

# PR's Economic Up-date

April 2017



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# Key macroeconomic indicators for 2016

## The PR Planning Board just published the Economic Report with the following findings:

- ▶ Real GNP reached to \$70.1 billion
- ▶ Real GNP decreased by -1.1%
- ▶ Population decreased to 3.4 million
- ▶ Unemployment rate: 12%
- ▶ Inflation: .2%
- ▶ Total exports increased to: \$71.8 billion (3.4%)
- ▶ Imports reached: \$43.3 billion (.6%)
- ▶ Population under poverty level: 45%

# New developments

- ▶ During the fourth quarter of 2016, according to the Economic Activity Index, the economy contracted – 2.5%.
- ▶ Key indicators reflects the economy remains in a downward spiral.
- ▶ **The new administration is implementing institutional reforms**
  - ▶ *Labor Reform, PR Enterprise, Permits, PPP's, DMO*
- ▶ The Fiscal Plan was presented on February 28<sup>th</sup>.
- ▶ **The Fiscal Oversight Board has until march 15 to certify or reject the Plan Fiscal presented.**



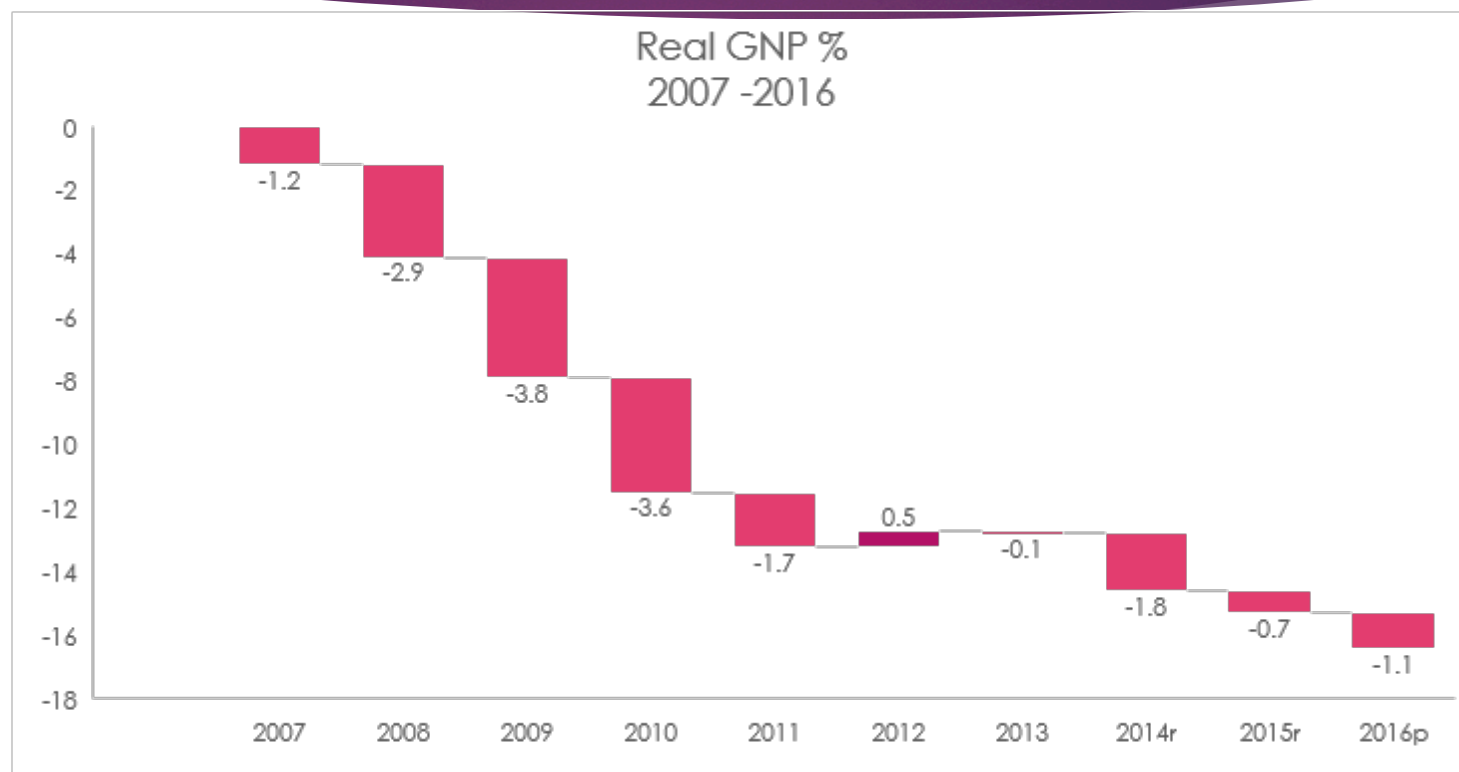
# Short term challenges

- ▶ Expiration of Obamacare funding in 2017: \$800 million.
- ▶ Expiration of Act 154: 1.6 billion or 20% of total collections.
- ▶ Potential debt restructuring that could implement hair cuts of 70% – 80% on local bond holders.
- ▶ Austerity measures to stabilize PR public finances without any federal support.
- ▶ Pension insolvency in 2018, threatens 200,000 retirees.

# Economic decoupling from the US



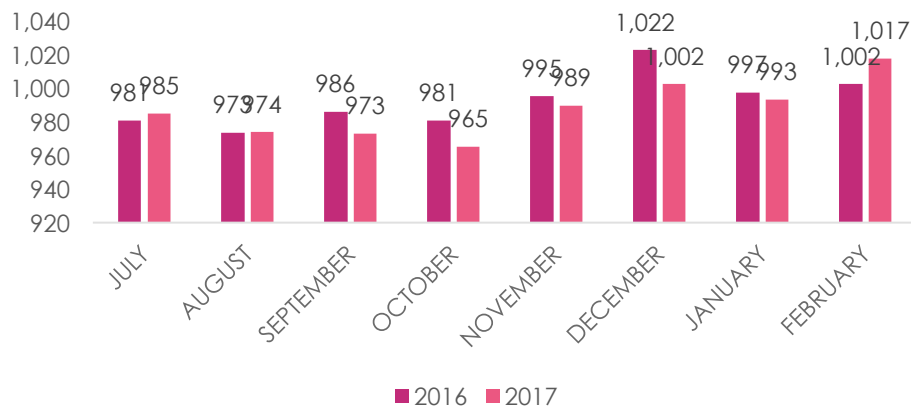
# PR's longest depression: 2007 -



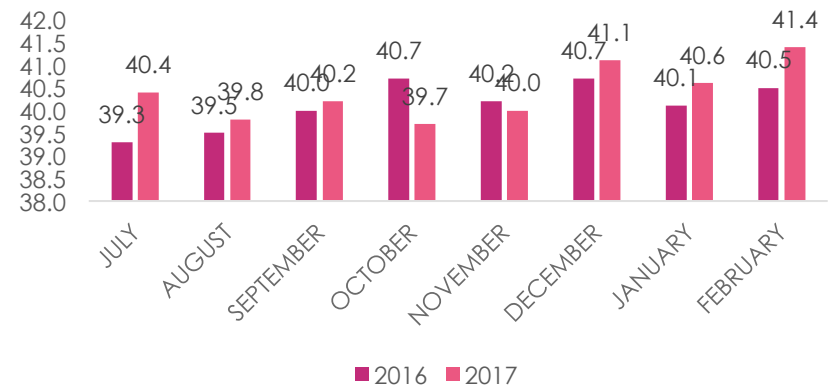
From 2007 to 2016, the aggregate contraction of the GNP is 17%. It could reach 25% after the implementation of the fiscal reforms during the 2018 – 22 period.

# Labor market

Total employment (thousands)  
Fiscal years

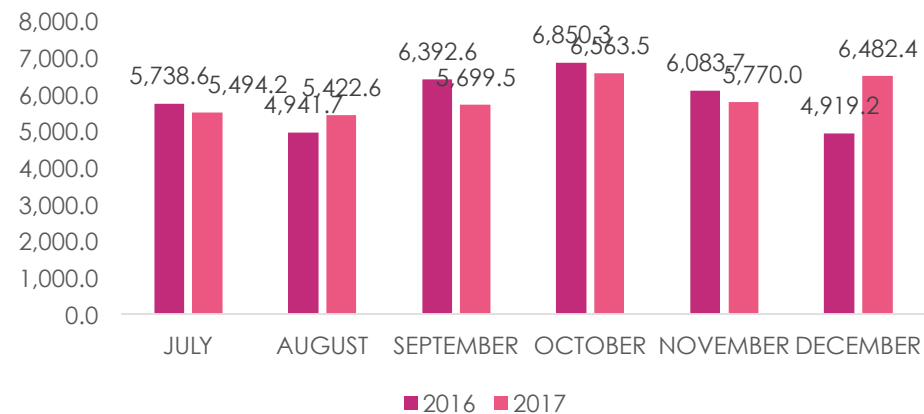


Labor participation rate  
(%)

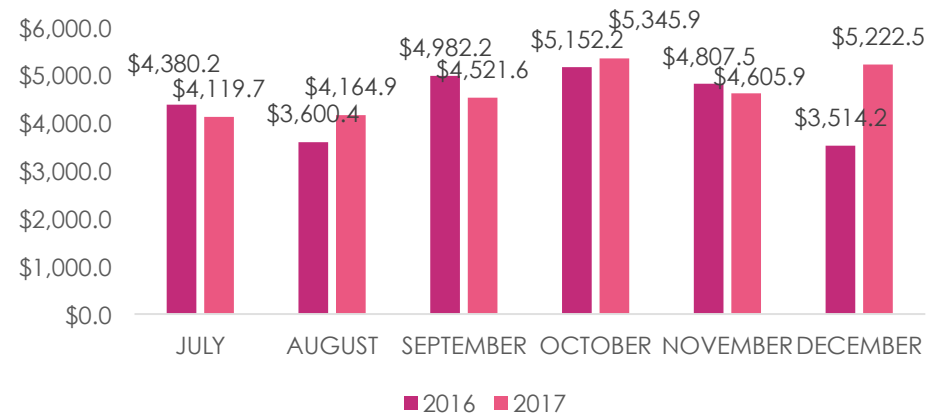


# External trade

Value of total Exports  
(million)



Value of total imports  
(million)





# Austerity measures

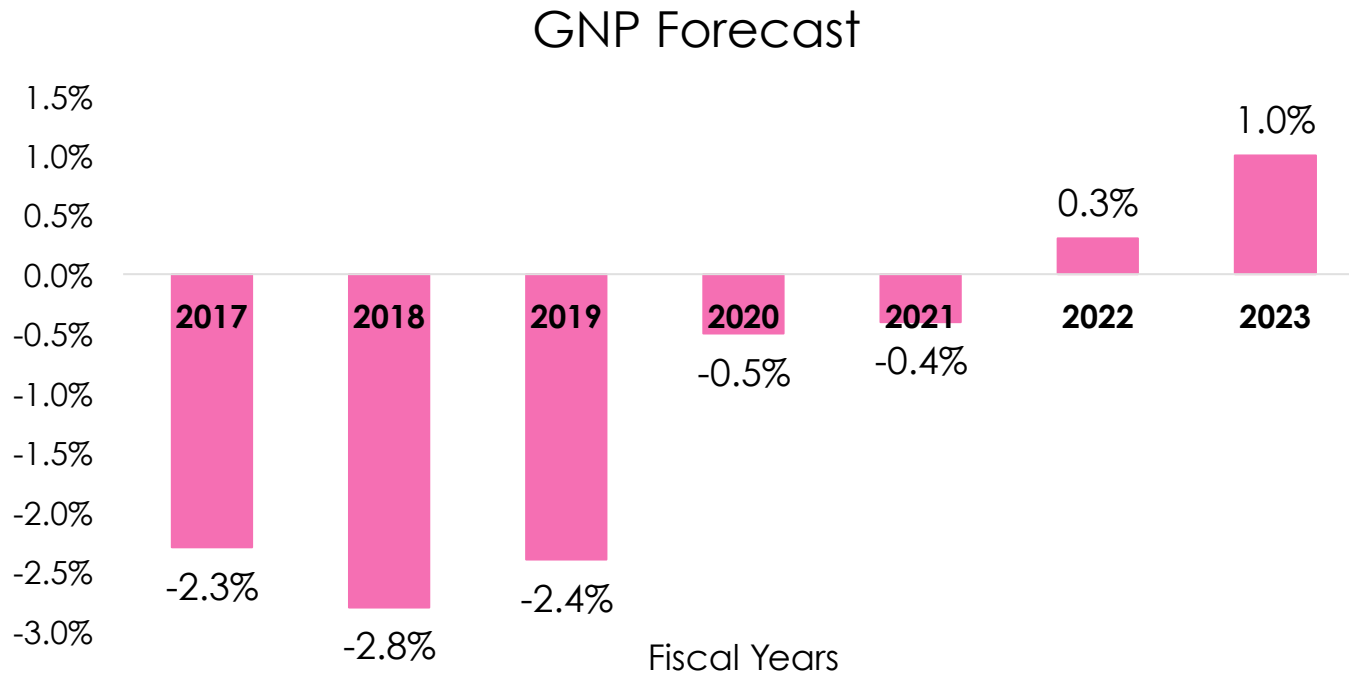
- ▶ \$1,500 million  
Operational expenses
- ▶ \$1,000 million healthcare
- ▶ \$300 million UPR
- ▶ \$200 million Pension  
systems

**\$7 billion  
Fiscal deficit**

# Fiscal Plan Assumptions

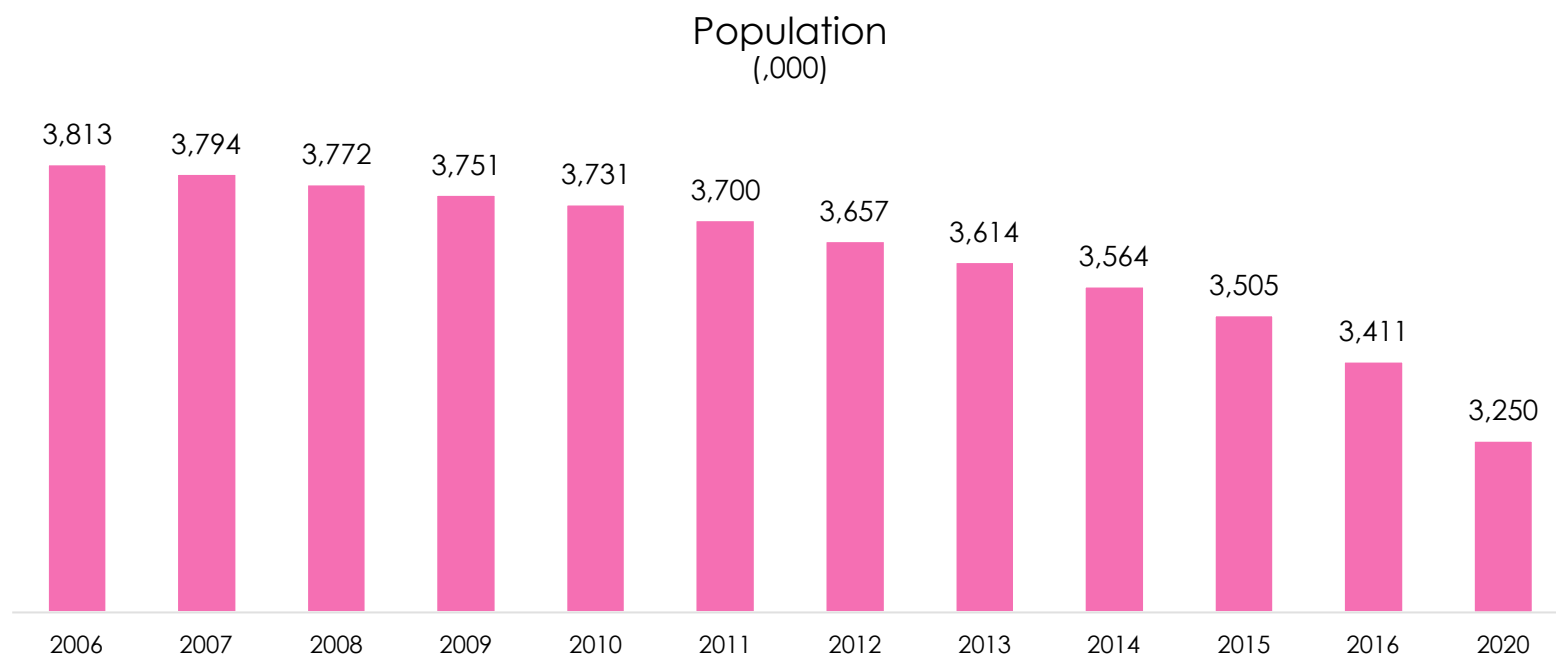
- Revenues
  - \$1 b: Act 154
  - \$400 m: Streamline Treasury operations
  - \$60 m: Increase in fees
- Healthcare
  - \$300 m. Savings
- Expenses
  - \$750 m: Elimination of subsidies to municipalities and UPR
  - \$400 m. Payroll
  - \$460 m. Efficiencies based on government reforms
- Pension system
  - Cuts from 6% to 24% to pensions over \$2,000 (month)

# GNP Forecast



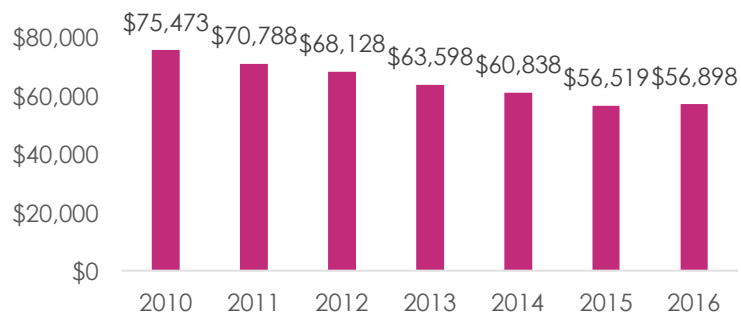
Source: Fiscal Plan certified by the FOB on March 13, 2017

# Population

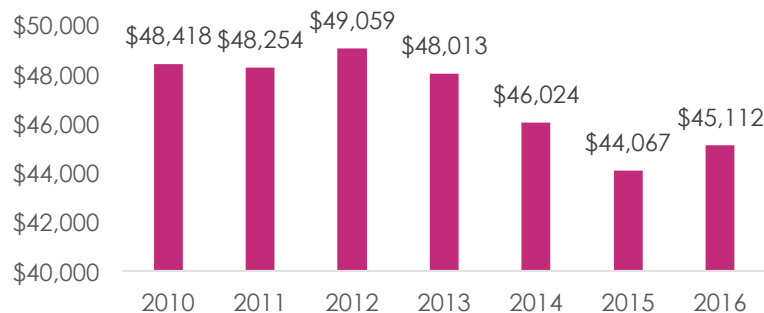


# Banking indicators

Assets  
(million)



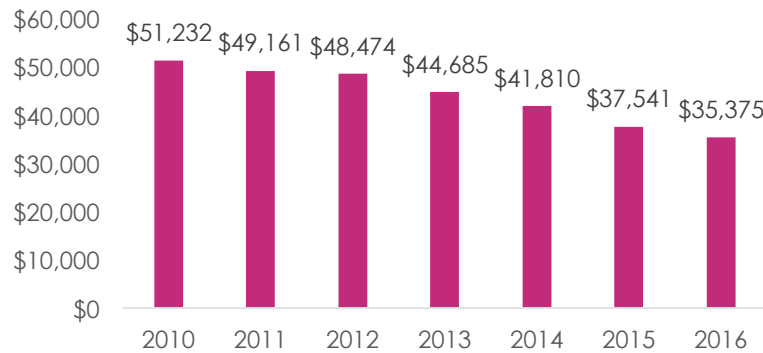
Deposits  
(million)





# Banking indicators

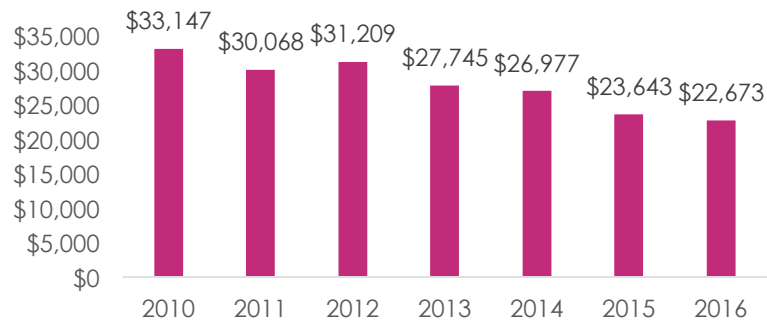
## Total loans



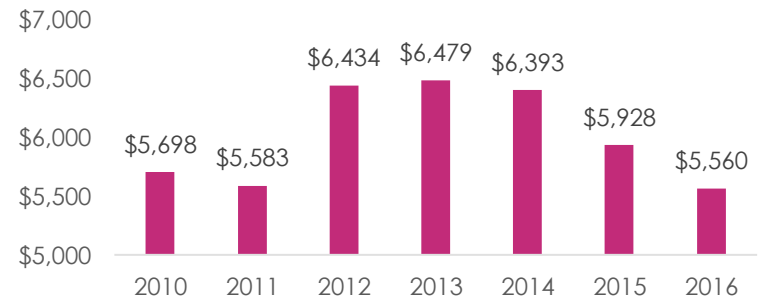
## C & Loans (million)



## Real Estate Loans (million)

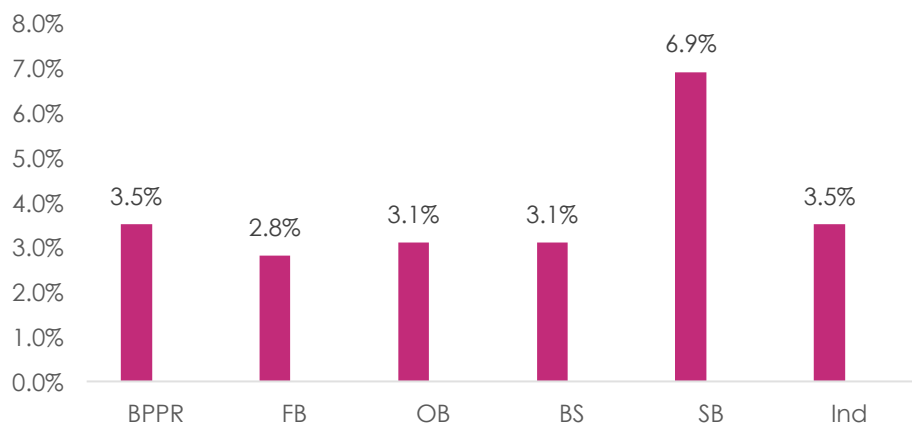


## Personal Loans (million)

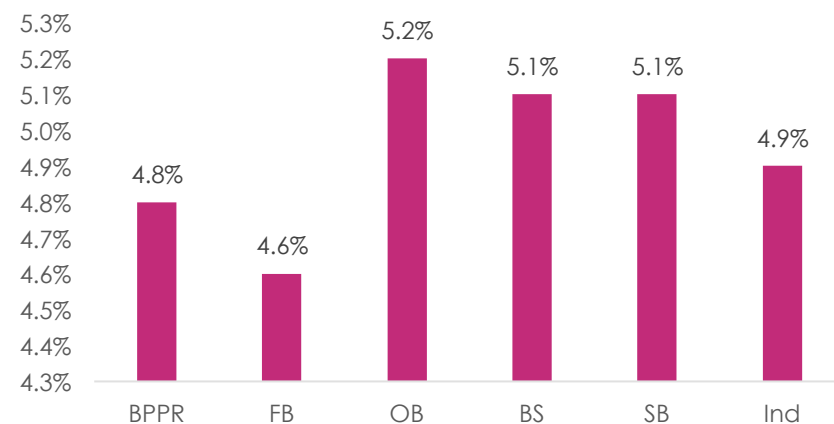


# Banking performance

Operating Expenses/Assets  
2016

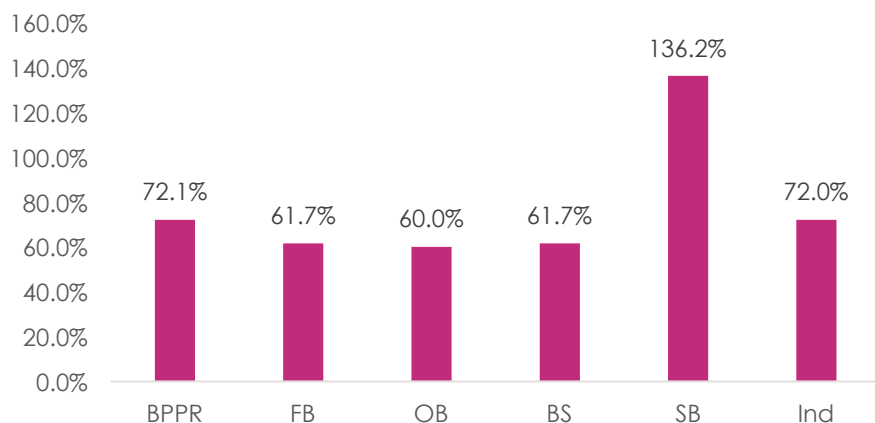


Operating Income/Assets  
2016

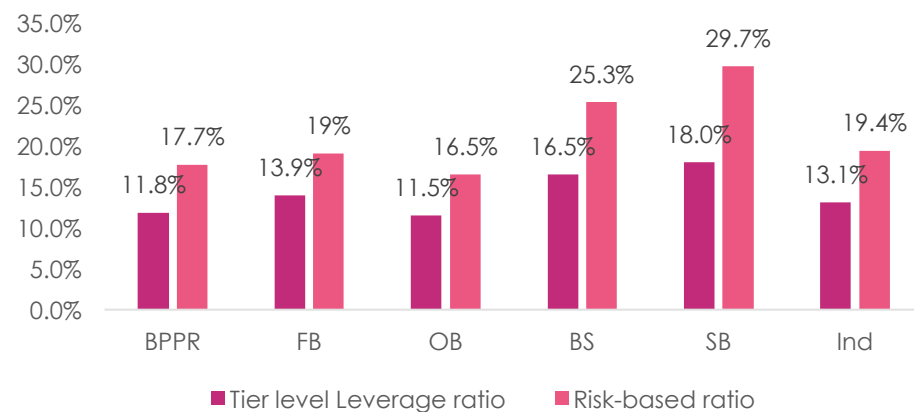


# Banking performance

Efficiency ratio  
2016

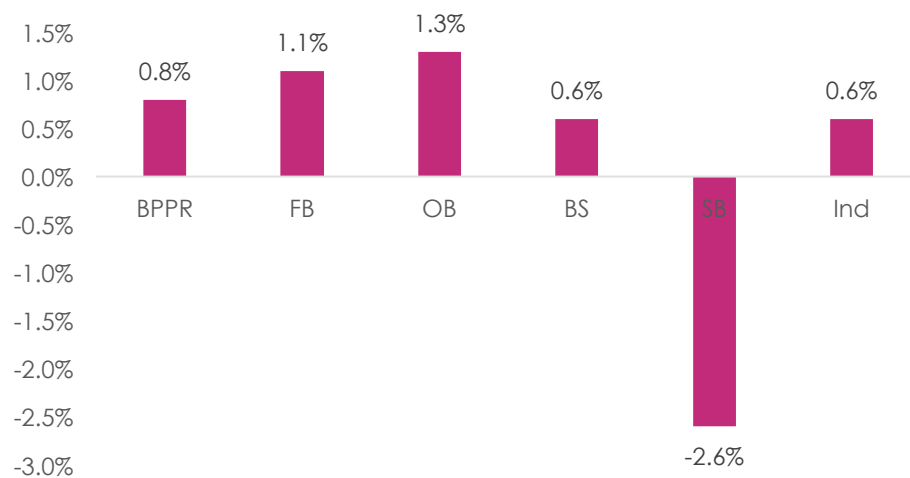


Capital Adequacy  
2016



# Banking performance

Pre-tax ROA

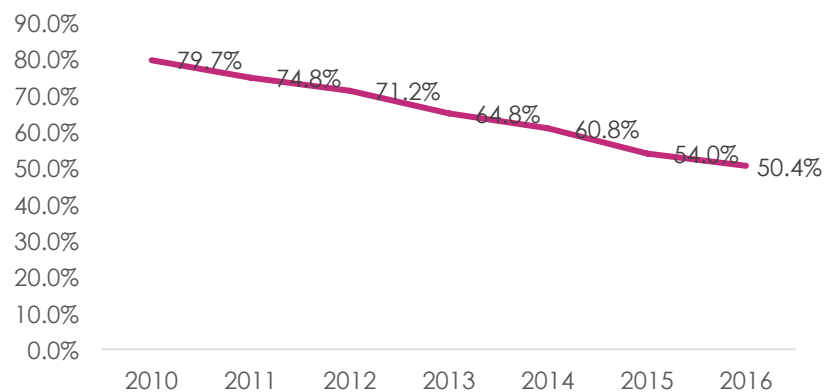


Pre-tax ROE

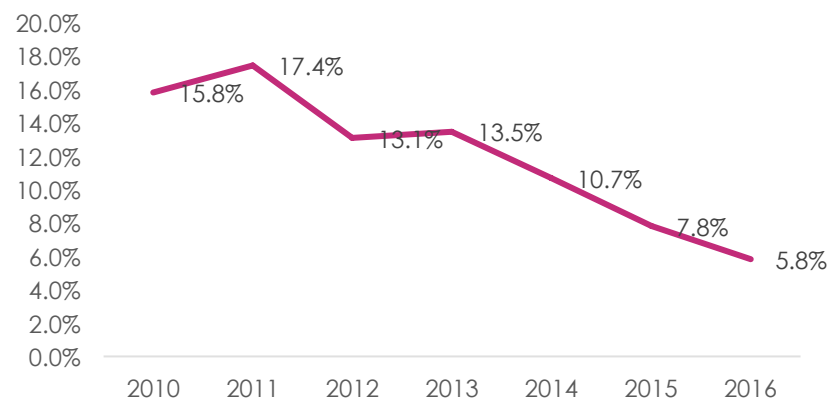


# Lending activity and GNP

Total loans/GNP



C&I Loans/GNP





For more analysis and information please access our web  
site at [www.economiapr.com](http://www.economiapr.com)

