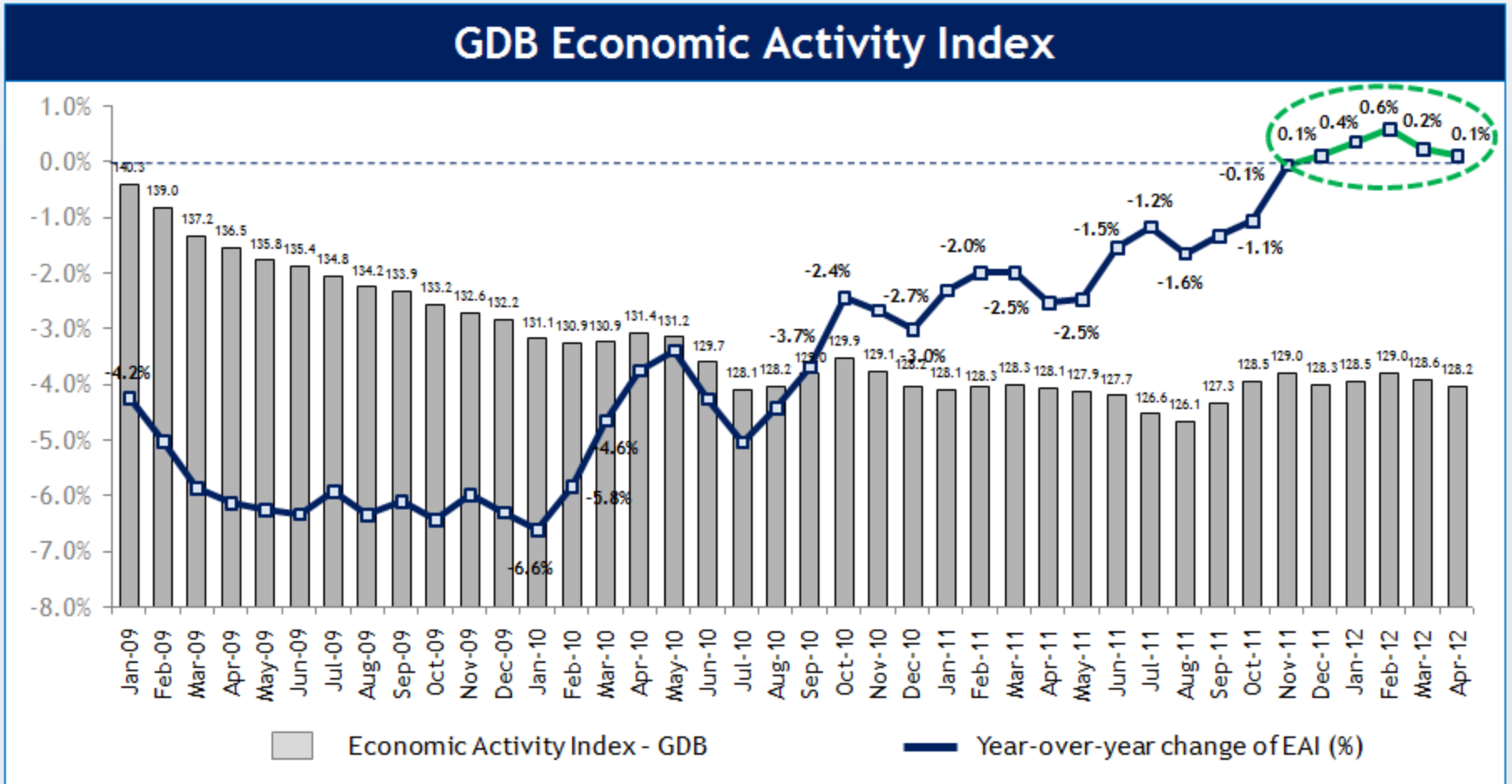
GDB-EAI for the month of April registered an increase of +0.1%, reflecting the fifth consecutive month of positive year-over-year (YOY) growth since recession began in 2006

- EAI registered 128.2 during April 2012, an increase of 0.1% when compared to April 2011.
- Unemployment rate decreased to 14.8% (seasonally adjusted) when compared to April 2011 when the unemployment rate was at 16.1% (seasonally adjusted).
- Total non-farm payroll employment for April 2012 totaled 917,400, a YOY reduction of 0.7%.
- Cement sales totaled 1.654 million bags, registering a year-over-year (“YOY”) increase of 2.1%. Total cement sales year-to-date (“YTD”) for fiscal year 2012 are 4.9% above the same period in fiscal year 2011.
- Gasoline consumption* was 87.8 million gallons, a 13.0% YOY increase when compared to April 2011.
- Electric power generation totaled 1,766.8 million kWh, reflecting a YOY reduction of 1.5%. Total electric power generation YTD for fiscal year 2012 is 2.6% below the same period in fiscal year 2011.

* Estimated monthly gasoline consumption is derived from the Treasury Department’s monthly gasoline excise tax collections. These monthly collections tend to have irregular patterns as major gasoline importers have significant fluctuations in their inventories and purchases. As a result, the estimate used by GDB does not necessarily reflect actual monthly consumption by individuals.



GDB-Economic Activity Index is reflecting the first months of positive economic growth since 2006



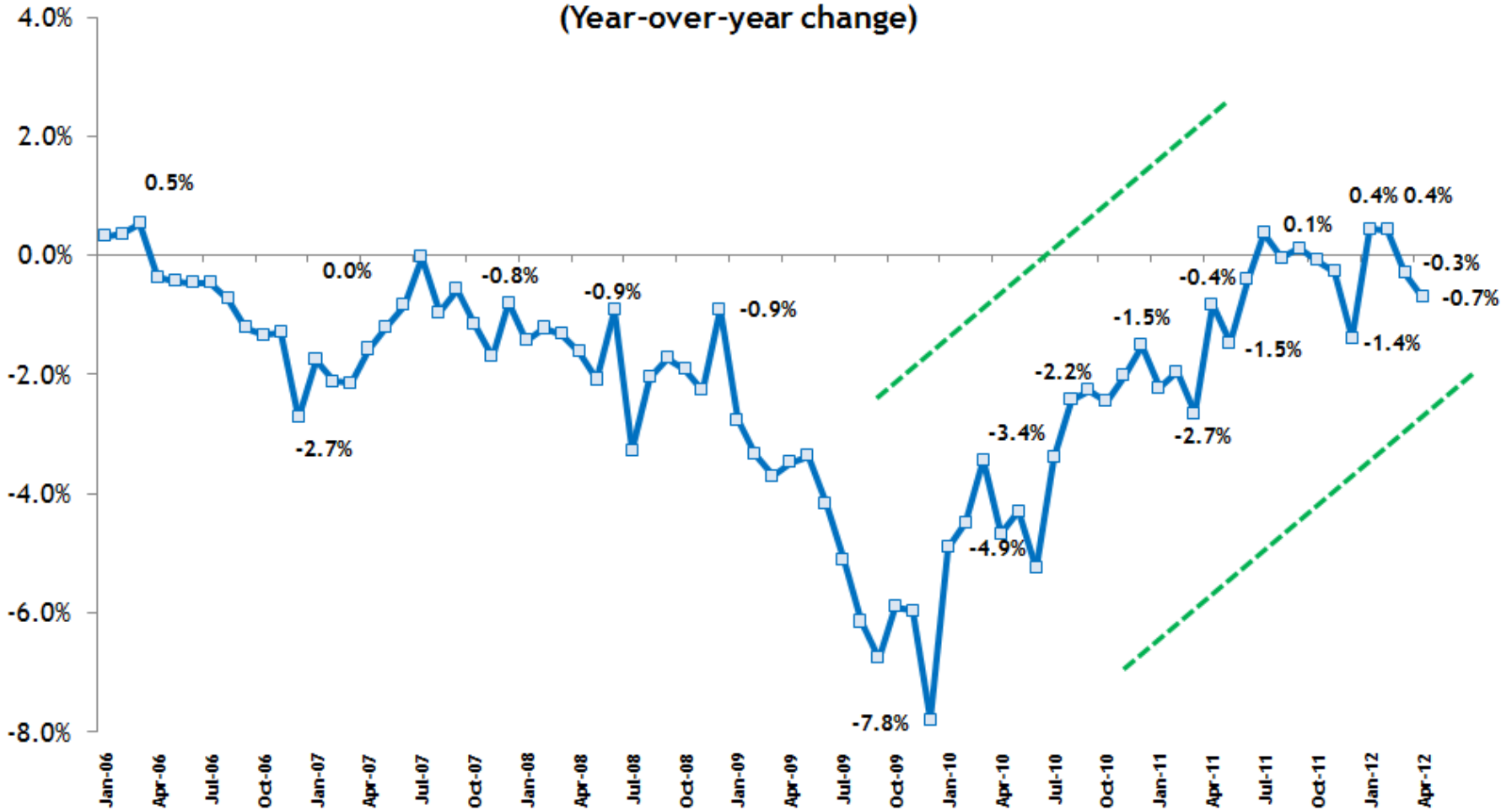
Data used for GDB-EAI is adjusted for seasonality and volatility.



Recent positive trend in total non-farm payroll employment is in line with trends seen in other principal economic indicators

Total Non-Farm Payroll Employment

(Year-over-year change)

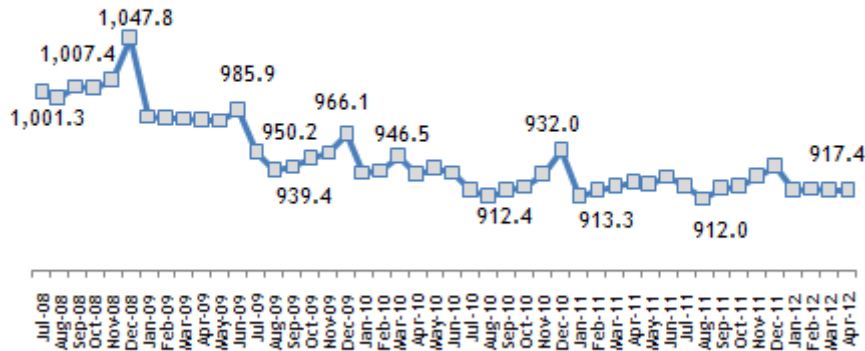




GDB Economic Activity Index Components

Total Non-Farm Payroll Employment*

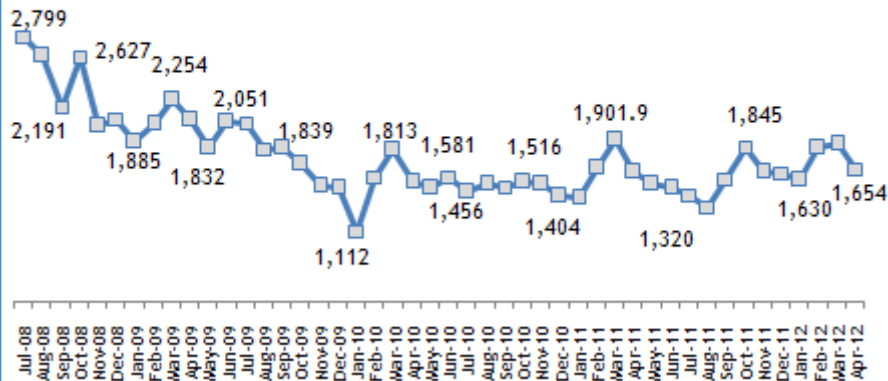
(Thousands of jobs)



- Total non-farm payroll employment for April 2012 totaled 917,400, a YOY reduction of 0.7%.
- Unemployment rate decreased to 14.8% (s.a) when compared to April 2011 when it reflected 16.1% (s.a).

Cement Sales

(Cement Bags sold, in thousands)



- Cement sales totaled 1.654 million bags; a YOY increase of 2.1%.
- Total cement sales for calendar year (“CY”) 2011 ended 5.2% above year 2010.
- Total cement sales YTD for fiscal year 2012 are 4.9% above fiscal year 2011.

Sources: Dept. of Labor, GDB

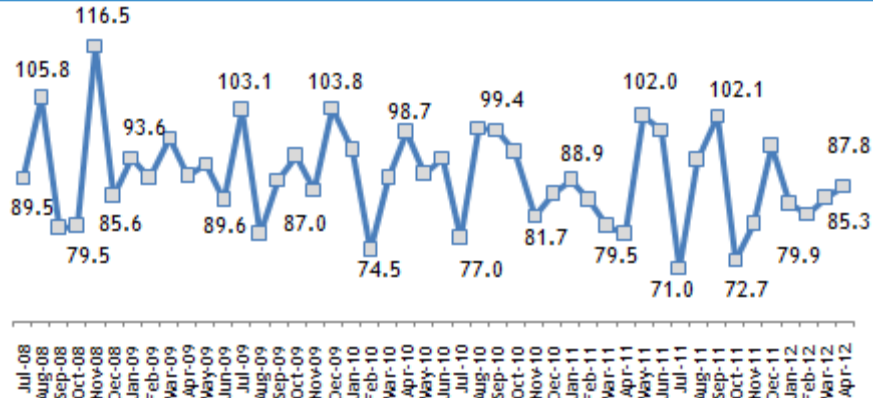
* Not seasonally adjusted.



GDB Economic Activity Index Components

Gasoline Consumption

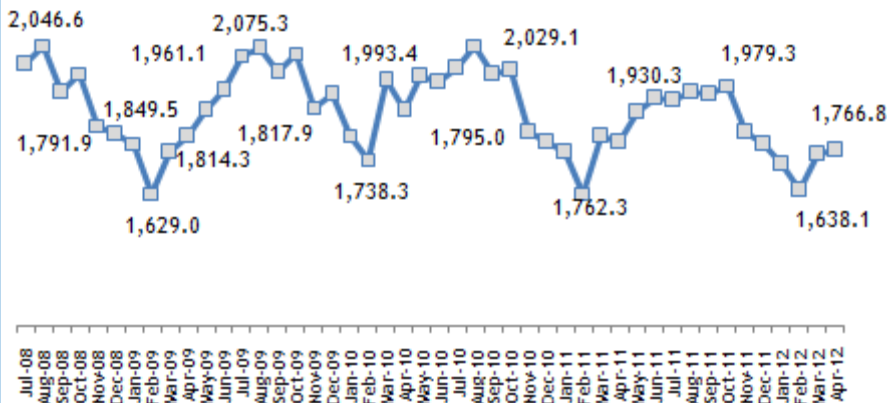
(Millions of gallons)



- Gasoline consumption during the month of April 2012 totaled 87.8 million gallons, a YOY increase of 13.0%.
- Estimated monthly gasoline consumption is derived from the Treasury Department's monthly gasoline excise tax collections. These monthly collections tend to have irregular patterns as major gasoline importers have significant fluctuations in their inventories and purchases. As a result, the estimate used by GDB does not necessarily reflect actual monthly consumption by individuals.

Electric Power Generation

(Millions of kWh)



- Electric power generation registered 1,766.8 million kWh during the month of April 2012, a 1.5% YOY reduction.
- Electric power generation during April 2012 increased by 0.6% when compared to consumption during March 2012.
- Electric power generation YTD for fiscal year 2012 was 2.6% below same period in FY 2011, mainly as a result of higher oil prices.



Description of the GDB-Economic Activity Index

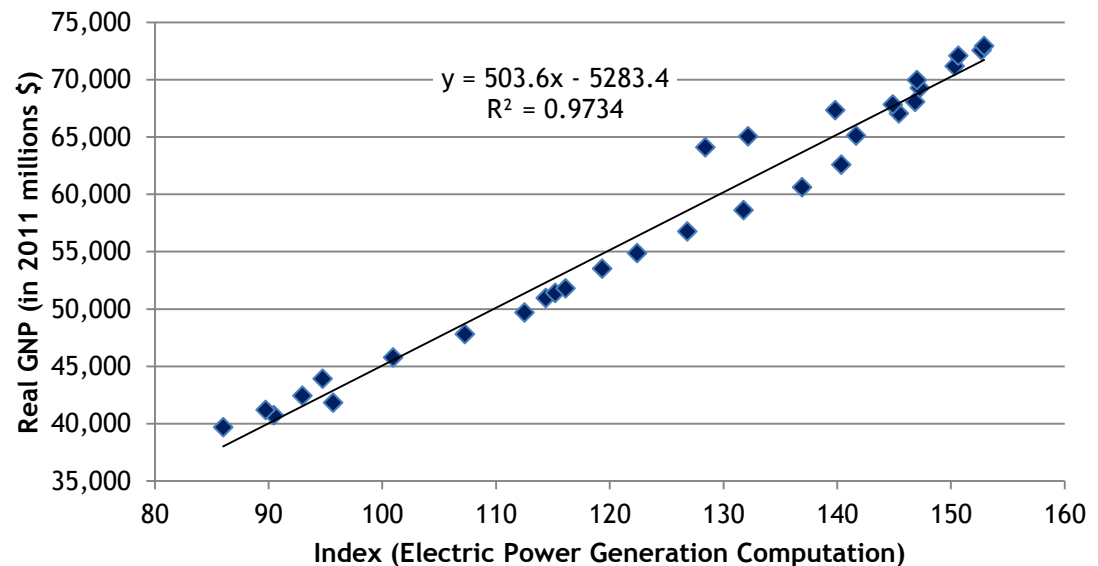


Description of the GDB-Economic Activity Index (GDB-EAI)

- 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 0.97) 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 Generation (Millions of KWH)
- Cement Sales (Millions of bags)
- Gas Consumption (Millions of gallons)



Appendix - Substitution of Electric Power Consumption for Generation



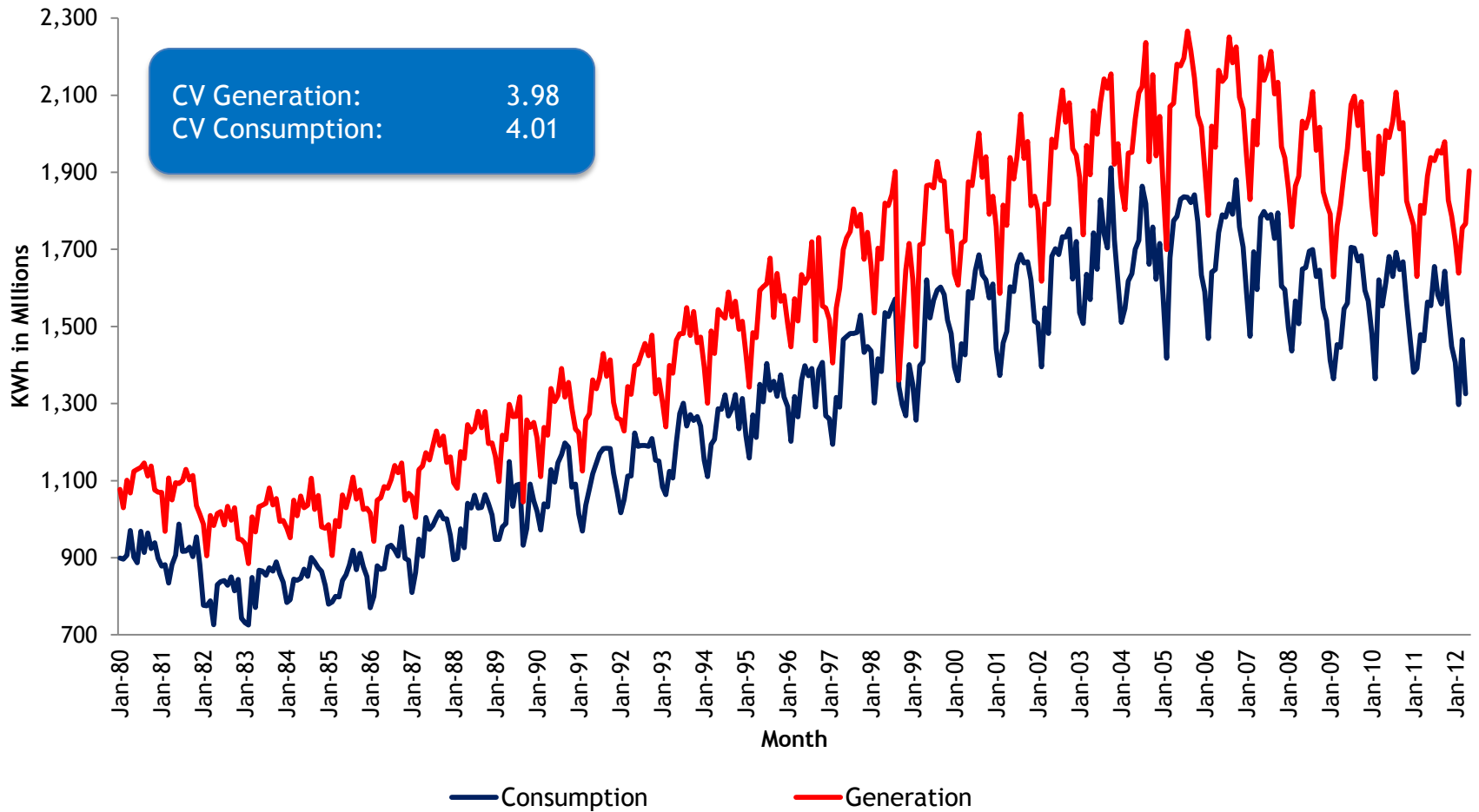
Substitution of Electric Power Consumption for Electric Power Generation

- The Puerto Rico Electric Power Authority (“PREPA”) recently implemented a new client billing system
- As the new billing system is fully implemented and its reporting is normalized, reported figures have been undergoing several revisions that resulted in delays to publish the GDB-EAI
- Historically, electric power consumption has been subject to subsequent revisions, whereas electric power generation figures are more stable and consistent
- Electric power generation shows a slightly higher correlation to the overall economy



Electric power generation is higher than consumption but with a similar coefficient of variation (CV)

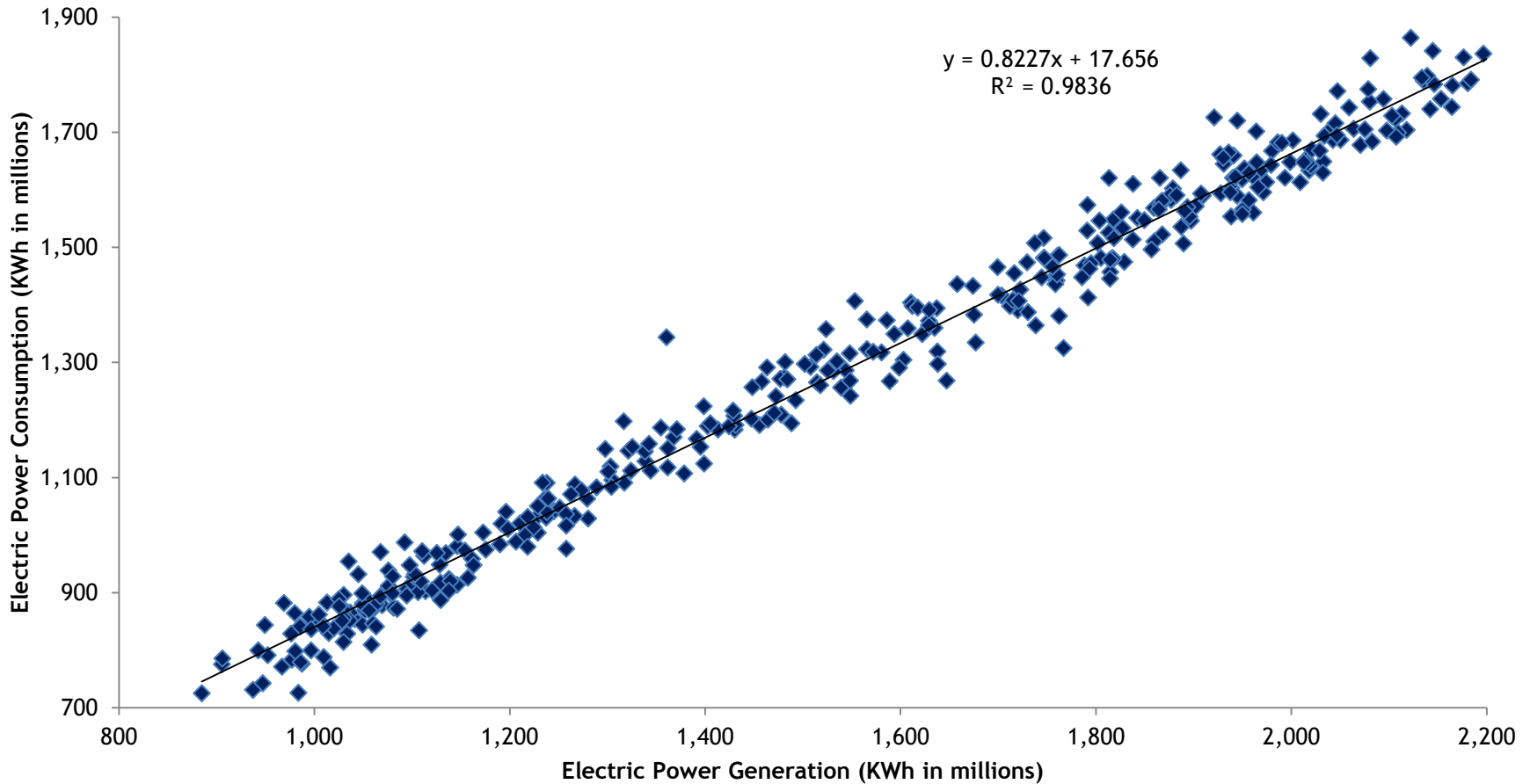
Electric Power - Consumption and Generation





The high correlation between both variables, along with recent inconsistencies in the consumption variable that delayed the publication of the EAI, validated the need to replace one variable for the other

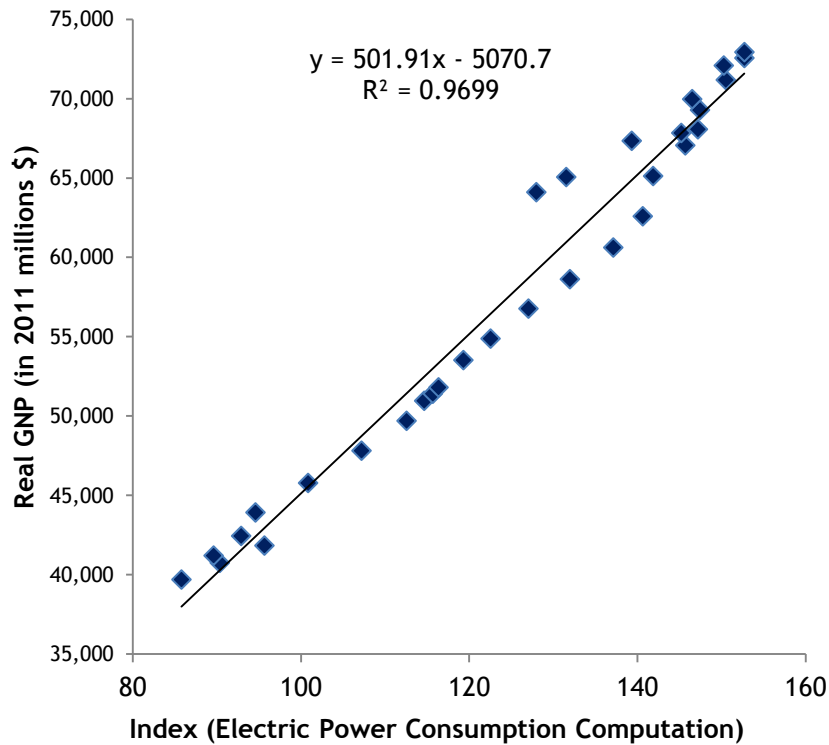
Correlation between Generation and Consumption



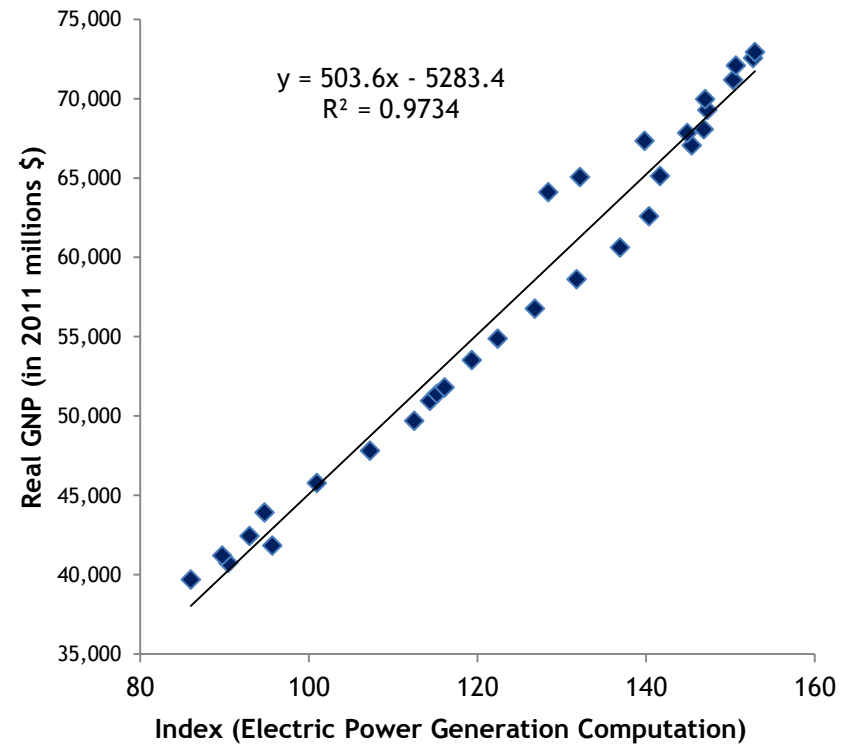


Both computations of the GDB-EAI in function of Puerto Rico's real GNP is practically the same

Real GNP as function of GDB - EAI
(under electric power consumption)



Real GNP as function of GDB - EAI
(under electric power generation)





Disclaimer

The GDB Economic Activity Index and its indicators are subject to 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.