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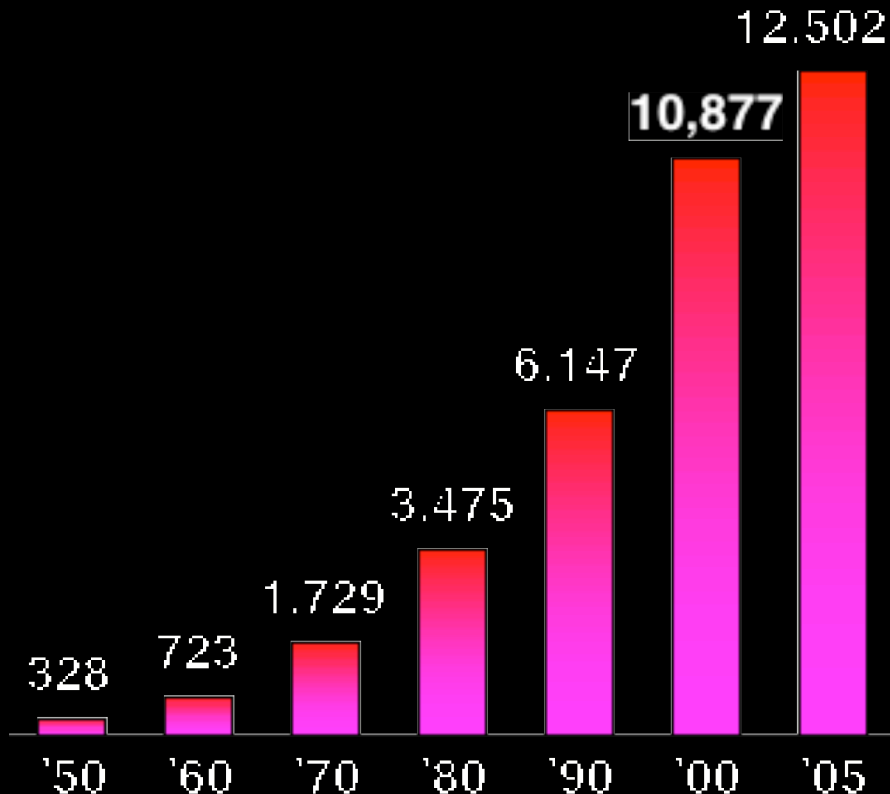
# **An Economic Context for the Cooperative Sector**

# Where is Puerto Rico today



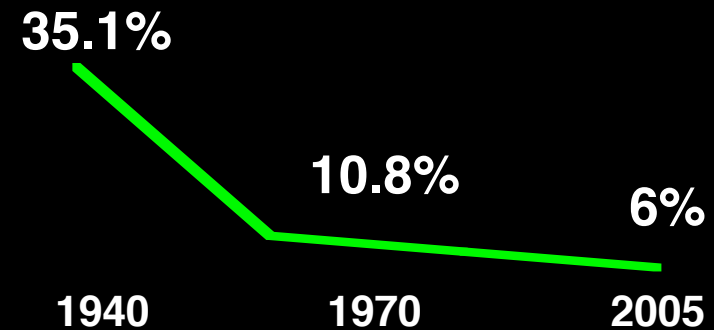
# For the past 50 years, PR has been a model of development

**PR's GNP (income) per capita**  
\$ per capita (current dollars)



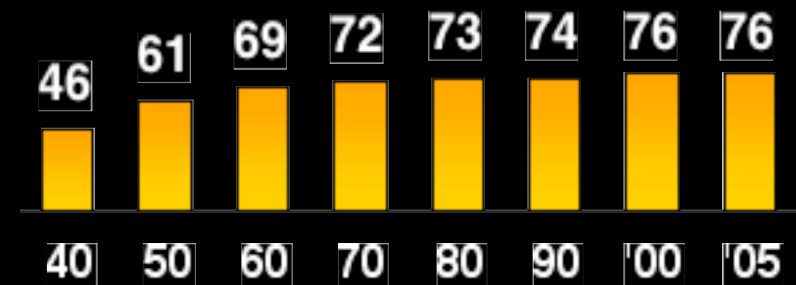
**Illiteracy rate**

% of population 10 years old or above



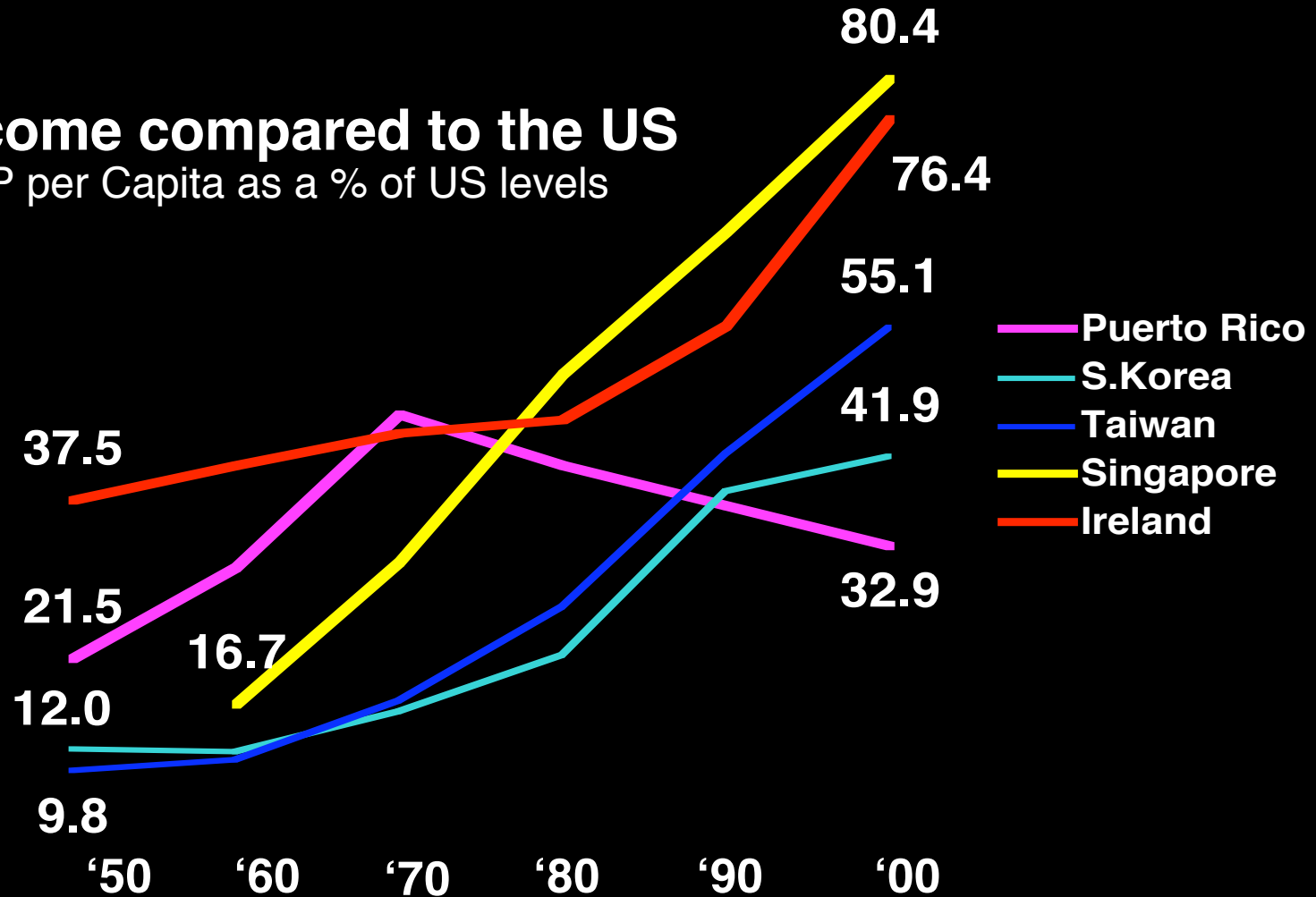
**Life Expectancy**

Number of years



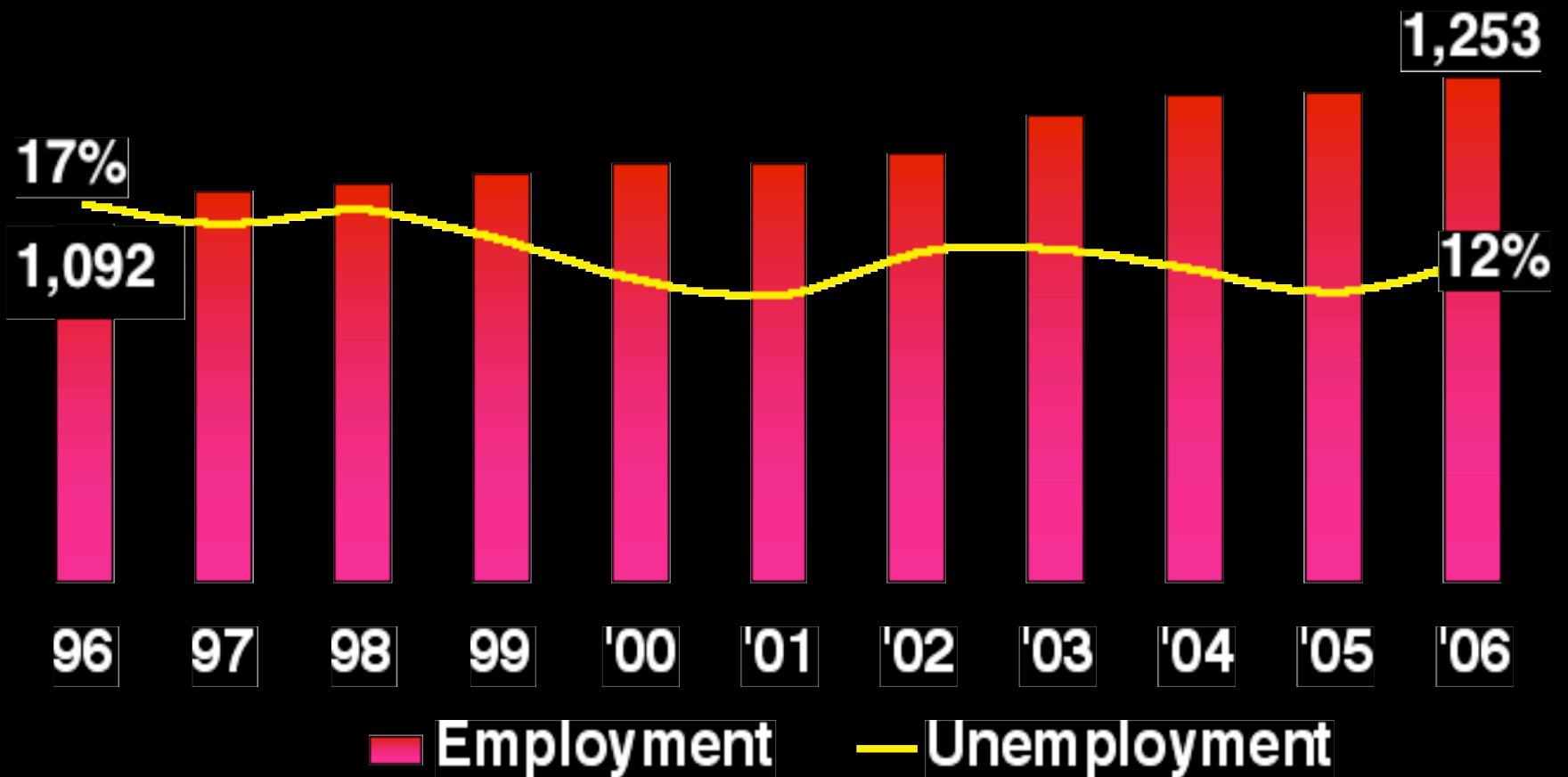
# PR has lagged the US and other countries for the past 20 years

**Income compared to the US**  
GDP per Capita as a % of US levels



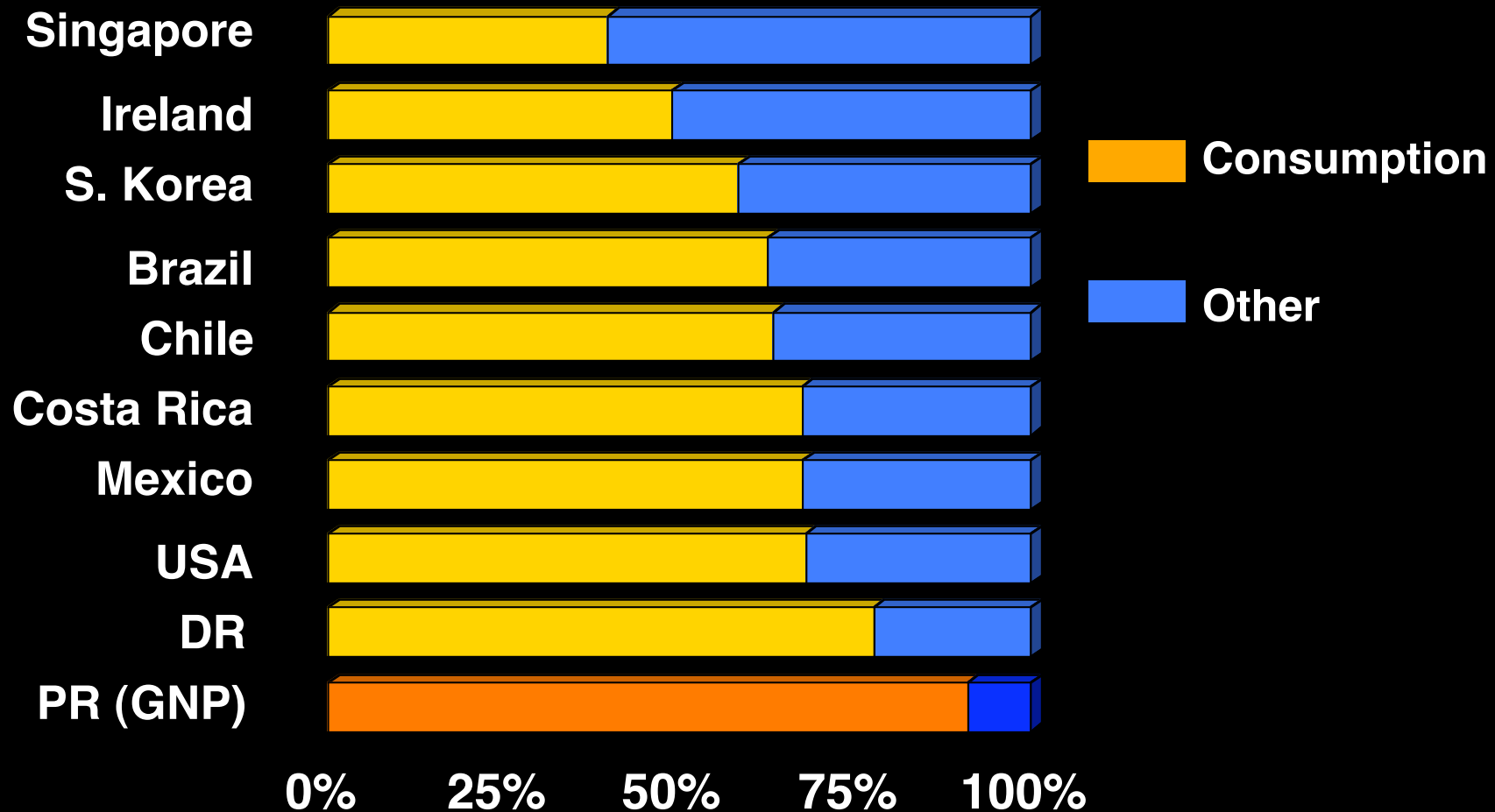
# ...with still high unemployment

000s

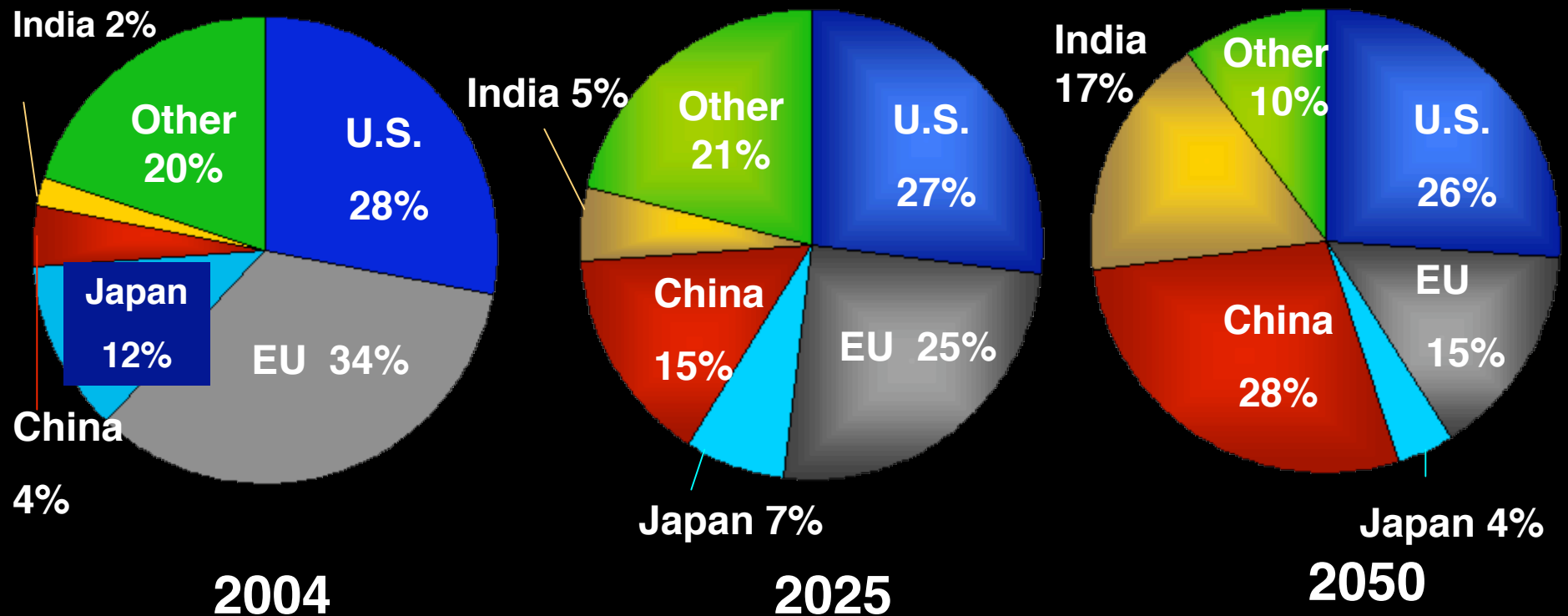


# Puerto Rico has very high levels of personal spending

Consumption as % of GDP in 2000



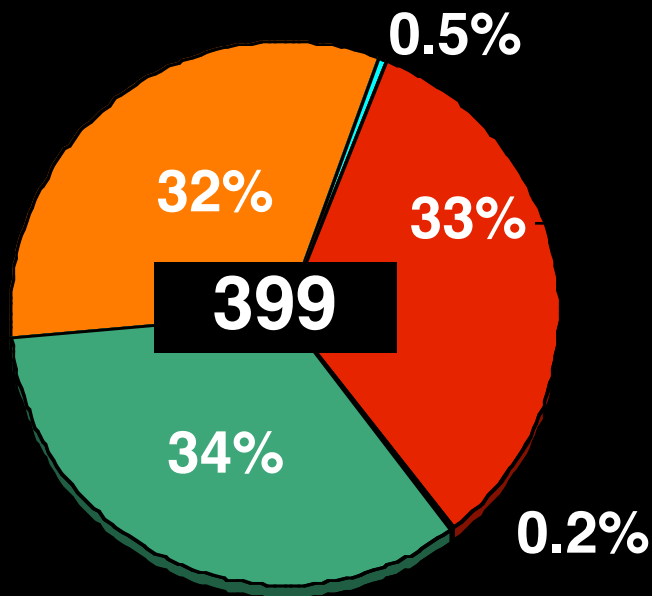
# Reshaping the Global Economy



# What is the economic context?

- ✓ Increased competition
- ✓ Economic weaknesses
- ✓ Inadequate infrastructure
- ✓ Slower consumption

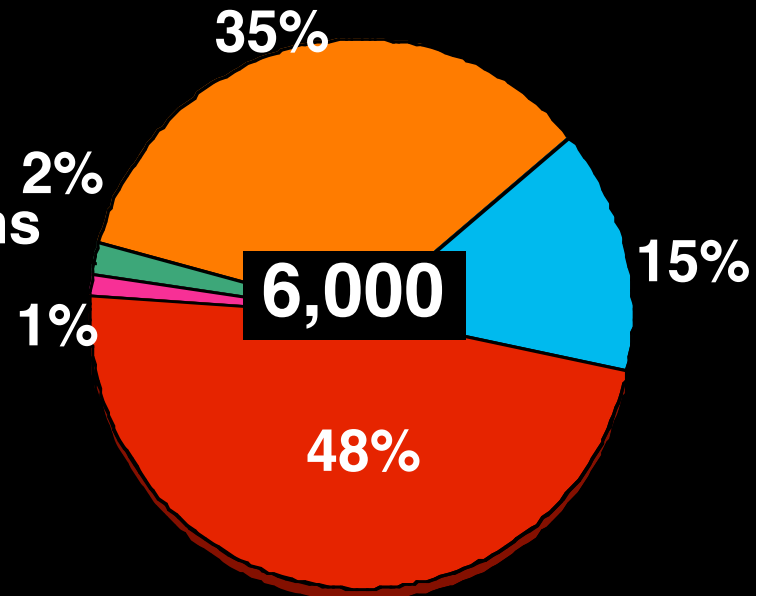
# Number and jobs in Coops



Number Coop.

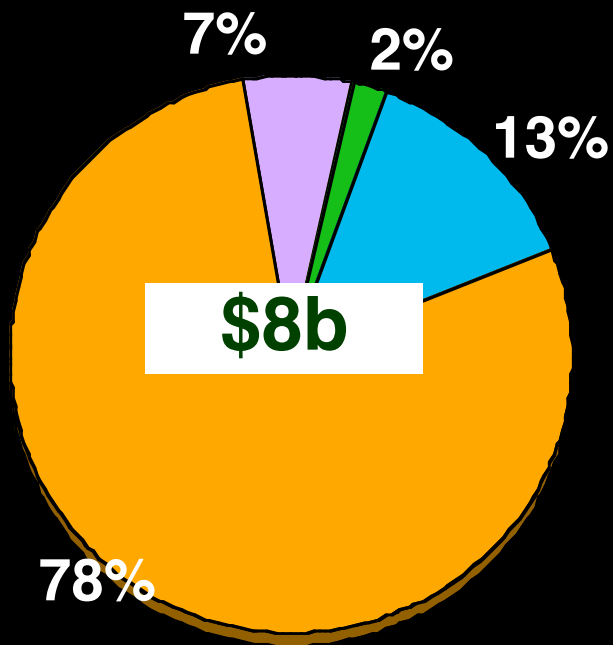
- Insurance
- Credit Unions
- Banks
- Youth
- Others

2005



Employment

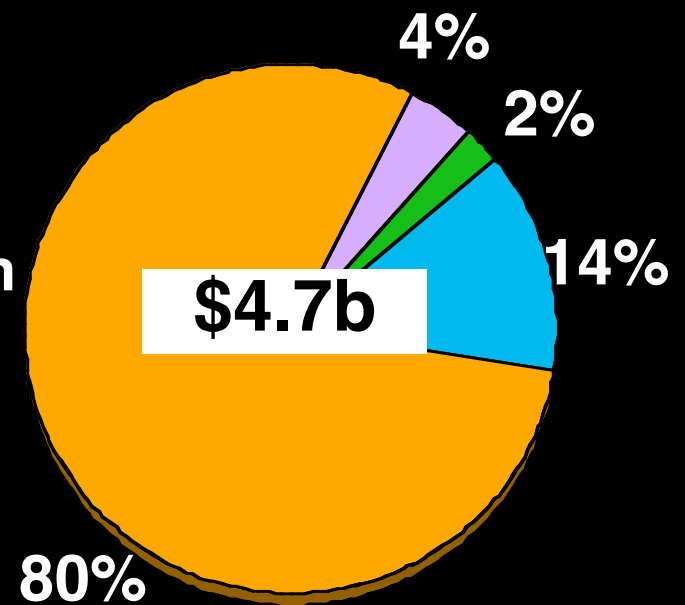
# Credit unions dominate in assets and sales



**Assets**

**Fiscal Year 2005**

- Insurance
- Credit Union
- Bank
- Youth
- Others



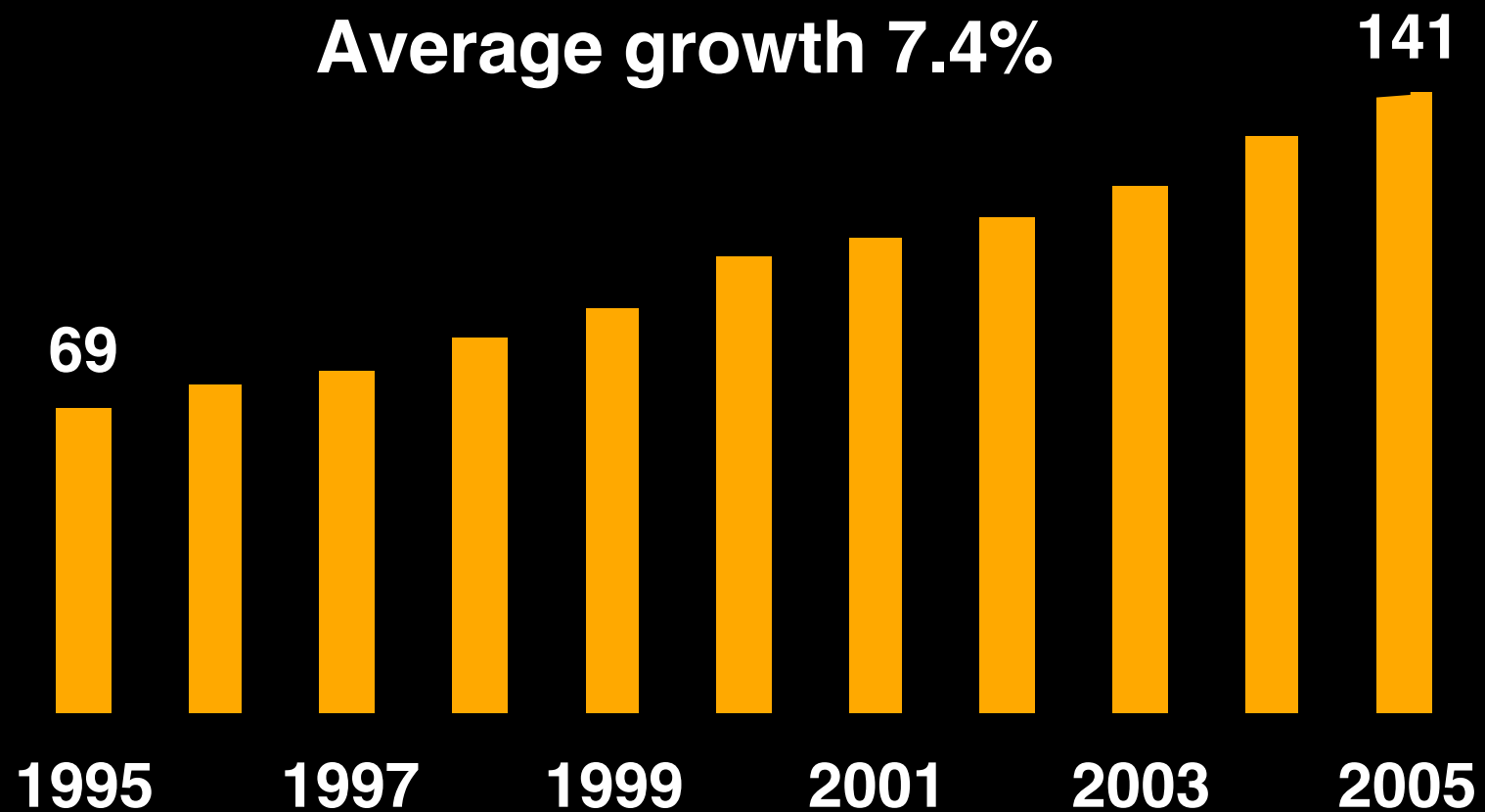
**Sales**

**Fiscal Year 2004**

# Growth in credit unions' GDP

\$ million

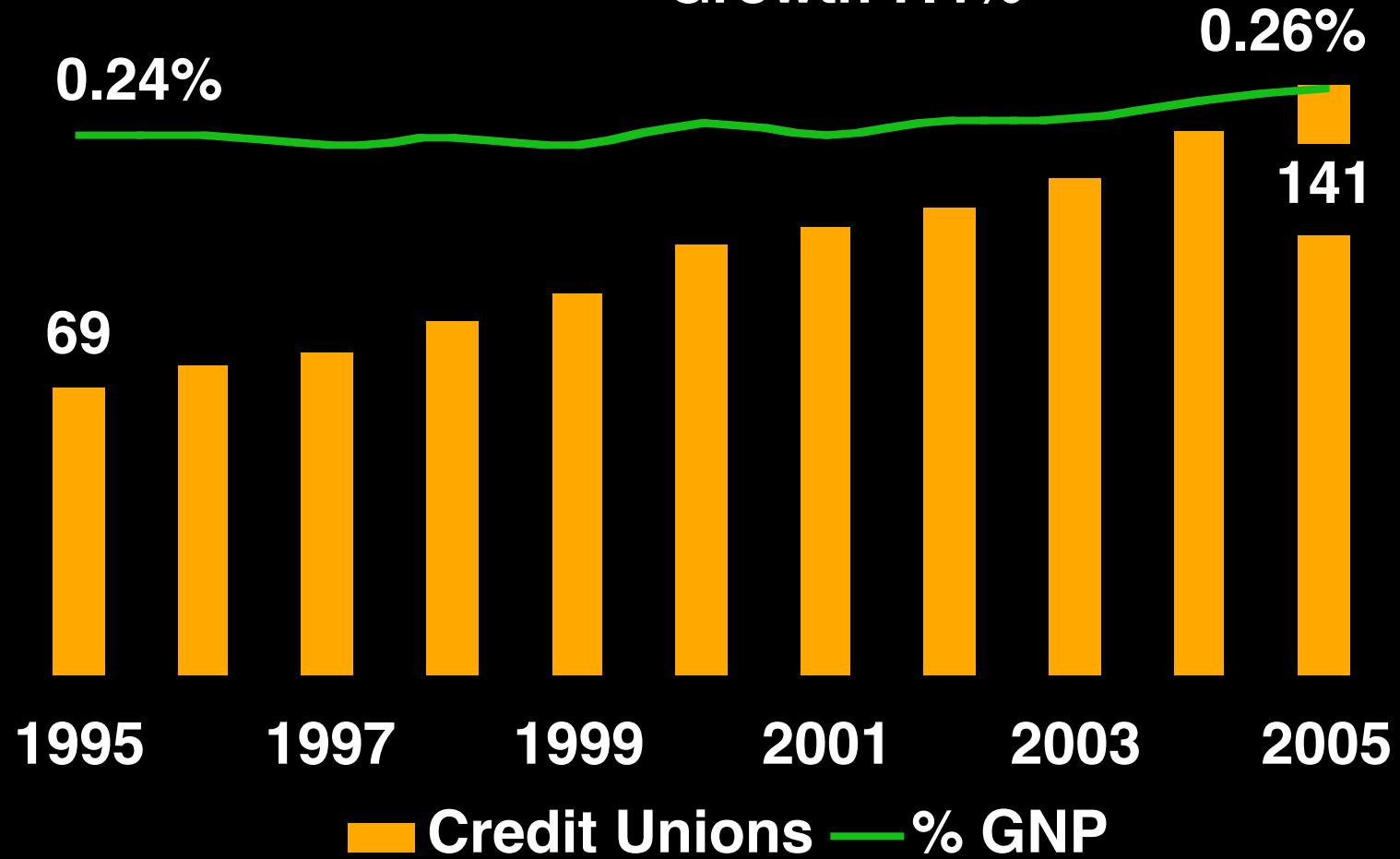
Average growth 7.4%



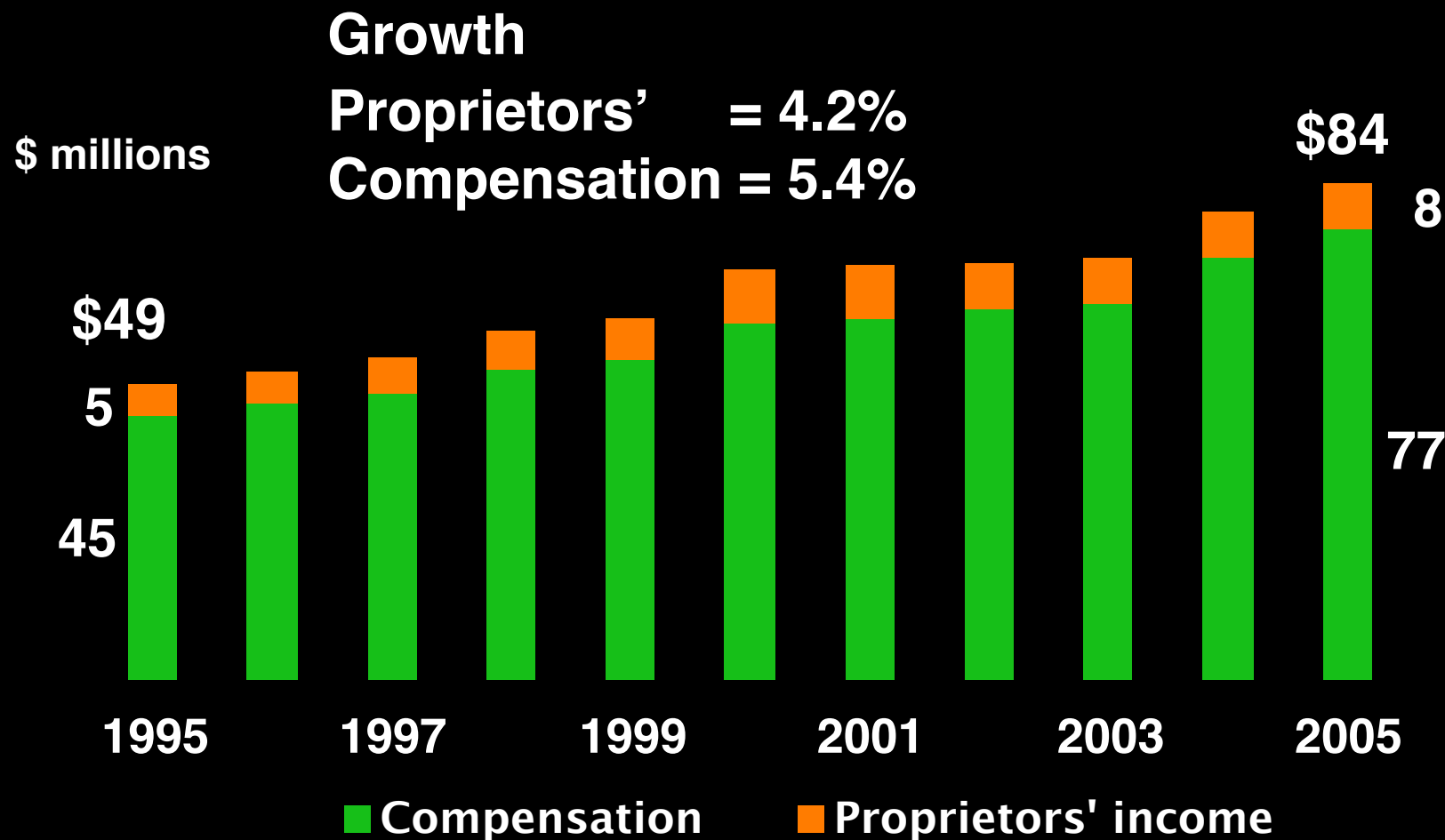
# Flat share in GNP

\$ million

Growth 7.4%

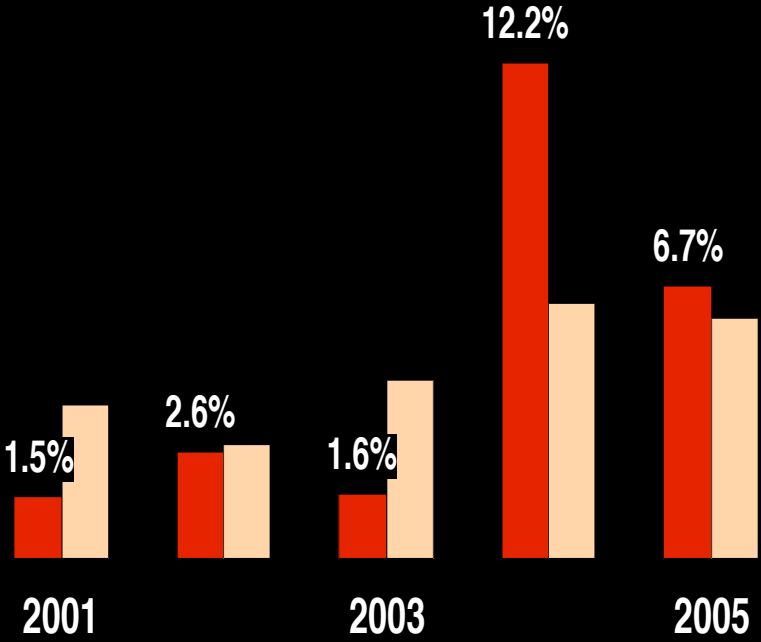


# Distribution of CU's National Income

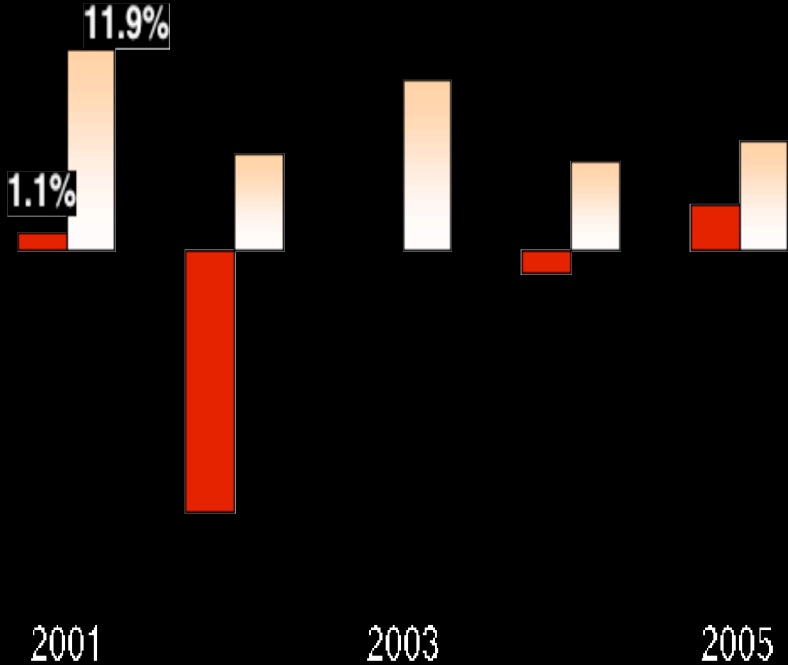


# Compensation growth in CU's

## Compensation

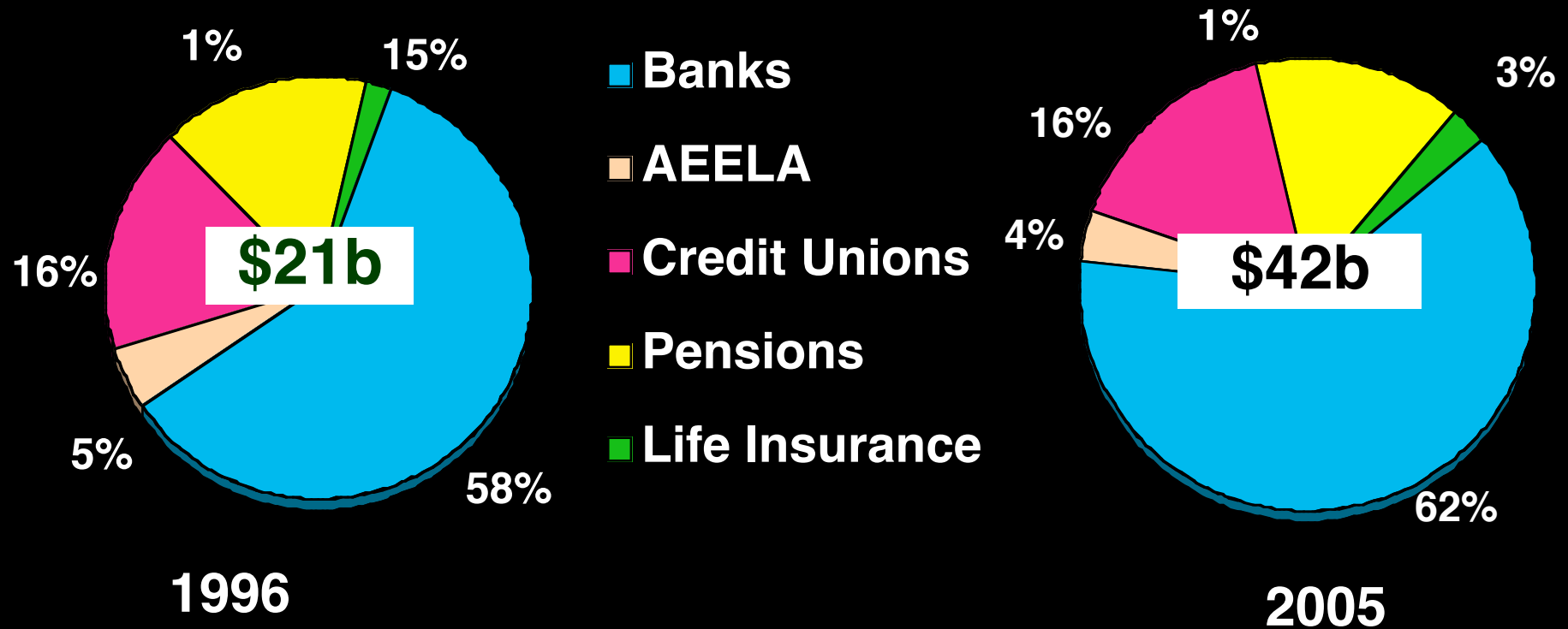


## Proprietors' income



■ Credit Unions ■ PR

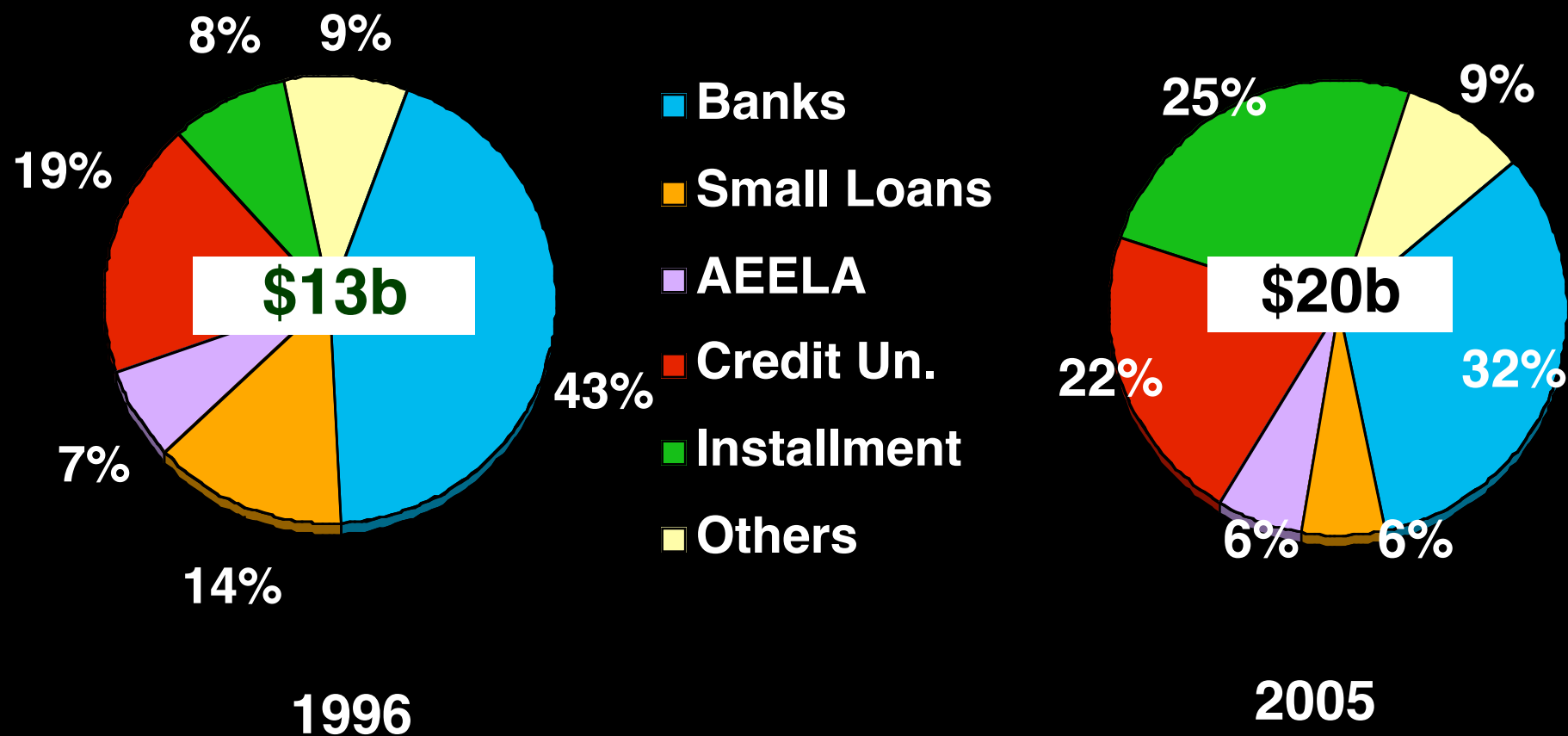
# When saving, people prefer commercial banks



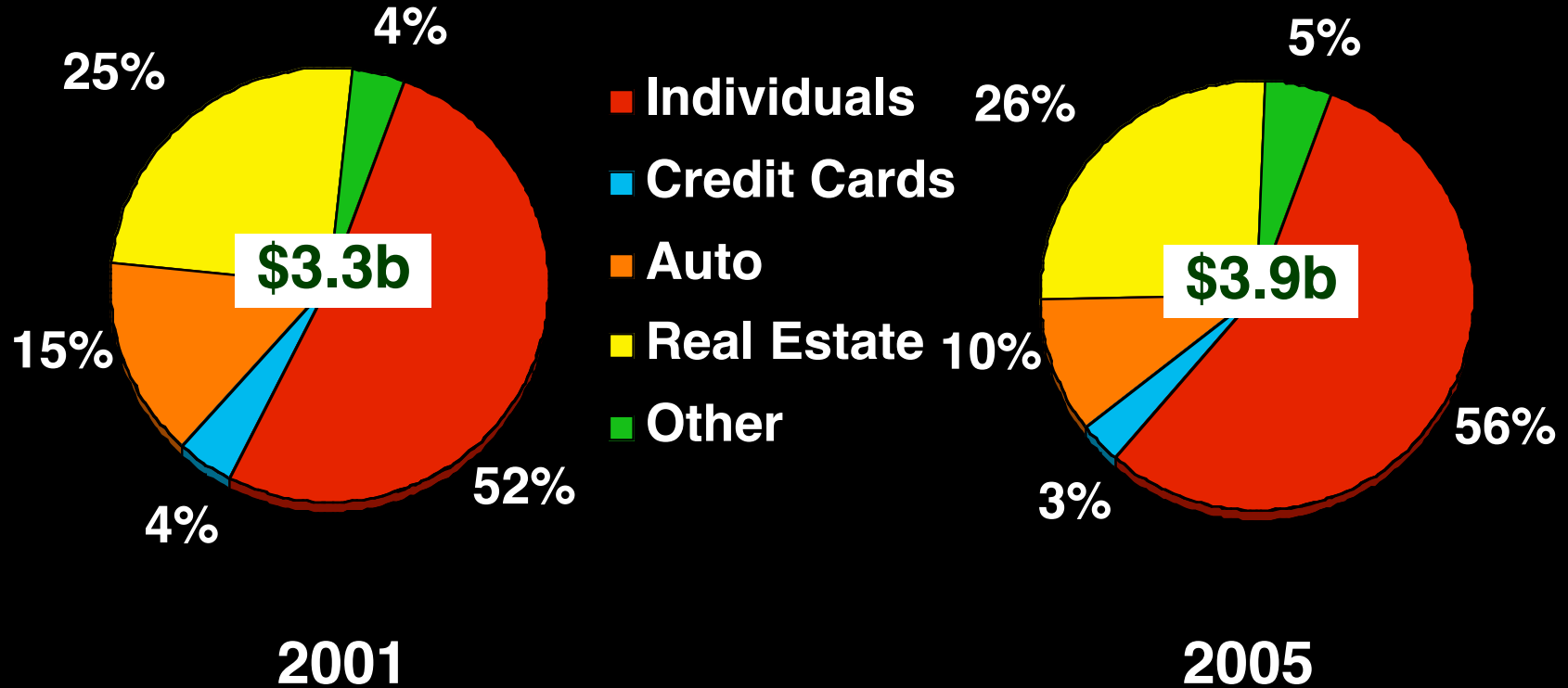
**Commercial banks personal financial assets increased from 58% to 62%**

# Consumers' debt increased in credit unions

From 19% to 22%



# Credit Unions' loan portfolio

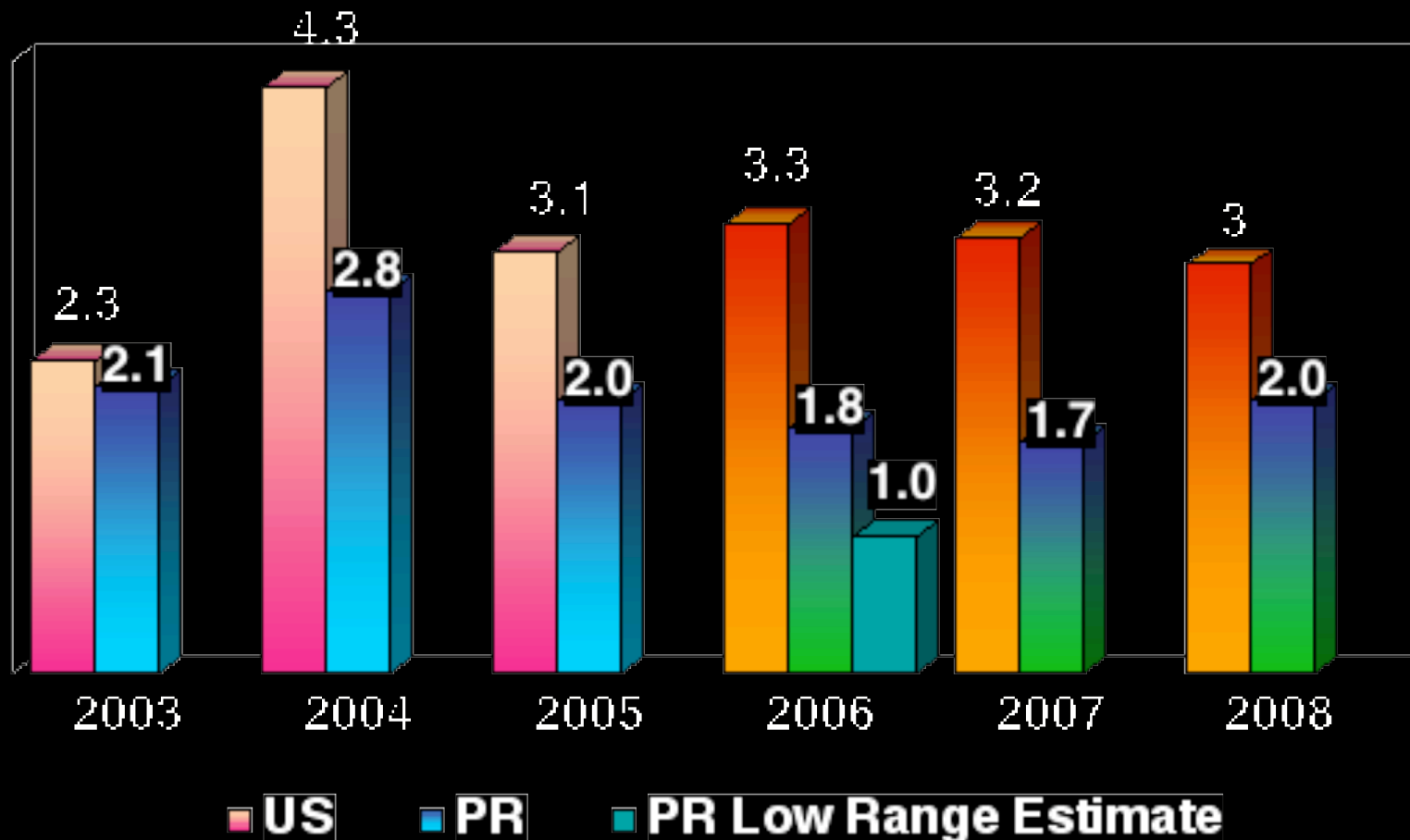


# Overall performance of coops

- ✓ Increased competition
- ✓ Economic weaknesses
- ✓ Slower economy
- ✓ Slower consumption

# Going downhill

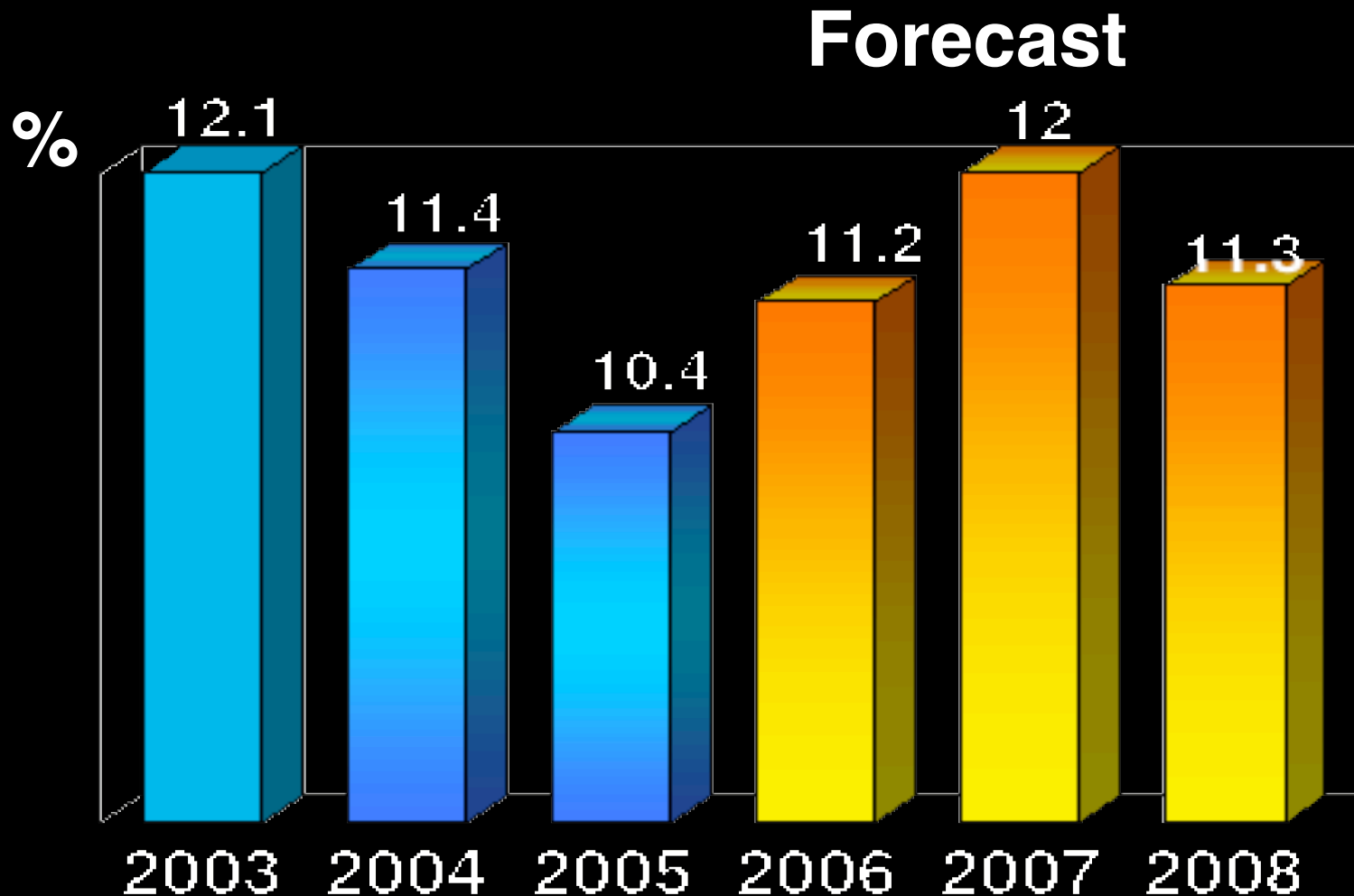
Real GNP growth by fiscal years



# Consumption and income

% change, real	History		Projected		
	2004	2005	2006	2007	2008
Consumption	3.8%	2.8%	2.3%	2.1%	3.0%
Dispos. Income	3.0%	2.4%	3.0%	2.9%	3.1%

# Unemployment is still high...



# Prices (CPI) keep escalating

% change, real	History		Projected		
	2004	2005	2006	2007	2008
Inflation	8.9%	13.6%	13.8%	12.8%	8.2%

# Future of coops

- ✓ Go back to basics:
  - opportunity cost
  - marginal analysis
- ✓ Design exit strategy for shareholders
- ✓ Adopt technology and information systems

# Future of coops

- ✓ Strengthen management
- ✓ Invest profits
- ✓ **Prepare for a** slower economy and weary consumer
- ✓ Design new products and distribution channels