

This blog analyzes the latest macroeconomic data to answer two key questions of public interest: first, whether Puerto Rico is in a recession, and second, whether this slowdown is due to a cyclical downturn or structural stagnation.

Puerto Rico's Recent Macroeconomic Performance: Cyclical Downturn, Structural Stagnation, or Both?

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WHAT IS A RECESSION?

Globally, the general rule of thumb is that an economy has entered a recession when real gross domestic product—in Puerto Rico's case gross national product (GNP)—registers two consecutive quarters of negative growth.



WHAT DOES PUERTO RICO'S LATEST MACROECONOMIC DATA SHOW?

The Economic Activity Index (EAI), which gauges the state of the economy as a proxy for real GNP, registered its third consecutive quarter of negative growth in Q2 2026.

DOES THIS MEAN THAT PUERTO RICO IS IN A RECESSION?

Accepting the general rule of thumb as legitimate, then we can say that Puerto Rico's economy is confronting a recession. This answer, however, focuses on short-term economic cycles and assumes that Puerto Rico's economy was growing, only to be interrupted by a temporary downturn.

WAS PUERTO RICO'S ECONOMY GROWING BEFORE LATE 2025?

A deep analysis of the EAI's movement in recent years reveals that Puerto Rico's economic activity has been stagnant since late 2023. So, in this sense, the quarterly downturn being observed could indicate a transition from a phase of stagnation to one of active contraction, rather than simply a cyclical recession. Therefore, claims of a cyclical recession overstate recent economic growth while understating the possibility of a return to the structural decay of the past two decades.

WHAT ARE THE IMPLICATIONS OF THIS SCENARIO FOR THE REST OF THE DECADE?

If the economy resumes growth at a steady 2.5% pace today, then Puerto Rico would reach full economic recovery (to its peak level from 2005) by 2035. Nonetheless, there is little evidence that the economy will soon return to such a steady pace. Each year of stagnation or contraction pushes the recovery further into the future, at the cost of significant foregone prosperity and human well-being.