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ECONOMY

FEATURED

Puerto Rico's economy projected to grow 1.8% over next decade

Maria Miranda • September 14, 2023



Puerto Rico Planning Board President Julio Lassús-Ruiz

The Puerto Rico Planning Board announced that the island's economy is expected to experience sustained economic growth of 1.8% over the next 10 years, according to the projections for fiscal years 2023 to 2033 published Wednesday.

"The basis for our long-term economic projections were the short-term projections for 2023 and 2024, using the agency's Dynamic Econometric Model of the Economy of Puerto Rico," Planning Board President Julio Lassús-Ruiz explained.

To carry out the long-term projection exercises, information from the revised fiscal plan for Puerto Rico in April was used, which includes, among other data, details of federal funds allocated to the island, such as those from the Federal Emergency Management Agency, the Community Development Block Grant –

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Disaster Recovery, federal stimulus packages provided to the commercial sector, work credits, those granted to individuals for dependents, and revenue collections by the Treasury Department from fiscal year 2023 to 2033.

Lassús-Ruiz pointed out that “the management of billions of dollars in federal fund disbursements and the reduction in inflation starting in fiscal year 2024 will result in sustained economic growth throughout the years of this projection.”

To estimate the projections for fiscal years 2023 to 2033, an econometric exercise based on Okun's Law was used. This law establishes that changes in the unemployment rate influence the behavior of the real gross domestic product (GDP) growth rate. As economic growth increases, the unemployment rate decreases. Therefore, to increase production, more workers must be incorporated into the labor market.

“Our experts from the Economic and Social Planning Program forecasted that the positive adjustment in the labor market due to reduced unemployment resulting from economic activity will foster sustained economic growth in Puerto Rico during fiscal years 2023 to 2033,” the official said.

The director of the Planning Board Subprogram for Social Analysis, Models and Projections, Myriam García-Velázquez, said that the unemployment rate's behavior will contribute to the behavior of the GDP growth rate.

“When we have a production increase, when we have a labor market increase, with more people joining the market or more people working, it will contribute to greater economic activity,” García-Velázquez said. “Thus, Okun's Law gives us that connection that as economic growth increases, we will have a lower unemployment rate.”

The Planning Board prepares long-term projections to provide both the government and the private sector with information about the economic outlook for future planning and investment



“We’re especially interested in Puerto Rico because we see acceptance, and above all, interest in the implementation of [artificial intelligence (AI)] to impact the daily operation of businesses. Additionally, we see areas where [small- and medium-size enterprises (SMEs)] in Puerto Rico can stand out, such as business performance and productivity, thanks to the implementation of AI.”

— Ineke Geesink, director for SMEs in Central America and the Caribbean at Microsoft, regarding a survey conducted by the company among SMEs in the Americas, which revealed a 61% positive view on AI's impact.

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decisions.

“The Planning Board is constantly conducting economic analyses and projections and making them available to everyone – the government, the private sector and citizens – to make informed decisions about their future,” Lassús-Ruiz said. “We are attentive to the variables and situations that can impact our projections to always provide the most up-to-date and accurate information about Puerto Rico’s economy.”

Lassús-Ruiz urged small- and midsize-business owners, investors, individuals and the private and public sectors to use the data for future decision-making.

“The work we do here at the Planning Board is for the collective benefit and for people to feel that they have institutions that inform them of the facts,” he added.



MARIA MIRANDA

AUTHOR DETAILS

Maria Miranda is an investigative reporter and editor with 20 years of experience in Puerto Rico’s English-language newspapers. In that capacity, she has worked on long-term projects and has covered breaking news under strict deadlines. She is proficient at mining data from public databases and interviewing people (both public figures and private sector individuals). She is also a translator, and has edited and translated an economy book on Puerto Rico’s fiscal crisis. She worked as an interpreter for FEMA during the recent recovery efforts of Hurricane María and earned her FEMA badge.

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Tags:

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1 Comment



Yamil Rivera CPA • December 27, 2023

Is the growth of 1.8% an average of year over year for 10 consecutive years (no real growth, discounting inflation) or is 1.8%, on average, per year, for a (a projected 18% over the 10-year period?

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