ISSUER IN-DEPTH
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Puerto Rico (Commonwealth of)

Record employment levels reached in 2025 despite ongoing economic obstacles

Summary

Puerto Rico's total nonfarm employment rose to a 16-year high in 2025, as tourism, healthcare, construction and retail trade offset weakness in manufacturing job growth. The continued employment gains represent an important milestone for an economy that has long struggled with population loss, physical climate risks and an unreliable electrical grid. Total nonfarm jobs reached an annual average of 963,100 in 2025 (not seasonally adjusted, NSA)[1], the territory's highest level of nonfarm employment since 2009. That is up 2.1% over the last two years and 15.3% since 2020. Puerto Rico's unemployment rate has remained below 6% since July 2023 while the labor force participation rate has been slowly climbing, though still low at 44.5% as of September 2025.

» **Private sector employment reached a record high 778,100 in December 2025, led by gains in leisure and hospitality and healthcare.** Leisure and hospitality sector employment steadily rose since the pandemic, initially benefiting from US tourists' inability to travel internationally. Similar to the rest of the US, healthcare has been a major driver of employment growth because of a growing need for services.

» **Two sectors that lost jobs in 2025 were manufacturing, Puerto Rico's biggest contributor to GDP, and state and local government, its largest employer.** However, the declines were small in both sectors, with manufacturing jobs declining by 1.1% and state and local government employment declining by only 0.2%. The manufacturing sector will benefit from recently announced investments made by major pharmaceutical companies.

» **Employment growth has continued despite ongoing economic hurdles, including weak demographics, physical climate risks and an unreliable power grid.** Puerto Rico's population continues to decline, albeit at a slower rate, and the average age is rising faster than the rest of the US. Hurricanes remain the most significant physical climate risk for Puerto Rico and the territory's unreliable power grid has led to multiple power outages, all of which hinder employment growth. Puerto Rico's power grid is still recovering from Hurricane Maria in 2017. Notably, the Puerto Rico government successfully added significant new generation capacity in 2025 — a major milestone that has strengthened grid reliability.

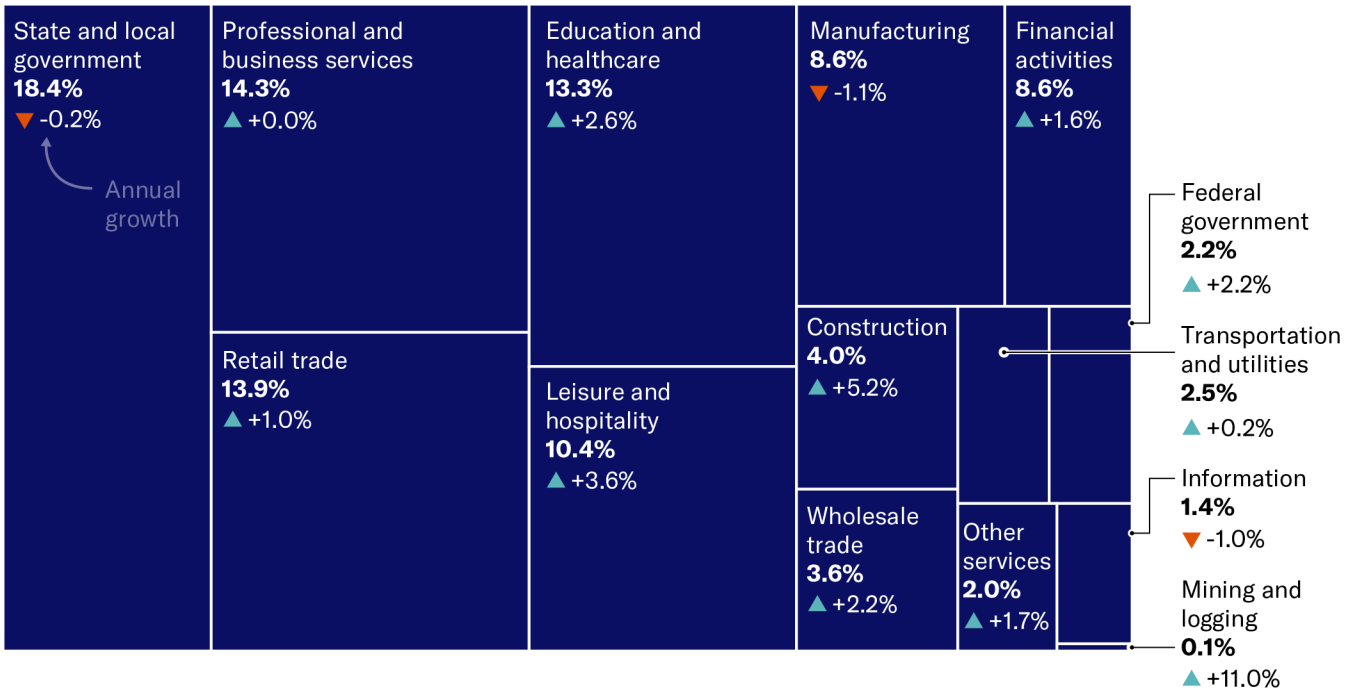
Private sector employment reached a record high in 2025, led by gains in leisure and hospitality and healthcare

Puerto Rico's private sector experienced employment gains in nearly all sectors in 2025 (Exhibit 1). Employment in the commonwealth was historically driven by the manufacturing sector, but recent gains in leisure and hospitality, healthcare, construction and trade have diversified employment in the territory.

Exhibit 1

Puerto Rico benefited from employment gains in many private sector industries in 2025

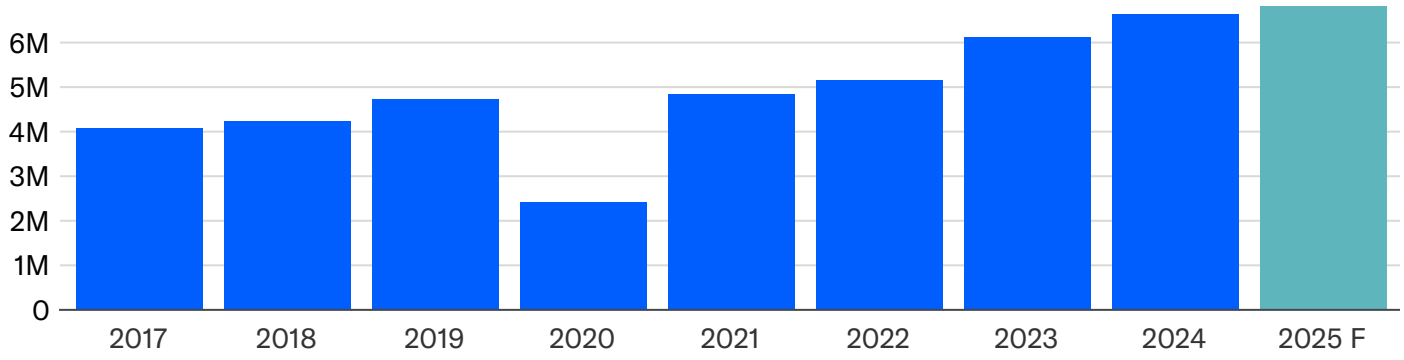
Share of nonfarm employment by sector in 2025 and annual growth



Source: US Bureau of Labor Statistics

Puerto Rico's leisure and hospitality sector steadily rose since 2020, initially benefiting from US tourists' inability to travel internationally immediately following the pandemic. Tourists from the mainland US traveled to Puerto Rico because of ease of travel and not needing a passport. Continued momentum in the tourism sector has been demonstrated by five consecutive years of record airport arrivals (Exhibit 2). From January to October 2025, San Juan Luis Muñoz Marín International Airport (SJU) arrivals increased by 4.3% compared with the same period the year before. While tourism was somewhat boosted by a 31-show Bad Bunny residency in the summer of 2025, strength in Puerto Rico's tourism sector was evident in a 12.3% increase in SJU arrivals during the Caribbean's peak tourist season from December 2024 through April 2025 compared with the same period a year before. In 2025, Puerto Rico also welcomed a record 1.6 million cruise passengers, a 13% increase from 2024.

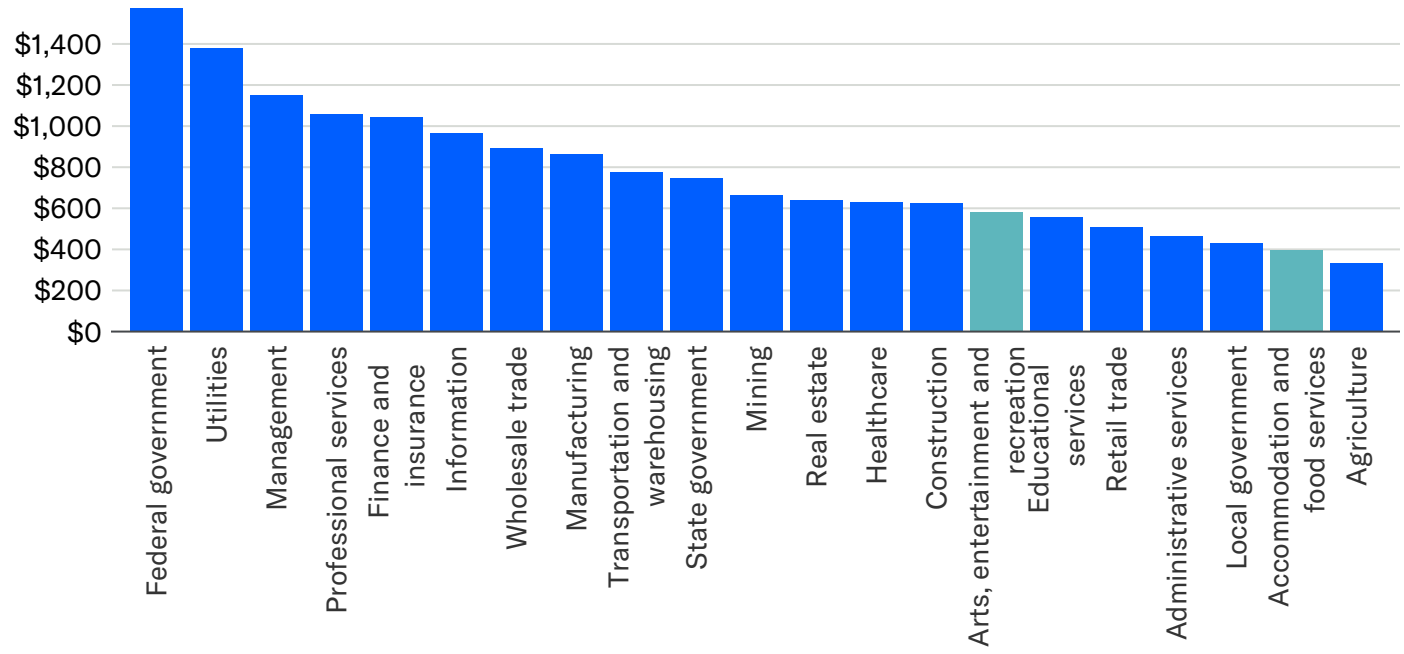
Exhibit 2
Strong tourism evident from five straight years of record arrivals at San Juan International Airport



Data for 2025 includes projections for November and December.
Source: Aerostar & Puerto Rico Ports Authority

The leisure and hospitality sector added 3,500 workers in 2025 compared with the year before, the most of any sector. However, wages in the leisure and hospitality sector, including the arts, entertainment and recreation and accommodation and food services subsectors, are among the lowest of any employment sector. Therefore, growth in this sector is not as beneficial as growth in other higher wage sectors (Exhibit 3).

Exhibit 3
Despite employment gains, leisure and hospitality wages lag other sectors
Average weekly wages in Puerto Rico by sector as of Q2 2025 (leisure and hospitality sector includes highlighted sectors)



Federal, state and local government sector wages represent public administration roles.
Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment & Wages

Similar to the rest of the US, healthcare has been a main driver of employment growth, driven by a need for services and the strong medical manufacturing sector in Puerto Rico. Puerto Rico's population has been aging faster than the rest of the US, spurring

additional needs for health services in the territory. In 2025, the education and healthcare sector added 3,200 jobs, mainly consisting of healthcare job growth. The overall sector growth is the second largest increase of any employment sector behind leisure and hospitality. Wages in the healthcare sector are higher than those in leisure and hospitality, but still lower than many other sectors.

Employment also benefited from significant gains in construction and retail trade. Construction employment grew by 1,900 workers in 2025, fueled by ongoing reconstruction efforts. Significant amounts of federal aid have been allocated to Puerto Rico for disaster relief, primarily after Hurricane Maria in 2017. Obligated federal funds pending disbursement total $43.9 billion (Exhibit 4), over 35% of Puerto Rico's 2023 nominal GDP. Puerto Rico's current administration has focused on reducing bureaucracy around accessing federal funds to expedite reconstruction projects. In November 2025, cement production grew by 45% compared to the same month a year before and total sales of bagged and bulk cement grew by 11%, indicative of robust construction activity. Going in hand with construction and tourism growth, retail trade added 1,300 jobs in 2025 because of increased sales of construction materials and tourism-related retail.

Exhibit 4

Puerto Rico's reconstruction efforts fueled by federal disaster funding

Federal funds in $ billions

Federal funding source	Funds allocated	Funds obligated	Funds disbursed	% of obligated funds disbursed	Total obligated funds pending disbursement
FEMA Funds	$55.0	$51.9	$25.7	49%	$26.3
HUD Funds	$20.4	$20.4	$4.6	22%	$15.8
CARES Act	$2.2	$2.2	$2.2	100%	$0.0
American Rescue Plan Act	$4.0	$4.0	$3.9	97%	$0.1
Other Funds*	$9.9	$6.1	$4.4	73%	$1.7
Total federal funds	**$91.6**	**$84.7**	**$40.8**	**48%**	**$43.9**

*Includes EPA, FCC, GSA, NSF, SBA, USACOE, USDA, US Department of Commerce, US Department of Education, US Department of Energy, HHS, Homeland Security, DOJ, DOL, US Department of Interior, US DOT and Veterans Affairs
Balances are as of Feb. 16, 2026.
Sources: COR3, FEMA, AAFAF and Department of Treasury

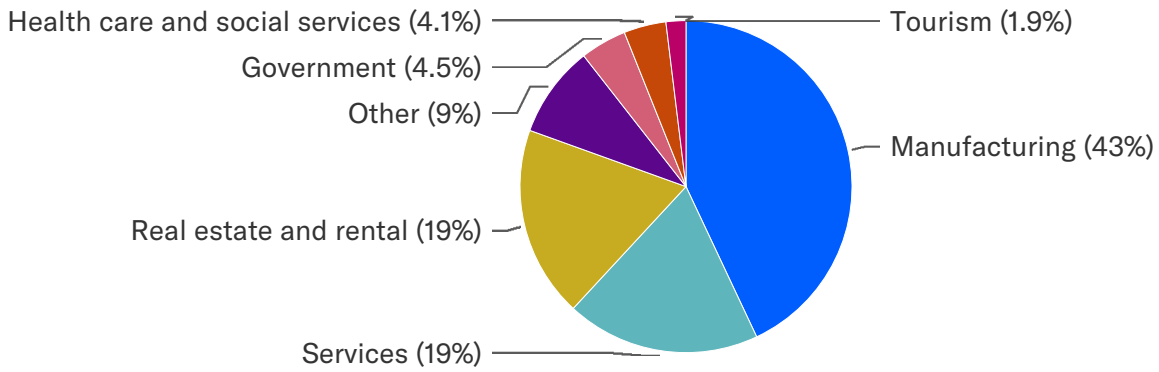
Manufacturing and state and local government, important sectors for Puerto Rico, both had small job losses

Life sciences manufacturing in pharmaceuticals and medical devices has been a major driver of employment and GDP in Puerto Rico. Manufacturing accounts for over 40% of GDP (Exhibit 5), though only about 9% of employment. The industry's high output, especially from pharmaceutical and medical device companies, drives its significant contributions to GDP.

Exhibit 5

The manufacturing sector is the biggest contributor to Puerto Rico's GDP

Fiscal 2022 share of GDP by sector



Source: Financial Oversight & Management Board for Puerto Rico

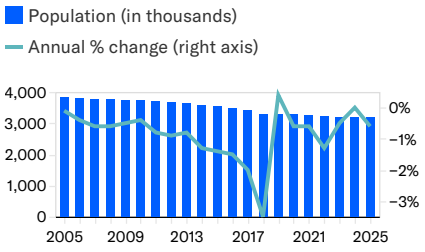
Manufacturing employment declined slightly by 1.1% in 2025 compared with the previous year, losing about 900 jobs, because of increased automation in the sector. The sector will benefit from recently announced expansions by major pharmaceutical companies. In September 2025, Amgen announced a $650 million expansion of its biologics manufacturing facility in Juncos, Puerto Rico, expecting to create 750 jobs in construction and drug production. The following month, Eli Lilly announced a planned investment of more than $1.2 billion to expand and modernize its Lilly del Caribe manufacturing site in Carolina, Puerto Rico to support production of GLP-1 drugs. The governor has also aimed at attracting global manufacturers to the island with the rise in tariffs, not only in pharmaceuticals and medical devices, but also aerospace.

While the government sector (state, local and federal) accounts for over one-fifth of jobs in Puerto Rico, it only contributes about 5% of GDP. Although the government sector is a large employer, direct government production is small in comparison to the private sector and federal, state and local funding of projects is mostly funneled into the private sector. Overall, employment in the sector has remained steady, with state and local government employment declining only slightly in 2025, offset by gains in federal government employment. Government sector employment overall was flat in 2025 compared with the year before

Employment has grown despite economic hurdles like weak demographics, physical climate risks and an unreliable power grid

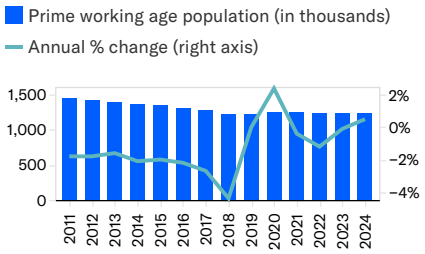
Puerto Rico experienced persistent population loss since 2004, resulting in declines of the prime working age population (people aged 25 to 54) and an aging workforce (Exhibits 6, 7 and 8). Weak demographic trends continue, diminishing the availability of skilled workers, despite a couple years of positive net migration in 2023 and 2024. Encouragingly, population declines have slowed and the prime working age population experienced a small boost in 2024, increasing by 0.5%. Labor force participation has also improved to 44.5% in September 2025 from a low of 37.4% in February 2020, but remains far below the US labor force participation rate of 62.5% as of January 2026.

Exhibit 6
Puerto Rico's population decline has slowed



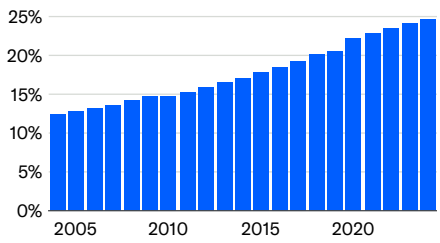
Source: US Census Bureau

Exhibit 7
Prime working age population had a small boost in 2020 and 2024
Prime working age population ages 25-54



Source: US Census Bureau

Exhibit 8
Puerto Rico's population is aging faster than the rest of the US
Percent of population ages 65 and older



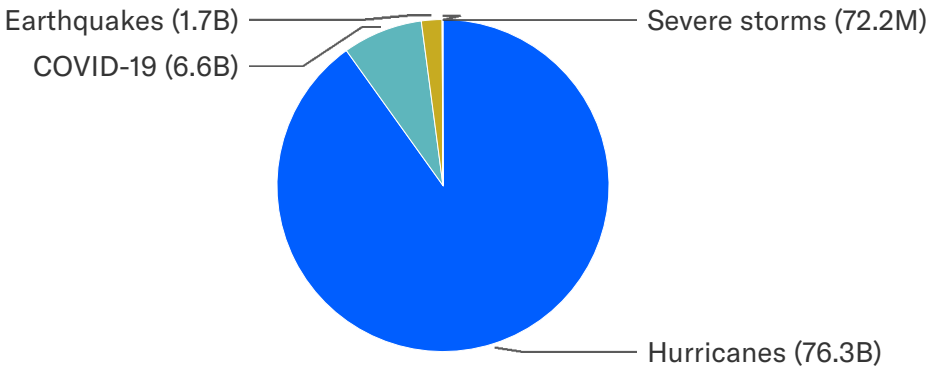
Source: US Census Bureau

The territory continues to face significant vulnerability to hurricanes and other natural disasters, which have historically strained infrastructure and disrupted economic activity. Fortunately, Puerto Rico has not faced the same population loss it did after Hurricanes Maria and Irma in 2017. An influx of federal aid following a natural disaster typically boosts construction employment and economic output for states, territories and local governments. While Puerto Rico has been allocated significant federal funding for disaster relief (Exhibit 9), spending of federal funds has been slow and delayed for various reasons, including political, bureaucratic and capacity constraints. While the spending of federal funds has strengthened construction employment, hurricanes pose a risk to industry operations and a deterrent to companies looking to locate in Puerto Rico.

Exhibit 9

Most of Puerto Rico's federal disaster aid was allocated after Hurricane Maria

Share of total obligated federal funds by disaster type ($)



Source: COR3, FEMA, AAFAF and Department of Treasury

Puerto Rico's power grid has still not fully recovered from damage caused by Hurricane Maria. The territory has experienced multiple islandwide power outages caused by hurricanes, earthquakes and poor infrastructure. Reliability of the electrical grid is another deterrent to employers looking to locate in Puerto Rico. However, many pharmaceutical and medical device companies have their own backup power sources and their output has not suffered significantly from power outages. Notably, power outages resulting from lack of generation have recently been prevented because the Puerto Rico government added 1,200 megawatts of new generation capacity (equivalent to 37.4% of current generation) since early 2025. This expansion has contributed to minimizing the frequency and severity of power outages compared to previous years and improving overall system stability.

Further, Puerto Rico created its Climate Change Mitigation, Adaptation and Resilience Plan in 2019, which includes measures to improve resiliency of its energy infrastructure, such as investing in microgrids, battery storage systems and other technologies to make the electrical grid more resilient to extreme weather events. Much of the remaining obligated federal funds are being funneled toward reconstruction of the power grid. Additionally, in September 2025, the US Department of Energy announced $365 million in funding to support Puerto Rico's power grid.

Endnotes

1 All employment data referenced throughout this report are not seasonally adjusted figures reported by the US Bureau of Labor Statistics.

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