



NEW FISCAL PLAN FOR PUERTO RICO

SUPPLEMENTAL ECONOMIC INFORMATION TO THE APRIL 5, 2018 NEW FISCAL PLAN



GOVERNMENT OF PUERTO RICO



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- *Any future actions taken or not taken by the United States government related to Medicaid or the Affordable Care Act;*
- *The amount and timing of receipt of any distributions from the Federal Emergency Management Agency and private insurance companies to repair damage caused by Hurricanes María and Irma;*
- *The amount and timing of receipt of any amounts allocated to Puerto Rico and provided under the Community Disaster Loans Program;*
- *The amount and timing of receipt of any additional amounts appropriated by the United States government to address the funding gap described herein;*
- *The timeline for completion of the work being done by the Puerto Rico Electric Power Authority (“PREPA”) to repair PREPA’s electric system and infrastructure and the impact of any future developments or issues related to PREPA’s electric system and infrastructure on Puerto Rico’s economic growth;*
- *The impact of the measures described herein on outmigration; and*
- *The impact of the resolution of any pending litigation in the Title III cases*

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Fiscal year ending June 30		2016	2017	2018	2019	2020	2021	2022	2023	Notes/Source
1	Fiscal Plan growth rates and economic forecast									
2	Inflation		0.6%	2.1%	1.5%	1.5%	1.4%	1.4%	1.4%	
3	Real GNP		(2.0%)	(12.0%)	6.7%	3.0%	2.0%	1.2%	0.6%	
4	Nominal GNP		(1.4%)	(10.2%)	8.4%	4.5%	3.4%	2.7%	2.0%	
5	Real GNP growth without fiscal policy			(15.2%)	6.2%	2.4%	1.5%	0.9%	0.4%	
6	Real GNP growth without fiscal policy or structural reforms			(15.2%)	6.2%	1.9%	0.5%	(0.1%)	(0.7%)	
7	Nominal GNP (current U.S. dollar millions)	\$70,135	\$69,133	\$62,086	\$67,299	\$70,334	\$72,744	\$74,705	\$76,175	
8	Real GNP (constant U.S. dollar millions)	\$6,234	\$6,110	\$5,374	\$5,737	\$5,907	\$6,023	\$6,098	\$6,132	
9	Population growth		(2.2%)	(6.4%)	(1.1%)	(0.5%)	(1.2%)	(1.1%)	(1.0%)	Lyman Stone
10	Population (thousands)	3,411	3,337	3,124	3,090	3,074	3,038	3,005	2,974	US Census Bureau
11	Nominal GNP per capita (current U.S. dollars)	\$20,559	\$20,716	\$19,876	\$21,777	\$22,883	\$23,948	\$24,859	\$25,614	
12	Real GNP per capita (constant U.S. dollars)	\$1,827	\$1,831	\$1,720	\$1,856	\$1,922	\$1,983	\$2,029	\$2,062	
13	Impact of measures									
14	Multiplier		1.34x							
15	Fiscal Policy (% of GNP)			2.3%	0.7%	0.7%	0.7%	0.7%	0.6%	
16	<i>Net impact of Fiscal Policy on GNP Growth without cyclical reversal (in percentage points)</i>			3.1%	0.9%	0.9%	1.0%	0.9%	0.8%	
17	<i>Distribution of fiscal policy cyclical unwinding</i>				10.0%	10.0%	10.0%	10.0%	10.0%	
18	<i>Net effect of Fiscal Policy including cyclical reversal</i>			3.1%	0.6%	0.5%	0.5%	0.3%	0.2%	
19				3.1%	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	
20					0.9%	(0.1%)	(0.1%)	(0.1%)	(0.1%)	
21						0.9%	(0.1%)	(0.1%)	(0.1%)	
22							1.0%	(0.1%)	(0.1%)	
23								0.9%	(0.1%)	
24									0.8%	
25	Total revenue measures (\$ in millions)			\$45	\$318	\$420	\$429	\$503	\$519	
26	Stabilize corporate tax revenue (Act 154 expiry)			—	—	—	—	—	—	
27	<i>Net revenue measures</i>			\$45	\$318	\$420	\$429	\$503	\$519	
28	Total expense measures (\$ in millions)			\$119	\$485	\$1,384	\$2,107	\$2,406	\$2,589	
29	Reduction of UPR subsidies			—	\$41	\$127	\$198	\$221	\$245	
30	<i>Net expense measures</i>			\$119	\$444	\$1,256	\$1,909	\$2,184	\$2,344	
31	Net impact of measures (\$ in millions)			\$165	\$761	\$1,677	\$2,337	\$2,688	\$2,863	
32	<i>Delta Measures</i>			\$165	\$597	\$915	\$661	\$350	\$175	
33	<i>Additional adjustments:(\$ in millions)</i>									
34	Temporary supplemental nutritional assistance		\$1,270		(191)					15.0%
35	Payment of past-due tax refunds		\$292		(292)					
36	Payment for past-due services		\$365		—	(\$122)	(\$122)	(\$122)	—	—
37	<i>Net impact of measures and adjustments</i>				(\$318)	\$640	\$1,555	\$2,216	\$2,688	\$2,863
38	<i>Delta measures including adjustments</i>				(\$318)	\$958	\$915	\$661	\$472	\$175

Fiscal year ending June 30		2016	2017	2018	2019	2020	2021	2022	2023	Notes/Source
39	Reconstruction spending inputs (\$ in millions)			\$9,456	\$11,741	\$11,668	\$9,823	\$8,015	\$5,471	
40	% of GNP			15.2%	17.4%	16.6%	13.5%	10.7%	7.2%	
41	Public assistance (Federal + PR government) (\$ in millions)			\$4,971	\$8,655	\$8,907	\$7,489	\$6,147	\$4,426	
42	% of GNP			8.0%	12.9%	12.7%	10.3%	8.2%	5.8%	
43	CSA (\$ in millions)			\$4,971	\$7,006	\$6,583	\$5,306	\$4,387	\$2,971	
44	% of GNP			8.0%	10.4%	9.4%	7.3%	5.9%	3.9%	
45	Supplemental funding (\$ in millions)			–	\$1,649	\$2,324	\$2,184	\$1,760	\$1,455	
46	% of GNP			–	2.5%	3.3%	3.0%	2.4%	1.9%	
47	FEMA individual assistance (\$ in millions)			\$1,200	–	–	–	–	–	
48	% of GNP			1.9%	–	–	–	–	–	
49	Private insurance (\$ in millions)			\$3,285	\$2,875	\$2,464	\$2,054	\$1,643	\$858	
50	% of GNP			5.3%	4.6%	3.7%	2.9%	2.3%	1.1%	
51	HUD CDBG (\$ in millions)			–	\$211	\$298	\$280	\$226	\$187	
52	% of GNP			–	0.3%	0.4%	0.4%	0.3%	0.2%	
53	Net fiscal impact (assumes long-term cyclical recovery per FP1)			2.3%	0.7%	0.7%	0.7%	0.7%	0.6%	
54	Fiscal policy (percent of GNP)			0.5%	(1.4%)	(1.3%)	(0.9%)	(0.6%)	(0.2%)	
55	Net relief spending & insurance (% of GNP)			1.8%	2.1%	2.0%	1.6%	1.3%	0.9%	12.0% on island fiscal stimulus
56	Impact of structural policy measures									
57	Private sector labor/Welfare reform						0.25			
58	PPPs/Energy reform					0.30				
59	Doing Business reform					0.25	0.25			
60	Total					0.55	0.50	–	–	
61	Potential GNP growth after reforms			(15.2%)	6.2%	2.4%	1.5%	0.9%	0.4%	
62	Potential GNP growth			(15.2%)	6.2%	1.9%	0.5%	(0.1%)	(0.7%)	
63	Structural reforms			–	–	0.6%	1.1%	1.1%	1.1%	

Fiscal year ending June 30		2016	2017	2018	2019	2020	2021	2022	2023	Notes/Source	
64	Model results										
65	Change in real GNP without impact of FEMA or fiscal policy			(15.2%)	6.6%	2.0%	0.6%	0.2%	(0.3%)		
66	Inflation			2.1%	1.5%	1.5%	1.4%	1.4%	1.4%		
67	Population			(6.4%)	(1.1%)	(0.5%)	(1.2%)	(1.1%)	(1.0%)		
68	Lyman Stone			(6.4%)	(1.1%)	(0.5%)	(1.2%)	(1.1%)	(1.0%)		
69	DevTech model including remigration			(6.4%)	(1.3%)	(0.8%)	(1.4%)	(1.1%)	(1.0%)		
70	DevTech regression			(2.3%)	(2.2%)	(1.7%)	(1.4%)	(1.1%)	(1.0%)		
71	Change in GNP										
				Coefficients							
72	Constant	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)		
73	Previous year's GNP growth	0.427	(0.005)	(0.008)	(0.051)	0.029	0.013	0.008	0.005		
74	US GDP growth	0.601	0.013	0.014	0.011	0.011	0.010	0.010	0.010		
75	Previous year's US GDP growth	0.390	0.006	0.009	0.009	0.007	0.007	0.007	0.007		
76	Change in world oil prices	(0.009)	(0.001)	0.000	(0.000)	(0.000)	(0.000)	(0.000)	-		
77	Storm intensity	(0.002)	-	(0.069)	-	-	-	-	-		
78	Structural break*Previous year's GNP growth	(0.287)	0.003	0.006	0.035	(0.019)	(0.009)	(0.006)	(0.004)		
79	Net federal transfers	0.011	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)		
80	Capital growth	0.417	(0.006)	(0.081)	0.046	0.038	0.027	0.020	0.012		
81	Previous year's capital growth	(0.203)	0.003	0.003	0.040	(0.022)	(0.019)	(0.013)	(0.010)		
82	Change in Population										
				Coefficients							
83	Constant	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001		
84	Previous year's GNP growth	0.026	(0.000)	(0.001)	(0.003)	0.002	0.001	0.001	0.000		
85	Previous year's population growth	0.922	(0.016)	(0.009)	(0.022)	(0.020)	(0.015)	(0.011)	(0.010)		
86	Previous year's US GDP growth	(0.024)	(0.000)	(0.001)	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)		
87	Structural break*previous year's population growth	(0.192)	0.003	0.002	0.004	0.004	0.003	0.002	0.002		
88	Net federal transfers	0.001	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)		
89	Structural break in GNP	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)		
90	Structural break in GNP*previous year's GNP growth	(0.005)	0.000	0.000	0.001	(0.000)	(0.000)	(0.000)	(0.000)		
91	Storm intensity	(0.000)	-	(0.011)	-	-	-	-	-		
92	Previous year's reconstruction*previous year's population	(0.084)	-	-	0.000	0.000	0.000	0.000	0.000		
93	Capital growth	0.006	(0.000)	(0.001)	0.001	0.001	0.000	0.000	0.000		
94	Inflation										
95	Previous year's inflation	0.344		0.002	0.007	0.005	0.005	0.005	0.005		
96	World oil prices	0.024		(0.000)	0.000	0.000	0.000	0.001	-		
97	World food prices	0.005		0.000	(0.000)	(0.000)	(0.000)	-	-		
98	Output gap	0.224		(0.016)	(0.003)	0.001	0.001	0.000	-		
99	After 2012	(0.008)		(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)		
100	Constant	0.012		0.000	0.000	0.000	0.000	0.000	0.000		
101	Hurricane add factor			0.017							
102	US inflation	0.500									
103	Data										
104	GNP growth		(1.1%)	(2.0%)	(12.0%)	6.7%	3.0%	2.0%	1.2%	0.6%	
105	US GDP growth		1.5%	2.2%	2.3%	1.9%	1.8%	1.7%	1.7%	1.7%	
106	Change in world oil prices		(14.3%)	17.4%	(0.2%)	0.7%	1.1%	1.6%	2.2%	-	
107	Storm intensity (% of GNP)		-	-	45.6	-	-	-	-	-	
108	Structural break in GNP		1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
109	Net federal transfers		(0.008)	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)	
110	Storm cost (millions of dollars)		-	-	\$31,492	-	-	-	-	- FEMA HAZUS	
111	CPI			116.9	119.3	121.2	123.0	124.8	126.5	128.3	
112	Conversion to 1954 dollars		0.162	0.161	0.158	0.156	0.153	0.151	0.149	0.147	

Fiscal year ending June 30		2016	2017	2018	2019	2020	2021	2022	2023	Notes/Source
113	Shock to capital from storm damage (\$ in millions)	\$26,565	–	–	(\$4,196)	–	–	–	–	FEMA HAZUS
114	Gross fixed capital formation (\$ in millions)	\$1,386	\$1,386	\$1,386	\$1,386	\$1,386	\$1,386	\$1,386	\$1,386	
115	Capital stock, unrelated to storm (\$ in millions)	\$17,851	\$17,606	\$13,169	\$13,325	\$13,453	\$13,555	\$13,700	\$13,881	
116	Normal depreciation rate of capital (no policy) (rate per year)		9.1	9.2	9.3	9.4	9.5	9.6	9.7	
117	Normal depreciation rate of capital (rate per year)	9.1	9.1	9.2	9.3	9.4	9.5	9.2	8.8	
118	Public reconstruction funding in 1954 dollars (\$ in millions)	–	–	\$785	\$1,346	\$1,365	\$1,132	\$916	\$650	
119	Individual assistance in 1954 dollars (\$ in millions)	–	–	\$190	–	–	–	–	–	
120	HUD funding in 1954 dollars (\$ in millions)	–	–	–	\$33	\$46	\$42	\$34	\$27	
121	Private insurance funding in 1954 dollars (\$ in millions)	–	–	\$519	\$447	\$378	\$310	\$245	\$126	
122	Public + private reconstruction funding in 1954 dollars, impact on capital stock (\$ in millions)	–	–	\$1,314	\$1,607	\$1,574	\$1,306	\$1,051	\$707	
123	Capital stock funded by reconstruction (\$ in millions)	–	–	\$1,314	\$2,856	\$4,287	\$5,379	\$6,160	\$6,559	
124	Rate of depreciation of reconstructed capital (rate per year)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	
125	Real capital stock after reconstruction spending	\$17,851	\$17,606	\$14,483	\$16,181	\$17,740	\$18,934	\$19,860	\$20,441	
126	Capital growth	(1.4%)	(1.4%)	(19.5%)	11.1%	9.2%	6.5%	4.8%	2.9%	
127	Population growth	(1.8%)	(1.0%)	(2.3%)	(2.2%)	(1.7%)	(1.2%)	(1.1%)	(1.0%)	
128	Structural break in population	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
129	Reconstruction spending (% of GNP)	–	–	15.2%	17.8%	16.7%	13.6%	10.8%	7.2%	
130	Inflation	(0.2%)	0.6%	2.1%	1.5%	1.5%	1.4%	1.4%	1.4%	
131	Change in world food prices			1.1%	(0.8%)	(2.8%)	(0.5%)	–	–	
132	Output gap			(6.9%)	(1.1%)	0.2%	0.4%	0.2%	–	
133	After 2012	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
134	US inflation	1.3%	2.1%	2.1%	2.6%	2.4%	2.2%	2.3%	2.3%	
135	US Economy									
136	Real GDP	1.5%	2.2%	2.3%	1.9%	1.8%	1.7%	1.7%	1.7%	IMF World Economic Outlook
137	Inflation	1.3%	2.1%	2.1%	2.6%	2.4%	2.2%	2.3%	2.3%	IMF World Economic Outlook
138	Nominal GDP	2.8%	4.0%	4.3%	4.1%	3.9%	3.8%	3.6%	3.6%	IMF World Economic Outlook
139	Population	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	US Census Bureau Population Division
140	World Economy									
141	Food inflation	2.1%	3.6%	1.1%	(0.8%)	(2.8%)	(0.5%)	–	–	IMF World Economic Outlook