

Puerto Rico: An Economic Overview

British Investment Mission

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Selected Indicators, 1990 and 2009

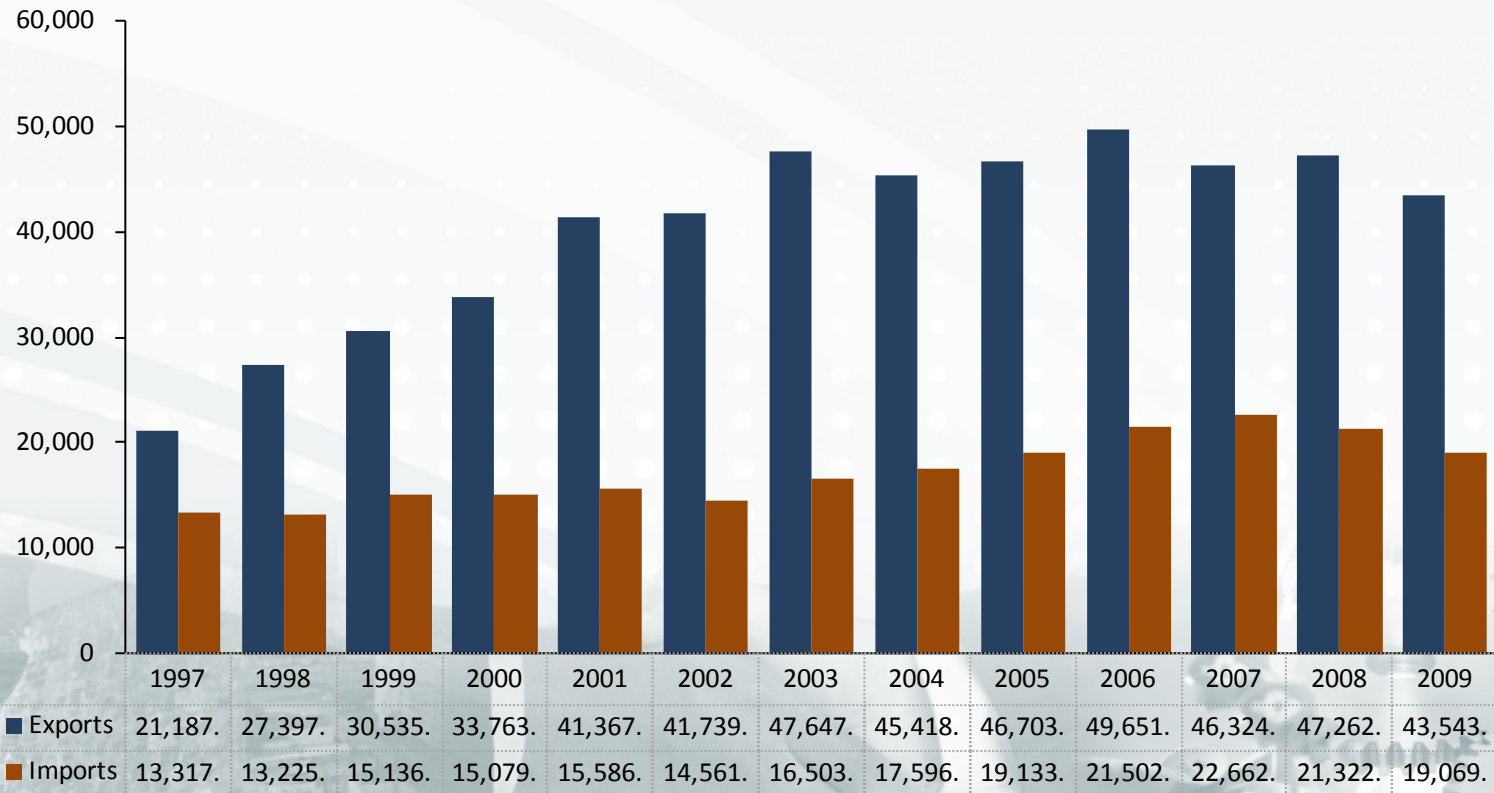
Indicator	1990	2009
Gross national product	\$21,619	\$62,759
Gross domestic product	\$30,604	\$95,708
Personal income	\$21,105	\$59,035
Disposable personal income	\$19,914	\$56,099
Personal consumption expenditures	\$19,827	\$55,565
Gross fixed domestic investment	\$4,771	\$9,842
Construction investment	\$2,493	\$4,409
GNP per capita (\$)	\$6,155	\$15,846
Employment (Household Survey) ('000)	963	1,168
Unemployment rate	14.3	13.4
Labor force participation rate	45.5	44.1
Population (Th)	3,512	3,961

Source: Puerto Rico Planning Board, *Statistical Appendix*, 1999 and 2009.

Puerto Rico: a Regional Economy of the United States

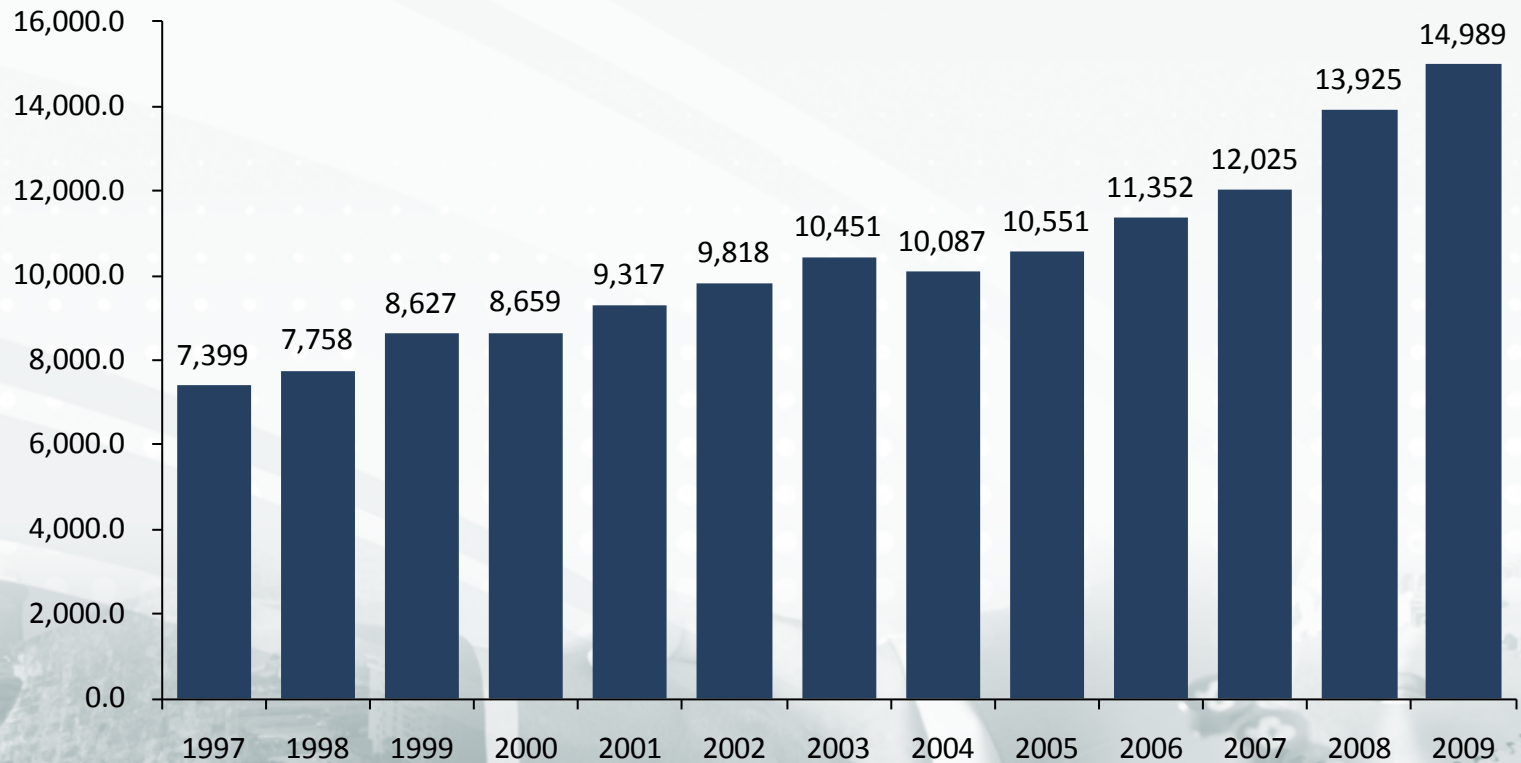
Puerto Rico's External Trade - United States

Fiscal years - In millions of dollars



Puerto Rico: a Regional Economy of the United States

Transfers between the Federal Government and Puerto Rico - Total Receipts Fiscal years - In millions of dollars



Puerto Rico: a Regional Economy of the United States

Other linkages

The financial system operates within the U.S. regulatory framework

Professional standards in fields such as engineering and medicine are those of the U.S.

There are as many Puerto Ricans in the Mainland as in the Island

Risk environment

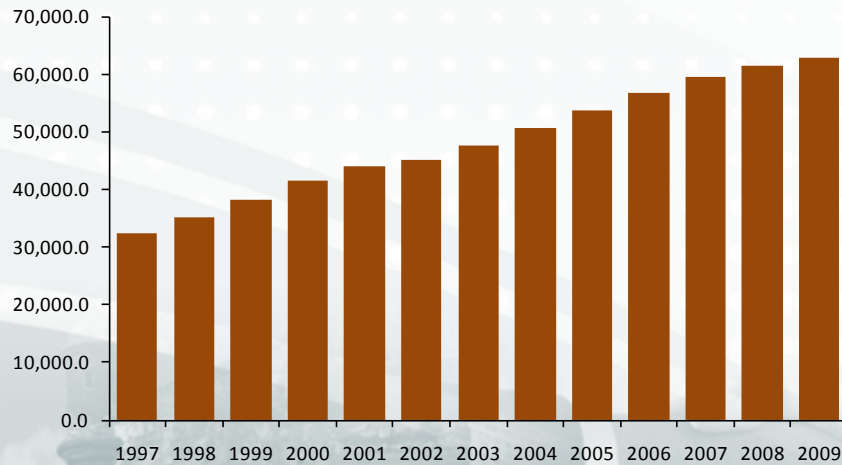
- **No political risk**
- **No foreign exchange risk**
- **No legal risk**

Puerto Rico: a Regional Economy of the United States

A remarkably stable economic environment

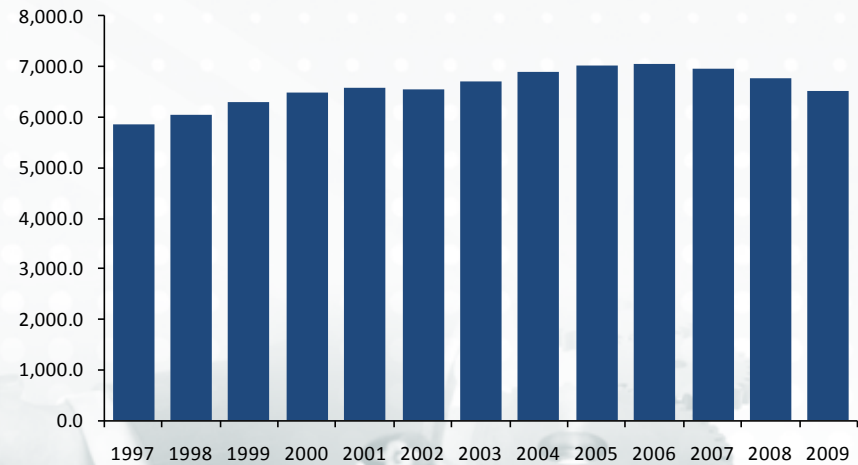
GNP

Total in current dollars



GNP

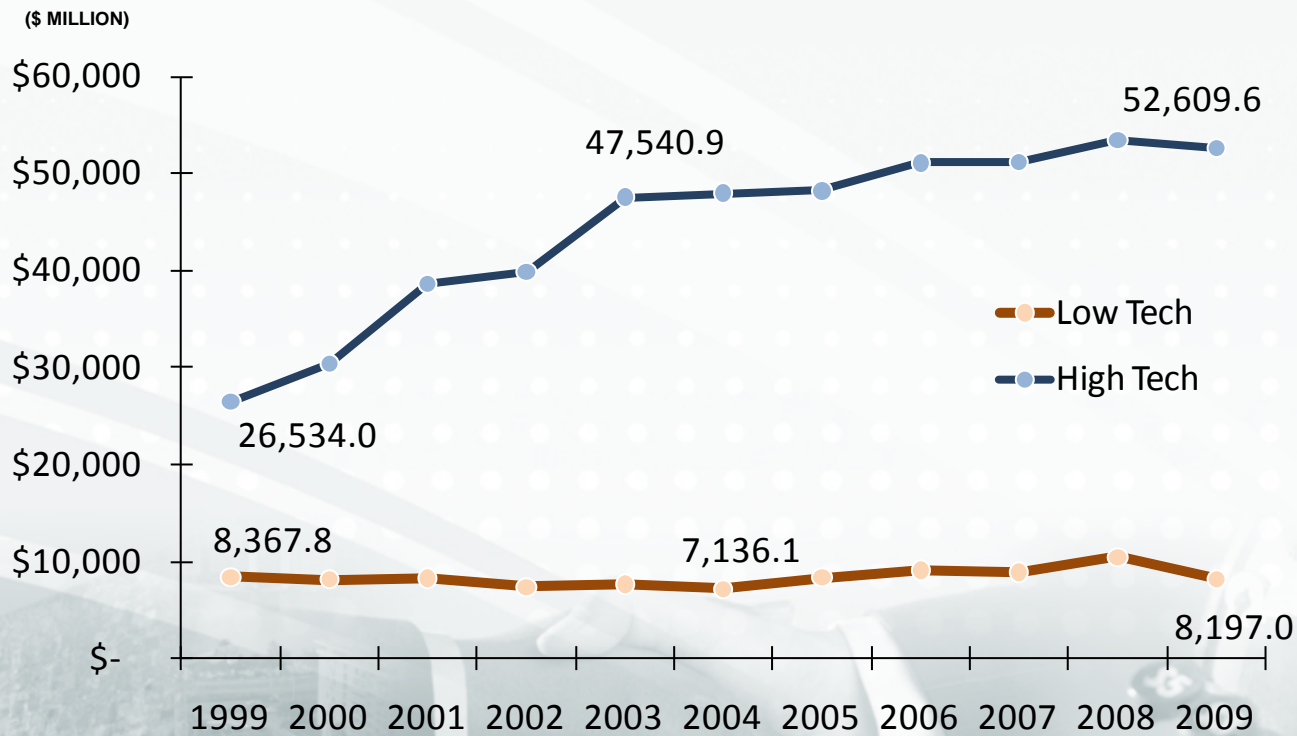
Total in constant dollars



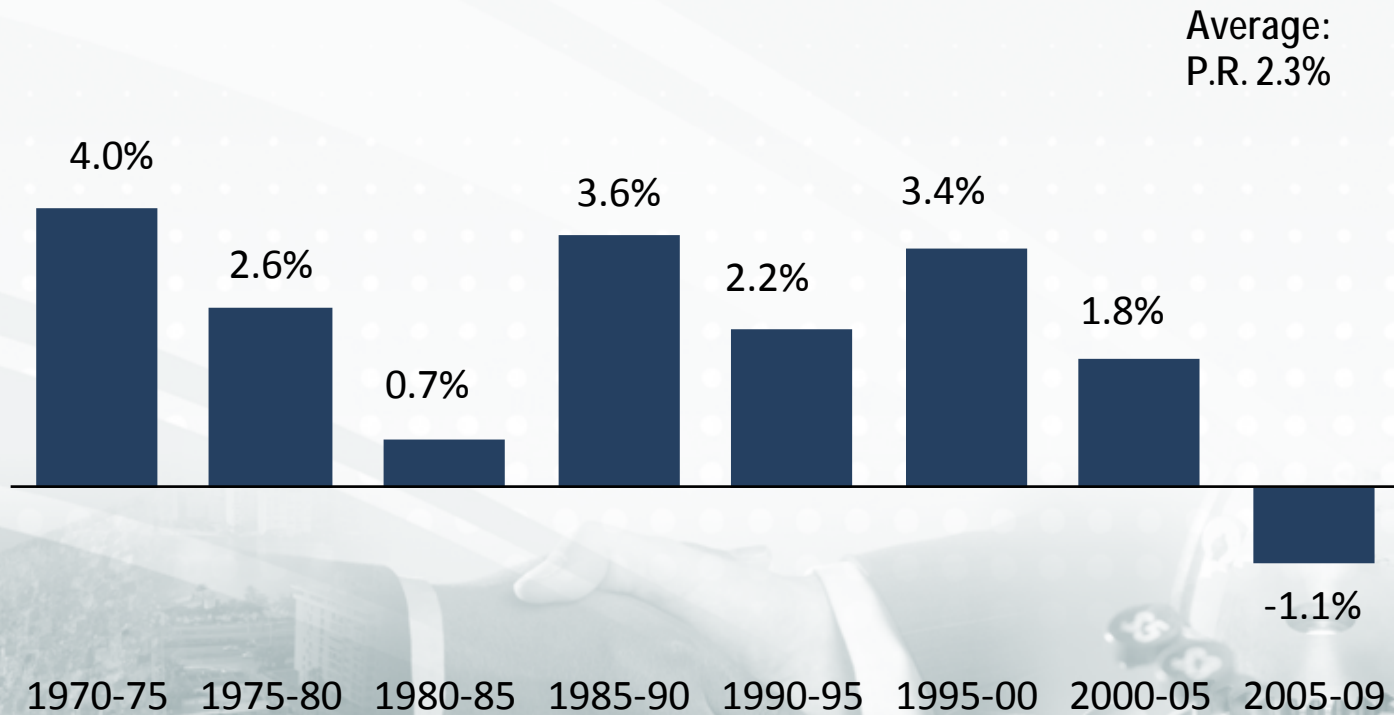
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Exports by Product Categories

High and Low Tech Exports



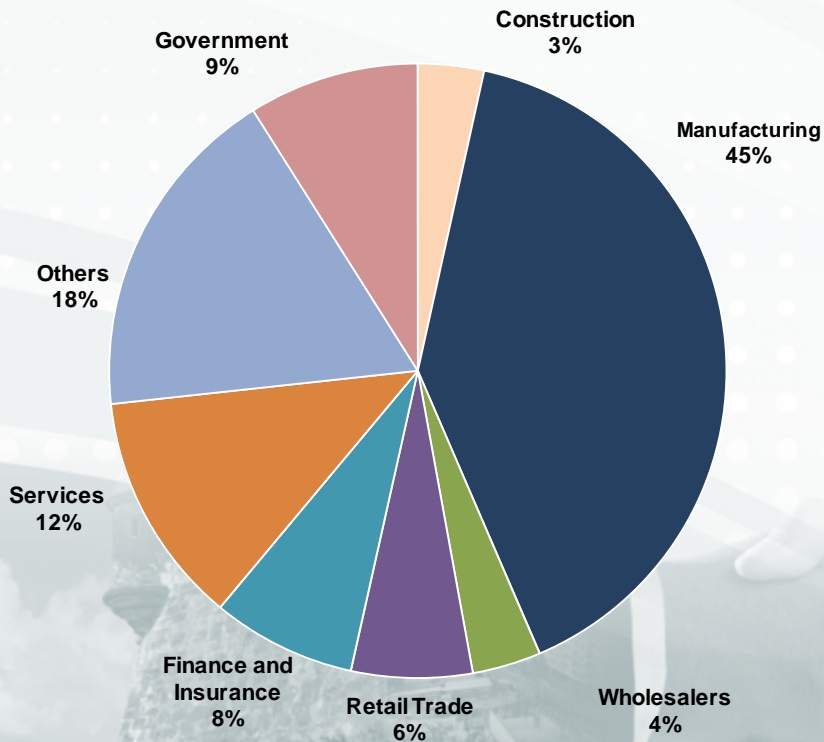
Annual growth of real GNP by periods, 1970 - 2005



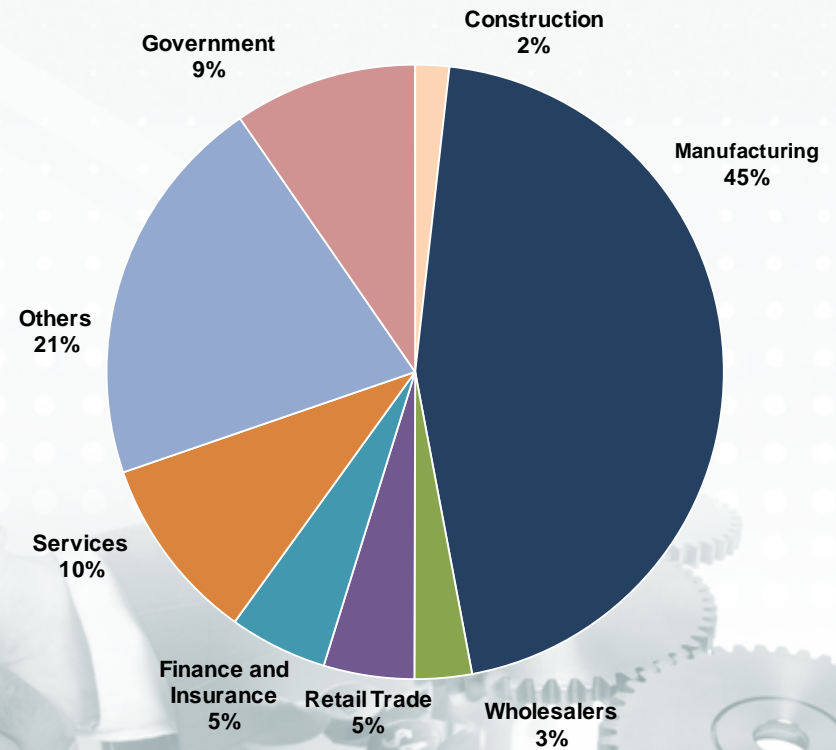
Recent Economic Performance

GDP by Economic Sector Puerto Rico

2000



2009



Recent Performance

Underlying factors

Banking sector difficulties

Fiscal imbalances

Housing sector excess supply

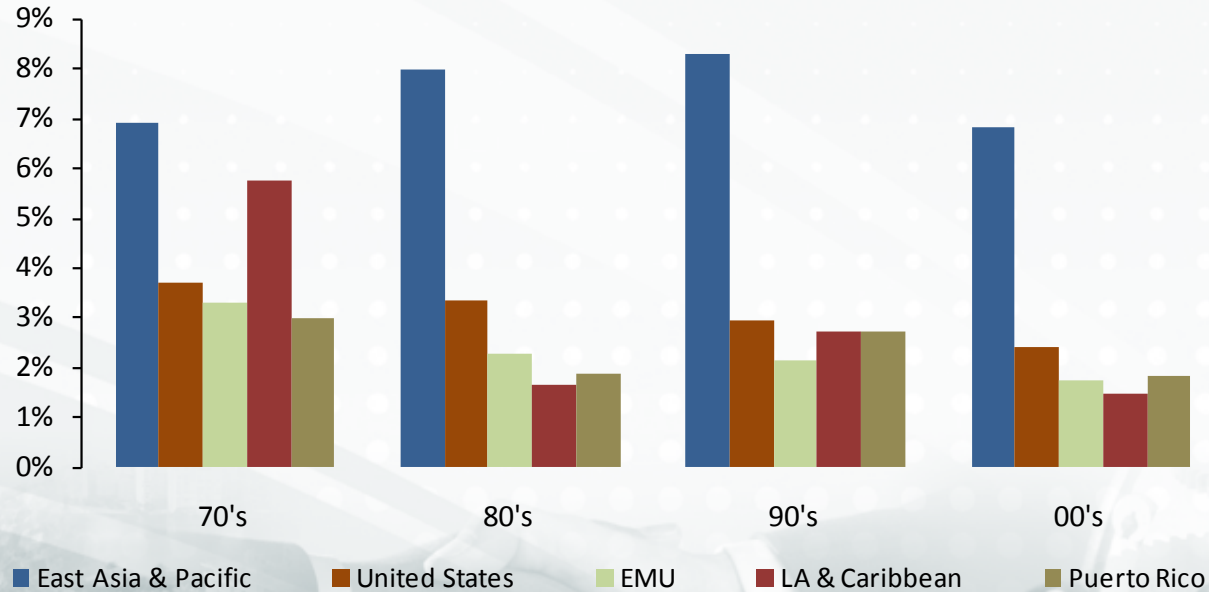
Spillover from U.S. recession and global financial crisis

An obsolete institutional framework unchanged in decades

How Puerto Rico compares with other economies

Long Term Economic Growth

Average 2000 - 2008



Sources; BBVA, Latin Watch; Puerto Rico Planning Board. * GNP in the case of PR

Major changes in the Institutional Framework

New PPP Legislation considered as one of the most advanced in the U.S.

New Permitting law that simplifies and makes the process more efficient

Tax reform underway

Labor and energy market reforms forthcoming

Manufacturing

Exempt firms in Puerto Rico generated \$18.0 billion in profits in 2008

They paid \$1,370 million in taxes

Total investment in the manufacturing sector is estimated at close to \$100 billion

A new incentives law approved in 2008 with very attractive incentives. Focus on strengthening local supply chains and R&D.

Manufacturing

Recent expansions and new investments since 2005



Abbott
\$440
million



Amgen
\$1.2
billion



Guidant
\$43 million,
115,000 sq ft. plant



Medtronic
\$96.2 million



Lilly del
Caribe, \$250
million



Janssen
Ortho,
\$52 million



IPR Canóvanas,
\$400 million



Shering
Las Piedras,
\$50 million



Adchem
Pharma
\$8 million



Infotech,
\$28 million



Pratt &
Whitney
\$22 million



Honeywell
\$5.8 million
Mayagüez



Merck \$60
million

Retail

World-renowned retailers operate in PR and many have their highest revenue stores here



JCPenney



Sears



OfficeMax



T.J. maxx



Marshalls



ZARA



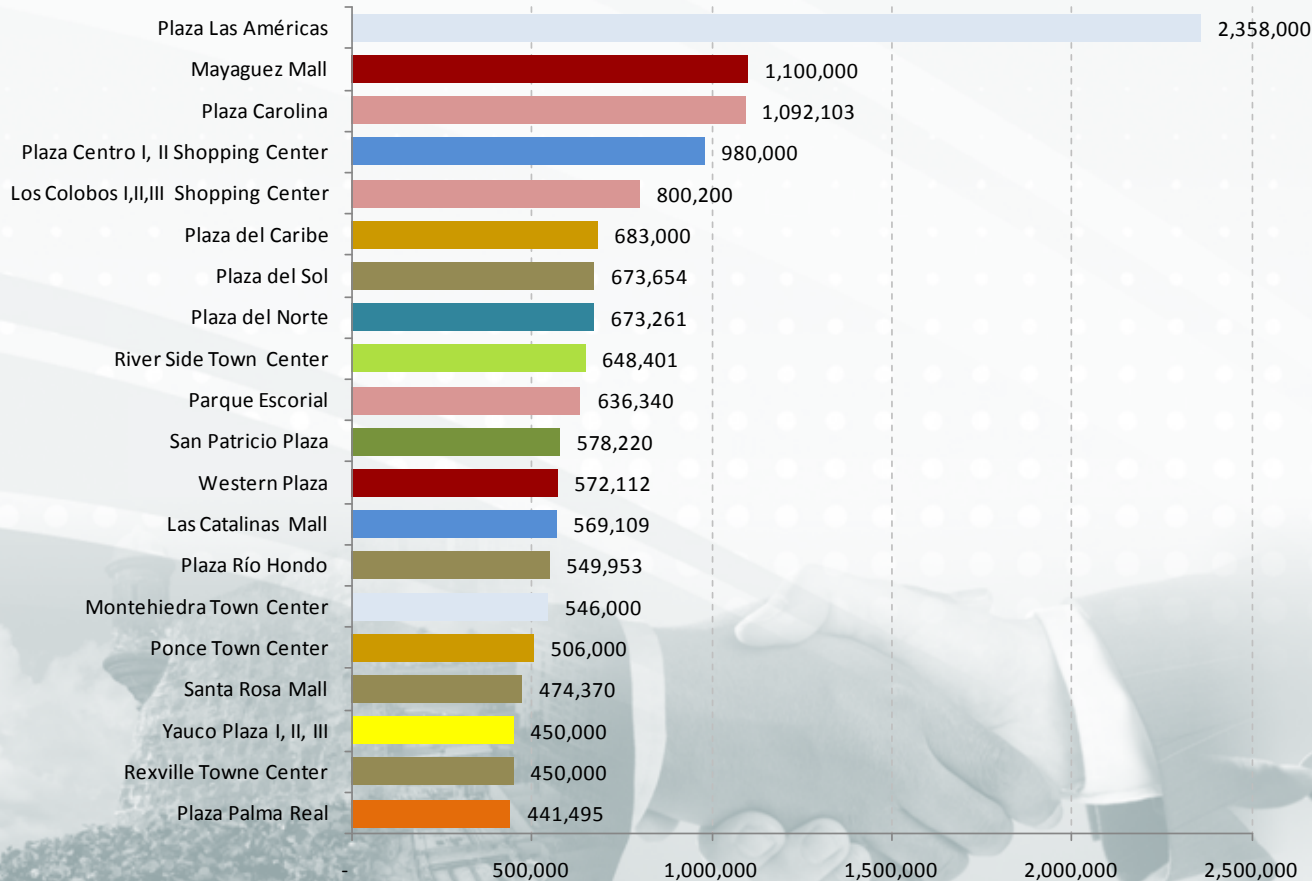
Walmart
Save money. Live better.



COSTCO
WHOLESALE

Retail

**Top 20 Shopping Centers in Puerto Rico 2009
(by square footage)**

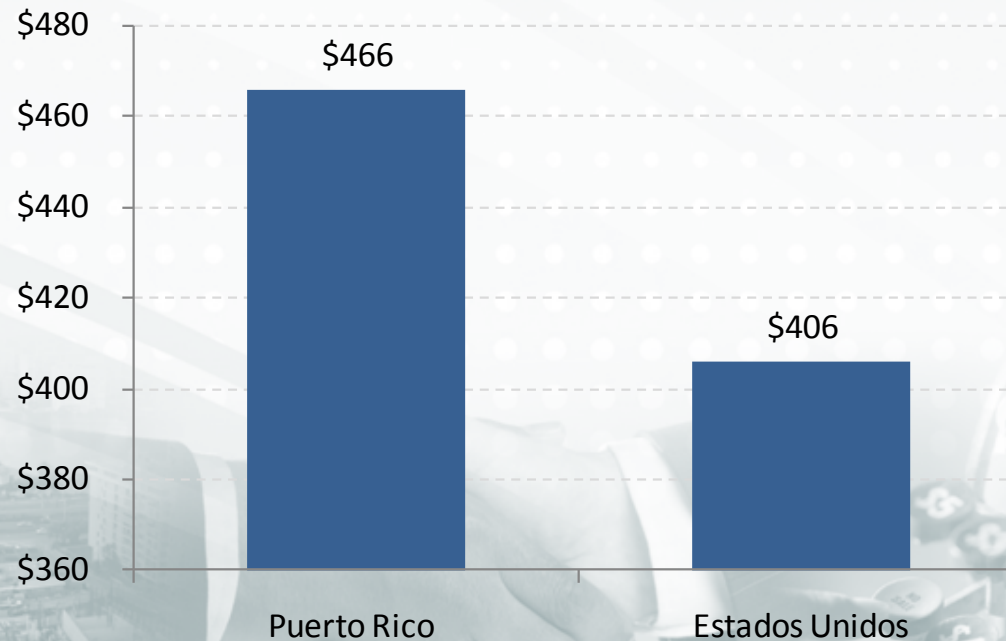


**Location of
Top Shopping Centers**



Retail

Shopping Centers Sales per square foot 2007



Source: International Council of Shopping Centers.

Changes in Internet penetration

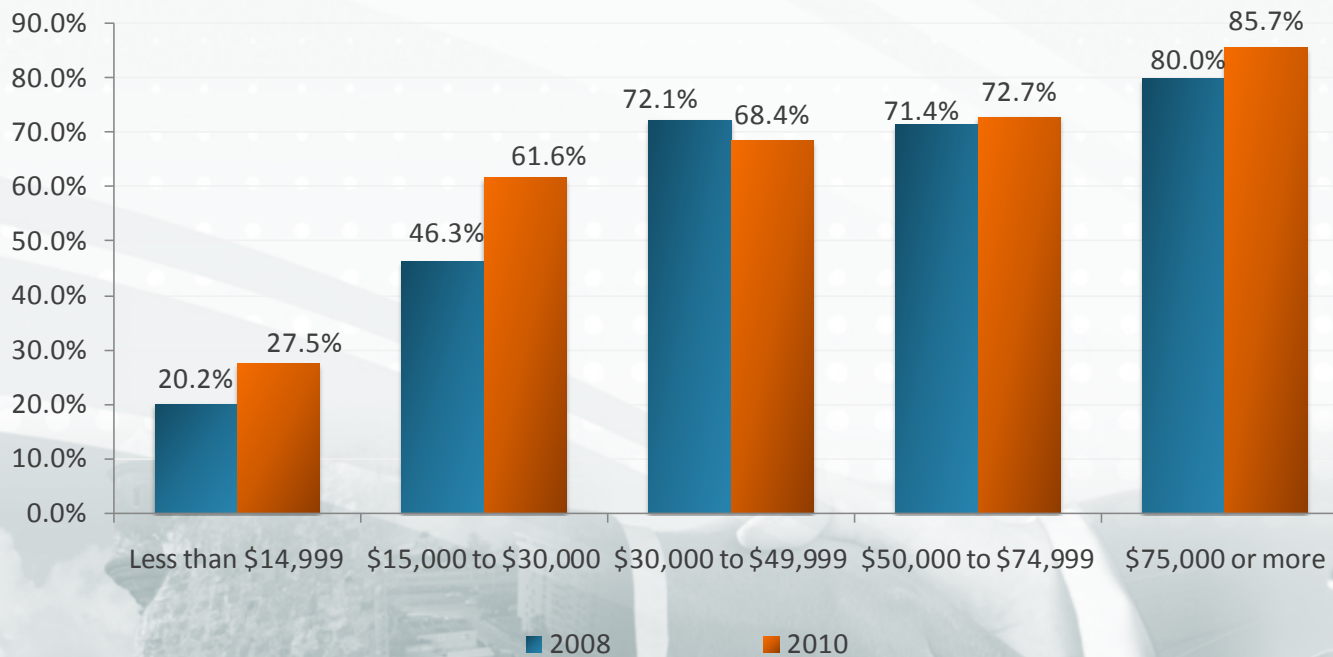
2005-2010



1,510,738
users 12+

9.3%
*Annual
Average
Growth Rate*

Internet Penetration by Family Income



The median income of Internet users is \$26,818 as compared to the general population (\$16,543)

Advanced Services as an Area of Opportunity

Education

- Puerto Rico universities have expanded abroad
- Puerto Rico provides educational services to students in the region
- Private and public universities have excellent programs in engineering, medicine and science

Health

- Important competitive advantages have been identified in areas such as orthopedics, cardiovascular surgery and oncology, among others
- Integrating IT and health services is an area of opportunity
- Rapid aging of the population presents major opportunities for development of new technology intensive services

Advanced Services as an Area of Opportunity

Construction Related Services

- Management of complex construction projects is a capability of the construction sector
- Puerto Rican firms have exported construction management services to various countries
- There is particular expertise in infrastructure related construction

Knowledge Intensive Business Services*

- Design and engineering
- Environmental services
- Financial services
- Communications
- Validation
- IT

**The KIBS concept was originally used by Ian Miles of Manchester University in the UK*

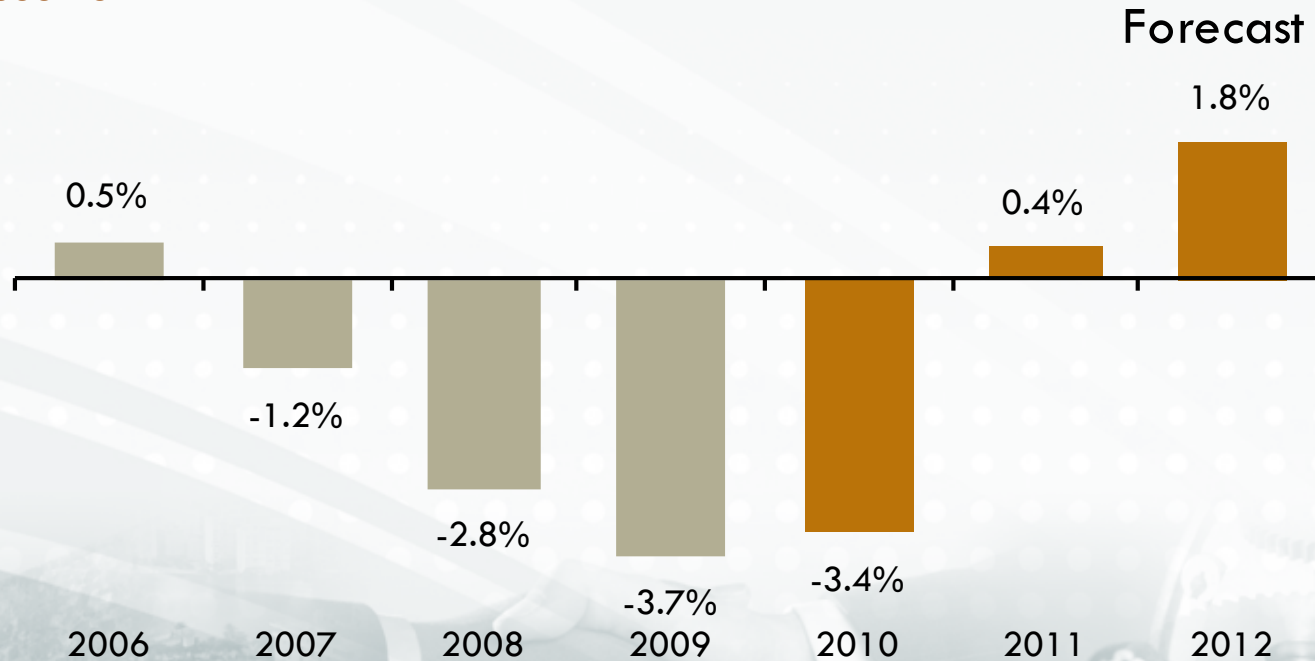
Advanced Services as an Area of Opportunity

Green Economics

- Manufacturing of new products
- Operation of alternative energy systems
- Maintenance of new energy systems
- Training services

GNP Growth

2006-2012



Source: Puerto Rico Planning Board (2009) *Apéndice Estadístico 2008*, Table 3; PB data January 2010; Estudios Técnicos, Inc.

Concluding Comments

- Puerto Rico is a risk free and business friendly environment.
- Major institutional reforms are underway.
- The economy will experience faster growth beginning in fiscal 2011/2012.
- The island is well positioned to become a knowledge based economy.
- Four major projects -Roosevelt Roads, San Juan Waterfront, Science City and Port of the Americas- will generate significant investment opportunities.
- New PPP legislation will stimulate new investment in diverse areas: roads, school construction and maintenance, port and airport facilities, energy and water supply, as well as certain services.