



La Cámara de Comercio de
Puerto Rico presenta



CEO DAY EVENT

Comercio al Detal

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Walgreens Puerto Rico

Walgreens



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Puerto Rico's economic trends

Retail Industry outlook

Economic scenarios 2022



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KEY POINTS ENTERING 2022



- After almost 2 years of pandemic, Puerto Rico's economy still hasn't recovered to pre-pandemic levels.
- New omicron variant has derailed global recovery. Growth is expected at 4%.
- PR is operating in a third economic bubble backed by federal transfers.
- Between 2021-2022, total federal funds represented 50% of GNP.
- Inflation, labor shortages and supply chain pressions will continue through the first half of 2022.

Global economic growth revised down - to be 4% in 2022

US Fully Vaccinated: 65.9%

PR Fully Vaccinated: 82%

COVID-19 shifts into an endemic
Policy implementation by the
government

GDP % change	2020*	2021*	2022
Global Trends	-3.1%	5.9%	4.9%
Developed economies	-4.5%	5.2%	4.5%
United States	-3.4%	6.0%	5.2%
Euro Area	-6.3%	5%	4.3%
Emerging markets and developing economies	-2.1%	6.4%	5.1%
China	2.3%	8%	5.6%
India	-7.3%	9.5%	8.5%
Russia	-3%	4.7%	2.9%
Latin America and the Caribbean	-7.0%	6.3%	3%

Source: IMF, World Economic Outlook October 2021

THE CORONAVIRUS CRISIS

Fauci says COVID-19 won't go away like smallpox, but will more likely become endemic

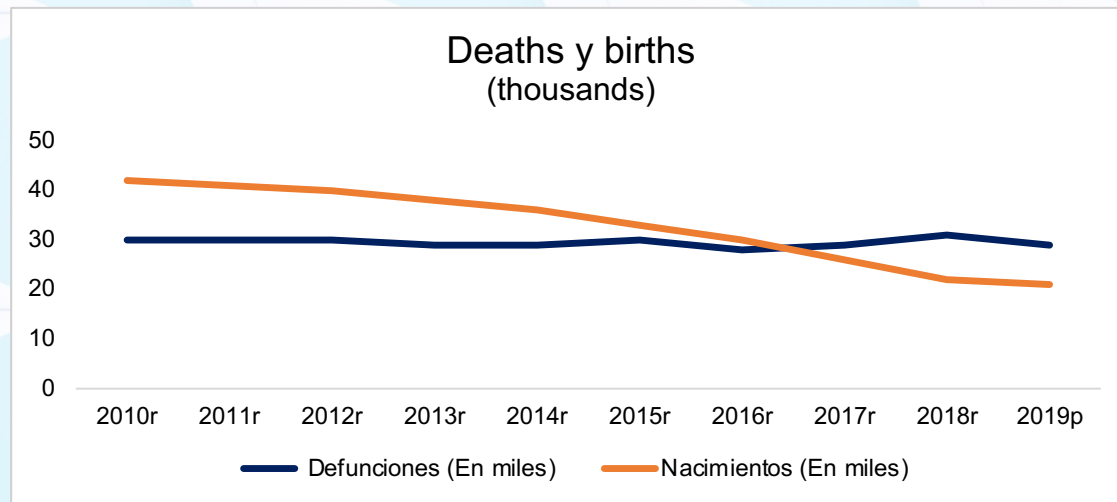
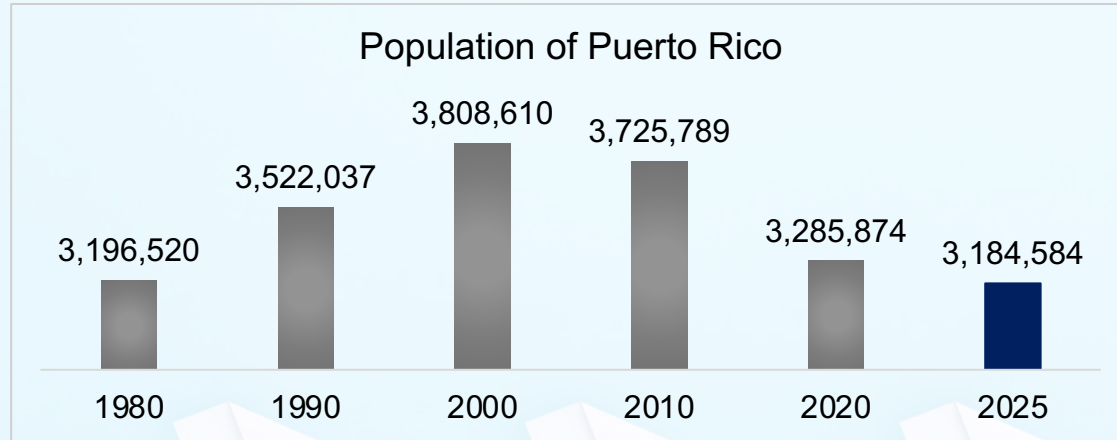
January 18, 2022 · 12:19 PM ET

SCOTT NEUMAN



DEMOGRAPHIC CHALLENGES

Smaller population – same as 1980
An aging and less economically independent population



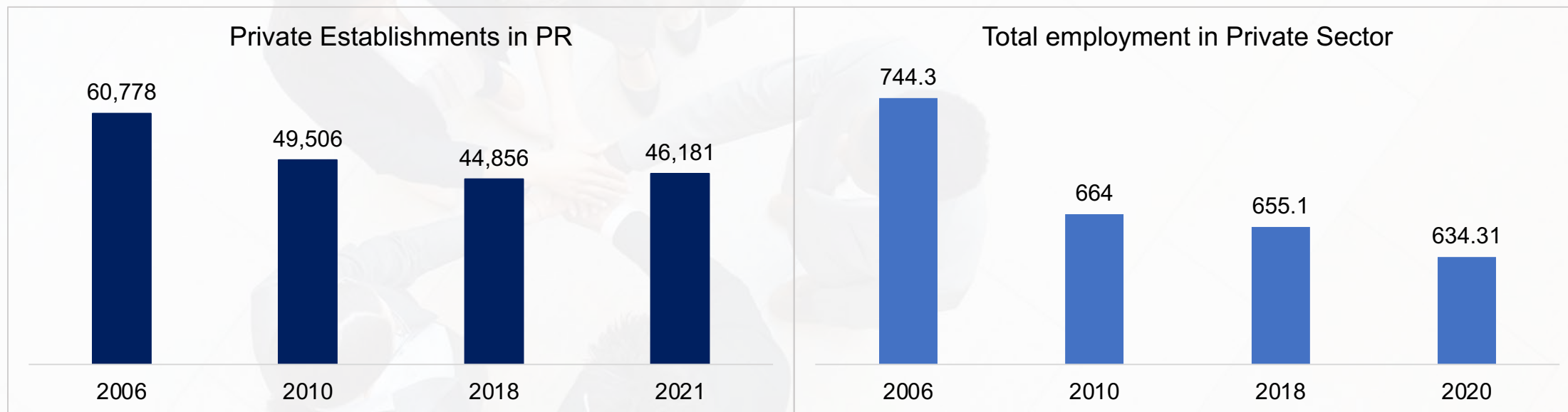
Source: Statistical Appendix 2020

Description	2010	2020	Δ
Population	3,808,610	3,280,000	-13.9%
Population over 65 years	14.3%	20.7%	6.4
Population 18-65 years	59.8%	59.2%	-0.6
Population under 18 years	23.6%	17.5%	-6.1
Median Age	32.1	42.8	33.3%
Median income	\$18,862	\$20,474	8.5%
Total Households	1,636,946	1,598,159	-2.4%
% Household receive Social Security	41.2%	45.0%	3.8
% Household receive NAP	36.7%	43.2%	6.5
% Income dependent from government transfers	38.9%	45.5%	6.6

Source: US Census Bureau – some data from 2019

The private sector...

*In 2006 we had over 60,000 private establishments, in 2021 there were only 46,000.
The private sector represents 76% of total employment.*



Source: BLS

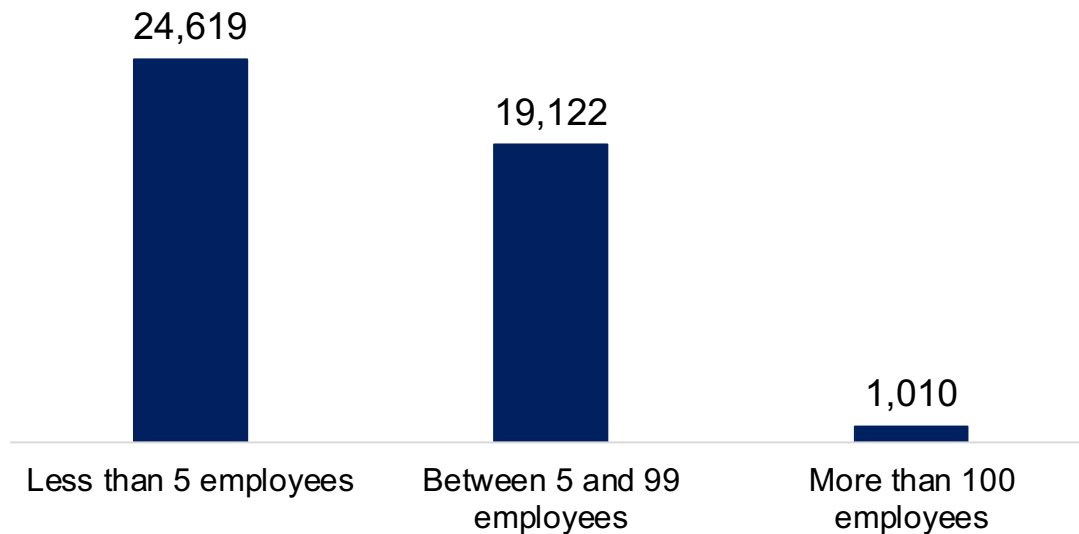
Source: Mercado Laboral

- In 2020 and 2021, establishments depended heavily on different government programs like the Payroll Protection Program and SBA loans.
- Private employment represent 78% of total employment.

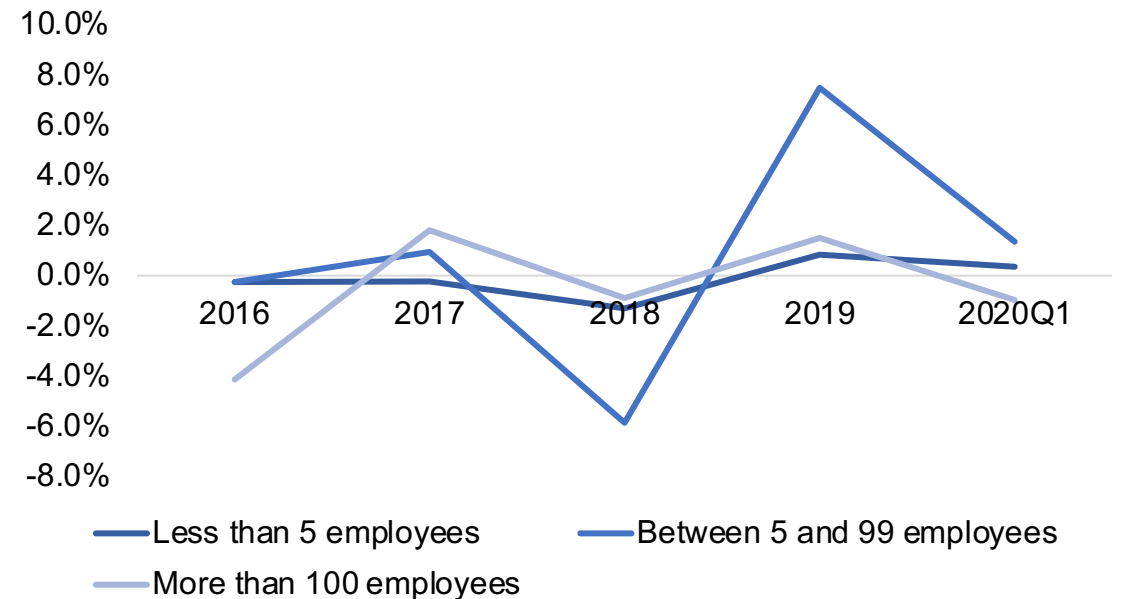
Small establishments make up 55% of total establishments

Medium size establishments gain market share

Establishments in Q42020 by size



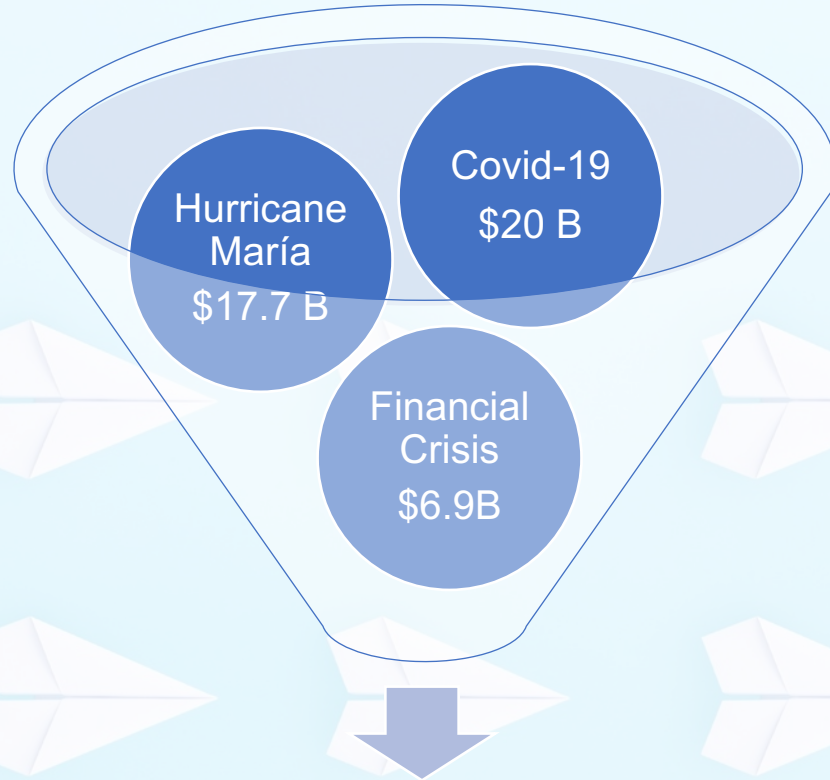
Year over Year Change in establishments



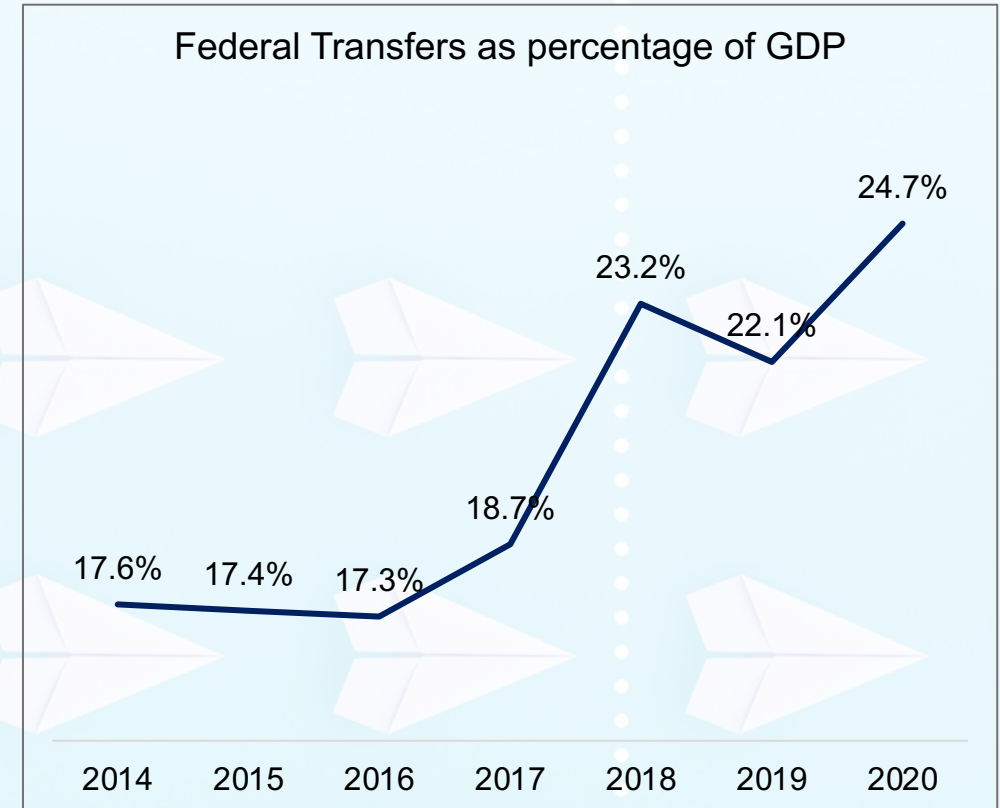
- Most (55%) establishments on the island have fewer than 5 employees. The only category to show significant growth in the past 5 years has been medium sized establishments, which grew 7.5% in 2019.

FEDERAL TRANSFERS WERE OVER 20% OF GDP

Puerto Rico has received over \$44.6 billion in the past 10 years



\$44 Billion



Source; COR3, Governor's Statistical Appendix

TOWARDS POST-PANDEMIC NEW NORMAL

Hybrid work models.
Work is no longer tied to geography.

Corporate tourism disappears and is replaced by the perfect alternative: videoconferencing.

Technology becomes part of your home.

Firms that do not invest in technology disappear. Agility is key.

Personal **data** management is a more sensitive subject. People will pay for data management services.

Employment will go down drastically. High unemployment will no longer be tied to economic crisis.

E-commerce consolidates its hold on retail. This creates pressure on malls and traditional retail.

Personal consumption patterns undergo drastic changes. New forms of commerce lead to an increase in savings.

THE PANDEMIC ACCELERATES THE DIGITAL REVOLUTION

Retail Sales: During the pandemic, online sales made up 35% of all retail sales.

Supermarkets: According to MIDA's Consumer Profile, 79% of consumers shopped for groceries online.

Digital payments: According to EVERTEC data, digital payments went up by 400%.

Social Media: The pandemic consolidated social media's role as marketing and advertising channels. A pandemic survey in the US determined that 43% of consumers used Instagram more and 63% used YouTube more.

AI: According to a Microsoft study, the use of AI allows for 49% greater customization of services or products.

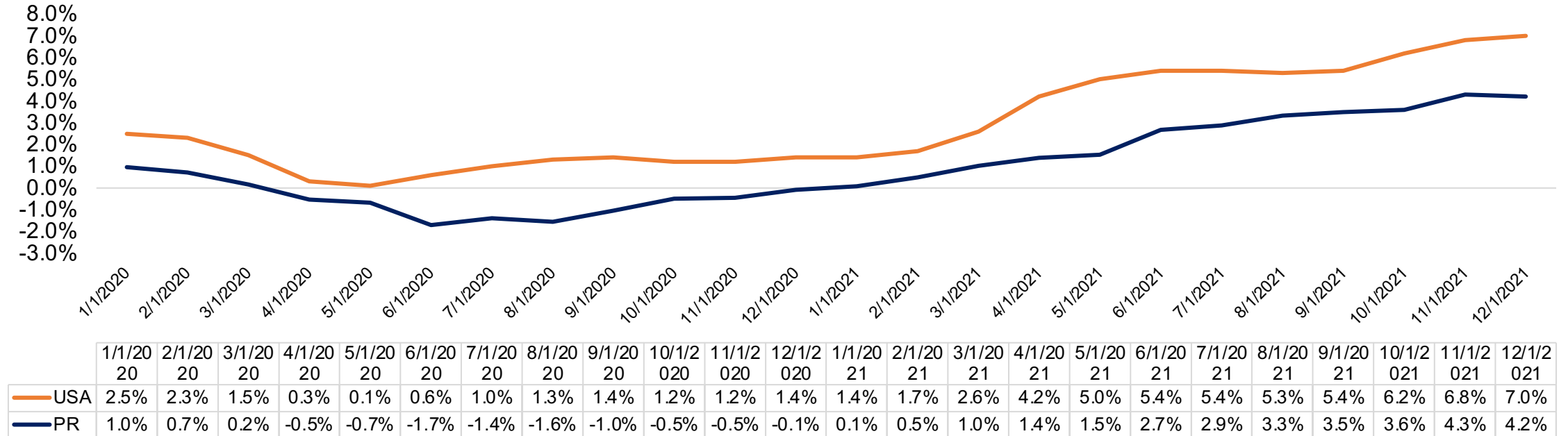
The economic impact of the pandemic and the “new normal” for 2022



PRICES GO UP IN THE US AND PUERTO RICO

THE US IS EXPECTED TO CLOSE DECEMBER 2022 AT 2.6 WHILE IN PUERTO RICO 1.6

Consumer Price Index in the US and PR
Year over Year % Change



Central bankers expect inflation will fall to 2.6 percent by the end of 2022 and 2.3 percent by the end of 2023, according to projections released at the Fed's policy meeting in December.

In Puerto Rico:

2022 Calendar Year: 2.9% (estimate)

2021 Fiscal Year: 1.2%

2022 Fiscal Year: 3.6% (estimate)

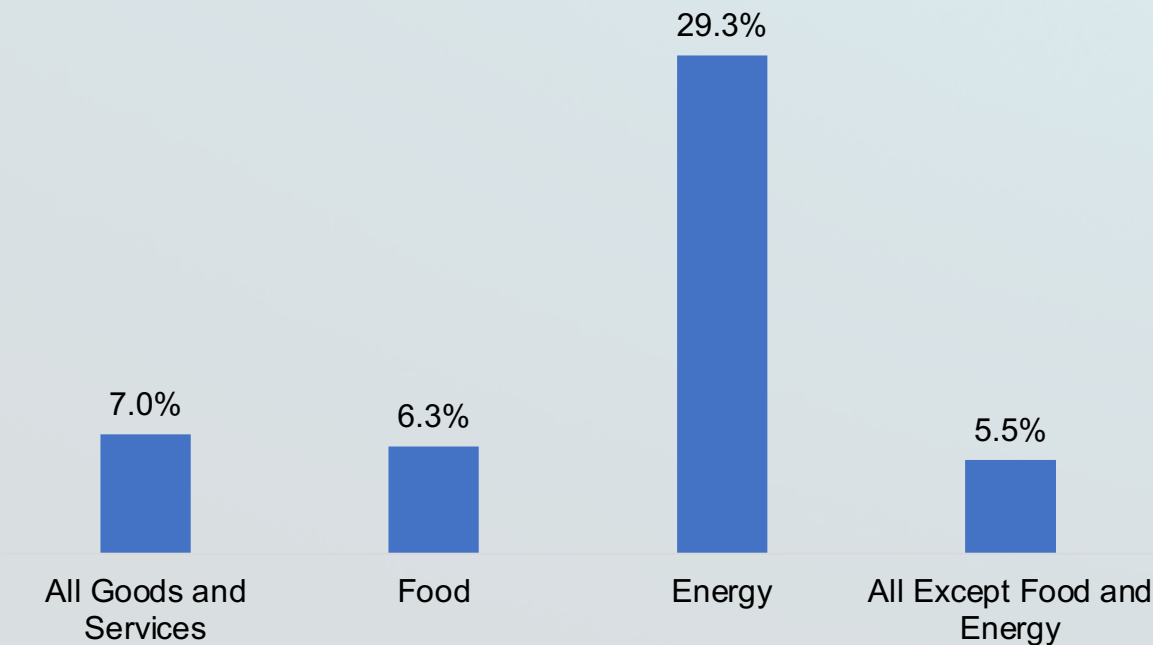
2023 Fiscal Year: 1.8% (estimate)

INFLATION BY CATEGORY

FUEL AND FOOD DRIVE INCREASE IN PRICES

United States: December

Year over year change in CPI



Source: BLS

Puerto Rico: December

Category	Inflation
All items	4.2
Food and Beverages	5.6
Food	6.0
Food at home	6.2
Foods away from home	5.5
Housing	2.0
Lodging away from home	26.2
Apparel	-0.1
Men's and boy's	1.3
Women's and girl's	-0.3
Footwear	-1.6
Transportation	10.3
Motor Fuel	48.1
Medical Care	0.4
Recreation	2.1
Education and Communication	1.4

Source: Mercado Laboral

Employment remains -2.4% below March 2020

Employment is 3.5% above December 2020

Category	March 2020	December 2020	December 2021
Total Nonfarm Payroll	887.3	837.3	866.2
Construction	27.8	27.4	30.0
Manufacturing	76.0	76.3	79.6
Retail Trade	124.9	121.8	123.3
Information	18.7	14.7	14.8
Professional Services	124.4	117.0	120.6
Education	33.0	27.9	31.5
Health	86.1	80.8	81.9
Recreation and Leisure	80.5	70.5	80.0

Source: Department of Labor

Different reasons for an unstable labor market include increasing wages and younger workers entering the market part time while older employees retire earlier.

CEO Day Event

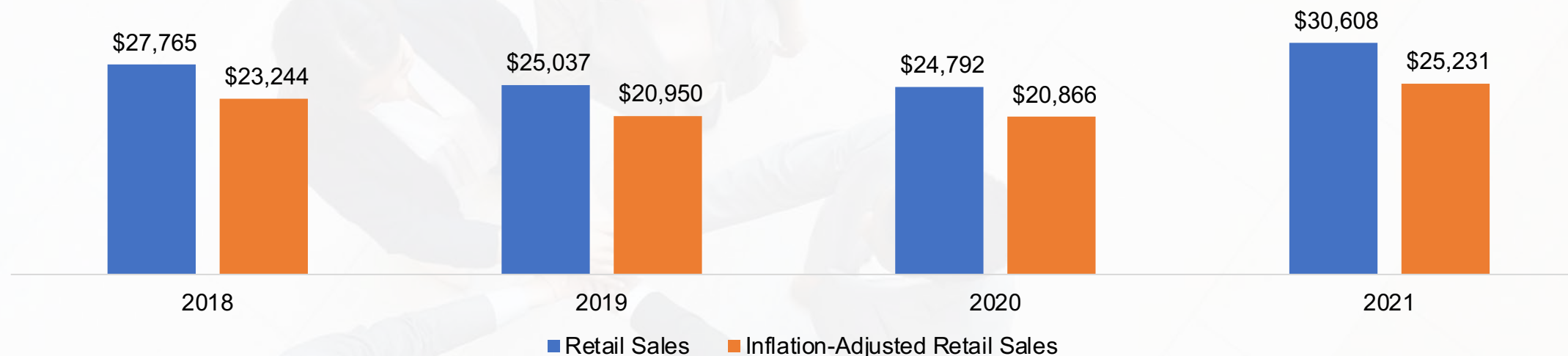
Retail Trends 2021-2022



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RETAIL SALES 23.5% ABOVE 2020

Total Retail Sales
(January-October, millions of \$)



Source: Puerto Rico Economic Development Department

- Retail sales up to the month of October are 23.5% higher than in 2020.
- Even when adjusting for inflation, sales are still 20% higher than in 2020 or 2019.

INCREASES IN SALES SEEN ACROSS ALL MAJOR CATEGORIES

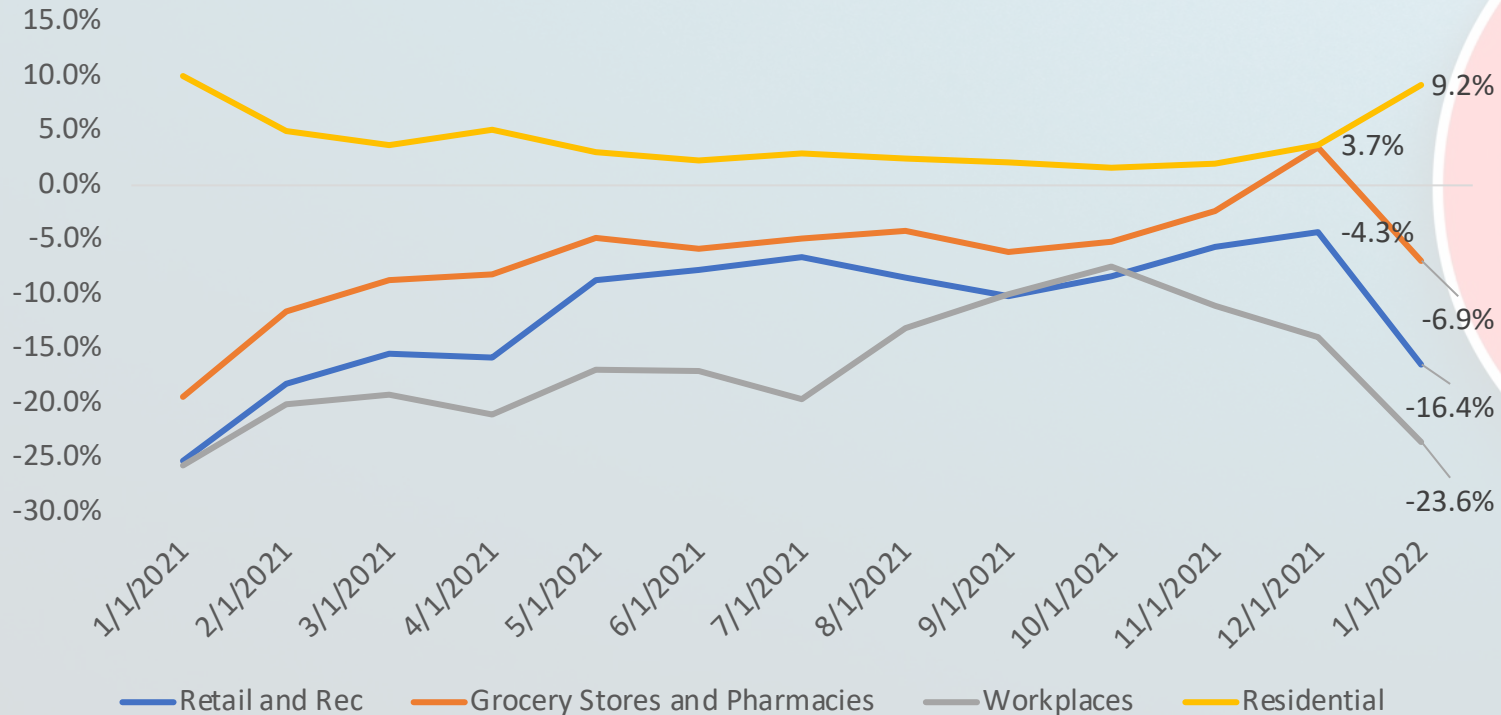
ALL MAJOR RETAIL SALES CATEGORIES HAVE SEEN INCREASES OF AT LEAST 20%.

January-October Sales (millions of \$)	2019	2020	2021	2020-2021 Growth
Electronic Article Stores	\$585	\$841	\$1,022	21.6%
Hardware Stores	\$763	\$783	\$1,086	38.6%
Supermarkets	\$2,756	\$3,724	\$3,917	5.2%
Pharmacies	\$1,682	\$1,861	\$1,916	3.0%
Gas Stations & Convenience Stores	\$1,499	\$1,292	\$1,636	26.6%
Department Stores	\$8,000	\$8,442	\$10,248	21.4%
Total Retail Sales	\$25,037	\$24,792	\$30,608	23.5%

Source: Puerto Rico Economic Development Department

GOOGLE MOBILITY REPORT SHOWS OMICRON IMPACT

Change in Mobility



Source: Puerto Rico Economic Development Department

- Google has collected mobility data from mobile users that compares visits to different spaces with pre-pandemic 2019 totals.
- After months of movement towards pre-pandemic levels of mobility in Puerto Rico, there has been a large decrease in visits to retail spaces in January.
- These numbers are similar to those seen pre-vaccination.
- People are spending less time at work and shopping and more time at home.

US RETAIL SALES SHOW INCREASE IN ONLINE SALES

Sales in millions of \$ (January-November)	2019	2020	2021	Growth 2020-2021
Non-Store Retail	\$695,943	\$845,208	\$968,840	14.6%
Total Retail	\$5,661,582	\$5,663,581	\$6,775,631	19.6%
Inflation-adjusted Retail Sales	\$2,216,482	\$2,189,386	\$2,507,689	14.5%

- Retail Sales in the US have grown less than in Puerto Rico. The impact of federal stimulus is much greater in PR than in the US.
- Non-store (online) sales have grown by 39% compared to 2019.
- Even adjusted for inflation, sales have still gone up 14.5% compared to 2020.

GAME CHANGING POLICIES

- **Child Tax Credit:** guardians of children under 6 years of age will be able to receive \$3,600 per child, while those between 6 and 17 years of age will receive \$3,000. In subsequent years, the benefit returns to \$2,000 for each dependent under 17 years of age.
- **Earned Income Tax Credit:** low- to moderate-income workers and families get a tax break. If you qualify, you can use the credit to reduce the taxes you owe – and maybe increase your refund.
- **Infrastructure Bill and Recovery and Reconstruction Funds**
- FEMA organized 7,084 projects (representing over \$19 billion) for permanent work from Hurricane Maria.
- There are over 337 completed, about 559 projects under construction, over 1,900 in engineering and design, and 89 in construction auctions.
- In 2022, there are 2,000 projects projected to be in the construction stage and/or in construction auctions for the electrical system (replacement of poles and road lights, substation repairs), water and sewage systems, repair of schools and hospitals, repair of roads and bridges, repair of public and industrial buildings and repair of recreation facilities and sports facilities.



- Inflation surge could push the Fed into more than four **rate hikes** this year.
- **Inflation** is expected to continue through the first half of 2022
- Instability in the **labor market** – wage increases, employee shortages
- **Inventory shortages** – supply chain issues continue

Puerto Rico

- The Debt Adjustment Plan
- PREPA's debt will be restructured this year
- Labor and tax Reform





2022 is
Critical for
the Retail
Store...



Ver video en: <https://youtu.be/RYertZBf2S0>



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