

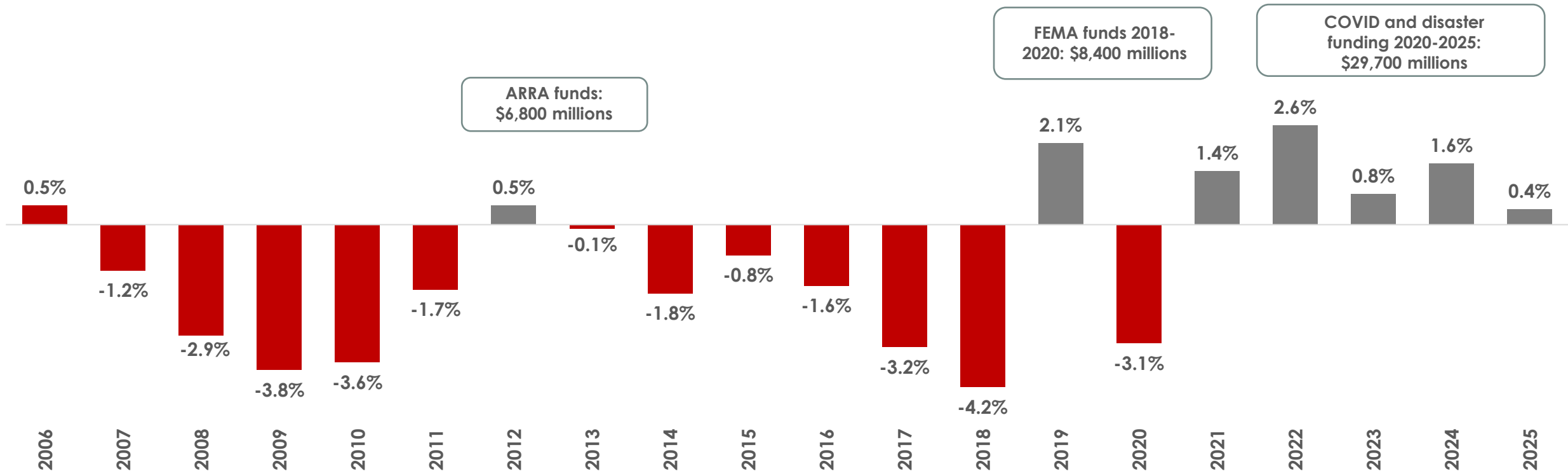


GENERAL CONTEXT

PUERTO RICO'S ECONOMIC RECOVERY HAS DEPENDED ON FEDERAL FUNDS

- In 2020 the economy was **19%** smaller than in 2006.
- Nevertheless, relative to FY 2019, the economy is **7%** larger, showing a 1.4% avg. growth rate between 2021-2025.

Real GNP growth, Fiscal Year 2006-2025



Source: Puerto Rico Planning Board. Statistical Appendix to the Governor (2025). COVID money tracker <https://www.covidmoneytracker.org/explore-data/interactive-table>.

PUERTO RICO FACES AN UNCERTAIN ECONOMIC CONTEXT

	2019	2024	2025	Δ 2025 / 2024	Period	
Labor Market	Private employment (# of jobs created)	22,508	10,142	9,175	↓	Jan-Dec
	Unemployment rate (%)	8.30%	5.60%	5.60%	↔	Jan-Dec
Commerce	Real retail sales (% annual growth)	-8.6%	-1.58%	1.17%	↑	Jan-Dec
	New automobile sales (#)	106,624	121,999	110,983	↓	Jan-Dec
	Commercial Bankruptcies (# of filings)	2,962	1,900	2,119	↑	Jan-Dec
Construction	Cement sales (# of bags)	14,304	14,593	15,560	↑	Jan-Dec
	Cost of construction materials (% annual growth)*	0.22%	-0.99%	2.56%	↑	Jan-Dec
Consumer	Weekly average salary (% annual growth)	4.63%	9.14%	5.64%	↓	Jan-Dec
	Personal Bankruptcies (# of filings)	4,693	3,799	3,811	↑	Jan-Dec
Economic Activity	EDB Index of Economic Activity (% annual growth)	-1.00%	0.60%	-0.31%	↓	Jan-Dec
Inflation	Consumer Price Index (% annual growth)	0.12%	2.02%	1.49%	↓	Jan-Dec

Source: Economic Development Bank, Puerto Rico Department of Labor, Statistical Institute of Puerto Rico, and Estudios Técnicos, Inc.

* Used as a proxy the U.S. producer price index for construction.

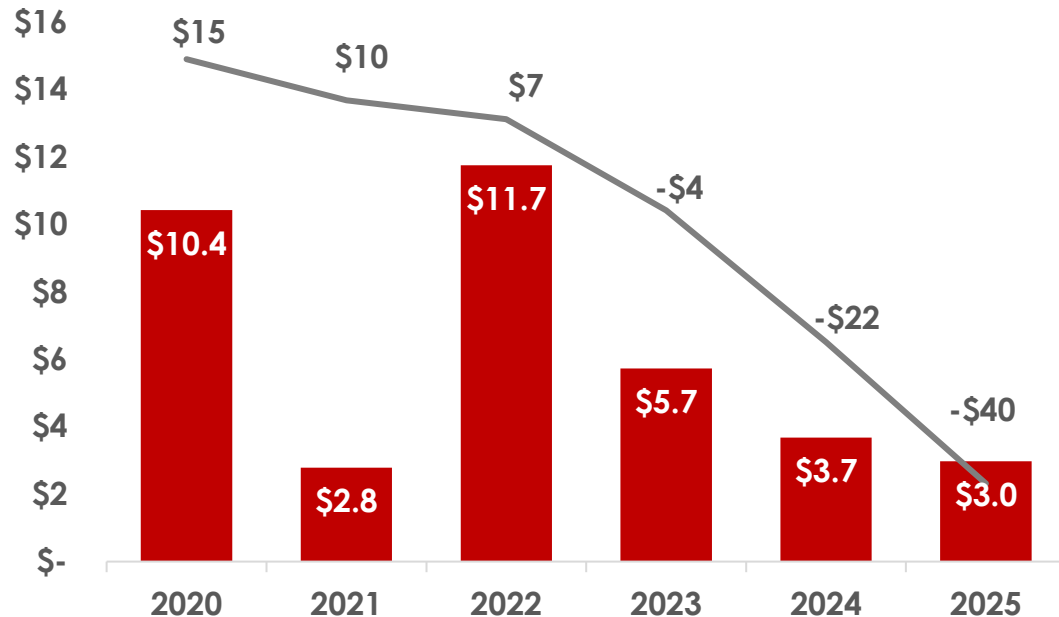
EXCESS HOUSEHOLD LIQUIDITY HAS LARGELY DISSIPATED WITH CONSUMPTION GROWTH DRIVEN PRIMARILY BY A \$4.4 BILLION INCREASE IN CREDIT GROWTH

Excess liquidity that reached \$15 billion in 2020 was essential in reactivating demand

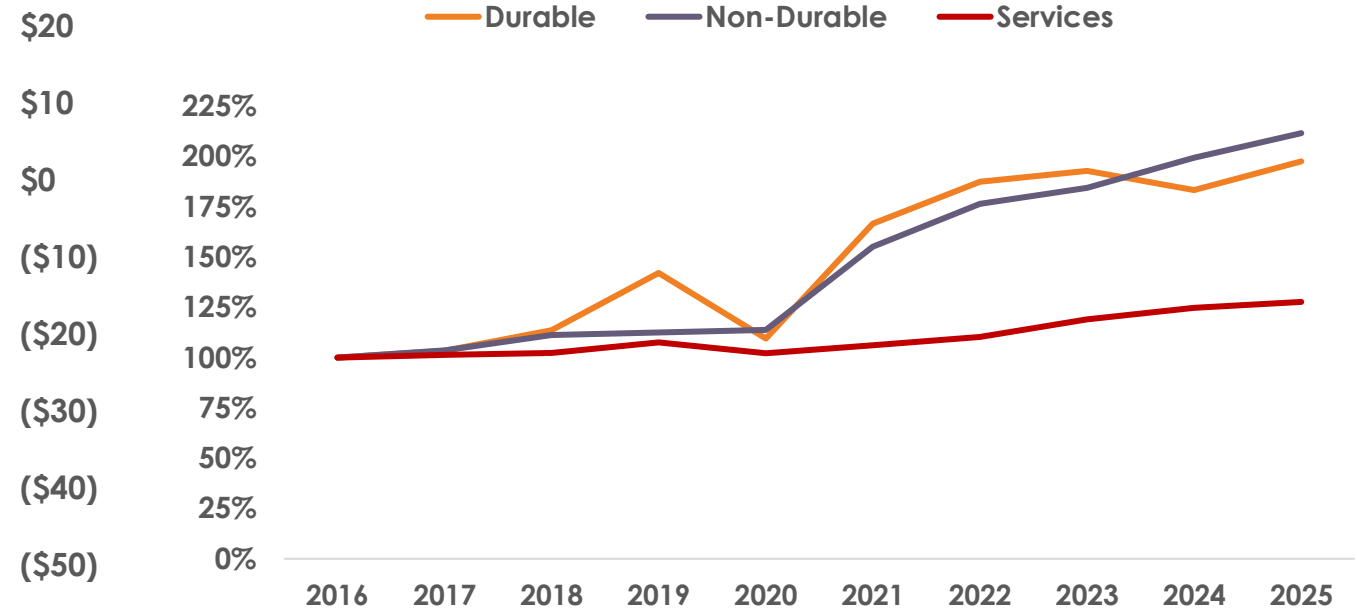
With this liquidity unavailable, and personal disp. income stagnant, consumption was fueled by bank's lending**

Consumer's excess liquidity (\$ billions)*

■ Excess Savings — Accumulated Liquidity



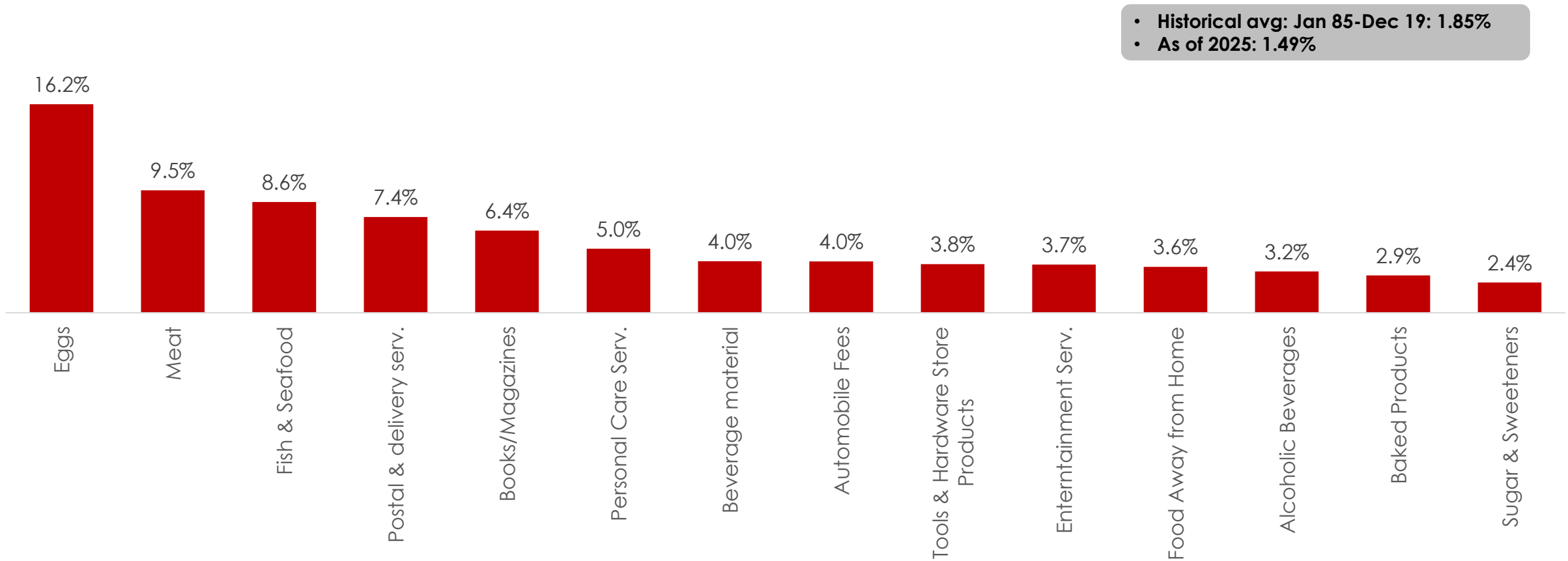
Trends in consumer spending (2015=100)



Source: Puerto Rico Planning Board. Statistical Appendix to the Governor (2024) and Ingreso y Producto (2025). Estimates by Estudios Técnicos, Inc. *Non-durable goods consumption was driven mainly by higher spending on medicines, while food and apparel declined. Durable goods spending reflected automobile maintenance and household equipment, and services were influenced by housing, business services, utilities, and recreation. The decline in durable and non-durable goods reflects consumer adjustments to inflation. ** Excess liquidity = Excess savings – Excess consumption

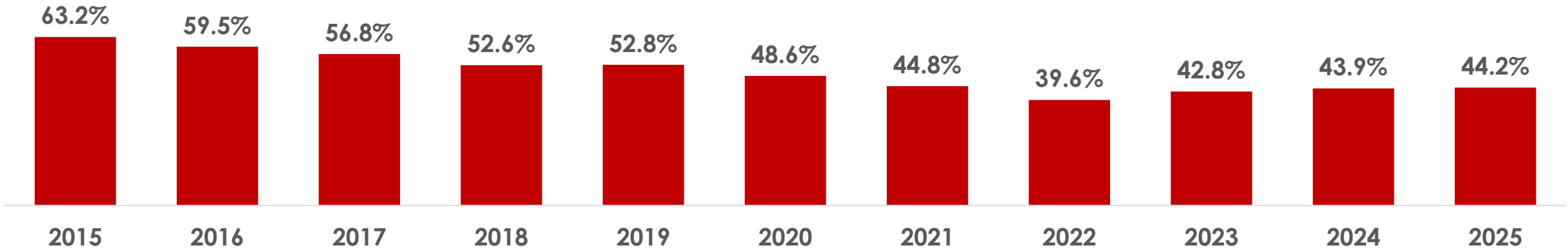
IN 2025, PRICES REMAINED HIGH FOR SOME ESSENTIAL GOODS AND SERVICES, WITH SOME EVEN ACCELERATING

Inflation Rate for Selected Goods and Services (% anual growth)

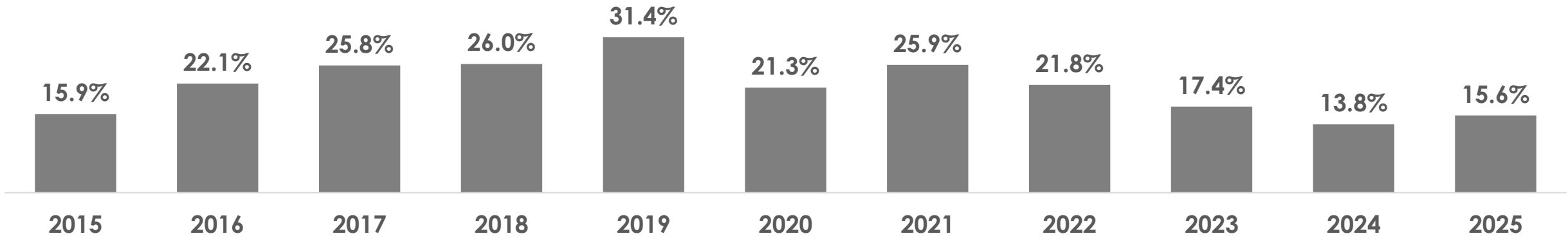


CONSUMERS FACE HIGHER INDEBTEDNESS AND WEAKER NET WORTH, RAISING DOWNSIDE RISK TO CONSUMPTION AND CREDIT PERFORMANCE

Consumers' Debt* to Personal Disposable Income (%)



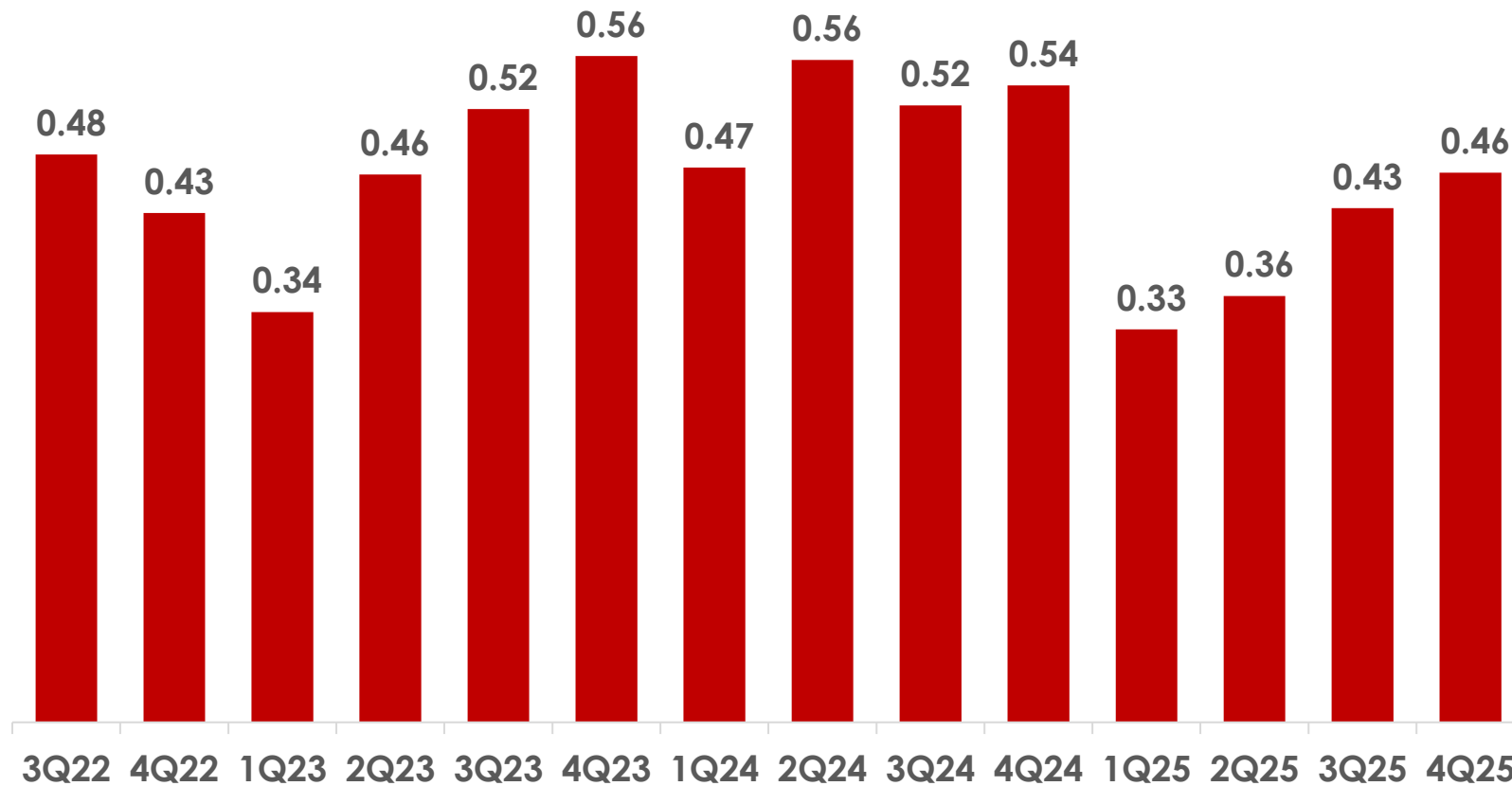
Net Worth (%)



Source: Planning Board, Statistical Appendix to the Governor (2024) and statistics from the Office of the Commissioner of Financial Institutions. *Consumer debt include residential mortgage loans and excludes credit card debt issued by financial companies located in the U.S. Therefore, these ratios are conservative and may underestimate consumer financial fragility.

FINANCIAL FRAGILITY IS RISING AGAIN, INDICATING PERSISTENT PRESSURE ON HOUSEHOLDS... INDEX AT 0.46 IN 4Q25, UP FROM 0.33 IN 1Q25

Consumer Financial Fragility Index



Financial fragility levels:

- 0-0.25 – Low
- 0.26-0.50 – Moderate
- 0.51-0.75 – High
- 0.76-1.00 – Extreme

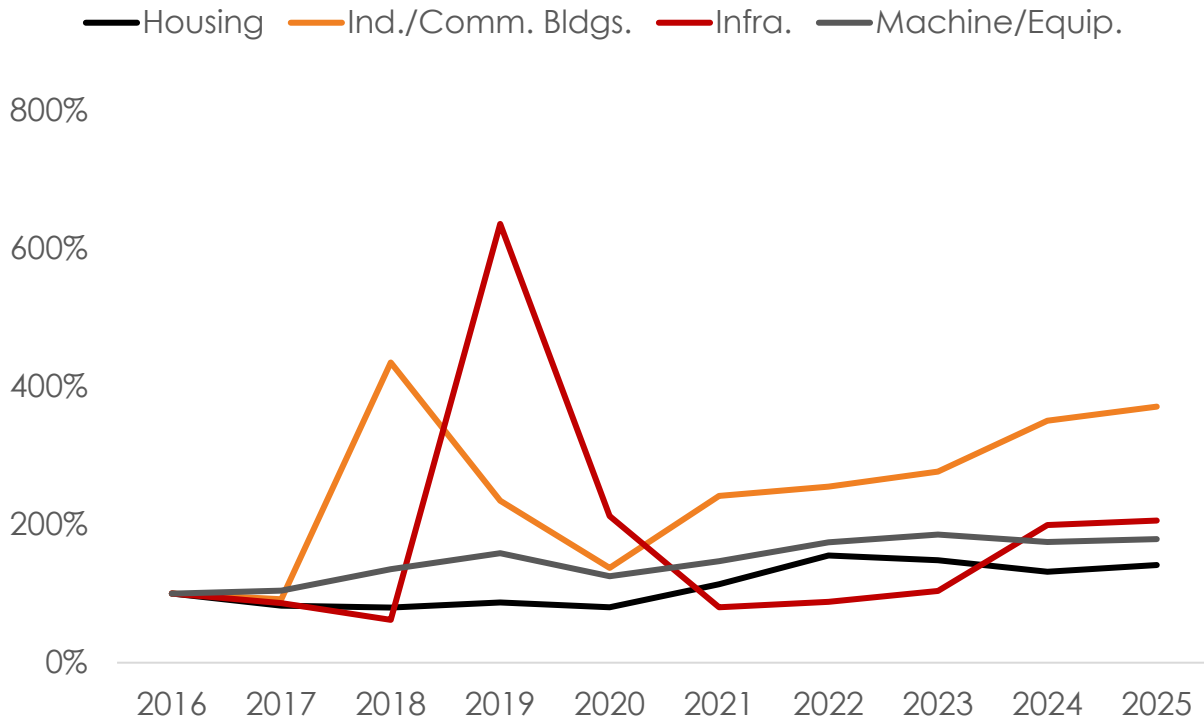
Source: Estudios Tecnicos, Inc.

CONSTRUCTION IS CRITICAL TO GROWTH, BUT FACES STRUCTURAL HEADWINDS

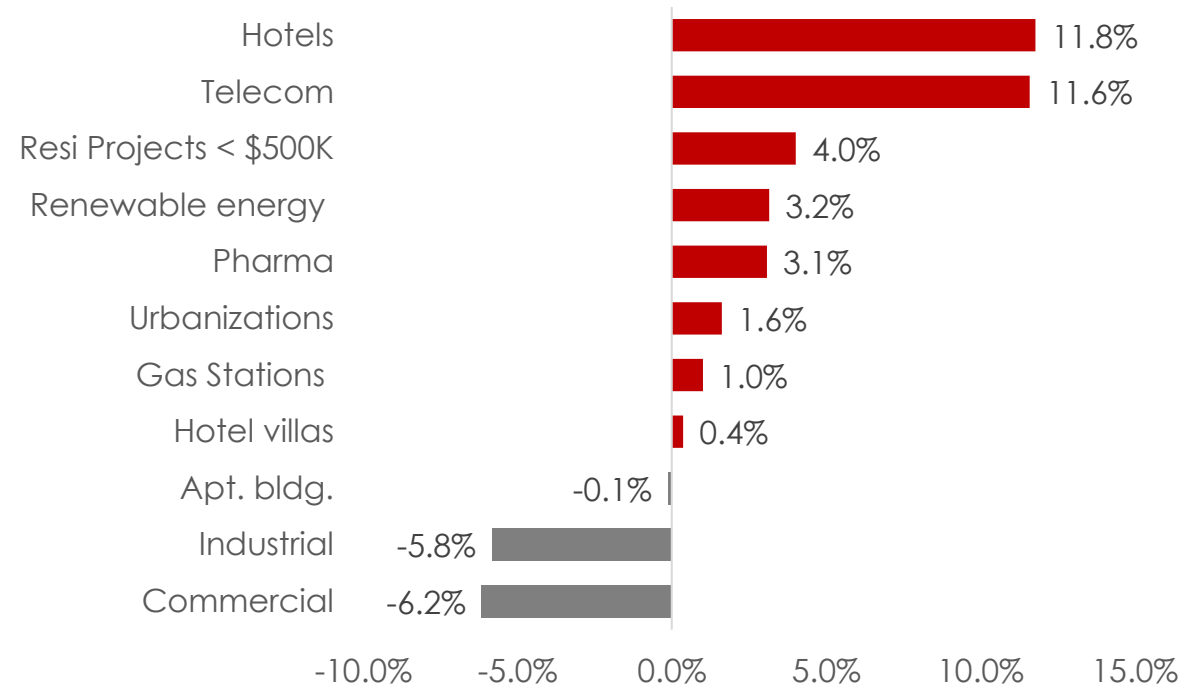
INVESTMENT GROWTH DRIVEN PRIMARILY BY CONSTRUCTION IN INDUSTRIAL, COMMERCIAL AND UTILITIES-RELATED INFRASTRUCTURE

- In FY 2025, 51% or \$4,085 million of the value of construction activity corresponded to the private sector with 79% of this investment concentrated on C&I buildings and installation projects.

Gross Domestic Fixed Investment, FY (2016 = 100)



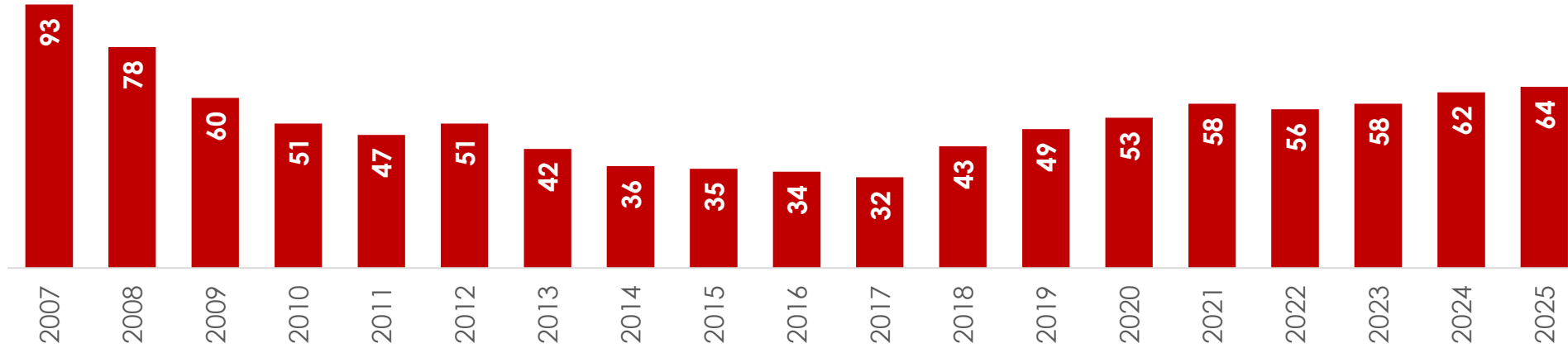
Investment in Private Construction
(Δ in investment share, 2025-2020)



Source: Puerto Rico Planning Board. Statistical Appendix to the Governor (2025) and Selected Construction Statistics (2025)

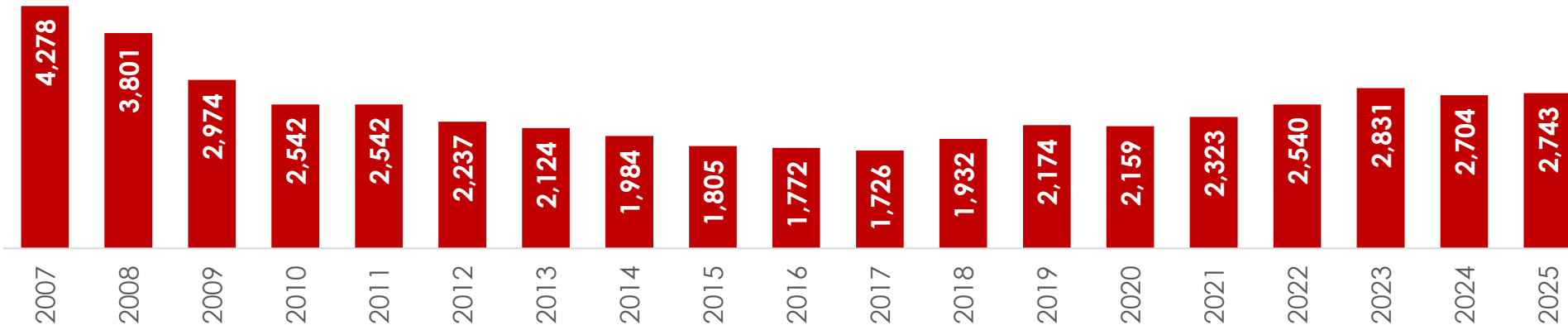
CONSTRUCTION CAPACITY REMAINS CONSTRAINED

Employment in construction (#)



Employment gap vs. 2007:
-29K
-31%

Establishments in the construction industry (#)

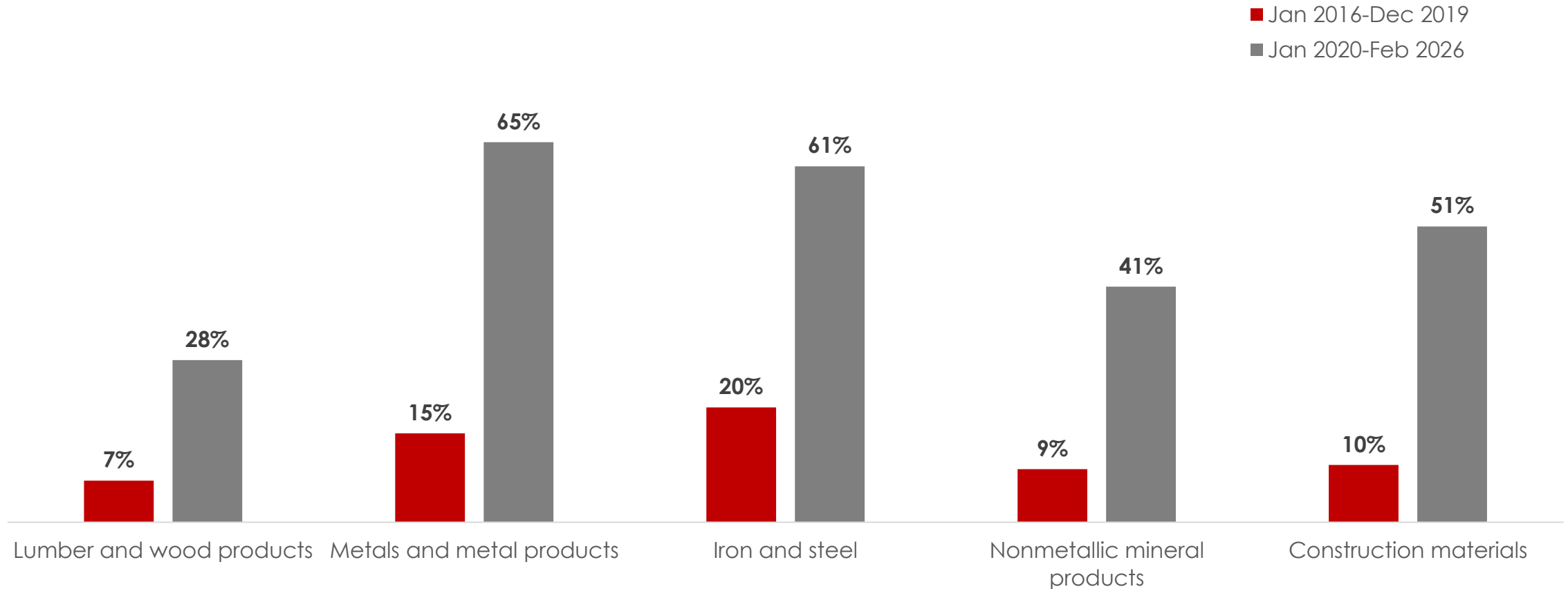


Establishments gap vs. 2007:
-1,535
-36%

Source: Puerto Rico Department of Labor and Bureau of Labor Statistics.

INFLATION ON CONSTRUCTION MATERIALS SURGED DRIVEN BY GEOPOLITICAL TENSIONS, SUPPLY CHAIN DISRUPTIONS, AND U.S. TRADE TARIFFS*

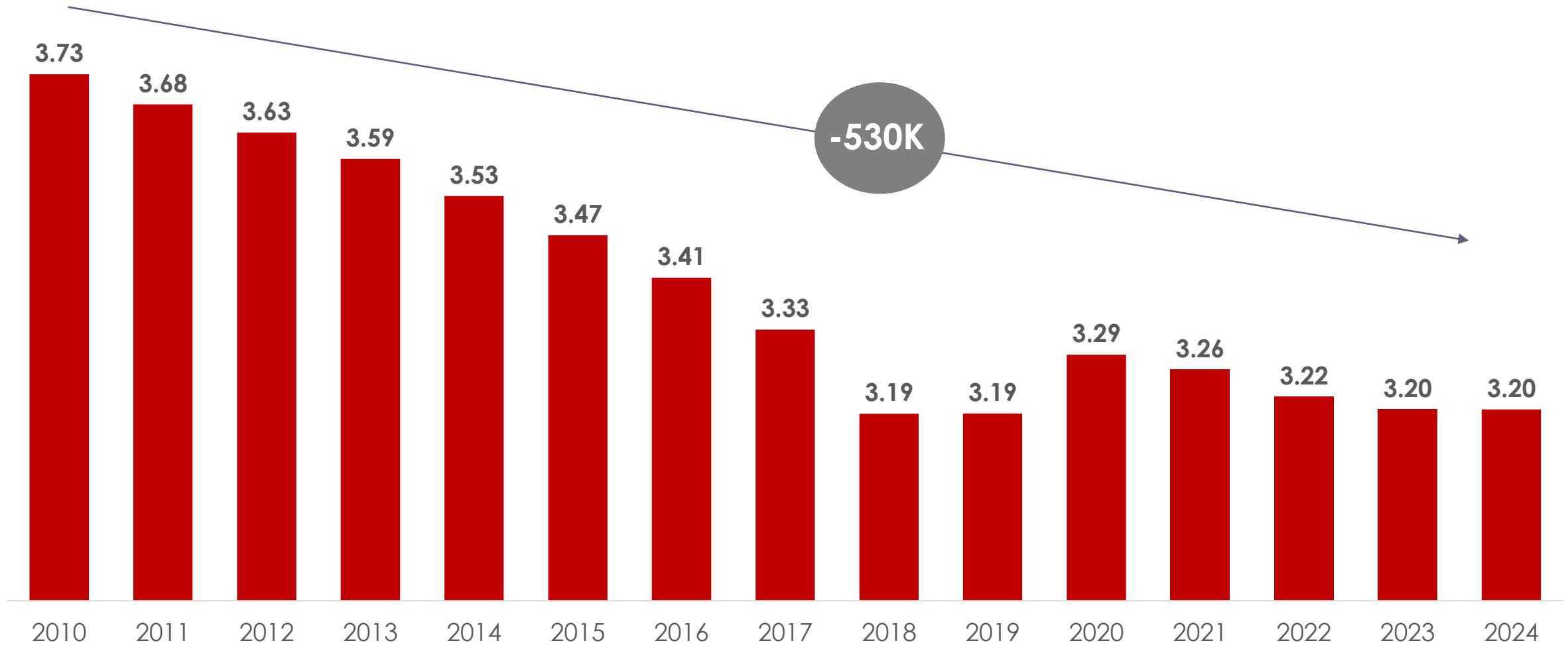
Producer Price Index for Construction Material (% growth)



Source: U.S. Bureau of Labor Statistics. Current tariff in effect: 10% time limited under Section 122 effective for 150 days and expiring July 2026; 50% on steel and aluminum, 50% on various semi-finished copper and intensive copper derivatives, 10% on softwood lumber and timber and various derivatives of lumber and timber are set at a 25% tariff. Information obtained from Associated General Contractors of America at <https://www.agc.org/tariff-resources-contractors>

POPULATION DECLINE MASKS A FUNDAMENTAL SHIFT IN HOUSING DEMAND

PUERTO RICO'S POPULATION, 2010-2024



Source: U.S. Census Bureau.

RISING HOUSEHOLD INCOMES INCREASE PURCHASING POWER, PUTTING UPWARD PRESSURE ON HOUSING DEMAND AND PRICES

Household Income Distribution Shift, 2020-2024

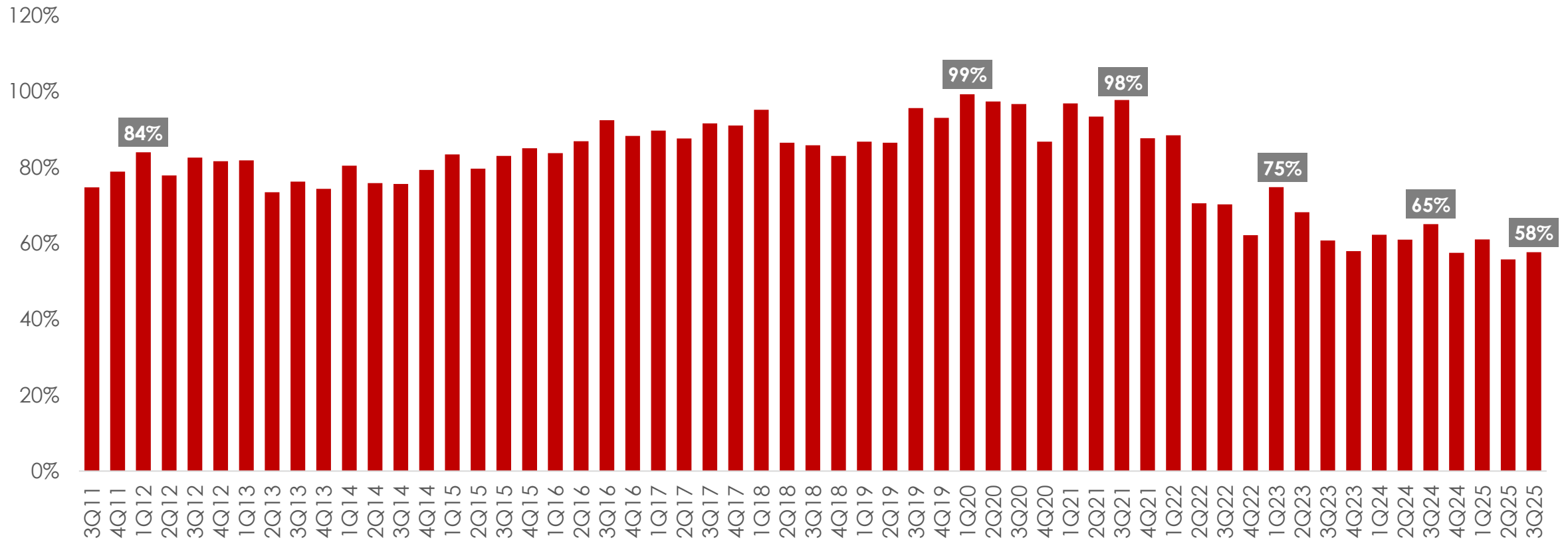
Household by income level	2020	% of total	2024	% of total	Δ in households
Less than \$10,000	318,170	26%	227,904	18%	(90,266)
\$10,000 to \$14,999	140,728	12%	136,367	11%	(4,361)
\$15,000 to \$24,999	220,806	18%	222,130	18%	1,324
\$25,000 to \$34,999	149,680	12%	150,465	12%	785
\$35,000 to \$49,999	144,508	12%	166,344	13%	21,836
\$50,000 to \$74,999	122,868	10%	156,851	13%	33,983
\$75,000 to \$99,999	51,495	4%	80,135	6%	28,640
\$100,000 to \$149,999	35,030	3%	59,648	5%	24,618
\$150,000 to \$199,999	10,964	1%	23,070	2%	12,106
\$200,000 or more	11,500	1%	19,695	2%	8,195
Total households	1,205,749	100%	1,242,609	100%	36,860
Population 18 yrs over	2,644,482		2,722,569		78,087
Headship rate	46%		46%		

Housing demand is strengthening due to rising incomes, but affordability constraints limit full market absorption, creating opportunities in workforce, rental, and subsidized housing

Source: U.S. Census Bureau, División de Población (2024).

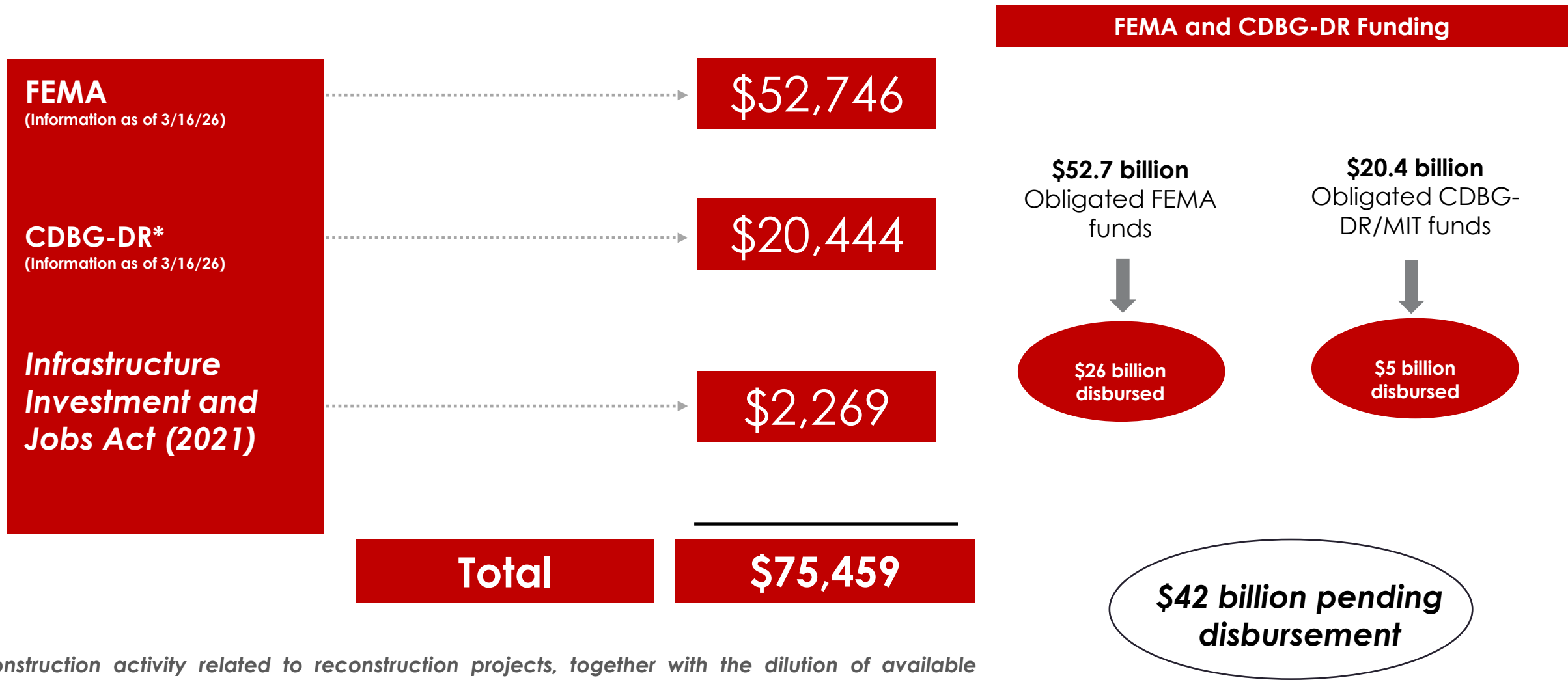
RISING HOUSING PRICES AND INTEREST RATES HAVE SIGNIFICANTLY REDUCED HOUSING AFFORDABILITY AND DEMAND

Housing Affordability Index (%) – Estudios Técnicos, Inc.



Source: Estudios Técnicos, Inc.

LARGE RECONSTRUCTION FUNDS ARE AVAILABLE, BUT SLOW DISBURSEMENT IS CONSTRAINING CONSTRUCTION-LED GROWTH



Construction activity related to reconstruction projects, together with the dilution of available funding due to higher construction costs, suggests that construction output will remain below the \$4.4 billion annually, thereby dampening multiplier effects across the economy.

OTHER IMPORTANT HEADWINDS

1 Labor shortages and wage pressure raise operating costs and extend project timelines. Shortage of ~349,000* construction workers in U.S. in 2026 may affected the local market.

2 Skilled labor outmigration and aging workforce limit long-term construction sector capacity.

3 The construction of data centers, manufacturing expansion, and infrastructure projects in the U.S. may increase pressure on resource availability and input costs.

4 Limited contractors' capacity slows scaling of large reconstruction projects. Financing and cash-flow constraints affect smaller and local contractors.

5 High interest rate environment affecting projects return on investment and feasibility.

...BUT THERE ARE ALSO TAILWINDS

EXPANSIONS IN MANUFACTURING ARE SCHEDULED BETWEEN 2025-2028



Industry
Investment
Potential jobs

Amgen	Bethel Protective Systems, LLC.	Terumo	Millicent Manufacturing PR, LLC
Pharma	Military uniforms mnfg.	Medical devices	Pharma
\$650M	\$8M	\$45M	\$45.5M
750	400	180	100



Industry
Investment
Potential jobs

Stryker	FDI Clinical Research	Viant Puerto Rico, Inc.	Dot AI Corp.
Medical devices	Medical devices	Medical devices	Hardware mnfg.
\$16.5	\$5.8M	\$5.9M	\$1.5M
46	36	168	200



Industry
Investment
Potential jobs

ABB	Lormar Optical Distributors	Great Lake SolX
Electrification & automation	Ophthalmic products	Solar panels
\$30.5M	\$6.4M	\$64M
90	10	250

THE EXPANSION IN THE TOURISM INDUSTRY ALSO POINT TO OPPORTUNITIES



	Four Seasons	Hilton	Marriott	Mandarin Oriental	Auberge Resorts
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Rooms	22	573*	109	106	83
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Location	Rio Grande	San Juan/ Ponce	San Juan	Cabo Rojo	Fajardo
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FINAL REMARKS

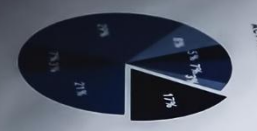
FINAL REMARKS

- 1. Infrastructure projects are expected to be the primary driver of economic growth in the short to medium term**, supported by obligated funds equivalent to 82% of Puerto Rico's GNP. Elevated construction costs, labor shortages, slow fund disbursement (~10% avg. yearly reduction from FY26-30), and limited local participation may constrain their overall impact on growth.
- 2. Despite ongoing economic uncertainty, several positive trends remain.** The labor market shows resilience, although employment growth is moderating. SMEs are expanding, manufacturing activity is benefiting from reshoring, and real wages continue to outpace inflation.
- 3. Inflation is expected to remain high.** Various factors may potentially keep inflation sticky for some goods and services. Locally, higher utility fees and labor supply shortages. Internationally, higher U.S. trade tariffs and oil prices.
- 4. Elevated inflation and interest rates are straining household and business finances**, prompting tighter credit standards that may weigh on consumption and investment, with financial institution's liquidity remaining a priority among financial intermediaries.
- 5. Absent federal legislation, the Medicaid fiscal cliff poses a serious medium-to-long-term economic risk.** Up to a \$3 billion shortfall in funding for healthcare could ensue, forcing fiscal adjustments and substantial economic losses.
- 6. Policy continuity supports economic diversification**, with growth in pharmaceuticals, aerospace, tourism, SME exports, IT, and expanding service industries. But the cumulative effect of 20 years of underinvestment in critical infrastructure is still felt.
- 7. Supply chain shifts and geopolitical issues are driving reshoring.** Investment in expansions by existing operations and the need of modern facilities in the island is positive for the activity in construction but the potential contribution to employment growth beyond this sector is limited due to automation of production processes.
- 8. Tourism growth remains highly exposed to U.S. economic conditions**, with potential softness in travel spending weighing on leisure and hospitality activity and employment.



SUMMARY BY CATEGORY

Category	Budget	Actual	Difference
Food	\$200.00	\$90.00	\$110.00
Medical	\$200.00	\$20.00	\$180.00
Travel	\$200.00	\$205.75	\$144.25
Other	\$200.00	\$250.00	\$50.00
Total	\$1,000.00	\$615.75	\$384.25



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