

Hurricane Maria's economic impact on Puerto Rico: At least \$43 billion, possibly as high as \$159 billion

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(Photo: Discover Puerto Rico)

The latest report from Puerto Rico's planning board paints a grim picture, estimating the impact of Hurricane Maria on the island's economy at \$43 billion, \$1 billion more than the original assessment.

A local economist says the actual number could be more than three times that amount.

As the U.S. territory tries to recover from the devastation inflicted by two major hurricanes in the same month – Irma delivered a glancing blow on Sept. 6, 2017, followed by a direct hit from Maria two weeks later – authorities have been trying to measure their effects on an economy that was already shrinking.

The board said it arrived at the \$43 billion figure in part via questionnaires issued to the public and private sectors as well as statistics provided by professional associations through October.

“Given the magnitude of the natural disaster, the economic sectors will keep feeling the impact for an undetermined amount of time,” says the report, which took into consideration the millions of dollars received to date in federal recovery funds and insurance payments.

But a study commissioned by the Puerto Rican economic consulting firm H. Calero assesses the economic impact at \$139 billion, potentially up to \$159 billion.

“It's not clear what they included in that estimate,” company president Heidie Calero said. “Maybe all their numbers are compatible and have a rational explanation, but they need to be more transparent in what methodology they used, what were the sources of their information, and whether that was their preliminary estimate of damages and the number will grow as time goes on.”

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Regardless of which figure is accurate, Puerto Rico is in the midst of a long, arduous climb back to economic stability.

Even before getting battered by the hurricanes, which killed nearly 3,000 people and left most residents without power for several weeks and some close to a year, the Puerto Rican government was more than \$70 billion in debt and had an additional \$50 billion in pension liabilities.

A fiscal plan initially put together by the Financial Oversight and Management Board for Puerto Rico was revised in June to account for the impact of the hurricanes. It states the island sustained tens of billions of dollars in damage because of Maria, which reduced the island's gross domestic product by 8 percent.

In addition, the document says 40 percent of the commonwealth was living below the poverty line, and 8,000 small businesses – about 10 percent of the total – had not reopened. Another study indicated 40 percent of the residents had lost their job or were earning less money a year after Maria.

Although the fiscal report projects \$80 billion in federal funding to be invested in Puerto Rico – a little over half of the \$139 billion Gov. Ricardo Rossello requested in August – little of that has had an effect so far.

“A lot remains to be done,” said island-based economist Jose Caraballo, adding that federal aid and insurance payments have covered just 24 percent of the losses. “The economic impact of the reconstruction has not been felt.”

In the long range, Puerto Rico's prosperity will hinge on its people, and that has become an increasingly dicey proposition because so many of them have been leaving.

The island's population had been declining for more than a decade before Maria, from a high of 3.8 million in 2004 to about 3.3 million in 2017. As U.S. citizens, Puerto Ricans can move freely to the mainland, and tens of thousands did so following the hurricanes.

It's not clear how many have returned, but in October 2017, the Center for Puerto Rican Studies estimated the island could lose more than 470,000 residents between that year and 2019.

"To me that's the biggest challenge facing Puerto Rico, how to keep the population from continuing to decline," Calero said. "You have a pre-Maria Puerto Rico and a post-Maria Puerto Rico, but I insist – and that's one of the conclusions of our study – that Maria is providing us a second opportunity to transform the government, the economy, health services, to transform and modernize the infrastructure, but that requires a vision about where we want to be."

Contributing: The Associated Press

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