

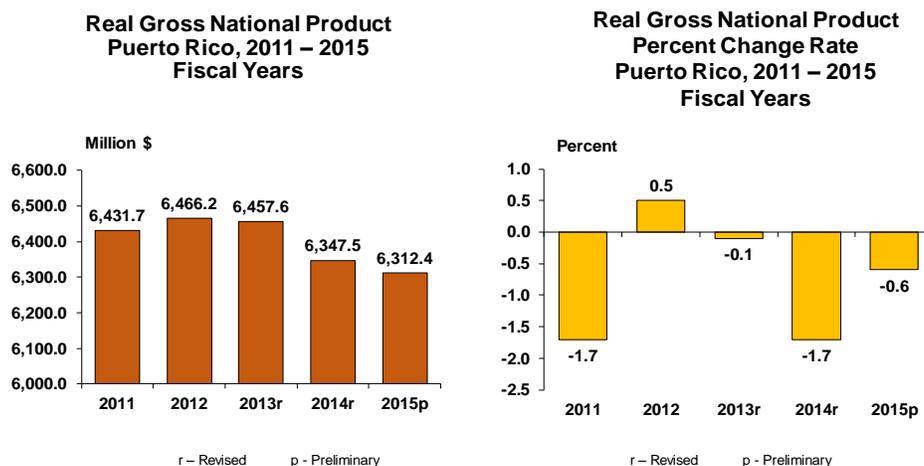
ECONOMY OF PUERTO RICO IN FISCAL YEAR 2015 AND FORECAST FOR FISCAL YEARS 2016 AND 2017

INTRODUCTION

The economy of Puerto Rico has faced major challenges in recent years that have led to a reduction in fiscal year 2015. The first part of this chapter presents the behavior of the economy of Puerto Rico during fiscal year 2015. Then, shows the behavior of economic indicators for fiscal year 2015 and the accumulated period of fiscal year 2016. The third part contains macroeconomic forecast for fiscal years 2016 and 2017, including projected data for United States and the rest of the World. Finally, an appendix is included with selected macroeconomic variables of Puerto Rico and major exogenous variables used as assumptions in the economic forecast.

A. ECONOMY OF PUERTO RICO

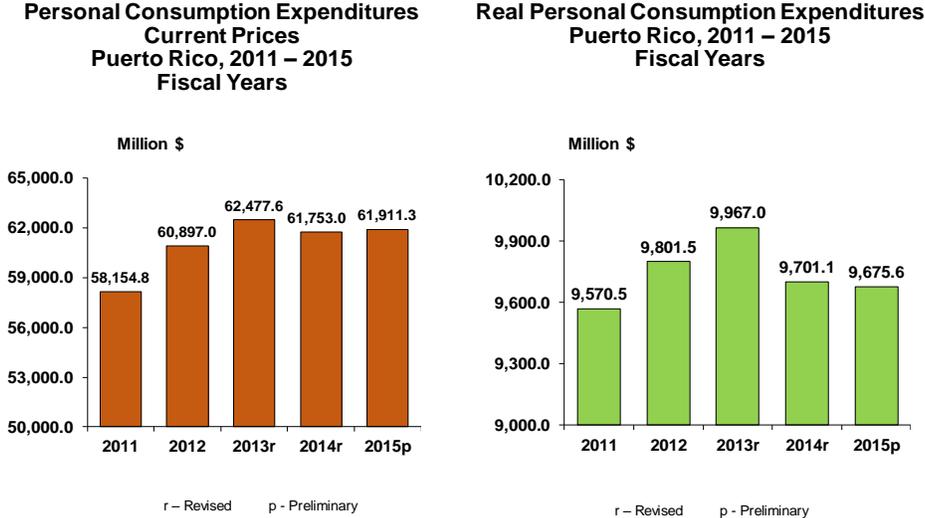
The gross national product (GNP), represents the market value of economic output originated by the residents of the country. For fiscal year 2015 the GNP totaled \$68,520.6 million at current prices. At constant or real prices, the value was \$6,312.4 million, reflecting a decrease of 0.6 percent over fiscal year 2014. During fiscal years 2013 and 2014 this variable recorded reductions of 0.1 and 1.7 percent, respectively.



Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

The domestic demand, which is the value of all goods and services consumed by the public and private sectors in Puerto Rico, in fiscal year 2015 decreased by 2.3 percent at current prices, of \$81,927.9 million in fiscal year 2014 to \$80,057.1 million in fiscal year 2015. At constant prices, this represented a decrease of 1.5 percent.

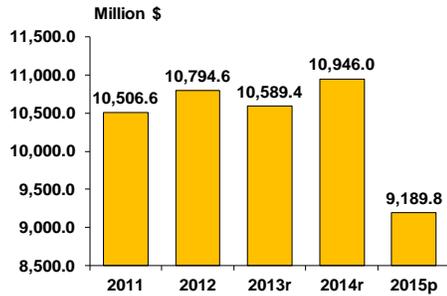
In fiscal year 2015, personal consumption expenditures, a major component of the domestic demand, was \$61,911.3 million at current prices, and represented an increase of \$158.3 million or 0.3 percent, from \$61,753.0 million in fiscal year 2014. At constant prices, personal consumption expenditures recorded \$9,675.6 million in fiscal year 2015, showing a reduction of 0.3 percent when comparing with fiscal year 2014.



Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

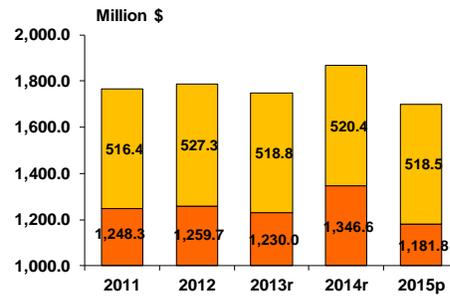
In fiscal year 2015, the government consumption expenditures (Commonwealth, central government and Municipios), totaled \$9,189.8 million, at current prices. In real terms, this variable totaled \$ 1,700.3 million, representing a decline of 8.9 percent for the mentioned year, compared to fiscal year 2014 when totaled \$1,867.0 million.

Government Consumption Expenditures (Current Prices) Puerto Rico, 2011 – 2015 Fiscal Years



r – Revised p - Preliminary

Real Government Consumption Expenditures Puerto Rico, 2011 – 2015 Fiscal Years



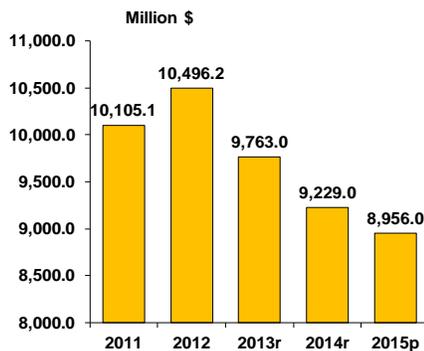
■ Municipios ■ Central Government

r – Revised p - Preliminary

Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

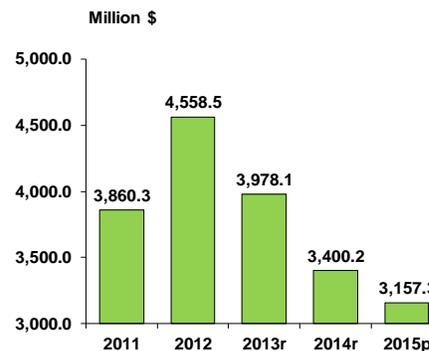
Gross domestic investment at current prices totaled \$8,956.0 million in fiscal year 2015. This represented a reduction of \$273.0 million. This variable at constant prices meant a reduction of 0.4 percent compared to the amount of the fiscal year 2014. Within the total gross domestic investment in fiscal 2015, construction investment reached \$3,157.3 million at current prices.

Gross Domestic Investment (Current Prices) Puerto Rico, 2011 – 2015 Fiscal Years



r – Revised p - Preliminary

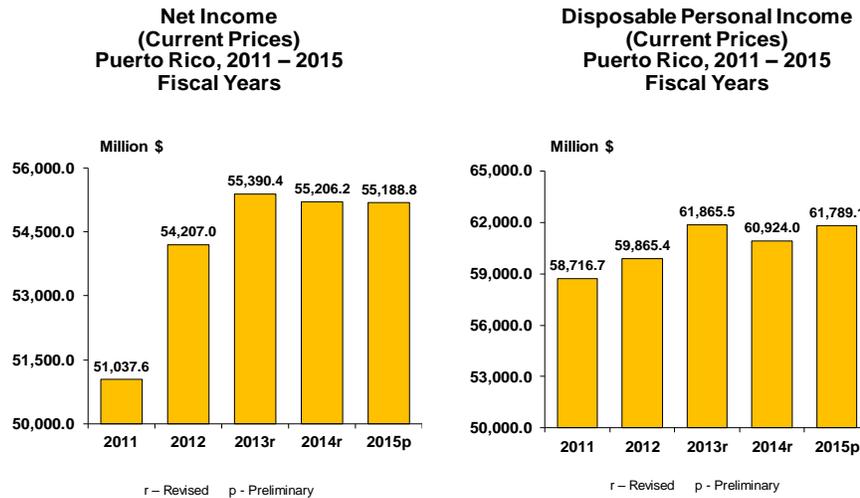
Construction Investment (Current Prices) Puerto Rico, 2011 – 2015 Fiscal Years



r – Revised p - Preliminary

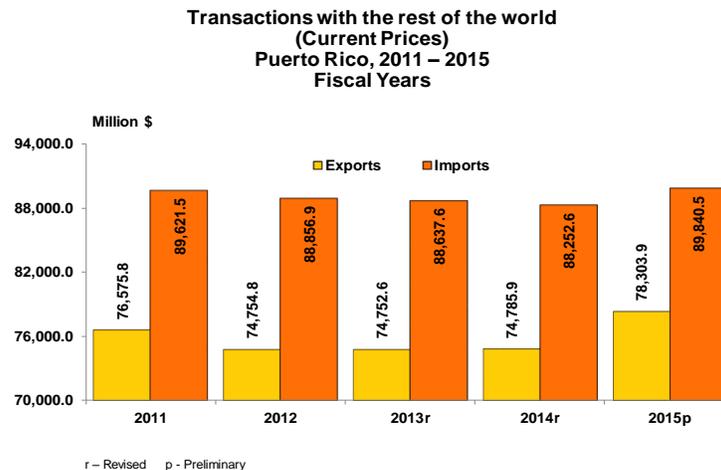
Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

Net income reached \$55,188.8 million at current prices in fiscal year 2015. While, the disposable personal income totaled \$61,789.1 million and reflected a growth of 1.4 percent in fiscal year 2015 on a year over year comparison. This variable represents the amount that individuals have available after income taxes.



Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

In terms of the transactions to the rest of the world, the sales of goods and services abroad for fiscal year 2015 showed an increase. At current prices, the sales of goods and services totaled \$78,303.9 million and the purchases of goods and services reached \$89,840.5 million.

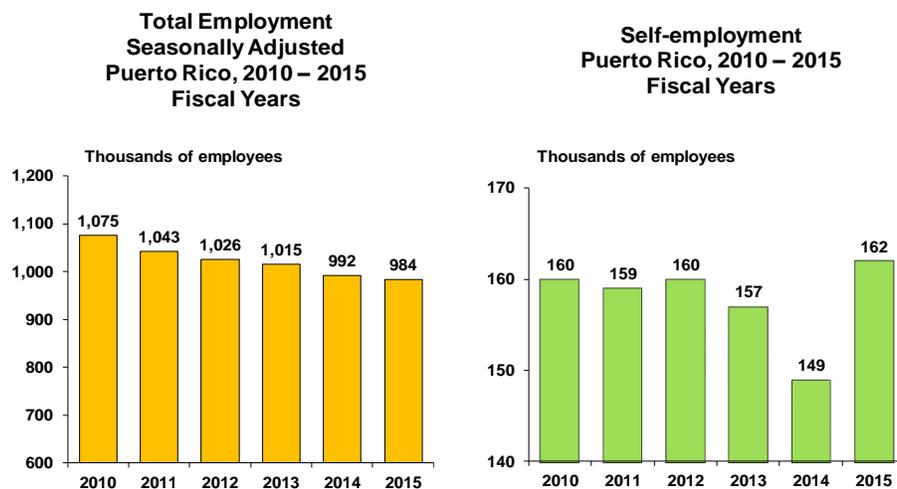


Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

B. ECONOMIC INDICATORS FOR FISCAL YEAR 2015 AND ACCUMULATED PERIOD FOR FISCAL YEAR 2016

1. Labor Market ¹

According to the Housing Survey of the Department of Labor and Human Resources, the number of total employed persons, seasonally adjusted, averaged 984,000 in fiscal year 2015. This represented a decrease of 0.8 percent, when comparing to fiscal year 2014. This was the least contraction in the last eight years. The number of self-employed grew 8.0 percent, totaling 162,000 persons.

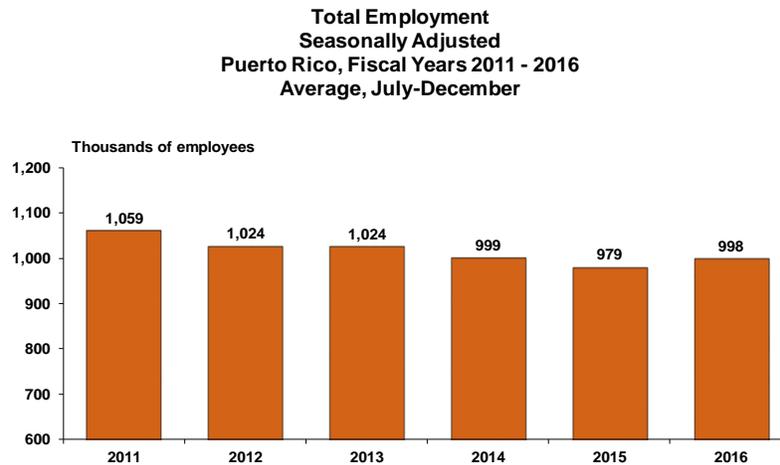


Source: Puerto Rico Department of Labor and Human Resources.

Occupational groups, not seasonally adjusted, with higher level of representation in employment were: professionals, executives and managers (29.7 percent), technicians, sellers and administrative support (27.6 percent) and service occupations (17.8 percent). Moreover, 56.4 percent of people employed during fiscal 2015 were male and 43.6 percent were female.

¹ Fulfilling with the recommendations of the federal Bureau of Labor Statistics estimates of the Labor Force Survey from January 2010 to December 2015 were revised based on new population controls.

In the period from July to December of fiscal year 2016, the average number of persons employed seasonally adjusted was 998,000, surpassing by 19,000 jobs the same period of fiscal 2015. In percentage terms the growth was 1.9 percent.



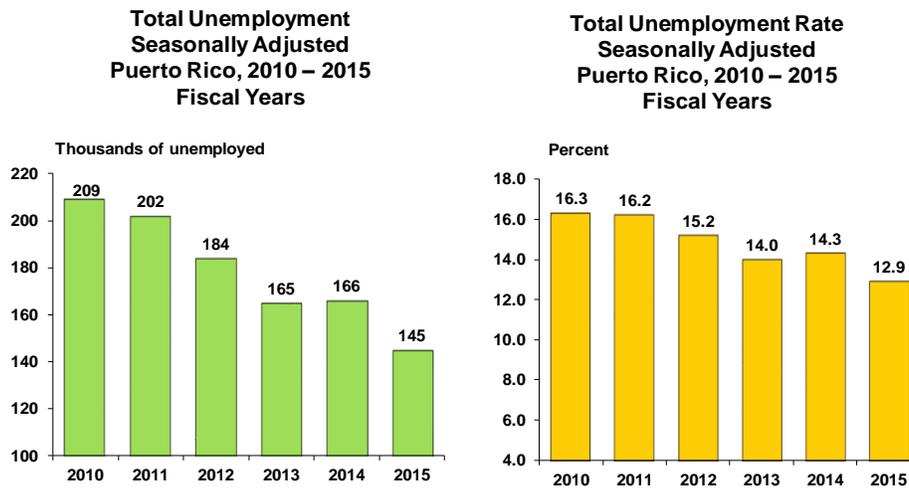
Source: Puerto Rico Department of Labor and Human Resources.

Similarly, the number of self – employed, not seasonally adjusted averaged during fiscal year 2015 the amount of 163,000, reflecting an increase of 13,000 jobs or 8.7 percent over the previous fiscal year. Meanwhile, in the first half of fiscal year 2016 it was 166,000. This represented an increase of 4.8 percent or 7,000 jobs.

In terms of the labor force seasonally adjusted, in fiscal year 2015 it recorded a decline of 2.4 percent, when it reached a total of 1,130,000 persons. The labor participation rate not seasonally adjusted, was 39.9 percent. When comparing to fiscal year 2014 represented a decline of 0.7 percent. For the period from July to December of fiscal year 2016, the seasonally adjusted labor force averaged 1,135,000 people and was 0.3 percent less than the figure recorded in the same period of fiscal 2015.

The average number of unemployed people totaled 145,000 in relation to fiscal year 2014 when represented a decrease of 21,000 or 12.7 percent. The average of fiscal years 2015 was the lowest recorded since fiscal year 2005, in addition to being the fourth lowest average for the last 25 years. In reference to the period from July to December of fiscal

year 2016, the average of unemployed people was 137,000. This constituted 10.3 percent less than the average for the same period of fiscal year 2015.



Source: Puerto Rico Department of Labor and Human Resources.

Meanwhile, the unemployment rate seasonally adjusted, recorded a level of 12.9 percent and this was 1.4 percentage points lower than the rate recorded in fiscal year 2014. Looking at the first half (July to December) of fiscal year 2016, this was 12.1 percent, equivalent to a reduction of 1.4 percentage points when compared to the same period of fiscal year 2015.

On the other hand, in the Establishments Survey the non farm payroll employment seasonally adjusted, totaled 906,100 people in fiscal year 2015. This represented a decrease of 1.1 percent or 10,200 jobs. When analyzing the behavior of the July to December period of fiscal year 2016 compared with the same period of fiscal 2015, an increase of 0.6 per cent was reflected.

The following table shows the behavior of the most important sectors during fiscal years 2015 and 2014, in addition to the period from July to December of fiscal 2016 compared with the same period of fiscal year 2015.

**Employment by Selected Industrial Sectors
Puerto Rico, 2014 - 2016**

Industrial Sector (thousands of employees) Seasonally Adjusted	Fiscal Years		Percent Change	Fiscal Years		Percent Change
	2015	2014		2016	2015	
				(July - December)		
Total Non-Agriculture	906.1	916.3	-1.1	911.3	905.8	0.6
Mining, Forestry, and Construction	26.1	28.1	-7.2	23.7	27.4	-13.5
Manufacturing	74.5	75.5	-1.4	73.7	75	-1.8
Durable goods	31.9	32.4	-1.5	31.2	32.2	-2.9
Non-durable goods	42.6	43.1	-1.3	42.5	42.9	-0.9
Trade, Transportation and Utilities	175.8	176.8	-0.5	177.5	175.8	0.9
Wholesale Trade	30.0	31.0	-3.1	29.2	30.5	-4.1
Retail Trade	130.3	131.0	-0.5	132.2	130.4	1.4
Finance	42.5	43.5	-2.4	42.1	42.7	-1.4
Professional and Commercial Services	112.7	114.6	-1.7	113.5	111.9	1.4
Educational and Health Services	125.2	123.0	1.8	128.3	123.7	3.7
Recreation and Accomodation	80.7	79.5	1.4	81.7	80.4	1.7
Hotels y Restaurants	77.1	76.2	1.2	78.1	76.8	1.7
Government	231.1	237.7	-2.7	233.1	231.6	0.6
Commonwealth	162.5	168.6	-3.6	160.7	163.8	-1.9
Federal	14.1	13.8	1.9	14.4	13.9	3.4
Municipal	54.6	55.2	-1.1	58.1	53.9	7.7

Source: Puerto Rico Department of Labor and Human Resources.

2. General Fund Net Revenues

Total general fund net revenues was \$8,961 millions in fiscal year 2015. This represented a decrease of \$76 millions or 0.8 percent. Factors contributing to this decline were mainly: the elimination of the national patent in December 2014, the reduction of excise taxes from motor vehicles, Congress's decision not to extent the increase of rum excise taxes, among other economic factors.

In the first seven months of fiscal year 2016 (from July to January), revenues increased to \$4,566.6 millions, representing \$111.6 millions more and 2.5 percent higher than the same period of fiscal year 2014. However, total revenues represented \$59.4 million less than the revised estimate and \$183.8 million less than the estimate for the period for the original budget for fiscal year 2015-16 (\$9,800 million).

The following tables shows general fund net revenues by items for fiscal years 2015 and 2014 and accumulated from July to January of fiscal years 2016 and 2015.

**General Fund Net Revenues
Puerto Rico, 2014 - 2016**

	Fiscal years			Fiscal Years		Percent change
	2015	2014	Percent change	2016 (july to january)	2015	
General Fund Net Revenues	8,960,903	9,036,941	-0.8	4,566,637	4,455,049	2.5
From Internal Sources	8,769,411	8,788,924	-0.2	4,449,641	4,329,565	2.8
Tax Revenues	8,425,015	8,303,445	1.5	4,245,275	4,141,065	2.5
Property Taxes	21,404	19,766	8.3	7,852	9,660	-18.7
Income Taxes	4,978,228	4,846,144	2.7	2,371,218	2,648,729	-10.5
Individual	2,295,334	1,979,448	16.0	1,073,866	1,269,173	-15.4
Corporations	1,735,836	1,914,333	-9.3	867,391	882,107	-1.7
Partnership	2,203	745	195.7	796	295	169.8
Non-Resident Withholdings	784,071	899,865	-12.9	403,971	466,591	-13.4
Tollgate tax	3,679	7,140	-48.5	0	3,679	-100.0
Interest	4,414	4,900	-9.9	2,456	2,645	-7.1
Tax on Dividends	152,691	39,713	284.5	22,738	24,239	-6.2
Inheritance and Gift Taxes	6,593	1,395	372.6	3,529	399	784.5
Sales and Use Tax	626,253	595,256	5.2	590,575	91,350	546.5

**General Fund Net Revenues (cont.)
Puerto Rico, 2014 - 2016**

	Fiscal years			Fiscal Years		Percent change
	2015	2014	Percent change	2016 (july to january)	2015	
Excise Taxes, Total	2,772,967	2,821,039	-1.7	1,262,637	1,380,243	-8.5
Alcoholic Beverages	258,152	266,542	-3.1	149,178	156,324	-4.6
Distilled Spirits	44,083	46,876	-6.0	22,590	28,789	-21.5
Beer	192,300	195,013	-1.4	113,328	114,498	-1.0
Other Beverages	21,769	24,653	-11.7	13,260	13,037	1.7
General Taxes, Total	2,514,815	2,554,497	-1.6	1,113,459	1,223,919	-9.0
Foreign (Act. 154)	1,942,867	1,902,193	2.1	906,231	939,686	-3.6
Tobacco Products	170,880	171,108	-0.1	50,063	93,265	-46.3
Petroleum Products	3,177	4,042	-21.4	1,915	1,496	28.0
Motor Vehicles	298,494	392,043	-23.9	137,500	165,893	-17.1
Horses Races	11,353	16,354	-30.6	4,135	7,705	-46.3
Insurance Premiums	59,834	42,642	40.3	171	831	-79.4
Cement	683	716	-4.6	316	393	-19.6
Slot Machines	20,943	21,910	-4.4	10,391	12,127	-14.3
Others Excise Tax	6,584	3,489	88.7	2,737	2,523	8.5
Licenses	19,570	19,845	-1.4	9,464	10,684	-11.4
Motor Vehicles	2,301	2,265	1.6	1,083	2,000	-45.9
Entertainment Machines	29	22	31.8	-	-	-
Alcoholic Beverage and Others	17,240	17,558	-1.8	8,381	8,684	-3.5
Non-Tax Revenues	344,396	485,479	-29.1	204,366	188,500	8.4
Traditional Lottery	20,207	81,769	-75.3	50,795	20,207	151.4
Electronic Lottery	93,603	72,287	29.5	52,858	61,753	-14.4
Miscellaneous, Total	230,586	331,423	-30.4	100,713	106,540	-5.5
Multas y penalidades	73,713	73,458	0.3	7,706	8,453	-8.8
Penalties and Fees	96,012	108,428	-11.5	55,059	54,474	1.1
Others Miscellaneous	60,861	149,537	-59.3	37,948	43,613	-13.0
From External Sources	191,492	248,017	-22.8	116,996	125,484	-6.8
Custom Duties	2,265	0	-	0	2,265	-100.0
Excises on Off-Shore Shipment	189,227	248,017	-23.7	116,996	123,219	-5.1

Source: Departamento de Hacienda.

Regarding the Sales and Use Tax ("SUT"), in fiscal year 2015, the Integrated Merchants Web (known as "PICO") was established in phases. The most recent phase started in May 1, 2016 and had to integrate the non affiliated merchants for the declaration and payment of the imported property process. This new systems has been determinant for the increase in SUT receipts. In June 2015 revenues from state SUT (at a rate of 5.5 percent) increased by \$115.6 million, representing an increase of 8.4 percent compared to June 2014. The total revenues from SUT in fiscal year 2014 (at a rate of 6 percent) was \$1,417 million. SUT revenues were allocated as follows: \$669.5 million to COFINA for payment of debt service, \$118 million was deposited in the Municipal Administration Fund and \$3.2 million were transferred to the Film Industry Fund.

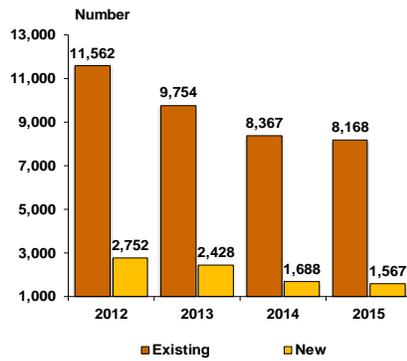
After these adjustments, the General Fund received \$626.3 million, \$31 million, or 5.2 percent more than last year. In the period from July to January of fiscal year 2016, an increase of 63.2 percent was recorded in SUT, when compared to the same period of the previous fiscal year.

3. Construction

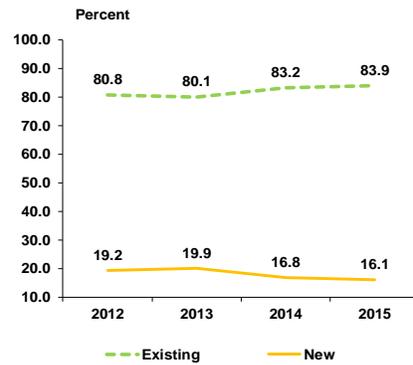
1. Housing Units Sold; New and Existing

In fiscal 2015, 9,735 housing units were sold, this represented a decrease of 320 units or 3.2 percent from fiscal year 2014. Of these, 8,168 were existing and 1,567 were new units. Both existing and new units showed a drop of 2.4 and 7.2 percent, respectively. Sales of existing housing units during this fiscal year accounted for 89.3 percent of total housing units sold. The cumulative value of housing units sold in fiscal 2015 was 1,501.8 million, 2.3 percent less than the figure accumulated in the previous fiscal year

**Housing Units Sold, Existing and New
Puerto Rico, 2012 – 2015
Fiscal Years**



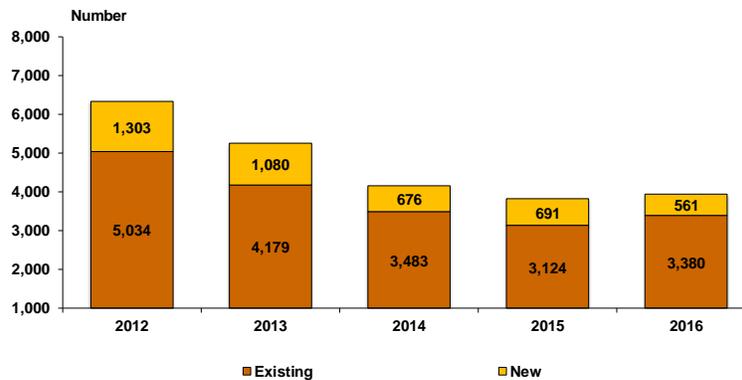
**Percent Distribution of Housing Units Sold,
Existing and New
Puerto Rico, 2012 – 2015
Fiscal Years**



Source: Office of the Commissioner of Financial Institutions.

In reference to the period from July to November of fiscal 2016, the home sales totaled 3,941 housing units, of these 3,380 existing homes and 561 new homes. In relation to the same period of fiscal year 2015, was 3.3 percent or 126 units more.

**Housing Units Sold, Existing and New
Puerto Rico, Fiscal Years 2012 - 2016
Average, July-November**

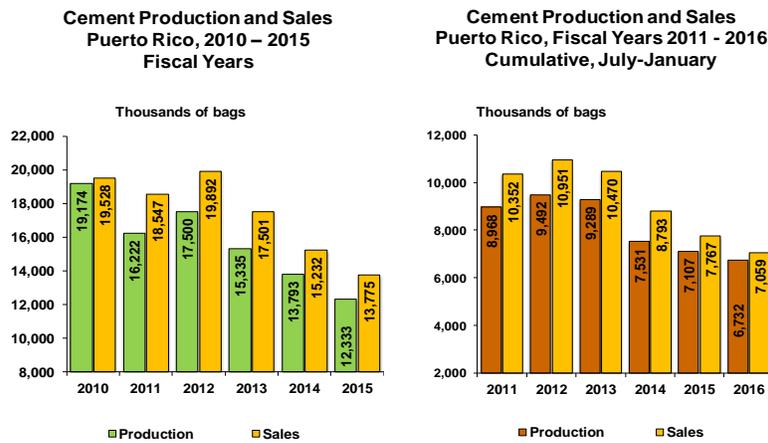


Source: Office of the Commissioner of Financial Institutions.

2. Cement Production and Sales

Cement production in fiscal 2015, reflected a decline of 10.6 percent or 1,460,000 bags of 94 pounds, and while sales diminished by 9.6 percent or 1,457,000 million bags, when compared with fiscal year 2014. During the period from July to January of fiscal year

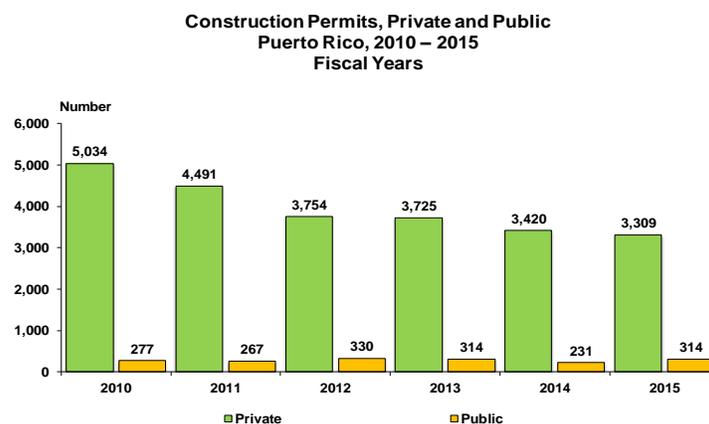
2016, both indicators reflected reductions of 5.3 and 9.1 percent, respectively. This compared to the same period of fiscal 2015.



Source: Government Development Bank for Puerto Rico.

3. Number and Value of Building Permits

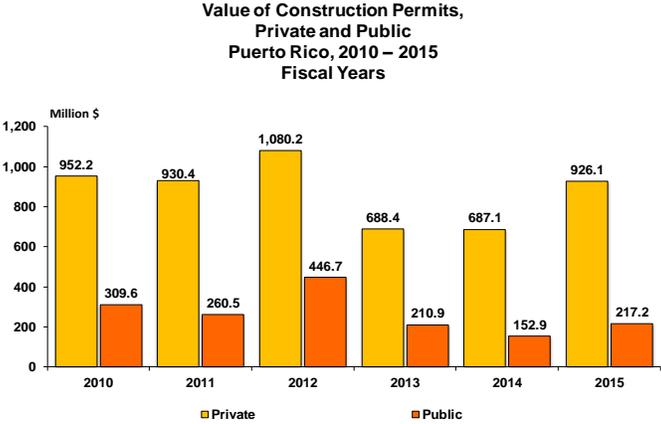
The total number of building permits issued in fiscal year 2015 was 3,623 permits, 28 permits or 0.8 percent less than the 3,651 permits issued in fiscal year 2014. Permits issued for the private and public sectors were: 3,309 and 314 permits, and represented decreases of 3.2 and 35.9 percent, respectively.



Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

In terms of the total value of permits issued, it reached the amount of \$1,143.3 million. This represented an increase of \$303.3 million or 36.1 percent over fiscal year 2014. The

value of permits for private projects rose to \$926.1 million, this was \$239.0 million or 34.8 percent more than the value for fiscal year 2014. Meanwhile, the value of permits issued for public construction projects totaled \$217.2 million meaning an increase of \$64.3 million, or 42.0 percent.

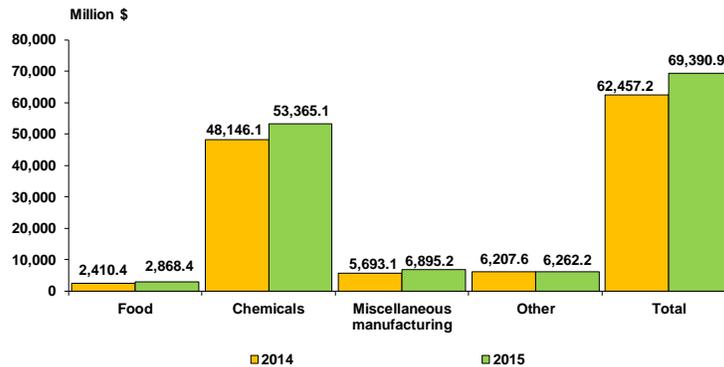


Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

4. External Trade

The value of exports of recorded merchandise registered in for fiscal year the amount of \$69,390.9 million, an increase of 11.1 percent compared to those recorded in fiscal year 2014. This can be attributed, partially, to an increase in exports to US of pharmaceutical and medicines of \$4,870.2 millions or 15.4 percent. An increase of \$5,419.0 million or 12.5 percent was registered in total exports to the United States, foreign countries and the Virgin Islands for this industrial group, and \$6,969.2 million or 11.3 percent for the manufacturing sector. The pharmaceutical and medicines industrial group accounted for 70.3 percent of total exports of recorded merchandise in fiscal year 2015.

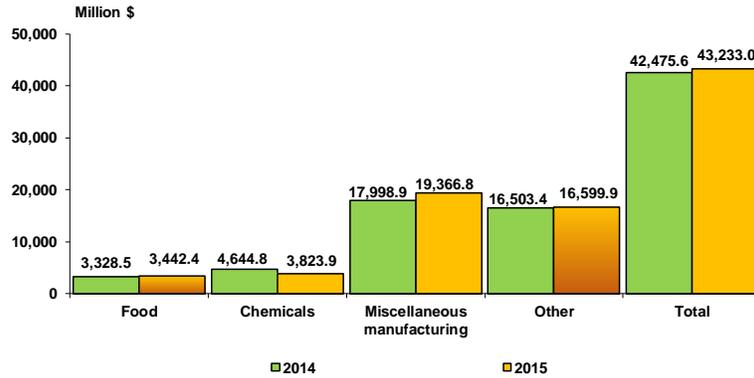
**Main Recorded Exports
North American Industrial Classification System (NAICS)
Puerto Rico, 2014 - 2015
Fiscal Years**



Source: Puerto Rico Planning Board, Program of Economic and Social Planning,
Subprogram of Economic Analysis.

The imports of recorded merchandise showed a growth of 1.8 percent from \$42,475.6 million in fiscal 2014 to \$43,233.0 million in fiscal year 2015. Imports of pharmaceutical and medicines from US registered a rise of \$1,961.9 millions or 43.8 percent. This can partly be attributed to an increase of \$1,961.9 million or 43.8 percent in the US imports of pharmaceuticals and medicine (industrial group 3254 according to the North America Industry Classification System). Also, was recorded a rise of \$1,595.1 million or 12.7 percent of total imports from the United States, foreign countries and the Virgin Islands for this industrial group, and a growth of \$1,099.9 million or 2.8 percent for the manufacturing sector. Referring to the trade balance in fiscal year 2015, the accumulated balance increased by 30.9 percent from \$19,981.6 million in fiscal 2014 to \$26,157.9 million in fiscal 2015.

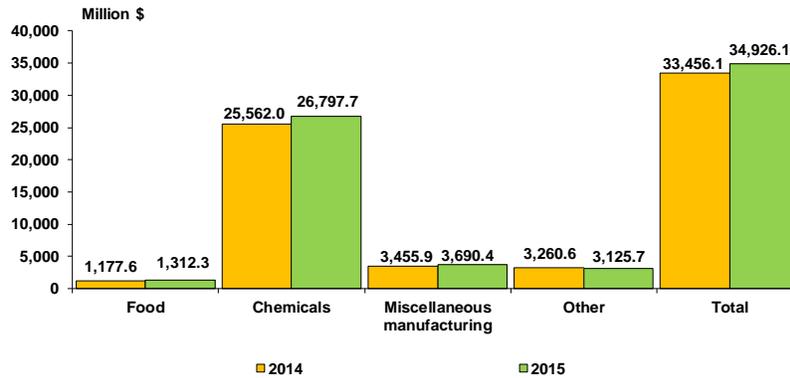
Main Recorded Imports
North American Industrial Classification System (NAICS)
Puerto Rico, 2014 - 2015
Fiscal Years



Source: Puerto Rico Planning Board, Program of Economic and Social Planning,
Subprogram of Economic Analysis.

In the period from July to December of fiscal year 2016, the exports of recorded merchandise reflected a growth of 4.4 percent. The value was \$34,926.1 million in contrast with \$33,456.1 million in similar period of fiscal year 2015.

Main Recorded Exports
North American Industrial Classification System (NAICS)
Puerto Rico, Fiscal Years 2014 - 2015
Average, July-December



Source: Puerto Rico Planning Board, Program of Economic and Social Planning,
Subprogram of Economic Analysis.

In the period from July to December of fiscal year 2016, imports of recorded merchandise showed a decrease 4.3 percent from \$21,830.3 million in fiscal 2015 to \$20,900.6 million. The chemical industrial group showed a contraction of \$800.2 million, or 32.3 percent of total imports from the United States, foreign countries and the Virgin Islands. For the manufacturing sector a decrease of \$614.4 million, or 3.0 percent was registered.

**Imports of Recorded Merchandise (\$ million)
Puerto Rico, 2016 - 2015**

North American Industrial Classification System (NAICS)	United States				Foreign Countries				Total			
	Fiscal 2016 (July - December)	Fiscal 2015 (July - December)	Absolute Change	Percent Change	Fiscal 2016 (July - December)	Fiscal 2015 (July - December)	Absolute Change	Percent Change	Fiscal 2016 (July - December)	Fiscal 2015 (July - December)	Absolute Change	Percent Change
TOTAL	11,353.7	10,805.7	548.0	5.1	9,546.2	11,012.7	(1,466.5)	-13.3	20,900.6	21,830.3	(929.7)	-4.3
Agriculture, Forestry, Fishing, and Hunting	182.2	177.0	5.1	2.9	122.6	87.7	35.0	39.9	304.8	264.7	40.1	15.1
Mining	10.9	11.4	(0.5)	-4.7	308.7	509.8	(201.1)	-39.5	319.6	521.2	(201.7)	-38.7
Manufacturing	10,755.3	10,220.6	534.7	5.2	8,964.7	10,112.5	(1,147.7)	-11.3	19,720.1	20,334.5	(614.4)	-3.0
Food	1,320.4	1,417.1	(96.7)	-6.8	319.8	307.0	12.9	4.2	1,640.2	1,724.1	(83.9)	-4.9
Beverage and tobacco products	118.9	158.5	(39.6)	-25.0	108.9	106.9	2.0	1.9	227.8	265.4	(37.6)	-14.2
Textiles	106.3	112.7	(6.5)	-5.7	23.4	25.1	(1.7)	-6.8	129.7	137.9	(8.2)	-5.9
Apparel	207.3	215.7	(8.3)	-3.9	26.6	24.7	1.9	7.6	233.9	240.4	(6.5)	-2.7
Leather and allied products	94.2	95.7	(1.4)	-1.5	33.0	27.7	5.3	19.3	127.2	123.3	3.9	3.2
Wood products	21.4	28.0	(6.6)	-23.6	24.2	22.8	1.4	6.0	45.5	50.8	(5.2)	-10.3
Paper	176.9	194.6	(17.7)	-9.1	66.2	71.9	(5.7)	-7.9	243.1	266.5	(23.4)	-8.8
Printing	38.7	40.1	(1.4)	-3.5	9.6	10.3	(0.7)	-6.8	48.3	50.4	(2.1)	-4.2
Petroleum and coal products	66.3	63.2	3.1	4.8	1,446.5	2,119.3	(672.9)	-31.7	1,512.8	2,183.9	(671.1)	-30.7
Chemicals	4,491.4	3,827.5	663.9	17.3	5,487.1	5,784.0	(296.9)	-5.1	9,978.5	9,611.5	367.0	3.8
Basic chemicals	509.6	431.5	78.1	18.1	1,169.3	2,047.6	(878.3)	-42.9	1,678.9	2,479.1	(800.2)	-32.3
Pharmaceuticals and medicines	3,530.6	2,888.4	642.1	22.2	4,223.5	3,651.2	572.4	15.7	7,754.1	6,539.6	1,214.5	18.6
Plastic and rubber products	338.4	315.4	23.0	7.3	120.8	108.4	12.5	11.5	459.2	423.8	35.5	8.4
Nonmetallic mineral products	43.0	48.3	(5.3)	-10.9	57.3	52.4	4.9	9.4	100.3	100.7	(0.3)	-0.3
Primary metals	99.1	121.9	(22.8)	-18.7	87.9	150.5	(62.6)	-41.6	187.0	272.4	(85.4)	-31.4
Fabricated metal products	168.2	166.5	1.7	1.0	56.2	55.2	0.9	1.7	224.3	221.7	2.6	1.2
Machinery	426.9	432.2	(5.4)	-1.2	148.9	144.6	4.3	3.0	575.8	576.8	(1.0)	-0.2
Computer and electronic products	1,045.9	1,096.0	(50.1)	-4.6	111.2	128.5	(17.4)	-13.5	1,157.0	1,224.5	(67.4)	-5.5
Equipos eléctricos, enseres y componentes	388.1	392.7	(4.6)	-1.2	132.2	146.2	(14.0)	-9.6	520.3	538.9	(18.6)	-3.5
Transportation equipment	793.9	715.3	78.5	11.0	486.6	588.1	(101.5)	-17.3	1,280.5	1,303.5	(23.0)	-1.8
Motor vehicles	616.5	557.1	59.4	10.7	288.7	244.1	24.7	10.1	885.3	801.2	84.1	10.5
Furniture and related products	70.0	79.5	(9.5)	-11.9	72.6	58.1	14.5	24.9	142.6	137.6	5.0	3.7
Miscellaneous manufacturing	740.2	699.8	40.4	5.8	145.8	180.8	(34.9)	-19.3	886.0	880.6	5.4	0.6
Other sectors (1)	405.3	396.6	8.7	2.2	150.1	302.7	(152.6)	-50.4	556.1	709.8	(153.7)	-21.7

(1) Includes repair services and merchandise not classified.

Notes: Total includes imports from the U.S. Virgin Islands.

The classification of recorded merchandise according to the North American Industrial Classification System does not necessarily equals the Standard Industrial Classification.

Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Economic Analysis.

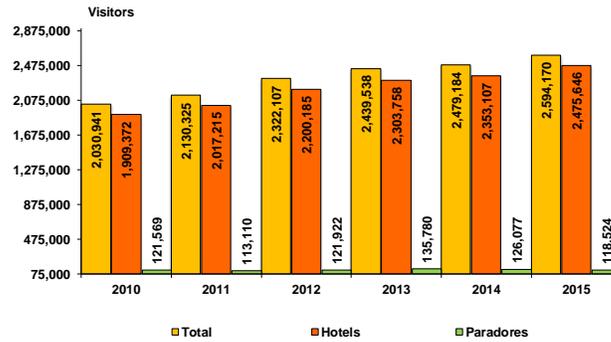
In the period from July to December of fiscal year 2016, the accumulated balance increased by 20.6 percent, from \$11,625.8 million during the same period of fiscal 2015 to \$14,025.5 million.

5. Tourism

1. Total Hotel and Paradores Registrations

The number of people registered in hotels and paradores in fiscal year 2015 showed an increase of 4.6 percent. The absolute growth was 114,986 registered persons, totaling 2,594,170 persons. Both the registrations of nonresidents as registration of residents increased by 6.3 and 1.3 percent, respectively.

**Accommodation Registrations
Total, Hotels and Paradores
Puerto Rico, 2010 – 2015
Fiscal Years**

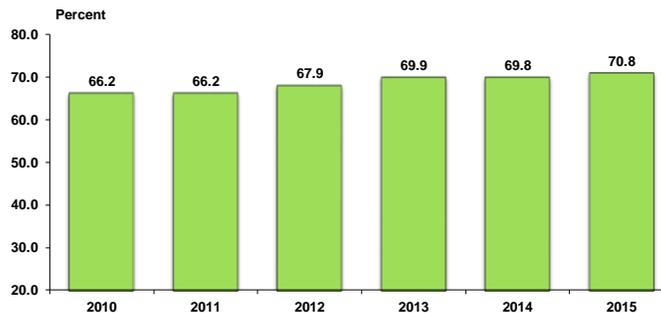


Source: Puerto Rico Tourism Company.

The number of people registered in paradores decreased by 6.0 percent. Registrations of residents, mainly responsible for this decline was reduced by 7.0 percent and non-residents declined by 2.3 percent in contrast with the previous fiscal year. The registrations in hotels presented an increase of 5.2 percent. The registrations of non-residents in hotels raised by 6.5 percent and of residents grew by 2.4 percent.

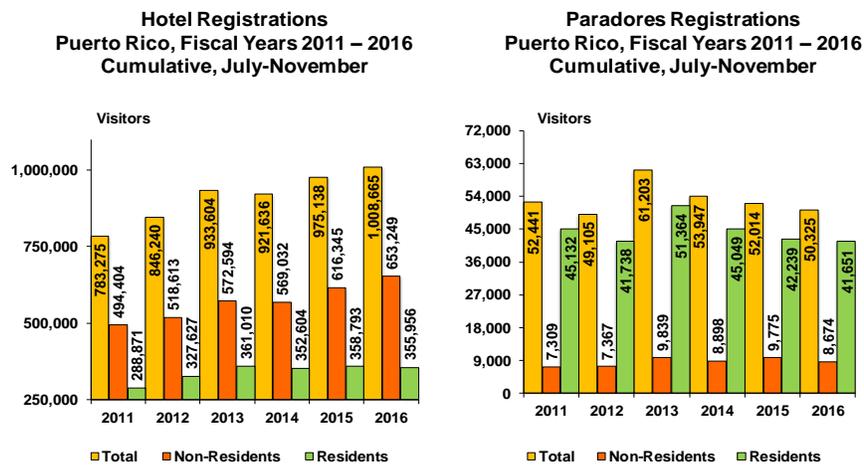
The occupancy rate at hotels and paradores averaged 70.8 percent, this represented an increase of 1.0 percentage points than the rate recorded in fiscal year 2014. On the other hand, the occupancy rate in hotels averaged 72.1 percent, and represented 0.7 percentage points more than the rate recorded in the previous fiscal year. Meanwhile, the occupancy rate in paradores averaged 43.6 percent meaning 3.2 percentage points higher than that registered in same comparison.

**Occupancy Rate in Hotels and Paradores
Puerto Rico, 2010 – 2015
Fiscal Years**



Source: Puerto Rico Tourism Company.

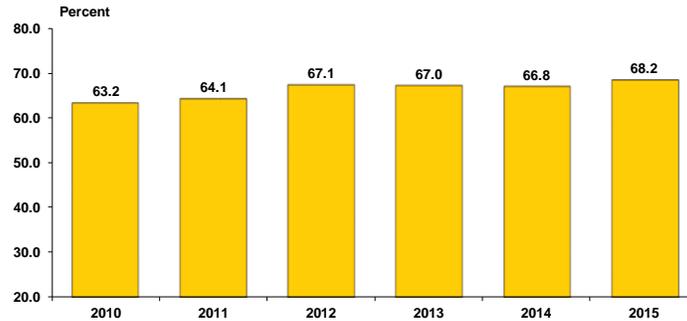
The number of people registered in hotels and paradors in the period from July to November of fiscal year 2016, totaled 1,058,990. In relation to the period from July to November of fiscal year 2015, represented an increase of 31,838 registered people or 3.1 percent. The registration of non-residents grew by 5.7 percent, while residents fell by 1.0 percent. In terms of paradors in this period of fiscal year 2016 they registered a drop of 3.2 percent, both residents and non-residents showed contractions of 11.3 and 1.4 percent, respectively. It should be noted that the high season begins in December and the number of registered people is one encouraging for this fiscal year.



Source: Puerto Rico Tourism Company.

During the period from July to November of fiscal year 2016, the occupancy rate in hotels and hostels averaged 68.2 percent, resulting in 1.6 percentage points more than that recorded in the same period of fiscal 2015.

**Occupancy Rate in Hotels and Paradores
Puerto Rico, Fiscal Years 2010 – 2015
Average, July-November**



Source: Puerto Rico Tourism Company.

The registration of persons accumulated by region during the period from July to November of fiscal year 2016, can be seen in the following table.

**Hotel Registrations by Region
Puerto Rico, 2015 - 2016**

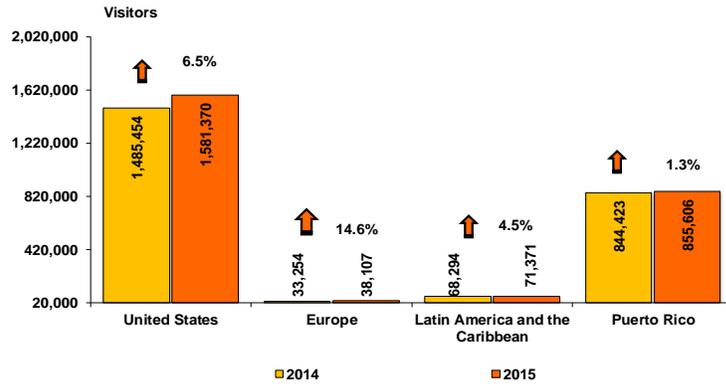
Region	Fiscal Years 2016 2015			Non-Residents Fiscal Years 2016 2015			Residents Fiscal Years 2016 2015		
	(July - December)		Percent Change	(July - December)		Percent Change	(July - December)		Percent Change
Metropolitan	746,193	703,022	6.1	602,413	559,035	7.8	143,780	143,987	-0.1
West (Porta del Sol)	170,495	163,700	4.2	38,004	39,819	-4.6	132,491	123,881	7.0
East-Central	234,420	245,153	-4.4	129,102	125,432	2.9	105,318	119,721	-12.0
South (Porta Caribe)	75,440	75,003	0.6	25,974	25,262	2.8	49,466	49,741	-0.6
North-Central	60,852	57,001	6.8	33,187	31,232	6.3	27,665	25,769	7.4

Source: Puerto Rico Tourism Company.

2. Hotel Registrations by Main Place of Origin

Of those registered in hotels in fiscal year 2015, 61.0 percent were from the United States, these group grew by 6.5 percent when compared to fiscal year 2014. The registration of persons from the European Community, Latin American and Caribbean, and Puerto Ricans also increased their records. These were: 14.6, 4.5 and 1.3 percent, respectively.

**Hotel Registrations by Main Place of Origin
Puerto Rico, 2014 – 2015
Fiscal Years**



Source: Puerto Rico Tourism Company.

In the first four months of fiscal 2016, the hotel registration by place of origin and the five states of greater representation of the United States are shown in the following tables.

**Hotel Registrations by Country of Origin
Puerto Rico, 2015 - 2016**

Country	Fiscal Years		Percent Change	Absolute Change
	2016	2015		
	(July - December)			
United States	741,227	715,464	25,763	3.6
Canada	8,007	8,046	-39	-0.5
Europe	21,564	17,109	4,455	26.0
Latin America and the Caribbean	38,691	37,674	1,017	2.7
Other foreign countries	4,799	4,078	721	17.7
Non-Specified	22,399	6,455	15,944	247.0
Puerto Rico	458,720	463,099	-4,379	-0.9

Source: Puerto Rico Tourism Company.

**Hotel Registrations from the United States (selected states)
Puerto Rico, 2015 - 2016**

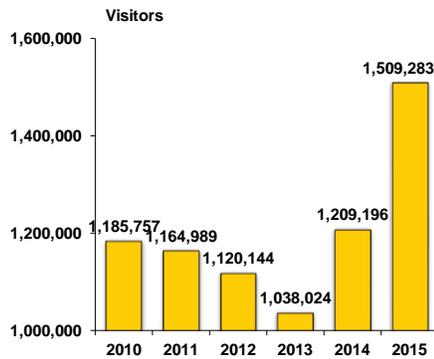
State	Fiscal Years		Percent Change	Absolute Change
	2016	2015		
	(July - December)			
New York	125,677	122,256	3,421	2.8
Florida	123,415	117,875	5,540	4.7
New Jersey	57,839	58,518	-679	-1.2
California	44,524	41,114	3,410	8.3
Texas	42,586	39,431	3,155	8.0

Source: Puerto Rico Tourism Company.

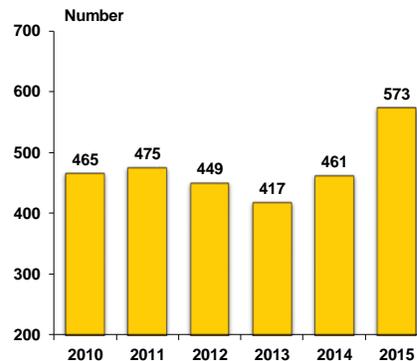
3. Cruise Ships Visitors

The movement of passengers on cruise ships in the port of San Juan totaled 1,509,283 passengers in fiscal year 2015. This represented an increase of 300,087 passengers or 24.8 percent over fiscal year 2014. The number of accumulated cruise ships in fiscal 2015 were 573, and represented an increase of 112 ships or 24.3 percent over the previous fiscal year.

**Cruise Ship Visitors
Puerto Rico, 2010 – 2015
Fiscal Years**



**Cruise Ships
Puerto Rico, 2010 – 2015
Fiscal Years**

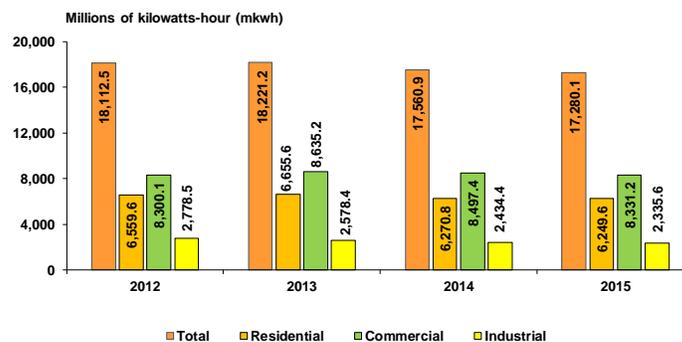


Source: Puerto Rico Ports Authority.

6. Electric Energy

The total electric energy consumption in million kilowatt/hour for fiscal 2015 reflected a decrease of 1.6 percent when compared to fiscal year 2014. In that period, the total electric energy consumption reached 17,280.1 million kilowatt/hour (mkwh). The main sectors: residential, commercial and industrial showed contractions of 0.3, 2.0 and 4.1 percent, respectively.

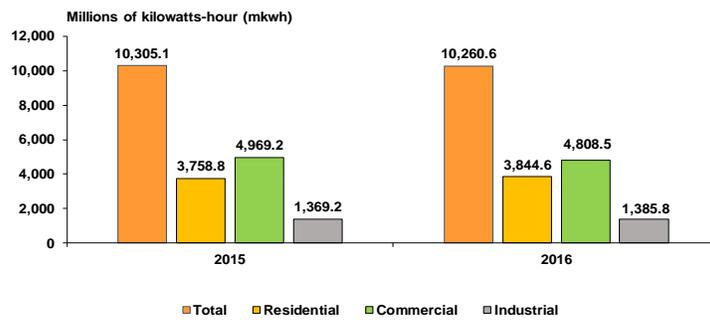
**Electric Energy Consumption by Main Sector
Puerto Rico, 2012 – 2015
Fiscal Years**



Source: Puerto Rico Electric Power Authority.

In the period from July to January of fiscal year 2016, total electricity energy consumption showed a reduction of 0.4 percent and the residential and industrial sectors showed increases of 2.3 and 1.2 percent, respectively. The commercial sector showed a decline of 3.2 percent. These comparisons are relative to the period from July to January of fiscal year 2015.

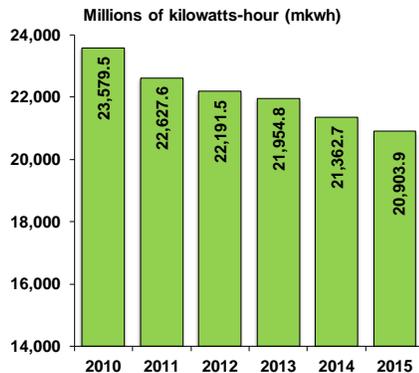
Electric Energy Consumption by Main Sector
Puerto Rico, Fiscal Years 2015 – 2016
Cumulative, July-January



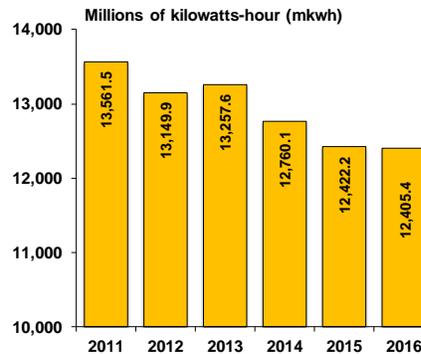
Source: Puerto Rico Electric Power Authority.

The electric energy production was 20,903.7 mkwh, reflecting a decrease of 2.1 percent when compared to fiscal year 2014, when the production totaled 21,362.7 mkWh. In the period from July to January of fiscal year 2016, the power generation reached 12,405.4 mkwh and signified a fell of 0.1 percent.

Electric Energy Production
Puerto Rico, 2010 – 2015
Fiscal Years



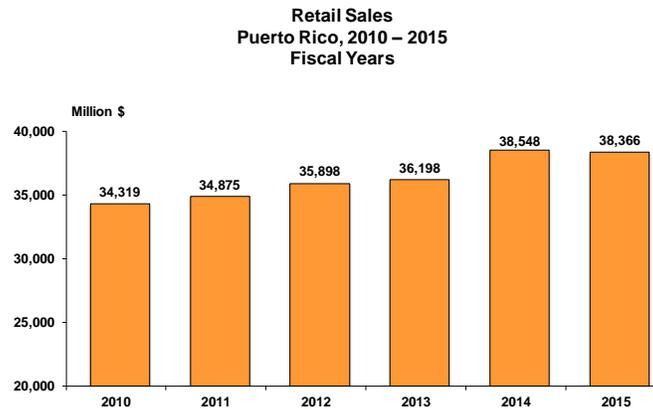
Electric Energy Production
Puerto Rico, Fiscal Years 2011 - 2016
Cumulative, July-January



Source: Puerto Rico Electric Power Authority.

7. Retail Trade ²

The Puerto Rico Trade and Export Company reported that the cumulative figure of retail sales in fiscal year 2015 reached the amount of \$38,366 million. This was a decrease in sales of 0.5 percent when compared to fiscal year 2014.

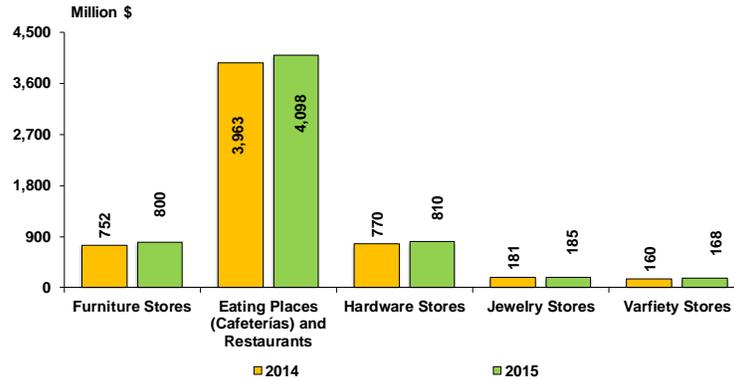


Source: Puerto Rico Commerce and Export Company.

The five establishments with the largest increase in sales over fiscal year 2014 were: furniture stores, hardware stores, variety stores, cafeterias and restaurants and jewelry stores.

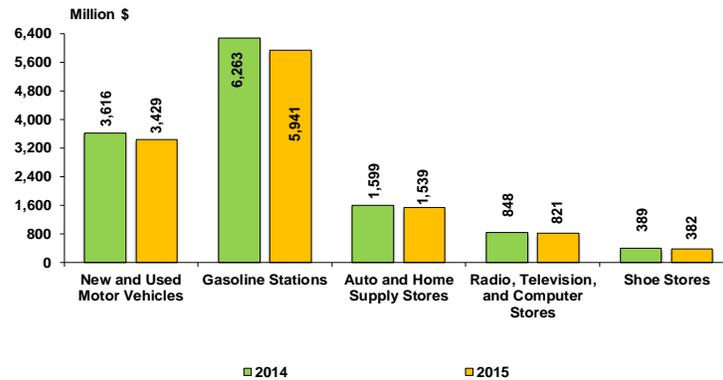
² The Puerto Rico Trade and Export Company reported that starting in November 2015 the publication of the Survey of Retail Sales includes re-estimated seasonal factors using the new methodology Census X-13 ARIMA-SEATS of US Census Bureau. As a result, retail sales unadjusted and seasonally adjusted figures were revised since 2005.

**Retail Sales
Groups with major growth
Puerto Rico, 2014 – 2015
Fiscal Years**



Source: Puerto Rico Commerce and Export Company.

**Retail Sales
Groups with major reductions
Puerto Rico, 2014 – 2015
Fiscal Years**



Source: Puerto Rico Commerce and Export Company.

Meanwhile, the five establishments that reflected the most significant reductions in sales in similar comparative period were: new and used motor vehicles, 5.2 percent; gasoline stations, 5.1 percent; auto and home supply stores, 3.7 percent, radios, televisions and computer stores, 3.2 percent and shoe stores, 1.8 percent. Retail sales by region were as follows:

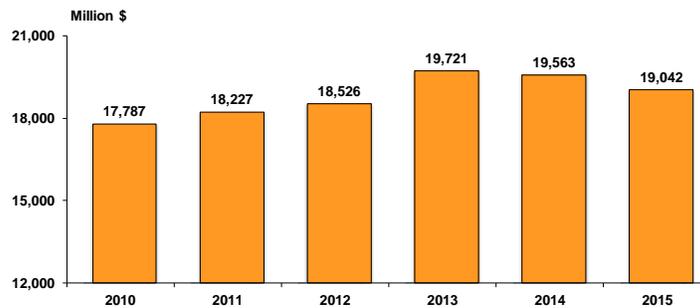
Retail Sales by Region (\$ million)
Puerto Rico, 2015 - 2014

Region	Fiscal Years 2014	2015	Percent Change
Aguadilla	1,323	1,331	0.6
Arecibo	3,068	3,060	-0.3
Bayamón	9,188	8,969	-2.4
Caguas	6,090	836	-1.6
Fajardo	846	632	-1.2
Guayama	634	632	-0.3
Mayagüez	2,362	2,432	3.0
Ponce	3,482	3,426	-1.6
San Juan	11,556	11,689	1.2

Source: Puerto Rico Trade and Export Company.

During the first half of fiscal year 2016, retail sales decreased by 2.7 percent compared to the same period of fiscal 2015.

Retail Sales
Puerto Rico, Fiscal Years 2010 - 2015
Cumulative, July-December



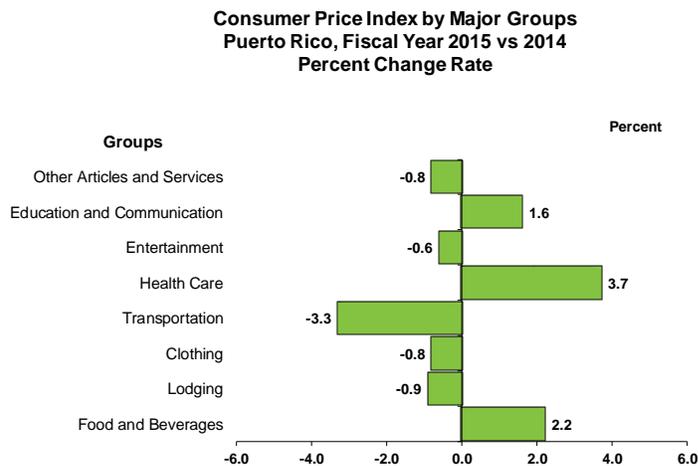
Source: Puerto Rico Commerce and Export Company.

8. Consumer Price Index

In fiscal year 2015, the consumer price index prepared by the Department of Labor and Human Resources recorded a price level of 116.424 points. The inflation rate was 0.3 points lower than the level recorded in fiscal year 2014. Five of the eight major groups reflected decreases as compared to the average of fiscal year 2014.

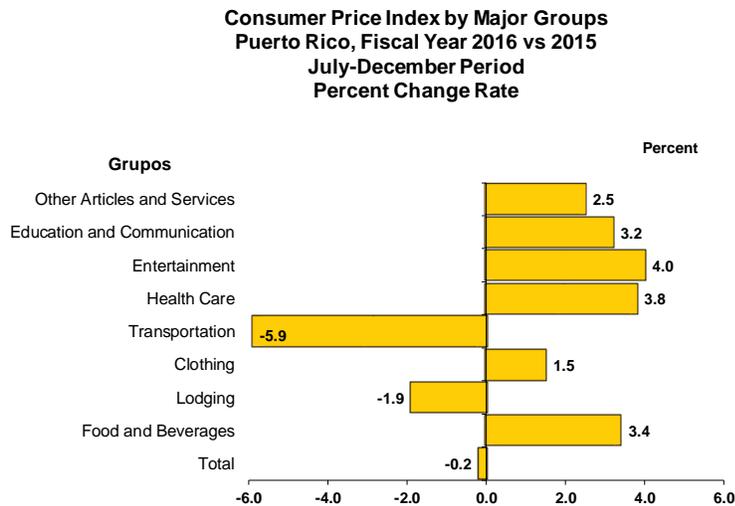


Source: Puerto Rico Department of Labor and Human Resources.



Source: Puerto Rico Department of Labor and Human Resources.

The first half (July-December period) of fiscal 2016, the consumer price index showed a record of 116,783 points. This meant 0.2 percent less than that recorded in the same period of fiscal 2015.



Source: Puerto Rico Department of Labor and Human Resources.

C. MACROECONOMIC FORECAST FOR FISCAL YEARS 2016 AND 2017

The following section presents the economic forecasts of Puerto Rico for fiscal years 2016 and 2017, according to the estimated results of the econometric models used by the Planning Board. They take into account the short-term elements that could affect the performance of the economy. Puerto Rico is susceptible to changes occurring in the world economy because it is a considerably open and it's integrated into the US economy.

Key Assumptions

Among the main assumptions of the forecasts, were considered those current and prospective factors whose movements can somehow impact the economic activity in Puerto Rico. The main assumptions of the projections are based on expected changes in the following variables considered as exogenous:

- United States economy

- World economy
- Oil prices
- Merchandise exports, adjusted
- Visitors' expenditures
- Construction investment
- Machinery and equipment investment
- Transfer federal payment to individuals

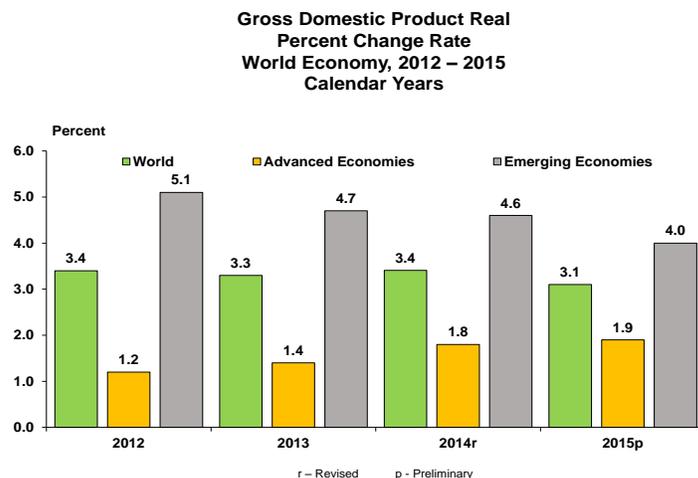
Macroeconomic activity is dynamic, this is why it is important that the forecasts are updated periodically based on the changes occurring in it. The performance and accuracy of the forecasts depend on factors, some endogenous and other exogenous, that affect the economy. In general, we can highlight the following events:

- The fiscal situation of the government of Puerto Rico would continue to affect the levels of government spending and public investment, among others. In addition, lack of access to capital market aggravates the problem. It assumed a reduction in government spending of \$700 million for fiscal 2017.
- There is uncertainty about the decisions that can be taken by the US Congress concerning the fiscal crisis. Although the Government has requested assistance to restructure the debt, it has been discussed about the imposition of a Fiscal Control Board with extensive and rigorous powers over Puerto Rico, which undoubtedly will impact the economy.
- At the beginning of fiscal year 2016 was approved an increase in the Sales and Use Tax (SUT) to 11.5 percent and a 4.0 percent tax on services was imposed. The implementation of the Value Added Tax (VAT) is still pending.
- Some of the exogenous factors used to model the economy of Puerto Rico have changed. First, the real growth forecast for the US economy in fiscal years 2016 and 2017 was 2.1 and 2.6 percent, respectively. Meanwhile, oil prices continues to decline, the estimates for the respective years 2016 and 2017 are \$38.59 and \$36.08. Of exogenous variables, it has shown the most significant change.

- Concerning the credit of Puerto Rico there is a possibility of additional degradations, this would make it even more difficult the access to financial markets and therefore future government investments.
- The labor market recorded a reduction, according to the Establishments Survey of the Department of Labor and Human Resources. In the accumulated period from July to January of fiscal year 2016, a decrease was also registered, although in lesser magnitude when compared to the two previous fiscal years.
- An important factor that affects in the short, medium and long term is the demographic problem of population reduction in Puerto Rico mainly due to increased migration and a reduction in the birth rate.

World Economy

In 2015 the international economic activity remained stable although it recorded a slight decline in growth. However, advanced economies continued to show a slight recovery, reaching an increase of 1.9 percent. Global economic growth remained at 3.1 percent in 2015, compared with 3.4 percent registered in 2014. The global outlook will depend on three main factors, these are: the gradual slowdown in economic activity in China, which is moving away from investment and manufacturing to be oriented towards consumption and services; the decline in energy prices and other raw materials, and the gradual strengthening of US monetary policy in the context of an economic recovery.



Source: International Monetary Fund (IMF).

In general, the overall growth of China is evolving as expected, although imports and exports are declining faster than expected, partly as a result of the contraction in investment and manufacturing activity. This situation, combined with market concerns about the future performance of the Chinese economy are creating negative effects to other economies through trade and falling prices of raw materials, as well as lower confidence and more volatility in financial markets.

Eurozone and Japan continued with the expected economic growth as they obtained an increase in 2015 of 1.5 and 0.6 percentages, respectively. Meanwhile, the Federal Reserve raised US federal funds rate, which until December 2015 had remained at the lower limit to zero. Overall, financial conditions in advanced economies remain very favorable. The predictions of a gradual rise in US interest rates and the financial volatility marked by concerns in terms of the future growth in emerging markets, have contributed to tighter financial external conditions, lower capital flows and new currencies depreciation of many emerging markets.

The inflation level has moved laterally in most countries, although it is expected to be reduced considering the prices fall of raw materials and the weak of global manufacturing are pressing on prices of goods and services. Core inflation rates remain below the target of advanced economies. The uneven development of inflation in emerging markets reflects, on the one hand, the implications of a weak domestic demand and the prices fall of raw materials and, on the other hand, the expected depreciation of some currencies against other currencies occurred in the past year.

On the other hand, oil prices have experienced a sharp decline since September 2015 caused by the expectation that the members of the Organization of Petroleum Exporting Countries (OPEC) will continue increasing production in a context in which the world oil production continues exceeding consumption. According to projections, at this time are expected slight increases in oil prices for 2016 and 2017. The prices of other commodities, especially metals, have also declined. Falling oil prices is putting pressure on exporters of fuels and this affects the growth forecasts. At the same time, decreases

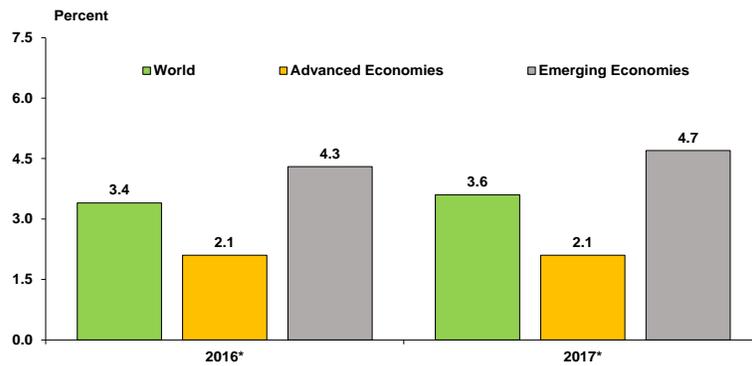
in household demand and in the commercial cost of energy in importing countries, especially in advanced economies, are benefiting consumers.

Global Economy Perspectives for 2016 and 2017

Overall, global growth projections have suffered a downward revision of 0.2 percentage points in both 2016 and 2017. These revisions are due in part to the fact that the upturn of emerging economies will be weaker than the forecast of October 2015. The revisions can be attributed to the situations faced by countries that impact the rest of the world. Among these, Brazil, whose recession has been caused by political uncertainty amid the Petrobras investigations, is showing to be deeper and longer than expected. Middle East, whose projections are overshadowed by falling oil prices. United States, whose growth would maintain the current pace, instead of have a new momentum. The growth projections for world trade have also been revised downward by more than half a percentage point for 2016 and 2017 as a result of the situation in China and troubled economies.

It is projected that global growth will reach 3.4 percent in 2016, compared with 3.1 percent registered in 2015. This upturn will help to reduce output gaps, which are still substantial. In 2017 it is expected that the world economy has an increase of 3.6 percent. The forecast for advanced economies is 2.1 percent for both years.

**Gross Domestic Product Real
Percent Change Rate
World Economy, 2016 – 2017
Calendar Years**



Source: International Monetary Fund (IMF).

* - forecast

United States Economy

For second consecutive year, the US economy showed a moderate growth rate, after the slowdown in fiscal year 2013. This expansion was supported by the increase in income as a result of a strengthened labor market, the current monetary policy and the financial conditions which were relatively favorable. Similarly, the most significant drop in six years in oil prices was very beneficial for individuals and industries who saw a reduction in the cost of energy. On the other hand, the slowness observed in the pace of economic activity abroad, together with the strengthening of the dollar against other currencies, influenced net exports.

The real gross domestic product (GDP) of the United States in fiscal 2015 achieved a growth rate of 2.7 percent after increasing 2.1 percent in the previous fiscal year. The growth in fiscal 2015 was the result of an increase of 3.2 percent in personal consumption expenditures, 5.8 percent in gross domestic investment, 2.5 percent in exports and 0.4 percent in government consumption expenditures. Imports, which are subtracted from aggregate demand, grew 4.9 percent. Meanwhile, real disposable personal income grew 3.3 percent, after rising 0.3 percent in fiscal 2014.

**Gross Domestic Product Real
Percent Change Rate
United States, 2006 – 2015 *
Fiscal Years**



* - Data for the fiscal year of Puerto Rico.

Source: Bureau of Economic Analysis (BEA).

**Selected Real Macroeconomic Variables
United States, Fiscal Years 2014 - 2015 ***

Variables	Percent Change Rate									
	Fiscal Year		Quarters							
	2014	2015	2014				2015			
			T-1	T-2	T-3	T-4	T-1	T-2	T-3	T-4
Gross Domestic Product	2.1	2.7	3.0	3.8	-0.9	4.6	4.3	2.1	0.6	3.9
Personal Consumption Expenditures	2.1	3.2	1.7	3.5	1.3	3.8	3.5	4.3	1.8	3.6
Gross Fixed Investment	6.2	5.8	13.7	4.2	-2.5	12.6	7.4	2.1	8.6	5.0
Exports	3.8	2.5	4.2	10.9	-6.7	9.8	1.8	5.4	-6.0	5.1
Imports	2.6	4.9	2.4	1.0	2.8	9.6	-0.8	10.3	7.1	3.0
Government Consumption Expenditures	-2.2	0.4	-2.2	-2.7	0.0	1.2	1.8	-1.4	-0.1	2.6
Disposable Personal Income	0.3	3.3	2.2	0.6	4.0	3.0	2.7	4.7	3.9	2.6

* - Data for the fiscal year of Puerto Rico.

Source: Bureau of Economic Analysis (BEA).

Economics Perspectives for Fiscal Years 2016 and 2017

The outlook for the US economy show that the expansion continues and it is expected that real GDP will grow on average 2.4 percent between fiscal years 2016 and 2020. Fiscal year 2018 will have the best performing with an increase of 2.7 percent. This growth will be driven by a rise of 6.6 percent in gross domestic investment and 4.7 percent in exports. The increase of 2.9 percent in personal consumption expenditures will be supported by an increase of 3.4 percent in personal disposable income. Imports are also expected to growth to 6.5 percent, the most significant increase in the period analyzed.

**Forecast for Selected Real Macroeconomic Variables
United States, Fiscal Years 2016 - 2020 ***

Variables	Percent Change Rate				
	2016	2017	2018	2019	2020
Gross Domestic Product	2.1	2.6	2.7	2.4	2.4
Personal Consumption Expenditures	2.9	3.0	2.9	2.6	2.4
Gross Fixed Investment	2.0	3.6	6.6	3.9	3.5
Exports	0.5	3.6	4.7	4.9	5.0
Imports	3.4	5.1	6.5	4.8	3.9
Government Consumption Expenditures	1.6	1.3	0.2	0.4	0.4
Disposable Personal Income	3.3	3.0	3.4	3.0	2.5

* - Data for the fiscal year of Puerto Rico.

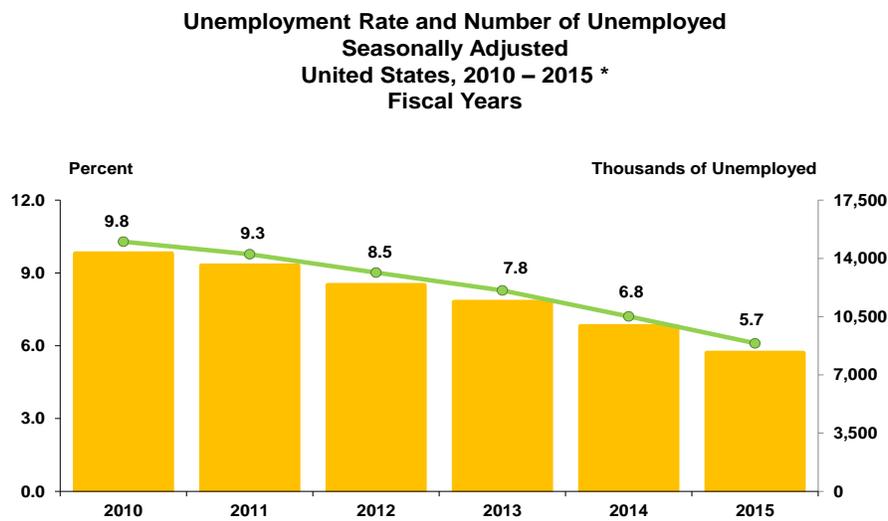
Source: IHS Economics, March 2016.

The GDP perspectives are mainly based on the following assumptions: stable personal consumption expenditures; sustained positive performance of the labor market and housing market; increase in business real fixed investment; and a strengthened external trade supported by the appreciation of the dollar and growth in exports. The expected increase in personal consumption expenditures between fiscal years 2016 and 2020, is the result of strengthened labor market, stable energy prices, moderate inflation, and an increase in homes values and a rise in disposable personal income.

In terms of monetary policy, the changes that FED will be doing, in line with the performance of economic indicators, will change the current monetary policy and will raise interest rates, including federal funds rate to 1.00 percent in the fiscal year 2017, reaching its peak of 3.00 percent in fiscal 2019. Meanwhile, in terms of the fiscal context, the following years will be defined by the new president and the United States Congress as a result of the upcoming elections. We must wait to see outlining plans to address important issues such as debt and issues of international scope.

Labor Market

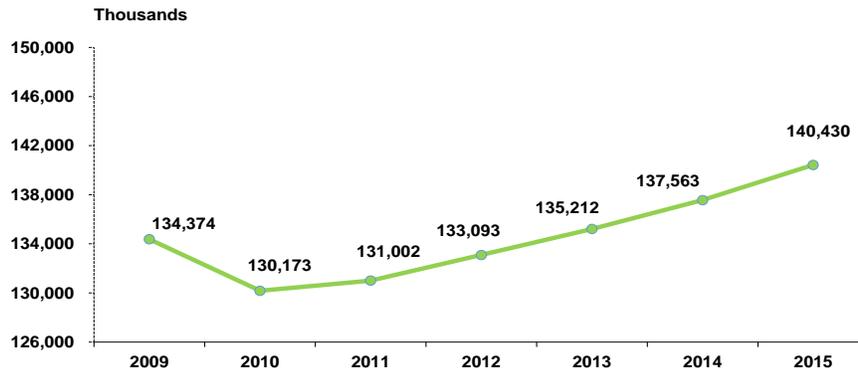
General labor market conditions continued to strengthen in fiscal 2015 and a faster rate than the previous fiscal year, as shown by economic indicators. On average, the number of unemployed people dropped to 8.9 million after totaling 10.5 million in fiscal 2014. The unemployment rate averaged 5.7 percent, representing a decrease of 1.1 percentage point after registering 6.8 percent in the previous fiscal. In the past six years, this rate has shown a decline of 4.1 percentage points. The nonfarm payroll employment, seasonally adjusted, continued to recover significantly since in fiscal year 2015 totaled 140.4 million jobs. This represents an increase of 2.1 percent when comparing to fiscal year 2014. In percentage terms, this is the most significant increase recorded since 2000 when an increase of 2.5 percent was achieved.



* - Data for the fiscal year of Puerto Rico.

Source: Bureau of Labor Statistics (BLS).

**Nonagricultural Employment
Seasonally Adjusted
United States, 2009 – 2015 *
Fiscal Years**



* - Data for the fiscal year of Puerto Rico.

Source: Bureau of Labor Statistics (BLS).

Oil Prices

Oil prices showed a decrease of 47.8 percent in 2015, after falling 4.7 percent in 2014. In terms of the fiscal year of Puerto Rico (2015) these prices averaged \$69.33 per barrel which represented a decline of 31.6 percent over fiscal year 2014. Since the mid-calendar year 2014 (which represents the first half of fiscal year 2015 in Puerto Rico) it began to be seen a reduction in oil prices, reaching its lowest point in January 2015 when the average price reached \$47.22 per barrel.

**Average Oil Price per Barrel
West Texas Intermediate (WTI),
Fiscal Years 2009 – 2017 ***



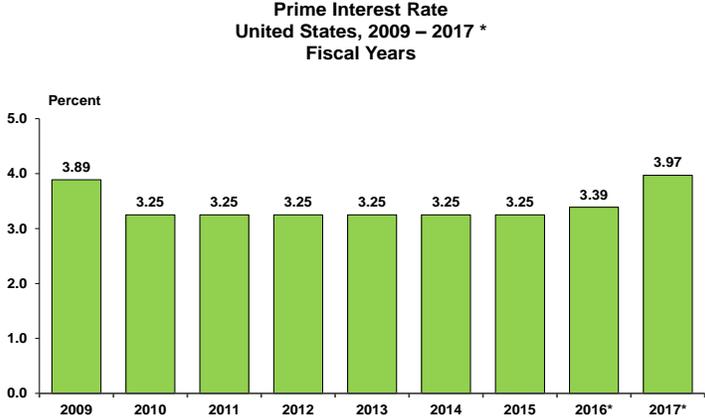
* - Data for the fiscal year of Puerto Rico.

Source: Puerto Rico Energy Information Administration.

According to the Energy Information Administration (EIA), the average price per barrel will reach \$34.00 for 2016 and \$40.08 in 2017. In terms of the fiscal year of Puerto Rico, oil prices have been estimated at \$38.59 for fiscal year 2016 and \$36.08 for fiscal year 2017. Decreases of 44.3 and 6.5 percent, respectively.

Prime Interest Rate

Interest rates remain at historically low levels since about eight years in which the accommodative monetary policy of the Open Market Committee of the Federal Reserve has supported the growth of the US economy. As the labor market continues to strengthen, and inflation remains controlled, the Fed will modify the current monetary policy and therefore will increase interest rates. In terms of the fiscal year of Puerto Rico, prime interest rate in 2015 was 3.25 percent, this rate remained unchanged in the last six fiscal years. It has been estimated that the prime rate will reach 3.39 percent in fiscal year 2016 and 3.97 percent in fiscal year 2017.

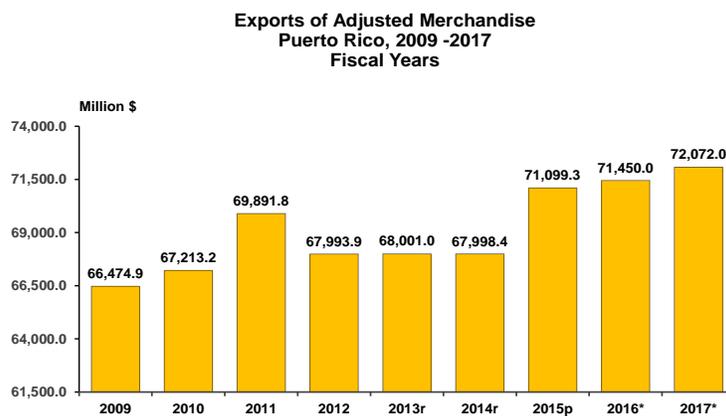


Fuente: IHS Economics. * - Data for the fiscal year of Puerto Rico.

Exogenous Variables of Puerto Rico

Merchandise Exports, Adjusted

In Puerto Rico, the value of merchandise exports, adjusted in fiscal 2015 was \$71,099.3 million, representing an increase of 4.6 percent over fiscal year 2014. Exports are estimated according to the trend projected in the economy of United States, considering the demand for goods. It is expected that these exports reach \$ 71,450.0 and \$72,072.0 million for the respective fiscal years 2016 and 2017. Both figures represents increases of 0.5 and 0.9 percent, respectively.



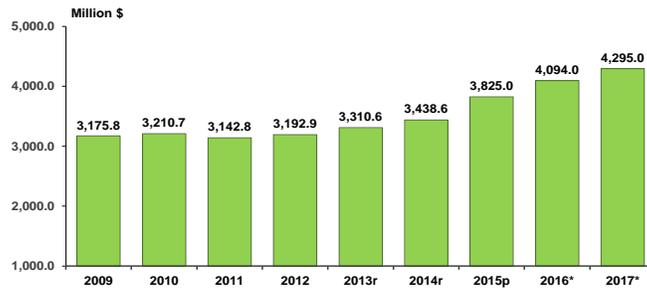
Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Social Analysis, Models and Projections.

r - Revised
p - Preliminary
* - Projected

Visitors' expenditures

The visitors' expenditures in Puerto Rico was \$3,825.0 million in fiscal year 2015, an increase of 11.2 percent over fiscal year 2014 when reached \$3,438.6 million. This increase was driven by tourists staying in hotels and paradores, which totaled 2,594,170 tourists; 114,986 more than in fiscal year 2014. This variable was estimate to increase \$4,094.0 and \$4,295.0 million in fiscal years 2016 and 2017. These figures represents growths of 7.0 and 4.9 percent, respectively.

**Visitors' Expenditures
Puerto Rico, 2009 -2017
Fiscal Years**



Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Social Analysis, Models and Projections

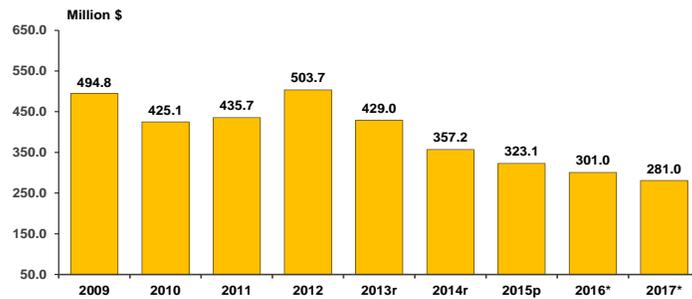
r - Revised
p - Preliminary
* - Projected

Construction investment

Construction is one of the key sectors of the economy Puerto Rico. Construction investment, which refers to new construction by private companies and state and municipal government, plays an important role in economic development of any country, in the short and long term. The construction activity includes the construction, expansion, repair and renovation of buildings or structures such as residential, commercial, industrial buildings, roads, bridges, ports and other by construction companies, therefore it is important a good performance of this sector in the economy of any country. In fiscal 2015, construction investment at current prices reached \$3,357.3 million and in in real terms, \$323.1 million.

Real construction investment was estimated in \$301.0 million, a decrease of 6.8 percent for fiscal year 2016. For fiscal year 2017, a total of \$281.0 million and a reduction of 6.6 percent is expected. In current prices, for fiscal years 2016 and 2017, the projected figures are, \$2,905.0 y \$2,670.0 million, meaning decreases of 8.0 y 8.1 percent, respectively.

**Real Construction Investment
Puerto Rico, 2009 – 2017
Fiscal Years**



Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Social Analysis, Models and Projections

r - Revised
p - Preliminary
* - Projected

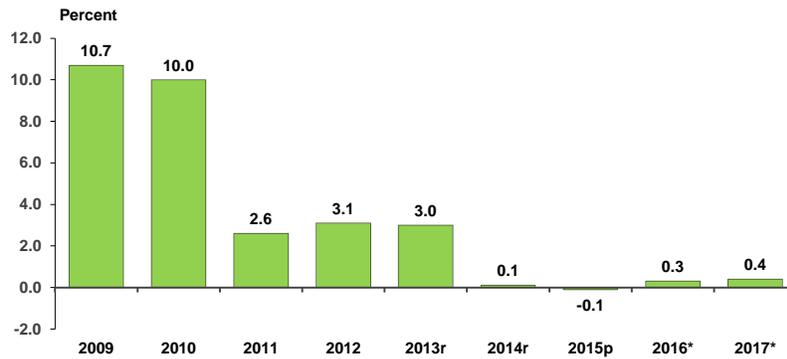
Machinery and equipment

In real terms, in fiscal 2015 investment in machinery and equipment totaled \$942.5 million in Puerto Rico million, reflecting a reduction of 5.5 percent. At current prices, recorded a decline of 2.9 percent for a total value of \$5,477.2 million. The forecast for real investment in machinery and equipment indicates a value of \$932.0 million in fiscal year 2016 and \$917.0 million in fiscal year 2017. In current terms, the forecast are, \$5,396.0 and \$5,199.0 million for fiscal years 2016 and 2017, respectively.

Transfer federal payments for individuals

By their nature and magnitude, transfer federal payments to individuals play an important role in the economy of Puerto Rico. Its impact is channeled through funds for better services, development of infrastructure and improvement in education levels and quality of life. These transfer are an important flow of foreign funds into the economic system of Puerto Rico. In fiscal year 2015, transfer federal payments for individuals in Puerto Rico reached \$16,314.3 million, representing a decline of 0.1 percent. The forecast for this variable is \$16,368.0 and \$16,434.0 million for fiscal year 2016 and 2017, both figures representing increases of 0.3 and 0.4 percent respectively.

**Federal Transfers to Individuals
Percent Change Rate
Puerto Rico, 2009 – 2017
Fiscal Years**



Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Social Analysis, Models and Projections.

r - Revised
p - Preliminary
* - Projected

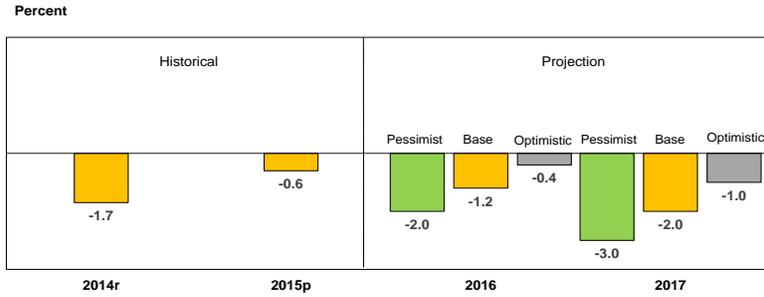
MACROECONOMIC FORECASTS FOR FISCAL YEARS 2016 AND 2017 IN THE CONTEXT OF ITS HISTORICAL TREND

Gross national product

The economy of Puerto Rico in fiscal 2015 registered a reduction in real terms of 0.6 percent, compared with fiscal year 2014. At current prices, the gross national product (GNP) reached \$68,520.4 million, and grew 0.1 percent. The baseline forecast scenario for the real GNP was estimated at \$6,238.0 million for fiscal year 2016. This would represent a decrease of 1.2 percent. In fiscal 2017, it is expected that GNP reach \$6,111.0 million, a decrease of 2.0 percent. At current prices, GNP was projected at \$68,575.0 and \$68,097.0 million for respective fiscal years 2016 and 2017.

Because of the uncertainty that exists around every economic outlook and given the fragility of the economy of Puerto Rico, the Planning Board estimates two alternative scenarios to the baseline, these are pessimistic and optimistic. In the pessimistic scenario, the GNP at constant prices shows reductions of 2.0 and 3.0 percent for the respective fiscal years 2016 and 2017. In the optimistic scenario the real GNP decrease 0.4 percent in fiscal year 2016 and 1.0 percent in fiscal 2017.

**Gross National Product real
Percent Change Rate
Puerto Rico, 2014 – 2017
Fiscal Years**



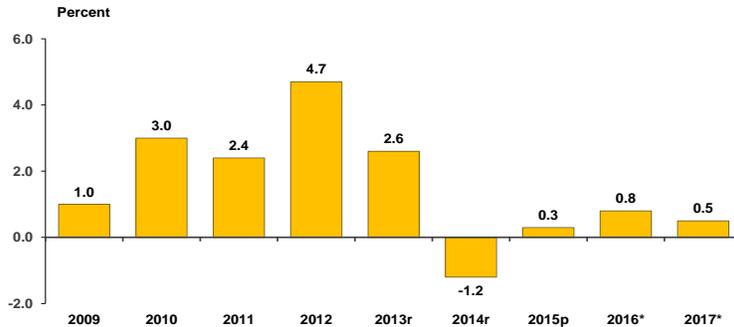
Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Social Analysis, Models and Projections.

r - Revised
p - Preliminary
* - Projected

Personal consumption expenditure

The real personal consumption expenditure, the main component of GNP, totaled \$9,675.6 million in fiscal year 2015. This represents a reduction of 0.3 percent when compared to fiscal year 2014. In real terms, the estimated value of this variable to the fiscal year 2016 is \$9,561.0 million, representing a decrease of 1.2 percent and for the fiscal year 2017 the forecast is \$9,404.0 million or a decline of 1.6 percent. At current prices, has been estimated in \$62,384.0 and \$62,707.0 million, those values represents rises of 0.8 and 0.5 percent for fiscal years 2016 and 2017, respectively.

**Personal Consumption Expenditures
Percent Change Rate Current Prices
Puerto Rico, 2009 -2017
Fiscal Years**



Source: Puerto Rico Planning Board, Program of Economic and Social Planning, Subprogram of Social Analysis, Models and Projections.

r - Revised
p - Preliminary
* - Projected

Finally, it is important to note that the certainty of economic forecasts is related to the prospective movement of exogenous factors. So that all economic projection has to be subject to evaluation in line with changes occurring in these factors and the various assumptions used in the projection.

APPENDIX

VARIABLES MACROECONOMICAS SELECCIONADAS: AÑOS FISCALES
SELECTED MACROECONOMIC VARIABLES: FISCAL YEARS

(EN MILLONES DE DOLARES - IN MILLIONS OF DOLLARS)
A PRECIOS CONSTANTES 1954 = 100 - CONSTANT PRICES 1954 = 100

VARIABLES										PROYECCIONES - FORECASTS						VARIABLES
	2008	2009	2010	2011	2012	2013r	2014r	2015p	2016			2017				
									PESIMISTA PESSMSTIC	BASE	OPTIMISTA OPTMSTIC	PESIMISTA PESSMSTIC	BASE	OPTIMISTA OPTMSTIC		
PRODUCTO BRUTO	7,054.2	6,784.2	6,541.8	6,431.7	6,466.2	6,457.5	6,347.6	6,312.4	6,185.0	6,238.0	6,289.0	5,998.0	6,111.0	6,227.0	GROSS PRODUCT	
GASTOS DE CONSUMO PERSONAL	9,567.1	9,292.6	9,427.1	9,570.5	9,801.5	9,966.9	9,701.2	9,675.6	9,485.0	9,561.0	9,640.0	9,300.0	9,404.0	9,514.0	PERSONAL CONSUMPTION EXPENDITURES	
INVERSION EN CONSTRUCCION	636.0	494.8	425.1	435.7	503.7	429.0	357.2	323.1	299.0	301.0	317.0	273.0	281.0	303.0	CONSTRUCTION INVESTMENT	
INVERSION EN MAQUINARIA Y EQUIPO	996.3	933.1	911.5	1,029.0	1,038.6	995.0	997.2	942.5	925.0	932.0	939.0	909.0	917.0	925.0	MACHINERY AND EQUIPMENT INVESTMENT	
GASTOS DE CONSUMO DEL GOBIERNO	1,820.7	1,866.5	1,803.8	1,764.8	1,787.0	1,748.8	1,867.0	1,700.3	1,667.0	1,680.0	1,694.0	1,552.0	1,606.0	1,662.0	GOVERNMENT CONSUMPTION EXPENDITURES	

r - CIFRAS REVISADAS.
p - CIFRAS PRELIMINARES.

r - REVISED FIGURES.
p - PRELIMINARY FIGURES.

FUENTE: JUNTA DE PLANIFICACION DE PUERTO RICO, PROGRAMA DE PLANIFICACION ECONOMICA Y SOCIAL, SUBPROGRAMA DE ANALISIS SOCIAL, MODELOS Y PROYECCIONES.

SOURCE: PUERTO RICO PLANNING BOARD, PROGRAM OF ECONOMIC AND SOCIAL PLANNING, SUBPROGRAM OF SOCIAL ANALYSIS, MODELS AND PROJECTIONS.

TASAS DE CRECIMIENTO ANUAL DE VARIABLES MACROECONOMICAS SELECCIONADAS
GROWTH ANNUAL RATES OF SELECTED MACROECONOMIC VARIABLES

(A PRECIOS CONSTANTES 1954 = 100 - CONSTANT PRICES 1954 = 100)

VARIABLES										PROYECCIONES - FORECASTS						VARIABLES
	2008	2009	2010	2011	2012	2013r	2014r	2015p	2016			2017				
									PESIMISTA PESSMSTIC	BASE	OPTIMISTA OPTMSTIC	PESIMISTA PESSMSTIC	BASE	OPTIMISTA OPTMSTIC		
PRODUCTO BRUTO	-2.9	-3.8	-3.6	-1.7	0.5	-0.1	-1.7	-0.6	-2.0	-1.2	-0.4	-3.0	-2.0	-1.0	GROSS PRODUCT	
GASTOS DE CONSUMO PERSONAL	-1.2	-2.9	1.4	1.5	2.4	1.7	-2.7	-0.3	-2.0	-1.2	-0.4	-2.0	-1.6	-1.3	PERSONAL CONSUMPTION EXPENDITURES	
INVERSION EN CONSTRUCCION	-9.4	-22.2	-14.1	2.5	15.6	-14.8	-16.7	-9.5	-7.5	-6.8	-1.9	-8.7	-6.6	-4.4	CONSTRUCTION INVESTMENT	
INVERSION EN MAQUINARIA Y EQUIPO	-9.1	-6.3	-2.3	12.9	0.9	-4.2	0.2	-5.5	-1.9	-1.1	-0.4	-1.7	-1.6	-1.5	MACHINERY AND EQUIPMENT INVESTMENT	
GASTOS DE CONSUMO DEL GOBIERNO	-4.7	2.5	-3.4	-2.2	1.3	-2.1	6.8	-8.9	-2.0	-1.2	-0.4	-6.9	-4.4	-1.9	GOVERNMENT CONSUMPTION EXPENDITURES	

r - CIFRAS REVISADAS.
p - CIFRAS PRELIMINARES.

r - REVISED FIGURES.
p - PRELIMINARY FIGURES.

FUENTE: JUNTA DE PLANIFICACION DE PUERTO RICO, PROGRAMA DE PLANIFICACION ECONOMICA Y SOCIAL, SUBPROGRAMA DE ANALISIS SOCIAL, MODELOS Y PROYECCIONES.

SOURCE: PUERTO RICO PLANNING BOARD, PROGRAM OF ECONOMIC AND SOCIAL PLANNING, SUBPROGRAM OF SOCIAL ANALYSIS, MODELS AND PROJECTIONS.

VARIABLES MACROECONOMICAS SELECCIONADAS: AÑOS FISCALES
SELECTED MACROECONOMIC VARIABLES: FISCAL YEARS

(EN MILLONES DE DOLARES - IN MILLIONS OF DOLLARS)

VARIABLES										PROYECCIONES - FORECASTS						VARIABLES
										2016			2017			
	2008	2009	2010	2011	2012	2013r	2014r	2015p	PESIMISTA PESSIMISTIC	BASE	OPTIMISTA OPTIMISTIC	PESIMISTA PESSIMISTIC	BASE	OPTIMISTA OPTIMISTIC		
PRODUCTO BRUTO	62,703.1	63,617.9	64,294.6	65,720.7	68,085.7	68,945.0	68,461.1	68,520.4	68,262.0	68,575.0	68,932.0	67,356.0	68,097.0	68,862.0	GROSS PRODUCT	
GASTOS DE CONSUMO PERSONAL	54,553.8	55,122.1	56,783.8	58,154.8	60,897.0	62,477.5	61,753.0	61,911.3	62,065.0	62,384.0	62,740.0	62,075.0	62,707.0	63,357.0	PERSONAL CONSUMPTION EXPENDITURES	
INVERSION EN CONSTRUCCION	5,390.5	4,255.8	3,668.5	3,860.3	4,558.5	3,978.1	3,400.2	3,157.3	2,889.0	2,905.0	2,921.0	2,617.0	2,670.0	2,722.0	CONSTRUCTION INVESTMENT	
INVERSION EN MAQUINARIA Y EQUIPO	5,583.8	5,443.2	5,250.0	5,744.8	5,797.5	5,694.7	5,642.4	5,477.2	5,365.0	5,396.0	5,427.0	5,140.0	5,199.0	5,567.0	MACHINERY AND EQUIPMENT INVESTMENT	
GASTOS DE CONSUMO DEL GOBIERNO	10,518.1	11,101.7	10,841.9	10,506.6	10,794.6	10,589.4	10,945.9	9,189.8	8,570.0	8,720.0	8,870.0	7,350.0	8,015.0	8,662.0	GOVERNMENT CONSUMPTION EXPENDITURES	

r - CIFRAS REVISADAS.
P - CIFRAS PRELIMINARES.

FUENTE: JUNTA DE PLANIFICACION DE PUERTO RICO, PROGRAMA DE PLANIFICACION ECONOMICA Y SOCIAL, SUBPROGRAMA DE ANALISIS SOCIAL, MODELOS Y PROYECCIONES.

r - REVISED FIGURES.
P - PRELIMINARY FIGURES.

SOURCE: PUERTO RICO PLANNING BOARD, PROGRAM OF ECONOMIC AND SOCIAL PLANNING, SUBPROGRAM OF SOCIAL ANALYSIS, MODELS AND PROJECTIONS.

TASAS DE CRECIMIENTO ANUAL DE VARIABLES MACROECONOMICAS SELECCIONADAS
GROWTH ANNUAL RATES OF SELECTED MACROECONOMIC VARIABLES

(AÑOS FISCALES - FISCAL YEARS)

VARIABLES										PROYECCIONES - FORECASTS						VARIABLES
										2016			2017			
	2008	2009	2010	2011	2012	2013r	2014r	2015p	PESIMISTA PESSIMISTIC	BASE	OPTIMISTA OPTIMISTIC	PESIMISTA PESSIMISTIC	BASE	OPTIMISTA OPTIMISTIC		
PRODUCTO BRUTO	3.4	1.5	1.1	2.2	3.6	1.3	-0.7	0.1	-0.4	0.1	0.6	-1.3	-0.7	-0.1	GROSS PRODUCT	
GASTOS DE CONSUMO PERSONAL	4.7	1.0	3.0	2.4	4.7	2.6	-1.2	0.3	0.2	0.8	1.3	0.0	0.5	1.0	PERSONAL CONSUMPTION EXPENDITURES	
INVERSION EN CONSTRUCCION	-6.3	-21.1	-13.8	5.2	18.1	-12.7	-14.5	-7.1	-8.5	-8.0	-7.5	-9.4	-8.1	-6.8	CONSTRUCTION INVESTMENT	
INVERSION EN MAQUINARIA Y EQUIPO	-5.7	-2.5	-3.5	9.4	0.9	-1.8	-0.9	-2.9	-2.0	-1.5	-0.9	-4.2	-3.7	2.6	MACHINERY AND EQUIPMENT INVESTMENT	
GASTOS DE CONSUMO DEL GOBIERNO	0.1	5.5	-2.3	-3.1	2.7	-1.9	3.4	-16.0	-6.7	-5.1	-3.5	-14.2	-8.1	-2.3	GOVERNMENT CONSUMPTION EXPENDITURES	

r - CIFRAS REVISADAS.
P - CIFRAS PRELIMINARES.

FUENTE: JUNTA DE PLANIFICACION DE PUERTO RICO, PROGRAMA DE PLANIFICACION ECONOMICA Y SOCIAL, SUBPROGRAMA DE ANALISIS SOCIAL, MODELOS Y PROYECCIONES.

r - REVISED FIGURES.
P - PRELIMINARY FIGURES.

SOURCE: PUERTO RICO PLANNING BOARD, PROGRAM OF ECONOMIC AND SOCIAL PLANNING, SUBPROGRAM OF SOCIAL ANALYSIS, MODELS AND PROJECTIONS.

**TABLA B - 1: PRINCIPALES VARIABLES EXOGENAS
MAJOR EXOGENOUS VARIABLES**

(AÑOS FISCALES - FISCAL YEARS)

VARIABLES											PROYECCIONES	
											FORECASTS	
	2007	2008	2009	2010	2011	2012	2013r	2014r	2015p	2016	2017	
PRODUCTO INTERNO BRUTO REAL ESTADOS UNIDOS (MILLARDOS)*	14,721.1	14,945.8	14,549.8	14,573.8	14,913.9	15,216.2	15,430.6	15,750.6	16,182.8	16,521.2	16,946.7	
PRODUCTO NACIONAL BRUTO REAL ESTADOS UNIDOS (MILLARDOS)*	14,798.2	15,128.1	14,694.8	14,754.3	15,110.5	15,439.8	15,633.1	15,976.1	16,395.0	16,697.5	17,147.2	
EXPORTACIONES MERCANCIA AJUSTADA (MILLONES)	64,203.2	67,551.0	66,474.9	67,213.2	69,891.8	67,993.9	68,001.0	67,998.4	71,099.3	71,450.0	72,072.0	
GASTOS DE VISITANTES (MILLONES DE \$)	3,413.9	3,535.0	3,175.8	3,210.7	3,142.8	3,192.9	3,310.6	3,438.6	3,825.0	4,094.0	4,295.0	
TRANSFERENCIAS FEDERALES A PERSONAS (MILLONES)	10,327.1	12,279.3	13,598.8	14,959.6	15,352.3	15,822.0	16,299.7	16,324.1	16,314.3	16,368.0	16,434.0	
TASA DE INTERES PREFERENCIAL (%)*	8.25	6.75	3.89	3.25	3.25	3.25	3.25	3.25	3.25	3.39	3.97	
PRECIO BARRIL PETROLEO (EN DOLARES) (WEST TEXAS INTERMEDIATE CRUDE)**	63.36	97.03	69.69	75.17	89.22	95.00	92.16	101.32	69.33	38.59	36.08	

p - CIFRAS PRELIMINARES.

r - CIFRAS REVISADAS.

* - IHS ECONOMICS, MARZO 2016.

** - ADMINISTRACIÓN DE INFORMACIÓN DE ENERGÍA, MARZO 2016.

p - PRELIMINARY FIGURES.

r - REVISED FIGURES.

* - IHS ECONOMICS, MARCH 2016.

** - ENERGY INFORMATION ADMINISTRATION, MARCH, 2016.

FUENTE: JUNTA DE PLANIFICACION DE PUERTO RICO, PROGRAMA DE PLANIFICACION ECONOMICA Y SOCIAL,
SUBPROGRAMA DE ANALISIS SOCIAL, MODELOS Y PROYECCIONES.

SOURCE: PUERTO RICO PLANNING BOARD, PROGRAM OF ECONOMIC AND SOCIAL PLANNING,
SUBPROGRAM OF SOCIAL ANALYSIS, MODELS AND PROJECTIONS.

**TABLA B - 2: TASAS DE CRECIMIENTO ANUAL DE PRINCIPALES VARIABLES EXOGENAS
GROWTH ANNUAL RATES OF MAJOR EXOGENOUS VARIABLES**

(AÑOS FISCALES - FISCAL YEARS)

VARIABLES											PROYECCIONES	
											FORECASTS	
	2007	2008	2009	2010	2011	2012	2013r	2014r	2015p	2016	2017	
PRODUCTO INTERNO BRUTO REAL ESTADOS UNIDOS (MILLARDOS)*	1.9	1.5	-2.6	0.2	2.3	2.0	1.4	2.1	2.7	2.1	2.6	
PRODUCTO NACIONAL BRUTO REAL ESTADOS UNIDOS (MILLARDOS)*	1.8	2.2	-2.9	0.4	2.4	2.2	1.3	2.2	2.6	1.8	2.7	
EXPORTACIONES MERCANCIA AJUSTADA (MILLONES)	1.0	5.2	-1.6	1.1	4.0	-2.7	0.0	0.0	4.6	0.5	0.9	
GASTOS DE VISITANTES (MILLONES DE \$)	1.3	3.5	-10.2	1.1	-2.1	1.6	3.7	3.9	11.2	7.0	4.9	
TRANSFERENCIAS FEDERALES A PERSONAS (MILLONES)	4.7	18.9	10.7	10.0	2.6	3.1	3.0	0.1	-0.1	0.3	0.4	
TASA DE INTERES PREFERENCIAL (%)*	14.9	-18.2	-42.4	-16.4	0.0	0.0	0.0	0.0	0.0	4.4	16.8	
PRECIO BARRIL PETROLEO (EN DOLARES) (WEST TEXAS INTERMEDIATE CRUDE)**	-1.3	53.1	-28.2	7.9	18.7	6.5	-3.0	9.9	-31.6	-44.3	-6.5	

p - CIFRAS PRELIMINARES.

r - CIFRAS REVISADAS.

* - IHS ECONOMICS, MARZO 2016.

** - ADMINISTRACIÓN DE INFORMACIÓN DE ENERGÍA, MARZO 2016.

p - PRELIMINARY FIGURES.

r - REVISED FIGURES.

* - IHS ECONOMICS, MARCH 2016.

** - ENERGY INFORMATION ADMINISTRATION, MARCH, 2016.

FUENTE: JUNTA DE PLANIFICACION DE PUERTO RICO, PROGRAMA DE PLANIFICACION ECONOMICA Y SOCIAL,
SUBPROGRAMA DE ANALISIS SOCIAL, MODELOS Y PROYECCIONES.

SOURCE: PUERTO RICO PLANNING BOARD, PROGRAM OF ECONOMIC AND SOCIAL PLANNING,
SUBPROGRAM OF SOCIAL ANALYSIS, MODELS AND PROJECTIONS.