

PUERTO RICO'S ECONOMY Q1 2021 AND WHAT TO EXPECT

Presented by: Inteligencia Económica

Presented to: Chamber of Commerce



April 8, 2021

CONTENTS



2020 WRAP-UP AND
Q1 2021



THE NEW NORMAL: 2021
TRENDS AND EXPECTATIONS



WHAT TO EXPECT

THE WORLD ECONOMY CONTRACTS -3.5% IN 2020

US cases top 30.9 M – Fourth Wave

PR with 144K cases

30 day high

702,199 people with at least one dose

397,988 people COMPLETED

15.2% eligible population vaccinated

(real GDP, annual percent change)	2020 Estimate	2021	2022
World Output	-3.3%	6.0%	4.4%
Advanced Economies	-4.7%	5.1%	3.6%
United States	-3.5%	6.4%	3.5%
Euro Area	-6.6%	4.4%	3.8%
Emerging Markets and Developing economies	-2.2%	6.7%	5.0%
China	2.3%	8.4%	5.6%
India	-8.0%	12.5%	6.9%
Russia	-3.1%	3.8%	3.8%
Latin America and Caribbean	-7.0%	4.6%	3.1%

Source: IMF, Latest World Economic Outlook Growth Projections, Updated April 2021

US ECONOMY IS EXPECTED TO GROW BETWEEN 4.1% TO 8% IN 2021

Up to \$4.4 trillion disbursed by the US government

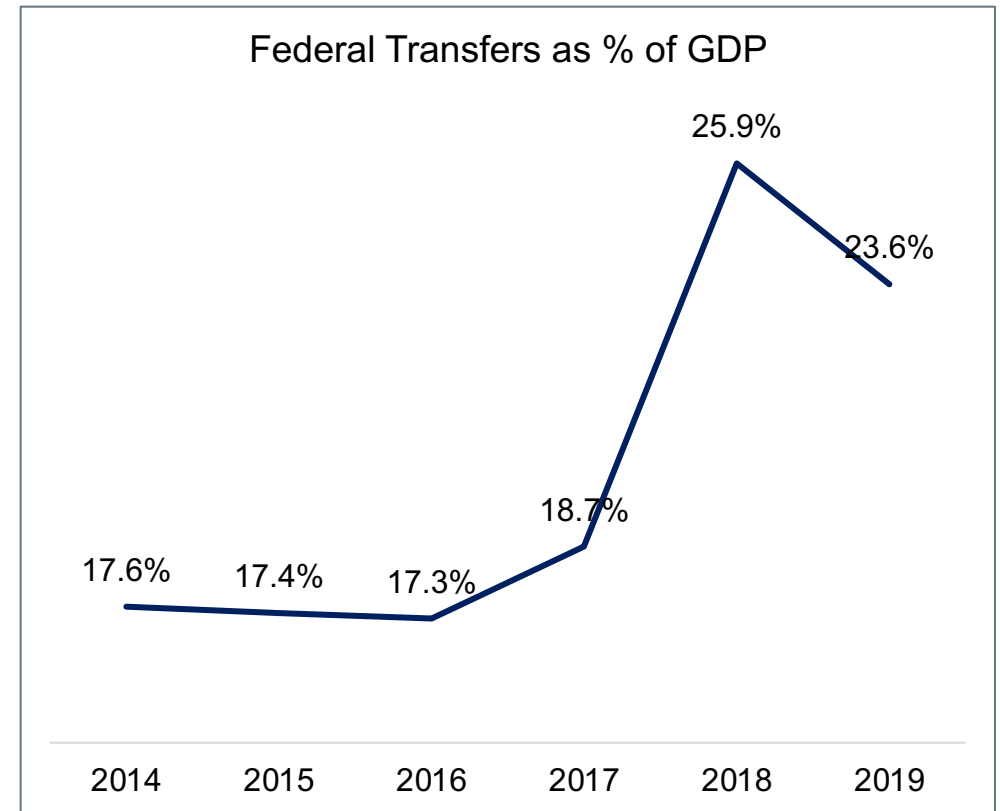
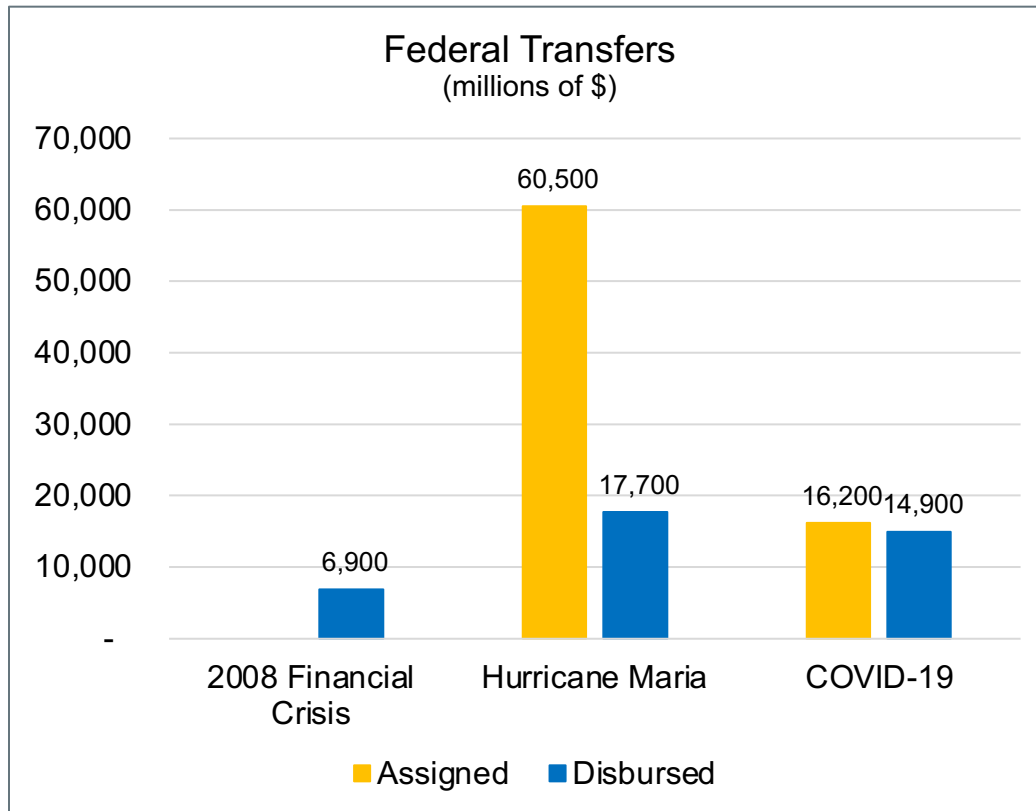
Represents 20.6% of GDP

- Economic growth in the first quarter could hit 10%, according to a Federal Reserve tracker.
- Manufacturing is at its highest level since 2018, with prices rising and inventories choked.
- Employment remains the main weak spot, though some encouraging signs are emerging.

Recap of stimulus & relief packages:

- 1. March 2020 \$8.3 billion**
 - Money to local government to fight the spread.
- 2. March 18, 2020: Families First Act - \$3.4 billion**
 - \$1 billion in additional unemployment expansion
- 3. March 27, 2020: CARES Act - \$2.3 trillion**
 - \$1,200 individuals + \$500 per child
 - Pandemic Unemployment Assistance (PUA) expanded to \$600
 - Payroll Protection Program Loans (PPP)
 - \$2 billion for Puerto Rico
- 4. December 2020: \$900 billion stimulus**
 - \$600 per person checks
 - Pandemic Unemployment Assistance (PUA) expanded to \$300
 - \$325 billion in small businesses and PPP forgiveness loans
- 5. March 2021: The American Rescue Plan - \$1.9 trillion**
 - Not discussing the minimum wage
 - \$1,400 checks to individuals
 - Child Tax Credit
 - PUA expanded to \$300 a week to September 6, 2021

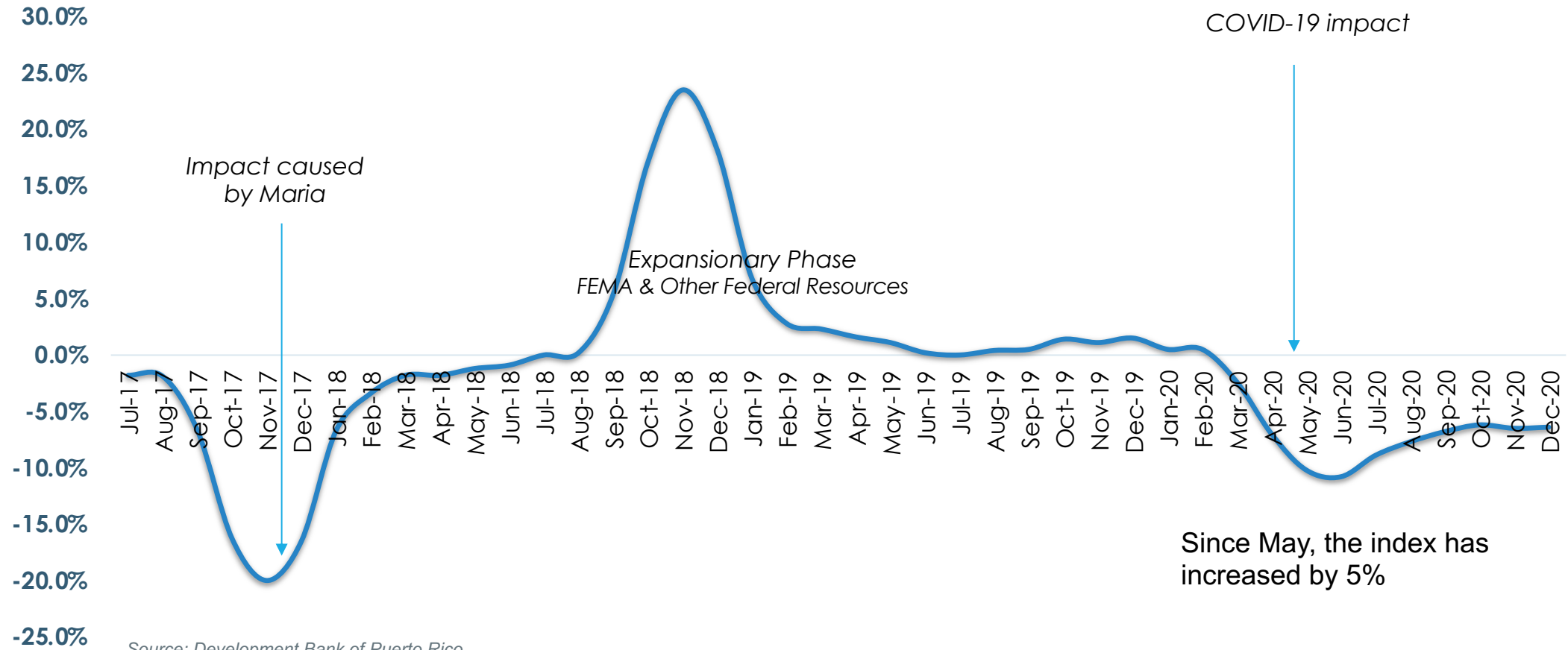
PUERTO RICO HAS RECEIVED \$32.6 BILLION IN THE PAST THREE YEARS IN FEDERAL TRANSFERS



YEAR-END TOTALS

	2019	2020	Δ
Economic Activity Index	123.5	115.2	-6.0%
Non-Farm Payroll	882.2	824.5	-6.4%
Gasoline Consumption (millions of gallons)	923.7	804.5	-12.9%
Cement Sales (1,000's of bags)	13,526.6	13,941.6	3%
Electricity Consumption (mmkWh)	18,886	18,774	-0.6%
New & Used Housing Units Sold	11,176	10,369	-7.2%
Retail Sales	\$30,620,790,543	\$29,883,892,083	-2.4%
Hotel Registrations	2,267,431	982,327	-56.6%
New Car Sales	106,624	95,019	-10.8%
Commercial Bank Deposits (millions)	\$59,597	\$75,685	27%

THE ECONOMIC ACTIVITY INDEX CLOSED IN NEGATIVE TERRAIN IN 2020 BUT EXPANDED 5% FROM MAY TO DECEMBER



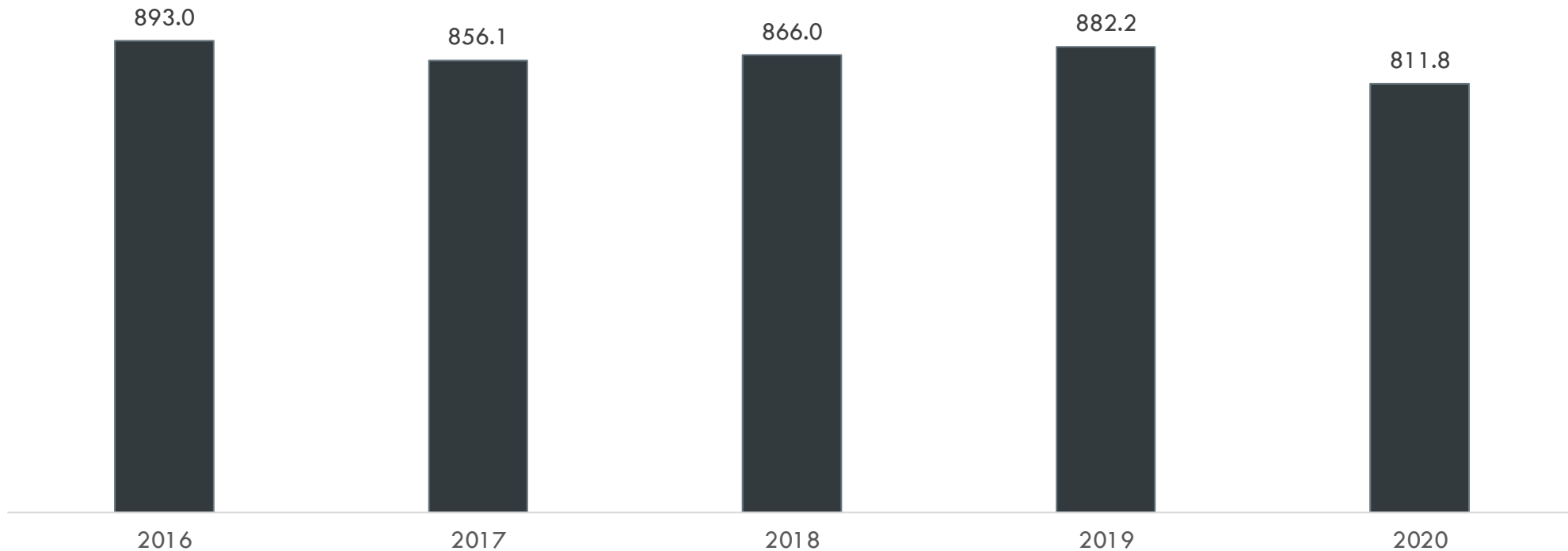
Source: Development Bank of Puerto Rico

DEMOGRAPHIC CHANGES

	2000	2010	2019
Population	3,808,610	3,722,133	3,193,694
Housing Units	1,261,816	1,319,448	1,170,982
Median age	32.1	36.9	43.1
Median household income	\$14,412	\$18,862	\$20,474
Households recipients of Soc Sec	33.8%	41.2%	45.0%
Median income on SS	\$7,359	\$10,955	\$13,152
Households recipients of pensión	10.7%	13.2%	17.1%
Median income pensión	\$12,505	\$12,820	\$16,463
Income per capita	\$8,185	\$10,762	\$13,345
Households under poverty line	48.2%	45.0%	43.5%

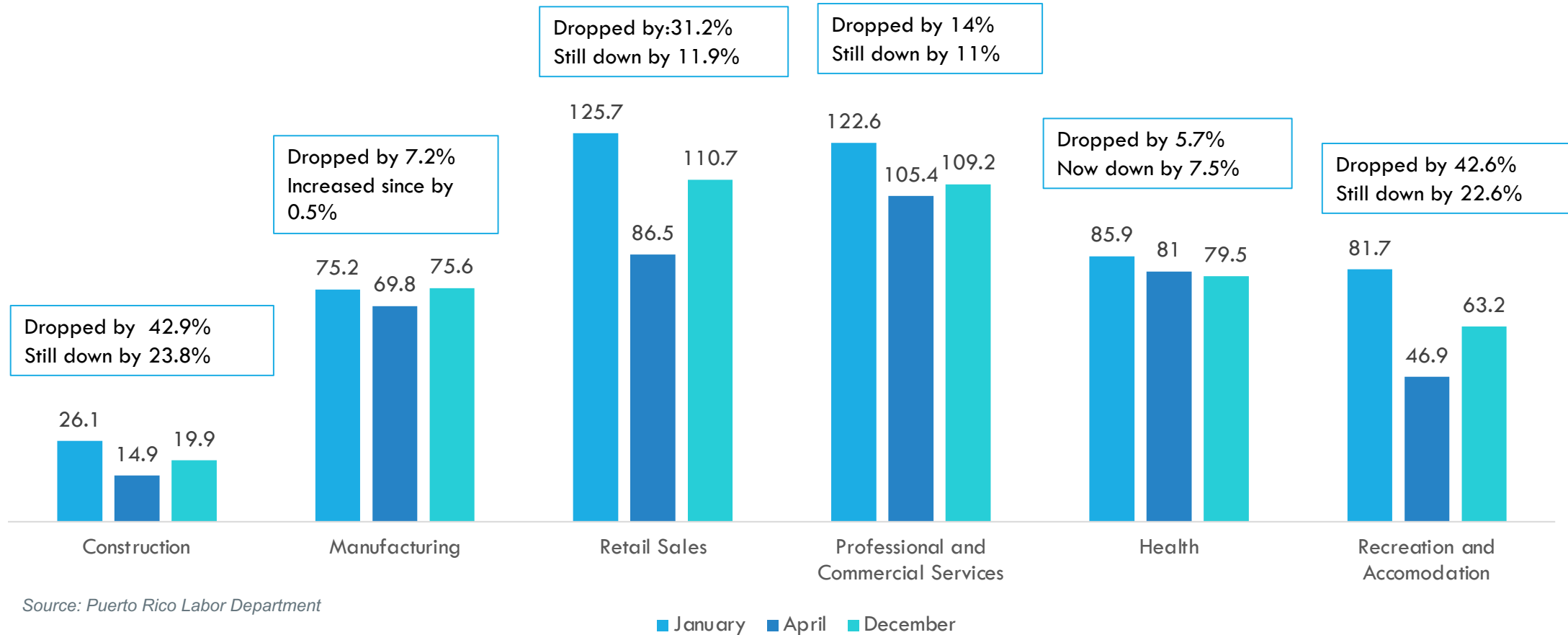
NON-FARM PAYROLL DOWN 8%, JOB LOSS OF 71,000

December Non-Farm Payroll (thousands)



107,000 jobs lost in April. 36,000 recovered since. Employment still down 71,000.

Pandemic Effect on Employment has been Unevenly Distributed



Source: Puerto Rico Labor Department

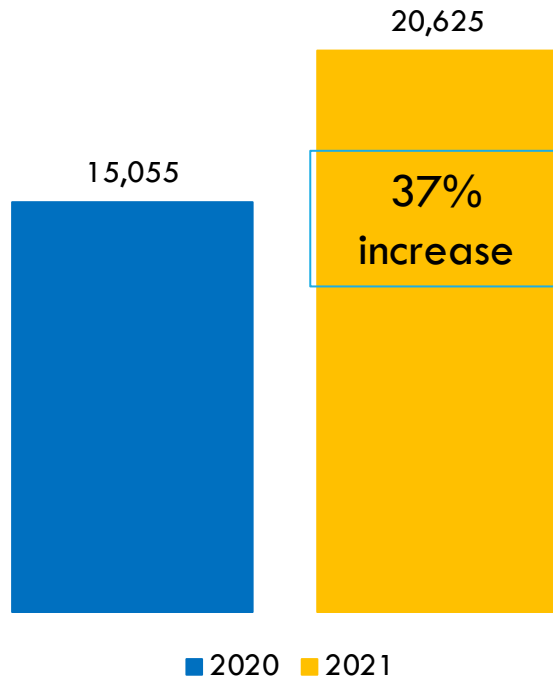
RETAIL SALES BREAKDOWN

Category	2019	2020	Change
New and Used Vehicle Sales	\$5,518,098,665	\$5,186,707,718	-6%
Furniture Stores	\$642,772,357	\$719,592,795	12.0%
Supermarkets	\$3,333,680,988	\$3,682,652,181	10.5%
Pharmacies	\$2,028,303,289	\$2,459,245,998	21.2%
Gas Stations	\$1,846,055,901	\$1,463,839,046	-20.7%
Clothing Stores	\$1,027,236,100	\$734,154,100	-28.5%
Hardware and Home Improvement	\$910,692,058	\$986,614,347	8.3%
Department Stores	\$9,844,558,621	\$9,803,690,257	-0.4%
Restaurants	\$1,996,105,979	\$1,598,941,721	-19.9%
Total	\$30,620,790,543	\$29,883,892,083	-2.4%

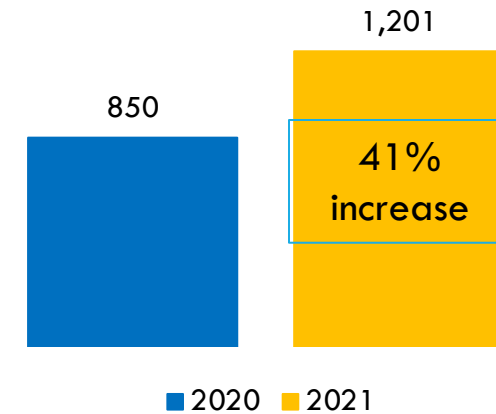
Source: Comercio y Exportación

2021 OFF TO POSITIVE START

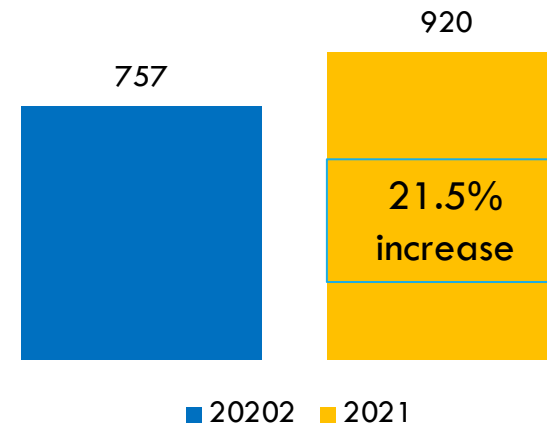
New Car Sales (January and February)



Cement Sales (January)

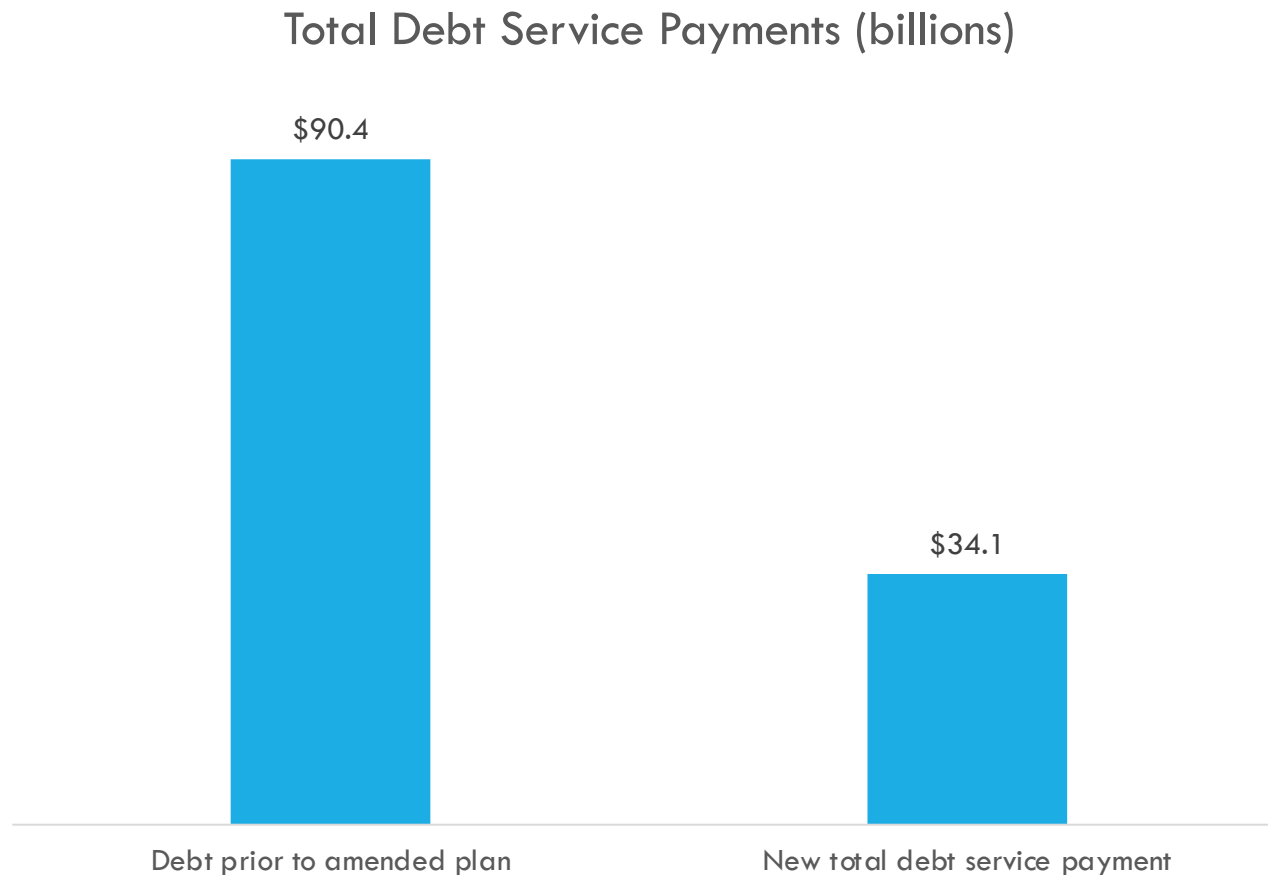


New and Used Housing Sales (January)



Source: GUIA, Puerto Rico Economic Development Bank, OCIF

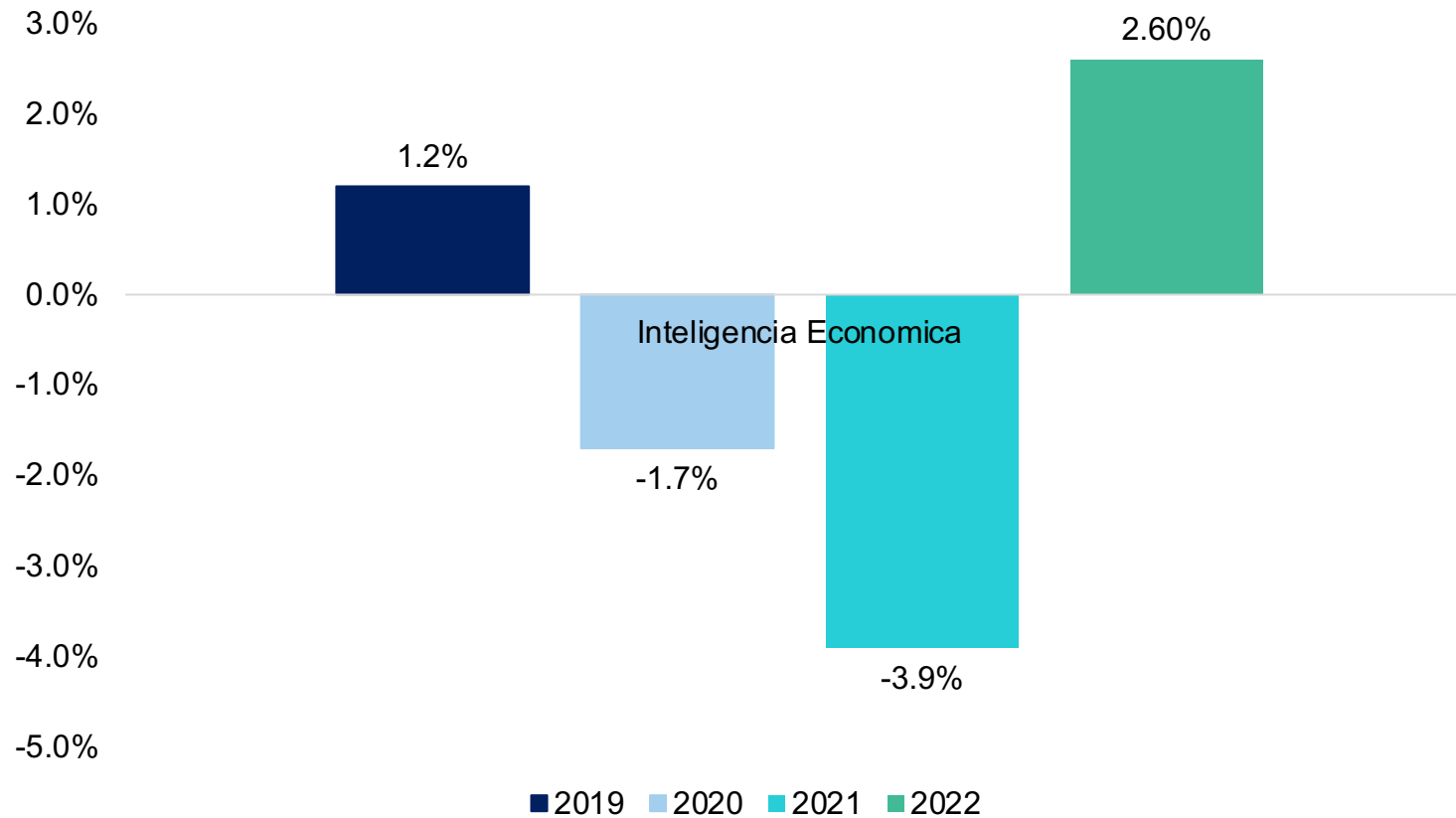
NEW ADJUSTMENT PLAN REDUCES TOTAL DEBT SERVICE BY 62%



- The latest Adjustment Plan presented by the FOMB shows several reductions to the government's debt.
- Aside from total debt service being reduced, the maximum yearly payment went from \$4.2 billion to \$1.15 billion.
- This plan has been agreed to by creditors representing over 70% of all claims.

Source: FOMB

INTELIGENCIA ECONÓMICA: ECONOMIC GROWTH PROJECTIONS



- Growth in 2021-2022 will depend on
 - Vaccine rollout
 - Consumer confidence
 - Federal Stimulus packages

CHALLENGES 2021

Proposed federal legislation to increase the minimum wage up to \$15 was taken off the table, but discussions are ongoing for an increase.

Recently approved increase in energy costs. This 4.7% increase comes after the Bureau of Energy called for an external audit of PREPA's costs.

Increases in fuel costs and containers lead to increases in land and sea shipping worldwide.

Strategic Alliances with



EmPRendedores

TV show on

El Vocero

EconomiaPR On the Go Business Intelligence App

'On the Go' is a phrase used to identify when someone is on a busy schedule. We understand our users routine and want to help. That's why we developed an app within Microsoft's Power BI application. Find all our reports by industry, with the latest analysis available and educational videos from anywhere in your mobile device and tablet. Here's how to get started:

- Send us your Power BI License E mail*
- Download the Power BI APP on the app store & Sign In
- Find us in the APP Section on the menu label

* Power BI Pro license is required to access the APP, if you or your organization do not have an active Power BI Pro License, please contact us. Your Premium subscription to EconomiaPR Economic Intelligence Platform may include a license.

Lunes en Pulso Económico
con Gustavo Vélez, Economista

Temas:
Posible segundo estímulo federal deben ayudar a la economía en el 2021.
El comienzo de la vacunación contra el Covid-19.

Pulso Económico

Radio Show WKAQ