



INVEST PUERTO RICO

Quarterly Report

APRIL – JUNE 2020

Invest Puerto Rico Quarterly Report

April – June 2020

For the quarter ending in June 2020, the global COVID-19 pandemic continues to have a drastic impact on the world economy. According to the IMF, the baseline forecast envisions a 5.2% contraction in global GDP in 2020. Since the beginning of the crisis, the U.S. economy has lost over 20 million jobs and according to the United Nations, global investment has been cut by as much as 40%. In this challenging panorama, Invest Puerto Rico (InvestPR) has continued its hard work to attract investment and economic development to the Island, with leads and engagements in the pipeline increasing 32% during the quarter.

InvestPR recognizes that now is the time to focus on reshoring bioscience companies to the Island. Because of COVID-19 pressures, the sector globally is ready to reshore and Puerto Rico is ready to perform immediately. To that end, the Business Development team participated in the BIO Digital 2020, the virtual edition of the BIO International Convention, during June, holding 31 virtual meetings and subsequent follow-ups. Also, InvestPR hosted two webinars to present the reshoring efforts and bioscience opportunities on the Island, with over 325 attendees in total, including pharmaceutical companies, site selectors, and other industry leaders.

Also, during this quarter the U.S. Department of Transportation granted a waiver to allow foreign air carriers to provide certain expanded cargo and passenger transfer services at Puerto Rico's international airports over a two-year term. This waiver follows years of advocacy in Washington, D.C. from Puerto Rico government officials to establish this type of hub as a tool for economic development. The new regulations making Puerto Rico a transshipment hub represent opportunities to improve market conditions and a competitive advantage for existing businesses and industry on the island and to attract new companies and investment to take advantage of this unique status. This includes the International Financial Entities sector, which could benefit from increased trade financing due to the waiver. InvestPR is working together with industry partners as the lead of a working group to explore ways to best leverage this opportunity.

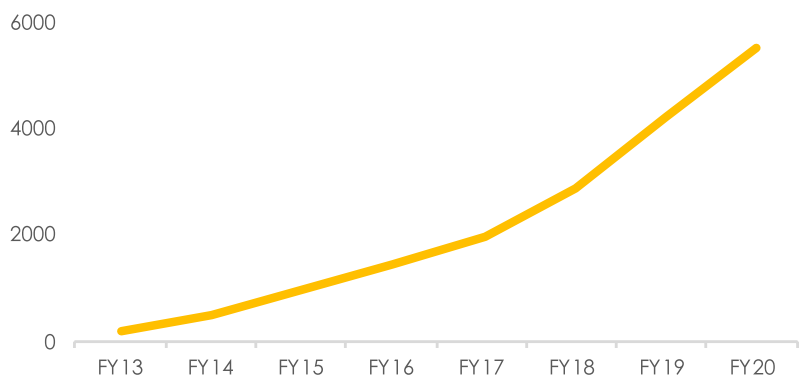
Because of this, the strong push for bioscience company reshoring was only a part of what was reflected in the number of company leads and opportunities that InvestPR met with during the quarter. Even with travel restrictions, InvestPR staff conducted 63 site visits and on-island meetings with clients in the logistics, financial services, and food and beverage industries. Carrying this momentum

Puerto Rico has a large, diversified economy. Although it has been a manufacturing hub for decades, other sectors in the knowledge service economy are emerging strong and growing.

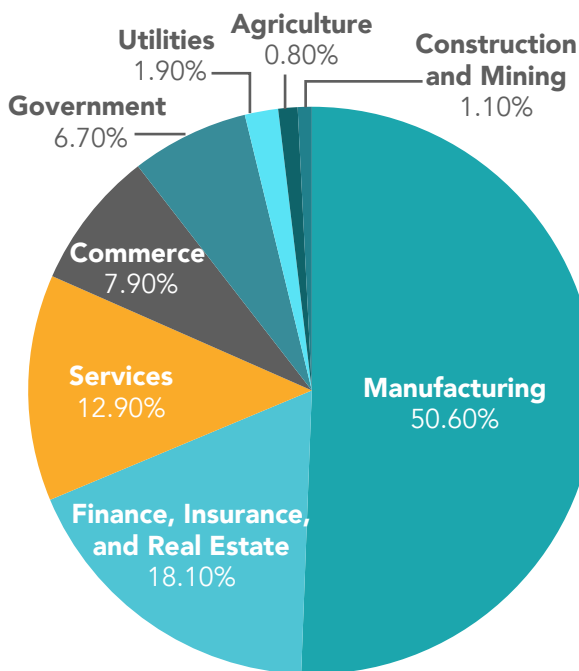
into the new fiscal year, InvestPR expects to continue to maximize the renewed interest in Puerto Rico by reaching and communicating the Island’s value proposition to as many industry leaders and decision-makers as possible.

Interest in investing and establishing business in Puerto Rico continues to rise. Total holders of the Export Services and Individual Investor decrees from the Department of Economic Development and Commerce has steadily increased since the incentives were launched in 2012, rising 32% year-over-year in FY20.

Total Export Service and Individual Investor Decree Holders



Source: DEDC, Estudios Técnicos



Source: P.R. Planning Board

EXPORTS VALUE: \$63.7 billion
IMPORTS VALUE: \$49.4 billion
GNP: \$71 billion
GDP: \$105 billion
GDP PER CAPITA: <\$32k

Profile	
Total Population	~3,200,000
Square Miles	3,515 (9,104 sq. km)

Source: U.S. Census Bureau

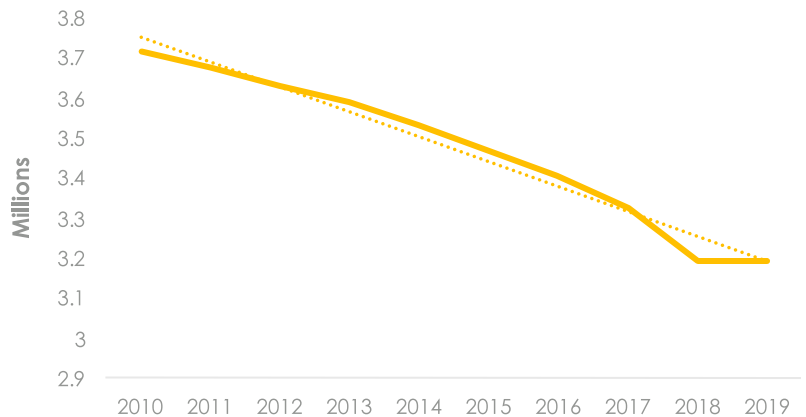
Economy	
Job Growth (FY19)	2.6%
Unemployment Rate (Dec. 2019)	8.5%
Jobs (Dec. 2019)	975,000
Annual Mean Wages (May 2019)	\$29,670

Source: U.S. Census Bureau, U.S. Bureau of Labor Statistics, Puerto Rico Department of Labor and Human Resources

Select Puerto Rico Economic Indicators

Going into 2020, many of Puerto Rico's economic indicators were trending positive or holding steady, signaling that the deep recessionary impact of the devastating 2017 hurricane season had been leveled off. The population has plateaued after a long period of decline, and the economic activity index and total exports show slight upticks. While the positive signs for Puerto Rico were welcome in the new year, the global impact of the COVID-19 pandemic has thrown any predictions or trends off-kilter. Not even the most seasoned economic experts can foresee how the long-term effects of this pandemic will change the very nature of the worldwide and local economies.

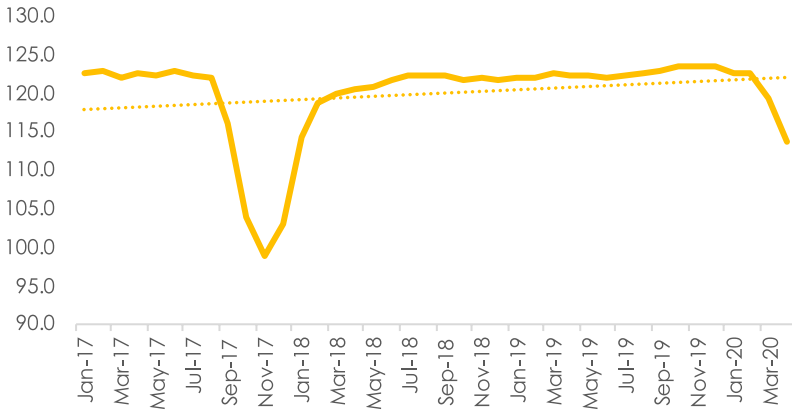
Total Population



Source: P.R. Planning Board

According to the U.S. Census Bureau, the population increased slightly (less than 1%) from 2018 to 2019, the first time that happened in more than a decade. The accumulated population losses since the peak in 2004 were mainly due to the economic crisis, culminating with a loss of 3.9% between 2017 and 2018 due to Hurricanes Irma and María (September 2017) that caused a population exodus. The stabilization in 2019 is heartening and may indicate the beginnings of a population plateau.

Economic Activity Index



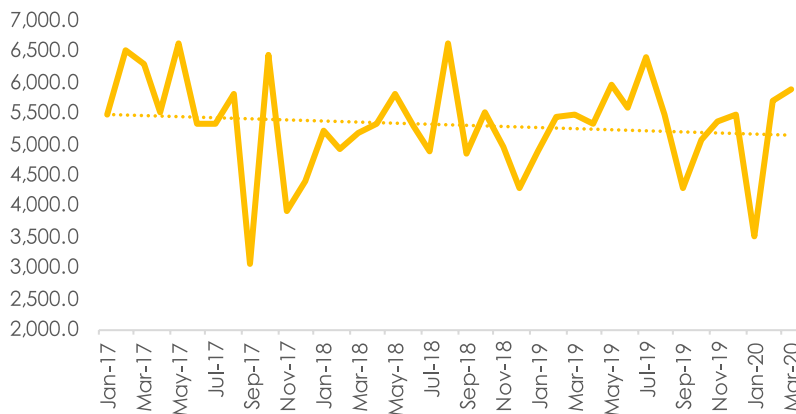
The Economic Activity Index (EAI) is an indicator of general economic activity. It includes non-farm employment, cement sales, gasoline consumption, and energy demand. On an annualized basis, it tracks to the levels of real GNP and helps measure month-to-month changes in Puerto Rico’s economy.

The EAI through April 2020 decreased by 7.0% on a year-over-year basis and 4.6% compared to the prior month when the COVID-19 quarantines started on the Island. The index had recovered to pre-devastating 2017 hurricane season levels going into the early part of 2020.

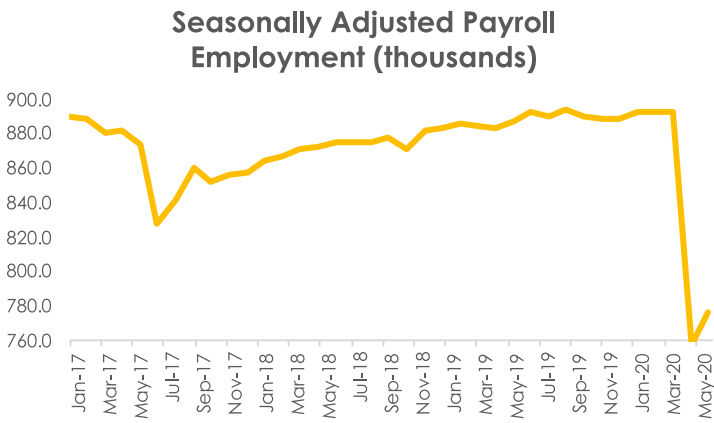
Source: Economic Development Bank (EDB), through April 2020

Total exports have increased to pre-hurricane levels, which offer a positive sign that the manufacturing sector continues to be resilient and strong going into 2020. However, positive March numbers do not necessarily reflect the COVID-19 impact.

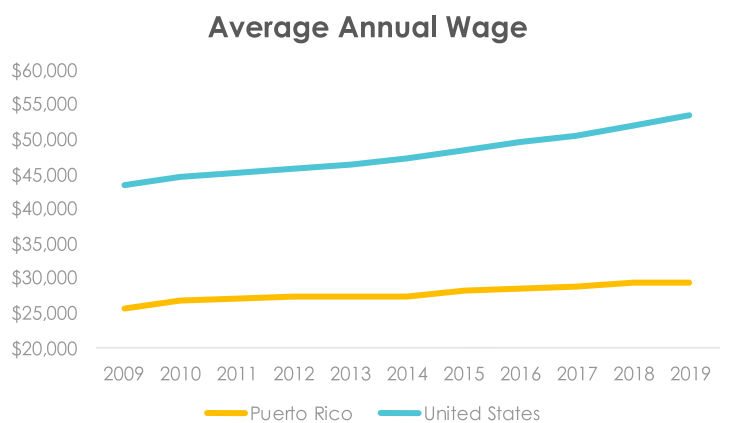
Total Exports (in millions of US\$)



Source: Puerto Rico Planning Board, through March 2020



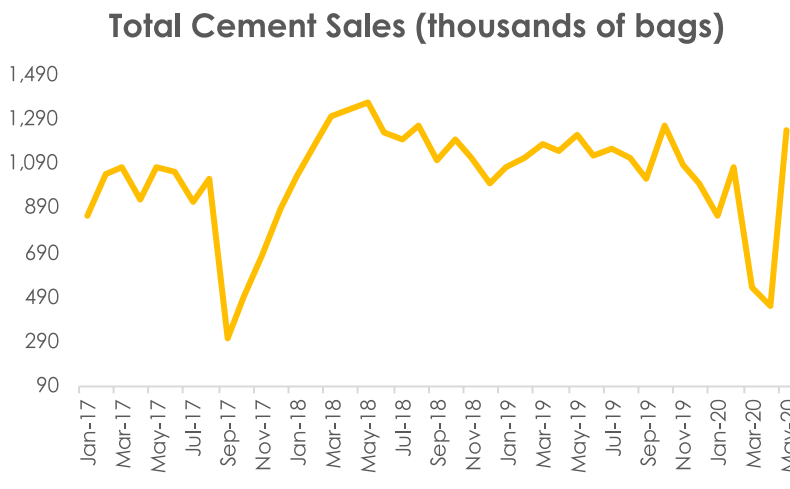
Source: Department of Labor, through May 2020



Source: U.S. Bureau of Labor Statistics, May 2019

Total payroll employment (seasonally adjusted) decreased dramatically in this quarter due to shutdown losses from COVID-19. This comes after steady growth and plateau of employment after Hurricane María. A slight rebound in May might signal recovery of employment as the local quarantine eases.

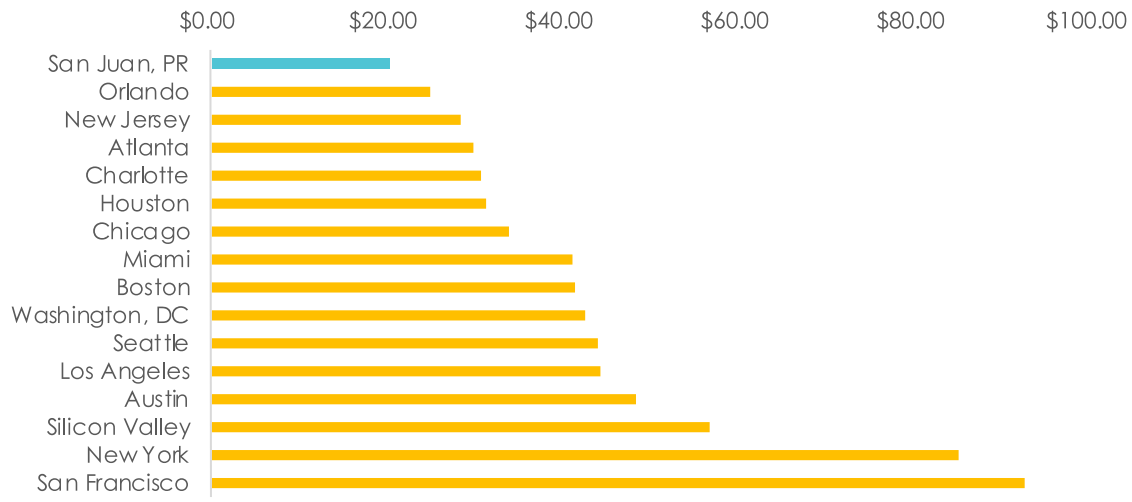
Average annual wages in Puerto Rico, while rising, continue to be considerably lower when compared to U.S. mainland states across all occupational categories. For 2019, workers on the island were paid an average of 55% the wages of workers in the continental U.S. (\$29,670/year compared to \$53,490/year). This wage gap has widened by about 5% since 2010.



Source: CEMEX Puerto Rico & Argos Puerto Rico, through May 2020

Cement sales for June 2020 skyrocketed to 1.6 million bags (96-lbs/each), the highest monthly tally in seven years. The large increase is likely due to both the pent-up demand from the earthquakes in January, as well as the cessation of the construction activity due to COVID-19 quarantines in March and April.

Class A Office Space – Average Rents – \$PSF



Source: JLL Market Research Services, Dec. 2019

The San Juan office market is the third-largest in the Caribbean, after Panama and Costa Rica, and the twelfth largest in Latin America. Average rents for Class A Office Space (which represents a majority of the commercial market) are highly favorable when compared to other metropolises across the U.S. Particularly when considering the quality of life, cost of living, market access, and other amenities. Comparable rents in Miami are double San Juan, and in San Francisco, they are 4.5x higher.

Post-María federal fund disbursements continue to be around 30% of the total appropriated by Congress. A bulk of the funds paid out thus far have been reimbursements through FEMA's Public Assistance program, which provides grants to state agencies, municipalities, and non-profits so that communities can quickly respond to and recover from major disasters. Longer-term assistance, which will ideally help with building resiliency, has been slower to be funded by federal agencies, namely Housing and Urban Development (HUD) through its Community Development Block Grant – Disaster Recovery program (CDBG-DR). While almost \$20B has been appropriated, only a fraction has been disbursed as of the end of June 2020.

\$49,754,228,287

Total: Funding appropriated by Congress for Puerto Rico recovery efforts

\$25,251,287,291

Obligated: Allocated funding that has been committed by Federal Agencies for distribution

\$16,331,122,079

Disbursed: Obligated funding that has been distributed to recipients and agencies

Source: COR3, through June 2020



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