

Puerto Rico Economic Analysis Report 2012-2013

**Commonwealth of Puerto Rico
Department of Labor and Human Resources
Bureau of Labor Statistics**



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I. Overview of the Economy¹

A. Results for 2012

In FY2012, the Puerto Rico economy increased in real terms, by 0.9% after a fall of 1.5% in FY 2011. This slight improvement in FY 2012 is a result of the growth showed in all components of the Gross National Product (GNP) in real terms¹. The real personal consumption expenditure, principal component of the gross national product, registered an increase of 5.9% in FY 2012 and 2% in FY 2011.

At current prices, the personal income increased by 0.6% and 1.3%, respectively in FY 2012.

Table 1
Gross National Product-current prices
(million dollars - fiscal year)

Indicator	2009r	2010r	2011r	2012p	Change					
					Absolute			Percentage		
					2010-2009	2011- 2010	2012- 2011	2010-2009	2011- 2010	2012- 2011
Gross Domestic Product	\$98,385.6	\$98,381.3	\$100,195.8	\$101,034.2	-\$4.3	\$1,814.5	\$838.4	1.9%	1.7%	3.0%
Gross National Product	\$63,617.9	\$64,294.6	\$65,567.0	\$66,415.0	\$676.7	\$1,272.4	\$848.0	0.7%	1.7%	3.6%
Personal Income	\$59,031.2	\$59,983.2	\$61,587.7	\$62,327.0	\$952.0	\$1,604.5	\$739.3	1.6%	0.8%	0.6%
Personal Consumption Expenditure	\$55,122.1	\$56,783.8	\$58,145.9	\$60,698.3	\$1,661.7	\$1,362.1	\$2,552.4	2.9%	3.0%	3.7%

r - revised figures
p - preliminary figures

Source: Puerto Rico Planning Board.

Table 2
Gross National Product-constant prices
(million dollars - fiscal years)

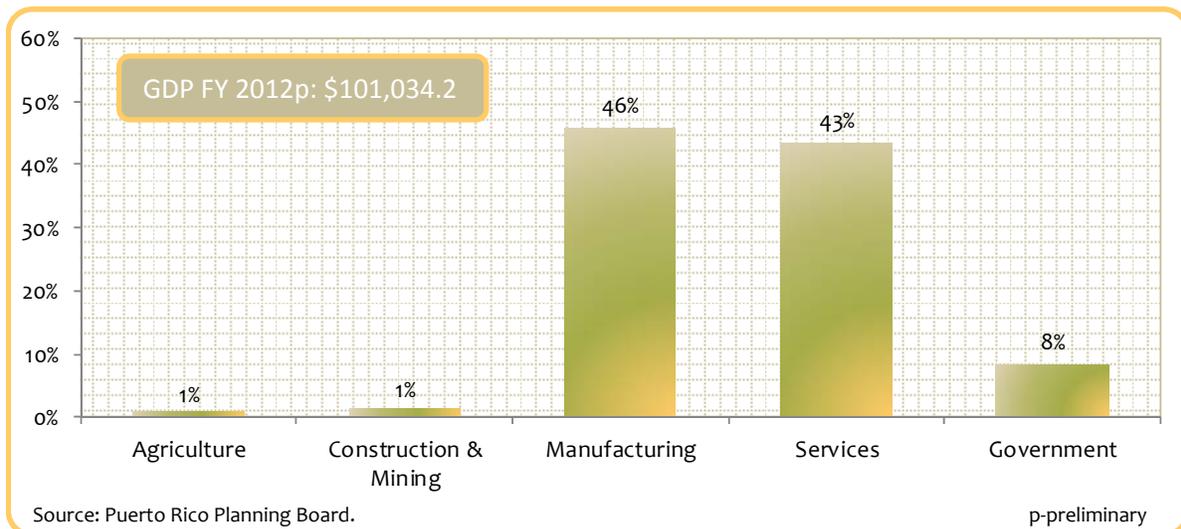
Indicator	2009r	2010r	2011r	2012p	Change					
					Absolute			Percentage		
					2010-2009	2011- 2010	2012- 2011	2010-2009	2011- 2010	2012- 2011
Gross Domestic Product	\$10,671.4	\$10,627.3	\$10,599.7	\$10,654.4	-\$44.1	-\$27.6	\$54.7	-0.9%	-0.1%	2.0%
Gross National Product	\$6,784.2	\$6,541.8	\$6,437.2	\$6,442.0	-\$242.4	-\$104.6	\$4.8	-3.4%	-1.5%	0.9%
Personal Income	\$9,951.6	\$9,958.3	\$10,052.0	\$9,991.3	\$6.7	\$93.7	-\$60.7	-0.2%	-0.6%	-1.2%
Personal Consumption Expenditure	\$9,292.6	\$9,427.1	\$9,490.2	\$9,773.5	\$134.5	\$63.1	\$283.3	1.2%	1.5%	1.8%

r - revised figures
p - preliminary figures

Source: Puerto Rico Planning Board.

The dominant sectors of the Puerto Rico's economy in, terms of production and income, are manufacturing and services. The manufacturing sector has undergone fundamental changes over the years as a result of increased emphasis on higher-wage, high-technology industries, such as pharmaceuticals, biotechnology, computers, microprocessors, professional and scientific instruments, and certain high technology machinery and equipment. The service sector plays a major role in the economy. It ranks second to manufacturing in its contribution to gross domestic product, and leads all sectors in providing employment. The third one is the government sector, followed by construction and mining, and agriculture.

Figure 1
Composition of the Gross Domestic Product by Major Industrial Sector
Fiscal Year 2012



Manufacturing is the major contributor to the gross domestic product. In FY 2012 this sector generated 46,114.0 million or 45.6% of the gross domestic product. Manufacturing in Puerto Rico is basically concentrated in two major industries: pharmaceuticals and other chemical products, and machinery and metal products. There are several reasons that explain this sector's job reduction: the net loss of patents on certain pharmaceutical products, the escalation of manufacturing production costs (particularly labor and electricity), the increased use of job outsourcing, and, currently, the effects of a global economic decline.

The service sector, which includes finance and insurance; real estate; wholesale and retail trade; transportation; communications; public utilities; and other services, has played a major role in the economy. It ranks second to manufacturing in contribution to gross domestic product and leads all sectors in providing employment. In FY 2012, the service sector contributed \$43.8 million to the gross domestic product, or 43.4% of the total. Of all the service sectors: finance and insurance, retail trade, health care and social services, and utilities experienced the most notable growth in FY 2011, as measured by the gross domestic product at current prices.

Table 3
Gross Domestic Product by Major Industrial Sector
 (million dollars - fiscal years)

Major Industrial Sector	2010r	2011r	2012p
Gross Domestic Product	98,381.30	100,195.80	101,034.20
Agriculture	822.0	795.8	817.8
Mining	33.7	31.8	32.5
Utilities	1,981.9	2,010.4	1,854.3
Construction	1,484.4	1,429.9	1,438.1
Manufacturing	46,577.3	48,832.1	46,113.9
Wholesalers Trade	2,993.1	2,974.6	2,942.7
Retail Trade	4,472.8	4,624.9	4,693.5
Transportation and Warehousing	941.0	930.8	905.1
Information	2,646.0	2,597.2	2,559.1
Finance and Insurance	5,240.7	5,261.0	4,754.3
Real Estate and Rental	13,785.4	14,687.6	16,011.5
Professional, Scientific and Technical Services	1,510.1	1,556.0	1,597.6
Management of Companies and Enterprises	72.5	91.8	84.7
Administrative Services and Support	1,500.4	1,665.6	1,732.5
Educational Services	721.3	765.5	796.6
Health Care and Social Services	3,293.9	3,476.1	3,544.0
Art, Entertainment and Recreation	93.8	87.1	88.1
Accommodation and Food Services	1,765.8	1,833.4	1,848.3
Other Services	389.5	386.3	398.6
Government	8,349.9	8,215.9	8,278.0
Commonwealth (1)	6,861.7	6,703.1	6,741.8
Municipalities	1,488.2	1,512.8	1,536.4
Statistical Discrepancy	(294.4)	(237.6)	(543.3)

r-revised figures

p-preliminary figures

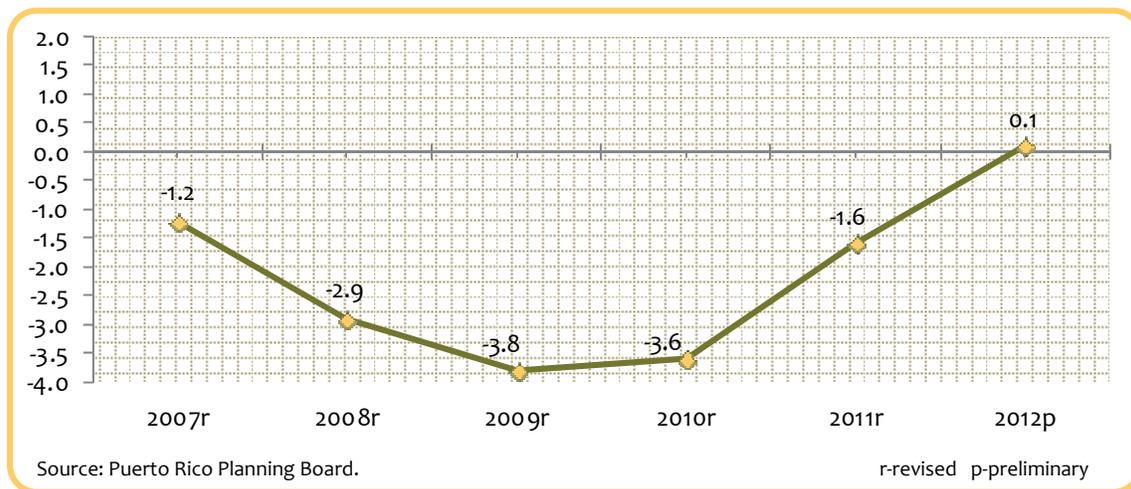
(-) negative figures

(1) includes agencies, the university of Puerto Rico the State Insurance Fund Corporation and the Highway and Transportation Authority

Source: Puerto Rico Planning Board

According to the Puerto Rico Planning Board's latest projections, the real gross national product for FY 2012 is forecasted to increase in 0.9% and 1.1% for FY 2013. The Planning Board's revised forecast for FY 2012 incorporates the projected growth of the tourism activity, personal consumption expenditures, and public-private partnership, among others. It also includes a revised forecast when considering the effect of general and global economic conditions, the U.S. economy, volatility of oil prices, interest rates and the behavior of local exports, including expenditures by visitors.

Figure 2
Real Gross National Product – percent change
Fiscal Years 2007-2012



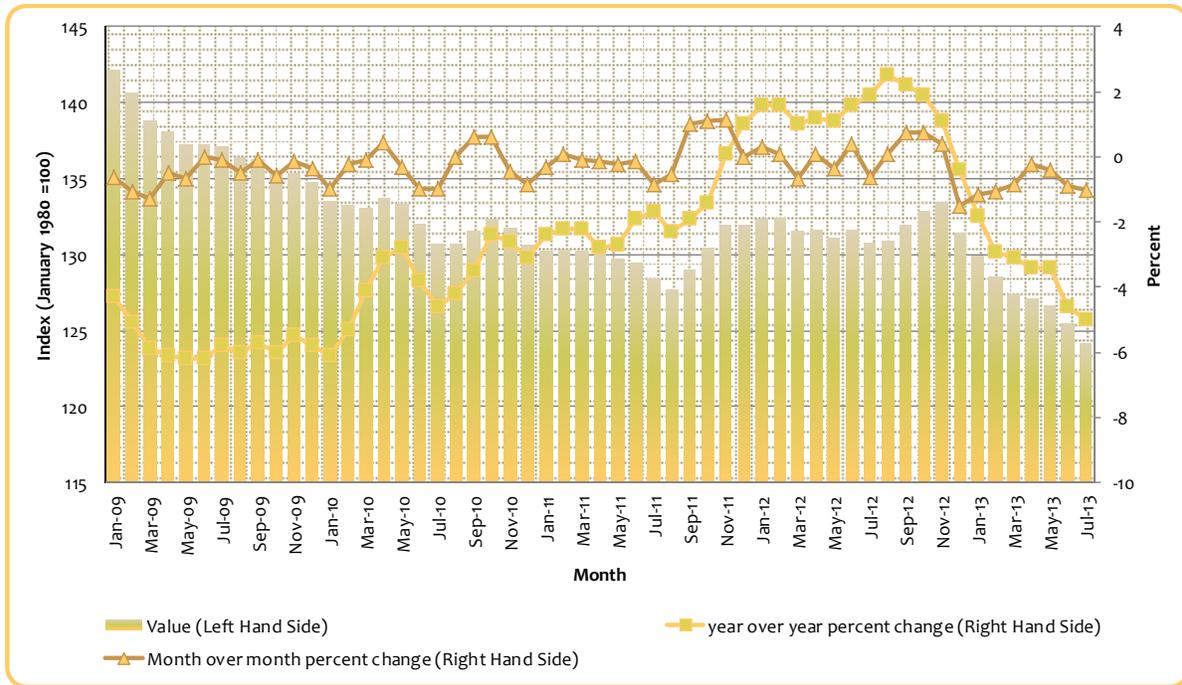
1- Puerto Rico Planning Board, Informe Económico al Gobernador 2012

B. Economic Activity Index (EAI)

The July 2013 EAI was 124.3, a 5.0% reduction when compared to July 2012. Moreover, the average cumulative value for calendar year (CY) 2013 (January-July) showed a reduction of 3.5% with respect to the corresponding figure of CY2012*. The preliminary number of gasoline consumption** was 88.2 million gallons in July 2013, 1.3% below July 2012. The cumulative value for CY2013 was 2.3% below the corresponding value for CY2012. Total non-farm payroll employment for July 2013 averaged 889,400, an annual reduction of 3.7%. Furthermore, the average cumulative for CY2013 showed a decrease of 2.5%. Electric power generation for July 2013 totaled 1,874.3 million kWh, an annual decrease of 4.1%. The cumulative for CY2013 was 3.4% less than the cumulative of CY2012. Cement sales for July 2013 totaled 1.34 million bags, registering an annual reduction of 14.3%. For the CY2013 cement sales were below 19.0% with respect to the

figure of CY2012.

Figure 3
Economic Activity Index and Percent Change
Fiscal Year 2009 to 2013



* Given that we have only one month of FY2014, this time we talk of cumulative values of calendar year 2013, i.e., from January to July 2013.

** The monthly gasoline consumption is estimated by the GDB from the Treasury Department's monthly gasoline excise tax collections paid by importers which are transferred to P.R. Highways and Transportation Authority. These collections fluctuate due to changes in inventories and purchases, which do not necessarily reflect the actual monthly consumption reported by retailers.

Source: Government Development Bank of Puerto Rico

II. Economic Development Program

The Department of Economic Development and Commerce, in coordination with other government agencies, is implementing the Economic Strategic Model described below:

A. Strategic Milestones

1. Revamp traditional industries
2. Implementation of high impact projects
3. Innovation through strategic ventures
4. Revamp traditional industries

a. Commerce

- Transform Puerto Rico into a vibrant exchange area of goods, services and exportation thus becoming the exchange commercial center of the Caribbean.
- Assist local endeavors by providing exportation incentives.
 - ✓ Ley de Empleos Ahora "Jobs Now Act"

- Place Puerto Rico in the global economy
 - ✓ Commercial missions
 - ✓ Strengthen exterior relations
- b. Manufacture**
 - Capitalize in sectors where Puerto Rico has demonstrated global competency
 - ✓ Medical Devices
 - ✓ Pharmaceuticals
 - ✓ Aeronautic
 - Highlight the advantages that give us world competency:
 - ✓ Human capital
 - ✓ Infrastructure
 - ✓ Fiscal autonomy and regulatory work frame compatible with the United States.
- c. Tourism**
 - New air routes:
 - ✓ To establish Puerto Rico as the gateway to the Caribbean
 - ✓ Increase air access to Europe
 - ✓ Add new routes to Latin America
 - Attract niche markets with high ecotourism potential; nature and adventure, and luxury tourism.
 - Positioning and brand recognition.

B. Implementation of High Impact Projects

1. Roosevelt Roads
 - Implementation of an inclusive redevelopment plan with hotels, hospitals, and aquatic activity, among others.
 - This Project is the keystone for economic development of the east coast particularly for Vieques and Culebra Islands.
2. Puerto de las Américas
 - Serve as the economic dynamo for the south region
 - Position the port as the transshipment center towards the United States and South-America.
3. Science and Technology Trust
 - Assist in the creation of new technologies for Puerto Rico's economic benefit.
 - Develop the City of the Sciences by joining efforts between the private, academic and government sectors.

C. Innovation Through Strategic Ventures

- Stimulate foreign investment

D. Diversify Supply to Attract Foreign Investment

1. Public Law 20- Service Export Center
2. Public Law 273 – International Banking Center
3. Public Law 400 – International Insurance Center
4. Public Law 22 – Investors Trade
5. EB- 5 Establish a regional center in Puerto Rico

a. Inclusion in Latin America's economic growth

- Maximize efforts in the existing offices in the Caribbean and Panamá.
- Strong presence in critical markets particularly in Latin America.
- Export our products and services through alliances with Latin American countries.

b. Agriculture: A New Industry

- Agriculture and industry had been traditionally considered two separate sectors for their characteristics as well for their economic growth operations.
- The industrialization of agriculture and agro-industrial development are common processes that are generating a new industrial sector.
- Agro-industries commonly employ 10 percent of the total labor force occupied in manufacturing in developed countries and approximately 20 to 30 percent in developing countries.

c. Medical Tourism

- Medical tourism is a market with great development possibilities. Taking into consideration the great potential of this Industry:
 - ✓ An inter agency group has been organized that includes the State Department, the Puerto Rico Department of Economic Development and Commerce (DECC), the Tourism Company, Commerce and Trade Company, the Department of Health, the Hospitals Association and the Foundation for Puerto Rico, they are to trigger and promote the medical tourism in Puerto Rico. In addition, we have identified the need to regulate the Medical Tourism Act, enabling its response to the medical services global trends and hospitals industry needs.

d. Renewable Energy Center

- Work with the Energy Affairs Administration to act as auditors where there are lack of action of critical initiatives
- Promote and stimulate feasible projects

- Offer incentives to commercial and residential projects to make Puerto Rico the Renewable Energy Center of the Caribbean.

e. Film Destination

- Stimulate movie productions, commercials and development of video games:
 - ✓ Tax incentives
 - ✓ Infrastructure
 - ✓ Top of the line professionals in the film industry

1/ Source: Puerto Rico Department of Commerce and Economic Development 2013

III. Overview of the Labor Market

A. Labor Force

The Household Survey is designed so that each person, age 16 and over, not in an institution (for example, correctional facilities and residential nursing and mental health care facilities) or on active duty in the Armed Forces is included and classified in one group. The sum of the employed and the unemployed constitutes the civilian labor force. Persons not in the labor force combined with those in the civilian labor force constitute the civilian, non-institutional population 16 years old and over. In FY 2013, it was estimated in 2,906,000 persons, representing a decrease of 15,000 persons or 0.5%. In FY 2013, the group not in the labor force represented 58.8% of the non-institutional population. This is a larger proportion than the labor force, representing 41.2%.

Table 4
 Employment Status of the Civilian Non-Institutional Population
 Seasonally Adjusted – Average Fiscal Years 2011 to 2013
 (thousands of person 16 years of age and over)

Employment Status ^{1/}	2013	2012	2011	Net Change	
				2013-2012	2012-2011
Civilian non-institutional population *	2,906	2,921	2,920	-15	1
Participation rate ^{2/ *}	41.2%	41.8%	42.8%	-0.6%	-1.0%
Labor Force	1,199	1,222	1,249	-23	-27
Employment	1,030	1,036	1,046	-6	-10
Unemployment	168	186	203	-18	-17
Unemployment rate ^{3/}	14.1%	15.2%	16.2%	-1.1%	-1.0%

* - not available seasonally adjusted.

1/ Data revised Census 2010.

2/ Percentage of the civilian population 16 years old and over in the labor force.

3/ Percentage of unemployed persons in the labor force.

Source: PR Department of Labor and Human Resources. Labor Force Survey.

The reduction in the labor force has caused a decrease in the participation rate. This can be seen as an indicator of the amount of persons participating in the labor market. FY 2013 registered the lowest point, 41.2% in the historical data, and declined 0.6 percentage points when compared to FY 2012 (41.8%). There is a relationship between participation rate and economic activity. Due to various factors, the population flow of federal incentives for decades has affected the participation rate in the labor force and the informal sector of the economy. There are also differences between the participation rate in the labor force between men and women. In FY 2013 the rate for women decreased by 0.7% and for men, 0.4%. The female participation rate dropped, from 36.8% in FY 2008 to 33.0% in FY 2013.

In Puerto Rico's labor market, self-employment represents approximately 15% of total employment according to the Household Survey. Most of the self-employed are concentrated in the service and trade sectors. In FY 2013, self-employment had 158,000 persons, showing a decrease of 3,000 when compared to FY 2012 (161,000).

B. Employment

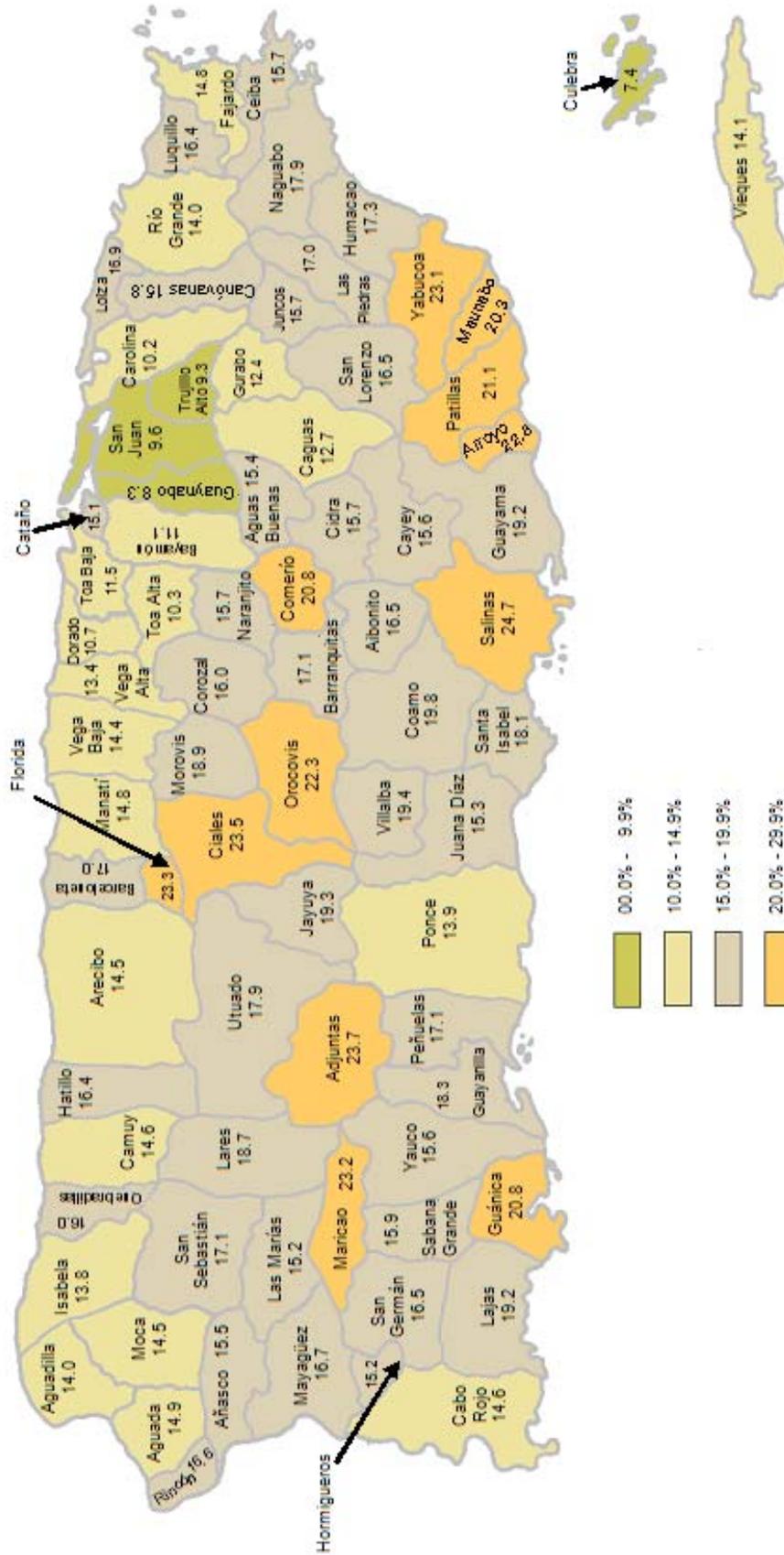
In the Household Survey, people are considered employed if they perform any work at all for pay or profit during the surveyed week. This includes all part-time and temporary work,

as well as regular full-time, year-round employment. In FY 2013, the seasonally adjusted number of employed persons (which includes self-employed individuals and agricultural employment) reached a total of 1,030,000. This represents a decrease of 6,000 employees in the local economy when compared to FY 2012 (1,036,000). Analyzing the differences between the employment of men and women in FY 2013, the employment not seasonally adjusted among men increased by 1,000 and for women, decreased by 8,000. This represents an increase of 0.2% and a decline of 1.8%, respectively.

C. Unemployment

According to the Household Survey, persons are classified as unemployed when they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work. In FY 2013, seasonally adjusted unemployment registered 168,000 or 18,000 jobseekers less than in 2012. Additionally, this represents the third consecutive year with a decrease in the number of unemployed persons. The unemployment rate, seasonally adjusted for FY 2013 was 14.1%, 1.1 percentage points lower than FY 2012 (15.2%). In FY 2013 the unemployment rate not seasonally adjusted for men was 15.4% and 12.0% for women. This represents respective decreases of 1.7% and 0.7%, respectively when compared to FY 2012

Figure 4
Unemployment Rate – Fiscal Year 2013



Source: LAUS BLS, Puerto Rico Department of Labor.

D. Employment by Industry

The data for employment by sector or industries is based on the Payroll Survey, designed to measure the number of payrolls records by sector. Historically, Government; Trade, Transportation and Utilities; Professional and Business Services; and Educational and Health Services, have been the sectors of the economy that add the largest number of jobs to the Puerto Rico’s labor force.

Table 5
Total Non Farm Employment in Puerto Rico
Seasonally Adjusted – Average Fiscal Years 2011 to 2013
(Thousands of persons)

Industrial Group	2013p	2012r	2011r	Net Change	
				2013-2012	2012-2011
Total Non Farm	924.9	930.9	923.3	-6.0	7.6
Mining, Logging and Construction	33.2	35.0	31.8	-1.8	3.2
Manufacturing	77.5	83.5	85.6	-6.0	-2.1
Trade, Transportation and Utilities	173.1	174.3	174.3	-1.2	0.0
Information	19.5	18.7	18.8	0.8	-0.1
Financial Industries	45.0	44.5	43.8	0.5	0.7
Professional and Business Services	109.7	108.8	105.5	0.9	3.3
Educational and Health Services	117.9	117.6	114.1	0.3	3.5
Leisure and Hospitality	75.2	72.7	71.2	2.5	1.5
Government	255.9	258.6	260.4	-2.7	-1.8

p= preliminary r= revised

Figures may not always add to the totals due to round off or industrial groups not included.

Source: PR Department of Labor and Human Resources. Current Employment Survey (CES).

In FY 2013, according to the revised data of the Establishment Survey, the seasonally adjusted total employment was 924,900, reflecting a drop of 0.6%, a reduction over the year of 6,000 employees. In FY 2013, the following industries reflected growth in employment: Leisure and Hospitality (2,500); Professional and Business Services (900); Information (800); Financial Industries (500) and Educational and Health Services (300).

There have been changes in the sector’s composition in the past years. Among them, the percentage representation of the government sector in total employment which increased from 28.2% (FY 2000) to 27.7% (FY 2013). The Government is the major employer in Puerto Rico. For FY 2013, this sector, seasonally adjusted, employed 255,900 workers. In average, between FY 2012 and FY 2013 this sector showed a reduction of 2,700

employees. The Trade, Transportation and Utilities sector is the second more important in terms of employment. For FY 2013, seasonally adjusted, the employment in this sector was 173,100, representing a decline of 1,200 when compared to FY 2012. The proportion of the Trade, Transportation and Utilities sector in total employment increased from 18.0% (FY 2000) to 18.7% (FY 2013). The Educational and Health sector, seasonally adjusted, showed an increase of 300 employees between FY 2012 (117,600) and FY 2013 (117,900). This sector, also registered an increase in the representation of the total employment of 7.9% in FY 2000 to 12.7% in FY 2013.

The representation of the Mining, Logging and Construction sector, seasonally adjusted, in total employment declined from 7.1% in FY 2002 to 3.6% in FY 2013. The payroll employment in the construction sector, seasonally adjusted, during FY 2013 was 33,200, a decrease of 1,800 from FY 2012 (35,000). The employment payroll in the manufacturing sector during FY 2013 was 77,500, a decline of 6,000 compared with FY 2012 (83,500). The share of the manufacturing sector in total employment fell from 14.1% in FY 2000 to 8.4% in FY 2013, maintaining its decreasing tendency.

E. Wages

According to the 2012 Occupational Employment Survey, the estimated employment was 942,080. The hourly mean wage was \$13.12 and the hourly median wage was \$9.61. In terms of employment and wages by major occupational group available, the Office and Administrative Support Occupations had the highest employment coverage with 168,220. The hourly mean and median wage for this group was \$11.22 and \$9.35, respectively. Other occupational groups that stand out in terms of employment were, Sales and Related Occupations, 109,350 workers; Food Preparation and Serving Related Occupations, 66,630 workers; Production Occupations, 64,180 workers; and Protective Service Occupations, 63,480 workers.

Table 6
Employment and Wages by Major Occupational Group, 2012

Occupational Group	Employment	Hourly Wage	
	Total	Mean	Median
Occupations, total	942,080	\$13.12	\$9.61
Management Occupations	35,580	\$33.60	\$27.65
Business and Financial Operations Occupations	40,250	\$18.11	\$15.34
Computer and Mathematical Occupations	9,560	\$20.30	\$17.93
Architecture and Engineering Occupations	13,270	\$24.22	\$21.57
Life, Physical and Social Science Occupations	6,800	\$20.97	\$17.99
Community and Social Service Occupations	18,560	\$13.34	\$12.69
Legal Occupations	4,460	\$27.72	\$24.71
Education, Training and Library Occupations	n/a	\$15.23	\$14.70
Arts, Design, Entertainment, Sports and Media Occupations	6,320	\$15.48	\$12.82
Healthcare Practitioners and Technical Occupations	45,640	\$17.23	\$13.58
Healthcare Support Occupations	12,300	\$9.73	\$8.92
Protective Service Occupations	63,480	\$11.26	\$10.02
Food Preparation and Serving Related Occupations	66,630	\$8.69	\$8.60
Building and Grounds Cleaning and Maintenance Occupations	44,190	\$8.84	\$8.55
Personal Care and Service Occupations	13,510	\$9.00	\$8.58
Sales and Related Occupations	109,350	\$10.74	\$8.91
Office and Administrative Support Occupations	168,220	\$11.22	\$9.35
Farming, Fishing and Forestry Occupations	1,120	\$11.89	\$9.41
Construction and Extraction Occupations	37,940	\$10.02	\$8.87
Installation, Maintenance and Repair Occupations	30,200	\$13.73	\$11.74
Production Occupations	64,180	\$10.86	\$9.18
Transportation and Material Moving Occupations	53,830	\$10.21	\$8.77

*n/a - Not available.

Source: PR Department of Labor and Human Resources. Occupational Employment Survey (OES)

The ten highest paying occupations were professional and managerial. The highest mean wage was for surgeons with \$116.11. Other occupations with high hourly mean wages were: Psychiatrists, \$74.44; Chief Executives, \$59.11; Internists, \$55.56; and Securities, Commodities, Financial Services Sales Agents, \$53.64.

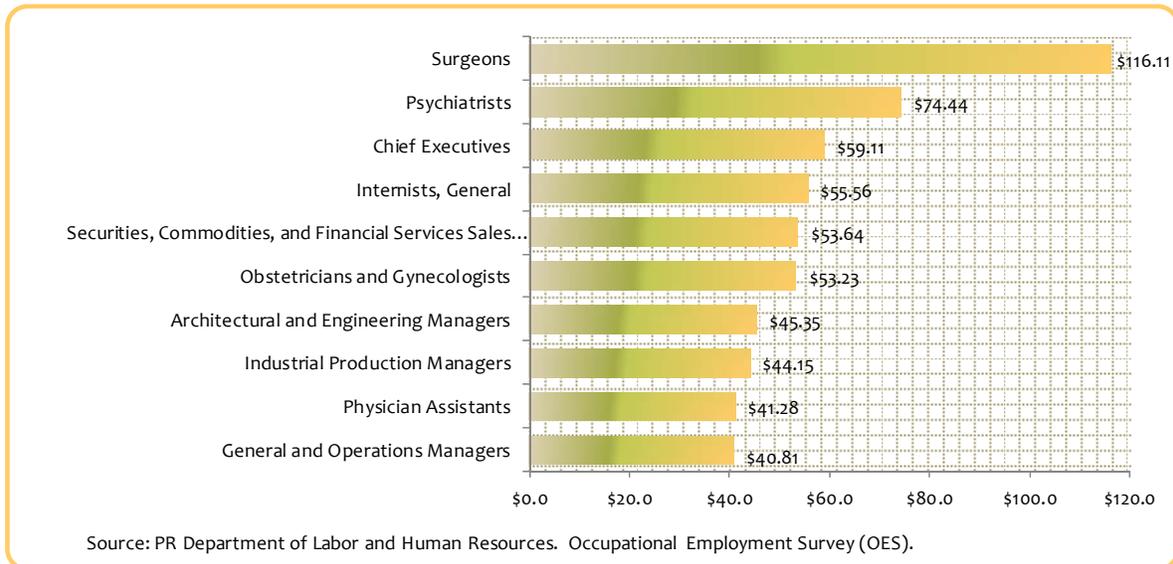
Table 7
Highest Paying Occupations, 2012

Occupation	Hourly Mean	Annual Mean
Surgeons	\$116.11	*
Psychiatrists	\$74.44	\$67.30
Chief Executives	\$59.11	\$47.11
Internists, General	\$55.56	\$46.83
Securities, Commodities, and Financial Services Sales Agents	\$53.64	\$40.14
Obstetricians and Gynecologists	\$53.23	\$43.64
Architectural and Engineering Managers	\$45.35	\$44.36
Industrial Production Managers	\$44.15	\$42.09
Physician Assistants	\$41.28	\$41.91
General and Operations Managers	\$40.81	\$32.77

Source: PR Department of Labor and Human Resources. Occupational Employment Survey (OES)

*n/a - not available

Figure 5
Highest Paying Occupations, 2012



F. Business Employment Dynamics (BED)

Opening and expanding private sector business establishments in Puerto Rico gained 47,303 jobs in the fourth quarter of 2012. This represents an increase of 5,407 from the previous quarter. Over the quarter, expanding establishments added 40,481 jobs, while opening establishments added 6,822. Gross job losses amounted to 40,497 in the fourth quarter of 2012, a decrease of 2,759 from the third quarter of 2012. This was the third

decrease in gross job losses since December of 2011. Contracting establishments for the fourth quarter of 2012, lost 32,633 jobs, while closing establishments reflect a loss of 7,864 jobs.

Table 8
Three-Month Private Sector Gross Job Gains and Losses
Seasonally Adjusted

Category	3 months ended				
	Dec 2011	March 2012	June 2012	Sept 2012	Dec 2012
	Levels				
Gross job gains	45,535	41,000	45,398	41,896	47,303
At expanding establishments	37,295	33,457	38,467	33,964	40,481
At opening establishments	8,240	7,543	6,931	7,932	6,822
Gross job losses	38,101	41,093	38,884	43,256	40,497
At contracting establishments	30,186	34,114	31,569	36,219	32,633
At closing establishments	7,915	6,979	7,315	7,037	7,864
Net employment change ¹	7,434	-93	6,514	-1,360	6,806

¹ The net employment change is the difference between total gross job gains and total gross job losses.

Source: PR Department of Labor and Human Resources. Business Employment Dynamics (BED).

From October to December 2012, gross job gains represented 6.9 percent of private sector employment. Over the quarter, gross job gains at expanding establishments represented 5.9 percent of private sector employment, and gross job gains at opening establishments represented 1.0 percent. Nationally, quarterly gross job gains at expanding establishments represented 5.2 percent of private sector employment, and at opening establishments represented 1.2 percent.

For the same period, gross job losses represented 5.8 percent of the private sector employment. Gross job losses at contracting establishments represented 4.7 percent of private sector employment, the same rate as the national rate at contracting establishments (4.7 percent). The rate of gross job losses at closing establishments was 1.1 for Puerto Rico, and 1.1 percent for the United States.

Table 9
Three – Month Private Sector Gross Job Gains and Losses as Percent of Employment
Seasonally Adjusted

Category	3 months ended				
	Dec 2011	March 2012	June 2012	Sept 2012	Dec 2012
	Rates (percent)				
Total Private for Commonwealth of Puerto Rico					
Gross job gains	6.7	6.0	6.6	6.1	6.9
At expanding establishments	5.5	4.9	5.6	4.9	5.9
At opening establishments	1.2	1.1	1.0	1.2	1.0
Gross job losses	5.7	6.0	5.7	6.3	5.8
At contracting establishments	4.5	5.0	4.6	5.3	4.4
At closing establishments	1.2	1.0	1.1	1.0	1.1
Net employment change¹	1.0	0.0	0.9	-0.2	1.1
	Rates (percent)				
Total Private for United States as a whole					
Gross job gains	6.3	6.3	6.3	6.2	6.4
At expanding establishments	5.1	5.2	5.2	5.0	5.2
At opening establishments	1.2	1.1	1.1	1.2	1.2
Gross job losses	6.0	5.6	5.8	6.0	5.8
At contracting establishments	4.8	4.5	4.7	4.9	4.7
At closing establishments	1.2	1.1	1.1	1.1	1.1
Net employment change¹	0.3	0.7	0.5	0.2	0.6

¹ The net employment change is the difference between total gross job gains and total gross job losses.

Source: PR Department of Labor and Human Resources. Business Employment Dynamics (BED).

Another way to observe the dynamics of employment change is to count the number of establishments that opened, closed, expanded, or contracted during the quarter. Out of 45,462 active private sector establishments, a total of 9,737 gained jobs from October through December 2012. Of these, 8,392 were expanding establishments and 1,345 were opening establishments. During the fourth quarter of 2012, 8,363 establishments showed some job losses. Of these, 6,835 were contracting establishments and 1,528 were closing establishments.

Table 10
Number of Private Sector Establishments by Direction of Employment Change
Seasonally Adjusted

Category	3 months ended				
	Dec 2011	March 2012	June 2012	Sept 2012	Dec 2012
Establishments gaining jobs	9,842	8,584	9,522	9,543	9,737
Expanding establishments	8,212	7,143	8,110	7,920	8,392
Opening establishments	1,630	1,441	1,412	1,623	1,345
Establishments losing jobs	8,472	10,187	8,989	9,043	8,363
Contracting establishments	7,114	8,584	7,504	7,633	6,835
Closing establishments	1,358	1,603	1,701	1,410	1,528
Net establishment change ¹	272	-162	-289	213	-183

¹ The net establishment change is the difference between the number of opening establishments and the number of closing establishments.

Source: PR Department of Labor and Human Resources. Business Employment Dynamics (BED).

From October to December of 2012, a total of 919 new private sector, non-farm businesses created 4,398 jobs. This represents a decrease of 215 establishment births from the prior quarter and a decrease of 1,751 jobs. The jobs gained by these new establishments represent 0.6 percent of total employment births. The historical time series of birth data shows that the number of establishment births has remained around 1,000 every quarter, however births employment dropped from 52,610 in the fourth quarter from 2003 to 4,398 for the same quarter in 2012.

IV. Other Indicators

A. Insured Unemployment

1. Gender and Age of the Insured Unemployed

In FY 2013 the gender distribution of the sample was 18,774 males or 56.9 percent, and 14,199 females or 43.1percent of the total (32,973). This represents a reduction of, 2,170 of the total, and an increase of 4.0 percentage points. A reduction of 4.0 percentage points in male and females, respectively when compared to FY2012.

In relation to age of both sexes, persons between 25 to 34 years comprised the most significant group with an average of 31.9 percent for the FY 2013 (34.1 percent as FY 2012). It was followed by the age cohort between 35 to 44 years representing 24.4percent

of all claimants (23.6 percent in FY 2012). The group with the smallest representation was 65 years or more with 1.7% (same proportion as FY 2012).

Table 11
Characteristics of the Insured Unemployed
Gender and Age – FY 2013

Gender	Average	Percent
Total	32,973	100.0
Male	18,774	56.9
Female	14,199	43.1
Age		
Total	32,973	100.0
<22	1,427	4.3
22-24	2,874	8.7
25-34	10,523	31.9
35-44	8,033	24.4
45-54	6,167	18.7
55-59	2,042	6.2
60-64	1,200	3.6
>65	691	2.1
INA	16	0.1

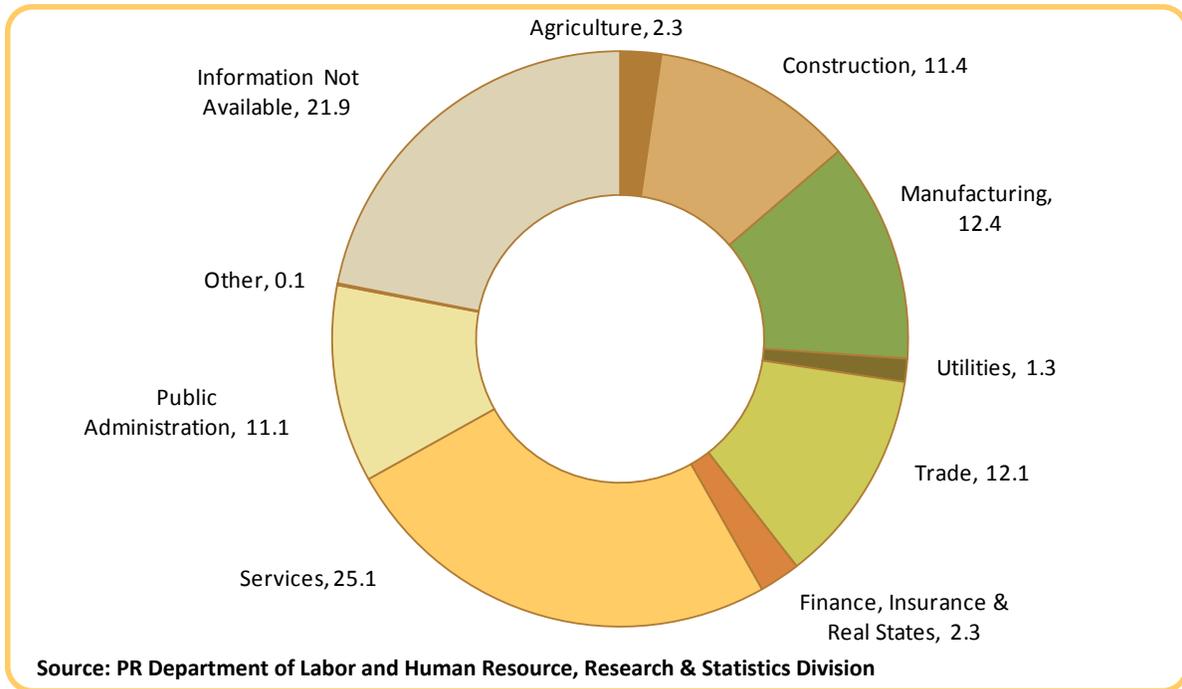
INA - Information Not Available

Source: PR Department of Labor and Human Resources. Research and Statistics Division.

2. Information by Industry

The industry reporting the greatest loss of workers was that of Services, as it holds 25.1 percent of all claimants in FY 2013 (24.4 percent in FY 2012). In the Services category, restaurants and entertainment declined as people reduced leisure activities from their immediate priorities. The other proportions of workers loss, Manufacturing industry, 12.4 percent (9.2 percent in FY 2012) and Trade, 12.1 percent (19.2% in FY 2012). Construction recorded 11.4 percent (6.7 percent in FY 2012), and Public Administration, 11.1 percent (8.4 percent in FY 2012) of the total claimants.

Figure 6
Characteristic of the Insured Unemployed
Industrial Category FY 2013

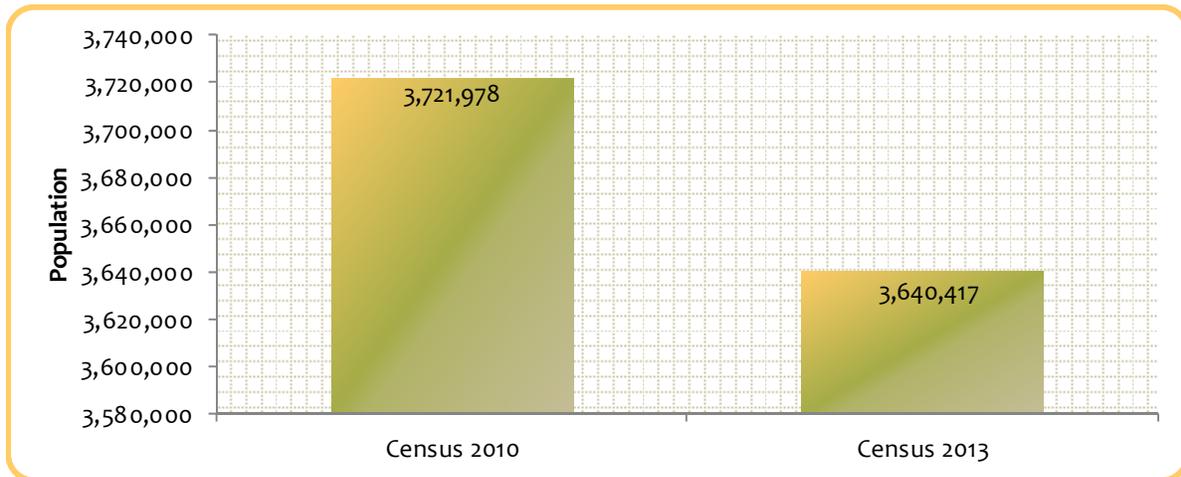


V. Population

A. Demographic

According to the statistics presented by the Puerto Rico Statistics Institute regarding U.S. Community Survey estimates, the population of Puerto Rico continues its downward trend in the 2010–2013 period. The decrease of the estimated population from 2010 to 2013 shows a reduction of 81,561 persons or 2.2% from the 2010 to 2013 period, as presented in the data below. This is a trend that started in 2000 as presented by the U.S. Census. In fact, when compared to all 50 states, Puerto Rico ranked as the one with the largest population loss.

Figure 7
Change in Population 2010-2013



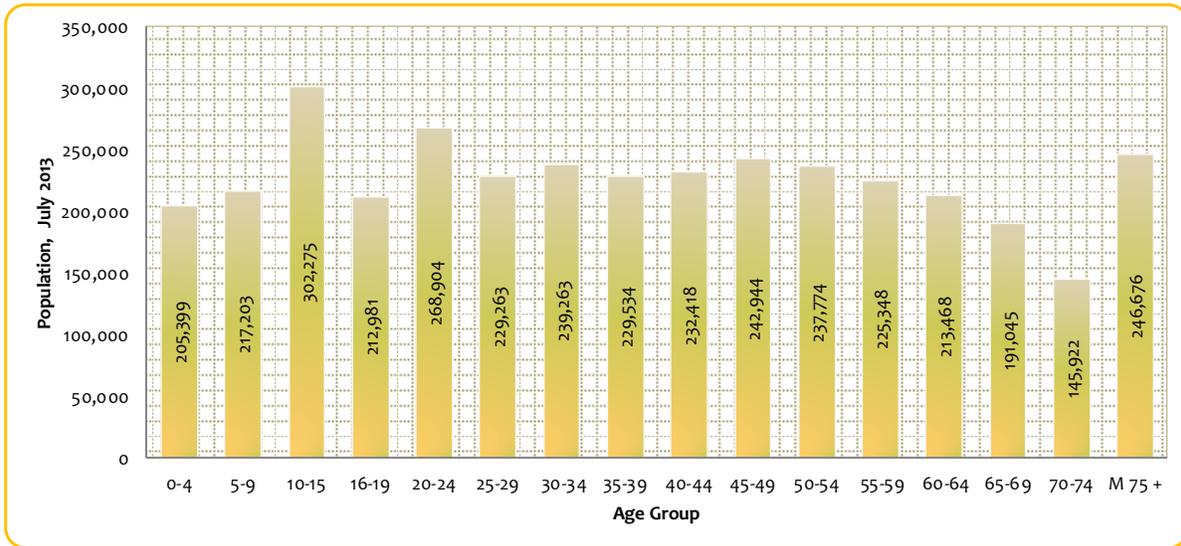
Source: U.S. Census Bureau, 2010 Census/U.S. Community Service.

There are a number of reasons affecting this population decline that include: lower birth rates, demonstrated by the reduction of school enrollment, and lower death rates increasing the median age of the population. Increased migration to the United States is also a factor, as people move to improve their economic perspective. Sometimes, because Puerto Rico is a densely populated territory, they migrate to improve quality of life. One relevant fact is that people the leaving are young and under 40 years old, which causes a reduction in the workforce. One alarming problem of the exodus is that is led by educated professionals, young and middle-aged.

B. Population by Age and Sex

The comparison of the changes in the population composition by age and sex between the 2000 and 2010 decade is very significant in many aspects. Among the most salient findings is a reduction of the population in all age brackets from ages under 5 to 44 years. Meanwhile, there has been a substantially noticeable increase of population in the age brackets from 45 years and over is substantially noticeable.

Figure 8
Population by Age Group
July 2013



Source: U.S. Census Bureau, 2010 Census.

These changes present a new challenge in the definition of public policies for government officials as well as the private, academic and nonprofit sectors. The planning process and the definition of priorities are critical to successfully cope with this reality. In one hand, the reduction of young population requiring less academic services and the reduction of the productive labor workforce paying less taxes; and on the hand other, an aging population demanding more medical and supportive services.

Another significant fact about the population composition in Puerto Rico is the higher representation of males from ages 0 to 24 years and this relation from 25 years and over with higher representation of females.

The figure below presents the population distribution by age and sex for 2000, 2010 and 2013 data for Puerto Rico based on the U.S. Census data.

Figure 9
Population by Age Groups: 2000, 2010, 2013

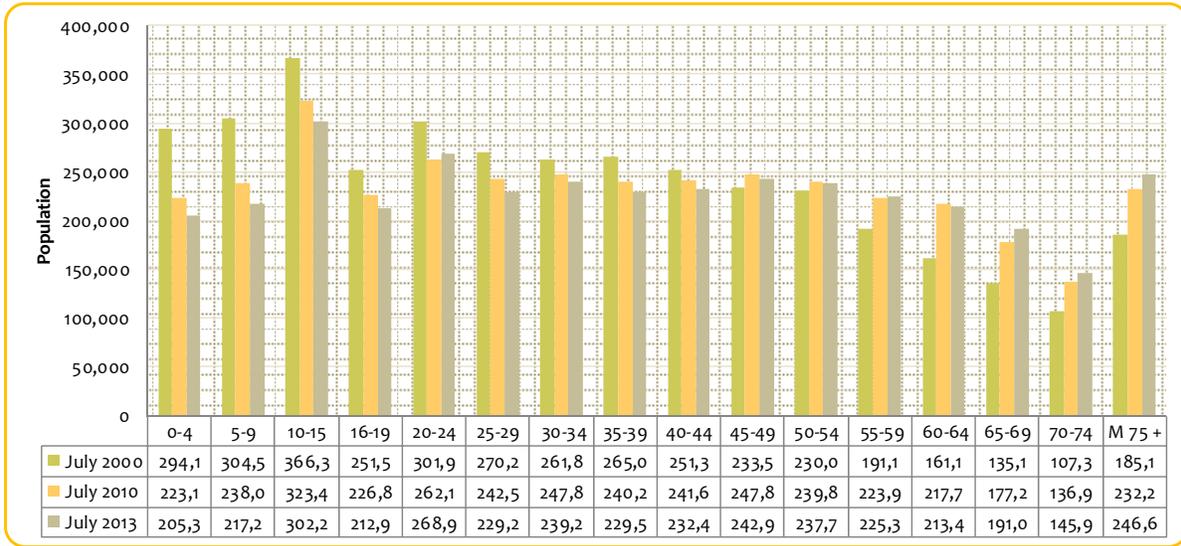
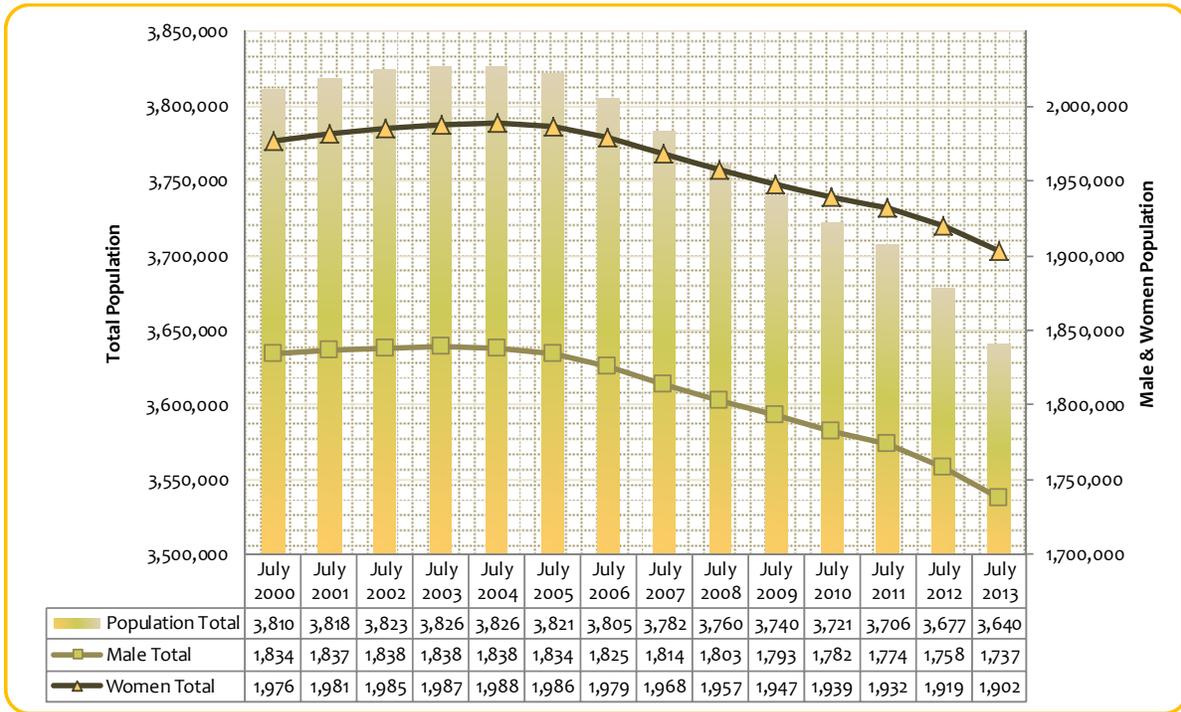


Figure 10
Population by Sex: 2000-2013



VI. Projections

A. Industry Projections & Occupational Projections

The Goods-Producing sector shows a loss of 4,035 jobs for the year 2020. The Manufacturing super-sector presents the highest number of jobs for 2010.

The Construction super-sector presents a projected increase of 4,354 jobs in 2020. For 2010 the Construction Industry sector had an estimated 32,297 jobs. Among the industry sectors, Construction of Buildings presented the highest employment for 2010 with 15,947, however a high addition of jobs is anticipated by 2020. Also, Heavy and Civil Engineering Construction and Specialty Trade Contractors are expected to grow in 15.54% and 8.33%, respectively.

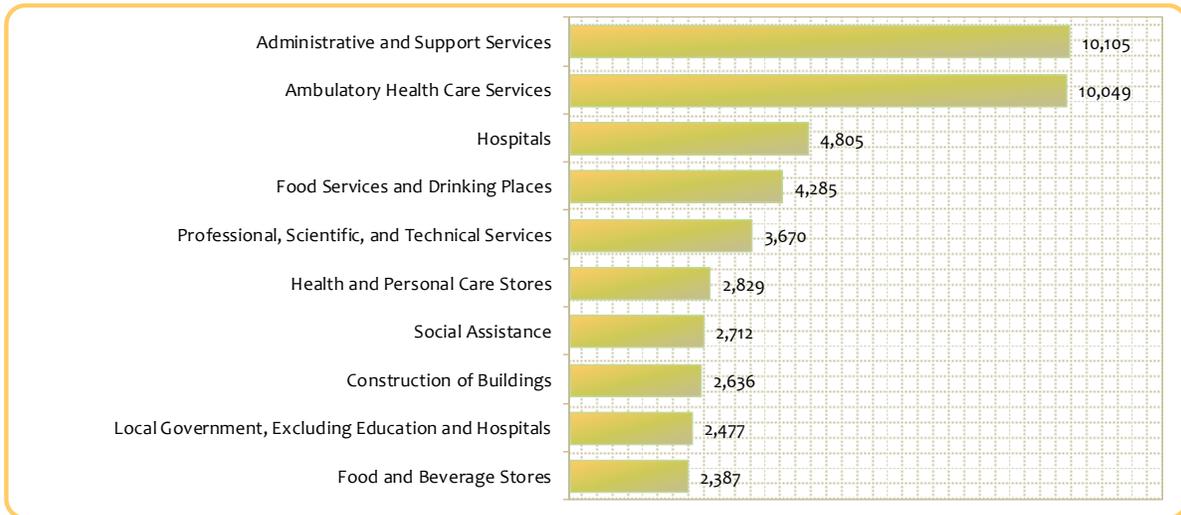
The number of persons employed in Agriculture, Forestry, Fishing and Hunting industry; and Mining, Quarrying, and Oil and Gas Extraction industry have the lowest number of employees for 2010, and reflect a continuous decrease for 2020 with 1,051 jobs and 98 jobs losses, respectively.

The industry sector with the highest employment in Puerto Rico is the Service Industry with 797,924 jobs in 2010 and also presents the highest projected growth for 2020 with 68,285 jobs. In 2010 Professional, Scientific, and Technical Services super-sector produced 103,695 jobs. For the 2020 period we estimate an increase of 15,947 jobs. Presenting largest increment is Administrative and Support Services with 62,379 in 2010, with an increase of 10,105 is expected for 2020.

The Leisure and Hospitality super-sector reported 71,065 jobs in 2010, and an increase of 6,422 jobs is expected for the 2020. Food Services and Drinking Places industry is the one with most jobs in 2010 with 55,232; expecting a growth of 4,285 jobs for 2020.

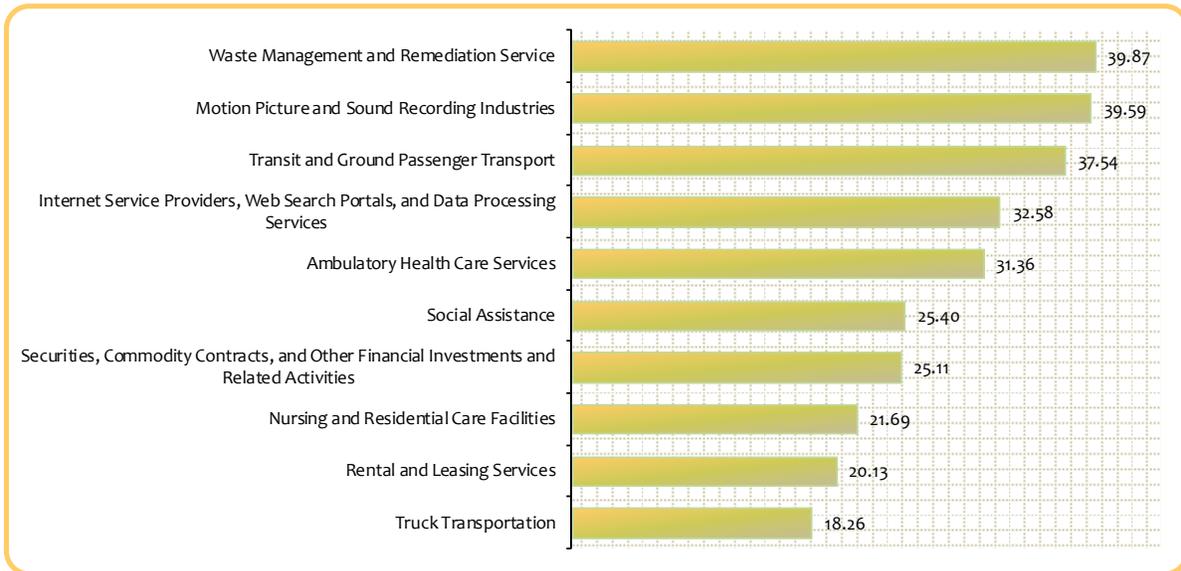
The Financial Activities super-sector presents an expected increase of 3,503 jobs for 2020; for 2010 it shows 44,891 jobs. The most significant industry within the group for 2010 was Credit Intermediation and Related Activities with 17,971. However, the Insurance Carriers and Related Activities industry presents the highest job growth with 417.

Figure 11
Industries Gaining the Most New Jobs, 2010-2020



Source: Research & Statistics Division, PR Department of Labor and Human Resources

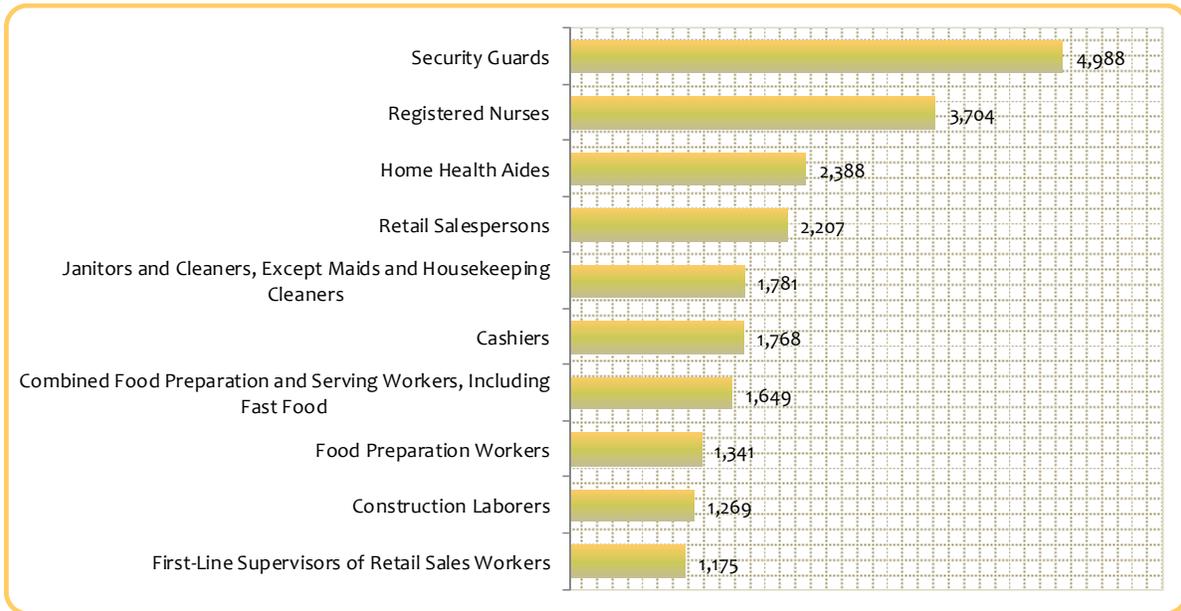
Figure 12
Fastest-Growing Industries*, 2010-2020



*Industries with a minimum of 1,000 jobs in 2010.

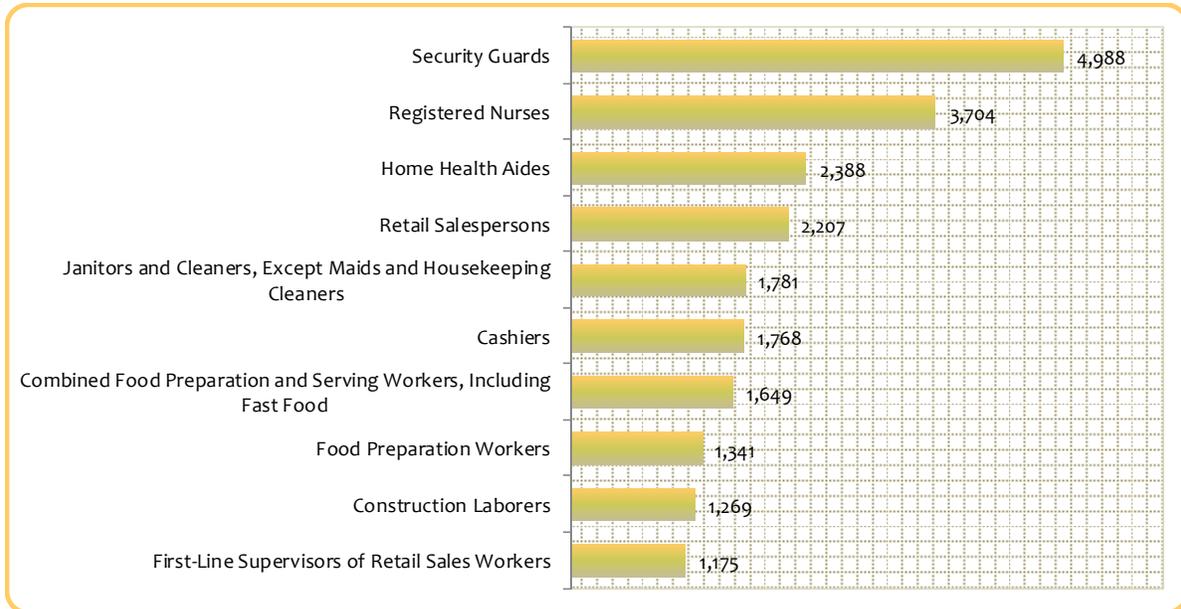
Source: Research & Statistics Division, PR Department of Labor and Human Resources

Figure 13
Declining Industries by Net Growth, 2010-2020



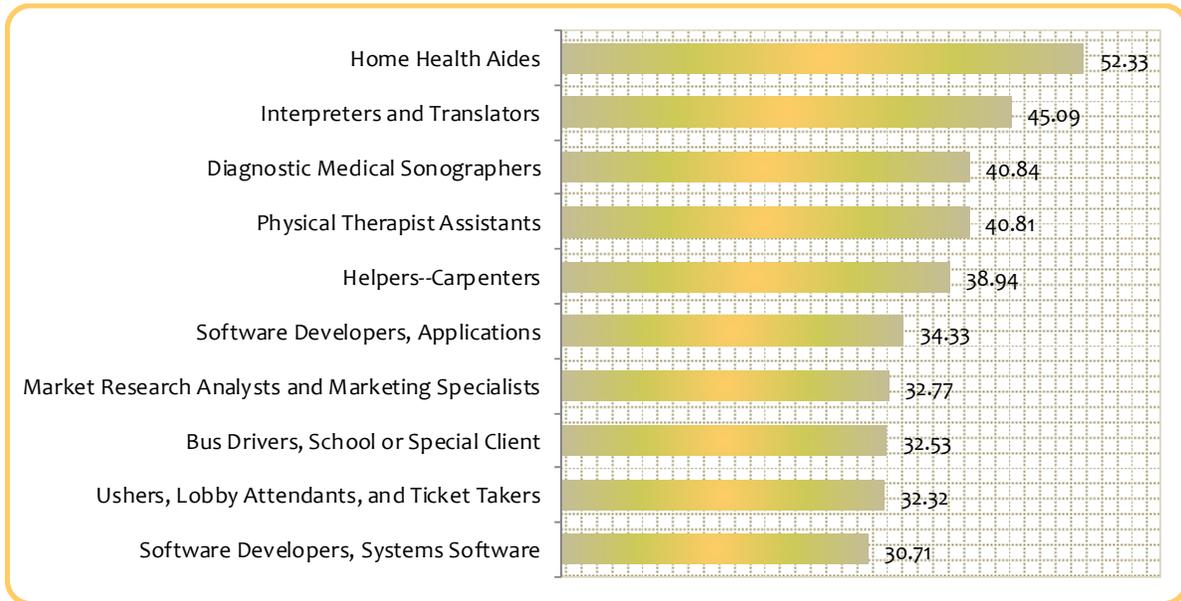
Source: Research & Statistics Division, PR Department of Labor and Human Resources

Figure 14
Occupation Gaining the Most New Jobs, 2010-2020



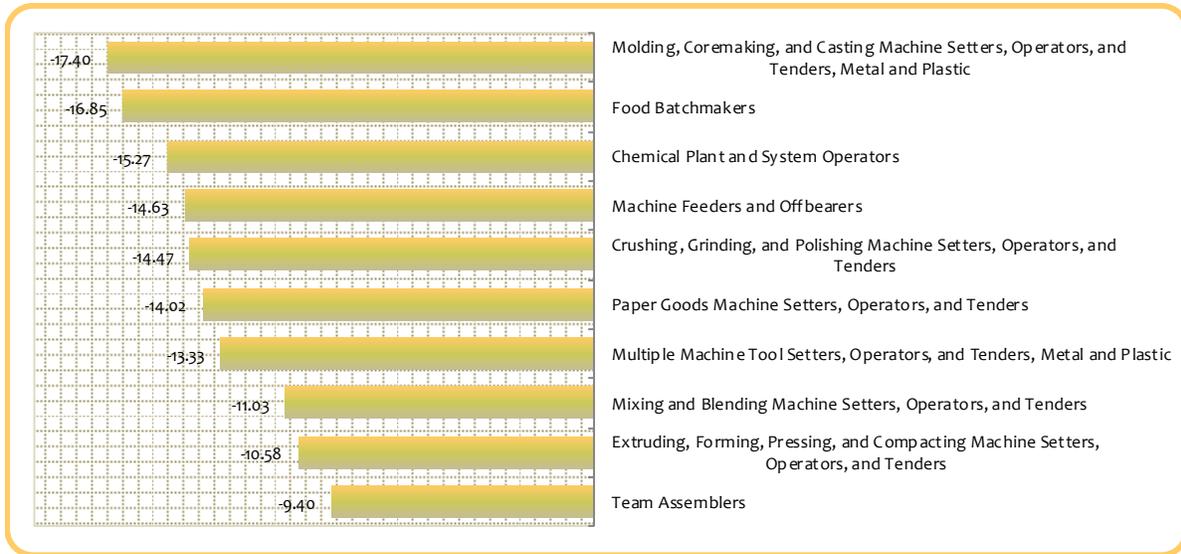
Source: Research & Statistics Division, PR Department of Labor and Human Resources

Figure 15
Fastest-Growing Occupations, 2010-2020



Source: Research & Statistics Division, PR Department of Labor and Human Resources

Figure 16
Declining or Slow-Growth Occupations, 2010-2020



Source: Research & Statistics Division, PR Department of Labor and Human Resources

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