



Press Release

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Contact: Ivelisse Prado

787-727-4444, 787-307-2318 cel

Puerto Rico's Economy Grows at a Greater Rate than Expected

Planning Board Presents Revised Projections for FY 2012 and New Projections for FY 2013

San Juan, P.R.– The Puerto Rico Planning Board (the “Planning Board”) announced today that Puerto Rico’s economy is expected to grow at a greater rate than expected during FY 2012 that ends on June 30. For FY 2013 beginning on July 1, 2012, the Island will experience a 1.1% growth, the largest growth since 2005, Planning Board President Rubén Flores-Marzán confirmed today.

For FY 2012 the Planning Board now projects a base economic growth of 0.9%, compared with the 0.7% growth previously projected. This is the first time since the recession began in 2006 that Puerto Rico’s economy will have grown, instead of contracting.

In addition, the Planning Board is projecting a 1.1% positive growth for FY 2013, which would be the strongest economic growth since FY 2005, when it grew 1.9%.

“For some time now we have seen the light at the end of the tunnel, but now we are in effect exiting the tunnel,” Flores-Marzán said. “Evidently, the measures taken to achieve fiscal stabilization and boost the economy are working. This has been mentioned by economists in Puerto Rico and abroad and it’s what we see reflected in these economic recovery and growth projections for this and the coming fiscal year,” the President stated.

Flores-Marzán explained that even though the “base” projection for FY 2012 is a 0.9% positive growth, the economy may end up growing as much as 2.0%. He explained that in addition to the “base” projection, the Board is also making projections for highest and lowest scenarios, i.e., more and less optimistic projections. The lowest estimate for FY 2012 is -0.2%. Whereas, for FY 2013, the highest scenario is 2.3% while the lowest scenario would be -0.1%. “What all this means is that next year we will undoubtedly experience the strongest economic growth we have had since 2005,” Flores-Marzán pointed out.

The Planning Board President indicated that Puerto Rico’s economy entered a deep recession beginning with the government shutdown in May 2006. Economic growth for that fiscal year decreased to just 0.5%. Since then, the economy plummeted, contracting -1.2% in 2007, -2.9% in 2008 and -3.8 in 2009, according to the latest revisions. Since then, it entered a stabilization phase, reflecting less acute contractions in the order of -3.4% in fiscal 2010, and -1.5% in fiscal 2011, and, finally, a 0.9% growth for fiscal 2012.

Flores-Marzán explained that among the factors taken into consideration in preparing the projections is the performance of the US and global economies, public and private investment, as well as the impact of the benefits of the recently enacted tax reform. Also, oil prices, exports levels, personal consumption expenses, visitors expenditures, investment in construction, machinery and equipment, federal transfers and the adjustment in Social Security are among the factors considered.

“The projections are produced based on several indicators and assumptions. This is why these projections should be adjusted in accordance with the behavior of these assumptions that we do not control,” the planner stated.

Final Data for FYs 2009, 2010, 2011

On the other hand, Flores-Marzán reported that macroeconomic data for FY 2011, as well as the revision for FYs 2009 and 2010 point out to a clear upturn of the local economy.

“It bears mentioning that, for the first time in seven years (2004 to 2011), a positive growth has been projected—the highest in twelve years—for the gross internal investment (investment in construction + investment in machinery and equipment + change in inventories) in the order of \$9,967.8 million, an 8.5% increase at current prices,” the Planning Board President explained. This variable at constant prices represented an 11.5% increase with respect to the total for the previous fiscal year. Investment in construction for FY 2011 reached \$3,842.0 million or 4.7% above FY 2010. In real prices this represented a 2.2% increase during the same period of the previous fiscal year; it was the first positive fiscal year for investment in construction after the values at constant prices fell for seven consecutive years.

The Gross Product (GP), which represents the market value of the economic production originated by Puerto Rico residents, totaled \$64,106.2 million at current prices in FY 2011. At constant or real prices, the value was \$6,201.5 million, a 1.5% decrease with respect to FY 2010. The growth revision of the GP at constant prices in FYs 2009 and 2010 was set at -3.8% -3.4%, respectively.

Personal consumption expenditures—the main component of internal demand—totaled \$58,889.6 million at constant current prices for FY 2011. At constant prices, this represented a 1.5% increase when compared with the total for FY 2010.

Total central government and municipal consumption expenditures for FY 2011 was \$10,501.6 million at current prices, a 4.7% decrease at constant prices, compared to the total for FY 2010. In addition, “for the second consecutive fiscal year, central government consumption expenditures decreased; at real prices, this item represented 70.1% of the central government and municipal consumption expenses for FY 2011”, Flores-Marzán pointed out.

“Indicators reflect that Puerto Rico’s economy is coming full circle, from a dramatic fall, when the recession began, to stabilization in the last two years, to a phase, we foresee, of sustained growth,” Flores-Marzán concluded.

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