Econews

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Puerto Rico

The Economy

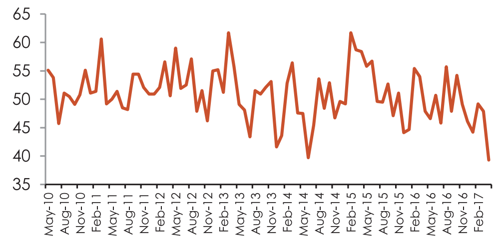
- The two key developments during the second quarter were the request for restructuring the public debt under Title III of PROMESA, and the budget request submitted by the governor in May reflecting the guidelines set by the Fiscal Oversight and Management Board (FOMB) on March 13th.
- In 2016, the island stopped paying its debt. Under the crushing weight of $123.0 billion in debt and pension obligations, the island sought what is essentially bankruptcy relief in federal court.
- Since fiscal 2000, public finances including both expenditures and debt, have reached critical levels, with the resulting imposition last year of the FOMB. Between fiscal year 2000 and December 2016, while net revenues to the General Fund increased at a compound annual growth rate of 1.8%, the debt of the central government (not including public corporations) rose at an annual rate of 8.4%. Nominal GNP grew at 3.3%. At the same time, the ratio of total public debt to GNP increased from 58.4% in fiscal 2000 to 100.2% in 2016.[1] Expenditures and debt increased at a much faster pace than revenues.
- The end-result has been a government under "bankruptcy" in practical terms, required to implement stringent fiscal adjustment measures, and the need to restructure its debt, including that of several of its public corporations. The time-line for adjustments and economic recovery extends through fiscal 2026 at the very least.[2]
- For fiscal year 2018, as stipulated in the revised Fiscal Adjustment Plan approved by the FOMB last March, the budget request for the General Fund, which covers the central government,[3] submitted by the governor on June 1st amounts to $9,563 million.[4] Although in principle it represents an increase of $575.5 million from the budget for current fiscal 2017 of $8,987 million, the comparison is somewhat misleading. The increase reflects the decision to transfer to the General Fund budget the payments of pensions plus two other spending items, which total $2,276 million, of which 90.0% will go to the pension system (Central government, Judiciary system and Teachers). Thus, on a comparable basis with the budget for fiscal 2017, total expenditures would have declined by $1,700 million. Operating expenditures will actually decline by $612.1 million or 9.1%. Servicing of the debt is not included in the proposed Budget.

MANUFACTURING

In April (first month of the quarter with information), the PMI declined to its lowest level (39.3) since its introduction in May of 2010, decreasing by 18.0% y/y, indicating contraction in manufacturing activity.[5] The index has remained below its benchmark of 50 since November of last year, averaging 46.0. For all 2016, the index decreased 5.1% from 2015.

With the exception of Suppliers' Deliveries, which increased 22.0% y/y, the other components of the PMI registered notable reductions, in particular the New Orders Index, which fell 41.3% y/y, suggesting slow activity in the coming months. The Production Index decreased 33.1% y/y, with the Employment Index falling also by 30.1%. So far this year (up to April) both, the New Orders and Production indexes, have declined the most since the PMI was introduced (-27.2% and -18.0% respectively), pointing to a trend with potential negative effects in the coming months. The uncertainty surrounding the issues around the FOMB, plus the initial proposal in Congress of the Border Adjusted Tax, could have played a role. On the other hand, which is interesting, exports of merchandise have continued to increase, 5.5% in Q4-16, 5.4% in Q1-17, but declining 4.0% y/y in April.

Purchasing Managers Manufacturing Index
(Monthly)



Source: Institute of Statistics of Puerto Rico.

EMPLOYMENT

Maintaining the trend of the past several months, nonfarm salaried employment decreased during the first two months of the second quarter, registering a loss of 12,400 jobs from same period in 2016, of which 5,650 were private employment. Total nonfarm employment decreased 1.4% in the period and private employment -0.9% y/y. In the first quarter, nonfarm employment decreased by 0.3%, while private employment posted a small gain of 0.1% y/y, the first quarter with gains in a long time, but not sustained.

On an accumulated basis, the uphill battle to regain jobs is not succeeding. Since

INDUSTRIALES PUERTO RICO
MANUFACTURA ■ SERVICIO ■ COMPETITIVIDAD

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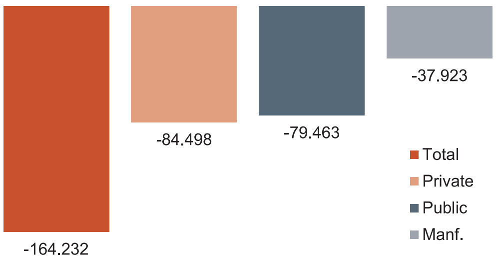
The views herein do not necessarily represent the Association's official position.

the start of the contraction in 2007, the labor market has seen a net reduction in salaried employment of 164,232 jobs (up to May), of which 51.5% have been in the private sector.

Net Losses in Nonfarm Salaried Employment

2007 - May, 2017 (thousand)

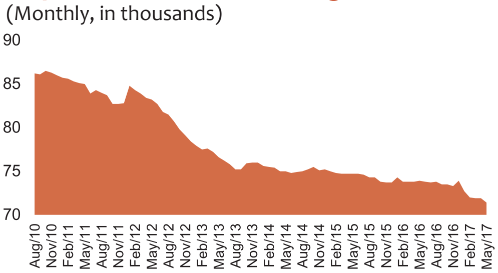


Source: U.S. BLS. Establishment Survey. SA = Seasonally adjusted. Note: Reflects revisions from the Census of Population 2010. * Central government, public corporations, and municipalities.

The manufacturing sector continued to lose jobs, as employment decreased 3.0% y/y in the first two months of the second quarter (April-May), translating into a loss of 2,200 jobs. In the first quarter employment decreased 2.4% y/y. That loss is not insignificant. The manufacturing sector accounts for 45.0% of the total net loss of jobs in private employment since 2007.

Employment in Manufacturing Industries

(Monthly, in thousands)

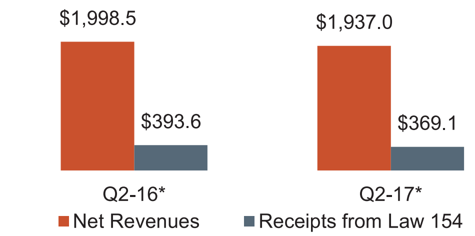


Source: U.S. BLS. Establishment Survey. SA = Seasonally adjusted.

FISCAL REVENUES

For the first two months of the second quarter (April-May), net revenues to the General Fund decreased 3.1% y/y, to $1,937 million, as receipts from Law 154 were 6.2% lower, and from other tax revenues, that decreased 3.8%. In the first quarter revenues rose 2.7%. Receipts from Law 154, an important source of revenue, as they account for 19.1% of the total, amounted to $369.1 million. Since its inception in 2011, until today, the government has collected $11,751million in revenues from this source.

Net Revenues to the General Fund



Source: P.R. Treasury Department. * Up to May.

INFLATION

Inflation has been creeping up somewhat since December, after two years of actual deflation. During 2015 and 2016, Puerto Rico experienced actual deflation, with the CPI contracting at an annual average rate of -0.5%. Since December of last year, the CPI has increased at an annual average rate of 1.3%. In the first quarter, the general inflation rate averaged 1.5%, and in April it rose to 1.9%. So far this year (up to April), inflation is running at 1.6%.

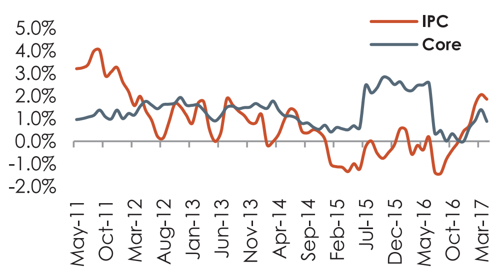
The increase in inflation has been driven by rises in energy prices, with the gasoline index increasing 11.1% in April, and the electricity index, up by 15.3%. While in 2016, these two indexes actually declined by 16.0% and 7.5% respectively, so far this year they have increased 12.5% and 19.0% respectively. Food inflation, on the other hand, has actually moderated, from an increase in prices of 0.9% in 2016 to a decline of -0.1% up to April.

Core inflation, which excludes the most volatile components of the CPI (food and energy prices), has remained stable, with the index actually declining, from 1.3% in 2016 to 0.9%, averaging 1.0% so far this year.

As oil prices have not increased as much as expected, the trend foreseen for the immediate future is for stability in oil prices. We should expect inflation to remain at or below 2.0% this year, which still would be above the level of 2016.

Inflation in Puerto Rico

(December 2006 = 100)



Sources: P.R. Department of Labor; Estudios Técnicos, Inc.

SHORT-TERM OUTLOOK

The FOMB will likely spend the next couple of months analyzing the Government's cash flow to determine if a reduction in working hours of public employees is necessary. The Administration has until September 1st to prove that it has adequate cash reserves so as to not furlough employees. The FOMB approved the Administration's request that PREPA be placed under the protection of Title III of PROMESA in order to restructure its debt in court.

Several key events are expected in the coming months, among these are a tax reform and a new incentives structure. The Administration has stated that it expects to lower income taxes for some groups, although its still unknown if this will be possible given the fiscal situation.

Title III and Title VI (mediation) negotiations are expected to continue in the coming months. Judge Laura Taylor Swain recently advocated for negotiations as a means to resolve Puerto Rico's debt problems.

The pace of growth of spending by the federal government in transfer payments has declined. During the period 2000-2006, total federal spending increased at a compound annual rate of growth of 6.2%, while transfer payments increased at a higher rate. In the following period (2006-2015), which includes the "Great Recession" (2007-2009), growth of expenditures slowed to 4.1%, with that of transfer payments below the growth of total spending.

Notes:

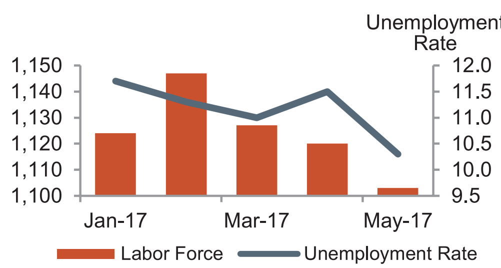
1. It is worth noting, though, that these figures do not take into account P.R.'s unfunded pension liabilities, which by 2016 it is estimated amounted to $42.0 billion, and also do not include interest.
2. In essence, the process from a budget deficit to a sustained period of balanced budget is a fiscal adjustment. It is a reduction in the government primary budget deficit (based on recurrent expenditures and recurrent revenues). It can be achieved through a reduction in government expenditures, an increase in tax revenues, or both simultaneously.
3. Including the U.P.R., the State Insurance Fund, and the Highway and Transportation Authority.
4. At the instruction of the FOMB on June 27th, the government will have to adjust the budget approved by the Legislature, as the Board finds that it includes $319.0 million in excess of expenditures, and some parts of the budget approved do not comply with the Fiscal Plan approved in March.
5. An index reading above 50 suggests expansion in manufacturing activity, while levels below 50 indicates a contraction in activity.

Puerto Rico
Economic Indicators

Employment

	Mar-17	Apr-17	May-17	Percent Change Fiscal Year 2016-2017	Percent Change Accumulated year to date
Labor Force (Household Survey, thousands)	1,127	1,120	1,103	-0.9%	-0.4%
Employment (Establishment Survey)	883	882	883	-0.8%	-1.0%
Private	660	659	661	-0.4%	-0.5%
Construction	21	20	21	-5.5%	-7.8%
Manufacturing	72	72	71	-1.1%	-2.0%
Public Administration	222	222	222	-2.0%	-2.6%
Unemployment Rate (Household survey, %)	11.0	11.5	10.3	-0.5%	-3.1%

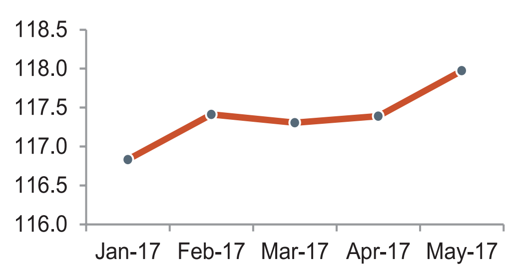
Total Employment and Unemployment Rate
(December 2006 = 100)



Consumer Price Index

	Mar-17	Apr-17	May-17	Percent Change Fiscal Year 2016-2017	Percent Change Accumulated 2016-2017
All Items	117.3	117.4	118.0	0.4%	1.7%
Food & Beverages	129.0	129.4	129.6	-0.5%	0.1%
Housing	112.6	112.9	112.6	0.2%	1.3%
Apparel & Upkeep	93.278	92.204	91.146	-2.7%	-2.3%
Transportation	109.7	109.6	110.2	1.3%	4.6%
Medical Care	152.1	151.6	151.4	2.7%	3.0%
Education	113.9	113.9	113.8	0.2%	0.6%
Entertainment	113.9	113.9	113.8	0.4%	0.6%
Other Services	116.0	115.8	121.4	1.0%	2.0%

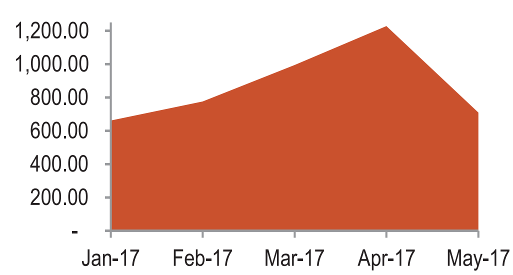
Consumer Price Index



Fiscal Revenues

	Mar-17	Apr-17	May-17	Percent Change Fiscal Year 2016-2017	Percent Change Accumulated year to date
Total Revenues (Mill.$)	994.41	1,228.15	708.81	1.1%	0.4%
Taxes	963.3	1207.1	674.5	2.1%	0.6%
Income Taxes	441.3	744.5	233.8	-6.2%	-3.0%

Net Revenues to the General Fund

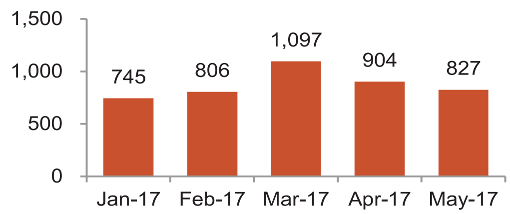


Puerto Rico
Economic Indicators

Construction

	Mar-17	Apr-17	May-17	Percent Change Fiscal Year 2016-2017	Percent Change Accumulated year to date
Cement Production (Thousand 94-lb Bags)	1,097	904	827	-14.5%	-7.8%
Cement Sales (Thousand 94-lb Bags)	1,069	930	1,071	-5.3%	0.1%

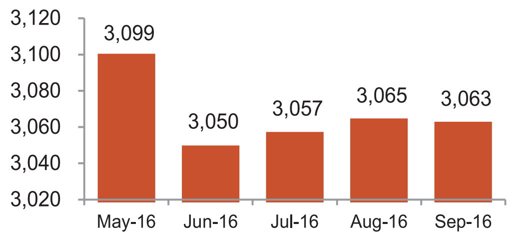
Cement Production



Retail

	Jul-16	Aug-16	Sep-16	Percent Change Fiscal Year 2015-2016	Percent Change Accumulated year to date
Total (Bill. $)	3,057	3,065	3,063	-3.2%	-1.44%
Department Stores (Mill. $)	512	479	481	-3.8%	0.13%
Supermarkets (Mill. $)	454	444	459	1.1%	2.24%
Used and New Autos (Mill. $)	270	297	285	-1.7%	4.05%
Gasoline Stations (Mill. $)	411	431	441	-10.4%	-12.37%
Restaurants (Mill. $)	362	369	361	-1.3%	3.17%

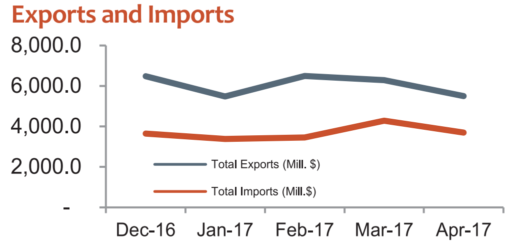
Retail Sales



Exports and Imports

	Feb-17	Mar-17	Apr-17	Percent Change Fiscal Year 2016-2017	Percent Change Accumulated year to date
Total Exports (Mill. $)	6,493.2	6,287.1	5,494.8	-0.3%	-2.9%
Foreign Countries	1,814.1	1,290.9	990.4	-7.3%	0.9%
Total Imports (Mill.$)	3,446.9	4,283.6	3,703.8	9.0%	3.5%
Foreign Countries	1,401.7	2,125.1	1,685.8	15.6%	16.6%

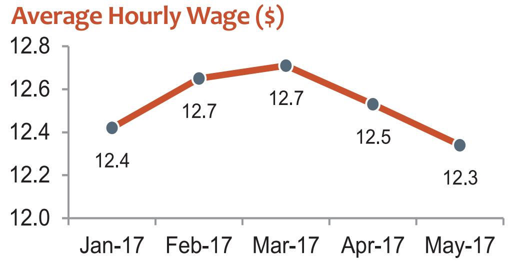
Exports and Imports



Manufacturing

	Mar-17	Apr-17	May-17	Percent Change Fiscal Year 2016-2017	Percent Change Accumulated year to date
Weekly Hours (#)	39.5	39.7	39.5	-1.2%	-2.8%
Average Hourly Wage ($)	12.7	12.5	12.3	-2.2%	1.5%

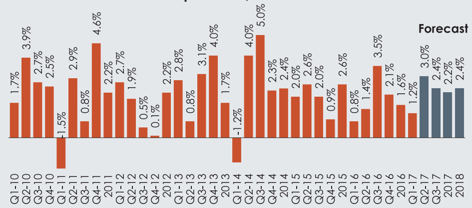
Average Hourly Wage ($)



United States
The Economy

- The year 2017 started with slow economic growth, as real GDP increased by 1.2% in the first quarter, from 2.1% in the last quarter of 2016. Growth has been proceeding at a slow pace since the "Great Recession" ended in 2009, averaging about 2.0% a year since 2010. During the late 1990's, annual growth hit 4.0%.

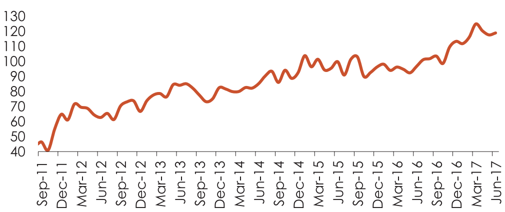
Quarterly U.S. GDP
Real Growth and Expected, 2010-18



Sources: U.S. Bureau of Economic Analysis (2017); *Blue Chip Economic Indicators* (June, 2017). Seasonally adjusted at annual rates.

- For the second quarter just ended, growth is expected to go up to 3.0%, declining to 2.4% in the third quarter.[1] On a y/y basis real growth was 2.0%. Growth in this quarter is expected to be driven mostly by an increase in personal consumption expenditures (PCE) to 2.9%. PCE will also lead growth in the third quarter, as further improvements in the labor market are expected.
- Labor costs rose more slowly in the first quarter than initially reported, a sign companies continue to keep costs down despite a steadily expanding economy and growing shortages of skilled labor. Hourly compensation — pay and benefits — rose a revised 2.2% in the first quarter, but after adjusting for inflation workers actually lost ground. Real compensation fell 0.9%.
- Productivity remains weak. Productivity rises when workers supply more goods and services in the same amount of time. Since the economic recovery began eight years ago, productivity has been increasing at 1.2% annual rate. That's well below the 2.1% average between 1947 and 2016, or the 2.6% average from 2000 to 2007. In the first quarter it remained unchanged.
- Consumer confidence continued to be on balance positive. The Conference Board's index rose on average 1.1% in the second quarter from the first, although the index, which had previously decreased in April, fell again in May, but consumers remained positive. The index last fell to 120.3 in April after hitting 124.6 in March, its highest level since December 2000, rising to 118.9 in June. Their assessment of the labor market remained positive, and they are optimistic that the economy will continue expanding this summer, which should boost consumer spending.

U.S. Consumer Sentiment Index



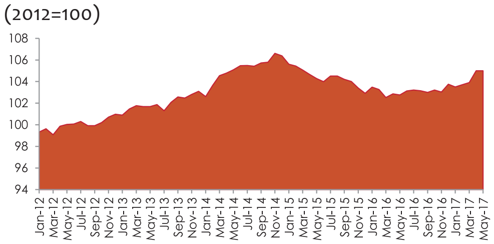
Source: The Conference Board.

- Spending is connected to levels of debt, and household debt in the U.S., as a share of GDP, has been increasing. In the fourth quarter of 2016 it rose to 79.5% from 77.9% in the same quarter of 2014. It averaged 56.4% from 1952 until 2016.

PRODUCTION

In the second quarter (April-May), industrial production increased 2.1% y/y, up from the increase of 0.6% in the previous quarter. The increase was driven by a rise of 1.0% in consumer goods. Manufacturing output rose 0.4% in the two months of the second quarter, after remaining unchanged in the previous quarter.

U.S. Industrial Production Index
(2012=100)



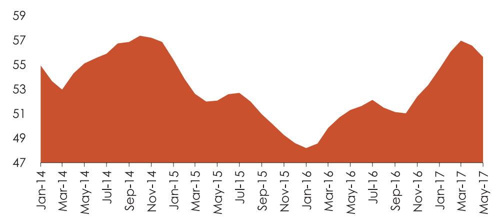
Source: Federal Reserve.

U.S. manufacturing is forecast to increase faster than the general economy. Industrial production is expected to grow 3.0% in 2017, and 2.8% in 2018. Growth is expected to slow to 2.6% in 2019.[2]

Capacity utilization for manufacturing increased 0.8% y/y in May. For the two months of the second quarter it rose 0.9% y/y, after remaining unchanged in the first quarter.

Activity in the manufacturing sector, as measured by the Purchasing Managers Index (PMI), during the first two months of the second quarter, expanded at an annual rate of 7.4%. The Index moved up as the New Orders Index increased in May 2.0%, indicating growth for the ninth consecutive month. Although the Production Index component declined in May to 57.1, it still indicated robust growth in production. Still, the average of the PMI for the two months of the second quarter (54.9) was below that of the previous quarter (57.0).

ISM Index of Manufacturing Activity



Source: Institute for Supply Management.
Note: A reading above 50 points indicates that the manufacturing economy is generally expanding, and declining when the reading falls below 50 points.

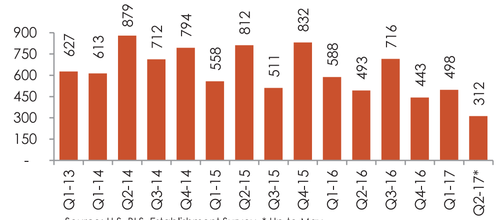
EMPLOYMENT

The job market has proved quite resilient, even as real GDP growth weakened in the first quarter and the unemployment rate sank to 4.3% in May, the lowest in nearly a decade. The April job report noted stronger employment gains compared with March and a further decline in the unemployment rate.

The U.S. economy added 312,000 new jobs in the two months of the second quarter, although not as much as in January and February of the first quarter (448,000), but way up from same period last year. The increases were in education and health services (47,000), professional and business services (38,000), leisure and hospitality (31,000), construction (11,000), and financial activities (11,000). Manufacturing, on the other hand saw a net loss of 1,000 jobs.

The unemployment rate is expected to average 4.4% this year, sliding down to 4.2% in 2018.[3]

Monthly Changes in Employment
(Seasonally Adjusted - Thousands)



Source: U.S. BLS, Establishment Survey. * Up to May.

INFLATION

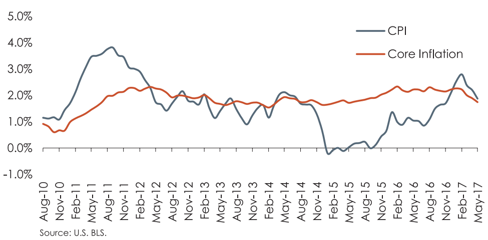
Since December of last year the general inflation rate (CPI) has been increasing, from 2.1% to 2.8% in February, but has edged down to 2.0% during the first two months of the second quarter, from 2.6% in the first quarter. In May it fell to 1.9% from 2.2% in April. Declines in energy prices are the main contributor.

Core inflation (excluding food and energy) increased but below the rate of the previous quarter, 1.8% compared to 2.2%, reflecting also moderation.

The expectations for the coming months are that it will moderate. In its communication about increasing its benchmark rate, the Fed indicated that it believes inflation will fall well short of its 2.0% target this year. That might be, but according to the Blue Chip Consensus, the CPI will average 2.3% this year and 2.2% in 2018. If the price of oil keeps declining then lower inflation could be a reality.

Annual Percent Change in CPI

(Y/y, seasonally adjusted)

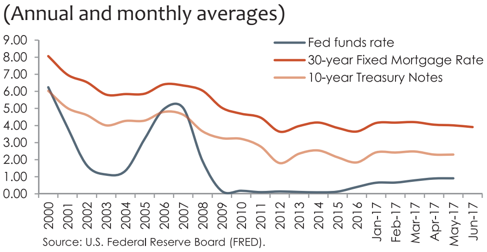


INTEREST RATES

On June 14th, as expected, the Federal Open Market Committee raised the fed funds rate to 1.25% from a rate of 0.91%.[4] It expects to raise it again to 1.5% by the end of the year, and normalize it at 2.0% in 2018, with an expected increase to 3.0% in 2019. That should raise the yield on the 10-year Treasury note, which drives up long-term interest rates, such as fixed-rate mortgages and corporate bonds.

Selected Interest Rates

(Annual and monthly averages)



On top of the rate hike, the Fed said it would start selling $4.0 trillion in Treasuries after the fed funds rate has normalized to about 2.0%. The Fed acquired these securities during quantitative easing, which ended in 2014.

U.S./GLOBAL OUTLOOK

In June the World Bank released its report on the world economy, Global Economic Prospects: A Fragile Recovery. Overall, it expects global real economic growth "will strengthen to 2.7% in 2017."

According to the report, global growth improved thanks in part to a recovery in industrial activity and global trade. Advanced economies are expected to continue to register positive growth led by the upturn in the US economy. Implementing tax cuts and the U.S. Administration's infrastructure program (much of which is still undecided) will impact growth estimates for 2018 and subsequent years, but there is a great deal of uncertainty concerning both.

Overall, the World Bank forecasts that global economic growth will strengthen in 2017 and 2018, but this positive outlook faces some headwinds. New trade restrictions could derail the projected growth in global trade. Also, as indicated in the report, persistent policy uncertainty could dampen confidence and investment, plus concerns that mounting debt and deficits in the emerging market and developing economies will have a negative impact.

For the U.S. the consensus is that its economy is expected to continue growing at a "modestly above-trend rate over the remaining three quarters of 2017 and in 2018."[5] GDP is expected to increase 2.1% this year and 2.2% in 2018.

As to energy prices, for 2017 the outlook for oil prices (West Texas Intermediate-WTI) according to the U.S. Energy Information Administration (EIA) is for an increase to $50.78/bb from $43.48/bb in 2016. That's an increase of 17.0% y/y, compared to the decrease of 11.0% in 2016. The price is still way below its average high of $99.60/bb in 2008. Since August of last year petroleum prices have been moving up an average of 24.1%. The OPEC output agreement, which officially started last November, plus the rising demand for gasoline in the U.S. have contributed to the increase.

By 2018, the WTI price, according to the EIA, is expected to increase at a modest 5.6% below the forecast of last month of $55.10/bb. Worldwide, the World Bank in its June 2017 report forecasts an increase in price (Average of Brent, Dubai, and WTI) of 23.8% for this year, slowing to 5.7% in 2018 and 5.4% in 2019.

Thus, we should expect additional increases in energy prices in the coming months, but at lower rates of increase. Also, crude and gasoline inventories in the U.S. have an impact on world oil output, as the output cuts by major world oil producers have not drained the global glut by much so far. In addition, forecasts of U.S. crude production continue on the rise, according to the U.S. Energy Information Administration, which would translate into downward pressures on world prices. U.S. shale production weights importantly in the outlook on oil prices.

World Economic Growth: Historic and Outlook

2014 - 2019

	2014	2015	2016e
World GDP	2.8%	2.7%	2.4%
Developed economies	1.9%	2.1%	1.7%
Euro Zone	1.2%	2.0%	1.8%
U.S.	2.4%	2.6%	1.6%
Developing economies	4.3%	3.6%	3.5%
China	7.3%	6.9%	6.7%
Latin America & Caribbean	0.9%	-0.8%	-1.4%
Brazil	0.5%	-3.8%	-3.6%
Costa Rica	3.7%	4.7%	4.3%
Dominican Republic	7.6%	7.0%	6.6%
Jamaica	0.7%	1.0%	1.4%
Mexico	2.3%	2.6%	2.3%
Panama	6.1%	5.8%	4.9%
Puerto Rico*	-1.8%	-0.7%	-1.1%

	Forecasts		
	2017f	2018f	2019f
World GDP	2.7%	2.9%	2.9%
Developed economies	1.9%	1.8%	1.7%
Euro Zone	1.7%	1.5%	1.5%
U.S.	2.1%	2.2%	1.9%
Developing economies	4.1%	4.5%	4.7%
China	6.5%	6.3%	6.3%
Latin America & Caribbean	0.8%	2.1%	2.5%
Brazil	0.3%	1.8%	2.1%
Costa Rica	3.8%	3.6%	3.5%
Dominican Republic	5.3%	5.0%	4.8%
Jamaica	2.0%	2.1%	2.3%
Mexico	1.8%	2.2%	2.5%
Panama	5.2%	5.4%	5.8%
Puerto Rico*	-1.8%	-4.0%	-4.1%

Sources: The World Bank (2017). Global Economic Prospects (June), pp. 4 ,118; P.R. Planning Board (March 2017); Estudios Técnicos, Inc. (March 2017). * GNP and fiscal year. Data for 2016 is preliminary. f = Forecast e = Estimate

Notes:

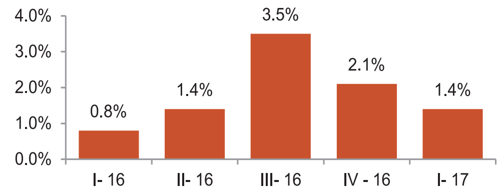
1. Wolters Kluwer (2017). Blue Chip Economic Indicators, 42:6 (June), pp. 2 and 5.
2. Manufacturing used to be a larger component of the U.S. economy. In 1970, it was 24.3% of U.S. GDP, double what it is today. The biggest reason is a shift to a service-based economy. In 2016, only 21.5% of the corporate profits of domestic industries (with inventory valuation and capital consumption adjustments) were originated in the manufacturing sector.
3. Blue Chip Economic Indicators (June 2017), pp. 2-3.
4. The fed funds rate controls short-term interest rates. These include banks' prime rate, the LIBOR, most adjustable-rate and interest-only loans, and credit card rates.
5. Blue Chip Economic Indicators (June 2017), p. 2.

United States
Economic Indicators

GDP

	II- 16	III- 16	IV - 16	I- 17
GDP (% Change From Preceding Period)	1.4	3.5	2.1	1.4
Private Consumption	4.3	3	3.5	1.1
Fixed Investment	-1.1	0.1	2.9	11
Residential	-7.7	-4.1	9.6	13
Non-Residential	1	1.4	0.9	10.4
Government Spending	-1.7	0.8	0.2	-0.9
Exports	1.8	10	-4.5	7
Imports	0.2	2.2	9	4

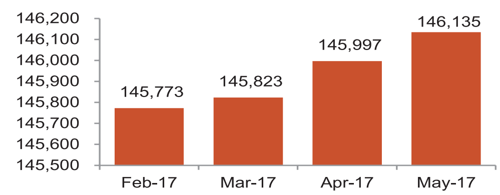
Gross Domestic Product
(% Change From Preceding Period)



Employment

	Feb-17	Mar-17	Apr-17	May-17
Employees on Non-Farm Payrolls (SA)				
(Thousands)	145,773	145,823	145,997	146,135
Change (%)	0.2%	0.0%	0.1%	0.1%
Goods Producing	19,933	19,950	19,969	19,985
Change (%)	0.4%	0.1%	0.1%	0.1%
Service Industries	125,840	125,873	126,028	126,150
Change (%)	0.1%	0.0%	0.1%	0.1%

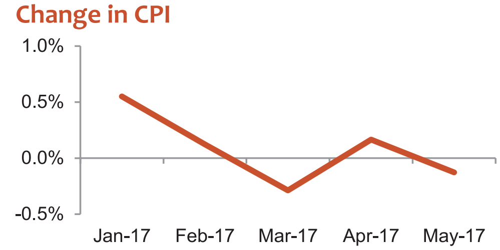
Employees on Non-Farm Payrolls
(In thousands)



Consumer Price Index

	Feb-17	Mar-17	Apr-17	May-17
CPI - All Urban Consumers (1984=100)				
Change from preceeding month	0.1%	-0.3%	0.2%	-0.1%
Change from preceeding year	2.8%	2.4%	2.2%	1.9%
CPI - Less Food and Energy				
Change from preceeding month	0.2%	-0.1%	0.1%	0.1%
Change from preceeding year	2.2%	2.0%	1.9%	1.7%

Change in CPI



Interest Rates

	Mar-17	Apr-17	May-17	Jun-17
Effective Federal Funds	0.8	0.9	0.9	1.0
Three Month Treasury Bill (Constant Maturity Rate)	0.74	0.80	0.89	0.98
Prime Rate	3.88	4.00	4.00	4.13
Ten Year Treasury Bond	2.48	2.3	2.3	2.19
Moody's Seasoned Aaa Rate	4.01	3.87	3.85	
30-Year Conventional Mortgage Rate	4.20	4.05	4.01	3.90

Selected Interest Rates
(3month T Bills)