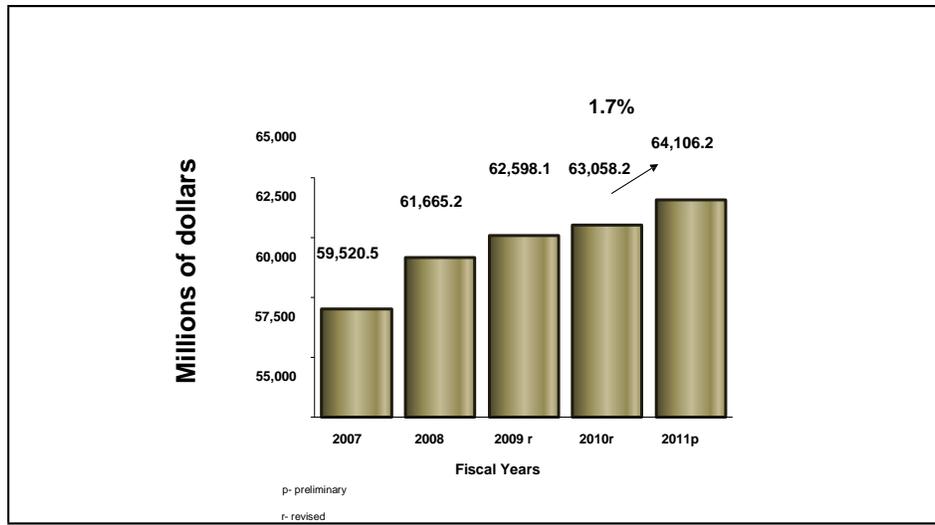


THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

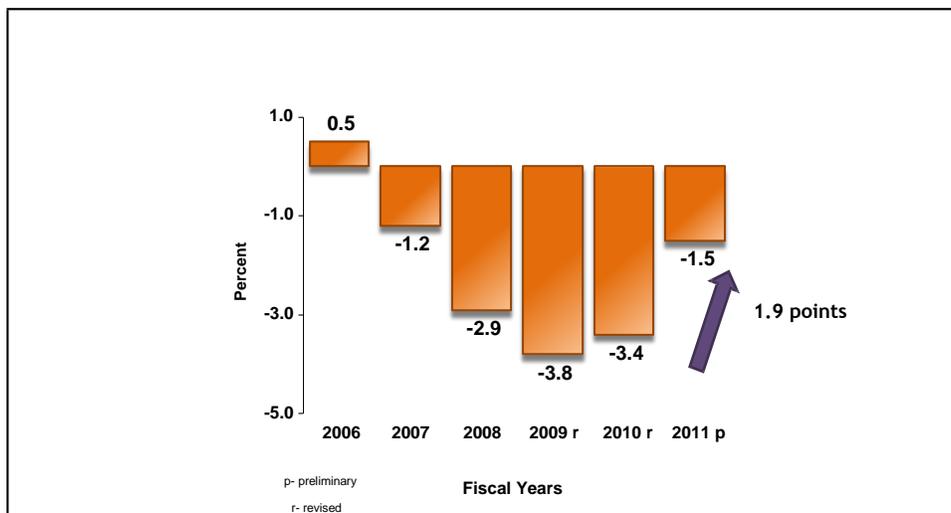
The Gross Product (GP) represents the market value of economic production created by the country's residents. For fiscal year 2011, current-dollar GP was \$64,106.2 million.

Gross Product Current Prices



For 2011, constant or real GP was \$6,201.5 million, a decrease of 1.5% from fiscal year 2010.

Annual Growth in Real Gross Product

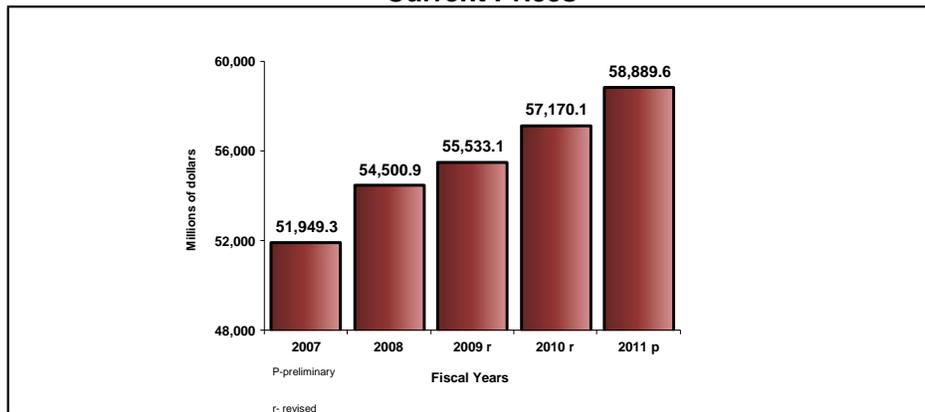


THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

Revised figures for GP growth at constant prices during fiscal years 2009 and 2010 were -3.8% and -3.4% respectively.

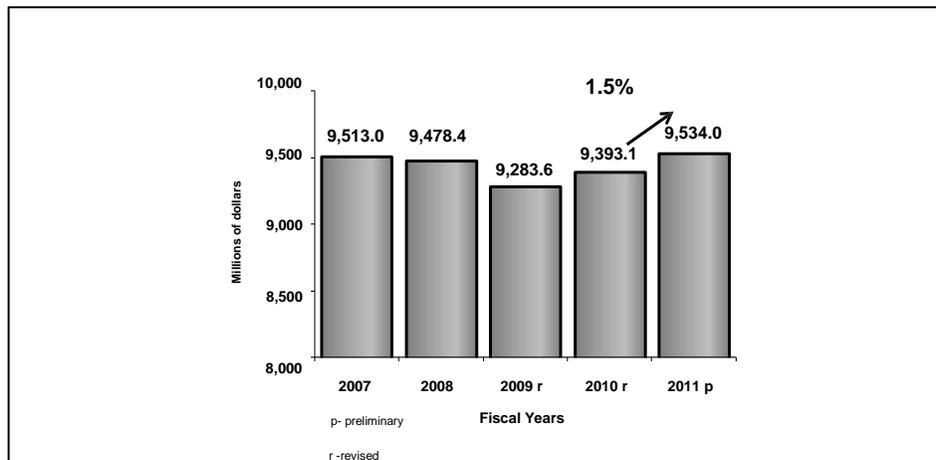
The performance of primary macroeconomic variables includes personal consumption expenditures (PCE), the main component of domestic demand, which was \$58,889.6 million at current prices for fiscal year 2011.

Personal Consumption Expenditures Current Prices



Real PCE increased 1.5% when compared to figures from fiscal year 2010.

Personal Consumption Expenditures Constant Prices

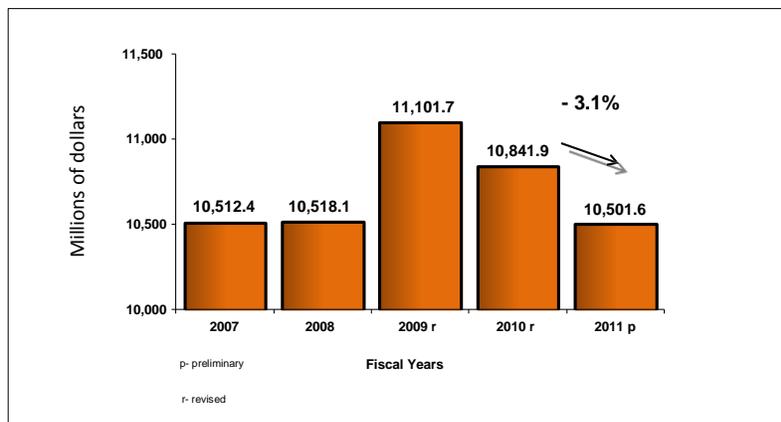


THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

Consumer spending on services reflected a slowdown, for fiscal year 2011. However, there was an increase in personal consumer expenditures on durable and non-durable goods.

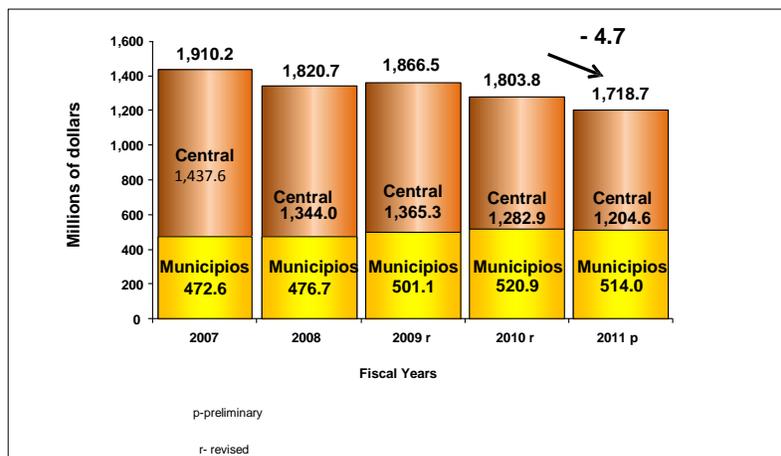
Government consumption expenditures (GCE) by the central and the municipal governments for fiscal year 2011 was \$10,501.6 at current prices.

Government Consumption Expenditures Current Prices



Real GCE for 2011 decreased 4.7%, when compared to fiscal year 2010.

Government Consumption Expenditures Constant Prices

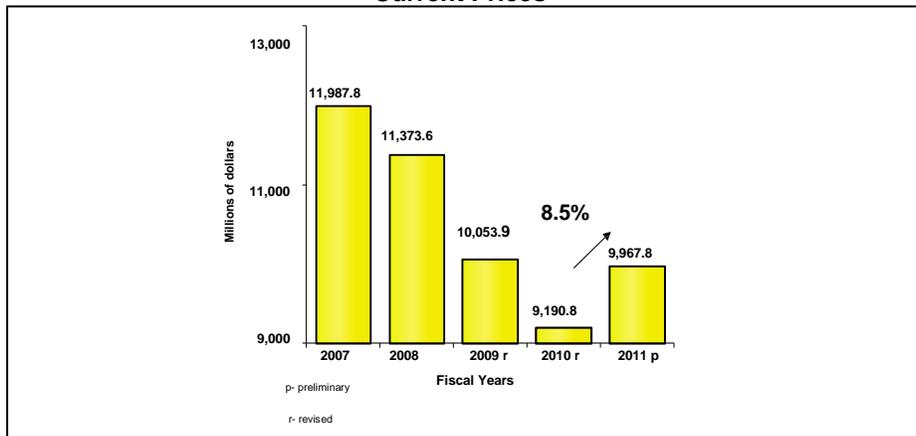


THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

For the second consecutive year, a decrease was observed in the central government's consumption expenditures; representing 70.1% from total real GCE for fiscal 2011.

For the first time in seven (7) years (2004 to 2011), and the highest in twelve years, positive growth in domestic gross investment (GDI) (construction investment + investment in machinery and equipment + change in inventory) was estimated. GDI for fiscal 2011 was \$9,967.8 million or 8.5%.

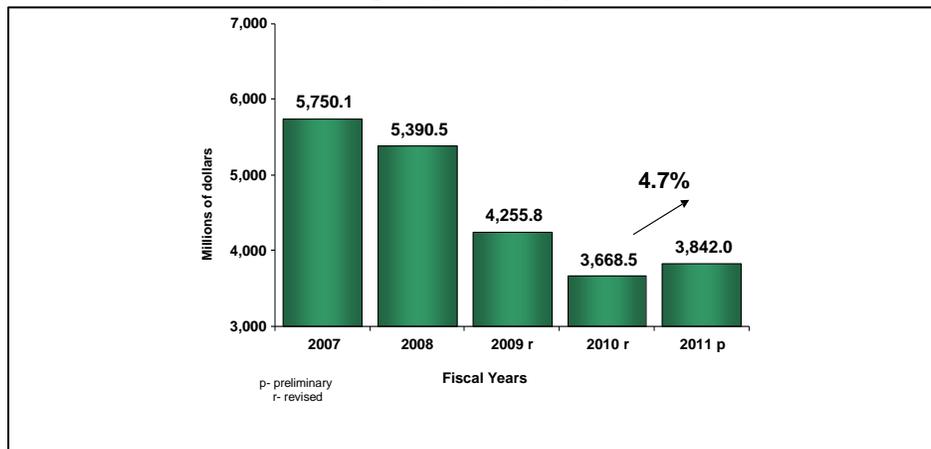
Total Gross Domestic Investment Current Prices



Constant GDI for fiscal 2011 picked up 11.5% over the amount from previous fiscal year.

Within the total GDI for fiscal 2011, construction investment reached \$3,840.0 million or 4.7%.

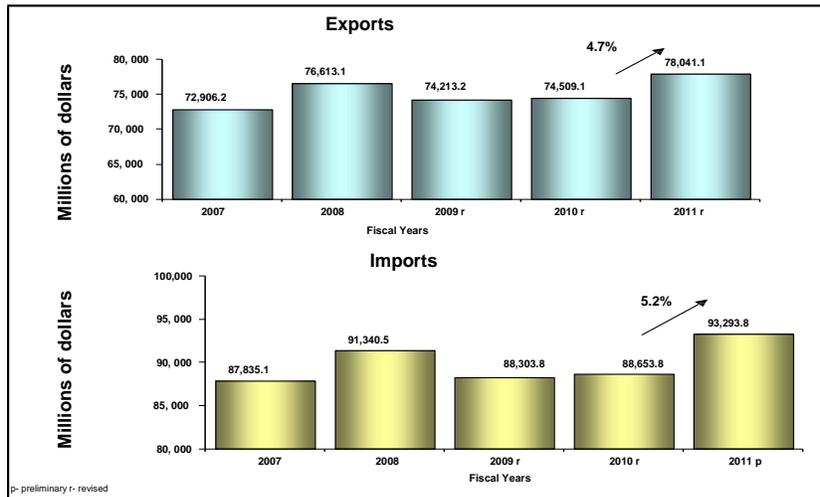
Construction Investment Current Prices



THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

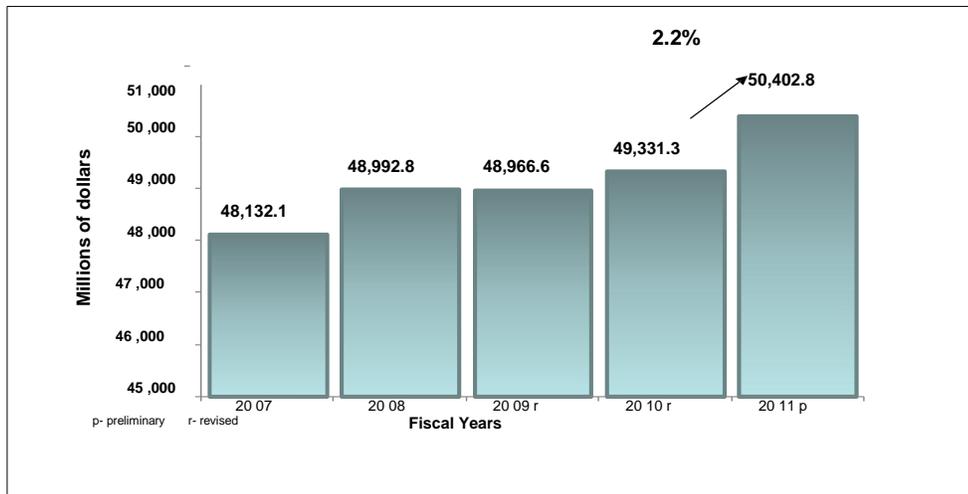
For fiscal 2011 real construction investment increased 2.2% from previous year. First positive growth after six (6) consecutive years of decline in construction values at constant prices.

For net sales to the rest of the world, increases were estimated for sales of goods and services abroad, just as with purchases from the rest of the world. For fiscal year 2011, totals were \$78,041.1 million (current-dollar increase of 4.7% compared to fiscal year 2010) and \$93,293.8 million (current-dollar increase of 5.2% compared to fiscal year 2010), respectively.



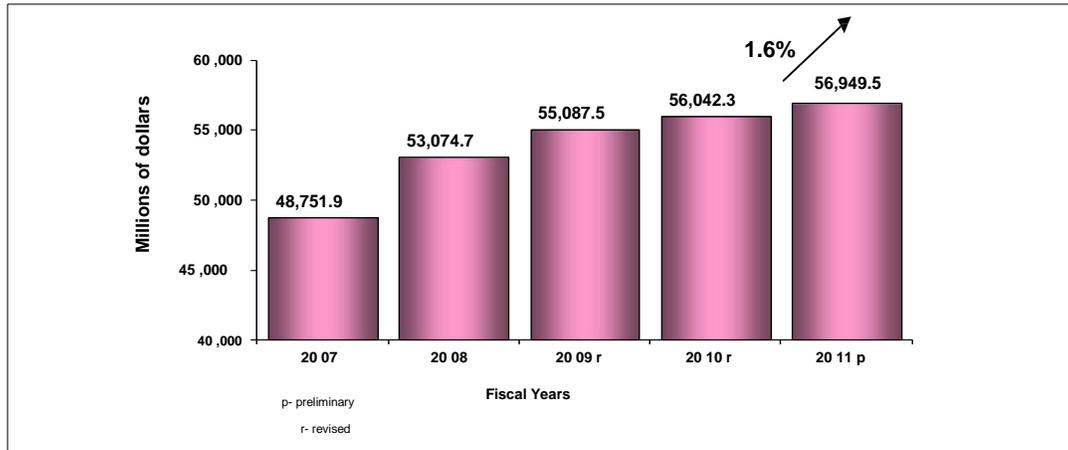
Current-dollar net Income was \$50,402.8 million during fiscal year 2011, while current-dollar disposable personal income (DPI) was \$56,949.5 million. DPI, which stands for the amount available after payment of taxes, reflected an increase of 1.6% for fiscal year 2011 over previous fiscal year.

Net Income



THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

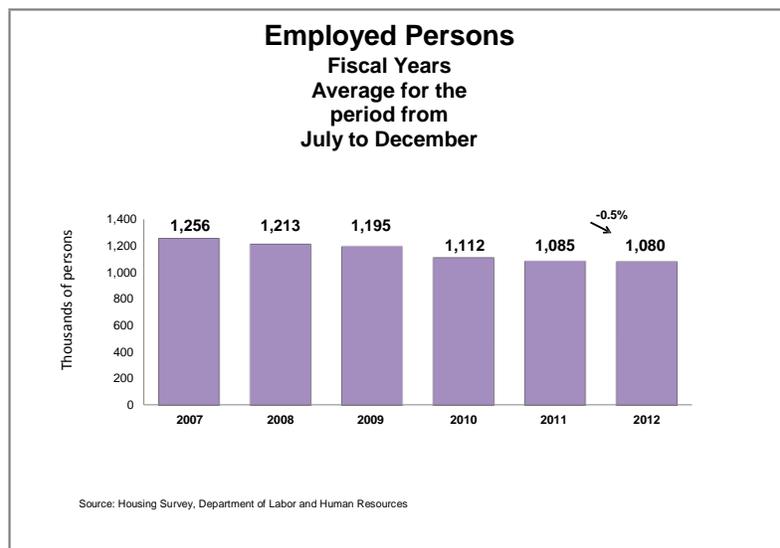
Disposable Personal Income Current Prices



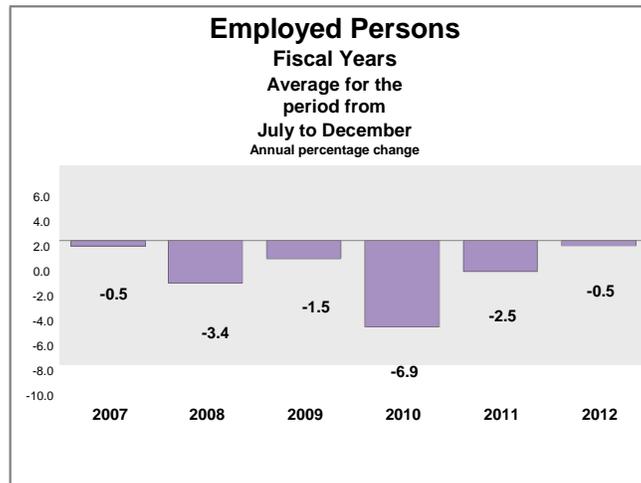
Monthly Economic Indicators Data compiled on March 14, 2012 Fiscal Year 2012

LABOR MARKET

The Housing Survey of the Department of Labor and Human Resources indicates that the labor market in Puerto Rico recorded a decrease in the first six months of fiscal year 2012. The total of employed persons during the period from July to December of fiscal year 2012 reported an average of 1,080,000 individuals. This number represents a reduction of 0.5% as compared to the same period in fiscal year 2011. This decrease is the smallest recorded since fiscal year 2008.

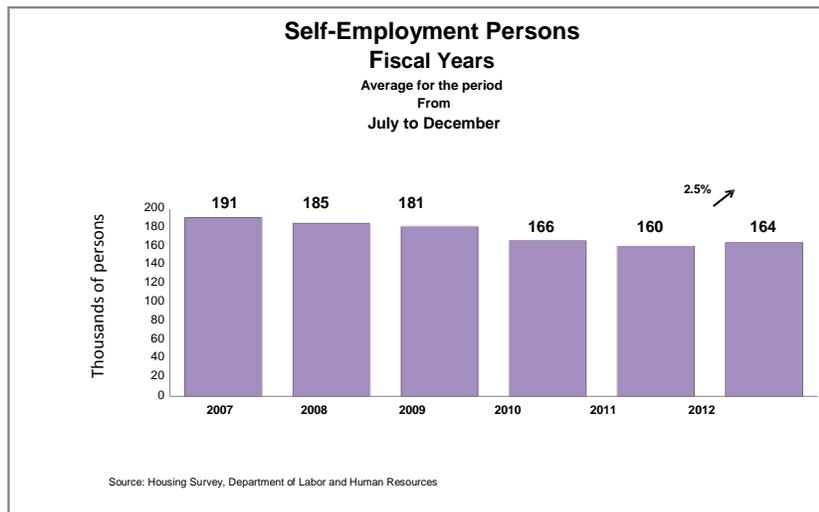


THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013



Source: Housing Survey, Department of Labor and Human Resources

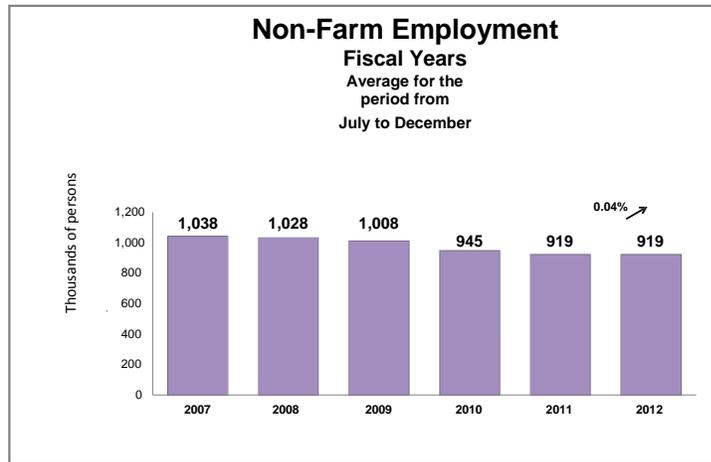
The number of self-employed persons increased by 2.5%, or 164,000 individuals during the period of July to December of the fiscal year 2012.



Source: Housing Survey, Department of Labor and Human Resources

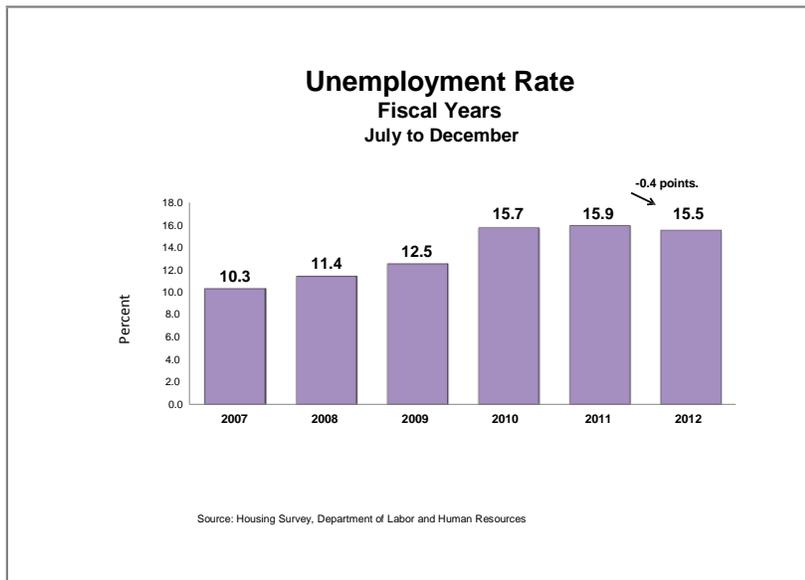
The Establishments Survey recorded an increase on the non-farm employees of 919,400 persons in the period from July to December in fiscal year 2012, if compared to the 919,100 persons employed in the same period in fiscal year 2011.

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013



Source: Establishment Survey, Department of Labor and Human Resources

The Labor Force during the period from July to December in fiscal year 2012 recorded a decrease of 0.9%, a number of 1,277,000 persons, as compared to the same period in the prior fiscal year. This decrease is the smallest one recorded since fiscal year 2009. The participation rate averaged 40.3%, which represents a decrease of 1.3 percent points in the first six (6) months of this fiscal year. Meanwhile, the unemployment rate recorded an average of 15.5%, decreasing 0.4 percent points as compared to the similar period on the fiscal year 2011.

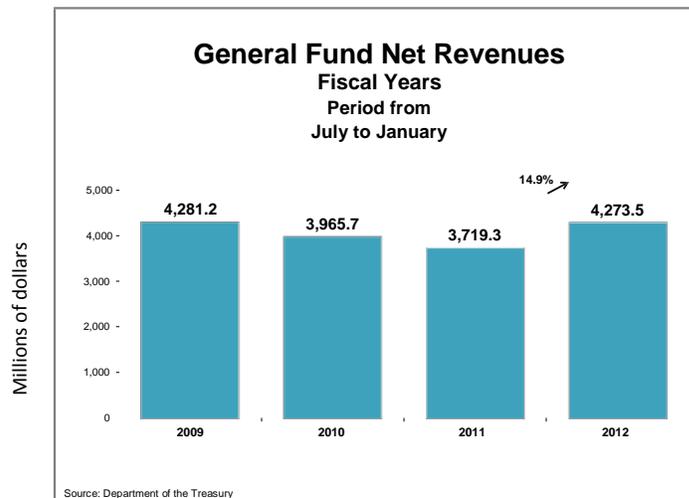


Source: Housing Survey, Department of Labor and Human Resources

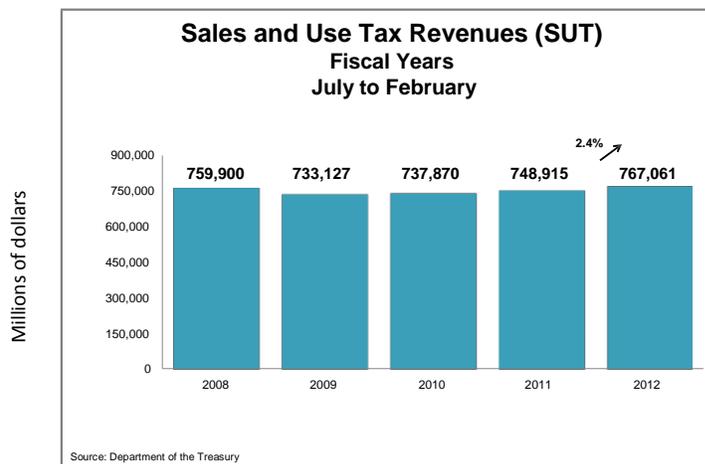
THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

GENERAL FUND NET REVENUES

In the period from July to January for the fiscal year 2012, the general fund net revenues accrued \$4,273.5 million. Meanwhile, in the same period for the prior fiscal year, collections were \$3,719.3 million, which reflected an increase of 14.9%.



In the first six months of fiscal year 2012, a 2.4% increase in tax collections was recorded on the Sales and Use Tax Revenues (SUT) as compared with the same period in the previous fiscal year.

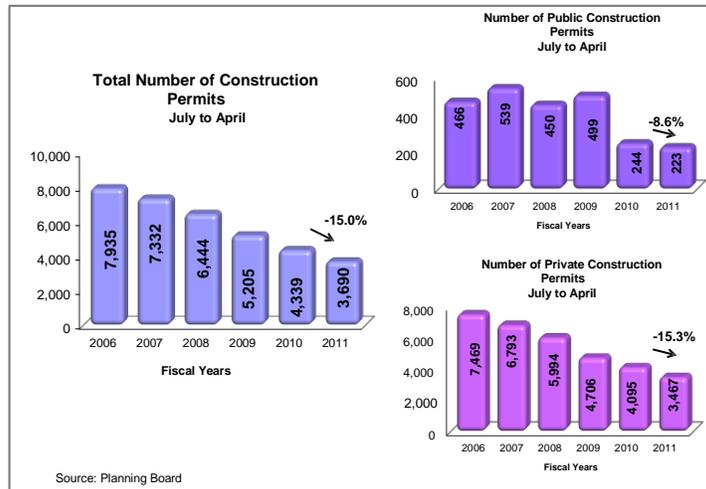


NUMBER AND VALUE OF CONSTRUCTION PERMITS

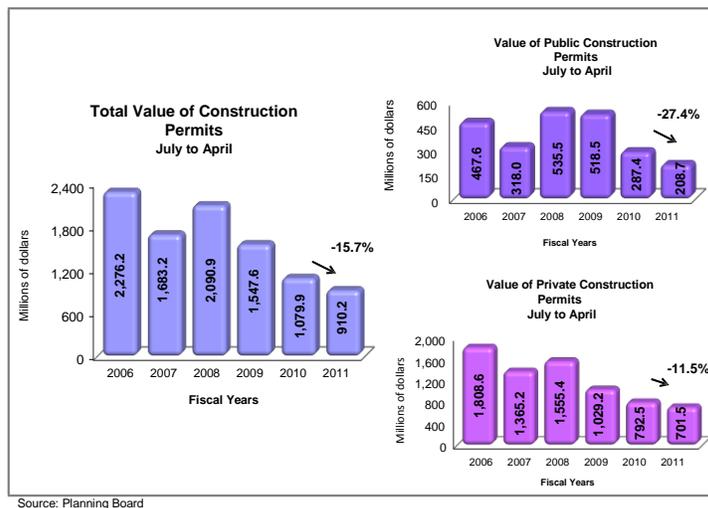
The total number of construction permits issued during the period from July to April of fiscal year 2011 reflected a decrease of 15.0% if compared to the same period in fiscal year 2010. The number of public and private construction permits recorded a fall of 8.6 and 15.3%, respectively.

Source: Planning Board

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

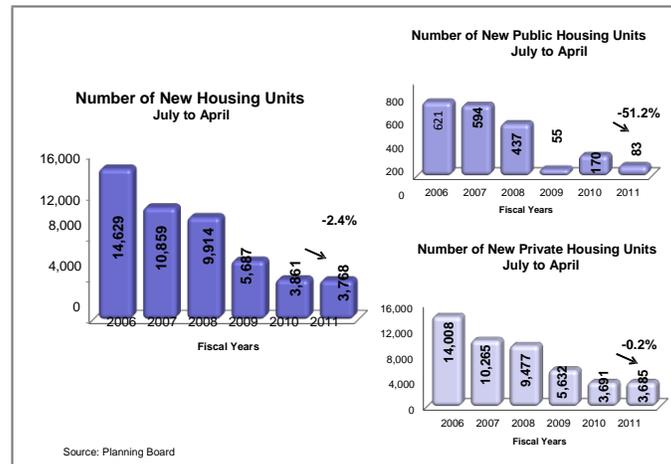


The value of construction permits in millions of dollars from July to April of the fiscal year 2011 recorded a decrease of 15.7% respect to the same period in the previous fiscal year. The value of public construction permits decreased 27.4%, while private permits fell 11.5%.

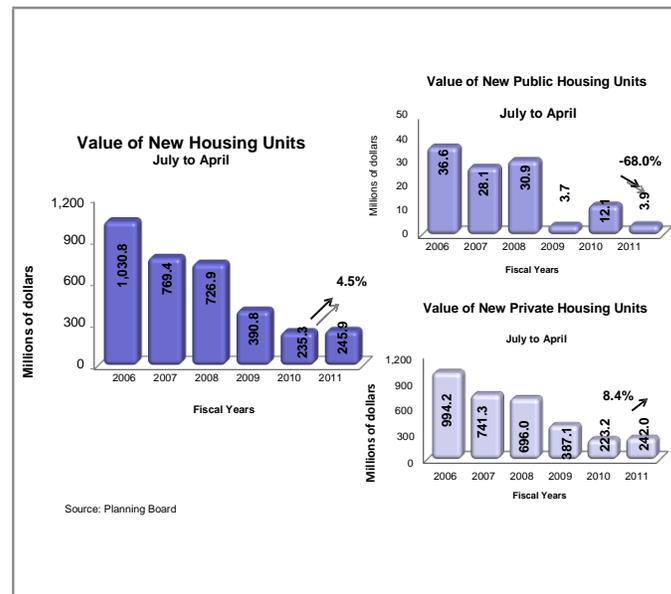


The number of new housing units during the period from July to April in fiscal year 2011 decreased 2.4%, compared to the same period in fiscal year 2010. New housing units fell from 3,861 to 3,768 as compared in the same period on the prior fiscal year. The new public housing units accrued 83 units, recording a reduction of 51.2%. New private housing units accrued 3,685, reflecting 0.2% less in relation to the period from July to April in fiscal year 2010.

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013



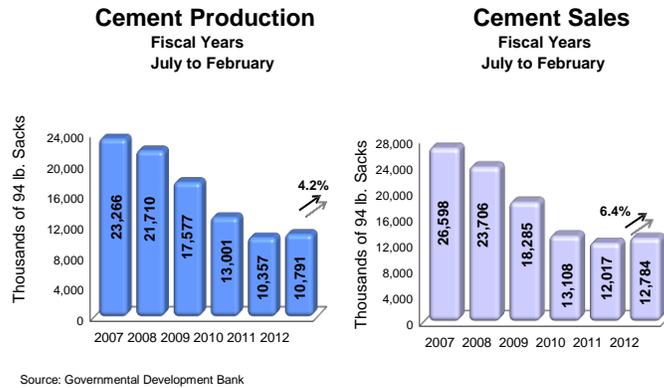
The value of new housing units during the period from July to April in fiscal year 2011 was \$245.9 million, compared to the same period in fiscal year 2010, whose value was \$235.3 million, represented an increase of 4.5%. The value of new public housing units decreased 68.0%, while the value of the new private housing units increased 8.4%.



CEMENT PRODUCTION AND SALES

In the period from July to February of fiscal year 2012, increases of 4.2 and 6.4% were recorded for both, the production and sales of this product in relation to the same period in fiscal year 2011.

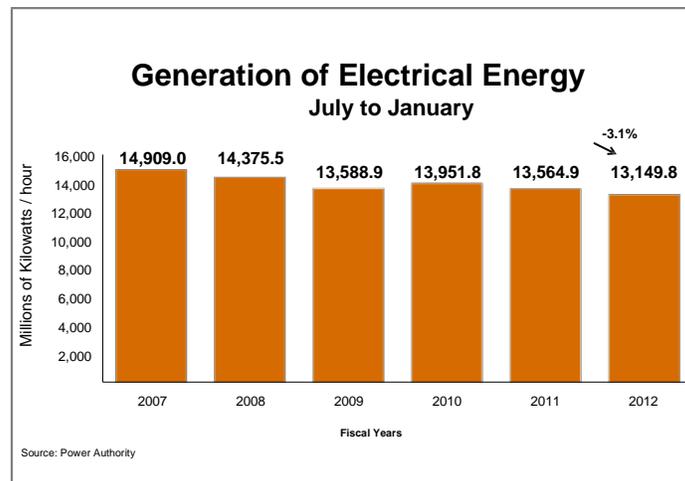
THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013



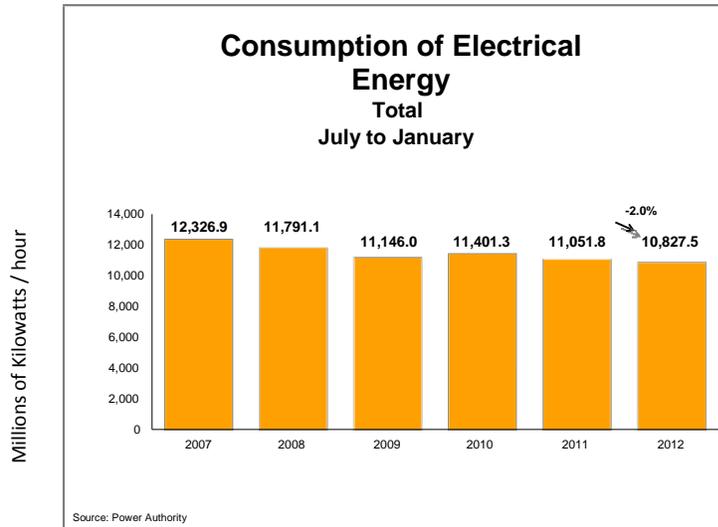
GENERATION AND CONSUMPTION ELECTRICAL ENERGY

During the months from July to January of fiscal year 2012, the generation of electrical energy reflected a decrease of 3.1%. For this period, total consumption of electrical energy reached 10,827.5 million kilowatts/hour, in comparison with the same period in fiscal year 2011, which accrued 11,051.8 million kilowatts/hour. This represented a decrease of 2.0%.

Of this total, industrial consumption of electrical energy recorded a decrease of 5.3%, while commercial consumption of electrical energy fell 0.5%, in relation to the same period in the previous fiscal year. Residential consumption of electrical energy decreased 2.6% in the period from July to December in fiscal year 2012.



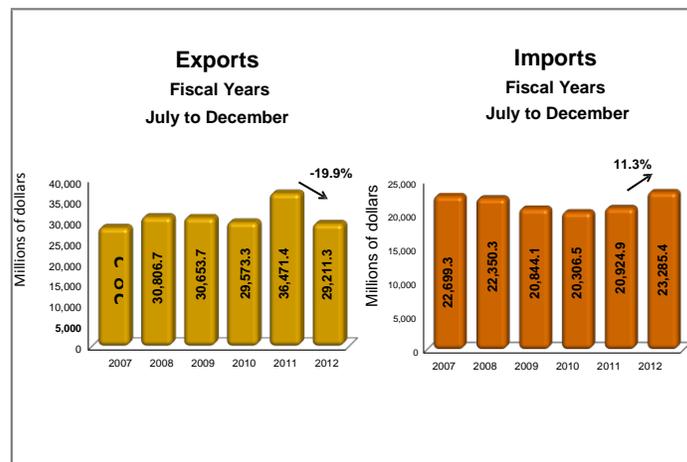
THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013



TRADE BALANCE

In the international sector of the economy during the period from July to December of fiscal year 2012, the value of recorded exports decreased 19.9%, compared to the same period in fiscal year 2011. Recorded imports increased 11.3% as compared to the same period in fiscal year 2011.

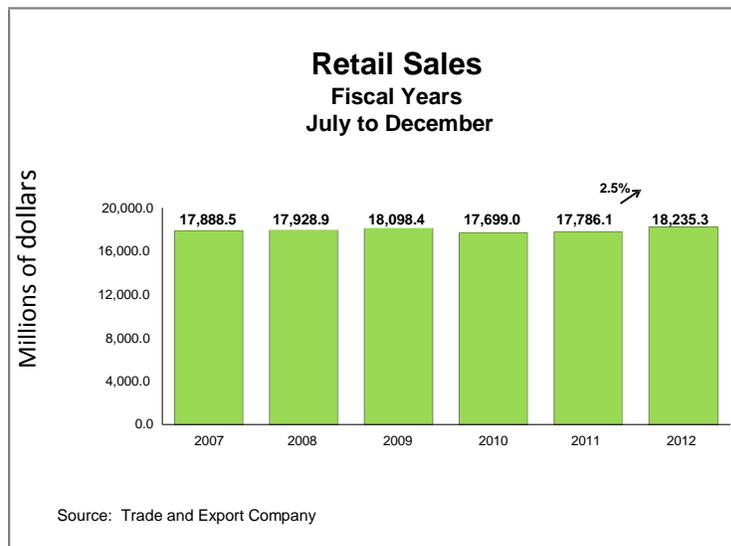
In the period from July to November in fiscal year 2012, the cumulative trade balance decreased 61.9%; from \$15,546.4 million in fiscal year 2011 to \$5,925.9 million in fiscal year 2012.



THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

RETAIL SALES

Accumulated retail sales amounts during July to December in fiscal year 2012 accrued \$18,235.3 million. This represented an increase in sales of 2.5%, as compared to the same period in fiscal year 2011.



NUMBER OF PERSONS REGISTERED AND ROOM OCCUPANCY

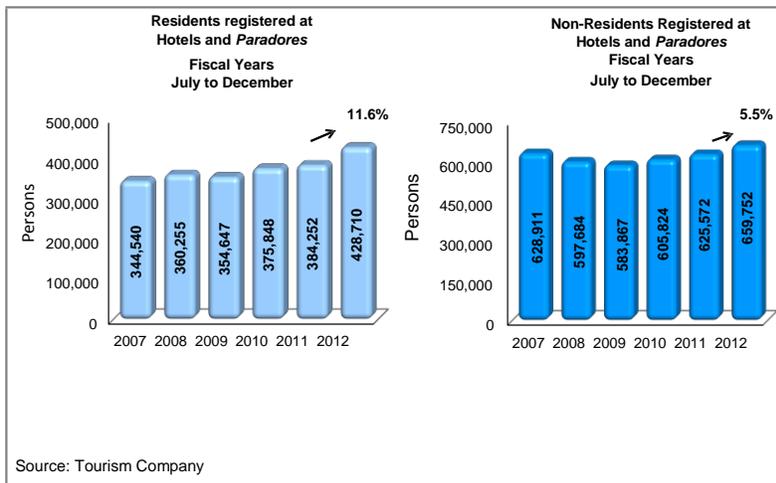
The number of persons registered at hotels and *paradores*¹ during the first six months in fiscal year 2012 increased 7.8%, compared to the same period in fiscal year 2011. A total of 1,009,824 persons was registered at hotels and *paradores* in the period from July to December in fiscal year 2011, an increase of 1,088,462 registrations for the same months of the current fiscal year.

¹ "Paradores" are state-sponsored lodgings.
Source: Planning Board

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013



During the aforementioned period, the registrations of both residents and non-residents at hotels and *paradores* increased 11.6 and 5.5%, in relation to the fiscal year 2011.



The persons staying at hotels from July to December in fiscal year 2012, increased 8.6% if compared with the same period in the prior fiscal year. The registrations of residents and non-residents staying at hotels increased 14.2% and 5.6%, in comparison to the same months in the fiscal year 2011.

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013



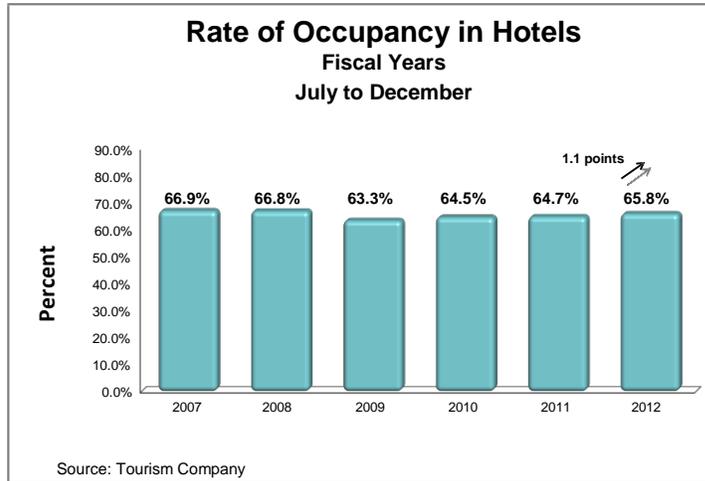
The persons staying at *paradores* in the first six months of fiscal year 2012 fell 5.7%. The registrations of both residents and non-residents decreased 5.6% and 6.1%, as compared to the same period in the previous fiscal year.

The hotel and *parador* occupancy rate averaged 63.9% during the period from July to December in fiscal year 2012. This represented 1.1 percentage points more than the rate recorded in the same period in the previous fiscal year.



The occupancy rate at hotels averaged 65.8% during the months from July to December in fiscal year 2012, representing an increase of 1.1 percentage points with respect to the same period in the previous fiscal year.

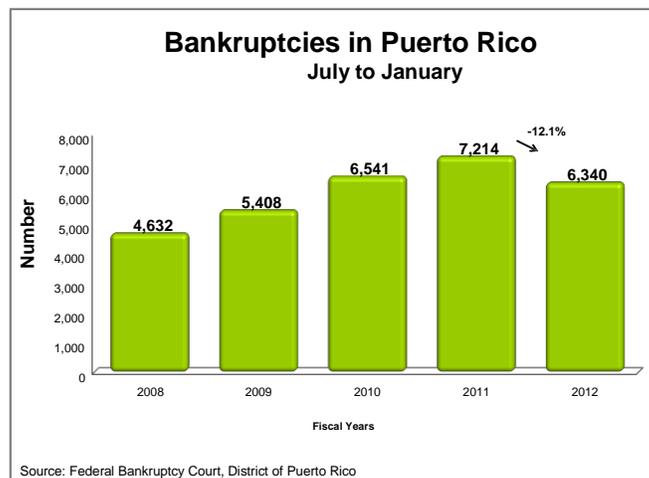
THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013



The occupancy rate at *paradores* averaged 33.2%, reflecting a drop of 0.4 percentage points with respect to the same period in fiscal year 2011.

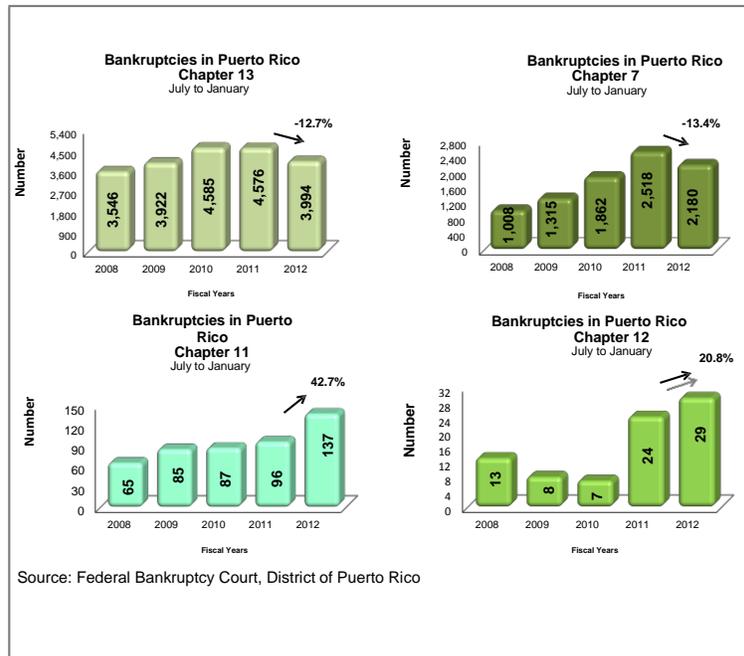
BANKRUPTCIES

During the months from July to January of fiscal year 2012, bankruptcies based in Puerto Rico decreased 12.1%, in relation to the same period in fiscal year 2011.



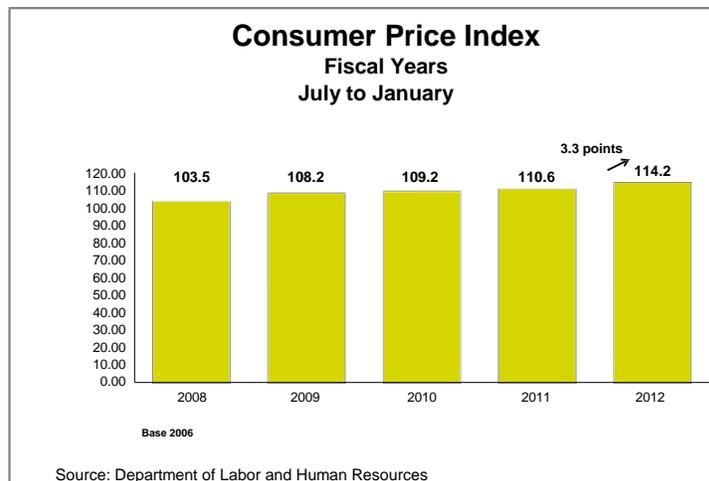
Chapter 13-based bankruptcies (individual debt adjustment) and Chapter 7 (total liquidation) decreased 12.7 and 13.4 % in relation to the same period in the previous fiscal year. The bankruptcies based under Chapter 11 (reorganization), and Chapter 12 (farmers and fishermen) increased 42.7 and 20.8%.

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013



CONSUMER PRICE INDEX

During the period from July to January in fiscal year 2012, the Consumer Price Index calculated by the Puerto Rico Department of Labor and Human Resources recorded a price level of 114.2 points. This represented an increase of 3.3 percentage points with respect to the same period in fiscal year 2011.



THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

MACROECONOMIC PROJECTIONS FOR FISCAL YEARS 2012-2013

This section presents Puerto Rico's economic projections for fiscal years 2012 and 2013, according to the results estimated by the Planning Board's econometric models. These take into consideration the short-term elements that could affect the performance of the island's economy. Given that Puerto Rico's economy is relatively small and considerably open, it is very vulnerable to changes that arise in the economy of the United States, but also in the international environment.

MAIN ASSUMPTIONS

Among the projections main assumptions, those current and prospective factors, whose changes could somehow influence Puerto Rico's economic activity, were considered. The main assumptions are:

- World Economy
- United States Economy
- Oil prices
- Adjusted merchandise exports
- Visitor's expenditures
- Construction Investment
- Machinery and Equipment Investment
- Federal Transfers to individuals
- "Plan de Estímulo Criollo" Local Economic Stimulus Plan
- Public Private Partnerships (PPP)
- Tax Measures (according to Law #7 of March 9, 2009)
- American Recovery Reinvestment Act 2009 (ARRA)
- Tax Reform
- Reduction in Social Security contributions

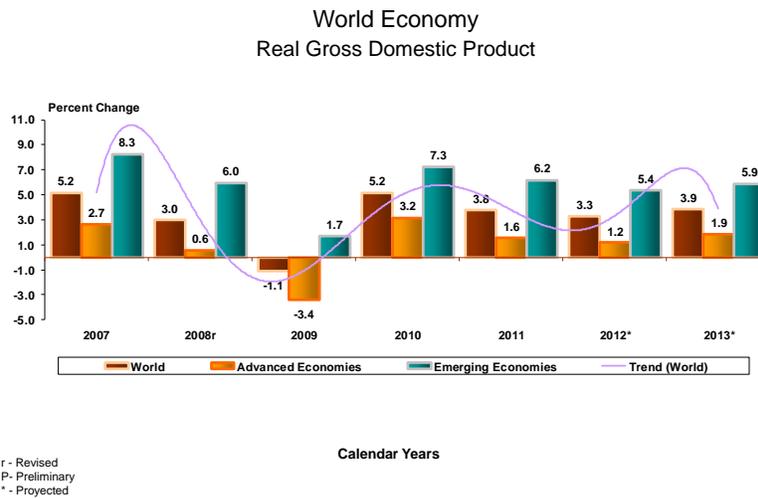
WORLD ECONOMY

World recovery is threatened by heightened tensions in the Euro Zone and weaknesses in other regions. Financial conditions have deteriorated, the outlook for growth has weakened, and the risks for decline have intensified. According to projections, world economic output will expand 3.3% in 2012, representing around 0.75 percentage point less than what was projected in the *World Economy Outlook* of September 2011. This is because of the prediction that the Euro Zone economy will undergo a slight recession in 2012, a consequence of the increase in sovereign bond yields, the effects on the real economy resulting from the bank debt elimination process, and the impact of an additional fiscal consolidation. It is anticipated that the growth of the emerging and developing economies will slow down as well, due to the deterioration in the international environment and weakening of domestic demand. The challenge of economic policy is to reestablish confidence and end the crisis in the Euro Zone, for which policies must support growth while at the same time sustain adjustments, contain deleveraging, and provide more liquidity and monetary expansion. In other large advanced economies, the policies basic objectives are to correct fiscal imbalances over the medium term, as well as to correct and reform the financial system while sustaining the recovery. In the emerging and developing economies, short-term policies must center on how to respond to moderation in domestic growth and deceleration of international demand coming from the advanced economies.

Source: Planning Board

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

According to projections, world economic activity will grow approximately 3.3% in 2012 and a growth of 3.9% is projected for 2013. The advanced economies are expected to experience an increase of 1.2% in 2012 and 1.9% in 2013. In the emerging economies, real GDP growth is predicted at 5.4% in 2012 and 5.9 for 2013.



Sources: Internacional Monetary Fund

UNITED STATES ECONOMY

The Bureau of Economic Analysis of the US Department of Commerce reported that the second Gross Domestic Product (GDP) estimate, which measures the output of goods and services produced by labor and property located in the United States, reflected an increase of 3.0% for the fourth quarter of 2011 in relation to the third quarter of 2011, when it grew 1.8%. During calendar year 2011, the United States economy grew 1.7%, after increasing 3.0% in 2010, and a contraction of 3.5% in 2009.

The estimate for the fourth quarter of 2011 predicts that the United States economy will maintain a stable growth sequence. The report for the second GDP estimate is based on information available for purposes of estimating the advance report, published in January. It reported a 2.8% GDP growth.

The factors that contribute to the GDP growth during the fourth quarter included recorded increases in personal consumer expenditure, which represented two-thirds of the United States economy. Personal consumer expenditure grew 2.1% with respect to the prior quarter, which showed a growth of 1.7%. Within these expense categories, durable goods rose 15.3%, after increasing 5.7% in the previous quarter. Nondurable goods grew 0.4%, after a drop of 0.5% in the third quarter of 2011. Services rose 0.7%, after increasing 1.9% in the previous quarter.

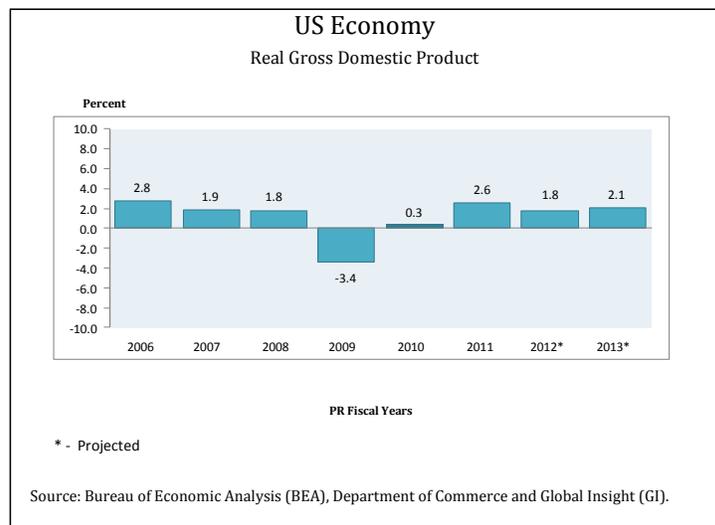
Private investment showed an increase of 20.6%, after a growth of 1.3% in the previous quarter. Within this component, nonresidential investment rose by 2.8%, after growing 15.7% in the third quarter. Investment in structures dropped 2.6%. However, in equipment and software, it increased by 4.8%. On the other hand, residential investment recorded an increase of 11.5%, after a rise of 1.3% in the third quarter of 2011. An increase of 4.3% was reported in the fourth quarter of 2011 for

Source: Planning Board

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

exports, while imports showed an increase of 3.8%. Federal government consumption expenditure decreased 6.9% in relation to the third quarter of 2011. Within these categories, expenses related to national defense decreased by 12.1%, after an increase of 5.0% in the previous quarter. Nondefense expenditure increased by 4.4%, after decreasing 3.8% in the third quarter of 2011.

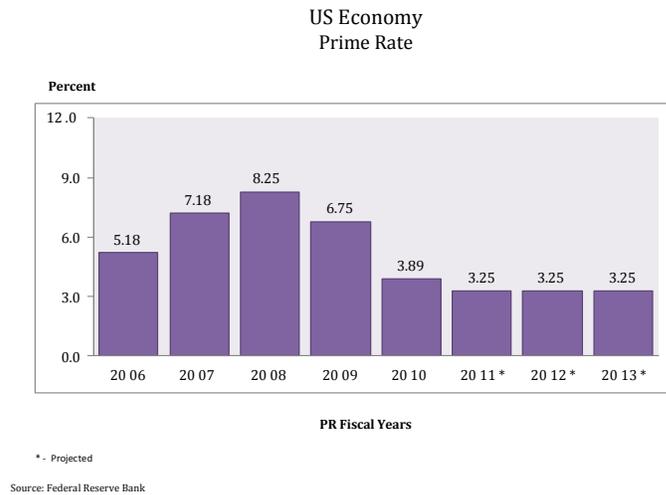
In terms of Puerto Rico's fiscal year 2011, the United States economy ended with a growth of 2.6% in the Gross Domestic Product (GDP). In fiscal year 2010, it showed scant growth of 0.3%. According to *Global Insight* (GI) projections, the outlook for real GDP indicates a growth of 1.8% for 2012, and a growth of 2.1% for 2013.



INTEREST RATES

In terms of the primary interest rate for commercial banks, the monetary policy from the Federal Reserve Bank is maintained, aimed at holding intact the federal funds rate, positioning the primary rate at 3.25% during the projected fiscal years. According to *Global Insight*, it is projected that this rate will remain at 3.25% for both fiscal years 2012 and 2013.

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013



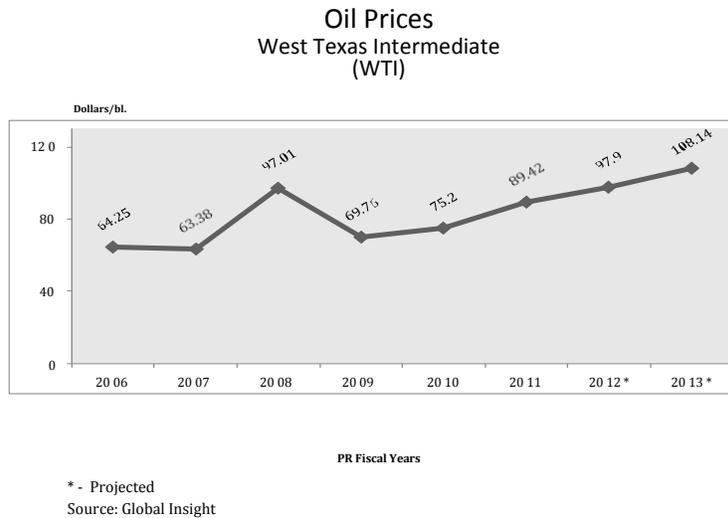
OIL PRICES

Conflict in the Middle East and in Africa's northern region, places where large quantities of the world's crude oil is produced, triggers variations in the current and future price of a barrel of oil. The consequences of a serious interruption in the oil supply, puts the world economic recovery at risk. Historically, the price of oil has had a negative impact on the world economy and also on the countries which do not produce petroleum and do not have alternative means for generating energy.

Our island does not produce petroleum and has an energy consumption economy less diversified than that of the United States, which makes us more vulnerable to changes in the price of a barrel of oil and to conflicts in which oil-producing countries are involved. The economy of Puerto Rico has been affected by significant increases in the price of a barrel of oil and its derivatives, which have, in turn, provoked periods of economic recession. Furthermore, an increase in the oil price produces changes in the general price level, affecting costs in the production process because of consistently higher prices for raw materials, food, electricity, and products derived from petroleum, which consequently increases inflation.

The main oil crude streams that serve as price indicators in world markets are: Brent and West Texas Intermediate (WTI). Brent is taken as an indicator for European markets, while WTI is the oil price indicator for the United States. According to *Global Insight*, the average price projections for a WTI oil barrel are \$97.90 and \$108.10, respectively, for Puerto Rico fiscal years 2012 and 2013.

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013



These figures represent an increase of 9.5% for fiscal year 2012, and an increase of 10.5% for fiscal year 2013. It is important to point out that this is the average price in terms of Puerto Rico's fiscal years. During calendar year, the daily price may reach or exceed \$100.00, but for economic projections purposes, only the average for the Puerto Rican fiscal year is taken into consideration. Any changes in the current situation in the Middle East as well northern Africa, have the potential to push up the oil price and affect these projections negatively.

ADJUSTED MERCHANDISE EXPORTS

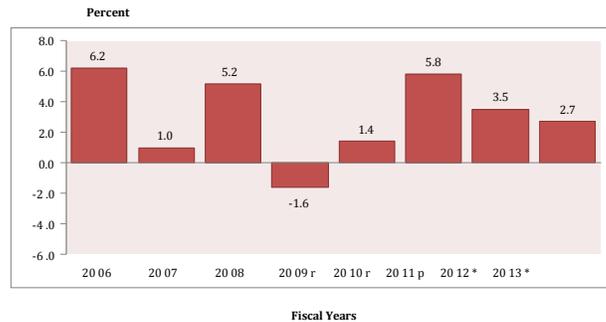
The value of adjusted merchandise exports for fiscal year 2011 was \$71,344.4 million, an increase of 5.8% over fiscal year 2010. In absolute terms, this means an increase of \$3,931.1 million.

Exports are estimated according to the projected growth trends of the United States economy, considering the demand for goods which they are expected to generate. For fiscal year 2012, a total of \$73,808.0 million was projected for exports of adjusted merchandise, and \$75,825.0 million for fiscal year 2013. These figures represent growth rates of 3.5 and 2.7%, respectively.

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

Economy of Puerto Rico

Adjusted Merchandise Exports



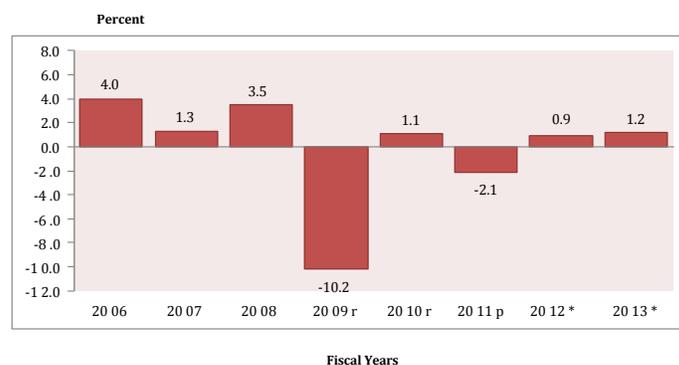
r - Revised
P - Preliminary
* - Projected

VISITOR EXPENDITURES

Non-resident visitor expenditures in Puerto Rico totaled \$3,142.8 million during fiscal year 2011, recording a decrease of 2.1%, in relation to the prior fiscal year, which was \$3,210.7 million. Visitor expenditures for fiscal year 2012 are expected to be \$3,171.0 million, which represents an increase of 0.9%, with respect to fiscal year 2011. For fiscal year 2013, it is expected to reach \$3,208.0 million, representing an increase of 1.2%.

Economy of Puerto Rico

Visitor Expenditures



r - Revised
P - Preliminary
* - Projected

CONSTRUCTION

Construction is one of the fundamental sectors of the Puerto Rican economy. Investment in construction, which refers to new construction carried out by private companies and by state and municipal governments, is a highly important component of the economic development of any country, both in the short and long terms.

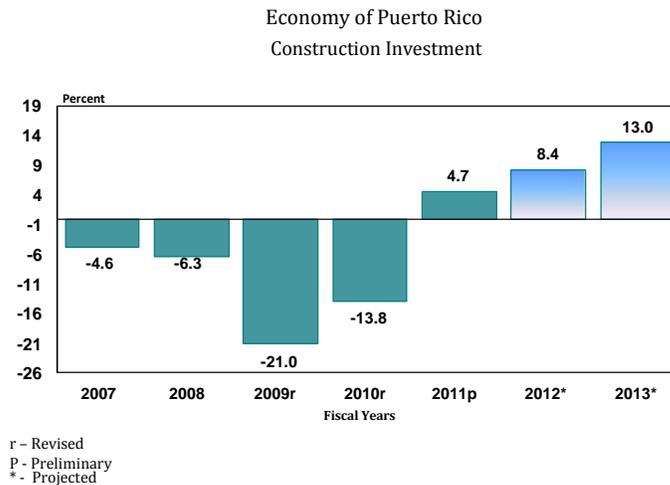
Source: Planning Board

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

After six (6) years of experiencing negative growth in the economy, the construction Industry reported positive growth for the last fiscal year 2011. Construction projects for fiscal year 2011 amounted to \$3,842.0 million. This represented an increase of \$173.5 million or 4.7%, in comparison with fiscal year 2010, when it reached \$3,668.5 million. This growth was due to renewable energy projects carried out by the private sector, and investment made by the public sector.

The activity in private construction projects totaled \$1,801.7 million for fiscal year 2011. This reflects a drop of \$28.9 million or 1.6%.

For fiscal year 2012, it is estimated that construction investment for fiscal year 2012 will be \$452.0 million in real prices, an increase of 5.0%. At current prices, a value of \$4,166.0 million was projected, an increase of 8.4%. For fiscal year 2013, construction investment was estimated at \$496.0 million in real prices, an increase of 9.7%. At current prices, a total of \$4,707.0 million was projected, representing an increase of 13.0%.



MACHINERY AND EQUIPMENT

Purchases of machinery and equipment made by private companies, by state and municipal governments, and used in capital formation of capital, is defined as investment in machinery and equipment. Private companies carry out the main share of the machinery investment. In fiscal year 2011, this variable totaled \$1,030.8 million in real prices, an increase of 13.1%. In current prices, it reached \$5,746.4 million, representing an increase of 9.6%.

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

In nominal terms, projections for this variable are \$6,228.0 million, with a growth rate of 8.4% for fiscal year 2012, and \$6,367.0 million, an increase of 2.2%, for fiscal year 2013. At constant prices, for fiscal year 2012, values reached a total of \$1,086.0 million, an increase of 5.4%. It is estimated that, for fiscal year 2013, machinery and investment will reach \$1,099.0 million, an increase of 1.2%.

FEDERAL TRANSFERS TO INDIVIDUALS

Federal transfers, because of their magnitude, play an important role in the island's economy. Its impact is channeled through funds intended for better services, infrastructure development, and improvements in the education level and in the overall quality of life. These constitute an important flow of funds from abroad into Puerto Rico's economic system. In fiscal year 2011, federal transfers to people in Puerto Rico recorded a total of \$15,178.5 million, an increase of 1.5%, and absolute growth of \$218.9 million.

Projections for fiscal years 2012 and 2013 are \$14,754.0 and \$14,879.0 million, a decrease of 2.8% and an increase of 0.8%, respectively.

ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

IN THE CONTEXT OF HISTORICAL TRENDS

GROSS PRODUCT

The projection of Puerto Rico's real gross product for fiscal year 2012 is for a 0.9% growth, a value of \$6,256.0 million, and an increase of 1.1%, a value of \$6,324.0 million, in 2013. This growth in our economy is influenced by an increase in investment in construction and machinery and equipment. This growth is also due to the impact of various economic measures made by this administration, both state and federal. These include ARRA, "Plan de Estimulo Criollo", Public-Private Partnerships, and the Tax Reform, which has a significant effect on personal disposable income and, in turn, on personal consumption, thereby resulting in increased productive activity.

In terms of current prices, the estimated values in the base scenario for fiscal years 2012 and 2013 are: \$66,415.0 million and \$69,321.0 million, with increases of 3.6% and 4.4%, respectively.

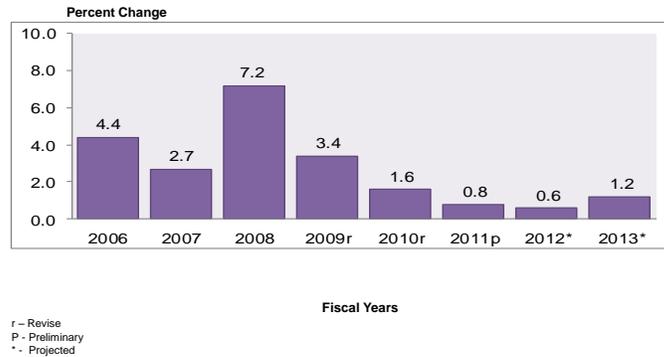
PERSONAL INCOME AND CONSUMPTION

Personal income in fiscal year 2011 showed an increase of 0.8%, compared to the prior fiscal year, recording the amount of \$59,410.8 million. It is projected that, in fiscal year 2012, it will reach \$59,786.0 million, and to \$60,492.0 million in fiscal year 2013, with increases of 0.6% and 1.2% for the respective fiscal years.

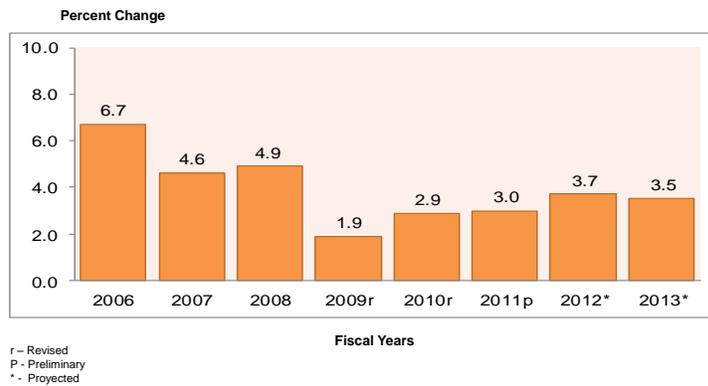
Personal consumer expenditures, the main component of the gross product, totaled \$58,889.5 million in fiscal year 2011. This is equivalent to an increase of 3.0% compared to the previous fiscal year. Projected values of this variable for fiscal years 2012 and 2013 are \$61,043.0 million and \$63,155.0 million, respectively, with a growth rate of 3.7% and 3.5%, respectively.

THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

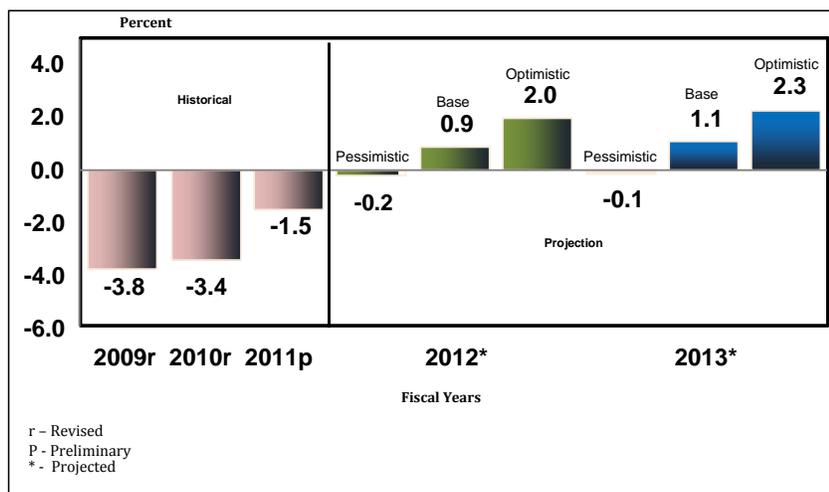
Real Personal Income



Personal Consumption Expenditures



Economy of Puerto Rico
Real Gross Product



THE ECONOMY OF PUERTO RICO IN FISCAL YEAR 2011 AND ECONOMIC OUTLOOK FOR FISCAL YEARS 2012 AND 2013

Finally, it is important to point out that the certainty of economic projections is a function of the prospective movement of underlying exogenous factors, which serve as a basis for such projections. Thus, every economic projection must be evaluated in accordance to changes occurring in these factors, and in the various assumptions used to formulate such projections.