

Puerto Rico's Economic Perspectives

*NFMA and MAGNY Conference
"Puerto Rico-Update on the Commonwealth"
New York*



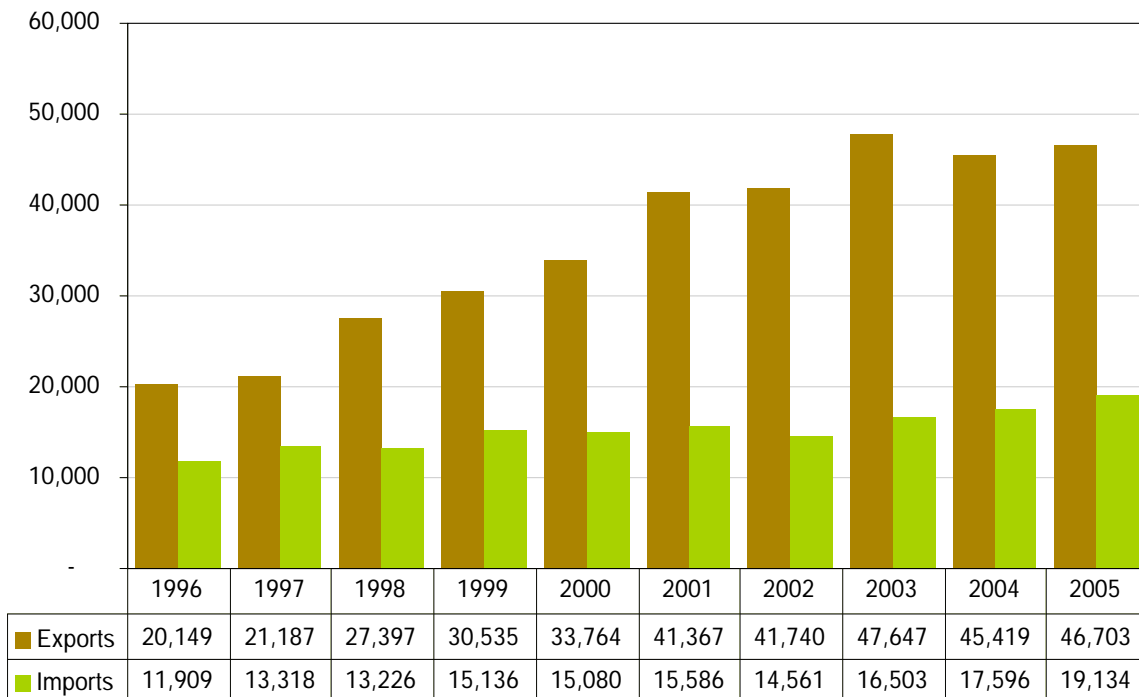
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Estudios Técnicos, Inc.*

September 22, 2006



Puerto Rico: a Regional Economy of the United States

Puerto Rico's External Trade
United States
 Fiscal years
 In millions of dollars

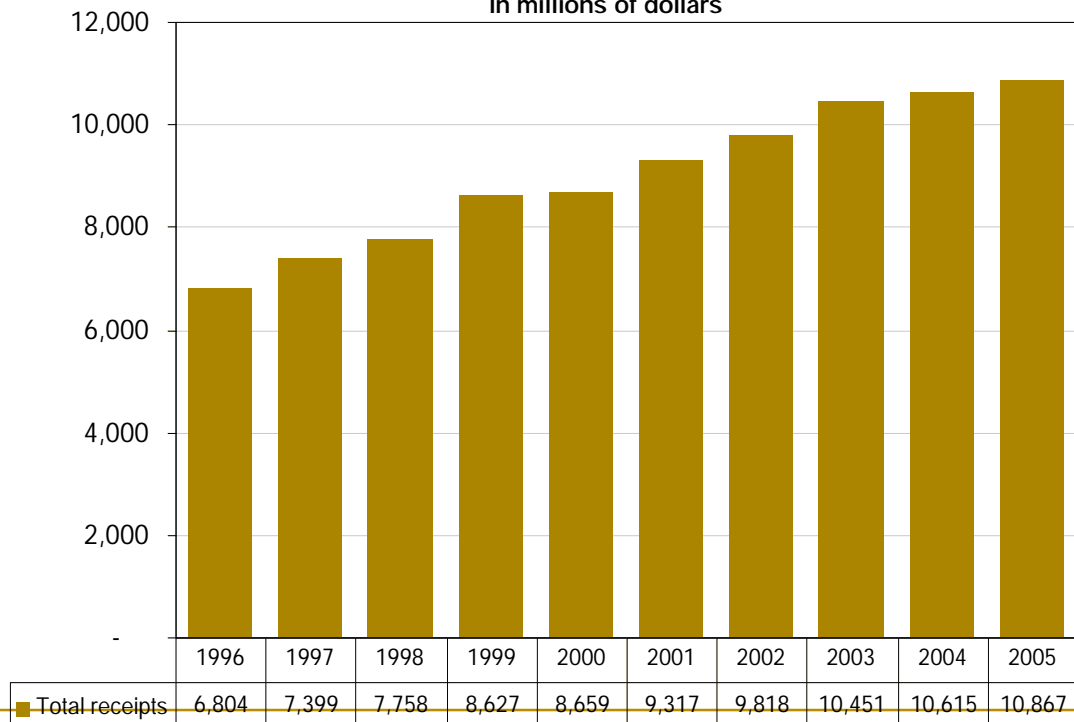




Puerto Rico: a Regional Economy of the United States

Transfers between Federal Government and Puerto Rico

Total Receipts
 Fiscal years
 In millions of dollars





Puerto Rico: a Regional Economy of the United States (cont...)

Other linkages

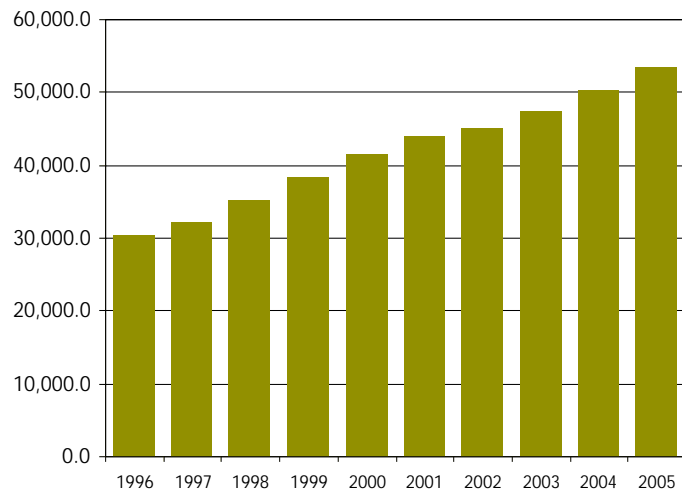
- The financial system operates within the U.S. regulatory framework
- Payments to factors abroad: the mortgage market
- Risk environment
 - No political risk
 - No foreign exchange risk



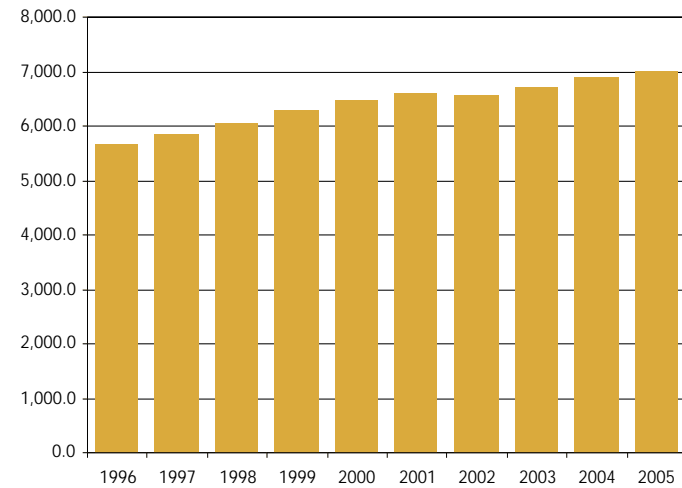
Puerto Rico: a Regional Economy of the United States (cont...)

A remarkably stable economic environment

GNP
Total in current dollars



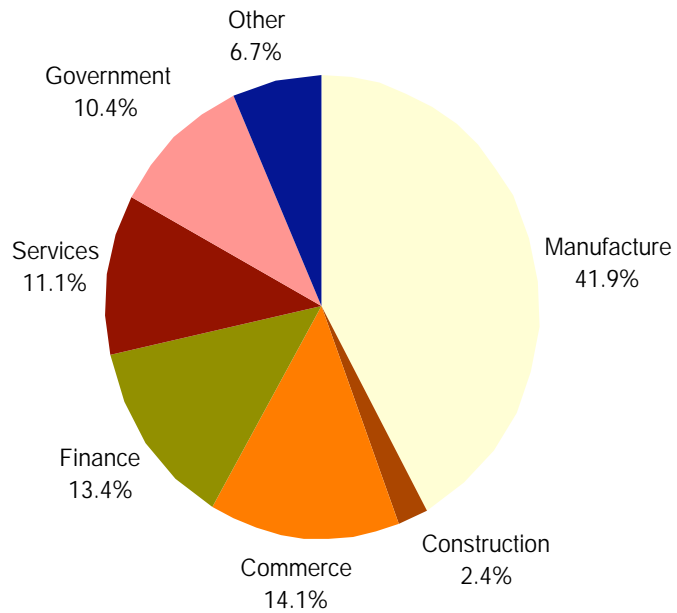
GNP
Total in constant dollars



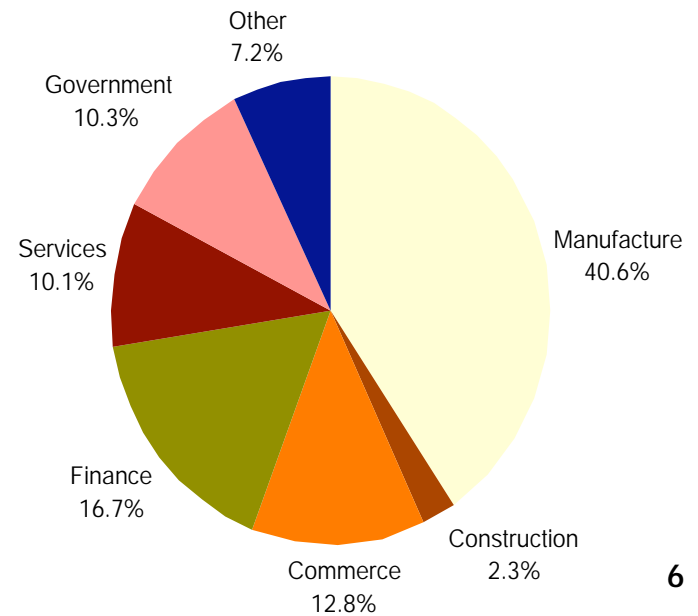


GDP

**GDP by Economic Sector
1995**

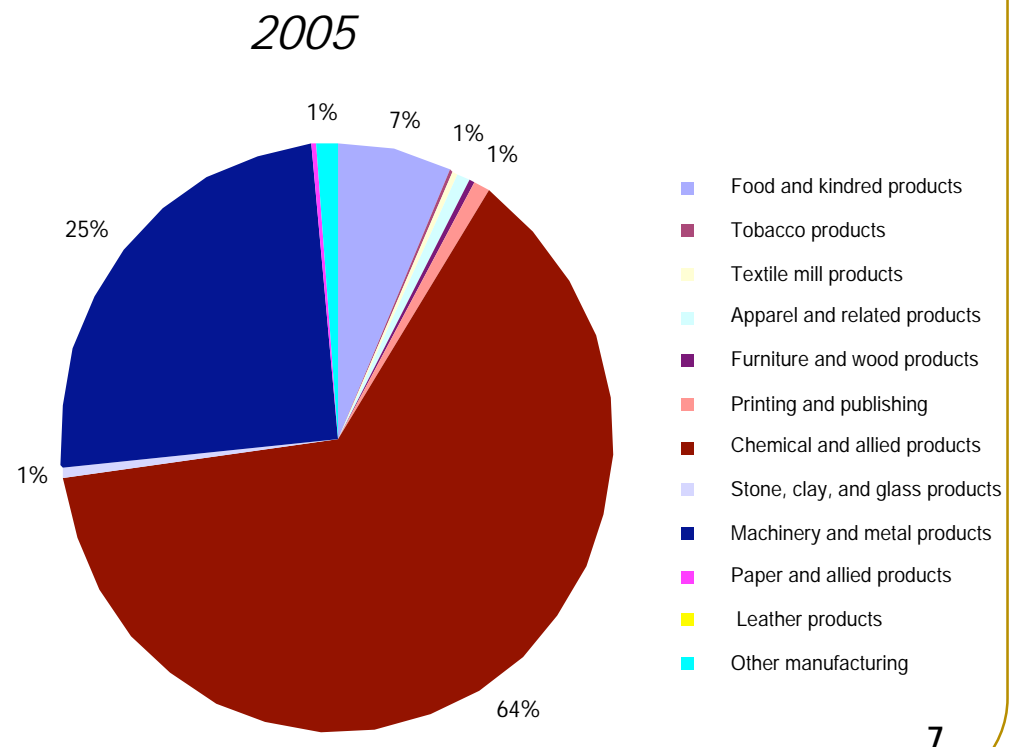
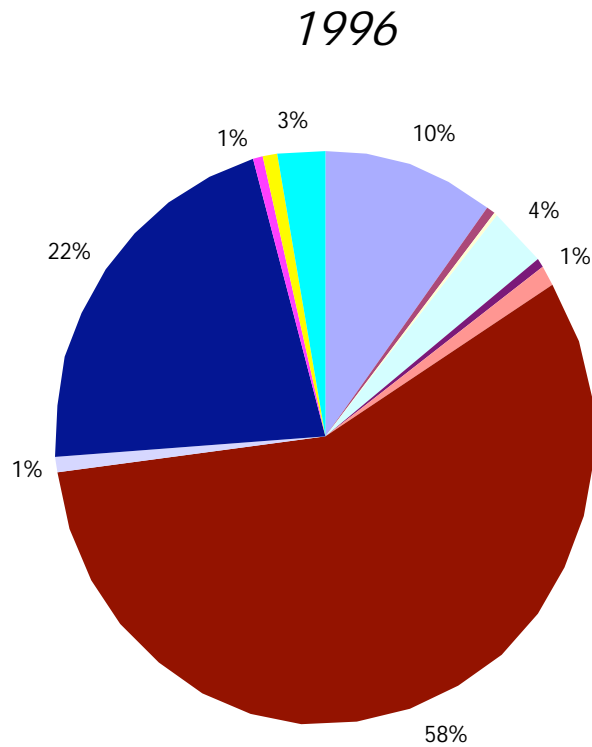


**GDP by Economic Sector
2005**





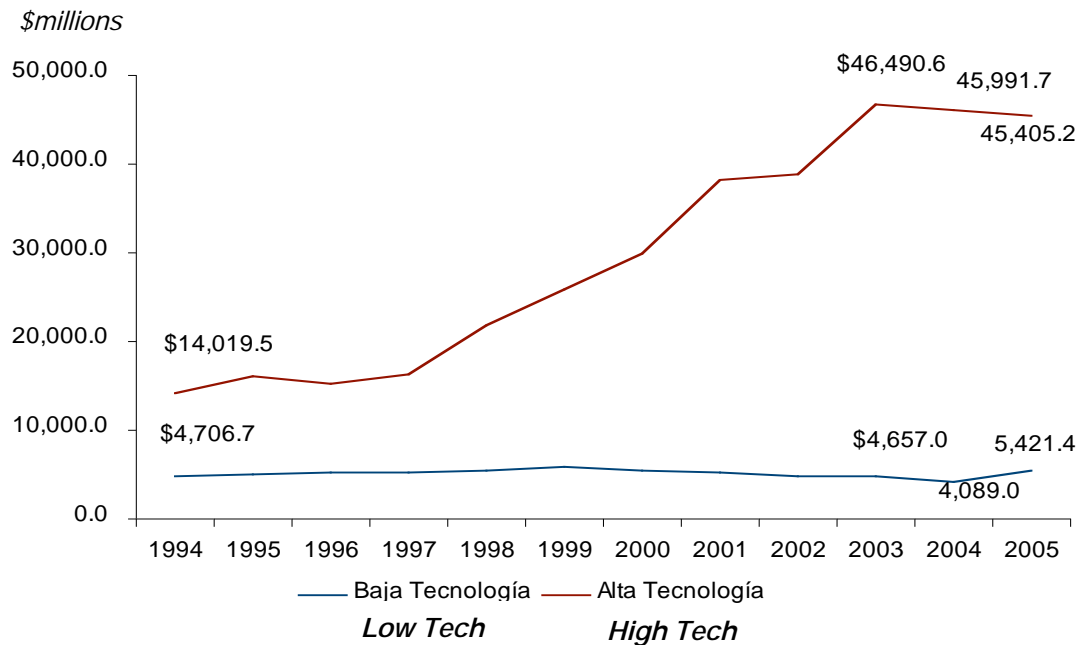
Industrial Structure





Exports by Product Categories

High and Low Tech Exports

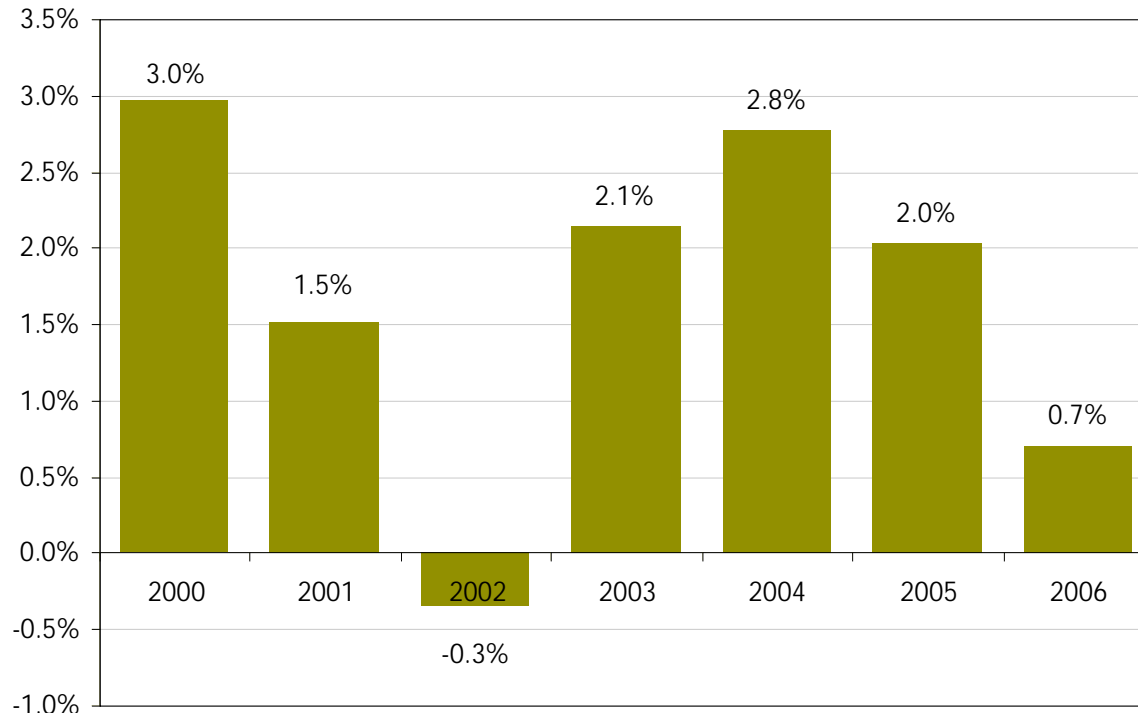


Source: Puerto Rico Planning Board



Recent Performance

GNP Real Growth





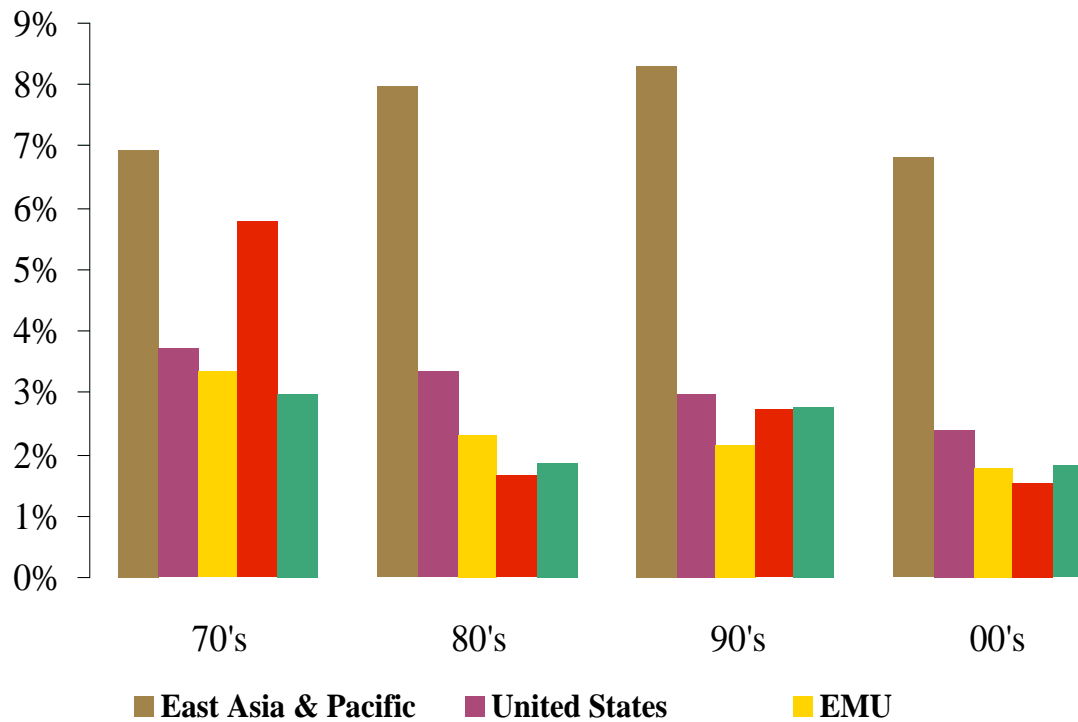
Recent Performance

Underlying factors

- Banking sector difficulties
- Fiscal imbalances
- Political differences
- Petroleum prices
- Interest rate increases



How Puerto Rico compares with other economies

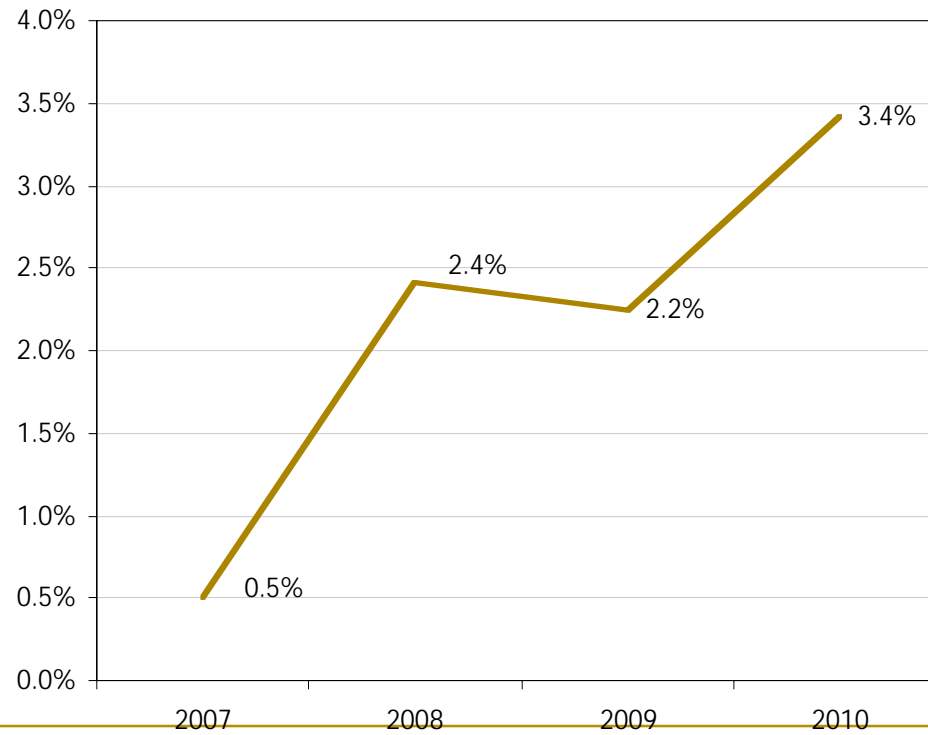


Sources: BIA Latin America and the Caribbean, Puerto Rico Planning Board, Estudios Técnicos, Inc.
•GNP in the case of PR



Mid Term Perspectives

GNP Real Growth





Forecast assumptions

- Consolidation of fiscal reforms
- Increased public investment
- A more favorable fiscal environment
- Implementation of the sales tax
- New infrastructure initiatives



Risks

External

- US economic performance
- Petroleum prices
- Interest rates

Local

- Accelerating public projects
- Political conflict
- Institutional transformation



Conclusions

- A favorable prognosis, conditioned on
 - Continuing efforts to transform the institutional framework
 - Consolidating tax and fiscal reform initiatives